

No. 7(1)/E.Coord/2011
Ministry of Finance
Department of Expenditure

New Delhi, the 11th July, 2011.

OFFICE MEMORANDUM

Subject : Expenditure Management – Economy Measures and Rationalisation of Expenditure.

1. **Background**

Instructions on expenditure management have been issued from time to time by the Ministry of Finance, Department of Expenditure with a view to ensure availability of adequate resources for meeting the objectives of critical development and priority schemes. These measures are intended at promoting fiscal discipline without restricting the operational efficiency of the Government.

2. **Economy Measures**

In view of the commitment of the Government to carry on the process of fiscal consolidation vigorously and to meet the fiscal and revenue deficit targets announced in the Budget 2011-12, there is need for economy and rationalisation of expenditure. In this context, the Budget Division, Department of Economic Affairs has, vide Office Memorandum No.4(5)-W&M/2011 dated May 2, 2011 issued instructions on the steps to be taken for fiscal and expenditure management in 2011-12. In continuation of those instructions, the following measures for fiscal prudence and economy will come into force with immediate effect:-

2.1 **Seminars and Conferences**

- (i) Utmost economy shall be observed in organizing conferences/Seminars/ workshops. The prescribed expenditure ceilings for holding seminars, conferences, workshops etc. should be enforced and only such conferences, workshops, seminars, etc. which are absolutely essential, should be held. A

10% cut on budgetary allocations for seminars/conferences shall be effected.

- (ii) Holding of exhibitions/seminars/conferences abroad is strongly discouraged except in the case of exhibitions for trade promotion.
- (iii) There will be a ban on holding of meetings and conferences at five star hotels.

2.2 **Purchase of vehicles**

- (i) Except for the operational requirements of Defence Forces, Central Paramilitary Forces and security related organisations, purchase of vehicles, including those against condemnation of the existing vehicles, will not be permitted.

2.3 **Foreign Travel**

- (i) It would be the responsibility of the Secretary of each Ministry/ Department to ensure that foreign travel is restricted to most necessary and unavoidable official engagements based on functional necessity and extant instructions are strictly followed.
- (ii) Ministries/Departments shall lay down quarterly ceilings based on the annual budget under foreign travel expenses which they may not exceed during the quarter in question. This will enable the Ministries/ Departments to prioritise and phase their expenditure during the whole year.
- (iii) Where travel is unavoidable, it will be ensured that officers of the appropriate level dealing with the subject are sponsored instead of those at higher levels. The size of delegation and the duration of visit will be kept to the absolute minimum.
- (iv) Proposals for participation in study tours, workshops/ conferences/seminars/presentation of papers abroad at Government cost will not be entertained except those that are fully funded by sponsoring agencies.

2.4 **Creation of posts**

There will be a total ban on creation of Plan and Non-Plan posts, except for new organisations which are set up during the course of the current year based on already approved schemes.

2.5 Consultancy Assignments

As per the extant instructions, consultancy assignments are to be awarded based on the provisions of the GFRs. In this context, the provisions of GFRs may be strictly followed and consultancy assignments may be awarded only for specific jobs which are well defined in terms of content and timeframe for their completion. Engagement of consultants may be resorted to only in situations requiring high quality services for which the concerned Ministry/Department does not have requisite expertise.

All Ministries/Departments may carry out a review of the Consultants appointed by that Ministry/ Department in the light of the provisions of the GFRs, and reduce the number of Consultants to the minimum requirement. Where individual Consultants are appointed by nomination, due economy may be observed while determining their fee and such fees may not be disproportionate to the work to be carried out by the Consultant.

3. **Observance of discipline in fiscal transfers to States, Public Sector Undertakings and Autonomous Bodies at Central/State/Local level**

- 3.1 No amount shall be released to any entity (including State Governments), which has defaulted in furnishing Utilisation Certifications for grants-in-aid released by the Central Government without prior approval of the Ministry of Finance.
- 3.2 Ministries/Departments shall not transfer funds under any Plan schemes in relaxation of conditionalities attached to such transfers (such as matching funding).
- 3.3 The State Governments are required to furnish monthly returns of Plan expenditure – Central, Centrally Sponsored or State Plan – to respective Ministries/Departments along with a report on amounts outstanding in their Public Account in respect of Central and Centrally Sponsored Schemes. This requirement may be scrupulously enforced.
- 3.4 The following specific steps may be adopted:
 - (a) The unspent balances available with the States and implementing agencies must be taken into account before further releases are made.

