F.T.S. 114986/16

F.No.4(10)-W&M/2016
Government of India
Ministry of Finance
Department of Economic Affairs
(Budget Division)
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Dated Aug 4, 2016

Office Memorandum

Sub: Cash Management System in Central Government – Modified Exchequer Control Based Expenditure Management

1. This OM is issued in supersession of following OMs: -
F. No. 21 (1)-PD/2005 dated December 27, 2006
F. No. 21 (1)-PD/2005-Vol II dated July 30, 2012
F. No. 21 (1)-PD/2005 dated January 15, 2013
F. No. 21 (1)-PD/2005 dated July 3, 2013
F. No. 21 (1)-PD/2005 dated January 10, 2014
F. No. 21 (1)-B(PD)/2014 dated July 22, 2015

This may kindly be circulated amongst all autonomous organizations for compliance.

All Divisional Heads

2. To bring about more effectiveness and efficiency in cash management system, a Cash Co-ordination Committee (**CCC**) headed by JS(Budget) with members from office of CGA, RBI and Budget Division was constituted by the Government on 19.05.2016 vide OM dated 19.5.2016.

3. Based on the deliberations of the Committee, consultation with Financial Advisors of some key Ministries representing infrastructure, Social, and economic Sector was undertaken. Inputs from O/o Controller General of Accounts were also sought. Accordingly, guidelines for more effective and efficient cash and expenditure management in the Government of India have been prepared and outlined here. **This will help avert situation of temporary mismatches in cash outflows and cash inflows, and thereby prevent additional transitory borrowing through treasury bills/ CMBs and thereby help save on interest expenses. It would also prevent unnecessary build-up of cash, which creates liquidity crunch in the economy and in process again raises cost of Government borrowing.**

4. Accordingly, the following guidelines are hereby notified:

(i) All FAs shall ensure that Monthly/Quarterly Expenditure Plan (**MEP/QEP**) of respective Ministries are prepared and sent to Budget Division, DEA, Ministry of Finance within two weeks of passing of their Detailed Demand for Grants (**DDG**) in Parliament. MEP/ QEP would be worked out separately for Plan and Non-Plan expenditures and included as Annex to the DDG in respect of the concerned Demand for Grants (**DG**). For 2016-17, the MEP/ QEP framed in this regard would be communicated to the Budget

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f. **Prior permission from Budget Division shall be a pre-requisite for any single payment release in excess of ₹ 5000 Cr.** The FAs may guard against attempts to deliberately split expenditure to stay within limits.

g. Not more than 33% and 15% of expenditure, subject to RE ceilings, shall be permissible respectively in the last quarter and last month of the financial year. **The restriction shall be observed both scheme-wise as well as for the Demand for Grants as a whole.**

h. The FAs will monitor the release of funds to autonomous bodies and other organisations to ensure that there is no undue build-up of funds with such bodies/ organisations and money is released to them just in time.

(iv) The exchequer control would apply cumulatively at the Demand for Grant (DG) level only i.e. inter-se variations between months within a quarter, between Plan and Non-Plan (till such time the distinction exists) would be permissible, subject to statutory restrictions and guidelines in this regard.

(v) The relaxation in the QEP and carry forward of the unspent amount across quarters may be exception rather than norm. While seeking such relaxations, detailed justification for the deviations shall be recorded. The generic reasons such as 'delays in sanction order', 'late receipt of claims', delays in necessary approvals' shall not be accepted unless substantiated by specific reasons.

(vi) **Savings, if any, incurred during QEP would not be available for automatic carry forward to the next quarter, without revalidation of such savings by the Budget Division for the next quarter through modification in QEP.** However, spillover in MEP, not inconsistent with QEP will not require prior revalidation from the Budget Division. The FAs may nonetheless use such MEPs for their internal monitoring with the target of complying by the QEP limits.

(vii) The Budget Division would convey its decision on revalidation of MEP/ QEP, within 7 days of the request, unless there are some specific queries.

(viii) The provisions stipulated under Rule 209 (6) (iii) of GFR shall be strictly complied by all Ministries/Departments and accordingly, the releases to the various Implementing Agencies (IAs) have to be restricted / rationalised keeping in view the unspent balances lying with the IAs. For this purpose, the Programme Division of Ministries/Departments shall take help of PFMS Portal to know the bank balance of the recipients (IAs) before making every fresh release. The instructions of Department of Expenditure regarding the use of PFMS Portal for Central Sector Schemes issued vide F.No. 66 (29) PF-II/2016 dated 15-07-2016 shall be strictly followed by all

Ministries/Departments. It is learnt that O/o Controller General of Accounts has been making efforts to extend the PFMS portal to all types of payments. Accordingly, the same principles of 'just in time release', should be applied for releases in respect of all payments to the extent possible.

(ix) The releases to any Implementing Agencies (IA), including an Autonomous body, shall be on monthly basis, rather than in an ad-hoc manner, to avoid any avoidable parking of funds.

(x) Financial Advisers shall review and freeze the timing of the receipts of Dividend and various other Non-Tax receipts (**NTRs**) of their respective Ministry/Departments. The dividend payments and buy back considerations would be targeted in the H1 part of financial year. The FAs shall also monitor the timely realisation of other NTR and submit collection details of other NTR through the online portal **'Bharat Kosh'** developed by CGA.

(xi) Each Ministry/ Department would indicate month-wise estimate of the possible non-tax revenue inflows concerning that Ministry/ Department to Budget Division, while communicating their MEP/ QEP, so that these inflows are factored in while according permission for expenditure. In case month-wise estimate is not feasible, such information would be provided on quarterly basis. For 2016-17, this information will be provided by Aug 31, 2016.

(xii) If required the FAs may, with prior approval of Secretary (Expenditure) amend the QEP for last 3 quarters of the current FY (2016-17) keeping in view these revised guidelines.

This issues with the approval of Finance Minister.

(Prashant Goyal)
Joint Secretary (Budget)