

# **Projection of Resources for Annual Plan 2012-13**

## Guidelines for filling up

- ❖ Forms I to V
- ❖ Statements I to IV
- ❖ Table I and II

Government of India  
Planning Commission  
November, 2011

**Planning Commission**  
**(Financial Resources Division)**

**GUIDELINES FOR ASSESSMENT OF FINANCIAL RESOURCES**  
**OF THE STATES FOR THE ANNUAL PLAN 2012-13**

Official level discussions for the assessment of financial resources for the Annual Plan 2011-12 of States have to be completed by **December, 2011**. During these discussions, review of the Actual Resources 2009-10 & 2010-11, Latest Estimates of the Resources realized for the Annual Plan 2011-12 will be made and resources for the Annual Plan 2012-13 estimated.

2. Earlier, based on discussion in the Working Group on State's Financial Resources, Planning Commission has intimated vide letter No.3/3/2011-FR dated 11<sup>th</sup> October, 2011 the broad assumptions to be followed in estimating various items of resources & expenditure for the 12<sup>th</sup> Plan. The State governments, however, are requested to estimate resources for Annual Plan 2012-13 on the basis of current economic situation.

3. The Finance Department may be aware of the five Formats and four Statements in which estimates of financial resources of the States, *inter alia*, for the current Plan, *i.e.*, 2011-12 were presented. It is proposed to make use of the same set of formats and statements (copy enclosed) to assess the resources for the Annual Plan 2012-13, and the latest estimates of resources realized so far for the current Plan. However, the State governments will also be required to fill up the columns in the two tables, appended as Table I and II, for certain crucial indicators of the fiscal performance of the States and progress & estimates of Plan expenditure against the Plan Outlay respectively. Both the estimates of resources of the Annual Plan for 2012-13 and the latest estimates of resources realized for the current Plan may be indicated at current prices along with the projections of the resources for the Twelfth Plan (2012- 2017) at 2011-12 prices as indicated in each of the formats and statements. Since it is proposed to compile data at the national level on the basis of information furnished by the State Governments, uniformity in presentation is of utmost importance. Information on all items indicated in the forms supplied may, therefore, be required to be furnished. No column may be interchanged or left out. Wherever there is any deviation from the items/descriptions in the format and/or statement as the case may be, an explanatory footnote may please be provided. Duly filled-in formats and statements along with the relevant information and footnotes, if any, may be forwarded in soft as well as hard copies. Besides, the same may also be forwarded to us at the following e-mail address: [frdiv.pc@nic.in](mailto:frdiv.pc@nic.in). Since an analytical note is to be prepared on the basis of information furnished by the States, it may be ensured that requisite information reaches us not later than 25<sup>th</sup> November, 2011.

4. Estimates of financial resources for the Annual Plan 2012-13 should be made keeping in view the objective to realize approved projections of the scheme of financing for the 12<sup>th</sup> Plan. The aggregate level of borrowings, States' Own Funds, etc. should also be estimated proportionate to the 12<sup>th</sup> Plan projections keeping in view the requirements under State's FRBM Act.

5. **Balance from Current Revenues (BCR):** The following guidelines should be followed while estimating various components of Revenue Receipts and Non-Plan Revenue Expenditure (NPRE) for arriving at the Balance from Current Revenues (BCR).

- **State's Share in Central Taxes:** State's share of Union tax revenues may be retained at the current year's level as indicated in the Union Budget of 2011. This figure will be suitably revised in accordance with the Union Budget for 2012-13.
- **State's Own Tax Revenues (SOTR):** States may at their own discretion project the level of SOTR. Growth of these revenues should not normally be less than the nominal growth of State Domestic Product (SDP) factored into estimates. Only increase in SOTR as a result of normal buoyancy should be indicated in Form III. Any increase in SOTR expected as a result of deliberate action, rate revision etc. should be indicated under Additional Resource Mobilization (ARM) in Form I by the States.
- **State's Own Non-Tax Revenue (SONTR):** Growth in a State's Own Non-Tax Revenue (SONTR) over the current year's level may be worked out using nominal SDP growth. Projections in excess of this level may become necessary if user charges of departmental undertakings are designed to eventually recover the cost of services provided. Surplus in SONTR on account of deliberate effort, rate revision, etc. should be indicated as ARM in Form II. The policy of recovering at least Non-Plan Revenue Expenditure on irrigation, water supply & sewage, power, transport and other departmental undertakings must be pursued diligently. As in the past, contribution from lotteries may be indicated under SONTR in Form II on **net** basis. In case of departmentally managed irrigation projects, gross receipts for major and medium irrigation should be indicated, along with working expenditure (O&M expenditure) and interest charges and the **net** figure should be computed on this basis. For power and transport projects undertaken departmentally, **net** contribution should be calculated and indicated only on the receipts side of the (NPRR).

- **Non-Plan Grants from the Centre:** All grants awarded by 13<sup>th</sup> Finance Commission are non Plan Grants. However, for the purpose of resources estimation, M/o Finance has classified certain grants as Plan grants. Non-Plan Revenue Deficit Grant, Performance Incentive Grants, Disaster Relief Grants (including for capacity Building), Local Bodies Grants (General Basic + General Performance + Special Area Basic Grants), Grants-in-aid for Water Sector and Grants-in-aid for maintenance of Roads & Bridges as recommended by the Thirteenth Finance Commission (ThFC) may be taken under Non-Plan Grants (NPG) from the Centre under NPRR. Grants-in-Aid for State Statistical System should be taken at half of the total recommendation by the ThFC as 1<sup>st</sup> installment under NPG for 2012-13 projection. All other ThFC grants except that for State-Specific Needs, Elementary Education, Maintenance of Forests, Incentive for issuing UID, District Innovation Fund, Renewable Energy and Reduction in Infant Mortality Rate as recommended by ThFC (which are to be taken as Plan grants in the scheme of financing in Form I) should not be taken as Non-Plan Grants from the Centre. Non-Plan grants outside the purview of the Finance Commission may be included under “Others” depending on the likelihood of realizing these inflows and an explanatory footnote provided.
  
- **Non-Plan Non Developmental Revenue Expenditure:** This reflects expenditure on General Services covering the following four broad categories:

  - a) **Interest Payments:** The level of interest payments may be calculated by States on the basis of the expected debt stock at the end of the current year. Debt stock may be appropriately adjusted for changed interest regime and FRBM requirements. Regarding the inflow of loans, the ceiling for a given fiscal year would be determined in accordance with the FRBM legislation of the State concerned. Depending upon the likely mix of these additional net borrowings during the current year, debt stock may accordingly be worked out at the end of the current year and projection of interest payable thereon may be made. Other measures actively contemplated to achieve targets fixed under respective State Fiscal Responsibility Acts, wherever applicable, may also be indicated in a footnote.
  
  - b) **Pensions:** To estimate pension payments, care should be taken to build in the impact of revision of Dearness Allowance (DA), the retirement profile of State employees, changes in the retirement age and the commutation formula. State governments may furnish the method used for pension calculations separately. Reforms

contemplated or already undertaken for pension programmes of employees may be indicated.

- c) **Salaries:** Salaries should be estimated taking into account increments on basic pay and two installments of DA, etc. Due care may be taken to give a consistent data on salary in BCR Table (Form II) and Fiscal Indicators Table (Table I). Any deviation may be supported by an appropriate footnote. Month-wise total salary break-up should be provided separately.
- d) **Others:** This largely includes establishment expenses like office expenses, TA and DA, POL, purchase of motor vehicles, etc. Expenditure on these items may be estimated after detailed scrutiny of actual requirement and keep projections in line with the historically attained growth rates.
- **Non-Plan Developmental Expenditure:** This reflects expenditure on social and economic services covering salaries and other expenditure. Estimation of the salary component can be done using the approach indicated earlier. For estimating the non-salary component, care should be taken to make adequate provision for maintenance expenditure on material and equipment. The specific level of budgetary support recommended by the regulatory commission of the State should be indicated and provided as expenditure on the non-Plan side.

6. **State's Own Resources (SOR):** State's Own Resources cover non-debt and debt receipts. The former come under State's Own Funds (SOF) and the latter under State Government's Borrowings. The main constituents of SOF are BCR, Miscellaneous Capital Receipts (net), Plan grants from Finance Commission, Contribution of PSEs, and the resources of Local Bodies (both urban and rural). The main ingredients of the latter are: State Provident Funds (Net), Loans against Small Savings, Open Market Borrowings (Net), Negotiated Loans from Financial Institutions and Receipts from Bonds & Debentures. Guidelines for estimating the BCR for the Annual Plan 2011-12 have already been given above. The following points should be given due attention while estimating other items of the SOR:

- **Resources of State PSEs:** State Plan outlays include outlays of departments and public enterprises. Resources of enterprises should be assessed in terms of internal and extra-budgetary resources, including borrowings. Internal and extra-budgetary resources (IEBR) of State power and transport utilities are assessed separately and included as separate items in the resources of States. State Governments should bring net Plan resources of State owned power generation, transmission and distribution boards, companies and

corporations under this category as they are assessed during discussions with the Energy and Transport Divisions of Planning Commission. IRs of other major State owned companies and corporations could also be assessed and put under the resource estimates. IRs of SEBs and SRTCs may be assessed taking tariff at current levels and expenditure for 2012-13 estimated with 5% inflation or applying factors, which the Board or Corporation may consider suitable to take care of increase in input cost, O&M and remuneration. Additions to normal revenues of SEBs and SRTCs on account of tariff and fare revisions expected may be indicated as additional resource mobilization. State governments may aim at raising adequate non-tax revenue to meet at least O&M expenditure on the irrigation sector.

- **Resources of Urban and Rural Local Bodies:** Resources of Local Bodies both Urban and Rural should include Internal Resources, Extra-budgetary Borrowings and Budgetary Support as per the details provided in the Statement III and IV.
- **Plan Grants by 13<sup>th</sup> FC:** Grants for State-Specific Needs, Elementary Education, Maintenance of Forests, Incentive for issuing UID, District Innovation Fund, Renewable Energy and Reduction in Infant Mortality Rate as recommended by 13<sup>th</sup> FC should be taken as Plan resources under States' Own Funds (SOF).
- **Miscellaneous Capital Receipts (Net):** Estimates of MCR (Net) may be provided by States on the basis of past experience. Detailed information regarding entries against the head Public Accounts and Recoveries of Loan and Advances is essential. A comprehensive note on the head Public Accounts and Recoveries of Loan and Advances should also be sent separately.
- **Net Accretion to State Provident Funds:** An important source of financial resources for States is net accretion to the State Provident Fund (SPF). States may estimate this on the basis of past experience for estimating net accretion. Such estimates should be consistent with the estimated level of salaries and salary levels of grants to grant-in-aid institutions, which make Provident Fund contributions to the State government's Public Account. If DA impounding has been integrated into the forecasted net accretion to SPF, it should be appropriately specified. Projected net receipts from the SPF for the Annual Plan 2012-13 may be aligned to Eleventh Plan projections.
- **Loans against Small Savings:** States may on past experience estimate receipts from loans against small savings for the Annual Plan 2012-13. They should be aligned with 12<sup>th</sup> Plan projections.

- **Open Market Borrowings (OMB):** Market borrowings (net) may be retained at the current year's level (excluding onetime additional OMB, if any, allocated by the Planning Commission to States) for Annual Plan 2012-13. The figures for State' share in open market borrowings (net) will be suitably revised as and when firm figures in this respect are made available by the Ministry of Finance, Government of India.
- **Negotiated Loans and Other Finances:** Plan loans for socially oriented sectors from Life Insurance Corporation of India (LIC) and General Insurance Corporation (GIC), loans from NABARD, IDBI, *etc* fall under the category in Negotiated Loans and other finances. As firm figures are not yet available, States may retain the estimates for NABARD loans at the current year's level. No amount should be indicated against Plan loans from the LIC where State governments or their agencies and corporations have defaulted in loan repayment to LIC as difficulties have been experienced by defaulting States to get funds released from some institutions. In case of negotiated loans raised by public sector enterprises (PSEs) from developmental institutions appropriate amounts based on past experience and future plans may be provided in the estimates. If any amount is included under "Others", details may be clearly given. Loans expected to be raised by power utilities from PFC, REC and banking institutions should be shown under this category. It is requested that institution-wise borrowing under negotiated loans may be listed out to further indicate it to the Ministry of Finance for considering concurrence under Article 293 (3) of the Constitution. It may, however, be reiterated that the approval of Planning Commission will not be required for inter-se re-appropriation under this category of borrowings.
- **Bonds and Debentures:** States have been estimating substantial capital receipt inflows through debentures and bonds, although actual realization tends to be lower. These may be assessed taking into consideration administrative bottlenecks at the State level, the efficiency of State undertakings and capital market conditions, including the prevailing rate of interest. Institution-wise details of bonds and debentures to be issued may also be furnished.
- **Adjustment of Opening Balance:** For the purpose of projection of resources adjusted opening balance may also be indicated.

7. **Central Assistance:** This includes the grants under Normal Central Assistance (NCA), Additional Central Assistance for Externally Aided Projects

(ACA for EAPs) and ACA for special and other programmes based on the Gadgil formula. Item-wise allocation under Central Assistance *except* ACA for EAPs may be retained at current year's level and onetime ACA and SPA allocated for the current Plan be excluded from the projections. ACA for EAPs may be projected by the State on the basis of their on-going and proposed projects.

8. As in the past, the following sub-groups have been constituted to assist in the estimation of resources of States and their public enterprises. These are:

- (a) Subgroup on State Electricity Boards (SEBs),
- (b) Subgroup on State Transport Corporations (SRTC's), and
- (c) Subgroup on Externally Aided Projects (EAPs)

Finance departments are aware that Power & Energy Division, Transport Division and State Plans Division of the Planning Commission will organize meetings of the subgroup under their respective charge and furnish to Financial Resources Division, before or during resource discussions, their report and also the estimates of financial resources separately under the above items. State may, however, project the resources under these three items based on their preliminary estimates.

All unusual estimates deviating from the past trends may please be substantiated with explanatory notes citing justification for such deviations.

In case the Finance departments are in need for any clarification on the above guidelines, the same may be sought immediately from Financial Resources Division in Planning Commission or from the concerned subject division (s).