

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3444

ANSWERED ON:01.08.2014

FISCAL CONSTRAINTS IN AP

Galla Shri Jayadev; Rao Shri Rayapati Sambasiva

Will the Minister of FINANCE be pleased to state:

(a) the names of the States that passed the Fiscal Responsibility and Budget Management Act as recommended by the 1201 Finance Commission;

(b) whether the new State of Andhra Pradesh is facing a number of fiscal constraints including revenue and expenditure difficulties, if so, the details thereof and the reaction of the Government thereto,

(c) whether the State of Andhra Pradesh has made a request to release funds for the current year in accordance with the 13th Finance Commission recommendations, pending amendment to the Andhra Pradesh Fiscal Responsibility and Budget Management Act, 2005; and

(d) if so, the time by when the Government will accede to request of the State?

Answer

THE MINISTER OF STATE FOR FINANCE (SMT. NIRMALA SITHARAMAN)

(a) to (d) Twenty six States, including erstwhile State of Andhra Pradesh, had enacted Fiscal Responsibility and Budget Management Acts (FRBMAs), on the lines recommended by Twelfth Finance Commission during its award period 2005-2010. The remaining two States i.e. West Bengal and Sikkim had enacted their FRBMAs during 2010-11 on lines recommended by Thirteenth Finance Commission (FC XIII). The States are required to monitor their liabilities under their respective FRBMAs, enacted/amended in line with recommendations of FC - XIII. As gleaned from the 2013-14 (Budget Estimates) the State of Andhra Pradesh (prior to bifurcation) was in revenue surplus of 0.12% of GSDP, fiscal deficit 2.76% of GSDP and outstanding debt 21.6% of GSDP, all fiscal parameters within the FRBMA targets. However a clear fiscal scenario of the State will emerge after the State Budget for 2014-15 are presented by the State.

The award made by the FC XIII to the existing state of Andhra Pradesh has been apportioned between both the successor or reorganised States. FC XIII grants to the State are not linked to compliance with the targets prescribed in State's FRBMA. Accordingly, an amount of Rs. 156 crore, Rs. 255.34 crore, Rs. 57.33 crore and Rs 10 crore has been released during July, 2014 for Road and Bridges, Panchayati Raj Institutions, Urban Local Bodies and State Specific need grants respectively.

Fourteenth Finance Commission (FFC) has been constituted and its Terms of the Reference, inter-alia require the Commission to have regard, among other considerations, to the resources of the State Governments for five years commencing 1st April, 2015 on the basis of taxation and non-tax revenues likely to be reached during 2014-15. Further, an additional Term of Reference has also been made to FFC to take into account the resources available to the successor or reorganised States on reorganisation of the State of Andhra Pradesh in accordance with the Andhra Pradesh Reorganisation Act, 2014.