F.No. 7(5)/E-Coord/2004
Government of India
Ministry of Finance
Department of Expenditure
***

New Delhi, the 24th September, 2004

**OFFICE MEMORANDUM**

Sub : **Guidelines on expenditure management – Fiscal prudence and austerity**

In supersession of this Departments O.Ms. dated 17/6/1996, 20/8/1998, 5/8/1999, 24/9/2000 and 10/10/2001 on the subject cited above, the following austerity measures shall take effect from October 1, 2004 :

i) All on-going programmes and schemes, both Plan and non-Plan, should be carefully reviewed, scrutinized and evaluated to determine their continued relevance. This exercise should be taken up immediately and completed before the end of this calendar year.

ii) Deviations of expenditure from the prescribed budgetary ceilings should not be allowed. FAs should personally ensure that unauthorized expenditure above the appropriations is not incurred in any circumstances.

iii) It should be ensured that all profit-making PSEs declare a minimum dividend on equity of 20% or a minimum dividend pay out of 20% of post-tax profits, whichever is higher. The minimum dividend pay out in respect of Oil, Petroleum, Chemical and other infrastructure sectors should be 30% of post-tax profits;

iv) All profit making companies must also consider issuing bonus shares to the Government;

v) All profit making Joint Venture companies should be asked to make concerted efforts to give a dividend of 20% on Government equity holding;

vi) Other non-tax receipts should be revised so that at least the cost of the services is recovered.

vii) Budget formulation should lay greater emphasis on explicit recognition of the revenue constraints and a realistic projection of the budgetary allocations required for various projects/schemes and there must be rigid adherence to budgetary ceilings. All procedures laid down for incurring both Plan and Non-Plan expenditure on schemes should be followed scrupulously. In view of the severe constraints on resources, additional funds to any Ministry or Department shall not be provided at the revised estimate stage, except in rare and exceptional circumstances.

viii) No fresh financial commitments should be made on items which are not provided for in the budget approved by Parliament.

ix) There have been cases of Ministries releasing funds to autonomous bodies year after year, despite the fact that there are substantial balances with them remaining unutilised and kept in deposit with the banks. The Ministries should complete a detailed review of all such cases by 31.10.2004 and, pending such a review, the Ministries are advised not to release funds in such cases. The responsibility for regulating release of funds in these cases will rest with the Financial Advisers (FAs).

x) Most autonomous bodies are given 100% deficit grants. These shall be reduced in a graded manner by 5% in successive years, i.e. to 95% in the first year, 90% in the second year and so on, in respect of such bodies which have the potential of raising resources.

xi) Timely repayment of loans provided by the Government to the PSUs and payment of fees/charges on Government Guarantees should also be monitored by the FAs.

xii) There shall be a mandatory 10% cut in the budgetary allocation for non-plan, non-salary expenditure, including OTA/ honorarium. No re-appropriation of funds to augment these heads of expenditure would be allowed. Austerity must be reflected in furnishing of offices/offices at residences. The expenditure limit prescribed for these purposes shall be strictly enforced.

xiii) Utmost economy should be exercised in use of staff cars and other official vehicles. In accordance with the ceiling prescribed at Sl. No. (xii), there shall be a 10% cut in the consumption and allocation of funds for expenditure on POL and travel.

xiv) Foreign travel should be restricted to unavoidable official engagements. There shall be a ban on foreign travel for Study Tours, Seminars, Workshops etc. funded by the Govt. of India except for annual and other formal meetings of bilateral/multilateral bodies viz. IMF, World Bank, WHO, ILO, Joint Commissions, etc. Size of official delegations, where foreign travel is unavoidable, shall be restricted to the bare minimum.

xv) The rate of per diem allowance for travel abroad to all countries and for all categories, officials/ non-officials belonging to Government, autonomous institutions and PSUs shall continue to be depressed by 25% as at present.

xvi) Utmost austerity will be observed in organizing conferences/ seminars/workshops. All grants being given for such purposes would be reviewed by Department of Expenditure.

xvii) Ban on creation of Plan and Non-Plan posts will continue. Any unavoidable proposals for the creation of plan posts including Groups `B', `C' and `D' posts shall continue to be referred to the Ministry of Finance (Department of Expenditure) for approval.

xviii) Every Ministry/Department shall undertake a review of all the posts which are lying vacant in the Ministry/Department and in the Attached and Subordinate Offices, in consultation with the Ministry of Finance (Department of Expenditure). FAs will ensure that the review is completed in a time bound manner (and, in any event, not later than 31.10.2004) and full details of vacant posts in their respective Ministries etc., are available. Till the review is completed, no vacant posts shall be filled up except with the approval of the Ministry of Finance (Department of Expenditure).

xix) Implementation of existing instructions concerning abolition of posts should be ensured.

xx) Purchase of new vehicles is banned until further orders. Exceptions will be allowed only for meeting the operational requirements of Defence, Central Para Military Forces, etc. New vehicles shall not be purchased even in replacement of condemned vehicles. Hiring of private vehicles from outside shall be limited to the number of vehicles condemned.

2. Secretaries to the Government of India and Financial Advisers are requested to ensure strict compliance of the above instructions.

**(D. Swarup)**
**Secretary to the Government of India**

To

1. All Secretaries to the Government of India (By Name)
2. All FAs (By Name)
3. All Heads of Public Sector Enterprises