



Cabinet

Cabinet approves permission to avail external assistance by State Government entities from bilateral agencies for implementation of vital infrastructure projects

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The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved the policy guidelines to allow financially sound State Government entities to borrow directly from bilateral ODA (Official development Assistance) partners for implementation of vital infrastructure projects. The Mumbai Metropolitan Region Development Authority (MMRDA), a State Government entity, has also been allowed to borrow directly from Japan International Cooperation Agency (JICA) Official Development Assistance (ODA) loan for implementation of Mumbai Trans Harbour Link (MTHL) project. The estimated project cost for Mumbai Trans-Harbour Link (MTHL) is Rs.17,854 crore, out of which JICA loan portion is expected to be Rs.15,109 crore.

The guidelines will facilitate the State Government entities to directly borrow from the external bilateral funding agencies subject to fulfilment of certain conditions and all repayments of loans and interests to the funding agencies will be directly remitted by the concerned borrower. The concerned State Government will furnish guarantee for the Loan. The Government of India will provide counter guarantee for the loan.

External assistance today plays a supportive role in financing major infrastructure projects, social sector projects and in building up institutional capacity. The role of external assistance has gained further significance in view of the large gap in funding requirements for major infrastructure projects implemented by the State Governments in order to acquire competitive strength under the globalized economic framework. Presently, external development assistance from bilateral and multilateral sources is received by the Government of India (i) for projects/programmes in the Central sector; (ii) for projects executed by Central Public Sector Undertakings; and (ii) on behalf of the State Governments for State sector projects/programmes to be implemented by the State Governments and/or local bodies and public sector undertakings. The existing guidelines do not allow direct borrowings by the State Government entities from external agencies.

Several State agencies are implementing major infrastructure projects of national importance. These projects, even if viable and sound, have huge funding requirements and borrowing by the State Governments for such projects may exhaust their respective borrowing limits. Therefore, in order to accelerate the pace of investment in major infrastructure projects in the country without compromising the need for external assistance for other sectors, an enabling provision in the existing guidelines was considered necessary to facilitate direct borrowing by the State Government entities from bilateral external agencies. This dispensation will allow the financially sound State entities to directly borrow and repay the loan required for major infrastructure projects without burdening the State exchequer. The approval of these guidelines reiterates Government's commitment to promote inclusive growth and strengthen the economy.

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