

IMMEDIATE

No.F.1 (23)-B (AC)/2005
Government of India
Ministry of Finance
Department of Economic Affairs
(Budget Division)

New Delhi, the 25th May, 2006.

OFFICE MEMORANDUM

Subject: Revised Guidelines on Financial Limits to be observed in determining cases relating to 'New Service'/'New Instrument of Service'.

In accordance with the commitment made in the Fiscal Policy Strategy Statement (Budget 2005-06) under the mandate of the Fiscal Responsibility and Budget Management (FRBM) Legislation and in pursuance of the approval of Public Accounts Committee (2005-2006) in the twenty-third report (Fourteenth Lok Sabha) on the proposal for review of Financial Limits to be observed in determining the cases relating to 'NEW SERVICE'/'NEW INSTRUMENT OF SERVICE' for reappropriation of funds (Annex), which has the concurrence of the C&AG, the following revised guidelines for re-appropriation of funds are hereby conveyed, in modification of this Ministry's Office Memorandum No. F.7 (15)-B(RA)/82 dated 13th April, 1982.

2. Definition of the terms 'New Service'/'New Instrument of Service' and its application:

- (i) 'New Service': As appearing in article 115(1)(a) of the Constitution of India, this has been held as referring to expenditure arising out of a new policy decision, not brought to the notice of Parliament earlier, including a new activity or a new form of investment.
- (ii) 'New Instrument of Service': Refers to relatively large expenditure arising out of important expansion of an existing activity.
- (iii) While using these terms and applying the financial limits as indicated in the Annex, it needs to be noted that no expenditure can be incurred from the Consolidated Fund of India on a 'New Service'/'New Instrument of Service' without prior approval of Parliament through supplementary demands for grants. Further, the determination of these financial limits will be with reference to Primary Unit of Appropriation.
- (iv) Where in an emergent case of 'New Service'/'New Instrument of Service' it is not possible to wait for prior approval of Parliament, the Contingency Fund of India can be drawn upon for meeting the expenditure pending its authorisation by Parliament. Recourse to this arrangement should normally be taken only when Parliament is not in session. Such advances are required to be recouped to the Fund by obtaining a Supplementary Grant in the immediate next session of Parliament. However, when Parliament is in session, a Supplementary Grant should preferably be obtained before incurring any expenditure on a 'New Service'/'New Instrument of Service'. That is to say, recourse to Contingency Fund of India should be taken only in cases of extreme urgency; in such cases the following procedure recommended by the Sixth Lok Sabha Committee on Papers Laid on the Table in their 4th Report should be observed:

"As far as possible, before such withdrawal is made, the concerned Minister may make a statement on the floor of the Lok Sabha for information giving details of the amount and the scheme for which the money is needed. In emergent cases, however, where it is not possible to inform the Members in advance, the withdrawal may be made from the Contingency Fund and soon thereafter a statement may be laid on the Table of the Lok Sabha for the information of the Members".

It has been suggested by the Rajya Sabha Secretariat that the above procedure may also be observed in Rajya Sabha.

3. Checks to be observed by the Ministries/Departments to ensure compliance of the provisions of this Office Memorandum are as under:

- (i) By Integrated Finance Division/Budget Unit: A specific certificate should be recorded in each case involving augmentation of sanctioned provision on receipt of related proposals, to the effect that the proposed augmentation attracts/does not attract financial limits of 'New Service'/'New Instrument of Service'.
- (ii) By PAOs: Each expenditure sanction to be examined by PAOs from the 'New Service'/'New Instrument of Service' angle keeping in view the financial limits indicated in the Annex.
- (iii) Where any doubt arises about the application of financial limits of 'New Service'/'New Instrument of Service', the PAO would seek decision from CCA/FA of appropriate jurisdiction.

4. Circumstances for obtaining Supplementary grants for expenditure qualifying as 'New Service'/'New Instrument of Service' and the reporting procedure thereof are as follows:

- (i) If sufficient savings are available within the same section of the relevant grants for meeting additional expenditure to the extent mentioned in column 2 of the annex, re-appropriation can be made, subject to report to Parliament.
- (ii) The Report to Parliament should ordinarily be made through the ensuing batch of Supplementary Demands for Grants, failing which by adding an Annex in the Detailed Demands of the Ministry/Department for the ensuing year.
- (iii) A suitable write-up of such cases where possible, may also be made in the Notes on Demands for Grants of the Ministry/Department.
- (iv) Mere depiction of augmented provisions in the Revised Estimates included in the Demands for Grants will not be adequate to meet the requirement to incur expenditure. In cases where the financial limits of 'New Service'/'New Instrument of Service' are attracted, approval of Parliament may be obtained for incurring such expenditure through supplementary demands for grants.
- (v) The provisions in the 'Vote on Account' are not intended to be used for expenditure on any 'New Service'. In cases of urgency, expenditure on a 'New Service' during Vote on Account period can, therefore, be incurred only by obtaining an advance from the Contingency Fund in the manner recommended by the Sixth Lok Sabha Committee on the Papers Laid on the Table already referred to in para 2(iv) of this OM. Such advances will be resumed to the Contingency Fund on enactment of Appropriation Act in respect of expenditure for the whole year.

5. Exceptions:

- (i) Having regard to the volume and nature of Government transactions, it is not possible to list out all such cases which are not attracted by 'New Service'/'New Instrument of Service' limits. Broadly, however, expenditure on normal activities of Government (such as normal administrative expenditure – including that resulting from re-organization of Ministries/Departments, holding of conferences, seminars, exhibitions, surveys, feasibility studies, etc. assistance to foreign Governments, contributions to international bodies and fulfillment of Government guarantee on its invocation) are not attracted by the limits of 'New Service'/'New Instrument of Service'.
- (ii) Transfers to State and Union Territory Governments are also exempt from these limits provided the scheme is not new.
- (iii) Further, these limits are applicable only to expenditure which is subject to Vote of Parliament.

6. Doubtful cases:

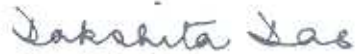
In case of disagreement between the Integrated Finance Wing and Pay and Accounts Office, the Ministry/Department may send a self-contained communication to the Budget Division, Ministry of Finance bringing out the specific point of doubt incorporating their Financial Adviser's views thereon. The decision taken by the Budget Division in the matter will be final.

7. Conclusion:

While agreeing to the revision of norms for re-appropriation of funds as annexed, the Public Accounts Committee in its twenty-third report (Fourteenth Lok Sabha) has concluded by stating as under:

"The committee also expects the Financial Advisors of the Ministries/Departments to ensure that there is no violation in implementation of the said revised norms for re-appropriation of funds and any slackness in complying with the said norms is strictly dealt with".

8. Hindi version will follow.


(Dakshita Das)
Director (Budget)

To,

1. All Ministries/Departments of the Government of India.
2. Financial Commissioner (Railways), Financial Adviser (DS), Member Finance (Telecom) and all other Financial Advisers.
3. Finance Secretaries of Union Territory Administrations (Chandigarh, Andaman and Nicobar Islands, Dadra and Nagar Haveli and Lakshadweep).
4. Controller General of Accounts, Controller General of Defence Accounts and Chief Controllers of Accounts.

Copy forwarded for information to:

1. Lok Sabha Secretariat (PAC) Branch/Rajya Sabha Secretariat.
2. Comptroller and Auditor General of India and all Directors of Audit/Accountants General.
3. Finance Secretaries of all State and Union Territory Governments.


(Dakshita Das)
Director (Budget)

Annex to Ministry of Finance O.M. No. F.1(23)-B(AC)/2005 dated 25.05.2006

**Financial limits to be observed in determining the cases relating to
'NEW SERVICE'/'NEW INSTRUMENT OF SERVICE'**

Nature of transaction	Limits upto which expenditure can be met by reappropriation of savings in a Grant subject to report to Parliament	Limits beyond which prior approval of Parliament is required for expenditure from the Consolidated Fund
1	2	3
I. CAPITAL EXPENDITURE		
A. Departmental Undertakings		
(i) Setting up a new undertaking, or taking up a new activity by an existing undertaking.	...	All cases
(ii) Additional investment in an existing undertaking	Above Rs.2.50 crore but not exceeding Rs. 5 crore.	Above Rs. 5 crore
B. Public Sector Companies/Corporations		
(i) Setting up of a new Company, or splitting up of an existing Company, or amalgamation of two or more Companies, or taking up a new activity by an existing Company	...	All cases
(ii) Additional investment in/loans to an existing company		
(a) Where there is no Budget Provision	Above Rs.50 lakhs but not exceeding Rs.1crore	Above Rs. 1 crore
(b) Where Budget Provision exists for investment and/or loans Paid up capital of the Company		
(i) Upto Rs. 50 crore	20% of appropriation already voted or Rs.10 crore, whichever is less	Above 20% of appropriation already voted or Rs.10 crore, which ever is less.
(ii) Above Rs.50 crore	20% of appropriation already voted or Rs.20 crore, whichever is less	Above 20% of appropriation already voted or Rs.20 crore, which ever is less.
C. All bodies or authorities within the administrative control/management of Central Government or substantially financed by the Central Government.		
Loans.	Upto 10% of the appropriation already voted or Rs.10 crore, whichever is less	More than 10% over the appropriation already voted by Parliament or Rs.10 crore, whichever is less
<p>Note: Where a lumpsum provision is made for providing "Loans" under a particular scheme, the details of substantial apportionment (10% of lumpsum or Rs. 1 crore, whichever is higher) should be reported to Parliament. In the case of lumpsum provision of loans to States, the State-wise distribution should be reported to Parliament.</p>		

Nature of transaction	Limits upto which expenditure can be met by reappropriation of savings in a Grant subject to report to Parliament	Limits beyond which prior approval of Parliament is required for expenditure from the Consolidated Fund
1	2	3
D. Expenditure on new Works (Land, Buildings and/or Machinery)	Above Rs.50 lakhs but not exceeding Rs. 2.5 crore or not exceeding 10% of the appropriation already voted, whichever is less.	Above Rs.2.5 crore or above 10% of the appropriation already voted.
II REVENUE EXPENDITURE		
E. Grants-in-aid to any body or authority	...	All cases
<p><i>Note: Where a lumpsum provision is made for providing grants-in-aid under a particular scheme, the details of substantial apportionment (10% of lumpsum or Rs. 1 crore, whichever is higher) should be reported to Parliament. In the case of lumpsum provision of grants to States, the State-wise distribution should be reported to Parliament.</i></p>		
F. Subsidies		
(i) New Cases	...	All cases
(ii) Enhancement of provision in the existing appropriation	Upto 10% of the appropriation already approved by the Parliament or Rs.10 crore, whichever is less	More than 10% of the appropriation already voted by Parliament or Rs.10 crore, whichever is less
Payments against cess collections	Limits as applicable to grants-in-aid to statutory or public institutions will apply	All cases
New Commissions or Committees of Enquiry	...	Above Rs.20 lakhs(total expenditure)
G. Write off of Government loans	Above Rs.50,000 but not exceeding Rs.1 lakh (individual cases)	Above Rs.1 lakh(individual cases)
H. Other cases of Government expenditure	Each case to be considered on merits.	
I. Posts Railways Defence	The aforesaid limits, including those relating to Works expenditure, will also apply to these Departments subject to considerations of security in the case of Defence	The aforesaid limits, including those relating to Works expenditure, will also apply to these Departments subject to considerations of security in the case of Defence Services Estimates.
<p><i>Note 1: For investment in Ordnance Factories, the limit of Rs.5 crore mentioned in item A (ii) will be applicable with reference to investment in all the factories as a whole.</i></p>		
<p><i>Note 2: Civil Works, which do not form part of any project of the departmental undertakings (Ordnance Factories) should be treated as ordinary Defence works. As such, prior approval of Parliament will be necessary if the cost of individual works exceeds Rs.2.5 crore and in cases where the individual works cost Rs.50 lakhs or more but not exceeding Rs.2.5 crore, a report to Parliament will be required. A list of such works should, however, be supplied to Director of Audit, Defence Services.</i></p>		

No.F.1(30)-B(AC)/2004
Ministry of Finance
Department of Economic Affairs
(*Budget Division*)

New Delhi,
7th January, 2005.

OFFICE MEMORANDUM

Subject: Guidelines/instructions to be followed on creation of Reserve/Corpus funds.

Government has been considering the issue regarding creation and maintenance of Reserve/Corpus Funds in Government Account for some time. Ideally, 'reserve funds' are created when Government has surplus funds to spare on specific objects of expenditure. However, as Government is resorting to deficit financing, creation of funds out of its revenue stream or through borrowing is considered not appropriate. Funds created out of borrowings also add to fiscal deficit and become a liability of the Government.

2. With the annual targets set out in Fiscal Responsibility and Budget Management Rules, 2004 framed in exercise of the powers conferred by section 8 of Fiscal Responsibility and Budget Management Act, 2003 for reduction of revenue deficit by an amount equivalent to 0.5 per cent or more of the GDP at the end of each financial year, beginning with the financial year 2004-05 in order to eliminate the revenue deficit by 31st March, 2009, it has been decided to bring out the under-mentioned guidelines/instructions to be followed by all Ministries/Departments:

- (i) Proposals for creation of funds either out of revenue stream or out of Government borrowing will, henceforth, not be allowed;
- (ii) If the existing funds have been created out of revenue stream, the same will be maintained in the Public Account to ensure fiscal transparency and Parliamentary control;
- (iii) Transfers to and from the fund will be on need basis and decided as a part of the budgetary process;
- (iv) Funds of regulatory bodies may also be maintained in the Public Account but operated in such a manner as will protect their independent status;
- (v) All existing funds, whether in the Public Account or outside, may be reviewed by the administrative Ministry/Department concerned and a specific decision taken in each case to either continue or wind up the fund. FAs are requested to furnish a report in this regard. This exercise may be completed within a period of three months.
- (vi) Interest on the corpus, where applicable, will be fixed on a uniform basis by this Ministry and notified annually along with other administered interest rates.

3. This issues with the approval of Secretary (Expenditure).


(P.R. Das)
Additional Budget Officer
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To
All FAs of Ministries/Departments
All CCAs/CAs of Ministries/Departments