

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:400
ANSWERED ON:11.07.2014
RELIEF TO DEBT STRESSED STATES
Roy Prof. Saugata

Will the Minister of FINANCE be pleased to state:

- (a) whether the Union Government has received any representation from the Government of West Bengal and some public representatives for a moratorium on interest payments of past debts;
- (b) if so, the details thereof and response of the Union Government thereto;
- (c) whether the Government proposes to give relief to debt stressed States; and
- (d) if so, the details thereof?

Answer

MINISTER OF STATE IN MINISTRY OF FINANCE (SMT. NIRMALA SITHARAMAN)

(a): Yes, Sir.

(b) to (d): The requests for debt relief measures, including moratorium on repayment and interest or in the form of an annual grant, debt restructuring, etc. are normally dealt within the ambit of relevant recommendations of the Finance Commissions. The Thirteenth Finance Commission (FC-XIII) had identified three General Category States (Kerala, Punjab and West Bengal) as having Revenue Deficit (RD) in 2007-08. Accordingly, it prescribed easier fiscal consolidation roadmap for these three States. FC-XIII had not identified any State as debt stressed. In accordance with the recommendations of FC-XIII, for its award period 2010-15, the following 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).

Central Loans (from Ministry of Finance) contracted by the State upto 31st March, 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 Central Sector Schemes (CSS)/ Central Plan Schemes (CPS) (other than Ministry of Finance) outstanding at the end of 2009-10 amounting to Rs. 124.21 crore have been written-off.

Interest reset on National Small Saving Funds (NSSF) loans contracted by West Bengal till 2006-07 and outstanding at the end of year preceding the year of enactment of the State's FRBMA, subject to fulfillment of FRBMA targets.

The request received from State Government of West Bengal is under examination. However, the 14th Finance Commission has 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 five years commencing 1st April, 2015 on the basis of levels of taxation and non-tax revenues likely to be reached during 2014-15.