

FOREWORD

External Assistance has played a significant role in the development process in India. The Project Management Unit of the Department of Economic Affairs has prepared a Manual for External Assistance in the nature of guidelines/roadmap for accessing external assistance. It provides information on multilateral and bilateral funding agencies and their operations in India and outlines the procedures for posing projects to them. The Manual has been specifically prepared with a view to helping less developed States in accessing external assistance for their development projects.

2. Department of Economic Affairs is the nodal department for procuring and co-ordinating foreign assistance from multilateral/bilateral agencies. Ministries/Departments, State Governments and other agencies that wish to avail of external assistance are required to prepare proposals and forward them to Department of Economic Affairs through the Central Administrative Ministry. The Ministry/Department may ensure that all proposals/schemes for foreign assistance are sent to the Department of Economic Affairs ensuring plan priorities, budgetary clearance, administrative clearance, including clearance from Planning Commission at an appropriate stage.

3. In preparing this Manual, valuable assistance has been received from many sources. In particular, I would like to acknowledge the contribution made by Shri Ashok Lavasa, Joint Secretary; Smt. Indu Datta, Director; Shri Lalit Kumar, Deputy Director and Shri Vikrant Sachdeva, Section Officer of the Department of Economic Affairs. All the Credit Divisions of Department of Economic Affairs and O/o Aid, Accounts and Audit provided the requisite information for preparation of the Manual and made valuable suggestions. My sincere thanks are due to them all.

4. It is hoped that the Manual will be useful in the preparation of projects and posing them to External Funding Agencies. It is also hoped that with the sustained interest of all the users and funding agencies, it will be possible to bring about improvements in the Manual in a manner that the utility of the material will steadily increase. A list of contact persons of Department of Economic Affairs is given in the Manual. Any queries/suggestions may be addressed to them.

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GOVERNMENT OF INDIA'S POLICIES AND PROCEDURES FOR ACCESSING EXTERNAL ASSISTANCE

External Assistance has played a significant role in the development process in India. Though the share of foreign assistance has been less than 10% of the total investment in the public sector, its significance lies in the fact that some of the important projects in various sectors have been funded by external assistance. In the wake of liberalisation, the role of external assistance has gained further significance in view of the large gap in funding requirements for social and infrastructure sectors in order to acquire competitive strength under the globalised economic framework. A significant part of external assistance also needs to be channelled towards programmes for development of weaker sections so as to ensure the active participation of all groups in the strengthening of the economy and accessing the commensurate benefits.

For the project proposals of Central Ministries/State Governments, all agreements with the multilateral/bilateral agencies are signed by the Central Government since this is a subject on the Union list. The Department of Economic Affairs (DEA), Ministry of Finance is the nodal department for procuring and co-ordinating foreign assistance from multilateral/bilateral agencies and is responsible for all policy issues pertaining to external aid received by Government of India (GOI). It has a role in terms of prescribing limits, if any, for external borrowing sector-wise or lender-wise, developing a pipeline of projects, negotiating external assistance and monitoring implementation.

In order to facilitate the smooth and speedy flow of external assistance the Govt. has been taking some policy initiatives from time to time. The GOI's policy and procedures for accessing external assistance are described below:

(i) Intermediation/Disintermediation of external assistance:

Since April 1993 all borrowings from the multilateral/bilateral agencies by the Central Public Sector Undertakings (CPSUs) are direct (without GOI intermediation) on terms as agreed mutually between the borrower and the lender and approved by GOI. The exchange risk is also borne by the borrower. The disintermediation has also been extended to grants from the multilateral/bilateral agencies to CPSUs with effect from 14th October 1993 and from bilateral agencies to autonomous bodies from 30th August 1996. All other loans and grants are routed through the Union Budget. O.M.s relating to disintermediation / intermediation of external assistance are at **Annexure-I**.

External aid made available to GOI in the form of loans, credits and grants forms part of the resources generated for implementing the schemes and projects incorporated in the Five-Year Plans. In the Five Year Plan documents, the Planning Commission allocates the resources, including the external aid component, year-wise for each programme. These allocations cover projects in the Central Sector, State Sector and centrally sponsored schemes implemented by the States. Project Management Unit (PMU) of DEA, co-ordinates with Planning Commission relating to plan provisioning in respect of Central and State Sector Projects.

External aid does not cover the entire cost of projects. It finances a percentage of the expenditure. Expenditure not covered by external aid has to be provided in the budget as counterpart funding.

(ii) Terms and Conditions of External Assistance:

The external assistance received from various multilateral and bilateral agencies is passed on by the GOI to States as Additional Central assistance (ACA) on the same terms and conditions as central assistance for State plans. These are different from the conditions at which external assistance is received from various multilateral/bilateral agencies. For States not falling under the special category status, assistance is given in 30:70 mix of grants and loans. With effect from 1st April 2001 a loan with 20 years maturity period will carry a rate of interest of 12% (A copy of the latest OM in this regard is placed at **Annexure-II**). Further, half of it carries a grace period of 5 years. For special category States such as the 7 North Eastern States (Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura), Sikkim, Himachal Pradesh and J&K the funds are passed on as 10% loan and 90% grant. The exchange risk is borne by the Central Govt. In this transformation of external assistance into ACA the original terms and conditions of assistance are recast. Any exception to the general policy is notified specifically.

The current framework of central assistance for Externally Aided Projects (EAPs) has evolved since 1971. Prior to that, no additionality in central assistance was given for EAPs. At that time it was felt that in order to make such projects more acceptable to the States, 25% of credit authorised should be given as additionality to project authorities over and above normal central assistance. Subsequently, it was felt that this was inadequate and therefore in 1979 proportion of central assistance was enhanced to 70%. In 1990 it was increased to 100% for projects in social and agriculture sector. Since 1992 all sectors are eligible for 100% additionality.

(iii) Disbursement and release of External Aid:

All external aid disbursed by the External Agencies to GOI is first received by the Central Govt. in the Ministry of Finance, Department of Economic Affairs, O/o Controller of aid accounts and Audit. The funds flow process in case of Central sector projects and State sector projects is explained below:

Central Sector Projects:

In case of Central Ministry/Department implemented projects, the external aid takes the following route:

Based on the Budget provision, the Ministry spends money on the project.
Ministry sends claims for reimbursement to CAAA
CAA&A arranges reimbursement from the External Agency, which gets into the Central Budget as a receipt

State Sector Projects:

For the projects implemented by the State Govt. Departments, the external assistance follows the route given below:

State Govt. makes a budget provision for the project/programme
The State Finance Department authorizes the implementing department by releasing funds (Letter of Credit)
The Department concerned makes payments and sends reimbursement claims to CAAA.
CAA&A scrutinises the claims and forwards applications to External agency
The External Agency reimburses CAA&A after examining the claims. CAA&A advises Project Management Unit (PMU) in DEA about receipt of funds
The PMU advises Plan Finance-I of the Department of Expenditure (DoE) to release funds in the form of ACA to the States.
Plan Finance-I authorizes Chief Controller of accounts, Ministry of Finance to effect the transfer of funds.
The chief Controller of Accounts advises the RBI Central Account Section, Nagpur to debit the Central Govt. account and credit the State Govt. account for the amount.

In case of direct payment by the External Agency to the supplier/consultant, the rupee equivalent is adjusted by the Department of Expenditure, against the additionality due to the State Govt. on such disbursement.

(iv) Release of Advance ACA:

The expenditure on EAPs is initially incurred by the States and thereafter reimbursement is claimed from GOI. In order to prevent the adverse impact on project implementation by the States due to funds constraint and for the expeditious utilisation of external aid, a system of advance release of ACA has been started since 1993-94. Up to 25% of the Budgetary Provision of ACA for EAPs during the year is released by the Department of Expenditure on advise from DEA, normally in the first month of the financial year as advance ACA. This is subsequently adjusted against the reimbursement claims by the State Govt. during last 3-4 months of the financial year.

HOW TO ACCESS EXTERNAL ASSISTANCE ?

- The borrower identifies the project having high priority in the development perspective and prepares the project proposal describing its objectives, scope of work, implementing agency, implementation schedule, project cost and the amount of assistance.
- The formal responsibility for preparation of project rests with the borrower, although the funding agencies assist the eventual borrower in preparation of sound projects and also provide technical and financial assistance for preparation of project reports.
- At the time of sending project proposals to the Department of Economic Affairs, Ministry of Finance, plan priority as envisaged in the plan, clearance from the State/Central Ministry and administrative clearance should be obtained.
- Project proposals are required to be forwarded to the concerned Credit Division in DEA through the central administrative Ministry.
- After receiving project proposals, the same are screened/examined in consultation with the Ministry and project authorities and posed to the external agency.
- The administrative Ministry should confirm the Planning Commission and budgetary clearances along with adequate provision for counterpart funding at the time of its acceptance of the project proposal for appraisal by the external agency.
- In case of Central projects, negotiations are held after PIB/EFC clearance.
- After completion of negotiations the project agreement is signed. For World Bank/ADB projects, agreement is signed after its approval by the Board of Directors of these institutions.

PLANNING COMMISSION PROJECT PREPARATION FACILITY (PCPPF)

Externally Aided Projects are important potential source of augmenting the State resources. However, many States are unable or reluctant to set aside the “seed money” for initial project preparation that is necessary to attract such investment funding. Keeping this in view the Planning Commission has created a Planning Commission Project Preparation Facility (PCPPF) to be available to States for preparation of projects oriented towards outside funding with the following basic features:

- Assistance from this facility will cover 100% of the cost of project preparation on a professional basis, with provision for 50% advance on the estimated cost and reimbursement on the basis of actuals.
- The amount involved will be reimbursed on the basis of terms and conditions as applicable for Additional Central Assistance (ACA) for the States.
- There would be an upper limit of Rs.25 Lakhs depending on the availability of funds under the scheme for any single proposal from a State.
- All States with annual external assistance flow of less than Rs.500 Crore are eligible for the proposed assistance under the facility.

(See details at Annexure-III)

ASIAN DEVELOPMENT BANK

1. Total assistance extended and Utilisation:

(As on 31.3.2000)
(Figures in US \$ Million)

Govt. Loan	3718.078
Non-Govt. Loan	2597.102
Technical Assistance	56.800
Total assistance	6315.180
Total utilisation	5054.651

2. Nature and details of assistance:

Assistance is in the form of loan and Technical Assistance.

3. Disbursements in the last 3 years:

Both Govt. and Non-Govt. account included:

[Figures in US \$ million/Rs. crore]

1997-98	1998-99	1999-2000
594.287	615.167	607.835
(2230.03)	(2580.94)	(2636.12)

4. Sectors in which assistance is offered:

The assistance is offered in Energy, Transport and Communications, Financial, Social Infrastructure, Housing and Industry etc.

5. Aid policy, including objectives:

Social and economic development activities aimed at improving the welfare of the people of the region - to foster economic growth - reduce poverty - support human development (including population planning) - improve the status of women, and protect the environment.

6. Terms and conditions of assistance:

Ordinary Capital Resources comprising of subscribed capital reserves and funds raised through borrowings- Normally repayable in 20 years including grace period of 5 years; carry a variable lending rate of interest which varies from six to seven per cent. In addition, commitment fee of 0.75% on undisbursed loan on graded scale and front end fee of 1%.

7. General requirements/pre-conditions of eligibility for aid:

It should be within the framework of Strategy of ADB.

8. Major projects assisted:

1. Railways
2. Unchahar Thermal Power Ext.
3. Second North Madras Thermal Power
4. Coal Ports
5. National Highways
6. Karnataka Urban Infrastructure Dev
7. Rajasthan Urban Infrastructure Development Project
8. Karnataka Urban and Coastal Environmental Management Project
9. MP Public Resource Management Program
10. Gujarat Public Sector Resource Management Program

Private Sector

11. Industrial Energy Efficiency
12. Karnataka Urban Infrastructure Development (HDFC loan)
13. Power Transmission Sector Project
14. Renewable Energy Development
15. ICICI
16. IFCI
17. Housing Finance (NHB)
18. Housing Finance (HUDCO)

19. Housing Finance (HDFC)
20. Mumbai Port Trust
21. Chennai Port Trust
22. LPG Terminal
23. HUDCO
24. ICICI
25. IDFC

ADB assistance is generally available for projects being implemented by Central Ministries, State Governments and of Central Public Sector Undertakings and reputed financial institutions. The Bank extends assistance to those projects which meet the Bank's requirements on 'economic', 'financial' and 'technical' aspects and within the policy and objectives framework defined by the Bank.

9. How to pose projects:

The pipeline of projects is discussed with the ADB Country Programme Mission – generally for three years period. It is subsequently confirmed with the Country Programming Mission each year, sometime in November or December for the succeeding year.

All projects' proposals are considered in consultation with the Administrative Ministries which ensure other internal clearances, such as of EFC, PIB and CCEA, MoEF, etc in case of Central Sector projects. In the case of State projects, the State Governments are to confirm the availability of counterpart rupee funds.

The assistance to Central Public Sector Undertakings is disintermediated i.e. direct to them against Government of India Guarantee. Government of India charges guarantee fee for timely repayment of principal and interest. In such loans, Gol is not required to make payment towards commitment and interest charges and foreign exchange risk is also to be borne by PSUs.

10. Other information:

The project cycle of ADB project is described below:

Identification – Projects are identified and reviewed with the representatives of Government of India and other concerned executing agencies in which definition of project goals, objectives, principal issues, general scope and time frame are broadly discussed.

Project Preparation – After identification, ADB extends a Technical assistance for project preparation to establish a project after examining the economic, financial, technical and institutional aspects of the project.

Appraisal – The Bank in consultation with Government of India and the project authorities, mounts a mission to review the project comprehensively. At this stage, the various conditions and covenants, project activities, amount of loan and other procurement issues are discussed and finalized.

Loan Negotiation – Once the project has been appraised, loan negotiation takes place, generally in ADB's Headquarters in Manila. Indian negotiating team consists of representatives of Department of Economic Affairs, administrative Ministry and executing agencies. All conditions are thoroughly discussed and agreed to. At the end of negotiations, minutes of the Loan negotiations are signed and draft loan agreements approved.

Loan signing and effectiveness – All projects are discussed and approved by the ADB Board with simple majority. India is represented by an Executive Director who represents India, Bangladesh, Lao PDR, Bhutan and Tajakistan. India has a voting power of 5.516% of the total voting power of members of ADB.

After the loan is approved, the loan agreement is signed, normally in Manila. The Agreement is signed by the Indian Ambassador in Manila on behalf of Government of India, State Government and Central PSUs/Financial Institutions. After obtaining legal opinion from the Department of Legal Affairs and the State Governments/PSUs/Financial Institutions on Loan, Guarantee Agreement and the Project Agreement, the loan is declared effective within 90 days after signing of the Agreement.

Project execution/Evaluation – ADB and the Department of Economic Affairs monitor the project execution closely. Tripartite portfolio review meetings are held from time to time amongst the executing agencies, ADB and DEA in which representatives of administrative ministries are invited. The Bank also sends its mission to the project for review of project. Mid-term review is also carried out by the Bank. Once the project is closed, the Bank brings out the project completion report and project performance audit report.

IDA, IBRD, IFAD

1. Total assistance extended & Utilisation:

*(As on 31.3.2000)
(Figures in Million)*

	IDA	IBRD	IFAD
Govt. Loan	US \$ 8157.070 + SDR 12847.583	US \$15108.587	SDR 253.280
Non Govt. Loan	0.000	US \$ 4907.366	0.000
Govt. Grant	US \$ 28.025 + Jap Yen 278.800 + Sw Fr 6.000 + Dutch Guilder 0.800 + Aus \$ 2.970	US \$ 93.154 + Jap Yen 1775.510 + Sw Fr 17.147	US \$7.000
Total assistance	US \$ 8185.095 + SDR 12847.583 + Jap Yen 278.800 + Sw Fr 6.000 + Dutch Guilder 0.800 + Aus \$ 2.970	US \$ 20109.104 + Jap Yen 1775.510 + Sw Fr 17.147	US \$ 7.000 SDR 253.280
Total Utilisation	US \$ 8167.961 + SDR 9792.823 + Jap Yen 131.683 + Sw Fr 4.514 + Dutch Guilder 0.800 + Aus \$ 0.000	US \$ 17103.000 + Jap Yen 1671.854 + Sw Fr 17.147	US \$ 6.120 SDR 199.936

2. Nature and details of assistance:

International Development Association (IDA): IDA provides credits to the poorest countries – mainly those with an annual per capita gross national product in 1998 of US\$ 895 or less. Most of the IDA funds are contributed by its richer members, although some developing countries contribute as well. In addition, IDA receives transfers from the net earnings of the IBRD and repayments on its credits.

International Bank for Reconstruction and Development (IBRD): The Bank provides loans in various sectors to borrowers for projects that promise high real rates of economic return to the borrower country. The Bank in turn borrows most of the money it lends, through medium and long-term borrowings in capital markets across the globe, and also from central banks and other government institutions at market based rates.

Bank provides Technical Assistance Loans (TALs) to borrowers for a variety of development programs such as initial operations for new borrowers, etc. Along with the loans the World Bank also provides advice and technical assistance.

3. Disbursement in the last three years:

	1997-98	1998-99	1999-2000
IDA:			<i>[Figures in SDR million/(Rs. crore)]</i>
	611.331 (3063.67)	633.192 (3646.54)	607.534 (3584.21)
IBRD:			<i>[Figures in US \$ million/(Rs. crore)]</i>
	568.942 (2159.25)	522.044 (2184.39)	646.244 (2803.91)
IFAD:			<i>[Figures in SDR million/(Rs. crore)]</i>
	11.212 (60.45)	10.135 (52.38)	11.865 (63.32)

4. Sectors in which assistance is offered:

IBRD and IDA provide assistance in various sectors such as Agriculture, Irrigation, Power, Oil and Gas, Railways, Urban Development, Water Supply, Transport, Fertilizers, Industry, Telecommunications, Health, Nutrition, Education, Poverty Alleviation, Population, Environment, Forestry, Rural Development etc. IDA mainly provides assistance for projects in social sectors, rural development and agriculture, though there is no restriction for any sector, as such.

5. Aid policy, including objectives:

The World Bank has one overarching goal: helping its borrowers reduce poverty and is a partner in strengthening economies and expanding markets to improve the quality of life for people everywhere, especially the poorest. The IBRD and IDA provide loans to borrower governments for projects and programs that promote economic and sound progress by helping raise productivity so that people may have better lives.

6. Terms and Conditions of assistance:

IBRD Loans:

The repayment period for IBRD loans is at present 20 years, inclusive of 5 years grace period. The interest rate is variable and revised semi-annually in accordance with the Bank's own cost of borrowing funds. The current rate of interest is around 6.94%. The commitment charge on undisbursed balance is at present 0.75%. A front-end fee of 1% of the loan amount is also payable. A rebate of 0.5% is permitted for timely repayment of World Bank loans and interest waiver of 0.25% is available.

IDA Credits:

IDA credits have a ten-year grace period and must be repaid over 35 years. IDA credits carry no interest charge but a service charge of 0.75% is levied on the disbursed portion of the credit. Commitment Charges on undisbursed balance are fixed every year upto a maximum of 0.5%. The credits to India, approved upto 30th June 1987 are repayable in 50 years, inclusive of a grace period of 10 years. Those approved from 1st July 1987 are repayable in 35 years inclusive of a grace period of 10 years.

To be eligible for World Bank loans a country must be member of the International Monetary Fund. Upon joining the IBRD, members subscribe to its capital stock. The amount of shares each member is allocated reflects its quota in the IMF, which in turn reflects the country's relative economic strength in the world economy. Members pay in small portion of their shares; the remainder is "callable capital" and would only be paid should the Bank be unable to meet its obligations.

7. General requirements/pre-conditions of eligibility for aid:

- For obtaining assistance from the World Bank the borrower country must be member of the International Monetary Fund.
- For IDA credits the operational cut off is 1998 per capita GNP of US\$ 895 or less. Some exceptions are made for island economies.

8. Details of major projects assisted:

Some major projects signed from April 1991 to March 2000 with the World Bank (IBRD and IDA) are:

IBRD

1. Industrial Pollution Control
2. Oil and Gas Sector Development
3. Power Utilities Efficiency
4. Second National Highway
5. Second Maharashtra Power
6. Financial Sector Development
7. Bombay Sewage Disposal
8. Orissa Power Sector Restructuring
9. Andhra Pradesh Irrigation
10. Andhra Pradesh Economic Restructuring
11. Andhra Pradesh Power Sector
12. Tamil Nadu Urban Development

IDA

1. Technical Education II
2. Child Survival and Safe Motherhood

3. Tamil Nadu Water Resources Consolidation
4. Orissa Water Resources Consolidation
5. II National Highway
6. Social Safety Net Sector Adjustment
7. Second Integrated Child Development
8. UP Basic Education
9. Water Resources Consolidation
10. Maharashtra Emergency Earthquake
11. District Primary Education
12. Second State Health System Development
13. Second District Primary Education
14. AP Irrigation 3rd Phase
15. Malaria Control
16. Third District Primary Education
17. Reproductive and Child Health
18. Andhra Pradesh Economic Restructuring
19. Uttar Pradesh Sodic Lands II
20. Women and Child Development
21. 2nd National HIV/AIDS Control

9. How to pose the projects:

(a) *What kind of project?*

The World Bank lends for developmental projects. The Bank's main business is to lend for specific projects, carefully selected and prepared, thoroughly appraised, closely supervised, and systematically evaluated.

Mainly the Bank lends for specific projects such as schools, crop-production programmes, hydroelectric power dams, roads, and fertilizer plants. The Bank is both a developmental and financial institution, and each project for which it lends must satisfy both features. Every Bank –assisted project must contribute substantially to development objectives and be economically, technically and financially sound.

(b) *Who can borrow?*

Borrowers from the Bank include a member government, a public agency or corporation, or a private body or corporation with the government's guarantee.

(c) *Steps in posing projects (from Bank's point of view):*

- (i) Project Identification
- (ii) Project Preparation
- (iii) Project Appraisal
- (iv) Negotiations and Board Presentation

Identification: Borrower should identify projects that have a high priority, that appear suitable for World Bank support, and that the Bank, the government, and the borrower are interested in considering. The projects should meet the prima facie test of feasibility – that technical and institutional solutions are likely to be found at costs commensurate with expected benefits.

Preparation: Formal responsibility for preparation of the project rests with the borrower although Bank assists the eventual borrower to prepare sound projects and also provides technical and financial assistance for preparatory work. Project preparation entails close collaboration between the Bank and the eventual borrower. A ' project brief ' is prepared for each project, describing its objectives, identifying principal issues, and establishing the time- table for its further processing. This process may take 1-2 years.

Appraisal: This is solely the Bank's responsibility and is conducted by the Bank staff. Appraisal covers four major aspects of the project-technical, institutional, economic, and financial. The bank ensures that projects are soundly designed, appropriately engineered, and follow accepted standards. The appraisal mission looks into technical alternatives considered, solutions proposed, and expected results. During economic appraisal, the project is studied in its sectoral setting. The investment programme for the sector, the strengths and weaknesses of public and private sectoral institutions, and key government policies are all examined. In the financial aspect of the appraisal it is ensured that there are sufficient funds to cover the costs of implementing the project. Financial appraisal is also concerned with recovering investment and operating costs from project beneficiaries. The appraisal mission prepares a report that sets its findings and recommends terms and conditions of the loan.

Negotiations, Board Presentation: Negotiation is the last stage at which the Bank and the borrower endeavour to agree on the measures necessary to assure the success of the project. After negotiations, the appraisal report, amended to reflect the agreements reached, together with the President's report and the loan documents, is presented to the Bank's Executive Directors. If the Executive Directors approve the operation, the loan is signed in simple ceremony that marks the end of one stage of the cycle and the beginning of another.

(d) Steps in posing projects (from Government of India point of view):

All project proposals are required to be technically cleared by the concerned Line/ Administrative Ministry. In the case of state sector projects approval of the State Government is also required. The State Government is also required to give an assurance that they would make adequate budget provisions in the State Plan for implementing the project. In the case of Central Projects approval of the Planning Commission is required. Once all the necessary approvals have been obtained Department of Economic Affairs, which is the nodal department for receiving external assistance, poses the project to the World Bank. In case of Central Projects, negotiations are held after PIB/EFC clearance.

OPEC FUND

1. Total assistance extended & Utilisation:

(As on 31.3.2000)
Figures in US \$ Million

Govt. Loan	218.800
Govt. Grant	0.000
Total assistance	218.800
Total utilisation	188.817

2. Nature and details of assistance:

The OPEC (Organization of Petroleum Exporting Countries) Fund assistance, till date, has been only in the form of loan.

3. Disbursements in the last 3 years:

[Figures in US \$ million/(Rs. crore)]

1997-98	1998-99	1999-2000
2.896 (11.12)	4.879 (20.41)	7.941 (34.29)

4. Sectors in which assistance is offered:

The OPEC Fund provides assistance for projects in health, education, water supply & sewerage, energy, transportation, balance of payments, agriculture sectors. The fund has preference for the social sector projects.

5. Aid policy, including objectives:

The OPEC Fund's objective is to reinforce financial cooperation between OPEC member countries and other developing countries, by providing financial support to assist the latter countries in their economic and social development. The Fund was conceived as collective financial facility which would consolidate the assistance extended by its member countries. The Fund normally provides 50 % of the project cost as assistance but it has financed certain components up to 100 % of the cost.

6. Terms and conditions of assistance:

The interest, repayment period and grace period for OPEC credits varies from case to case. Interest per annum varies from 0% (in such cases there is only a service charge of 0.75%) to 3%.

7. General requirements/pre-conditions of eligibility for aid: Nil.

8. Major projects assisted:

1. Korba Thermal Power Project (NTPC)
2. Ramagundam Thermal Power Project (NTPC)
3. Bombay High Development Project (ONGC)
4. Ramagundam Thermal Power Pjt.-II (NTPC)
5. Railway Modernisation & Maintenance Pjt.

9. How to pose projects:

The proposals would be posed to Funding Agencies after their receipt from the concerned Administrative Ministry alongwith all necessary clearances and with adequate provision for counter funding.

UNITED NATIONS

1. Total assistance extended & Utilisation:

(As on 31.3.2000)
(Figures in US \$ Million)

(Since 1972)	
Grant	639.640
Loan	0.000
Total assistance	639.640
Total utilisation	495.700

2. Nature and details of Assistance:

The assistance is in the form of grant.

3. Sectors in which assistance is offered:

Sustainable Human Development (SHD) is the main goal of UNDP Assistance. The country co-operation framework (CCF-I) focuses on SHD by way of growth with equity, poverty alleviation and human development.

4. Aid Policy, including objectives:

The objective of UNDP Assistance is sustainable Human Development (SHD) which encompasses a variety of dimensions including poverty elimination, employment generation, capacity building, empowerment of women and environmental regeneration.

5. Terms & conditions of assistance: Nil.

6. General requirement/pre conditions of eligibility for aid:

UNDP provides technical cooperation support for capacity building and upgradation of technology including through pilot initiatives. This may include, but would not be limited to, technology upgradation, training, expertise and consulting services. Purchase of equipment is allowed only when it is considered necessary to complement these elements of a programme.

7. Major projects assisted:

CP-I (1972-79) – (1) Project for Development of Computer System, TIFR, Bombay, (2) Setting up of a Computer Centre at National Aeronautical Lab, Bangalore, (3) Expansion of Research Facilities at the Cancer Research Institute.

CP-II (1979-85) – (1) Advanced Industrial Training Centre for Indian Leather, (2) Sedimentation of Reservoirs – Min. of Irrigation, (3) Performable optimisation of Petrochemicals complex IPCL Vadodara.

CP-III (1985-90) – (1) Development of Amorphous Silicon Cells, D/O Non-Conventional Energy Sources, (2) Satellite Data Analysis for oceanographic Institutes – CSIR, (3) Treatment and Prevention of Leprosy – DST.

CP-IV (1990-97) – (1) Aluminium Research Centre, Nagpur, (2) Hydrology Study Capabilities, Roorkee, (3) Hybrid Rice Technology, Hyderabad, (4) Powerline Aggregates, Kolar, (5) Plant Quarantine Facilities, Faridabad, (6) Autocomponent Tech, Ludhiana, (7) Small Hydel Resources, New Delhi, (8) Bio-Methanation Processes, New Delhi.

CCF-I (1997-2001) – Technology Management Programme – STEPS/TBIs, TN,WB; (2) Community Empowerment for Poverty Alleviation, AP; (3) Food Security – Hybrid Rice, AP; (4) Sustainable Dryland Agriculture by Mahila Sangathan, AP; (5) Strengthening Natural Resources Management and Sustainable Livelihood for women in Tribal Orissa; (6) Non-Mulberry Silk, Bangalore.

8. How to pose projects:

The funds allocated under CCF-I stand committed to the programmes/sub-programmes. The Administrative Ministries/Departments may however entertain any fresh proposal, in consultation with UNDP & DEA, depending upon the availability of funds under their respective programmes.

Ministries, Departments, State Governments or other agencies that wish to avail of UNDP assistance should prepare sub-programmes and approach the nodal administrative Ministry/UNDP for their consideration and approval. The Administrative Ministry for further processing shall send a copy of the final proposal to DEA.

CANADA

1. Total assistance extended and utilisation:

(As on 31.3.2000)
(Figures in C\$ million)

Govt. Loan	924.346
Non-Govt. Loan	6.860
Govt. Grant	1504.778
Total assistance	2435.984
Total utilisation	2237.583

2. Nature and details of assistance:

Technical assistance and grants for government to government bilateral projects, and direct funding to NGOs through small Funds Mechanism.

3. Disbursements in the last 3 years:

Both Govt. and Non-Govt. account included:

[Figures in C \$ million/(Rs. crore)]

1997-98	1998-99	1999-2000
25.266 (7.25)	2.077 (5.76)	2.133 (6.40)

4. Sectors in which assistance is offered:

- Social and Economic Reforms.
- Environment
- Private Sector

5. Aid policy, including objectives:

The cornerstone of Canadian International Development Agency (CIDA)'s development assistance programme is to support development in order to reduce poverty, ensure long-term sustainability, and to contribute to a more secure, equitable and prosperous world.

CIDA's objective is to work with developing countries and countries in transition, to develop the tools to eventually meet their own needs. To do this, CIDA concentrates its efforts on six priority areas:

- Basic human needs: covering primary health care
- basic education
- family planning
- nutrition
- water and sanitation, shelter
- emergency humanitarian assistance (but not sustained incomes).

6. Terms and conditions of assistance:

CIDA presently extends assistance in grant form only.

7. General requirements/pre-conditions of eligibility for aid:

The proposals need to adhere to Country Programme Framework of the CIDA India Program whose goals and objectives are:

Goals:

- * To promote sustainable development in India.
- * To Contribute to the transition to a mature economic and political relationship between India and Canada.

Objectives:

- * To promote economic and social policy reforms in India.

- * To contribute to India's capacity to promote environmentally sound development.
- * To assist in building a stronger economic relationship between India's and Canada's private sectors.

8. Major projects assisted:

Following are the major projects assisted by CIDA and alongwith is the objective in each case:

Oilseeds project phase-II. Establishment of an integrated oilseeds production, processing and marketing system with a cooperative structure in the states of Maharashtra, Andhra Pradesh, Gujarat, Rajasthan, Orissa, Karnataka and Uttar Pradesh.

Fertilizer Project Improving the agricultural productivity in the districts of Meerut, Barabanki and Sultanpur of Uttar Pradesh by increasing stock of Potash available for agricultural use and supporting agricultural extension.

Chamera Hydro-electric Project- Stage I. To upgrade the capacity of the NHPC in hydro project development and management. More specifically, the project consisted of the design and construction of a 540MW hydroelectric dam complex in Himachal Pradesh, including an underground powerhouse with three 180MW turbine generators, and an associated 500 kilometers of 400KV transmission lines.

Institutional Cooperation Project Strengthening the institutional capability of polytechnic education and training system in the southern region of India and foster linkages among Indian and Canadian educational institutions and associations.

9. How to pose projects:

For Bilateral Projects, the project proposals are required to be forwarded to Department of Economic Affairs (AC Division) through the administrative ministry. The projects of NGOs outside the bilateral programme, funded through Small Funds Mechanism, are to be sent to the Development Cooperation Section, Canadian High Commission. The NGOs should have necessary clearances under FCRA.

10. Other information:

The project proposals may indicate, inter alia, a brief description, goals/purpose/objectives, scope of work and work structure and programme components, duration of the project, estimated total cost and resources required from CIDA with year-wise details thereof, the total plan outlay(if it is a part of the plan scheme), the role and contribution of GOI and various agencies involved in the project. The expected results, and in particular, the impact of projects on poverty reduction, gender equity, environment, human rights and child labour may also be highlighted. The objectives of GOI served by the project may also be indicated.

DENMARK

1. Total assistance extended and utilisation:

(As on 31.3.2000)
(Figures in D. Kroner million)

Loan	1148.753 + USD 15.000 M
Grant	2714.592
Total assistance	3863.345 + USD 15.000 M
Total utilisation	3621.387 + USD 3.984 M

2. Nature and details of assistance:

At present Danish assistance is entirely in grant for local cost projects that also includes Technical assistance in the form of Services, Consultancy & Training etc.

3. Disbursements in the last 3 years:

[Figures in D. Kroner million/(Rs. Crore)]

1997-98	1998-99	1999-2000
43.587	46.712	89.478
(36.52)	(29.93)	(53.76)

4. Sectors in which assistance is offered:

Assistance is offered in Agriculture, Health & Family Welfare, Rural Drinking Water & Sanitation, Environment & Forest, Non-Conventional Energy Sources etc. sectors.

5. Aid policy, including objectives:

Assistance is provided for poverty alleviation & Social development. No loan assistance/Credit line is under operation at the moment.

6. Terms and conditions of assistance:

At present no loan is provided. Grant is provided to the Government of India & the aid is passed on to States on Standard Terms for state sector projects. For Central PSUs, decision is taken on case to case basis.

7. General requirement/pre-conditions of eligibility for aid:

Grant assistance is concentrated in Tamil Nadu, Orissa, Madhya Pradesh and Karnataka. As per Danida's new strategy, assistance will be available only in Karnataka and Madhya Pradesh for Social Sector projects.

8. Major projects assisted so far:

- (i) National Programme for Control of Blindness
- (ii) Leprosy Eradication Programme
- (iii) Wind Farm Projects
- (iv) Tool-room & Training Centres
- (v) Optic Fibre Project

9. How to pose projects:

Proposal is posed to the Royal Danish Embassy once in-principle approval of the concerned Central Administrative Ministry and the State Government (if it is State sector project) is received.

10. Other information:

- (a) Government Agreement is signed only after technical and financial clearance of the project by the concerned Central Administrative Ministry/State Government and provision of requisite budget in the Central/State Plan and PIB/EFC approval in case of Central Sector project.
- (b) No new proposals are being considered for financing by Denmark due to Sanctions imposed by them after the Nuclear tests conducted by India in May 1998. However, Denmark under their New Policy for Development Cooperation have decided to provide aid in the Health Sector & 're-open' the existing programmes in respect of Private Sector Development Programme and Mixed Credit Schemes.

EUROPEAN COMMISSION

1. Total assistance extended and utilisation:

(As on 31.3.2000)
(Figures in EURO million)

Assistance (all Grant)	1141.118
Utilisation	771.798

2. Nature and details of assistance:

EC assistance is entirely in the form of grants that include technical assistance in the form of Monitoring and Evaluation, Consultants, Training, etc.

3. Disbursements in the last 3 years:

[Figures in EURO million/(Rs. crore)]

1997-98	1998-99	1999-2000
53.075 (227.47)	25.010 (122.26)	63.001 (281.79)

4. Sectors in which assistance is offered:

EC assistance is offered in Agriculture, Horticulture, Watershed Management, Irrigation, Environment, Primary Education and Basic Health sectors (no order of preference). As per recent changes, EC assistance will be in three sectors – Education, Health and Environment.

5. Aid policy, including objectives:

EC assistance is being provided for Poverty Alleviation and Social Sectors. Due to change in their strategy, at present, EC is funding Sector Development Programmes instead of individual projects.

6. Terms and conditions of assistance:

EC assistance is entirely in the form of grant. However, grant provided to Government of India is passed on to States on Standard Terms for State Sector projects.

7. General requirements/pre-conditions of eligibility for aid: NIL

8. Major projects assisted so far:

- (i) Coconut Development Project in Kerala
- (i) Sheep Development project in Tamil Nadu
- (ii) Water Control Systems and Diversification Crops project in Maharashtra
- (iii) Agricultural Markets in Kerala
- (iv) Strengthening of Veterinary and Livestock disease control
- (v) Tank Irrigation Systems in Tamil Nadu Phase II.

9. How to pose projects:

For State sector projects, approval of the concerned Central Administrative Ministry is to be obtained. State Governments interested in EC assistance must seek to get included in the Sectoral Investment Plans of the three sectors viz. Education, Health and Environment, prepared jointly by the EC and the concerned administrative ministry.

10. Other information:

Government agreement is signed only after Technical and Financial clearances of the project by the concerned Central Administrative Ministry/State Government and provision of requisite budget in the Central/State Plan and PIB/EFC approval in case of Central Sector projects.

FRANCE

1. Total assistance extended and utilisation:

(As on 31.3.2000)
(Figures in F. Franc million)

Loan	13108.982
Grant	263.670
Total assistance	13372.652
Total utilisation	12467.273

2. Nature and details of assistance:

French assistance is mainly in the form of loan to procure goods and services of French origin. No local costs are financed in the French package.

3. Disbursements in the last 3 years:

[Figures in F. Franc million/(Rs. in crore)]

1997-98	1998-99	1999-2000
329.700	88.660	96.990
(224.76)	(64.93)	(65.93)

4. Sectors in which assistance is offered:

The assistance is offered in sectors like Environment, Urban Water and Sanitation, Agro-food industries, Fisheries etc. Other areas in which French have so far assisted is in procurement of equipment for hospitals and Railways.

5. Aid policy, including objectives:

French aid is tied to imports of French goods and services. French commitments are made for specific projects where contracts are awarded to French companies. Local costs are not financed under French aid.

6. Terms and conditions of assistance:

French assistance is generally provided in the form of 50:50 mix of soft treasury loan and export credit. The treasury loan carries an interest rate of 0.47% repaid in 30 years including a grace period of 10 years. The export credit is available at OECD consensus rates. However, Govt. of India passes on the assistance to States on Standard Terms for State Sector project.

After the concerned Project Authority (PA) duly authorises the invoices of equipment/completion of study, the French Government pays the supplier directly. PAs are however required to deposit the necessary counterpart rupees equivalents (of foreign exchange released/paid by the French Govt.) in O/o CAA&A's account. In the case of State Sector projects, this is recovered by O/o CAA&A through notional release of Additional Central Assistance (ACA). In the other cases, PAs are required to deposit this amount with the O/o CAA&A.

7. General requirement/pre-conditions of eligibility for aid:

Aid is tied to imports of French goods & services. Local cost funding is not available. There is no regional priority in case of French aid.

8. Major projects assisted so far:

- (i) Rourkela Steel Plant modernisation
- (ii) Dulhasti Power Project
- (iii) Assistance to NALCO
- (iv) Supply of equipment to Sanjay Gandhi P.G. Institute of Medical Science
- (v) Namchi Hospital, Sikkim

9. How to pose projects:

The projects are posed by the Department of Economic Affairs after the concerned State Govt. (in case of State Sector projects) and the line Ministry recommends/approves the project and all necessary internal clearances and necessary budgetary provision are confirmed.

GERMANY

1. Total assistance extended and utilisation:

As on 31.3.2000
(Figures in DM million)

Loan	14078.384
Grant	880.602
Total assistance	14958.986
Total utilisation	13920.620

2. Nature and details of assistance:

Assistance is both in the form of loan and grant.

3. Disbursements in the last 3 years:

[Figures in DM million/(Rs. Crore)]

1997-98	1998-99	1999-2000
268.775	257.194	194.958
(494.20)	(632.42)	(445.07)

4. Sectors in which assistance is offered:

With the overall aim of poverty alleviation, the focus of Indo-FRG bilateral cooperation is in the areas of Rural Development and Agriculture, Human Resources Development, especially Health and Education, including Vocational training, cooperation in the field of Science, Environment, Infrastructure, especially Power and Transport, Finance and private Industry (particularly Small and Medium-Scale Industry).

5. Aid policy, including objectives:

German Assistance is confined to seven States in India, namely, Maharashtra, Madhya Pradesh, Karnataka, Rajasthan, Himachal Pradesh, Orissa and West Bengal. Germans insist on more NGOs involvement, levying and increase of tariff, users' participation, adequate staffing, sufficient budgetary allocations and reforms in power sector.

6. Terms and conditions of assistance:

Financial Assistance is provided as soft loan, grant and commercial credit. The soft loan is available at an interest rate of 0.75% p.a. with a repayment period of 40 years including a grace period of 10 years. The loan also carries a commitment charge 0.25% on the undisbursed amount. The commercial credit is provided at prevailing market rate with a repayment period of 10 years including a grace period of 5 years. Technical assistance is provided in the form of outright grants. However, Government of India passes on loans and mixed credit to states on standard terms for state sector projects and the grants (post 1994) are passed to states as pure grants.

7. General requirement/pre-conditions of eligibility for aid:

The projects have to undergo appraisal procedures by KfW in the case of Financial Cooperation Projects and by GTZ in case of Technical Cooperation projects.

8. Major projects assisted so far:

- (i) Nevyeli Lignite Corporation (NLC)-II & III
- (ii) NLC Mine-I & Thermal Power Station-I Expansion
- (iii) Korba Thermal Power Station
- (iv) Dadri Thermal Power Station
- (v) Credit line for Import of Capital Goods
- (vi) Uran Combined Cycle Power
- (vii) Credit Lines to HUDCO, HDFC, NABARD, NSIC, ICICI & IFCI
- (viii) Ramagundam Thermal Power Station
- (ix) Ramagundam Open Cast Mine
- (x) Rajasthan Rural Water Supply
- (xi) Import of Fertilizer
- (xii) Pulse Polio Immunization

9. How to pose projects to the donor:

The project proposals satisfying the policy and conditions mentioned above should be routed through the Administrative Ministry to the Ministry of Finance, Department of Economic Affairs with necessary approvals/clearances from the concerned authorities.

10. Other information:

After Pokhran-II in 1998, Germany has not made any fresh commitments for financial cooperation assistance. However, for technical cooperation fresh commitments are being made. Recently, German Govt. has lifted the sanction, and the annual aid talks is expected shortly for fresh Commitments.

ITALY

1. Total assistance extended and utilisation:

(As on 31.3.2000)
(Figures in million)

	Italian Lira	US \$	DM
Assistance (all Loan)	33125.000	161.187	144.200
Utilisation	33125.000	161.187	144.200

2. Nature and details of assistance:

There is a commitment of 100 billion It. Lira, out of which 50 billion It. Lira has been allocated to NSIC for establishing an open credit line for financing supplies of capital goods and related technical assistance for the development of the Indian Small and Medium Enterprises. Out of this, the Credit line for 10 billion It. Lira has since become operational from 17.7.2000. The balance 50 billion It. Lira will be utilised for the West Bengal Project – “Water Supply and Solid Waste Management”.

There is an offer of 15.4 billion Italian Lire as technical grant assistance to be used for projects in the sectors of education, health, environment and children & women protection & development. The Italians have also offered 20 billion Italian Lira as grant assistance for implementation of poverty alleviation projects in India.

3. Disbursement in the last 3 years:

Nil.

4. Sectors in which assistance is offered:

There is no order of preference. However, assistance is being offered in the sectors of Water treatment, environmental protection and infrastructure with a positive environmental impact, development of small and medium enterprises.

5. Terms and conditions of assistance:

The loan of 50 billion It. Lira for the West Bengal project will carry an annual interest rate of 0.5% to be repaid in 35 years including a grace period of 24 years. (The interest rate for the NSIC loan of 10 billion It. Lira will be 0.5% to be charged half yearly for 35 years including a grace period of 14-15 years.) However, GOI passes on the assistance to States on standard terms for State Sector Projects.

6. General requirement/pre-conditions of eligibility for aid:

There is no regional priority for Italian assistance.

7. Major projects assisted so far:

- (i) Namrup Fertilizer Plant
- (ii) Thal Fertilizer Plant
- (iii) HBJ Pipeline
- (iv) Farakka STPS-II
- (v) Telephone manufacturing Projects at Naini and Bangalore
- (vi) ONGC Gas Lift at Bombay High
- (vii) Gas Development Project of ONGC.

8. How to pose projects:

Proposal is posed to the Italian Embassy by the DEA only after receipt of in principle approval of the concerned Central Administrative Ministry and the State Govt. (if it is a State sector project).

Note: *The figures do not include Technical Assistance.*

JAPAN

1. The Japanese assistance is channeled through Japanese Bank for International cooperation (JBIC), earlier Overseas Economic Cooperation Fund (OECF).

Total assistance extended and utilisation:

	<i>(As on 31.3.2000)</i>
	<i>(Figures in Yen million)</i>
Govt. Loan	1671474.000
Non-Govt. Loan	141478.000
Govt. Grant	78330.825
Total assistance	1891282.825
Total utilisation	1496273.236

2. Nature and details of assistance:

Japanese assistance is mainly in the form of loans.

3. Disbursements in the last 3 years:

Both Govt. and Non-Govt. account included:

[Figures in Yen million/(Rs. Crores)]

1997-98	1998-99	1999-2000
92030.801 (2770.13)	94077.265 (3089.04)	96835.942 (3742.29)

4. Sectors in which assistance is offered:

Power, Fertilizers, Telecommunication, Railways, Industry, Irrigation, Ports, Environment and Health etc.

5. Aid policy, including objectives:

To support efforts of the developing countries towards establishing a more integrated and equal world society.

6. Terms and conditions of assistance:

Soft loans, which are mostly project tied, carry an interest rate of 1.8%. For general environmental projects, the interest rate is 1.3% while for special environment projects it is 0.75%. The tenure of loans is 30 years including the grace period of 10 years for the first two categories and 40 years for the special environment category.

7. General requirements/pre-conditions of eligibility for aid:

Japanese loan assistance is available for financing upto 85% of the project cost either in foreign exchange or local cost.

8. Major projects assisted so far:

1. Nagarjuna Sagar Hydro Electric Project
2. Telecom Project
3. Thal Vaishet Fertilizer Project
4. Bombay Sub Railway Modernization Project
5. Calcutta Metro Railway Project
6. Ammonium Sulphate Fertilizer Project
7. Anpara 'B' Thermal Power Project
8. Anola Fertilizer Project
9. HBJ Gas Pipeline Project
10. Assam Gas Turbine Project
11. Srisailam Left Bank Power Project
12. Raichur Thermal Power Project
13. Tourism Development Project
14. Mysore Paper Mills Project
15. Gandhar Gas Based Power Project

16. Indira Gandhi Nahar Project
17. Anpara Power Transmission System Project
18. Power System Improvement & Small Hydro Project
19. National Highway Projects
20. Ajanda-Ellora Conservation & Tourism Development Project

9. How to pose projects:

Every year the project proposals are invited from the State Governments and the Central Ministries for posing to the Government of Japan. After receiving the project proposals duly recommended by the administrative Ministries, the same are screened in consultation with the Ministries and the project Authorities. Then a list of projects is prepared and is posed to the Government of Japan/ JBIC for assistance.

10. Other information:

Since 1993-94 for the OECF loan package, all procurement is on general untied basis. No price preference to indigenous bidder under ICB is permitted.

KUWAIT FUND

1. Total assistance extended and utilisation:

(As on 31,3,2000)
(Figures in KD Million)

Govt. Loan	92.300
Govt. Grant	12.030
Total assistance	104.330
Total utilisation	82.353

2. Nature and details of assistance:

The assistance from Kuwait Fund has been both in the form of loan and grant.

3. Disbursements in the last 3 years:

[Figures in KD million/(Rs. crore)]

1997-98	1998-99	1999-2000
0.758 (8.97)	0.201 (2.73)	0.048 (0.67)

4. Sectors in which assistance is offered:

Kuwait Fund is interested in Power & Infrastructure Sectors.

5. Aid policy, including objectives:

The objective of the Kuwait fund is to provide assistance to the developing Countries in their efforts towards economic development particularly by providing them with loans required to facilitate the implementation of their development programs. The funding is restricted to 50 % of the project cost.

6. Terms and conditions of assistance:

The loans under Kuwait Fund carry interest at the rate of 3.5% to 4.5% and a service charge of 0.5% per annum.

7. General requirements/pre-conditions of eligibility for aid: Nil.

8. Major projects assisted so far:

1. Kalinadi Hydro Electric Project Stage-I, Karnataka
2. Anpara 'A' Thermal Power Project, U.P
3. Thal Vaishet Fertilizer Project
4. South Basin Gas Development

9. How to pose projects:

The proposals would be posed to Funding Agencies after their receipt from the concerned Administrative Ministry alongwith all necessary clearances and with adequate provision for counter funding.

NETHERLANDS

1. Total assistance extended:

(As on 31.3.2000)
(Figures in D. Guilder Million)

Govt. Loan	2615.086
Govt. Grant	1759.068
Total assistance	4374.154
Total utilisation	4279.089

2. Nature and details of assistance:

Netherlands assistance is in grant form for local cost projects, which also includes Technical assistance in the form of Service, Consultancy, training etc.

3. Disbursements in the last 3 years:

[Figures in D. Guilder million/(Rs. crore)]

1997-98	1998-99	1999-2000
63.921	59.614	65.610
(122.86)	(130.15)	(133.68)

4. Sectors in which assistance is offered:

Assistance is offered in Environment, Drinking Water Supply, Irrigation and Water Transport sectors. In addition, assistance is being provided under Education and Agriculture sectors.

5. Aid policy, including objectives:

Netherlands Assistance is provided for Poverty Alleviation and Social Sectors. Due to recent changes in the policy of the Netherlands Government, henceforth the Dutch assistance will be focussed in a few States of India. In addition, a Sectoral approach to development cooperation will replace the Project Approach. The Sectors selected will be in consultation with the State Governments.

6. Terms and conditions of assistance:

Loan from Netherlands carry a rate of interest of 2.5% and are to be repaid in 40 years inclusive a grace period of 10 years. All loans and grant provided to the Government of India is passed on to States on Standard Terms for State Sector projects. For Central PSUs, decision is taken on case to case basis.

Govt. agreement is signed only after Technical and Financial clearances of the project by the concerned Central Administrative Ministry/State Govt. and provision of requisite budget in the Central/State Plan. Money is spent by the States only on receipt of audit certificates and expenditure statements is this reimbursed to the State Govt. through the standard ACA mechanism.

7. General requirement/pre-conditions of eligibility for aid:

Grants assistance is concentrated in Kerala, UP, Andhra Pradesh, Karnataka & Gujarat. Due to recent changes in the policy of the Netherlands Govt., the States prioritised for assistance are Gujarat, Kerala and Andhra Pradesh.

8. Major projects assisted so far:

- (i) APWELL
- (ii) Kerala Rural Water Supply Scheme (Pavaratty)
- (iii) Karnataka Rural Water Supply Scheme (RWSS)
- (iv) UP RWSS Sub Project VI & VIII
- (v) Gogha RWSS
- (vi) Gujarat Health Care Project
- (vii) Mahila Samakhya Phase II
- (viii) Ganga Action Plan Support Project Phase II.

9. How to pose projects:

Project Proposals are posed to the RNE by the DEA only after receipt of in principle approval of the concerned Central Administrative Ministry and the State Govt. (in case of State projects).

NORWAY

1. Total assistance extended and utilisation:

(As on 31.3.2000)
(Figures in NOK million)

Loan	0.000
Grant	1366.193
Total assistance	1366.193
Total utilisation	1330.236

2. Nature and details of assistance:

Normally Norwegian assistance is in the form of grant.

3. Disbursements in the last 3 years:

[Figures in N.Kr. million/(Rs. Crore)]

1997-98	1998-99	1999-2000
38.713	20.822	13.447
(16.39)	(12.91)	(7.50)

4. Sectors in which assistance is offered:

Earlier Norwegian assistance was concentrated in the social sector. In 1990, the Norwegian Government took a decision to gradually reduce aid to India and to shift their focus on the industrial sector. They, however, continue to give priority to issues relating to the development of women and environment.

5. Aid policy, including objectives:

The policy of the Norwegian Government on Aid to India has undergone radical change since 1991-92. Previously approximately 60 percent of the aid allocated to India was oriented towards social sectors and for eradication of poverty. However, they have now taken a decision to withdraw from these sectors and concentrate only on institutional cooperation and promotion of their assistance in the environment sector and for development of women. The volume of Norwegian aid to India has shrunk to almost one third of what it used to be in 1990. As compared to N.Kr. 140 million in 1990, it was N.Kr. 45 million in 1995.

With regard to the new guidelines for Development Cooperation with India adopted by the Norwegian Parliament, Education, Child Labour and Environment will be the priority areas. Allocations to India would be financed by NORAD's Regional Fund for Asia. Productive Sector Projects will be gradually phased out. The global funds for Industrial Development Cooperation will be open for India comprising financing of mixed credit schemes and Investment support.

6. Major projects assisted:

- (i) Fisheries Grants
- (ii) Orissa Environment Programme
- (iii) Children's Project ICDS
- (iv) Women's Project
- (v) All India Hospital Post Partum Programme.
- (vi) National Leprosy Eradication Programme

7. How to pose projects:

After getting all the necessary clearances from the administrative Union Ministry/department concerned and the State Government, Planning Commission, MEA, MHA and provision of budget, DEA poses the project to the donor.

8. Other information:

As an immediate reaction to Pokhran-II, Norway decided to freeze all aid to India except those directed towards Poverty Alleviation Programmes. Norway has lifted the sanctions since 18.10.2000.

SAUDI FUND

1. Total assistance extended:

(As on 31.3.2000)
(Figures in SR Million)

Loan	769.200
Grant	0.000
Total assistance	769.200
Total utilisation	630.915

2. Nature and details of assistance:

All Saudi fund assistance, till date, has been in the form of loan.

3. Disbursements in the last 3 years:

[Figures in SR million/(Rs. crore)]

1997-98	1998-99	1999-2000
5.124	6.325	5.366
(4.88)	(6.65)	(6.21)

4. Sectors in which assistance is offered:

The Fund provides loan for projects in Energy, Industry, Agriculture, Transport and Communication Sectors. It has no geographical or sectoral limitations.

5. Aid policy, including objectives:

The basic objective of the Saudi Fund is to participate in financing developmental projects in developing countries through granting of loans. The emphasis is on development projects that promote the social and economic well being of the people in low Income countries. SFD assistance carries a high grant element and is untied in procurements. The Fund considers the following points before granting loans: (a) that the project contributes to the economic and social well being of the borrowing country ; (b) that the amount of loan does not exceed 5% of the total capital of the Fund and 50% of the project cost ; (c) that the total amount of loan to any country shall not exceed 10% of the Fund's capital at any one time.

6. Terms and conditions of assistance:

The Saudi Fund loans carry an interest rate of 3 to 4 percent per annum. These loans are repayable over a period of 20 years including an initial grace period of 5 years.

7. General requirements/pre-conditions of eligibility for aid: Nil.

8. Major projects assisted so far:

1. Srisailem & Nagarjunasagar Hydro Electric Power Project (AP)
2. Ramagundam Thermal Power Project Stage-II (AP)
3. Nhava Sheva Port Project.

9. How to pose projects:

The proposals would be posed to Funding Agencies after their receipt from the concerned Administrative Ministry alongwith all necessary clearances and with adequate provision for counter funding.

SWEDEN

1. Total assistance extended and utilisation:

(As on 31.3.2000)
(Figures in Sw. Kroner million)

Loan	1300.000
Grant	5237.180
Total assistance	6537.180
Total utilisation	6513.130

2. Nature and details of assistance:

After 1976, Swedish Assistance is in the form of a 100% grant and is mainly focussed on the social and energy sectors. In addition to grant assistance, Swedish Government has extended soft loans for large power sector projects.

3. Disbursements in the last 3 years:

[Figures in Sw. Kroner million/(Rs. crore)]

1997-98	1998-99	1999-2000
92.844	76.703	58.975
(45.16)	(40.58)	(30.76)

4. Sectors in which assistance is offered:

The broad areas of Swedish assistance are poverty alleviation, primary education, health, environment, energy saving, consultancy, and other activities aimed at encouraging sharing of experiences and expertise between India and Sweden.

5. Aid policy, including objectives:

The strategy for the period 1997-99 focused on poverty alleviation and infrastructure. Sweden primarily concentrated its assistance in Rajasthan, Tamil Nadu, Orissa and Himachal Pradesh. However, it has been decided that a certain geographical spread would be considered by the Embassy while initiating and identifying new projects.

6. Terms and conditions of assistance:

Assistance is provided both in the form of loan and grant. Govt. of India passes on the assistance to states on Standard Terms for state Sector projects.

7. General requirements/pre-conditions of eligibility for aid:

8. Major projects assisted so far:

- (i) Social Forestry Project Tamil Nadu
- (ii) Social Forestry Project Orissa
- (iii) Social Forestry Project Bihar
- (iv) Uri Project
- (v) Chandrapur Pedghe HVDC
- (vi) Lok Jumbish (Education Rajasthan)
- (vii) ICDS.

9. How to pose projects:

After getting all the necessary clearances from the administrative Union Ministry/Department concerned and the State Government, Planning Commission, MEA and MHA, as also confirmation of budget provision, DEA poses proposal to the donor.

10 Other information:

As an immediate reaction to Pokhran-II, Sweden terminated its three-year Development Cooperation Agreement with India (1997-99) amounting to Sw. Kroner 900 million (Rs. 450 crore), with the implication that SIDA's support to India would be available only for on-going projects.

Now, Swedish Government has decided to draw up the new guidelines for Sweden's Development Cooperation with India. A total assistance of 75-100 M SEK per year is envisaged. This assistance will be excluding development credits for environmental projects.

SWITZERLAND

1. Total assistance extended and utilisation:

(As on 31.3.2000)

(Figures in million)

	Swiss Franc	Rs
Loan	311.753	0.000
Grant	448.138	183.676
Total Assistance	759.891	183.676
Total Utilisation	689.882	76.430

2. Nature and details of assistance:

At present Swiss assistance is available in the form local cost grants and technical assistance.

3. Disbursement in the last 3 years:

[Figures in S. Franc million/(Rs. in crore)]

1997-98	1998-99	1999-2000
2.394	2.394	0.000
(7.10)	(7.10)	(0.00)

4. Sectors in which assistance is offered:

Improved land use, dairy farming and livestock production, rural cottage industry, human resource development & research, environment and renewable energy sources.

5. Aid policy, including objectives:

Assistance for poverty alleviation, human rights, decentralisation and promotion of civil society.

6. Terms and conditions of assistance:

At present loan is not available. Grant is available to the Government of India and the same is passed on to States on standard terms for State Sector projects.

7. General requirement/pre-conditions of eligibility for aid:

Although there is no regional priority as such, Swiss assistance is confined to the Southern parts of India for dairy development and improved land use.

8. Major projects assisted so far:

- (i) National Sericulture
- (ii) Tassar Silk
- (iii) NABARD

9. How to pose projects:

Proposal is posed to the Swiss Embassy only after receipt of in principle approval of the concerned Central Administrative Ministry and the State Govt. (if it is a State Sector project).

UNITED KINGDOM

1. Total assistance extended and utilisation:

(Figures in £ million)

Loan	744.086
Grant	2330.697
Total assistance	3074.783
Total utilisation	2627.527

2. Nature and details of assistance:

Assistance is granted to India in the form of 100% grant only.

3. Disbursement in the last 3 years:

(Through GOI account only)

[Figures in £ million/(Rs. in crore)]

1997-98	1998-99	1999-2000
31.590	36.945	42.047
(195.04)	(256.66)	(295.03)

4. Sectors in which assistance is offered:

The Government of United Kingdom grants the aid in various sectors such as Education, Slum Improvement, Health & Family Welfare, Coal, Power, Forestry & Renewable Natural Resource.

5. Aid policy, including objectives:

British assistance is provided in the priority states viz. West Bengal, Orissa, Karnataka & Andhra Pradesh and their objective is to make progress towards elimination of poverty in India.

6. Terms and conditions of assistance:

Assistance granted by the Government of United Kingdom is in the form of grant only.

7. General requirement/pre-conditions of eligibility for aid:

The Department for International Development (DFID) provides assistance in the field of Forestry, Slum Improvement, Energy Efficiency, Education, Renewable Natural Resources, Health & Family Welfare sectors only. DFID has also priority states wherein they mainly provide assistance. These states are West Bengal, Orissa, Karnataka, and Andhra Pradesh. DFID is likely to take up Madhya Pradesh as their priority state in near future.

8. Major projects assisted so far:

- (i) Andhra Pradesh Energy Efficiency
- (ii) Eastern India Rainfed
- (iii) Polio Eradication Programme
- (iv) Andhra Pradesh District Primary Education
- (v) Western India Rainfed Farming.
- (vi) Cuttack Urban Services
- (vii) Andhra Pradesh Urban Services for the Poor
- (viii) A.P. Rural Livelihoods
- (ix) Partnership for Sexual Health in A.P., Gujarat, Kerala & Orissa
- (x) Polio Eradication Programme, 2000
- (xi) Shiksha Karmi Project Phase III
- (xii) W.B. District Primary Education (Expansion Phase)
- (xiii) Lok Jumbish Project Phase III
- (xiv) Revised National TB Control Project, AP

9. How to pose projects:

The proposal received from State Government/Central Administrative Ministry, is posed to British High Commission for obtaining the grant assistance from the Govt. of United Kingdom.

USAID

1. Total assistance extended and utilisation:

(As on 31.3.2000)
(Figures in US \$ million)

Govt. Loan	590.125
Non-Govt. Loan	447.550
Govt. Grant	927.339
Total assistance	1965.014
Total utilisation	1843.654

Besides, there is Technical Assistance and Food Aid.

2. Nature and details of assistance:

The aid mainly comprises of Development Assistance (DA), Technical Assistance (TA) and Food Aid. India has been one of the largest recipient of US assistance after Israel and Egypt. US Assistance is mainly channeled through the US Agency for International Development (USAID).

At present US assistance comes in the form of grants and is available for implementing projects. Approximately 30 to 40% of the assistance comes through the receipt budget of the Govt. of India and the rest is extended as technical assistance. Food Aid under PL 480 is given directly to certain voluntary agencies of USA like CARE, CRS and CWS for implementing various programs.

3. Disbursements in the last 3 years:

Both Govt. and Non-Govt. account included:

Figures in US \$ million/(Rs. crore)]

1997-98	1998-99	1999-2000
14.513	14.858	17.188
(52.65)	(62.71)	(74.47)

4. Sectors in which assistance is offered:

At present the priority areas of US assistance are:

- (a) improvement of financial and regulatory environment;
- (b) increase productivity of Indian enterprises;
- (c) promotion of smaller & healthier families, and
- (d) containment and prevention of AIDS/HIV.

5. Aid policy, including objectives:

Initially the main thrust of US assistance to India was focused on projects that were designed to strengthen institutions and transfer of resources for infrastructure programs and social forestry. Since Mid 1980, the priority has been diversified to include science and technology dimension focusing specifically on commercialization of technology.

6. Terms and conditions of assistance:

The US assistance comes only in the form of grant.

7. General requirement/pre-conditions of eligibility for aid:

The general requirement for qualifying a project for USAID assistance is that the project should conform to the priority areas of USAID. Generally there are no specific pre-conditions for consideration of assistance for any project under USAID.

8. Major projects assisted:

- | | |
|--|-----------|
| 1. Innovation in Family Planning Service in UP | M/o H&FW |
| 2. Green House Gas Pollution Prevention | IDBI/NTPC |
| 3. Prog. for Advancement of Commercial Tech. | ICICI |
| 4. AVERT-AIDS/HIV Prog., Maharashtra | M/o H&FW |

9. How to pose projects:

There is no specific procedure for posing projects for USAID assistance. Generally USAID formulate new projects that conform to priority in consultation with administrative Ministries/implementing authorities. The proposals are then forwarded to Department of Economic Affairs by USAID for consideration and acceptance. Department of Economic Affairs hold detailed consultation with various agencies like administrative Ministries/implementing authorities, Ministry of External Affairs, CAA&A and Department of Revenue wherever necessary. The project agreement and the project documents are negotiated with USAID depending on the Government of India's policy.

No. F. 1(26)-B(AC)/93
Ministry of Finance
Department of Economic Affairs
(Budget Division)

New Delhi, 2.4.1993

OFFICE MEMORANDUM

Subject: *Flow of External Assistance from Multilateral and bilateral agencies to Central PSUs.*

To facilitate the flow of external assistance to Central PSUs, the current system of routing the external assistance through the Budget has been examined. In supersession of all existing instructions on the subject, revised guidelines have been formulated. The following guidelines relating to external assistance are to be followed with effect from 1.4.1993.

1. a) All future borrowings from the multilateral/bilateral agencies by PSUs of the Centre would be direct (without GOI intermediation) on the terms as agreed mutually between the borrower and the lender and approved by GOI.
b) The borrowing should relate to approved projects.
c) GOI Guarantee would be given, if necessary, according to lending agency norms.
d) Wherever guarantee is to be given by GOI the borrower shall enter into an agreement with the GOI for the payment by the borrower of a suitable guarantee fee to the Guarantor on the principal amounts of the loan withdrawn and outstanding from time to time.
2. The borrower will bear the exchange risk and get the funds directly on terms and conditions prescribed by the lending agency.
3. The revised procedure will apply to all new projects and to projects already approved wherein no drawal has taken place.
4. In case of autonomous bodies, the grants will be passed on through the budget following the present procedures of scrutiny and approval by the appropriate authority.
5. These revised guidelines do not in any way change the procedure for identification, posing and approval of projects for external assistance. Department of Economic Affairs will continue to play nodal agency role in terms of prescribing limits, if any for external borrowing sector-wise or lender-wise, developing a pipeline of projects, negotiating external assistance and monitoring implementation.

Sd/-
(C. R. Sundaramurti)
Director (Budget)

To

All Ministries/Department of the Government of India.

Copy forwarded to:

- i) Controller of Aid Audit and Accounts
- ii) Joint Secretary Plan Finance II Division
- iii) All Credit Divisions of the Department of Economic Affairs
- iv) All Financial Adviser in all Ministries/Departments

No.F.1(26)-B(AC)/93
Government of India
Ministry of Finance
Department of economic Affairs
(Budget Division)

New Delhi, the 14th October, 1993

OFFICE MEMORANDUM

Subject: *Flow of external assistance from multilateral and bilateral agencies to Central Public Sector Enterprises.*

Reference this Ministry's O.M. of even number dated 2nd April, 1993 regarding direct flow of external assistance in the form of borrowings, intended for Central Public Sector Enterprises without the intermediation of Government of India.

2. It has since been decided that all future grants from multilateral and bilateral agencies to Central Public Sector Enterprises would also flow directly to them without Government of India's intermediation. However, where necessary exceptions will be considered on a case by case basis.
- 3.

Sd/-

(P.N. Bhattacharyya)
Additional Budget Officer
Tele.: 301 2661

To

Financial Advisers of all Ministries/Departments
Planning Commission (Plan Coordination Division)

Copy forwarded to:

1. Controller of Aid Accounts & Audit, Department of Economic Affairs, New Delhi
2. Joint Secretary, Plan Finance II Division, Department of Expenditure
3. All Credit Divisions in Department of Economic Affairs
4. Controller General of Accounts, Lok Nayak Bhawan, New Delhi
5. Principal Director of Audit, Central Revenue, New Delhi

Sd/-

(P.N. Bhattacharyya)
Additional Budget Officer

No.(17)-B(AC)/96
Government of India
Ministry of Finance
Department of Economic Affairs
(Budget Division)

New Delhi , the 30th August 1996.

OFFICE MEMORANUM

Subject: *Flow of external assistance from multilateral and bilateral agencies to Central Public Sector Enterprises.*

Reference this Ministry's O.M. of even number dated **2nd April, 1993** and **14th Oct., 1993** regarding flow of external assistance to Central Public Sector Enterprises. Issues relating to GOI's budgetary intermediation of external grants (cash) have been considered further. It has been decided that henceforth all bilateral official grants will be routed through the Union Budget except in the case of Central PSUs and to Autonomous Bodies which are substantially financed by the Government of India, who may receive such grants directly without budgetary intermediation of Government of India.

2. The above arrangement would be applicable to all bilateral agreements signed henceforth. For the ongoing projects, the existing arrangements would, however, continue.
3. In all other respects, the existing budgetary procedures relating to external aid would continue to be in force.

Sd/-
(S.C. Pandey)
Deputy Secretary (Budget)

Copy forwarded to:-

All Officers of the rank of DS/Directors and above in the Department of Economic Affairs.

No.F.5 (3)-PD/2001
Government of India
 Ministry of Finance
 Department of Economic Affairs

New Delhi, the 14th March, 2001

OFFICE MEMORANDUM

Subject:- *Loans and Advances by the Central Government - Interest rates and other terms and conditions.*

Reference this Ministry's Office Memorandum No.F.5(3)-PD/2000 dated 6th June, 2000 on the captioned subject.

2. The lending rates prescribed in the aforesaid Office Memorandum have been reviewed. The revised rates of interest applicable from 1st April, 2001 are given in the Table below:—

Category of borrower & type of loan	TABLE	Interest rate per cent per annum
1. State Governments:		
(i) Ways and Means Advances (Recoverable within the year)		8.50
(ii) Other Loans		12.00
2. Union Territory Governments (with Legislature):		
(i) Loans upto 1 year		8.50
(ii) Other Loans		12.00
3. Industrial and Commercial Undertakings in the Public Sector and Cooperatives having equity capital exceeding Rs.1 crore.		
(i) Investment loans		14.00
(ii) Working Capital loans and loans to meet Cash losses.		18.00
4. Financial institutions in the Public Sector, Port Trusts, KVIC, Municipal Corporation of Delhi, DVB, Commodity Boards, Social Service Institutions, Individuals etc.		
(i) Rural Electrification Corporation:		
(a) For Minimum Needs Programme (M.N.P.)		11.50
(b) Others		11.50
(ii) National Bank for Agriculture and Rural Development (NABARD) and National Cooperative Development Corporation (NCDC)		
(iii) Others		13.00

The loans to State Electricity Boards, DVB, Damodar Valley Corporation under the scheme for renovation and modernisation of thermal power stations would carry interest at the same rate as applicable to 'Other Loans' to State Governments. Normally, loans should not be given to Private Sector Companies. In exceptional cases where such loans become necessary interest should be 1/2% higher than those prescribed for Public Sector.

3. The terms including interest rate of loans to Foreign Governments may be settled in consultation with Budget Division. Terms for on-lending of funds under externally aided projects should be in accordance with the prescribed pattern. In case deviation is considered necessary, Budget Division should be consulted.

4. The interest rates prescribed above assume timely repayments and interest payments and hence no further rebate in rates is to be allowed for timely payments.

5. OTHER TERMS AND CONDITIONS

The instructions issued from time to time have been reviewed and are set out in the following paragraphs for facility of reference.

6. STATE GOVERNMENTS

In the case of loans to **State Governments**, the arrangements for payment of annual instalment of principal and interest will be as under:-

- (a) **Block loans for State Plan Schemes and other Plan loans for Centrally Sponsored Schemes:-** These loans when drawn in instalments, will be consolidated and deemed to have been drawn as on 1st October in each year. The maturity period of the loans sanctioned for State Plans from 1990-91 onwards is 20 years, repayments being made in 20 annual equal instalments together with interest on the outstanding balance commencing from the following year.

However, *fifty per cent* of these loans will enjoy a five year initial grace period, after which repayments of these loans will be effected in 15 annual equal instalments. The amounts annually payable (by way of principal and interest) would be recovered in 10 equal monthly instalments commencing 15th June.

- (b) **Other Loans:-** The terms of repayment of these loans will be as laid down from time to time.

7. PUBLIC SECTOR PROJECTS

(A) For new installations or expansion of existing institutions:

- (a) The terms and conditions of loans should be fixed with reference to the financial picture presented in the approved Project Report. (Once the pattern is settled, there should be no change except with the specific concurrence of this Department for reasons to be stated in writing).
- (b) The capital requirements of a project should include adequate provisions for interest payment on borrowings during the period of construction (as specified in the Project Report). The interest on loans due during the period of construction will be allowed to be capitalised to the extent of the provisions made for this purpose in the approved Project Report. In other words, while interest on loans advanced to an undertaking during the period of construction will be notionally recovered by allowing its capitalisation, the payment of interest should effectively commence after the construction period is over.
- (c) The repayment of principal should ordinarily commence one year after the project commences production, the number of instalments being determined with reference to the financial projections and repaying capacity specified in the Project Report. Requests for further moratorium will be considered *only in exceptional cases* where the Project Report has specified any special circumstances that may necessitate a longer period of moratorium and has indicated clearly what staggering of repayment would be needed over the necessary break period. *The period of loans sanctioned against capitalised interest during the period of construction may also be on the same terms and conditions as are applicable to loans provided for financing the project costs.*
- (d) A suitable period of moratorium subject to a maximum of five years from the date of drawal of the loans may be allowed for the repayment of instalments of principal, having regard to the nature of the project, the stage of construction etc. The period of moratorium should not, however, extend in any case, beyond two years from the date of project going into production, or in the case of programmes of expansion, beyond two years from the date of expanded project coming into operation.

- (B) **For meeting working capital requirements:** The undertakings are expected to obtain their cash credit requirements from the State Bank of India/Nationalised Banks by hypothecating their current assets (such as stock of stores, raw materials, finished goods, work in progress, etc.) and where the entire working capital requirements cannot be raised in this manner by seeking a guarantee from Government. Accordingly, *requests from Public Sector Undertakings for funds for meeting working capital requirements should be considered only to the extent the same cannot be had from the State Bank of India/Nationalised Banks.*

8. GENERAL

REPAYMENT PERIOD

- (A) (i) The period for repayment of loans for all parties other than State Governments should be fixed with due regard to the purpose for which they are advanced and it should be restricted to the minimum possible. Normally, no loan should be granted for a period exceeding 10 years. *Where a longer period for repayment is sought, prior concurrence of the Budget Division in this Department will be necessary for fixing the period.*
- (ii) The repayment of a loan should normally commence from the first anniversary date of its drawal or on expiry of the period of moratorium, as the case may be. The recovery should ordinarily be effected in annual *equal* instalments of principal.
- (iii) The period of repayment of working capital loans should preferably be restricted to two or three years. In no case, however, the period of these loans should exceed 5 years.

- (B) **Moratorium:** Subject to exceptions made in respect of public sector projects, a suitable period of moratorium towards repayment might be agreed to in individual cases having regard to the project for which the loans are to be utilised. However, no moratorium should ordinarily be allowed in respect of interest payment on loans. Ministries/Departments may with the approval of their Financial Advisers allow moratorium on repayment of principal wherever considered necessary upto a maximum period of 2 years.
- (C) **Repayment before due date:** Any instalment paid before its due date may be taken entirely towards the principal provided it is accompanied by payment towards interest due upto date of actual payment of instalment; if not, the amount of the instalment will first be adjusted towards the interest due for the preceding and current periods and the balance, if any, will alone be applied towards the principal. Where the payment of the instalment is in advance of the due date by 14 days or less, interest for the full period (half year or full year as the case may be) will be payable. If any State Government repays an instalment of a loan which is consolidated as on 1st October, in advance of the due date by more than 14 days the interest will be payable with reference to the actual date of repayment.
- (D) **Penalty Clause:** The loan sanctions/agreements should invariably include a penalty clause providing for levy of a penal rate of interest in the event of default in repayment of instalment(s) of principal and/or interest. The penal rate of interest should *not be less than 2.75%* above the normal rate of interest at which a loan is sanctioned.
- (E) **Defaults in repayment/interest payment:**
- (i) In the event of a default, the recovery of interest at penal rate may not be waived unless there are special reasons justifying a waiver; *a decision in this regard should be taken at an adequate level on the advice of the Financial Adviser.* Even in such cases, a minimum of 1/4% should be recovered from the defaulting party as penalty.
 - (ii) The penal rate of interest is chargeable on the overdue instalments of principal and/or interest from the due date of their payment to the date preceding the date of actual payment.
 - (iii) Whenever a fresh loan is to be sanctioned to a borrower who has earlier defaulted, the loan sanctioning authority must consider the question of recovery of defaulted dues. Where, for any special reasons, recovery of defaulted dues is not proposed to be enforced, the reasons must be recorded in writing and, in important cases, the Financial Adviser should bring them to the notice of Secretary (Expenditure), Ministry of Finance, before sanctioning any fresh loan.
- (F) **Requests for modification of terms of loans:**
- (i) Borrowers are required to adhere strictly to the terms settled for loans made to them and modifications of these terms in their favour can be made subsequently only for very special reasons. Requests for modification of terms may relate to increase in the period of a loan or of initial moratorium period towards repayment, or waiver of penal interest or reduction in or waiver of normal rate of interest. The procedure of dealing with requests for waiver of penal interest has already been dealt with in paragraph 8. Cases involving other modifications in repayment terms should be considered in consultation with the Budget Division in this Ministry. *In referring such cases, the impact of the modifications on the estimates of repayment/interest which have gone into the Budget and Government's resources position should be succinctly brought out by the administrative Ministry.*
 - (ii) In examining proposals for modification of the period of the loan, the interest rate at which the loan was sanctioned should also be reviewed. In the case of a loan of which repayment has already commenced the revised rate of interest should be applied ab initio only to the residuary portion of the loan outstanding on the date of extension of its period.
In both these cases if the rates prescribed in this O.M. with effect from 1st April 2001 are higher than the earlier rates, the new rates will apply from 1st April 2001.
 - (iii) Requests for waiver of recovery of normal interest (either for a specified period or for the entire period) on a loan which originally sanctioned at normal rate of interest, will attract the provisions of Government of India decision (2) below G.F.R.156(2) and should be dealt with accordingly.
- (G) **Loans sanctioned at concessional rates:**
- (i) In cases where loans are to be sanctioned at a concessional rate, the instructions contained in Government of India decision (2) below GFR 156(2) have to be observed. In such cases, payment of subsidy (to cover the concession viz. difference between normal rate and concessional rate) should be made conditional upon prompt repayment of principal and payment of interest thereon by the borrower.

- (ii) In cases where loans are sanctioned interest free (e.g. loans to technical educational institutions for construction of hostels) prompt repayment should be made a condition for the grant of interest free loans. That is to say, the sanction letter in such cases should provide that in the event of any default in repayment, interest at rates prescribed by Government from time to time will be chargeable on the loans.
- (iii) Similarly in the case of interest free loans to departmental canteens where subsidy is also provided to meet running expenses, the sanction letter should stipulate that in the event of any default in repayment, the defaulted dues would be recovered out of the subsidy payable.
- (H) **Miscellaneous:** A standard form prescribed for issue of loan sanctions (Appendix-I) should ordinarily be followed.
- (i) The date of drawal of a loan by the borrower will be date on which he received cash, cheque or bank draft from the drawing and disbursing officer. It should be ensured that the time lag between the date of obtaining the cash/cheque/bank draft and its disbursement/ delivery/ despatch to the payee is reduced to the minimum. Where the cheque or bank draft is sent through post, the date of posting should be treated as the date of disbursement of the loan. The drawing and disbursing officer should invariably intimate the date of payment to his Accounts Office to enable the latter to make a suitable note in his records.
- (ii) In the case of loans sanctioned to parties other than State and Union Territory and Foreign Governments and Government Servants, the borrower should tender the amounts due on or before the due date, at the New Delhi Office/Main Office of the public sector bank accredited to the Ministry/ Department which sanctions the loan, in cash or by cheque or draft drawn on any scheduled bank in Delhi/New Delhi in favour of the said PSB Branch. The payment should be accompanied by a memorandum or challan in duplicate indicating (a) name of the loan sanctioning Ministry/ Department (b) No. and date of the loan sanction letter and the loan amount sanctioned; (c) amount due for payment separately for interest and principal and the head(s) of account to which the dues are to be credited in the Government Accounts; and (d) due date of payment. The borrower should be asked to tender separate cheques/drafts and challans for payment of principal and interest.
Outstation loanees are required to arrange the dues through their bank ensuring that the Memorandum/challan and the cheque/draft reaches the aforesaid PSB Branch in New Delhi by the due date.
- (iii) Ministries/Departments are required to keep close watch on timely repayments of loans advanced by them and recovery of interest thereon. Note (4) below GFR 155(2) provides for a notice to be given to the borrowers a month in advance of the due date of payment of instalment of the principal and/or interest thereon. Such notices may be sent in the form given in Appendix II. The borrower should not however be given any advantage in the event of non-receipt of such a notice.
Repayments/interest payments due from the loanees should also be reviewed at least quarterly, and where any default has occurred, a fresh notice should be served on the borrower to arrange payment with penal/higher rate of interest in the form set out in Appendix III.
- (iv) Individual cases relating to terms and conditions of loans need not be referred to the Department of Economic Affairs (Budget Division) unless it is proposed to deviate from those laid down in this Office Memorandum.

(Alok Chaturvedi)
Director (Budget)
Tel.No.3011810

To

All Ministries, their Financial Advisers and Controllers of Accounts.
Finance Secretaries of all States and Union Territory Governments and Administrations.
Comptroller and Auditor General of India (10 copies).
Controller General of Accounts/Controller General of Defence Accounts (10 copies).
All Accountants General and Directors of Audit.
Secretary, Reserve Bank of India, Central Office, Bombay (10 copies).

FORM OF SANCTION LETTER

To

(In case of State and Union Territory Governments to be addressed to

- i) Chief Controller of Accounts/Controller of Accounts concerned.
- ii) Secretary of the Administrative Department of the State/UT Government).

(In other cases to be addressed to

- i) The borrower
- ii) Controller of Accounts of the Ministry/Department of. _____)

Subject:-

Sir,

I am directed to convey the sanction of the President to the payment of loan of Rs. _____
Rupees _____

(In figures) _____ *(in words)* to _____.

2. The essential details are given in the annexure to this letter.
3. (Conditions on fulfilment of which loan is to be sanctioned e.g. those given in Government of India's decision (3) below G.F.R.155 and 158 to be inserted, if necessary).
4. This sanction has been accorded in accordance with the rules/principles laid down with the previous consent of the Ministry of Finance and that the rate of interest on the loan and period of repayment thereof have been fixed in accordance with the existing instructions issued by them.

Yours faithfully,

()

No. _____ dated _____

Copy to the Accountant General concerned (In the case of States and Union territory Governments only).

Annexure to the Ministry/Department of _____ letter

No. _____ Dated _____

LOANS AND ADVANCES BY CENTRAL GOVERNMENT

1. Name of the Borrower _____
2. Amount sanctioned (in words & figures)
Rs. _____ (in figures)
Rupees _____
3. Sanction valid upto _____
4. The purpose of loan _____
5. Payable in cash or by adjustment _____
6. Plan/Non-Plan (in the case of Plan,
category of Plan). _____
7. Grant & Sub-head under
which amount sanctioned
is debitible _____
8. Progressive amount of loan
sanctioned to the borrower
to date in the financial year _____
9. Period of loan _____
10. Moratorium towards
repayment, if any _____

11. Date and year from which repayment to commence _____

12. Mode of repayment _____

3. Interest :

(i) For loans to State Governments, Union Territory Governments & public sector enterprises:

a) normal rate _____

b) Penal rate of interest in event of defaults in repayment/interest payments _____

c) Mode of recovery of interest _____

(ii) For parties other than State Governments, Union Territory Governments and Public Sector Undertakings:

Mode of recovery of interest. _____

Signature _____
(Seal of the Sanctioning Authority)

APPENDIX-II
NOTICE

No. _____
Office of the Controller of Accounts
Ministry/Department of _____

New Delhi, dated the _____

To

Subject:— Repayment of loan and payment of interest thereon.

Dear Sir,

According to the terms of the loan of Rs. _____ sanctioned to you vide Ministry/Department of _____ letter No. _____ dated _____, the annual repayment instalment and/or interest thereon, detailed below, will become due on _____.

(i) Repayment Rs. _____

(in words and figures)

(ii) Interest Rs. _____

(in words and figures)

2. Please arrange the payment by the due date. It should be noted that the amount of interest has been calculated on the assumption that payment will be arranged promptly; otherwise it will be revised upwards in accordance with the terms of the loan.

3. The amounts due should be tendered, on or before the due date at the _____ (New Delhi head office/main office of the public sector bank (PSB)

accredited to the Ministry/Department)

_____ in cash or by cheque or draft drawn on any scheduled bank/New Delhi in favour of the aforesaid PSB Branch. The payment should be accompanied by a memorandum or challan, in duplicate, giving the following details:—

(i) Name of the Ministry/Department _____

(ii) Name of the Borrower _____

- (iii) No. and date of the loan sanction letter with the loan amount sanctioned _____
- (iv) Amount due for payment, separately for interest and repayment _____
- (v) Due date of payment _____
- (vi) The head of the account indicated below, to which the amounts will be adjustable in Government accounts, should be included in the challan:—

Head of Account

- (i) Instalment of Principal
(ii) Interest

4. Separate cheque/draft and challans should be submitted for payment of principal and interest.

5. For outstation loanees, payment of dues together with memorandum/challan is to be arranged through their bank to the aforesaid PSB branch in New Delhi by the due date.

Yours faithfully,

Accounts Officer

**REGISTERED A.D.
APPENDIX-III**

IMPORTANT NOTICE

No. _____

Office of the Controller of Accounts

Ministry/Department _____

To

Subject:- Repayment of loan and payment of interest thereon.

Dear Sir,

I am to state that the payment of Rs. _____ and Rs. _____ (as detailed below) representing principal and interest respectively, which fell due on _____ in respect of loans mentioned thereagainst, has not so far been arranged by you.

Loan sanction No. & Date

- (i) Principal _____
(ii) Interest _____

2. Please arrange to deposit the aforesaid amount to the account of the Government of India within 10 days of the issue of this letter, failing which other measures would be initiated.

In case the payment in question has already been made to the Government, particulars of the cheque/demand draft and the date of deposit at the _____ may be indicated immediately. (Name of the public sector bank branch)

Yours faithfully,

Accounts Officer

Dr. N.C. SAXENA
SECRETARY

Government of India
Planning Commission
Yojana Bhavan, Parliament Street
New Delhi-110001
Tel.: 3717539,3719082, Fax: 3719082
[Email: ncsaxena@yojana1.delhi.nic.in](mailto:ncsaxena@yojana1.delhi.nic.in)

D.O. No. PC(P)/35/2000-SP

Dated 20th April,2000

Subject: *Planning Commission's Project Preparation Facility*

Dear Chief Secretary,

As you are aware , in the present era of resource constraints, it is desirable for State Governments to continuously seek ways to maximize additionalities to their domestic resources to the extent possible. Externally Aided Projects and institutional sources of financing are important potential source of augmenting the State resources. A few states have already been successful in tapping such sources. However, many States have been less successful even though they may have good projects that can be financed. The feedback from the States and financing agencies is that sometimes project proposals do not attract financing merely because of the inability of State Government departments to undertake professional preparation of projects and proper structuring of proposals.

2. Unlike in the case of budgetary proposals, projects posed to external and outside agencies for funding must be prepared in line with the lenders' expectations. However, professional preparation of projects by reputed consultants is expensive compared to in house preparations. Most States are unable or reluctant to set aside the "seed money" for initial project preparation that is necessary to attract such investment funding.
3. In view of the above it has been decide to create a facility in Planning Commission to be available to States for preparation of projects oriented towards outside funding. The Planning Commission's Project Preparation Facility(PCPPF) will have the following basic features:
 - i) Assistance from this facility will cover 100% of the cost of project preparation on a professional basis, with provision for 50% advance on the estimated cost and reimbursement on the basis of actuals.
 - ii) The amount involved will be reimbursed on the basis of terms and conditions as applicable for Additional Central Assistance (ACA) for the States.
 - iii) There would be an upper limit of Rs.25 Lakhs depending on the availability of funds under the scheme for any single proposal from a State.
 - iv) For a contract to be eligible for financing under this facility, selection of the agency should be made by the State Government through a transparent open competitive bidding process. If desired by the State, the Commission will provide a short list of Consultants who could be invited to participate in the bidding.
 - v) Proposals sent by the States for financing under this facility would be considered and approved by a Review Committee constituted in the Planning Commission under the Chairmanship of Dr. K. Venkatasubramanian, Member. The Committee would consider, apart from the merits of the proposals, the prospects of eventual financing. A representative of the State concerned would be invited to participate in its meetings.
4. All States with annual external assistance flow of less than Rs.500 Crore are eligible for the proposed assistance under the scheme in the financial year 2000-2001. A proforma for submission of information on projects proposed for assistance from the PCPPF is attached herewith. Applications for assistance from PCPPF may kindly be sent in this proforma.
5. I shall be grateful if information of this scheme is disseminated widely amongst concerned agencies, and departments encouraged to seek assistance for professional preparation of projects that have prospects for funding.

With regard,

Yours sincerely,
Sd/-
(N.C.Saxena)

**PROFORMA FOR INFORMATION ON PROJECTS PROPOSED FOR ASSISTANCE FROM PLANNING COMMISSION'S
PROJECT PREPARATION FACILITY (PCPPF)**

Proposed by: Government of _____, Department _____

Department Secretary: Name, Tel.No./Fax/E-Mail
Contact Person: Name, Tel.No./Fax/E-Mail

1. Name of the Project, and location:
2. Description of the proposed project [attach concept paper of 1-2 pp, indicating project objectives, background, project rationale, project components, manpower requirements, and expected impact and recurring costs/benefits]
3. Total expected size [Rs. Crore], and approx. share of major cost components[e.g. civil works, procurements, establishment, consultancy]
4. Proposed executing agency/ies, and partner agencies
5. Schedule of clearances required for the processing of the investment proposal: Plan of action and timetable for various steps
6. Linkages with ongoing projects
7. Justification and need for seeking PCPPF assistance: suitability and prospects for external or institutional financing
8. Gist of informal discussions on acceptability and funding prospects of project held with external agencies, financiers, Government of India Ministries.

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SAUDI FUND

Mr. Mohammad A. Al Shgair
Vice Chairman, Saudi Fund
Post Box 50483, Ryad
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Note: Section mentioned in brackets is concerned section in Department of Economic Affairs, Ministry of Finance, Government of India.

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