

**GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA**

UNSTARRED QUESTION NO:2452
ANSWERED ON:13.03.2006
REDUCTION IN SUBSIDY FOR PDS
Rao Shri Kavuru Samba Siva

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

- (a) the terms and conditions applied for World Bank loans to the State Governments;
- (b) whether the State Governments are required to substantially reduce subsidy on food for below poverty line families for World Bank loans;
- (c) whether the Central sanction of SAL-III to Andhra Pradesh is also required to substantially reduce subsidy on rice for BPL families; and
- (d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION (DR. AKHILESH PRASAD SINGH)

(a): Sir, The borrower of the World Bank loans/IDA credits is the Government of India.

Until April 01, 2005, the Government of India transferred the World Bank/IDA funding under on-lending arrangements between the Government of India and the recipient states, either on

(i) 70% loan and 30% grant or

(ii) for special category states, 10% loan and 90% grant.

After April 01, 2005, following the recommendations of the 12th Finance Commission, the on-lending arrangements to all states are on back-to-back basis.

(b): No, Sir.

(c) & (d): No. The World Bank has supported two Development Policy Loans (also referred to as SALs) for the state of Andhra Pradesh (February 2002 and February 2004 respectively). Both programs were aimed at supporting the medium term reform program of Government of Andhra Pradesh. This includes better fiscal management devoting more resources to social sectors like health and education, and improved targeting of the rice subsidy scheme to eligible beneficiaries.