

## **CHAPTER-5**

### **Externally Aided Projects**

Under the existing scenario of resource constraints, increased availment of foreign assistance for the externally assisted projects and their time bound implementation has assumed greater significance. Among the Special Category States, Himachal Pradesh has a good track record of multilateral as well as bilateral tie ups and implementation of projects in an effective manner. The State Government remained ever vigilant in tapping this source for the financing of development plans.

The State Government is implementing Externally Aided Projects in the sectors of Forestry, Education, Health, Environment etc. The implementation of these projects would help in achieving the objectives of productivity and raising the quality of life of the rural masses.

The State Government however needs to shift focus to structural / sectoral reforms and infrastructure development related proposals for posing to the donor agencies. This is so because the Government of India has now decided to avail financial assistance from the limited bilateral agencies. The multilateral donor agencies like World Bank has also now taken a divergent view on the flow of financial assistance to the developing nations. World Bank has now restricted the flow of financial assistance to (i) structural reforms related proposals and (ii) proposals related to infrastructure development. All this has made availability of external assistance goal specific and made it imperative on the part of the State Government to make proposals with specific goals which meet conditionalities of the donors' agencies.

Ministry of Finance, Govt. of India has issued instructions for change in the pattern for availing of external assistance. According to these instructions of Department of Expenditure, Ministry of Finance, the debt sustainability of the State is a pre-requisite condition for availing of external assistance. If a State is categorized as "debt stressed" by the Department of Expenditure, no Externally Aided Projects can be posed for that State. As such, debt sustainability of the State is to be ascertained and requisite clearance needs to be obtained from the Department of Expenditure before any project of the State is posed for external assistance.

As per earlier practice, external assistance used to flow as ACA in the form of loan and grant by the Govt. of India. Additional Central Assistance on account of EAPs was given to Himachal Pradesh as 90% grant and 10% loan being a Special Category State. This practice had undergone a major change as a result of recommendations of Twelfth Finance Commission. The Twelfth Finance Commission (TFC) in its report recorded that a large number of States had suggested that external loans should be passed on to States, on the same terms and conditions as granted by the lending agencies. This recommendation was also accepted by the Govt. of India.

But, the Department of Expenditure, Ministry of Finance has approved previous dispensation on the flow of External Assistance to Special Category States. The external assistance now to Special Category States will be in the grant/loan ratio of 90:10 instead of release on back to back basis recommended by the Twelfth Finance Commission.

**A summary of on-going projects is given as under:-**

## **1. Integrated Watershed Development Project (IWDP) for Mid-Himalayan**

**5.1.1** Integrated Watershed Development Project(IWDP) for Mid-Himalayan Project has been started from 1<sup>st</sup> October, 2005 and will be closed on 31-3-2013. The project area will cover the part of Chamba, Kangra, Hamirpur, Mandi, Bilaspur, Solan, Shimla and Sirmaur Districts. The project will focus primarily on the issue of poverty alleviation along with natural resource management. The main thrust of the project is:-

1. To improve productivity of agrarian and natural resource systems for raising per capita income of people.
2. To generate gainful employment opportunities through project intervention.
3. To raise the living standard of women and other disadvantaged groups.

**5.1.2** The total cost of the project is Rs. 365.00 crore. The project is being implemented with the assistance of World Bank. Against the total provision of Rs. 44.60 crore for the year 2007-08 an expenditure of Rs. 20.96 crore has been incurred upto October, 2007. The reimbursement claims of Rs. 15.58 crore have been filed against which Rs 0.89 crore has been received upto 31.3.2008. For this project, an outlay of Rs. 55.00 crore has been kept for the Annual Plan 2008-09.

## **2. Hydrology Project-II**

**5.2.1** The World Bank Aided Hydrology Project-II has been started with a total cost of Rs. 4950.00 lakh for six years. Under this project about 90% of the total project cost will be received as an external assistance whereas the rest 10% will be borne by the State Govt. as State share. The project is being implemented by the I & PH Department.

**5.2.2** The project envisages measuring/monitoring of surface water, ground water by means of making provision of permanent gauging station and water quality laboratory.

**5.2.3** For this project, an outlay of Rs. 6.25 crore has been kept for the Financial Year 2007-08 against which an expenditure of Rs. 3.08 crore has been incurred upto

31.3.2008. Under this project, Rs. 1.57 crore reimbursement has been received upto 31.3.2008. An outlay of Rs. 8.20 crore has been kept for this Project for the Annual Plan 2008-09.

### **3. GTZ Project on Irrigation (WASH)**

**5.3.1** The GTZ assisted WASH Project has been started with a total cost of Rs. 1587.00 lakh for six years. Under this project, about 85% of the total project cost will be received as an external assistance whereas the rest 15% will be borne by the State Govt. as State share. The project is being implemented by the I & PH Department.

**5.3.2** The objective of the WASH Project is to enable and empower Water Users/PRIs and stakeholders to plan, implement and manage the drinking water and minor irrigation systems in a sustainable manner. The project is in two phases i.e. Technical Component (TC) Phase and Financial Component (FC) Phase. The Financial Component (FC) Phase shall be taken up only on successful completion of Technical Component (TC) Phase.

**5.3.3** For this project a provision of Rs. 30.00 lakh has been kept for the Annual Plan 2008-09.

### **4. Technical Education Quality Improvement Project**

**5.4.1** For the implementation of Technical / Engineering Education Quality Improvement Project, an agreement was signed on February, 2003 between the International Development Association (IDA) and State of Himachal Pradesh. The project aimed at Quality Improvement of Technical Education which includes institutional developments and system management capacity improvement. The total cost of the project is Rs. 8.24 crore and the project was started in March, 2003. Under this project, 90% of the total cost will be received as external assistance and 10% will be borne by the State Govt. as State Share.

**5.4.2** The cumulative expenditure under this project upto 31.3.2008 is Rs. 6.84 crore and reimbursement of Rs. 4.26 crore has been received. The project will be closed on 30.6.2008.

### **5. Swan River Integrated Watershed Management Project**

**5.5.1** The Project named “Swan River Integrated Watershed Management Project” is located in the Una district. Forest Department has prepared a detailed project report for Rs. 135.00 crore. The main objective of this project is to reduce soil erosion and watershed catchment treatments of the 73 tributaries of the Swan River to reduce the water traffic to the main Swan River. The project has been started in April, 2006 for 8 years and will be terminated on 2014.

**5.5.2** For this project, an outlay of Rs. 10.00 crore was kept for the financial year 2007-08, against which an expenditure of Rs. 8.18 crore has been incurred upto 31.3.2008. Under this project, reimbursement claims of Rs. 5.31 crore have been filed against which reimbursement of Rs. 4.75 crore has been received upto 31.3.2008. For this project, an outlay of Rs. 13.00 crore has been kept for the Annual Plan 2008-09.

## **6. World Bank Assisted Himachal Pradesh State Road Project**

**5.6.1** The World Bank Assisted State Road Project has been started with a total estimated cost of Rs. 1365.00 crore for a period of five year. The project has been divided into two components-Core Road Network component and Core Network Maintenance and Management.

**5.6.2** The development objective of the project is to have positive social impacts in terms of reducing transportation costs and improving traffic flows on priority segments of the core road network of Himachal Pradesh. This objective will be achieved through a package of prioritized infrastructure investment and improved management practices.

**5.6.3** For this project, an outlay of Rs.78.00 crore was kept for the financial year 2007-08 against which an expenditure of Rs. 28.63 crore has been incurred upto the end of 31.3.2008. The reimbursement claims of Rs. 25.54 crore have been filed against which Rs. 0.89 crore has been received upto 31.3.2008. For this project, an outlay of Rs. 95.00 crore has been kept for the Annual Plan 2008-09.

## **7. GTZ Project for Micro Planning at Panchayat Level**

**5.7.1** The total cost of GTZ aided “Micro Planning at Panchayat Level” is Rs. 7.63 crore. The project will be completed in 4 years. Under this project, 85% of the total cost will be received as external assistance and 15% will be borne by the State Govt. as State share. The main objectives of the project are as under:-

1. Preparation of Model Guidelines/Manual to facilitate the preparation of best Micro Plans by the Panchayats.
2. Constitution of core group of experts for monitoring and advocacy regarding Micro Planning.
3. Study/Exposure visits of core group members and selected office bearers of Gram Panchayats outside the State and within the State.
4. Capacity building.

For the Annual Plan 2008-09, a provision of Rs. 10.00 lakh has been kept for this project.