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Guidelines for Classification

Of Expenditure

(Plan and Non-Plan)

For

The Twelfth Five Year Plan

(2012-17)

Planning Commission

Government of India

November 2011

Guidelines for the Classification of Expenditure for the Twelfth Five Year Plan (2012-2017)

The following guidelines may be observed for classification of expenditure relating to the Twelfth Five Year Plan in respect of Central Government, State Governments and UTs' outlays over the period 2012-2017.

A. Plan Expenditure

The Plan expenditure is under the Central Plan or State Plan. The Central Plan consists of Central Sector Schemes and Centrally Sponsored Schemes. The Central Assistance to State Plan supports some State Plan schemes. The States also have their own schemes under State Plan financed from their own resources.

For the Twelfth Plan, the emphasis needs to be on completion of on-going schemes and projects as well as 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 schemes/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 Schemes/Projects may be discontinued/shelved/weeded out in the course of review to be undertaken prior to the formulation of the Twelfth Five Year Plan.

All outlays proposed under each category of Plan expenditure viz, Central sector, Centrally Sponsored and State Plan would be classified as Ongoing and New Schemes. The Ongoing Schemes are in turn divided into sub-categories. The brief description is given as follows:

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I Ongoing Schemes

(i) Mandated by legislation

Outlays connected with all ongoing Plan programmes/projects/schemes such as MGNREGA which have been mandated by legislation and therefore need to be continued.

(ii) Social Security transfers

Outlays connected with regular social security transfers such as old age and disability pensions, scholarships and other social insurance schemes.

(iii) Schemes/Projects for completion

Outlays connected with all Plan programmes/projects/schemes in project mode and defined objectives which have been sanctioned in the Eleventh Plan or earlier, and which have not been completed as on 31.03.2012. These may fall into following categories:

(a) **Projects/Schemes due for completion in the Twelfth 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 Eleventh Plan in which less than 10 per cent of the approved outlay as on 31.3.2012 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 Eleventh 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 Eleventh 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**: States and Ministries are to review afresh such projects for the Twelfth Plan as per the guidelines applicable for any new proposal. These should not be included as ongoing projects.

(iv) Other Schemes with same or changed mandate

Outlays connected with all other ongoing schemes which may be continued with same or changed mandate with the approval of Planning Commission.

II New Schemes

Development programmes/projects/schemes on capital/revenue account that have been cleared for inclusion in the Twelfth 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.

B. Committed Non-Plan Expenditure (arising from Eleventh Plan)

The items of expenditure/outlays incurred in the current (Eleventh) 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 31.3.2012.

(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 phase 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 such as Health, Education, Water Supply and Sanitation and so on, the expenditure on staff in position as on 31.03.2012 should be treated as committed non-plan expenditure.

(vi) 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.

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 non plan liability is to be borne by the Central Government in respect of Central Sector Schemes and by the State Governments in respect of State Plan Schemes and Centrally Sponsored Schemes. Such expenditure will be taken to the Non Plan side of the budgets of Centre and States.

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 Twelfth Plan, selective use of Plan Funds, normally not exceeding 15% of the Plan budgetary support may be used for critical repair, maintenance and renovation activities.

D. Presentation of Plan Outlay

Outlays for Central Plan should have two parts- Budgetary Support (BS) and Internal and Extra-budgetary Resources (IEBR) of the Public Sector Enterprises

(PSEs) of the concerned Ministries. The IEBR includes internal resources (retained surplus, depreciation, carry forward surplus of previous year net of loan repayments to GoI, non-plan capital requirements, net increase in margin for working capital etc). and domestic and external long term borrowings which are available for plan outlays of the PSEs.

The Plan outlays for PSEs should include outlays for the following:

(i) Outlays on ongoing projects, which were slated to be completed in the eleventh Plan, where substantial work is over, but are incomplete. These " Spill- over" projects should be given priority;

(ii) Outlays on ongoing projects, which are slated for completion in twelfth plan or beyond;

(iii) Outlays for "upgradation/expansion" which lead to addition or extension of capacity;

(iv) Outlays for "modernization/ balancing investments" leading to improvement in productivity/performance/capacity utilization;

(v) Outlays to replace worn-out or over aged capital stock to be broadly classified as " Replacement investment";

(vi) Other new projects that have been cleared for inclusion in the Twelfth Plan, in principle or otherwise, or for which an investment decision has been taken or is in the process of being taken by concerned authority as per the applicable guidelines.

The Central Plan outlay should contain information on Ongoing and New Schemes in the manner described in Section I on Plan expenditure **separately** for Central Sector and Centrally Sponsored Schemes along with "Capital" and "Revenue" components for each of the programmes/schemes. The Ministries/Departments of the Central Government should also 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.

The Ministries/Departments should separately send Proposals for State Plan Schemes (also called ACA Schemes) to Planning Commission with the same details and presentation as discussed above for Central Plan outlay.

The resources for State Plans should also include Budget support (financed from States' own resources, borrowings and central assistance), the IEBR of States' PSEs and the IEBRs of local bodies. The broad principles for IEBR as well as Plan outlays for PSEs of the State may be similar to what has been stated above for the Central PSEs.

The State Plans of different States should also follow the similar pattern of presentation in respect of their State Plan Schemes. The existing sectoral allocation may also be followed. The States' share for centrally sponsored schemes also need to be provided under the respective scheme/sector as per the concerned guidelines and as per the information to be provided to them by subject divisions/state plan divisions/Ministries on the continuance of ongoing CSS and State Plan Schemes and new schemes.

Annexure

Schedule for Annual Plan Exercise 2012-13

Official level resource discussion	1st to 25th December, 2011
Last date for receipt of draft plan document from States/UTs	15th January, 2012
Working Groups discussions	15th January, 2012 onwards
Deputy Chairman-Chief Minister level discussion	February, 2012 onwards
Issue of finalised sectoral outlays and scheme of financing	Within 15 days of the above meeting