

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:2624
ANSWERED ON:07.03.2003
PERMISSION TO RAISE FUNDS FROM OPEN MARKET
NARESH KUMAR PUGLIA

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

- (a) whether some State Governments particularly Maharashtra has sought permission from the Union Government to raise funds from the open market to tackle the unprecedented financial crisis;
- (b) if so, the details thereof ; and
- (c) the reaction of the Government there to?

Answer

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

- (a) Some States including Maharashtra have requested the center to provide one time financial assistance/ permission for raising of funds from open market in order to tackle the liquidity crisis faced by the States.
- (b) The Government of Maharashtra had proposed to raise funds by means of bonds/loan amounting to Rs.350 crores with the right to retain over subscription upto Rs.150 crores through private placement for distribution between Irrigation Projects of the State through the Maharashtra Patbandhare Vittia Company Limited(MPVC).
- (c) Any financial assistance to ease the Ways and Means position of the State should be in consonance with the Medium Term Fiscal Reform Programme agreed to by the State under the states Fiscal Reform Facility 2000-01 to 2004-05 of the Government of India

The proposals which enable the State Governments to prepay expensive coupon Special Purpose Vehicle loans, through fresh loans at current lower rates of interest, is agreed to in principal as these do not add on to the stock of outstanding SPV debt or State Guarantees. However, this is subject to the state Government seeking concurrence on such refinancing proposals under Article 293(3) of the Constitution of India.