

Annex 2: Fiscal Responsibility Legislation of States

Item/State	Manipur	Nagaland	Uttaranchal	Arunachal Pradesh	Meghalaya	Bihar	Goa
1	2	3	4	5	6	7	8
1. Year of Enactment	August, 2005	August, 2005	October, 2005	March, 2006	March, 2006	April, 2006	May, 2006
2. Gross Fiscal Deficit (GFD)	<ul style="list-style-type: none"> 3 per cent of GSDP. 	<ul style="list-style-type: none"> 3 per cent of GSDP by March 2009. 	<ul style="list-style-type: none"> 3 per cent of GSDP by March 2009. Reduce the ratio in each financial year. 	<ul style="list-style-type: none"> 3 per cent of GSDP by March 2010. 	<ul style="list-style-type: none"> 3 per cent of GSDP by 2008-09. 	<ul style="list-style-type: none"> 3 per cent of GSDP from 2008-09 onwards. 	<ul style="list-style-type: none"> 3 per cent of GSDP by March 2009. Reduce GFD/GSDP by 0.5 per cent in each financial year beginning April 2006.
3. Revenue Deficit (RD)	<ul style="list-style-type: none"> Strive to have revenue balance and remain revenue surplus. 	<ul style="list-style-type: none"> Strive to have revenue balance and remain revenue surplus. 	<ul style="list-style-type: none"> Nil by March 2009. Reduce the ratio in each financial year. 	<ul style="list-style-type: none"> Nil by March 2009. Reduce RD/GSDP in each financial year. 	<ul style="list-style-type: none"> Nil by 2008-09. 	<ul style="list-style-type: none"> Nil by 2008-09. 	<ul style="list-style-type: none"> Nil by March 2009. Reduce RD/RR by 1.5 per cent in each financial year from April 2006.
4. Guarantees	<ul style="list-style-type: none"> Limit the amount of outstanding guarantees as per the provisions of the Manipur Ceiling on State Government Guarantees Act, 2004. 	<ul style="list-style-type: none"> Limit the amount of annual incremental risk weighted guarantees to 1 per cent of total revenue receipts or 1 per cent of GSDP in the year preceding the current year, whichever is lower. 	<ul style="list-style-type: none"> Not to give any guarantee for any amount exceeding the limit stipulated under any rule or law of the State Government. 	<ul style="list-style-type: none"> Will be conservative in giving guarantee. 	<ul style="list-style-type: none"> Restrict issuing of guarantees except on selective basis. 	—	<ul style="list-style-type: none"> Cap the total outstanding guarantees within the specified limit under the Goa State Guarantees Act, 1993.

Notes : 1. Summary of Fiscal Responsibility Legislations (FRLs) for 16 States (viz., Karnataka, Kerala, Tamil Nadu, Punjab, Uttar Pradesh, Orissa, Maharashtra, Rajasthan, Assam, Gujarat, Himachal Pradesh, Haryana, Chhattisgarh, Madhya Pradesh, Tripura and Andhra Pradesh) were published in Annex 2 (Pages 79-88) of the 'State Finances - A Study of Budgets of 2005-06', last year.

2. Some of the States have amended their FRLs subsequently. This Annex is, however, based on the latest information available and may not reflect the amendments.

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5. Liabilities	–	<ul style="list-style-type: none"> Total debt stock not exceed more than 40 per cent of the GSDP by March 2010. 	<ul style="list-style-type: none"> Total outstanding liabilities not more than 25 per cent of the GSDP by March 2015. 	–	<ul style="list-style-type: none"> Total outstanding liabilities on the consolidated fund not more than 28 per cent of the GSDP. 	–	<ul style="list-style-type: none"> Total outstanding liabilities not more than 30 per cent of the GSDP by March 2009. Ratio of IP/RR not to exceed 20 per cent by March 2009.
6. Expenditure	<ul style="list-style-type: none"> Pursue expenditure policies that would provide impetus to growth, poverty reduction and improvement in human welfare. Follow a recruitment wage policy, in a manner such that the total salary bill relative to revenue expenditure net of interest payments and pensions does not exceed 35 per cent. 	<ul style="list-style-type: none"> Pursue expenditure policies that would provide impetus to growth, poverty reduction and improvement in human welfare. Follow a recruitment and wage policy such that total salary bill relative to revenue expenditure net of interest payments and pensions does not exceed 61 per cent in any financial year. 	<ul style="list-style-type: none"> Pursue expenditure policies that would provide impetus to growth, poverty reduction and improvement in human welfare. Manage expenditure consistent with the level of revenue generated. While adhering to the fiscal years, the State Government will give priority to protect those expenditure heads classified as 'High Priority Development Expenditure' in the MTFRP. 	<ul style="list-style-type: none"> Pursue expenditure policies that would provide impetus to growth, poverty reduction and improvement in human welfare. Manage expenditure consistent with the level of revenue generated. While adhering to the fiscal years, the State Government will give priority to protect those expenditure heads classified as 'High Priority Development Expenditure' in the MTFRP. 	<ul style="list-style-type: none"> Pursue expenditure policies that would provide impetus to growth, poverty reduction and improvement in human welfare. Manage expenditure in relation to its receipts potential. Efforts to contain non-plan expenditure. Reduce expenditure on wages and salaries of the Government. 	<ul style="list-style-type: none"> Lay down norms for prioritisation of capital expenditure, pursue expenditure policies that would provide impetus to economic growth, poverty reduction and improvement in human welfare. 	<ul style="list-style-type: none"> Manage expenditure consistent with the level of revenue generated.
7. Medium Term Fiscal Plan (MTFP)	<ul style="list-style-type: none"> The MTFP would include three years 	<ul style="list-style-type: none"> The MTFP would include three years 	<ul style="list-style-type: none"> The MTFP would include three years 	<ul style="list-style-type: none"> The MTFP would include four year rolling 	<ul style="list-style-type: none"> The MTFP would include three years 	<ul style="list-style-type: none"> The MTFP would include three years 	<ul style="list-style-type: none"> The MTFP would include multi-years

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	<p>rolling targets for the prescribed fiscal indicators.</p> <ul style="list-style-type: none"> Assessment of sustainability relating to <ul style="list-style-type: none"> the balance between revenue receipts and revenue expenditure the use of capital receipts for generating productive assets. the estimated yearly pension liabilities worked out on actuarial basis for the next ten years. 	<p>rolling targets for the prescribed fiscal indicators.</p> <ul style="list-style-type: none"> Assessment of sustainability relating to <ul style="list-style-type: none"> the balance between revenue receipts and revenue expenditure the use of capital receipts for generating productive assets. the estimated yearly pension liabilities worked out on actuarial basis. 	<p>rolling target for the prescribed fiscal indicators.</p> <ul style="list-style-type: none"> Assessment of sustainability relating to <ul style="list-style-type: none"> the balance between revenue receipts and revenue expenditure the use of capital receipts for generating productive assets. The MTFP shall, <i>inter alia</i>, contain- <ul style="list-style-type: none"> the strategic priorities of the Government in the fiscal matters for the ensuing financial year. Medium term fiscal objectives. Evaluation of the performance of the prescribed fiscal indicators in the previous year <i>vis-à-vis</i> targets . Policies of the Government for 	<p>target for the prescribed fiscal indicators.</p> <ul style="list-style-type: none"> Assessment of sustainability relating to <ul style="list-style-type: none"> the balance between revenue receipts and revenue expenditure the use of capital receipts for generating productive assets. The MTFP shall, <i>inter alia</i>, contain- <ul style="list-style-type: none"> the strategic priorities of the Government in the fiscal matters for the ensuing financial year. Medium term fiscal objectives. Evaluation of the performance of the prescribed fiscal indicators in the previous year <i>vis-à-vis</i> targets . Policies of the Government for 	<p>rolling targets for the prescribed fiscal indicators.</p> <ul style="list-style-type: none"> Assessment of sustainability relating to <ul style="list-style-type: none"> the balance between revenue receipts and revenue expenditure the use of capital receipts for generating productive assets. the estimated yearly pension liabilities for the next ten years on the basis of trend growth rate. 	<p>rolling targets for the prescribed fiscal indicators.</p> <ul style="list-style-type: none"> Assessment of sustainability relating to <ul style="list-style-type: none"> the balance between revenue receipts and revenue expenditure the use of capital receipts, including borrowings for generating productive assets. the estimated yearly pension liabilities worked out on actuarial basis for the next ten years. 	<p>rolling target for the prescribed fiscal indicators.</p> <ul style="list-style-type: none"> Assessment of sustainability relating to <ul style="list-style-type: none"> the balance between revenue receipts and revenue expenditure The use of capital receipts for generating productive assets. The MTFP shall, <i>inter alia</i>, contain- <ul style="list-style-type: none"> Medium term fiscal objectives. Evaluation of the performance of the prescribed fiscal indicators in the previous year <i>vis-à-vis</i> targets. Policies of the Government for the ensuing year relating to taxation, expenditure, borrowing and other liabilities.

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			the ensuing year relating to taxation, expenditure, borrowing and other liabilities.	the ensuing year relating to taxation, expenditure, borrowing and other liabilities.			<ul style="list-style-type: none"> The strategic priorities of the Government in the fiscal matters for the ensuing financial year.
8. Compliance	<ul style="list-style-type: none"> Quarterly review of the trend in receipts and expenditure in relation to the budget estimates. May set up an independent agency to review the compliance provisions of this Act. Whenever there is a shortfall in revenue or excess of expenditure over targets, appropriate measures to be taken for increasing revenue and/or reducing expenditure. A statement in both Houses for any measure proposed in the course of the 	<ul style="list-style-type: none"> Quarterly review of the trend in receipts and expenditure in relation to the budget estimates. May set up an independent agency to review the compliance provisions of this Act. Whenever there is a shortfall in revenue or excess of expenditure over targets, appropriate measures to be taken for increasing revenue and/or reducing expenditure. A statement in both Houses for any measure proposed in the course of the 	<ul style="list-style-type: none"> Half-yearly review of the trend in receipts and expenditure in relation to the budget estimates along with remedial measures to achieve the budget target. Whenever there is a shortfall in revenue or excess of expenditure over targets, appropriate measures to be taken for increasing revenue and/or reducing expenditure. Supplementary estimates will be accompanied by statement of curtailment of expenditure and/or 	<ul style="list-style-type: none"> Half-yearly review of the trend in receipts and expenditure in relation to the budget estimates along with remedial measures to achieve the budget target. Whenever there is a shortfall in revenue or excess of expenditure over targets, appropriate measures to be taken for increasing revenue and/or reducing expenditure. Supplementary estimates will be accompanied by statement of curtailment of expenditure 	<ul style="list-style-type: none"> Quarterly review of the trend in receipts and expenditure in relation to the budget estimates. May set up an independent agency to review the compliance provisions of this Act. Whenever there is a shortfall in revenue or excess of expenditure over targets, appropriate measures to be taken for increasing revenue and/or reducing expenditure. A statement in both Houses for any 	<ul style="list-style-type: none"> Quarterly review of the trend in receipts and expenditure in relation to the budget estimates. The State Government may set up an agency independent of the State Government to review periodically the compliance of the provisions of the Act and table such reviews in the Houses of the State Legislature. The State Government will take appropriate measures if there is any shortfall in revenue or excess of 	<ul style="list-style-type: none"> Half-yearly review of the trend in receipts and expenditure in relation to the budget estimates along with remedial measures to achieve the budget target. May assign an independent agency to review the compliance provisions of this Act. A statement in both Houses for any measure proposed in the course of the financial year, which may lead to an increase in revenue deficit, shall be accompanied by a statement

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	financial year, which may lead to an increase in revenue deficit, shall be accompanied by a statement of remedial measures, proposed to neutralise such increase or loss.	financial year, which may lead to an decrease in revenue surplus, shall be accompanied by a statement of remedial measures, proposed to neutralise such decrease or loss.	augmentation of revenue.	and/or augmentation of revenue.	measure proposed in the course of the financial year, which may lead to an increase in revenue deficit, shall be accompanied by a statement of remedial measures, proposed to neutralise such increase or loss. • The Minister of Finance shall make a statement in both the Houses of Legislature if there is a deviation owing to unforeseen circumstances in meeting the obligations cast on the State Government under this Act and the remedial measures.	expenditure over the intra-year targets mentioned in the Fiscal Policy Strategy Statement or the rules under this Act. • A statement in both Houses for any measure proposed in the course of the financial year, which may lead to an increase in revenue deficit, shall be accompanied by a statement of remedial measures, proposed to neutralise such increase or loss. • The Minister of Finance shall make a statement in both the Houses of Legislature if there is a deviation owing to unforeseen circumstances in meeting the obligations cast on the State	of remedial measures, proposed to neutralise such increase or loss. • The Minister of Finance shall make a statement in both the Houses of Legislature if there is a deviation owing to unforeseen circumstances in meeting the obligations cast on the State Government under this Act and the remedial measures. • Supplementary estimates will be accompanied by statement of curtailment of expenditure and/or augmentation of revenue.

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						Government under this Act and the remedial measures.	
9. Pension	<ul style="list-style-type: none"> Estimated yearly pension liabilities worked out on actuarial basis for the next ten years. If the above is not possible for the first 3 years, then forecasts based on trend growth rates may be made. 	<ul style="list-style-type: none"> Estimated yearly pension liabilities worked out on actuarial basis for the next ten years. If the above is not possible for the first 3 years, then forecasts based on trend growth rates may be made. 	–	–	<ul style="list-style-type: none"> Estimated yearly pension liabilities for next 10 years on the basis of trend growth rate. 	<ul style="list-style-type: none"> Estimated yearly pension liabilities worked out on actuarial basis for the next ten years. If the above is not possible for the first 3 years, then forecasts based on trend growth rates may be made. 	–
10. Fiscal Transparency	<ul style="list-style-type: none"> Measures to ensure greater transparency in the fiscal operations. Disclosure of significant changes in the accounting standards, policies and practices. Disclosure of details of borrowing by way of WMA/ OD from RBI. 	<ul style="list-style-type: none"> Measures to ensure greater transparency in the fiscal operations. Disclosure of significant changes in the accounting standards, policies and practices. Disclosure of details of borrowing by way of WMA/ OD from RBI. 	<ul style="list-style-type: none"> Measures to ensure greater transparency in the fiscal operations. Disclose Statement giving information regarding guarantees and changes in the accounting practices that may affect fiscal indicators. 	<ul style="list-style-type: none"> Measures to ensure greater transparency in the fiscal operations. Disclosure of sufficient information regarding guarantees and changes in the accounting practices. 	<ul style="list-style-type: none"> Measures to ensure greater transparency in the fiscal operations. Disclosure of significant changes in the accounting standards, policies and practices. Disclosure of details of borrowing by way of WMA/ OD from RBI. 	<ul style="list-style-type: none"> Measures to ensure greater transparency in the fiscal operations. At the time of presentation of budget, the State Government may disclose significant changes in the accounting standards, policies and practices 	<ul style="list-style-type: none"> Measures to ensure greater transparency in the fiscal operations. Disclosure of significant changes in the accounting standards, policies and practices. Disclosure of sufficient information regarding contingent

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	<ul style="list-style-type: none"> Whenever the State undertakes to repay principal and/or interest of any separate legal entity, it has to reflect such liability as the borrowings of the State. 	<p>OD from RBI.</p> <ul style="list-style-type: none"> Whenever the State undertakes to repay principal and/or interest of any separate legal entity, it has to reflect such liability as the borrowings of the State. 			<ul style="list-style-type: none"> Disclosure of sufficient information to allow public scrutiny on the conduct of fiscal policy and the state of public finances. Government or the authorities exercising delegated financial powers shall first issue administrative approval or financial sanction before awarding any work or starting construction. Each department shall maintain a register of works and order of supplies and liabilities. Appointments only against sanctioned posts. 	<p>affecting or likely to affect the computation of fiscal indicators.</p> <ul style="list-style-type: none"> Disclosure of details of borrowings by way of WMA/ OD availed from RBI. Disclosure of the number of employees in Government, public sector, aided institutions and related salaries. Whenever the State undertakes to repay principal and/or interest of any separate legal entity, it has to reflect such liability as the borrowings of the State. 	<p>liabilities created by guarantees.</p>

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11. Others	<ul style="list-style-type: none"> Revenue surplus may not be able to be maintained and GFD may exceed the limits specified on grounds of unforeseen demands due to national security or natural calamities. Pursue policies to raise non-tax revenue with due regard to cost recovery and equity. The State Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act. If any difficulty arises in giving effect to the provisions of this Act, the State Government may, by order published in the Official Gazette, 	<ul style="list-style-type: none"> Revenue surplus may not be able to be maintained and GFD may exceed the limits specified on grounds of unforeseen demands due to national security or natural calamities. Pursue policies to raise non-tax revenue with due regard to cost recovery and equity. The State Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act. 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 	<ul style="list-style-type: none"> GFD and RD may exceed the limits on grounds of unforeseen demands due to national security or natural calamities. Pursue policies to raise non-tax revenue with due regard to cost recovery and equity. The State Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act. 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 	<ul style="list-style-type: none"> GFD and RD may exceed the limits on grounds of unforeseen demands due to national security or natural calamities. Pursue policies to raise non-tax revenue with due regard to cost recovery and equity. The State Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act. 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 	<ul style="list-style-type: none"> GFD and RD may exceed the limits on account of unforeseen circumstances such as natural calamities, internal disturbances and shortfall in transfer of resources from Centre. Pursue policies to raise non-tax revenue with due regard to cost recovery and equity. The State Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act. 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 	<ul style="list-style-type: none"> GFD and RD may exceed the limits on grounds of unforeseen demands due to national security or natural calamities. Pursue policies to raise non-tax revenue with due regard to cost recovery and equity. The State Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act. 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 	<ul style="list-style-type: none"> GFD and RD may exceed limits on account of unforeseen circumstances. The State Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act. 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. Appropriate measures in cash management practices so as

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	make such provisions not inconsistent with the provisions of this Act as may appear to be necessary for removing the difficulty.	provisions not inconsistent with the provisions of this Act as may appear to be necessary for removing the difficulty.	<p>this Act as may appear to be necessary for removing the difficulty.</p> <ul style="list-style-type: none"> Minimise the fiscal risk associated with management of PSUs and utilities through a review of performance. 	provisions of this Act as may appear to be necessary for removing the difficulty.	<p>such provisions not inconsistent with the provisions of this Act as may appear to be necessary for removing the difficulty.</p> <ul style="list-style-type: none"> Minimise the fiscal risk associated with management of PSUs and utilities through a review of performance Bring an annual statement on State's economy and related fiscal strategy. A special report giving details of number of employees in Government, public sector undertakings, aided institutions and related salaries. 	provisions of this Act as may appear to be necessary for removing the difficulty.	to avoid recourse to overdraft from RBI.