

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:854
ANSWERED ON:12.11.2010
RELAXATION OF FISCAL CONSOLIDATION TARGET
Maadam Shri Vikrambhai Arjanbhai

Will the Minister of FINANCE be pleased to state:

- (a) whether the Union Government has relaxed fiscal consolidation targets of States to permit them an additional combined borrowing of Rs. 21000 crores during the current fiscal to combat economic slowdown;
- (b) whether Government's move has gone a long way in raising impact of slowdown and accelerating growth in medium term;
- (c) whether under Debt Consolidation and Relief Facility (DCRF) Union Government provides debt and interest relief to those States which meet their physical deficit targets; and
- (d) if so, the extent to which this decision of allowing States to borrow more has helped in meeting financial crisis of the States and also the extent which it has been helpful to the country?

Answer

Minister of State in the Ministry of Finance(SHRI NAMO NARAIN MEENA)

- (a) & (b) : Fiscal consolidation targets have not been relaxed in the current fiscal.
- (c) & (d): The Twelfth Finance Commission (TFC) had recommended a Debt Consolidation and Relief Facility (DCRF) during its award period (01.04.2005 to 31.03.2010). DCRF provided for (i) Consolidation of central loans from Ministry of Finance contracted till 31.3.2004 and outstanding as on 31.3.2005 for a fresh tenure of twenty years at an interest rate of 7.5% per annum and (ii) Debt waiver to states based on their fiscal performance. Loans from Ministry of Finance to 26 States which had enacted their Fiscal Responsibility and Budget Management Acts, have been consolidated and debt waiver amounting to Rs.19,963.66 crore has been provided to eligible states.