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NOTIFICATION

No.G21025/2/2011-DMU, the 1st April, 2013: In exercise of the powers conferred by Section 7 of the Mizoram Ceiling on Government Guarantees Act, 2011 (Act No. 9 of 2011), the Governor of Mizoram is pleased to make the following Rules, namely:

1. Short title and commencement: (1) These Rules may be called the Mizoram Ceiling on Government Guarantees Rules, 2013
(2) They shall come into force on the date of their publication in the official Gazette.
2. Definitions: In these rules, unless there is anything repugnant in the subject or context:
 - (a) 'Agencies' means all other entities not specifically defined in sub-section (2) of Section 2 of the Act including autonomous bodies having separate entities and are functioning under the control of the Government of Mizoram that may require funds for their day to day business for which loans from any financial institutions may be applied.
 - (b) 'Finance Department' means Finance Department of the Government of Mizoram.
 - (c) 'Year' means the financial year starting from April to March.
3. Ceiling on Government Guarantees:
 - (1) The total outstanding Government Guarantees as on the first day of April shall not exceed 25 percent of the Gross State Domestic Product estimated for the year.
 - (2) The total fresh Government Guarantees given in a year shall not exceed 3 percent of Gross State Domestic Product estimated for the year.
Provided that under extreme exigencies and occurrence of natural calamities requiring immediate fiscal policy measures, the Government may decide to grant the guarantees in excess of the ceilings prescribed under sub-rules (1) and (2).
4. Restrictions on Government Guarantees: No Government Guarantees shall be extended to individuals, private institutions or private companies.

5. **Guarantee Commission:**
- (1) The Government shall charge a minimum of 0.75 percent of the amount of the guaranteed loan as a guarantee commission which shall not be waived under any circumstances.
- Provided that the Government may enhance the rates of guarantee commission depending upon the default risk of the project for which the government may stand as a guarantor.
- (2) The Guarantee commission charged under sub-rule 1 above shall be credited into the Government account under the Head:
 0075 – Miscellaneous General Services
 108 – Guarantee Fees which shall be subsequently allocated under the following expenditure Head of Account for further remittance into the Public Account as part of the corpus of the Guarantee Redemption Fund:
 2048 – Appropriation for reduction or avoidance of Debt
 200 – Other Appropriations
 (01) – Guarantee Redemption Fund
 (54) – Investment
6. **Application for Government Guarantee and the mode of granting the Guarantee:**
- (1) The borrowing institution shall apply grant of Government guarantee for the loans to the Administrative Departments concerned and the application shall contain the following particulars, namely:
 i) Name of the borrowing institution;
 ii) Name of the lending institution;
 iii) Amount for which guarantee is sought and the rate of interest;
 iv) Period and schedule of repayment;
 v) Outstanding loans, if any, against the borrowing institutions;
 vi) Purpose of the proposed loan;
 vii) Financial status of the borrowing institutions as indicated by its trading accounts, profit and loss account and the balance sheet for the previous three years.
- (2) The Administrative Department after satisfying itself that the loans being applied should be guaranteed shall forward the application to Finance Department for scrutiny and concurrence.
- (3) Finance Department shall examine the application for granting Government guarantee received from the Administrative Department and after satisfying itself that the borrowing institution is financially sound and no default risk is involved in giving guarantee, may accord concurrence to the proposal.
- (4) The Administrative Department after getting financial concurrence shall invariably obtain approval of the Council of Ministers and thereafter, issue order in this behalf. A copy of such order shall be endorsed to Finance Department and the Accountant General, Mizoram.
7. **Execution of Agreement:**
- In all such cases where loans are guaranteed by the Government, the Administrative Department concerned shall enter into a separate agreement with the principal debtor and the creditor in a Standard Form of Deed of State Government Guarantee, *as appended herewith*, a copy of which shall be sent to Finance Department and Accountant General, Mizoram.

8. Maintenance of Records:

Administrative Department concerned shall maintain a complete record of all Government guarantees given showing due dates of repayment and such other particulars of the loans as may be considered necessary for safeguarding Government interest.

9. Repayment:

- 1) It shall be the responsibility of the Administrative Department to ensure that repayments are punctually made by the borrowing institutions. In order to keep a close watch on the repayments, the Administrative Department shall obtain periodical reports on the progress of the repayments and the outstanding loans from the borrowing institutions.
- 2) If the borrowing institution makes a default in repayment, the Administrative Department shall arrange to repay the instalments due without any further delay and shall take steps to recover the amount from the borrowing institutions together with interest at the rate of 2 percent higher than the rate at which the Government has to pay interest on the defaulted instalments.
- 3) All cases of default in repayments where the Administrative Department has to make payments on that behalf shall forthwith be reported to Finance Department.

L.N. Tohhawng,
Finance Commissioner,
Government of Mizoram.