

THE PUNJAB FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT  
(SECOND AMENDMENT) BILL, 2021

A

BILL

further to amend the Punjab Fiscal Responsibility and Budget Management Act, 2003.

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

Short-title and commencement.

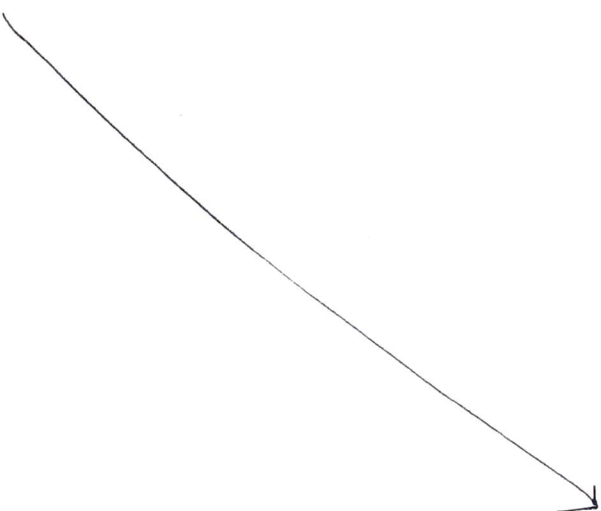
1. (1) This Act may be called the Punjab Fiscal Responsibility and Budget Management (Second Amendment) Act, 2021.

(2) It shall come into force on and with effect from the date of its publication in the Official Gazette.

Amendment in section 4 of Punjab Act No. 11 of 2003.

2. In the Punjab Fiscal Responsibility and Budget Management Act, 2003, in section 4, in sub-section (2), for clause (a), the following clause shall be substituted, namely:-

“(a) contain fiscal deficit as per cent of Gross State Domestic Product (GSDP) at 3.5 per cent (three and a half per cent) and 0.50 per cent (half per cent) on the basis of capital expenditure incurred by the State, in the financial year 2021-2022, and maintain thereafter at 3.0 per cent (three per cent) or as allowed by the Government of India from time to time;”.



## STATEMENT OF OBJECTS AND REASONS

In line with the recommendations of the Fifteenth Finance Commission (FC-XV), Government of India has decided to fix the normal Net Borrowing Ceiling for the States for the financial year 2021-22 at 4.0 per cent (four per cent) of the projected GSDP, which was 3.0 per cent (three per cent) of the GSDP for the financial year 2020-21.

Out of this Normal Net Borrowing Ceiling of 4.0 per cent (four per cent) of the projected GSDP, the States will be allowed borrowing permission based on 3.50 per cent (three and a half per cent) of GSDP in the beginning of the financial year 2021-22. The remaining borrowing ceiling of 0.50 per cent (half per cent) of GSDP will be allowed to the States on the basis of capital expenditure incurred by the States during the year 2021-22 against the target prescribed by Government of India.

This Normal Net Borrowing Ceiling, increased from 3.0 per cent (three per cent) to 4.0 per cent (four per cent) of GSDP, has been allowed subject to Amendment of State's FRBM legislation for the year 2021-22 to this effect. Therefore, the State is required to amend its Fiscal Responsibility and Budget Management Act, 2003.

The State Government has accepted the decision of the Government of India to contain its fiscal deficit as per cent of Gross State Domestic Product (GSDP) at 3.5 per cent (Three and a half per cent) and 0.50 per cent (half per cent) on the basis of capital expenditure incurred by the State, in the financial year 2021-2022, and maintain thereafter at 3.0 per cent (three per cent) or as allowed by Government of India from time to time.

Therefore, the State is required to amend its Fiscal Responsibility and Budget Management Act, 2003 accordingly to avail the benefit of Increased Normal Net Borrowing Ceiling. Hence this amendment /enactment.

Manpreet Singh Badal  
Finance Minister,  
Punjab

**FINANCIAL MEMORANDUM**

In line with the recommendations of the Fifteenth Finance Commission (FC-XV), Government of India has decided to fix the normal Net Borrowing Ceiling for the States for the financial year 2021-22 at 4.0 per cent (four per cent) of the projected GSDP, which was 3.0 per cent (three per cent) of the GSDP for the financial year 2020-21.

2. Out of this Normal Net Borrowing Ceiling of 4.0 per cent (four per cent) of the projected GSDP, the States will be allowed borrowing permission based on 3.50 per cent (three and half per cent) of GSDP in the beginning of the financial year 2021-22. The remaining borrowing ceiling of 0.50 per cent (half per cent) of GSDP will be allowed to the States on the basis of capital expenditure incurred by the States during the year 2021-22 against the target of capital expenditure prescribed by Government of India.

3. Further, availment of this Normal Net Borrowing Ceiling, increased from 3.0 per cent (three per cent) to 4.0 per cent (four per cent) of GSDP, is conditional to Amendment of State's FRBM legislation for the financial year 2021-22 to this effect.

4. The proposed amendment in clause (a) of Sub-section (2), of Section 4 of the Fiscal Responsibility and Budget Management Act, 2003 will result in Increase in Normal Net Borrowing Ceiling of the State of Punjab by Rs. 5738.00 crore as mentioned above, during the Financial Year 2021-22.

---

The Governor has, in pursuance of clause (1) and (3) of Article 207 of the Constitution of India, recommended to the Punjab Legislative Assembly, the introduction and consideration of the Bill.

---

**CHANDIGARH:**  
**THE 11<sup>TH</sup> NOVEMBER, 2021**

**SURINDER PAL**  
**SECRETARY.**

*RT*  
Under Secretary  
Punjab Vidhan Sabha  
Chandigarh

N.B. - The above Bill was published in the Punjab Government Gazette (Extraordinary), dated the 11<sup>th</sup> November, 2021 under the proviso to rule 121 of the Rules of Procedure and Conduct of Business in the Punjab Vidhan Sabha (Punjab Legislative Assembly).