GUIDELINES FOR ADMINISTRATION OF NON-LAPSABLE CENTRAL POOL OF RESOURCES

1. Background:

1.1 The North Eastern Region (NER) comprises of eight States viz. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. The development concerns of these States are pursued through their respective Five Year and Annual Plans as well as those of the Union Ministries and Central Agencies. In addition, projects of inter-State nature in the Region are funded through by the North-Eastern Council (NEC), which has a separate additional budget for the purpose.

1.2 The North East has essentially depended on Central funding for development works. All the States in the NER are Special Category States whose Development Plans are centrally financed on the basis of 90% Grant and 10% Loan. Further, the Special Category States are allowed to use up to 20% of the Central Assistance for Non-plan expenditure.

1.3 Despite the fact that the per-capita plan outlays of the NE States over a period of time have increased yet States still rank significantly below the national average in so far as the development of infrastructure is concerned. In terms of per-capita, State Domestic Product or other development indices, such as Power, Length of Roads or Hospital Beds, the North-East ranks well below the national average. Though the literacy levels are higher than the national average, vocational training and entrepreneurial skills remain weak areas.

1.4 As the benefits of economic development have yet to steadily accrue to the Region, efforts have been initiated in this direction in the recent past through various supportive measures. In October 1996, the then Prime Minister announced "New Initiatives for North Eastern Region" and stipulated that at least 10% of the Budget(s) of the Central Ministries/Department will be earmarked for the development of North Eastern States. A preliminary exercise undertaken by the Planning Commission in consultation with the various Ministries/Department revealed that the expenditure on the North East by some Union Ministries during 1997-98 fell short of the stipulated 10% of the GBS for that year. Planning Commission thereafter explored the possibility of creating a Central Pool of Resources for the North East out of the unspent amount of stipulated 10% of GBS to support infrastructure development projects in the North East. Certain Departments (e.g. Atomic Energy, Ocean Development) could be exempted, mainly for the reason that they might have little direct involvement in the Region.

1.5 A proposal was mooted by the Planning Commission to the Cabinet for constitution of such a Central Pool of Resources. The Cabinet approved the approach, in principle, on 15th December, 1997, observing that the creation of the Central Resources Pool would require Parliamentary approval and would have to await constitution of the Twelfth Lok Sabha. The Central Pool therefore, could not be constituted in 1997-98.

1.6 Following the Lok Sabha elections earlier in the year 1998, the matter relating to creation of the Central Pool of Resources was pursued in consultation with the Ministry of Finance. The Prime Minister convened a Meeting of the Chief Ministers of the North Eastern States on 8th May 1998 when, inter alia, it was indicated that a Non-lapsable Central Pool of Resources for the funding of specific projects in these States would be created. The relevant paragraph from the Prime Minister's speech reads as under:

> "We are examining the feasibility of creating a Central Pool of Resources (CPR) which, in turn, will give critical additional support for an accelerated implementation of projects in the entire region. This pool, created from the unspent balance of the allocated expenditure of 10% of the budgets of the concerned Central Ministries, could well amount to around Rs.1500 crore annually."

1.7 This commitment of the Government was also reflected in the Speech of the Finance Minister while presenting the Union Budget for the year, 1998-99. The relevant paragraphs from the Budget Speech are reproduced below:

> "Furthermore, it has been decided that a non-lapsable Central Resources Pool will be created for deposit of funds from all Ministries where the plan expenditure on the North Eastern Region is less than 10 per cent of the total plan allocation of the Ministry. The difference between 10 per cent of the allocation and the actual expenditure incurred on the North Eastern Region will be transferred to the Central Pool, which will be used for funding specific programmes for economic and social upliftment of the North Eastern States."

1.8 Further, as part of the budget proposals 1998-99, it was announced that:

> "It has been decided that all Central Ministries/Departments should earmark at least 10% of their budget for specific programme of development in the North Eastern Region. To the extent of shortfall in the utilization of this provision by any Ministry/Department (except some exempted ones) according to this norm, the amount would be transferred to a new Reserve Fund in the Public Account titled 'Central Resource Pool for development of North Eastern Region'. Presently, a token provision of Rs.1 crore is being made for transfer to the fund. In Budget 1997-98, such short provision was assessed to be about Rs.1,600 crore. A similar exercise for analyzing the provisions in Central Plan specific to the North Eastern Region in Budget 1998-99 would be carried out and the Resources Pool would be enhanced at Revised Estimates stage to the extent of shortfall from the 10% norm."

1.9 The Union Budget 1998-99 was voted and passed by Parliament. With that, the Non-lapsable Central Pool of Resources was constituted with approval of Parliament.

2. Objectives:

2.1 In the conference of Governors and Chief Ministers of the North Eastern States and Sikkim held in January 2000 at Shillong the Prime Minister stated the objectives of the Non-lapsable Central Pool of Resources. The relevant paragraph from Prime Minister's Speech is:

> "My Government has also created a pool of non-lapsable funds for the North-East and Sikkim. This pool, meant for funding development projects in these States, will fill the resource gap in creation of new infrastructure, which is a top priority concern of the Union Government...."

2.2 The broad objective of the Non-lapsable Central Pool of Resources scheme is to ensure speedy development of infrastructure in the North Eastern Region by increasing the flow of budgetary financing for new infrastructure projects/schemes in the Region. Both physical and social infrastructure sectors such as Irrigation and Flood Control, Power, Roads and Bridges, Education, Health, Water Supply and Sanitation - are considered for providing support under the Central Pool, with projects in physical infrastructure sector receiving priority.

2.3 Funds from the Central Pool can be released for State sector as well as Central sector projects/schemes. However the funds available under the Central Pool are not meant to supplement the normal Plan programmes either of the State Governments or Union Ministries/ Departments/ Agencies.

3. Institutional arrangement to Administer the NLCPR Funds.

3.1 There shall be a committee called 'NLCPR Committee' to administer NLCPR Scheme consisting of:

(i) Secretary, Ministry of Development of North Eastern Region - Chairman

(ii) Finance Secretary or his representative not below the rank of Joint Secretary-Member

(iii) Home Secretary or his representative not below the rank of Joint Secretary -Member

(iv) Secretary of the concerned Ministry/Department or his representative not below the rank of Joint Secretary proposing a central sector project - Member

(v) Principal Adviser/ Adviser, In-charge of North Eastern State (and Sikkim) in Planning Commission. - Member

(vi) Financial Advisor, Ministry of DONER -- Member

(vii) Joint Secretary / Joint Secretaries In-charge of Non-lapsable Central Pool of Resources in the Ministry of Development of North Eastern Region – One JS being Member Convener

3.2 The functions of the Committee are:

(a) To ensure equitable distribution of NLCPR resources amongst NE States keeping in mind existing inter-State and intra-State regional disparity, Human Development Indices (HDI) including per capita income, poverty level (BPL), density of infrastructure, population, area and terrain etc. besides performance of the States in implementing NLCPR projects.

(b) To assess projects/schemes proposed by the States of the NE and Sikkim under NLCPR in terms of viability and tangible socio-economic impact.

(c) To prioritize them.

(d) To recommend allocation of funds for such schemes/projects.

(e) To closely monitor and review the progress of the projects/schemes, including the deputation of appropriate officials of the Central Government, for field inspections on a periodic basis.

(f) To suggest policy changes to obviate procedural and other bottlenecks in the execution of programmes/projects/schemes.

3.3 The Committee would meet as often as necessary (at least once in two months) and would submit periodic recommendations to the Union Minister for Development of North Eastern Region on various aspects of NLCPR projects.

3.4 Committee would be serviced by the NLCPR Division in the Ministry of Development of North Eastern Region.

4. Project formulation under NLCPR

4.1 The following process shall be adopted for project formulation:

4.1 (i)

(a) Each State would propose through its nodal Department, an Annual Profile of projects under the NLCPR in terms of a shelf of projects (called 'priority list' hereafter) latest by 30th November for the next Financial Year. The submission date for Priority List of projects shall be strictly adhered.

(b) Priority list once submitted shall not be changed or modified.

(c) **The priority list should be a comprehensive proposal containing 'gap analysis' of all major sectors and justification of the list of projects in fulfilling these gaps. This should be in consonance with the overall planning process within the State covering Annual Plans and Five year Plans.**

(d) **States may identify certain sectors for focused investments with a long-term vision instead of expending these funds into small, diverse and stand-alone projects**.

(e) **The State should also indicate that these projects have not been taken up or proposed to be taken up with any other funding mechanism.**

(f) Projects in backward areas/ Sixth Schedule areas/ Autonomous District Councils of the State would continue to be accorded weightage. While posing projects for funding under NLCPR in a particular financial year, the States may include projects from backward areas/ Sixth Schedule Areas/ Autonomous District Councils in the priority list of projects for a particular financial year minimum upto 25% of total cost of projects included in the priority list for that year.

(g) Along with Priority List, the Concept Paper for each project included in it should be submitted denoting approximate financial outlay benefits accruing from such projects, identification of beneficiaries etc. (Details of model concept paper at **Annexure-I**). Any project contained in the Priority List without proper Concept Paper will not be considered.

(h) Concept Papers must be prepared as per the generic structure at **Annexure-I**. They must clearly indicate a detailed analysis of the existing facilities in the sector and full justification for retention of the particular project. The Concept Paper must invariably delineate the cost-benefit analysis of the project. For economic sector project economic benefit should specifically be indicated comparing it with the cost involved.

(i) **The concept paper should inter-alia include a certificate that the project have not been taken up or proposed to be taken up with any other funding mechanism.**

(j) Government of India norms for projects and for the sector to which the project belongs should invariably be kept in mind while proposing a project.

(k) Only the infrastructure development projects that may lead to socio economic upliftment in the State and having impact on larger number of people should be included in the list. No individual beneficiary schemes / projects should be included in the Priority List.

(l) **For optimum utilisation of funds, the States may propose the projects on the basis of present needs and keeping view the future expansions rather than making imaginary proposals.**

(m) To eliminate any duplication, the projects which can be taken up under the other schemes of Central Ministries or under the State Plan should not be included in the Priority List.

(n) Projects with an estimated cost of only Rs.3.00 crore or above should be included in the priority list.

(o) **If a project in the priority list is considered by the NLCPR Committee but not retained, then it may not be proposed again at-least for next three (3) yrears.**

4.1 (ii) The cost indicated in the Concept Paper should be on realistic side and based on latest SOR. The cost escalation while finally sanctioning the project is allowed only to the extent of 10-15 % over the cost indicated in the Concept Paper. Under exceptional circumstances this limit can be extended up to 20% beyond which the project will stand chances of being dropped or the State Government will be required to comment and fund the enhanced cost.

4.1 (iii) The scope of the project indicated in the Concept Paper should be what is intended to be reflected in the DPR. There should not be any major change in scope of project in DPR against what was proposed in the Concept Paper.

4.1 (iv) Following criteria would further guide the project identification exercise by the NLCPR Committee:

a. Projects of less than Rs.3 Crore would not be generally funded;

b. NLCPR funds will not be used to fund land acquisition costs;

c. Each location specific project would be counted as one; the practice of clubbing many projects into one to increase the size of the project would not be acceptable;

d. Project acceptance would depend on its soundness. The State priority list will only be a suggestive guide. NLCPR Committee will not be bound by that priority.

e. Projects in backward areas/ Sixth Schedule areas/ Autonomous District Councils of the State would be given weightage and minimum 25% funds may be allocated to the projects falling in these areas.

f. NLCPR funds would be an additionality to ongoing programmes. They would not be used to substitute a budgeted ongoing project or scheme. Emphasis need to be given for employment generation and infrastructure schemes;

g. Normally a project duration should not exceed maximum 3-4 years. Long gestation projects will not be encouraged;

h. Funding under NLCPR would be made available to State/Central agencies only. The State however, may decide to get the project implemented through any qualified, reputed, experienced agency to be specified in the proposal.

4.1 (v)

a) The Detailed Project Reports (DPRs) would be prepared properly by the State Department concerned as per generic structure given at **Annexure II**, based on the current schedule of rates and submitted to the Ministry of DoNER, **in five (5) copies,** through Nodal Department of the State within **two months** of retention of projects. **If the State Government could not submit DPR of the project within two (2) months of its retention the project may be dropped.**

b) To avoid the repetition of mistakes while preparing DPRs, the State Governments should refer to the comments provided earlier by the Line Ministries/ Ministry of DoNER for improvement in the DPRs of similar type of projects.

c) All regulatory and statutory clearances like forest & environment, land acquisition etc. should be identified and timeframe for obtaining the same has to be indicated.

d) The DPR should be accompanied by a socio-economic feasibility report and must establish its economic and technical viability such as its rationale, cost, finances available from other sources, similar facilities available in and around area of the project site, detailed technical specifications etc.

- CPM and PERT chart;
- Year-wise phasing of inputs, viz. expenditure;
- Quarterly and yearwise physical outputs/targets to be achieved (as project monitoring indicators);
- Project Implementation Schedule (Annexure III);
- An authentication by State Authorities (not below the level of Chief Engineer equivalent) that the costs are based on the latest Schedules in vogue in the State concerned;
- All relevant regulatory and statutory clearances and time frame for obtaining the same.

4.1 (vi) Central Ministry/Department would submit projects for funding under NLCPR only if they have exhausted the funds (minimum 10 percent of their Budget) provided for NER. Even there, they would be encouraged to take recourse, in the first instance, to supplementary demand for grants for augmentation of their budgets for projects in NER. Further, in case of projects of central ministries/departments, the projects should have all the necessary SFC/EFC clearances. (Proposals related to state sector projects will not require EFC/SFC routing since the assets are not created in the central government, the assistance is on 90% grant basis on which the state plan funds are also transferred). The proposals from the Central Agencies however will require such clearance and should be routed through the concerned Administrative Ministry/ Department. The NLCPR 100% grant will be made available only for that year and the Ministry/Department should take up the remaining part of the project from next year in their annual plan.

4.1 (vii) Occasionally, proposals may be taken up directly by the NLCPR Committee for strategic or other priority reasons. These proposals would also be treated as being duly submitted, and scrutinized for eligibility/desirability as if State Government/Union Ministries concerned had submitted them. This may also include strategic intervention through Corporations / Organisations under the administrative control of the Ministry of DONER and also for monitoring / evaluation studies etc., of NLCPR projects. These proposals will receive 100% funding from NLCPR.

4.1 (viii) No staff component – either work charged or regular – shall be created by the project implementing authorities from NLCPR funds. All such requirement should be met from redeployment of surplus manpower in the department.

4.1 (ix) No maintenance work/ cost will be funded from NLCPR funds.

4.1 (x) The Projects which are not retained by NLCPR Committee in any financial year can also be considered in the subsequent year only if the concerned State Government feels that the project is of vital importance to economic / social development of the State and thus be included in the subsequent priority list.

5. Appraisal of Project Proposals

5.1 The Member Secretary will place the shelf of priority project proposals before the NLCPR Committee.

5.2 The Committee in the first instance would identify the projects out of the shelf, which can be considered for funding based on the soundness of the proposal for further detailed examination. **If required prior consultation may be made with State Government officers/ Chief Secretaries.**

5.3 All Recommendations of the NLCPR Committee would be placed before Minister, Ministry of Development of North Eastern Region for his approval before being communicated to the States for submission of DPRs.

5.4 The exercise of retention of projects may be completed within one month of submission of Priority Lists by State Governments.

5.5 The complete and proper DPRs of the retained projects received from the State Governments would be examined from technical and economic angle by the Technical Wing of the Ministry/ Central Ministries concerned/ CPSU selected for the purpose. The Technical Wing of the Ministry/ Central Ministries concerned/ CPSU will offer their comments on the DPR within 15 days and final comments within one month of receipt of DPR. The comments of the Technical Wing of the Ministry/ Central Ministries concerned/ CPSU selected for the purpose would be conveyed immediately to the State Governments. Similarly the State Government fully complying with the comments of the Ministry should send back the DPR/ revised DPR along with compliance report within 15 days from the receipt of the comments of the Ministry. If required the Ministry may invite officers of the State Government for clarifications.

5.6 **To avoid duplication of projects the DPRs may be sent to Planning Commission and Central Ministries concerned to obtain their comments within a definite time frame of one month about duplicity in funding of projects. If no comments received within one month, the Planning Commission and Central Ministries concerned may be deemed to have no objection in funding the project under NLCPR and DoNER may proceed for according sanction.**

5.7 Project proposals techno-economically cleared by the Technical Wing of the Ministry/ Central Ministries concerned/ CPSU selected for the purpose would be put up before the NLCPR Committee for final approval. This process would be completed within two months of the receipt of complete and proper DPR in the Ministry from the State Government.

5.8 Concurrence of the Minister DONER would be obtained before according final approval for the projects to be funded under NLCPR.

6. Cost escalation

6.1 The proposal relating to escalation in cost of the sanctioned projects for any reason generally does not qualify for consideration under the Non-lapsable Central Pool of Resources. However, in some deserving cases, if the enhancement of the cost is due to change in scope of the works that was not envisaged at initial stage, the proposal will be submitted to the NLCPR Committee at the appropriate juncture for consideration.

6.2 In cases where the increase in cost is not due to change in scope, and felt to be justified due to factors beyond the control of the executing agency, NLCPR Committee will take a view provided that in such cases in overall terms the escalation does not exceed 20% of the originally approved cost. Financing of such increased cost may be permitted on the basis of sharing between the Non-lapsable Central Pool of Resources and the State Government in the ratio of 1:1.

7. Project implementation by the State Government.

7.1 Once the project is approved by the Ministry of DoNER the State Government should ensure that the tender has been called on competitive basis by giving wide publicity in print media & website etc. and the works have been awarded within three months of its sanction, even without waiting for the release of funds from State Government to implementing agency.

7.2 The State Government should follow all codal formalities and strictly adhere to the project implementation schedule and physical targets given in the DPR.

7.3 State Government may give preference to Local Bodies for implementation of the projects if they are qualified under tendering/ financial rules followed by them.

7.4 Any project which could not be completed within target date (as given in DPR by the State Government) plus six months, it will be closed for funding by M/o DoNER. The State Government will be responsible for completion of the balance work in the project from its own resources.

7.5 In case during implementation of project State Government wants to increase/ change the completion schedule of the project, it may be done at the level of State Chief Secretary by holding a meeting and the revised date of completion so finalized may be conveyed to Ministry of DoNER with specific reasons well before the expiry of six months period after the original/actual date of completion.

8. Release of funds

8.1 Once the proposal is approved for support by the Ministry of DoNER the funds would be released in three installments comprising of **40%, 40% and 20%** of the approved project support/cost unless there are special circumstances which would be clearly brought out in the proposal for release. The NLCPR division through the Joint Secretary concerned shall obtain the concurrence of Internal Finance Division of the Ministry for releasing installments.

8.2 The funds would be released/ sanctioned to the State Government in the form of 90:10. 90% of the approved cost would be released by the M/DoNER as Grant. Balance 10% being State share would be contributed by the State Government. As regards the disbursements, if any for projects of Union Ministries/Departments, it shall be made from the Central Pool to the department/ministry in form of supplementary demand for grants.

8.3 Release of funds for ongoing projects: The 2nd installment will be released only on completion of 40% of the project and submission of utilization certificate of at least 80% of funds released in 1st installment. The subsequent installments shall depend upon the progress - both in financial and physical terms – of the implementation of the project subject to 80% utilization of funds of last release, and full utilisation of all prior releases, if any, and achieving commensurate physical progress.

8.4 Request for release of subsequent installments of funds submitted by the State must be accompanied with:

- Utilization Certificates (UCs)
- Quarterly Progress Reports (QPRs)
- Photographs of the works completed

- Work plan for the requisitioned amount with milestones and time frame
- Inspection report of Nodal officer indicating the physical & financial progress of the project, etc.

8.5 UCs shall be submitted in the prescribed proforma (Annexure IV) only when the expenditure on the project has been incurred by the implementing agency. Planning Secretary on behalf of the State and, in case of a Union Ministry, an officer not below the rank of Joint Secretary, should sign the UCs. Release of further installments shall be recommended only after receipt of UCs and QPRs and other mandatory documents.

8.6 Funds released from the Pool must be transmitted to the implementing agency/ project authority (such as PWD, Housing Corporation, State Electricity Board, etc.) by the State Government within 15 days from the date of release of funds from Government of India and a certificate to this effect be sent to Ministry of Development of North Eastern Region by the State Planning Department.

8.7 Funds released by the Government of India must be utilized within a period of 12 months from the date of release. In case the funds are not utilized within the stipulated time, such cases may be referred to the Ministry of Development of North Eastern Region with sound reasoning for revalidation. Revalidation for a limited period may be granted by Secretary of Ministry of DONER on merit.

9. Monitoring & Evaluation

9.1 The State and Union Ministries/Departments shall report the progress in respect of each project at the end of the quarter on the proforma (QPR) prescribed for this purpose at Annexure V. Any additional information may be furnished along with the format. Such QPRs should reach the Joint Secretary of the Ministry within three weeks of the end of the quarter under report.

9.2 Chief Secretary of the State shall hold quarterly meeting to review the progress of implementation of the ongoing projects under NLCPR and make available summary record of such meetings to the Ministry of DONER.

9.3 State will carry out project inspection periodically. The quarterly review report of the State would contain a separate and distinct section on the findings of the project inspection. In case of NLCPR projects implemented by Central Government agencies, such inspections may be conducted by their competent authority and reports will be submitted to the Ministry under intimation to concerned State Government.

9.4 State would nominate a 'nodal officer' for each project who would be responsible for project implementation and monitoring.

9.5 Monitoring and evaluation of implementation of the project shall also be undertaken through field inspections by officers of the Ministry of DONER, as well as through impact studies, **social audits** and evaluations conducted by government or through **independent agencies** at the request of the Ministry (DONER).

9.6 Each State would ensure that the projects being funded under NLCPR are shown at Major-head to sub-head level in their plan budgets so that withdrawals from those heads as certified by audit can be matched with expenditure figures supplied by State for each project.

9.7 The State Government would ensure that the data entry of the progress of the project starting from the submission of the priority list by the State Government upto the completion of the project shall be made by the designated officials of the State Government on the online data entry Management Information System (MIS) already in vogue.

9.8 The Ministry should also review of implementation of projects with State Governments through video conference at the level of Joint Secretary.

10. Transparency and Publicity of Information

In order to ensure that the information about developmental schemes being financed through the Non-lapsable Central Pool of Resources reaches the ultimate beneficiaries, i.e. the targeted beneficiaries, there is a need to ensure greater transparency and publicity of information. For this purpose, the following shall be ensured:

(i) All the schemes/projects being supported from the Central Pool shall be given wide publicity in local media.

(ii) Immediately after project approval is received, the State Government shall display at project site a board indicating the date of sanction of the project, likely date of completion, estimated cost of the project, source of funding i.e. Non-lapsable Central Pool of Resources (Government of India), contractor(s) name and the physical Target as at **Annexure-VI**. After completion of projects, State Government will put a permanent display on site like plaque on the wall etc. after asset is created displaying details of NLCPR funding as per **Annexure-VI**.

(iii) State Government shall disseminate information through media, print, electronic, through appropriate means on the schemes being implemented from the Central Pool.

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