

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1394
ANSWERED ON:11.03.2005
ECONOMIC REFORMS
Chandel Shri Suresh

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government of Himachal Pradesh has signed a Memorandum of Understanding with the Government of India to set off its burden of expenditure for bringing administrative and economic reforms in the state;
- (b) if so, the details thereof ; and
- (c) the extent to which reforms have taken place in the administrative and financial matters of the H.P. Government after signing the MOU?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM) :

(a) & (b) MoU was signed on 18.5.2004 with provisions summarised at Annex.

(c) It is less than a year since the MoU was operationalised and no assessment of improvement in fiscal and administrative matters have been made. Twelfth Finance Commission (TFC) has recommended discontinuance of Fiscal Reforms Facility, which has been accepted by Gol. The MoU would expire on 31-03-2005.

Annex referred to in parts (a) & (b) of the Lok Sabha Unstarred Question No:1394, by Shri Suresh Chandel, due for answer on 11.3.2005.

Summarised provisions of the MoU entered into between Government of Himachal Pradesh and Government of India.

PROCESS INDICATORS :

(i) EXPENDITURE COMPRESSION

- (a) Reduce the burden of the salary expenditure on Government and para-statal employees,
- (b) Reduce the burden of grants-in-aid to educational, health and welfare related or other institutions,
- (c) Reduce the burden of explicit subsidies in various sectors, and
- (d) Reduce interest burden through formulating appropriate policy on contracting future debt and extending guarantees

(ii) REVENUE RECEIPT ENHANCEMENT:

- (a) Ensuring State's tax receipts are able to meet the targets set in the Medium Term Fiscal Restructuring Policy (MTFRP) and enhancing the ability of local bodies to discharge their functions, and
- (b) Ensuring State's non-tax revenues attain projected growth rate through measures like indexation all user charges to reflect annual increases in input costs.

(iii) GENERATION OF NON DEBT CAPITAL RECEIPTS

- (a) Undertake a suitable disinvestment exercise to redeem high cost debt falling due for repayment in the forecast period (2000-05).

The Government of India on its part will assist Government of Himachal Pradesh to further the process of fiscal reforms through appropriate assistance available under the Fiscal Reforms facility.

