

MAHARASHTRA FISCAL RESPONSIBILITY AND BUDGETARY MANAGEMENT RULES, 2006

CONTENTS

1. Short title and commencement
2. Definitions
3. Annual targets
4. Exceptional Grounds
5. Fiscal Indicators
6. Medium Term Fiscal Policy Statement
7. Fiscal Policy Strategy Statement
8. Disclosures
9. Measures to Enforce Compliance

MAHARASHTRA FISCAL RESPONSIBILITY AND BUDGETARY MANAGEMENT RULES, 2006

No. TFC/1005/CR 28/2005 F.C. Desk. - Inexercise of the powers conferred by section 7 of the Maharashtra Fiscal Responsibility and Budgetary Management Act, 2005 (Mah. Act No. XVI of 2005) and of all other powers enabling it in that behalf, the Government of Maharashtra hereby makes the following rules, namely :-

1. Short title and commencement :-

(a) These Rules may be called the Maharashtra Fiscal Responsibility and Budgetary Management Rules, 2006.

(b) They shall come into force with immediate effect.

2. Definitions :-

In these rules, unless the context otherwise requires,

(a) "Act" means the Maharashtra Fiscal Responsibility and budgetary Management Act, 2005 ;

(b) "Contingent Liabilities" mean outstanding guarantees given by the State Government for borrowings by Public Sector Undertakings and Special Purpose Vehicles and other equivalent instruments for which the State Government may be called upon to make payment in case of default by the borrowing organizations;

(c) "Current Year" means the year preceding the year for which the

budget and medium term fiscal policy are being presented;

(d) "Debt Stock" means the total debt outstanding at the end of the financial year;

(e) "Ensuing Year" means the year for which the budget is being presented;

(f) "Form" means a form appended to these rules;

(g) "GSDP" means Gross State Domestic product at current prices;

(h) "Off Budget Borrowings" mean non-budgetary receipts that need to be serviced by way of interest and principal repayment directly from the budget and in which the liability is not contingent in nature;

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

(j) "section" means a section of the Act;

(k) Words and expressions used in these rules but not defined shall have the meanings respectively assigned to them in the Act.

3. Annual targets :-

In order to eliminate the revenue deficit and reduce the fiscal deficit to 3% of the GSDP by the 31st day of March, 2009, the State Government specifies the following targets for reduction of the revenue and fiscal deficits as required by sub-sections (1) and (2) respectively, of section 5 :-

(a) The State Government shall reduce the revenue deficit by 1.0 per cent or more of the GSDP in the first year, 1.5 per cent or more in the first two years, 2 per cent or more in the first three years, beginning from the financial year 2005-2006, and the entire deficit by 2008-09. The State shall maintain a revenue surplus thereafter.

(b) The State Government shall reduce the fiscal deficit by an amount equivalent to 0.3 per cent or more of the GSDP at the end of each financial year beginning with the financial year 2005-2006 until the fiscal deficit is brought down to not more than 3% of the GSDP. The fiscal deficit in 2008-09 and thereafter shall not exceed 3% of GSDP.

4. Exceptional Grounds :-

The exceptional grounds mentioned in the first proviso to sub-section (2) of section 5 shall include civil disturbances, war,

accidents of large magnitude and the like, as the other exceptional grounds for the purpose of section 5 .

5. Fiscal Indicators :-

The fiscal indicators under sub-section (d) of section 2 shall consist of:-

- (a) Fiscal Deficit
- (b) Revenue Deficit
- (c) Debt Stock
- (d) Contingent Liabilities
- (e) Interest as a percentage of Revenue Receipts.

Explanation. - For the purpose of this rule-

- (i) For calculating the Fiscal Deficit, Off-Budget Borrowings during the year, which need to be serviced by way of interest and principal repayment by the State Government, shall be taken into account.
- (ii) For the purpose of calculating the Revenue Deficit, revenue expenditure shall include the interest payable on Off-Budget Borrowings.
- (iii) The Debt Stock shall include the Off-Budget Debt Stock.
- (iv) Interest shall include interest paid on Off-Budget Debt Stock.

6. Medium Term Fiscal Policy Statement :-

In the Medium Term Fiscal Policy Statement, required by sub-section (1) of section 3 , three year rolling targets for the fiscal indicators mentioned in Rule 5 shall be in Form A-1.

7. Fiscal Policy Strategy Statement :-

The Fiscal Policy Strategy Statement required by sub-section (1) of section 3 , shall be in Form A-2.

8. Disclosures :-

(1) In order to ensure greater transparency in its fiscal operations in the public interest, the State Government shall, at the time of presenting the annual financial statement and demands for grants, make disclosures of the following :-

- (a) Any significant change in accounting standards, policies and practices affecting or likely to affect the computation of prescribed

fiscal indicators.

(b) Statements of receivables in Forms B-1 to B-2.

(c) A statement of guarantees given by the State Government in Form B-3.

(d) A statement on the number of employees and salary expenditure in Form B-4.

(e) A statement of State Government expenditure in Form B-5.

(f) A statement of components of the State Government's liabilities in Form B-6.

(g) A statement on liability in respect of major works and contracts, claims on the State Government in respect of unpaid bills on works and supplies, and arrears of grants payable to various institutions including Panchayati Raj Institutions in Form B-7.

(h) A statement on quality of investments based on outcomes in Form B-8.

(2) The provisions of sub-rule (1) shall be complied with, not later than the presentation of the budget for the financial year 2007-08.

9. Measures to Enforce Compliance :-

In case the outcome of the quarterly review of trends in receipts and expenditure made under sub-section (1) of section 6 , at the end of second quarter of any financial year beginning with the financial year 2006-07 shows that:

(a) the total non-debt receipts are less than 40 per cent of Budget Estimates for that year, or

(b) the fiscal deficit is higher than 45 per cent of the Budget Estimates for that year, or

(c) the revenue deficit is higher than 45 per cent of the Budget Estimates for that year, then :-

(i) as required by sub-section (2) of section 6 , the State Government shall take appropriate corrective measures; and

(ii) as required by sub-section (3) of section 6 , the Minister in charge of the Ministry of Finance shall make a statement in both Houses of State Legislature during the session immediately following the end of the second quarter detailing the corrective

measures taken, the manner in which any supplementary demands for grants are proposed to be financed and the prospects for the fiscal deficit of that financial year.