

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1073
ANSWERED ON:05.08.2011
DEBT WAIVER FOR RAJASTHAN
Jakhar Shri Badri Ram ;Meghwal Shri Bharat Ram

Will the Minister of FINANCE be pleased to state:

- (a) whether an amount of Rs. 308.70 crore had been sanctioned for debt waiver in the year 2008-09 to the Government of Rajasthan under the scheme of Debt Consolidation and Relief Fund (DCRF);
- (b) if so, the details thereof and status of implementation of the same;
- (c) whether the latest figures for Gross Domestic Product (GDP) of the State has not been accepted to decide the loan limit of the State for the waiver of debt;
- (d) if so, the reasons therefor;
- (e) whether the Government of Rajasthan has requested to consider the latest figures of GDP of the State to decide the loan/waiver limit; and
- (f) if so, the response of the Union Government thereto alongwith the reasons therefor?

Answer

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

(a) & (b) : Government of Rajasthan was given a provisional debt waiver of Rs.308.70 crore for the year 2008-09, as according to the State's 2008-09 Budget Estimates its fiscal deficit (FD) to Gross State Domestic Product (GSDP) ratio was 3.3%, within the prescribed limit of 3.5%. The final eligibility of debt waiver to Government of Rajasthan was reassessed upon the availability of the State's 2008-09 finance accounts. The FD to GSDP ratio was found to be higher than the ratio prescribed for that year. Therefore, the provisionally granted debt waiver could not be confirmed.

The Debt Consolidation and Relief Facility (DCRF), was based on the recommendations of the Twelfth Finance Commission (TFC).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 the interest rate of 7.5% per annum and (ii) Debt waiver to States based on their fiscal performance. Enactment of fiscal responsibility legislation was a precondition for availing the DCRF.

In order to reduce the time lag in providing debt relief, States have been assessed for provisional debt waiver based on the revenue deficit indicated in the revised budget estimates of the preceding year, so that the relief in respect of a year is available in the immediately succeeding year. Necessary adjustment is carried out subsequently once the finance accounts for that year became available.

The DCRF scheme was implemented from 2005-06 to 2009-10. The Thirteenth Finance Commission, whose award covers the years 2010-11 to 2014-15, has recommended only debt consolidation for two States that had not availed the benefit of consolidation during the award period of TFC, provided these States enact their fiscal responsibility legislation.

(c) to (f): The annual net borrowing ceiling of a State is determined on the basis of estimated GSDP and the FD/GSDP targets prescribed for that year. For the purpose of assessing DCRF benefit, subsequent increase in GSDP estimates can result in inaccurate assessment of the fiscal performance of the State.

Government of Rajasthan had originally asked that provisional debt waiver amount of Rs.308.70 crore be counted in the State's revenue receipts while assessing the State's fiscal performance for 2008-09. Subsequently the State Government had asked that higher revised GSDP estimates be applied retrospectively to assess the State's eligibility for debt waiver for 2008-09.

The first case implied an artificial overstatement of the revenue receipts of the State. The second case involved changing the denominator in the application of an explicitly prescribed ratio, to inaccurately depict improved performance.

Therefore, the points raised by the Government of Rajasthan could not be accepted. Government of Rajasthan was advised on the above on July 12, 2010 and July 15, 2011.