

GOVERNMENT OF ODISHA
FINANCE DEPARTMENT

No. 3 5 5 4 9 /F, Date 19 / 10 / 2019
FIN-BUD1-BT-0008-2019

From

Sri Ashok K.K. Meena, I.A.S.
Principal Secretary to Government

To

All Secretaries to Government/
Heads of Departments

Sub: Preparation of Revised Estimates for 2019-20 and Budget Estimates for 2020-21.

Sir/Madam,

I am directed to say that the process of formulation of Revised Estimates for 2019-20 and Budget Estimates for 2020-21 are to be initiated and completed in time so as to enable Finance Department to present the budget in the Odisha Legislative Assembly at the appropriate time. In addition to the general instructions contained in Chapter- III of Odisha Budget Manual, following supplementary instructions are to be followed while framing the Revised Estimates for the current year 2019-20 and Budget Estimates for the financial year 2020-21.

2. Government's strategic priorities for the next five years: The strategic priorities of the State Government in the medium-term is to achieve Sustainable Development Goals through faster reduction of poverty, increasing farmer's income, providing piped drinking water to all, making available quality affordable health care facilities, enabling quality education & skills development, providing quality physical infrastructure for improving economic activities and empowering women, ST, SC & other vulnerable populations to enhance their participation in economic activities. In line with the medium-term objectives, spending priorities for the financial year 2020-21 include piped drinking water, critical infrastructure (railways, roads, marketing-linked infrastructure), education for learning outcomes, health assurance, skills development, livelihoods, women empowerment and agriculture (including irrigation).

3. Economic Outlook: Global economic growth remains fragile, with downside risks dominating the short-term outlook, including the recently-renewed trade tensions among major economies and an observed decline in investment levels, in particular in commodity exporting economies. Overall, global GDP growth is expected to decline from an annual rate of 3.6 percent in 2018-19 to 3.3 percent in 2019-20. The outlook for the Indian economy is mixed. Below par performance of Union taxes so far and recent rate reduction in rate of corporation tax by Union Government will likely mean a

decrease in Odisha's share of Union taxes for FY 2019-20. For the year 2020-21, there is uncertainty in share in central taxes in absence of the recommendations of 15th Finance Commission. In 2019-20, through August, SGST collections have increased moderately by about 11 percent compared to the previous year, whilst other tax items as well as mining revenue collections have been moderate. Although the loss on account of the GST will be compensated by the Union Government for FY 2020-21, the same will not be available after June, 2022. The State's own revenues are expected to register moderate growth in FY 2020-21 primarily due to moderate to high growth expectations for the State economy. As a result, spending is expected to increase by about 12 percent in FY 2019-20.

4. **FRBM requirement:** The Odisha FRBM Act, 2005 mandates the State to generate revenue balance and contain the fiscal deficit within 3% of GSDP. Additional borrowing of 0.5% of GSDP over and above the normal limit of 3% of GSDP is allowed if (i) the debt to GSDP ratio is less than or equal to 25%, (ii) the interest payment to revenue receipt (IP/RR) ratio is equal to or less than 10% and (iii) there is no revenue deficit in the year in which the borrowing limits are fixed and the immediate preceding year. Thus, the FRBM requirements for Revised Estimates, 2019-20 and Budget Estimates, 2020-21 are as below:

Indicators	2019-20 (BE)	2019-20 (RE)	2020-21 (BE)
Revenue Surplus (+)/ Deficit (-) (% of GSDP)	(+)1.21%	Revenue Surplus	Revenue Surplus
Fiscal Deficit (% of GSDP)	(-) 3.49%	(-) 3.5%	(-) 3%
IP/ RR Ratio	5.64%	10% (upper limit)	10% (upper limit)
Year-end debt stock (% of GSDP)	19.70%	25% (upper limit)	25% (upper limit)

5. Preparation of budget for FY 2020-21

The current practice does not provide for a hard ceiling, and there is limited prioritization of expenditure proposals by Departments. Departments are also not given adequate time to prepare their budget estimates. As the budget proposal becomes too large, the primary objective in the hand of Planning and Convergence (P&C) and Finance Departments remains as how to cut it down to the level of resource availability. This results in big gap between "budget proposal" & "budget allocation" and between "budget allocation" and "actual expenditure". As part of the PFM reform, the State Government is going to introduce a new budget making process for preparation of Annual Budget, 2020-21 to enhance budget credibility.

(i) New budget process

The budgetary reforms are based on international good practice and will enable the Government of Odisha to meet its service delivery commitments, within an affordable resource envelope over the next five years. In the planned process:

- The budget calendar would be advanced.

- Finance Department in coordination with P&C Department will do macro-fiscal forecasting
- The Budget Circular would be accompanied with Departmental ceilings (both for Administrative and Programme Expenditure). Advance indication of ceiling would provide predictability to the Departments.
- Departments will be given 2-3 months' time to have thorough scrutiny and prioritization of the Budget proposals within the ceiling communicated.
- In coming years, multi-year ceiling would be communicated, so that Departments would have predictability in fund flow and can make multi-year project planning.

(ii) Important changes to fiscal year 2020-21 Budget Process

The new budget process will be followed for FY 2020-21 and more time will be allocated to provide expenditure estimates by 15th December, 2019. The following amendments may be noted for 2020-21 budget process:

- i. Unified budget circular for Administrative and Programme expenditure.
- ii. Providing ceilings for Administrative and Programme expenditure to guide expenditure estimates of all administrative departments.
- iii. Ceiling will be communicated on broad category of expenditure with flexibility to the Department to prioritize the expenditure within the broad ceiling.
- iv. Each Administrative Department will receive an allocation letter including their departmental ceiling disaggregated by Administrative Expenditure (Salaries, Maintenance and others), Programme Expenditure (State Sector Schemes, Centrally Sponsored Schemes, and Central Sector Schemes), Transfers from State (Central Finance Commission, State Finance Commission and others) and Disaster Response Funds (SDRF and NDRF).
- v. Previously established norms and practices should be adopted for preparation of estimates by Departments within the ceilings communicated. To this end, the guidelines for determining Administrative Expenditure are contained in tabular form at **Annexure –I**.
- vi. Revised estimates for 2019-20 are to be worked out taking in account the current level of expenditure and anticipated expenditure during the remaining period of the current financial year within the total allocation.
- vii. Finance Department in consultation with the Planning & Convergence Department will bring out a “Fiscal Strategy Paper” towards the month of December, 2019 indicating the assumptions for revenue and expenditure projections in the medium term and the outlook for the State economy and finances.
- viii. The Annexures in which various budget related information are being collected would be rationalized and steps would be taken to collect more information from the database available in various systems. Other documents like Statement under FRBM Act, Gender & Child Budget document etc. would be prepared mostly by using the information from budget database.

(iii) Preparing Budget Estimates, 2020-21 in respect of Programme Expenditure

- a. Sectoral priorities are to be identified in line with State priorities and SGDs where ever relevant. Allocation under State Sector Schemes should not be made for schemes not appraised by EFC/SFC as the case may be.
- b. Allocation for Centrally Sponsored Schemes and Central Sector Schemes should be proposed taking into account the likely level of Central Assistance to be received for the schemes for the budget year within the overall ceiling communicated for the sectors.
- c. Earmarking of allocation for different Schemes under the Programme Expenditure for Tribal Sub-Component and Scheduled Caste Sub-Component is to be done as per the norm.
- d. Break up of allocation under Programme Expenditure for District Sector and State Sector Schemes is to be made as per the current practice.
- e. Convergence of extra-budgetary resources to budgetary resources and between budgetary resources is to be made a part of the budgetary exercise to ensure productive output.

6. Completion of Annexures.

Some information along-with the budget proposals are collected for budget scrutiny at Finance and P&C Departments. With automation of budget preparation process and availability of various data in BETA and IFMS, it has now become possible to fetch a number of information from the systems without depending upon the Departments. In this context, the Annexures now being used for collecting information in the budget preparation process were thoroughly reviewed and it has been decided to reduce the number of Annexures from **Thirty-four** to **Three**. The three annexures now prescribed will seek information on position, man-power & salary requirement, grant-in-aid salary requirement and vehicle position. Even the manpower and salary related annexures would be made available to the DDO with pre-populated data from HRMS, which are to be verified and modifications to be made if required. This will make it simple and easy for all budget estimating officers to complete the annexures. The relevant annexures to be completed are as below:

- i. **Annexure-II:** Sanctioned Strength, Vacancies and Man-in-position and salary requirement
- ii. **Annexure-III:** Estimate of Grant-in-aid Salary
- iii. **Annexure-IV:** Position of vehicles and related expenditure

7. Process for Submission of Budget Proposal

- (i) There will be no change in budget making process in the IFMIS system for the DDOs and the Controlling Officers for processing the budget proposal for the financial year 2020-21 except rationalization and reduction in the number of annexures.
- (ii) However, ceilings will be introduced in the BETA budget preparation system at the broad expenditure category as mentioned in para-5(ii)(d). Departments are required

to map the budget proposals to the broad ceilings. **Proposals beyond the ceiling will not be allowed to be processed in BETA system.**

(iii) For preparation of budget for subsequent years i.e. for 2021-22 onwards, it is envisaged to further disaggregate the budget ceiling to below Administrative Department level. It is further envisaged to communicate multi-year ceiling in coming years. Detailed modalities and guidelines for these reforms would be communicated in due course.

8. Budget calendar and timelines for completing the budget estimates

A lot of information is to be collected and compiled before the budget is placed before OLA. Hence, budget documents are to be prepared in a tight time schedule. Therefore, all Departments and Controlling Officers are required to adhere to the timeline mentioned in the following table.

Date	Activity	Responsibility
October, 2019	i. Awareness session for all Fas ii. Training sessions for departments	Finance Department
December, 2019	Fiscal Strategy Paper	Finance Department
15 th December, 2019	Submission of proposals for Budget Estimates, 2020-21	Administrative Departments
16 th -31 st December, 2019	Pre-budget consultation meetings	Finance Department P&C Department
3 rd February, 2020	Revision of estimates after Pre-budget consultation and Union Budget, 2020-21	Finance Department P&C Department
5 th February, 2020	Meeting with Secretaries of major spending Departments by Chief Secretary/ DC-cum-ACS	Finance Department P&C Department
7 th -10 th February, 2020	Approval of Annual Budget, 2020-21 by the Council of Ministers	Finance Department
2 nd week February, 2020	Drafting of budget documents	Finance Department
3 rd week February, 2020	Budget presentation by Minister, Finance	Finance Department
End March, 2020	Presentation of Appropriation bill	Finance Department

Enclosures: List along with proforma.

Yours faithfully,

J. Phok
22/10/19

Principal Secretary to Government

Memo No. 35550 /F Dated 19 / 10 / 2019

Copy forwarded to Financial Advisors/Assistant Financial Advisors of Departments of Government and Accounts Officers of Heads of Departments for information and necessary action.


Joint Secretary to Government

Memo No. 35551 /F Dated 19 / 10 / 2019

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


Joint Secretary to Government

Memo No. 35552 /F Dated 19 / 10 / 2019

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


Joint Secretary to Government

Memo No. 35553 /F Dated 19 / 10 / 2019

Copy forwarded to Private Secretary to Hon'ble Minister, Finance/Chief Secretary/ Advisor to Chief Minister/ Development Commissioner-Cum-A.C.S. for kind information of Hon'ble Minister, Finance/Chief Secretary/ Advisor to Chief Minister/ Development Commissioner-Cum-A.C.S.


Joint Secretary to Government

Memo No. 35554 /F Dated 19 / 10 / 2019

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


Joint Secretary to Government

Memo No. 35555 /F Dated 19 / 10 / 2019

Copy forwarded to the Head, State Portal with request to upload the circular in the website of Finance Department at <http://finance.odisha.gov.in/>.


Joint Secretary to Government

ANNEXURE-I**Guidelines for preparation of budget proposal for Administrative Expenditure**

Sl. No.	Unit of Expenditure	Percentage growth	Remarks
1	Pay	3% on account of Annual increment	No salary provision against the vacant posts except in cases where Finance Department has explicitly allowed filling up of vacancies
2	Dearness Allowances	24% of Basic Pay	
3	HRA	@ 12% of the Pay or the double the HRA paid in 2018-19, whichever is less	
4	Requirement on account of MACPS	To be mentioned for assessment of the total salary requirement.	
5	7 th CPC arrear	No need to submit. FD will work out and make necessary provision.	
6	Consolidated pay for contractual appointees.	Should be shown separately	
7	Salary/ wages of work charged/ Job Contract/ NMR/ DLR	As per existing norm	
8	Telephone, TE and OC	5% increase over 2019-20 (BE)	
9	Decretal dues and Land Acquisition Cases	As per actual requirement	
10	RCM	@Rs.2000/- per head	
11	MV (PoL)	5% increase over 2019-20 (BE)	
12	MV (Hiring charges)	As per approved rate.	
13	LTC	At par with 2019-20 (BE)	
14	RRT, Municipal Tax, Water Charges, Electricity charges	As per actual requirement	
15	O&M Expenditure	At par with 2019-20 (BE)	Subject to preparation of Annual Maintenance Plan
16	Debt servicing cost	As per actual requirement	
17	Loans & Advances	At par with 2019-20 (BE)	

Sanctioned Strength, Vacancies and Man-in-position and salary requirement

D.D.O of _____ (Name of the Establishment)

Category (Administrative EXP/Programme Expenditure/Disaster Management/Transfer from State)

Sub Category: E.O.M/DSE/SSS/CS/CSS/NDRF/SDRF/SFC/CFC/

Sector State Sector/District
Sector

Chart of Account: Major Head Sub-Maj Head Minor Head Sub-Head Voted/Charged

Abstract of Employee Strength

Sl. No.	Group	Sanctioned Strength	Vacancy as on 01.03.2019	Anticipated vacancy from 01.03.2019 to 01.03.2020	Total Vacancy (4+5)	Men in position as on 01.03.2020	Vacancy likely to be filled up (+)/arise due to retirement etc.(-) during the next Year	Anticipated Men in position for whom budget provision is proposed
1	2	3	4	5	6	7	8	9
1	Group A							
2	Group B							
3	Group C							
4	Group D							

Annexure-III A**Estimates of Grants-in-aid Salary
(AE, PE Separately)**

Scale of Pay	Total sanctioned and approved strength	No. of Vacancies as on 1.3.2017	Sharing pattern by State Govt.	RE for 2017-18	Estimate of current salary for 2018-19						Arrears salary if any; give the particulars	Additionality on account of RACP	Total estimates for 2018-19 (11+12)
					Pay	DA @ 12%	HRA	RCM	OA	Total (6 to 10)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(a) Teaching posts													
(b) Non-Teaching posts													
(c) Total (a+b)													

1. For salaries drawn under direct payment system information in respect of Colleges, Secondary Schools and Primary Schools be compiled and furnished in separate statements. The information for Secondary Schools and Primary Schools be furnished in separate statements for each Inspector of Schools and each District Inspector of Schools.
2. In regard to grant-in-aid to meet the share up to a particular limit similar information may be furnished separately for Colleges and Schools in separate Statements.
3. The H & U.D. Department need furnish similar information in respect each U.L.Bs provided with grants-in-aid upto a specified percentage of pay and Dearness Allowance.
4. Panchayati Raj Department shall furnish in respect of the posts for which Govt. provides Grants-in-aid.
5. Agriculture Dept./Industry Dept./H & FW Dept. and other Departments providing Grants-in-aid for salary are also to furnish.

Annexure-III**Information on teaching and non-teaching posts, vacant posts, vacant posts abolished, men in position etc. under grant-in-aid fold.****(For School & Mass Education Department/ Higher Education Department only)****(Separately for Administrative Expr. and Programme Expr.)****(RS. IN TRS)**

Name of the School/College	Total teaching posts receiving Grant-in-aid				No. of non-teaching staff receiving Grant-in-aid				Total teaching and non-teaching posts (5+9)
	No. receiving 1/3 rd	No. receiving 2/3 rd	No. receiving full.	Total	No. receiving 1/3 rd	No. receiving 2/3 rd	No. receiving full.	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)

Vacant posts if any receiving GIA as on 01.03.2019			Vacant posts abolished by 30.10.2019			Men in position as on 01.11.2019			Vacant Posts anticipated to be abolished as on 28.02.2020		
Teaching	Non-teaching	Total (11+12)	Teaching	Non-teaching	Total (14+15)	Teaching	Non-teaching	Total (17+18)	Teaching	Non Teaching	Total
(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)

Men in position as on 28.02.2020 after abolition of the vacant posts indicated in Col.22			Annual requirement of Grant-in-Aid salary for men in position as in Col.25			Remarks
Teaching	Non Teaching	Total (23 +24)	Teaching	Non-teaching	Total (26+27)	
(23)	(24)	(25)	(26)	(27)	(28)	(29)

