

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:147
ANSWERED ON:22.08.2012
RESTRUCTURING DEBTS OF STATES
Badal Harsimrat Kaur

Will the Minister of FINANCE be pleased to state:

- (a) whether suggestions have been received from various stakeholders, including State Governments for restructuring of debts;
- (b) if so, the details thereof including the criteria fixed for restructuring of debt of the States;
- (c) whether debts of States have been restructured by the Government; and
- (d) if so, the details thereof and the reaction of the Government thereto?

Answer

MINISTRY OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P. CHIDAMBARAM)

(a) to (d): A Statement is laid on the table of the House.

Statement referred to in reply to Lok Sabha Starred Question No.147 for answer on 22.08.2012

(a) to (d): State Governments have been suggesting in various forums, including before Finance Commissions the restructuring of their debt. The recent most comprehensive debt restructuring exercise was undertaken under the award of the Twelfth Finance Commission (TFC) (2005-2010). The Debt Consolidation and Relief Facility (DCRF), subject to compliance with prescribed conditions was extended to all States. This facility involved (i) consolidation of loans from Ministry of Finance (MoF), contracted till 31.03.2004 and outstanding as on 31.03.2005, for a fresh tenure of 20 years at an interest rate of 7.5% per annum and (ii) waiver of consolidated debt based on fiscal performance of States. Under the scheme, loans extended by Ministry of Finance (MoF) amounting to Rs.1,13,601 crore, were consolidated and debt waiver of Rs.19,726 crore was provided to twenty six eligible States till 31.3.2010. Loans extended by MoF to the remaining two States, amounting to Rs.8747 crore outstanding as on 1.4.2010 were consolidated as recommended by the Thirteenth Finance Commission (FC-XIII).

Further as recommended by FC-XIII for its award period (2010-15), loans extended to States through Ministries other than MoF under Centrally Sponsored Schemes/ Central Plan Schemes and outstanding at the end of 2009-10, have been written off to the extent of Rs. 2,050 crore till 31.3.2012.

FC XIII has also recommended reset of interest rates on loans from National Small Savings Fund, contracted up to 2006-07 and outstanding at the end of the year preceding the year of enactment/amendment of the States' Fiscal Responsibility and Budget Management Acts (FRBMAs), at a common rate of 9% per annum from the date of enactment/amendment of their FRBMAs. As estimated by FC XIII, interest relief of Rs.13,517 crore is expected to accrue to States on this account, during 2010-15. The benefit continuing beyond the award period of FC-XIII has been estimated to reach Rs.28,360 crore by the maturity of the last loan coming under purview.