F. No. 44(1)/PF-S/2020-21
Government of India
Ministry of Finance
Department of Expenditure
(Public Finance - State Division)

North Block, New Delhi, the 12th October, 2020

To,

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

Subject: Scheme for Special Assistance to States for Capital Expenditure.

Madam/Sir,

The Government of India is aware that the State Governments are facing a difficult fiscal environment this year due to the shortfall in tax revenues arising from the COVID-19 pandemic. Many of the commitments of State Governments like salaries, pensions, and interest payments are fixed in nature and cannot be reduced in the short run. Under these circumstances, there is a likelihood of postponement of capital expenditure. 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 has been decided to extend a special scheme of assistance to the State Governments for the financial year 2020-21 in respect of capital expenditure.

2. Under the "Scheme for Special Assistance to States for Capital Expenditure", the special assistance will be provided to the State Governments in the form of 50-year interest free loan up to an overall sum not exceeding Rs.12,000 crores.

3. The scheme has three parts:

(i) Part-I: This part of the scheme is for the 8 north eastern 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.2,500 crores. Out of this amount, Rs.1,600 crores will be divided equally among 8 northeastern States while Rs.900 crores is earmarked for Uttarakhand and Himachal Pradesh in equal shares.

(ii) Part-II: This part of the scheme is for all other States not included in Part-I. An amount of Rs 7,500 crores is earmarked for this part. This amount has been allocated amongst these States in proportion to their share of Central Taxes as per the interim award of the 15th Finance Commission for the year 2020-21. State wise allocation is given in Annexure-I.

(iii) Part-III: An amount of Rs.2,000 crores is earmarked for Part-III of the scheme. This amount will be available only to those States who meet, by 31st December, 2020, at least three out of the four conditions specified in para-3 of the Department of Expenditure's letter No. 40(06)/PF-S/2017-18/Vol.V dated 17th May, 2020 allowing additional borrowing linked to specific reforms.

4. Funds provided under this scheme to the States shall be used for new and ongoing capital projects, for long term benefit to the State. The entire amount is to be spent by 31st March, 2021. The funds may also be used for settling pending bills in ongoing projects. Priority shall be given to new projects on which the money can be spent by 31st March, 2021. The funds will be released by the Department of Expenditure, based on proposals submitted by States.

5. The scheme shall 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 States intend to fund using special allocation.

(ii) States may submit a higher value/number of projects than the quota 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 the amount initially released, the States shall be eligible for further release.

(vi) Funds not availed 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 be either projects executed by Departments of the States or by PSUs or other agencies of the State Governments which are fully under the administrative control of the State Government.

(x) As far as possible, the Government of India will release funds directly to the implementing agency and necessary details for this purpose shall be provided by the State Governments. However, even if directly released, it shall constitute a loan to the State Government.

(xi) The funds provided under this scheme will be over and above the normal borrowing ceiling of 3% and additional borrowing of up to 2% provided under the Atmanirbhar Package.

(xii) Applications under Part-I and Part-II of the scheme with details of the projects should be submitted by the States by 26th October, 2020.

6. As regards the allocation under Part-III of the scheme, States may send their applications once they have completed at least three out of four prescribed reforms and such completion has been certified to the Department of Expenditure by the respective Ministries of the Government of India. The procedure of 50% initial sanction may be waived by the Government of India in appropriate cases. Inter-se allocation between States will be decided by the Government of India based on the number of applications and merit of applications.

7. It is a condition of the scheme that all amounts allocated hereunder shall be spent on eligible expenditure before 31st March, 2021. 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.

8. The funds under the scheme shall flow through the Public Financial Management System (PFMS). All agencies receiving funds under the scheme are expected to register under PFMS and update details of receipts and expenditure in PFMS.

Yours faithfully

12/10/2020

(Suraj Kumar Pradhan)
Joint Director (PF-S)
Tel: 011-23095691

Annexure-I

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

Sl. No.	Name of the State	Inter-se Share of State	Allocation under Part-II of the scheme (Rs. in Crore)
1.	Andhra Pradesh	4.111	344
2.	Bihar	10.061	843
3.	Chhattisgarh	3.418	286
4.	Goa	0.386	32
5.	Gujarat	3.398	285
6.	Haryana	1.082	91
7.	Jharkhand	3.313	277
8.	Karnataka	3.646	305
9.	Kerala	1.943	163
10.	Madhya Pradesh	7.886	660
11.	Maharashtra	6.135	514
12.	Odisha	4.629	388
13.	Punjab	1.788	150
14.	Rajasthan	5.979	501
15.	Tamil Nadu	4.189	351
16.	Telangana	2.133	179
17.	Uttar Pradesh	17.931	1501
18.	West Bengal	7.519	630
Total:			**7,500**

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

Sir,

With reference to your letter F. No. 44(1)/PF-S/2020-21 dated 12th October, 2020, we would like to submit the following projects under the aforesaid scheme. Detailed Project Reports (DPRs) of these projects are attached.

Sl. No.	Name of the Project	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										

Yours sincerely

(Name)
Addl Chief Secretary/Pr Secretary/Secretary