Jharkhand Fiscal Responsibility And Budget Management Act, 2007

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PREAMBLE

An Act to provide for the responsibility of the State Government to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit and sustainable debt management consistent with fiscal stability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term fiscal frame work and for matters connected therewith or incidental thereto.

Be it enacted by the Legislature of Jharkhand in the Fifty-eight year of the Republic of India as follows:

1. Published in Jharkhand Gazette Extraordinary no. 257, dated 10.5.2007.

1. Short title, extent and commencement :-

(1) This Act may be called the Jharkhand Fiscal Responsibility and Budget Management Act, 2007.

(2) It extends to the whole of Jharkhand.

(3) It shall come into force on such date as State Government may, by notification, in the official Gazette, appoint in this behalf.

2. Definitions :-

In this Act unless the context otherwise requires.--

(i) "Budget" means the annual financial statement laid to be before the State Legislature under clause (1) Article 202 of the Constitution;

(ii) "Current Year" means the financial year for which Budget and Medium Term Fiscal Plan (MTFP) is being presented;

(iii) "Financial Year" means the year beginning 1st of April and ending on the 31st of March of the following year;

(iv) "Fiscal Deficit"[1] means the excess of.--

total disbursements from the Consolidated Fund of the State (excluding repayment of debt) over total receipts into the Fund excluding the debt receipts during a financial year;

(v) "Fiscal Indicators" means the measures such as numerical ceilings and proportions to gross state domestic product, as may be prescribed, for evaluation of the fiscal position of the State Government;

(vi) "Non Interest Committed Revenue Expenditure" means the sum, total of salary expenditure and pension expenditure of the State in the revenue account of the Consolidated Fund of the State;

(vii) "Off Budget Borrowings" means borrowings by the State Government or its Agencies which are not reflected in the Budget;

(viii) "Prescribed" means prescribed by rules made under this Bill;

(ix) "Previous Year" means the year preceding the current year;

(x) "Primary Deficit/Surplus" means the non-interest Fiscal Deficit/Surplus;

(xi) "Reserve Bank" means the Reserve Bank of India constituted under of Reserve Bank of India Act, 1934;

(xii) "Revenue Deficit" means the difference between revenue expenditure and revenue receipts which indicates increase in liabilities of the State Government without corresponding increase in assets of the State Government; and

(xiii) "Total Liabilities" means the liabilities under the Consolidated Fund and the Public Account of the State of Jharkhand.

1. Fiscal loss means the total deposits of the Consolidated Fund of the State during the financial year (excluding accumulated debts) to be over, Punarbhuktan debt to the gross expenditure "

3. Medium Term Fiscal Plan to be laid before the Legislative Assembly :-

(1) The State Government shall lay in each financial year before Legislative Assembly a Medium Term Fiscal Plan along with the Annual Budget.

(2) The Medium Term Fiscal Plan shall set forth a three-year rolling target for prescribed Fiscal indicators with specification of underlying assumptions.

(3) In particular and without prejudice to the provisions contained in sub-section (2), the Medium Term Fiscal Plan shall include an assessment of sustainability relating to :-

(i) the balance between revenue receipts and revenue expenditures;

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

(iii) the medium term fiscal objectives of the State Government;

(iv) the evaluation of performance of the prescribed fiscal indicators in the previous year vis-a-vis the targets set out earlier and the likely performance in the current financial year as per the revised estimates;

(v) the strategic priorities of the State Government in the Fiscal area for the current financial year in form of a Fiscal Policy Strategy; and

(vi) the policies of the State Government for the current financial year relating to expenditure, borrowings and other liabilities, lending and investments and description of other activities, such as guarantees and activities of Public Sector Undertakings which have potential budgetary implications.

(4) The Medium Term Fiscal Plan shall be in such a form as may be prescribed.

4. Fiscal Management Principles :-

(1) The State Government shall take appropriate measures to eliminate the revenue deficit and to contain the fiscal deficit at sustainable level and build up adequate revenue surplus through appropriate measures such as :-

(a) Maintaining Government debt at prudent levels;

(b) Managing guarantees and other contingent liabilities prudently, with particular reference to level of risk of such liabilities;

(c) Taking policy decisions of the Government having due regard to their financial implications of future generations;

(d) Borrowings for productive purposes and creation of capital assets, and are not applied to finance current expenditure;

(e) Maintaining a reasonable degree of stability and predictability in the level of the tax burden;

(f) Maintaining the integrity and stability of the tax system by avoiding special incentives, concessions and exemptions;

(g) Pursuing tax policies with due regard to economic efficiency and compliance cost;

(h) Pursuing non-tax revenue policies with due regard to cost recovery and equity;

(i) Pursuing expenditure policies that would provide impetus for economic growth and poverty reduction;

(j) Building up a revenue surplus for use in capital formation and productive expenditure;

(k) Maintaining physical assets of the Government properly;

(l) Disclosing sufficient information to allow the public to scrutinize the conduct of fiscal policy and the State of Public Finances;

(m) Using Government resources in ways that give best value for money; and also public assets are put to best possible use;

(n) Minimizing fiscal risks associated with running of public sector undertakings and utilities providing public goods and services;

(o) Managing expenditure consistent with the level of revenue generated:

(p) Formulating budget in a realistic and objective manner with due regard to the general economic outlook and realistic revenue prospects, and minimize deviations during the course of the year, and

(q) Taking appropriate measures in its cash management practices so as to avoid frequent recourse to overdraft from Reserve Bank and to gradually reduce the closing cash balance with Reserve Bank of India on a year basis so as to keep the closing balance within the Ways and Means Limit.

5. Fiscal Management Target :-

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

(a) Reduce revenue deficit to nil at the end of the 31st day of March, 2009;

[1][(b) Reduce fiscal deficit to 3% (Three percent) of the estimated Gross State Domestic Product at the end of the 31st March, 2011;

(c) Reduce fiscal deficit by such percentage of Gross State Domestic Product (GSDP) in each of the financial years in a manner consistent with the goal set in clause (b);

(d) Generate a primary surplus of over 3 percent of Gross State Domestic Product (GSDP) by the year ending 31st March, 2008;

(e) Other important monitorable fiscal targets would be :-

(i) the ratio of salary to States own revenue is to be reduced to 80 percent by the year ending 31st March, 2008;

(ii) the ratio of non interest committed revenue expenditure to States own and mandated revenue is to be reduced to 55 percent by the year ending 31st March, 2008; and

(iii) the ratio of revenue deficit to revenue receipt is to be reduced to zero percent by the year ending 31st March, 2009;

(f) In order to bring the debt stock to a sustainable level, interest payment as a percentage of revenue receipt is to be limited to 18 to 25 percent;

(g) The total debt stock should be limited to 300 percent of the total revenue receipt of the State (by the year ending 2007-2008):

Provided that while revenue deficit and fiscal deficit exceed the limits specified under this sub-section due to unforeseen demands on the finances of the State Government due to natural calamity, such excess shall not exceed the actual fiscal cost that can be attributed to the natural calamities:

Provided further that the ground or grounds specified in the first proviso shall be placed before the House of Legislature, as soon as may be, after it becomes likely that such deficit amount may exceed the aforesaid limits, with an accompanying report stating the likely extent of excess and reasons therefore.

1. Substituted by Jharkhand Act 3 of 2010.

6. Measures for Fiscal Transparency :-

(i) The State Government shall take suitable measure to ensure greater transparency in its fiscal operations in public interest and minimize secrecy in the preparation of the Annual Budget as far as practicable:

Provided that the State Government shall have the power to reserve any such information, which would adversely, affect the interest of the State Exchequer.

(ii) The State Government shall at the time of presentation of the Annual Budget disclose in a statement the significant changes in the accounting standards, policies and practices affecting or likely to affect the computation of prescribed fiscal indicators:

(iii) The consolidated position in respect of all demands shall be brought out in the Budget at a Glance.

(iv) The estimated yearly pension liability shall be worked out on realistic basis, for the next ten years.

(v) New policies being introduced in the Annual Budget shall be clearly described.

(vi) Budget information shall be presented in a way that facilitates policy analysis and promotes accountability.

(vii) Details regarding arrear of Revenue (both tax and non-tax revenues) shall be given in a separate statement to be appended with the Receipt Budget.

(viii) Prioritizing the allocation of funds shall be done in a manner that would ensure completion of on-going projects as per the time schedule. The State Government shall furnish a list of such projects based on zero base investment review and targeted date of completion and reason of deviation, if any, in the previous years.

(ix) The statement indicating the institution-wise State Government guarantees given, default by these organizations in discharging debt servicing liabilities and contingent liability created in the State Government account on account of default of these organizations shall be placed in the Jharkhand Legislative Assembly. The statement will also indicate the working of the Escrow Account opened by the PSUs/Co-operatives/ Urban Local Bodies.

(x) Special statements along with the Budget giving in detail the number of employees in Government, public sector and aided institutions and related salaries shall be brought out.

(xi) The Budget Document shall contain a statement showing tax concession and exemptions given in a financial year.

(xii) The State Government shall publish full information on the level of its debt and financial assets. The information on debt shall disclose maturity profile and interest rate.

(xiii) A report on execution of the Budget and achievement against fiscal targets/indicative shall be presented to the Legislature.

7. Acknowledgment of liabilities in Annual Budget :-

(1) While presenting the Annual Budget for the current year, State Government shall furnish a statement showing the deferred liabilities on the following accounts:

(i) States matching share under Central sponsored plan schemes not provided for in the previous years and the deficit of such State share in the current financial year;

(ii) Bills presented in the treasury but not encashed at the close of the previous financial year;

(iii) Central assistance received but not utilized at the end of a particular financial year; and

(iv) Undisbursed amount lying in the civil deposits.

8. Measures to enforce compliance :-

(1) The Annual Budget, and policies announced at the time of the Budget, shall be consistent with objectives and targets specified the Medium Term Fiscal Plan for coming years.

(2) The Minister-in-charge of Finance Department, shall review the trends in receipts and expenditure in relation to the Budget, medial measures to be taken to achieve the Budget targets.

(3) Whenever there is either shortfall in revenue or excess of expenditure over pre-specified levels during any period in a financial year, on account of any new policy decision of the State Government that affects either the State Government, the State

Government prior to taking such policy decision, shall take measures to fully offset the fiscal impact for the current and future years by curtailing the sums authorized to be paid and applied from and out of the Consolidated Fund of the State under any Act to provide for the appropriation of such sums, or by taking interim measures for revenue augmentation, by taking up a combination of both:

Provided that nothing in this sub-section shall apply to expenditure charged on the Consolidated Fund of the State under clause (3) of Article 202 of the Constitution.

(4) In case the revenue deficit and fiscal deficit exceed in the case of unforeseen demands on the finances of the State Government, the Government shall identify the net cost of the calamity and such cost would provide ceiling for extent of non compliance to the specified limits.

(5) Not more than one supplementary statement of expenditure shall be presented in a financial year. Whenever such supplementary estimates are presented in Assembly the State Government shall also present an accompanying statement indicating the corresponding curtailment of expenditure to fully offset the fiscal impact of the supplementary estimates in relation to the budget targets of the current year and the Medium Term Fiscal Plan objectives.

(6) No liability shall be created outside the budget provision in a financial year without the approval of Government in Finance Department. Creation of any such unauthorized liability shall be treated as gross negligence and the officer(s) responsible for creation of such liability shall be personally liable for such additional liability created.

9. Power to make rules :-

(1) The State Government may, by notification in the official

Gazette, make rules for carrying out the provisions of this Bill.

(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 fiscal indicators to be prescribed for the purpose of sub-sections (2) and (3);

(b) the forms of the Medium Term Fiscal Policy Plan under sub-section (2) of Section 3, Fiscal Policy Strategy Statement under clause (v) of sub-section (3) of Section 3;

(c) the form of statement under sub-section (2) of Section 6; and

(d) any other matter which is required to be and not inconsistent with the provisions of the Bill.

10. Rules to be laid before the Legislative Assembly :-

Every rule made under this Bill shall be laid, as soon as may be after it is made, before Legislative Assembly, while it is in session, before the expiry of the session or immediately following the session.

11. Protection of action taken in good faith :-

No suit, prosecution or other legal proceedings shall lie against the State Government or any officer of the State Government for anything which is in good faith done or intended to be done under this Bill or the rules made there under.

12. Application of other laws not barred :-

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

13. Power to remove difficulties :-

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

Provided that no order shall be made under this Section after the expiry of two year from the commencement of this Bill.

(2) Every order made under this Section shall be laid, as soon as may be, after it is made, before the Legislative Assembly.