

my colleagues of taking a political view of the matter. But I accuse her that her Government takes a political view of the matter whenever it comes to such questions. Therefore, let us act with a sense of responsibility. Our responsibility is to both the landlords as well as tenants...*(Interruptions)*... Yes, Sainik Farm is also one of the examples. There is also another example of R.K. Puram, where some sort of dairy land is occupied which is the public land. I do not know how they come to grow all the time. So, I would suggest that these cases must be looked into. Whether it is in the name of religion or whether it is, by virtue of influence, power, and money, you should be absolutely ruthless in digging them out. After all, we need a space for the millions of our people who are living in Delhi and they should be able to live properly.

Sir, with these words, I generally support this Bill. I hope that the honble, Minister shall be clarifying some of the points that I have made.

[Translation]

SHRI GIRDHARI LAL BHARGAVA (Jaipur) : Mr. Chairman, Sir, I thank you for giving me time at the end. Now, in the Bill presented before the House, the word 'Control' coming after 'Rent' in the Act of 1958 has been deleted. No doubt, it is a good Bill and the Hon. Minister will be remembered throughout the country for this. My submission is that owner and tenant, both do not want to vacate the house after investing a huge amount on it. Whether this problem will be solved or not, only future will tell. You as well as the Chairman of the Committee have laboriously worked over this Bill, invited shopkeepers, tenants and owners and examined their memoranda. Then you decided to include those things in the Bill. Everybody has a problem because one is tenant some where and the other is owner elsewhere.

My feeling is that this Bill definitely needs some more change. It is difficult to say that its passage will provide relief to both tenants and owners.

SHRIMATI SHEILA KAUL : You were not here, I had said that it will have some more pages.

SHRI GIRDHARI LAL BHARGAVA : I was here. I could not listen due to defect in earphone. Thank for this information.

As previous speakers were saying that owners and tenants will give notices, then it will not be a balanced Bill. You deserve congratulations for making provisions in this Bill for old persons, handicapped, widows of ex-servicemen and similar other categories. But you should not make haste in it. After all, it is Lok Sabha whose representatives are elected democratically and we have to take care of the opinions of the ruling and opposition parties. After elections in 1994, Legislative Assembly was constituted in Delhi. It is not a model Act for application in the whole country. I was told that a good Bill is being brought forward. In elections

for Delhi Assembly, 70 members have been elected and it will be most appropriate to sent this Bill to the Delhi Assembly, instead of discussing and passing it here in Lok Sabha.

[English]

MR. CHAIRMAN : Shri Girdhari Lal Bhargava, you may continue next time.

[Translation]

SHRI GIRDHARI LAL BHARGAVA : Thank you. I meant it should be sent to Delhi Legislative Assembly. I will study the Bill and express my view next time.

MR. CHAIRMAN : Bhargavaji, it is 5.30 now.

17.31 hrs.

HALF-AN-HOUR DISCUSSION

Unutilized Foreign Loans

[English]

MR. CHAIRMAN : Now, the House will take up Half-an-Hour discussion. Shri Ram Vilas Paswan.

[Translation]

SHRI RAM VILAS PASWAN (Rosera) : Mr. Chairman, Sir, it is an important issue under discussion here. When Starred Question No. 721 was taken up in the House on 26th May, 1995 on this subject, the hon. Finance Minister was not then present in the House. The members sought information from the junior Minister then present but he could not get the required information. Therefore, the Hon. Speaker decided to have half-an hour discussion on it.

I am shocked to say that the country is going in for plenty of internal and external borrowings. A very dangerous situation has come before us. When one looks at the figures of internal and external debt, one is compelled to think of future.

There was a time when India used to lend money to others. Even when the Britishers left India, there was no foreign debt on India. Today the situation is so grave that our Government is even unaware of the amount of external debt on India. That question was asked by Hon. Members as well as the Chair from the Minister but no reply was given.

In C.A.G.'s Report, it is stated that internal and external debt amounts to Rs. 5,58,421 crore. The report also states that during 1993-94, which was peak period, foreign loan of 214 crore rupees was taken daily which comes to nine crore rupees per hour. In the same report, Rs. 5,58,400 crore have also been mentioned. I do not know whether Government has this information. The Government must

inform the House about it as to what is the amount of foreign as well as internal debt burden on our country's head.

According to world data table, India stands at third place in the list of indebted countries. Brazil comes at number one, and Mexico at number two. Out of our total budget, 40% goes away in paying only interest accrued on the loans taken by our Government. We do not know for what purposes that much loan has been taken and what we are doing with that loan amount. It reminds me of an old sanskrit saying "Yavajjeevet Sukham Jeevet, Rinam Kritwa, Ghritam Peevet" (As long as you live, live happily even by taking loans and enjoy life). It proves valid in present circumstances.

Government comes and goes. Now Prime Ministers also changes. But country carries on and loan amount goes on increasing. During 1977, when our party was in power, I had asked a question about it and it was told that only Rs. 23,000 crores was debt on India. I again asked in 1980, but no foreign loan was then taken. In 1985, loan amount went upto 45 thousand crore rupees, which further went upto 90 thousand crore rupees in 1989. Then there was devaluation of rupee and as a result the loan amount went upto Rs. 1,40,000 crore. Today nobody knows about the debt burden on us. I know about it just like an ordinary citizen.

I want to ask 2-3 simple questions. Our Finance Minister is a very experienced Minister and he has had the opportunity of working in many places and positions. He is considered to be an expert in this field. The Government should tell us the exact and up-to-date amount of foreign and internal debt on our country.

Secondly, what steps we are taking to pay off that loan amount and by what time India will be debt free? Whether any target has been fixed for it? Will we be able to clear this loan within 5-10 years? Have we presumed that the loan amount will go on rising and we will sink in the deep sea from where it would be impossible to come out? Will such a day come when we will be able to say with pride before the world that we are now debt free? Whether the Government has fixed any target date for that purpose?

MR. CHAIRMAN : Paswanji, in half-an-hour debate, you need not go into that details. There are four more names. It is written that

[English]

Only questions will be put, not a regular debate.

[Translation]

SHRI RAM VILAS PASWAN : My last question is whether Government will tell the works for which loan has been taken so far? Is it just taken as a routine? For what purpose the loan is taken? Whether Government has monitored the development work for which loan has been taken? Whether the loan money is spent on the purpose

for which it was taken or it is spent on five star hotels or other luxury goods and items?

I want to know the reply to my above 3-4 questions from the Minister. He should tell the fact of our economic situation today.

[English]

DR. K.D. JESWANI (Kheda) : Sir, I am grateful to you for granting half-an-hour discussion on my Starred Question No. 721 which I had asked on last Friday, the 26th May, 1995.

Unfortunately, the senior Minister was not available on that day and the Junior Minister did not have the answer. I could establish my fact that this was an act of escapism on the part of the Government because 21 days before I had asked this question and on the day of the question, the answers were not ready. It was said that they would be collected and then the information would be laid on the Table of the House. That was one act of escapism.

The same day I established that since 1991, I have been writing letters to the Finance Ministry, which are on record, at present, with all the captions I have 33 letters till today which I have written to the Finance Ministry. On some occasions I did not get the reply in time and on many occasions the replies were evasive. I had to approach hon. Rashtrapatiji and the hon. Prime Minister. I have written 21 letters to hon. Rashtrapatiji and 20 letters to the hon. Prime Minister. This shows the seriousness of the whole situation. Even then the Ministry has not been able to satisfy me. This was all an evasive act.

Sir, it is quite evident that the Government is trying to show an act of escapism. Anyway the present scenario of the country is such that it is high time that the Government had come with a transparent information on both the issues before the countrymen, namely, the issue of foreign loans, that is external debt and the main issue of unutilisation of a greater bulk of the foreign loans.

Sir, every Indian, who is born on this earth is gifted with a national debt of about seven thousand rupees, as the statistics go. The Government is escaping its Constitutional obligation because Article 292 is very clear and it says.

"...to borrowing upon the security of the Consolidated Fund of India within such limits, if any, as may from time to time be fixed by Parliament by law..."

The Estimates Committee has also showed its concern in its observation that 'Government is escaping its Constitutional duty.'

MR. CHAIRMAN : Please put your question.

DR. K.D. JESWANI : I am coming to the question, Sir.

The Government has not so far created statutory or regulatory procedure for borrowing and compatible with the principles of public finances and accountability to the Parliament.

The main question is about showing the accountability to the Parliament and whenever the higher ceilings of the borrowings are crossed, it is the moral duty of the Government to come before the Parliament before asking for further extension. But it has not been done.

The report of the Estimates Committee also says that 'by taking shelter behind the technicalities only, the Finance Ministry escapes every now and then.' This is the main objection of the Estimates Committee which gave its report in 1991-92.

There are many other observations also which I have established that it is high time that the Finance Ministry should come out with a transparency of the situation. Now the actual bulk of the external debt has risen from Rs. 8,000 crore in 1950s to nearly Rs. 3,00,000 crore, as of now. The debt servicing cost has also risen tremendously. As per the estimates of the experts, it is likely to be 15 billion dollars, that means about Rs. 50,000 crore, in 1997.

MR. CHAIRMAN : Mr. Jeswani, you have to put the question and not the long debate.

DR. K.D. JESWANI : Sir, I am coming to the question. The second part of the question is about the percentage of aid utilisation. Now in 1970s, the percentage of aid utilisation was 72 per cent, which has come down to 43 per cent.

Sir, the major portion of the foreign aid is being kept unutilised and on it a lot of other chargers are being paid. Now, looking into these factors, I have some questions to be put to the hon. Finance Minister.

What is the time-frame programme of the Government to make the country debt free ? I want to know whether the present network of the policy is sufficient to bring the desired results or some bold steps are in the mind of the Government. I want to know whether the Government is likely to come out with a White Paper on this issue as the demand for this is rising from all the corners and the situation is such which concerns every person of the country.

Secondly, I want to know whether the Government would think seriously in the direction of proper aid utilisation and whether a special thrust would be given to the agriculture sector, which can fully utilise the aid given to it because the private sector does not seem to be entering into this area.

Thirdly, I want to know whether the Union Government have laid down any rules and procedures governing the request for seeking foreign loans from the IMF, the World Bank and other institutions. I also want to know whether the Government are likely to create statutory or regulatory procedures for borrowing...*(Interruptions)*

MR. CHAIRMAN : Shri Jeswani, this is not fair.

DR. K.D. JESWANI : Sir, these are all inter-connected questions.

MR. CHAIRMAN : As per the rules, you can ask one or two questions. If you give 16 or 17 questions...

DR. K.D. JESWANI : Okay, Sir. This is my last question.

We have requested for writing off of a portion of the loan as it has mounted tremendously and some of the other countries have done in the world also. I want to know whether the Government will do this ?

[Translation]

SHRI SANTOSH KUMAR GANGWAR (Bareilly) : Our two senior members have asked a number of important question. I shall confine to 2-3 points. It appears that the States are directly negotiating agreements with foreign countries. The agreements they are signing...*(Interruptions)*

[English]

MR. CHAIRMAN: Please ask your question.

[Translation]

SHRI SANTOSH KUMAR GANGWAR : I will speak in brief. Is there any interest of the Central Government in such agreements entered into by the States with foreign countries ? To what extent these are in accordance with the policies of Central Government ?

Perhaps, at present, Rs. 83000 crore are lying unspent. Have you entrusted its monitoring work to someone to ensure its utilisation. If so, the period during which it should be utilised ? If not, the steps taken in this direction ?

You are signing agreements for loans. Whether problems of sovereignty and interests of the nation will be kept in view while doing so ? I hope the country will not be mortgaged. These questions must be replied to seriously and responsibly.

PROF. RASA SINGH RAWAT (Ajmer) : On the television, figures of rise in population are shown daily with a view to popularise family planning devices in the country. Will the Government on the same lines show daily on T.V. figures of loan amounts standing against our country and propagate measures of economy and thrift among our countrymen ?

I want to know the names of countries and financial institutions from whom maximum amounts of foreign loans were taken during each decade and for what purposes ? The names of the Ministries and Departments of the Central Government and the States which did not utilise fully the loan amounts, may also please be intimated. During the last 40-45 years period, took the maximum amount of foreign loan, how was that utilised and for what purpose.

MR. CHAIRMAN : For answering these questions, a whole thesis will have to be prepared.

PROF. RASA SINGH RAWAT : Will the Government issue a white paper on the total internal and external loans taken by the country and the amounts remaining unutilised?

[English]

I would like to know whether Aid India Consortium of Western Donors has voiced its concern at New Delhi's failure to utilize the existing aid commitments. If, 'Yes', what steps are being taken by the Government to expedite implementation and disbursement from the existing aid commitments and to remove the deficiencies that exist in the present system ?

SHRI SOBHANADREESWARA RAO VADDE (Vijayawada) : Sir, I thank you for giving me this opportunity to raise the questions. While the foreign debts burden is mounting year after year, it is very unfortunate that the precious foreign loans that have been obtained, could not be made use of. My information is that around Rs. 37,000 crore and above is being unutilized and a major portion of this relates to irrigation sector. It is a fact that the allocations to the irrigation sector has come down very steeply from the First Plan to the Eighth Plan. Many a time, because of the indifferent attitude of the Central Water Commission and the Water Resources Department in seeking clarifications from the State Governments regarding their several project proposals, the irrigation schemes are stopped. This is one of the impediments that is coming in the way of grounding of the irrigation schemes. To these irrigation schemes, no foreign investment is normally coming. No private investment is coming. Only the public investment has to be made best use of. Why do the Ministry of Finance not interact with the Ministry of Water Resources and see that substantial changes take place in their procedural functioning, so that the project proposals are cleared as early as possible ? If changes take place, all these foreign loan amounts which have been obtained after a great deal of efforts and correspondence between our Government and the foreign Government, can be made best use of and the farmers can be provided irrigation facility which ultimately is very essential to increase the productivity and production of the agricultural products. That is my simple question which I would like to know from the hon. Minister.

[Translation]

PROF. RASA SINGH RAWAT : Mr. Chairman, Sir, I want to ask a small question. Keeping in view the enhanced foreign exchange reserve and gold stock, will the Govt. consider celebrating debt-free year to arouse national self-respect and pride ?

[English]

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH) : I am very grateful to the hon. Members for the various points that they have raised. I regret that I was not

present last Friday when the main Question was listed. I had to receive the British Chancellor of Exchequer and, therefore, I sought the hon. Speaker's permission to be absent from the House. I regret that I was not here. I am very happy to have this opportunity to clarify some questions raised by the hon. Members.

Hon. Member, Shri Paswanji raised a number of questions regarding the foreign debts. Sir, we publish all these data in the Economic Survey and if you read the Economic Survey, as of September 1994, we have provisionally given the figure as 90.452 billion dollars.

Debt is denominated in various currencies. Some debt is in dollars, some debt is in SDRs, some debt is in other currencies. Therefore, currency fluctuations cause fluctuations in the volume of aggregate debt, if it is denominated in dollars. For example, in recent months, the dollar has depreciated *vis-a-vis* the Yen. It has depreciated *vis-a-vis* the German Deutsche Mark. So, even though the real debt may have remained constant, the dollar value of debt could go up. We are now compiling the figures as of 31st March, 1995, taking into account all the changes in the exchange rate, and I shall be very happy to come with a White Paper which sets out the complete position of the country with regard to foreign debts.

We are for full transparency. I think the country has a right to know what amount of debt we have got, how we have got into that situation and what steps we are taking to deal with that. Our effort has been to be as transparent as possible. For example, before our Government came into office, the Defence debt was never included in the figures of total debt. What Defence debt we owed, mostly to the former Soviet Union, was known to all other countries, but somehow our statistics did not give that. Now we have ended that practice. The figures of debt that we are publishing now are inclusive of all types of debt. That is an improvement. But since the earlier years' figures, before 1992-93, did not include the Defence debt, sometimes you got an impression that there has been a steep increase in the debt. There has been an increase in the debt but the earlier figures are not strictly comparable with the figures of the recent years which are inclusive of the Defence debt.

The other thing that I do want to say is that in the mid-80's, our external debt increased at an average annual rate of about six billion dollars. In the year 1991, our external debt, measured by the balance of payments deficit on current account, increased roughly by nine billion dollars. Since then there has been a sharp deceleration of the rate of growth of debt, about two to three billion dollars. Debt is increasing but the rate of growth of debt has decelerated.

One would ask, is it possible to overnight stop an increase in debt ? The only way we can stop an increase in debt is if India should have a balance in current account. That is, our receipts and payments on balance should balance each other. I think in the last forty years, we have throughout lived with a situation where our export earnings have

financed fifty to sixty per cent of our imports. Therefore, there has persisted a gap and on an average, India has borrowed in all these thirty-four years, roughly an amount equal to 2.5 to 3 per cent of our GDP. If we want overnight to compress this, this would lead to a very strong deflation, a very strong rise in inflation and a very strong rise in unemployment, because it is always possible to balance the balance of payments by cutting imports very sharply. In the year that our Government came into office, we did precisely that, and we cut the balance of payments deficit very sharply because we were not able to finance the deficit and we saw the result. The rate of growth of national income fell to one per cent. There was sharp acceleration in inflation. There was a steep fall in industrial production. Industrial production was almost zero in that year. So, that is not a viable strategy. We need a medium-term strategy which over a medium-term setting, reduces the growth of debt and ultimately, of course, we must move to a situation where we can start repaying the existing debt. But that can begin only if India generates a surplus on the balance of payments on current account. There I would respectfully submit that we have made progress and if you look at the figure of the current account deficit, it was as high as 3.24 per cent of our GDP in 1990-91.

18.00 hrs.

In 1991-92 we reduced it to 0.47. That was the year of grave crisis. We could not get any money from abroad. So, there was a sharp compression. The counterpart of it was a sharp decline in the economic activity. Next year it was 1.45. And in the year 1993-94 again there has been a sharp decline in the current account deficit. Our estimates show that it is no more than 0.25 per cent and roughly for 1994-95 the current account deficit on present estimates will be less than half-a-per cent of our G.D.P. So, we have been making progress. I think, we are on a road in which our debt stock is growing at a smaller and smaller pace and if we persist with this path and if our exports continue to grow at the rate roughly at 20 per cent in dollar terms as they have increased in the last two years, I am confident that in a period of about five to ten years we should be able to meet a situation where we can bring about a balance in the current account. But it cannot be done overnight. To do so in a short period of time would require a degree of deflation in our economy. It would require in its way a sharp rise in inflation, a sharp fall in industrial production. That, in our view, would be counter productive. Our strategy is that we should have a balance of payments management strategy which gradually reduces the current account deficit, which gradually reduces the debt service payment. The estimates that I have, I think, show that the debt service ratio will peak next year because we have the remaining part of the I.M.F. debt to repay. But thereafter the debt service ratio, expressed as a percentage of total current receipt, should slow down.

And our objective is that by the end of this decade we should move to a situation where the debt service ratio as a proportion of India's current receipts on balance of

payments should be less than 20 per cent. I think that is a safe limit internationally and that is what we are aiming at. So, we have a clear balance of payment strategy. There are no shortcuts to the management of the balance of payments. We have to increase either our exports or compress our imports. Now, sometimes, an impression is created that we are indulging in an import spree. I respectfully submit that it is far from being the case. Today India's exchange rate management and the tariff combined give adequate level of protection to our industry. There is no danger that India will be swamped by imports. I think, the system that we have put in place will itself provide built-in checks that we will have a balance of payment deficit which is within the limits of sustainability. Now that is the answer to what Shri Paswan asked, as to how are we handling the debt.

The third question he asked was : When will we be free of debt. I think we have a stock of debt, as I mentioned, of over 90 to 92 billion dollars as of September, 1994. Now if you want to be free of debt, then you must have a current account surplus which can enable you to repay this thing. I do not think it can happen in five years. I do not think it can happen in ten years. I think what is a feasible strategy is that probably the stock of debt will increase; but increase gradually, but as a proportion of G.D.P., and as a proportion of our current receipts, as a proportion of our export earnings, it will diminish. Let me say that there is no country in the world which is entirely free of debt. You look at the history of the world. The infrastructure in the whole of North America in the 19th century was developed with the help of loans raised in the capital markets of Europe. Even the South Koreans, for example, raised huge amounts of loans until the 1970s. The issue is not whether we should or we should not raise the loans. The issue is what do we do with these loans. Once people use this money intelligently, they get more by way of additional returns so that they can repay those loans. The real issue in our country is how we use all these loans. Unfortunately it is certainly a case that both in the private sector and in the public sector the overall productivity of resources used in our country has not been as high as it ought to be.

The standard of living in the final analysis is a matter of high productivity, of hard work, of getting more out of our labour and capital. There have been weaknesses. The economic reform programme that we have devised is meant precisely to deal with this chronic low productivity of resource use.

We are trying to restructure the public sector so that the public sector enterprises which yield a rate or return of about two per cent yield more return. If you allow a depreciation at replacement costs it will be a negative value adding contribution. That sort of public sector does not add to the wealth. In the same way, in the private sector, it may be making profits sheltered with the help of a tariff of 200 per cent or more as was the case until four years ago. I think, the real value addition in the processes of production was pretty low and our effort is to moderate the tariffs to

have more competition over a period of time, to create greater cost consciousness, to create greater quality consciousness, and to create an environment in which productivity both in the public and private sectors can go up. That is the only way in which, I think, this economy can realise its full development potential and at the same time, create a strong economic base out of which will come larger exports and therefore, we will be able to generate larger surpluses in the balance of payments to repay our debts.

[Translation]

SHRI RAM VILAS PASWAN (Rosera) : How much is 92 billion dollar in terms of rupees ?

[English]

SHRI MANMOHAN SINGH : You multiply it by about 30.

[Translation]

SHRI RAM VILAS PASWAN : We are villagers. My simple question is what is the amount of foreign debt on India as on 31 December, 1994 and on 31st March, 1995, if he has not got up-to-date figures ?

[English]

SHRI MANMOHAN SINGH : Paswanji, we have given all those figures in the Economic Survey.

[Translation]

SHRI RAM VILAS PASWAN : Please tell now the question was postponed for it.

[English]

SHRI MANMOHAN SINGH : Let me say as to why I am not giving these figures in rupees. It is because the rupee value fluctuates often.

[Translation]

SHRI RAM VILAS PASWAN : It is written in Economic Survey. That is why the question was postponed. In reply to external debt, the Minister stated that he is getting it surveyed the amount of debt on India.

[English]

SHRI MANMOHAN SINGH : Paswanji, this question was about the utilisation of loans. It was not, I think, the question that was listed.

SHRI RAM VILAS PASWAN : You have not gone through the supplementary questions.

[Translation]

Many Members asked supplementaries and Speaker's remark is there. Member's direct question was about the

amount of internal and external loan on India and when shall it be debt free. When Murthiji could not reply to it the Hon. Speaker remarked.

[English]

I will allow an Half-an-hour discussion.

[Translation]

I again ask to-day about the amount of foreign loan on our country.

[English]

SHRI MANMOHAN SINGH : I will sent you that information.

SHRI PAWAN KUMAR BANSAL (Chandigarh) : Mr. Chairman, Sir, the question related to unutilised foreign loans.

SHRI RAM VILAS PASWAN : That was raised as a supplementary question... (Interruptions)

SHRI MANMOHAN SINGH : Sir, a question was asked as to for what purposes do we take loans. Some loans were taken for the management of balance of payment. We were in difficulty and certain loans were taken from the IMF on the score of general balance of payment. Certain other loans are taken for sectoral improvements like the financial sector improvement, but the bulk of the loans are project-related and all these loans that we take for project purposes are monitored. In the Ministry of Finance, there is a Project Monitoring Unit. But the bulk of these project loans are in the State and I will answer that when it comes to the question as to why there are unutilised loans. There are problems. But we do know as to for what purposes these loans are being taken and these are being monitored effectively.

Sir, Shri Jeswani talked about escapism. I do recognise that he writes a lot of letters, but, I think, we have not attempted to hide anything. I will once again state categorically that we would come out with a White Paper on Foreign Debt which will give all the facts, as we are not in the business of hiding these things, least of all, from the Members of this august House.

So, I do not yield. (Interruptions) You had your say. Let me first complete. (Interruptions).

You asked about unutilised portion. I have some preliminary information. As on 31st March, 1995—again unfortunately I have with me the figures in dollars because these are the ways to compare likes with likes the total amount sanctioned is 33.696 billion dollars. Out of this, the grant is 4.166 billion dollars and loan is 29.530 billion dollars. Out of the total sanctioned amount of 33.696 billion dollars outstanding, the unutilised amount is 17.592 billion dollars. With regard to grants, out of the total sanctioned grant of 4.166 billion dollars, the unutilised part is 2.166. Of the total loan sanctioned amount of 29.530 billion dollars, the unutilised amount is 15.426 billion dollars... (Interruptions)

Let me complete.

For measuring as to whether our disbursement is satisfactory or non-satisfactory, the World Bank uses certain criteria. For the World Bank portfolio as a whole, the disbursement to commitment ratio is an average of 16 per cent. In our case in 1992-93, the disbursement ratio was 19.25; in 1993-94, it was 19.03; and in 1994-95 it is 18.12 (provisional). This decline is because we are no longer getting the general purpose loans. We are now out of that crisis. So, now we are not receiving those fast disbursing loans which we used to get during 1991-92 and 1992-93. The bulk of assistance now is a project loan and project loan take a long time to disburse. Normally, a project in our country takes five to seven years to complete. So, if I get Rs. 100 for a project, I think, it will disburse over a period of five to seven years. So, the fact that we have unutilised aid by itself does not mean inefficiency. Though, I admit that there are problems in this area and I will mention those later. But the House should bear in mind when it looks at unutilised portion that our disbursement ratio compares favourably with many other countries and with the average for the World Bank portfolio. But I do admit that there are problems and we ought to be lot more efficient in utilising undisbursed aid. There are problems. First of all...

[Translation]

PROF. RASA SINGH RAWAT : You will please excuse me for interruption. You have told about the level of disbursement, but not of utilisation which has gone down, from 70% during 1970-79 to 43% to-day.

MR. CHAIRMAN : Please let him speak.

[English]

SHRI MANMOHAN SINGH : I do not know what figure you are talking about. We cannot settle those figures across the table like this.

Sir, the first reason why we could not better the disbursement is the inadequate provisioning for complementary rupee resource. When we get aid for a project, we do not get 100 per cent cost of the project. Normally, in many projects the foreign exchange component is the only component which is financed and the local cost in projects are met by our own rupee resources except in social sector programmes where local cost can also be met to the extent of about 70 to 80 per cent. Now, if we are notable to provide adequate counter part fund—the rupee resource—then the projects which ought to be completed in five to seven years, linger on. There is a tendency in our planning system to take on too many projects and not completing those which are already there in time. With the result, the resources get spread thinly and one consequence of resource squeeze and resources thinly spread is that the foreign aid which ought to be utilised faster is not utilised in time. So, that is the one problem we face.

The second problem is the procurement and contracting; bidding processes take time. Now, international institutions have requirements of contracting, of having standard big documents. In our country, until very recently, we did not have these standard bidding procedures, standard tender documents. So, soon after I became the Finance Minister, I asked the Finance Ministry to standardise these things. We are in the process now. I think we have made progress. But several State Governments do not follow these set of standardised patterns and when we send these papers for disbursement naturally if they are not in conformity with standard bidding documents, there are problems in collecting our money.

The third problem is the problem of project implementation. Many projects, for example, in the coal area, run into the problem of land acquisition; many projects run into the problem of not getting environmental clearance in time and in some sectors there are other problems. The hon. Member, Shri Rao, raised the issue of irrigation. Now, in all these areas, one has to recognize that when we accept aid there are certain conditionalities. For example, if you want to get money for irrigation, then you have to ensure that the water rates that are charged are economic. In our country, there are very serious difficulties. Most State Governments do not find it possible to honour their commitments with regard to water rates and other related matters and the result is that we may contract a loan, but it does not get disbursed.

We have today major problems in the power sector. We have large amounts of loans contracted but not disbursed because our tariff rates do not correspond to what we have agreed with the World Bank and other agencies.

So, these are some of the reasons why these disbursement delays take place and we have to tackle these problems.

At the Ministry of Finance, to deal with the problem of resource squeeze, what we have said now is that—in the past, until 1992-93, only 70 per cent of the money that came by way of external assistance was passed on to the States—100 per cent of the assistance which comes to the Centre would be passed on to the States so that the States do not complain that there is a shortage of liquidity. We are passing that 100 per cent. Furthermore, in order to ensure that the States can do some advance planning, we are now giving 25 per cent of the projected additional Central assistance. We are releasing in advance at the beginning of the year so that the States are helped to start the preparatory work. But because of the overall resource constraints which States do find, still there are many projects which do not get completed in time. And in order that commitment charges are not accumulating, what we have begun as a process is that we have done a survey of most States where projects have turned out to be notoriously difficult to implement. We have cancelled many of those projects. In the process, we

are saving unwanted commitment charges. So, this is a continuous process.

As I mentioned, in the Ministry of Finance, the Project Monitoring unit deals with these issues State by State. These are the reasons why there are disbursement delays and what we are trying to do.

Hon. Member, Dr. Jeswani, also referred to the issue of statutory limits. This is a wider issue; Parliament can debate it. My humble opinion for what it is worth is that in the complex uncertain world that we live in, I think this will not serve the purpose. The purpose is honourable. But life is far too complex. We face a lot of uncertainties in the course of the years and this will put our whole planning process in the strait-jacket which would be counter-productive. Parliament has ample opportunity to approve the Budget, both the expenditure side and the revenue side, and the borrowing requirements are part of that process of budget-making. The Standing Committees now deal with these matters in depth. My own feeling is that this system should be given a fair trial. Even the United States, for example, passed some years ago the Graham Redman Act; but they also found it very difficult and they had to cut corners. I think the life is much too complex in a World which is full of uncertainties. I think we would be tying our hands and we will not be able to cope with these uncertainties, if we operate a rigid system of the type that Dr. K.D. Jeswani mentioned. I appreciate his concern. I think that there should be restraint on foreign debts. There should be restraint on internal debt. But there are no mechanical solutions to these problems. I think this is a question of the collective political will of this country. If we are not able to control total expenditure, if we are not able to collect our taxes, there is no solution. You cannot pull a rabbit out of your hat.

These are the issues. So long as the productivity of our resources remains low, so long as we persist in spending more and so long as we do not recognise that money simply does not grow on a tree, there are no simple solutions to these problems. But I do appreciate the concern that Dr. K.D. Jeswani has expressed. He also raised the issue of debt service ratio. I have answered that question and it is our effort that we should be able to reduce this debt service ratio below 20 per cent by the end of this quarter.

He raised another issue about percentage of aid utilisation and under-utilisation. I have mentioned those figures also.

SHRI SRIKANTA JENA (Cuttack) : What about writing off debts ?

SHRI MANMOHAN SINGH : As for the writing off, let me say that I am not in favour of asking for writing off. It is only those countries which have gone bankrupt who have gone to the Paris Club and to the creditor countries and I have some experience of the amount of humiliation that these countries undergo when they ask for re-writing. On the one hand, we talk of protecting the sovereignty of our

country and, on the other hand, we will go hat in hand and say 'Please forgive our loan'. I think that is not a viable and dignified path. We must strengthen our economy. We take pride in the fact that even in the worst of the situation, this country has never defaulted its obligation. That is why, our credit rating today is much higher. I do not want this country to become a typical third world country of Africa or Latin America. As long as I am the Finance Minister, I will not allow this country to go that way. We will honour all our commitments. But we will strengthen our economy and over a period of time, we can stand on our legs. Let me say that we have made progress. For 50 years of India's independence, we have talked of self-reliance, but every year the Finance Minister of India has gone abroad with a begging bowl.

SHRI SRIKANTA JENA : Not every year. From 1977 to 1980.

SHRI MANMOHAN SINGH : You do not know this.

SHRI SRIKANTA JENA : Tell the position then.

SHRI MANMOHAN SINGH : The Aid India Consortium came into existence in 1957-58. As a result, we have been ever since going to the Aid Consortium, asking for concessional aid and asking for aid from various countries and, as I have said on more than one occasion that international aid mechanism is not an act of charity. It is a political mechanism and donors are always in a stronger position than the borrowers in the world. If we want to move towards self-reliance, we must get out of this concessional aid as soon as possible. There are two ways to do it. In the short term, we are trying to replace this concessional aid by direct investment. Direct investment is an act of mutual complementarity and of mutual benefit. I do not have to go to Finance Minister of the United Kingdom if we want foreign investment. The Chancellor of the Exchequer was here and let me be very candid, I did not raise with him even once, the issue to give us more aid. The Secretary of the US Treasury was here but I did not raise with him this issue to give us more aid. I want India to be on a self-reliant path. Self-reliance truly means an inter-independent World. We should be able to pay for all our imports through our exports and through normal import of commercial capital which is an economic proposition. It is not an act of charity. That is our broad strategy. So, I am not in favour of going to the International Organisations asking for writing off of our loans because if you go to the Paris Club, it is an act of great humiliation. We are not in that position and we should never be in that position.

So, my answer to that is a straightforward 'no'.

Shri Santosh Kumar Gangwar raised the issue of unutilised aid... (Interruptions) Let me complete and then I will answer all questions.

Shri Santosh Kumar Gangwar raised the issue of unutilised aid. I have already answered that question. He

asked : Are our aid agreements to help our country or to mortgage our economy ? My answer is, I think, yes, all the aid agreements are designed to help our country because we need, at the margin, additional resources. Now, having got these funds, it is our sovereign duty to see that that money is used productively. If we do not use that money productively, that is our fault. But that does not mean that there is something inherently wrong with these loans.

Shri Sobhanadreeswara Rao Vadde raised a question about irrigation sector. I have already mentioned why it is not possible to get large-scale funds for irrigation sector because in most cases the way the irrigation sector is managed in our country, irrigation works do not cover even the current cost of operating these irrigation works. Under those conditions, it is very difficult...

SHRI SOBHANADREESWARA RAO VADDE : It is not mainly due to that. It is mainly because of environmental clearance problem, the problem of the Central Water Commission etc.

SHRI MANMOHAN SINGH: For all these reasons, I think much is needed and if we would like to get a lot more aid for agriculture, it is not possible. Since the late seventies and early eighties, we got a lot of aid money for NABARD. But after the disastrous experiment of 1990 of the loan waiver, the amount that is due, the repayment of the debts as such suffered. Today, we cannot mobilise resources even for NABARD. Our farmers need more credit. We need more resources. But we cannot mobilise additional resources. If you want more money to go into agriculture, you must accept fiscal discipline. I do not believe that farmers in this country are helped by saying that we should not insist on economic pricing. I have seen the farmers in Punjab. When there is a shortage of electricity, they are willing to pay the high cost of diesel. We, the politicians in this country, are putting our farmers on the wrong track. It is a track of dependence, not

the track of self-reliance. If you do that, I can assure you that a lot more money can come to agriculture—both domestic money and foreign money. Thank you.

PROF. RASA SINGH RAWAT (Ajmer) : What about my questions ? You have not replied to those question.

SHRI MANMOHAN SINGH : What question ?

[Translation]

PROF. RASA SINGH RAWAT (Ajmer) : For making the countrymen vigilant about indebtedness and creating in them spirit of self respect....(Interruptions)

[English]

SHRI MANMOHAN SINGH : I have said that we will come with a White Paper. That was the demand made. I have accepted that demand. We will come with a White Paper giving all the facts.

DR. K.D. JESWANI : Sir, I wish to have one or two clarifications on the current topics. I have got a Report.

MR. CHAIRMAN : Dr Jeswani, under the rule, it is said that only two questions will be allowed to be asked. You have put so many questions.

...(Interruptions)

MR. CHAIRMAN : The House stands adjourned to meet again tomorrow at 11 a.m.

18.28 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Friday, June 2, 1995/Jyaistha 12, 1917 (Saka).