

**GOVERNMENT OF INDIA**  
**MINISTRY OF FINANCE**  
**RAJYA SABHA**  
**QUESTION NO02.03.2010**  
**ANSWERED ON**  
**COMPLIANCE WITH FRBM ACT .**

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SHRI S.S. AHLUWALIA

Will the Minister of COAL, HEALTH AND FAMILY WELFARE, INFORMATION AND BROADCASTING AND FINANCE be pleased to state :-

- (a) the status of compliance of the provision of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003, since inception of the law, year-wise;
- (b) the details of commitments made by Government since 2004-05 pertaining to compliance of the requirements of gradual elimination of the revenue and fiscal deficit vis-a-vis the actual, year-wise;
- (c) the reasons for non-fulfillment of the commitment in respective years;
- (d) whether Government is contemplating to repeal the statute; and
- (e) If not, the rationale thereof?

**ANSWER**

MINISTER OF STATE FOR FINANCE IN THE MINISTRY OF FINANCE

(SHRI NAMO NARAIN MEENA)

(a) The Fiscal Responsibility and Budget Management (FRBM) Act, 2003 came into force in July, 2004. The year-wise compliance of the provision of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 are as follows (the targets are shown in parenthesis):

(as percentage of GDP)

Year	Revenue Deficit	Fiscal Deficit	Guarantees during the year	Additional Liabilities
2003-04	3.6	4.5	-0.10	6.9
2004-05	2.5 (3.1)	4.0 (4.2)	0.57 (0.5)	5.9 (9)
2005-06	2.6 (2.6)	4.1 (3.9)	0.07 (0.5)	7.6 (8)
2006-07	1.9 (2.1)	3.5 (3.6)	-0.02 (0.5)	5.9 (7)
2007-08	1.1 (1.6)	2.7 (3.3)	-0.24 (0.5)	4.1 (6)
2008-09	4.5 (0.0)	6.0 (3.0)	-0.16 (0.5)	5.3 (5)
2009-10 (BE)	4.8 (0.0)	6.8 (3.0)	0.50 (0.5)	4.0 (4)

(b) The commitments made year-wise and the actuals as percentage of GDP for revenue deficit and fiscal deficit are given below:

(as percentage of GDP)

Year	Revenue Deficit	Fiscal Deficit		
BE	Actuals	BE	Actuals	
2003-04	3.6	3.6	4.8	4.5
2004-05	2.5	2.5	4.4	4.0
2005-06	2.7	2.6	4.3	4.1
2006-07	2.1	1.9	3.8	3.5
2007-08	1.5	1.1	3.3	2.7
2008-09	1.0	4.5	2.5	6.0
2009-10	4.8	6.8		

`Based on revised GDP data from Central Statistical Organisation

(c) It may be seen from the above table that fiscal deficit was brought down from 4.5 per cent of GDP in 2003-04 to 2.7 per cent in 2007-08. Similarly, revenue deficit was reduced from 3.6 per cent of GDP 2003-04 to 1.1 per cent in 2007-08. Subsequent to the global meltdown in the second half of 2008-09, there was a compelling need to adjust the fiscal policy to take care of exceptional circumstances through which the economy was passing. The Government had to take various fiscal measures to insulate the economy from the adverse impact of global slowdown. Accordingly, fiscal deficit in 2008-09 and BE 2009-10 went up to 6.0 per cent and 6.8 per cent of GDP respectively. Similarly revenue deficit also increased to 4.5 per cent and 4.8 per cent of GDP respectively in 2008-09 and 2009-10 BE respectively.

(d) No, Sir.

(e) The objective of the statute is to ensure inter-generational equity in fiscal management and long-term macro-economic stability by achieving revenue surplus and removing fiscal impediments in the effective conduct of monetary policy and prudential debt management. These are relevant even now.