

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2608  
ANSWERED ON:09.12.2011  
SECURING MULTILATERAL LOANS  
Choudhary Shri Harish;Sinh Dr. Sanjay

**Will the Minister of FINANCE be pleased to state:**

- (a) whether bureaucrats instead of public representatives are involved in the process of securing multilateral loan;
- (b) if so, the details thereof and reasons therefor;
- (c) the reaction of the Government in this regard;
- (d) the number of meetings held during the last two years regarding such loans along with the number of public representatives who participated therein;
- (e) the provisions of legal monitoring of such risky and high impact investment with a view to adhering to the principles of democratic governance, transparency and accountability alongwith the extent to which the said provisions are being complied with; and
- (f) the steps taken by the Government in this regard in order to safeguard interest of the public?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (NAMO NARAIN MEENA)

- (a) As per the Article 292 of the Constitution of India, the executive power of the Union extends to borrowing on the security of the Consolidated Fund of India, within such limits, if any, as may be prescribed by the Parliament. Under this provision the Central Government borrows from the Multilateral Funding Institutions(MFTs) to finance Development Projects.
- (b) Depending on the size of the Project and the delegation of financial powers in the Government, approval of the Cabinet, OT the Minister in-charge and the FM, or the Minister in-charge is taken for the Project. Only after obtaining this approval are the agreements signed for obtaining the loans from MFIs. Similarly, for the State Projects, the State Governments approve the Projects, wherever required by taking State Cabinet approval, before the loan agreements are signed by the Central Government.
- (c) The approval of projects financed by loans from the MFIs is based on a well-established delegation of financial powers within the Central Government or the State Governments.
- (d) In the last two years 85 meetings have been held for negotiating the projects. As per the existing delegation of powers the projects were approved at the appropriate level (Cabinet, Minister in-charge and the FM, or the Minister in-charge or the State Governments) before the loan agreements were signed by the Department of Economic Affairs.
- (e) The expenditure on these projects have to be within the fiscal targets set by the Government under the Fiscal Responsibility and Budget Management Act. For projects implemented by the Central Government approval of the Parliament is taken for expenditure through the Budget. Similarly for the projects being implemented by the State Governments, approval of concerned State Legislature is taken by the State Government for expenditure through the Budget. The monthly details of loan disbursements are available on the website of the Aid Accounts and Audit Division (C A A A). Expenditures of projects implemented by the Central Government and State Governments are audited by the Comptroller and Auditor General of India (CAG) or any other external auditor agreed in the loan agreement. The audit reports of the CAG over these expenditures are discussed in the relevant Public Accounts Committee (PAC). This procedure is followed for all projects being implemented by the Central and the State Governments.
- (f) The above described procedure ensures safeguarding of Public interest.