



Fund Disbursal to FAs and CBOs under OMM and IF¹

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1 November 2018

Abstract: There is a confusion on whether to consider funds disbursed to FAs and CBOs under OMM and IF as advances or as grants-in-aid. The district level officials consider it as advances and request submission of all original bills and vouchers before releasing subsequent instalments. The norms suggested to address similar problems of disbursement under PKVY also consider this as an advance. From the perspective of FAs and CBOs, it is implicit in the guidelines and also as per undertaking with utilisation certificate under OGFR that these funds are to be considered as grants-in-aid, which is also in sync with rule 6F of Income Tax Act.

Introduction: The Government of Odisha has taken up two farmer-centric initiatives that have implications for the livelihood of tribals. They are the “Special Programme for Promotion of Millets in Tribal Areas of Odisha” (hereafter, Odisha Millets Mission, OMM) and the "Special Programme for Promotion of Integrated Farming in Tribal Areas" (hereafter, Integrated Farming, IF). The guidelines for implementing the programmes were issued in November 2016 (Ag-FG-I-38/16/19176/DCACS dated 21.11.16 and AP-II38/16/17971/Ag dated 02.11.16, respectively) with an amendment for both in August 2017 (AG.FG-I-01/2017/13376/A&FE dated 23.08.2017).

In both the programmes, the Government, the Civil Society and the Academia have come together to complement and supplement each other. The fund flow design in both the programmes are similar. The Directorate of Agriculture and Food Production (DAFP), which is the nodal agency for monitoring and implementing these two programmes, is to disburse funds to Agriculture Technology Management Agency (ATMA)/District Rural Development Agency (DRDA) at the district level and to the State Secretariat at NCDS that comprises funds for the Programme Secretariat facilitated through Watershed Support Services and Activities Network (WASSAN) and for the Research Secretariat at NCDS. At the district level, the funds are to be disbursed by ATMA/DRDA to Facilitating Agencies (FAs) and Community Based Organisations (CBOs). There are some concerns that have come with regard to settlement of expenditure incurred by FAs and CBOs and disbursal of subsequent instalments.

Advances or Grants-in-aid: An issue that arises is whether the funds disbursed to FAs and CBOs under OMM and IF are to be treated as advances or as grants-in-aid. If they are advances then the original bills and vouchers ought to be submitted by FAs and CBOs to ATMA/DRDA. However, if these are grants-in-aid then, as per Finance Department memorandum FIN-COD-RULE-0006/2014/21241/F dated 17.07.2014, the FAs and CBOs should submit necessary utilisation certificates and audited statement of accounts of expenditure incurred. In the absence of any clear statement or intimation from the appropriate authorities that these are grants-in-aid, the district level officials at ATMA/DRDA are treating these as advances.

¹ This policy brief is an outcome of discussion with different stakeholders.

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Norms for disbursing expenses under PKVY: In a recent review meeting of OMM held on 25.10.2018 (letter from DAFP 29676 dated 22.10.18), the submission of original bills and vouchers by FAs and CBOs before disbursement of additional funds was also raised. In the discussion, a similar problem with regard to fund disbursement under Paramparagat Krishi Vikash Yojana (PKVY) and the related decision (SHOF-11/2018/19041/A&FE dated 11.10.18) was suggested as a norm for disbursement under OMM. The decision for PKVY indicates that the organisations (FAs and CBOs under OMM) would be disbursed 50 per cent advance as first instalment, and then on submission of utilisation certificate and photocopies of expenditures they would be disbursed another 25 per cent as second instalment, and then after receiving all the original bills and vouchers that are to be submitted by organisations by 31st July after closing of the financial year they would be disbursed the remaining 25 per cent as third and final instalment. This has been suggested with the understanding that the amount disbursed are advances and that the organisations would require the original bills and vouchers only till their statutory audit.

Guidelines refers to submission of utilisation certificate: The guidelines for the two programmes do indicate that the CBOs and FAs are to submit utilisation certificates and the subsequent amendment does refer to some allocations under these programmes as lumpsum grant. Further, under Odisha General Financial Rule (OGFR) the form OGFR 7A of utilisation certificate also requires an undertaking by the organisation that they have to maintain the original bills and vouchers in their office. From the perspective of FAs and CBOs, it is implicit that that the money disbursed to them under OMM is to be considered as grants-in-aid. Besides, anything to the contrary has not been mentioned either in the memorandum of agreement or in the guidelines.

Compliance of Income Tax Act: The FAs and CBOs will also have to comply with Rule 6F of Income Tax Act, 1961, where it is indicated that all original bills of expenditure incurred by an organisation (along with other relevant books) must be kept at their offices for a period of six years from the end of that financial year. Any organisation that ought to maintain books under rule 6F should comply with this.

Concluding remarks: There has been some confusion as to whether funds disbursed to FAs and CBOs under OMM and IF are to be considered as advances or as grants-in-aid. The district level officials are of the view that, in the absence of any intimation from the state-level authorities, this should be considered as advances. From the perspective of FAs and CBOs, as per the guidelines under the programmes and as per undertaking with utilisation certificate under OGFR this should be considered as grants-in-aid. Moreover, funds being disbursed to any independent legal entity being considered as grants-in-aid is also in sync with Income Tax Act, 1961. A change in nomenclature from advances to grants-in-aid for disbursement of funds under OMM and IF may also require an appropriate entry at the treasury level with retrospective effect from the inception of the two programmes. This calls for a decision that is in sync with the Income Tax Act and the relevant memorandum of Finance Department for grants-in-aid.



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