The Punjab Fiscal Responsibility and Budget Management Act, 2003

Act No. 11 of 2003

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GOVERNMENT OF PUNJAB

Department of Legal and Legislative Affairs

THE PUNJAB FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT ACT, 2003

(PUNJAB ACT 11 OF 2003)

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THE PUNJAB FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT ACT, 2003

(PUNJAB ACT 11 OF 2003)

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[1]THE PUNJAB FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT ACT, 2003

(PUNJAB ACT 11 OF 2003)

[Received the assent of the Governor of Punjab on the 1st day of May, 2003, and was first published for general information in *Punjab Government Gazette* (*Extraordinary*), Legislative Supplement dated the 5th May, 2003.]

An Act to provide for the responsibility of the State Government to ensure inter-generational equity in fiscal management and long-term financial stability by achieving sufficient revenue surplus, containing fiscal deficit and prudential debt management consistent with fiscal sustainability through limits on the State Government borrowings, debt and deficits, greater transparency in fiscal operations of the State Government and conducting fiscal policy in a medium-term framework and for matters connectedt herewith or incidental thereto.

Be it enacted by the Legislature of the State of Punjab in the Fifty-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 Act, 2003.

(*2*) It shall come into force on such date[2] as the State Government may, by notification in the Official Gazette, appoint in this behalf.

Definitions.

2. In this Act, unless the context otherwise requires,—

(*a*) "annual budget" means the annual financial statement laid before the Punjab Legislative Assembly under article 202 of the Constitution of India ;

(*b*) "fiscal deficit" means the excess of expenditure, revenue expenditure and capital expenditure including loans, net of recoveries, over the revenue receipts and non-debt capital receipts. It is, however, made clear that for the purpose of this definition, off budget borrowings shall be treated as borrowings by the

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[1]For Statement of Objects and Reasons, *see Punjab Government Gazette* (*Extraordinary*), dated the 25th June, 2002, page 1298.

[2]The Act has come into force on and with effect from 5th day of May, 2003,—*vide* Government of Punjab, Department of Finance, Notification No. 1 (5)5302/5FE4/9866, dated he 22nd December, 2003.

State Government, and the expenditure incurred on subsidies due to the enterprises in the power sector, whether paid or not, shall be treated as expenditure by the State Government ;

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

(*d*) "off budget borrowings" means borrowings by the State Government or its Agencies which are not reflected in the Budget ;

(*e*) "prescribed" means prescribed by rules made under this Act ;

(*f*) "Reserve Bank" means the Reserve Bank of India constituted under sub-section (*1*) of section 3 of the Reserve Bank of India Act, 1934 (Act 2 of 1934) :

(*g*) "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. It is, however, made clear that for the purpose of calculating revenue deficit, expenditure incurred on subsidies due to the enterprises in the power sector, whether paid or not, shall be treated as expenditure incurred by the State Government ;

(*h*) "State Government" means the Government of the State of Punjab in the Department of Finance ; and

(*i*) "total liabilities" means the liabilities under the Consolidated Fund of the State and the public account of the State referred to in article 266 of the Constitution of India.

Fiscal policy statement to be laid before the Legislative Assembly.

3. (*1*) The State Government shall lay in each financial year before the Punjab Legislative Assembly, the Medium-term Fiscal Policy Statement alongwith the annual budget.

(*2*) The Medium-term Fiscal Policy Statement 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 Policy Statement 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 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; and

(*iv*) the statement on recent economic trends and future prospects for growth and development, affecting the fiscal position of the State Government.

(*4*) The Medium Term Fiscal Policy Statement shall, *inter alia* contain, —

(*i*) policies of the State Government for the ensuing financial year relating to taxation, expenditure, market borrowings and other liabilities (including off-budget borrowings), lending and investments, pricing of administered goods and services, securities and description of other activities, such as, guarantees and activities of Public Sector Undertakings which have potential budgetary implications;

(*ii*) the strategic priorities of the State Government for the ensuing financial year in the fiscal area; and

(*iii*) the key fiscal measures and rationale for any major deviation in fiscal measures pertaining to taxation, subsidy, expenditure, administered pricing and borrowings.

(*5*) The Medium-term Fiscal Policy Statement shall be in such form, as may be prescribed.

Fiscal management principles.

4. (*1*) The State Government shall take appropriate measures to eliminate the revenue deficit and contain fiscal deficit.

(*2*) In particular, and without prejudice to the generality of the foregoing provision, the State Government shall,—

(*a*) contain the rate of growth of fiscal deficit to two per cent per annum in nominal terms, until fiscal deficit is brought down to 3% of GSDP;

(*b*) reduce revenue deficit, as per cent of total revenue receipts, by at least five percentage points, from the previous year, until revenue balance is achieved ;

(*c*) bring the ratio of debt to Gross State Domestic Product down to forty per cent to be achieved by 2006-07 ; and

(*d*) cap outstanding guarantees on long term debt to eighty per cent of revenue receipts of the previous year guarantees on short term debt to be given only for working capital or food credit in which case this must be fully backed by physical stocks.

(*3*) Subsequent to the announcement of the general elections by the Election Commission of India to the Punjab Legislative Assembly, the leaders of the two largest political parties in the State may request the Secretary of the Department of Finance of the State Government, to prepare approximate expenditure of the publicly announced proposals of either party, with a view to facilitate the public debate.

(*4*) No act, which may lead to increase in the expenditure on Government employees, remission in State revenue or which may result in credit operations based on future revenue, other than the normal open market and other borrowings of the State Government conducted through the Reserve Bank, shall be undertaken within a period of six months before the general elections to the Punjab Legislative Assembly become due.

(*5*) Notwithstanding anything contained in sub-section (*2*), the revenue deficit and fiscal deficit may be exceeded in the case of unforeseen demands on the finances of the State Government due to calamity declared by the State Government or the Central Government, as the case may be.

(*6*) In case the revenue deficit and fiscal deficit specified in sub-section (*2*), cannot be met due to aforesaid calamity, 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.

Measures for fiscal transparency.

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 provision, 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 the prescribed fiscal indicators;

(*b*) as far as practicable and consistent with the protection of public interest, the contingent liabilities created by way of guarantees, all claims and commitments made by the State Government, having potential budgetary

implications, including revenue demands raised, but not realized and tax arrears, and liability incurred, but not paid.

Measures to enforce compliance.

6. (*1*) The Minister-in-charge of the Department of Finance shall review, after every quarter, the trends in receipts and expenditure in relation to the budget and place before the Punjab Legislative Assembly the outcome of such reviews.

(*2*) In particular, and without prejudice to the generality of the foregoing provisions, the said Minister shall make a statement explaining,—

(*a*) any 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

(*c*) the remedial measures, the State Government proposes to take.

(*3*) Whenever there is either shortfall in revenue or excess of expenditure over the prescribed levels during any period in a financial year, the State Government shall proportionately curtail the sums, authorized to be paid and applied from and out of the Consolidated Fund of the State under any Act enacted by the Punjab State Legislature to provide for the appropriation of such sums :

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.

(*4*) Whenever outstanding guarantees exceed the limits specified in clause (*d*) of sub-section (*2*) of section 4, no fresh guarantee shall be given except for the purpose of replacing high cost debt with low cost debt in such a way that there is no net increase in outstanding guarantees after such debt swap.

(*5*) No department of the State Government shall allow any liabilities, which have become due, to remain unpaid for a period of more than three months or to incur fresh liabilities, if previously incurred liabilities, have remained unpaid for a period of more than three months.

(*6*) Any measure proposed in the course of the financial year, which may lead to an increase in revenue deficit, either through enhanced expenditures or loss of revenue, shall be accompanied by remedial measures, which will neutralize such increase or loss and such measures shall be clearly mentioned.

(7) The State Government may assign an independent external agency to carry out the periodic review for the compliance of the provisions of this Act in the manner as may be prescribed.

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 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-section (2) of section 3 and clause (a) of sub-section (2) of section 5 !

(b) the form of the Medium-term Fiscal Policy Statement, referred to in sub-section (5) of section 3 ;

(c) the form of statement under sub-section (2) of section 5 ;

(d) the levels referred to in sub-section (3) of section 6 ;

(e) the periodic review by an independent external agency under sub-section (7) of section 6 ; and

(f) any other matter, which is required to be, or may be, prescribed.

(3) Every rule made under this Act, shall be laid, as soon as may be, after it is made, before the House of the State Lagislature, while it is in session, for a total period of fourteen days, which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session in which it is so laid or the successive sessions as aforesaid, the House agrees, in making any modification in the rules, or the House agrees, that the rules should not be made, the rules shall thereafter have effect only in such modified form or be of no effect, as the case may be, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done or omitted to be done under that rule.

Protection of section taken in good faith.

8. 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 don e or intended to be done under this Act or the rules made thereunder.

9. 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.

10. (*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 a period 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.

5766 LR/P—Govt, Press, U.T, Chd.

PART I

GOVERNMENT OF PUNJAB

DEPARTMENT OF LEGAL AND LEGISLATIVE AFFAIRS, PUNJAB

NOTIFICATION

The 24th March, 2021

No.3-Leg./2021.- The following Act of the Legislature of the State of Punjab received the assent of the Governor of Punjab on the 24th day of March, 2021, is hereby published for general information:-

THE PUNJAB FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT (AMENDMENT) ACT, 2021

(Punjab Act No. 3 of 2021)

AN

ACT

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-second 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, 2021.

(2) It shall come into force at once.

Amendment in section 4 of Punjab Act 11 of 2003.

2. In the Punjab Fiscal Responsibility and Budget Management Act, 2003, in section 4, in sub-section (2), for clause (a), the following clause shall be substituted, namely:-

"(a) contain fiscal deficit as per cent of Gross State Domestic Product (GSDP) at 4.0 per cent (four per cent) and an additional 1.0 per cent (one per cent) in the financial year 2020-2021, subject to reforms as laid hereunder, and maintain thereafter at 3.0 per cent (three per cent) or as allowed by Government of India, from time to time. The additional 1.0 per cent (one per cent) in the financial year 2020-2021 shall be conditional to the following reforms:-

(i) Implementation of One Nation Ration Card System;

(ii) Ease of doing business reforms;

(iii) Urban Local body/utility reforms; and

(iv) Power Sector reforms.

The weightage of each reform is 0.25 per cent of GSDP totaling to 1.0 per cent (one per cent);".

S.K. AGGARWAL,
Secretary to Government of Punjab,
Department of Legal and Legislative Affairs.

2259/3-2020/Pb. Govt. Press, S.A.S. Nagar

Punjab Government Gazette

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PART I

GOVERNMENT OF PUNJAB

DEPARTMENT OF LEGAL AND LEGISLATIVE AFFAIRS, PUNJAB

NOTIFICATION

The 4th January, 2022

No.2-Leg./2022.-The following Act of the Legislature of the State of Punjab received the assent of the Governor of Punjab on the 27th day of December, 2021, is hereby published for general information:-

THE PUNJAB FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT (SECOND AMENDMENT) ACT, 2021

(Punjab Act No. 2 of 2022)

AN

ACT

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-second Year of the Republic of India as follows:-

1. (1) This Act may be called the Punjab Fiscal Responsibility and Budget Management (Second Amendment) Act, 2021. Short title and Commencement

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

2. In the Punjab Fiscal Responsibility and Budget Management Act, 2003, in section 4, in sub-section (2), for clause (a), the following clause shall be substituted, namely:- Amendment in section 4 of Punjab Act No. 11 of 2003.

"(a) contain fiscal deficit as per cent of Gross State Domestic Product (GSDP) at 3.5 per cent (three and a half per cent) and 0.50 per cent (half per cent) on the basis of capital expenditure incurred by the State, in the financial year 2021-2022, and maintain thereafter at 3.0 per cent (three per cent) or as allowed by the Government of India from time to time;".

S.K. AGGARWAL,
Principal Secretary to Government of Punjab,
Department of Legal and Legislative Affairs.

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