



# Cabinet approves Food Cash Credit to Punjab for food procurement operations - Resolution for the settlement of Legacy Accounts (upto crop season 2014-15)

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The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has given its ex-post facto approval for settlement of Legacy Food Cash Credit Accounts (upto crop season 2014-15) of Punjab Government for food procurement operations. This proposal of Department of Expenditure was approved by Prime Minister under Rule 12 of (Transaction of Business) Rules, 1961 on 02.01.2017.

Early settlement of legacy issues will help the banks in disbursement of food credit in the larger interest of numerous farmers of the State and uninterrupted continuity in food procurement operations to ensure food security for the nation. Settlement of outstanding Cash Credit Limits (CCL) account by availing term loan by the Punjab Government would entail savings in terms of interest payment. This will create additional resource enabling Punjab Government to undertake capital expenditure.

The Legacy Cash Credit Accounts (upto crop season 2014-15) for food procurement operations by the Punjab Government shall be settled as under:

a) The outstanding amount in Cash Credit Accounts of Government of Punjab pertaining to season upto Kharif Marketing Season 2014-15 amounting to approx. Rs. 31,000 crore shall be converted into a term loan. It will be repayable in half yearly instalments over a period of 20 years with the option for pre-payment. The terms and conditions of the loan shall be as prescribed by the RBI and the lending banks.

b) The exact amount of the loan shall be the outstanding amount as on 31.03.2015, which is not secured by stocks of food grains. The consortium of banks led by SBI has to finalise the amount in consultation with all stakeholders including Department of Food & Public Distributions, Punjab Government and RBI.

c) The 14th Finance Commission has prescribed the Fiscal Roadmap for each State for its award period 2015-20 and anchored Fiscal Deficit of all States to an annual limit of 3% of States' Gross State Domestic Product (GSDP). The above term loan proposed to be extended to Punjab Government in current financial year 2016-17 will not be counted in the fiscal deficit limit of Punjab Government in 2016-17.

d) After the conversion of legacy accounts in long term loan, the State Govt. of Punjab may issue bonds for the purpose of paying back the long term loan only. This will be subject to the approval of consortium of Banks and RBI. The Gol consent will be issued for swapping of loan in the same year of issue of bonds.

e) Punjab Government shall enter into a tripartite agreement with Gol and RBI irrevocably authorizing the Gol to deduct, in case Punjab Government fails to make any payment towards principal or interest of the Term Loan on due dates, such defaulted amount from the State's share in central taxes and pay the same to SBI consortium.

f) This will be one-time measure to settle the outstanding amount in legacy accounts upto 2014-15. Punjab Government shall provide adequate annual budget provision to close CCL gaps on a regular basis to avoid future accumulation of CCL gaps over the years. It will also make efforts to reduce its subsidy bill to service the repayment of term loan from its own resources.

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