

**Public Debt and Other Liabilities of Governments:
Disclosure Requirements**

Request for comments

Government Accounting Standards Advisory Board (GASAB), constituted by the Comptroller and Auditor General of India, with the support of Government of India, to formulate and recommend Indian Government Accounting Standards, approved this Exposure Draft, '**Public Debt and Other Liabilities of Governments: Disclosure Requirements**', for publication. The proposals in this Exposure Draft may be modified in the final Standard in the light of comments received before being recommended by the Comptroller and Auditor General of India for notification by the President of India in the form of Indian Government Accounting Standard.

Please submit your comments so that they will be received by **February 16, 2009**. All comments will be considered a matter of public record.

Comments should be addressed to:

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Indian Government Accounting Standard (IGAS) 10

Public Debt and Other Liabilities of Governments: Disclosure Requirements

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ED 10: Public Debt and Other Liabilities of Governments:

Disclosure Requirements

The Standard, which has been set in bold italic type, should be read in the context of the explanatory paragraphs in this Standard, which are in plain type and in the context of the “Preface to Indian Government Accounting Standards”. The Indian Government Accounting Standards are not intended to apply to immaterial items.

Introduction

1. Concerns have been raised time and again that the total debt burden of Governments in India, particularly at the States level, is increasing very fast and in some cases, the situation is quite serious and bordering on default. Moreover, different documents available in public domain depicting the amount of debt and liabilities of Governments do not, at all times, give consistent information, since they use different interpretations for the term ‘Public Debt and Other Liabilities’ of Governments. In order to improve the Standards of accountability, transparency, reliability and consistency of accounting information with respect to the disclosure of the ‘Public Debt and Other Liabilities’ in the finance reports at the centre and state level, this IGAS is being issued.
2. The Union Government and the State Governments have been empowered under Articles 292 and 293 of the Constitution of India to borrow money upon the security of the Consolidated Fund of India and the States within permissible limits. The Constitution also empowers the Union and the State Governments to give guarantees within such limits, as may be fixed. In case of Union Territories as well as National Capital Territory of Delhi, loans are advanced from the Consolidated Fund of India and repayments of such loans including interest, etc. to the Union Government are charged on the Consolidated Fund of respective Union Territories, as they have no power to borrow money directly from the market through RBI.
3. The Union Government debt consists of three components – namely, internal debt, external debt and other liabilities. Similar debt structure exists in case of State Governments also. Internal debt and external debt constitute public debt of the Union Government and are

secured under the Consolidated Fund of India. On the other hand, “Other Liabilities” of the Union Government forming part of the Public Account of India are also covered in the standard.

4. The RBI manages public debt and issues new loans on behalf of the Union and the State Governments under the powers derived from the Reserve Bank of India Act. Internal debt of the Union Government includes Market Loans, Special Securities issued to RBI and others, Gold Bonds, Compensation, Relief and other bonds, Treasury Bills of different maturities issued to the RBI, State governments, Commercial banks and other parties, WMA, Securities issued to International Financial Institutions, Marketable Securities and Special Union Government Securities issued against Small Savings. The internal debt is classified into market loans, other long and medium-term borrowings and short-term borrowings and shown in the receipt budget of the Union Government. External debt of the Union Government comprises both long term and short-term debt consisting of Multilateral and Bilateral borrowings by Government, etc. The liabilities other than internal and external debt include other interest and non-interest bearing obligations of the government, such as Post Office savings deposits, deposits under small savings schemes, loans raised through Post Office cash certificates, Provident funds, interest and non-interest bearing reserve funds of departments like Railways, Telecommunications and others. Similar structure with few exceptions, as applicable, exists in case of the State Governments also. The “other liabilities” of governments figure in government’s accounts more in its capacity as a banker rather than as a borrower.

Objective

5. The objective of the proposed IGAS on the subject is to lay down the principles for measurement and disclosure requirements of public debt and other liabilities of both the Union and the State Governments including Union Territories with Legislatures, in their respective Financial Statements in order to ensure uniform and complete disclosure of such debt obligations and other liabilities. It also ensures consistency with international best practices for enabling sound management and control of public debt and to improve transparency and quality of disclosure in the financial reports of Governments for the benefit of various stakeholders. An important objective of the proposed IGAS is to ensure that Governments portray the risks associated with its public debt and other liabilities in a

transparent manner and the action taken to combat these risks. The proposed IGAS shall also aim to make information available on the stock and composition of debt and other liabilities of Governments including their currency, maturity and interest rate structure as part of financial reports.

Scope

6. The proposed IGAS shall apply to both the Union and the State Governments including Union Territories with Legislatures in preparation of their financial reports. The IGAS shall not include in its ambit any liabilities which are contingent in nature like guarantees and obligations of Governments towards employees' pension and other retirement benefits. Similarly, indemnities, legal non-binding assurances in the nature of letters of comfort, etc. are not included in its purview.

Definitions

7. *The following terms are used in this Statement with meaning specified, unless the context otherwise requires:*

Accounting Authority is the authority which prepares the Financial Statements of the Governments.

Accounting Period means the period covered by the Financial Statements.

Cash Basis of accounting is that wherein accounting transactions of an entity represent the actual cash receipts and disbursements during a financial year as distinguished from the amount due to or by the entity during the same period.¹

Consolidated Fund of India is the fund referred to in clause (1) Article 266 of the Constitution of India.

Debt is the amount owed by Government for borrowed funds.

¹ Government Financial Rules, 2005, Rule 68, Government Accounting Rules, 1990, Rule 21

Financial Statements means the Annual Finance Statements of the Governments.²

Government means the Union Government or any State Government or Government of any Union Territory with Legislature.

Historical Cost is the transaction value including incidental costs at the time of transaction.

Major Heads of account represent the functions of Government as per the 'List of Major and Minor Heads of Account of Union and States'.³

Minor Heads of account represent various programmes undertaken by departments of Government to achieve the objectives of the function represented by the major head as per the 'List of Major and Minor Heads of Account of Union and States'.

Planning Commission means the Central Planning Commission set up by the Government through a resolution in 1950.⁴

Sector consists of a grouping of specific functions or services as per the 'List of Major and Minor Heads of Account of Union and States'.

Budget refers to the 'Annual Financial Statement' of the State Government in terms of the provisions of the Article 202 of the Constitution.

Accounts of the State Government refer to the annual and the periodical accounts as prepared by the accounting authority. They include the Monthly Civil Accounts, Finance Accounts, etc.

² as distinct with budget document

³ GFR,2005, Rule 72

⁴ As defined by the website of the Planning Commission www.planningcommission.gov.in

Public Debt includes open market borrowings, borrowing from banks and financial institutions, Special Securities issued to the National Small Savings Fund, Bonds and Debentures issued by the Government, Loans from Foreign Countries, Loans from the Multilateral Agencies and other Institutions and Loans from the Central government in the case of State Governments.

Public Account would include State Provident Funds, Small Savings, Insurance & Pension funds, Trusts & Endowments, Sinking Funds, Reserve Funds (Bearing and Not Bearing Interest) and Deposit (Bearing and Not Bearing Interest) and Advances.

Public debt and other liabilities refers to the total outstanding borrowings or debt (including external debt as applicable) covered under Consolidated Fund along with “other liabilities” forming part of Public Account. It may be bifurcated into following categories:

- i. Public Debt*
- ii. Ways and means advances and Overdrafts from the RBI or any other bank*
- iii. Public Accounts and*
- iv. Contingency Fund.*

However, it will exclude the following specific items:

- [i] Remittances*
- [ii] Suspense and Miscellaneous*
- [iii] Appropriation to the Contingency Fund since all these are largely adjusting heads which eventually get cleared within or across accounts.*
- [iv] Decrease in Cash Balances since it does not induce additional liability.*

Also, the implicit liabilities of the Government including guarantees, off-Budget borrowings, Pension Fund and Public Sector Liabilities shall be excluded from the definition of the Public Debt & other liabilities. It specifically excludes all contingent liabilities, non-quantified liabilities, indemnities, letters of comfort or other forms of legally non-binding assurances.

Measurement & Valuation

8. *Historical Cost measurement shall be the basis for accounting and reporting on debts and liabilities incurred by Governments. In addition, the carrying amount of the debts & liabilities shall also be disclosed. The Carrying Amount of debts & liabilities may undergo revision on account of additions (fresh disbursement) and deletions/disposals (repayments/write-off of the principal) at the end of accounting period..*
9. The initial measurement and valuation of debts and liabilities in the Financial Statements of the Governments shall be at historical cost (face value) of the debts & liabilities. Subsequent to initial valuation, debts and liabilities will be reflected in the Financial Statements at Carrying Amount or Nominal value. Carrying amount will be arrived at by reflecting the value of the debt at the time of disbursement and any subsequent economic flows. These flows could lead to reduction in value through repayment of principal or write-off. On the other hand, there could be increase in value through additional disbursements.

Disclosure

10. *The Financial Statements of the Union Government and the State Governments shall disclose the following details concerning summary of public debt and other liabilities:*

a) *In case of internal debt, the opening balance, receipts and payments during the year, closing balance and net change in rupee and percentage terms with respect to:*

- *Market Loans*
- *Treasury Bills*
- *Securities issued to international Financial Institutions*
- *Bonds*
- *Ways & means advances*
- *Special Central government Securities against small savings*
- *Others*

b) *In case of external debt, the opening balance, receipt and payments during the year, closing balance and net change in rupee & percentage terms with respect to:*

- *Loans from Foreign Countries*
- *Loans from Multilateral Agencies and other Institutions*
- *Others*

c) *In case of Other Liabilities (Public Account), the opening balance, receipt and payments during the year, closing balance and net change in rupee & percentage terms with respect to:*

- *Small savings, Provident Funds etc.*
- *Reserve Funds bearing and not bearing interests*
- *Deposits bearing and not bearing interests*

11. *The Financial Statements of the Union Government and the State Governments shall disclose following details regarding servicing of debt and related parameters for the current year, preceding year and net change in rupee and percentage terms with respect to:*

- *Interest paid by the governments on public debt, small saving, provident funds, reserve funds and on other obligations*
- *Interest received on Loans to State and Union territory Governments, departmental Commercial Undertakings, PSUs and other Undertaking including Railways and Post & Telegraphs*
- *Interest received on other Loans, from investments of cash balances and other items*

12. *The Financial Statements of the Union Government and the State Governments shall disclose details regarding Foreign Loans from different Countries and Institutions, their opening balance, additions & repayments during the year, closing balance and outstanding balance in rupee terms with the exchange rate adopted for conversion. Foreign currency transactions shall be governed by IGAS 7.*

13. Also currency profile of the external debt may be disclosed in the format prescribed at Annexure-1.

14. *The Financial Statements of the Union Government and the State Governments shall disclose the maturity profile of Internal Debt, External debt and Outstanding Market Loans together with interest outstanding thereon.*

15. *The Financial Statements of the Union Government and the State Governments shall disclose the detail of receipts, disbursements and balances under heads of accounts relating to debt, deposit and remittances. The Financial Statements of the Union Government and the State Governments shall disclose the details of items relating to public debt, small savings*

and provident funds along with Statement showing details of foreign loans in terms of foreign currency and equivalent figures in rupees.

Effective date

16. This Indian Government Accounting Standard becomes effective for the Financial Statements covering periods beginning on 1st April of the year after the notification of the Standard by the Government.

Format for disclosure

17. The formats for the disclosures in the form of Tabular Statements indicated in Annexure 1 are illustrative in nature. The purpose of these Statements is to illustrate the application of the Standard to assist in clarifying its meaning. The use of the formats in the same form in Finance Accounts is not envisaged.

Annexure 1

STATEMENT NO.1 SUMMARY OF DEBT POSITION

(a) Statement of Public Debt and Other Liabilities

(In crores of rupees)

Nature of Borrowings	Balance on 1 st April 20x1	Receipts during the year	Repayments during the year	Balance on 31 st March 20x2	Net Increase/Decrease	
					In Rs.	In %
1	2	3	4	5		
PUBLIC DEBT						
Consolidated Fund						
Internal Debt						
- Market Loans						
- Treasury Bills						
- Securities issued to International Financial Institutions						
- Bonds						
- Ways and Means Advances						
- Special Central Government Securities against Small Savings						
- Others						
External Debt*						
- Loans from Foreign countries						
- Loans from Multilateral Agencies and other Institutions						
- Others						
OTHER LIABILITIES						
Public Accounts						
- Small Savings, Provident Funds, etc.						
- Reserve Funds bearing interest						
- Reserve Funds not bearing interest						
- Deposits bearing interest						
- Deposits not bearing interest						

* Computed at historical exchange rates

(b) Statement showing Servicing of Debt and related parameters

(In crores of rupees)

	20x1-20x2	20xx-20x1	Net increase/decrease	
			In Rs.	In %
(i) Interest paid by Governments- (a) On Public Debt and Small Savings, Provident Funds (b) Interest on Reserve Funds (c) On other Obligations				
GROSS INTEREST				
(ii) Deduct- (a) Interest received on Loans to State and Union Territory Governments (b) Interest from Departmental Commercial Undertakings, Public Sector Undertakings and other undertakings including Railways and Posts and Telegraphs (c) Interest received on other loans, from investment of cash balances and other items				
NET INTEREST				
Percentage of gross interest to the total revenue receipts [.....] Percentage of net interest to the total revenue receipts [.....]				

STATEMENT NO.2
Statement showing details of Foreign Loans

Sl No	Name of Country/ Institutions (Foreign currency indicated in brackets)	Outstanding balance on 1.4.20x1	Additions during 20x1-20x2	Repayments during 20x1-20x2	Outstanding balance as on 31.3.20x2	Outstanding balances as on 31.3.20x2 (In crores of rupees)	Outstanding balances as on 31.3.20x2 (In crores of rupees)	Exchange Rates adopted 31.3.20x2
		(Donor Currency in thousands at Historical Value)				(Expressed in terms of Historical Value)	(Converted at Current Exchange Rate)	
1.	Austria (Euro) etc.							
	TOTAL							

STATEMENT NO.3
Maturity profile of Internal Debt payable in domestic currency

(In crores of rupees)

	Market Loans	Treasury bills	Securities issued to IFI	Bonds	Ways and Means Advances	Special Securities	Total
2008							
2009							
2010							
2011							
2012							
2013- 2016							
2017 - 2020							
2021 – 2025							
2026 - 2030							
2031 - 2035							
TOTAL							

STATEMENT NO.4
Maturity profile of External Debt payable in Foreign Currency

(Foreign Currency in thousands)

	Loans from Foreign Countries	Loans from Multilateral Agencies and other Institutions	Others	Total
2008				
2009				
2010				
2011				
2012				
2013- 2016				
2017 – 2020				
2021 – 2025				
2026 – 2030				
2031 – 2035				
TOTAL				

STATEMENT NO.5
Currency Profile of External Debt

(Foreign currency in thousands)

	Loans from Foreign Countries	Loans from Multilateral Agencies and other Institutions	Others	Total	% of Grand Total
US Dollar					
UK Pound Sterling					
Euro					
Japanese Yen					
Danish Kroner					
Canadian Dollar					
Swiss Frank					
Saudi Riyal					
Special Drawing Rights					
Kuwaiti Dinar					
Rupees					
TOTAL					
GRAND TOTAL					

STATEMENT NO.6
Repayment Schedule for Market Loans Outstanding

Year	(Amount in Rs. crore)
1	2
2007-08	
2008-09	
2009-10	
2010-11	
2011-12	
2012-13	
2013-14	
2024-25	
2025-26	
2026-27	
2027-28	
2028-29	
2030-33	
TOTAL	

STATEMENT NO.7
Interest Rate Profile of Outstanding Market Loans

Interest Rate (Per cent)	Outstanding (Amount in Rs. crore)	Share in Total
1	2	3
4.00-4.99		
5.00-5.99		
6.00-6.99		
7.00-7.99		
8.00-8.99		
9.00-9.99		
10.00-10.99		
11.00-11.99		
12.00-12.99		
13.00-13.99		
14.00-14.99		
TOTAL		

STATEMENT NO.8
STATEMENT OF RECEIPTS, DISBURSEMENTS AND BALANCES UNDER HEADS
OF ACCOUNT RELATING TO DEBT, DEPOSITS, REMITTANCES AND
CONTINGENCY FUND

(In thousands of rupees)

Major/Minor head of account	Opening balance as on 1.4.20x1	Receipt	Disbursement	Closing balance as on 31.3.20x2
PART I – CONSOLIDATED FUND				
Receipt Heads (Revenue Account)(A)				
Receipt Heads (Capital Account)(A)				
Expenditure Heads (Revenue Account)(A)				
Expenditure Heads (Capital Account)(A)				
TOTAL – E – Public Debt				
F – Loans and Advances				
G – Inter-State Settlement				
7810 – Inter-State Settlement				
TOTAL – Consolidated Fund				
PART II – CONTINGENCY FUND				
8000 – Contingency Fund				
PART III – PUBLIC ACCOUNT				
I – Small Savings, Provident Funds etc.,				
J – RESERVE FUNDS –				
(a) – Reserve funds bearing Interest –				
8115 – Depreciation/Renewal Reserve Funds, etc.				
TOTAL – Reserve Funds Bearing Interest				
(b) - Reserve Funds not Bearing Interest				
8223 - Famine Relief Fund, etc.				
TOTAL – Reserve Funds Not Bearing Interest				
TOTAL – J – Reserve Funds				
K–DEPOSITS AND ADVANCES–				
(a) – Deposits bearing Interest–				
8336 – Civil Deposits, etc.				
TOTAL – DEPOSITS BEARING INTEREST				
(b) - Deposits not bearing interest				
8443 - Civil Deposits, etc.				
TOTAL – DEPOSITS NOT BEARING INTEREST				
(c) - Advances				
8550 - Civil Advances, etc.				
TOTAL – Advances				
TOTAL – K – DEPOSITS AND ADVANCES				
L – SUSPENSE AND MISCELLANEOUS -				
(a) – Coinage Accounts				
8656 - Coinage Accounts, etc.				
TOTAL – Coinage Accounts				
(b) – Suspense				
8658 - Suspense Accounts, etc.				
TOTAL – Suspense				
(c) – Other Accounts				
8670 - Cheques and Bills, etc.				
TOTAL – Other Accounts				
(d) – Accounts with Governments				
8679 - Accounts with Governments of other Countries, etc.				
TOTAL – Accounts with Governments of foreign countries				
(e) – Miscellaneous				
8680 - Miscellaneous Government Account, etc.				
TOTAL – Miscellaneous				
TOTAL – L – SUSPENSE AND MISCELLANEOUS				
M – REMITTANCES				
(a) – Money Orders and other remittances				
8781 - Money Orders, etc.				

TOTAL – Money Orders and Remittances				
(b) – Inter-Government Adjustment Account				
8786 - Adjusting Account between Central and State Government				
(c) – Exchange Accounts				
8797 - Exchange Accounts, etc.				
TOTAL – M – REMITTANCES				
TOTAL – Public Account				
N – CASH BALANCE				
8999 – Cash Balance, etc.				
TOTAL – N – CASH BALANCE				
GRAND TOTAL				

STATEMENT NO.9

STATEMENT OF DEBTS AND OTHER INTEREST BEARING OBLIGATIONS OF GOVERNMENT

(In thousands of rupees)

Description of Loans	Amount on 1 st April, 20x1	Additions during the year	Discharges during the year	Amount on 31 st March, 20x2	Interest paid on Public debt
1	2	3	4	5	6
E – PUBLIC DEBT					
6001– Internal Debt of the Union Government					
101 - Market Loans					
(i) Market loans bearing interest					
(ii) Market loans not bearing interest					
(iii) Market Loans Suspense Account					
103 - Treasury Bills and connected Securities issued to R.B.I., etc.					
6002- External Debt					
202 - Loans from the Federal Austrian Government, etc.					
TOTAL – PUBLIC DEBT					

STATEMENT NO.10

STATEMENT OF DEBTS AND OTHER INTEREST BEARING OBLIGATIONS OF GOVERNMENT - continued

(In thousands of rupees)

Major/Minor head of account	Amount on 1 st April, 20x1	Additions during the year	Discharges during the year	Amount on 31 st March, 20x2
1	2	3	4	5
I – Small Savings, Provident Funds etc.				
8009 - State Provident Funds				
8010 - Trusts and Endowments				
8011 - Insurance and Pension Funds				
8012 - Special Deposits and Accounts				
8013 - Other Deposits and Accounts				
TOTAL				

STATEMENT NO.11

DETAILS OF MARKET LOANS RAISED IN INDIA AND SECURITIES ISSUED TO INTERNATIONAL FINANCIAL INSTITUTIONS

(In thousands of rupees)

Details of Loans and Securities	When raised	Amount on 1 st April, 20x1	Additions during the year	Discharges during the year	Amount on 31 st March, 20x2
1	2	3	4	5	6
E – PUBLIC DEBT A – Internal Debt of the Union Government (i) Market Loans (a) Market loans bearing interest etc. (ii) Treasury Bills and Connected Securities issued to RBI – (iii) 364 days Treasury Bills (iv) 182 days Treasury Bills (v) Securities issued to the International Financial Institutions (vi) Special Securities issued to RBI (vii) Etc.					
TOTAL					

STATEMENT NO.12

STATEMENT SHOWING THE POSITION OF NATIONAL SMALL SAVINGS FUND

(In thousands of rupees)

Major/Minor head of account	Amount on 1 st April, 20x1	Additions/ Receipts during the year	Payments/ Investments during the year	Amount on 31 st March, 20x2
1	2	3	4	5
I - Small Savings, Provident Fund etc. (a) National Small Savings Fund-				
8001 - Savings Deposits				
8002 - Savings Certificates				
8006 - Public Provident Funds				
TOTAL				
8007 - Investments of National Small Savings Fund				
TOTAL				
8008 - Income and Expenditure of National Small Savings Fund (for details please see Appendix-1)				
TOTAL – National Small Savings Fund				

Appendix No. 1 to Statement No.12 Income and Expenditure of National Small Savings Fund

(In thousands of rupees)

Major/Minor head of account	Expenditure (Payments)	Income (Receipts)
1	2	3
I - Small Savings, Provident Fund etc. (a) National Small Savings Fund		
8008 - Income and Expenditure of National Small Savings Fund		
01 - Income from Investments of Small Savings Collections		
02 - Interest payment to subscribers		
03 - Management Cost		
TOTAL		

Appendix No. 2 to Statement No.12 Statement showing the position of Special State Government Securities

(In thousands of rupees)

S. No.	Name of State	Outstanding on 1 st April, 20x1	Addition during the year	Total	Discharge during the year	Outstanding on 31 st March, 20x2	Interest received and credited to NSSF
1	2	3	4	5	6	7	8
1.	Andhra Pradesh etc.						
	GRAND TOTAL						