

**Exposure Draft Standard:  
Disclosure on Recipients of External Assistance**

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**Exposure Draft Standard****Disclosure on Recipients of External Assistance****1. Introduction**

- 1.1 Under Article 292 of the Constitution of India, the executive power of the Union extends to borrowing upon the security of the Consolidated Fund of India within such limits, if any, as may from time to time be fixed by Parliament by Law. Article 293 states that the executive power of a State extends to borrowing within the territory of India upon the security of the Consolidated Fund of the State. In respect of Union Territory of Puducherry, National Capital Territory of Delhi and Jammu & Kashmir, similar provision exists in the relevant Acts relating to borrowings. Thus, State Governments and Union Territories with Legislature borrow internally within the country upon the security of the Consolidated Fund. All external borrowings/assistance to States and Union Territories with Legislature are routed through the Union Government.
- 1.2 The Recipients of External Assistance for the purpose of this Standard are Union Government, State Governments & Union Territories with Legislature.
- 1.3 The External Assistance comes from Bilateral and Multilateral sources in the form of Loans and Grants.

**2. Present Status**

- 2.1 The Union Finance Accounts (UFA) and State Finance Accounts (SFA) report the External Assistance in the relevant Statements.
- 2.2 Union Government accounts for the External Assistance in the form of Grants (cash or kind) and Loans as receipts in the Consolidated Fund of India. The External Assistance meant for financing the schemes and projects of Union Government is utilized by its Ministries/Departments. The External Assistance meant for financing the schemes/ projects of the State Governments and UTs with Legislature is transferred as Grant and Loans to State and UT Governments, which in turn are accounted for by these Governments as receipts in their Consolidated Fund.
- 2.3 External Grants disbursed to States consist of an additional component ACA (Additional Central Assistance); details of which are not shown separately in the UFA. Similarly, External Loans are being disbursed by Union to States under "Block Loans". However, the Block Loan comprises of 'Normal Loan Component' and 'External Loan Component' as ACA. Therefore, the present form of Transfer of External Assistance in the form of Grants & Loans is opaque.
- 2.4 Additionally, the Statewise distribution of the Externally Assisted Loans & Grants by Union to States is not being shown separately in the Union Finance Accounts.

- 2.5 In view of the above, by way of Standard, Disclosures are proposed under Union Finance Accounts (UFA) and State Finance Accounts (SFA) for Accounting and Classification of Receipt and Expenditure of External Assistance for Externally Aided Projects by Union Government and State Government / UTs with Legislature. This will enable better disclosure of receipt and utilization of external assistance, strengthening the public financial management and policy formulation and decision making by the Governments.

### **3. Objective**

The objective of this Standard is to -

Provide Disclosure on classification, recognition, accounting, measurement, and reporting in respect of External Assistance for Externally Aided Projects (in the form of Loans, Grants in Cash and Grants in Kind) received by the Union and its subsequent disbursement and utilization under Central and State Sector schemes in their respective Financial Statements.

### **4. Scope**

- 4.1 This Standard shall apply to Union, States and UTs with Legislature for External Assistance received & utilized for Externally Aided Projects.
- 4.2 The Financial statements shall not be described as complying with this Standard unless they comply with all the requirements contained therein. This standard shall apply only to Government Accounts being maintained on a Cash basis.

### **5. Definitions**

- 5.1 **Chief Accounting Authority:** The Secretary of a Ministry or Department of the Government of India, in which the Departmentalised System of Accounting has been introduced and in the case of a State, Union Territory with separated accounts, its Chief Secretary/Chief Commissioner.
- 5.2 **Government:** All Departments and Ministries of a Government taken together, whether of the Union Government or any State Governments or Government of any Union Territory with Legislature.
- 5.3 **Recipient (of External assistance):** Government through its Ministries or Statutory Bodies established under Law by the Union Government, State Governments and Union Territories with Legislature.
- 5.4 **Externally Aided Projects (EAPs):** Projects or Schemes of the Government of India to be implemented through External aid received from bilateral and multilateral funding agencies.
- 5.5 **Bilateral External Assistance Agencies:** Funding Agencies which provide funding to specific Project(s) under the Government to Government

agreement(s).

- 5.6 Multilateral External Assistance Agencies:** Funding Agencies such as the World Bank under agreement(s) between the Borrower (Government of India) and the Multilateral Funding Agencies.
- 5.7 External Assistance:** All loans including concessional loans, Grants in Cash or Kind, Technical assistance provided or committed under a binding agreement, International Agreement or Treaty by multilateral or bilateral external assistance agencies or by a Government, or agencies of a Government, other than to a recipient of the same nation.
- 5.8 Additional Central Assistance (ACA):** The External assistance provided by the Union to the State/ UTs with Legislature in the form of Loans & Grants for Externally Aided Projects.
- 5.9 Nominal value:** Nominal value is the value of the aid received in kind for which the costs are not ascertainable or for which original documents are not available should be valued at ₹1.
- 5.10 Controller of Aid Accounts and Audit (CAA&A):** The Office of CAAA in the Department of Economic Affairs, Ministry of Finance shall be responsible for implementing the financial covenants laid down in the agreement(s) executed by Departments(s) of Government of India and the External Funding Agency (ies). This Division is responsible for arranging draw down of funds against all Loans and Grant Agreements concluded by Credit Divisions with various multilateral and bilateral external assistance agencies.
- 5.11 Commitment Charges:** Commitment Charges are paid on undrawn balance of External Loan on the amount of principal rescheduled for drawal at later dates.
- 5.12 Cash Basis of accounting:** The accounting transactions of an entity representing the actual cash receipts and disbursements during a financial year as distinguished from the amount due to or by the entity during the same period.

## **6. Recognition, Derecognition and Measurement**

**6.1 Recognition:** External Assistance shall be recognized in the form of Loans, and Grants in Cash or Kind, as and when the same is received for EAPs by the Government under a binding agreement, International Agreements or Treaties or out of commitment from the provider of the assistance.

### **6.2 Derecognition:**

**6.2.1** Derecognition of loan amount received and recognized as External Assistance shall take place in the event where-

- a) Loan has been repaid in full along with interest;
- b) Loan has been converted into grant;

- c) Loan converted into Share Capital Assistance;
- d) Loan has been waived off.

**6.2.2** In case of Grants in Cash or Kind, the same may be considered to be derecognized, when a Utilization Certificate has been issued by the recipient.

### **6.3 Measurement:**

**6.3.1** All External Assistance shall be reported in Indian Currency in the Finance Accounts of the Government. The prevailing rate of the exchange rate of foreign currency shall be as per exchange rate on the date of transaction. For arriving at the Closing Balance of Loan or interest at the end of the reporting period, exchange rate shall be the rate adopted by the CAAA, Ministry of Finance, as depicted under the Union Finance Accounts on 31<sup>st</sup> March of the relevant financial year.

**6.3.2** External Assistance received as Grant in Kind, shall be measured in Indian currency for Disclosure of the value in the Finance Accounts of Government. The Grants in Kind shall be calculated on its book value wherever available and if book value is not available, nominal value of ₹ 1 shall be assigned as the basis for its Accounting.

## **7. Presentation and Disclosure requirements**

The Finance Accounts of the Government shall disclose for the EAPs, the Total amount of external assistance received and disbursed/ utilized during the period in the form of Loans, Grants (Cash or kind) separately as detailed below: -

### **7.1 Union Finance Accounts (UFA) shall disclose:**

**7.1.1 External Grants for Externally Aided Projects Annexure- A:** which will reflect Total transfer of Grants made by Union Government to State Governments for Externally Aided Projects (including the transfer of ACA) Statewise. This will indicate the Ministry/ Department/ State/ UTs, sector, Total number of Schemes/projects for which Grant is approved, the Total funds released (including ACA) and also funds allocated for Creation of Capital Assets. This information will provide a link in tracing details of the Grants relating to Central and State Sector Schemes under the State Finance Accounts.

**7.1.2 External Loans for Externally Aided Projects Annexure- B:** which will reflect Total transfer of Loans made by Union Government to State Governments for Externally Aided Projects (including the transfer of ACA) Statewise. This will indicate the Name of Ministry/ Department/ State, Total number of Loans, Total loan approved, Loan receipt, Expenditure, rate of interest, interest paid. This information will provide a link in tracing details of the Loans relating to Central and State sector Schemes under the

State Finance Accounts.

**7.2 State Finance Accounts (SFA) & Finance Accounts of Union Territories (UT) with Legislatures shall disclose:**

**7.2.1 Depiction of Loan (Cash) and Grant (Cash) for Externally Aided Projects (Annexure-C):** Details of External Assistance received and expenditure for Externally Aided Projects EAPs as Grants (Cash) & Loan (Cash) along with the Total approved assistance, amount repaid and rate of interest during the year need to be reflected.

**7.2.2 Depiction of Grant in Kind for Externally Aided Projects (Annexure-D):** Details of External Assistance received and expenditure thereof in Kind for Externally Aided Projects need to be reflected, which contain the details of name of scheme, Total assistance approved, assistance received upto last financial year (OB), additions during the year, utilization and total assistance at the end of the financial year (CB).

**8. Effective date:** This Standard shall be effective for the Financial Statements for the periods commencing from the 1<sup>st</sup> day of April of the year following the notification by Ministry of Finance.

## **Appendix I (Implementation Strategy)**

### **Sourcing of Information:**

The proposed Disclosure Statements pertaining to Union Finance Accounts (UFA) and State Finance Accounts (SFA) are intended to capture the details relating to External assistance for Externally Aided Projects in the form of Grants and Loans disbursed by the Union Government for implementing the Scheme/Projects under the States/UTs with legislature.

Accordingly, the present transfer of Funds for Externally Aided Projects by Union Government to States and UT Governments with Legislature are being done through –

- i) Head of Account Major Head – 3601, Sub-Major Head - 06, Minor Head – **102**, “Externally Aided Projects-Grants for Centrally sponsored scheme” for States, and Major Head – 3602, Sub-Major Head - 06, Minor Head – **102**, “Externally Aided Projects-Grants for Centrally sponsored scheme” for UTs with Legislature for Grants and;
- ii) Head of Account Major Head – 7601, Sub-Major Head – 09, Minor Head - 101- “Block Loan” for States, and Major Head – 7602, Sub-Major Head – 07, Minor Head - 101- “Block Loan” for UTs with Legislature in respect of Loans.

The term Block Loan comprises of ‘normal Loan component’ as well as ‘external Loan component’ as ACA. Therefore, the present form of Transfer of External assistance in the form of Grants & Loans is opaque.

In respect of schemes and projects of the Union Government financed from the external assistance, the Ministries/Departments concerned make the provision and obtain legislative authorization for incurring the expenditure thereon under the functional revenue and capital expenditure head, without any distinct disclosure in the UFA showing the utilization of external assistance on specific schemes and projects.

In State Finance Accounts, the receipt of “External Assistance” for EAPs (Grants) is accounted under Head of Account Major Head – 1601, Sub-Major Head – 06, Minor Head – 102 i.e. “Externally Aided Projects - Grants for Centrally Sponsored Scheme”. The “External Assistance” for EAPs (Loans) is accounted under Head of Account Major Head – 6004, Sub-Major Head – 09, Minor Head – 101 under “Block Loan”.

Similarly, in Union Accounts the receipts of External Assistance in the form of Grant Cash & Kind are accounted for under the Major Head 1605 and 1606 respectively. The External Loan are captured under the head of account Major Head 6002-External Debt.

**Implementation:**

**(a) Changes under Union Finance Accounts (UFA):** As of now, in the Union Finance Accounts, there is no separate disclosure available for the External Grant and Loan being transferred to States for Externally Aided Projects. Further, utilization of External Assistance on Central Sector schemes/projects by the Ministries/Departments of the Union Government is not available. Accordingly, following two Annexures have been proposed to be incorporated in Union Finance Account-

- **Annexure - A:** Details of Grants (Cash/Kind) Availed/ Made by Union Government for Externally Aided Projects.
- **Annexure - B:** Details of Loans Availed/ Made by Union Government for Externally Aided Projects.

**(b) Changes under State Finance Account (SFA):** At present, the details of Externally Aided Projects in the States are being shown under Appendix IV in the State Finance Accounts. However, this statement needs more clarity in terms of the Grant and Loans being received as Additional Central Assistance (ACA) from Union Government along with the details like Commitment Charges, Rate of Interest and Grant in Kind. Therefore, following two Annexures have been proposed to be incorporated under State Finance Accounts-

- **Annexure - C:** Statement for External Assistance for Externally Aided Projects has been proposed to replace the existing Appendix IV under the State Finance Accounts.
- **Annexure - D:** Details of External Assistance received in Grant (Kind) by States for Externally Aided Projects.

**Details of Grants (Cash/ Kind) Availed/ Made by Union Government for Externally Aided Projects****(₹ in Lakhs)**

Sl. No.	Ministry/Department/State/UTs	Scheme  (Central sector/State sector)	Total Number of Schemes for which Grants were approved	Total Fund Released				Funds allocated for Creation of Capital Assets out of Total Fund disbursed under Col 8
				EAP Grant (Cash)	ACA Grant (Cash)	Kind	Total	
1	2	3	4	5	6	7	8	9

**Details of Loans Availed/Made by Union Government for Externally Aided Projects**

(₹ in Lakhs)

Sl. No.	Name of the Ministry / Department/ State	Total No. of Loans		Total Loan Approved				Total Loan Received				Total Utilisation				Total Repayment				Rate of Interest #		Total Interest Paid				
		During the year		Up to the year		During the year		Up to the year		During the year		Up to the year		During the year		Up to the year		During the year		Upto the Year						
		EAP Loan \$	ACA **	EAP Loan	ACA	EAP Loan	ACA	EAP Loan	ACA	EAP Loan	ACA	EAP Loan	ACA	EAP Loan	ACA	EAP Loan	ACA	EAP Loan	ACA	EAP Loan	ACA	EAP Loan	ACA			
1	2*	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	

**Note:**

1. \*Col 2: Contains the details of EAP loans to Central Sector, State Sector, and SPVs etc.
2. \$ EAP Loan: Loans availed by Ministries/ Department of Union Government.
3. \*\*ACA: Additional Central Assistance (Loans) provided by the Union to States.
4. #Col 21 & 22: Rate of Interest column has been adopted from Union Finance Accounts (Column 4 of Table on Additional Disclosures appended below Statement No 15).

**Details of Externally Aided Projects**

**(₹ in Lakhs)**

Sl No	Aid Agency	Name of the Scheme/Project	Total Approved Assistance			Amount Received						Amount Repaid						Utilisation						Rate of Interest*						
			Grant	Loan	Total	During the year			Up to the year			During the year			Up to the year			During the year			Up to the year									
EAP-CSS \$	ACA-EAP @	Id				**ACA-EAP		EAP-CSS	ACA-EAP	ACA-EAP		EAP-CSS	ACA-EAP	ACA-EAP		Principal	Interest	C. Charges	Principal	Interest	#C. Charges	EAP-CSS	ACA-EAP	ACA-EAP		EAP-CSS	ACA-EAP	ACA-EAP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31

**Note: To be filled by States**

1. \$ Col 4: EAP-CSS- External Assistance (Grant) for Centrally Sponsored Scheme (CSS).
2. @ Col 5: ACA-EAP- Additional Central Assistance (Grant) transferred by the Union to States.
3. \*\*ACA- Additional Central Assistance transferred by the Union to States.
4. \*Rate of Interest column has been adopted from Union Finance Accounts (Column 4 of Table on Additional Disclosures appended below Statement No 15).
5. # C. Charges: Commitment Charges as per para no 5.11

**Details of External Assistance Received in Grant (Kind)****(₹ in Lakhs)**

Aid agency	Name of the Scheme /Project	Total assistance approved in Kind	Assistance received upto Last FY (Opening Balance)			Additions during the FY			Utilization during the FY			Total Assistance at the end of the FY(Closing Balance) (Col. 6+9-12)		
			Item	Quantity	Value	Item	Quantity	Value	Item	Quantity	Value	Item	Quantity	Value
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15