

PUNJAB VIDHAN SABHA

BILL NO. 9-PLA-2021

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

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BILL

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 One 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);”.

STATEMENT OF OBJECTS AND REASONS

In view of the serious negative impact of the unprecedented COVID-19 pandemic on the resources of State Governments, to strengthen resources in the hands of State Governments, the Government of India had decided to provide relaxation in borrowing limits by increasing an additional Borrowing Limit of up to 2.0 per cent of Gross State Domestic Product (GSDP) for the year 2020-2021. Out of this additional 2.0 per cent, 0.5 per cent was unconditional and the remaining 1.5 per cent was conditional to the following reforms:-

- a) Implementation of One Nation One Ration Card System;
- b) Ease of doing business reform;
- c) Urban Local body/utility reforms; and
- d) Power Sector reforms.

The weightage of each reform would be 0.25 per cent of GSDP totaling to 1 per cent. The remaining borrowing limit of 0.50 per cent was to be conditional to the undertaking of at least 3 out of the above-named reforms.

Further, to compensate the shortfall arising out of GST implementation, the Government of India had offered two borrowing Options-I and II to the States, out of which, State of Punjab, had opted Option-I. Option-I has given permission to the States to borrow the final installment of 0.5% (originally intended as a bonus for completing at least three of the four specified reforms) even without meeting the pre-conditions.

The State Government has accepted the decision of the Government of India to contain its fiscal deficit as percent of Gross State Domestic Product (GSDP) at 4.0 per cent and an additional 1.0 per cent in the financial year 2020-2021, conditional to above-mentioned reforms and maintain thereafter at 3.0 per cent (three per cent) or as allowed by Government of India from time to time. Therefore, the State is required to amend its Fiscal Responsibility and Budget Management Act, 2003 accordingly to avail the benefit of additional borrowing. Hence this amendment / enactment.

Manpreet Singh Badal,
Minister for Finance, Punjab.

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FINANCIAL IMPLICATION

In view of the serious negative impact of the unprecedented COVID-19 pandemic on the resources of State Governments, to strengthen resources in the hands of State Governments, the Government of India had decided to provide relaxation in borrowing limits by increasing an additional Borrowing Limit of up to 2.0 per cent of Gross State Domestic Product (GSDP) for the year 2020-2021. The State of Punjab had also been allowed an additional borrowing of 2.0 per cent of Gross State Domestic Product (GSDP) i.e. Rs. 12130.00 crore in 2020-21 over and above its Net borrowing ceiling, which is 3% of GSDP. Out of this additional 2.0 per cent, 0.5 percent was unconditional and the remaining 1.5 per cent was conditional to the following reforms:-

- a) Implementation of One Nation One Ration Card System;
- b) Ease of doing business reform;
- c) Urban Local body/utility reforms; and
- d) Power Sector reforms.

The weightage of each reform would be 0.25 per cent of GSDP totaling to 1 per cent. The remaining borrowing limit of 0.50 per cent was to be conditional to the undertaking of at least 3 out of the above-named reforms.

2. Further, to compensate the shortfall arising out of GST implementation, the Government of India had offered two borrowing Options-I and II to the States, out of which, State of Punjab, had opted Option-I. Option-I has given permission to the States to borrow the final installment of 0.5% (originally intended as a bonus for completing at least three of the four specified reforms) even without meeting the pre-conditions.

3. The proposed amendment in clause (a) of Sub-section (2), of Section 4 of the Fiscal Responsibility and Budget Management Act, 2003 will result in additional borrowing of Rs. 12130.00 crore as mentioned above, over and above 3% of GSDP (Net borrowing ceiling of the State of Punjab permissible under FRBM Act, 2003), during the Financial Year 2020-21 and in the coming year(s).

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

CHANDIGARH:
THE 5TH MARCH, 2021

SHASHI LAKHANPAL MISHRA
SECRETARY.

N.B. - The above Bill was published in the Punjab Government Gazette (Extraordinary), dated the 5th March, 2021 under the proviso to rule 121 of the Rules of Procedure and Conduct of Business in the Punjab Vidhan Sabha (Punjab Legislative Assembly).