

(Bihar Act 5 of 2006)**The Bihar Fiscal Responsibility and Budget Management Act, 2006**

Ensuring fiscal sustainability and sustainability and progressive closing of revenue deficit, in fiscal deficitLack, prudent debt management consistent with financial affordability, greater transparency in financial activities, medium-termSocial and physical infrastructure and human beings by conducting fiscal policy in the light of the fiscal frameworkresponsibility of the State Government with regard to enhancing the opportunity for development and for matters connected therewith or incidental theretoAct to provide for

It was enacted by the Bihar State Legislature in the seventieth year of the Republic of India as follows:Yes:- I

I(1) The Bihar Fiscal Responsibility and Budget Management Act,The Act was enacted in 2006.

(2) It shall extend to the entire State of Bihar.

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

2- I Unless the context otherwise requires, in this Bill, -

(a) "Budget" means the budget placed before both Houses of the State Legislature under Article 202 of the ConstitutionAnnual financial statements;

(b) "current year" means the financial year preceding the following year;

(c) "forthcoming year" means the financial year for which the budget is being presented;

(d) "financial year" means the year commencing from 1st April and ending on 31st March next;

(e) "Gross State Domestic Product" means the Gross State Domestic Product at the current market price;

(f) "fiscal deficit" means, during any financial year, excluding the receipts of loans in the Consolidated Fund of the State,Total disbursements from this fund in excess of the total receipts (excluding repayment of loan);

(g) "Fiscal Indicators" means such indicators as may be prescribed for the assessment of the fiscal position of the State Governmenthave been made;

(h) "Fiscal Objective" means the numerical limits of the Fiscal Indicators and the Total Revenue Receipts (CRAs) orl-jk-?k-m- ds vuqikr(

(i) "prescribed" means prescribed by regulations made under this Act;

(j) "previous year" means the previous year of the current year;

(k) "Revenue Deficit" means the difference between Revenue Expenditure and Revenue Receipts (CAGR).

Explanation -Total Revenue Receipts (CRRs) comprise the State's own revenue receipts (tax and non-taxBoth) and on-going transfers from the Centre (including State share in grants and central taxes) .

In addition, for the purposes of this clause, public undertakings and establishments for special purposes and other equivalent instrumentsUnderstand the payment of interest on the borrowings incurred by the Government, for which the liability to repay is borne by the Government, as revenue expenditure;sxkA

(l) "Total Liability" means the liability under the State Consolidated Fund and the State Public Accounts and includes theBorrowings by undertakings, special purpose entities, other equivalent instruments, including securities, whose principaland/or interest to be paid from the State budget, inclusive.

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(a) take appropriate measures to eliminate the revenue deficit by the financial year 2008-09 and thereafter create a substantial revenue surplus and reduce the fiscal deficit to three per cent of the Gross State Domestic Product from FY 2008-09 shall be maintained at the percentage level and such surplus shall be utilized for discharging liabilities in excess of assets or for capital expenditures

(b) adopt a policy of increasing non-tax revenues with due regard to cost recovery and equilibrium, and

(c) prescribe standards for prioritizing capital expenditure and follow such expenditure policy to promote economic growth, poverty reduction and improvement in human welfare.

4- I - The state government is guided by the following fiscal policy

(a) Transparency - defining fiscal policy goals; public policy implementation and fiscal information transparency in publications so that the public can scrutinise the conduct of fiscal policy and public financial position;

(b) Sustainability and future indicators - the way fiscal policy is framed and the way fiscal policy is framed Impact on the economy is sustainable and predictable in the future;

(c) Accountability and Integrity - Responsibility in the management of public finances, including inclusiveness in budget formulation;

(d) Impartiality - To ensure that the current policy decisions of the state government have a bearing on future generations The financial burden has been properly taken care of, fairness in decisions;

(e) Efficiency - in the design and implementation of fiscal policy and in the management of assets and liabilities of public finances Efficiency is;

5- I-

The State Government shall, every year, lay before both the Houses of the Legislature the Budget as well as the Fiscal Policy shall contain the following particulars -

(a) a description of the macroeconomic framework;

(b) the medium-term fiscal policy statement; and

(c) A description of the fiscal policy action plan.

6- I- The macroeconomic profile statement shall be in the prescribed form, so that the State Overview of the Economy, c.r.o. analysis of the growth and trends in its regional structures, the state government's Financial position and future outlook will be assessed.

7- (1) The medium-term fiscal policy statement shall be in such form as may be prescribed, including The fiscal management targets and the prescribed fiscal indicators of the State Government shall include the triennial variable targets and It will explicitly mention the underlying assumptions.

3

Bihar Gazette (Extraordinary), 5th April, 2006

(2) In particular and without prejudice to the provisions contained in subsection (1), the medium-term fiscal policy The statement includes an assessment of the various assumptions behind fiscal detectors and affordability related to Will

(i) The balance between revenue receipts and revenue expenditure,

(ii) Use of other capital receipts including lending for creation of productive assets, (iii) Estimated annual pension liabilities for the next 10 years:

Provided that if, during the first three years after the coming into force of this Act, the pension liabilityIf it is not possible to calculate then the State Government is forecasting based on the growth rate trends during that periodPension liability can be estimated.

8- **I-** the Fiscal Policy Action Plan statement shall be in the
It shall, inter alia, include the following: -

- (i) Taxation, Expenditure, Borrowings and Other Liabilities (including Public Undertakings and SpecialBorrowings taken by the purposeful enterprise and other equivalent instruments for which the State Government is responsible for repayment,including), liability and investment, other contingent liability, user charges on public goods/utility services andOther activities such as those relating to guarantees and activities of public enterprises which may have an impact on the budget in the futurethe fiscal policies of the state government,
- (ii) the priorities of the State Government's action plan in fiscal areas for the coming year,
- (iii) Major fiscal measures and taxation, subsidies, expenditure, lending and public goods/public utility servicesthe justification for any major deviation in fiscal measures in relation to user charges, and
- (iv) Principles of Fiscal Management given in GHARA-4, mid-term as referred to in sub-section (1) of section-7State in relation to the fiscal objectives set out in the Fiscal Policy Statement and the fiscal targets set out in Section - 9ljdkj dh orZeku uhfr dk ewY;kadu A

9- **I- (1)** The State Government may, as may be necessary to give effect to the
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(2) In particular and without prejudice to the generality of the foregoing provisions, the State Government shall-

- (a) From the beginning of the financial year 2006-07, and in the event of a revenue deficit, the revenue deficit/gross state incomeReduce the product ratio by at least 0.1% per year depending on the economic situation, financial yearwill eliminate the revenue deficit by 2008-09 and thereafter create a revenue surplus,
- (b) Fiscal Deficit/Gross State Domestic Product ratio from the beginning of FY 2006-07 and from 3%will reduce this ratio by at least 0.3 per cent per year if it is high and by the year 2008-09Fiscal deficit will be brought down to 3% of GDP.

but not subject to internal laws, natural disasters or other exceptions as may be specified by the State Government

Revenue Deficit and Fiscal Deficit due to grounds may exceed the limit specified under this section:

Provided further that a statement in respect of the grounds or grounds specified in the first proviso shall be made in respect of the amount of such deficit

Once the above objectives are exceeded, they will be placed before the House or Houses of the Legislature as soon as possible.

10- **I- (1)** The State Government shall, in its fiscal
take appropriate measures to ensure greater transparency and, as far as practicable, in the preparation of the annual budget
reduce privacy.

(2) In particular and without prejudice to the generality of the foregoing provisions, the State Government shallAt the time of preparation in such form as may be prescribed a statement shall disclose the following: -

- (a) Accounting standards, policies and procedures affecting or likely to affect the prescribed financial indicators Significant changes in practices,

(b) Details of loans given through WMAs/Overdrafts received from Reserve Bank of India.

(c) Regarding the number of employees of government, public and aided institutions and their salary details

(3) Whenever the State Government approves a separate legal entity unconditionally and in substantial proportion to the principal amounts such obligations as government borrowings if committed for repayment and/or interest-payment reflect.

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I- Minister in charge of Finance Department (hereinafter specified) review every quarter the receipts and expenditure trends relating to the Budget Estimates and such The outcome of the review will be placed before both the Houses of the Legislature.

(2) Whenever specified in the Fiscal Action Plan Statement or rules made under this Act If there is a shortfall in revenue against the annual targets, or there is an excess of expenditure then the state government can increase the revenue and/or take appropriate measures to reduce expenditure, including those sought to be paid from the Consolidated Fund of the State and Reducing the authorized amount is also included;

Provided that no provision of this sub-section shall be made for the Consolidated Fund of a State under clause (3) of article 202 of the Constitution Expenses reimbursed and any other expenses to be incurred under an agreement or contract which is not deferred or reduced may, but will not apply.

(3) (a) cast upon the State Government under this Act, except as provided under this Act No deviation in fulfilling the obligations shall be permissible without the approval of the Legislature.

(b) Where, on account of unforeseen circumstances, the tigers put on the State Government under this Act If there is any deviation in fulfilling the

(i) any deviation in fulfilling the obligations of the State Government under this Act,

(ii) whether such deviation is substantial and relates to actual or potential budgetary consequences; and

(iii) Proposed by the state government; remedial measures.

(4) Any measure proposed during the financial year that causes an increase in the revenue deficit, whether it is an increase in expenditure or the loss of revenue, shall be accompanied by a statement of remedial measures, including such increase or loss propose measures to neutralise, and such a statement shall be laid before both Houses of the Legislature. (5) The State Government may from time to time review the compliance of the provisions of this Act with a constitute an agency and place such reviews on the Table of the Houses of the State Legislature.

12-

I- (1) The State Government shall, by notification, carry out the to make rules.

(2) In particular and without prejudice to the generality of the foregoing powers, such Manual shall

5

Bihar Gazette (Extraordinary), 5th April, 2006

(a) Form of statement of macroeconomic profile under section 6,

(b) Form of medium-term fiscal policy statement with targets for fiscal indicators under section 7, (c) Form of Fiscal Policy Action Plan Statement under Section-8,

(d) the form of disclosure under sub-section (2) of section-10,

(e) Measures for compliance,

(f) the manner of review of compliance of the provisions of this Act by the independent agency under section-11 and (g) any other matter which is required or may be prescribed.

13- **I-** Every rule made under this Act, before the Houses of the Legislature when they are in session, for a total period of fourteen days, as soon as may be after they are constituted will be retained for. This period may consist of one session or two or more consecutive sessions. If before the end of the above session or immediately after the above successive sessions, to make any

modification in the House Rules agrees or the House agrees that if this rule is not made, then the rule, as the case may be, shall have effect only in that modified form or shall have no effect, but any such modification or annulment shall not adversely affect the validity of anything done in the past under the rule.

14- **I-** In pursuance of this Act or the rules made of the State Government or an office bearer of the State Government for anything done or done in good faith No lawsuit, prosecution, or other legal action will be taken against them.

15- **I-** any decision of the State Government under this Act or No civil court shall have jurisdiction to question the validity of any action taken.

16 **I-** The provisions of this Act, wherever the State declare, shall be in addition to the provisions of any other law for the time being in force and not for their diminution.

17- **I-** 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 as it may deem fit to remove the difficulty and which are not inconsistent with the provisions of this Act:

Provided that no order under this section shall be made after two years have elapsed from the commencement of this Act.

2. Every order made under this section shall, as soon as may be after it has been made, take effect from the date on shall be laid before each House.

I- The Bihar Fiscal Responsibility and Budget Management Ordinance, 2006 (Bihar Ordinance) No. 2, 2006) is hereby repealed.

(2) Notwithstanding such repeal, any act done in exercise of the power conferred by or under the said Ordinance or any action taken shall be deemed to have been taken or to have been taken in exercise of the powers conferred by or under this Act, As if this Act was in force on the day on which such act was done or such action was taken.

6

Bihar Gazette (Extraordinary), 5th April, 2006

3 April 2006

S.L.G. 1-02/2006-Leg-74- As passed by the Bihar Legislature and by the Governor 1 April, 2006

The following translation of the Bihar Fiscal Responsibility and Budget Management Act, 2006 permitted by the Governor of Bihar-

from the authority published by it under clause (3) of Article-348 of the Constitution of India
The Act shall be deemed to be an authoritative text in the English language.

By order of the Governor of Bihar,
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the Secretary-in-Charge.