GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3409
ANSWERED ON:18.12.2015
Norms for Accepting Bilateral Aid
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Will the Minister of FINANCE be pleased to state:

whether the Government has eased norms for accepting bilateral aid from other countries;

(b) if so, the salient features thereof;

(c) whether the Government proposes to enhance the list of such countries and if so, the details thereof; and

(d) the benefits which are likely to accrue therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI JAYANT SINHA)

(a) to (c): In terms of the guidelines on development cooperation with bilateral partners issued by the Ministry of Finance in January 2005, bilateral development assistance is accepted from G-8 countries, namely USA, UK, Japan, Germany, France, Italy, Canada and the Russian Federation as well as from the European Commission. European Union countries outside the G-8 can also provide bilateral development assistance to India provided they commit a minimum annual development assistance of USD 25 million. India has a requirement to accelerate growth through creation of additional infrastructure which requires extensive capital investment. It has, therefore, been decided that besides the existing bilateral partners, Official Development Assistance may be accepted from other countries also. Finance Minister and External Affairs Minister, with the approval of Prime Minister, have been authorized to accept any such proposal for bilateral assistance. It has also been decided to accept offers for bilateral assistance in the form of special loans (i.e. loans which have conditions for sourcing of procurement or executing agency from the funding country) in addition to the assistance on the normal route. Salient feature for acceptance of Special Loans are as follows:

i) The minimum assistance from the bilateral partner shall be USD 1 billion in a year, of which at least 50% shall be normal untied loans (not special loans).

ii) Not more than 30% of the total value of goods and services should be insisted to be sourced from the funding country.

iii) The rate of interest and tenor of the loan will be more concessional in comparison to the interest rate of normal loans and will be mutually agreed between the bilateral partners. However, the tenor of the special loan shall not be less than 40 years with not less than 10 years moratorium for repayment.

iv) The annual rate of interest on special loan should not exceed 0.3% (including all other applicable charges).

v) Individual projects with a minimum project cost of USD 250 million will only qualify for such special loans.

The policy guidelines on Official Development Assistance for Development Cooperation with bilateral partners have accordingly been suitably modified.

(d): Benefits which are likely to accrue:

a) Capital augmentation for funding of projects in the infrastructure sector and in sectors of strategic importance will fast track projects in these sectors.

b) Collaboration between bilateral partners shall provide impetus to 'Make in India' programme and promote transfer of technology.

c) Economic activity generated may boost employment and development of infrastructure.

d) Bilateral ties and economic engagement with funding countries will improve.