



WHITE PAPER

ON

**OUTSTANDING DEBT AND DEBT SERVICING
(PAYMENT OF PRINCIPAL AND INTEREST)**

**LIABILITIES OF THE
GOVERNMENT OF ARUNACHAL PRADESH**

AS ON 31ST MARCH, 2007

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15/8/07

I. TOTAL QUANTUM OF DEBT

The outstanding debt liability of the State as on 31st March, 2007 is of the order of Rs.2336.40 crore comprising of the following :

(Rs. in crore)

A :	Central government debt	=	463.62
B :	Internal debt, including market borrowings and small savings loan from NSSF	=	1340.86
C :	Liability of General Provident Fund (GPF) and Employees Group Insurance Fund	=	531.92
TOTAL		=	2336.40

(A) **CENTRAL GOVERNMENT DEBT** : Arunachal Pradesh is a Special Category State and Central Assistance flows to the State as 90% grant and 10% loan. Central Government Debt is mainly on account of Normal Central Assistance for Plan financing, Department of North Eastern Region (DoNER) Schemes, North Eastern Council (NEC) Schemes, Centrally Sponsored Schemes (CSS), etc. which are released to the State as 90% grant and 10% loan. The loan portion is repayable to the Government of India over 20 years with interest as fixed from time to time. Currently the rate of interest is 9% per annum. The total debt of the State Government due to the Centre stands at Rs. 463.62 crore on this account as on 31st March, 2007.

(B) **INTERNAL DEBT, INCLUDING MARKET BORROWINGS AND SMALL SAVINGS LOAN FROM NSSF** : Article 293 (1) of the Constitution of India, authorizes the State Governments to borrow to meet their financial requirements. Borrowings are made from recognized and approved financial institutions with the approval of the Ministry of Finance, Government of India and the Planning Commission. Accordingly, the State Government has been availing loan from National Bank for Agriculture and Rural Development (NABARD), Rural Electrification Corporation (REC), Life Insurance Corporation (LIC), General Insurance Corporation (GIC), National Cooperative Development Corporation (NCDC), etc. as per the limits set by the Government of India. Over and above, the State Government is also required to borrow from the Open Market (known as Open Market Borrowings) and from the National Small Savings Fund (NSSF)

as small savings loan for funding the developmental activities of the State Government. The outstanding liabilities on account of internal debt of the State Government stand at Rs.1340.86 crore as on 31st March, 2007. Interest rates of these loans at present vary from 6.5% (NABARD) to 9.0% (REC).

(C) LIABILITY OF GENERAL PROVIDENT FUND (GPF) AND EMPLOYEES GROUP INSURANCE FUND : The government employees are contributing to the corpus of the General Provident Fund (GPF) and Employees Group Insurance Fund. This amount is kept in the Public Account of the State Government and payments are made to the employees concerned as and when required. This corpus of money in the Public Account is also used by the State Government to fund its developmental activities. The employees are being paid 8% interest on their contribution in GPF. The outstanding liabilities on this account stand at Rs. 531.92 crore as on 31st March, 2007.

II. DEBT SERVICING : Every year, the State Government has to make payments of principal as well as on interest on its loans. In the financial year 2006-07, a total amount of Rs. 341.23 crore was incurred on debt servicing, Rs. 128.78 crore as principal and Rs. 212.45 crore as interest.

III. DEBT AND TFC – Consolidation and Waiver

- (a) The Twelfth Finance Commission (TFC), covering the award period of 5 years (2005-10), has recommended a Debt Relief Scheme viz., (i) a General Debt Relief Scheme applicable to all States which would enact Fiscal Responsibility Legislation (FRL) and (ii) a Debt Write-Off (Waiver) Scheme linked to fiscal performance of the State.
- (b) With a view to avail the benefit of Debt Relief Scheme as recommended by the TFC, the Fiscal Responsibility and Budget Management (FRBM) Act, 2006 was passed by the State Assembly. Under the General Debt Relief Scheme (i), all Central loans of the Ministry of Finance (Department of Expenditure and Department of Economic Affairs), Government of India to the State contracted till March 31, 2004 and those outstanding on March 31, 2005 have been consolidated into a fresh loan and the interest rate thereon has been lowered to 7.5% and rescheduled for a uniform tenure of 20 years.
- (c) Under the Debt Relief Scheme (i), if the State performs as per the guidelines of the scheme, the State Government would get the benefit of Rs. 91.71 crore (Rs.19.98 crore as relief in terms of lower repayment of principal due to reschedulement and Rs.71.73 crore as relief

in payment of interest) during the 5 year period (2005-10). The year-wise details of relief under this scheme (i) projected by the TFC for the years 2005-06 to 2009-10 would be as follows :

(Rs. in crore)

Year	Relief in terms of lower repayments of principal	Relief in payment of interest in terms of lower interest payments	Total relief (Col. 2 + Col. 3)
1	2	3	4
2005-06	4.00	16.40	20.40
2006-07	4.00	15.63	19.63
2007-08	4.00	14.65	18.65
2008-09	4.00	13.32	17.32
2009-10	3.98	11.73	15.71
TOTAL	19.98	71.73	91.71

Lower repayment of Rs.19.98 crore Central loan outstanding as on 31.03.2005 during the 5 year period (2005-06 to 2009-10) has been estimated as under :

(a) Repayment without reschedulement	=	Rs.117.37 crore
(b) Repayment with reschedulement	=	Rs. 97.39 crore
Difference (a-b)	=	Rs. 19.98 crore

(d) Under the Debt Write-Off Scheme (ii), the installments of repayment due on the central loans of the Ministry of Finance (after consolidation and reschedulement) would be written-off in each of the years from 2005-06 onwards so long as the revenue surplus of the state does not go below the base year 2003-04 level (average for the years 2001-02, 2002-03 and 2003-04) in absolute terms in the years 2005-06 to 2008-09 and onwards, and the fiscal deficit of the state being controlled at the level of 2004-05 and the fiscal deficit should not be more than 3% of GSDP by 2008-09. If in any year, the fiscal deficit exceeds this level, the benefit of write-off, even if eligible otherwise, would not be given. The potential benefit could be Rs. 97.39 crore as write-off of loan.

(e) Our state has been able to take the benefit of both Debt Relief and Debt Write-Off Scheme also since 2005-06 and would be getting the benefit this year also on the basis of fulfillment of criteria during last year. It is expected that we would be getting benefit during 2008-09 also on the basis of fulfillment of criteria in current financial year.

DEBT POSITION OF GOVERNMENT OF ARUNACHAL PRADESH FROM 2004-05 TO 2006-07.

Sl. No.	Nature of Debt	(Rs. in crore)									
		Outstanding as on 31.3.2004	Receipt during 2004-05	Re-payment during 2004-05	Outstanding as on 31.3.2005	Receipt during 2005-06	Re-payment during 2005-06	Outstanding as on 31.3.2006	Receipt during 2006-07	Re-payment during 2006-07	Outstanding as on 31.3.2007
1	2	3	4	5	6	7	8	9	10	11	12
3	Public Debt.										
A. Loans and Advances from Govt. of India											
1.	Modernization of Police Force (MHA)	7.96	--	0.37	7.61	--	0.37	7.24	--	0.37	6.87
2.	North Eastern Council (MHA)	15.39	2.93	0.80	17.52	0.40	0.87	17.05	--	0.88	16.17
3.	Centrally Sponsored Schemes (from Nodal Ministries/Department)	4.16	2.25	0.25	6.43	1.00	0.26	8.05	4.40	0.39	12.06
4.	DONER (MHA)	11.13	--	0.38	15.07	--	0.39	14.68	--	0.36	14.31
5.	Loan from Ministry of Finance (Borrow loans and Small Saving loans) outstanding amount as on 31st March 2005 consolidated.	406.84	--	17.28	389.56	--	19.48	370.08	--	19.48	350.60
6.	Borrow loan	--	65.71	--	65.71	0.70	1.64	64.77	0.51	1.67	63.61
	Total A (1 to 6)	445.50	70.89	19.08	501.90	2.96	23.00	481.88	4.91	23.17	463.82
B. Internal Debt											
1.	Rural Electrification Corporation (REC)	108.62	10.27	9.66	109.23	13.22	9.25	113.20	4.27	11.00	106.47
2.	Life Insurance Corporation (LIC)	2.06	--	0.12	1.93	0.95	0.12	2.76	--	0.17	2.59
3.	General Insurance Corporation (GIC)	0.18	--	0.02	0.16	--	0.02	0.14	--	0.02	0.12
4.	National Co-operative Development Corporation (NCDC)	6.37	3.15	1.28	8.24	6.43	1.22	13.45	--	2.55	10.90
5.	National Bank for Agriculture and Rural Development (NABARD)	115.73	12.76	15.56	112.93	45.00	19.90	138.03	54.10	29.50	166.63
6.	(i) Market Borrowing (Normal)	261.53	29.83	4.66	288.36	23.39	4.68	307.07	20.58	5.15	322.50
	(ii) Advt. Market Borrowing/Debt Swap	127.75	--	--	127.75	24.00	--	151.75	87.28	--	239.03
7.	National Small Saving Fund (NSSF)	86.14	41.21	--	127.35	258.72	0.60	365.37	128.45	1.20	493.62
8.	Power Bond									2.41	
	Total B (1 to 8)	708.37	94.22	31.32	775.05	351.71	35.79	1091.77	294.68	48.00	1340.86
C.	Total Public Debt. I (A+B)	1153.87	165.11	50.40	1277.85	354.69	58.79	1573.65	299.59	71.17	1804.48
B. Other Debt.											
1.	General Provident Fund (GPF)	305.71	87.67	50.13	363.25	129.88	59.48	427.65	110.73	50.00	482.38
2.	Group Insurance	36.15	4.97	2.09	42.03	5.18	1.54	45.67	5.48	1.51	49.54
D.	Total Other Debt. C. (1+2)	364.86	92.64	52.22	409.28	129.06	61.02	473.32	116.21	57.81	531.92
	Grand Total (C + D)	1518.73	257.75	102.62	1683.13	483.75	119.81	2046.97	415.80	128.76	2336.40