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NOTIFICATION

No.H.12018/219/2011-LJD, the 15th July, 2011. The following Act of the Mizoram Legislative Assembly which received the assent of the Governor of Mizoram is hereby published for general information.

THE MIZORAM CEILING ON GOVERNMENT GUARANTEES ACT, 2011 (Act No. 9 of 2011)

{Received the assent of the Governor of Mizoram on the 15th July, 2011}

AN ACT

to provide for regulation of Government guarantees and other matters connected
therewith or incidental thereto

Preamble :

Whereas it is expedient to provide for regulation of Government guarantees issued on behalf of the Government Departments, Public Sector Undertakings, Local Authorities, Statutory Boards & Corporations and Co-operative Institutions and for promoting fiscal discipline of the State;

It is enacted by the Mizoram State Legislative Assembly in the sixty second year of the Republic of India, as follows :

Short title and Commencement :

- (1) This Act may be called “the Mizoram Ceiling on Government Guarantees Act, 2011”
- (2) It shall come into force on such date as the Government may by notification in the Official Gazette, appoint.

In this Act, unless the context otherwise requires :

Definition :

2. (1) 'Government' means the Government of Mizoram.
- (2) 'Government Guarantee' includes the guarantee given by the State Government on behalf of Departmental Undertakings, Public Sector Undertakings, Local Authorities, Statutory Boards & Corporations, Co-operative Institutions and other authorities and agencies under the Government of Mizoram.

**Ceiling on
Government
Guarantees :**

- (3) 'prescribed' means prescribed by rules made under the Act.
- (4) 'State' means the State of Mizoram.
3. (1) The total outstanding government guarantees as on the first day of April of any year shall not exceed 25 per cent of the Gross State Domestic Product estimated for the year.
- (2) The total fresh government guarantees given in a year shall not exceed 3 per cent of Gross State Domestic Product estimated for the years.

**Restrictions on
government
guarantees :**

Provided that under extreme exigencies and occurrence of natural calamities of the order which require the government to take immediate fiscal policy measures, the government may exceed the ceilings prescribed under Sub-Sections (1) and (2).

4. Notwithstanding anything contained in any other acts:
 - (1) Government guarantee shall ordinarily be extended by the Government on behalf of Departmental Undertakings, Public sector Undertakings, Local Authorities, Statutory Boards & Corporations, Co-operative Institutions and other Authorities and Agencies under the Government.

Provided that no government guarantees shall be extended to co-operative sector unless the share capital contribution from the non-government sources is not less than ten per cent of the total equity proposed.

- (2) No Government guarantees shall be given in respect of any loan of any individual, private institutions or private companies.

**Guarantee
Commission :**

5. (1) The Government shall charge a minimum of 0.75 per cent of the amount of guaranteed loan as guarantee commission, which shall not be waived under any circumstances.

- (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.

**Guarantee
Redemption
Fund :**

6. (1) The Government, shall, by notification in the Gazette, constitute a fund called the 'Guarantee Redemption Fund'.
- (2) The Guarantee commission charged under section 5 shall form the corpus of the Guarantee Redemption Fund and it shall be remitted in the Public Accounts of the State.

**Power of
Government
to make rules :**

- (3) The administration of Guarantee Redemption fund shall be in such manner as may be prescribed.
7. (1) The Government may, by notification in the Mizoram Gazette, make rules for the purpose of carrying into effect the provisions of this Act.
- (2) Every rule made under the this Act shall be laid, as soon as may be after it is made, before the Legislative Assembly of Mizoram, while it is in session, for a total period of fourteen days, which may be comprised in one session or in two successive sessions, and if, before the expiry of the session in which it is so laid or the sessions immediately following, the Legislative Assembly of Mizoram makes any modification in the rule, or decides that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be. However, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

Sd/-Secretary,
Law & Judicial Department,
Govt. of Mizoram.