

Ordinance Summary

The Kerala Fiscal Responsibility (Amendment) Ordinance, 2021

- The Kerala Fiscal Responsibility (Amendment) Ordinance, 2021 was promulgated on July 1, 2021. The Ordinance amends the Kerala Fiscal Responsibility Act, 2003. The Act provides for annual targets to progressively reduce the outstanding debt, fiscal deficit, and revenue deficit of the state government. The Ordinance allows the state government to borrow more than the limits specified in the Act in the financial years 2019-20 and 2020-21. A similar Ordinance was promulgated on July 29, 2020. As the Bill replacing Ordinance could not be introduced in and passed by the Assembly, the Ordinance has been repromulgated multiple times. Key features of the Ordinance are:
 - **Additional borrowing for 2019-20:** The Act provides that the fiscal deficit (i.e., borrowings) of the state government in a financial year should not be more than 3% of GSDP. The limit may be relaxed to a maximum of 3.5% of GSDP if the state can contain its debt and interest payments to certain specified levels. The Ordinance amends the Act to allow an additional borrowing of Rs 1,471 crore over the limit of 3% of GSDP for the financial year 2019-20. This will be deemed to have come into force on February 26, 2020.
 - **Additional borrowing for 2020-21:** The Ordinance provides that the state will be eligible for an additional borrowing of 2% of GSDP for the financial year 2020-21. The additional borrowing of 2% of GSDP will be available in the following manner: (i) 0.5% of GSDP as an unconditional increase, (ii) 0.25% of GSDP for each of the four reforms undertaken in the areas of the One Nation One Ration card system, ease of doing business, power sector, and urban local body/ utility, and (iii) the remaining 0.5% of GSDP for undertaking at least three out of these four reforms. This provision will be deemed to have come into force on May 17, 2020.

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