

**GOVERNMENT OF ORISSA
FINANCE DEPARTMENT**

**No.41401 (40) /F.,
Bt-I-18/09**

dt. 03.09.2009

From

**Sri R.N. Senapati, IAS,
Principal Secretary to Government.**

To

All Secretaries to Government.

Sub: -

**Proposals for Supplementary Statement of Expenditure for the
financial year 2009-10.**

Sir / Madam,

I am directed to say that Supplementary Statement of Expenditure for the financial year 2009-10 is likely to be presented in the Orissa Legislative Assembly some time in the month of November, 2009. The exact date would be decided in consultation with the Parliamentary Affairs Department. Accordingly, proposal for inclusion in the Supplementary Statement of Expenditure are required to be submitted to Finance Department strictly in accordance with the guidelines indicated below so as to enable Finance Department to present the Demands for Supplementary Grants in time.

2. As you are aware, the impact of global economic meltdown and economic recession has adversely affected the resource mobilization efforts of the State. State's share from Central taxes and duties has already been reduced by Rs.2128.94 cr. when compared with our estimate in B.E. (VoA) presented in February,2009. Further, as envisaged under the Orissa Fiscal Responsibility and Budget Management Act, 2005 no additional expenditure should be incurred without corresponding resources being firmed up or without reducing equivalent amount of expenditure somewhere else. Hence, there is little scope for substantive provision at the Supplementary stage unless the proposed expenditure is backed by equal amount of firmed up resources. In view of the rise in the interest rate, borrowings are to be limited and there has to be greater reliance on our own resources. Besides fiscal deficit in the B.E. for 2009-10 is 4.4% of GSDP which is to be brought down to 4% of GSDP as prescribed by Govt. of India.

3. The State Government has implemented several welfare measures during the last year and the current year, which include provision of rice @2.00 per K.G., requirement for additional constables and other police personnel and the like. Availability of funds is to be ensured for these programmes. Similarly funds are required for State's own plan schemes like Gopabandhu Gramin Yojana, Biju KBK Yojana, Madhubabu Pension Yojana, Biju Gramjyoti Yojana, and the provision of

cycles to ST & SC Girls Students etc. Besides, resources for Annual Plan Outlay of Rs.9500.00 Crores has been approved by Planning Commission for the year 2009-10.

4. It is very often seen that Supplementary Provision is being made without due care and caution which results in surrender of funds. Time & again this has been adversely commented upon by the C&A.G of India almost in all Audit Reports. Therefore Supplementary Budget should not be prepared in a routine manner but should receive personal attention of the concerned estimating and controlling officer so that the proposals are based on actual need and are in accordance with the exiting policies of the Government. The FRBM Act, also envisages that the budget provision should be made on realistic basis. Section 8 (3) of the said Act stipulates that shortfall in revenue and excess of expenditure over the pre specified level on account of any new policy decision should be offset by suitable measures to curtail expenditure elsewhere or by augmentation of revenue. Section 8 (5) of the said Act, further provides that Supplementary Estimate should be accompanied by corresponding curtailment of expenditure to fully offset its fiscal impact in relation to the targets of the Annual Budget as well as Medium Term Fiscal Plan (MTFP).

5. Keeping in view the above stipulations, Supplementary Schedules under Non Plan and State Plan may be furnished in the following cases.

Recoupment of Advance from OCF.

a) Sanction of Advance from Orissa Contingency Fund (OCF) has been issued from time to time and it is seen that a substantial amount is outstanding for recoupment. In absence of recoupment, it would not be possible to sanction further advance to meet any urgent requirement.

b) While submitting schedules for recoupment, the letter No. and the date of the sanction of OCF advance and details of head of account should be clearly indicated.

c) The recoupment of OCF advance has to be made within the available ceiling communicated by the P&C Deptt. in case of Plan Sector and by Finance Department in case of Non Plan Sector. If the available plan ceiling becomes insufficient, the Administrative Department may approach P & C Department for consideration of additional financial ceiling for the purpose. In case of OCF advance under Non Plan, the concerned Departments have to first locate savings within the budgetary allocations available at their disposal and if it is not possible to locate any savings, then they may move Finance Department with the schedule for substantive provision for recoupment of the OCF advance.

6. Additional requirement under State Share for Centrally Sponsored Plan Schemes.

(a) Additional requirements under State Share for Centrally Sponsored Plan Schemes should be fully provided subject to the stipulations that the concerned Administrative Departments must satisfy that they have fully utilized the Central Share along with the State Share provided so far and substantial progress has been made in submission of Utilization Certificates. It may be noted that if the outstanding UCs are not submitted by 30.9.2009, it will not be possible to provide additional funds towards State Share in Supplementary Budget.

(b) In respect of flagship programmes like SSA, National Rural Health Mission etc. full state matching contribution should be provided under State Plan provided there is firm commitment of release of Gol share. If the existing budget provision is found to be inadequate, P & C Deptt. may be approached for the same.

7. Regularization of Advance Expenditure incurred by way of Authorization.

Engineering Departments have been authorized (under para 3.7.1(b) of the OPWD Code Vol.-I) to go ahead with the works and to incur expenditure in absence of budget provision. Regularization of such expenditure should be processed indicating savings / specific source of funding, if any, for Supplementary provision both under Non Plan and Plan, as the case may be.

8. Provision against Firm Commitment

(a) Where Central Assistance has been received or where firm commitment from Central Govt. is available but provision has not been made in the Budget Estimate for 2009-10, Supplementary provision may be proposed for Central Share and State Share. Copies of relevant letters should be placed in the file and such proposals are to be processed through the Planning and Co-ordination Department.

(b) Probable savings under other schemes along with the State matching share where the assistance from Centre is remote should be indicated for diversion so as to avoid unnecessary surrender at the close of the financial year. While processing additional provision for continuing schemes under CP and CSP, the Administrative Departments should indicate the total allocation of central share so far received, expenditure incurred and utilization certificates submitted for the amounts received up to 31.03.2009, failing which the proposal for additional provision shall not be considered.

(c) Items of expenditure of inevitable and inescapable nature to which Government stand firmly committed to at the post-budget stage requiring enhancement of Non-Plan / State Plan ceiling should be proposed with reference to the particular policy decision or Government order and concurrence of Finance Department and Planning & Co-ordination Department as the case may be.

9. Additional provision for EAP, RIDF, KBK etc. & projects under zero based investment review.

(a) Additional provision for EAPs financed by external agencies like World Bank, JBIC, JICA, DFID and ADB etc. and projects financed by NABARD and other resource tied up schemes shall be considered only where firm commitment of release of fund has been received and the existing provision does not commensurate with the resource estimate approved by the Planning Commission for such schemes. However, additional provision will be considered basing on the progress of expenditure and the likely date of completion of such projects. Besides projects identified for completion under zero based investment review shall also be considered for provision of additional fund, wherever there is requirement basing on the progress of the project and the likely date of completion of the project. Full requirement for the projects under RIDF(NABARD assisted) and other resource tied up schemes will be provided depending on the commitment of the Administrative Department to fully utilize the additional provision.

(b) Substantive provision may be allowed under resource tied schemes.

(c) Except for the State's flagship schemes like Gopabandhu Grameen Yojana, Biju K.B.K. Yojana, Biju Gram Jyoti Yojana etc., no reallocation from the existing budgetary provision shall be made under State Plan.

10. Diversion of Fund

Diversion of fund to meet the additional requirement in needy sectors by locating savings or for accounting adjustment without any additional cash outgo, if any, may be proposed. For example:- Transfer of provision from Revenue Account to Capital Account or from Voted to Charged or vice-versa, Accounting adjustment in respect of receipt of External Assistance under direct payment procedure for Externally Aided Projects.

11. Provision of Fund for New Schemes and New Services

a) **New Schemes**

In case of new schemes under Non-Plan, State Plan, Central Plan & Centrally Sponsored Plan, either administratively approved by Government of India or where firm commitment has been received from Government of India for release of funds

during 2009-10, provision may be made provided prior concurrence of P & C Department and Finance Department is taken.

b) **New Service**

When re-appropriation is not feasible or a new service is involved, proposal for Supplementary provision shall be taken up, provided that supplementary provision for a "New Service" need not be proposed, if all preliminaries for execution have not been completed and the amount proposed cannot be spent during the balance period of the financial year.

12. Provision under Award of 12th Finance Commission

In case of award of 12th Finance Commission, if the provision made in the Annual Budget Estimate for 2009-10 either under Plan or Non-Plan is less than the level recommended by the Finance Commission or actual requirement, additional provision may be taken depending on the recommended level and actual requirement, as the case may be. In this connection proceedings of the 10th meeting of HLMC issued vide FD letter No.40705, dt.31.8.2009 may be referred to.

13. Payment of Guaranteed Loans under One Time Settlement (OTS) Scheme

The State Government have discharged liabilities through one-time settlement due to default in payment of guaranteed loans by some State Government Public Sector Undertakings, Co-operatives etc. These amounts have been paid directly by the Finance Department out of the budget provision made under Demand No.5 and have been sanctioned as loan to the concerned defaulting organizations. In order to regularize the matter, the concerned Administrative Department will have to submit necessary supplementary proposals under the relevant functional head of Account. The amount will be adjusted by contra-credit against the amount already paid and there shall be no cash outgo. It will be an accounting adjustment only and will be shown as expenditure under Non-Plan as loans and advances to the beneficiary organizations under the relevant function/ programme.

14. Decretal dues and Land Acquisition charges

(a) A special review of all such claims which have gone to Courts or likely to be taken to Courts shall be conducted for assessing the likely requirements. It is also desirable to provide for unforeseen expenditure arising from Court decree. Amounts required for satisfaction of Court decrees in respect of Land Acquisition Cases, which have no scope for appeal should be proposed for inclusion in the Supplementary Budget under the "charged section". All proposals for decretal dues should be

furnished with sufficient justification with firm decision of Government to implement the orders of the Hon'ble Court without going for further appeal or revision.

(b) Normal Land Acquisition charges for projects/schemes should be proposed in the "voted section" under the detailed heads meant for the project / scheme. Since delay in payment of decretal dues may lead to further legal complications and payment of penal interest, such payments should be carefully assessed. Non-payment of land acquisition charges for want of provision may also result in delayed execution of projects/schemes for which such requirement should be properly assessed and proposed in the Supplementary Budget.

15. Additional Provision for Dearness Allowance (D.A.)

Additional provision @ 22% has been provided in the B.E. for 2009-10 towards D.A. Government of India is expected to announce D.A. for its employees very soon. Hence, a provision for 5% D.A. may be proposed by locating savings, if any.

16. Additional Provision for Pay

(i) Except for salary no provision for additional expenditure under Non-Plan shall be allowed. Wherever required, it should be met only by locating savings from the existing provision for re-allocation.

(ii) It is seen that reappropriation proposals are being referred to Finance Department for augmentation of fund under the unit "Pay". The A/D are therefore required to clearly workout the shortfall, if any, under "Pay" head and assess the additional requirement and submit proposal to Finance Department and P& C Department with sufficient justification. It should be borne in mind that the Administrative Departments must ensure adequate provision for payment of regular salary of the employees before asking for arrear salary on account of revision of pay.

(iii) 30% arrear on account of revision of Pay has been provided in the B.E. for 2009-10. In the meantime Govt. of India have decided to pay 60% arrear arising out of such revision to their employees. The Departments may clearly assess their requirement on account of arrear of 30% (i.e. from 40% to 70%) and propose to Finance Department and Planning & Co-ordination Department for additional requirement with sufficient justification, if there is any shortfall.

(iv) In certain cases, in lieu of abolition of posts, if fresh creation of posts on "consolidated salary" has been approved with the concurrence of Finance Department, the consolidated salary requirement in respect of such contractual appointees should be separately worked out indicating the details of the contractual posts sanctioned, the rate of consolidated salary and the requirement for current

financial year. This should be shown separately as "consolidated pay for contractual appointees"(Code No.01004).

17. Additional requirement of Grant-in-Aid salary

The additional requirement of GIA salary for the current year at the existing rate of DP and DA both under Non-Plan and State Plan in respect of those who are in receipt of the Grant-in-Aid may be worked out after taking into account the existing provision. Similarly where all legal forum have been exhausted and the payment is to be made as per the latest direction of the Hon'ble Courts, some provision should be made to meet the current dues with due regard to the Court order. Since Cabinet has approved the principle of payment of arrear grants-in-aid which is legally payable within a period of ten years, specific provision is also to be made for arrears during 2009-10.

18. Provision of outstanding House Rent, Electricity dues, Water Charges & Municipal Dues.

(a) The Power Distribution Companies and the Chief Engineer PH (Urban) are raising the issue of non-payment of outstanding electricity dues and water charges of Government Offices. All Administrative Departments are, therefore, requested to verify the actual requirement for clearance of outstanding electricity dues and water charges which are free from dispute. Wherever possible, equivalent savings should be located to meet the additional requirement.

(b) It is seen that municipal taxes in respect of Government buildings are not being paid in time. As a result urban local bodies are facing difficulties in providing basic amenities to the citizens due to paucity of funds. All Administrative Departments and Heads of Departments are, therefore, requested that the outstanding municipal dues should be assessed properly and additional requirement may be provided in the Supplementary budget, if the requirement cannot be met out of savings located elsewhere.

(c) Similarly provision is to be made for House Rent and with justification for arrear HR of rented office buildings.

19. Communication of allotment and Supplementary Provision

It has been noticed that after taking supplementary provision, funds have not been fully utilized for some reasons or other and have been surrendered. This is not a sound budgetary practice, which has been adversely commented upon by the C & A.G. of India time and again. Hence, Administrative Departments and Controlling Officers are required to ensure that allotment of the budgetary provision is communicated in time and Supplementary provision is fully and properly utilized.

The total allotment including supplementary provision after approval by Legislature should be communicated by 31.12.2009 or at the latest by 30.1.2010 in case of reappropriation or additional allotment. The allotment issued thereafter shall not be entertained by the concerned Treasury Officers.

20. Improper Assessment of the requirement and accountability under the FRBM Act.

As pointed out in the preceding paragraph, due to improper assessment of the requirement of funds at the Supplementary stage, huge amounts are being surrendered/diverted/remain unutilized or in some other cases, excess expenditure is incurred. Therefore, all Administrative Departments should make realistic assessment of requirement for the Supplementary so that scarce resources can be utilized effectively, efficiently and in a prudent manner. Sound fiscal management is, therefore, of vital importance to Govt. Further, the FRBM Act envisages that budget provision should be made on realistic basis. Hence, it is made clear that any deviation in this regard would attract personal liability under the provision of the FRBM Act.

21. Time Schedule

The Administrative Departments are requested to formulate the Supplementary proposals expeditiously in accordance with the guidelines indicated above and submit their proposals to Finance Department as per the time schedule given below.

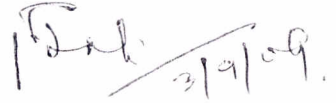
- (a) In case of non-plan, the draft schedules should reach Finance Department latest **by 23.09.2009** and the non-plan schedules duly admitted by Finance Department shall be returned to the Administrative Department **by 07.10.2009**.
- (b) The plan schedules should be processed and forwarded to Planning and Coordination Department **by 23.09.2009**.
- (c) The draft schedules under plan schemes after concurrence of Planning & Coordination Department should reach Finance Department **by 07.10.2009**.
- (d) The plan schedules with concurrence of Finance Department shall be returned to Administrative Department **by 12.10.2009**.
- (e) Five copies of non-plan and State plan schedules duly concurred in must reach the Finance Department **by 16.10.2009**.

Unless the schedules duly admitted by P & C Department and Finance Department are submitted to Finance Department by the due dates as indicated above, it will not be possible to include the proposals of the Administrative

Departments in the Supplementary Statement of Expenditure. The Concerned Administrative Department will be responsible for non-inclusion of any Supplementary Estimate submitted after the deadline indicated above.

All Heads of the Departments and Controlling Offices are being informed. This circular is being placed in the website of Finance Department at www.orissa.gov.in/finance for information of all concerned.

Yours faithfully,

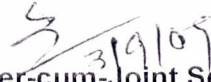


Principal Secretary to Government

Memo No. 41402 (370) IF

Date : 3/9/09

Copy forwarded to all Heads of Departments (Controlling Officers) Financial Advisors / Asst. Financial Advisors / Accounts Officers of all Heads of Departments for information and necessary action.

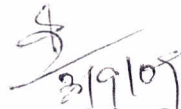


Special Officer-cum-Joint Secretary

Memo No. 41403 (120) IF

Date : 3/9/09

Copy forwarded to all Officers / Desk Officers/ Section Officers of Finance Department for information and necessary action.

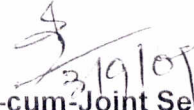


Special Officer-cum-Joint Secretary

Memo No. 41404 (220) IF

Date : 3/9/09

Copy forwarded to all Treasury Officers of District Treasuries and Special Treasuries/Sub-Treasury Officers / F.A. & C.A.O. of all Irrigation Projects for information and necessary action.

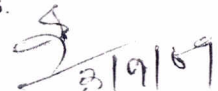


Special Officer-cum-Joint Secretary

Memo No. 41405 (8) IF

Date : 3/9/09

Copy forwarded to Private Secretaries to Principal Secretary/Special Secretaries / Additional Secretaries, Finance Department for kind information of Principal Secretary / Special Secretaries / Additional Secretaries.

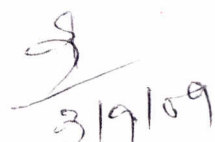


Special Officer-cum-Joint Secretary

Memo No. 41406 IF

Date : 3/9/09

Copy forwarded to Dr R.V. Singh, Special Secretary to Government P&C Department for information and necessary action.



Special Officer-cum-Joint Secretary