

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:837  
ANSWERED ON:24.02.2006  
PROPOSALS FROM KARNATAKA  
Reddy Shri Karunakara G.

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

- (a) whether the State Government of Karnataka is taking major steps to improve its public finances by reduction of average interest on debts;
- (b) if so, whether the State Government has made any proposals to the Union Government in this regard; and
- (c) if so, the time by when a final decision in this regard is likely to be taken?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI. PAWAN KUMAR BANSAL)

(a) to (c): Government of India has accepted the recommendations of the Twelfth Finance Commission (TFC) in respect of the Debt Consolidation and Relief Facility for States. According to this Scheme the central loans, disbursed by Ministry of Finance (MoF) to States up to 31.3.2004 and outstanding as on 31.3.2005 are to be consolidated and rescheduled for a fresh term of 20 years (resulting repayments in 20 equal installments), resetting with lower interest rate of 7.5% per annum, subject to States enacting their Fiscal Responsibility and Budget Management Act (FRBMA) with laid down core provisions, inter-alia, to eliminate States revenue deficit by 2008-09 and to reduce the fiscal deficit to 3% of GSDP. Government of Karnataka has enacted FRBMA and also drawn up a Fiscal Correction Path for consolidation of State Finances. On recommendation of the Central Monitoring Committee on Debt Consolidation and Relief Facility, this Ministry has consolidated Government of India (MoF) loans to Government of Karnataka. The State Government has been informed accordingly.