



The Arunachal Pradesh Fiscal Responsibility Act, 2006

Act 4 of 2006

Keyword(s):

Annual Budget, Current Year, Fiscal Deficit, Fiscal Indicators, Previous Year, Revenue Deficit.

Amendment appended: 14 of 2006

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THE ARUNACHAL PRADESH FISCAL
RESPONSIBILITY ACT, 2006

(ACT NO. 4 OF 2006)

(Received the assent of the Governor
on 30-03-2006.)

AN

ACT

to provide for the responsibility of the State Government to ensure fiscal stability and sustainability, and to enhance the scope for improving social and physical infrastructure and human development by achieving sufficient revenue surplus, reducing fiscal deficit and removing impediments to the effective conduct of fiscal policy and prudent debt management through limits on State Government borrowings, debt and deficits, greater transparency in fiscal operations of the State Government and use of a medium-term fiscal framework and for matters connected therewith or incidental thereto.

BE it enacted by the Arunachal Pradesh Legislature in the Fifty-seventh Year of the Republic of India as follows:-

Short title,
extent and
commence-
ment.

1. (1) This Act may be called the Arunachal Pradesh Fiscal Responsibility Act, 2006.

(2) It shall extend to the whole of Arunachal Pradesh.

(3) It shall be deemed to have come into force with effect from 1st April, 2005.

Definitions.

2. In this Act, unless the context otherwise requires :-

(a) "Annual Budget" means the annual financial statement laid before the House of State Legislature under Article 202 of the Constitution ;

(b) "Current Year" means the year preceding the year for which budget and Medium Term Fiscal Plan (MTFP) are being presented ;

(c) "Fiscal Deficit" means the excess of -

- (i) 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 ; or
- (ii) total expenditure from the Consolidated Fund of the State (including loans but excluding repayment of debt) over own tax and non-tax revenue receipts, devolution and other grants from Government of India to the State, and non-debt capital receipts during a financial year which represents the borrowing requirements, net of repayment of debt, of the State Government during the financial year ;

For the purpose of calculation of fiscal deficit, borrowings by Public Sector Undertakings and Special Purpose Vehicles and other equivalent instruments where liability for repayment is on the State Government are to be treated as borrowings of the Government. Explanation.

- (d) "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 ;
- (e) "Previous Year" means the year preceding the current year ;
- (f) "Revenue Deficit" means the difference between revenue expenditure and revenue receipts ; and

For the purpose, of this clause interest payment by Government towards borrowings by Public Sector Undertakings and Special Purpose Vehicles and other equivalent instruments where liability for repayment is on Government, shall be treated as revenue expenditure. Explanation.

- (g) "Total Liabilities" means the liabilities under the Consolidated Fund of the State and the public account of the State.

Medium Term Fiscal Plan to be laid before the Legislature.

3. (1) The State Government shall in each financial year lay before the state Legislature a Medium Term Fiscal Plan along with the annual budget.

(2) The Medium Term Fiscal Plan shall set forth a four-year rolling target for the 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 borrowings for generating productive assets.

(4) The Medium Term Fiscal Plan shall, inter alia, contain,-

- (a) the medium term fiscal objectives of the State Government ;
- (b) an evaluation of the 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 year as per revised estimates ;
- (c) a statement on recent economic trends and future prospects for growth and development affecting fiscal position of the State Government ;
- (d) the strategic priorities of the State Government in the fiscal areas for the ensuing financial year ;

- (e) the policies of the State Government for the ensuing financial year relating to taxation, expenditure, borrowings (including borrowings by Public Sector Undertakings and Special Purpose Vehicles and other equivalent instruments where liability for repayment is on the State Government, with ceiling fixed for each agency) and other liabilities, lending and investments, pricing of administered goods and services and description of other activities, such as guarantees and activities of Public Sector Undertakings which have potential budgetary implications ; and the key fiscal measures and targets pertaining to each of these ;
- (f) an evaluation as to how the current policies of the State Government are in conformity with the fiscal management principles set out in section 4 and the fiscal objectives set out in the Medium Term Fiscal Plan.

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

4. (1) The State Government will be guided by the following fiscal management principles :

Fiscal Management Principles.

- (a) maintain Government debt at prudent levels ;
- (b) manage guarantees and other contingent liabilities prudently, with particular reference to the quality and level of such liabilities ;
- (c) ensure that policy decisions of the Government have due regard to their financial implications on future generations ;
- (d) ensure that borrowings are used for productive purposes and accumulation of capital assets, and are not applied to finance current expenditure ;
- (e) ensure a reasonable degree of stability and predictability in the level of the tax burden ;

- (f) maintain the integrity of the tax system by minimizing special incentives, concessions and exemptions ;
- (g) pursue tax policies with due regard to economic efficiency and compliance costs ;
- (h) pursue non-tax revenue policies with due regard to cost recovery and equity ;
- (i) pursue expenditure policies that would provide impetus for economic growth, poverty reduction and improvement in human welfare ;
- (j) build up a revenue surplus for use in capital formation and productive expenditure ;
- (k) ensure that physical assets of the Government are properly maintained ;
- (l) disclose sufficient information to allow the public to scrutinize the conduct of fiscal policy and the state of public finances ;
- (m) ensure that Government uses resources in ways that give best value for money ; and also ensure that public assets are put to best possible use ;
- (n) minimize fiscal risks associated with running of public sector undertakings and utilities providing public goods and services ;
- (o) manage expenditure consistent with the level of revenue generated ;
- (p) formulate budget in a realistic and objective manner with due regard to the general economic outlook and revenue prospects, and minimize deviations during the course of the year ; and
- (q) ensure discharge of current liabilities in a timely manner.

(2) The State Government shall take appropriate measures to eliminate the revenue deficit and contain the fiscal deficit at sustainable level and build up adequate revenue surplus.

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

- (a) reduce revenue deficit to zero within a period of four financial years beginning from the initial financial year on the 1st day of April, 2005 and ending on the 31st day of March, 2009 ;
- (b) reduce revenue deficit as a percentage of Gross State Domestic Product (GSDP) in each of the financial year beginning on the 1st day of April, 2005 in a manner consistent with the goal set out in clause (a) ;
- (c) reduce fiscal deficit to not more than three per cent of the estimated Gross State Domestic Product (GSDP) within a period of five financial years beginning from the initial financial year on the 1st day of April, 2005 and ending on the 31st day of March, 2010 ;
- (d) reduce fiscal deficit as a percentage of Gross State Domestic Product (GSDP) in each of the financial year beginning on the 1st day of April, 2005 in a manner consistent with the goal set out in clause (c) ; and
- (e) the Constitution of India provides that a State may borrow within the territory of India upon the security of its Consolidated Fund, within such limits as may from time to time be fixed by an Act of its Legislature. But no such Act has been passed by the State so far. However, the State Government will be very conservative in giving guarantee.

Provided that revenue deficit and fiscal deficit may exceed the limits specified under this sub-section due to ground or grounds of unforeseen demands on the finances of the State Government due to national security or natural calamity, subject to the condition that the excess beyond limits arising due to natural calamities does not exceed the actual fiscal cost that can be attributed to the 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 therefor.

Measures for
Fiscal Trans-
parency.

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

(2) In particular, and without prejudice to the generality of the foregoing provisions, the State Government shall, at the time of presentation of the annual budget, disclose in a statement in the form as may be prescribed,-

- (a) the significant changes in the accounting standards, policies and practices affecting or likely to affect the computation of prescribed fiscal indicators ;
- (b) as far as practicable, and consistent with protection of public interest, the contingent liabilities created by way of guarantees ; the actual liabilities arising out of borrowings by Public Sector Undertakings and Special Purpose Vehicles and other equivalent instruments where liabilities for repayment is on the State Government ; all claims and commitments made by the State Government having potential budgetary implications, including revenue demands raised but not

realised ; tax expenditure ; losses incurred in providing public goods and services through public utilities and undertakings ; liability in respect of major works and contracts ; and subsidy payments and the impact of the same on the fiscal position of the State including in relation to the targets referred to in sub-section (3) of section-4.

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

Measures to enforce compliance.

(2) The Minister in charge of the Department of Finance, shall review, every half year, the trends in receipts and expenditure in relation to the budget, remedial measures to be taken to achieve the budget targets and place before the House of Legislature, the outcome of such reviews. The review report shall be in such form as may be prescribed.

(3) The review reports shall explain

- (a) any deviation or likely deviation in meeting the obligations cast on the State Government under this Act.
- (b) whether such deviation is substantial and relates to the actual or the potential budgetary outcomes, and how much of the deviation can be attributed to general economic environment and to policy changes by the State Government ; and
- (c) the remedial measures, the State Government proposes to take.

(4) Whenever there is a prospect of either short fall in revenue or excess of expenditure over pre-specified levels for a given year on account of any new policy decisions of the State Government that affects either the State Government or its Public Sector Undertakings, 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, or by taking up a combination of both ;

Provided that, while adhering to the fiscal targets, the State Governments will give priority to protecting certain expenditure declared in the Medium Term Fiscal Plan as "high priority development expenditure" (including, inter alia, elementary education, basic health and rural water supply) from curtailment or may impose a reduced or partial curtailment.

(5) Whenever one or more supplementary estimates are presented to the House of Legislature, the State Government shall also present an accompanying statement indicating the corresponding curtailment of expenditure and/or augmentation of revenue 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 and targets for the future year.

Power to
make rules:

7. (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 powers 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-section (2) of section 3 and clause (a) of sub-section (2) of section 5 ;
- (b) the form of the Medium Term Fiscal Plan referred to in sub-section (5) of section 3 and sub-section (2) of section 5 ; and
- (c) any other matter which is required to be, or may be, prescribed.

8. Every rule made under this Act shall be laid, as soon as may be after it is made, before the House of States Legislature, while it is in session and if 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. Rules to be laid before Legislature.
9. 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 Act or the rules made thereunder. Protection of action taken in good faith.
10. 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. Application of other laws not barred.
11. (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 : Power to remove difficulties.
- 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.

THE ARUNACHAL PRADESH FISCAL
RESPONSIBILITY (AMENDMENT) ACT, 2006

(ACT NO. 14 OF 2006)

(Received the assent of the Governor on 6th
December, 2006)

AN

ACT

to amend the Arunachal Pradesh Fiscal Responsibility Act, 2006 (Act No. 4 of 2006).

BE it enacted by the Legislative Assembly of Arunachal Pradesh in the Fifty-seventh Year of the Republic of India as follows:-

Short title,
and com-
mencement.

1. (1) This Act may be called the Arunachal Pradesh Fiscal Responsibility (Amendment) Act, 2006.

(2) It shall be deemed to have come into force with effect from 1st April, 2005.

Amendment
of title.

2. In the Title "The Arunachal Pradesh Fiscal Responsibility Act, 2006", after the word, "Responsibility" and before the word "Act", the words, "and Budget Management" shall be inserted.

Amendment
of section 4
(3).

3. (1) In the Arunachal Pradesh Fiscal Responsibility Act, 2006 (hereinafter referred to as the Principal Act), the clause (a) (b) & (c) of sub-section (3) of section 4, shall be substituted by the following, namely :-

"(a) maintain at least the level of revenue surplus in the base year (average of 2001-2002 to 2003-2004), in the subsequent years beginning from the initial financial year on 1st day of April, 2005 and ending on 31st day of March, 2009.

(b) maintain revenue surplus as a percentage of Gross State Domestic Product (GSDP) in each of the financial year beginning on the 1st day of April , 2005 in a manner consistent with the goal set out in clause (a);

(c) to reduce fiscal deficit to not more than three percent of the estimated Gross State Domestic Product (GSDP) within a period of four financial years beginning from the initial financial year on the 1st day of April, 2005 and ending on the 31st day of March, 2009."

(2) In the Principal Act, after clause (e) of sub-section (3) of section 4, the following clause shall be added, namely :-

"(f) bring special report along with the budget giving in details of numbers of employees in Government, public sector and aided Institutions and related salaries."

(3) In the Principal Act, in sub-section (3) of section 4 in the first line of the first proviso the words 'revenue deficit' appearing after the word "that" and before the word 'and' shall be substituted, by the following words, namely :-

"revenue surplus may decrease."