

## The Uttar Pradesh Fiscal Responsibility and Budget Management Rules, 2006

### NOTIFICATION

Lucknow, October 30, 2006

In pursuance of the provisions of clause (3) of Article 348 of the Constitution, the Governor is pleased to order the publication of the following English translation of notification noB-1-4529/X-2006/14/1/2006 dated October 30, 2006:

No.B-1-4529/X-2006/14/1/2006

Dated Lucknow, October 30, 2006

In exercise of the powers under section 7 of the Uttar Pradesh Fiscal Responsibility and Budget Management Act, 2004 (U.P. Act no. 5 of 2004), the Governor is pleased to make the following rules, namely :-

#### Short title and commencement

1- (1) These rules may be called the Uttar Pradesh Fiscal Responsibility and Budget Management Rules, 2006.

(2) They shall come into force with effect from the day of their publication in the Gazette.

#### Definitions

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

- (1) "Act" means the Uttar Pradesh Fiscal Responsibility and Budget Management Act, 2004 (U.P. Act no.5 of 2004);
- (2) "Form" means a form appended to these rules;
- (3) "Section" means a section of the Act;
- (4) "Reporting year" means the second year preceding the year for which the budget estimates are presented before the State Legislature.
- (5) "words and expressions" used in these rules but not defined and defined in the Act shall have the meanings assigned to them in the Act.

#### Annual Reduction Targets for Revenue Deficit and Fiscal Deficit Section 4(3)(b)(c)

3-The state Govt. shall endeavor to -

- (1) bring down revenue deficit by 0.7 percent of Gross State Domestic Product at current prices every year from 2005-06 to 2008-09 so that it becomes nil by the end of the year 2008-2009 .
- (2) bring down fiscal deficit by 0.77 percent of Gross State Domestic Product at current prices every year from 2005-06 to 2008-09 so that it comes down to 3 percent of Gross State Domestic product at current prices by the end of the year 2008-09.

#### Medium Term Fiscal Restructuring Policy Statement 7(2)(b)

4-The Medium Term Fiscal Restructuring Policy Statement required to be laid before both Houses of the Legislature by the State Government along with the annual financial statement and demands for grants shall be in Form A. The statement shall also contain a detailed account of fiscal policy strategy and trends in the Growth of Gross State Domestic product at current prices.

#### Fiscal Indicators 7(2)(a)

5- (1) In the Medium Term Fiscal Restructuring Policy Statement, five year rolling targets in respect of the following fiscal indicators shall be as given in Form A, namely:-

- (a) Own tax and non tax revenue as percentage of Gross State Domestic Product at current prices;
- (b) revenue deficit as percentage of Gross State Domestic Product at current prices;
- (c) fiscal deficit as percentage of Gross State Domestic Product at current prices;
- (d) total outstanding debt of the State Government as percentage of Gross State Domestic Product at current prices.

(2) A statement of High Priority Development Expenditure shall be included in the Medium Term Fiscal Restructuring policy.

- (3) The Fiscal Policy Strategy Statement shall be given in the Medium Term Fiscal Restructuring Policy as a separate section. This section shall also contain the intra-year benchmarks for assessing the trends in receipts and expenditure relating to annual targets and Budget Estimates.

**Disclosures**

- 6- (1) In order to ensure greater transparency in its fiscal operation in the public interest, the State Government shall, at the time of presenting the budget, make disclosures of the following-
- (a) any significant change in accounting standards, policies and practices affecting or likely to affect the computation of prescribed fiscal indicators.
  - (b) statement of arrears of State's own tax and non-tax revenues in Form B-1
  - (c) statement of overdues against loans and advances disbursed by the State Government in Forms B-2 and B-3
  - (d) statement of guarantees in Form B-4
  - (e) statement of financial results of public enterprises in Form B-5
  - (f) statement of liabilities and commitments in respect of major works and contracts in Form B-6
  - (g) statement giving in detail the number of employees in government departments and related salary in Form B-7
  - (h) statement giving in detail the number of employees in the public sector and related salary in Form B-8
  - (i) statement giving in detail the number of employees in aided institutions and related salary in Form B-9
- (2) The statements in Forms B-1, B-2, B-3, B-4, B-5, B-7, B-8 and B-9 shall be prepared in respect of the second year preceding the year for which the budget estimates are presented before the State Legislature.

**Measures to enforce compliance section 6(2)**

- 7- In case the outcome of the half yearly reviews of trends in receipts and expenditure in Form C under sub-section (2) of section 6 at the end of half year of any financial year beginning with the financial year 2004-05 shows that -
- (a) the total non-debt receipts are less than 25 per cent of Budget Estimates for that year; or
  - (b) the fiscal deficit is higher than 40 per cent of the Budget Estimates for that year, or
  - (c) the revenue deficit is higher than 40 per cent of the Budget Estimates for that year, then-
    - i. The State Government shall take appropriate measures as required under sub-section (3) of section 6, and
    - ii. as required under sub-section (2) of section 6, the Minister-in-charge of the Department of Finance shall make a statement in the Legislature during the session immediately following the end of the half year detailing the corrective measures taken and the prospects for the fiscal deficit of that financial year

By order,  
SHEKHAR AGARWAL,  
Pramukh Sachiv.

**Form A**  
**(See rule 4)**

**Medium Term Fiscal Restructuring Policy statement**

**A. FISCAL FRAMEWORK -**

**1 State Finances**

	Revised estimates of the current year	Next year's target: budget estimates	Next three years' targets		
			year + 1	year + 2	year + 3
1 Revenue receipts (2+3)					
2 Tax revenue					
3 Non tax revenue					
4 Capital receipts (5+6)					
5 Recovery of loans					
6 Public Debt					
7 Total receipts (1+4)					
8 Revenue Expenditure					
Of which					
9 Interest Payment					
10 Salary					
11 Grant -in-aid for salary					
12 Grant-in-aid for capital expenditure					
13 Assignment to local bodies					
14 Other Grants-in-aid					
15 Capital expenditure of which					
16 Capital outlay					
17 Repayment of loan					
18 Loans and Advances					
19 Total expenditure (8+15)					
20 Revenue deficit (8-1)					
21 Fiscal deficit {(19-17)-(7-6-5)}					
22 Primary deficit (21-9)					

**2 Fiscal Indicators**

	Revised estimates of the current year	Next year's target: budget estimates	Next three years' targets		
			year + 1	year + 2	year + 3
1-State's own taxes as percentage of Gross State Domestic Product					
2-State's own non tax revenue as percentage of Gross State Domestic Product					
3-Revenue deficit as percentage of Gross State Domestic Product					
4-Fiscal deficit as percentage of Gross State Domestic Product					
5-Total debt and other liabilities as percentage of Gross State Domestic Product					

**B. ASSUMPTIONS UNDERLYING THE MEDIUM TERM FISCAL RESTRUCTURING POLICY PROJECTIONS -**

**1. Gross State Domestic Product**

Growth Mentioning the base year and the estimates of Gross State Domestic product for the current fiscal, the growth rates assumed for future years shall have to be explained.

**2. Revenue receipts**

Under this paragraph the following shall have to be explained-

- (a) Tax-revenue - The anticipated growth rates in State taxes in relation to Gross State Domestic Product growth rate and detail of such special measures through which the target of tax revenue augmentation is expected to be achieved. Policy stance related to taxation shall also be outlined
- (b) Non-tax-revenue - Policy stance in relation to cost recovery

**3. Capital receipts -**

The assumptions made to project the following shall be clearly mentioned along with the related policy stance

- (a) Loans and advances from the Centre
- (b) Special securities issued to the National Small Saving Fund
- (c) Market Borrowing Recovery of loans and advances
- (d) Borrowings from financial institutions
- (e) Other receipts (net) –
- (f) Other Liabilities -

**4. Total expenditure -**

Outlining the State Government's policies in relation to expenditure, the following shall be specifically clarified

- (a) Revenue account
  - (i) Interest payments
  - (ii) Grants-in-aid
  - (iii) Salaries
  - (iv) Pensions
  - (v) Others.
- (b) Capital account
  - (i) Loans and advances
  - (ii) Capital Outlay
  - (iii) Repayment of Loans

**C. HIGH PRIORITY DEVELOPMENT EXPENDITURE**

Department wise and Scheme wise list of the items of expenditure identified as high priority development Expenditure, shall have to be annexed in a tabular Form, Apart from the current year's revised estimates budget estimates for the ensuing year and next three year's projections shall have to be given, just as in case of the rolling targets of other fiscal indicators. The Government will take necessary measures to protect these expenditures from cuts in face of revenue short fall.

Department Name and Grant No	Scheme name and code	Revised estimates of the current year	Budget estimates	Next three years' targets		
				year + 1	year + 2	year + 3

#### **D. ASSESSMENT OF SUSTAINABILITY RELATING TO -**

- (i) The balance between revenue receipts and revenue expenditure. The Medium Term Fiscal Policy Statement may specify the tax-Gross State Domestic Product ratio, own tax- Gross State Domestic Product ratio and State's share in Central taxes- GSDP ratio for the current year and subsequent four years with an assessment of the changes required for achieving it. Revenue receipts will have to be determined in accordance with the policies spelt out. It may discuss the non-tax revenues and the policies concerning the same. Expenditure on revenue account, both plan and non-plan, may be also discussed with particular emphasis on the measures proposed to meet the overall objectives.
- (ii) The use of capital receipts including market borrowings for generating productive assets. The Medium Term Fiscal Policy Statement may specify the proposed use of capital receipts for generating productive assets in different categories. It may also spell out the proposed changes among these categories and discuss them in terms of the overall policy of the Government.
- (iii) The estimated yearly pension liabilities worked out on actuarial basis for the next ten years. In case it is not possible to calculate the pension liabilities on actuarial basis during the period of first three years after the coming into force of this Act, the estimates of the pension liabilities during the first three years shall be determined by making forecasts on the basis of trend growth rates. For this purpose average rate of growth of actual pension payments during the last five years shall be taken as the trend growth rate.

#### **E-FISCAL POLICY STRATEGY STATEMENT**

##### **a. Fiscal Policy Overview:**

This paragraph will present an overview of the fiscal policy currently in vogue.

##### **b. Fiscal policy for the ensuing year:**

This paragraph shall have, *inter alia*, six sub-paragraphs dealing with -

##### **(1) Tax Policy**

**In the sub-paragraph on tax policy, major changes proposed to be introduced in direct and indirect taxes in the ensuing financial year will be presented. It shall contain an assessment of exemption limits in various taxes and how far it relates to principles regarding tax exemptions and target group for exemptions.**

##### **(2) Expenditure Policy**

**Under expenditure policy, major changes proposed in the allocation for expenditure shall be indicated. It shall also contain an assessment of principles regarding the benefits and target group of beneficiaries. Mentioning the principles regarding prioritizing expenditure, High Priority Development Expenditure shall be identified.**

##### **(3) Borrowings and Other Liabilities, Lending and Investments**

In this sub-paragraph on borrowings, the policy relating to internal debt, Ways and Means Advances /Over Draft facility from the Reserve Bank of India, Government lending, investments and other activities; including principles regarding average maturity structure, bunching of repayments, etc., shall be indicated.

##### **(4) Contingent and other Liabilities**

Any change in the policy on contingent and other liabilities, in particular guarantees, which have potential budgetary implications shall be indicated.

##### **(5) Levy of User Charges**

Any change proposed in the levy of user charges of public services shall be spelt out.

##### **c. Strategic priorities for the ensuing year:**

- (1) Resource mobilization for the ensuing financial year through tax, non-tax and other receipts shall be spelt out.
- (2) The broad principles underlying the expenditure management during the ensuing year shall be spelt out.
- (3) Priorities relating to management of public debt proposed during the ensuing year shall be indicated.

##### **d. Rationale for Policy changes:**

- (1) **The rationale for policy changes consistent with the Medium Term Fiscal Policy Statement, in respect of taxes proposed in the ensuing Budget shall be spelt out.**
- (2) **The rationale for major policy changes in respect of budgeted expenditure including expenditure on grants-in-aid and pensions shall be indicated.**

- (3) Rationale for changes, if any, proposed in the management of the public debt shall be indicated.
- (4) The need for changes, if any, proposed in respect of the charges for public utilities shall be spelt out.

**e. Policy Evaluation:**

**The paragraph shall contain an evaluation of the changes proposed in the fiscal policy for the ensuing year with reference to revenue and fiscal deficit reduction and objectives set out in the Medium Term Fiscal Restructuring Policy Statement.**

**F-Statement Regarding Growth In Gross State Domestic Product**

This paragraph shall contain a synoptic analysis of trend in growth rates. It shall also contain an analysis of trends in Gross State Domestic Product growth giving past and current growth rates along with future prospects.

**FORM B-1**  
**(See Rule 6)**

**Statement of arrears of State's own tax and non-tax revenues**

As on 31st March -----

**(Amount in lakh rupees)**

SL. No.	Item	Outstanding due amount as on 1st April of the reporting year	Amount recovered reduced in appeal or written off against column (3), during the reporting year	Balance against old dues (3) - (4)	Demand raised during the reporting year
(1)	(2)	(3)	(4)	(5)	(6)

Amount recovered / remissioned in appeal / written off against amount shown in column (6)	Outstanding amount due to be recovered against amount shown in column (6)	Total Demand	Total amount recovered / remissioned in appeal or written off	Total amount outstanding at the end of the reporting year
(6)	(6)-(7)	(3) + (6)	(4) + (7)	(9) - (10)
(7)	(8)	(9)	(10)	(11)

Details pertaining to the amount given in column (11)				Recoverable outstanding amount (11-15)
Amount suspended or stayed		Arrears due against Govt. Offices	Unrecoverable amount to be written off	
By Courts	By Govt. Orders			(14)
(12)	(13)	(14)	(15)	(16)

**FORM B-2  
(See Rule 6)**

**Statement of overdues against loans and advances disbursed by the State Government, the accounts of which are maintained by the Accountant General, Uttar Pradesh**

**As on 31st March -----**

**(Amount in lakh rupees)**

SL. No.	Loanee institution / project / scheme	Over due (As on 1st April of the the reporting year)		Demand raised during the reporting year	
		Principal	Interest	Principal	Interest
(1)	(2)	(3)	(4)	(5)	(6)

Total Amount Due		Recoveries during the reporting year		Overdue	
Principal	Interest	Principal	Interest	Principal	Interest
(3)+(5)	(4)+(6)			(7)-(9)	(8)-(10)
(7)	(8)	(9)	(10)	(11)	(12)

**FORM B-3**  
**(See Rule 6)**

**Statement of overdues against loans and advances disbursed by the State Government, the accounts of which are maintained by the Heads of Departments**

As on 31st March -----

**Part I - Department wise summary**

**(Amount in lakh rupees)**

SL. No.	Department	Overdue amount (As on 1st April of the reporting year)		Amount recovered during the reporting year against the balances shown in columns (3) and (4)	
		Principal	Interest	Principal	Interest
(1)	(2)	(3)	(4)	(5)	(6)

Demand raised during the reporting year		Amount recovered against amounts shown in columns (7) and (8)		Overdue Amount at the end of the reporting year	
Principal	Interest	Principal	Interest	Principal (3)+(7) - [(5)+(9)]	Interest (4)+(8) - [(6)+(10)]
(7)	(8)	(9)	(10)	(11)	(12)



**FORM B - 4**  
(See Rule 6)

**Statement of guarantees given by the Government**

**(Amount in lakh rupees)**

<b>Department and Institutions</b>	<b>Maximum Amount Guaranteed at the beginning of the reporting year</b>	<b>Maximum Amount Guaranteed during the reporting year</b>	<b>Outstanding at the beginning of the reporting year</b>	<b>New guarantees sanctioned during the reporting year</b>	<b>Amount of guarantees discharged during the reporting year (other than those invoked during the year)</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>

<b>Amount of guarantees Invoked during the year</b>		<b>Outstanding at the end of the year</b>	<b>Guarantee Fee</b>		<b>Remarks</b>
<b>Discharged</b>	<b>Not discharged</b>		<b>Due</b>	<b>Received</b>	
<b>(7)</b>	<b>(8)</b>	<b>(4)+(5)-[(6)+(7)]</b>	<b>(10)</b>	<b>(11)</b>	<b>(12)</b>

**FORM B-5**  
(See Rule 6)

**Financial results of State Public Enterprises**

**(Amount in lakh rupees)**

<b>Sl. No.</b>	<b>Department</b>	<b>Name of the Public Enterprise</b>	<b>Date of Incorporation</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>

<b>Period of Accounts</b>	<b>Paid up capital</b>	<b>Net Profit (+)/ Loss (-)</b>	<b>Accumulated Profit(+)/ Loss(-)</b>
<b>(5)</b>	<b>(6)</b>	<b>(7)</b>	<b>(8)</b>

**FORM B-6**  
**(See Rule 6)**

Government's liabilities in relation to major works and contracts in which the State Government's total liability or commitment is Rs 100 crore or more.

**(Amount in lakh rupees)**

<b>Department</b>	<b>Description of work / contract</b>	<b>Dates of commencement and completion of work/contract</b>	<b>Total liability of the State Government</b>	<b>Total liability of the State Government as on 31st March .....</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>
<b>Total</b>				

**FORM B -7**  
**(See Rule 6)**

**Statement of government employees as on-----**

Sl No.	Department	No. of Sanctioned Posts		
		Gazetted	Non-Gazetted	Total
1	2	4	5	6
1.	Department's Name			
2.				
3.				
.				
.				
.				
	<b>Grand Total</b>			

**Note : Details of expenditure on pay and allowances is given in the annexure of this Form.**

**Annexure to FORM B-7**

**Statement of expenditure on pay and allowances on government employees**

**(Amount in lakh rupees)**

<b>Sl No</b>	<b>Grant No./Department</b>	<b>Expenditure on pay and allowances</b>
<b>1</b>		<b>Basic Pay</b> ..... <b>Dearness Allowance</b> ..... <b>Other Allowances</b> ..... <b>Total</b> .....
<b>2</b>		
<b>3</b>		
<b>4</b>		
	<b>Total</b>	<b>Basic Pay</b> ..... <b>Dearness Allowance</b> ..... <b>Other Allowances</b> ..... <b>Total</b> .....

**FORM B - 8**  
(See rule 6)

Statement of Public Sector employees as on-----

<b>Sl. No.</b>	<b>Administrative Department</b>	<b>Name of Public Sector Undertaking</b>	<b>No. of employees</b>	<b>Expenditure incurred on pay and allowances during the year (In lakh rupees)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>1</b>	<b>Department's Name</b>	<b>Public Sector Undertaking's Name</b>		
		<b>Public Sector Undertaking's Total</b>		
		<b>Public Sector Undertaking's Name</b>		
		<b>Public Sector Undertaking's Total</b>		
<b>2</b>				
<b>Grand Total</b>				

**FORM B - 9**  
(See rule 6)

**Statement of employees working in aided institutions as on-----**

<b>Sl. No.</b>	<b>Administrative Department</b>	<b>No. of aided institutions</b>	<b>No. of Employees</b>	<b>Expenditure incurred on pay and allowances during the year (In lakh rupees)</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>1</b>				
<b>Grand Total</b>				

FORM C  
(See Rule 7)  
**HALF YEARLY REVIEW**

Year-----

Half year (first/second)-----

(In crore rupees)

Item	Budget estimates	Expected level on the basis of trends /1	Actual	Actual numbers as percentage of expected level /2
(1)	(2)	(3)	(4)	(5)
<b>(a) Non debt receipts</b>				
1 State's own taxes				
2 Non tax revenues				
3 State's share in central taxes				
4 Grant in aid from central government				
5 Total revenue receipts				
6 recovery of loans and advances				
<b>7 Total non debt receipts</b>				
<b>(b) Expenditure</b>				
8 Revenue expenditure				
9 Capital outlay				
10 Loans and advances				
11 total expenditure				
<b>(c) Revenue deficit/3</b>				
<b>(d) Fiscal deficit/3</b>				

Note:-

- 1 The expected levels of receipts and expenditure for the first half shall be determined on the basis of the trends in relation to the budget estimates in the past three years and trends in the reporting year.
- 2 These percentages, shall be worked out in relation to the column (3) ; at the time of the review of the first half year and in relation to the column (2) at the time of the review of the second half year. The column (3) shall be left blank at the time of the review of the second half year.
- 3 Revenue Deficit and Fiscal Deficit shall be reported only for the second half of the financial year.