

established and maintained by the State Government shall only be effected if there is a prior budgetary allocation sufficient to cover the estimated expenditure.

40. All contracts with regards to the execution of annual budget shall comply with the rules and guidelines on:

- (a) procurement and award of contracts; and
- (b) due process and certification of contracts.

All contracts to comply with Rules and Guidelines

41. Any violation of the requirements in Sections 38, 39 and 40 shall be an offence.

Effect of violation of public expenditure

42. In incurring public expenditure, Local Governments may adopt the provisions of Part VI of this Law with such modifications as may be appropriate and necessary.

Application of Part VI by Local Governments

PART X – DEBT AND INDEBTEDNESS

43. (1) The framework for debt management during the financial year shall be based on the following rules:

Framework for Debt Management

- (a) Government at all tiers shall only borrow for capital expenditure and human development, provided that, such borrowing shall be on concessional terms with low interest rate and with a reasonable or long amortization period subject to the approval of the appropriate legislative body where necessary; and
- (b) Government shall ensure that the level of public debt as a proportion of State income is held at a sustainable level as prescribed by the House from time to time on the advice of the Commissioner.

(2) Notwithstanding the provisions of Sub-Section (1) (a) of this Section and subject to the approval of the House, the State Government may borrow from the capital market.

(3) Non-compliance with the provisions of this Section shall make the action taken an offence.

44.(1) The Governor shall within ninety (90) days from the commencement of this Law and with advice from the Commissioner of Finance subject to approval of the House, set overall limits for the amount of consolidated debt of the State Government subject to the limits and conditions approved by the House which shall be consistent with the rules set out in this Law and with the fiscal objectives in the Medium Term Fiscal Framework.

Limits on consolidated Debt of the State Government