

**THE ODISHA FISCAL RESPONSIBILITY AND
BUDGET MANAGEMENT (AMENDMENT)**

BILL, 2022

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**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-third Year of the Republic of India as follows: -

1. (1) This Act may be called the Odisha Fiscal Responsibility and
Budget Management (Amendment) Act, 2022.

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

2. In Section 5 of the Odisha Fiscal Responsibility and Budget
Management Act, 2005,

(i) the third to seventh provisos shall be omitted;

Short title and
commencement.

Amendment of
section 5.

Odisha Act 6
of 2005.

(ii) the words and figures "during 2020-21" occurring in the eighth and ninth provisos shall be omitted; and

(iii) after the ninth proviso, the following provisos shall be inserted, namely: -

"Provided also that State Government shall avail additional annual borrowing space of 0.5% of GSDP during the four-year period from 2021-22 to 2024-25, subject to fulfilment of conditions linked to power sector reforms in Distribution Companies (DISCOMS) prescribed by Government of India from time to time:

Provided also that if State Government is not able to fully utilize its sanctioned borrowing limit, in any particular year during the years from 2021-22 to 2024-25, it shall have the option of availing this unutilized borrowing amount in any of the subsequent years within the award period of the Fifteenth Finance Commission (2021-22 to 2025-26). "

STATEMENT OF OBJECTS AND REASONS

The Odisha Fiscal Responsibility and Budget Management Act, 2005 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, amendments to the original FRBM Act were made as per Odisha FRBM (Amendment) Act, 2011 and Odisha FRBM (Amendment) Act, 2016 on the recommendations of the Thirteenth Finance Commission and Fourteenth Finance Commission, respectively. Further, Odisha FRBM (Amendment) Act, 2021 was enacted to avail additional fiscal space of 2% of GSDP allowed by Government of India during 2020-21 and 2021-22 along with the special window towards GST compensation shortfall and 50-year interest-free loan under the "Scheme for Special Assistance to States for Capital Expenditure" (SACE).

2. In the meantime, Fifteenth Finance Commission (15th FC) have submitted their report, which has been accepted by Government of India in terms of the Explanatory note on the Action Taken Report laid in the Parliament. 15th FC have recommended incentive based extra borrowing space of 0.5% of GSDP for the period 2021-22 to 2024-25. This is a conditional borrowing space for linked to power-sector reforms in distribution companies (DISCOMs) of the State. Since the DISCOMs in Odisha are privatized, our State is eligible for this extra borrowing space.

3. Taking the above facts into consideration, it is considered expedient in the public interest and felt necessary to amend the FRBM Act so as to ensure compliance to the recommendations of Fifteenth Finance Commission. The salient features of the amendment proposed to the FRBM Act are as under: -

- a. The third to fifth provisos inserted on the basis of recommendations of 14th Finance Commission and the sixth and seventh provisos inserted during the pandemic period to avail the additional fiscal space allowed by Government of India during 2020-21 would be omitted;

- b. The words and figures "during 2020-21" in the eighth and ninth provisos would be omitted so as to avail additional borrowing under special window towards GST Compensation shortfall and 50-year interest free loan under the "Scheme for Special Assistance to States for Capital Expenditure" (SACE) over and above the limits prescribed for fiscal deficit henceforth;
 - c. State Government would avail additional borrowing space of 0.5% of GSDP during the four-year period from 2021-22 to 2024-25, subject to fulfilment of conditions linked to power sector reforms in Distribution Companies (DISCOMS) prescribed by Government of India from time to time.
 - d. If State Government is not able to fully utilize its sanctioned borrowing limit, in any particular year during the years from 2021-22 to 2024-25, it shall have the option of availing this unutilized borrowing amount in any of the subsequent years within the award period of the Fifteenth Finance Commission (2021-22 to 2025-26).
4. With the proposed amendments of the FRBM Act, the State Government would be able to,
- a. avail additional borrowing under special window towards GST Compensation shortfall and 50-year interest free loan under the "Scheme for Special Assistance to States for Capital Expenditure" (SACE) over and above the limits prescribed for fiscal deficit, henceforth.
 - b. avail additional borrowing space of 0.5% of GSDP during the four-year period from 2021-22 to 2024-25, subject to fulfilment of conditions linked to power sector reforms in Distribution Companies (DISCOMS) prescribed by Government of India from time to time.
 - c. carry forward unutilized borrowing amount, within the award period of the Fifteenth Finance Commission (2021-22 to 2025-26).
- The Bill seeks to achieve the above objectives

NIRANJAN PUJARI

Member-in-Charge

ANNEXURE

[Extract taken from the Odisha Fiscal Responsibility and Budget Management Act, 2005 (O.A. 6 of 2005)]

Fiscal Management Targets.	1.	*	*	*	*	*	*
		*	*	*	*	*	*
	5.	(1) Pr	*	*	*	*	*
		(2) Pr	*	*	*	*	*

Provided also that for any given financial year for which the borrowing limits are to be fixed if the debt-GSDP ratio is less than or equal to 25 per cent in the preceding financial year, the fiscal deficit may go up further by 0.25 per cent on the GSDP, when there is no revenue deficit in the said year and the immediate preceding financial year:

Provided also that for a given financial year for which the borrowing limits are to be fixed if the interest payments are less than or equal to 10 per cent of the revenue receipts in the preceding financial year, the fiscal deficit may go up further by 0.25 per cent on the GSDP, when there is no revenue deficit in the said year and the immediate preceding financial year:

Provided also that if the Central Government requires the State Government to take over the debt of any State Public Sector Undertaking or Utility in a particular financial year, the fiscal deficit limit as fixed in this section may go up by the amount of debt taken over by the State Government in that financial year:

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 1% shall be carried forward unconditionally; and
- (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 and 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.