COMPLIANCE TO ORISSA FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT ACT, 2005.

The Orissa Fiscal Responsibility and Budget Management Act (FRBM), 2005 has come into force with effect from 14.08.2005. The corresponding Rule namely “The Orissa Fiscal Responsibility and Budget Management Rules, 2005” has been framed and the same rule has come into force with effect from 11.08.2005. In compliance to the provisions contained in the Orissa Fiscal Responsibility and Budget Management Act, 2005 and the Rules, made there-under, Government of Orissa have submitted the statements required to be laid in Orissa Legislative Assembly along with the Budget Estimates.

2. Section-5 of the Orissa Fiscal Responsibility and Budget Management Act, 2005 stipulates that the revenue deficit is to be reduced to Zero by the end of 2008-09 and fiscal deficit has to be contained within 3% of GSDP. Besides, the debt stock is to be brought down to a sustainable level. Interest payment as a percentage of revenue receipt is to be limited to 18 - 25%. The debt stock is also required to be limited to 300% of the total revenue of the State by the year ending 2007-08.

3. The revenue deficit for the year 2005-06 has been wiped out and the State has achieved revenue surplus of (+) Rs.481.19 crore which is (+) 0.61% of GSDP. The trend also continued in the subsequent year 2006-07 with a revenue surplus of (+) Rs.2260.60 crore which is (+) 2.48% of GSDP. As per the R.E. for 2007-08 and B.E. for 2008-09, it is of the order of (+) Rs.1682.23 crore and (+) Rs.563.87 crore which are (+) 1.63% and (+) 0.48% of GSDP respectively.

- Fiscal surplus emerged for the first time in 2006-07 and it was of the order of Rs.823.18 crore which was 0.90% of GSDP.
- As per RE for 2008-09, the fiscal deficit is of the order of (-) Rs.1114.15 crore which is (-) 1.08% of GSDP.
- As per BE for 2008-09, the fiscal deficit is Rs.2536.99 crore and it is (-) 2.17% of GSDP.
➢ The debt stock at the end of 2006-07 is Rs.37249.51 crore which constitutes 40.87% of GSDP and 206.57% of total revenue receipt for that year. As per BE for 2008-09, the debt stock has been estimated at Rs.41073.31 crore which works out 35.19% of GSDP and 176.50% of the total revenue receipt.

➢ The interest payment as percentage of revenue receipt during 2006-07 was 17.68%.

➢ As per the Budget Estimate of the 2007-08, the interest payment as percentage of revenue receipt is of the order of 18.53%.

➢ It indicates that Orissa is moving in the right direction to achieve the fiscal targets stipulated in FRBM Act, 2005.

4. The Government have taken steps to regularly monitor the fiscal performance with reference to the trend of Receipts and Expenditure. Hon'ble Minister, Finance has reviewed the trend of Receipts and Expenditure on 10.01.2008 & 07.03.2008 (Copy of the proceedings of the said reviews are enclosed).
Hon’ble Minister presided over the review meeting. The list of other participants in the meeting is at Annexure.

**Status of projects identified for completion during 2006-07 and 2007-08 under Zero Based Investment Review.**

1. At the outset Hon’ble Minister mentioned that the approach of the present Government to public expenditure is outcome oriented and funding for capital outlay is being stepped up for yielding the desired socio economic benefit to the people. He called upon each Department to intimate the firm date for completion of projects included in the Zero Based Investment Review. In case of any slippage in achieving the objective accountability of the concerned Officers should be fixed since it is a requirement under the FRBM Act.

While reviewing the spill over projects of 2006-07 and the projects identified for completion in 2007-08, he instructed the officials of the concerned Departments to furnish the firm date of completion of each of the projects identified under Zero Based Investment Review and advance the date of completion of the project where no date or 31.3.2008 has been indicated as the date of completion. This exercise will be completed within 7 days. He also advised the officials of the Departments to immediately reconcile the number of projects identified for completion in 2007-08 including spill over projects.
2 Status of Verification and Reconciliation of Departmental expenditure and receipt figures with those of A.G. (A&E), Orissa, Bhubaneswar.

The Accountant General (A & E) Orissa commended the active participation of the officials of different Departments in the process of reconciliation of expenditure. He flagged two issues i.e. shortfall in expenditure as per recommendation of 12th Finance Commission in respect of Non Plan Revenue Expenditure by Health, Education and Roads & Bridges and disproportionate expenditure under Central Plan & Centrally Sponsored Plan with respect to central grants received for these schemes which were taken up for discussion. It was felt that the shortfall in expenditure and discrepancy between grants received and expenditure incurred under Central Plan & C.S.P. Schemes might be due to mis-classification of expenditure which could be rectified through reconciliation.

Hon’ble Minister instructed the Financial Advisors of the concerned Departments to complete the process of reconciliation with the O/o the Accountant General (A & E) within a week and requested the Accountant General (A & E) Orissa to extend all cooperation in the matter. The Financial Advisors present in the meeting were also handed over the list of discrepancies detected between receipt of central grants and expenditure pertaining to CP & CSP Scheme to facilitate reconciliation. The Accountant General (A & E) Orissa agreed to the request of the State Government and called upon concerned officials to take up reconciliation with promptitude.

Principal Secretary instructed the Financial Advisors of different Departments to expedite submission of compliance to the observations made in the Audit Report of the Comptroller & Auditor General of India
and Action Taken Report on report of the Public Accounts Committee respectively by the stipulated date i.e. 15.7.2007.

3) **Submission of Utilization Certificate to Government of India in respect of Central Assistance received upto 31.3.2006 and pending as on 1.4.2007.**

Hon’ble Minister expressed satisfaction for the improvement in the position of submission of Utilization Certificate in respect of Central Assistance received over the years. However, he highlighted the pending U.C. of Rs.515.29 crore in respect of Central Assistance received upto 31.3.2006 and reviewed the position in respect of 11 Departments having large amounts of pending U.C. totaling to Rs.462.85 crore. He issued direction to the officials of the Departments to substantially bring down the pendency position by the end of June, 2007 and report the position to Finance Department by 5th of July, 2007. He also emphasized on prompt submission of U.C. in respect of Central Assistance received during 2006-07.

The meeting ended with thanks to the **Chair.**

**Additional Secretary to Govt.**

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Proceedings of the meeting on collection of Tax & Non Tax Revenue including collection of arrear taken by Hon’ble Minister, Finance on 10.1.2008 at 4.00 PM in the Third Floor Conference Hall of the Secretariat

The meeting started with the Hon’ble Minister, Finance in Chair. The list of other participants is at Annexure.

Initiating the discussion, Hon’ble Minister, Finance explained the need for higher collection of Tax & Non Tax Revenue in view of the additional expenditure commitments to the tune of Rs.3400.00 Crore under Plan & Non Plan Sector during the current financial year. Since the collection made upto November, 2007 in comparison to collection made upto November, 2006 has registered a growth rate of only 12.5% against the required rate of at least 20%, Hon’ble Minister asked all revenue earning Departments to improve upon their performance over the previous financial year through collective effort and make all out efforts to achieve the target. Item-wise review of Tax & Non Tax Revenue was taken up thereafter and the gist of the discussion and the decisions taken in the meeting are mentioned below.

**Royalty from Mineral & Mines** : The Commissioner-Cum-Secretary, Steel & Mines Department stated that as per the latest information, Rs.723.00 crore has been collected during the current financial year and it would not be difficult to achieve the annual target of Rs.1045.00 crore in view of revision in the royalty of coal w.e.f. 1st August, 2007. He further stated that although coal, iron, bauxite and chrome ores contribute 98% of mining revenue, the royalty rate on iron ore being levied on tonnage basis and the royalty on Chrome ore being determined on the basis of the low rate fixed by the Indian Bureau of Mines, there is not much scope for growth of revenue from these two items. Change over to ad valorem system of royalty for iron ores and fixation of a benchmark price of chrome ore on the basis of the prices of OMC & NMDC would help in augmenting the revenue from this potent source. The State Government have taken up the issue of fixation of benchmark price for Chrome ores with the Working Group constituted by Government of India to look into the matter. It was suggested that the matter may be taken up at the level of the Hon’ble Chief Minister. Besides, the matter pending before Hon’ble Supreme Court relating to
Hon’ble Minister appreciated the efforts of the Steel & Mines Department in boosting collection of revenue but at the same time expressed concern over leakage of revenue due to smuggling of minerals. He called upon the Secretary, Steel & Mines Department to make all out efforts to increase the collection to Rs.1100.00 crore by enhancing the internal target of the Deputy Directors and stepping up surveillance and enforcement measures with the help of the local police and expedite formation of the Flying Squad.

**Electricity Duty**: The Commissioner-Cum-Secretary, Energy Department explained that due to non revision of tariff, there is no scope for substantial growth of electricity duty collection. He indicated that the amount of revenue locked up in litigation relating to NALCO & ICCL will enable the Department to achieve the target. Hon’ble Minister, Finance advised Energy Department to take expeditious steps for realization of the arrear dues which would help in achieving the target.

**Forest Royalty**: The Principal Secretary, Forest & Environment Department stated that by the end of December, 2007 an amount of Rs.102.00 crores has been collected as against the target of Rs.150.00 crores. Hon’ble Minister, Finance advised the Principal Secretary to take steps for achieving the annual target and expedite disposal of the pending Court cases relating to Forest Development Tax.

**Motor Vehicle Tax**: The Principal Secretary, Transport and the Transport Commissioner stated the reasons for the low growth rate for which it would not be possible to achieve the annual target. They further stated that the declining trend in sale of commercial vehicles is another reason for the low growth of revenue collection. The Transport Commissioner admitted that it is possible to sustain a growth rate of 11-12% in the current situation and the annual collection will touch Rs.480.00 crore. Hon’ble Minister advised for increasing the collection to the level of Rs.500.00 crore with intensified efforts of realization of arrears.
Land Revenue, Stamp Duty & Registration Fees and Irrigation Water Rate: The performance of the Revenue & Disaster Management Department during the current financial year in the collection of land revenue & Stamp Duty & Registration Fees was appreciated. The Commissioner-Cum-Secretary, Revenue & Disaster Management Department assured that it is possible to reach the target of Rs.610.00 crore fixed for Land revenue & Stamp Duty & Registration Fees. Hon’ble Minister advised him to increase the collection to Rs.700.00 crore with collection of land premium from agencies like BDA, CDA, OSHB and IDCO. It was decided that Principal Secretary, Finance Department would review the position relating to collection of land premium from these agencies.

As regards, collection of Irrigation Water Rate, it was suggested to complete joint verification of ayacut area by the Revenue Officers and the Divisional Officers of WR Department with emphasis on collection of arrears and 90% collection of current demand so that it would be possible to collect at least Rs.30.00 crore from this source during the current financial year.

State Excise: The Commissioner-Cum-Secretary explained the difficulties regarding opening up of new shops which acts as an hindrance in accelerating the growth of revenue. Keeping in view, the rising trend of collection, it was decided that it would be possible to achieve the target of Rs.553.00 crore.

Industrial Water Rate: Hon’ble Minister expressed his concern over the low level of collection from this important source although heavy investments are being made in the sector every year. It was decided that the Department should collect at least Rs.40.00 crores from arrear and Rs.18.00 crore from current demand by taking timely and appropriate steps for collection of arrears locked up in Court cases.

Water Tax under P.H. organisation: The low level of collection against higher operation & maintenance expenditure is a matter of concern. Hon’ble Minister advised the Officers of the Department to step up the monitoring mechanism and lay emphasis on collection of revenue from bulk consumers and collect at least Rs.40.00 crores during the current financial year.

The meeting ended with thanks to the Chair.
Hon’ble Minister, Finance reviewed the performance of the Administrative Department in pursuance of the FRBM Act relating to progress of collection of receipts and expenditure, submission of Utilization Certificates, Zero Based Investment Projects, Filing of claims under RIDF and Outstanding Action Taken Notes on PAC recommendation and Compliance on audit paras of C & A G (Civil & Revenue receipts). Hon’ble Minister, P & C attended the meeting. The list of other participants is at Annexure-A.

Agenda items prepared in Finance Department formed the basis of discussion. At the outset, Hon’ble Minister, Finance welcomed the participants and sought for their cooperation in achieving the target in collection of both in tax and non tax revenue. He impressed upon the Administrative Departments that they should make all out efforts for plan expenditure.

**Trends in Receipts**

Hon’ble Minister, Finance expressed his concern with regard to slow growth in collection of tax revenue up to the month of January, 2008 in respect of sales tax (8.08%), taxes on vehicle (10.40&%) and entry tax (11.68%). He, however, stated that a separate meeting has been held with CCT regarding collection in respect of sales tax and entry tax etc. Hon’ble Minister, Finance expressed that unless receipts are collected, it will be difficult to meet the expenditure requirements.

Budget Estimate, collection as on 31.01.2008 and collection to be achieved as desired by Hon’ble Finance Minister in the meeting in respect of important items of revenue (both own tax and non tax) are indicated in the following table.

<table>
<thead>
<tr>
<th>Important items under Own Tax/Non Tax Revenue</th>
<th>BE for 2007-08</th>
<th>Progressive collection up to the month of January, 2008</th>
<th>Progressive collection up to the month of January, 2008</th>
<th>Percentage of increase (+)/ decrease (-)</th>
<th>Collection to be achieved as desired by Hon’ble Minister, Finance in the meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Revenue</td>
<td>210.00</td>
<td>109.23</td>
<td>145.99</td>
<td>33.65</td>
<td>250.00</td>
</tr>
<tr>
<td>MV Tax</td>
<td>552.00</td>
<td>328.00</td>
<td>362.14</td>
<td>10.40</td>
<td>500.00</td>
</tr>
<tr>
<td>Non-Ferrous Mining and Metallurgical Industries</td>
<td>1045.00</td>
<td>729.43</td>
<td>847.75</td>
<td>16.22</td>
<td>1100.00</td>
</tr>
<tr>
<td>State Excise</td>
<td>553.70</td>
<td>266.61</td>
<td>348.33</td>
<td>30.65</td>
<td>500.00</td>
</tr>
</tbody>
</table>

Hon’ble Minister Finance also asked the Departments to ensure that the internal target fixed by the Chief Secretary be achieved.

At the same time, Hon’ble Minister, Finance expressed concern over non-payment of dividend by OPGC, OPHC and OMC. In this connection, he directed
that the dividends payable by these organizations should be deposited with Government account.

**Trends in Expenditure**

Hon’ble Minister, Finance expressed his concern about pace of expenditure in plan sector which was found to be 43.29% by the end of Jan. ‘08. Plan Expenditure in respect of some of the Departments having less than 30% of the outlay for 2007-08 including Supplementary provision is indicated in the following table.

(Rupees in crore)

<table>
<thead>
<tr>
<th>Name of the Department</th>
<th>Plan Provision</th>
<th>Suppl. Provision</th>
<th>Total Plan Provision</th>
<th>Plan Exr. upto 31.01.08</th>
<th>Percentage of Plan Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
</tr>
<tr>
<td>Revenue &amp; Disaster Management</td>
<td>35.62</td>
<td>33.93</td>
<td>69.55</td>
<td>39.72</td>
<td>57.11</td>
</tr>
<tr>
<td>Steel &amp; Mines</td>
<td>8.72</td>
<td>0.02</td>
<td>8.74</td>
<td>1.04</td>
<td>11.90</td>
</tr>
<tr>
<td>Science &amp; Technology</td>
<td>26.88</td>
<td>3.88</td>
<td>30.76</td>
<td>3.54</td>
<td>11.50</td>
</tr>
<tr>
<td>Textiles &amp; Handloom</td>
<td>47.11</td>
<td>46.24</td>
<td>93.34</td>
<td>12.44</td>
<td>13.33</td>
</tr>
<tr>
<td>Agriculture</td>
<td>274.16</td>
<td>68.78</td>
<td>342.94</td>
<td>54.18</td>
<td>15.80</td>
</tr>
<tr>
<td>Information Technology</td>
<td>26.25</td>
<td>1.87</td>
<td>28.12</td>
<td>6.76</td>
<td>24.03</td>
</tr>
<tr>
<td>Tourism &amp; Culture</td>
<td>31.61</td>
<td>4.12</td>
<td>35.73</td>
<td>7.73</td>
<td>21.65</td>
</tr>
<tr>
<td>Fisheries &amp; ARD</td>
<td>52.17</td>
<td>15.36</td>
<td>67.53</td>
<td>12.79</td>
<td>18.94</td>
</tr>
<tr>
<td>Health &amp; Family Welfare</td>
<td>245.34</td>
<td>37.47</td>
<td>282.81</td>
<td>62.46</td>
<td>22.08</td>
</tr>
<tr>
<td>Industries</td>
<td>53.09</td>
<td>111.39</td>
<td>164.49</td>
<td>34.60</td>
<td>21.03</td>
</tr>
<tr>
<td>Sports &amp; Youth Services</td>
<td>4.21</td>
<td>2.59</td>
<td>6.80</td>
<td>1.94</td>
<td>28.60</td>
</tr>
</tbody>
</table>

Hon’ble Minister, Finance and Hon’ble Minister, P & C pointed out that there should be concerted efforts to accelerate the pace of plan expenditure and capital expenditure in particular. Principal Secretary, Finance Department pointed out that non plan expenditure for health, education, roads and bridges and residential and non-residential buildings should reach the level recommended by the 12th Finance Commission and the grants received from the Finance Commission in all areas should be fully utilized failing which the State Government may lose further grants in the coming years.

Hon’ble Minister, Finance cautioned the departments that unless they step up plan expenditure and reach level of non plan revenue expenditure as per the recommendations of 12th Finance Commission in these areas, the concerned Departments will be liable to explain.

**Submission of Utilization Certificate**

Principal Secretary, Finance pointed out that utilization of Central Assistance received from all other areas under Non Plan, State Plan, CP & CSP, should get priority to leverage higher central assistance.
Hon’ble Minister, Finance discussed that all Departments having pendency in the submission of Utilization Certificate for the Central Assistance received up to 31.12.2007 should be cleared within a fortnight.

Zero Based Investment Projects

As regards Status of Zero Based Investment Review, it was pointed out that out of 106 projects identified for completion during 2007-08, only 14 projects had been completed by 31.12.2007. It was further pointed out that even the departments like WR, Tourism, Industries and Sports & YS had not completed even a single project by 31.12.2007. Hon’ble Minister, Finance expressed his displeasure about non performance by the Departments. He impressed upon all Administrative Departments to complete the projects by the end of the financial year.

Filing of Claims under RIDF

The pace of expenditure and filing of claims under RIDF was also discussed in the aforesaid meeting. The position of outstanding claims upto 29.02.2008 is shown in the table below.

<table>
<thead>
<tr>
<th>Department</th>
<th>Budget provision incl. Supplementary for 2007-08</th>
<th>LC issued</th>
<th>Current claims filed</th>
<th>Claims pending</th>
</tr>
</thead>
<tbody>
<tr>
<td>WR</td>
<td>222.15</td>
<td>93.01</td>
<td>59.43</td>
<td>33.58</td>
</tr>
<tr>
<td>Works</td>
<td>166.82</td>
<td>143.01</td>
<td>37.29</td>
<td>105.71</td>
</tr>
<tr>
<td>RD</td>
<td>88.60</td>
<td>71.00</td>
<td>24.13</td>
<td>46.87</td>
</tr>
<tr>
<td>Agriculture</td>
<td>42.24</td>
<td>42.24</td>
<td>0.00</td>
<td>42.24</td>
</tr>
</tbody>
</table>

Thus all implementing departments should take sufficient efforts to expedite the expenditure and filing of claims. Even 50% of the budget provision has not been spent by any of the aforesaid departments up to 29.02.2008. Hon’ble Minister expressed his concern regarding the ow pace of expenditure and desired that filing of claims should be expedited. He asked the Secretaries of the Departments to look into the matter personally and ensure submission of claims latest by 15.03.2008.

Outstanding Action Taken Notes on PAC recommendation & compliance on audit paras of C & AG(Civil & Revenue Receipts)

Principal Secretary, Finance asked the Departments to submit compliance to the pending audit paras of C & AG reports (Civil & Revenue Receipts), Action Taken Notes on the recommendations of the PAC pending with the Administrative Departments.

Last but not the least, Hon’ble Minister, Finance pointed out that Departments should make all out efforts for augmentation of state’ revenue and for utilization of the budget provision. Surrender of funds at the fag end of the year should be avoided.

The meeting ended with vote of thanks to the Chair.