GOVERNMENT OF ODISHA
FINANCE DEPARTMENT

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No. 23373/F , Date: 19 / 08 / 2023
FIN-FR-VR-0001-2020

OFFICE MEMORANDUM

Sub: Revised Guidelines for systematic appraisal and approval of new schemes or new services, existing schemes under Programme Expenditure and Administrative Expenditure where the scope or cost estimate is proposed to be substantially altered and schemes continuing without appraisal

Reference is invited to Finance Department OM No.9523/F., dt.22.03.2021 regarding the guidelines for systematic appraisal and approval of new schemes or new services. It prescribes guidelines for formulation, appraisal and approval of new schemes or new services, existing schemes under **Programme Expenditure** and **EOM Expenditure** where the scope or cost estimate is proposed to be substantially altered and schemes continuing without appraisal.

2. After careful consideration of the inputs/ suggestions received, Government is now pleased to modify the provisions of the Finance Department OM No.9523/F., dt.22.03.2021, as detailed in the following paragraphs so as to ensure process improvements and simplification of the scheme appraisal guidelines and mechanism.

3. To ensure efficient management of public expenditure it would be necessary to adopt the following principles for considering scheme formulation and implementation.

i. A new scheme or sub-scheme shall be initiated with submission of Scheme Memorandum along with Detailed Paper (DP) or Detailed Project Report (DPR) for comments of Planning & Convergence Department, Finance Department and other stakeholder Departments, if any.

ii. The Administrative Departments should endeavour to merge, restructure or drop existing schemes and sub-schemes that have become redundant or ineffective with the passage of time.

iii. Planning & Convergence Department and Finance Department reserve the right to merge, restructure or drop any existing schemes and sub-schemes, in consultation with the Administrative Department concerned to enhance efficiency and improve economies of scale in Government programs.

iv. Schemes continuing without appraisal, along with status and reasons for absence of appraisal, would be required to be appraised for further continuance with due justification.

v. The duration of a scheme shall not be more than 5 years. Any scheme which the implementing Department wants to continue beyond 5 years, the appraisal should be in the 5th Year, well before the pre-budget scrutiny for next financial year.

4. Preparation of Scheme Memorandum for appraisal:

Appraisal is a process which helps the Government to select schemes/projects for funding through the budgetary mechanism. Appraisal is required to indicate public benefit and outcomes/ outputs of the scheme along with measurable milestones. The objective of appraisal is two-fold: (a) to enable selection of only such schemes/projects as are relevant and justified; and (b) to ensure that the scheme/project has been so designed as to meet the objective of equity, economy, efficiency and effectiveness. Following procedure should be adhered to for appraisal of the scheme.

i. The entire process of appraisal of new scheme / service, schemes continuing without appraisal or where the scope of an existing scheme is proposed to be substantially altered would be processed electronically as a default mode.

ii. The Administrative Department shall prepare Scheme Memorandum in the SFC/ EFC module of BETA system in the prescribed format appended to this Office Memorandum at **Annexure-I**. The memorandum should include the assessment of the project with regard to their specific contribution in the following aspects:

   a. **Environmental related assessment:** Environmental related assessment should be undertaken, wherever required and measures identified to mitigate adverse impact, if any. Issues relating to land acquisition, diversion of forest land, rehabilitation and resettlement should be addressed. Where it is not feasible to quantify the environmental impact, a brief write-up may be given.
   b. **Disaster resilience:** Whether the project is secured against natural / man-made disasters like floods, cyclones, earthquakes, tsunamis etc. Besides indication may be made as to justify the contribution of the project towards Disaster resilient measures.
   c. **Sustainable Development Goals:** Emphasis should be made to highlight the integration of the 17 broad Sustainable Development Goals to the new projects. The impact analysis should be spelt out clearly the particular Sustainable Development Goals to be addressed with the implementation of the project.
   d. **Gender and child sensitivity:** Whether the project is Women or child centric and how it is addressing the issues.
   e. **Regional balance:** Emphasis to be given to highlight how the proposed Scheme intends to reduce regional imbalance. Involvement of local Governments and communities in scheme implementation should also be highlighted.
   f. **Financial Analysis (Internal Rate of Return):** Internal Rate of Return (IRR) is to be calculated in case of projects which are likely to have or generate direct revenue streams, (such as toll rates or any other relevant revenue stream). In calculating IRR the total project cost is calculated based on capital costs i.e. civil construction cost, pre-operative charges, escalation & interest during construction and compare that with the discounted value of the future revenue streams to determine whether the project is financially viable.

g. **Financial Analysis (Economic Rate of Return):** Economic Rate of Return (ERR) is to be calculated in case of projects which are not likely to generate direct revenue streams. IRR/ERR calculation should include the cost of land acquisition. The detailed Concept Note on IRR/ERR calculation is at **Annexure-IV**.

iii. The Secretary of the Administrative Department shall approve the Memorandum after which the Administrative Department shall circulate the same to Finance Department, Planning & Convergence Department and other stakeholder Departments electronically through BETA system, simultaneously, whose functional jurisdiction as per the Rules of Business is likely to be affected.

iv. In case of new Social Sector Schemes, ST & SC Development Department, Women & Child Development Department, Mission Shakti Department, and SSEPD Department shall be consulted. The consulting Department on receipt of the Memorandum shall within ten days' time furnish their views electronically through BETA system to the Administrative Department. In case no views is received from the consulting Departments within the ten days' time, the Chairman of the Committee, after end of the timeline, shall fix up a date for the SFC / EFC meeting. Views received after end of the ten days' time from the consulting Department shall not be taken into consideration for appraisal.

v. After receipt of views / comments from the consulting Departments, the Administrative Department will prepare a statement showing the observations of the consulting Departments and response of the Administrative Department to each such observation. After that, with the request from the Administrative Department, the Chairman of the Committee shall fix up a date for the SFC / EFC meeting. The statement will be circulated along with the notice for convening the meeting. At least three clear days will be allowed between the issue of the notice for meeting and the scheduled date of the meeting.

5. Preparation of Detailed Paper (DP) or Detailed Project Report (DPR):

i. Administrative Department shall prepare a detailed paper (for new schemes) or detailed project report (for new projects), as the case may be.

ii. The Detailed Paper (DP) containing the scheme description and the Detailed Project Report (DPR) containing particulars of the project must be prepared by the Administrative Department in the format at **Annexure-II**. They can utilize the fund allocated by Finance Department for preparation of DP/ DPR including cost of availing services of consultants for the purpose.

iii. The Administrative Department shall send the DP/DPR to Planning & Convergence Department and Finance Department along with the Scheme Memorandum containing key aspects of the proposal for approval.

iv. Planning & Convergence Department and Finance Department shall review the proposal as contained in the DP/DPR and accord their approval to the Administrative Department, if they find the DP/DPR appropriate. Planning & Convergence Department and Finance Department may suggest necessary modifications to the DP/DPR, if required.

v. Financial Advisor of the Administrative Department shall convene the meeting of EFC/SFC to discuss the Scheme Memorandum and DP/DPR for review and recommendation. The EFC/SFC may recommend the proposal without any changes or suggest some modifications in the design, scope, outlay, etc. In case the EFC/SFC proposes any change, the Administrative Department shall make necessary modifications in the DP /DPR, which shall be put up for approval of competent authority. The approved DP / DPR shall be uploaded to BETA system for record.

6. Appraising and Approving Authority and Financial Limits:

The delegation of powers for appraisal of new scheme / service, schemes continuing without appraisal or where the scope of an existing scheme is proposed to be substantially altered shall be subject to appraisal at different levels depending upon the financial limit of the estimated outlay of the scheme/ service as indicated below:

<table>
<tr><th>Financial Limit</th><th>Appraisal Forum</th><th>Approval Forum</th></tr>
<tr><th>(1)</th><th>(2)</th><th>(3)</th></tr>
<tr><td>Up to Rs.5.00 crore</td><td>Concerned Administrative Department in consultation with the Financial Advisor (FA) of the Department</td><td>Secretary of the Administrative Department</td></tr>
<tr><td>Above Rs.5.00 crore and up to Rs.50.00 crore</td><td>Standing Finance Committee (SFC) of the Administrative Department under the Chairmanship of Secretary concerned with Financial Advisor as Member- Convenor, Special Secretary/ Additional Secretary/ Joint Secretary in-charge of the scheme concerned in the Department, concerned Heads of Department, representative of Finance Department, Planning & Convergence Department and representative of related Department, if required.</td><td>Minister in charge of Administrative Department</td></tr>
<tr><td>Above Rs.50.00 crore and upto Rs.100.00 crore</td><td rowspan="3">Expenditure Finance Committee (EFC) chaired by the Secretary, Finance, and consisting of Secretary of the Administrative Department and FA, concerned Heads of Department, representative of Planning & Convergence Department and representative of stakeholder Department, if required.</td><td>Minister in charge of Administrative Department</td></tr>
<tr><td>Above Rs.100.00 crore and upto Rs.250.00 crore</td><td>Chief Minister</td></tr>
<tr><td>Above Rs.250.00 crore</td><td>State Cabinet</td></tr>
</table>

Note:

i. *The financial limit above are with reference to the total size of the scheme/ project being posed for appraisal and includes budgetary support, extra- budgetary resources, external aid, debt/equity/loans etc. for entire duration of the scheme.*

ii. *Delegated powers should be exercised only when the budgetary allocation or medium-term scheme outlay as approved by Finance Department is available.*

iii. *While exercising delegated powers, concerned department should ensure the proposals are subject to rigorous examination in project design and delivery, and careful attention should be paid to recurring liabilities and fund availability after adjustment of the committed liabilities.*

iv. *Financial Advisor of the Administrative Department may seek participation of the Finance Department in SFC meetings, if required.*

7. Appraisal of projects/schemes which are due for completion and their continuance is necessary:

The on-going projects/ schemes whose period of appraisal/ approval is due for completion are required to be appraised/ approved again before the date of expiry for further continuance. **Mid-term review** of such Scheme/Project is to be done mandatorily as a pre-condition for their appraisal. While preparing the EFC/ SFC memorandum, the Administrative Departments are required to provide information on past performance (both physical and financial) of the project/ scheme for the entire period of operation. Evaluation and impact assessment for high value projects (project cost exceeding Rs.200 crore) is to be conducted engaging a third party and the major findings of the evaluation report is to be brought before the EFC/ SFC for consideration of continuance of the project/scheme. The process for appraisal and approval of those projects/ schemes is required to be completed before closure of the project period for budget allocation in the successive financial year.

8. Delegation in respect of Revised Cost Estimate:

The Revised Cost Estimate (RCE) of a project / scheme is to be appraised and approved, in case of any increase in cost more than 20% of the original cost after excluding the increase due to statutory levies, exchange rate variation, price escalation and change in price index of commodities within the approved time cycle, in the manner prescribed in Para-6 (Appraising and Approving Authority and Financial Limits) above. Thus, the RCE proposal needs to be submitted in only **Annexure-I** for necessary appraisal and approval. Further, if there is revision in cost estimate after appraisal of the first RCE, then there would be need for appraisal of 2nd RCE if the increase in cost is more than 20% over the first RCE. Similar principle would be adopted for successive RCE, if required. In such cases the latest RCE, which has been appraised would be treated as the original cost.

9. Medium Term Outlay:

Since individual projects are prepared and appraised at various points in time during the financial year, there is a need to validate whether the project cost is within the existing Medium-Term Expenditure Framework (MTEF). For this the Administrative Department must provide a statement indicating the MTEF allocations, the sectoral/ program outlays as per the approved MTEF, expenditures and existing project sanctions / commitments till date, possible cost escalations and to determine the fiscal space for the proposed project(s). In case of any emergency, where there would be necessity to bring out a new scheme of contingent/ unforeseen in nature and it would not be possible for the Administrative Department to accommodate the resource requirement within the approved MTEF for the Department, they may come to Finance Department with adequate justification for arranging resources for the new scheme.

10. Procedure for approval of new scheme/project or alteration of existing scheme:

i. After appraisal of the new scheme / project or alteration of existing scheme and cost estimate of the scheme/project to be revised, the concerned Administrative Department shall issue minutes of the SFC/ EFC, including the RCE proposals, within seven days after end of the meeting. The approved minutes shall be uploaded in the BETA system. After issue of the minutes of the meeting, the Administrative Department shall take the approval of the Competent Authority as indicated in the Approval Forum in Column (3) of **para-6** within two weeks' time, keeping in view the provisions of Rules of Business and internal delegation made within the Department.

ii. After approval of the scheme/ project by the Competent Authority, the Administrative Department shall issue a **detailed Scheme Guidelines** clearly mentioning the target beneficiary along-with benefit, mode of implementation as well as roles and responsibilities of various implementing authorities. The template for preparation of Scheme Guidelines is at **Annexure-III**.

iii. Schemes funded under RIDF, EAP, Finance Commission grants, Special Assistance (SACI) etc. are not required to be placed for appraisal and or approval of the SFC/EFC as these are governed by separate appraisal and approval mechanisms (RIDF projects are appraised / approved by High Power Committee and EAPs through State Level Project Management Committee chaired by Chief Secretary).

iv. This instruction shall be deemed to be a part of the Odisha General Financial Rules and Delegation of Financial Power Rules, and the relevant provisions thereof would stand modified/ revised accordingly. The financial limits stipulated in **para-6** above will automatically stand revised as and when the Delegation of Financial Power Rules is amended from time to time.

This supersedes all instructions on systematic appraisal and approval of new schemes or new services and the schemes where the scope is proposed to be substantially altered issued vide Finance Department OM No.1068/F Dt.10.01.2013 and OM No.9523/F Dt.22.03.2021. This Office Memorandum shall come into force with immediate effect. This has been concurred in by Planning & Convergence Department vide Noting-78 dt.11.08.2023 in OSWAS File No.FIN-FR-VR-0001-2020.

By order of the Governor

19/08/23

Principal Secretary to Government

Memo No. 23374 / F , **Dated : 19 / 08 / 2023**

Copy forwarded to the Secretary to Governor/ Chief Advisor to Chief Minister/ Private Secretaries to all Ministers and Ministers of State/ Principal Accountant General (A&E), Odisha, Bhubaneswar/ Principal Accountant General (Audit-II), Odisha, Bhubaneswar/ Accountant General (Audit-I), Odisha, Bhubaneswar/ Deputy Accountant General (Works), Odisha, Puri/ all Departments of Government/ all Heads of Departments/ all Financial Advisors/ all Assistant Financial Advisors/ Director General, Gopanbandhu Academy of Administration/ Director, Madhusudan Das Regional Academy of Financial Management, Chandrasekharpur, Bhubaneswar/ Registrar of all Universities/ all Collectors/ all Treasury Officers/ all Sub-Treasury Officers for information.

S pradhan
19.8.2023
Deputy Secretary to Government

Memo No. 23375 / F , **Dated : 19 / 08 / 2023**

Copy forwarded to PA to Chief Secretary/ Development Commissioner-cum-Additional Chief Secretary/ Principal Secretary, Finance for kind information of Chief Secretary/ DC-cum-ACS/ Principal Secretary, Finance.

S pradhan
19.8.2023
Deputy Secretary to Government

Memo No. 23376 / F , **Dated : 19 / 08 / 2023**

Copy forwarded to all Officers / all Branches of Finance Department for information and necessary action.

S pradhan
19.8.2023.
Deputy Secretary to Government

Memo No. 23377 / F , **Dated : 19 / 08 / 2023**

Copy forwarded to the Portal-in-Charge, Finance Department for information and necessary action. It is requested to host this Office Memorandum in the website (https://finance.odisha.gov.in/) of Finance Department for general information.

S pradhan
19.8.2023.
Deputy Secretary to Government

Annexure-I

(All figures in crore ₹)

FORMAT FOR EFC/SFC MEMORANDUM FOR APPRAISAL OF SCHEMES

1. **Scheme Outline**

    1. Title of the Scheme.
    2. Name of the Implementing Agency: (Department/Autonomous Body/ PSU)
    3. Total Cost of the proposed Scheme/Project
    4. Source(s) of financing the Scheme /Project: (State funding/ EAP/ RIDF/ Special Assistance/ SCDF/ Others (to be specified))
    5. Whether any pre-investment activity was undertaken or is contemplated for the Scheme/ Project? If yes, whether pre-investment cost has been included in the Scheme/ Project proposal?
    6. Proposed duration of the Scheme
    7. Implementation area (Regional Balance): How does the Scheme/Project intend to reduce regional imbalance? Indicate participation of local bodies and communities in implementation process.

Name of the Scheme/ Project	**Benefits proposed to accrue**	**Areas proposed to be covered**		**Involvement of Local Bodies & Communities**
		Districts	**Blocks**	
1	**2**	**3**	**4**	**5**

2. **Project Status**

    1. Nature of the Scheme /Project: (Infrastructure/ Social Sector/ Subsidy/ Other Economic Sector/ Others (to be specified))
    2. Whether a New or a Continuing Scheme?
    3. In case of a Continuing Scheme,
        1. Whether the old scheme was evaluated and what were the main findings?
        2. Whether the scheme involves **Revised Cost Estimate**? If yes, furnish scheme/ project details at **Para-17** underneath.
        3. Which existing schemes/sub-schemes are being dropped, merged or rationalized?
        4. Year-wise physical and financial performance (If, the project is continuing for more than 5 years, performance for last 5 years may be given)

Year	**Financial performance**		**Physical performance**	
	Target	**Achievement**	**Target**	**Achievement**

4. In case of New Scheme,
    1. Whether a Detailed Paper (DP)/ Detailed Project Report (DPR) has been prepared and stakeholders consulted?
    2. Is there an overlap with an existing scheme/sub-scheme? If so, how duplication of effort and wastage of resources are being avoided?
    3. Whether possibilities of convergence with other schemes having similar objectives to the proposed new scheme have been explored? (If yes, give details)
    4. In case of an umbrella scheme (program) give the details of schemes and sub-schemes under it along with the proposed outlay component-wise.

    Note: *It may kindly be noted that the word scheme here is used in a generic sense. It includes programs, schemes and sub-schemes, which, depending on need, can be appraised and approved as stand-alone cost centers.*

3. **Outcomes and Deliverables**

    1. Stated aims and objectives of the Scheme
    2. Nature of expenditure for the Scheme: Revenue or Capital or both (quantify) in Table: 1.
    3. Indicate year-wise outputs/deliverables in a tabular form (Table:2).
    4. Indicate Outcomes of the Scheme in the form of measurable indicators which can be used to evaluate the proposal periodically. Baseline data or survey against which such outcomes should be benchmarked should also be mentioned.
    5. Indicate other schemes/sub-schemes being undertaken by Departments which have significant outcome overlap with the proposed scheme. What convergence framework has been evolved to consolidate outcomes and save public resources?

Table 1: Revenue/ Capital Expenditure

Year	**Revenue**	**Capital**	**Total**
Year-1			
Year-2			
so on			
Total			

Table 2: Year-wise outputs/deliverables

Components	**Year-1**		**Year-2 & so on**		**Total**	
	Physical	**Financial**	**Physical**	**Financial**	**Physical**	**Financial**
1						
2						
so on						
Total						

Table 3: Outcomes of the scheme in form of measurable indicators

Components	Indicator	Baseline data	Target (Year-wise)	Outcome
1				
2				
so on				

4. **Justification for the new Scheme/Project**

Give a summary note on rational and justification for introduction of new Scheme/ Project.

1. The justification for taking up/ continuing the project or scheme may be provided.
2. The alternatives that have been considered before firming up the design of the project may be stated. (This should also include alternate modes of the project delivery, e.g. outsourcing, PPP etc. that have been considered).
3. Please state whether the project proposal has objectives and which overlap with projects/ schemes being implemented by the same or another agency (Department/ Government Agency). In cases of overlap, please state why the project / scheme need to be considered as a separate standalone effort.

5. **Objective and Target Beneficiaries:**

If the scheme is specific to any location, area and segment of population, please give the details and basis for selection.

1. Please bring out specific interventions directed in favour of social groups, namely SC, ST, differently abled, minorities and other vulnerable groups. (select from drop down)
2. If the scheme has any gender balance aspects or components specifically directed at welfare of women, Children please bring them out clearly? (Specify the percentage of women centric or Child-centric component of the scheme.) (select from drop down)
3. In case of beneficiary-oriented schemes, indicate the mechanism for identification of target beneficiaries and the linkage with Aadhaar/ UID numbers. (select from drop down)
4. Wherever possible, the mode of delivery should involve the Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs). Where this is intended, the preparedness and ability of the local bodies for executing the proposal may also be indicated.

6. **Environmental related assessment**:

Environmental related assessment should be undertaken, wherever required and measures identified to mitigate adverse impact, if any. Please indicate the likely impact (positive/ negative) of the project/scheme on the environment and the mitigation strategy.

Environmental parameters	Direct Impact (+) or Risk (-)	(L/M/H)*	Proposed Mitigation or Enhancement Measures
Air emissions and air quality			
Energy use and conservation			
Wastewater and water quality			
Water use and conservation			
Use of hazardous materials			
Waste production/ management/ treatment			
Land contamination/ land use, soil sealing			
Biodiversity and natural resources/ possible impacts on protected areas			
Noise impacts/ vibrations			
Climate Change (mitigation/ adaptation) impacts			
Possible direct / indirect, cumulative/ short-term, long- term impacts			

*** L-Low, M- Medium, H-High**

7. **Social impact assessment:** This involves identifying stakeholder groups that are likely to experience major welfare losses (or gains) due to the project and how the project has addressed the same.

    1. **Gender, child and nutrition sensitivity:** Whether the project is Women child or nutrition centric. (Select from the drop down)

	Indicate (1 or 2 or 3) 1. upto30% 2. More than 30% below 100% 3. 100%	**Remarks**
Gender Sensitivity		
Child Sensitivity		
Nutrition Sensitivity		

2. **Impact on other social sector issues:**

Social impact parameters	Direct Impact (+) or Risk (-)	(L/M/H)*	Proposed Mitigation or Enhancement Measures
Labour and working conditions			
Occupational health and safety			
Community health, safety & security			

Social impact parameters	Direct Impact (+) or Risk (-)	(L/M/H)*	Proposed Mitigation or Enhancement Measures
Land acquisition and involuntary resettlement			
Minority groups			
Poverty impact			
Regional/ local economic development			
Cultural heritage			

*** L-Low, M- Medium, H-High**

8. **Disaster resilience:** Whether the project is secured against natural / man- made disasters like floods, cyclones, earthquakes, tsunamis etc.

Natural Disaster	Measurable Unit	Sustenance level of the project
Cyclones		
Earthquakes		
Flood		
Drought		
Any other, please specify		

9. **Sustainable Development Goals:** How the Scheme/Project is integrated to the Sustainable Development Goals? Indicate the Goals that it strives to achieve by 2030.

Name of the Scheme	*Covered under SDG Goal*	*SDG Target*	*Integration with Odisha SDG Indicator Framework (OSIF)*	*Baseline (of Col 4)*	*Achievement to be made against Baseline by the end of project Period (Year-wise)*
1	**2**	**3**	**4**	**5**	**6**

10. **Cost Analysis**

    1. Provide the project cost estimates for its scheduled duration along with a break-up of year-wise, component-wise expenses segregated into non-recurring and recurring expenses **(Table:1)**.
    2. In case the land is to be acquired, the details of cost of land and cost of rehabilitation/resettlement, if any. It may also be indicated which agency is providing for it, and in case the cost of land is to be booked to the project, whether it has been included in the estimates **(Table:2)**.

Table-1

Components	Year-1			Year-2 & so on			Total Project cost		
	Recurring	Non-Recurring	Total	Recurring	Non-Recurring	Total	Recurring	Non-Recurring	Total
1									
2									
So on									

Table-2

Purpose for which land is required	Agency providing the land	Area required	Cost of Acquisition	Cost of resettlement

3. Estimated expenditure on project administration (including expenses on consultants, etc.) may be separately indicated.
4. In case pre-investment activities are required, how much is proposed to be spent on these, with detailed activity wise.
5. The basis of these cost estimates along with the reference dates for normative costing may be provided. The firmness of the estimate may be indicated along with the cost components that can vary the factors that could cause the variation and the extent of the expected variation.
6. In case the project/ scheme involves pay-out of subsidy, the year wise expected outgo, up to the last year of payout, may be indicated.
7. In case the project / scheme intends to create capital assets, employ specialised manpower or involves other activities that necessitate a Recurring Cost of Capital Expenditure (RCCE) (e.g. maintenance and upkeep costs of assets, salary costs of manpower, etc.) over the lifetime of the asset, such expenditures, on an annual basis, may be indicated in the project proposal.
8. It may also be stated whether the agency which would be assigned this legacy responsibility has been consulted and has agreed to bear the continuing recurring expenditure. (e.g. the PRIs / ULBs may need to incur the maintenance and upkeep costs of assets created under the Scheme).
9. The cost towards salary / fees /emoluments of the project human resources as being proposed should be indicated (procedure for seeking approval of the human resource requirements is however detailed at Para-10 below).
10. The component of the costs that will be shared by the State Government/ PRIs/ ULBs may be indicated.
11. In the event of fund transfer being made to PRIs / Urban Local Bodies or other organisations, "grants for creation of capital assets" may be indicated separately.
12. In case committed liabilities are created, who will or has agreed to bear the legacy burden? In case assets are created, arrangements for their maintenance and upkeep?

11. **Project Human Resources**

1. Indicate the Administrative Structure for implementing the Scheme/ Project. Usually creation of new structure, entities, etc. should be avoided.
2. Manpower recruitment, if any. In case posts (permanent or temporary) are intended to be created, such proposal may be sent on file to Finance Department separately. Such proposals may be sent only after the overall project proposal is recommended by the appropriate appraisal body (SFC,

EFC, etc.). However, posts can be created only after approval / concurrence of Finance Department is obtained.

Nature of post (Temporary/ Permanent)	Post Description	No. of Posts	Cost involved	Remark

3. Please indicate whether the nodal officer directly in charge of the project has been identified. Details about his status, past experience in executing similar projects and balance tenure left for steering the project may also be mentioned.

Designation of Nodal Officer	Post Status	Experience in executing similar projects	Balance tenure of service	Remark

4. In case outsourcing of services of hiring of consultants is intended, brief details of the same may be indicated. It may also be certified that the OGFR provisions will be followed while engaging the agency/ consultant.
5. In case additional manpower requirement, please indicate the phased requirement over the project timeline (i.e. year-wise break-up of the manpower requirement).

Year	Category of manpower required	No. of manpower required	Cost involved	Remark

12. **Project Financing**

1. The source of financing for the project may be indicated. Detailed break- up of budgetary support, internal and extra-budgetary sources, external aid, etc. should be given.
2. Indicate the cost component, if any that will be shared by the State Government, Central Government, local bodies, user beneficiaries or private parties in Table 1 & Table 2 below.
3. The availability of funds in the budget of the present year and the requirements projected may be mentioned. In case of any deviations, please indicate how the gap will be addressed.
4. If external sources are intended, the sponsoring agency may indicate whether such funds have been tied up. In case firm commitment is not available, alternate programmes for arranging funds may be indicated.

Year	Component	Funding type	Source of funding	Subsidy payout	Maintenance Cost	Salary	Remarks

Table 1: Sharing of cost component (year/component/funding type/ funding source)

Components	Year-1			Year-2 & so on			Total		
	Total Cost	Subsidy pay-out	%	Total Cost	Subsidy pay-out	%	Total Cost	Subsidy pay-out	%
1									
2									
so on									

Table 2

Components	Year-1			Year-2 & so on			Total		
	Maintenance Cost of Capital assets	Salary	Total	Maintenance Cost of Capital assets	Salary	Total	Maintenance Cost of Capital assets	Salary	Total
1									
2									
so on									

13. **Medium Term Outlay**

Since individual projects are prepared and appraised at various points in time during the financial year, there is a need to validate whether the project cost is within the existing MTEF. For this the Administrative Department must indicate:

1. The MTEF allocations,
2. The sectoral/program outlays as per the approved MTEF
3. Expenditures and existing project sanctions / commitments till date,
4. Possible cost escalations and to determine the fiscal space for the proposed project(s).

Name of the Scheme/ Project	Allocations as per MTEF			Sectoral/ program outlays	Expenditure Commitments till date	Possible cost escalations
	Y	Y+1	Y+2			

14. **Project Viability**

1. In case projects which have identified stream of financial returns, the financial internal rate of return may be calculated. The hurdle rate is linked to REPO rate (refer para-6 of Annexure-IV) to be updated by Finance Department from time to time.
2. In case of projects where financial returns are not readily quantifiable (typically social development projects), the economic rate of return may be estimated.

15. **Monitoring and Evaluation**

1. Indicate the Project Management/ Implementing Agency. Amount charges payable, if any.
2. Mode of implementation of individual works (Departmental / Third Party or others).
3. The monitoring framework for the project / scheme may be indicated. The arrangements for audit of the project may also be stated.
4. Measurable parameters for evaluation of impact and outcome with reference to the scheme objective should be indicated.
5. Period of evaluation such as mid-term / concurrent / post project etc. and method of evaluation viz. In-house / third party will also be provided.
6. Indicate the findings of **mid-term review** of on-going projects/schemes which have not passed through appraisal forum, and projects/schemes which are due for completion and their continuance is necessary so as to assess the overall progress till date.

Name of the Scheme/ Project	**Date of commencement**	**Scheduled date of Completion**	**Results of mid-term review**			
			Beneficiaries	**Benefits accrued**	**Expenditure incurred**	**Areas covered**
1	**2**	**3**	**4**	**5**	**6**	**7**

16. **Project / Scheme sensitivities**

1. Any foreseeable constraints / uncertainties which can affect the technical design, costing and implementation of the project may be indicated.
2. The likely impact of these constraints / uncertainties on the project parameters may be stated. In particular, the sensitivity of the project cost, project schedule and project viability towards the possible constraints / uncertainties may be mentioned.

17. **Revised Cost Estimate (RCE) Proposals**

RCE proposals are to be furnished in **Annexure-I** to Planning & Convergence Department, Finance Department and other stakeholder Departments with information as follows for appraisal and approval at appropriate level. There is no need to resubmit the DP/ DPR in Annexure-II unless the scope of the scheme/ project is substantially altered.

1. Details of physical progress achieved and expenditure incurred and commitment made so far should be given.
2. Date of latest approved, revised and proposed completion schedule of the project along with time overrun and reasons thereof should be elaborated. Revised cost as proposed may be given.
3. Reasons of increase in cost may be given in the following manner

i. Price Escalation
ii. Foreign Exchange variation
iii. Statutory levies
iv. Change in price index of commodities
v. Change in Scope
vi. Addition / deletion
vii. Under-estimation
viii. Others (to be specified)

4. The underlying justification for increase in cost due to various factors may be explained.
5. Effect of revision in capital cost estimates on cost of production and profitability / viability with reference to earlier approved capital cost of the project.
6. Evaluation Reports by in-house / external agencies, Audit Reports etc. on the outcome of the projects, if any, should be brought out in the memorandum.
7. Report of Departmentally related Standing Committee, if any, to fix the responsibility for cost and time overrun along with action taken report on its recommendations may be appended with the memo to Finance Department.

18. **Approvals and Clearances**

Requirement of mandatory approvals and clearances from various local, state and national bodies and their availability may be indicated in a tabular form (land acquisition, environment, forestry, wildlife etc.)

Sl. No.	**Approvals/ Clearances**	**Agency Concerned**	**Availability (Y/N)**

19. **Comments** of the Financial Advisor of Administrative Department, P & C Department, and other Departments may be summarized in tabular form along with how they are being internalized and used to improve this proposal.

20. **Approval Sought:**

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Annexure-II

GENERIC STRUCTURE OF A DETAILED PAPER/ DETAILED PROJECT REPORT

i. **Context/Background:** This section should provide a brief description of the sector/ sub-sector as well as the national strategy and policy framework. This section should also provide a general description of the scheme/ project being posed for appraisal.

ii. **Problems to be addressed:** This section should elaborate the problem to be addressed through the project/ scheme at the local/ regional/ state level. Evidence regarding the nature and magnitude of the problems should be presented, supported by baseline data/ survey/ reports etc.

iii. **Aims and Objectives:** This section should indicate the development objectives proposed to be achieved, ranked in order of importance. The outputs/deliverables expected for each development objective should be spelt out clearly.

iv. **Strategy:** This section should present an analysis of alternative strategies available to achieve the development objectives. Reasons for selecting the proposed strategy should be brought out. Basis for prioritization of locations should be indicated (wherever relevant). Opportunities for leveraging government funds through public-private partnership or savings through outsourcing must be explored. This section should also provide a description of the ongoing initiatives, and the manner in which duplication can be avoided and synergy created with the proposed scheme/ project.

v. **Target Beneficiaries:** There should be clear identification of target beneficiaries. Stakeholder analysis should be undertaken, including consultation with stakeholders at the time of scheme/ project formulation. Options regarding cost sharing and beneficiary participation should be explored and incorporated in the project. Impact of the project on weaker sections of society, positive or negative, should be assessed and remedial steps suggested in case of any adverse impact.

vi. **Legal Framework:** This section should present the legal framework, if relevant within which the scheme/project will be implemented, as well as the strengths and weaknesses of the legal framework in so far as it impacts on achievement of stated objectives.

vii. **Environmental related assessment:** Environmental related assessment should be undertaken, wherever required and measures identified to mitigate adverse impact, if any. Issues relating to land acquisition, diversion of forest land, rehabilitation and resettlement should be addressed. Where it is not feasible to quantify the environmental impact, a brief write up may be given.

viii. **Disaster resilience:** Whether the project is secured against natural / man- made disasters like floods, cyclones, earthquakes, tsunamis etc. Besides indication may be made as to justify the contribution of the project towards Disaster resilient measures.

ix. **Sustainable Development Goals:** Emphasis should be made to highlight the integration of the 17 broad Sustainable Development Goals and Targets to the new projects. The impact analysis of the scheme on concerned SDG indicator should be spelt out clearly.

x. **Gender and child sensitivity:** Whether the project is Women or child centric and how it is addressing the issues.

xi. **Regional balance:** Emphasis to be given to highlight how the proposed Scheme intends to reduce regional imbalance and missing links targeting a particular region. Involvement of local Governments and communities in scheme implementation should also be highlighted.

xii. **Technology:** This section should elaborate on the technology choices, if any; evaluation of the technology options, as well as the basis for choice of technology for the proposed project.

xiii. **Management:** Responsibilities of different agencies for project management or scheme implementation should be elaborated. The organization structure at various levels, human resource requirements, as well as monitoring arrangements should be clearly spelt out, taking into account the existing manpower and other resources.

xiv. **Finance:**

(a) This section should focus on the cost estimates, budget for the scheme/project, means of financing and phasing of expenditure. Options for cost sharing and cost recovery (user charges) should be explored. Infrastructure projects may be assessed on the basis of the cost and tenor of the debt. Issues relating to project sustainability, including stakeholder commitment, operation-maintenance of assets after project completion and other related issues should also be addressed in this section.

(b) Financing of projects/ schemes through extra-budgetary resources like DMF, OMBADC etc. may be explored before posing the expenditure under State Plan.

xv. **Time Frame:** This section should indicate the proposed zero date for commencement and also provide a Project Evaluation and Review Technique (PERT)/ Critical Path Method (CPM) chart, wherever relevant.

xvi. **Cost Benefit Analysis:** Financial and economic cost-benefit analysis of the project should be undertaken wherever such returns are quantifiable. Such an analysis should generally be possible for infrastructure projects, but may not always be feasible for public goods and social sector projects. Even in the case of latter, the project should be taken up for working out some measurable outcomes/ deliverables suitably defined.

xvii. **Risk Analysis:** This section should focus on identification and assessment of implementation risks and how these are proposed to be mitigated. Risk analysis could include legal /contractual risks, environmental risks, revenue risks, project management risks, regulatory risks, etc.

xviii. **Outcomes:** Success criteria to assess whether the development objectives have been achieved should be spelt out in measurable terms. Base-line data should be available against which success of the project will be assessed at the end of the project (impact assessment). Similarly, it is essential that base- line surveys be undertaken in case of large, beneficiary-oriented schemes. Success criterion for scheme deliverables/outcomes should also be specified in measurable terms to assess achievement against proximate goals along with appropriate continuous monitoring strategy.

xix. **Evaluation:** Evaluation arrangements for the scheme/project, whether concurrent, mid-term or post-project should be clearly spelt out. It may be noted that continuation of schemes from one period to another will not be permissible without a third-party evaluation.

xx. **Executive Summary:** A self-contained Executive Summary should be placed at the beginning of the document. In cases where only a Concept Paper or Feasibility Report is attached to the EFC proposal, it should cover the main points mentioned in the generic structure above.

Annexure-III

TEMPLATE FOR PREPARATION OF SCHEME GUIDELINES

1. **Background**
2. **Scheme/ Programme Objectives**
3. **Coverage under the Scheme/ Programme and duration** [(i) In case of Capital projects, length/ area etc of the work with detailed break-up as well as intended benefit to the public; (ii) In case of Social sector projects, the Target Beneficiaries, eligibility criteria, quantum of benefit to be detailed]
4. **Implementation of the Scheme/ Programme** (with definite role of the stakeholders at State/ District/ implementation level)
5. **Source of funding for the Scheme/ Project and fund flow mechanism**
6. **Intended Scheme/ Programme Outcome**
7. **Monitoring & Evaluation mechanism**
8. **Forms for application by the beneficiaries (if any) to be annexed**

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Annexure-IV

CONCEPT NOTE ON CALCULATION OF ECONOMIC IRR (EIRR) FOR EFC PROJECTS

1. **An Overview of Economic Analysis of a Government Project**

Economic analysis helps to design and select a project that contributes to the welfare of the State. The tools of economic analysis can help answer various questions about a project's impact on society, and on various stakeholders. It also facilitates risk identification and sustainability assessment of projects. It determines whether the arrangements for cost recovery are efficient and equitable.

2. **Rationale for Government Involvement and the Concept of Economic Analysis**

The economic appraisal of a Government project is important as it ascertains the overall impact of the project on State's economy. Economic analysis of Government provides the linkage of the project with the overall economy of the State.

3. **Cash Outflow**

Expected Cash Outflow refers to all types of expenses incurred for a project. It is reckoned each year. Revenue Expenses such as Maintenance, Repairs, Operations etc. and capital expenses such as project cost are to be quantified over the project life.

4. **Cash Inflow**

Expected Cash Inflow refers to the flow of income from a project. It is to be identified each year. The income from the project in a year is expected from past expense as well as expenses in current year.

5. **Economic Life of a Project**

It is the number of years over which both cash inflow and cash outflows are expected.

- If number of years for expected cash inflow are higher than the number of years for expected cash outflow, then economic life will be equal to number of years for expected cash inflow.
- If number of years for expected cash inflow are less than the number of years for expected cash outflow, then economic life will be equal to number of years for expected cash outflow.
- Otherwise, number of years for expected cash inflow will be equal to number of years for expected cash outflow, which will be the economic life of the project.

6. **Hurdle Rate (HR)**

The cost of fund for the project is taken as "Hurdle Rate." This is cost of funds for the State. The cost of funds to the State is the market borrowing cost of the State. State's borrowing cost in open market is linked to REPO Rate. It is observed that the 10 Year market borrowing of the State is Repo Rate plus 250 basis points. Hence, **hurdle rate is pegged as repo rate plus 2.5%**.

7. **The Economic Internal Rate of Return (EIRR)**

EIRR is the generally accepted quantitative measure of the economic attractiveness of a project. If the EIRR of a project is greater than the hurdle rate/cost of borrowing, then project is economically viable. The EIRR indicates whether the project is efficiently using the State's resources. The EIRR is calculated from expected cash inflow and cash outflow of the project over the economic life of the project.

8. **Economic Value Addition (EVA)**

The EVA is the difference between EIRR and HR. The EVA will be positive if EIRR exceeds HR. In this case, the EFC project is Economically Viable. In case of negative EVA, the project is not Economically Viable. However, EVA neutral project is considered as Economically Viable.

9. **Illustrative Example**

The Project is about construction of 125 nos. of "Elementary School Complex" in the state. The Project life is assumed to be 15 Years. The salient features of this project are illustrated below.

1. **Expenditure Recognition (Cash Outflow)**

   - The Unit cost of Capital Expenses (Unit Capex) for setting up a school complex is assumed at Rs.1.5 crore. In every year, the cost escalation on account of capex is assumed at 5%. This cost escalation includes inflation on account of capital goods, non-current expenses etc. Since, the capex is assumed to be for 5 Years, the year wise unit capex is calculated accordingly.
   - It is assumed that there will be no capex after 5th Year of the project life.
   - The OPEX (Maintenance, Repair and Operational Expenditure), however, will continue till the end of the project life (15th Year).
   - The Unit cost of Operational Expenses (Unit OPEX) for making the school complex is assumed at Rs. 0.25 crore. Every year, the cost escalation on account of Opex is assumed at 6%. This cost escalation includes inflation on account of wages & other recurring spending etc. Since, the Opex is for 15 Years, the year wise unit Opex is calculated accordingly.
   - The total expense for 125 nos. of "Elementary School Complex" is calculated at Rs. 353 crores over 15 years of project life.
   - The year wise total expenses (Capex and Opex) are discounted (at assumed discount rate of 6.5%) to arrive at Present Value (PV) of the expenses.

2. **Income Recognition (Cash Inflow)**

   - It is assumed that 25 nos. of School Complex will be completed each year. These 25 nos. of schools in each year are taken as "Output" per year. Total number of school complexes to be built in 15 years is assumed at 125.

- The economic benefit from this "Output" will be measured in terms of "Improvement in Gross Enrollment Ratio".
- The economic benefit in a particular year is determined by considering the existing output as well previous output. For example, in 3rd Year, the economic benefit is appraised taking 75 nos. of schools completed over 3 years. This is taken as "Cumulative Output".
- Therefore, the effect of "Cumulative Output" at the end of the year would be considered to measure the economic benefit in each year.
- The economic benefit from each school will be translated to monetary value by selecting an appropriate conversion factor.
- This conversion factor will recognize the unit value of output for this project. In our case, the conversion factor is "School Fee" charged from the new enrolments.
- If private schools would have built, owned, and operated these school complexes at these particular locations, then it is assumed that Rs.0.40 crore would have been collected as fees, in first year, from new enrollments in each school complex.
- Hence, the unit value is recognized at Rs.0.40 crore. This unit value and progressive output at the end of the year will result in Economic Cash Inflow every year.

3. **Economic Value Addition**

- The Economic Value Addition (%) is the difference between EIRR and HR.
- In our example, EIRR is calculated from a stream of cash inflows and discounted value of cash outflows over 15 years.
- The EIRR is estimated at 11.8% and Hurdle Rate is pegged at 6.5%. Hence, EVA is 5.3%.
- The Economic Analysis of this EFC Project "School Complex in Elementary Education" confirms that the project is economically viable, and it has positive economic value addition.