ADVISORY ON CHRONIC FUNDS SHORTAGE

1. Reference MES Builders Association of India letter No. MBAI/E-in-C/61/2019 dated 05 Dec 2019 addressed to E-in-C’s Branch with copy to all Commands/Zonal CEs.

2. With increasing revenue expenditure and shrinking capital expenditure for modernization of Defence Force may push fund shortage in coming years also. The measures which can be taken by MES authorities to address subject problem to some extend may be as under:

(a) **Demand of Funds**: Allotment of funds in every financial year is made based on BE projection for that financial year. Therefore, BE demand to be prepared with due care by all concerned to avoid extensive changes at PRE and RE stages which are not accepted generally. It is largely applicable to Carry Over works. It has been noticed in past that funds are surrendered in new works due to sanction of works at the fag end of financial year by CFA and delay in tender action by CEA. If it is anticipated by CEA that funds cannot be expended in new works, then necessary action to be initiated to get the funds re-appropriated from new works to carry over works to clear the liabilities if existing under carry over heads. The big firms who are executing high value CE contracts generally have sound financial back ground and may absorb shortage of funds for time being if managed by Accepting Officer based on priority with having proper communication among the firms. Due to shortage of funds, small contractors/firms suffer more those who are doing maintenance contracts. If these contractors are not getting payments in time, they will not be in position to progress the work. Maintenance funds authorised to a formation generally provided, problems come when liabilities are created without allotment. Here rules are very clear, one cannot commit liability without allotment of funds during the financial year.

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(b) **Management of Maintenance Funds:** All concerned Accepting Officers should know what is authorisation of funds in a particular code head and tenders should not be planned more than the authorisation by all Accepting Officers (CWE/GE). Tenders should only be accepted if funds are available. If there is a shortage of funds, same should be brought out to the notice of Station Authorities to intervene otherwise it will not be possible to commit liabilities without allotment of funds. When shortage of funds is anticipated in a financial year, prioritisation of tender planning for essential services (W/S, E/S & Sewage, etc.) to be done in consultation with Station Authorities. Station Authorities to be kept informed about the position of funds received/authorised during the financial year by all concerned at appropriate levels.

(c) **Demand of Maintenance Funds:** It has been observed in the past that records of newly constructed Buildings, Roads, Furniture and Services are not being updated in RPMB & Road Register, etc. leading to less demand of funds than authorized. Similarly buildings which have been demolished under different projects, funds are being asked for those buildings which are not existing on ground. Therefore, there is a need to update all records of RPMB & Road Register, etc., by concerned offices to demand the funds for all existing assets.

(d) **Utilisation of Tolerance limit over A/A and CA:** Tolerance limits over A/A and CA is being used by executives as a matter of routine without analysing the fund availability against the Jobs and Contracts. If rates are favourable to contractor, he executes the quantity considering the tolerance limit which will require additional funds. Therefore, to keep check on this practice, GE should take approval of one higher up to execute the work under tolerance limit if really required on the ground.

(e) **Annual Maintenance Programme of Station:** Generally units of station are asking GE to carry out maintenance of unit as per maintenance programme. It should be clearly understood by executives that maintenance programme to be executed as per availability of funds during that financial year. If maintenance funds are not adequate during particular financial year, matter should be brought to the notice of Station Commander and work to be executed as per priority of Station Commander out of approved Maintenance Programme based on available funds.

(f) **Procurement of items through Supply Order & Job Orders:** Local purchase to be resorted in urgent cases only with the approval of one higher up with available funds only. No liability to be created by executives without availability of funds by resorting Supply Order/Job work order.

(g) **Allotment of Funds to Lower Formations:** Allotment of funds to lower formations should be made proportionately based on their BE demands for sanctioned works and based on authorisation for maintenance works.

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3. MES is executing agency for Defence works and funds will be made available by concerned CFAs. But management of funds is the responsibility of MES executives. Therefore, planning of tenders for maintenance work to be done as per authorisation and tender to be accepted/executed as per availability of funds. GE should keep Station Authorities informed about the fund position and work to be executed within available funds. For project works, BE demands needs to be prepared with due care to progress the works and make the payments accordingly. In case of shortage of funds in Capital Works, restricted payments based on priority may be made to firms with due communication with firms by GE/Accepting Officer.

4. Please disseminate the above advisory notes upto AGE (I) level.

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Encls: 04 Sheets

(D V Maheswar)
SE (QS&C)
Dir (Contracts)
for Chief Engineer

: for info w.r.t letter referred at para (1) above.

: for info alongwith copy of MES BAI letter referred at para (1) above.