

F.No.21(1)-PD/2005
Government of India
Ministry of Finance
Department of Economic Affairs
(Budget Division)

Room No.168A, North Block,
New Delhi dated December 27, 2006

Subject: Cash management system in Central Government – modified exchequer control based expenditure management and restrictions on expenditure during the last quarter of the financial year.

OFFICE MEMORANDUM

The undersigned is directed to refer to Office Memorandum of even number dated January 10, 2006 regarding introduction of exchequer control based expenditure with effect from April 1, 2006.

2. Based on the working of the scheme, it has been decided to expand and modify the Scheme as detailed below.
3. The Modified Cash Management System seeks to achieve, *inter alia*, the following objectives -
 - (i) Obtain greater evenness in the budgeted expenditure within the financial year, especially in respect of items entailing large sums of advance releases and transfers to corpus funds.
 - (ii) Reduce rush of expenditure during the last quarter, especially the last month of the financial year.
 - (iii) Reduce tendency of parking of funds.
 - (iv) Effectively monitor the expenditure pattern.
 - (v) Better planning of Indicative Market Borrowing Calendar of the Central Government.
4. The Scheme shall apply in respect of 23 Demand for Grants listed in Annex I, including 9 to which the Scheme is being extended with effect from financial year 2007-08.
5. Financial Advisor would be responsible for the implementation of the modified expenditure management system. He/she may nominate a nodal officer for the purpose.
6. In respect of each Demand for Grant, Monthly Expenditure Plan (separately for Plan and Non-Plan Expenditure) [MEP] would be worked out and included as an annex to the Detailed Demand for Grant in respect of the said Demand for Grant. Suggested format is at Annex-II.

7. MEP would form the basis of Quarterly Expenditure Allocations [QEA]. The Department/Ministries concerned may not issue cheques beyond the Quarterly Expenditure Allocation [which would be equal to the sum of provisions under Monthly Expenditure Plan], without prior consent of Ministry of Finance [Cash Management Cell, Budget Division].
8. The MEP may be finalized taking into account the following –
- (a) MEP for the month of March may not exceed 15 per cent of the budgeted provision [Budget Estimate];
 - (b) MEP for the months of January-March may be so fixed that the QEA for the last quarter may not exceed 33 per cent of the budgeted provision; and
 - (c) The extant guidelines of Ministry of Finance, Department of Expenditure, including D.O.No.7(3)/2006/E.Coord, dated December 21, 2006.
9. The exchequer control would apply cumulatively at the Demand for Grants level only, i.e. inter se variations between months within a quarter, between plan and non-plan and between schemes would be permissible, subject to statutory restrictions and extant guidelines.
10. Savings, if any, incurred under the Quarterly Expenditure Allocations would not be available for automatic carry forward to the next quarter. The Department/Ministry may, however, approach Ministry of Finance for revalidation of such savings through modification in the Monthly Expenditure Plan and thereby Quarterly Expenditure Allocation. **Spill over in respect of Monthly Expenditure Plan, not inconsistent with Quarterly Expenditure Allocation would not require prior revalidation from Ministry of Finance but may be included in the quarterly modification.**
- (11) Ministry of Finance would consider such requests for revalidation within a period of 15 days of receipt of such request, failing which the request for revalidation would be deemed to have been granted.
- (12) The Monthly Expenditure Plan and Quarterly Expenditure Allocations pertaining to the 4th quarter of the financial year would be subsumed in the finalization of Revised Estimate for the financial year.
- (13) The Monthly Expenditure Plan and Quarterly Expenditure Allocations may be made in gross terms.
- (14) In addition to the above, it is advised that even in respect of Demand for Grants not covered by the modified exchequer management system, the expenditure in the last quarter of the financial year may not exceed 33 per cent of the Budget allocation for the Demand for Grants. However, in the event of Revised Estimates being fixed lower than the Budget Estimate, actual expenditure may be kept within the Revised Estimate.

It is clarified that the above provision shall apply in the current financial year as well.

(15) This Office Memorandum supersedes the Office Memorandum of even number dated January 10, 2006.

(16) Receipt of this Office Memorandum may kindly be acknowledged.

V.S. Chauhan

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To

All Financial Advisors.
Principal Director, O/o Comptroller and Auditor General of India.
Joint Controller General of Accounts.
All Directors/OSD/ABO/US/DD/Section Officers in Budget Division.
NIC, Ministry of Finance.

Annex –I

Sl.No.	Demand No	Name of the Ministry/Department
1.	1	Department of Agriculture and Cooperation
2.	2	Department of Agricultural Research and Education
3.	8	Department of Fertilisers
4.	11	Department of Commerce
5.	14	Department of Telecommunications
6.	18	Department of Food and Public Distribution
7.	31	Ministry of External Affairs
8.	32	Department of Economic Affairs
9.	41	Indian Audit and Accounts Department
10.	42	Department of Revenue
11.	43	Direct Taxes
12.	44	Indirect Taxes
13.	47	Department of Health & Family Welfare
14.	57	Department of School Education and Literacy
15.	58	Department of Higher Education
16.	68	Ministry of Panchayati Raj
17.	71	Ministry of Petroleum and Natural Gas
18.	73	Ministry of Power
19.	79	Department of Rural Development
20.	86	Department of Road Transport and Highways
21.	92	Ministry of Textiles
22.	100	Department of Urban Development
23.	104	Ministry of Women & Child Development