

**MATERIALS FOR UPDATION OF GOVERNMENT WEBSITE
(PARLIAMETARY AFFAIRS DEPARTMENT)**

CABINET DECISIONS

13.03.2005

1. Enactment of Legislation on Fiscal Responsibility and Budget Management.

Ideally the revenue receipt should be sufficient to meet revenue expenditure so that surplus resources and borrowings can be utilized for creation of productive assets. However, because of the severe fiscal imbalance the State has to borrow to meet its revenue expenditure. As a result there is a structural imbalance in the State Finances for more than two decades.

2. In the Twelfth Conference of the State Finance Secretaries held on August 1, 2003, it was decided that the Reserve Bank of India would provided technical assistance in the preparation of a model fiscal responsibility Bill for State Governments. Accordingly, the Reserve Bank of India have circulated a draft on Model Fiscal Responsibility Bill legislation at the State level which has been adopted by the State Government with due modification where ever applicable to Orissa. Government of India have already enacted the Fiscal Responsibility and Budget Management(FRBM) Bill, 2003. In addition to this, a number of State Governments have also enacted the Fiscal Responsibility and Budget Management Act in their States. These include State Governments like Karnataka, Punjab, Kerla, Tamil Nadu, Utter Pradesh and Maharastra.

3. The 12th Finance Commission in their report covering a period from 2005 -2010 have recommended that each State should enact Fiscal Responsibility Legislation. The enactment of Fiscal Responsibility Legislation has been stipulated as a necessary pre-condition for availing the Debt Relief Scheme as recommended by the 12th Finance Commission and debt relief would be admissible prospectively from the year in which such legislation is enacted. As indicated in Para.4.79 of Chapter-4 of the Report of the 12th Finance Commission, each State would enact a Fiscal Responsibility Legislation, which should, at a minimum, provide for -

- (i) Eliminating revenue deficit by 2008-09;
- (ii) Reducing fiscal deficit to 3 percent of GSDP or its equivalent, defined as the ratio of interest payment to revenue receipts;
- (iii) Bringing out annual reduction targets of revenue and fiscal deficits;
- (iv) Bringing out annual statement giving prospects for the State economy and related fiscal strategy; and
- (v) Bringing out special statements along with the budget giving in detail the number of employees in Government, Public Sector and aided Institutions and related salaries.

Further, the 12th Finance Commission, in Para.12.46 of the report, have recommended that:

“The Central Government should not act as an intermediary for future lending and allow the States to approach the market directly.”

4. Presently the Central Assistance for State Plan is passed on to the State as 70% loan component and 30% grant component. But as per the recommendation of the 12th Finance Commission, the States would have to approach to the market directly for the 70% loan component of the State Plan instead of the Central Government.

5. Thus, enactment of the Fiscal Responsibility Bill has become imperative, not only to enable the State Government to avail the debt relief scheme as recommended by the 12th Finance Commission, but also to enhance the credit rating of the State in the open market in order to have access to raise the required loan component to finance its Annual Plan.

6. In order to correct this grave fiscal disequilibrium, the State Government have decided to bring necessary legislative proposals before the House during the course of the year for setting up of a strong institutional mechanism to promote over-all fiscal prudence.

The Cabinet, therefore, decided to enact the proposed legislation to ensure proper fiscal management and long term macro-economic stability by eliminating revenue deficit over a period of time, bringing down fiscal deficit, ensuring prudent debt management, greater transparency in fiscal operations of the State Government and conducting fiscal policy in a medium term frame

work to ensure sustainability and preventing fiscal crises that would affect the growth of State.

8. The important feature of the Bill, *inter alia*, provide as under:-

- a) Laying before the State Legislature, along with the annual budget, a Medium term Fiscal Plan.
- b) Appropriate measures by the State Government to eliminate revenue deficit and fiscal deficit and build up adequate revenue surplus;
- c) Elimination of revenue deficit by 31st March, 2009 and bring down fiscal deficit to 3% of GSDP in the same period.
- d) Greater transparency in fiscal operations and minimization as far as practicable secrecy in the preparation of the annual budget.
- e) 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 the State Legislature.
- f) Relaxation from deficit reduction targets to deal with unforeseen demands on the finances of the State Government on account of natural calamities.

2. Allotment of land in favour of Shri Shiridi Saibaba Spiritual and Charitable Trust for construction of their Branch Trust Office.

An area measuring Ac.0.400 bearing Drawing Plot No. N/1, Drawing No. B/1016 corresponding to Revenue Plot No. 202 of Mouza Nuagaon has been allotted in favour of Sri Shiridi Saibaba Spiritual and Charitable Trust, vide Order No. 3479/CA dated 01.03.2000 for construction of their Trust Office, subject to payment of Rs.10,00,000 towards premium.

The Secretary of the Trust has requested the Government for exemption of the premium on the ground that the Trust is dedicated to a number of spiritual and charitable activities. Since the Trust mainly thrives on the donation, they are not in a position to pay the premium amounting to Rs. 10 lakh.

The proposal was placed in the meeting dated 27.06.2003 of the Empowered Committee. The Committee, recommended

50% concession on the prevailing rate of premium of the land allotted in favour of the Trust.

The recommendation of the Empowered Committee for 50% concessional premium was approved by the Cabinet.

3. Amendment to the Government Rules of Business to allot the subject matters "URBAN HATS" and "FOOD PROCESSING INDUSTRIES" in the list of business of Industries Department.

Government of India in the Ministry of Textiles has a scheme of Urban Hat for which Development Commissioner, Handlooms and Handicrafts provide substantial funds to State Government for establishment of Urban Hats. Therefore, with a view to avail the benefits sanctioned by Govt. of India, it has been decided by the State Government that the Industries Department would be the nodal Department for setting up of new Urban Hats, its comprehensive arrangements, management and all round development of the Urban Hats in the State.

Similarly, with a view to avail the concessions made available by Govt. of India for food processing Industries in the state, it was decided that the Industries department would be the nodal department for establishment and development of Food processing Industries in the State.

The Cabinet approved the amendments to be made to Government Rules of Business.

4. Annual Report on the activities of Orissa Public Service Commission for the year, 1999-2000.

Paragraph 7.2, 7.3, 7.4, 7.5, 7.6 & 7.7 of Chapter- VII of the Annual Report of the OPSC for the year 1999-2000 reveals that some Administrative Departments such as Revenue Department, Higher Education Department, Health & Family Welfare Department, Water Resources Department and Tourism Department have taken decisions deviating the recommendations of OPSC in matters of imposition of Penalty on Government servants under OCS(CCA) Rules, 1962 and amendment of Service Rules.

This has been approved by the Cabinet for laying the Annual Report of the O.P.S.C. for the year 1999-2000 in the Orissa Legislative Assembly.

5. Annual Report on the activities of Orissa Public Service Commission for the year, 2000-2001.

Paragraph 1-12 of Chapter-I and Chapter -VII of the Annual Report of the OPSC for the year 2000-2001 reveals that no such case has been reported where the advice of the Commission were not accepted by the State Government.

This has been approved by the Cabinet for laying the Annual Report of the O.P.S.C. for the year 2000-2001 in the Orissa Legislative Assembly.

6. Annual Report on the activities of Orissa Public Service Commission for the year, 2001-2002.

Paragraph 7.1, 7.2 (a) & 7.2(b) of the Annual Report of the OPSC for the Year 2001-2002 reveals that some Administrative Department such as Revenue Department, Fisheries and A.R.D. Department and Higher Education Department have taken decisions deviating the recommendations of OPSC in matters of antedating appointment in OAS Class-II cadre, imposition of penalty on government servants under CCA Rules.

This has been approved by the Cabinet for laying the Annual Report of the O.P.S.C. for the year 2001-2002 in the Orissa Legislative Assembly.

7. Annual Report on the activities of Orissa Public Service Commission for the year, 2002-2003.

Paragraph 7.2 & 7.3 of Annual Report of the OPSC for the year 2002-2003 reveals that some Administrative Departments such as Higher Education Department and Textile & Handloom Department have taken decisions deviating from the recommendations of OPSC in matters of imposition of penalty on Government servants under OCS (CCA) Rules and amendment of service rules.

This has been approved by the Cabinet for laying the Annual Report of the O.P.S.C. for the year 2002-2003 in the Orissa Legislative Assembly.

8. Lease of Ac. 12.00 Government land in Plot No.324, Khata No. 73 of Mouza Makaput of Jeypore town, free of premium to M.S. Swaminathan Research Foundation, 3rd corss, Institutional Area, Taramani, Chennai.

Dr. M.S. Swaminathan, the Chairman of M.S. Swaminathan Research Foundation(MSSRF) Chennai has applied for lease of Ac12.00 government land to set up a research and development centre for medicinal plant in Koraput district with an estimated project cost of Rs.50 lakhs for building with recurring expenditure of Rs. 45 lakhs per annum. The prime objective of the project is to establish a herbal bio-valley for encouraging cultivation and processing of medicinal plants and to establish a Research and Training Centre for promotion of medicinal plant industry.

Government have earlier sanctioned advance possession of the land with condition to pay Rs. 1.2 crore towards premium, Rs. 1.2 lakhs towards ground rent and Rs. 90,000/- towards cess per annum, But Dr. Swaminathan requested the Government to allot the land, free of premium, as the MSSRF would not be able to pay being a Not-For-Profit Organisation.

Considering the fact that the Trust is renowned institution making no profit out of its operation and activities, particularly in developing the tribal people and treating the institute as an educational and research institute.

The Cabinet decided that land will be allotted free of premium and a nominal ground rent and annual cess of Rs. 2/-.