

**PUNJAB VIDHAN SABHA**  
**BILL NO.17-PLA-2020**  
**THE PUNJAB FISCAL RESPONSIBILITY AND BUDGET**  
**MANAGEMENT (SECOND AMENDMENT) BILL, 2020**

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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-first Year of the Republic of India as follows:-

1. (1) This Act may be called the Punjab Fiscal Responsibility And Budget Management (Second Amendment) Act, 2020. Short-title  
And  
Commencement

(2) It shall come into force at once.

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:- Amendment in  
Section 4 of  
Punjab Act 11  
of 2003

“(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 an additional 1.5 per cent (one and a half per cent) in the financial year 2020-2021, subject to reforms as laid hereunder, and at 3.0 per cent (three per cent) in the financial year 2021-2022 and maintain thereafter. The additional 1.5 per cent (one and a half per cent) in the financial year 2020-2021 shall be conditional to the following reforms:-

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

The weightage of each reform is 0.25 per cent of GSDP totaling to 1.0 per cent (one per cent). The remaining borrowing limit of 0.50 per cent will be conditional on undertaking of at least 3 out of the above-named reforms.”

## STATEMENT OF OBJECTS AND REASONS

In view of the serious negative impact of the unprecedented COVID-19 pandemic on the resources of State Governments, to strengthen resources in the hands of State Governments, the Government of India has decided to provide relaxation in borrowing limits by increasing an additional Borrowing Limit of up to 2.0 per cent of Gross State Domestic Product (GSDP) for the year 2020-2021. However, the relaxation in borrowing limits is partly unconditional to the extent of 0.5 per cent and the remaining 1.5 per cent is conditional to the implementation of specific State Level Reforms. The reforms should be implemented before 31st January 2021 to get the additional Market Borrowing.

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 and an additional 1.5 per cent in the financial year 2020-2021, conditional to the following reforms:

- a) Implementation of One Nation One Ration Card System;
- b) Ease of doing business reform;
- c) Urban Local body/utility reforms; and
- d) Power Sector reforms.

The weightage of each reform will be 0.25 per cent of GSDP totaling to 1 per cent. The remaining borrowing limit of 0.50 per cent will be conditional to the undertaking of at least 3 out of the above-named reforms.

Consequential amendment of Fiscal Responsibility and Budget Management Act, 2003 is also a pre-condition for additional borrowing of 2.0 per cent of GSDP for the financial year 2020-2021. Therefore, the State is required to amend its Fiscal Responsibility and Budget Management Act, 2003 to fulfill the condition of Government of India to avail the benefit of additional borrowing. Hence this amendment / enactment.

**MANPREET SINGH BADAL**  
FINANCE MINISTER, PUNJAB

## FINANCIAL MEMORANDUM

In view of the serious negative impact of the unprecedented COVID-19 pandemic on the resources of State Governments, to strengthen resources in the hands of State Governments, the Government of India has decided to provide relaxation in borrowing limits by increasing an additional Borrowing Limit of up to 2.0 per cent of Gross State Domestic Product (GSDP) for the year 2020-2021 subject to implementation of specific State Level Reforms. The State of Punjab has also been allowed an additional borrowing of 2.0 per cent of Gross State Domestic Product (GSDP) i.e. Rs. 12130.00 crore in 2020-21 over and above its Net borrowing ceiling, which is 3% of GSDP. However, the relaxation in borrowing limits is partly unconditional to the extent of 0.5 per cent and remaining 1.5 per cent is conditional to the implementation of following reforms:

- a) Implementation of One Nation One Ration Card System;
- b) Ease of doing business reform;
- c) Urban Local body/utility reforms; and
- d) Power Sector reforms.

The weightage of each reform shall be 0.25 per cent of GSDP totaling to 1.0 per cent (one per cent). The remaining borrowing limit of 0.50 per cent will be conditional to the undertaking of at least 3 out of the above-named reforms.

2. Further, this additional borrowing of 2.0 per cent of Gross State Domestic Product is conditional to amendment of State's FRBM legislation for the year 2020-21 to this effect.

3. 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 additional borrowing of Rs. 12130.00 crore as mentioned above, over and above 3% of GSDP (Net borrowing ceiling of the State of Punjab permissible under FRBM Act, 2003), during the Financial Year 2020-21.

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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 27<sup>th</sup> AUGUST, 2020

SHASHI LAKHANPAL MISHRA  
SECRETARY.

**N.B. - The above Bill was published in the Punjab Government Gazette (Extraordinary), dated the 27<sup>th</sup> August, 2020 under the proviso to rule 121 of the Rules of Procedure and Conduct of Business in the Punjab Vidhan Sabha (Punjab Legislative Assembly).**

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