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GOVERNMENT OF ARUNACHAL PRADESH
DEPARTMENT OF FINANCE
ITANAGAR

NOTIFICATION

The 12th February, 2007

THE ARUNACHAL PRADESH FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT RULES, 2007

No. FIN/FC-1/2006.—In exercise of the powers conferred by sub-section (1) of section 7 of the Arunachal Pradesh Fiscal Responsibility and Budget Management Act, 2006 (Act No.4 of 2006), the Government of Arunachal Pradesh hereby makes the following rules, namely :-

1. **Short title and commencement :** (1) These rules may be called the Arunachal Pradesh Fiscal Responsibility and Budget Management Rules, 2007.
(2) They shall come into force on the date of their publication in the Arunachal Pradesh Gazette.
2. **Definitions :** In these rules, unless the context otherwise requires,-
 - (a) "Act" means the Arunachal Pradesh Fiscal Responsibility and Budget Management Act, 2006: (Act No. 4 of 2006).
 - (b) "Contingent liabilities" means guarantees given by the State Government for borrowings by Public Sector Undertakings and Special Purpose Vehicles and other equivalent instruments for which the State Government may be called upon to make payment in case of default by the borrowing organizations,-
 - (c) "MTFP" means the Medium Term Fiscal Plan ;
 - (d) "Year" means financial year ;
 - (e) "Next year" means the year for which the budget is being presented ;
 - (f) "Off-budget borrowings" means borrowings by Public Sector Undertakings and Special Purpose Vehicles and other equivalent instruments where liability for repayment is on the State Government ;
 - (g) "Section" means a section of the Act ;
 - (h) "Prescribed" means prescribed by rules made under the Act.
 - (i) Words and expressions used herein but not defined in the rules shall have the same meaning respectively assigned to them in the Act.
3. **Annual Targets of Maintenance of Revenue Surplus and Reduction of Fiscal Deficit :** In accordance with the objective of maintenance of revenue surplus and reduction of fiscal deficit of the State Government, as laid down in sub-section (3) of section 4 of the Arunachal Pradesh Fiscal Responsibility and Budget Management (FRBM) Act, 2006 (Act No. 4 of 2006), the State Government shall strive :-
 - (a) to maintain at least the level of revenue surplus in the base year (average of 2001-02 to 2003-04), in the subsequent years, beginning with the financial year 2005-06 and ending with 2008-09 and adhere to it thereafter.
 - (b) to reduce every year the fiscal deficit by a minimum of 0.3 per cent of the Gross State Domestic Product by the end of each financial year, beginning with the financial year 2005-06 so as to reduce the same to 3% or below by 2008-09 and adhere to it thereafter.
4. **Fiscal Indicators :** (1) In the Medium Term Fiscal Plan as required under sub-section(2) of section 3 of the Act, four year rolling target in respect of the following fiscal indicators shall be as given in Form F-1, namely ;
 - (a) revenue surplus/deficit as percentage of GSDP ;
 - (b) fiscal deficit as a percentage of Gross State Domestic Product (GSDP);
 - (c) tax revenue as a percentage of GSDP ; and
 - (d) total outstanding liabilities of the State Government as a percentage of GSDP.(2) The Medium Term Fiscal Plan shall also explain the assumptions underlying the above mentioned targets for fiscal indicators and an assessment of sustainability relating to the items indicated in sub-section (3) of section 3 of the Act.

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5. **Form and contents of the Medium Term Fiscal Plan :** The Medium Term Fiscal Plan (MTFP) shall be in a descriptive form including but not restricted to the following matters, namely :
- (a) Fiscal objectives and strategies to achieve shall be in Form F-2 ;
 - (b) Review of fiscal performance of the previous year vis-à-vis targets with reference to fiscal indicators prescribed in rule 4 ;
 - (c) Review of the likely fiscal performance of the current year as per the revised estimates vis-a-vis targets with reference to fiscal indicators specified in rule 4 ;
 - (d) Review of macro-economic outlook and forecast of Gross State Domestic Product growth rate for each year of the 4 year period.
 - (e) A table containing absolute figures pertaining to the year before previous year (accounts), the previous year (budget estimates and accounts) and the current year (budget estimates and revised estimates), the next year (budget estimates) and projection for two subsequent years and a corresponding table with figures as percentages of Gross State Domestic Product (GSDP) for the following items :
 - (1) Revenue receipts with break-up of ;
 - (i) State's Own Tax Revenues ;
 - (ii) Non Tax revenues ; and
 - (iii) Resources from the Centre ;
 - (2) Revenue Expenditure with break-up of ;
 - (i) Interest ;
 - (ii) Salaries ;
 - (iii) Pensions ;
 - (iv) Subsidies (Power, Food, Transport, Housing, Industry and others) ;
 - (v) O&M ;
 - (vi) Devolution to Urban Local Bodies ;
 - (vii) Administrative Expenditure; and
 - (viii) Other Revenue Expenditure ;
 - (3) Revenue Surplus/Deficit,
 - (4) Capital Receipt ;
 - (5) Expenditure on Capital formation ;
 - (6) Fiscal Deficit ;
 - (7) Total Debt stock ;
 - (8) Debt Services ;
 - (9) Off-budget Borrowings ;
 - (10) Power Sector subsidy requirement ; and
 - (11) Guarantee Stock ;
 - (f) the policies of the State Government for the ensuing financial year relating to taxation, expenditure, borrowings (including borrowings by Public Sector Undertakings and Special Purpose Vehicles and other equivalent instruments where liability for repayment is on the State Government, with ceiling fixed for each agency) and other liabilities, lending and investments, pricing of administered goods and services and description of other activities, such as guarantees and activities of the Public Sector Undertakings which have potential budgetary implications; and the key fiscal measures and targets pertaining to each of these ;
 - (g) an evaluation as to how the current policies of the State Government are in conformity with the fiscal management principles set out in section 4 and the fiscal objectives set out in the Medium Term Fiscal Plan.
6. **Measures for Fiscal Transparency :** The Statement referred to in sub-section (2) of section 5 of the Act would be presented to the Legislature simultaneously with the Budget and will be called a "Budget Overview" which would include, inter-alia, the following statements, namely :-
- (a) a statement of select indicators of fiscal situation in Form D-1;
 - (b) a statement on State Government liabilities in Form D-2;
 - (c) a statement on guarantees given by the Government in Form D-3 ;
 - (d) a statement of details of number of employees in Government, public sector and aided institutions and related salaries ;
7. **Half-yearly Review :** The half yearly Review Report as prescribed in sub-section (2) of section 6 will include the following, namely :-
- (a) A table pertaining to the half year in MTFP format as specified in clause (e) of rule 5 ;
 - (b) Comparison of performance in the previous years to the extent data availability for the corresponding period as percentage of the year's budget,
 - (c) Projections of the prescribed fiscal indicators for the whole year if the present trend continues ;
 - (d) Wherever there are likely shortfalls in revenue and excess in expenditure, the causes of the same and action being contemplated to offset the impact of the same through specific strategies.
8. **Provision during Natural Calamities:-** In case of natural calamities, as provided in sub-section (3) of section 4 of the Arunachal Pradesh Fiscal Responsibility and Budget Management Act, 2006 (Act No. 4 of 2006), the fiscal cost of the calamities shall be estimated with reference to :-

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- (a) additional expenditure due to relief and rehabilitation work in excess of the budgetary allocations, and net of any reallocations from the budget ;
 - (b) shortfall in revenue due to depressed economic conditions directly attributable to such calamities ;
 - (c) Reduction in Gross State Domestic Product which may be attributed to the calamities.

Accordingly, fiscal deficit can be permitted to exceed and revenue surplus can be permitted to decrease the figures provided for in the MTFP only to the extent indicated above.

9. **Supplementary Estimates :** Whenever a Supplementary Estimate is presented to the Legislature, it shall be accompanied by a Statement which will indicate,-

- (a) for each additional commitment, the fiscal impact of the commitment for that year and for the subsequent 3 years, if any ; and
- (b) Offsetting policy decision taken by the Government to ensure that the fiscal impact for each of the 4 years is nullified.

Kewal K. Sharma,
Development Commissioner (Finance) to the
Government of Arunachal Pradesh,
Itanagar.

FORM F-1

(See rule - 4)

MEDIUM TERM FISCAL PLAN

A. Fiscal Indicators - Rolling Targets

	Current Year (Y-1) Budget Estimates (BE)	Current Year (Y-1) Revised Estimates (RE)	Ensuing Year (Y) Budget Estimates (BE)	Target for next two years	
				Y+1	Y+2

1. Revenue Surplus/Deficit as percentage of GSDP.
2. Fiscal Deficit as percentage of GSDP
3. Tax Revenue as percentage of GSDP
4. Total outstanding Liabilities as percentage of GSDP

B. Assumptions underlying the fiscal Indicators :

1. Revenue receipts

- (a) Tax revenue – Sectoral and GSDP growth rates
- (b) Non-tax revenue – Policy stance
- (c) Devolution to Local Bodies
- (d) Share of own tax revenue to total tax revenue
- (e) Share of own non-tax revenue to total tax revenue

2. Capital receipts – Debt stock, repayment, fresh loans and policy stance

- (a) Loans and advances from the Centre.
- (b) Recovery of loans and advances
- (c) Borrowings from financial institutions
- (d) Other receipts (net) – small savings, provident funds, etc.
- (e) Outstanding Liabilities – Internal Debt and Other Liabilities

3. Total Expenditure – Policy Stance

(a) Revenue account

- (i) Interest payments –
 - (a) on borrowings during the year (aggregate and category-wise);
 - (b) on outstanding liabilities- (aggregate and category-wise)
- (ii) Major subsidies
- (iii) Salaries
- (iv) Pensions
- (v) Others.

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- (b) Capital account :
- (i) Loans and advances
 - (ii) Capital outlay
4. GSDP Growth.
- C. Assessment of sustainability relating to :
- (a) **The balance between receipts and expenditure in general and revenue receipts and revenue expenditure in particular :** The Medium Term Fiscal Plan may specify the tax-GSDP ratio, own tax-GSDP ratio for the current year and subsequent two years with an assessment of the changes required for achieving it. It may discuss the non-tax revenues and the policies concerning the same. Expenditure on revenue account, both plan and non-plan may also be discussed with particular emphasis on the measures proposed to meet the overall objectives. It may discuss policies to contain expenditure on salaries, pension, subsidies and interest payments. An assessment of the capital receipts shall be made, including the borrowings and other liabilities, as per policies spelt out. The statement shall also give projections for GSDP and discuss it on the basis of assumptions underlying the indicators in achieving the sustainability objective.
 - (b) **The use of capital receipts including market borrowings for generating productive assets:** The Medium Term Fiscal Plan may specify the proposed use of capital receipts for generating productive assets in different categories. It may also spell out the proposed changes among these categories and discuss them in terms of the overall policy of the Government.
 - (c) **The estimated yearly pension liabilities worked out on actuarial basis for the next ten years:** In case it is not possible to calculate the pension liabilities on actuarial basis during the period of first three years after coming into force of this Act, the State Government may, during that period, estimate the pension liabilities by making forecasts on the basis of trend growth rates (i.e. average rate of growth of actual pension payments during the last three years for which data are available).

FORM F-2

[See rule 5(a)]

FISCAL OBJECTIVES AND STRATEGY STATEMENT

A. FISCAL POLICY OVERVIEW :

[This paragraph will present an overview of the fiscal policy currently in vogue.]

B. FISCAL POLICY FOR THE ENSUING YEAR :

[This paragraph shall have five sub-paragraphs dealing with]:-

- (1) **Tax policy :** In the sub-paragraph on tax policy, major changes proposed to be introduced in taxes in the ensuing financial year will be presented. It shall contain an assessment of exemption limits and how far it relates to per capita income, principles regarding tax exemptions and target group for exemptions.
- (2) **Expenditure Policy :** Under expenditure policy, major changes proposed in the allocation of expenditure shall be indicated. It shall also contain an assessment of principles regarding the benefits and target group of beneficiaries.
- (3) **Government Borrowings, Lending and Investments :** In this sub-paragraph on Government borrowings, the policy relating to internal debt, Government lending, investments and other activities; including principles regarding average maturity structure, bunching of repayments, etc., shall be indicated.
- (4) **Contingent and other Liabilities:** Any change in the policy on contingent and other liabilities and in particular guarantees which have potential budgetary implications shall be indicated.
- (5) **Pricing of Administered Goods :** Any change proposed in the pricing of administered products, including the progress towards market-based principles shall be spelt out.]

C. STRATEGIC PRIORITIES FOR THE ENSUING YEAR :

- (1) Resource mobilization for the ensuing financial year through tax, non-tax and other receipts shall be spelt out.
- (2) The broad principles underlying the expenditure management during the ensuing year shall be spelt out.
- (3) Priorities relating to management of public debt proposed during the ensuing year shall be indicated.]

D. RATIONALE FOR POLICY CHANGES :

- (1) The rationale for policy changes consistent with the Medium Term Fiscal Plan, in respect of direct and indirect taxes proposed in the ensuing Budget shall be spelt out.
- (2) The rationale for major policy changes in respect of budgeted expenditure including expenditure on subsidies shall be indicated.
- (3) Rationale for changes, if any, proposed in the management of the public debt shall be indicated.
- (4) The need for changes, if any, proposed in respect of pricing of administered goods shall be spelt out.]

E. TARGETS FOR THE ENSUING YEAR :

[At the end of the first six months, a mid-year assessment shall be made of the trends in receipts and expenditures and achievement of targets of surplus in relation to Budget Estimates. In case the total non-debt receipts are less than 40 per cent of Budget Estimates for that year; or the fiscal deficit is higher than 45 per cent of the Budget Estimates for

that year; or the revenue surplus is lesser than 45 per cent of the Budget Estimates for that year, the State Government shall take action as required under sub-sections (2) and (3) of section 6 of the Act and indicate specific measures to correct the situation in accordance with the fiscal targets as envisaged.]

F. POLICY EVALUATION:

[This paragraph shall contain an evaluation of the changes proposed in the fiscal policy for the ensuring year with reference to fiscal deficit reduction and objectives set out in the Medium Term Fiscal Plan.]

FORMD-1

[See rule 6(a)]

SELECT FISCAL INDICATORS

(Rs. in crore)

Sl. No.	Item	Previous year (Actuals)	Current Year (RE)
1.	Revenue Receipts		
2.	Tax Revenue (Net)		
3.	Non-Tax Revenue		
4.	Capital receipts (5+6+7)		
5.	Recovery of loans		
6.	Other Receipts		
7.	Borrowing and other liabilities		
8.	Total Receipts (1+4)		
9.	Non-Tax Expenditure		
10.	Revenue Account of which		
11.	Interest payments		
12.	Capital Account		
13.	Plan Expenditure		
14.	Revenue Account		
15.	Capital Account		
16.	Total Expenditure (9+13)		
17.	Revenue Expenditure (10+14)		
18.	Capital Expenditure (12+15)		
19.	Revenue Deficit (17-1)		
20.	Fiscal Deficit [16-(1+5+6)]		
21.	Primary Deficit (20-11)		

FORMD-2

[See rule 6(b)]

Components of State Government Liabilities

(Rs. Crore)

Category	Raised during the Fiscal Year		Repayment/Redemption during the Fiscal year		Outstanding Amount (End-March)	
	Previous Year (Actual)	Current Year (RE)	Previous Year (Actual)	Current Year (RE)	Previous Year (Actual)	Current Year (RE)

Market Borrowings

Loans from Centre

Special Securities issued to the NSSF

Borrowings from Financial

Institutions/Banks

WMA/OD from RBI

Small Savings, Provident Funds, etc.

Reserve Deposits

Other Liabilities

Total

FORM D-3

[See rule 6(c)]

GUARANTEES GIVEN BY THE GOVERNMENT

Category (No. of Guarantees)	Maximum Amount Guaranteed during the year (Rs. Crore)	Outstand- ing at the beginning of the year (Rs. Crore)	Additions during the year (Rs. Crore)	Deletions other than in- voked during the year (Rs. Crore)	Invoked during the year (Rs. Crore)		Outstand- ing at the end of the year (Rs. Crore)	Guarantee Commi- sion or Fee (Rs. Crore)		Remarks
					Discharged	Not Discharged		Receivable	Received	
1	2	3	4	5	6	7	8	9	10	11

Note : Reporting year refers to the second year preceding the year for which the Budget is presented.