



LEGISLATIVE ASSEMBLY OF THE STATE OF GOA

**THE GOA
FISCAL RESPONSIBILITY AND
BUDGET MANAGEMENT
BILL, 2006**

(Bill No. 9 of 2006)

(As passed by the Legislative Assembly of the State of Goa)

**GOA LEGISLATURE SECRETARIAT
ASSEMBLY HALL, PORVORIM, GOA
MARCH, 2006.**

The Goa Fiscal Responsibility and Budget Management Bill, 2006

(Bill No. 9 of 2006)

A

BILL

to provide that it shall be the responsibility of the State Government to ensure fiscal stability and sustainability through progressive elimination of revenue deficit and planned reduction of fiscal deficit and prudent and sustainable debt management consistent with fiscal stability through limits on State Government's borrowings, including off-budget borrowing and achieving greater transparency in fiscal operation of the Government and conduct of fiscal policy in a medium term fiscal framework and for matters connected therewith or incidental thereto.

Be it enacted by the Legislative Assembly of the State of Goa in the Fifty-seventh Year of the Republic of India as follows:-

1. *Short title and commencement.*— (1) This Act may be called the Goa Fiscal Responsibility and Budget Management Act, 2006.

(2) It extends to the whole of the State of Goa.

(3) It shall come into force on such date as the Government may, by notification in the Official Gazette, appoint.

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

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

(b) “*current year*” means the financial year preceding the ensuing year;

(c) “*ensuing year*” means the financial year for which the budget is being presented;

(d) “*financial year*” means the year beginning on the 1st April and ending on 31st March next following;

(e) “*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 Consolidated Fund excluding the debt receipts during a financial year;

(ii) total expenditure from the Consolidated Fund of the State (including loans and advances but excluding debt repayment) over own tax and non-tax revenue receipts, devolution and other grants from the 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;

(f) “*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;

(g) “*Government*” means the Government of Goa;

(h) “*Legislative Assembly*” means the Legislative Assembly of the State of Goa;

(i) “*prescribed*” means prescribed by rules made under this Act;

(j) “*revenue deficit*” means the difference between revenue expenditure and revenue receipts;

(k) “*State*” means the State of Goa;

(l) “*total liabilities*” means the liabilities under the Consolidated Fund of the State and the Public Account of the State.

3. *Medium Term Fiscal Plan to be laid before the Legislative Assembly.*— (1) The Government shall, in each financial year, lay before the Legislative Assembly a Medium Term Fiscal Plan along with the Budget.

(2) The Medium Term Fiscal Plan shall set forth a multi-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 expenditure;

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

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

(i) the medium term fiscal objectives of the Government;

(ii) an evaluation of the performance of the prescribed fiscal indicators in the previous year vis-à-vis the targets set out earlier, and the likely performance in the current year as per revised estimates;

(iii) a statement on recent economic trends and future prospects for growth and development affecting fiscal position of the Government;

(iv) the strategic priorities of the Government in the fiscal matters for the ensuing financial year;

(v) the policies of the Government for the ensuing financial year relating to taxation, expenditure, borrowings 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;

(vi) an evaluation as to how the current policies of the 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. *Fiscal Management Principles.*— (1) The Government shall take appropriate measures to eliminate the revenue deficit and contain fiscal deficit and outstanding debt to sustainable levels.

(2) The Government shall be guided by the following fiscal management principles, namely:—

(a) maintain State Government debt at prudent and sustainable level;

(b) manage guarantees and other contingent liabilities prudently, with particular reference to quality and level of such liabilities;

(c) ensure that borrowings are used for productive purposes and accumulation of capital assets, and are not applied to finance current expenditure;

(d) manage expenditure consistent with the level of revenue generated.

5. *Fiscal Management Targets.*— (1) In particular, and without prejudice to the generality of the foregoing provisions, the Government shall,—

(a) reduce the revenue deficit to nil by 31st March, 2009, and adhere to it thereafter;

(b) reduce the ratio of revenue deficit to the total revenue receipt by 1.5% in each of the financial year, beginning on 1st day of April, 2006, in a manner consistent with the goal set out in clause (a);

(c) reduce the ratio of fiscal deficit to Gross State Domestic Product beginning from the financial year 2006 – 2007 with medium term goal of not being more than three percent of fiscal deficit to Gross State Domestic Product to be attained by 31st March, 2009, and adhere to it thereafter;

(d) reduce fiscal deficit by 0.5% of Gross State Domestic Product (GSDP) in each of the financial year beginning on the 1st day of April, 2006, in a manner consistent with the goal set out in clause (c);

(e) cap the total outstanding guarantees within the specified limit under the Goa State Guarantees Act, 1993 (Goa Act No. 16 of 1993);

(f) ensure that by 31st March, 2009, the total liabilities do not exceed 30% of the Gross State Domestic Product (GSDP) and adhere to it thereafter;

(g) ensure that by 31st March, 2009, the ratio of interest payment to total revenue receipt does not exceed 20% and adhere to it thereafter;

(h) undertake appropriate measures in cash management practices so as to avoid recourse to overdraft from the Reserve Bank of India:

Provided that revenue deficit and fiscal deficit may exceed the limits specified under this section due to ground or grounds of unforeseen demands on the finances of the 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 above proviso shall be placed before the Legislative Assembly 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.

6. Measures for Fiscal Transparency.— (1) The Government shall take suitable measures to ensure greater transparency in its fiscal operations, in public interest, in the preparation of the Budget:

Provided that the Government shall have the power to reserve any such information which would adversely affect the interest of the State Exchequer.

(2) In particular, and without prejudice to the generality of the foregoing provision, the Government shall, at the time of presentation of the 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.

7. Measures to enforce compliance.— (1) The Budget and policies announced at the time of the budget, shall be consistent with objectives and targets specified in the Medium Term Fiscal Plan for the coming and future years.

(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 Legislative Assembly the outcome of such reviews. The review report should be in such form as may be prescribed.

(3) While placing before the Legislative Assembly the outcome of such review, the Minister-in-charge of the Department of Finance shall make a statement explaining,—

(a) any deviation in meeting the obligations cast on the 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 Government proposes to take.

(4) Whenever outstanding risk weighted guarantees exceed the limits specified in section 5, no fresh guarantee shall be given.

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

(6) In case the revenue deficit and fiscal deficit exceed in the case of unforeseen demands on the finances of the Government, the Government shall identify the net fiscal cost arising due to natural calamity and such cost would provide ceiling for extent of non-compliance to the specified limits.

(7) Whenever supplementary estimates are presented to the Legislative Assembly, the Government shall also present an accompanying statement indicating the corresponding curtailment of expenditure and/or augmentation of revenue to offset the fiscal impact of the supplementary estimates.

(8) The Government may assign to an independent external agency the task of carrying out the periodical review for the compliance of the provisions of this Act in the manner as may be prescribed.

8. *Power to make rules.*— (1) The 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 measures for evaluation of fiscal indicators of the Government under clause (f) of section 2;

(b) the form of Medium Term Fiscal Plan under sub-section (5) of section 3;

(c) the form of statement for disclosure under sub-section (2) of section 6;

(d) The form of review report under sub-section (2) of Section 7;

(e) Any other matter which is required to be prescribed not inconsistent with the provisions of this Act.

9. *Rules to be laid before Legislative Assembly.*— Every rule or order made under this Act shall, as soon as possible, after it is made, be placed on the table of the Legislative Assembly and if, before the expiry of the session

in which it is so placed or in the next session, the Legislative Assembly makes any modification in any such rule or order, or the Legislative Assembly decides that the rule or order should not be made, the rule or order 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 or order.

10. *Protection of action taken in good faith.*— No suit, prosecution or other legal proceeding shall lie against the Government or any officer of the Government for anything which is in good faith done or intended to be done under this Act or the rules made thereunder.

11. *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.

12. *Power to remove difficulties.*— (1) If any difficulty arises in giving effect to the provisions of this Act, the 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 or expedient for removing the difficulty:

Provided that no order shall be made under this section after the expiry of a period of two years from the date of commencement of this Act.

(2) Every order made under this section shall be laid, as soon as may be after it is made, before Legislative Assembly.
