

**F.No.3/9/2015-BPC&T  
Ministry of Finance  
Department of Economic Affairs  
(Bilateral Cooperation Division)**

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North Block, New Delhi  
Dated the 17th May, 2018

**OFFICE MEMORANDUM**

**Subject:- Guidelines for posing, implementation and monitoring of externally aided projects – Doing away with the requirement of furnishing Debt Sustainability Certificate by the State Governments in Externally Aided Projects (EAPs) – Regarding.**

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While reviewing the Fund Flow Mechanism to UTs under the Externally Aided Projects, it is observed that State Governments are bound to limit their annual borrowings to 3% of their GSDP (with some exceptions with prior approval of the Central Government only). When State Government's fiscal deficit is only within the limit permitted by their FRBM law and within limits approved by the Central Government, there is no case of debt going beyond sustainable limits as EAPs are part of the Fiscal Deficit ceiling. If EAP is not taken, the same amount of debt can be taken from other source. EAP debt adds nothing additional to the debt situation of the State.

2. Hence, in partial modification of Department of Economic Affairs' O.M. No.3/3/2004-PMU dated 09.05.2005, it has been decided to do away with the practice of furnishing Debt Sustainability Certificate by the State Governments in Externally Aided Projects.
3. Accordingly, Para 6 of DEA's aforesaid O.M. No.3/3/2004-PMU dated 9th May, 2005 stands deleted and henceforth, the State Governments will not be required to furnish any Debt Sustainability Certificate in Externally Aided Projects.
4. This issues with the approval of Secretary (EA).



**(S. SELVAKUMAR)**

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1. The Secretaries of all Ministries / Departments of Govt. of India
2. All Chief Secretaries/ Administrators and Finance Secretaries of UTs
3. JS (PF-I), Department of Expenditure, New Delhi.
4. Joint Secretaries of MI, Budget and IER Divisions
5. CAAA, DEA.