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Government of India
Ministry of Finance
Department of Economic Affairs
Multilateral Institutions Division

New Delhi, September 1, 2011

Circular

Subject: Finance- Plus criteria for selection of projects to be posed to the World Bank, Asian Development Bank and the IFAD.

The Department of Economic Affairs, as the nodal agency for posing projects to the World Bank, ADB, and IFAD, has decided to institute a new set of principles and a Finance Plus criteria to govern the selection of projects to be posed to these agencies. The goal of instituting these principles and criteria is to maximise access and leverage of Multilateral Financial Institution's (MFIs)/ Multilateral Lateral Development Bank's (MDBs') knowledge base, international experience and familiarity with best practices, making the best use of limited external resources available. "Finance Plus" will form the main approach for accessing assistance from the World Bank, ADB and the IFAD.

2. The following principles will be applied:
 - a. The size of external assistance will be up-to a maximum of US \$ 500 million from MDBs for any project inclusive of any Technical Assistance for project preparation.
 - b. The overall portfolio will be progressively re-balanced towards State Projects and amongst the States towards the lagging and the special category States.
3. The new "Finance Plus" criteria for selection of projects will be as follows:

(A) Systemic or Transformational Impact:

1. Does the proposal have elements of sustainable systems re-engineering and or sustainable process re-engineering which would lead to improved systems, business processes or delivery mechanisms?
2. Does the proposal involve capacity building /institution building that can foster better outcomes on a long term sustainable basis?
3. Does the proposal have focus on service delivery/improvement (rather than only asset creation) in a sustainable manner - which otherwise has not been the norm in the projects implemented in the sector – e.g. focus on levels of reduction of water

- loss, focus on number of hours power/water is available per day, reduction in waterborne disease?
4. Does the proposal bring together otherwise disparate attempts/ schemes to one synergetic platform which has not been possible hitherto (e.g. nutrition, gender issues, livelihoods)?
 5. Does the proposal seek to create additional choice for the citizens to access required service/entitlements?
 6. Does the proposal involve energy efficiency and environmental benefits without making the project/ outcomes expensive?
 7. Are knowledge transfer, technology transfer and best practices transfer from international experience envisaged with adequate long term engagement for ensuring sustainability in Indian context?
 8. Does the proposal have institutional improvement measures: e.g. (a) Accounting Reforms (moving from single entry cash based accounting system to double entry accrual system of accounting (b) Ring fencing of finances/activities including corporatisation wherever needed c) creation and implementation of appropriate revenue models e.g. tariff reforms or alternative revenue structuring.
 9. Does the proposal address issues of real sector reforms e.g. Development of sectoral policies, development of institutional structures, setting up of regulatory framework/regulators?
 10. Does the proposal have elements that are transformational in nature – which if implemented could transform the way systems function or the way delivery of services are done?

(B) Innovations and Piloting of new Approaches:

1. Does the proposal have innovative elements and new approaches that have not been tried in the sector and have reasonable chance of changing for the better the way things are done in the sector and have some chance of scalable replication?
2. Does the proposal look at financial sustainability and O&M related issues which otherwise has not been the norm in the sector?

(C) Innovations in financing and Leveraging:

1. Does the proposal use different/ innovative financing products /modalities?
2. Does the proposal involve co-financing from other financing agencies?
3. Does the proposal catalyse private sector financing in different ways and especially to create leverage?
4. Does the proposal involve CDM and accrual of carbon credits as natural by-product of core development projects which can be a way of financing the project?

4. All Union Line Ministries/ State Governments are requested to send only such projects/ proposals that have adequate Finance Plus elements.

5. The Finance Plus criteria mentioned above will become applicable with immediate effect for all new projects/proposals. Projects already posed and appearing in the pipeline of the Department of Economic Affairs will be reviewed and redesigned to the extent possible.



(Nilaya Mitash)
Director (MI)
Tel: 2309 2387

1. All Union Line Ministries (Secretaries to the Departments/Ministries; Joint Secretaries Coordination)
2. All State Governments (Chief Secretaries ; Finance Secretaries)
3. PS to FM, Sr.PPS to Secretary (EA), PPS to SS (EA)
4. PS to Deputy Chairman, Planning Commission
5. Secretary, D/o Expenditure
6. All Joint Secretaries in Department of Economic Affairs
7. All Directors/ Deputy Secretaries/ Under Secretaries/ Section Officers in MI Division
8. O/o ED, World Bank, Washington DC, USA
9. O/o ED, ADB, Manila, Philippines
10. World Bank / ADB/ IFAD offices, New Delhi
11. NIC, North Block (*with the request to adequately place this circular on the Ministry of Finance website*)