

ANNEXURE –II

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Ministry of Finance
Department of Economic Affairs
(Fund Bank Division)

Sub: Revised Guidelines for release of additional Central Assistance to the State Government on account of externally aided projectes

Till 1978/79 additional Central assistance to the extent of 25 percent of aid disbursed in respect of expenditure incurred from their Budgets on each World Bank Group assistance projects was being released to the State Governments as an incentive for timely completion of these projects by making adequsts budgetary provision for the propose. With a view to encouraging the State Governments to formulate projects suited for external assistance and also to further step up the disbursement of aid the additional Central assistance was stepped from 25% to75% to the aid disbursed from 1978/79 with the approval of the Finance Minister. The guidelines regulating the release of additional assistance were circulated on 22-12-1983. In partial modification of these guidelines following revised guidelines have been formulated with the approval of Finance minister.

- 1) Additional Central assistance up to 70% of aid disbursed on all externally Aided projects would be released to the State Government.
- II The additional Central assistance would be available in respect of aid disbursed as a result of expenditure incurred by the state Governments on such projects from out of their own resources. Expenditures incurred under any central sector/centrally sponsored Schemes, institutional finance of additional central assistance.
- III) Additionally will be computed and released every quarters in the interest of the ways and means position of the State Governments. For computing additionality, expenditure incurred from institutional sources like Indian

Dairy Corporation. Rural Electrification Corporation Agricultural Refinance Development Corporation, etc., would be first excluded. Similarly, clearly identification expenditure incurred under central Se*** and/or centrally sponsored scheme too would be excluded. Where category-wise disbursement of expenditure is not available with reference to the agency/institutions bearing the expenditure additionality should be computed on the basis of proportion of expenditures required to be borne by the State Government with reference to the total cost estimates of the project. These figures should normally be available from the project cost estimates as appraised by the donor agency or from the expenditure clearance. Such additionality would be on abhor basis till such time as certified figures of expenditure delay suited are received from the State Governments.

- IV) Metropolitan or urban development projects were formerly supported by the Central Government under IV IP but these arrangements have been discontinued from the financial year 1979-80. As a result, from the year 1979-80, State concerned would be entitled to additional central assistance on these projects according to the normal pattern.
- V) Externally aided projects which are partly or wholly implemented by municipalities and /or Municipal Corporations and /or other designated local bodies would qualify for the purpose of additionality of Central assistance to the States, provided of course such external assistance has not been directly made available to the local bodies. Thus, contribution of local bodies in the overall funding of the project would be treated as the contribution of the State Government concerned for the purpose of computing additional central assistance.
- (vi) With effect from 1st April, 1982, the Centrally sponsored scheme have been placed in three categories for estimating additional Central assistance on account of externally aided projects i.e.,

- i) 100% funded by center : (II) a) Funding on 50:50 basis by the Central and State Governments. b) Where a projected it wholly or partly externally slide and an identification there of is also funded on a 50;50 basis by the Central and State Government.
- III) Completely transferred to State Governments. No additionally will be available in case of (i) and (ii) a) above additionality at 70% of the aid disbursed against project expenditure will be available in case of (ii) (b) and (iii) above. In arriving at additiionality release at 70% of the aid disbursed against project expenditure will be available in case of (ii) (b) and (iii) above. In arriving at additionality release at 70% in cases covered by (ii) (b) above the central assistance released by the Central Government on a 50:50 basis will be taken into account and the balance released to the State Government.
- (vii) Though the percentage of funding by do more in various projects often differed from project and donor to donor additionality on account of externally assisted projected would be uniformly computed at 70% of aid disbursed against project expenditure incurred from the States own resources irrespective of the fact that such external assistance may be substantially more less than 50% of the cost of any given project.
- viii) The additional Central assistance would be made available to the State according to the above principles from the Year 1983-84.

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