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|  | THE HARYANA FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT (AMENDMENT) BILL, 2022  A  BILL  further to amend the Haryana Fiscal Responsibility and Budget Management Act, 2005.  Be it enacted by the Legislature of the State of Haryana in the Seventy-third Year of the Republic of India as follows:- |
| Short title and commencement. | 1. (1) This Act may be called the Haryana Fiscal Responsibility and Budget Management (Amendment) Act, 2022.  (2) It shall be deemed to have come into force with effect from the 1st April, 2021. |
| Amendment of section 9 of Haryana Act 6 of 2005. | 2. For clauses (a), (b) and (c) of sub-section (2) of section 9 of the Haryana Fiscal Responsibility and Budget Management Act, 2005, the following clauses shall be substituted, namely:-  “(a) attain the revenue deficit as percentage to GSDP in vogue in that particular year as recommended by the Central Finance Commission and approved by the Government of India;  (b) achieve the fiscal deficit as percentage to GSDP in vogue in that particular year as recommended by the Central Finance Commission and approved by the Government of India;  (c) ensure that the outstanding debt as percentage to GSDP in vogue in that particular year as recommended by the Central Finance Commission and approved by the Government of India:  Provided that revenue deficit and fiscal deficit may exceed the limits, specified by the Government of India from time to time, on the ground of unforeseen demands on the finances of the State Government arising out of internal disturbance or natural calamity or national security or such other exceptional ground as the State Government may specify:  Provided further that a statement in respect of the ground specified in the first proviso shall be placed before the House of the State Legislature, as soon as may be, after such deficit amount exceeds the targets;”. |
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**STATEMENT OF OBJECTS AND REASONS**

As per recommendations of 12th Finance Commission, the State Government had enacted Haryana Fiscal Responsibility and Budget Management Act, 2005 vide notification dated 6th July 2005 with an objective to eliminate revenue deficit and to reduce the fiscal deficit within the prescribed limit. As per this Act, the revenue deficit was to be brought to zero by 2008-09 and the limit of fiscal deficit was kept at maximum of 3% of Gross State Domestic Product (GSDP). The condition for bringing Revenue Deficit to zero was relaxed for 2008-09 and 2009-10. With regard to Fiscal Deficit, in view of Ministry of Finance, Government of India Guidelines for Debt Consolidation and Relief Facility (DCRF) the target was relaxed from 3% to 3.5% of GSDP for 2008-09 and from 3.5% to 4% of GSDP for 2009-10. As per Haryana Fiscal Responsibility and Budget Management Act, 2005 the limit of outstanding total debt including contingent liability was 28% of the estimated Gross State Domestic Product (GSDP) from 2005-06 to 2009-10.

2. As per recommendations of the 13th Finance Commission and Ministry of Finance, Government of India Guidelines, the State was to attain target of zero revenue deficit from 2011-12 to 2014-15 and fiscal deficit at 3% of GSDP during 2010-11 to 2014-15. The outstanding debt as percentage of GSDP were required as 22.4% in 2010-11, 22.6% in 2011-12, 22.7% in 2012-13, 22.8% in 2013-14 and 22.9% in 2014-15. As per 14th Finance Commission, the State was to attain Zero revenue deficit target, fiscal deficit at 3% of the GSDP and to maintain the debt liability at 25% of the GSDP.

3. In view of COVID-19 pandemic during 2020-21, as per Ministry of Finance, Government of India letter dated 17 May 2020, the State Government was allowed to avail 2% additional borrowing of the GSDP over and above the target of 3% of the GSDP (up to 5% of GSDP in the year 2020-21) subject to implementation of State Specific Reforms. Accordingly, the amendment in the Haryana Fiscal Responsibility and Budget Management Act, 2005 was made.

4. The objective of making further amendment in the Haryana Fiscal Responsibility and Budget Management Act, 2005 is to align the State FRBM Act targets with the fiscal parameters in vogue in a particular year as recommended by the Fifteenth Finance Commission and approved by the Government of India.

5. In view of the Ministry of Finance, Government of India Explanatory Memorandum dated 1st February, 2021 as to the Action Taken on the Recommendations made by the Fifteenth Finance Commission in its final Report regarding Fiscal Roadmap and to align Fiscal parameters of the State in vogue in a particular year, further amendment in Haryana Fiscal Responsibility and Budget Management Act, 2005 is required.

**(Manohar Lal)**

**Chief MINISTER, HARYANA.**

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The Governor has, in pursuance of Clauses (1) and (3) of Article 207 of the Constitution of India, recommended to the Haryana Legislative Assembly the introduction and consideration of the Bill.

CHANDIGARH: R.K NANDAL,

The 21st March, 2022 Secretary.

**FINANCIAL MEMORANDUM**

State Government has already amended its FRBM Act in 2020 to align with the fiscal deficit limit of 5% of the Gross State Domestic Product (GSDP) allowed by the Government of India for the year 2020-21 subject to carry out of certain reforms. However, the State Government has maintained the fiscal deficit limit below 3% of GSDP in 2020-21 and the same is within the prescribed limit indicated in the amended FRBM Act of the State. During 2021-22, the State Government can avail borrowing upto 4% of GSDP amounting to Rs. 33,682 crore as per recommendations of the 15th Finance Commission and approval of the Ministry of Finance, Government of India.

In order to align the State FRBM Act with the fiscal parameters in vogue in a particular year as recommended by the Central Finance Commission and approved by the Government of India from time to time, the proposed enactment of Haryana Fiscal Responsibility and Budget Management (Amendment) Bill, 2022 is to:

(a) attain the revenue deficit as percentage to GSDP in vogue in that particular year as recommended by the Central Finance Commission and approved by the Government of India;

(b) achieve fiscal deficit as percentage to GSDP in vogue in that particular year as recommended by the Central Finance Commission and approved by the Government of India;

(c) ensure that the Outstanding Debt as percentage to GSDP in vogue in that particular year as recommended by the Central Finance Commission and approved by the Government of India.

As per recommendations of the 15th Finance Commission and guidelines of Government of India, State Government can avail the borrowing upto 4% in year 2021-22, 3.5% in 2022-23, and 3% each for year 2023-24 to 2025-26 of the Gross State Domestic Product. Accordingly, the amendment in Haryana Fiscal Responsibility and Budget Management Act, 2005 is required.