

Annexure

To provide assistance to States for Capital Expenditure, a new scheme 'Special Assistance to States for Capital Expenditure' was launched by this Department during the financial year 2020-21 with the allocation not exceeding Rs. 12,000 crore in the form of 50-year interest free loan for the financial year 2020-21 and with the allocation of Rs. 15,000 crore in the form of 50-year interest free loan for the financial year 2021-22. Under the scheme, an amount of Rs. 81.50 crore for the year 2020-21 and an amount of Rs. 238.50 crore for the year 2021-22 were released to the State of Kerala. The fund allocated under the scheme can be used for new as well as ongoing capital projects. Further, an amount of Rs. 1,540 crore has been allocated for the State of Kerala under Part-I of the 'Scheme for Special Assistance to States for Capital Investment' for the financial year 2022-23 in the form of 50-year interest free loan. The State of Kerala may also submit capital projects in identified sector upto an amount of Rs. 2,000 crore subject to meeting the prescribed reform criteria under Part-IV to VII of the Scheme in addition to allocation under Part-I of the Scheme. Consequently, the allocation for Kerala under the scheme will also go up substantially.

2. 15th Finance Commission has recommended Revenue Deficit Grant of Rs. 37,814 crore to Kerala for its award period from (2021-26). Out of this amount, against the allocated amount of Rs. 19,891 crore to State of Kerala during the financial year 2021-22, the entire amount of Rs. 19,891 crore was released to State of Kerala. For the financial year 2022-23, Kerala is expected to receive Rs. 13,174 crore, of which Rs. 4,391.33 crore has already been released till 18.07.2022.

3. In view of unprecedented COVID-19 pandemic, during the financial year 2020-21 additional borrowing limit of up to 2 percent of Gross State Domestic Product (GSDP) was allowed to the States including Kerala. Accordingly, consent for additional borrowings of Rs. 18,087 crore was granted to the State of Kerala.

4. In the financial year 2021-22, the normal net borrowing ceiling of 4% of GSDP was allowed to States, including the State of Kerala. States was eligible for additional borrowing space of up to 0.50% of GSDP based on certain performance criteria in power sector. Thus, for the year 2021-22, States was eligible for borrowings of up to 4.5% of GSDP. In the current financial year 2022-23, the normal net borrowing ceiling of 3.5% of GSDP has been allowed to States, including the State of Kerala. Further, States are also eligible for additional borrowing space of up to 0.50% of GSDP based on certain performance criteria in power sector. Thus, for the year 2022-23, States are eligible for borrowings of up to 4% of GSDP.

5. In order to meet the shortfall in Goods and Services Tax (GST) compensation to be paid to States, an amount of Rs. 5,766 crore was released to the State of Kerala in year 2020-21 as back to back loan borrowed by Government of India through a special borrowing window. The aforesaid borrowing arrangement has been extended in the current financial year 2021-22 as well. Accordingly, in financial year 2021-22, whole of the estimated GST Compensation Shortfall amounting to Rs. 8,739.31 crore has already been released to the State of Kerala.

6. In view of COVID-19 pandemic, substantial additional resources have been made available to the States, including the State of Kerala. Therefore, the State Government may meet its contextual requirements and other needs from the additional fiscal space available to them.
