

THE KARNATAKA FISCAL RESPONSIBILITY RULES, 2003
NOTIFICATION
No. FD PMU 2003 Dated 10th December 2003

In exercise of the powers conferred by sub-section(1) of section 7 of the Karnataka Fiscal Responsibility Act, 2002, (Karnataka Act 16 of 2002) the Government of Karnataka hereby makes the following rules, namely:-

1. Title and commencement.- (1) These rules may be called the Karnataka Fiscal Responsibility Rules, 2003.

(2) They shall come in force on the date of their publication in the Official Gazette.

2. Definitions.- In these rules, unless the context otherwise requires,-

(a) “ Act” means the Karnataka Fiscal Responsibility Act, 2002, (Karnataka Act 16 of 2002);

(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) “ Next Year” means the year for which the budget is being presented;

(e) “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;

(f) “Section” means a section of the Act.

3. Fiscal indicators.- The fiscal indicators under sub-section (2) of section 3 would consist of ,-

(a) fiscal deficit;

(b) revenue deficit;

(c) debt stock; and

(d) contingent liabilities.

4. Form and contents of the Medium Term Fiscal Plan. - The Medium Term Fiscal Plan shall be in a descriptive form including but not restricted to the following matters, namely:-

a) Fiscal objectives and strategies to achieve these;

b) Review of fiscal performance of the previous year viz-a-viz targets with reference to fiscal indicator prescribed in rule 3;

- c) Review of the likely fiscal performance of the current year as per the revised estimates viz-a-viz targets with reference to fiscal indicators specified in rule 3;
- d) Review of macro-economic outlook and forecast of Gross State Domestic Product growth rate for each year of the 4 year period for which Medium Term Fiscal Plan is being prepared;
- 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 three subsequent years and a corresponding table with figures as percentages of Gross State Domestic Product (GSDP) for items including the following, namely:-
 - 1) Revenue receipts with break-up of .-
 - i. State's Own Tax Revenues;
 - ii. Non Tax Revenues
 - 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 Other Revenue Expenditure;
 - 3) Revenue 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.

5. Measures for Fiscal Transparency.- The Statement referred to in sub-section (2) of section 5 would be presented to the Legislature simultaneously with the Budget and will be called a "Budget Overview" which would include, inter-alia, the following, namely:-

- a) the significant changes in the accounting standards, policies and practices affecting or likely to affect the computation of the prescribed fiscal indicators;
- b) (i) the total outstanding guarantees as on 31st March of the previous year;
(ii) the estimated outstanding guarantees as on 31st March of the current year; and
(iii) the estimated ceiling on outstanding guarantees as on 31st March of the next year;
- c) (i) stock of off-budget borrowings as on 31st March of the previous year; and
(ii) estimated stock of off-budget borrowings as on 31st March of the current year;
- d) arrears of revenue under major heads as on 31st March of the previous year;
- e) tax concessions (separately for waiver and deferment) under major heads for the previous year;
- f) cumulative subsidy due and not paid to Public Utilities and Undertakings as on 31st March of the previous year;
- g) (i) major subsidy payable during the previous year;
(ii) actually paid during the previous year;
- h) Performance of the Power Sector finances during the previous year;
- i) The calculated values of the fiscal indicators that would have been obtained in the previous year, the current year and the next year if all payment obligations were fully discharged during that year.

6. 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 is specified in clause (e) of rule 4;
- 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.

7. Provision during Natural calamities.- In case of natural calamities, as described in sub-section (3) of section 4, the fiscal cost of the calamities shall be estimated with reference to,-

- a) additional expenditure due to relief and rehabilitation work in excess of 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 and revenue deficit can be permitted to exceed the figures provided for in the MTFP only to the extent indicated above.

8. 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.

By Order and in the name of the
Governor of Karnataka,

AMLAN ADITYA BISWAS
Deputy Secretary to Government (B&R)
Finance Department

FINANCE SECRETARIAT

NOTIFICATION

No. FD PMU 2003, Dated 11th February, 2003

In exercise of the powers conferred by sub-section (3) of section 1 of the Karnataka Fiscal Responsibility Act, 2002, (Karnataka Act 16 of 2002) the Government of Karnataka hereby appoints the 1st April 2003 to be the day on which the said Act shall come into force.

By Order and in the name of the
Governor of Karnataka,

AMLAN ADITYA BISWAS
Deputy Secretary to Government (B&R)
Finance Department