

GOVERNMENT OF KARNATAKA

No. FD 21 BPE 2006.

Karnataka Government Secretariat,
Vidhana Soudha,
Bangalore, dated : 21-11-2006.

CIRCULAR

Sub : Guidelines for Classification of Expenditure
for the Eleventh Five Year Plan 2007-2012 .

* * * * *

Government of India (Planning Commission) New Delhi has sent Guidelines for Classification of Expenditure (Plan & Non-Plan) for the Eleventh Five Year Plan 2007-2012.

The following guidelines may be observed for Classification of Expenditure relating to the Eleventh Five Year Plan in respect of outlays over the period 2007-2012.

A. Plan Expenditure

All outlays proposed under the following heads will be classified as plan outlays:

I Spillover

- (i) Outlays connected with all Plan programmes/projects/schemes which have been sanctioned in the Tenth Plan or earlier, and which have not been completed as on 31.03.2007. In determining the "completion" or otherwise of a programme/scheme during the Tenth Plan period a careful analysis of the performance/progress of the Schemes vis-a-vis prescribed plan targets and intended benefits is warranted. The approach to categorisation of schemes as "completed", "part-completed" or "not completed" may vary from scheme to scheme depending on the nature of the schemes. The basis for categorisation should be specifically indicated. However, in case of Central Sector/Centrally Sponsored Schemes, these will constitute the plan outlay for the "Spill-over" schemes/projects, only if they have been evaluated afresh/subjected to Zero Based Budgeting and have been cleared for continuation in the Eleventh Plan in consultation with the concerned Nodal Adviser(s) in the Planning Commission.

- (ii) In case of "Spill-over" projects/schemes involving investments/expenditure which have well defined physical targets of completion, as per originally approved schemes, a fourfold classification is to be adopted. These are as follows:
- (a) **Projects/Schemes due for completion in the Eleventh Plan or beyond as per the approvals:** These can be included as plan projects.
 - (b) **Projects/Schemes due for completion by the end of the Tenth Plan in which less than 10 per cent of the approved outlay as on 31.3.2007 will be spent:** These projects should be separately identified for weeding out/shelving/dropping or converging/transferring to the private/joint sectors, or PPPs as the case may be. Projects initiated prior to the Tenth Plan and where less than 20 per cent of the approved outlay for the project has been spent, so far, may be similarly treated.
 - (c) **Projects/Schemes due for completion by the end of the Tenth Plan in which more than 75 per cent of the work has been completed:** These projects are to be indicated separately for accelerated completion. The revised estimates of time and costs and the phasing out are also to be included.
 - (d) **All other projects/schemes not falling into the above three categories:** Administrative Departments and Heads of Departments are to evaluate afresh such projects for the Eleventh Plan as per the guidelines applicable for any new proposal.

II Upgradation and Expansion

Outlays on existing programmes/projects/schemes which lead to or are by way of, additions or extensions to capacity, of existing institutions/establishments for further development thereof: The investments involved in this case and the additional capacities proposed may be quantified when setting out the outlays under this head. These investments are to be broadly classified as plan outlays on "Upgradation/Expansion".

III Modernisation/Balancing Investment

Investment outlays for improving productivity/performance levels of existing capital stock (as on 31.03.2007): If such investments are of a major nature, outlays when proposed should quantify the improvements in productivity performance or capacity utilisation expected, in appropriate units of production/performance. These investments are to be broadly classified as "Modernisation/Balancing Investment".

IV Replacement

Investment outlays required to replace worn-out or over aged capital stock: In proposing such investments the vintage (i.e. age) of the capital stock proposed to be replaced, and the improvements that would be effected either in levels of output/performance (improved capital output ratios) or in reduction of operational costs should be clearly brought out, together with the implications for improved resource generation. These investments are to be broadly classified as "Replacement Investment".

V New Projects

New Plan Proposals: Development programmes/projects/schemes on capital/revenue account that have been cleared for inclusion in the Eleventh Plan, in principle or otherwise, or for which an investment decision has been taken or is in the process of being taken by the concerned authority as per the applicable guidelines.

In case of spill over projects that are finally included in the Eleventh Plan proposals, the date of initiation of the projects/ schemes is to be indicated.

VI. Administrative and Residential Buildings

All outlays on construction of administrative and residential buildings will have to be included within the Plan. Expenditure on police housing etc., financed from Central loans will have to form part of Central Plan outlay.

VII Centrally Sponsored Schemes

The criteria set out above in section A shall be applicable for Centrally Sponsored Schemes also. In the case of schemes/programmes that have to run for a specified period of time, extending beyond the Eleventh Plan, the total unspent portion of the approved outlay both on revenue and capital account by the end of 2006-07 may be treated as Plan outlay for the Eleventh Plan (2007-2012).

B. Committed Non-Plan Expenditure

The items of expenditure/outlays incurred in the current (Tenth) Plan that are to be treated as committed non-plan expenditure are as follows:

- (i) All expenditure connected with operation and maintenance of development schemes completed during the five-year period ending 31.3.2007.
- (ii) In case of development schemes spilling over, a portion of the assets may have already been created or services/facilities established. Operation and maintenance of such assets or services/facilities is to be treated as committed non-plan expenditure.
- (iii) In the case of programmes/schemes/activities involving phased coverage, the expenditure on field staff of the block(s) already covered, along with expenditure on headquarters staff, is to be treated as committed non-plan expenditure.
- (iv) All expenditure connected with maintenance of existing institutions and establishments will be treated as non-plan committed expenditure.
- (v) In the case of programmes/schemes and activities which are of a recurring or continuing nature e.g. Health. Vaccination, anti-Malaria measures, Survey and Settlement, etc., the expenditure on staff in position as on 31.03.2007 should be treated as committed non-plan expenditure.
- (vi) All Grants-in-aid up to the level attained at the end of the year 2006-07 will get transferred to the non-plan side of the Expenditure Budget for 2007-08.
- (vii) Expenditure on fellowships and Scholarships at the level reached by the end of the year 2006-07 will get shifted to the non-plan side of the Expenditure Budget.

- (viii) Normal or current operation and maintenance costs of all existing revenue generating assets are to be treated as a part of committed non- plan expenditure.
- (ix) All social sector schemes which are in the nature of transfer payments, such as old age pensions and subsidies to various items of consumption, are to be treated as non-plan outlays unless specific approval of the Planning Commission has been obtained.

Wherever transfer of Plan to non-plan under committed expenditure involves continuance of staff, the need has to be examined carefully and full justification has to be given for any proposed continuance of staff.

The committed expenditure liability is to be borne by the Central Government in respect of Central Plan Schemes and by the State Governments in respect of State Plan Schemes and Centrally Sponsored Schemes.

C. Selective Use of Plan Funds for Maintenance of Existing Assets :

In an effort to improve the productivity of existing capital assets, and efficiency of resource use during the Eleventh Plan, selective use of Plan Funds is to be permitted for critical repair and maintenance activities. This is to be restricted to a few sector namely, Surface, Transport, including Roads and Railways; Power; Irrigation; Health; Education (including scientific research & higher education) and Rural and Urban Infrastructure. The proportion of Plan funds that can be considered for diversion to repair & maintenance would vary from sector to sector and in any case it would not exceed 15% of the Plan budgetary support to the sector/major head of development of which the maintenance activity is a part. The amount that could be diverted, in this context, would in each case be determined and approved by the joint team of officials from the concerned Ministry and /or State Government and the Planning Commission.

D. Presentation of Plan Outlay

(i) For the Eleventh Plan, it has been decided to lay emphasis on completion of on-going projects and Upgradation of existing capital assets before starting new projects. The new projects may be taken up only after a certain minimum number of partially completed/on-going projects are brought to completion. These need to be indicated while presenting the plan proposal. This, however, does not entail a completion of all such existing projects that on present consideration are not seen to be the most desirable from the point of available technical options and/or economic principles. Such Projects may be discontinued/shelved/weeded out in the course of evaluation to be undertaken prior to the formulation of the Eleventh Five Year Plan. In case of all `spill-over' projects/ schemes that are to be continued in the Eleventh Plan, the date of initiations of the said projects/schemes have to be indicated.

(ii) The selective use of plan funds for maintenance of existing assets in the identified sectors, with a view to improve the productivity and efficiency of resource use during the Eleventh Plan, is to be indicated separately. These outlays have to be in accordance with the guidelines outlined earlier in para C above.

The plan proposals have to adhere to these presentational changes.

All Plan outlays should be shown on a Gross Basis, i.e., inclusive of autonomous investments (e.g. from internal resources). Also the breakup of internal resources (i.e. depreciation & retained surplus) should be shown separately.

The components of the Plan outlay, i.e., “Capital and Revenue” for each of the programmes/projects/schemes should be shown separately. The quantification of revenue outlay should be done carefully with reference to the committed expenditure already provided under the non-plan side. Particular emphasis is to be placed on providing for maintenance outlays in committed non-plan expenditure as discussed above. Details in respect of Upgradation, modernisation, improvement and replacement should be given separately both under continuing schemes as well as new schemes.

The above guidelines shall be followed scrupulously while preparing the estimates for the financial year 2007-08, relating to Appendix-B and Revenue Expenditure (Plan and Non-Plan). For the purpose of transferring Plan Provisions to the non-plan side as Committed expenditure, the departments should undertake an internal exercise to identify the committed expenditure as per these guidelines. This should be completed in a week's time and information be sent, scheme wise to the Finance Department.

This Circular is downloadable from the website www.kar.nic.in/finance

Sd/-

(N. GOKUL RAM)
Principal Secretary to Government
Finance Department.

To:

1. The Accountant General (A&E) Karnataka, Bangalore.
2. ACS & Development Commissioner, Karnataka Government.
3. All the Principal Secretaries/Secretaries/Addl. Secretaries/Jt. Secretaries/ Deputy. Secretaries.
4. All the Internal Financial Advisers, Karnataka Government Secretariat.
5. The Director of Functional Units, Planning Department.
6. All the Deputy Secretaries/ Under Secretaries & Section Officers of Budget Compiling Sections in Finance Department.
7. All the Chief Executives of Zilla Panchayats.
8. The State Election Commissioner, Karnataka Government, Bangalore.
9. The Secretary, Minority Commissioner, Bangalore.
10. All the Chief Accounts Officers of Zilla Panchayats.
11. All Deputy Commissioners.
12. All the Head of Departments and other Estimating Officers
13. All the Chief Engineers of PWD/Irrigation Department.
14. The Director of Printing, Stationery & Publications, Bangalore.
15. The Compiler Weekly Gazette, Bangalore.
16. Spare Copies.