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**Ceiling On Government On Guarantees Act, 1999****11 of 1999****[26 April 1999]****CONTENTS**

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**Ceiling On Government On Guarantees Act, 1999****11 of 1999****[26 April 1999]**

An Act to provide for ceiling on Government Guarantees and other matters connected therewith. W HEREAS it is expedient to provide for ceiling on the Government guarantees issued on behalf of the Government Departments, Public Sector Undertakings, Local Authorities, Statutory Boards and Corporations and Co-operative Institutions and for promoting fiscal discipline of the State; B E it enacted by the Karnataka State Legislature in the fiftieth year of the Republic of India, as follows:- 1. First Published in the Karnataka Extraordinary Gazette on the Twenty ninth day of April, 1999.

**1. Short Title And Commencement :-**

(1) This Act may be called the Karnataka Ceiling on Government Guarantees Act, 1999.

(2) It shall come into force on such<sup>1</sup>[date] as the Government may by notification appoint.

1. The Act has come into force on 29. 4. 1999 by notification. Text of the notification is at the end of the Act.

**2. Definitions :-**

In this Act, unless the context, otherwise, requires,--

- (1) "Government" means the State Government;
- (2) "Government Guarantee" includes the guarantee given by the State Government on behalf of Departmental Undertakings, Public Sector Undertakings, Local Authorities, Statutory Boards and Corporations and Co-operative Institutions;
- (3) "Performance Guarantee" includes the documents such as letters of comfort, power purchase agreement, State support agreement, concession agreement for infrastructure project and other agreements guaranteed in certain performance on behalf of Government, Local Authorities, Statutory Boards and Corporations and Co-operative Institutions as well as Public Sector Undertakings.

### **3. Ceiling On Government Guarantees :-**

The total outstanding Government guarantees as on the first day of April of any year shall not exceed eighty percent of the States revenue receipts of the second preceding year as in the books of the Accountant General of Karnataka:

Provided that the ceiling on the Government guarantee shall not apply for any additional borrowing for implementation of the Upper Krishna Project, for the purpose of utilising the water resources as per Bachawath Award.

### **4. Prohibition :-**

Notwithstanding anything contained in any other Act,--

- (1) no Government guarantee shall be given in respect of a loan of any private individual, institution or company;
- (2) no Government guarantee shall be extended to the Co-operation sector unless the share capital contribution from the non-Government sources is not less than the ten percent of the total equity proposed.

### **5. Guarantee Commission :-**

(1) The Government shall charge a minimum of one percent as guarantee commission which shall not be waived under any circumstance,

1[Provided that no Guarantee Commission shall be charged in respect of the Government Guarantees extended during the period from the first day of April, 2001 to the thirty-first day of March, 2002 for the loans granted by the Karnataka State Co-operative

Apex Bank Limited and the Karnataka State Co-operative Agriculture and Rural Land Development Bank Limited for the purpose of agriculture:

Provided further that the Karnataka State Co-operative Apex Bank Limited and the Karnataka State Co-operative Agriculture and Rural Development Bank Limited shall reduce one percent interest in their lending rates for all agricultural loans which have been disbursed by them during the period from the first day of April, 2001 to the thirty-first day of March, 2002]

(2) Depending on the default risk of the project the Government may, by notification, specify commission at an enhanced rate.

Explanation.--For the purpose of this section default risk means the probability of default by the borrower on whose behalf the Government Guarantee is given, depending on the amount borrowed, the type of industry and the economic situations.

1. Inserted by Act 15 of 2002 (w.e.f. 1.4.2001).

## **6. Performance Guarantee :-**

(1) In the interest of development of infrastructure project the Government may continue to give performance guarantee to all such sectors.

(2) The Government shall place before both the Houses of the State Legislature a comprehensive report on the liabilities (in rupees) that the State may incur in future, if the State fails to meet the contractual obligation stated in the performance guarantee.

(3) The report referred to in sub-section (2) shall be placed within six months of the date of giving performance guarantee.