GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:1962
ANSWERED ON:29.11.2002
DEBT-SWAP PLAN
KAMBALAPADU E. KRISHNAMURTHY;NARESH KUMAR PUGLIA;RAMDAS ATHAWALE;SATYAVRAT CHATURVEDI;SUNDER LAL TIWARI;UMMAREDDY VENKATESWARLU

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Union Government have finalised a massive debt-swap plan to reduce high cost loans over three years;

(b) if so, the details of this plan ;

(c) if so, whether States have agreed to this plan for a debt swap;

(d) if not, the names of States which have disagreed with this plan with the reasons ; and

(e) the final decision of Union Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)

(a) & (b): To enable States to supplement their efforts towards fiscal consolidation, the Government of India have proposed a debt swap mechanism to facilitate States to utilize the additional 20% net collections of small savings disbursable to States during current year i.e. 2002-03 , for retiring high cost debt of States restricted to Government of India`s loans and advances. Those States agreeable to debt swapping during the current year would be allowed additional market borrowing to enable them to retire further high cost debt.

(c) to (e): The State Governments welcomed the principle of debt swap. Sixteen States have agreed to the proposed debt swap scheme while remaining States felt that there was need for further fine tuning the proposal as the liquidity crisis faced by them made parting with 20% small saving loans in a climate of revenue deficit, untenable.

The Government of India`s approach to the debt swap proposal for the current year, would be guided by the views of the State Governments.