

No. 8/1/2019-BPC&T
Ministry of Finance
Department of Economic Affairs
(BPC&T Section)

Dated the 25th November, 2019

27

Subject: Guidelines for Posing, Implementation and Monitoring of Externally Aided Projects (EAPs)

Department of Economic Affairs (DEA) functions as the political and administrative focal point in India for all engagements (loans, credits, grants, technical assistance etc.) with Multilateral Agencies, Bilateral Agencies, and International Financial Institutions. External finance is received in the shape of loans/credits/Official Development Assistance (ODA)/Technical Assistance (TA) from Multilateral Development Banks (MDBs), Bilateral Agencies, and International Financial Institutions (IFIs). Project proposals seeking external financial assistance received from Ministries/Departments in Government of India as well as from State Governments are examined and processed by DEA, and then posed to the agency/institution concerned.

2. From time to time, DEA has issued guidelines pertaining to project proposals for external assistance in order to streamline the processes involved and make the external funding more effective. Reference is invited to this Department's O.M.s No.3/3/2004-PMU dated May 9, 2005, No.3/6/2017-BPC & T dated April 5, 2018, and No. 3/9/2015-BPC&T dated May 17, 2018, vide which these guidelines were issued for posing, implementation and monitoring of EAPs. In supersession of the guidelines referred to above, the following guidelines are issued in this regard:

3. Preparation and Submission of Preliminary Project Report (PPR) – State Sector Projects: In case of State Sector Projects, the State Government/Project Implementation Authority (PIA) will submit a Preliminary Project Report (PPR) online through the web portal of DEA developed for this purpose [<http://eapdea.gov.in/ppr>]. The web portal is functional since 1st January 2019, and only proposals submitted online are considered for examination by DEA. The PPR so submitted is to be verified/endorsed online by the nodal officer concerned of the State. The proposal needs to be marked online by the nodal officer (on the portal itself) to the line ministry concerned in the Government of India, and National Institution for Transforming India (NITI) Aayog. In case the activities relate to the domain of more than one central line ministry, the proposal should be marked to all such ministries. The central line ministries concerned and NITI Aayog will examine the proposal and offer their recommendations/comments and upload the same on the web portal itself within 30 days of receipt of the proposal on the portal and mark to the ministry/department/institution concerned. If no

comments are received within the stipulated time period, it will be assumed that the ministry/department/institution concerned has no comments to offer.

4. State Sector Projects in North East Region: In case of State Sector Projects received from States in the North East (NE) region, the State Government/Project Implementation Authority (PIA) will submit the PPR online through the web portal referred to earlier. The PPR so submitted is to be verified/ endorsed online by the nodal officer concerned of the State. The proposal needs to be marked online by the nodal officer to the line ministry concerned in the Government of India, and NITI Aayog. In case the activities relate to the domain of more than one central line ministry, the proposal should be marked to all such ministries. In addition, the proposal should also be marked to Ministry of Development of North Eastern Region (MDoNER), Ministry of Home Affairs (MHA), and Ministry of External Affairs (MEA). The central ministries concerned and NITI Aayog will examine the proposal and offer their recommendations/comments and upload the same on the web portal itself within 45 days of receipt of the proposal on the portal and mark to the ministry/department/institution concerned. If no comments are received within the stipulated time period, it will be assumed that the ministry/department/institution concerned has no comments to offer. As the nodal ministry for the NE region, it will be MDoNER's responsibility to ensure that comments from Central ministries concerned as well as NITI Aayog, along with MDoNER's own comments, are received within the stipulated time.

5. Central Sector Projects: In case of Central Sector projects, Central Ministries/ Departments/PIA will submit the Preliminary Project Report (PPR) online through the web portal referred to earlier. The PPR so submitted is to be verified/endorsed online by the nodal officer of the ministry/department. The proposal needs to be marked online by the nodal officer to NITI Aayog. Comments/concurrence of NITI Aayog must be received online within 30 days of receipt of the proposal on the portal. If no comments are received within the stipulated time period, it will be assumed that the NITI Aayog has no comments to offer.

6. The proposals seeking external financial assistance should generally be aligned with the developmental priorities of the State Government as well as Government of India. The development cooperation programmes/ Country Partnership Framework/ Country Partnership Strategy of the external multilateral and bilateral funding agencies also aligned with the priorities of Government. While processing the proposal for external funding, a special emphasis is laid on "finance plus" elements of the project, as EAPs are not viewed as merely meeting the financing needs.

7. The PPRs received only through the online mode with recommendations/comments will be placed before the Screening Committee of the DEA. The projects which do not satisfy the criteria for posing the proposal for external assistance would be rejected or returned by DEA, as the case may be.

8. Proposals from Union Territories

(I) Stand alone Projects of Union Territories with Legislature:

(i) The procedure for project approval, fund flow and administration in UTs with Legislature will be similar to the procedure followed in respect of EAPs of State Governments.

(ii) Concerned UT Government will submit the PPR, duly approved at its competent level (by its Cabinet, if required) through the web portal referred to earlier. The PPR so submitted is to be verified/ endorsed online by the nodal officer concerned of the State. The proposal needs to be marked online by the nodal officer (on the portal itself) to the line ministry concerned in the Government of India, and NITI Aayog. In case the activities relate to the domain of more than one central line ministry, the proposal should be marked to all such ministries. The proposal would also be marked to MHA for information. The central ministries concerned and NITI Aayog will examine the proposal and offer their recommendations/comments and upload the same on the web portal itself within 30 days of receipt of the proposal on the portal and marked to the ministry/department/institution concerned. If no comments are received within the stipulated time period, it will be assumed that the ministry/department/institution concerned has no comments to offer.

(iii) The Budget Division of DEA, on the advice of concerned Multilateral/ Bilateral Division in DEA, will make necessary budget allocation for such EAPs in the Demand for Grants of the respective UT, in the Expenditure Budget.

(iv) The fund flow for such standalone projects in UTs with Legislature will also be on back-to- back basis. Since UTs with Legislature have their own Consolidated Fund, the receipts from external debt through Central Government and repayments thereof will be reflected in the Public Debt of the respective UT Governments, as well.

(v) The monitoring of execution of such projects shall be the responsibility of the concerned UT Government. However, MHA will do administrative coordination, wherever required.

(II) Stand alone Projects of Union Territories without Legislature:

(i) In case of UTs without Legislature, such UTs will submit the PPR on the web portal referred to above. The PPR so submitted is to be verified/ endorsed online by the nodal officer concerned of the MHA. The proposal needs to be marked online by the nodal officer (on the portal itself) to the line ministry concerned in the Government of India, and NITI Aayog. In case the activities relate to the domain of more than one central line ministry, the proposal should be marked to all such ministries. The central ministries concerned and NITI Aayog will examine the proposal and offer their recommendations/comments and upload the same on the web portal itself within 30 days of receipt of the proposal on the portal and marked to the ministry/department/institution concerned. If no comments are received within the stipulated time period, it will be assumed that the ministry/department/institution concerned has no comments to offer. It will be the responsibility of MHA to ensure that comments from Central ministries concerned as well as NITI Aayog, along with MHA's own comments, are received within the stipulated time.

(ii) MHA will subsequently take all necessary administrative approvals, including Standing Finance Committee (SFC)/ Expenditure Finance Committee (EFC)/ Cabinet approval, based on details received from the line Ministries.

(iii) The Budget Division of DEA, on the advice of the concerned Division of DEA / office of Controller of Aid, Accounts and Audit (CAAA), will make the necessary budgetary allocation for such EAPs in the Demand for Grants of the respective UT, in the Expenditure Budget.

(iv) UTs without Legislature do not have a separate Consolidated Fund. Their revenues flow into the Consolidated Fund of India (CFI), and their expenditures are also met out of the CFI, through the functional Major Heads. Therefore, the funds raised on account of EAPs of UTs without Legislature will flow through Union Government Accounts and will be counted in the Central Government debt.

(v) The execution/ implementation of such projects shall be monitored by the concerned line Ministry. However, MHA will be responsible for overall coordination and administrative supervision of such proposals.

(III) EAP Projects in UTs with or without Legislature for Multi-State/Central Sector

(i) Concerned UTs with legislature will propose their requirements directly to the concerned line Ministries, keeping MHA informed. UTs without legislature will propose their requirements to the line Ministry through MHA.

(ii) Concerned line Ministry will prepare, pose and get approval for such Multi State/ Central Sector project, with UT's component following the existing process.

(iii) Budget provision in context of such schemes will be provided in the Demands for Grants of line Ministry/ Department under the functional Major Heads in respect of UTs without legislature and under the Major Head '3602- Grants-in-aid for UT Governments with legislature' in respect of UTs with Legislature.

9. Submission of Detailed Project Reports (DPRs): Upon approval of the proposal by the Screening Committee of DEA, the State Governments/UTs should submit the Detailed Project Report (DPR), duly approved by the competent authority, to the line ministry and the funding agency at the earliest. In case of Central Sector projects, the DPR should be submitted by the Ministry/Department concerned with the funding agency. The Detailed Project Report should adequately reflect the strategic elements of techno-economic (economic viability, social cost benefit, value addition, etc.), ecological (land use, ecological sustainability etc.), socio-cultural (target population and gender matters, participation, social impact, etc.) and institutional (institutional and organizational analysis, capacity building, training etc.) dimensions in the project design in measurable terms. It should be in accordance with the generic structure as suggested in Department of Expenditure's O.M. No.1(2)-PF-II/03 dated 7th May, 2003. An objective oriented project design in a matrix format along with work plan, cost and time schedule indicating target/output, cash flow statement etc. should also be a part of DPR. ~~An indicative outline of above matrix is attached for guidance (Annexure).~~

10. Counterpart Funding & Budget provisions: State Governments/Central Ministry concerned need to ensure that counterpart funds for the project, wherever applicable, are made. They also need to ensure that adequate budgetary provisions are made for EAPs. Necessary instructions issued in this regard vide D.O. letters No. 5/1/99-FB-II dated 12th May, 1999 and No. 12/24/94-EFC (Coord.) dated 20th September, 1994 may be referred to (copies enclosed).

11. Technical Assistance Proposals: All proposals for Technical Assistance (TA) grant or lending TA will also be submitted by PIAs/State Governments/Central Ministry concerned in the format prescribed for loan/credit (PPR) and submit the same online through the portal. Proposals seeking Transaction Advisory Services from MDBs/IFIs/Bilateral agencies should also follow the same pattern.

12. Other Procedural Requirements: The EAP should be processed for seeking approval of the EFC/ Public Investment Board (PIB), as the case may be, immediately after the appraisal is completed by the external funding agency and before negotiations are undertaken. It would also be necessary to obtain the approval of the competent authority for the project. Financial Advisers of the concerned Ministries/Departments may initiate timely action for seeking approval of EFC/PIB on a fast track basis and they may also initiate timely action for seeking approval of

EFC/PIB for the schemes/ project immediately after lapse of four weeks of the circulation of EFC/PIB Memo. Detailed instruction may be seen in the Department of Expenditure's circulars No. 1(1) PF.II/2011 dated 31st March, 2014.


13. If the project proposal is to be implemented under a reform programme, or reforms are to be brought in through modifying framework conditions (e.g. introduction/abolition/reduction, user charges, recovery of O&M cost, providing of incentive/subsidy, rehabilitation schemes, etc.) for creating an enabling environment for implementation of the project, such measures should be completed before the project is sent to Department of Economic Affairs. The project proposal should indicate the role of other organizations (such as NGOs, voluntary organizations/civil societies) in the project implementation, and their accountability. It should also indicate organizational/ institutional set up (ownership) of the project on its completion, for ensuring its sustainability.

14. For all externally aided projects, a project implementation team should be established and it should be held fully responsible for the project execution within the approved time and cost. The team should not have any concurrent responsibility and its continuity during the project implementation period must be ensured. It may also be ensured that appropriate training to the Project team is imparted before the implementation of the Project. The EFC/PIB memo should bring this out clearly. No project would be considered without such arrangements being clearly established.

15. Proposal for external assistance shall not be sent directly by any Central Ministry or State Government to the bilateral or multilateral funding agencies. The terms and conditions of the external assistance should not be negotiated with the external funding agencies except through Department of Economic Affairs. State Governments / Central Ministries are, therefore, requested to follow the procedure set out above for seeking external financial assistance/technical assistance from MDBs/IFIs/bilateral agencies.

16. **Monitoring and Evaluation:** Project authorities shall improve monitoring of the projects by including comprehensive evaluation of the project, both of performance and impact, in the project design itself. Evaluation arrangements for the project, whether concurrent, mid-term or post-project should be spelt out in the project proposal. Concurrent evaluation should focus on in-depth reflection at a point considered significant in the project cycle / programme. This could be at the end of a work phase or whenever special circumstances demand or at the closure of the project. Evaluation may be carried out by expert agencies if it is commensurate with the cost and objectives. Best practices adopted by external funding agencies with respect to concurrent evaluation of projects may be adopted.

17. Project authorities are expected to submit (a) project completion report on the physical-financial parameters and (b) evaluation report on the project objective-achievement parameters after completion of the project. Two or three years after completion of the project, an Impact Assessment Study may also be conducted on selected project, preferably by reputed neutral institution or organization to ascertain the actual achievement and retention of project objectives vis-a-vis the targeted project objectives. Such long-term impact evaluation is expected to help create a shelf of projects with high impact-retention which should be encouraged and replicated, and the negative shelf of projects which were poor in attaining stated objectives, may be improved. The responsibility of monitoring and evaluation of Central Sector Projects will lie with the concerned central sectoral Ministry / Department. In case of State / UT sector projects, the concerned State/UT will be responsible for carrying out the monitoring and evaluation of projects.


(Rajat Kumar Mishra)
Joint Secretary to the Govt. of India
Tele: 011 23094818
27/11/2019

To,

- 1) Secretaries of all Central Ministries/Departments
- 2) Chief Secretaries of all State Governments/ UTs
- 3) CEO, NITI Aayog
- 3) Divisional Heads of all Credit Divisions in DEA

AN OUTLINE OF MATRIX

Strategy	Indicators	Sources/ Means of Verification	Assumptions/ Risks
Goal (Linked up with a Government priority / programme / policy)			
Objective (Purpose/ expected benefits)			
Outputs / Results Goods/ services/ materials/ expected changes, the target population will get, which they can not achieve on their own without intervention of the project			
Activities (Tasks / actions to be carried out by utilizing resources, viz. human, financial, equipment etc.)	Inputs / Costs		



GENERIC STRUCTURE OF THE DPR

- (i) **Context/background:** This section should provide a brief description of the sector/sub-sector, the national priority, strategy and policy framework as well as a brief description of the existing situation.
- (ii) **Problems to be addressed:** This section should elaborate the problems to be addressed through the project/scheme at the local/regional/national level, as the case may be. Evidence regarding the nature and magnitude of the problems should be presented, supported by baseline data/surveys/reports. Clear evidence should be available regarding the nature and magnitude of the problems to be addressed.
- (iii) **Project Objectives:** This section should indicate the Development Objectives proposed to be achieved, ranked in order of importance. The deliverables/ outputs for each Development Objective should be spelt out clearly. This section should also provide a general description of the project.
- (iv) **Target beneficiaries:** There should be clear identification of target beneficiaries. Stakeholder analysis should be undertaken, including consultation with stakeholders at the time of project formulation. Options regarding cost sharing and beneficiary participation should be explored and incorporated in the project. Impact of the project on weaker sections of society, positive or negative, should be assessed and remedial steps suggested in case of adverse impact.
- (v) **Project strategy:** This section should present an analysis of alternative strategies available to achieve the Development Objectives. Reasons for selecting the proposed strategy should be brought out. ~~Involvement of NGOs should be considered. Basis for prioritization of locations should be indicated (where relevant). Options and opportunity for leveraging government funds through public-private partnership must be given priority and explored in depth.~~
- (vi) **Legal Framework:** This sector should present the legal framework within which the project will be implemented and strengths and weakness of the legal framework in so far as it impacts on achievement of project objectives.
- (vii) **Environmental impact assessment:** Environmental impact assessment should be undertaken, wherever required and measures identified to mitigate adverse impact, if any. Issues relating to land acquisition, diversion of forest land, rehabilitation and resettlement should be addressed in this section.
- (viii) **On-going initiatives:** This section should provide a description of ongoing initiatives and the manner in which duplication will be avoided and synergy created through the proposed project.
- (ix) **Technology issues:** This section should elaborate on technology choices, if any, evaluation of options, as well as the basis for choice of technology for the proposed project.
- (x) **Management arrangements:** Responsibilities of different agencies for project management and implementation should be elaborated. The organization structure at various levels as well as monitoring and coordination arrangements should be spelt out.
- (xi) **Means of Finance and Project Budget:** This section should focus on means of finance, evaluation of options, project budget, cost estimates and phasing of expenditure. Options for cost sharing and cost recovery (user charges) should be

considered and built into the total project cost. Infrastructure projects may be assessed on the basis of the cost of debt finance and the tenor of debt. Options for raising funds through private sector participation should also be considered and built into the project cost.

(xii) Time frame: This section should indicate the proposed 'Zero' date for commencement and also provide a PERT/CPM chart, wherever relevant.

(xiii) Risk analysis: This section should focus on identification and assessment of project risks and how these are proposed to be mitigated. Risk analysis could include legal/contractual risks, environmental risks, revenue risks, project management risks, regulatory risks, etc.

(xiv) Evaluation: This section should focus on lessons learnt from evaluation of similar projects implemented in the past. Evaluation arrangements for the project; whether concurrent, mid-term or post-project should be spelt out. It may be noted that continuation of projects/schemes from one Plan period to another will not be permissible without an independent, in depth evaluation being undertaken.

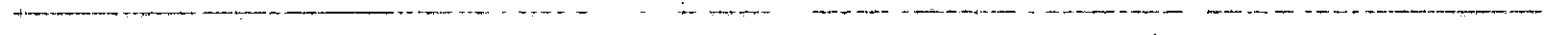
(xv) Success criteria: Success criteria to assess whether the Development Objectives have been achieved should be spelt out in measurable terms. Base-line data should be available against which success of the project will be assessed at the end of the project (Impact assessment). In this regard, it is essential that base-line surveys be undertaken in case of large, beneficiary-oriented projects.

Success criteria for each Deliverable/Output of the project should also be specified in measurable terms to assess achievement against proximate goals.

(xvi) Financial and economic analysis: Financial and economic analysis of the project may be undertaken where the financial returns are quantifiable. This analysis would generally be required for investment and infrastructure projects, but may not always be feasible for social sector projects where the benefits cannot be easily quantified.

(xvii) Sustainability: Issues relating to sustainability, including stakeholder commitment, operation and maintenance of assets after project completion, and other related issues should be addressed in this section.

Note: Requirements of the EFC/PIB format may also be kept in view while preparing the DPR.



Additional Secretary

Government of India
Ministry of Finance
Department of Economic Affairs

D.O.No.F.5/1/99-FB.II
New Delhi, the May 12, 1999

Dear Shri Rao,

This letter is regarding the procedure for posing project proposals for World Bank assistance. The World Bank have recently informed us that one State Government approached them directly for funding a project without routing the proposal through the concerned line Ministry and the Department of Economic Affairs.

Please refer to Office Memorandum of 20th September '94 (copy enclosed) wherein details of the formalities to be completed before posing projects to external agencies are given. As is clear, project proposals should be routed through the Central line ministries to the Department of Economic Affairs after obtaining necessary clearances.

I request you, kindly, to instruct the concerned officials to pose projects for external assistance only as per the procedure outlined above after due consultation with your Finance Department, in view of the State Government obligations under the ACA procedure.

With regards,

Yours sincerely,

Sd/-
(V. Govindarajan)

New Delhi, the 20th Sept., 1994

OFFICE MEMORANDUM

Subject: Need for Planning Commission, PIB, EFC clearances for Projects designed for external assistance from Bilateral / Multilateral agencies

Please refer to the OM No.1(6).PF.II/91(Pt.) dated 28th January, 1993 of the Department of Expenditure relating to Procedure for approval for Externally Aided projects / schemes. The following detailed clarification is issued to outline the procedure to be followed before projects are cleared by DEA.

2. The undersigned is directed to say that all foreign assistance from Multilateral / Bilateral agencies is being procured and coordinated by Department of Economic Affairs for the Project Proposals of State Governments / Central Ministries etc. on getting such proposals through the Central Administrative Ministries.

3. There are instances when such proposals / schemes have been posed to EFC/ PIB for their consideration, at a stage where the project parameters have already been finalized during negotiations with the donor agencies and are only pending for formal signing the agreements, leaving hardly any room for any modifications in the scheme except at the risk of delaying the whole project.

4. All Ministries / Departments are requested to ensure that all proposals / schemes for foreign assistance should be sent to DEA after ensuring Plan priorities, budgetary clearance, Administrative clearances, including clearances from Planning Commission at an appropriate Stage.

5. Before posing the Project to Department of Economic Affairs

To further clarify the position, Plan priority as envisaged in the VIII Plan, clearances from State / Central Ministry and Administrative clearance should be obtained at the time of sending project proposals to this Department. In the first instance for posing to external Agency.

6. Before Final Negotiations with Foreign Agency,

However, when the acceptance of a proposal for appraisal is received, the Planning Commission and Budgetary clearances should be confirmed before further negotiations for signing the agreement are held with foreign donors. In all cases

relevant approvals should be confirmed, the EFC/ PIB or CCEA, as the case may be, by the Departments before signing the agreements with foreign agencies.

7. While forwarding clearance of draft agreements, the Administrative Department should confirm that all requisite clearances have been obtained from the concerned authorities of the Central Government / State Government to enable us to proceed to negotiate and finalise the agreements.

8. This issues with the approval of Secretary (Expenditure) and Finance Secretary.

Sd/-
(V. Govindarajan)
Joint Secretary

1. Secretaries to Govt. of India of all Ministries
2. Joint Secretary in charge of Economic and Technical Cooperation in all Ministries
3. Chief Secretaries of all States
4. Secretary, Finance and Planning of all States
5. Chief Administrators of all Union Territories
6. Secretary, Finance and Planning of all UTs
7. Financial Advisors of all Central Ministries.