

Public Information Officer
Odisha Legislative Assembly

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

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BILL

**FURTHER TO AMEND THE ODISHA FISCAL
RESPONSIBILITY AND BUDGET
MANAGEMENT ACT, 2005**

BE it enacted by the Legislature of the State of Odisha in the Seventy-second
Year of the Republic of India as follows: -

Short title and
commencement.

1. (1) This Act may be called the Odisha Fiscal Responsibility and
Budget Management (Amendment) Act, 2021.

(2) It shall come into force on such date as the State
Government may, by notification, appoint.

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Amendment of
section 5.

2. In the Odisha Fiscal Responsibility and Budget Management Act, 2005, after the fifth proviso to section 5, the following provisos shall be inserted, namely: -

Odisha Act 6 of
2005.

"Provided also that the State Government shall avail additional Borrowing Limit of up to 2 per cent of GSDP, over and above the fiscal deficit target fixed in clause (b) during the financial year 2020-21 to counter the unprecedented negative impact of Covid-19 pandemic on the resources of the State Government, and to use additional resources to fight the pandemic and maintain the standards of service delivery to the public and the said additional borrowing of 2 per cent of GSDP shall include unconditional borrowing of 0.5 per cent, another 0.5 per cent bonus for completion of at least 3 of the following specific State Level Reforms, even without meeting the pre-conditions; and balance 1 per cent on implementation of following reforms, each of which is assigned with weightage of 0.25 per cent of GSDP, namely: -

- (i) Implementation of One Nation One Ration Card System;
- (ii) Ease of doing business reform;
- (iii) Urban Local Body or Utility reforms; and
- (iv) Power Sector reforms:

Provided also that out of the additional borrowing limit of 2 per cent of GSDP allowed during the financial year 2020-21, the State Government shall carry forward unutilized borrowing ceilings to the next financial year in the following manner, -

- (i) the unconditional borrowing of 0.5% and bonus 0.5% shall be carried forward unconditionally; and

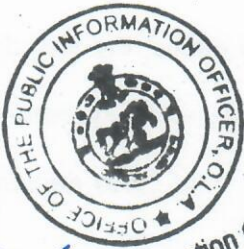


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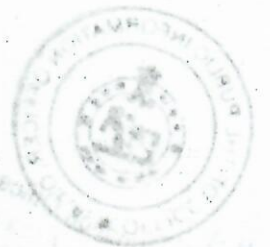
- (ii) the reform-linked conditional borrowing of 1% shall be carried forward, if the State meets the reform criteria within the stipulated dates:

Provided also that State Government shall avail additional borrowing from the Central Government during 2020-21 under the Special Window towards the GST Compensation Shortfall, and debt servicing shall be met out of the Compensation Fund of the Central Government during and after the transition period. This borrowing shall be allowed over and above all limits prescribed for fiscal deficit debt stock:

Provided also that State Government shall avail 50-year interest free loan under the "Scheme for Special Assistance to States for Capital Expenditure" of the Central Government during 2020-21 for financing infrastructure projects of the State. This borrowing shall be allowed over and above all limits prescribed for fiscal deficit debt stock".



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STATEMENT OF OBJECTS AND REASONS

The Odisha Fiscal Responsibility and Budget Management Act, 2005 (Odisha Act 6 of 2005) (in short, the FRBM Act) came into force on 16.05.2005. The FRBM Act was enacted on the basis of the recommendations of the 12th Finance Commission. Enactment of the FRBM Act was made a pre-condition by the 12th Finance Commission for the State Governments for availing the performance-based Debt Relief recommended by the said Commission. Certain amendments have been made to the FRBM Act in Odisha Act 6 of 2006. Subsequently, FRBM Act was amended in the Odisha FRBM (Amendment) Act, 2011 on the recommendations of the Thirteenth Finance Commission, the Road Map for States' Fiscal Consolidation (2010-2015) communicated by the Government of India, and the recommendations of the Fourteenth Finance Commission.

2. Considering the higher resources requirement by the States to fight COVID-19 and maintain the standards of service delivery to the public, the shortfall arising out of GST implementation (GST Compensation Shortfall), and requirement of funds for maintaining the level of CAPEX, the Government of India have decided to, –

- (i) allow additional fiscal deficit of 2% of GSDP increasing the borrowing limits of the State from 3% to 5% during the financial year 2020-21;
- (ii) allow the State Government to carry forward unutilized borrowing ceilings to the next financial year;
- (iii) provide additional borrowing during 2020-21 under the Special Window towards the GST Compensation Shortfall; and



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- (iv) provide 50-year interest free loan under the "Scheme for Special Assistance to States for Capital Expenditure" during 2020-21 for financing infrastructure projects of the State Government.

3. Accordingly, it is considered expedient in the public interest and felt necessary to amend the FRBM Act suitably so as to create fiscal space to finance expenditure on Covid-19 management and maintain the standards of public service delivery, make good the shortfall arising out of GST implementation (GST Compensation Shortfall), and meet the fund requirement for maintaining the level of CAPEX. The salient features of the amendment proposed to the FRBM Act are as under: -

- (a) Unconditional borrowing of 0.5% and another 0.5% bonus linked to completion of at least 3 of the following specific State Level Reforms, even without meeting the pre-conditions.

- (b) Conditional borrowing of 1% towards implementation following reforms, each of which is assigned with weightage of 0.25% of GSDP:

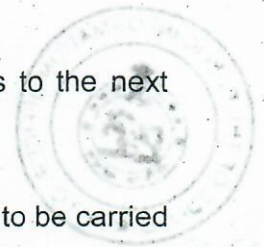
- (i) Implementation of One Nation One Ration Card System;
- (ii) Ease of doing business reform;
- (iii) Urban Local Body or Utility reforms; and
- (iv) Power Sector reforms.

- (c) State Government to carry forward unutilized borrowing ceilings to the next financial year in the following manner:

- (i) the unconditional borrowing of 0.50% and bonus of 0.50% to be carried forward unconditionally; and
- (ii) the reform-linked conditional borrowing of 1% to be carried forward, if the State meets the reform criteria within the stipulated dates.



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(d) Special borrowing facility under the Special Window towards the GST Compensation Shortfall, and debt servicing requirement to be met out of the Compensation Fund of the Central Government during and after the transition period.

(e) 50-year interest free loan to be availed under the "Scheme for Special Assistance to States for Capital Expenditure" for financing infrastructure projects of the State Government.

4. With the proposed amendments of the FRBM Act, the State Government would be able to –

- (i) avail additional borrowing of 2% of GSDP to finance expenditure on Covid-19 management and maintain the standards of public service delivery,
- (ii) carry forward unutilized borrowing ceilings availed during the financial year 2020-21 to the next financial year,
- (iii) avail special borrowing under the Special Window towards the GST Compensation Shortfall over and above the above relaxation, and
- (iv) avail additional fund in the forms of 50-year interest free loan under the "Scheme for Special Assistance to States for Capital Expenditure" over and above the above relaxation.

The Bill seeks to achieve the above objectives.

NIRANJAN PUJARI

Member-in-Charge

