



## **The Mizoram Fiscal Responsibility and Budget Management Act, 2006**

Act 7 of 2006

### **Keyword(s):**

**Annual Budget, Consolidated Fund, Current Year, Ensuing Year, Fiscal Deficit, Fiscal Indicators, Fiscal Targets, Guarantees, Public Sector Undertaking, Reserve Bank, Revenue Deficit, Special Purpose Vehicle, Total Liabilities**

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#### NOTIFICATION

No.H.12018/176/2006-LJD/4, the 3<sup>rd</sup> November, 2006. The following Act of the Mizoram Legislative Assembly, which received the assent of the Governor of Mizoram is hereby published for general information.

The Mizoram Fiscal Responsibility  
And Budget Management Act, 2006

(Act No. 7 of 2006)

[Received the assent of the Governor of Mizoram on 20<sup>th</sup> October, 2006]

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ACT

to ensure prudence in fiscal management and fiscal stability by progressive reduction of revenue deficit, prudent debt management consistent with fiscal sustainability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term fiscal framework and for matters connected therewith or incidental thereto.

Be it enacted by the Mizoram State Legislature in the Fifty-sixth Year of the Republic of India, as follows :-

#### 1. Short title, extent and commencement -

- (1) This Act may be called the Mizoram Fiscal Responsibility and Budget Management Act, 2006.
- (2) It shall extend to the whole of the State of Mizoram.
- (3) It shall come into force on such date as the State Government may, by notification in the Official Gazette, appoint in this behalf.

#### 2. Definitions - In this Act, unless the context otherwise requires -

- (a) "annual budget" means the Annual Financial Statement laid before the House of the State Legislature under Article 202 of the Constitution of India;



- (b) "Consolidated Fund" means the Fund as defined in Article 266 (1) of the Constitution of India comprising all revenues received by the Government of Mizoram, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by the Government in repayment of loans;
- (c) "current year" means the year preceding the year for which the annual budget, Medium Term Fiscal Policy Statement and the Fiscal Policy Strategy Statement are being presented;
- (d) "ensuing year" means the financial year for which the budget is being presented;
- (e) "financial year" means the year beginning on the 1st April and ending on 31st March next following;
- (f) "fiscal deficit" means the excess of total disbursements from the Consolidated Fund of the State (excluding repayment of debt) over the sum of revenue receipts, recovery of loans and non-debt capital receipts into the Fund during a financial year;
- (g) "fiscal indicators" means such indicators as may be prescribed for evaluation of the fiscal position of the State Government;
- (h) "fiscal targets" means the numerical ceilings prescribed in either absolutes (in Rupees crore) or as proportions to the Gross State Domestic Product or other magnitudes for the fiscal indicators;
- (i) "guarantees" means the liabilities (except outstanding guarantees against State Insurance and Provident Fund, which are included in total explicit liabilities), undertaken by State Public Vehicles, where servicing and repayment liabilities fall on the State Government in the event of default by the primary borrower;
- (j) "prescribed" means prescribed by the rules made under this Act;
- (k) "Public Sector Undertaking" means the enterprises having equity contribution of more than 50% from the Government of Mizoram, whether departmental or non-departmental;
- (l) "Reserve Bank" means the Reserve Bank of India constituted under sub-section (1) of section 3 of the Reserve Bank of India Act, 1934 (Act No.2 of 1934);
- (m) "revenue deficit" means the amount of excess of revenue expenditure over revenue receipts in a financial year;
- (n) "Special Purpose Vehicle" means the instruments set up for financing of investments through borrowings not routed through the annual budget of the Government of Mizoram.
- (o) "total liabilities" means the explicit liabilities under Consolidated Fund of the State and the Public Account of the State including General Provident Fund.

### 3. Fiscal Management Objectives - The State Government shall -

- (1) take appropriate measure to eliminate the revenue deficit and contain the fiscal deficit at sustainable levels;
- (2) pursue policies to raise non-tax revenue with due regard to cost recovery and equity;
- (3) lay down norms for prioritisation of capital expenditure, and pursue expenditure policies that would provide impetus for economic growth, poverty reduction and improvement in human welfare.



**4. Fiscal Management Principles - The State Government shall be guided by the following fiscal management principles, namely :-**

- (1) transparency in setting the fiscal policy objectives, in implementation of public policy and in publication of State Government accounts so as to allow the public to scrutinize the conduct of fiscal policy and the state of public finances as set out in section 7 of this Act;
- (2) stability upto a reasonable degree and predictability in the fiscal policy making process;
- (3) responsibility in the management of public finances.

**5. Fiscal Policy Statement to be laid before the Legislature -**

- (1) The State Government shall in each financial year lay before House of the State Legislature the following statements of fiscal along with the annual budget, namely :-

- (a) Medium Term Fiscal Policy Statement; and
- (b) Fiscal Policy Strategy Statement.

- (2) The Medium Term Fiscal Policy Statement shall set forth the fiscal objectives and strategic priorities of the State Government with clear enunciation of underlying assumptions.

- (3) In particular and without prejudice to the provisions contained in sub-section (2), the Medium Term Fiscal Policy Statement shall include an assessment of sustainability relating to -

- (a) the balance between revenue receipts and revenue expenditures;
- (b) the use of capital receipts including borrowings for generating productive assets; and
- (c) the estimated yearly pension liabilities worked out on actuarial basis, for the next ten years.

Provided that for a period of five financial years from the commencement of this Act, pension liabilities may instead of working out on actuarial basis, be estimated by making forecasts on the basis of trend growth rates.

- (4) Fiscal Policy Strategy Statement shall, inter alia, contain -

- (a) the fiscal policies of the State Government for the ensuing financial year relating to revenue receipts, expenditure, borrowing and other liabilities including guarantees, lending and investments, user charges on public goods/utilities and description of other activities, such as guarantees and activities of public sector undertakings which have potential budgetary implications;
- (b) the strategic priorities of the State Government in the fiscal area for the ensuing financial year;
- (c) key fiscal measures and the rationale for any major deviation in fiscal measures pertaining to revenue receipts, subsidy, expenditure, administered pricing, borrowings, and other liabilities including guarantees;
- (d) evaluation of the current policies of the State Government vis-a-vis the fiscal management principles set out in section 4 and the fiscal objectives set out in the Medium Term Fiscal Plan.



**6. Fiscal Management Targets - In particular and without prejudice to the generality of the foregoing provisions, the State Government shall -**

- (1) progressively reduce revenue deficit from the financial year 2006-'07, so as to bring it down to zero by 2008-'09 and generate revenue surplus thereafter;
- (2) reduce fiscal deficit to 3 percent of the estimated Gross State Domestic Product by 2008-'09;
- (3) reduce revenue deficit annually at an average annual reduction rate consistent with the goal set out in sub-section (1)
- (4) reduce fiscal deficit annually at a percentage of Gross State Domestic Product at an average reduction rate consistent with the goal set out in sub-section (2);
- (5) ensure that total outstanding debt, excluding public account, and risk weighted outstanding guarantees in a year shall not exceed twice of the estimated receipts in the Consolidated Fund of the State at the close of the financial year;
- (6) ensure to bring out annual statement giving prospects for the State economy and related fiscal strategy,
- (7) ensure to bring out special statement along with the annual budget giving in detail, number of employees in Government, Public Sector and Aided institutions and related salary :

Provided that revenue deficit and fiscal deficit may exceed the limits specified under this section due to ground or grounds of unforeseen demands on the finances of the State Government arising out of national security or natural calamity including famine relief or such other exceptional circumstances beyond the control of the State Government:

**7. Measures for Fiscal Transparency :**

- (1) The State Government shall take suitable measures to ensure greater transparency in its fiscal operations and minimise, as far as practicable in the public interest, secrecy in the preparation of the Annual Budget.
- (2) In particular, and without prejudice to the generality of the foregoing provision, the State Government shall, at the time of presentation of the annual budget, disclose in a statement in the form as may be prescribed -
  - (a) in case of a change, the significant changes in the accounting standards, policies and practices affecting or likely to affect the computation of prescribed fiscal indicators;
  - (b) details of borrowings, Ways and Means Advances/Overdrafts availed of from the Reserve Bank of India;
  - (c) the estimated yearly pension liabilities worked out on an actuarial basis for the next ten years :

Provided that for a period of five financial years from the commencement of this Act, pension liabilities may instead of working out on actuarial basis, be estimated by making forecasts on the basis of trend growth rates.

**8. Public Expenditure Review Committee - As soon as may be after the commencement of the Act, the Government may, by notification in the Official Gazette, appoint a Committee to be called the Public Expenditure Review Committee with the following features :-**

- (1) The Committee shall consist of not more than five members with professional expertise in the fields of Finance, Economic Management, Planning, Administration, Accounts and Audit and Law;



- (2) The terms and conditions of service of the members of the Committee and functions and duties of the Committee shall be such as may be prescribed.

**9. Measures to enforce compliance -**

- (1) The annual budget and policies announced at the time of the budget shall be consistent with objectives and targets specified in the Medium Term Fiscal Policy for the ensuing and future years.
- (2) The Minister-Incharge of the Department of Finance, shall review, after every six months, the trends in receipts and expenditure in relation to the budget and remedial measures to be taken to achieve the budget targets. The review report shall be in such form as may be prescribed and shall explain -
- (a) any deviation or likely deviation in meeting the obligations cast on the State Government under this Act;
- (b) the remedial measures, the State Government proposes to take.

**10. Power to make rules -**

- (1) The State Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act.
- (2) In particular and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely :-
- (a) the form in which Medium Term Fiscal Policy Statement shall be prepared;
- (b) the form of the Fiscal Policy Strategy Statement;
- (c) the form of Statement in which State Government shall disclose information required to be disclosed under sub-section (2) of section 7;
- (d) terms and conditions of service of members of the committee constituted under section 8 and functions and duties of the committee;
- (e) the form of review report under sub-section (2) of section 9;
- (f) measures to enforce compliance of the targets enumerated in section 6;
- (g) any other matter which is required to be, or may be, prescribed.

11. **Rules to be laid before the State Legislature** - All rules made under this Act shall be laid, as soon as may be after they are so made, before the House of the State Legislature, while it is in session, for a period of not less than fourteen days which may be comprised in one session or in two successive sessions, and if before the expiry of session in which they are so laid or of the session immediately following, the House of the State Legislature makes any modification in any of such rules or resolves that any such rules should not be made, such rules shall thereafter have effect only in such modified form or be of no effect, as the case may be, so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done thereunder.

12. **Protection of action taken in good faith** - No suit, prosecution or other legal proceedings shall lie against the State Government or any officer of the State Government for anything which is in good faith done or intended to be done under this Act or the rules made thereunder.

13. **Application of other laws not barred** - The provision of this Act shall be in addition to and not in derogation of, the provisions of any other law for the time being in force.



14. **Power to remove difficulties -**

- (1) 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 not inconsistent with the provisions of this Act as may appear to be necessary for removing the difficulty :

Provided that no order shall be made under this section after the expiry of three years from the commencement of this Act.

- (2) Every order made under this section shall be laid, as soon as may be after it is made, before the House of the State Legislature.

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**P. CHAKRABORTY**

Secretary

Law & Judicial Department,

Govt. of Mizoram

(a) the form in which Medium Term Fiscal Policy Statement shall be prepared;

(b) the form of the Fiscal Policy Statement;

(c) the form of statement in which State Government shall disclose information required to be disclosed under sub-section (2) of section 7;

(d) terms and conditions of service of members of the committee constituted under section 8 and functions and duties of the committee;

(e) the form of review report under sub-section (2) of section 9;

(f) measures to enforce compliance of the targets enumerated in section 6;

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