

## **Fiscal Responsibility and Budget Management Rules, 2004**

### CONTENTS

1. Short title and commencement
2. Definitions
3. Annual targets
4. Medium Term Fiscal Policy Statement, Fiscal Policy Strategy Statement and Macro-Economic Framework Statement
5. Fiscal Indicators
6. Disclosures
7. Measures to enforce compliance

## **Fiscal Responsibility and Budget Management Rules, 2004**

In exercise of the powers conferred by Sec. 8 of the Fiscal Responsibility and Budget Management Act, 2003 (39 of 2003), the Central Government hereby makes the following rules, namely:

### **1. Short title and commencement :-**

- (1) These rules may be called the Fiscal Responsibility and Budget Management Rules, 2004.
- (2) They shall come into force on the 5.7.2004.

### **2. Definitions :-**

In these rules, unless the context otherwise requires,

- (a) "Act" means the Fiscal Responsibility and Budget Management Act, 2003 (39 of 2003).
- (b) "Form" means a form appended to these rules;
- (c) "GDP" means gross domestic product at current prices;
- (d) "Section" means a section of the Act;
- (e) words and expressions used herein but not defined and defined in the Act shall have the meanings respectively assigned to them in the Act.

### **3. Annual targets :-**

- (1) In order to achieve the target or revenue deficit as set out in

sub-sec. (1) of Sec. 4, by <sup>1</sup>"31.3.2009", the Central Government shall reduce such deficit by an amount equivalent to 0.5 per cent or more of the GDP at the end of each financial year, beginning with the financial year 2004-2005.

(2) The Central Government shall reduce the fiscal deficit by an amount equivalent to 0.3 per cent or more of the GDP at the end of each financial year beginnings with the financial year 2004-2005, so that fiscal deficit is brought down to not more than 3 per cent of GDP at the end of <sup>2</sup> "31.3.2009".

(3) The Central Government shall riot give guarantees aggregating to an amount exceeding 0.5 per cent of the GDP in any financial year beginning with the financial year 2004-2005.

(4) The Central Government shall not assume additional liabilities (including external debt at current exchange rate) in excess of 9 per cent of GDP for the financial year 2004-2005 and in each subsequent financial year, the limit of 9 per cent of GDP shall be progressively reduced by at least one percentage point of GDP.

In the Fiscal Responsibility and Budget Management Rules, 2004, in Rule 6, sub-rule(1) word "31.3.2009" substituted in place of the "31.3.2009", by the "Fiscal Responsibility and Budget Management (Amendment) Rules, 2007".

In the Fiscal Responsibility and Budget Management Rules, 2004, in Rule 6, sub-rule(2) word "31.3.2009" substituted in place of the "31.3.2009", by the "Fiscal Responsibility and Budget Management (Amendment) Rules, 2007".

#### **4. Medium Term Fiscal Policy Statement, Fiscal Policy Strategy Statement and Macro-Economic Framework Statement :-**

The Medium Term Fiscal Policy Statement, Fiscal Policy Strategy Statement and Macro-Economic Framework Statement required to be laid before both Houses of Parliament by the Central Government along with the annual financial statement and demands for grants shall be in Forms F-1, F-2 and F-3 respectively.

#### **5. Fiscal Indicators :-**

(1) In the Medium Term Fiscal Policy Statement, three year rolling targets in respect of the following fiscal indicators shall be as given in Form F-1, namely:

(i) revenue deficit as a percentage of GDP;

- (ii) fiscal deficit as a percentage of GDP;
- (iii) tax revenue as a percentage of GDP; and
- (iv) total outstanding liabilities of the Central Government as a percentage of GDP.

(2) The Fiscal Policy Strategy Statement in Form F-2 shall also contain the intra-year benchmarks for assessing the trends in receipts and expenditure relating to annual targets and Budget Estimates.

## **6. Disclosures :-**

(1) In order to ensure greater transparency in its fiscal operation in the public interest, the Central Government shall, at the time of presenting the annual financial statement and demands for grants, make disclosures of the following:

(a) any significant change in accounting standards, policies and practices affecting or likely to affect the computation of prescribed fiscal indicators.

<sup>3</sup> (b) statements of receivables and guarantees in Forms D-1 to D-3 along with explanatory notes, if any;

(c) a statement of assets in Form D-4 along with explanatory notes, if any;.

(2) The provisions of sub-rule (1) shall be complied with not later than with the presentation of the annual financial statement and demands for grants for the financial year 2006-2007.

In the Fiscal Responsibility and Budget Management Rules, 2004, in Rule 6, sub-rule(1) clause (b) and (c) shall be substituted in place:- "(b) statements of receivables and guarantees in Forms D-1 to D-3. (c) a statement of assets in Form D-4." by the "Fiscal Responsibility and Budget Management (Amendment) Rules, 2007".

## **7. Measures to enforce compliance :-**

In case the outcome of the quarterly review of trends in receipts and expenditure, made under sub-sec. (1) of Sec. 7, at the end of second quarter of any financial year beginning with the financial year 2004-2005 shows that

(i) the total non-debt receipts are less than 40 per cent of Budget Estimates for that year; or

(ii) the fiscal deficit is higher than 45 per cent of the Budget Estimates for that year; or

(iii) the revenue deficit is higher than 45 per cent of the Budget Estimates for that year, then,

(a) as required under sub-sec. (2) of that section, the Central Government shall take appropriate corrective measures; and

(b) as required under sub-sec. (3) of that section, the Minister-in-charge of the Ministry of Finance shall make a statement in both Houses of Parliament during the session immediately following the end of the second quarter detailing the corrective measures taken, the manner in which any supplementary demands for grants are proposed to be financed and the prospects for the fiscal deficit of that financial year.