

**GOVERNMENT OF INDIA  
PLANNING  
LOK SABHA**

UNSTARRED QUESTION NO:3949  
ANSWERED ON:17.05.2006  
RESCHEDULING OF OUTSTANDING CENTRAL LOANS  
Ramadass Prof. M

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

- (a) whether the proposal of Twelfth Finance Commission for rescheduling of outstanding Central Loans to States has been implemented ;
- (b) if so, the problems Likely to be faced by financially weaker States in raising loans at standard rates following the Twelfth Finance Commission Award;
- (c) the likely adverse impact on the plan expenditure of the States on account of their inability to raise the required funds; and
- (d) the measures the Union Government proposes to take to tackle the problem?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF PLANNING (SHRI M.V. RAJASEKHARAN)

(a): Twelfth Finance Commission (TFC) in its report recommended a scheme of Debt Consolidation and Relief Facility (DCRF) for States. According to this Scheme, the central loans (Ministry of Finance) of States disbursed upto 31.03.2004 and as outstanding on 31.03.2005 are to be consolidated and rescheduled for a fresh term of 20 years with repayments in 20 equal installments, carrying a lower interest rate of 7.5%, subject to States enacting their Fiscal Responsibility and Budget Management Act (FRBMA) with the core provisions, interalia, to eliminate revenue deficit by 2008-09 and bring down the fiscal deficit to 3% of GSDP. Government of India has accepted the recommendations of TFC. So far 19, States have furnished their FRBMA. On recommendations of the Monitoring Committee consolidation of Central loans has been done for 18 States.

(b)&(c): In pursuance to recommendations of TFC, Central Government has discontinued extension of Plan Loans to State Governments since 1st April, 2005. State Governments have been allowed to borrow against the loan component of their Central assistance in the form of Additional Open Market Borrowings (AOMB), within their overall borrowing ceilings. Fourteen States were allowed AOMB last year. Government of India also committed to help the fiscally weak States in case if they find difficulty in raising the market borrowings. No State has faced any difficulty so far in raising the market borrowings from the market. TFC award period starts from the year 2005-06.

(d): Does not arise.