

Fiscal deficit of States

665. SHRI MANOJ BHATTACHARYA: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether in the wake of burgeoning fiscal deficits, State Governments have urged upon Central Government to take a lead in pruning the salary outgo of its employees so as to balance their budgets;

(b) if so, the details thereof and the Central Government's reaction thereto; and

(c) what steps are proposed to address the problem of unsustainable level of fiscal deficits?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) and (b) The issue of, expenditure decisions taken by the States being influenced by the actions of the Centre, was put forward by the members of the High Powered Committee for assessing the fiscal situation of States in their meeting. The issue of reducing non-plan revenue expenditure was, *inter-alia*, discussed in the recent meetings of all State Finance Ministers and Chief Ministers on fiscal situation of States. As no consensus emerged on this issue, it was resolved that the State Governments and the Union Government will take decisions on their own.

(c) The primary responsibility for addressing the problem of unsustainable levels of fiscal deficit rests with the State Governments. However, Government of India, in pursuance of the recommendations of the Eleventh Finance Commission, has created a State's Fiscal Reforms Facility (2000-01 to 2004—05). States have been invited to draw their Medium Term Fiscal Reforms Programme aimed at improving revenue deficit/surplus and attaining sustainable fiscal deficit in the medium term.

Besides, Government of India have also put forward a proposal for debt swap to enable States to retire high cost debt to facilitate the process of fiscal consolidation.

Liberalisation of exchange control regulations

666. SHRI PREM CHAND GUPTA: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state: