STANDING COMMITTEE ON FINANCE

(THIRTEENTH LOK SABHA)

EIGHTEENTH REPORT

MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS)

THE FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT BILL, 2000

Presented to Lok Sabha on 22 December, 2000
Laid in Rajya Sabha on 22 December, 2000

सत्यमेव जयते

LOK SABHA SECRETRIAT
NEW DELHI

November, 2001/ Agrahayana, 1922 (Saka)

COMPOSITION OF THE STANDING COMMITTEE ON FINANCE (2001)

Shri Shivraj V. Patil — *Chairman*

MEMBERS

Lok Sabha

2. Shri Raashid Alvi
3. Shri Sudip Bandyopadhyay
*4. Shri Prabodh Panda
5. Smt. Renuka Chowdhury
6. Shri G. Putta Swamy Gowda
7. Shri Rattan Lal Kataria
8. Shri Brahmanand Mandal
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10. Shri M.V.V.S. Murthy
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14. Shri Prakash Paranjpe
15. Shri Raj Narain Passi
16. Dr. Sanjay Paswan
17. Shri Varkala Radhakrishnan
18. Shri Pravin Rashtrapal
19. Shri Ram Singh Rathwa
20. Shri S. Jaipal Reddy
21. Shri T.M. Selvaganpathi
22. Mohammad Shahabuddin
23. Shri C.N. Singh
24. Shri Kirit Somaiya
25. Shri Kodikunnil Suresh
26. Shri Kharabela Swain
27. Shri Narayan Dutt Tiwari
28. Vacant
29. Vacant
30. Vacant

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*Nominated *vice* Shri Ajoy Chakraborty to the Committee *w.e.f.* 23 July, 2001

RAJYA SABHA

30. Shri S.S. Ahluwalia
31. Shri Krishna Kumar Birla
32. Shri Vijay Darda
33. Dr. Biplab Dasgupta
33. Shri K. Rahman Khan
34. Shri Suresh A. Keshwani
35. Shri Narendra Mohan
36. Shri Praful Patel
37. Shri P. Prabhakar Reddy
38. Shri N.K.P. Salve
39. Prof. M. Sankaralingam
40. Shri Amar Singh
41. Shri Ranjan Prasad Yadav
42. Shri Solipeta Ramchandra Reddy*
45. Vacant

SECRETARIAT

1.	Shri P.D.T. Achary	-	Additional Secretary
2	Dr. (Smt.) P.K. Sandhu	-	Joint Secretary
3.	Shri R.K. Jain	-	Deputy Secretary
4.	Shri S.B. Arora	-	Under Secretary
5.	Shri Srinivasulu Gunda	-	Committee Officer

Nominated to the Committee w.e.f 9 April, 2001

INTRODUCTION

I, the Chairman, Standing Committee on Finance having been authorised by the Committee to submit the Report on their behalf present this Eighteenth Report on Fiscal Responsibility and Budget Management Bill, 2000

2. The Bill was introduced in Lok Sabha on 20 December, 2000. The Hon'ble Speaker referred the Bill to the Standing Committee on Finance for examination and Report on 24 January, 2001.

3. It was decided to issue press communique for inviting suggestions/views/memoranda from individuals/experts/Chambers of Commerce and Industry and interested organisations/parties on the Bill.

4. The Committee at their sittings held on 21 & 23 May, 19 June and 2 September, 2001 took the evidence of representatives of Ministry of Finance. The Committee also took the evidence of representatives of Ministry of Law, Justice and Company Affairs (Department of Legal Affairs and Legislative Department) on 1 August, 2001.

5. The Committee at their sitting held on 6 June, 2001 heard the views of experts on the Bill.

6. At their sitting held on 8 October, 2001 the Committee discussed the provisions contained in the Bill with the Governor, Reserve Bank of India.

7. The Committee at their sittings held on 11 and 12 September, 2001 considered the Bill clause by clause. The Committee considered and adopted the draft report at their sitting held on 19 October, 2001.

8. The Committee wish to express their thanks to representatives of (i) Ministry of Finance, (ii) Ministry of Law, Justice and Company Affairs (Department of Legal Affairs and Legislative Department), (iii) Reserve Bank of India (RBI). The Committee also wish to express their thanks to Dr. Indira Rajaraman, Dr. Jayati Ghosh, Dr. C.P Chandrashekhar and Dr. Shikha Jha for co-operation extended in placing before them their considered views and perceptions on the subject and for furnishing written notes and information that the Committee had desired in connection with the examination of the Bill.

9. For facility of reference and conveniences, recommendations and observations of the Committee have been printed in thick type in the body of the Report.

NEW DELHI;
13 November, 2001
22 Kartikya 1923(saka)

SHIVRAJ V. PATIL
Chairman,
Standing Committee on Finance.

REPORT

Background

India's economic growth during the last 20 years has increased on an average from 3% per annum to 6% per annum. However, what is of deep concern is the fact that the indebtedness of the Government, during the same period has also increased manifold. Whereas borrowing till 70s' was confined mainly to financing capital expenditure, the same thereafter has on the contrary been steadily increasing to finance current consumption. The Fiscal deficit of the Govt. of India both in absolute amounts as well as in percentage terms since 1980-81 is as under :-

Year	Fiscal Deficit* (Rs. in crore)	Fiscal Deficit (as % of GDP)
1980-81	7311	5.08
1981-82	7287	4.32
1982-83	8817	4.68
1983-84	11631	5.30
1984-85	15481	6.30
1985-86	18954	6.82
1986-87	23542	7.56
1987-88	23947	6.76
1988-89	26718	6.34
1989-90	29890	6.15
1990-91	37606	6.61
1991-92	30843	4.72
1992-93	35909	4.80
1993-94	55257	6.43
1994-95	48558	4.79
1995-96	50253	4.23
1996-97	56062	4.10
1997-98	73205	4.81
1998-99	89568	5.09
1999-00 (Pr Acs)	104716	5.35
2000-01 (RE)	111971	5.14
2001-02(BE)	116314	4.75

* without small savings collections

2. With a view to studying various aspects of the fiscal system and recommend a draft legislation on fiscal responsibility, the Government appointed a Committee on Fiscal Responsibility Legislation on 17th January, 2000. The Committee submitted their Report on 4th July, 2000. The Government have introduced the proposed legislation on the basis of the Report of this Committee. The proposed Bill provides for the responsibility of the Central Government to ensure inter-generational equity in fiscal

management and long-term macro-economic stability by achieving sufficient revenue surplus, eliminating revenue deficit as well as reducing fiscal deficit. It has also been envisaged to remove fiscal impediments in the effective conduct of monetary policy and prudential debt management consistent with fiscal sustainability through limits on the Central Government borrowings, debt and deficits, greater transparency in fiscal operations of the Central Government and conducting fiscal policy in a medium-term framework and for matters connected therewith.

3. The Bill was referred to the Standing Committee on Finance by the Hon'ble Speaker on 24 January, 2001 for a detailed examination and report thereon. The Committee invited officials of the Ministry of Finance, Reserve Bank of India and some non-official experts and recorded their evidence.

4. After having considered the Fiscal Responsibility and Budget Management Bill, 2000 clause-wise, the Committee approve the same for enactment by Parliament subject to certain modifications/amendments/recommendations as detailed in the succeeding paragraphs of this Report.

Clause 2 – Definitions

5. Clause 2(a) defines "annual budget "as under :-

"annual budget" means the annual financial statement laid before both Houses of Parliament under article 112 of the constitution."

6. The Committee are of the view that the definition of "annual budget" envisaged in the proposed Bill is limited only to the extent of including annual financial statement under article 112 of the Constitution. In this way only the estimated receipts and expenditure of the Govt. of India get reflected and supplementary, additional or excess demands for grants enshrined in article 115 of the Constitution are excluded. They therefore, recommend that the definition of annual budget as specified in the Bill should be modified to include the supplementary, additional or excess Demands for Grants.

7. Clause 2(b) defines "fiscal deficit" as under :-

" fiscal deficit means the excess of –

(i) total disbursements from the consolidated Fund of India, (excluding repayment of debt) over total receipts into the Fund, excluding the debt receipts, during a financial year;

or

(ii) total expenditure from the Consolidated Fund of India (including loans but excluding repayment of debt) over tax and non-tax revenue receipts (including external grants) and non-debt capital receipts during a financial year which represents the borrowing requirements, net of repayment of debt, of the Central Government during the financial year;"

8. The Committee are of the view that the two definitions of fiscal deficit might create confusion and difficulty in the interpretation and calculation of the same, as one definition is based on expenditure and the other is based on disbursement. The Committee, therefore recommend that there should be a single comprehensive definition so as to avoid confusion and difficulty in the interpretation and calculation of the same. Accordingly the definition may be modified.

Clause 3- Fiscal Policy Statements to be laid before Parliament

9. Clause 3 of the Bill provides as under :-

(I) "The Central Govt. shall lay in each financial year before both Houses of Parliament the following statements of fiscal policy along-with the annual budget, namely :-

(a) the Medium-term Fiscal Policy Statement;

(b) the Fiscal Policy Strategy Statement;

(c) the Macro-economic Framework Statement.

(2) The Medium-term Fiscal Policy Statement shall set forth a three-year rolling target for prescribed fiscal indicators with specification of underlying assumptions.

(3) In particular and without prejudice to the provisions contained in sub-section (2), the Medium-term Fiscal Policy Statement shall include an assessment of sustainability relating to –

(i) the balance between revenue receipts and revenue expenditures ;

(ii) the use of capital receipts including market borrowings for generating productive assets.

(4) The Fiscal Policy Strategy Statement shall, inter alia, contain –

(a) the policies of the Central Government for the ensuing financial year relating to taxation, expenditure, market borrowings and other liabilities, lending and investments, pricing of administered goods and services, securities and description of other activities, such as, underwriting and guarantees which have potential budgetary implications;

(b) the strategic priorities of the Central Government for the ensuing financial year in the fiscal area;

(c) the key fiscal measures and rationale for any major deviation in fiscal measures pertaining to taxation, subsidy, expenditure, administered pricing and borrowings;

(d) an evaluation as to how the current policies of the Central Government are in conformity with the fiscal management principles set out in section 4 and the objectives set out in the Medium-term Fiscal Policy Statement.

(5) The Medium-term Fiscal Policy Statement, the Fiscal Policy Strategy Statement and the Macro-economic Framework Statement referred to in sub-section (I) shall be in such form as may be prescribed.

10. The Committee find that though the contents of the Medium Term Fiscal Policy Statement and Fiscal Policy Strategy Statement are specified in sub-clauses 3 and 4 respectively of clause 3, the contents / parameters of the Macro Economic Framework Statement are not specified. Hence, the Committee, recommend that a new sub-clause be added to clause 3 of the Bill specifying parameters of the Macro- economic Framework Statement.

Clause 4 – Fiscal Management Principles

11. Clause 4 dealing with **Fiscal Management Principles** inter-alia provides as under:-

(1) The Central Government shall take appropriate measures to eliminate the revenue deficit and fiscal deficit and build up adequate revenue surplus.

(2) In particular, and without prejudice to the generality of the foregoing provision, the Central Government shall-

(a) reduce revenue deficit by an amount equivalent to one-half per cent, or more of the estimated gross domestic product at the end of each financial year beginning on the 1st day of April,

(b) reduce revenue deficit to nil within a period of five financial years beginning from the initial financial year on the 1st day of April, 2001 and ending on the 31st day of March, 2006;

(c) build up surplus amount of revenue and utilise such amount for discharging liabilities in excess of assets;

(d) reduce fiscal deficit by an amount equivalent to one-half per cent or more of the estimated gross domestic product at the end of each financial year beginning on the 1st day of April, 2001;

(e) reduce fiscal deficit for a financial year to not more than two per cent of the estimated gross domestic product for that year, within a period of five financial years beginning from the initial financial year on the 1st day of April, 2001 and ending on the 31st day of March, 2006;

(f) not give guarantee for any amount exceeding one half per cent of the estimated gross domestic product in any financial year;

(g) ensure within a period of ten financial years, beginning from the initial financial year on the 1st day of April, 2001, and ending on the 31st day of March, 2011, that the total liabilities (including external debt at current exchange rate) at the end of a financial year, do not exceed fifty per cent of the estimated gross domestic product for that year.

Provided that revenue deficit and fiscal deficit may exceed the limits specified under this sub-section due to ground or grounds of unforseen demands on the finances of the Central Government due to national security or national calamity;

Provided further that the ground or grounds specified in the first proviso shall be placed before both Houses of Parliament, as soon as may be, after such deficit amount exceeded the aforesaid limits;

12. The Committee are of the view that planned deficit financing per se is not harmful to the economy as long as it results in creation of the assets and the adequate returns from these assets to the economy at large. At the same time the Committee do not lose sight of the fact that fiscal discipline is a sin qua non for sustainable economic development. However, the numerical ceilings and the time frame set for attaining the said levels induce excessive rigidity into the decision making depriving the Governments of the flexibility needed to respond to the exigencies in an appropriate manner, to serve the national interest best.

They, therefore, are not in favour of specified levels of revenue and fiscal deficits which might lead to decline of the already low levels of funds available for developmental purposes and towards providing basic services to vast population below the poverty line.

The Committee are of the opinion that the numerical ceilings and the time frame prescribed for revenue and fiscal deficits and the underlying assumptions do not seem to be pragmatic and hence difficult to attain. Accordingly, the Committee recommend that provisions in the proposed legislation with regard to numerical ceilings as well as time-frame set for reduction in revenue and fiscal deficits, the amount of guarantees to be given by the Central Govt. and the total liabilities of the Central Govt. may be deleted and revenue and fiscal deficits may be kept / maintained at prudent levels, which may be defined and incorporated under rules to be made under Clause 8 of the Bill.

The Committee note that though Proviso to the above Clause permits the Government to exceed specified levels of revenue and fiscal deficit in the event of national security and national calamity, yet, they feel that these alone cannot be the only areas of concern and there could be other circumstances due to which it may be extremely difficult for the Government to achieve the specified targets. They therefore desire that greater flexibility needs` to be built under this Clause and recommend that the same may suitably be modified to include those matters also which are of urgent public importance.

Clause 5 - Borrowing from RBI

13. Clause 5 which seeks to ban borrowings by the Govt. of India from Reserve Bank of India states as follows :-

> " (I) The Central Government shall not borrow from the reserve Bank.
>
> (2) Notwithstanding anything contained in sub-section (1), the Central Government may borrow from the Reserve Bank by way of advances to meet temporary excess of cash disbursement over cash receipts during any financial year in accordance with the agreements which may be entered into by that Government with the Reserve Bank:
>
> Provided that any advances made by the Reserve Bank to meet temporary excess cash disbursement over cash receipts in any financial

year shall be repayable in accordance with the provisions contained in sub-section (5) of section 17 of the Reserve Bank of India Act, 1934.

(3) Notwithstanding anything contained in sub-section (I), the Reserve Bank may subscribe to the primary issues of the Central Government securities during the financial year beginning on the 1st day of April, 2001 and subsequent two financial years.

(4) Notwithstanding anything contained in sub-section (I), the Reserve Bank may buy and sell the Central Government securities in the secondary market."

14. The Committee apprehend that in the event of failure of the Government to achieve the specified levels of the fiscal deficit, blanket ban on borrowing from the Reserve Bank of India by the Government, might lead to higher market borrowings by the Govt. which may cause rise in their interest burden and adversely affect the economic development. Moreover, they are of the considered view that it might not be possible for any Govt. to anticipate in advance the events in totality which might have adverse impact on the economy. Hence, to bind the Government or tie their hands may not necessarily be in the best interest of the State. They, therefore, recommend that the lack of flexibility in the existing clause may be done away with.

Clause 7 – Measures to enforce compliance

15. Clause 7 of the Bill provides as follows :-

(1) The Minister in-charge of the Ministry of Finance, shall review, every quarter, the trends in receipts and expenditure in relation to the budget and place before both Houses of Parliament the outcome of such reviews.

(2) Whenever there is either shortfall in revenue or excess of expenditure over pre-specified levels during any period in a financial year, the Central Government shall proportionately curtail the sums authorised to be paid and applied from and out of the Consolidated Fund of India under any Act to provide for the appropriation of such sums:

Provided that nothing in this sub-section shall apply to the expenditure charged on the Consolidated Fund of India under clause (3) of article 112 of the Constitution.

(3) The Minister in-charge of the Ministry of Finance, shall make a statement in both Houses of Parliament explaining –

(a) any deviation in meeting the obligations cast on the Central Government under this Act;

(b) whether such deviation is substantial and relates to the actual or the potential budgetary outcomes; and

(c) the remedial measures the Central Government proposes to take.

16. In response to a query as to whether the obligations cast upon the Government of India under the proposed legislation could lead to judicial intervention in the event of deviation/failure of the Government in meeting the obligations, Law Secretary during the evidence held on **1 August, 2001** inter-alia stated as under :-

"The possibility of litigation on account of non-compliance with the provisions of the Act cannot be ruled out but such a possibility seems to be very remote in view of the provisions contained in sub-clause(3) of Clause 7 of the Bill, which provides for parliamentary control, supervision and monitoring of deviations, if any, in meeting the obligations cast on the Central Government, under the Act. In case any court litigation is initiated due to non-implementation of any obligations under the Act, the same can be successfully defended by relying on the provisions contained in sub-clause (3) of Clause 7 of the Bill, particularly when by virtue of this sub-clause (3) deviation in meeting any obligation under the Act clearly becomes a matter to be seen by the Parliament and not by the courts."

17. In a subsequent note submitted to the Committee, the Department of Legal Affairs suggested the following amendments to sub-clause (3) of clause 7 to reduce litigation :

3(1) Except as provided under this Act, no deviation in meeting the obligations cast on the Central Government under this Act shall be permissible without approval of Parliament.

(2) Where, owing to unforeseen circumstances, any deviation is made in meeting the obligations cast on the Central Government under this Act, the Minister in-charge of the Ministry of Finance shall make a statement in both Houses of Parliament explaining :-

a) any deviation in meeting the obligations cast on the Central Government under this Act;

b) whether such deviation is substantial and relates to the actual or the potential budgetary outcomes; and

c) the remedial measures the Central Government proposes to take.

18. In view of the recommendation of the Committee made in para 12 of the report for maintaining prudent and realistic levels in respect of fiscal and revenue deficits instead of fixing numerical ceilings, they recommend that sub-clause (2) of clause 7 may also be modified and the words "pre specified levels" may be substituted by the words "pre specified prudent levels as laid down under rules". They also recommend that whenever there is either shortfall in revenue or excess of expenditure over specified levels during any financial year, prior approval of the Parliament should be taken before curtailing the allocations authorised to be paid out of the Consolidated Fund of India to make the law effective.

19. The Committee are of the opinion that even the above amendments suggested by the Ministry of Law in clause 7(3), may not be sufficient to prevent the possibility of matters from being taken to the courts, in the event of the failure of the Central Government in meeting the specified targets for revenue and fiscal deficit. They feel that laws of this nature should not be allowed to be dragged to the Courts of Law. Moreover, in view of the responsibilities enshrined in the constitution for the separate organs of the State, enough safeguards need to be built in the proposed Bill with a view to ensuring that economic decision making does not become the subject matter of judicial scrutiny.

20. The Committee desire that a constructive dialogue may be initiated with State Governments also advising them to restructure their finances.

NEW DELHI;
13 November, 2001
22 Kartikya 1923(saka)

SHIVRAJ V. PATIL
Chairman,
Standing Committee on Finance.

NOTE OF DISSENT

Dr. Biplab Dasgupta, MP.
Shri Prabodh Panda, MP.

This is our note of dissent to the Bill, which we hope will be made a part of the report presented to the House. Our opposition primarily lies in the very conception of the Bill. We find no justification for this Bill and we are giving the reasons for those below. The objective of this Bill is to impose some self-discipline on the Government on the fiscal matters. But this is no more then an eyewash. If the Government has the required political will to control deficit, then it does not need any legislation. If, on the other hand, it lacks political will in this matter, no amount of legislative self discipline would work. If the Government can pass the Bill, say tomorrow, it is equally possible for it to withdraw the Bill day after tomorrow. As long as the Government enjoys majority in Lok Sabha, it can make or unmake a Bill umpteen times.

On the other hand, we find it improper to bind the government by this kind of Bill. By limiting the options of the Government, we are reducing its day to day flexibility, which may not be a good proposition from the point of view of the economy of the country. In the note circulated among Members, we said 'suppose our economy takes a nosedive'. This is no longer a supposition. World economy is faltering, more now with a big war against terrorism in hand, and recession is staring at our face. The recovery from it would require a massive Government investment funded by fiscal deficit. In this situation, do we have to wait for months for the undoing of the Bill, before appropriate action is taken.

When planning for recovery from global recession, which has also been reflected in our rates of growth of GDP, agriculture, industry, and gross saving and investment rates, it is desirable that Government should retain all options to engineer recovery and not limit it. Assuming for the sake of argument that this Bill is justified, could the Government not choose a better timing for its introduction? A Bill like this is normally introduced by an intelligent Government when the economy is on the upswing, and not during its downturn.

We are worried that the Bill will give a wrong signal to the economy at a critical time, and the Government, by passing this Bill, will inadvertently unleash a deflationary course. Prices, wages, income, everything would tumble, investment take a further down turn, and the economic growth will decline, while unemployment would rise. That this is not a mere hypothetical possibility is confirmed by the evidence of many Countries who had been in a hurry to reduce fiscal deficits over the past two decades, all over the globe, in compliance with World Bank directives, thereby reducing their economies to a miserable state, particularly in Sub-Saharan Africa.

It is also a global experience that when public investment is curtailed in order to reduce fiscal deficits, the axe invariably fall on education, health, irrigation and the like. No economy can ignore social expenditures except at its peril; as Amartya Sen keeps on reminding us. Already our figures on some of those, as proportions of GDP and comparing those with most neighbours, are pitifully small. We can not risk any more decline in the name of fiscal self-discipline.

The theoretical assumption implicit in this endeavour is that a lower fiscal deficit, by reducing public investment, would create a space for private sector investment, which is now being 'crowded out' from the loan market by favour shown to the public sector. By reducing SLR and CRR the Government wanted to achieve this objective, but this has not worked as the private sector is shy. Contrary to World Bank thinking, in poor countries, public and private investment move together, a fall in public investment in a field or area is taken by the private sector as an indication that this is not the appropriate time to investment in that field or area.

In Economics we do not know answer to all the questions. Generally, the assumption is that, fiscal deficit, by inducing inflation, reduces growth rate. We have the case of Brazil, which, during 25 years from 1955 to 1980, managed to have an annual average real growth rate of 8%, accompanied by a rate of inflation of 50-100%. Why the process ended in 1980, is a question that does not concern us here, but Brazil continues to be a country with a high middle level economy, while we are consigned with the poorest. Nor are we certain of the link between fiscal deficit and inflation. Fiscal deficit does not necessarily lead to inflation.

The Bill proposes to bring down fiscal deficit to 2% within a certain number of years. This I think is highly unrealistic and not achievable. If many countries in Europe, while joining EMU, were finding it a struggle to achieve and maintain a target of 3%, even after being generously helped with 'creative accounting' to achieve this, and if in our case the Government found the task so difficult that was proposing to force some discipline on itself, it is the duty of the Government to indicate the road map for achieving this. Mere pious declarations would not serve the purpose.

-Sd/-	-Sd/-
(Dr. Biplab Dasgupta)	(Prabodh Panda)

NOTE OF DISSENT

Shri Varkala Radhakrishnan, MP

I am of the view that the present legislation to provide for the responsibilities of the Central Government to ensure inter generational equity in fiscal management is likely to become superfluous, because the constitutional review Committee is examining the same topic. Therefore it is only reasonable to wait till the report is made available.

In other words the legislation would become premature. There are sufficient safe guards even now to control deficit finance. The C.A.G. is one such authority to control the extra expenditure. It is a practice that Government do not implement the directives of the Auditor General. The Finance Commissions have also given periodical directions to restrain Fiscal deficit and unjustified government borrowings. The vital issue is the implementation of the directives with a political will.

There has been criticism in the press that the Central Government is acting under the directives of the world bank and the IMF. There is also a criticism that this legislation is brought to please the world bank authorities in the matter of government borrowings. It would be better if we are tolerent enough to consider the implications involved in taking legislative steps. We will have to make a study on the reform process being followed by the third world countries.

In this context the state finances also become relevant. India being a federal state the economy also assumes a federal nature. The States are in financial difficulties. The aggregate borrowing is much more than the Central Government liability. Hence it is quite essential that there must be legislation at the state level also. The Central Government shall discuss issues with the state governments regarding their financial difficulties and evolve consensus for bringing out a uniform legislation applicable to the Central and the States as well. The Union finance Minister shall convene a meeting of all State Finance Ministers about bringing out a legislation on Fiscal Responsibility and Budget Management. Till then it will not be a healthy practice for maintenance of the federal nature of our constitution.

-Sd/-

(VARKALA RADHAKRISHNAN)

NOTE OF DISSENT

Sh. M.A. Kharabela Swain, MP

I totally disagree with the first two paragraphs of the Para 12 of the Draft Report – "The Committee are of the view that planned deficit financing per se is not harmful to the economy as long as it results in creation of the assets and the adequate returns from these assets to the economy at large. At the same time the Committee do not lose sight of the fact that fiscal discipline is a sin qua non for sustainable economic development. However, the numerical ceilings and the time frame set for attaining the said levels induce excessive rigidity into the decision making depriving the Governments of the flexibility needed to respond to the exigencies in an appropriate manner, to serve the national interest best. They, therefore, are not in favour of specified levels of revenue and fiscal deficits which might lead to decline of the already low levels of funds available for developmental purposes and towards providing basic services to vast population below the poverty line.

The Committee are of the opinion that the numerical ceilings and the time frame prescribed for revenue and fiscal deficits and the underlying assumptions do not seem to be pragmatic and hence difficult to attain. Accordingly, the committee recommend that provisions in the proposed legislation with regard to numerical ceilings as well as time-frame set for reduction in revenue and fiscal deficits, the amount of guarantees to be given by the Central Govt. and the total liabilities of the Central Govt. may be deleted and revenue and fiscal deficits may be kept/maintained at prudent levels, which may be defined and incorporated under rules to be made under Clause 8 of the Bill."

In this paragraph the entire provisions of the clause 4 of the Bill have been diluted to the extent of obliterating it altogether. The clause 4 in the Bill wanted the revenue and fiscal deficits to be reduced by @0.5% of the GDP beginning from the 1st April, 2001. The Revenue Deficit was required to be eliminated by 31st March, 2006 and to bring down the fiscal deficit to the level of 2% of GDP by 31st March, 2006.

But the Draft proposal has removed the specific levels of reduction in those deficits and sought those to be replaced by the words 'prudent levels'. The Draft proposal requires the Government to fix the specific levels of reduction through the consequent incorporation of rules.

During the discussion, the officers of the Ministry of Finance and the Governor, Reserve Bank were summoned for their deposition. All of them opined that, unless the specific limits of reduction in those deficits are fixed, the Bill will loose its mooring. To the apprehension of some Members that these targets are not achievable, all of them opined that with a good intention and efforts it was achievable and actually it was fixing the responsibility on the bureaucracy for its success.

But some of the Members were scared that this Bill will tie down the hands of all the future governments with regard to management of finance.

Actually these provisions do not tie down the hands of any future government. Even if they think so they can annul this law by bringing in requisite amendments.

Since this government thinks that this goal is achievable, they should be given an opportunity to prove them. Rules do not bring in the similar effect as does the provisions of the main Act.

Hence the entire provisions of the Clause 4 may be allowed to remain intact instead of diluting them to a state of 'pious words' and unrecognisable'.

2. I further disagree with the contention that borrowing from outside will increase the rate of interest. The Governor, RBI has also not confirmed this view as mentioned in para 14 of the Draft Report. Moreover, since most of the western countries have stopped borrowing from their Central Banks, we can also do the same as provided in the Clause 5 (1) of the Bill.

3. Since I disagree with the Para 12 of the Draft Report, I also disagree with the consequent Para 18, specifically the first 5 lines.

4. While I broadly agree with the Para 19 which requires the government to ensure safeguards in this Bill so that economic decision making does not become the subject matter of judicial scrutiny, I wonder, why should anybody now move the Court against the non-implementation of this law, since hardly any law is left with in this Bill for implementation except certain pious thinkings.

Sd/-

(M.A. Kharabela Swain)

NOTE OF DISSENT

Sh. Kirit Somaiya, MP

While appreciating the contents of draft report on Fiscal Responsibility Bill circulated on 18th October, 2001, I would like to disagree with Paragraph 18, Line 5 – "Pre-specified prudent levels as laid down under rules". Numerical ceiling of reducing revenue deficit by an amount equivalent to ½% must remain as it is. Dropping, cancelling of numerical ceilings and asking the same to be provided under rules will serve no purpose and hence not acceptable to me.

Observations regarding more flexibility, including the matters of public importance are acceptable to me.

Regarding borrowing from the RBI also the Committee's observation regarding including more flexibility may be appreciated or welcomed.

The economic reforms have started from 1991. The Indian Economy, its policies have changed since 1991 from monopolistic and socialistic government controlled economy to an open liberalized economy. In which government's spending without proper guidelines, control and discipline cannot be appreciated and accepted.

Government's intention to provide such guidelines in the Act itself is appreciated and welcomed.

Sd/-

(Kirit Somaiya)

MINUTES OF THE ELEVENTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Friday, 11 May, 2001 from 1100 to 1220 hours.

PRESENT

Shri. Shivraj V. Patil – Chairman

LOK SABHA

2. Smt. Renuka Chowdhury
3. Shri G. Putta Swamy Gowda
4. Shri Rattan Lal Kataria
5. Shri M.V.V.S. Murthy
6. Shri Raj Narain Passi
7. Dr. Sanjay Paswan
8. Shri Annasaheb M.K. Patil
9. Shri Varkala Radhakrishnan
10. Shri Pravin Rashtrapal
11. Shri Ram Singh Rathwa
12. Shri S. Jaipal Reddy
13. Shri Ajit Singh
14. Shri C.N. Singh
15. Shri Kirit Somaiya
16. Shri Kharebela Swain

RAJYA SABHA

17. Shri S.S. Ahluwalia
18. Shri Krishna Kumar Birla
19. Shri K. Rahman Khan
20. Shri Suresh A. Keshwani
21. Shri Narendra Mohan
22. Shri N.K.P. Salve
23. Shri Amar Singh
24. Shri Solipeta Ramachandra Reddy

SECRETARIAT

1.	Dr. (Smt.) P.K. Sandhu	-	Joint Secretary
2.	Shri P.K. Grover	-	Deputy Secretary
3.	Shri S.B. Arora	-	Under Secretary

2. At the outset, the Chairman welcomed the Members to the sitting of the Committee and then outlined the broad framework and objectives of the Fiscal Responsibility and Budget Management Bill, 2000. Thereafter the Committee discussed various provisions of the Bill. After deliberations, the Committee decided to have their meetings on 21st and 22nd May, 2001 as per the following programme :-

Date & Day	Time	Agenda
21.05.2001 (Monday)	1500 hours onwards	Briefing/presentation on Fiscal Responsibility and Budget Management Bill, 2000 by the representatives of the Ministry of Finance and RBI.
22.05.2001 (Tuesday)	1100 to 1300 hours	Presentation by the representatives of the Ministry of Planning on Mid Term Appraisal of Ninth Five Year Plan (1997-2002)
-do-	1500 hours onwards	Presentation by the representatives of the Ministry of Planning on Tenth Five Year Plan

The Committee then adjourned

MINUTES OF THE TWELFTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Monday, 21 May, 2001 from 1500 to 1715 hours.

PRESENT

Shri. Shivraj V. Patil – Chairman

MEMBERS

LOK SABHA

2. Shri Raashid Alvi
3. Shri Ajoy Chakraborty
4. Shri G. Putta Swamy Gowda
5. Shri Rattan Lal Kataria
6. Shri Brahmanand Mandal
7. Shri Raj Narain Passi
8. Dr. Sanjay Paswan
9. Shri Varkala Radhakrishnan
10. Shri Ram Singh Rathwa
11. Shri S. Jaipal Reddy
12. Shri T.M. Selvaganpathi
13. Shri C.N. Singh
14. Shri Kirit Somaiya
15. Shri Kharabela Swain

RAJYA SABHA

16. Shri S.S. Ahluwalia
17. Shri K. Rahman Khan
18. Shri Suresh A. Keshwani
19. Shri N.K.P. Salve
20. Shri Amar Singh
21. Shri Vijay Darda
22. Shri Solipeta Ramachandra Reddy

SECRETARIAT

1.	Dr. (Smt.) P.K. Sandhu	-	Joint Secretary
2.	Shri P.K. Grover	-	Deputy Secretary
3.	Shri S.B. Arora	-	Under Secretary

Witnesses

Ministry of Finance

1. Shri Ajit Kumar, Finance Secretary
2. Shri C.M. Vasudev, Secretary (Expenditure)
3. Dr. S. Narayan, Secretary (Revenue)
4. Dr. Rakesh Mohan, Advisor to FM
5. Shri Venkateswaran, Additional Secretary (Expenditure)
6. Dr. G.C. Srivastava, Additional Secretary (Revenue)
7. Shri R.K. Chakravarty, Additional Secretary
8. Shri Sukumar Shankar, Chairman, Central Board of Excise and Customs
9. Shri Raj Narain, Member, Central Board of Direct Taxes

10. Shri D. Swarup, Joint Secretary (Budget)
11. Shri T.R. Rustagi, Joint Secretary (TRU)
12. Dr. Ashok Lahiri, Director, NIPFP
13. Shri. K.N. Khandelwal, ADAI of C&AG
14. Shri A.N. Sehgal, CGA

Reserve Bank of India

15. Shri N.V. Deshpande, Principal Legal Adviser (RBI)
16. Smt. Usha Thorat, Chief General Manager-in-charge, Internal Debt Management Cell (RBI)
17. Dr. G.S. Bhati, Advisor, RBI
18. Dr. R.K. Pattnaik, Director, Department of Economic Analysis & Policy (RBI)

2. At the outset, the Chairman welcomed the Members to the sitting of the Committee. The Chairman then informed the Members that reports about deliberations of the Committee sitting held on 11 May, 2001 have appeared in the Statesman dated 13.5.2001 and the Financial Express dated 12.5.2001. The deliberations have not only been published in the press but there has been misreporting of the facts. The Committee discussed the matter and opined to issue letters, if necessary to the Editors of the concerned newpapers for making proper amends failing which the matter might be taken up with Hon'ble Speaker for referring it to the Committee of Privileges.

3. Thereafter, the representatives of the Ministry of Finance and Reserve Bank of India (RBI) were called. The Chairman invited the attention of the representatives to the provisions contained in Direction 55 of the Directions by the Speaker.

4. Then the representatives of Ministry of Finance made audio-visual presentation on the Fiscal Responsibility and Budget Management Bill, 2000.

5. Thereafter, the Committee requested the representatives of Ministry of Finance to furnish written replies/notes on the points raised during the discussion held subsequent to the audio-visual presentation as well as the copies of the Fiscal Responsibility Legislation of some foreign countries.

6. The evidence was inconclusive.

7. A verbatim record of the proceedings has been kept.

The witnesses then withdrew.

8. The Committee decided to have oral evidence of the representatives of Ministry of Finance and RBI on 23 May, 2001.

The Committee then adjourned

MINUTES OF THE FIFTEENTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Wednesday, 23 May, 2001 from 1100 to 1220 hours.

PRESENT

Shri. Shivraj V. Patil – Chairman

MEMBERS

LOK SABHA

2. Shri Ajoy Chakraborty
3. Smt. Renuka Chowdhury
4. Shri G. Putta Swamy Gowda
5. Dr. Sanjay Paswan
6. Shri Ram Singh Rathwa
7. Shri T.M. Selvaganpathi
8. Shri Kharabela Swain

RAJYA SABHA

9. Shri S.S. Ahluwalia
10. Shri Suresh A. Keshwani
11. Dr. Manmohan Singh

SECRETARIAT

1.	Dr. (Smt.) P.K. Sandhu	-	Joint Secretary
2.	Shri P.K. Grover	-	Deputy Secretary
3.	Shri S.B. Arora	-	Under Secretary

Witnesses

Ministry of Finance

1. Shri Ajit Kumar, Finance Secretary
2. Shri C.M. Vasudev, Secretary (Expenditure)
3. Dr. Rakesh Mohan, Advisor to FM
4. Dr. G.C. Srivastava, Additional Secretary (Revenue)
5. Shri R.K. Chakravarty, Additional Secretary
6. Shri Raj Narain, Member, Central Board of Direct Taxes
7. Shri D. Swarup, Joint Secretary (Budget)
8. Shri Yogesh Chandra, Adviser
9. Smt. Usha Mathur, Joint Secretary (Deptt. of Exp)
10. Shri. K.N. Khandelwal, ADAI of C&AG
11. Shri A.N. Sehgal, CGA

Reserve Bank of India

12. Dr. G.S. Bhati, Advisor
13. Dr. R.K. Pattnaik, Director, Department of Economic Analysis & Policy

2. At the outset, the Chairman welcomed the Members and representatives of Ministry of Finance to the sitting of the Committee.

3. The Committee then took oral evidence of representatives of the Ministry of Finance on the provisions contained in the Fiscal Responsibility and Budget Management Bill, 2000.

4. Thereafter, the Chairman requested the representatives of Ministry of Finance to furnish written replies/notes to certain points raised by the members during the discussion.

5. A verbatim record of proceedings has been kept.

The witnesses then withdrew.

6. The Committee decided to meet again on 6 June, 2001.

The Committee then adjourned

MINUTES OF THE SIXTEENTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Wednesday, 06 June, 2001 from 1500 to 1645 hours.

PRESENT

Shri. Shivraj V. Patil – Chairman

MEMBERS

LOK SABHA

2. Shri Ajoy Chakraborty
3. Smt. Renuka Chowdhury
4. Shri Rattan Lal Kataria
5. Shri Brahmanand Mandal
6. Shri M.V.V.S. Murthy
7. Shri Rupchand Pal
8. Shri Raj Narain Passi
9. Dr. Sanjay Paswan
10. Shri Annasaheb M.K. Patil
11. Shri Varkala Radhakrishnan
12. Shri Ram Singh Rathwa
13. Shri T.M. Selvaganpathi
14. Shri Kirit Somaiya
15. Shri Kodikunnil Suresh
16. Shri Kharabela Swain

RAJYA SABHA

17. Shri S.S. Ahluwalia
18. Dr. Biplab Dasgupta
19. Shri K. Rahman Khan
20. Shri Suresh A. Keshwani
21. Dr. Manmohan Singh
22. Shri Praful Patel
23. Shri Amar Singh
24. Shri Vijay Darda

SECRETARIAT

1.	Dr. (Smt.) P.K. Sandhu	-	Joint Secretary
2.	Shri P.K. Grover	-	Deputy Secretary

Witnesses

1.	Dr (Smt) Shikha Jha	-	Professor, Indira Gandhi Institute of Development Research, (IGIDR),Mumbai
2.	Dr (Smt) Jayati Ghosh	-	Professor, Jawaharlal Nehru University,(JNU), Delhi
3.	Dr. C.P.Chandra Shekhar	-	Professor, Jawaharlal Nehru University,(JNU) Delhi
4.	Dr (Smt) Indira Rajaraman	-	Reserve Bank Chair Professor, National Institute of Public Finance and Policy, Delhi.

2. At the outset, the Chairman welcomed the Members to the sitting of the Committee. Thereafter the witnesses were apprised of the contents of Direction 55 of the Directions by the Speaker.

3. The Committee then heard the views of the above mentioned experts on the provisions contained in the Fiscal Responsibility and Budget Management Bill, 2000.

4. Thereafter, the Members raised queries which were replied to by the witnesses.

5. The evidence was concluded.

6. A verbatim record of proceedings has been kept.

The witnesses then withdrew.

7. The Committee decided to convene their next sitting on **19 June, 2001**.

The Committee then adjourned.

MINUTES OF THE SEVENTEENTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Tuesday, 19 June, 2001 from 1500 to 1715 hours.

PRESENT

Shri. Shivraj V. Patil – Chairman

MEMBERS

LOK SABHA

2. Shri Raashid Alvi
3. Shri Ajoy Chakraborty
4. Smt. Renuka Chowdhury
5. Shri G. Putta Swamy Gowda
6. Shri Rattan Lal Kataria
7. Shri M.V. Chandrashekhara Murthy
8. Shri Rupchand Pal
9. Dr. Sanjay Paswan
10. Shri Varkala Radhakrishnan
11. Shri Ram Singh Rathwa
12. Shri S. Jaipal Reddy
13. Shri T.M. Selvaganpathi
14. Shri C.N. Singh
15. Shri Kirit Somaiya
16. Shri Kharabela Swain
17. Shri Narayan Dutt Tiwari

RAJYA SABHA

18. Shri S.S. Ahluwalia
19. Dr. Biplab Dasgupta
20. Shri Suresh A. Keshwani
21. Shri Praful Patel
22. Shri P. Prabhakar Reddy
23. Prof. M. Sankaralingam
24. Shri Solipeta Ramachandra Reddy

SECRETARIAT

1. Dr. (Smt.) P.K. Sandhu - Joint Secretary
2. Shri S.B. Arora - Under Secretary

Witnesses

1. Shri Ajit Kumar, Finance Secretary
2. Shri C.M. Vasudev, Secretary (Expenditure)
3. Dr. Rakesh Mohan, Advisor to FM
4. Shri A.M. Sehgal, CGA
5. Shri M. Venkateswaran, Additional Secretary (Expenditure)
6. Dr. G.C. Srivastava, Additional Secretary (Revenue)
7. Shri Sukumar Shankar, Chairman, (CBEC)
8. Shri A. Balasubramanian, Chairman (CBDT)

9. Shri Raj Narain, Member, Central Board of Direct Taxes
10. Shri R.K. Chakravarty, Additional Secretary
11. Shri T.R. Rustagi, Joint Secretary (TRU)
12. Shri Dhirender Swarup, Joint Secretary (Budget)

Reserve Bank of India

13. Shri N.V. Deshpande, Principal Legal Adviser (RBI)
14. Smt. Usha Thorat, Chief General Manager-in-charge, Internal Debt Management Cell (RBI)
15. Dr. G.S. Bhati, Advisor, RBI
16. Dr. R.K. Pattnaik, Director, Department of Economic Analysis & Policy (RBI)

2. At the outset, the Chairman welcomed the Members and representatives of the Ministry of Finance and Reserve Bank of India to the sitting of the Committee.

3. The Committee then took oral evidence of representatives of the Ministry of Finance and Reserve Bank of India on the provisions contained in the Fiscal Responsibility and Budget Management Bill, 2000.

4. Thereafter, the Chairman requested the representatives of the Ministry of Finance to furnish written replies/notes to certain points raised by the members during the discussion.

5. The evidence was concluded.

6. A verbatim record of proceedings has been kept.

The witnesses then withdrew.

7. Then, the Chairman requested the members to send their suggestions, if any, on the Fiscal Responsibility and Budget Management Bill, 2000 to the Secretariat so that the same could be circulated to the Members for their consideration at the forthcoming sitting of the Committee scheduled to be held on 28 June, 2001.

The Committee then adjourned

MINUTES OF THE EIGHTEENTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Wednesday, 1 August, 2001 from 1500 to 1630 hours.

PRESENT

Shri. Shivraj V. Patil – Chairman

MEMBERS

LOK SABHA

2. Shri Raashid Alvi
3. Shri Rattan Lal Kataria
4. Shri M.V.V.S. Murthy
5. Shri Rupchand Pal
6. Shri Varkala Radhakrishnan
7. Shri T.M. Selvaganpathi
8. Shri Kirit Somaiya
9. Shri Kodikunnil Suresh
10. Shri Kharabela Swain

RAJYA SABHA

11. Shri S.S. Ahluwalia
12. Shri Krishna Kumar Birla
13. Shri Suresh A. Keshwani
14. Shri P. Prabhakar Reddy
15. Prof. M. Sankaralingam
16. Shri Solipeta Ramachandra Reddy

SECRETARIAT

1.	Dr. (Smt.) P.K. Sandhu	-	Joint Secretary
2.	Shri P.K. Grover	-	Deputy Secretary
3.	Shri S.B. Arora	-	Under Secretary

Witnesses

Ministry of Law, Justice and Company Affairs

Department of Legal Affairs

1. Sh. R.L. Meena, Secretary
2. Sh. Ajay Sinha, Joint Secretary

Legislative Department

1. Sh. V.K. Bhasin, Joint Secretary and Legislative Counsel
2. Sh. L.R. Khurana, Assistant Legislative Counsel

2. At the outset the Chairman welcomed the Members and representatives of Ministry of Law, Justice and Company Affairs (Department of Legal Affairs and Legislative Department).

3. The Committee then took oral evidence of the representatives seeking certain clarifications on the legal aspects of the Fiscal Responsibility and Budget Management Bill 2000.

4. The evidence was concluded

5. A Verbatim record of the proceedings has been kept.

The witnesses then withdrew.

The Committee then adjourned.

MINUTES OF THE NINETEENTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Tuesday, 11 September, 2001 from 1500 to 1715 hours.

PRESENT

Shri. Shivraj V. Patil – Chairman

MEMBERS

LOK SABHA

2. Shri Prabodh Panda
3. Shri G. Putta Swamy Gowda
4. Shri Brahmanand Mandal
5. Shri M.V. Chandrashekhara Murthy
6. Shri Rupchand Pal
7. Shri Prakash Paranjpe
8. Dr. Sanjay Paswan
9. Shri Varkala Radhakrishnan
10. Shri Ram Singh Rathwa
11. Shri T.M. Selvaganpathi
12. Shri Kharabela Swain
13. Shri Narayan Dutt Tiwari

RAJYA SABHA

14. Shri S.S. Ahluwalia
15. Shri Ranjan Prasad Yadav
16. Dr. Biplab Dasgupta
17. Shri Suresh A. Keshwani
18. Shri Narendra Mohan
19. Shri Praful Patel
20. Shri Solipeta Ramachandra Reddy

SECRETARIAT

1.	Dr. (Smt.) P.K. Sandhu	-	Joint Secretary
2.	Shri P.K. Grover	-	Deputy Secretary
3.	Shri S.B. Arora	-	Under Secretary

2. At the outset the Chairman welcomed the Members. Thereafter, the Committee took up Fiscal Responsibility and Budget Management Bill, 2000 for clause by clause consideration and considered clauses 1,2 and 3 of the Bill. The Committee also partially discussed Clauses 4 and 5 of the Bill.

3. The Chairman informed the Members that the following Bills were also pending for examination by the Committee:-

I. The Negotiable Instruments (Amendment) Bill, 2001.

II. The Financial Companies Regulation Bill, 2000

III. The General Insurance Business (Nationalisation) Amendment Bill, 2001,

IV. The Insurance (Amendment) Bill, 2001.

V. The Sick Industrial Companies (Special Provisions) Repeal Bill, 2001**.**

VI. The Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2000**.**

A tentative schedule of dates of sittings of the Committee for consideration/examination of the above Bills was drawn

4. The Committee then decided to meet again on 12 September, 2001 at 11 A.M. to consider the remaining provisions of the Fiscal Responsibility and Budget Management Bill, 2000.

5. A verbatim record of the proceedings has been kept.

The Committee then adjourned.

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MINUTES OF THE TWENTEITH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Wednesday, 12 September, 2001 from 1100 to 1300 hours.

PRESENT

Shri. Shivraj V. Patil – Chairman

MEMBERS

LOK SABHA

2. Shri G. Putta Swamy Gowda
3. Shri Brahmanand Mandal
4. Shri M.V. Chandrashekhara Murthy
5. Shri Rupchand Pal
6. Shri Varkala Radhakrishnan
7. Shri S. Jaipal Reddy
8. Shri T.M. Selvaganpathi
9. Shri Kirit Somaiya
10. Shri Kharabela Swain
11. Shri Narayan Dutt Tiwari

RAJYA SABHA

12. Shri K. Rahman Khan
13. Shri Suresh A. Keshwani
14. Shri Praful Patel

SECRETARIAT

1.	Dr. (Smt.) P.K. Sandhu	-	Joint Secretary
2.	Shri P.K. Grover	-	Deputy Secretary
3.	Shri S.B. Arora	-	Under Secretary

2. At the outset, the Chairman welcomed the Members. Thereafter, the Committee resumed the consideration of the remaining clauses of the Fiscal Responsibility and Budget Management Bill, 2000.

3. The Committee also decided to take oral evidence of representatives of Ministry of Finance to seek clarifications on some of the provisions contained in the Bill on 21 September, 2001.

4. A verbatim record of proceedings has been kept.

The Committee then adjourned.

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MINUTES OF THE TWENTY FIRST SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Friday, 21 September, 2001 from 1500 to 1700 hours.

PRESENT

Shri. Shivraj V. Patil – Chairman

MEMBERS

LOK SABHA

2. Shri Sudip Bandyopadhyay
3. Shri Prabodh Panda
4. Smt. Renuka Chowdhury
5. Shri Rattan Lal Kataria
6. Shri Raj Narain Passi
7. Shri Varkala Radhakrishnan
8. Shri T.M. Selvaganpathi
9. Shri C.N. Singh
10. Shri Kirit Somaiya
11. Shri Kharabela Swain
12. Shri Narayan Dutt Tiwari

RAJYA SABHA

13. Shri S.S. Ahluwalia
14. Shri Ranjan Prasad Yadav
15. Shri Suresh A. Keshwani
16. Shri Narendra Mohan
17. Shri N.K.P. Salve
18. Shri Solipeta Ramachandra Reddy

SECRETARIAT

1. Dr. (Smt.) P.K. Sandhu	-	Joint Secretary
2. Shri P.K. Grover	-	Deputy Secretary
3. Shri S.B. Arora	-	Under Secretary

WITNESSES

Ministry of Finance

1. Shri Ajit Kumar, Finance Secretary
2. Shri C.M. Vasudev, Secretary (Expenditure)
3. Dr. Rakesh Mohan, Adviser to Finance Minister
4. Shri Dhirendra Swarup, Additional Secretary (Budget)
5. Shri A.M. Sehgal, Controller General of Accounts

Reserve Bank of India (RBI)

6. Smt. Usha Thorat, Chief General Manager-in-charge, Internal Debt Management Cell
7. Dr. G.S. Bhati, Advisor, Department of Economic Analysis & Policy

2. At the outset, the Chairman welcomed the Members and representatives of Ministry of Finance and Reserve Bank of India to the sitting of the Committee.

3. Thereafter, the Committee took evidence of the representatives of Ministry of Finance and Reserve Bank of India to seek certain clarifications on the provisions contained in the Fiscal Responsibility and Budget Management Bill, 2000.

4. The evidence was concluded.

5. A verbatim record of proceedings has been kept.

6. The witnesses then withdrew.

7. The Committee decided to take evidence of the Governor, Reserve Bank of India on Fiscal Responsibility and Budget Management Bill, 2000 on 8 October, 2001.

The meeting then adjourned.

MINUTES OF THE TWENTY FOURTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Monday, 08 October, 2001 from 1200 to 1330 hours.

PRESENT

Shri. Shivraj V. Patil – Chairman

MEMBERS

LOK SABHA

2. Shri Raashid Alvi
3. Smt. Renuka Chowdhury
4. Shri G. Putta Swamy Gowda
5. Shri Rattan Lal Kataria
6. Shri Brahmanand Mandal
7. Shri M.V. Chandrashekhara Murthy
8. Shri Prabodh Panda
9. Shri Rupchand Pal
10. Shri Varkala Radhakrishnan
11. Shri Ram Singh Rathwa
12. Shri T.M. Selvaganpathi
13. Shri C.N. Singh
14. Shri Kharabela Swain
15. Shri Narayan Dutt Tiwari

RAJYA SABHA

16. Shri S.S. Ahluwalia
17. Shri Suresh A. Keshwani
18. Shri Narendra Mohan
19. Shri Praful Patel
20. Shri N.K.P. Salve
21. Shri Amar Singh
22. Shri Solipeta Ramachandra Reddy

SECRETARIAT

1.	Shri P.D.T. Achary	-	Additional Secretary
2.	Dr. (Smt.) P.K. Sandhu	-	Joint Secretary
3.	Shri R.K. Jain	-	Deputy Secretary
4.	Shri S.B. Arora	-	Under Secretary

Witnesses

1. Dr. Bimal Jalan, Governor (RBI)
2. Smt. Usha Thorat, Chief General Manager-in-charge,Internal Debt Management Cell (RBI)

2. At the outset, the Chairman invited the Members and Governor, Reserve Bank of India and his collegue to the sitting of the Committee.

3. Thereafter, the Members discussed the provisions contained in Fiscal Responsibility and Budget Management Bill, 2000 with the Governor, Reserve Bank of India.

4. The Chairman then asked the Governor, RBI to furnish information about the fiscal responsibility legislations of some foreign countries that barred their Governments from borrowing from their respective central banks.

5. The evidence was concluded.

6. A verbatim record of proceedings has been kept.

7. The witnesses then withdrew.

The Committee then adjourned.

MINUTES OF THE TWENTY SEVENTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Friday, 19 October, 2001 from 1200 to 1330 hours.

PRESENT

Shri. Shivraj V. Patil – Chairman

MEMBERS

LOK SABHA

2. Shri Raashid Alvi
3. Shri Rattan Lal Kataria
4. Shri Rupchand Pal
5. Shri Varkala Radhakrishnan
6. Shri Ram Singh Rathwa
7. Shri T.M. Selvaganpathi
8. Shri C.N. Singh
9. Shri Kharabela Swain
10. Shri Narayan Dutt Tiwari

RAJYA SABHA

11. Shri K. Rahman Khan
12. Shri Narendra Mohan
13. Shri N.K.P. Salve
14. Prof. M. Sankaralingam
15. Shri Amar Singh
16. Shri Solipeta Ramachandra Reddy

SECRETARIAT

1.	Shri P.D.T. Achary	-	Additional Secretary
2.	Dr. (Smt.) P.K. Sandhu	-	Joint Secretary
3.	Shri R.K. Jain	-	Deputy Secretary
4.	Shri S.B. Arora	-	Under Secretary

2. At the outset, the Chairman welcomed the Members to the Sitting of the Committee and requested them to consider the draft report on the Fiscal Responsibility and Budget Management Bill, 2000.

3. The Committee then took up for consideration the draft report on the Fiscal Responsibility and Budget Management Bill, 2000. The Committee after deliberation adopted the draft report with the modifications/ amendments as shown in the **annexure**.

4. The Committee, thereafter, authorised the Chairman to finalise the Report on the Fiscal Responsibility and Budget Management Bill, 2000 and also to make verbal and other consequential changes and present the report to both the Houses of Parliament.

5. Shri Khrabela Swain and Shri Varkala Radhakrishnan desired to give their notes of dissent. The Chairman informed the Members to furnish their notes of dissent to the Secretariat by 22 October, 2001 for annexing the same to the report.

6. Thereafter, the Chairman informed the Members that the proceedings held in connection with the examination of the Bill would form part of the report and would be presented to Parliament alongwith the report on the Bill.

The Committee then adjourned.

Annexure

Page	Para	Line		Modification / suggestion
3	8	2	*after* *add*	"create" "confusion and"
6	12	1	*after* *add*	" that " "planned"
7	14		*for*	"The Committee are of the apprehension that in the event of failure of the Government to achieve the specified levels of the fiscal deficit, blanket ban on borrowing from the Reserve Bank of India by the Government, might lead to rise in the interest rates for the Government in particular and the economy in general. Moreover, they are of the considered view that it may not be possible for any Govt. to anticipate in advance the events in totality which might have adverse impact on the economy. Hence, to bind the Government or tie their hands may not necessarily be in the best interest of the State. They, therefore, recommend that flexibility may be built into the clause for giving discretion to the Government to borrow from Reserve Bank of India. In the light of the above, the clause may be redrafted."
			substitute	"The Committee apprehend that in the event of failure of the Government to achieve the specified levels of the fiscal deficit, blanket ban on borrowing from the Reserve Bank of India by the Government, might lead to higher market borrowings by the Govt. which may cause rise in their interest burden and adversely affect the economic development. Moreover, they are of the considered view that it might not be possible for any Govt. to anticipate in advance the events in totality which might have adverse impact on the economy. Hence, to bind the Government or tie their hands may not necessarily be in the best interest of the State. They, therefore, recommend that the lack of flexibility in the existing clause may be done away with."

Page	Para	Line	Modification/suggestion
9	18	2	*after* “prudent *add* “and realistic”
		9	*after* “India” *add* “to make the law effective”
10.			*after* “para 19” *add* “the following new para – 20. The Committee desire that a constructive dialogue may be initiated with State Governments also advising them to restructure their finances.

Bill No. 220 of 2000

THE FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT BILL, 2000

A

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to provide for the responsibility of the Central Government to ensure inter-generational equity in fiscal management and long-term macro-economic stability by achieving sufficient revenue surplus, eliminating fiscal deficit and removing fiscal impediments in the effective conduct of monetary policy and prudential debt management consistent with fiscal sustainability through limits on the Central Government borrowings, debt and deficits, greater transparency in fiscal operations of the Central Government and conducting fiscal policy in a medium-term framework and for matters connected therewith or incidental thereto.

BE it enacted by Parliament in the Fifty-first Year of the Republic of India as follows:—

Short title, extent and commencement.

1. (*1*) This Act may be called the Fiscal Responsibility and Budget Management Act, 2000.

(*2*) It extends to the whole of India.

(*3*) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint in this behalf.

Definitions.

2. In this Act, unless the context otherwise requires,—

(*a*) "annual budget" means the annual financial statement laid before both Houses of Parliament under article 112 of the Constitution;

(b) "fiscal deficit" means the excess of—

(i) total disbursements from the Consolidated Fund of India, excluding repayment of debt, over total receipts into the Fund, excluding the debt receipts, during a financial year; or

(ii) total expenditure from the Consolidated Fund of India (including loans but excluding repayment of debt) over its tax and non-tax revenue receipts (including external grants) and non-debt capital receipts during a financial year which represents the borrowing requirements, net of repayment of debt, of the Central Government during the financial year;

(c) "fiscal indicators" means the measures such as numerical ceilings and proportions to gross domestic product, as may be prescribed, for evaluation of the fiscal position of the Central Government;

(d) "revenue deficit" means the difference between revenue expenditure and revenue receipts which indicates increase in liabilities of the Central Government without corresponding increase in assets of that Government;

(e) "Reserve Bank" means the Reserve Bank of India constituted under sub-section (1) of section 3 of the Reserve Bank of India Act, 1934; 2 of 1934.

(f) "prescribed" means prescribed by rules made under this Act;

(g) "total liabilities" means the liabilities under the Consolidated Fund of India and the public account of India.

Fiscal policy statements to be laid before Parliament.

3. (1) The Central Government shall lay in each financial year before both Houses of Parliament the following statements of fiscal policy alongwith the annual budget, namely:—

(a) the Medium-term Fiscal Policy Statement;

(b) the Fiscal Policy Strategy Statement;

(c) the Macro-economic Framework Statement.

(2) The Medium-term Fiscal Policy Statement shall set-forth a three-year rolling target for prescribed fiscal indicators with specification of underlying assumptions.

(3) In particular and without prejudice to the provisions contained in sub-section (2), the Medium-term Fiscal Policy Statement shall include an assessment of sustainability relating to—

(i) the balance between revenue receipts and revenue expenditures;

(ii) the use of capital receipts including market borrowings for generating productive assets.

(4) The Fiscal Policy Strategy Statement shall, *inter alia*, contain—

(a) the policies of the Central Government for the ensuing year relating to taxation, expenditure, market borrowings and other liabilities, lending and investments, pricing of administered goods and services, securities and description of other activities, such as, underwriting and guarantees which have potential budgetary implications;

(b) the strategic priorities of the Central Government for the ensuing financial year in the fiscal area;

(c) the key fiscal measures and rationale for any major deviation in fiscal measures pertaining to taxation, subsidy, expenditure, administered pricing and borrowings;

(*d*) an evaluation as to how the current policies of the Central Government are in conformity with the fiscal management principles set out in section 4 and the objectives set out in the Medium-term Fiscal Policy Statement.

(*5*) The Medium-term Fiscal Policy Statement, the Fiscal Policy Strategy Statement and the Macro-economic Framework Statement referred to in clause (*c*) of sub-section (*1*) shall be in such form as may be prescribed.

Fiscal Management principles.

4. (*1*) The Central Government shall take appropriate measures to eliminate the revenue deficit and fiscal deficit and build up adequate revenue surplus.

(*2*) In particular, and without prejudice to the generality of the foregoing provision, the Central Government shall—

(*a*) reduce revenue deficit by an amount equivalent to one-half per cent. or more of the estimated gross domestic product at the end of each financial year beginning on the 1st day of April, 2001;

(*b*) reduce revenue deficit to nil within a period of five financial years beginning from the initial financial year on the 1st day of April, 2001 and ending on the 31st day of March, 2006;

(*c*) build up surplus amount of revenue and utilise such amount for discharging liabilities in excess of assets;

(*d*) reduce fiscal deficit by an amount equivalent to one-half per cent. or more of the estimated gross domestic product at the end of each financial year beginning on the 1st day of April, 2001;

(*e*) reduce fiscal deficit for a financial year to not more than two per cent. of the estimated gross domestic product for that year, within a period of five financial years beginning from the initial financial year on the 1st day of April, 2001 and ending on the 31st day of March, 2006:

Provided that revenue deficit and fiscal deficit may exceed the limits specified under this sub-section due to ground or grounds of unforeseen demands on the finances of the Central Government due to national security or national calamity:

Provided further that the ground or grounds specified in the first proviso shall be placed before both Houses of Parliament, as soon as may be, after such deficit amount exceeded the aforesaid limits;

(*f*) not give guarantee for any amount exceeding one-half per cent. of the estimated gross domestic product in any financial year;

(*g*) ensure within a period of ten financial years, beginning from the initial financial year on the 1st day of April, 2001, and ending on the 31st day of March, 2011, that the total liabilities (including external debt at current exchange rate) at the end of a financial year, do not exceed fifty per cent. of the estimated gross domestic product for that year.

Borrowing from Reserve Bank.

5. (*1*) The Central Government shall not borrow from the Reserve Bank.

(*2*) Notwithstanding anything contained in sub-section (*1*), the Central Government may borrow from the Reserve Bank by way of advances to meet temporary excess of cash disbursement over cash receipts during any financial year in accordance with the agreements which may be entered into by that Government with the Reserve Bank:

Provided that any advances made by the Reserve Bank to meet temporary excess cash disbursement over cash receipts in any financial year shall be repayable in accordance with the provisions contained in sub-section (*5*) of section 17 of the Reserve Bank of India Act, 1934. 2 of 1934.

(*3*) Notwithstanding anything contained in sub-section (*1*), the Reserve Bank may subscribe to the primary issues of the Central Government securities during the financial year beginning on the 1st day of April, 2001 and subsequent two financial years.

(4) Notwithstanding anything contained in sub-section (1), the Reserve Bank may buy and sell the Central Government securities in the secondary market.

Measures for fiscal transparency.

6. (1) The Central Government shall take suitable measures to ensure greater transparency in its fiscal operations in public interest and minimise as far as practicable, secrecy in the preparation of the annual budget.

(2) In particular, and without prejudice to the generality of the foregoing provision, the Central Government shall, at the time of presentation of the annual budget, disclose in a statement as may be prescribed,—

(a) the significant changes in the accounting standards, policies and practices affecting or likely to affect the computation of prescribed fiscal indicators;

(b) as far as practicable, and consistent with protection of public interest, the contingent liabilities created by way of guarantees including guarantees to finance exchange risk on any transactions, all claims and commitments made by the Central Government having potential budgetary implications, including revenue demands raised but not realised and liability in respect of major works and contracts.

Measures to enforce compliance.

7. (1) The Minister incharge of the Ministry of Finance, shall review, every quarter, the trends in receipts and expenditure in relation to the budget and place before both Houses of Parliament the outcome of such reviews.

(2) Whenever there is either shortfall in revenue or excess of expenditure over pre-specified levels during any period in a financial year, the Central Government shall proportionately curtail the sums authorised to be paid and applied from and out of the Consolidated Fund of India under any Act to provide for the appropriation of such sums:

Provided that nothing in this sub-section shall apply to the expenditure charged on the Consolidated Fund of India under clause (3) of article 112 of the Constitution.

(3) The Minister incharge of the Ministry of Finance, shall make a statement in both Houses of Parliament explaining—

(a) any deviation in meeting the obligations cast on the Central Government under this Act;

(b) whether such deviation is substantial and relates to the actual or the potential budgetary outcomes; and

(c) the remedial measures the Central Government proposes to take.

Power to make rules.

8. (1) The Central Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

(a) the fiscal indicators to be prescribed for the purpose of sub-section (2) of section 3 and clause (a) of sub-section (2) of section 6;

(b) the forms of the Medium-term Fiscal Policy Statement, Fiscal Policy Strategy Statement and Macro-economic Frame Work Statement referred to in sub-section (4) of section 3;

(c) the form of statement under sub-section (2) of section 6; and

(d) any other matter which is required to be, or may be, prescribed.

Rules to be laid before each House of Parliament.

9. Every rule made under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if,

before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

Protection of action taken in good faith.

10. No suit, prosecution or other legal proceedings shall lie against the Central Government or any officer of the Central Government for anything which is in good faith done or intended to be done under this Act or the rules made thereunder.

Application of other laws not barred.

11. The provisions of this Act shall be in addition to, and not in derogation of, the provisions of any other law for the time being in force.

Power to remove difficulties.

12. (*1*) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act as may appear to be necessary for removing the difficulty:

Provided that no order shall be made under this section after the expiry of two years from the commencement of this Act.

(*2*) Every order made under this section shall be laid, as soon as may be after it is made, before each House of Parliament.

STATEMENT OF OBJECTS AND REASONS

The total liabilities of the Central Government are about Rs. 12,00,000 crores, being six times its current annual revenue, to which over Rs. 1,00,000 crores are being added every year with annual interest of about Rs. 1,00,000 crores thereon. The interest payments constitute about one-third of the Central Government's total expenditure and pre-empt nearly half of its annual revenue. The Central Government is financing its current expenditure through its borrowings although the fiscal discipline requires that the borrowings be limited only to productive investments. There have been revenue deficits consistently for the last twenty years. A long history of high fiscal deficits has left a legacy of huge public debt and interest burden. The accumulated burden of debt incurred in the past has been increasingly constraining the Central Government's maneuverability in fiscal management. The situation has deteriorated to such an extent that out of every three rupees expended by the Central Government, about two rupees come from its own resources and one rupee from the borrowed funds. Thus, the incidence of two-thirds of the Central Government's expenditure falls on the present generation and one-third on the future generations. The issue of inter-generational equity has, therefore, to be addressed without delay

2. The fiscal stress manifests itself in several ways and has adverse consequences on the economy. The debt service obligations not only crowd out the consumption expenditure of the Central Government but also constrain its ability to take up new capital investment from budget. Further, high fiscal deficit leads to high real interest rates, which hurt the borrowers. These have adverse effect on economic growth. Reduction in the Central Government's expenditure and reduced level of its borrowings will result in higher availability of bank credit to the private and public sectors for economic development.

3. The finances of the Central Government are required to be so managed that the fiscal situation becomes sustainable and conducive to macro-economic stability and economic growth. This alone will permit the Central Government to focus adequate attention on the much needed intervention in social sector programmes and other plans.

4. The Public Accounts Committee, the Estimates Committee, the Comptroller and Auditor-General of India and the Reserve Bank of India have repeatedly recommended to the Central Government to enact a legislation to control the Central Government's borrowings, which was also emphasized in the constituent Assembly. In this connection, it is pertinent to recall the debate in the constituent Assembly on the issue of legislative control on the Government's borrowing power. The Hon'ble Dr. B. R. Ambedkar, while commenting on draft article 268 (corresponding to present article 292 of the Constitution) in the constituent Assembly observed as follows:—

> *"This article specifically says that the borrowing power of the executive shall be subject to such limitations as Parliament may by law prescribe. If Parliament does not make a law, it is certainly the fault of Parliament and I should have thought it very difficult to imagine any future Parliament which will not pay sufficient or serious attention to this matter and enact a law. Under the article 268, I even concede that there might be an Annual Debt Act made by Parliament prescribing or limiting the power of the executive as to how much they can borrow within that year. I therefore do not see what more is wanted by those who expressed their dissent from the provisions of article 268. It is of course a different matter for consideration whether we should have a further provision limiting the power of the Parliament to pledge the credit of the country. It seems to me that even that matter may be left to Parliament because it will be free for Parliament to say that borrowing shall not be done on the pledging of certain resources of the country. I do not see how this article prevents Parliament from putting upon itself the limitations with regard to the guarantees that may be given by Parliament for the*

ensurement of these loans or borrowings. I therefore think that from all points of view this article 268 as it stands is sufficient to cover all contingencies and I have no doubt about it that, as my friend Mr. Ananthasayanam Ayyangar said, we hope that Parliament will take this matter seriously and keep on enacting laws so as to limit the borrowing authority of the Union, — I go further and say that I not only hope but I expect that Parliament will discharge its duties under this article.".

5. In view of the facts and circumstances mentioned in the preceding paragraphs, while presenting the Budget for the year 2000-2001, it was announced that the Central Government intended to bring necessary legislative proposals before the House during the course of the year for setting up of a strong institutional mechanism to promote overall fiscal prudence.

6. The Central Government has, therefore, decided to enact the proposed legislation to provide for the responsibility of the Central Government to ensure inter-generational equity in fiscal management and long-term macro-economic stability by achieving sufficient revenue surplus, eliminating fiscal deficit and removing fiscal impediments in the effective conduct of monetary policy and prudential debt management, consistent with fiscal sustainability, through limits on the Central Government borrowings, debts and deficits, greater transparency in fiscal operations of the Central Government and conducting fiscal policy in a medium-term framework and for matters connected therewith or incidental thereto.

7. The important features of the Bill, *inter alia*, provide as under:—

(*a*) laying before Houses of Parliament, along with the annual budget, the Medium-term Fiscal Policy Statement, Fiscal Policy Strategy Statement and Macro-economic Framework Statement by the Central Government;

(*b*) appropriate measures by the Central Government to eliminate revenue deficit and fiscal deficit and build up adequate revenue surplus;

(*c*) elimination of revenue deficit by 31st March, 2006 and bringing down fiscal deficit to 2% of GDP in the same period.

(*d*) prohibition of direct borrowings by the Central Government from the Reserve Bank of India after three years except by way of advances to meet temporary cash needs in certain circumstances;

(*e*) greater transparency in fiscal operations and to minimization of, as far as practicable, secrecy in the preparation of the annual budget;

(*f*) quarterly review of the trends in receipts and expenditures in relation to the budget by the Finance Minister and placing the outcome of such reviews before both Houses of Parliament.

(*g*) the Central Government to cut expenditure authorizations in a proportionate manner, while protecting the "charged" expenditure, whenever there is a shortfall of revenue or excess of expenditure over specified targets.

(*h*) Finance Minister to make a statement in both Houses of Parliament explaining any deviation in meeting the obligations cast on the Central Government under this Act and the remedial measures the Central Government proposes to take.

(*i*) relaxation from deficit reduction targets to deal with unforeseen demands on the finances of the Central Government on account of national security or natural calamities of national dimension.

8. The Bill seeks to achieve the above objects.

NEW DELHI;
The 11*th December*, 2000.

YASHWANT SINHA.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 8 of the Bill confers power upon the Central Government to make rules for carrying out the provisions of the Bill. The matters in respect of which such rules may be made relate, *inter alia*, provide for the fiscal indicators to be prescribed for the purpose of sub-section (*2*) of section 3 and clause (*a*) of sub-section (*2*) of section 6; the forms of Medium-term Fiscal Policy Statement, Fiscal Policy Strategy Statement and Macro-economic Frame Work Statement referred to in sub-section (*4*) of section 3; the form of statement under sub-section (*2*) of section 6 and any other matter which is required to be, or may be, prescribed.

2. The rules made by the Central Government shall be laid, as soon as may be, after they are made, before each House of Parliament.

3. The matters in respect of which rules may be made are general matters of procedure and administrative detail and it is not practicable to provide for them in the Bill itself. The delegation of legislative power is, therefore, of a normal character.

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to provide for the responsibility of the Central Government to ensure inter-generational equity in fiscal management and long-term macro-economic stability by achieving sufficient revenue surplus, eliminating fiscal deficit and removing fiscal impediments in the effective conduct of monetary policy and prudential debt management consistent with fiscal sustainability through limits on the Central Government borrowings, debt and deficits, greater transparency in fiscal operations of the Central Government and conducting fiscal policy in a medium-term framework and for matters connected therewith or incidental thereto.

(*Shri Yashwant Sinha, Minister of Finance.*)

MGIPF(PLU)—MFIND—5712LS—15-12-2000.