

**GOVERNMENT OF ORISSA
FINANCE DEPARTMENT**

No.Bt-I-18/2006 ___31093(230)_/F., Dt. 19.07.2006

From

Sri K.C Badu, IAS
Special Secretary to Govt.

To

All Principal Secretary to Govt.
Commissioner-cum-Secretary to Govt.
Secretary to Govt.
Special Secretary to Govt.
Heads of Department

Sub:- Revised Estimate for 2006-07 and Budget Estimate for 2007-08

Sir/Madam,

I am directed to invite your attention to the General Instructions contained in chapter III of the Orissa Budget Manual for formulation of the Budget Estimates. The following supplementary instructions may be taken into consideration while framing the Revised Estimate for the current year 2006-07 and the Budget Estimate for the ensuing year 2007-08.

2. You are all aware of the fact that the State Govt. is committed to restructure its finances in accordance with the recommendations of the 12th Finance Commission. Accordingly, a Medium Term Fiscal Plan has been worked out keeping in view the targets prescribed under the Orissa Fiscal Responsibility and Budget Management Act, 2005 which has come into force w.e.f 14.6.2005. The Orissa Fiscal Responsibility and Budget Management Act, 2005 envisages reduction of Revenue Deficit to zero and containing Fiscal Deficit at 3% of GSDP by 2008-09. The enactment of this legislation makes Government of Orissa eligible for debt relief to the tune of Rs.1881.28 crore, through consolidation of Central loans contracted till 31.3.2004 and outstanding as on 1.4.2005, according to the recommendation of the 12th Finance Commission. The important recommendation of 12th Finance Commission having a direct bearing on restructuring of the state finances, among others, include the following:-

- i) It is necessary that plan size of every state is linked to the sustainable level of the debt **(Para 2.32, page -20 of the report of 12th Finance Commission)**.
- (ii) Determining the right size of the Fiscal Deficit and the Debt in relation to GDP is important for prudent fiscal management. **(Para 2.42, page -24 of the report)**

- (iii) The Plan size of each state needs to take into account the sustainable level of debt and the capacity to borrow from the market **(Para 2.68, page -82 of the report)**
- (iv) Debt-GSDP Ratio should be brought down to 28% of GSDP **(Para 4.45, page -7.-71 of the report)**
- (iv) The ratio of interest payment to Revenue Receipt should be brought to 15%. **(Para 4.54, page -75 of the report)**
- (v) The State should follow a Recruitment and Wage Policy, in a manner such that the total salary bill relative to revenue expenditure, net of interest and pension payment does not exceed 35%. **(Para 4.63, page -80-81 of the report)**
- (vii) Getting the right size and the right composition of Government expenditure with a view to facilitating achievement of highest attainable growth rates, and meeting governments social obligations including poverty education and provision of health and education should be considered integral to any plan for restructuring public finances. This requires increasing public expenditure in social and economic infrastructure for accelerating growth while reducing the over all fiscal imbalance. **(Para 4.6, page -78-79 of the report)**

3. Thus there is inherent restriction on annual borrowing to finance the developmental activities, otherwise the criteria recommended by the 12th Finance Commission to avail the debt write off cannot be complied with. Against gross borrowing of more than Rs.5000.00 crore and net borrowing of more than Rs.3700.00 crore per annum in the past, the net borrowing prescribed for 2006-07 by Government of India has been pegged at Rs.1677.00 crore (gross nearly Rs.2220.00 crore). The annual borrowing for the subsequent years will be limited to 3% of GSDP as per the guidelines of Government of India. For financing developmental activities we have to enhance our own revenue and reduce our Non-Plan Revenue Expenditure. It may be noted that against the ceiling of Non Plan Revenue Expenditure of Rs.11563.12 crore for 2006-07 fixed by the 12th Finance Commission, our Budget Estimate for the year is Rs. 13115.22 Crore which is higher by 1522.10 crore.

4. For availing conditional debt write off Rs.1751.29 crore linked to achieving the prescribed fiscal targets recommended by 12th Finance Commission, our State would be required to achieve, in each year of 2005-10, a reduction in the revenue deficit which, compared to the base year figure is cumulatively higher than the cumulative reduction attributable to the interest relief recommended by the Commission. The cumulative interest relief in case of Orissa for each of the years for the period 2005-10 has been calculated as follows :

(Rs. in crore)

Year	Interest relief during the year	Cumulative interest relief upto the year	Year	Target of Cumulative reduction of revenue deficit
2005-06	277.36	277.36	2004-05	493.33
2006-07	240.72	518.08	2005-06	986.66
2007-08	200.20	718.28	2006-07	1479.99
2008-09	155.94	874.22	2007-08	1973.32
2009-10	134.21	1008.43	2008-09	2466.65

To avail the relief of total repayment for each of the years of the 12th Finance Commission award period 2005-10, the State is required to reduce the revenue deficit @ Rs. 493.33 crore per annum from 2004-05 to 2009-10.

5. As pointed out earlier a medium term fiscal plan has been worked out keeping in view the targets prescribed under the Orissa Fiscal Responsibilities and Budget Management Act. Further, as per the agreement entered into with Government of India as a prerequisite for the State to be considered for eligible under "Orissa Socio-Economic Development Programme Loan/Credit. State Government have to ensure achieving the various monitorable Fiscal Targets. These monitorable targets have been worked out after taking fiscal target envisaged in the Orissa Fiscal Responsibility and Budget Management Act, 2005 Orissa Medium Term Fiscal Plan read with Fiscal Correction Path (2004-05 to 2009-10) submitted to Government of India so as to ensure that Orissa is entitled to debt relief recommended by the 12th Finance Commission. This revised MTFP envisages reduction of revenue deficit to Zero and containing the fiscal deficit at 3% of GSDP by 2008-09.

- The Capital Expenditure as % of GSDP was 5% in 1980-81 and this has been reduced to 3% in 1998-99, 2% in 2001-02, 2.44% in 2002-03, 1.57% in 2003-04, 1.78% in 2004-05 and 1.62% in 2005-06. The Capital Expenditure should increase as a percentage of GSDP and should not be less than 3% of GSDP (1.94% in 2006-07 BE, 2.58% in 2007-08, 2.91% in 2008-09 and 2.94% projection in 2009-10)
- According to the revised MTFP, the capital outlay is to be increased from Rs.1055.54 crore in 2004-05 to Rs.1980.34 crore in 2007-08, Rs.2455.00 crore in 2008-09 and Rs.2725.00 crore in 2009-10.
- Debt Stock as percentage of GSDP is targeted to be reduced from 57.4% of GSDP in 2004-05, 59.16% in 2007-08, 56.23% in 2008-09 and 55.29% in 2009-10 as against 28% recommended by the 12th Finance Commission.

- Interest payment as percentage of revenue receipt would be reduced from 28.1% in 2004-05, 26% in 2005-06, 23% in 2007-08, 20.5% in 2008-09 and 19.6% in 2009-10 against 15% recommended by 12th Finance Commission.
- Salary expenditure as percentage of State's own revenue is targeted to be reduced from 75.9% in 2004-05 to 70.3% in 2007-08, 65.1% in 2008-09 and 60.2% in 2009-10.
- Salary Expenditure as percentage of revenue expenditure net of interest payment and pension payment is targeted to be reduced from 53.8% in 2004-05 to 46% in 2007-08, 43.3% in 2008-09 and 40.4% in 2009-10.
- Fiscal Deficit as percentage of GSDP is to be contained at 2.8% in 2008-09 and 2.7% in 2009-10 which is hovering around 3% of GSDP as recommended by 12th Finance Commission.
- Revenue deficit is targeted to be reduced from Rs.522.30 crore in 2004-05 to (-) Rs.158.58 crore in 2007-08 and a surplus of Rs.52.79 crore in 2008-09 and Rs.159.37 crore in 2009-10.
- Ratio of actual targeted State Plan expenditure (>95% in 2004-05 and in each year thereafter)
- Utilisation of Central assistance (utilisation certificates submitted as ratio of pending at beginning-of-year) raised to 80% by 2006-07 and 90% by 2007-08)
- Rate of response to 'draft paras' in the inspection report and final observations in the audit report of C&AG to be increased from year to year.
- Number of base level vacant posts abolished (atleast 15,000 during 2004-06 and another 6,000 during 2006-07)
- Cumulative number of staff redeployed (1800 by 2005-06, 2400 by 2006-07 and 3000 by 2007-08)

6. Given the above consideration while preparing the Revised Estimates for 2006-07 and Budget Estimate for 2007-08, all Departments of Government must give due consideration to fiscal prudence as well as efficiency and effectiveness of public spending. They must explore all possibilities of revenue augmentation and of savings within the existing resource allocations. They must prioritize their demands for additional funds, if any, based on analysis of spending on different schemes, components and projects.

7. Revised Estimates of Receipts for 2006-07

Revised Estimates of receipts and recoveries for 2006-07 should be framed keeping in view the current demand as well as outstanding arrears. Special emphasis has to be given on collection of arrears and pursuing disposal of cases pending in different courts of law. The various decisions taken in the meeting held under the chairmanship of Hon'ble Minister of Finance on 6.6.2006 should be implemented fully and the revised estimates of receipts must take into account the receipts likely to accrue from all sources and measures identified for implementation.

Instances of under assessment, wrong assessment and irregular exemption etc. have been pointed out in the report of C&AG for the year 2003-04 and 2004-05. Revenue likely to accrue on compliance of all such omissions and commissions should be taken into account. Serious concern has also been expressed in the aforesaid reports regarding non-recovery of arrear tax and non-tax revenue. Besides this, serious objections have been raised on the expenditure sides like **infructuous** expenditure, excess expenditure etc. The Administrative Departments are, therefore, required to give a small write up indicating the action taken to avoid such irregularities in future along with the steps taken to augment revenue and ensure higher recovery of loans and advances to accommodate the additional outlay asked for. The Orissa Fiscal Responsibility and Budget Management Act, 2005 stipulates that no additional expenditure shall be incurred without corresponding resources being **firmed up** or without reducing equivalent amount of expenditure somewhere else. So unless additional revenue are generated or the additional amount of loans and advances are recovered, it would not be possible to accommodate the additional provision either in the Non-Plan or under State Plan.

Income that will accrue from disposal of idle and unused road rollers, equipments, condemned vehicles, machineries, scraps and unserviceable stocks and stores and disposal of unviable Agriculture, Horticulture, Soil Conservation, Veterinary, Fish Farms and Cold Storage etc. should also be taken into account. The level of receipts likely to accrue from all sources should be indicated in a small write up and the details may be furnished (detailed heads wise) in separate statements in **Annexure I & II.**

8. Estimates of receipts 2007-08

Estimates of receipts for 2007-08 should be formulated taking into consideration the past trend as well as expected buoyancy in respect of revision of tax rates or introduction of new taxes. While estimating the Revenue Receipts for 2007-08, the measures indicated in Para7 may also be taken into account. In no case the estimates of revenue receipts for the year 2007-08

shall be less than 15% over the revised estimates for 2006-07. The Budget Estimates of Revenue Receipts for 2007-08 should be shown in **Annexure II & III**.

Receipts Estimates for 2007-08 should include anticipated receipts from ARM measures implemented and likely to be implemented during 2007-08 as per MoU signed with Government of India on 11.10.2001.

Steps should be taken to augment additional revenue by atleast 20% more than the previous year and to reduce the un-productive expenditure.

Item wise sources of Revenue Receipts under the Heads "Other Receipts" and "Misc" should be indicated in the Estimates.

A list of parties from whom Guarantee Fees and Dividends are due should be furnished in a separate statements indicating the arrears as on 1.4.2006 and the current demand. The up-to-date collection of arrears by October 2006 and current demand need to be indicated along with the anticipated arrear to be collected during the current year. The probable arrear receipts outstanding as on 1.4.2007 and current demand for 2007-08 should be separately shown with justification.

9. Revised Estimates of Expenditure for 2006-07

While preparing revised estimates for 2006-07, distribution of additional resources if available over and above the Budget Estimate will be based on the necessity to achieve maximum impact on economic growth and poverty reduction, improvement in the fulfillment of Government's social obligations including the provision for health and education. Priority will be accorded to 1) achievement of higher capital outlay linked to increased rate of completion of ongoing investment projects; 2) timely provision of state counterpart funding for Externally Aided Projects and Centrally Sponsored Schemes and full utilization of Central Assistance available for education, health and other social sector schemes.

The respective Departments while preparing the Revised Estimates must give due consideration to the fact that the earmarked Twelfth Finance Commission Grants are meant for improving the provision of non-salary recurring inputs, that are essential for service quality and currently in short supply-such as regular maintenance of schools, health facilities, roads etc.

10. Essential items of expenditure in the Revised Estimates of 2006-07

Keeping the above overall priorities in mind, the Departments may formulate the Revised Estimate for 2006-07 in respect of following items;

- 1) As per the decision of the State Government, D.A. equal to 50% of the existing basic pay has been merged with the basic pay of State Government employees with effect from

- 1.4.2006 vide Finance Department Circular No 17491 Dt. 22.4.2006. Now, this 50% DA which has been merged with basic pay is being distinctly shown as Dearness Pay. Hence, there may be shortfall in pay head during the current financial year. Administrative Departments may clearly workout the shortfall, if any, and assess the additional requirement. They should also clearly locate the savings in DA Head.
- 2) Arrear Pay and Allowances for those who have already retired but not paid so far should be met out of the existing budget provision at the first instance and any deficit to meet further requirement for the year 2006-07 may be clearly worked out. Finance Department may consider this depending on the availability of the overall resources.
 - 3) The existing provision of electricity dues should be fully utilized in ensuring timely payment of electricity charges to Distribution Companies on regular basis. Additional requirement, if any, may be worked out after reconciling past payments, full justification has to be given as to why there have been arrear on account of payment of electricity charges even though Finance Department have provided full requirement as and when required by the respective Departments.
 - 4) All outstanding OCF advances should be fully recouped. Accordingly schedules should be prepared by the Departments indicating savings from which OCF advance is to be recouped.
 - 5) Additional requirement towards State's Share under Centrally Sponsored Plan Schemes should be worked out and projected for consideration by Planning and Coordination and Finance Departments. Before sending additional provision towards State Share under Centrally Sponsored Plan Schemes, the administrative departments must certify that they have furnished utilization certificate in respect of the total Central Assistance received till 31.3.2006. In case, there is a default in submission of utilization certificate, the additional provision under CSP Schemes may not be considered without sufficient justification furnished by the administrative departments as to why they are not able to furnish the utilization certificates despite repeated persuasion by Finance Department at different intervals.
 - 6) There are several tied up schemes, which have not been fully funded in the Budget Estimate of 2006-07. Additional provision may be necessary keeping in view the targeted date of completion of those projects. The concerned departments are to indicate the name of the projects, original estimates/revised estimates and the expenditure incurred so far, existing budget provision and additional provision to be

- provided with justification to ensure completion of projects during the current financial year. Additional provision for all such schemes should be realistically worked out, so that there is no surrender of funds at the end of the financial year.
- 7) A report is to be laid in the Orissa Legislative Assembly indicating therein the compliance to various provisions of the Orissa Fiscal Responsibility and Budget Management Act, 2005. These among other things include the following:
- Steps taken for collection of arrear revenue,
 - Steps taken to make effective use of the capital assets,
 - Steps taken to reduce the guaranteed liabilities/ guarantees,
 - Steps taken for proper maintenance of loan ledger and guarantee ledger,
 - Steps taken to reduce the revenue expenditure and augment revenue so as to reduce the Revenue Deficit and consequently the Fiscal Deficit and Primary Deficit,
 - A Fiscal policy Strategy statement.
- 8) It has come to the notice of Finance Department that despite availability of Budget Provision, allotments are not being issued to the concerned DDOs in time. As a result, employees are facing difficulties in getting their salary in time. It has to be avoided. In any case the existing salary provision should be communicated in time depending on the requirement of different offices under the control of the Controlling Officer. The allotment including supplementary provision, wherever allowed, shall have to be communicated latest by 15.2.2007. The allotment issued after 15.2.2007 shall not be acted upon by the Treasury Officers and such bills shall be returned with objections.
- 9) Despite repeated instructions issued by the Finance Department from time to time, the Administrative Departments have not issued re-appropriation orders in respect of supplementary provisions taken by locating savings within their Demand. This creates a lot of difficulties for matching the expenditure against the actual budget provision and the final grant. The Administrative Departments are, therefore, to ensure that re-appropriation orders are issued within 15 days from the date of passing of the supplementary provision by the Orissa Legislative Assembly and without issue of re-appropriation orders in respect of supplementary provision, wherever it is applicable, expenditure can not be incurred against such supplementary provision. In case of default, the Secretaries of the concerned Departments shall be personally liable for excess expenditure, wrong booking of expenditure, non-surrender of savings in time etc and such advise comments that might be reflected in the report of the C&A.G.

11. The Estimate of Expenditure for 2007-08 under Non-Plan

The Estimate of Non-Plan Revenue Expenditure for 2007-08 should be worked out on the basis as indicated below:

- ❖ There shall be no Salary provision for vacant posts.
- ❖ The provision of basic pay for 2006-07 excluding arrear pay, if any, should be reduced by 3% for retirement vacancies that may occur in 2007-08 and then to be enhanced by 2.5% to accommodate the usual incremental rise in the pay for the year 2006-07. The pay drawn for the month of July 2006 shall be taken as the basis for calculation of requirement of basic pay for the year 2007-08. In order to admit the salary provision in the Budget Estimate of 2007-08, it is necessary to know the particulars of the staff in position and the action taken for abolition of 75% of base level vacant posts as per FD letter No. 32861/F Dt. 3.8.2004 read with letter No. 55764/F Dt. 31.12.2004.
- ❖ The provision of Dearness Pay shall be worked out depending on the quantum of pay to be estimated as per the guidelines indicated above.
- ❖ The provision required for leave encashment on superannuation shall be calculated separately and shown in the proforma given in Annexure IV. This amount shall not form a part of pay to be provided for 2007-08. This amount shall be taken care of under the budget of Finance Department for central disbursement.
- ❖ Steps should be taken to curtail contingent and official expenditure as far as possible.
- ❖ **Salary provision for contractual appointments on consolidated salary:-**
In certain cases, in lieu of abolition of posts, if fresh creation of posts at a consolidated salary have been made with the concurrence of Finance Department, the consolidated salary requirement on such contract appointees should be separately worked out indicating the details of contractual posts sanctioned, the rate of consolidated salary and the requirement for the full financial year 2007-08. This should be shown separately as "consolidated pay for contractual appointees". The details of posts for which salaries and allowances have been proposed should be justified by furnishing a statement as in **Annexure V**.
- ❖ D.A. @ 17% may be calculated on the basic pay arrived for 2007-08. Additional D.A. doses, if any, to be released during 2007-08 shall be worked out by the

Finance Department keeping in view the availability of resources and in conformity with the provisions of the Fiscal Responsibility and Budget Management Act and Rule 2005 and the Medium Term Fiscal Plan as required under "The States' Debt Consolidation and Relief Facility (DCRF)" under the recommendation of the 12th Finance Commission.

- ❖ House Rent Allowance may be provided @ 5% of basic pay + Dearness Pay or the actual House Rent being paid during 2006-07 whichever is less.
- ❖ Full provision of scholarships and stipends for ST, SC and Other Backward Class students should be provided. This should be justified indicating the expenditure incurred during 2004-05, 2005-06 and the likely level of expenditure in 2006-07. Details of students strength and the rate should be indicated and a calculation sheet should be provided to justify the requirement asked for in view of surrender of such provision in the previous years.
- ❖ The provision of RCM for 2007-08 should be taken at par with the provisions of 2006-07 (excluding the provisions made for medical advances).
- ❖ Last but not least, thrust of the budget should be on small and medium enterprises along with higher allocation for social sector, infrastructure development, agriculture, irrigation and allied activities as indicated in para-22.

12. Rent, Rate and Taxes (RRT):-

Since the Government offices at Bhubaneswar functioning in rented houses are to be shifted to Toshali Plaza, Satyanagar, Bhubaneswar, taken over by the Government from Orissa State Housing Board, provision of RRT should be reduced in respect of Government Offices functioning in the rented houses at Bhubaneswar. However, full provision may be made in respect of Government Offices functioning in other places indicating the particulars offices which are functioning in rented houses, the rate of rent being paid and the year from which such rent is being paid etc. (**Annexure VI**). Steps should also be taken to shift Government offices running in private buildings to Government accommodation.

13. Provision of electricity and water charges to be made in full:

Full provision of electricity and water charges should be separately made showing the break up of arrear and current as in the proforma given in **Annexure VII**. Unless provision proposed is not supported with proper justification, it shall not be possible to admit the provision for the Department and the provision shall not be augmented during the year subsequently when request for additional fund is made. Steps should be taken to reduce expenditure on electricity by different Government offices.

14. Budget Provision for Municipal Taxes to be made in full

It has come to the notice of the Finance Department that many Government organizations are not paying the Municipal Taxes in time as a result, the Urban Local Bodies are facing a lot of difficulties to attend the basic amenities due to want of funds. Hence, it is mandatory for all Departments and organizations to ensure full payment of Municipal Taxes wherever it is due and accordingly required Budget Provision should be made and such payment must be ensured in time once the approval of the Legislature is communicated by the Finance Department in April 2007.

15. Non-Salary items:

Provision of Telephone and TE and OC shall be provided at an increased rate of 10 %over the original Budget Estimate of 2006-07. There shall not be no provision for purchase of new vehicles. But provision can be made by way of replacement of the old vehicles in respect of revenue earning and law enforcing departments and in that case the administrative departments should certify that all unserviceable vehicles under their administrative control have been condemned, put to auction and sell proceeds deposited in Government Treasuries.

16. Maintenance Expenditure of capital assets:

The maintenance expenditure for buildings, roads, water supply, irrigation, flood control etc. would be limited to the estimate made by the 12th Finance Commission and this is being indicated against the respective departments separately. In order to make efficient and proper use of this maintenance expenditure at least 50% of the provision would be earmarked against the identified works and the projects so that it would be possible to ensure tracking of these expenditure. Out of the balance 50% salary provision may be limited to 25% wherever salary and wages are met from the maintenance of expenditure and the balance 25% can be utilized by the administrative department / Controlling officer on general repair and maintenance depending on the requirements as and when needed. Further the maintenance expenditure earmarked against different buildings, roads and water supply schemes, irrigation and flood control work etc. has to be intimated to the concerned administrative department and the offices in which such repair and maintenance would be taken up. The head of the such offices would be required to countersign the estimates which should be prepared in consultation with the head of the offices so that their requirements are met on priority basis and they have the full knowledge as to what amount of money is being spent and on what items. The concerned head of the offices are to certify that such repair and renovations has been taken up as per their requirements and the fund allocated has been utilized properly.

17. Utilisation of funds under the recommendations of the 12th Finance Commission:

The grants recommended by the 12th Finance Commission for maintenance of roads and bridges, residential buildings, heritage conservation, maintenance of forest, states' specific needs (consolidation and strengthening eco-restoration work in Chilika Lake & sewerage system in Bhubaneswar.), grants for Rural Local Bodies, Urban Local Bodies, Calamity Relief Fund, Top up grant for health and education are to be utilized as per action plan approved by the Chief Secretary. In this connection the department wise allocation for 2005-06 and 2006-07 to 2009-10 has been communicated separately and being included in the tentative ceiling for respective departments which would be indicated at the time of pre-budget scrutiny meeting.

18. State Plan 2007-08 : – 10% hike on the allocation for 2006-07 to start with.

The revised plan ceiling for various sectors of the State Plan 2006-07 and Annual Plan Ceiling for 2007-08 would be communicated separately by the P. & C. Department. On the basis of ceiling allowed by P. & C. Department the schemes should be revised, firmed up and cleared through the pre-budget scrutiny committee. Scheme wise justification for the year 2007-08 may be furnished to Finance Department in **Annexure XVI-A, XVI-B, XVI-C, XVI-D and XVI-E**. Yearmarked resources such as NABARD assistance for LTO and RIDF, and other EAP allocations should be proposed in the correct proportion and tied-up resources should not be diverted to finance the untied schemes. To ensure preparation of plans/programmes in time the Administrative Departments are to prioritise the programmes assuming 10% increase in the allocation 2006-07 pending communication of exact allocation by P & C Department.

19. Central Plan and Centrally Sponsored Plans:

The review meeting on central assistance and utilization certificates furnished under Central Plan and Centrally Sponsored Plan revealed that due to non-submission of utilization certificates in time there is either non-release or less release of central assistance to the State Government for implementation / completion of various CP /CSP schemes.

Administrative Departments are therefore requested to assess the position of central assistance received from the year 2004-05 and utilization made thereof. Details of central assistance received, utilization made, utilization certificates submitted to Government of India etc. should be worked out in **Annexure XVIII**. Unless utilization certificates for central assistance till the end of 2004-05 is fully cleared, no provision for 2007-08 will be admitted in the Budget Estimate for 2007-08.

Administrative Departments should also make all efforts to avail new C.S.P. Schemes from different Ministries of Government of India.

20. The Formats for preparing the Revised Estimate for 2006-07 and Budget Estimate for 2007-08:

The Administrative departments and the controlling officers are required to prepare the RE for 2006-07 and BE for 2007-08 as per the list of the proforma enclosed.

21. Incentive based allocation linking to performance.

It is seen that in spite of repeated review, issue of reminders and even instructions issued from the level of Chief Secretary, some of the Departments have not taken timely action in respect of the key areas like submission of Utilization Certificates in time, furnishing of compliance report to draft paras of the Accountant General, Orissa, steps to comply with the various irregularities pointed out in the report of the C & AG on revenue receipt for 2004-05 and other irregularities. **These steps are required in terms of the Fiscal Responsibility and Budget Management Act and Rule, 2005. While allocating funds, the performances of the Departments would be judged from all these angles and suitable additional provision would be considered in respect of those Departments, who have shown improvement in timely compliance on these points.**

22. Thrust of the Budget : – Efficiency in spending, Social Sector, Infrastructure, Agriculture and Irrigation.

In spite of various revenue generation and expenditure compression measures taken by the State Government as per MoU signed with Government of India, we are still to create sufficient fiscal space for investment in critical and needy sectors. Restructuring of state's finances is the need of the hour. We shall have to follow the recommendations of the 12th Finance Commission and the provisions of the FRBM Act and Rules in letter and spirit which would ensure release of resources for productive expenditure through reduction of unproductive expenditure. So the plan expenditure is not only to be reviewed but also it is necessary to see as to how the non-plan provision provided in different departments is being used efficiently.

The thrust of the Budget, therefore, should be on out come rather on the out lays, **whether it is plan or non-plan**. We should aim at a system which is responsive and responsible for improving the efficiency and effectiveness of spending measured in terms of improvement in delivery of services ensuring indented benefit to the targeted groups, completion of ongoing projects as per time schedule and plugging the leakages in the spending processes.

Besides the thrust of efficiency of spending the thrust of the budget 2007-08 would be higher allocation for Social sector, Infrastructure development, Agriculture, Irrigation and allied activities.

23. Consultation with Departmental Standing Committee

Based on the tentative allocation under Non-Plan and State Plan, the Departments may prioritize the plans and functions and this tentative proposal of the Departments may be placed in the Standing Committee for their perusal and consideration. The inputs indicated in the Standing Committee may be examined by the Departments and accordingly, appropriate Government order may be taken for suitable modification / alteration in the draft budget proposal.

24. Time Schedule:

A lot of information is to be collected, compiled and Fiscal Policy Strategy Statement is to be placed in the Assembly along with the budget as per the provisions of the Orissa Fiscal Responsibility and Budget Management Act, 2005 and Rules framed there under. Hence budget documents are to be prepared in a tight time schedule. Therefore, all departments and controlling officers are requested to submit the Revised Estimate for 2006-07 and Budget Estimate for 2007-08 in the prescribed format to Finance Department latest **by 16.08.2006**. The programmes for the pre-budget scrutiny under Non-plan and Plan would be communicated separately by Finance Department and Planning & Co-ordination Department respectively. The controlling officers are required to furnish the list of DDOs under their control indicating there in the Demand No. and Head of Account under which the allotment is given (Annexure –XIX). In the absence of such a list, the budget estimate cannot be entertained.

The information is available at the Internet Site Orissagov.nic.in/circular/circular.htm.

Enclosure: List along with proforma

Yours faithfully

Special Secretary to Government

Memo No. 31094(230) /F.,

Date 19.07.2006

Copy forwarded to all Controlling Officers, Financial Advisers and A.F.As/ All Accounts Officers of the Departments of Government and Heads of Departments for information and necessary action.

Special Officer-cum-Joint Secretary to Govt.

Memo No. 31095(120)/F.,

Dated 19.07.2006

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

Special Officer-cum-Joint Secretary to Govt.

Memo No. 31096(170)/F.,

Dated 19.07.2006

Copy forwarded to all Treasury/Special Treasury/Sub-Treasury Officers/F.A. and C.A.O. of all the Irrigation Projects for information and necessary action. While entertaining the Pay Bills for the month of September 2006 they are requested to enquire from the DDOs under their control as to whether the DDOs have submitted the required information to their controlling officers in time before 31.7.2006

Special Officer-cum-Joint Secretary to Govt.

Memo No. 31097(6)/F.,

Dated 19.07.2006

Copy forwarded to Private Secretary to Minister, Finance/ D.C.-A.C.S./ Special Secretary (B)/Special Secretary (S)/Additional Secretaries of Finance Department for information.

Special Officer-cum-Joint Secretary to Govt.

Memo No. 31098/F.,

Dated 19.07.2006

Copy forwarded to the Accountant General (A&E) for information.

Special Officer-cum-Joint Secretary to Govt.
