

F. No. 44 (1)/PF-S/2021-22 (CAPEX)

Government of India
Ministry of Finance
Department of Expenditure
(Public Finance - States Division)

North Block, New Delhi.
Dated: the 29th April, 2021.

To,

The Additional Chief Secretary/Principal Secretary/Secretary
Finance Department,
All State Governments.
(As per list attached)

Subject: Guidelines on the Scheme for Special Assistance to States for Capital Expenditure for 2021-22.

Sir/ Madam,

As you are aware, capital expenditure has a high multiplier effect, enhances the future productive capacity of the economy, and results in a higher rate of economic growth. Therefore, despite the adverse financial position of the Central Government, it was decided to launch a "Scheme for Special Assistance to States for Capital Expenditure" in the financial year 2020-21. Under the scheme, financial assistance was provided to the State Governments in the form of 50-year interest free loan. An amount not exceeding Rs.12,000 crore was earmarked for the scheme for the financial year 2020-21, and a sum of Rs.11,830.29 crore was released to the States.

2. In view of the positive response to the scheme and considering the requests of the State Governments, the Government of India has decided to continue the scheme in the year 2021-22. Under the scheme, financial assistance will be provided to the State Governments in the form of 50-year interest free loan.

3. The Scheme for Special Assistance to States for Capital Expenditure for 2021-22 has three Parts:

- (i) Part-I: This part of the scheme is for the 8 North-East States i.e. Assam, Arunachal Pradesh, Meghalaya, Manipur, Mizoram, Nagaland, Sikkim and Tripura, and for the hill States of Uttarakhand and Himachal Pradesh. The sum allocated for this part is Rs.2,600 crore. Out of this amount, Rs.1,400 crore will be divided equally among 7 northeastern States @ Rs.200 crore each while Rs.1200 crores is earmarked for Assam, Himachal Pradesh and Uttarakhand in equal shares (i.e. Rs.400 crore each).
- (ii) Part-II: This part of the scheme is for all other States not included in Part-I. An amount of Rs 7,400 crore is allocated for this part. This amount has been allocated amongst these States in proportion to their share of central taxes as per the award of the 15th Finance Commission for the year 2021-22. State wise allocation is given in Annexure-I.
- (iii) Part-III: This part of the scheme is for providing incentives to States governments for privatization/disinvestment of the State Public Sector Enterprises (SPSEs) and monetization/recycling of assets. Under this part, States will be provided additional funds as 50 years interest free loan over and

above their allocation under Part-I or Part-II of the scheme. An amount of Rs.5,000 crore is allocated for this part of the scheme.

4. Conditions for approval of projects and releases of funds under Part-III of the scheme:

- (i) The funds will be provided on "First-come First-served" basis subject to availability of funds.
- (ii) Incentive to a State will ordinarily be limited to Rs.1,000 crore.
- (iii) Incentives to States will be provided under this part of the scheme for disinvestment of State Public Sector Enterprises (SPSEs) as well as for monetization/recycling of assets of States and of SPSEs.
 - For this purpose, SPSE means an organisation where majority ownership and management control are exercised by the State Government or State and Central Governments together and the organisation is subject to audit jurisdiction of the Comptroller and Auditor General.
 - Asset monetization/recycling is the sale of an asset, or transfer of an asset with operation and maintenance responsibility for a long term duration, against an upfront payment, to return the capital to invest in new assets or revitalize existing assets.
- (iv) **Disinvestment of State PSEs:** Incentives to States under the scheme will be available both for disinvestment of minority stakes in SPSEs as well as privatization (strategic sale) of SPSEs.
 - (a) **Disinvestment through minority stake sale in SPSEs:** In case of disinvestment of SPSEs through sale of minority stake, the States will be given additional allocation equivalent to 33% of the amount realized from such sale after 31.03.2021 and by 31.03.2022 and deposited in the Consolidated Fund of the State.
 - (b) **Listing of SPSEs and disinvestment of minority stake through stock exchanges:**

In case the State lists the SPSEs after 31.03.2021 and by 31.03.2022 in any of the stock exchanges by offering its shares for sale as per the Regulations issued by Securities and Exchange Board of India in this regard or offers for sale the shares of SPSEs already listed in any of the stock exchanges, the State will be given additional allocation under the scheme equivalent to 50% of the amount realized from such sale and deposited in the Consolidated Fund of the State.
 - (c) **Privatisation (strategic disinvestment) of State PSEs:**

Privatisation (strategic disinvestment) means sale of more than 50% of the equity in SPSEs alongwith transfer of management control after 31.03.2021 and by 31.03.2022. The incentive for strategic disinvestment will be higher. In such cases, the State will be given additional allocation under the scheme equivalent to 100% of the amount realized from privatisation and deposited in the Consolidated Fund of the State.
- (v) **Asset monetization/ recycling:**

Monetization of assets unlocks their value, eliminates their holding cost and enables scarce public funds to be deployed to new projects. As an incentive for State Governments to monetize assets, additional allocation equivalent to 33% of the realized value of assets deposited after 31.03.2021 and by 31.03.2022 either in the State Consolidated Fund or in the account of State Public Sector Enterprise(SPSE) owning the assets, will be provided under the scheme. Illustrative list of assets that may be monetized is as under:

 - Roads,
 - Ports,

- Airports,
- Bus terminals,
- Metro rail assets,
- Desalination plants,
- Other infrastructure assets etc. subject to approval by the Department of Expenditure, Ministry of Finance.

5. The amount realized by the State/SPSEs from monetization/recycling of assets under Para 4(v) should be used by the State/SPSE concerned on capital expenditure only.

6. Funds for approved projects, under each part of the scheme will be released by the Department of Expenditure in two installments. The 1st installment of 50% of the amount approved will be released on approval of the list of projects submitted by the State. Remaining 50% will be released as the 2nd installment on submission of Utilization Certificate in Form 12-B of the GFR, 2017 of at least 75% of the amount released in the 1st installment.

7. Funds provided to the States under the scheme by the Government of India shall be used for new and ongoing capital projects, for long term benefit to the State. The funds may also be used for settling pending bills in ongoing capital projects.

8. Amount realized from monetization/recycling of assets shall be used for investment in new capital assets or in revitalizing existing capital assets, within two financial years.

9. The eligible amount under Part-III of the scheme may be carried forward to the next financial year, if the State so desires subject to approval of the Department of Expenditure, Ministry of Finance.

10. **Administration of the Scheme:** The scheme will be administered as per the following guidelines:

- (i) The States will be required to submit an application in the attached format (Annexure-II) giving requisite details of the projects which the State intends to fund using allocation provided under the scheme.
- (ii) States (if they wish) may submit projects of a higher value than the funds allocated, indicating their preference/priority.
- (iii) The Government of India reserves the right to reject any project which, in its opinion, does not have sufficient economic merit in terms of short-term stimulus combined with long-term benefits to the economy.
- (iv) The list of projects cleared by the Government of India will be communicated to the States and 50% of the amount approved will be released initially.
- (v) Upon submission of Utilization Certificate for an amount not less than 75% of the amount initially released as the 1st installment in 2021-22, the States will be eligible for further release against the amount allocated to the State for 2021-22. The Utilization Certificate should be provided in the Form 12-B of the GFRs, 2017 duly signed by the State Finance Secretary.
- (vi) Funds not used by a State within a reasonable time may be reallocated to other States by the Government of India.
- (vii) In case of unavoidable changes in the specific project for which expenditure is sanctioned, State Government shall seek the approval of the Government of India for the change. Funds will not be released against un-approved changes.
- (viii) Expenditure by the States of the funds provided under the scheme, for purposes other than for which the funds were sanctioned, will result in the

deduction of the amounts by the Government of India from the devolution of the taxes due to the State in subsequent months. Application of the State for funds under the scheme will constitute its consent for such deduction in respect of ineligible expenditure.

- (ix) The projects posed by the State Governments may either be executed by Departments of the State or by PSUs or other agencies of the State Governments which are fully under the administrative control of the State Government.
- (x) The amount released by the Government of India shall be released by the State Government to the Implementing Agencies of the State within 10 working days. Delay beyond this period will make the State liable to pay interest to the Government of India on the amount released as per the weighted rate of interest on Open Market Borrowings (i.e. 10 year G-Sec.) for the previous year. State will submit a fund transfer certificate in the proforma given in Annexure-III showing dates of receipt and transfer of funds.
- (xi) The State Government shall ensure that there is no duplication in funding of the projects approved under the scheme either with the funds provided by the Government of India or the State Government.
- (xii) The Utilization Certificate, in the Form 12-B of the GFRs, 2017 for the amount initially released as the 1st installment in 2020-21, and the 2nd installment in 2020-21 under Part-I, Part-II and Part-III of the scheme, as the case may be will be provided by the State Government to become eligible to avail the allocated amount under the scheme for the year 2021-22.
- (xiii) An undertaking shall be furnished while applying for funds based on asset monetization/recycling that the funds will be used for investment in new capital assets or in revitalizing existing capital assets, within two financial years.

11. The allocated amount, under Part-I and Part-II of the scheme, should be spent only on Capital projects and will be in addition to the target for Capital Expenditure for 2021-22 fixed for the State and as communicated vide Department of Expenditure's letter no. 40(2) PF-S/2020-21 dated 31.03.2021. Regarding Part-III, please see Para (9).

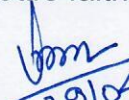
12. It is a condition of the scheme that all amounts allocated hereunder under Part-I & Part-II of the scheme shall be spent on eligible expenditure before 31.03.2022. For this purpose, release of funds to intermediate agencies without actual payments to the final recipient (parking of funds) will not be treated as expenditure. Regarding Part-III, please see Para (9).

13. The State shall refund to the Government of India the amount which has remained unutilized out of the amount released to the State in 2020-21 failing which the same will be deducted from the tax devolution of the State.

14. States shall extend necessary support to the NITI Aayog for monitoring and evaluation, as needed.

15. A summary of the scheme in tabular format is attached herewith (Annexure-IV).

Yours faithfully


29/04/2021
(Deependra Kumar)
Director (PF-S)
Tel: 011-23094904

**State wise allocation under Part-II of the Scheme for Special Assistance to States
for Capital Expenditure for 2021-22**

S. No.	State	Devolution (%)	Amount Allocated (Rs. in crore)
1	Andhra Pradesh	4.047	335
2	Bihar	10.058	831
3	Chhattisgarh	3.407	282
4	Goa	0.386	33
5	Gujarat	3.478	288
6	Haryana	1.093	90
7	Jharkhand	3.307	273
8	Karnataka	3.647	301
9	Kerala	1.925	159
10	Madhya Pradesh	7.85	649
11	Maharashtra	6.317	522
12	Odisha	4.528	374
13	Punjab	1.807	149
14	Rajasthan	6.026	498
15	Tamil Nadu	4.079	337
16	Telangana	2.102	174
17	Uttar Pradesh	17.939	1483
18	West Bengal	7.523	622
Total			7400

Annexure-II

Application format for providing the requisite details of the Projects (Summarized)

To,
The Secretary, Expenditure,
Ministry of Finance,
Government of India.

Subject: Approval of projects under the Scheme for Special Assistance to States for Capital Expenditure for 2021-22.

Sir,

With reference to your letter F. No. 44(1)/PF-S/2021-22 (CAPEX) dated 29th April, 2021, we would like to submit the following projects under the aforesaid scheme.

Sl. No.	Name of the Project	Type of Project	Sector	Location	Whether New or Ongoing	In case of ongoing		Capital Outlay (Rs. in Crore)	Completion Period	Implementing Agency	Economic Justification (in brief)	Other Details (if any)
						Percentage completion	Unpaid bill (if any)					
1.												
2.												
3.												
Total												

Note: Detailed Project Report (DPR) in respect of each project should be obtained by the State Government and kept in its record.

Yours sincerely

Additional Chief Secretary/Principal Secretary/Secretary
Finance Department,
State Government of.....

Format for Details of Funds Transfer to the Implementing Agencies of the State

1. Name of the State:
2. Sanction Order No. and Date:
3. Date of Receipt of the Funds:
4. Transfer of Funds to the Implementing Agencies of the State:

Sl. No.	Name of Implementing Agency	Amount Approved	Amount Released	Date of Release
1.				
2.				
3.				

5. Nature of Documentary Proof in respect of Transfer of Funds to the Implementing Agencies of the State:
 - (i)
 - (ii)
 - (iii)

Signature:
Designation:
Seal:
(For Principal Secretary, Finance),
State Government of.....

Summary Table*

S. No.	Scheme for Special Assistance to States for Capital Expenditure for 2021-22	Amount Eligible as 50-Year Loan (Rs. in crore)	Conditions	Date By which Expenditure to be Incurred
1.	Part-I	2600 (Rs. 400 crore each to Assam, Himachal Pradesh and Uttarakhand. Rs.200 crore each to North -Eastern States)	<ul style="list-style-type: none"> Allocated amount is to be spent on Capital projects. 	31.03.2022
2.	Part-II	7400 (to all States not included in Part-I and in proportion to their share of central taxes – Annexure-I)	<ul style="list-style-type: none"> Allocated amount is to be spent on Capital projects. 	31.03.2022
3.	Part-III	5000 (to all States)		
	Part-III (i): Disinvestment through minority stake sale in SPSEs.	33% of the amount realized from sale.	<ul style="list-style-type: none"> Amount should be realized from sale after 31.03.2021 and by 31.03.2022. The amount realized should be deposited in the State Consolidated Fund. The eligible amount may be carried forward to the next financial year. 	
	Part-III (ii): Listing of SPSEs and disinvestment of minority stake through stock exchanges.	50% of the amount realized from sale.	<ul style="list-style-type: none"> State should list the SPSEs in any of the stock exchanges by offering its shares for sale after 31.03.2021 and by 31.03.2022. The amount realized from sale should be deposited in the State Consolidated Fund. The eligible amount under Part-III may be carried forward to the next financial year. 	
	Part-III (iii): Privatisation (Strategic Disinvestment) of SPSEs.	100% of the amount realized from privatisation.	<ul style="list-style-type: none"> Sale of more than 50% of the equity alongwith transfer of management control. The amount should be realized from sale after 31.03.2021 and by 31.03.2022. The amount realized from sale should be deposited in the State Consolidated Fund. The eligible amount may be carried forward to the next financial year. 	31.03.2023
	Part-III (iv): Asset Monetization/ Recycling	33% of the realized value of assets.	<ul style="list-style-type: none"> Asset monetization/ recycling should be done after 31.03.2021 and by 31.03.2022. The amount realised should be deposited either in the State Consolidated Fund or in the account of asset owning SPSE. The amount realized should be used by the State/SPSE concerned on capital expenditure (new capital assets or in revitalizing existing capital assets), within two financial years. The eligible amount may be carried forward to the next financial year. 	

In case of any discrepancy between this Summary Table and the Guidelines, the provisions contained in the Guidelines shall prevail.