

## **Madhya Pradesh Rajkoshiya Uttardayitva Avam Budget Prabandhan Adhiniyam, 2005**

**18 of 2005**

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## **Madhya Pradesh Rajkoshiya Uttardayitva Avam Budget Prabandhan Adhiniyam, 2005**

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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, 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 Madhya Pradesh Legislature in the Fifty-sixth year of the Republic of India as follows :-- 1. Received the assent of the Governor on the 22nd August, 2005; assent first published in the "Madhya Pradesh Gazette (Extra-ordinary)", dated the 26th August, 2005.

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

- (1) This Act may be called the Madhya Pradesh Rajkoshiya Uttardayitva Avam Budget Prabandhan Adhiniyam, 2005.
- (2) It extends to the whole of the State of Madhya Pradesh.
- (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 ensuring year;
- (c) "ensuring year" means the financial year for which the budget is being presented;
- (d) "financial year" means the year commencing on the first day of April;
- (e) "fiscal deficit" means the excess of aggregate disbursements (net of debt repayments) over revenue receipts, recovery of loans and non debt capital receipts of the State Government;
- (f) "fiscal targets" means the measures such as numerical ceilings and proportions to GSDP as may be prescribed for evaluation of the fiscal position of the State Government;
- (g) "GSDP" means Gross State Domestic Product at current market prices;
- (h) "Reserve Bank" means the Reserve Bank of India constituted under sub-section (1) of Section 3 of the Reserve Bank of India Act, 1934 (No. 2 of 1934);
- (i) "Reserve deficit" means the difference between revenue expenditure and revenue receipts of the State Government;
- (j) "total liabilities" means the liabilities under the Consolidated Fund of the State and the public account of the State and includes risk weighted guarantee obligations of the State Government where the principal and/or interest are to be serviced out of the State budget.

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

The State Government shall,--

- (a) take appropriate measures to eliminate the revenue deficit and thereafter build up adequate revenue surplus and contain the fiscal deficit at a sustainable level and utilize such surplus or funding capital expenditure;

- (b) pursue policies to raise non-tax revenue with due 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, poverty reduction and improvement in human welfare.

#### **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 scrutinise the conduct of fiscal policy and the state of public finances;
- (b) stability and predictability in fiscal policy making process;
- (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.

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

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

- (a) the Macro Economic Framework Statement;
- (b) the Medium Term Fiscal Policy Statement; and
- (c) the Fiscal Policy Strategy Statement.

#### **6. Macro-Economic Framework Statement :-**

The Macro-economic Framework Statement shall be in such form as may be prescribed and it 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.

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

- (1) The Medium Term Fiscal Policy Statement shall be in such form

as may be prescribed and it shall contain the fiscal objectives of the State Government and five year rolling targets with clear enunciation of 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 targets and an assessment of sustainability relating to,--

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

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

(iii) the estimated yearly pension liabilities worked out on actuarial basis or using trend growth rate for the next ten years.

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

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

(i) The fiscal policies of the State Government for the ensuing year relating to taxation, expenditure, borrowings and other liabilities including guarantees;

(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, administered pricing and borrowings; and

(iv) an evaluation of the current policies of the State Government in the light of fiscal management principles set out in Section 4, the fiscal objectives contained in the Medium Term Fiscal Policy Statement set out in Section 7 and fiscal targets set out in Section 9.

## **9. 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 provision the State Government shall,--

(a) reduce revenue deficit in each financial year so as to eliminate it by 31st March, 2009 and generate revenue surplus thereafter;

(b) reduce fiscal deficit in each financial year so as to bring it down to not more than 3.0 per cent of GSDP by 31st March, 2009;

(c) ensure within a period of 10 years, that is as on the 31st day of March, 2015, total liabilities do not exceed 40 per cent of the estimated GSDP for that year;

(d) limit the annual incremental guarantees so as to ensure that the total guarantees do not exceed 80 per cent of the total revenue receipts in the year preceding the current year :

Provided that the revenue deficit and fiscal deficit may exceed the limits specified under this section due to ground or grounds of shortfall in the central tax devolutions in relation to the budgetary estimates of the Union of India and/or 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 :

Provided further that a statement in respect of the ground or grounds specified in the first proviso shall be placed before the Legislature as contained in Section 11.

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

(1) The State Government shall take suitable measures to ensure greater transparency in its fiscal operations in the public interest.

(2) In particular and without prejudice to the generality of the foregoing provisions, the State Government shall, at the time of presentation of the budget, disclose the following statements alongwith detailed information in such forms as may be prescribed :--

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

(b) details of borrowings by way of Ways and Means Advances/ Overdraft availed of from the Reserve Bank;

(c) details of number of employees in the State Government, State public sector undertakings and State aided institutions and related salaries.

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

(1) The Minister-in-Charge of the Department of Finance (hereinafter referred to as Minister of Finance), shall review, every half yearly, the trends in receipts and expenditure in relation to the budget estimates and place before the State Legislature, the outcome of such reviews.

(2) Whenever there is either shortfall in revenue or excess of expenditure over the half-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 curtailing of the sums authorised to be paid and applied from and 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 or such other expenditure which cannot be postponed or curtailed.

(3) (a) 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 the Legislature.

(b) 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 Legislature explaining :--

(i) any deviation in meeting the obligations cast on the State Government under this Act;

(ii) whether such deviation is substantial and relates to the actual or the potential budgetary outcomes; and

(iii) the remedial measures the State Government proposes to take.

(4) The State Government may entrust an agency independent of the State Government to review periodically as required, the compliance of the provisions of this Act and such reviews shall be laid on the table of the State Legislature.

## **12. 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 the Macro-economic Framework Statement under Section 6;

(b) the form of the Medium-Term Fiscal Policy Statement, including the Fiscal target under Section 7;

(c) the form of the Fiscal Policy Strategy Statement under Section 8;

(d) the forms for disclosure under sub-section (2) of Section 10;

- (e) measures to enforce compliance under Section 11;
  - (f) the manner of review of compliance of the provisions of this Act by the independent agency under Section 11; and
  - (g) any other matter which is required to be or may be prescribed.
- (3) All rules made under this Act shall be laid as soon as may be after it is made, on the table of the Legislative Assembly.

**13. 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 done in good faith or intended to be done under this Act or the rules made thereunder.

**14. Application Of Other Laws Not Barred :-**

The Provisions 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.

**15. 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 Legislative Assembly.