

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2562  
ANSWERED ON:09.12.2005  
EXTERNAL LOANS TO KERALA  
Meinya Dr. Thokchom

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Union Government has rejected the proposal of the Government of Kerala for taking external loans; and  
(b) if so, the details thereof and the reasons therefor ?

**Answer**

Minister of State in Ministry of Finance (Shri S.S. Palanimanickam)

(a) and (b): The status of projects received from Government of Kerala recently is as given below :

(i) Kerala Health System Development Project - Kerala has been a debt stressed State and under the guidelines issued by Government of India, such States are discouraged from taking recourse to additional external borrowings due to debt sustainability concerns. It has been indicated to the State Government that if they feel that the Project as submitted by them should be given higher priority, then they may substitute or waive any other source of borrowing that has been agreed upon, and use that space to borrow funds for the Health System Project and also address the fiscal situation and bring it to a sustainable level, for taking up other project proposals with the external agencies.

(ii) Modernizing Government Programme (MGP)-II: In view of Kerala being a debt stressed State taking a relatively high cost ADB loan for the non-infrastructure MGP-II was not considered.

(iii) Concept Note on `Strengthening Local Governments in Kerala` as the same is already covered in the ADB assisted `Kerala Modernizing Government and Fiscal Reforms Programme` which is under implementation.