

**GOVERNMENT OF ODISHA
FINANCE DEPARTMENT**

No. 20560 /F.,
FIN-BUD1-BT-0003-2021

Date: 04.08.2021

From

**Shri Vishal Kumar Dev, IAS,
Principal Secretary to Government**

To

**All Additional Chief Secretaries/
Principal Secretaries/
Commissioner-Cum-Secretaries/
Secretaries to Government.**

Sub: Proposals for Supplementary Statement of Expenditure for the financial year 2021-22.

Sir/Madam,

I am directed to say that Supplementary Statement of Expenditure for the financial year 2021-22 is likely to be presented in the Odisha Legislative Assembly some-time in coming months. Accordingly, proposals for inclusion in the Supplementary Statement of Expenditure are required to be submitted to Planning & Convergence Department and Finance Department strictly in accordance with the guidelines indicated below.

2. **Government's current-year priorities** : State is fighting the pandemic with the approach of saving lives and providing livelihoods are the priorities during the pandemic period. The Odisha Budget, 2021-22 was presented in the Assembly on 22nd February, 2021 prior to onset of the second wave of pandemic. The focus of the Budget was on enhancement of capital expenditure, strengthening the health care – through up-gradation of existing facilities and building new state-of-art medical infrastructure, creating industrial and skill development hubs, boosting tourism and transforming rural and urban Odisha, so as to put the economy on the right track.

3. **Economic and Fiscal outlook** : The State is successfully fighting with the 2nd wave of COVID and possibility of a 3rd wave cannot also be ruled out. Under these circumstances, the recovery of the national and subnational economies is likely to be gradual. Hence, the State may have to downgrade the growth expectation to 9% in 2020-22 compared to

original estimate of 11.5% projected at the time of formulation of Annual Budget, 2021-22 primarily because of lower level of economic activities due to COVID induced lockdown. However, own revenue during first quarter of the year 2021-22 has shown substantial increase of about 117% mainly because of lower base and substantially higher collection of Mining revenue during the current year. Compared to April-June, 2020, the growth revenue from all the sources has registered a growth of 24%. The total expenditure (other than debt servicing) during the first quarter of FY 2021-22 is 17.33% of the Budget Estimate 2021-22 compared to 14.35% previous year. Though the expenditure has shown visible progress during the month of June, 2021, further effort is required to increase the pace of expenditure particularly Capital Expenditure to enhance the level of economic activity thereby creating employment opportunity as part of counter-cyclical fiscal policy measures. At the same time, there is need to ensure that the current lockdown imposed for containing COVID cases does not substantially affect the revenue collection.

4. **Exercise for re-prioritization of the Budget :** While formulating the Annual Budget, 2021-22, the limit of **fiscal deficit of 3.5% of GSDP** was fully employed for financing the Budget. Though there is fiscal space to avail more borrowing during the year 2021-22, the slow recovery of GSDP along with the anticipated 3rd wave of pandemic will destabilize the debt sustainability achieved by the State by prudent financial management practices over the years. However, Covid-19 management related expenditures, expenditure relating to livelihood and completion of the ongoing CAPEX projects are to be assessed by the Departments in a holistic manner, so that economic activities in the State will rebound to the level prior to onset of the pandemic. Hence, **Supplementary Statement of Expenditure, 2021-22 is proposed to be an exercise for re-prioritization of the Budget** in which the Administrative Departments would be allowed to augment the provision in one unit only by locating equivalent savings in some other unit of expenditure. **However, high priority Capital projects, COVID related packages & other announcements made by Government from time-to-time and proposal for enhancing livelihood activities shall be fully funded.**

5. **Supplementary proposals based on actual need and spending capacity :** It is observed very often that Supplementary Provisions, more so Programme Expenditure, are being made without due care and caution, which result in **substantial surrender of funds** at the end of the FY, with instances of **total surrender of funds being more than the supplementary provisions in some previous years.** Such large-

scale surrender of Supplementary provision is being adversely commented upon by the C&AG year after year. Therefore, Supplementary proposals should not be prepared in a routine manner; rather should receive personal attention of the concerned estimating and controlling officer, so that **the proposals are based on actual need and should commensurate with the actual spending capacity.**

6. Preparation of supplementary proposals during FY 2021-22

Keeping in view the above stipulations, Supplementary Schedules under Administrative Expenditure, Programme Expenditure, Disaster Response Funds and Transfers from State need to be furnished in the following manner: -

6.1 Expenditure related to COVID management

The State Government has taken several pro-active steps for effective COVID management. Various initiatives have been taken in health sector, social security transfers, special package for farmers as well as generating livelihood and employment opportunities. Several announcements including incentives for various COVID affected sections of the society have also been made. All these initiatives and announcements would be fully funded.

6.2 Recoupment of Advance from Odisha Contingency Fund (OCF)

Advance from Odisha Contingency Fund (OCF) sanctioned from time to time are to be recouped in Supplementary Statement of Expenditure. In absence of recoupment, it would not be possible to sanction further advance to meet any urgent requirement. Hence, proposals are to be submitted for recoupment of any outstanding advance from Odisha Contingency Fund (OCF) in the Supplementary Statement of Expenditure, 2021-22. **The recoupment orders particularly should be issued by the concerned Administrative Departments based on the actual expenditures incurred in implementation of emergent initiatives and not against the total fund sanctioned as advance out of the corpus of OCF.** 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.

6.3 Provision for Pay and D.A.

Sufficient provision has already been made for Pay and DA in 2021-22 (BE). Besides additional provision under the unit salary shall only be allowed, if the provision becomes inadequate due to filling up of posts or otherwise. Wherever required, it should be met by locating savings from the existing provision for re-allocation.

6.4 Provision of outstanding House Rent, Electricity Dues, Water Charges and Municipal Dues

If the Budget provision in respect of House Rent, Electricity Dues, Water Charges and Municipal Dues falls short of the requirement, proposal should be submitted for provision for the differential amount.

6.5 Regularization of Advance Expenditure incurred by way of Authorization

In some cases, 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 Administrative Expenditure and Programme Expenditure, as the case may be.

6.6 Decretal Dues and Land Acquisition Charges

(a) Amounts required for compliance 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 wherever necessary for projects/ schemes should be proposed under the "Voted" section under the Detailed Heads meant for the project/ scheme.

6.7 Technical Supplementary

Requirement of fund to meet the additionalities in needy sectors by locating savings or for accounting adjustment without any additional cash outgo, if any, should 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 should also be done in the Supplementary Statement of Expenditure. The EAP Branch of Finance Department will ask the Administrative Departments to submit the proposals to P&C Department.

6.8 Additional requirement under State Sector Schemes funded by State Government

If any new scheme is required for provision of emergent public service, execution of infrastructure projects, generation of livelihood opportunities, etc., the same can be taken up only after appraisal by EFC/SFC following the due procedure as laid in Finance Department **Circular No.9523/F dated 22.03.2021** and with specific concurrence of Finance Department for any expenditure under such scheme. For such exigency, the Departments are required to propose for reallocation of provision within the existing ceiling within the similar or same resource head and Demand. Proposals for additional provision in one unit should be matched by equivalent savings within the similar or same resource head and Demand.

6.9 Centrally Sponsored Schemes (CSS)

(i) Government of India, in the meanwhile, have revised the procedure for release of funds under the Centrally Sponsored Schemes (CSS) vide Office Memorandum No.F. No1 (13) PFMS/FCD/2020 dated 23.03.2021. The State Government is now required to maintain separate Budget lines for Central and State Share under each CSS in the Detailed Demand for Grants (DDG), and make necessary provision of the State Share in the State's Budget. While releasing funds to Singe Nodal Account (SNA), the Integrated Financial Management System (IFMS) should provide these Budget heads which would, then, be captured in PFMS through treasury integration.

(ii) Further, the above revised procedure provides that, in the beginning of a financial year, the Line Ministries/ Departments will release not more than 25% of the amount earmarked for a State under a CSS. Additional central share (not more than 25% at a time) will only be released upon transfer of the stipulated State Share to the SNA and utilization of at least 75% of the funds released earlier (both Central and State Share) and compliance of the conditions laid down during the previous sanction.

(iii) In order to comply to the new guidelines for ensuring smooth flow of central assistance to the State, two separate line items xxxxx-Central Share of CSS and xxxxx-State Share of CSS have been created. The Centrally Sponsored Schemes where no additional provision is required, Administrative Departments shall propose for token provisions in the above two units. However, where there is need for additional provision, proposal may be submitted in above two units proportionate to the sharing pattern.

6.10 Limitation in cases where expenditure till 31st July, 2021 under a unit is within 25% of Budget provision

Proposals involving additional requirement under units, where expenditure till 31st July, 2021 is less than 25% of Budget provision, shall not be considered for inclusion under the Supplementary Statement of Expenditure for the year 2021-22.

7. Improper Assessment of the requirement and accountability under the FRBM Act : All Administrative Departments should make realistic assessment of requirement for the Supplementary Statement of Expenditure, so that scarce resources can be utilized effectively, efficiently and in a prudent manner. Sound fiscal management is, therefore, of vital importance to Government. 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.

8. Submission of Budget Proposal and Time Schedule

(i) The Administrative Departments are requested to formulate the Supplementary proposals expeditiously in accordance with the guidelines indicated above and submit their proposals online to Finance Department following the procedure detailed at **Annexure-I** as per the time schedule given below:

- a. In case of Administrative Expenditure, the proposals should be submitted online to Finance Department latest by the **25th August, 2021**.
- b. The Programme Expenditure proposals should be submitted to Planning and Convergence Department also by **25th August, 2021**. The Planning and Convergence Department shall communicate ceiling to Administrative Departments thereafter. The Administrative Departments shall make scheme-wise distribution of the ceiling and submit it to Planning and Convergence Department subsequently.
- c. The Programme Expenditure proposals after concurrence of Planning & Convergence Department should then be submitted to Finance Department.

(ii) The system will not allow processing of Budget proposals after the due date as mentioned above. Hence, due care should be taken to stick to the stipulated deadlines.

(iii) Submission of papers or conduct of meeting in physical form shall be avoided. Any document to be submitted in support of any proposal is to be uploaded in BETA or to be sent to the concerned Branch Officer electronically by e-mail/ WhatsApp. Similarly, any consultation, if required for finalization of Budget proposal, is to be done in virtual mode following all COVID-19 guidelines.

The Administrative Departments are, therefore, requested to instruct all the Controlling Officers under them to adhere to the guidelines and timelines mentioned in the foregoing paragraphs scrupulously. This circular is being hosted in the website of Finance Department (<https://finance.odisha.gov.in/>) for information of all concerned.

Yours faithfully,

Sd/-

(V.K. Dev)

Principal Secretary to Government

PROCESS FOR SUBMISSION OF BUDGET PROPOSAL

(i) The proposal for Administrative Expenditure, Disaster Response Funds and Transfers from State shall be **submitted by the Controlling Officer(s) to the Administrative Department using IFMS platform**. The consolidated proposal of all Controlling Officers of an Administrative Department will be transferred from IFMS to the "Online Budget Compilation System - BETA" seamlessly through web service. **The Administrative Departments after due scrutiny of the consolidated proposal will submit the same to Finance Department using Online Budget Compilation System (URL <http://onlinebudget.gov.in/BETA/>) in Secretariat LAN.**

(ii) Similarly, Programme Expenditure proposals for the Supplementary Statement of Expenditure, 2021-22 shall also be initiated in the Budget preparation module of IFMS. The Controlling Officers are required to submit the proposal to the Administrative Department using IFMS platform. The Controlling Officer shall enter their Programme Expenditure proposals using the chart of account. The existing charts of account/ schemes are linked to the respective heads of development/ resource head. In case of entering new schemes/ chart of account, the Controlling Officers are required to link it to the appropriate heads of development/ resource head by selecting from the list. **The proposals submitted by the Controlling Officers are to be scrutinized by the concerned Administrative Department and the consolidated proposal is to be submitted by the Administrative Department.** The consolidated proposal of all Controlling Officers of an Administrative Department will be transferred from IFMS to the "Online Budget Compilation System" (BETA) seamlessly through web service. The heads of development-wise proposal would be available to the **Planning & Convergence Department** in BETA in the URL <http://onlinebudget.gov.in/BETA/>. Planning & Convergence Department shall allocate ceiling online as per heads of development. The Administrative Departments shall distribute the ceiling online among the development sector schemes which shall be approved by Planning & Convergence Department online. The Administrative Departments, then, would be required to submit the Programme Expenditure proposals in charts of account to Finance Department using Online Budget Compilation System in Secretariat LAN using the URL <http://onlinebudget.gov.in/BETA/>. **The**

Programme Expenditure proposals are also required to be submitted using the online system of IFMS and Budget application as the default mode.

(iii) While submitting the proposals for **Supplementary Statement of Expenditure, 2021-22**, the Administrative Departments would be required to identify savings under some units of expenditure to make provision afresh or by way of augmentation in some other units of expenditure through re-allocation. In order to ensure availability of adequate funds equivalent to savings located, the Administrative Departments would have to indicate availability of **funds under a particular unit in IFMS** and block the said savings under that unit until it is utilized through Supplementary linked surrender/ re-appropriation. IFMS will block the allocation identified as savings and not allow any further distribution/ utilization till the process of Supplementary linked surrender and re-appropriation is over