



The Chhattisgarh Fiscal Responsibility and Budget Management Act, 2005

Act 16 of 2005

Keyword(s):

GSDP, Fiscal Deficit, Fiscal Indicators, Fiscal Targets, Revenue Deficit

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CHHATTISGARH ACT
(No. 16 of 2005)

THE CHHATTISGARH FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT ACT, 2005

A Bill to provide for the responsibility of the State Government to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework and for matters connected therewith or incidental thereto.

Be it enacted by the Chhattisgarh State Legislature in the fifty-sixth year of the Republic of India as follows :—

Short Title, extent and Commencement.

1. (1) This Act may be called the Chhattisgarh fiscal Responsibility and Budget Management Act, 2005.
- (2) It extends to the whole of State of Chhattisgarh.
- (3) It shall come into force from the date of its publication in the official Gazette.

Definitions.

2. In this Act, unless the context otherwise requires :—
 - (a) "Budget" means the annual financial statement laid before the House of the State legislature under Article 202 of the Constitution.
 - (b) "Current year" means the financial year preceding the ensuing year;
 - (c) "Ensuing year" means the financial year for which the budget is being presented;
 - (d) "Financial year" means the year beginning on the 1st April and ending on 31st March next following;
 - (e) "GSDP" means Gross State Domestic Product at current market prices.
 - (f) "Fiscal deficit" means the excess of aggregate disbursements (net of debt repayments) over revenue receipts, recovery of loans and non-debt capital receipts, during a financial year;
 - (g) "Fiscal indicators" means such indicators as may be prescribed for evaluation of the fiscal position of the State Government;
 - (h) "Fiscal targets" means the numerical ceilings and proportions to total revenue receipts (TRR) or GSDP for the fiscal indicators;
 - (i) "Prescribed" means prescribed by the rules made under this Act;
 - (j) "Previous year" means the year preceding the current year;

4. (1)

(2)

- (k) "Revenue deficit" means the difference between revenue expenditure and total revenue receipts (TRR);

Explanation :—"Total revenue receipts' (TRR) includes State's own revenue receipts (both tax and non-tax) and current transfers from the Centre (comprising grants and State's share of Central taxes);

- (l) "Total liabilities" means the liabilities under the Consolidated Fund of the State and the Public Account of the State and includes borrowings by the public sector undertakings and the special purpose vehicles and other equivalent instruments including guarantees where the principal or interest are to be serviced out of the State budget.

3. (1) The State Government shall take appropriate measures to reduce the fiscal deficit and revenue deficit so as to eliminate revenue deficit by the 31st March, 2009 and bring fiscal deficit down to 3% of the GSDP by the 31st March 2009.

Fiscal management principles.

- (2) The State Government shall, by rules made by it, specify—

- (a) the annual targets for the reduction of fiscal deficit and revenue deficit during the period beginning with the commencement of the Act and ending on 31st March, 2009.
- (b) The annual targets of assuming contingent liabilities in the form of guarantees and the total liabilities as a percentage of GSDP.

Provided that revenue deficit and fiscal deficit may exceed the limits specified under this section on the ground or grounds of unforeseen demands on the finances of the State Government arising out of internal disturbance or natural calamity or such other exceptional grounds as the State Government may specify.

4. (1) The State Government shall in each financial year lay before the State Legislature, the following statements of fiscal policy along with the annual financial statement and demands for grants, namely :—

Fiscal policy statements to be laid before the legislature.

- (a) The Macroeconomic Framework Statement;
- (b) The Medium Term Fiscal Policy Statement; and
- (c) The Fiscal Policy Strategy Statement.

- (2) The Macroeconomic Framework Statement shall contain an overview of the State economy, an analysis of growth and sectoral composition of GSDP, an assessment related to State Government finances and future prospects. In particular and without prejudice to the generality of the foregoing provisions the macro-economic framework statement shall contain an assessment relating to—

- (i) The growth in the GSDP
- (ii) The fiscal balance of the State Government as reflected in the revenue balance and gross fiscal balance.

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- (3) (i) The Medium Term Fiscal Policy Statement shall set forth in such form as may be prescribed the fiscal management objectives of the State Government and three-year rolling targets for the prescribed fiscal indicators with clear enunciation of the underlying assumptions.
- (ii) In particular and without prejudice to the provisions contained in subsection (1), the Medium Term Fiscal Policy Statement shall include the various assumptions behind the fiscal indicators and an assessment of sustainability relating to :—
- (a) the balance between revenue receipts and revenue expenditure;
- (b) the use of capital receipts including borrowings for generating productive assets;
- (4) The Fiscal Policy Strategy Statement shall be in such form as may be prescribed and shall contain, inter alia :—
- (i) the fiscal policies of the State Government for the ensuing year relating to taxation, expenditure, borrowings and other liabilities, lending, investments, other contingent liabilities, user charges on public goods/utilities and description of other activities, such as guarantees and activities of Public Sector Undertakings which have potential budgetary implications;
- (ii) the strategic priorities of the State Government in the fiscal area for the ensuing year;
- (iii) the key fiscal measures and the rationale for any major deviation in fiscal measures pertaining to taxation, subsidy, expenditure, borrowings and user charges on public goods/utilities; and
- (iv) an evaluation of the current policies of the State Government vis-a-vis the fiscal management principles set out in Section 3 and the fiscal objectives set out in the Medium-Term Fiscal Policy Statement in subsection 3 (1) of section 4.
- Measures for Fiscal Transparency. 5. (1) The State Government shall take suitable measures to ensure greater transparency in its fiscal operations in the public interest and minimise as far as practicable, secrecy in the preparation of the annual financial statement and demands for grants.
- (2) In particular, and without prejudice to the generality of the foregoing provision the State Government shall, at the time of presentation of the budget, make disclosures on the following, along with detailed information in such forms as may be prescribed :
- (i) the significant changes in the accounting standards, policies and practices affecting or likely to affect the computation of fiscal indicators;
- (ii) details of borrowings by way of Ways and Means Advances/Overdraft availed of from the Reserve Bank of India.

- (3) Whenever the State Government undertakes to unconditionally and substantially repay the principal amount and/or pay the interest of any separate legal entity, it has to reflect such liability as the borrowing of the State in such form as may be prescribed.
- (4) The State Government shall in each financial year lay before the State Legislature the special statements along with the budget giving in detail the number of employees in Government, public sector and aided institutions and related salaries.
6. (1) The Minister-in-Charge of the Department of Finance (hereinafter referred to as Minister of Finance) shall review, every quarter, the trends in receipts and expenditure in relation to the budget estimates and place before the State Legislature, the outcome of such reviews.

Measures to Enforce Compliance.

- (2) Whenever there is either short fall in revenue or excess of expenditure over the intra-year targets mentioned in the Fiscal Policy Strategy Statement or the rules made under this Act, the State Government shall take appropriate measures for increasing revenue and/or for reducing the expenditure including curtailment of the sums authorised to be paid and applied form out of the Consolidated Fund of the State.

Provided that nothing in this sub-section shall apply to the expenditure charged on the Consolidated Fund of the State under clause (3) of Article 202 of the Constitution or any other expenditure, which is required to be incurred under any agreement or contract, which cannot be postponed or curtailed.

- (3) (i) Except as provided under this Act, no deviation in meeting the obligations cast on the State Government under this Act, shall be permissible without approval of Legislature.
- (ii) Where owing to unforeseen circumstances, any deviation is made in meeting the obligations cast on the State Government under this Act, the Minister of Finance shall make a statement in the State Legislature explaining :—
- (a) such deviation in meeting the obligations cast on the State Government under this Act;
- (b) whether such deviation is substantial and relates to the actual or the potential budgetary outcomes; and
- (c) the remedial measures the State Government proposes to take.

7. (1) The State Government may, make rules for carrying out the provisions of the Act.

Power to Make Rules.

- (2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely :—
- (a) the annual targets to be specified under sub-section (2) of section 3;
- (b) The fiscal indicators to be prescribed for the purpose of the sub-section (3)(i) of section 4;
- (c) The forms of the Macroeconomic Framework Statement, Medium-Term Fiscal Policy Statement and Fiscal Policy Strategy Statement under section 4;

- (d) The forms for disclosure under sub-section (2) and sub-section (3) of section 5;
- (e) Measures to enforce compliance; and
- (f) Any other matter which is required to be, or may be, prescribed.
- Rules to be laid before legislature. 8. Every rule made under this Act shall be laid before the State Legislature.
- Protection of action taken in good faith. 9. No suit, prosecution or other legal proceeding shall lie against the State Government or any officer of the State Government or any other person exercising any power or discharging any function or performing any duty under this Act, for anything done in good faith or intended to be done under this Act or any rule made thereunder.
- Bar of Jurisdiction of Civil Courts. 10. No Civil court shall entertain any suit or proceeding against any decision made or order passed by any officer or authority under this Act or any rule made thereunder.
- Act not in derogation of any other law. 11. The Provisions of this Act shall be in addition to and not in derogation of any other law for the time being in force.
- Power to remove difficulties. 12. (1) If any difficulty arises in giving effect to the provisions of the Act, the State Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of the Act as may be deemed necessary for removing the difficulty.
- Provided that no order shall be made under this section after the expiry of two years from the commencement of the Act.
- (2) Every order made under this section shall be laid, before the State Legislature.

STATEMENT OF OBJECTS AND REASONS

With a view to provide for the responsibility of the State Government to ensure fiscal and financial stability and sustainability by achieving sufficient revenue surplus, reducing fiscal deficit and prudent debt management through limits on State Government borrowings, government guarantees, greater transparency in fiscal operations of the State Government and use of a medium term fiscal framework, it was considered necessary to enact a law.

Hence this bill.

Raipur

Member-in-charge

Date , 2005.