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## **Manipur Fiscal Responsibility And Budget Management Act, 2005**

**11 of 2005**

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## **Manipur Fiscal Responsibility And Budget Management Act, 2005**

**11 of 2005**

An Act to provide for the responsibility of the State Government to ensure prudence in fiscal management and fiscal stability by achieving sufficient revenue surplus, 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 fiscal framework and for matters connected therewith or incidental thereto. Be it enacted by the Legislatute of Manipur in the Fifty Sixth Year of the Republic of India as follows:-

### **1. Short Title, Extent And Commencement :-**

- (1) This Act may be called the Manipur Fiscal Responsibility and Budget Management Act, 2005.
- (2) It extends to the whole of the State of Manipur.
- (3) It shall come into force on such date as the State Government

may, by notification in the official Gazette, appoint in this behalf.

## **2. Definitions :-**

In this Act, unless the context otherwise requires--

- (a) "budget" means the Annual Financial Statement laid before 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) "fiscal deficit" means the excess of total disbursements from the Consolidated Fund of the State (excluding repayment of debt) over the sum of revenue receipts, recovery of loans and non-debt capital receipts into the Fund during a financial year;
- (f) "fiscal indicators" means such indicators as may be prescribed for evaluation of the fiscal position of the State Government;
- (g) "fiscal targets" means the numerical ceilings prescribed in either absolutes (in Rupee crores) or as proportions to the Gross Domestic Product or other magnitudes for the fiscal indicators;
- (h) "guarantees" means the liabilities undertaken by State Public Sector Undertakings where servicing and repayment liabilities fall on the State Government in the event of default by the primary borrower;
- (i) "prescribed" means prescribed by the rules made under this Act;
- (j) "previous year" means the year preceding the current year;
- (k) "revenue deficit" means the amount of excess of revenue expenditure over revenue receipts in a financial year;
- (l) "State" means the State of Manipur;
- (m) "States Own Tax Revenue" means the total tax revenue of the State excluding the States Share in Central Taxes;
- (n) "total revenue receipts" means the States own revenue receipts (both tax and non-tax) and current transfers from the Centre (comprising grants and States share of central taxes);
- (o) "total liabilities" means the sum of the liabilities under the Consolidated Fund of the State, and the Public Account of the State.

## **3. Fiscal Management Objectives :-**

The State Government shall;

- (a) take appropriate measures to remain revenue positive and build up adequate revenue surplus and contain the fiscal deficit at a sustainable level, and utilize such surplus for discharging the liabilities in excess of the assets or for funding capital expenditure;
- (b) pursue policies to raise non-tax revenue with regard to cost recovery and equity ; and
- (c) lay down norms for prioritization of capital expenditure, and pursue expenditure policies that would provide impetus for economic growth.

#### **4. Fiscal Management Principles :-**

The State Government shall be guided by the following fiscal management principles, namely:--

- (a) transparency in setting the fiscal policy objectives, the implementation of public policy and the publication of fiscal information so as to enable the public to scrutinize the conduct of fiscal policy and the state of public finances;
- (b) stability and predictability in fiscal policy making process and in the way the fiscal policy impacts the economy;
- (c) responsibility in the management of public finances, including integrity in budget formulation;
- (d) fairness to ensure that policy decisions of the State Government have due regard to their financial implications on future generations; and
- (e) efficiency in the design and implementation of the fiscal policy and in managing the assets and liabilities of the public sector balance sheet.

#### **5. Fiscal Policy Statement To Be Laid Before, The Legislature :-**

The State Government shall, in each financial year, lay before the House of the State Legislature, the following statements of fiscal policy along with the annual budget, namely:--

- (a) Medium-term Fiscal Policy Statement; and
- (b) Fiscal Policy Strategy Statement.

#### **6. Medium Term Fiscal Policy Statement :-**

(1) 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.

(2) In particular and without prejudice to the provisions contained in sub-section (1), the Medium Term Fiscal Policy Statement shall include the various assumptions behind the fiscal indicators and an assessment of sustain-ability relating to:--

(a) the balance between revenue receipts and revenue expenditure;

(b) the use of capital receipts including borrowings for generating productive assets;

(c) the estimated yearly pension liabilities worked out on actuarial basis, for the next ten years:

Provided that in case it is not possible to calculate the pension liabilities on actuarial basis during the period of first three years after the coming into force of this Act, the State Government may, during that period, estimate the pension liabilities by making forecasts on the basis of tread growth rates.

## **7. Fiscal Policy Strategy Statement :-**

The Fiscal Policy Strategy Statement shall be in such form as may be prescribed and shall contain, inter alia,

(a) the fiscal policies of the State Government for the ensuing financial year relating to revenue receipts, 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;

(b) the strategic priorities of the State Government in the fiscal area for the ensuing financial year;

(c) the key fiscal measures and the rationale for any major deviation in fiscal measures pertaining to revenue receipts, subsidy, expenditure, borrowings and user charges on public goods/utilities; and

(d) an evaluation of the current policies of the State Government vis-a-vis the fiscal management principles set out in section 4, the fiscal objectives set out in the Medium Term Fiscal Policy Statement in sub-section 1 of section 6 and fiscal targets set out in section 8.

## **8. Fiscal Targets :-**

(1) The State Government may prescribe such targets as may be deemed necessary for giving effect to the fiscal management

objectives.

(2) In particular, and without prejudice to the generality of the foregoing provisions, the State Government shall--

(i) strive to remain revenue surplus by making a balance in revenue receipts and expenditure and build up further surplus;

(ii) strive to bring down fiscal deficit to 3% of Gross State Domestic Product;

(iii) limit the amount of outstanding Government guarantees as per the provisions of the Manipur Ceiling on State Government Guarantee Act, 2004;

(iv) follow a recruitment and; wage policy, in a manner such that the total salary bill relative to revenue expenditure excluding interest payments and pensions does not exceed 35 per cent:

Provided that revenue surplus may not be able to be maintained or/and fiscal deficit may exceed the limits specified under this section due to ground or grounds of unforeseen demands on the finances of the State Government arising out of national security or natural calamity including famine relief or such other exceptional circumstances beyond the control of the State Government.

Provided further that a statement in respect of the ground or grounds specified in the first proviso shall be placed before the House of the Legislature, as soon as may be, after such deficit amount exceeds the aforesaid targets or/and the revenue surplus is not maintained.

## **9. Measures For Fiscal Transparency :-**

(1) The State Government shall take suitable measures to ensure greater transparency in its fiscal operations and minimize, as far as practicable in the public interest, secrecy in the preparation of the Budget.

(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 form as may be prescribed:

(a) in case of a change, the significant changes in the accounting standards, policies and practices affecting or likely to affect the computation of prescribed fiscal indicators;

(b) details of borrowings by way of Ways and Means Advanced/Over-drafts 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 borrowings of the State.

#### **10. Measures To Enforce Compliance :-**

(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 House of Legislature, the outcome of such reviews in the next session. The review shall also contain statement on deviation in targets, if any.

(2) Whenever there is either shortfall 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 measure for increasing revenue and/or for reducing the expenditure, including curtailment of the sums authorized to be paid and applied from 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) Any measure proposed in the course of the financial year, which may lead to an increase in revenue deficit, either through increased expenditure or loss of revenue, shall be accompanied by a statement of remedial measures, proposed to neutralize such increase or loss and such statement shall be placed before the House of Legislature while seeking approval of Revised Estimate.

(4) The State Government may if desires so, set up an agency or body independent of the State Government to review the compliance of the provisions of this Act and table such reviews in the House or Houses of the State Legislature.

#### **11. Power To Make Rules :-**

(1) The State Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act.

(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 form of Medium Term Fiscal Policy Statement, including the targets for the fiscal parameters, under section 6;

- (b) the form of the Fiscal Policy Strategy Statement under section 7;
- (c) the forms for disclosure under sub-section (2) of section 9;
- (d) the measures to enforce compliance ;
- (e) the manner of review of compliance of the provisions of this Act by the independent agency under section 10; and
- (f) any other matter which is required to be, or may be, prescribed.

## **12. Rules To Be Laid Before The State Legislature :-**

Every rule made under this Act shall be laid, as soon as may be after it is made, before the House of the State Legislature, while it is in session, for a total period of not less than fourteen days which may be comprised in one session or in two successive sessions and if, before the expiry of session immediately following the session or the succession sessions aforesaid, the House agrees in making any modification in the rule or the House agrees that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

## **13. Application Of Other Laws Not Barred :-**

The provision of this Act shall be in addition to, and not in derogation of, the provisions of any other law for the time being in force.

## **14. Power To Remove Difficulties :-**

(1) If any difficulty arises in giving effect to the provisions of this Act, the State Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act as may appear to be 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 this Act.

(2) Every order made under this section shall be laid, as soon as may be after it is made, before the House of the State Legislature.