

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:983
ANSWERED ON:23.11.2001
GUARANTEES BY STATES
RENU KUMARI SINGH

Will the Minister of FINANCE be pleased to state:

- (a) whether various State Government have been ignoring the warning of the Reserve Bank of India to put a cap on guarantee offering consequent to which billions of rupees guarantee standing have increased from March,1992 to September, 1999;
- (b) if so, the measures Union Government propose to take to direct the State Government from giving further guarantees and to recover the amount from them; and
- (c) the amount of guarantee outstanding/issued by State Government, State-wise as on date?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL):

- (a) It was stated in the Report of the Technical Committee on State Government Guarantees that in the interest of the ensuring fiscal sustainability as well as more selectivity in the matter of taking and giving of guarantees, it would be desirable for the States to fix a ceiling on guarantees. As per information available, the state governments which have imposed the statutory ceilings on guarantees are Gujarat, Karnataka, Sikkim and West Bengal. Rajasthan and Assam have imposed administrative ceilings. Tamil Nadu has taken the decision to charge a guarantee commission on outstanding guaranteed amount.
- (b) Ministry of Finance has issued communication to the Finance Secretaries of all States that for borrowings through Special Purpose Vehicles (SPVs) which are guaranteed by the State Governments and clearly have to be serviced by the State, prior permission under Article 293(3) should be necessary. The SPV borrowings which enters the Public Account of the State Budget and is further on-lent to Consolidated Fund of State will not, in the ordinary course be allowed.
- (c) State-wise amount of guarantees outstanding for 17 major states are given in the Statement.