

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:443
ANSWERED ON:06.12.2013
MORATORIUM ON STATES OUTSTANDING DEBTS
Ray Shri Saugata

Will the Minister of FINANCE be pleased to state:

- (a) whether the Union Government has received representations from public representatives from West Bengal for a moratorium on the States' outstanding debt;
- (b) if so, the response of the Union Government thereto;
- (c) whether certain States had been identified as debt stressed States; and
- (d) if so, the details thereof and the reaction of the Union Government thereto?

Answer

MINISTER OF STATE IN MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) Yes, Sir.

(b) The debt relief measures to the States are normally extended within the ambit of recommendations of Finance Commissions. In accordance with the recommendations of 13th Finance Commission (FC-XIII), for its award period 2010-15, the following public debt relief and interest relief measures have been extended to the State of West Bengal, consequent upon the State's enactment of its Fiscal Responsibility and Budget Management Act (FRBMA) on 7.2.2011.

Central Loans (from Ministry of Finance) contracted by the State upto 31-3-2004 and outstanding as on 31st March 2010 amounting to Rs. 8633.50 cr. have been consolidated and re-scheduled for repayment over tenure of 20 years at standard interest rate at 7.5% p.a.

Central loans for Centrally Sector Schemes (CSS)/ Central Plan Schemes (CPS) (other than Ministry of Finance) outstanding as at the end of 2009-10 amounting to Rs.110.55 cr. have been written-off in March 2012 and an amount of Rs. 13.61 crore, being repayment of principal and payment of interest under CSS/CPS made by States after 31.03.2010 has been adjusted against outstanding central loans from MoF during 2012-13.

The loans contracted by West Bengal from the National Small Saving Funds till 2006-07 and outstanding at the end of year preceding the year of enactment of the State's FRBMA, have been reset at 9% interest rate from the date of enactment of FRBMA, i.e. 7-2-2011. The FC-XIII has estimated that State is likely to get interest relief of Rs. 2020.46 cr. during its award period.

The 14th Finance Commission has also been constituted and its terms of reference inter-alia requires the Commission to have regard among other considerations to the resources of the State Government including impact of debt levels on resource availability in debt stressed States for the five years commencing 01-04-2015 on the basis of levels of taxation and non-tax revenues likely to be reached during 2014-15.

(c) & (d) The Thirteenth Finance Commission had identified three General Category States (Kerala, Punjab and West Bengal) as having Revenue Deficit (RD) in 2007-08. Accordingly, it prescribed easier fiscal correction paths for these three States. FC-XIII had not identified any State as debt-stressed.