

URGENT

**F. No. 12(15)-B(SD)/2018
Government of India
Ministry of Finance
Department of Economic Affairs
Budget Division**

**Room No. 221-A, North Block,
New Delhi, the 29th November, 2018**

OFFICE MEMORANDUM

Subject: Review of Government Guarantees-Action to be taken by Financial Advisers of Ministries/Deptts-reg.

Government Guarantees are contingent liabilities and need to be monitored properly to avoid event of default by the borrowing entities. The process of annual review of Govt. guarantees and maintenance of requisite records have been prescribed under Rule 281 of GFRs. The Financial Advisers of Ministries/Deptts. are responsible for monitoring and review of guarantees issued by their respective Ministries/Departments. Financial Advisers have to ensure maintenance of relevant records and submission of reports/returns to Budget Division (DEA). These rules are quoted for ready reference:

Rule 281 (1) All Ministries or Departments shall ensure that all guarantees are reviewed every year. The monitoring or review undertaken should examine whether the borrower is discharging repayment obligations or interest obligations as per terms of the loan agreement, whether the repaying capacity for the loan and guarantee amount is imposed in any manner, and whether all covenants and conditions are being religiously followed. The Financial Advisers of the Ministries or Departments should undertake these reviews. A copy of the review report including on timely and correct payment of guarantee fees, shall be forwarded by the Finance Advisor **to the Budget Division by 30th April every year** for the previous financial year.

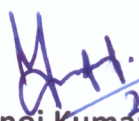
Rule 281 (2) The Financial Adviser of the Ministries or Departments would be responsible for ensuring that the annual reviews are carried out by the Ministries or Departments concerned. They shall also ensure that a register of guarantees in Form GFR 25 is maintained

- (i) to keep a record of guarantee
- (ii) to retain information required from time to time in respect of guarantees
- (iii) to keep record of the annual reviews to see that these are carried out regularly
- (iv) to keep record of levy and recovery of guarantee fee

- (v) to send data as contained in Form GFR 25, duly updated every year to the Budget Division in the Ministry of Finance, Department of Economic Affairs **by tenth of April.**

Rule 281 (3) In respect of guarantees issued by the Ministry of Finance for external loans, the respective credit divisions of Department of Economic Affairs shall conduct an annual review in consultation with the Financial Adviser (DEA). For this purpose the Financial Adviser (DEA) shall ensure the maintenance of the required registers, as well as ensure that the annual reviews are carried out by the concerned credit divisions, and **report forwarded to the Budget Division in Form GFR 25.** In cases, where the guarantees on external loans are issued by the concerned administrative Ministry, that Ministry would be responsible for conducting the review.

2. Office of DG (Audit) has conducted audit of this Deptt. and pointed out that Ministries/Depts do not furnish Annual review reports and returns to Budget Division (DEA) which results in lack of proper monitoring of guarantees.
3. All the Financial Advisers are, therefore, requested to ensure that Annual review of govt. guarantees are carried out and annual reports/returns are furnished timely to Budget Division (DEA) as envisaged under the above cited rules.


(Manoj Kumar Jangir) 29/11/2018

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To

The Financial Advisers (All Central Ministries/Depts.)