

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;

- (ii) The project should have regular revenue stream i.e. the revenues to be generated from the project should be enough for repayment of principal amount and interest; and
- (iii) Revenues from the project should be escrowed to the extent of payment of principal and interest from time to time.

(2) Conditions for State Government entities:

- (i) The Authority, Public Sector Undertaking or Organization of the State Government should be financially sound, having an average annual Revenue of not less than Rs.1,000 crore for the previous three years;
- (ii) The Authority, Public Sector Undertaking or Organization of the State Government should have consistent track record of positive net worth for the last three years with an average annual profit or surplus of not less than Rs.500 crore in last three years; and
- (iii) Any deviation from these criteria shall require special justification. These criteria would not apply for new entities / SPVs.

(3) Conditions for States to extend guarantee:

- (i) Debt-GSDP ratio of the State is less than or equal to 25 per cent in the preceding year;
- (ii) Fiscal Deficit of the State is less than 3 per of GSDP in the preceding year and also as per the BE of the current year i.e. the year when the proposal is made; and
- (iii) Availability of guarantee space as per the fiscal responsibility legislation of the State.

(4) All repayments of loans and interests to bilateral external funding agencies in such cases will be directly remitted by the concerned borrower.

(5) As Government of India is bearing an additional fiscal risk by extending counter guarantee to State entities, the counter guarantee would be extended on payment of the full guarantee fees in the manner and rates prescribed in the General Financial Rules of the Union Government.

(6) Individual proposals submitted by the State Government entities should carry a clear recommendation from the Finance Department of the State Government, including provision of State Government Guarantee and justification for opting for the counter-

guarantee route. The proposals should contain an analysis of the revenue generation from the project which would be used to repay the loan. While considering the viability of the project, the guarantee fees as prescribed in the General Financial Rules of the Union Government should also be taken into account.

- (7) Direct access to local capital markets and local bonds should be explored first before approaching external agencies. Help of credit rating agencies may be taken for this purpose. The option of external borrowing should be exercised only if the domestic lenders are not in a position to lend.
- (8) The State Government entities should also make efforts to utilize the option of commercial borrowings from the private sector window of multilateral financial institutions.

Posing of the Project proposal(s) for Direct Borrowing by the State Government Entities from Bilateral partners

Subject to the fulfilment of conditions mentioned above, the project proposal(s) will be posed by Department of Economic Affairs for ODA from bilateral partners as per the following guidelines:

- (i) The project proposal(s) of State Government entities will be considered and forwarded by the State Government to the concerned Central Line Ministry with a copy to DEA.
- (ii) The concerned Central line Ministry will be required to recommend the project proposal(s) to DEA.
- (iii) Every Proposal shall require approval of the Cabinet Committee on Economic Affairs (CCEA).

These guidelines come into force with immediate effect.



(S. Selvakumar)

Joint Secretary to the Government of India

Tel: 011-23093881

To,

- (i) All Concerned Central Line Ministries as per list.
- (ii) Chief Secretaries of all State Governments/ UTs.

TO BE UPLOADED ON THE WEBSITE OF MOF.

List of All Concerned Central line Ministries

No. F.-13/2017-Jep.I

<u>Department of Agriculture, Cooperation & Farmers Welfare</u> (Shri Shobhana K. Pattanayak, Secretary) Krishi Bhavan, New Delhi	<u>Ministry of Civil Aviation</u> (Shri R.N. Choubey, Secretary) Rajiv Gandhi Bhavan Safdarjung Airport New Delhi
<u>Department of Industrial Policy and Promotion</u> (Shri Ramesh Abhishek, Secretary) Udyog Bhavan, New Delhi	<u>Department of Telecommunications</u> (Shri Pradeep Kumar Pujari, Chairman & Secretary) Sanchar Bhavan 20, Ashoka Road, New Delhi
<u>Department of Electronics & Information Technology</u> (Ms. Aruna Sundararajan, Secretary) Electronics Bhavan New Delhi	<u>Ministry of Environment, Forests & Climate Change</u> (Shri Ajay Narayan Jha, Secretary) Paryavaran Bhavan, New Delhi (for environment & forest sector projects)
<u>Department of Health & Family Welfare</u> (Shri C.K. Mishra, Secretary) Nirman Bhavan New Delhi	<u>Department of Higher Education</u> (Shri Kewal K. Sharma, Secretary) Shastri Bhavan New Delhi
<u>Ministry of Housing & Urban Poverty Alleviation</u> (Ms. Nandita Chatterjee, Secretary) Nirman Bhavan, New Delhi	<u>Ministry of Micro, Small & Medium Enterprises</u> (Dr. K.K. Jalan, Secretary) Udyog Bhavan, New Delhi
<u>Ministry of New and Renewable Energy</u> (Shri Rajeev Kapoor, Secretary) CGO Complex New Delhi	<u>Ministry of Power</u> (Shri Pradeep Kumar Pujari, Secretary) Shram Shakti Bhavan New Delhi
<u>Ministry of Road Transport & Highways</u> (Shri Sanjay Mitra, Secretary) Transport Bhavan, New Delhi	<u>Ministry of Railways</u> (Shri A. K. Mittal, Chairman, Railway Board) Rail Bhavan, New Delhi
<u>Department of Rural Development</u> (Shri Amarjeet Sinha, Secretary) Krishi Bhavan, New Delhi	<u>Department of Land Resources</u> (Shri Dinesh Singh, Secretary) Nirman Bhavan, NBO Building, New Delhi
<u>Ministry of Drinking Water and Sanitation</u> (Shri Parameswaran Iyer, Secretary) Paryavaran Bhavan, CGO Complex, Lodhi Road, New Delhi - 110003	<u>Department of Science & Technology</u> (Shri Ashutosh Sharma, Secretary) Technology Bhavan New Mehrauli Road, New Delhi

<u>Ministry of Shipping</u> (Shri Rajive Kumar, Secretary) Transport Bhavan, New Delhi	<u>Ministry of Textiles</u> (Ms. Rashmi Verma, Secretary) Udyog Bhavan, New Delhi
<u>Ministry of Tourism</u> (Shri Narendra Kumar Sinha, Secretary) Transport Bhavan, New Delhi	<u>Ministry of Tribal Affairs</u> (Ms. G. Latha Krishna Rao, Secretary) Shastri Bhavan, New Delhi
<u>Ministry of Urban Development</u> (Shri Rajiv Gauba, Secretary) Nirman Bhavan, New Delhi (for UT and Water Supply projects)	<u>Ministry of Water Resources, River Development & Ganga Rejuvenation</u> (Dr. Amarjit Singh, Secretary) Shram Shakti Bhavan, New Delhi
<u>Ministry of Women & Child Development</u> (Ms. Leena Nair, Secretary) Shastri Bhavan, New Delhi	<u>Ministry of Skill Development & Entrepreneurship</u> (Dr. K.P. Krishnan, Secretary) Annexe Building Shivaji Stadium, Shaheed Bhagat Singh Marg, Connaught Place, New Delhi - 110001
<u>Ministry of Development of North Eastern Region</u> (Shri Navin Verma, Secretary) Vigyan Bhavan Annexe New Delhi	

List of Chief Secretaries and Administrators

No.F.1/3/2017-Japan.I

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