



Government of Odisha

# Status Paper on Public Debt in Odisha

## -An Overview



February 2023  
Finance Department



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*An overview*

Finance Department  
Government of Odisha



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## Abbreviations:

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
EAP	Externally Aided Project
FRBM	Fiscal Responsibility and Budget Management Act
GIC	General Insurance Corporation
GPF	General Provident Fund
GDP	Gross Domestic Product
GSDP	Gross State Domestic Product
HPC	High Power Committee
IFAD	International Fund for Agricultural Development
IPRR	Interest Payment to Revenue Receipts
JICA	Japan International Cooperation Agency
KfW	Kreditanstalt für Wiederaufbau
LIC	Life Insurance Corporation
LTIF	Long Term Irrigation Fund
NABARD	National Bank for Agriculture and Rural Development
NCDC	National Cooperatives Development Corporation
NDDB	National Dairy Development Board
NSSF	National Small Savings Fund
NWS	National Warehousing Scheme
OPEC	Organization of the Petroleum Exporting Countries
OSFDC	Orissa State Finance Development Corporation
OSCM	Orissa State Cooperative Manufacturing Federation Ltd.
PSU	Public Sector Undertakings
REC	Rural Electrification Corporation
RIDF	Rural Infrastructure Development Fund
ULB	Urban Local Bodies
WB	World Bank

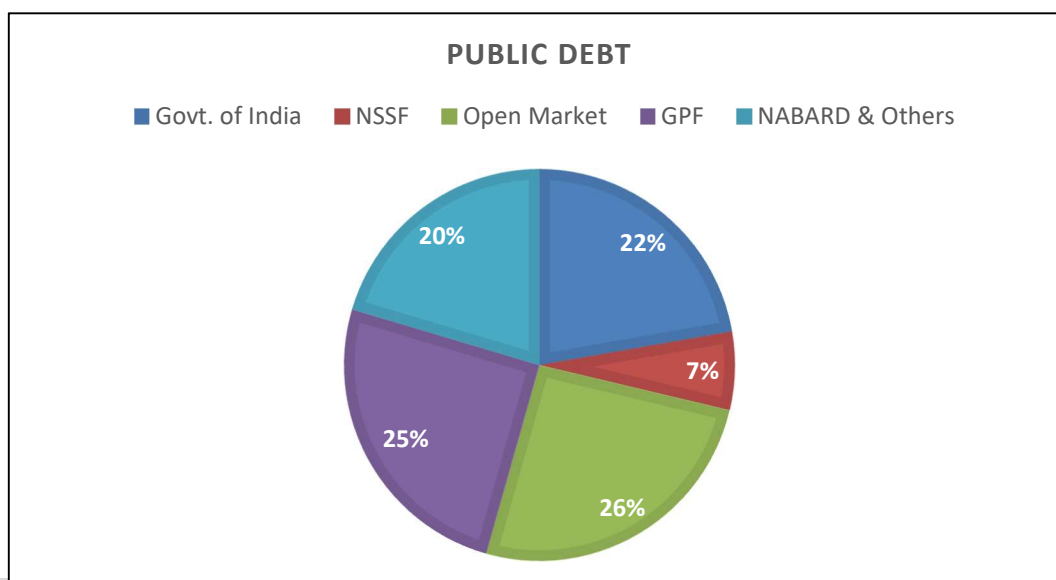
## EXECUTIVE SUMMARY:

1. Public debt raised by Government of Odisha is fully utilized for capital investment. Whilst the total stock of debts is increasing over time, the public debt of Odisha is sustainable, meaning that Government of Odisha can service its debts without difficulty. Strong revenue growth is helping to keep interest payments manageable, and within the limits of the Fiscal Responsibility and Budget Management (FRBM) Act. The low percentage of foreign currency debts has lowered Odisha's vulnerability to any exchange rate depreciation. It is worth noting that Odisha's debt to GSDP ratio of 12.7% as per revised estimate of FY 2022-23 is considerably lower than that of Central Government which is 57% of GDP as per the Union Budget.

2. The total outstanding public debt of the State as per the revised estimate for FY 2022-23 stands at Rs. 97037 crore which is 12.7% of the State's Gross Domestic Product (GSDP). The Fifteenth Finance Commission and Odisha FRBM Act, 2005 prescribe for limiting the debt to GSDP ratio within 25%. The current debt level of Odisha is within the stipulated debt limit.

3. The future debt outlook of the State also looks to be within the sustainable level. In the medium term, the total debt to GSDP ratio of the State is projected to reach to a level of 16.7% in the financial year 2026-27, which will be within the stipulated limit of 25%. For FY 2023-24, it is estimated that the total debt stock will be Rs. 1,12,882 crore which is 13.1% of GSDP. The fiscal deficit stands at 2.8% of GSDP and the interest payment to revenue receipts (IPRR) stands at 4.3% for the financial year 2022-23, well within limit of 15% set by the FRBM Act. As per the budget estimate for FY 2023-24, fiscal deficit and IPRR are estimated to be 3.0% and 3.9% respectively.

4. The composition of debt stock in the State has also witnessed a transition from some of the high-cost borrowing sources such as National Small Saving Fund (NSSF) to low-cost borrowing sources. Broadly, the five largest sources of borrowing are shown in the below chart.



5. State Government can avail loans from surplus fund available in the Odisha Mineral Bearing Area Development Corporation (OMBADC) Fund and the Compensatory Afforestation (CAMPA) Fund. The loan from these dedicated funds is available at interest rates 2% to 2.5% lower than the Open Market Borrowing (OMB). State Government can borrow up to 60 percent of the surplus fund available in these funds. The open market borrowing during FY 2022-23 is zero because cheaper sources were available to meet the total requirement of borrowing in the previous financial year.

6. The total loan guarantees (guarantee to State Public Sector Undertakings, Urban Local Bodies, Co-operative institutions) as on 31<sup>st</sup> December 2022 is Rs 5134.91 crore which is 0.7% of GSDP. The guarantees do not constitute a part of the State government's loan, but in case of default by the State PSUs, the State government is liable to repay the loan. The guaranteed loan as a percentage of revenue receipts (total Revenue Receipts of the second preceding year) has been reduced from 123.37 percent in 2001-2002 to 6.3% during 2022-23 against the ceiling of 80 percent.

7. The critical aspect of borrowing is that the borrowed funds should be invested in socially beneficial capital projects that increase economic activity, create jobs and improves lives of people of the State. Projects should increase economic activity which in turn increase tax revenues and raise the ability to service the loans. Therefore, it is extremely important that good projects are identified and selected for investment of the borrowed funds, including the maintenance cost (revenue expenditure) post completion of the project. Any borrowing should be for developmental activities (capital investment) rather than to cover the day-to-day spending of government (revenue expenditure).

8. The lower level of debt stock, reduced cost of borrowing, lower level of fiscal risks exposure and low level of outstanding government guarantees have made the fiscal condition of the State sustainable. The current and medium-term debt level of the State looks stable, with forecasts for the interest payment to revenue receipts ratio and debt to GSDP ratio to stay within the FRBM Act limits in the medium term.

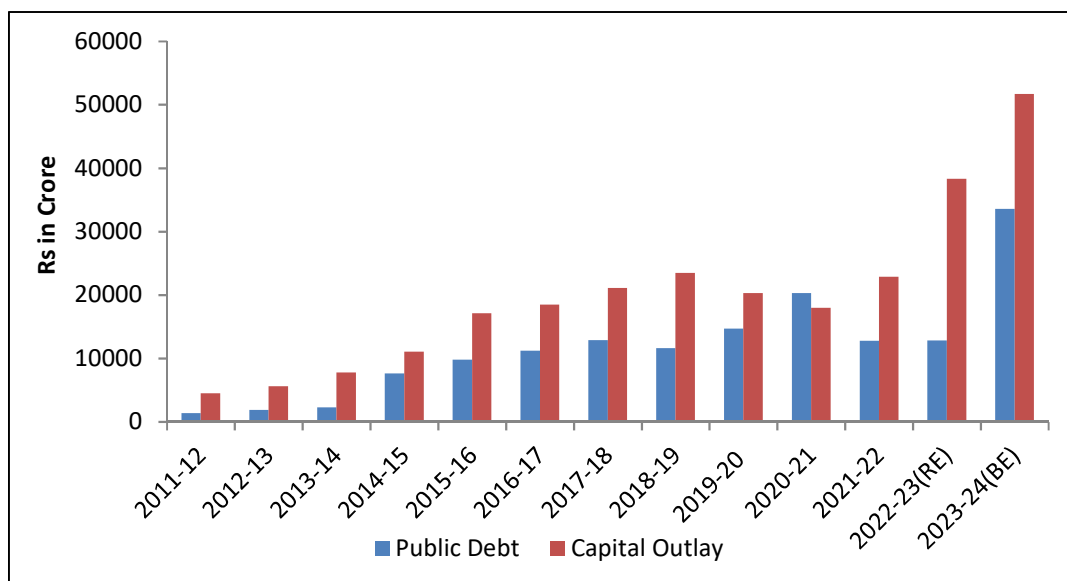
# Chapter I

## 1. Borrowing by State Government:

Capital spending by the Governments induce high multiplier benefits, crowd-in private investment and ease critical supply constraints, expenditure on health, education, research and development can boost productivity and increase potential growth. State Government needs to borrow to finance the deficits to fulfil the developmental needs of the people. Expenditure of the State Government may be broadly classified into revenue expenditure and capital expenditure. The revenue expenditure is mostly committed in nature and is in fact an establishment, operation and maintenance related expenditure. The Capital Expenditure is generally developmental in nature. In public finance, committed expenditure is the first charge on revenue receipts. So, the fiscal space required for creation of assets such as roads, dams, canals for irrigation, bridges and other such critical infrastructure are met through the balance of the revenue receipts after meeting the revenue expenditure plus the borrowing.

Odisha has been successfully meeting all its committed expenditure from its own revenue. In fact, Odisha is a revenue surplus State since the enactment of FRBM Act, in 2005. All the borrowing of the State Government is spent on capital expenditure. Therefore, higher borrowing translates into higher capital spending by the State Government. The higher CAPEX has enabled the State to generate employment, enhance its revenue collection and maintained GSDP growth above the national average for more than 10 years. The chart below shows the public borrowing and capital outlay in each financial year since FY 2011-12.

**Chart 1.1: Public Debt and Capital Outlay from 2011-12 to Budget Estimate of 2022-22**





### 1.1. Constitutional Mandate:

In our Constitutional framework, the State Governments have a little flexibility in fixing the borrowing limits for themselves. As per the mandate of Article 293(3) of Constitution of India, the State Governments are required to obtain consent of Government of India raise any loan if there is still outstanding any part of a loan which has been made to the State by the Government of India.

### 1.2. Recommendation of 15th Finance Commission:

The 15th Finance Commission have recommended the normal net borrowing limit (total borrowing less loan repayment) of State Governments for the year 2021-22 at 4% of GSDP keeping in view of the economic shock due to the pandemic. The borrowing limits are gradually decreased to the level of 3.5% of GSDP for 2022-23 and for the medium term i.e., from 2023-24 to 2025-26 at 3%. Further, it was stipulated that if a State Government is not able to fully utilize its sanctioned borrowing limit in any particular year during the first four years of 15<sup>th</sup> FC award period (2021-22 to 2024-25), the State Government will have the option of availing this unutilized borrowing amount (calculated in rupees) in any of the subsequent years within the award period.

**Table 1.1: Indicative Deficit and Debt Path for States as per 15<sup>th</sup> FC recommendation**

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
<b>Revenue Deficit</b>	0.1	0.5	0.8	1.2	1.7	<b>2.5</b>
<b>Fiscal Deficit</b>	-4.5	-4.0	-3.5	-3.0	-3.0	<b>-3.0</b>
<b>Total liabilities</b>	<b>-33.1</b>	<b>-32.6</b>	<b>-33.3</b>	<b>-33.1</b>	<b>-32.8</b>	<b>-32.5</b>

### 1.3. Annual Borrowing Ceiling – set by Government of India

Department of Expenditure, Ministry of Finance, Government of India determines the Net Borrowing Ceiling (NBC) of States for each financial year on the basis of projected Gross State Domestic Product (GSDP) of the States and taking into consideration the recommendations of the Finance Commission. In line with the recommendations of the 15<sup>th</sup> Finance Commission, Government of India has decided to fix the normal NBC for the States for the FY 2023-24 at 3.5% of the projected GSDP (Including borrowing for power sector reforms). Accordingly, NBC at 3.5% of projected GSDP for the financial year 2023-24 for Odisha is Rs. 30,153 crores.

The said NBC covers all sources of borrowings, including Open Market Borrowings, Negotiated Loans from financial institutions, National Small Saving Fund loans, Central Government loans including EAP loans, other liabilities arising out of public account transfers under small savings, Provident funds, Reserve Funds, Deposits, etc.

Off-Budget Borrowings by State Public Sector companies/corporations, Special purpose vehicles (SPVs) and other equivalent instruments, where principal and/or interest are to be

serviced out of the State Budgets and/or by assignment of taxes/cess or any other State's revenue, shall be considered as Borrowings made by the State itself for the purpose of issuing the consent under Article 293(3) of the Constitution of India. Government of Odisha do not have any liability on account of off-budget borrowing at the end of FY 2021-22.

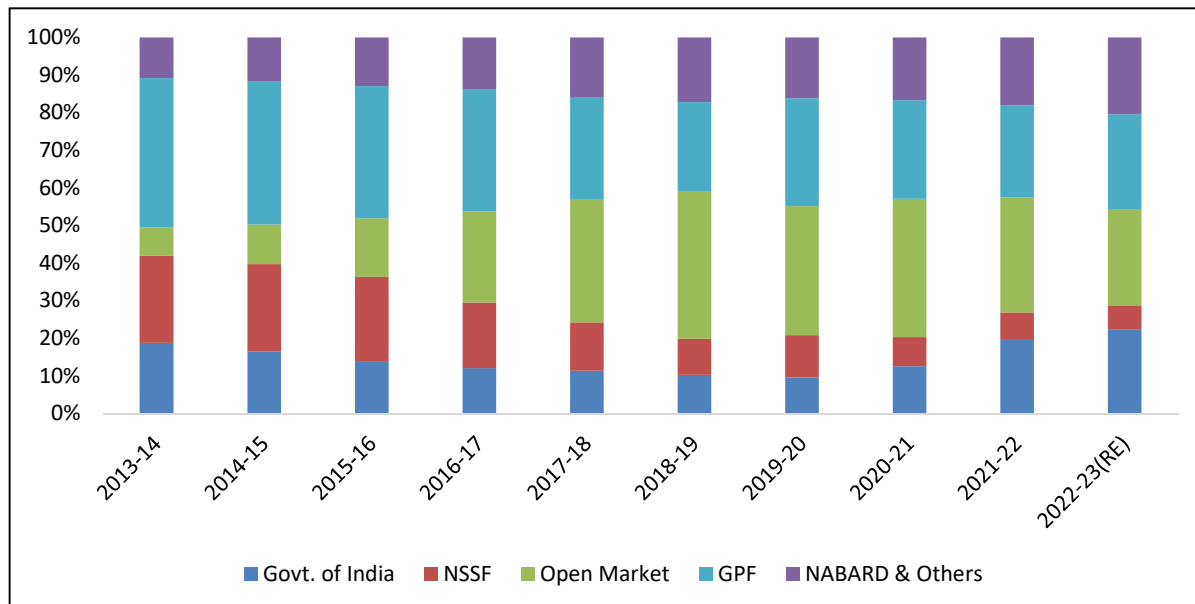
## 1.4. Current Debt Portfolio of the State

### 1.4.1. Sources of Borrowing: Domestic and External:

Major chunk of the State government's public debt is in national currency i.e., in Indian Rupee. Around 92% of the total borrowing is done in Indian Rupee and the balance of 8% is from external agencies in foreign currency. Therefore, the State's debt portfolio is less exposed to the risks from exchange rate fluctuations and the rupee depreciation vis-à-vis the US Dollar and other foreign currencies.

Following the recommendation of the 12<sup>th</sup> Finance Commission, external assistance from external bilateral and multilateral donor agencies is available to State Governments with the funds being on-lent by the government of India. External development assistance from bilateral sources such as JICA, KfW and multilateral sources such as WB, ADB, IFAD etc. is received by the Government of India and passed on to States. Odisha Government negotiates loans for state sector projects.

**Chart 1.2: Sources of Debt of State Government (percentage of GSDP)**



### 1.4.2. Domestic Sources of Borrowing:

The major domestic sources of borrowing are open market borrowing, loans from NABARD (National Bank for Agriculture and Rural Development), Government of India loans, NSSF (National Small Savings Fund), GPF (General Provident Fund), and loans from financial institutions such as LIC/GIC, NCDC, and REC etc. The loans raised from the Government of

India, NABARD are mostly tied in nature i.e., the funds cannot be made available to any other project other than the project for which the loan has been taken. The Government of India loan is available in the form of Block Loans or Back-to-Back Loans. The back-to-back loan is the loan taken from External Donor Agencies in form of Externally Aided Projects (EAP) which is then passed on to State Governments on the same terms. Of all the domestic sources, NABARD loans, especially RIDF loans are the cheapest followed by NWS and LTIF. Recently, the State Government has taken an innovative step to avail loans from Odisha Mineral Bearing Area Development Corporation (OMBADC) Fund and Compensatory Afforestation (CAMPA) Fund through amendment of the accounting procedure to further reduce the cost of borrowing.

#### **1.4.2.1. Open Market Borrowing:**

Open market borrowing is one of the cheapest domestic sources of borrowing. The largest domestic source of borrowing at present is open market borrowing. Since the loan is untied in nature, it gives the flexibility to the State to invest the loan amount in any developmental projects as per the need and priority of the State. As per 2022-23(RE), the share of Open market borrowing in total debt of the State is around 24.8%. The share of the open market borrowing has gone down from 30% in FY 2021-22 to 24.8% in FY 2022-23 and is expected to decrease further in the coming financial year. State Government didn't resort to open market during FY 2022-23 because the required amount was financed through the cash balance available in the Public Accounts and from other cheaper sources such as OMBADC and CAMPA.

#### **1.4.2.2. National Small Savings Fund**

NSSF borrowing is one of the high-cost borrowing sources. The total outstanding loan as per 2022-23 (RE) is Rs. 6,046.15 crore which is 6.2% of the total outstanding public debt. The State Government has opted out of the NSSF since 2016-17 after the recommendation of the 14<sup>th</sup> Finance Commission. The outstanding NSSF loan amount is being serviced at 9.5%. The State Government has already repaid the NSSF loan that was carrying more than 10% of interest. Basically, NSSF loan is now a legacy loan.

#### **1.4.2.3. General Provident Fund**

General provident fund is another high-cost borrowing with rate of interest of 7.1%. It is a statutory obligation on the part of the State government to provide a kind of social security to its employees. In 2011-12, GPF contributed 36.2% to the total debt stock of the State. The share of loan from GPF out of total outstanding loan has been reduced to 24.3%. As per 2022-23 (RE), the total outstanding debt from GPF is Rs.23,593 crores. There is schedule of repayments of this loan depends upon the number of government employees retiring every year.

#### 1.4.2.4. NABARD & SIDBI: RIDF, LTIF & SCDF

**RIDF (Rural Infrastructure Development Fund)** from NABARD is one of the cheapest sources of financing rural infrastructure projects. The current rate of interest on loan from RIDF is 5.25%. The rate of interest on RIDF loans has been fixed at 1.5% below the Bank Rate (decided by the Reserve Bank of India) applicable as on the date of disbursement. The interest shall be paid on quarterly basis at the end of each quarter of the financial year. In FY 2022-23, State Government has received an amount Rs. 1,895 crores as loan from NABARD as on date. The total outstanding loan from NABARD is estimated to be Rs. 19,098.78 crores as per 2022-23 (RE) which is 19.7% of total outstanding public debt.

For infrastructure development towards MSME sectors, State Government has availed loan amount of Rs. 38 crores from the Small Industries Development Bank of India (SIDBI) under SIDBI Cluster Development Fund (SCDF). The rate of interest levied on loan under SCDF is same as the rate of interest on RIDF loan i.e., 5.25%.

**Long Term Irrigation Fund (LTIF):** With an initial capital of Rs 20,000 crore, the LTIF was introduced by the Central Government in the Budget for FY 2016-17. The objective was to fund and expedite completion of unfinished large and medium-scale irrigation projects. Under the LTIF, NABARD grants loan to State Government based on the Central Water Commission's (CWC) evaluation of individual projects and its Technical Advisory Committee's recommendation (TAC). In addition, these projects must get all necessary regulatory approvals, including those from Environment Ministry. The rate of interest on the LTIF loan is 6%. The total LTIF loan sanctioned by NABARD is Rs. 3,510.48 crores and the outstanding balance as on December, 2022 is Rs.3,321.45 crores.

**Fisheries & Aquaculture Infrastructure Development Fund (FIDF)** was set up by the Government of India in Union Budget 2018 with a corpus of Rs. 7,522.48 Crore for development of fisheries sector. It is operationalized through NABARD. State Government have approved the proposal for availing assistance under FIDF from NABARD. Finance Department is the nodal Department for all communication with NABARD for availing loan under FIDF. Interest subvention up to 3% per annum for the loan availed under FIDF is available from Government of India. The maximum repayment period should not exceed 12 years from the date of first disbursement of loan with a moratorium of 2 years on repayment of principal.

**Micro Irrigation Fund (MIF)** was also set up by the Government of India in Union Budget 2017-18 to improve efficiency in use of water in irrigation and to encourage farmers to install micro irrigation systems. The fund has been set up in NABARD. The principal loan amount is repayable by the State Government in 7 years, including a moratorium of 2 years on principal repayment. The rate of interest on loan is decided at 3% below the corresponding cost of fund mobilized by NABARD from market.

**Food Processing Fund (FPF)** has been established in NABARD by the Reserve Bank of India (RBI) with a corpus of Rs. 2,000 Crore to make available affordable credit to agro-processing units for development of food processing sector. Tenure of loan is 7 years. Rate of interest is as decided by RBI from time to time. At present the rate of interest is same as the rate of interest on RIDF loan.

#### 1.4.2.5. OMBADC and CAMPA Fund

State Government has availed loan from Odisha Mineral Bearing Area Development Corporation (OMBADC) Fund and Compensatory Afforestation (CAMPA) Fund through amendment of the accounting procedure of OMBADC at a rate equivalent to 364-day Treasury Bill, which is about 200-250 basis points lower than the rate of interest on open market borrowing. The State Government can borrow up to 60% of the surplus fund available in these dedicated funds. As per the revised estimate for FY 2022-23, borrowing from both the OMBADC and CAMPA will be Rs. 3,000 crores. The total outstanding loan from both OMBADC and CAMPA combined will be Rs. 3,000 crores as all the previous borrowings have been paid back.

#### 1.4.2.6. Loan for shortfall in GST Compensation.

Government of India had decided to extend loan to the States as there was a huge shortfall in collection of GST compensation cess and gap between the actual GST collection by the States and protected revenue during 2020-21 and 2021-22. The total loan received by the State during 2021-22 and 2022-23 amounts to Rs 3822 crores and Rs 6430.20 crores. However, the GST Compensation amount has been received in the form of Grants from Centre during FY 2022-23 and it will continue to be so during FY 2023-24. The loan received in the form of GST compensation is serviced by the Central Government.

#### 1.4.2.7. Long Term Infrastructure Loan (Scheme for Special Assistance for Capital Investment)

Government of India has provided long term Infrastructure Loan to State Governments to finance the on-going capital projects in the States. The total loan received by Odisha during 2020-21 and 2021-22 amounts to Rs.471.50 & Rs 517.12 crores which is 0.09% of GSDP and 0.08% of GSDP respectively. During FY 2022-23, there is proposal to receive Rs 3740 crores of LTIF loan. The loan on this account is interest free and the principal will be repaid after 50 years.

**Table 1.2: Debt Position as on 31<sup>st</sup> March 2023**

(Rs. in crore)

Source of Borrowing	Outstanding Loan	% of GSDP	*Interest Rate	Average Maturity years
(i) GST Compensation	10252.22	1.34%	0%	-
(ii) Special Assistance for Capex	4728.12	0.62	0%	50
(iii) Block Loans	800.00	0.10	7.5%	-
(iv) EAP Loans	5046.89	0.66	2.5%	-
<b>Govt of India Loan (i+ii+iii+iv)</b>	<b>20,827.23</b>	<b>2.72%</b>	<b>2.5%</b>	-

Source of Borrowing	Outstanding Loan	% of GSDP	*Interest Rate	Average Maturity years
Open Market Borrowing	24,058.07	3.14%	6 to 8.5%	8.4
General Provident Fund	23,593.19	3.08%	7.1%	-
NABARD	19,098.78	2.49%	2.75% to 6%	5.4
NSSF	6,046.15	0.79%	9.5% and 10.5%	6.7
Others including OMBADC & CAMPA	3414.27	0.45%	Less than 4%	2.7
<b>Total</b>	<b>97,037.68</b>	<b>12.67%</b>	<b>7.2%*</b>	<b>7.1^</b>

\* The average rate of interest is around 7.2%.

^ The average maturity of the loan is around 7.1 years.

## 1.5. External Borrowing: EAP

State Government has been borrowing from the external donor agencies such as World Bank, ADB (Asian Development Bank), IFAD (International Fund for Agricultural Development), JICA and KfW. Government of India acts as financial intermediary between State Government and the external donor agencies as per the constitutional mandate. Post recommendation of the 12<sup>th</sup> Finance Commission, Government of India is transferring the loan to State Governments on the same terms and condition as has been negotiated between the State Government and the external donor agencies. This is a significant departure from the earlier practice where the cost of the loan was a bit higher for the State Government due to additional terms and conditions imposed by the central government on top of the negotiated terms and conditions.

Although loans from external agencies such as JICA and WB are available at low interest rates, the loan repayment is subjected to exchange rate fluctuations and rupee depreciation against foreign currencies. Considering the devaluation of Indian rupee over last ten years, the effective lending cost of external borrowing has been between 6 to 8%, which is comparable to the Open Market Borrowing. The majority of the on-going externally aided projects are funded by either WB or JICA. Only a handful of projects are funded by KfW (Germany), IFAD and ADB. The total outstanding debt from the external donor agencies is around Rs.6669.43 crores which is 0.87% of GSDP.

**Table 1.3: External Debt Position as on 31<sup>st</sup> March 2023**

(Rs. in crore)

Borrowing source	Currency	Loan outstanding		*Average interest rate	Average maturity (years)
		Rs in crore	% of GSDP		
Japan (International Development Programme)	JPY	2657.91	0.35%	0.3% per annum on Loan Category "A" & reallocated from "C", 0.01% per annum on Loan Category "B" & reallocated from "C".	9.7
World Bank / IBRD	USD	734.05	0.10%	Reference Rate+ Variable Spread	11.3
World Bank / IDA	XDR	692.1	0.09%	LIBOR + Variable Spread	7.8

Borrowing source	Currency	Loan outstanding		*Average interest rate	Average maturity (years)
Germany / KfW	EUR	333.22	0.04%	0.1%	8.0
Asian Development Bank (ADB)	USD	375.42	0.05%	LIBOR+0.60% as provided by Loan Regulations	9.5
International Fund for Agricultural Development (IFAD)	XDR	210.32	0.03%	1.25%	13.2
OPEC fund for development	USD	43.87	0.01%	2.6%	6.4
<b>Total</b>		<b>5046.89</b>	<b>0.66%</b>	<b>2.1%</b>	<b>10.3</b>

\* The interest rate is on foreign currency and includes variable component like LIBOR. The average interest rate has been worked out taking into account current LIBOR rates.

## 1.6. State Government Guarantees:

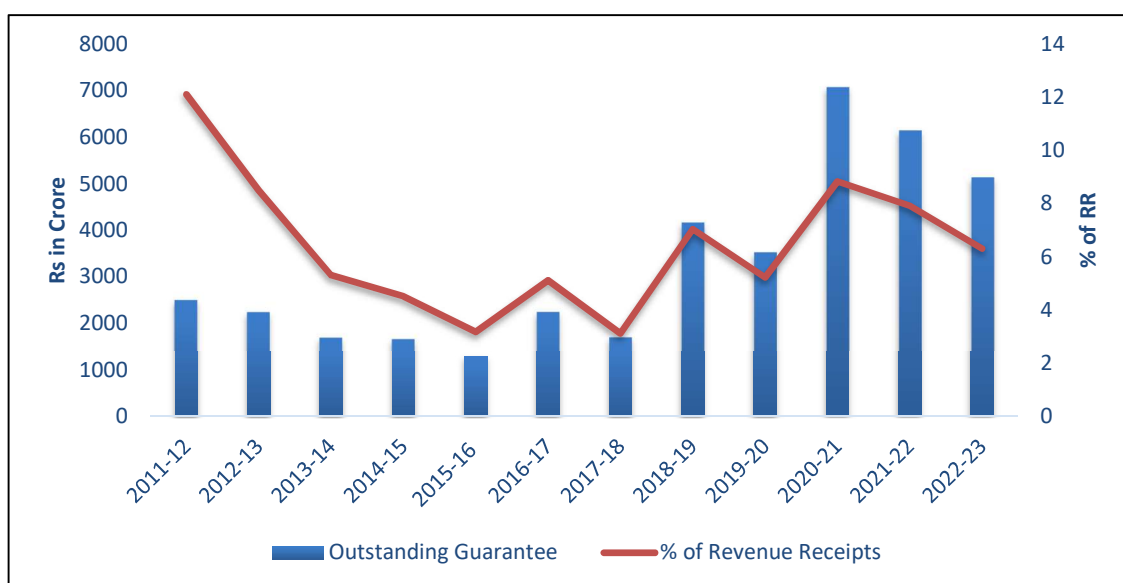
Government of Odisha has fixed the ceilings on guarantees since 2002-03 with the total outstanding government guarantees as on 1<sup>st</sup> April of every year shall not exceed 100% of the State revenue receipts of the second preceding year. Attempts should be made to bring this gradually to the level of 80% over the next five years.

The State Government has provided total Government Guarantee of **Rs. 17,385.39** crore in favour of different organizations such as State PSUs, ULBs, Co-operative institutions to enable them to borrow from different Banks/ Financial Institutions. Out of this maximum guaranteed amount, **Rs. 5,134.91** crore is outstanding as guaranteed loan as on 31<sup>st</sup> December 2022. The guarantees do not form a part of the State government's loans, but in case of default by the State PSUs, the State government is liable to repay the loan. The guaranteed loan as a percentage of revenue receipts (Total Revenue Receipts of the second preceding year) has been reduced drastically from 123.37% in 2001-2002 to 6.3% in 2022-23.

**Table 1.4: Abstract of guarantee position of State Government**

Sl. No.	Sector	Maximum Amount Guaranteed (Rs in Crore)	Guarantee Outstanding (Rs in Crore)
1	Public Sector Under Takings	15061.26	5083.07
2	Co-operatives	1909.84	51.00
3	Urban Local Bodies	414.29	0.84
	<b>Total</b>	<b>17385.39</b>	<b>5134.91</b>

**Chart 1.3: Outstanding guaranteed loan and % of revenue receipts of second preceding year**



\*For 2022-23, the guarantee position as on 31<sup>st</sup> December 2022 has been taken.

### 1.7. Maturity profile of outstanding debt of the State:

For most of the EAPs (Externally Aided Projects), the maturity profile of the loans taken from external agencies is at least 5 years and currently the average maturity for these loans is 10.4 years. Domestic debt and loan guarantees tend to have shorter maturities. For most of the government guarantees, the period of loan is either 5 years or 10 years. The standard bond year is generally 10 years. Maturity of the government loans ranges from a minimum 2 years to a maximum 40 years. The interest rate for government bond varies with the tenor of the bond. Higher the tenor of the bond, lower is the interest rate. Generally, the interest rate varies from 7.2% for a 10-years-bond to 7.4% for a 40-years-bond tenure. Nearly 40% of total loan outstanding is expected to be repaid in the next five years.

**Table 1.5: Sources of Borrowing and Average Interest Rate as per 2022-23(RE)**

Source of Borrowing	Loan Outstanding(Rs in Crore)	Percent Share of total Debt	Percent of GSDP	Average Interest Rate
<b>GOVT. OF INDIA (EAP Loans)</b>	6669.43	6.9%	0.87%	0.01 to 2.75 Variable interest rate negotiated with donor agency
<b>GOVT. OF INDIA (Others including Block Loans)</b>	14157.80	14.6%	1.85%	0% to 9%.
<b>NSSF</b>	6046.15	6.2%	0.79%	9.5% and 10.5%
<b>OPEN MARKET</b>	24058.07	24.8%	3.14%	6% to 9%
<b>NABARD</b>	19098.78	19.7%	2.49%	RIDF – 2.75% to 5.25% NWS – 4.7%



				LTIF- 6%
<b>GPF</b>	23593.19	24.3%	3.08%	7.1%
<b>Others (Including OMBADC &amp; CAMPA)</b>	3414.26	3.5%	0.45%	2 to 2.5% less than open market borrowing
<b>Grand Total</b>	<b>97037.68</b>	<b>100.0%</b>	<b>12.67%</b>	<b>Around 7%</b>

## 1.8. Projects funded by borrowing: A few case studies:

### 1.8.1. NABARD ASSISTANCE: HL Bridge at Gopinathpur

The HL Bridge has been constructed over the Mahanadi River at Gopinathpur Connecting to Singhnath Pitha and Baideswar under NABARD Assistance RIDF-XXIII. The bridge will reduce distance from Badamba on left side of the Mahanadi river to Banki on right side of the river by 45 KM. The bridge connects the ancient heritage temple “SINGHANATHPEETHA” (dedicated to Lord Shiva) in the village of Gopinathpur with an approach ramp bridge of 250 M which provides a safe and convenient mode of communication.



Sample Photo: HL Bridge over the Mahanadi River connecting Singhnath Pitha and Baideswar

### 1.8.2. World Bank Assisted: Odisha Higher Education Program for Excellence and Equity (OHEPEE) Project.

The objective of the Odisha Higher Education Program for Excellence and Equity (OHEPEE) Project is to improve the quality of and students’ equitable access to selected institutions and

enhance governance of the higher education system in Odisha. The project will support the government of Odisha in improving the quality, equity and governance of higher education institutes in the state of Odisha. The OHEPEE will support the State Government in strengthening State-level initiatives of the OHEP through two components: (a) OHEPEE program for results and (b) a technical assistance (TA) component. The OHEPEE has two results areas: (a) improving quality of and students' equitable access to selected institutions, and (b) enhancing governance of the higher education system.



Sample Photo: Odisha Higher Education Program for Excellence and Equity

# Chapter II

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## 2. Debt Sustainability of Odisha:

Public debt is considered sustainable if the government is able to meet all its current and future payment obligations without exceptional financial assistance or going into default. Borrowing by the State government is an important tool for financing capital investment. This is critical to achieving sustainable development and for covering short-term imbalances between revenues and expenditures. The government borrowing can also allow fiscal policy to play a countercyclical role over economic cycles. However, high debt burdens can impede growth and sustainable development.

### 2.1. Measuring Sustainability of Public Debt of Odisha:

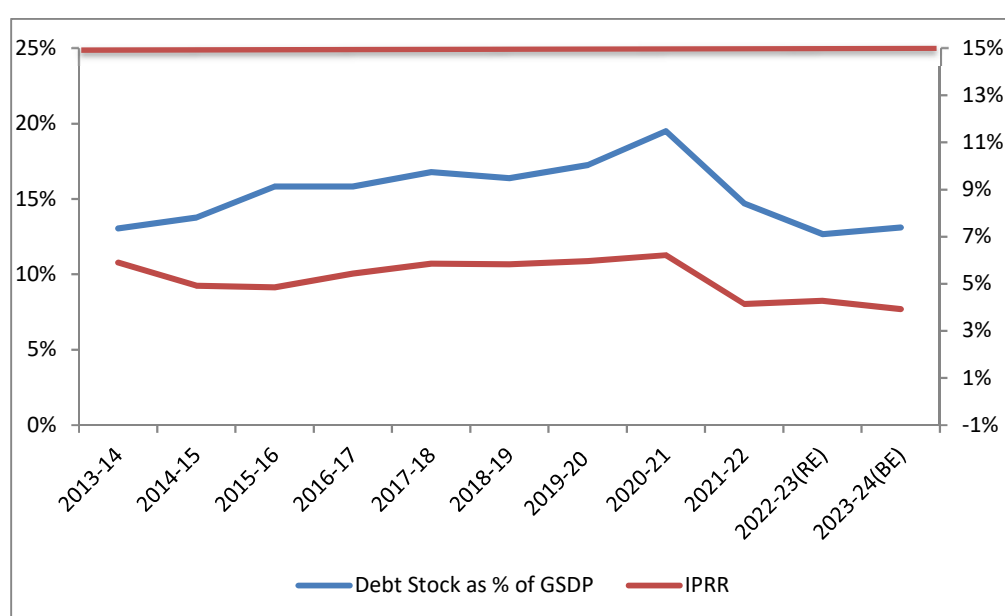
Debt sustainability is generally measured in terms of two financial parameters such as **debt-to-GSDP ratio** and **interest payments to revenue receipts (IPRR)**. In addition to these two parameters, the debt sustainability analysis of Odisha is based on many macroeconomic assumptions such as:

- a. **GSDP growth assumptions:** Odisha's real GSDP growth rate in the medium term is assumed to remain at 8%. This is higher than the growth assumption for national economy. Higher growth rate gives more room to the State government to go for higher borrowing and better debt servicing. The effective rate of interest is also less than the real GSDP growth.
- b. **Fiscal Deficit:** The government of Odisha has been consistent in keeping the fiscal deficit within the stipulated 3% of the GSDP limit. As per recommendation of the 15th Finance Commission, additional fiscal deficit is allowed during initial two years of award period. Besides, State Governments are allowed to utilize the unutilized borrowing space of previous year in the subsequent years within the award period of the 15th FC i.e., from 2021-22 to 2025-26.
- c. **Odisha's debt profile is conducive to debt stability.** Nearly 90% of debt has a long and medium-term maturity, and debt is largely domestic in nature. Foreign-currency denominated debt is small. The composition of the debt is going to remain same in the medium term as well.
- d. **Odisha's exposure to fiscal risks** arising out of natural disasters, non-repayment of loans extended by the State government to State PSUs, materialization of government guarantees to the State organizations etc. have a negative impact on debt sustainability. However, the total fiscal risk exposure due to above factors is very small as percentage of GSDP.

## 2.2. Odisha's Performance in Debt Sustainability:

The debt limit has been prescribed in the FRBM Act. The **debt to GSDP** ratio should be within 25%. The **interest payment to revenue receipt ratio (IPRR)** should be within 15%. These two fiscal indicators have shown continuous improvement since 2005-2006. The debt to GSDP ratio was 42.8% in 2005-2006. It has declined to 12.7% in 2022-23 (RE). The budget estimate 2023-24 figure is 13.1%. On the other hand, the IPRR has declined steadily from 26.25% in 2005-06 to 4.3% in 2022-23 (RE). Therefore, it can be concluded that the debt sustainability has improved over the period of time. Both the indicators have been kept within the stipulated limit.

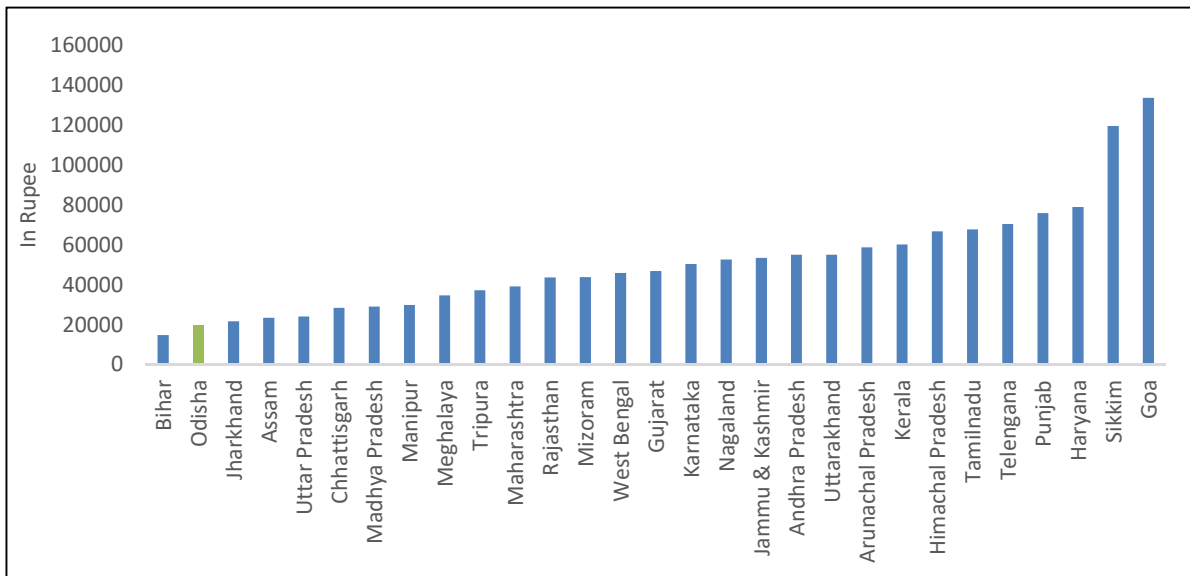
**Chart 2.1: Debt to GSDP and Debt servicing as a percentage of Total Revenue Receipts**



## 2.3. Per Capita Liability of Odisha

The per capita liabilities of Odisha vis-à-vis other State Governments and Government of India show that Odisha is among the bottom most states in the country. Odisha stands at second to last position among all the States in India in terms of per capita debt position. The projected total population of India by end of FY 2022-23 is approximately 142 crores and that of Odisha is approximately 4.42 Crore. The total outstanding liabilities of Government of India as per 2022-23 (RE) stands at Rs. 152,61,122 crores. The per capita liability of Government of India is Rs. 1,07,473 whereas it is Rs. 21,954 for Odisha as per 2022-23 (RE). The below chart presents a comparative position of per capita debt of Odisha vis-à-vis other States.

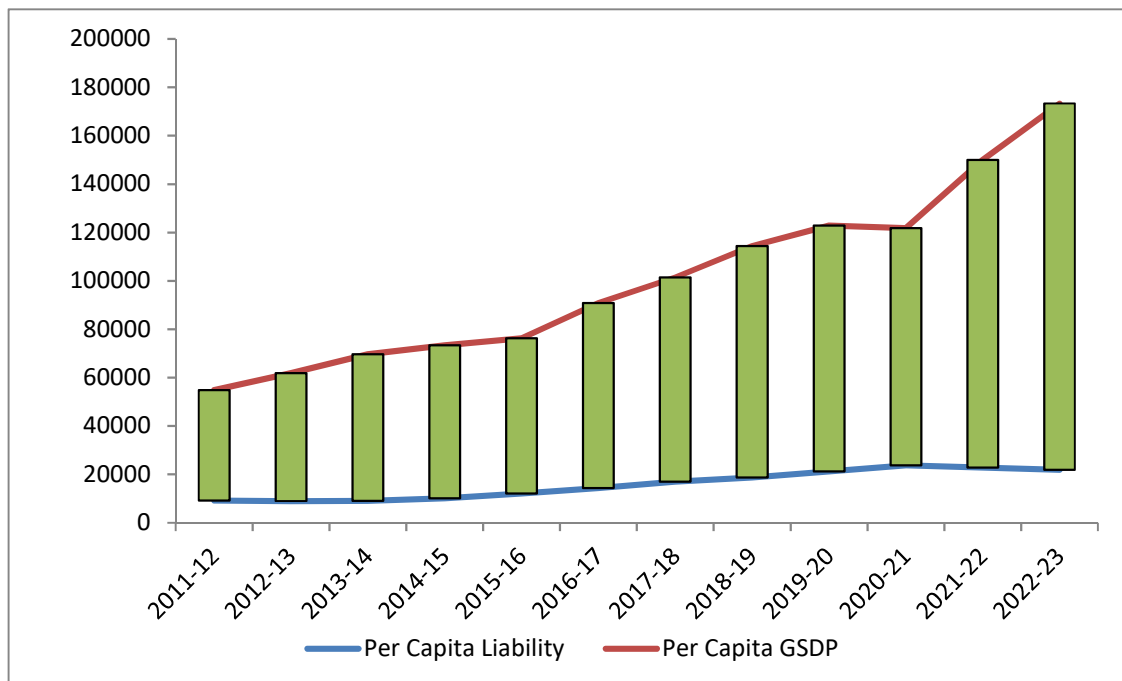
**Chart 2.2: Per Capita Liability (in Rs) of Odisha vis-à-vis other states as on 31-03-2022 (BE)**



Source: State Finances – A Study of Budget, 2022-23, RBI.

As shown in the chart below, the per capita income of the State is also consistently over the years at a rate faster than national level. Besides, the State income has been increasing at a faster rate compared to the rate of increase in liability. The chart below shows the change in per capita liability vis-à-vis change in per capita GDP over the years. This shows that although the liability is decreasing after the pandemic year 2020-21.

**Chart 2.3: Per Capita Liability vis-à-vis Per Capita GDP of Odisha over the years**



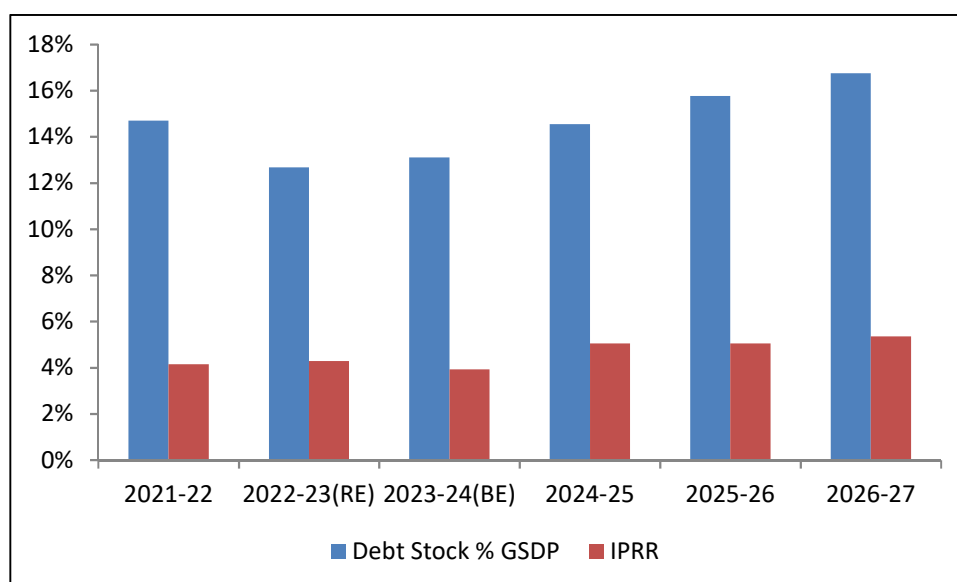


# Chapter III

## 3. Debt Outlook of Odisha:

In the past, Odisha has seen unsustainable debt levels at 50% of GSDP, servicing of which was about 34 percent of revenue receipts. However, with the implementation of FRBM Act 2005, debt has been restrained and debt servicing has been curtailed. Due to low-cost borrowing in the last two financial years, debt servicing has decreased. Interest payment to revenue receipts has significantly declined from 40.2% in FY 2001-02 to 4.3% in 2022-23. It is estimated that IPRR will further come down to 3.9% in 2023-24 and is projected to reach 5.3% in FY 2026-27 which is much less than the stipulated limit of 15%. The chart below shows the Debt to GSDP ratio and IPRR in the medium term.

**Chart 3.1: Debt Stock (Percentage of GSDP) and IPRR**



Over the next three years, total public debt is expected to increase from 13.1% of GSDP in FY 2023-24 to approximately 16.7% of GSDP in FY 2026-27. This will be driven by fiscal deficit arising on account of higher capital spending in various programmes of State Governments. The debt will grow in the medium term but it will be within the sustainability limit.

During FY 2022-23, State Government did not opt for market borrowing because funds from low-cost borrowing sources such as OMBADC and CAMPA were available. Therefore, it is projected that the cost of borrowing will be comparatively less in the medium term because low-cost financial sources are available. Accordingly, the principal repayment will also be comparatively less. The table below shows the debt status in the medium term.

**Table 3.1: Debt Status in the medium term**

	<i>Forecasts</i>					
<b>Rs in Crore</b>	<b>2021-22</b>	<b>2022-23(RE)</b>	<b>2023-24(BE)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
<b>Debt stock</b>	97205	97037	112882	140939	172805	<b>209299</b>
<b>Debt Stock % GSDP</b>	14.7%	12.7%	13.1%	14.6%	15.8%	<b>16.7%</b>
<b>Debt Servicing % RR</b>	4.1%	4.3%	3.9%	5.1%	5.1%	<b>5.3%</b>
<b>Debt Repayment % GSDP</b>	<b>3.0%</b>	<b>1.8%</b>	<b>2.2%</b>	<b>2.1%</b>	<b>2.1%</b>	<b>2.0%</b>

At present the future debt outlook of the State looks stable. However, it also depends on the policy priorities of the State Government.

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# ANNEXES

## Annexure I: Some on-going EAPs and details of loan agreements

Project Name	Donor	Loan Sign. Date/ Loan Amount	Grace Period	Project Period	Maturity Date	Interest Rate	Currency for Repayment
<b>Odisha Higher Education Program for excellence and Equity, Loan No.- 8782-IN</b>	World Bank	07.11.2017 \$ 72.7 M	5 Years	31.08.2017	01.02.2023 to 01.08.2035	LIBOR + Variable Spread	In US Dollar
<b>Odisha Integrated Irrigation Project for climate Resilient Agriculture (OIIP CRA), Loan No.-9011-IN</b>	World Bank	24.10.2019 \$ 165.00 M	5 Years	24.10.2019 to 31.12.2025	15.03.2026 to 15.09.2032	Reference Rate+ Variable Spread	In US Dollar
<b>Odisha Skill Development Project, Loan No.3539-IND</b>	ADB	03.12.2018 \$ 75 M	2 years	03.12.2018 to 30.06.2023	15.12.2022 to 15.06.2037	LIBOR+0.60% as provided by Section 3.02 of the Loan regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations	In US Dollar
<b>Odisha Forestry Sector Development Project, Phase-2, ID-P-257</b>	JICA, JAPAN	31.03.2017 ¥ 1451.20 M	10 Years	8 years	20.03.2027 to 20.03.2057	0.3% per annum on Loan Category "A" & reallocated from "C", 0.01% per annum on Loan Category "B" & reallocated from "C"	In Japan Yen
<b>Orissa Integrated Sanitation Improvement Project-II (OISIP-II), Loan No.IDP-252,</b>	JICA, JAPAN	31.03.2016 ¥25,796 M	10 Years	Mar 2017 to Mar 2025	20.03.2026 to 20.03.2056	0.30% for Categories "A", "B" & reallocated from "D" & 0.01% for Categories "C" and reallocated from "D"	In Japan Yen
<b>Odish PVTGs Empowerment and Livelihood Improvement Programme, Loan</b>	IFAD	24.10.2019 \$ 51.20 M	5 Years	18.03.2016 to 31.03.2024	15.06.2021 to 15.12.2040	1.25%	In US Dollar

Project Name	Donor	Loan Sign. Date/ Loan Amount	Grace Period	Project Period	Maturity Date	Interest Rate	Currency for Repayment
<b>No.200000695</b>							
<b>Rejuvenating Watersheds for Agricultural Resilience through Innovative Development (REWARD), Loan No.9314-IN</b>	World Bank	11.02.2022 \$ 49 M	4 years	11.02.2022 to 30.06.2026	01.12.2026 to 01.06.2036	Reference Rate+ Variable Spread	In US Dollar

## Annexure II: Lending Rates for IBRD Flexible Loans with a Variable Spread

Average Maturity (years) (5)	8 years and below	Greater than	Greater than	Greater than	Greater than	Greater than
		8 to 10	10 to 12	12 to 15	15 to 18	18 to 20
<b>USD</b>	LIBOR +0.46%	LIBOR +0.56%	LIBOR +0.66%	LIBOR +0.76%	LIBOR +0.86%	<b>LIBOR +0.96%</b>
<b>EUR (6)</b>	EURIBOR +0.46%	EURIBOR +0.56%	EURIBOR +0.66%	EURIBOR +0.76%	EURIBOR +0.86%	<b>EURIBOR +0.96%</b>
<b>JPY</b>	LIBOR +0.46%	LIBOR +0.56%	LIBOR +0.66%	LIBOR +0.76%	LIBOR +0.86%	<b>LIBOR +0.96%</b>
<b>GBP</b>	LIBOR +0.46%	LIBOR +0.56%	LIBOR +0.66%	LIBOR +0.76%	LIBOR +0.86%	<b>LIBOR +0.96%</b>
<b>Front-End Fee (7)</b>	<b>0.25%</b>					
<b>Commitment Fee (8)</b>	<b>0.25%</b>					

## Annexure III: Year-wise Guarantee Position of Odisha

Year	Guaranteed Loan Outstanding as on 31 <sup>st</sup> March (Rs.in Crore)	GSDP (At Current Prices) (Rs. in Crore)	Revenue receipt of the second preceding year (Without grants-in-aid)	Guaranteed Loan Outstanding as percentage (%) of	
				GSDP	Outstanding Guarantee in the current year w.r.t revenue receipt of the second preceding financial year
<b>2011-12</b>	2510.43	230987	20713.19	1.09	<b>12.12</b>
<b>2012-13</b>	2251.23	261700	26469.90	0.86	<b>8.50</b>
<b>2013-14</b>	1705.27	296475	32114.82	0.58	<b>5.31</b>
<b>2014-15</b>	1671.77	314250	37077.17	0.53	<b>4.51</b>
<b>2015-16</b>	1290.26	382550	40517.43	0.34	<b>3.18</b>
<b>2016-17</b>	2256.15	392804	44080.38	0.57	<b>5.12</b>
<b>2017-18</b>	1710.48	440975	54811.98	0.39	<b>3.12</b>
<b>2018-19</b>	4169.09	498576	59216.5	0.84	<b>7.04</b>
<b>2019-20</b>	3532.47	546414	67584.35	0.65	<b>5.23</b>
<b>2020-21</b>	7068.38	542889	79948.59	1.30	<b>8.84</b>
<b>2021-22</b>	6140.90	638342	77415.65	0.96	<b>7.93</b>
<b>2022-23 (up to December 31<sup>st</sup> 2022)</b>	<b>5134.91</b>	<b>765963</b>	<b>81318.90</b>	<b>0.67</b>	<b>6.31</b>

## Annexure IV: Government Guarantee provided from FY 2002-03 to 2022-23

Year	Name of the Department	Name of the Organization	Name of the sector	Amount of guarantee provided	Total
<b>2002-03</b>	Energy	GRIDCO	PSU	150.00	<b>258.19</b>
	Co-Operation	OSCB	Co-operative	90.00	
	H&UD	C.D.A, CTC	ULB	2.72	
		OW & SSB		15.47	
<b>2003-04</b>	Co-operation	OCHC	Co-operative	30.00	<b>1027.74</b>
		OSCB		198.74	
		Baragarh Sugar Mill		8.00	
	Forest & Environment	OFDC	PSU	40.00	
	Food Supply & Consumer Welfare	Orissa Civil Supply Corporation		25.00	
	Industries	IDCOL		300.00	
		OSIC		20.00	
	Energy	GRIDCO		400.00	
	SC/ ST Dev. Department	OSFDC	Co-operative	6.00	
	<b>2004-05</b>	Forest & Environment	OFDC	PSU	
Energy		GRIDCO	600.00		
<b>2005-06</b>	Forest & Environment	OFDC	PSU	20.00	<b>320.00</b>
	Energy	GRIDCO		300.00	
<b>2006-07</b>	Forest & Environment	OFDC	PSU	20.00	<b>20.00</b>
<b>2007-08</b>	Co-Operation	Baragarh Sugar Mill	Co-operative	6.00	<b>6.00</b>
<b>2008-09</b>	No guarantee has been provided.			0.00	<b>0.00</b>
<b>2009-10</b>	W&CD	MVSN	Co-operative	10.00	<b>10.00</b>
<b>2010-11</b>	Energy	GRIDCO	PSU	2000.00	<b>2000.00</b>
<b>2011-12</b>	Energy	GRIDCO	PSU	1000.00	<b>1000.00</b>
<b>2012-13</b>	No guarantee has been provided.			0.00	<b>0.00</b>
<b>2013-14</b>	Co- operation	Baragarh Sugar Mill	Co-operative	25.00	<b>46.00</b>
		Aska Co-op Sugar Mill		21.00	
<b>2014-15</b>	Co- operation	O.S.C.M.Fed.Ltd.	Co-operative	30.00	<b>50.00</b>
		Aska Co-op Sugar Mill		20.00	
<b>2015-16</b>	Co-operation	Aska Co-op Sugar Mill	Co-operative	25.00	<b>25.00</b>
<b>2016-17</b>	Co-operation	Aska Co-op Sugar Mill	Co-operative	15.00	<b>1115.00</b>
	Energy	GRIDCO	PSUs	1100.00	
<b>2017-18</b>	Co-operation	Aska Co-op Sugar Mill	Co-operative	15.00	<b>15.00</b>
<b>2018-19</b>	Energy	GRIDCO	PSUs	3000.00	<b>3000.00</b>

Year	Name of the Department	Name of the Organization	Name of the sector	Amount of guarantee provided	Total
<b>2019-20</b>	Co-operation	Aska Co-op Sugar Mill	Co-operative	15.00	<b>15.00</b>
<b>2020-21</b>	Co-operation	Aska Co-op Sugar Mill	Co-operative	15.00	<b>4115.00</b>
	Energy	GRIDCO	PSUs	4100.00	
<b>2021-22</b>	No guarantee has been provided.			0.00	<b>0.00</b>
<b>2022-23(upto 31<sup>st</sup> December)</b>	No guarantee has been provided			0.00	<b>0.00</b>
<b>GRAND TOTAL</b>				<b>13662.93</b>	<b>13662.93</b>

## Annexure V: Debt sustainability Parameters

Year Rs In Crores	GSDP (at Current Prices)	Outstanding debt at the end of the year	Interest Payment	Outstandi ng debt as % of GSDP	Total Revenue Receipt	Interest Payment as % of RR
<b>2005-06</b>	85096	36456.45	3697.1	42.84	14084.72	<b>26.25</b>
<b>2006-07</b>	101839	37249.51	3188.43	36.58	18032.62	<b>17.68</b>
<b>2007-08</b>	129274	36311.61	3169.48	28.09	21967.19	<b>14.43</b>
<b>2008-09</b>	148491	36430.54	2889.81	24.53	24610.01	<b>11.74</b>
<b>2009-10</b>	162946	37730.04	3043.81	23.15	26430.21	<b>11.52</b>
<b>2010-11</b>	197530	39136.91	3061.46	19.81	33276.16	<b>9.20</b>
<b>2011-12</b>	230987	38589.37	2576.43	16.71	40267.02	<b>6.40</b>
<b>2012-13</b>	261700	37980.14	2807.23	14.51	43936.91	<b>6.39</b>
<b>2013-14</b>	296475	38666.24	2888.22	13.04	48946.85	<b>5.90</b>
<b>2014-15</b>	314250	43273.38	2810.27	13.77	56997.88	<b>4.93</b>
<b>2015-16</b>	328550	52017.33	3343.30	15.83	68941.44	<b>4.85</b>
<b>2016-17</b>	392804	62135.46	4035.43	15.82	74299.39	<b>5.43</b>
<b>2017-18</b>	440879	73864.66	4988.34	16.77	85204.29	<b>5.85</b>
<b>2018-19</b>	498611	81675.32	5800.37	16.38	99546.12	<b>5.83</b>
<b>2019-20</b>	537987	92775.18	6062.56	17.24	101567.75	<b>5.97</b>
<b>2020-21</b>	535682	104452.26	6643.79	19.50	104387.25	<b>6.22</b>
<b>2021-22</b>	661428	97205.03	6342.45	14.70	141395.66	<b>4.14</b>
<b>2022- 23(RE)</b>	765963	97037.68	6996.46	12.67	163500.00	<b>4.28</b>
<b>2023- 24(BE)</b>	<b>861507</b>	<b>112881.68</b>	<b>7240.85</b>	<b>13.10</b>	<b>184500.00</b>	<b>3.92</b>