

F. No. 1/3/2017-Japan-I
Government of India
Ministry of Finance
Department of Economic Affairs

North Block, New Delhi
May 16, 2017

OFFICE MEMORANDUM

Subject: Policy Guidelines for permitting the availing of external assistance by State Government entities from bilateral agencies for implementation of vital infrastructure projects- reg.

External assistance today plays a supportive role in financing major infrastructure projects, social sector projects and in building up institutional capacity. Presently, external development assistance from bilateral and multilateral sources is received by the Government of India (i) for projects/programmes in the Central sector; (ii) for projects executed by Central Public Sector Undertakings; and (iii) on behalf of the State Governments for State sector projects/programmes to be implemented by the State Governments and/or local bodies and public sector undertakings. The existing guidelines do not allow direct borrowings by the State Government entities from external agencies.

2. Several State agencies are implementing major infrastructure projects of national importance. These projects, even if viable and sound, have huge funding requirements and borrowing by the State Governments for such projects may result in utilization of significant portion of their borrowing space. Thus, in order to accelerate the pace of investment in major infrastructure projects in the country without compromising the need for external assistance for other sectors, an enabling provision in the existing guidelines has been considered necessary to facilitate direct borrowing by the State Government entities from bilateral external agencies.

3. It has, therefore, been decided to allow direct borrowing by financially sound State Government entities from bilateral ODA (Official Development Assistance) partners, based on State Government Guarantee and Government of India counter guarantee, in relaxation of the provisions under Rule 277(vii) of General Financial Rules, 2017, subject to the following conditions:

(1) Conditions for individual projects:

- (i) Only major infrastructure projects having total estimated cost of Rs.5,000 crore or more each, will be eligible;