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FINANCE DEPARTMENT

NOTIFICATION

The 23rd July 2013

SUBJECT :—Revised Scheme for Constitution and Administration of Guarantee Redemption Fund of Government of Odisha.

No. 24515-FIN-CI-SG-0002/2013-F.—In accordance with the decision of the Cabinet in their 20th meeting held on the 8th October 2001 and subsequent Memorandum of Understanding (MoU) signed with Government of India on the 11th October 2001, the State Government constituted the "Guarantee Redemption Fund" during 2002-2003 for discharging the payment obligations arising out of guarantees issued by the Government in respect of bonds and other borrowings by the State Level undertakings or other bodies and stand invoked by the "beneficiaries."

Further, basing on the recommendations of the Bezbaruah Committee and decision taken in the 17th Conference of State Finance Secretaries regarding eligibilities of States to avail Special WMA equivalent to their net incremental annual investment in GRF provided a notification is issued to the effect and acquiring the securities by the Reserve Bank from the secondary market without loading any charge in addition to making available securities from its own portfolio, the Reserve Bank of India has circulated the revised Scheme for Constitution and Administration of Guarantee Redemption Fund.

Basing on the aforesaid recommendations/suggestions, the State Government do hereby notify the "Revised Scheme for Constitution and Administration of Guarantee Redemption Fund" (GRF) Scheme of Government of Odisha as under :—

Title of the
Scheme.

1. The Scheme shall be called "Guarantee Redemption Fund" Scheme (hereinafter referred to as 'the fund') of Government of Odisha.

Constitution
of the Fund.

2. A "Guarantee Redemption Fund" shall be constituted by the Government of Odisha (hereinafter called "the Government") for meeting its obligations arising out of the Guarantees issued on behalf of State level bodies.

The Fund shall be constituted in the Public Account and classified under the head "8235—General and Other Reserve Funds—117—Guarantee Redemption Fund—1667—Guarantee Redemption Fund—91079—Transfer from Revenue Account" (the accounts of the Government).

Objectives of
the Scheme.

3. The Fund shall be utilized for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State level Undertakings or other bodies and invoked by the "beneficiaries".

Explanation :

- (a) The accumulations in the Fund shall be utilized only towards the payment of the guarantees issued by the Government and invoked by the beneficiary and not paid by the institution on whose behalf guarantee was issued :

Provided that the net incremental annual investment of States (i.e. outstanding balance over and above the level in the corresponding period of the previous year) shall be eligible for availing Special Ways and Means Advance (Special WMA) from the Reserve Bank of India (hereinafter referred to as the Bank) such that the availment of Special WMA under this provision does not exceed the Normal WMA limit fixed by the Bank.

Commencement
of the Operation
of the Scheme.

4. It shall come into force from the date of issue of notification.

Contributions
to the Fund.

5. (a) The Fund have been set up by the Government during 2002-2003 with an initial contribution of Rs. 4.96 crore available under the erstwhile Guarantee Reserve Fund Scheme up to the year 2001-2002. Subsequently (from 2002-2003 to 2012-2013) an amount of Rs. 480.00 crores have been transferred to the Guarantee Redemption Fund (GRF) of Government of Odisha. The balance in the fund shall be increased with contributions made annually or at lesser intervals, so as to reach the level deemed sufficient to meet the amount of anticipated guarantees devolving on the Government as a result of the likely invocation of outstanding guarantees in the succeeding 5 years.

(b) During each year the Government shall contribute an amount equivalent at least to 1/5th of the outstanding invoked guarantees plus an amount of guarantees likely to be invoked as a result of the incremental guarantees issued during the year.

(c) It is open to the Government to increase the contributions to the Fund at its discretion.

In order to enable transfer of the total amount of contribution to the Fund the Government would make suitable Budget provision on the expenditure side of their budget under heads "2075—Miscellaneous General Services—797—Transfer to/ from Reserve Funds & Deposit Account—Guarantee Redemption Fund-0602—Guarantee Redemption Fund—42005—Contributions."

(d) The Government shall not fund its contribution to the Fund out of borrowings from the Bank.

Relationship
of the Fund
with General
Revenues/
Public Account.

6. (a) The corpus of the Fund comprises an initial amount demarcated by the Government, annual or other contributions made by the Government thereto as also periodic accretions by way of Guarantee Commission collected from the institutions in respect of whose bonds/obligations, the Government had issued the guarantee, in addition to the income accruing to the Fund.

(b) The Fund shall be kept outside the General Revenues of the Government and shall be utilized only in the manner prescribed in this Scheme.

Administration
of the Fund.

7. The Fund shall be administered by Central Accounts Section of the Bank subject to such directions/instructions as the Government may issue from time to time.

Investment
of the corpus
of the Fund.

8. The accretions to the Fund shall be invested in Government of India Securities of such maturities as the Bank may determine from time to time in consultation with the Government. The Bank shall make available the securities for investment either from its own investment portfolio or by acquiring the securities from the secondary market, without loading any charge other than that indicated in paragraph 11.

Accounting of
Transactions.

9. (a) The responsibility for the administration of the Fund will rest with the Government. The Government will decide all matters connected with the investment of the corpus of the Fund, reinvestment/dis-investment, obligations and application of the Fund, etc.

(b) The Government will, from time to time, issue instructions to the Bank under intimation to A.-G. (A & E) Odisha. The Bank will immediately arrange to make the necessary investment. The Bank would scroll to the Government, A-G. (A & E) Odisha the debit on account of the investment and other incidental charges like brokerage, commission etc. in the usual course. However, in order to ensure that the investment transactions of the Fund do not get mixed up with other transactions, these may be indicated distinctly in separate scrolls.

(c) On receipt of the scrolls the investment transactions would be accounted for under the head "8235-General and Other Reserve Funds-120-Guarantee Redemption Fund Investment Account—1667—Guarantee Redemption Fund—91059—Investment of Deposits". However, the incidental charges like brokerage, commission etc. shall be accounted for as a charge on the Fund.

(d) The Bank will arrange to collect interest on these securities and credit the same to the Fund on due date. Further, these would require to be invested as in the case of the contributions by the Government, i.e. in accordance with the investment norms prescribed in Para. 8 above. On maturity of the securities, the proceeds will be collected and credited to the account of the Government or reinvested on the basis of instructions received from the Government, i.e. in accordance with the pattern outlined in Para. 8 *intra*. As in the case of the debit scrolls, the Bank shall use separate scrolls, for the receipts.

(e) On receipt of instructions from the Government, the Bank will arrange to sell the securities at the ruling price through its Mumbai Office and credit the amount realized, less incidental charges to the account of the Government.

(f) The receipts on account of maturity or sale of the securities would be taken to the account of the "Guarantee Redemption Fund Investment Account". The incidental charges on sale would be charged on the Fund.

(g) The provision for expenditure on account of the Guarantee Redemption will be made in the budget of the Government under the relevant heads. Only the actual amount of guarantee redemption expenditure shall be brought in account under the head "8235—General and Other Reserve Fund—120—Guarantee Redemption Fund—Investment Account—Relief on account of Guarantee invoked—Guarantee Redemption Fund".

(h) The Bank shall arrange to redeem the securities on maturity. In case of premature disinvestments to meet the liability on account of the claims to be paid, the Bank shall decide on the securities to be encashed in consultation with the Government and sell the securities at the ruling price and credit the amount realized, less incidental charges to the Fund.

(i) The Government will pay the Bank, a commission at the rate determined by the Bank in consultation with the Government. These charges shall also be borne by the Fund as in the case of the charges indicated in Paras. 11 and 9. The loss or gain on the sale of securities shall also be taken to the Account of the Fund.

Explanation :

- (a) The debit to Government on account of such withdrawal will be accounted under the major head "8235—General and Other Reserve Funds—120—Guarantee Redemption Fund Investment Account—1667—Guarantee Redemption Fund-91059-Investment of Deposits". On the maturity of the loan, the balance outstanding under the head 8235 (sub-head Guarantee Redemption Fund) is credited to the head—8680 (Miscellaneous Government Account) Ledger Balance Adjustment Account.

- (b) The Bank would scroll to the Government the debit on account of investment less the incidental charges in the usual course. However, in order to ensure that the investment transactions of the Fund do not get mixed up with other transaction, these will be indicated distinctly in separate scrolls.
- (c) The Bank will arrange to collect interest on the investments and credit the same to the Fund on the due dates.
- (d) On the maturity of the securities, the Bank will arrange to redeem the securities and in case of premature disinvestments, to sell the securities at the ruling price and credit the amount realized, less incidental charges to the Guarantee Redemption Fund Investment Account. As in the case of debit scrolls, the Bank shall use separate scrolls for the receipts.
- (e) The provisions for expenditure on account of the periodic contributions will be made in the Budget of the Government under the relevant head. The extent of expenditure to be financed from the Fund shall be withdrawn from the Fund by the disposal of the investment.

Functions of
the Bank
managing
the Fund.

10. (a) The Bank will be guided by the directions of the Government in all matters concerning the investment/reinvestment/disinvestment/reallocation/withdrawals time to time of the Fund and will act accordingly.

(b) The Bank would arrange to raise a debit to the account of the Government maintained with it as per the schedule of contributions set out in Paragraph 5.

(c) The contributions to the Fund shall be invested by the Bank in Government Securities as indicated in paragraph 8. The periodic accretion to the Fund by way of guarantee commission, contributions by the Government and interest income shall also be invested by the Bank in a similar manner.

(d) The withdrawals may be made from out the balance accumulated in the Fund up to the date towards the redemption of the guarantees invoked and to be paid by the Government as per its directions.

(e) The Bank will submit periodical statement of balances/advices regarding the changes therein in consultation with Government.

Services
charges for
administration
of the Fund.

11. The Government will pay to Bank a commission at the rate of 1/8 per cent of one per cent of the turnover of the Fund or at the rate to be mutually decided from time to time.

Accounts
and Audit.

12. The accounts of the Fund and the investments shall be maintained by the Accountant-General of the State in the normal course. The Bank will maintain subsidiary accounts in such manner and details as may be considered by the Government in consultation with the Accountant-General.

Savings. 13. The Government shall issue instructions relating to the provisions of the Scheme as may be considered from time to time to enable smooth functioning of the Scheme. In case of any difficulty in the operation of any provision of the Scheme, the Government may, if satisfied, relax the provisions.

The Accountant-General (A & E), Odisha have concurred in the Revised Scheme in Letter No. 1466—T.M-II-20-General/GRF-2009-2010, dated the 27th January 2010. This Notification supersedes the provisions accounting procedure laid down for Constitution & Administration of Guarantee Redemption Fund Scheme earlier prescribed by the Finance Department.

By order of the Governor

U. N. BEHERA

Additional Chief Secretary, Finance