

PUNJAB VIDHAN SABHA

BILL NO. 18 -PLA-2023

**THE PUNJAB FISCAL RESPONSIBILITY AND BUDGET  
MANAGEMENT (AMENDMENT) BILL, 2023**

**A**

**BILL**

further to amend the Punjab Fiscal Responsibility and Budget Management Act, 2003.

BE it enacted by the Legislature of the State of Punjab in the Seventy-fourth Year of the Republic of India as follows:-

Short title and Commencement.

1. (1) This Act may be called the Punjab Fiscal Responsibility and Budget Management (Amendment) Act, 2023.

(2) It shall come into force on and with effect from the date of its publication in the Official Gazette.

Amendment in Section 4 of Punjab Act 11 of 2003.

2. In the Punjab Fiscal Responsibility and Budget Management Act, 2003, in section 4,-

(i) in sub-section (2), for clauses (a), (b) and (c), the following clauses shall be substituted, namely:-

"(a) contain fiscal deficit as per cent of Gross State Domestic Product (GSDP) in vogue in that particular year as recommended by the Central Finance Commission and as allowed by the Government of India;

(b) attain revenue deficit as per cent of Gross State Domestic Product (GSDP) in vogue in that particular year as recommended by the Central Finance Commission and as allowed by the Government of India;

(c) contain debt as per cent of Gross State Domestic Product (GSDP) in vogue in that particular year as recommended by the Central Finance Commission and as allowed by the Government of India; and"; and

(ii) for sub-sections (5) and (6), the following sub-sections shall

be substituted, namely:-

- (5) Notwithstanding anything contained in sub-section (2), the revenue deficit and fiscal deficit may exceed the limits, specified by the Government of India from time to time, on the ground of unforeseen demands on the finances of the State Government arising out of internal disturbance or natural calamity or national security or such other exceptional ground as the State Government may specify.
- (6) In case the revenue deficit and fiscal deficit specified in sub-section (2), cannot be met due to the ground specified in the Sub-section (5), the State Government shall identify the net fiscal cost of the calamity and such cost would provide ceiling for extent of non-compliance to the specified limits."

### STATEMENT OF OBJECTS AND REASONS

Government of India communicates Annual Borrowing Ceiling every year to States, mandating debt allowed as per cent of GSDP and entailing States to amend their Fiscal Responsibility and Budget Management (FRBM) Acts accordingly to avail the Annual Borrowing Ceiling.

2. In the financial years 2019-2020, 2020-2021, 2021-2022 and 2022-2023, Government of India had mandated amendment only for clause (a) in sub-section (2) in Section 4 of the Punjab FRBM Act, which contains the target of fiscal deficit, whereas, the clauses (b) dealing with Revenue Deficit target and (c) dealing with Debt to GSDP ratio target remain as amended in 2011, as Government of India has not mandated any amendments in these clauses after 2011. Since 2020, debt profile of both Centre and States was impacted by COVID. The debt saw a substantial increase at both States and Centre level. Also Government of India is allowing new loan schemes to States, such as, Scheme for Special Assistance for Capital Investment; allowing extra borrowing ceiling for contribution to NPS and considering GST compensation since 2020-21 as loan and not grant. Consequently, few clauses of Section 4 need alignment.

3. Therefore, the State of Punjab is required to make amendment in few clauses in its Punjab FRBM Act, 2003 to align them with each other and to avoid the need of amendment every year. Hence this amendment/enactment.

HARPAL SINGH CHEEMA,  
Finance Minister, Punjab.

## FINANCIAL IMPLICATION

Government of India communicates Annual Borrowing Ceiling every year to States, mandating debt allowed as per cent of GSDP and entailing States to amend their Fiscal Responsibility and Budget Management (FRBM) Acts accordingly to avail the Annual Borrowing Ceiling.

2. In the financial years 2019-2020, 2020-2021, 2021-2022 and 2022-2023, Government of India had mandated amendment only for clause (a) in sub-section (2) in Section 4 of the Punjab FRBM Act, which contains the target of fiscal deficit, whereas, the clauses (b) dealing with Revenue Deficit target and (c) dealing with Debt to GSDP ratio target remain as amended in 2011, as Government of India has not mandated any amendments in these clauses after 2011. Since 2020, debt profile of both Centre and States was impacted by COVID. The debt saw a substantial increase at both States and Centre level. Also Government of India is allowing new loan schemes to States, such as, Scheme for Special Assistance for Capital Investment; allowing extra borrowing ceiling for contribution to NPS and considering GST compensation since 2020-21 as loan and not grant. Consequently, few clauses of Section 4 need alignment.

3. The proposed amendment in clauses (a), (b) and (c) of sub-section (2); sub-section (5) and sub-section (6) of Section 4 of the Punjab FRBM Act, 2003 will align them with each other, result in eligibility for the Annual Borrowing Ceiling for the State of Punjab, as per the recommendations of central finance commission and as allowed by the Government of India, during the Financial Year 2023-24 and thereafter and will also avoid the need of amendment every year.

The Governor has, in pursuance of clause (1) and (3) of Article 207 of the Constitution of India, recommended to the Punjab Legislative Assembly, the introduction and consideration of the Bill.

**CHANDIGARH:**  
**THE 22ND NOVEMBER, 2023**

**RAM LOK KHATANA**  
**SECRETARY.**

**N.B. – The above Bill was published in the Punjab Government Gazette (Extraordinary), dated the 22<sup>nd</sup> November, 2023 under the proviso to rule 121 of the Rules of Procedure and Conduct of Business in the Punjab Vidhan Sabha (Punjab Legislative Assembly).**