

India: Raising and Accelerating MSME Performance  
(P172226)

Program for Results

Integrated Fiduciary Systems Assessment (FINAL)

May 3, 2021



**WORLD BANK**



# Acronyms

ACG	Anti-Corruption Guidelines
AG (A&E)	Accountant General (Accounts and Entitlement)
BE	Budget Estimate
CAG	Comptroller & Auditor General of India
CCA	Chief Controller of Accounts
CGA	Controller General of Accounts
CGTMSE	Credit Guarantee Trust for Micro and Small Enterprises
CLCS-TUS	Credit linked Capital Subsidy Scheme and Technology Upgradation scheme
CS	Central Sector Schemes
CSS	Centrally Sponsored schemes
CVC	Central Vigilance Commission
DBT	Direct Benefit Transfer
DC-MSME	Development Commissioner, Micro, Small and Medium Enterprises
DDG	Detailed Demand for Grants
DDO	Drawing and Disbursement Officer
DEA	Department of Economic Affairs
DLI	Disbursement Linked Indicator
DOE	Department of Expenditure
EAT	Expenditure, Advance, Transfer
eGem	Government e-Marketplace
eGP	e-Government procurement
FD	Finance Department
FM	Financial Management
FMIS	Financial Management Information System
GAR	Government Accounting Rules
GFR	General Financial Rules
GOI	Government of India
IA	Implementing Agency
IAW	Internal Audit Wing
IFSA	Integrated Fiduciary Systems Assessment
IFW	Integrated Finance Wing
IP	Implementing Partner
ISM	Implementation Support Mission
MDA	Ministry, Department and Agencies
MCRRP	MSME competitiveness – A post COVID Resilience and Recovery Program
MoF	Ministry of Finance
MoMSME	Ministry of Micro, Small and Medium Enterprises
MSME	Micro, Small and Medium Enterprise
NIC	National Informatics Centre
NPIU	National Project Implementation Unit
OPRC	Operational Procurement Review Committee
PAO	Pay & Accounts Office
PAP	Program Action Plan
PDO	Program Development Objective
PFM	Public Financial Management

PFMS	Public Financial Management System
PrAO	Principal Accounts Office
PSC	Program Steering Committee
QCI	Quality Council of India
RAMP	Raising and Accelerating MSME Performance
RBI	Reserve Bank of India
RE	Revised Estimate
RTI	Right to Information (RTI) Act 2005
SIDBI	Small Industries Development Bank of India
SBD	Standard Bid Document
SIP	Strategic Investment Plan
SME	Small & Medium Enterprises
SO	Sanction Order
SPIU	State Project Implementation Unit
TA	Technical Assistance
TC	Technology Center
TCSP	Technology Center Systems Program
ToR	Terms of Reference
UBIS	Union Budget Information System
WB	World Bank

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## **Section 1: Conclusions**

### **1.1 Reasonable Assurance**

1. As part of Program preparation, the World Bank (WB) carried out an Integrated Fiduciary Systems Assessment (IFSA) of the Central Ministry (MoMSME) and five selected States (Punjab, Gujarat, Rajasthan, Maharashtra, Tamil Nadu) that are involved in the Program implementation, to determine whether the fiduciary systems provide reasonable assurance that funds will be used for the intended purposes. Fiduciary framework, mitigation measures and Program Action Plan (PAP) have been put in place. Additional States that are identified later and join the RAMP program will adopt the agreed fiduciary framework, including additional mitigation measures, as required.

2. The Central Ministry (MoMSME) and the selected States follow General Financial Rules (GFR-2017) of Government of India (GoI) for Financial Management (FM). For Procurement, States follow GFR-2017 or applicable procurement acts or laws. The GFR-2017 and respective state procurement acts /laws do meet the core FM and procurement principles of value for money, economy, efficiency, integrity, transparency, fairness and accountability. The program design provides for flexibility to include Institutions either as Implementing Agencies (IA) or Implementing Partners (IP) during program implementation at the Central and State level. The IP (public or private sector agencies) will be competitively selected and will be legally a contractor / service provider, while IA (government or quasi-government / public sector agencies) will be identified by the Government on nomination basis. The design also envisages an increase in the proportion of competitively selected IPs over nominated IAs, though already engaged IAs may continue during a transition period. The activities envisaged under the program are mainly soft interventions such as consultancies, capacity building and training programs and does not include any major civil works. MoMSME, at the Central level and the Department of Industries / MSME at the State level will be the nodal agencies who will engage IAs and IPs for the Program implementation and will be responsible for the overall monitoring and progress of the activities. They will be supported in identification and selection of IAs and IPs and monitoring of performance by the NPIU and SPIUs respectively. The MoU or contractual arrangements entered by MoMSME and State Department of Industries / MSME with the public and private sector agencies will define their relationship under the Program either as IA or IP. Institutions engaged as IAs will be subject to Bank's prior fiduciary assessment and shall comply with all the PAP actions, as funds will be released to them as Grant-in-Aid for implementing program activities. The selected IA's will further hire service providers / consultants following the GFR-2017 provisions. If the institutions are engaged as IPs to deliver services under the contract, the NPIU and SPIUs will monitor the contract performance, deliverables and payment milestones in the MIS system to be developed by MoMSME. All the contracts awarded to IP or awarded by IA to service providers / consultants will be subject to an annual audit covering procurement and FM aspects of the Program.

3. IFSA followed the WB Policy for PforR and the related directive. In view of the program design, where Institutions are envisaged to be selected either as Implementing Agency (IA) or Implementing Partner (IP), the team has adopted a framework approach to arrive at the conclusion of IFSA. The fiduciary systems of the Program were assessed based on the data and information

shared by MoMSME, review of fiduciary processes of CLCS-TUS scheme that was implemented by one of the main IA (QCI) implementing two of the major CLCS-TUS sub-schemes being scaled up under the Program, sample 'Sanction Orders' issued by MoMSME to IAs and audit reports of the C&AG that are available in the public domain; implementation experience of an existing WB financed Program (TCSP) – IPF operation with MoMSME having similar institutional structure; Central and State level PFM knowledge and other broader assessments such as recently concluded MAPS. IPs being contractors, do not require assessment under IFSA. The fiduciary risk of the Program is assessed as **Substantial**. To strengthen the existing systems and to mitigate fiduciary risk, various action items are recommended as part of Program Action Plan (PAP). With the implementation of recommended mitigation measures, the capacity and performance of the fiduciary systems of MoMSME and existing IAs are considered adequate to provide reasonable assurance that the Program funds will be used for the intended purpose. If any significant events and issues come to the knowledge of the WB during the program implementation, additional mitigation measures shall be promptly put in place in consultation with MoMSME.

## 1.2 Risk Assessment

4. The key fiduciary risks identified during the assessment and the mitigating measures are mentioned below;

a) **Limited fiduciary capacity to implement the Program:** Due to involvement of IAs at the field level, there are procurement staffing and capacity issues as there are no dedicated procurement experts required as per the scheme guidelines. This may lead to delay in procurement action, inconsistency and non-compliance of procurement processes. To mitigate these issues, procurement staffing at NPIU and SPIU level needs to be strengthened. Procurement Staff at IAs to be strengthened and their training through identified institutions, be made mandatory in procurement and contract management aspects. Similarly, the FM staffing at NPIU and SPIUs also need to be strengthened to provide support to the program officers to closely monitor and comply with FM requirements of the Program.

b) **Standard bid and contract documents:** All IAs are required to follow the GFR-2017 provisions regarding procurement and contract management but presently each IA uses their own documents and there is no standardization regarding bid or contract documents. To ensure that the provisions of GFR-2017 are being consistently applied across board and that there is no ambiguity, standard documents need to be developed specifically for consultancy services and goods (non e-GEM) for procurement envisaged under the program and MoMSME through its operational manual makes its use mandatory for all the IAs who are mandated to execute activities under the scheme. Reference shall be made regarding applicability of World Bank's Anti-corruption Guidelines in all standard Bid documents to be issued by IAs.

c) **Lack of availability of consolidated procurement and contract performance information and need for public disclosure for enhanced transparency:** It is observed that procurement plans and contract awards are currently not available in the public domain. In order to augment the competition and as per the requirement of GFR-2017, it is recommended to prepare annual procurement plans which are based on Annual Work Plans to reflect the activities to be carried out at Central level by MoMSME and by selected IAs as per the sanction plans and to timely publish the contract award notices. Lack of end-to-end information on various procurement

activities requires development of Procurement and contract MIS system to enable close monitoring and oversight by NPIU and SPIUs in regard to procurement and contract awards through IAs and contracts awarded to IPs enabling them to address any systemic issues in a timely manner.

**d) Absence of a procurement and FM related complaint handling mechanism:** Currently there is no dedicated mechanism in place for handling procurement and FM related complaints in a timely manner. Considering the commercial nature of procurement related complaints and resulting impact on the confidence of bidding, and decentralized payments to vendors / consultants by IAs, it is recommended that a procurement and FM related complaint handling mechanism, with pre-defined roles, responsibilities and timelines, should be developed to deal with complaints arising from the procurement, FM and contract management for the activities that fall within the Program Expenditure Framework. MoMSME can set-up a centralized complaint redressal system with a web interface to receive procurement & FM complaints with clearly defined rules and authorities to resolve/process the complaints/suggestions. Furthermore, this system shall be designed to ensure compliance with the requirements of various applicable acts and rules. MoMSME will monitor and compile all fraud-and corruption-related allegations and investigations cases related to the Program and share the report with WB in the prescribed format bi-annually. The reports should include details regarding allegations of fraud and corruption under the Program that are received and registered, as well as related investigations and actions taken.

**e) Strengthen internal audit function to conduct the audit of the Program:** The field level IAs receive funds as ‘Grant-In-Aid’ under the Program to implement activities. Some of these IAs may not have defined systems of internal audit. In view of likely increase in activities and volume of transactions under the Program, the internal audit system needs strengthening. The Internal Audit Wing (IAW) of MoMSME will engage individuals (or private audit firm) that will work under the overall guidance and supervision of IAW to conduct the internal audits of the Program covering all activities, including contracts awarded to IPs and contracts awarded and expenses incurred by IAs as per ToR agreed with WB. Risk-based audit approaches can be practiced, to conduct an integrated audit of the schemes covering Procurement & FM aspects. Auditor will validate the applicability of ACG and verify that no contract is awarded to WB debarred firms under Program Expenditure Framework.

**f) Close monitoring required to obtain timely utilization certificates (UC) as per GFR-2017 and year end audit reports from IAs:** IAs receive funds as ‘Grant-In-Aid’ to implement Program activities. These IAs will have varied FM and Procurement capacities and delays are expected in the receipt of UCs and year end audit reports. To address these FM issues, NPIU and SPIUs will engage FM specialists that will work closely with the Program officers in MoMSME and State Industries Department to monitor the receipt of UCs and audit reports. Further ‘Grant-In-Aid’ releases will not be made to IAs that have not submitted UCs and have overdue audit reports and either have ‘disclaimer or adverse’ audit opinion in the audit reports. The PFMS (Public Financial Management System) of GoI will be used for payments and to monitor program expenditures. Training programs on the use of PFMS and online submission of UCs through PFMS will be also organized for the IAs.

### 1.3 Procurement Exclusions

5. The Program is not expected to procure any high value contracts<sup>1</sup> valued at or above Operational Procurement Review Committee (OPRC) thresholds (US\$75 million for works, US\$50 million for goods and non-consulting services, and US\$15 million for consultant services), which are based on the fiduciary “Substantial” risk rating. High value contracts under the Program shall be monitored during the implementation supervision missions (ISM) to ensure that the Program is in conformity with the WB policy on high value contracts in Program-for-Results Financing. This would also be regularly validated through internal/external audits of the IAs.

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<sup>1</sup> means contracts with estimated values exceeding the monetary amounts, as may be amended from time to time, that require mandatory review by the Bank’s OPRC

## Section 2: Scope

6. The **MSME competitiveness program** – A post CoVID Resilience and Recovery Program (MCRRP) (‘small p’) of GoI is estimated at US\$3.9 billion (at an exchange rate of 1 USD = INR 75) to be implemented over a period of 5 years (FY21-22 to FY25-26) that comprise of seven major schemes/ components<sup>2</sup>. The MCRRP will be appraised by Department of Expenditure (DoE) of GoI. MoMSME is developing a Program document outlining the operational details, such as key nodal departments and implementation agencies (IAs) at the Central level and State level that will be involved in program implementation, Institutional mechanism for effective coordination and delivery, annual program outlay of the schemes for next 5 years, monitoring and evaluation framework, oversight arrangements, and so on.

7. **The Program Development Objective (PDO)** of RAMP is ‘Strengthen MSME performance through sustainable and innovative market-based services at Central level and in selected States’. To achieve this PDO, an integrated approach is used, leveraging synergies across the Results Areas, is given below. The Disbursement of US\$500 million by the WB to GoI will be linked to achievement of Disbursement Linked Indicators (DLI).

**Table 1: RAs, DLIs Allocation**

Result Area	Disbursement Linked Indicators	WB Financing (US\$ million)
RA 1: Strengthening Institutions and Governance of the MSME Program	DLI-1: Implementing Central Government MSME Institutional Reform	95
	DLI-2: Accelerating MSME Sector Centre-State collaboration	155
RA 2: Support to Firm Capabilities and Access to Markets, and Access to Finance	DLI-3: Enhancing Effectiveness of Firm Capabilities Schemes	75
	DLI-4: Strengthening the Receivable Financing Market for MSMEs	65
	DLI-5: Enhancing Effectiveness of CGTMSE and “GG” delivery	55
	DLI-6: Reducing the incidence of delayed payments.	55
<b>Total</b>		<b>500</b>

### Program Boundary and Expenditure Framework

8. The scope of the IFSA is limited to the boundary of RAMP Program. The RAMP Program is carved out of the MCRRP. The expenditure framework of the RAMP Program (‘Big P’), hereafter called ‘The Program’ will be a slice of US\$3.4 billion, estimated at US\$808.33 million, of which the WB (IBRD) will finance US\$500 million. The Program will be a combination of

<sup>2</sup> Outlined in GoI Program Document

Central Sector (CS) and Centrally Sponsored (CSS) schemes and has been defined based on the technical discussions held with the officials of MoMSME. These schemes have been identified from the existing budget lines of the Demand for Grant No 67 of MoMSME. The object heads mapped to these schemes represent the economic nature of expenditure, and the amounts paid and accounted under these object heads will construe as 'Program Expenditure'. The funds released under the object head 'Grant-In Aid' will be monitored through receipt of UCs, progress reports, financial & contract management reports, and year-end audit reports. Any object head that relate to 'civil works or any major construction' is not be included in the Program boundary and it will be closely monitored throughout the Program implementation.

9. The RAMP program costs specifically support institutional strengthening and reform, market development and technical service provision measures critical to the achievement of program results, with a focus on selected states. The RAMP program will focus on those elements that will build program implementation capacity, enable quality technical service provision to MSMEs and enhance firm capabilities and performance. The five selected States are Punjab, Gujarat, Rajasthan, Maharashtra, Tamil Nadu that will develop Strategic Investment Plans (SIP) based on which IA's and activities will be determined.

10. The RAMP program supports integration of currently fragmented interventions with MoMSME and across central ministries, and decentralizing financing and implementation oversight to states that are better placed to respond to local context and challenges to MSME growth. A large part of the funding will support improved technical service provision to MSMEs including an initial assessment against competitiveness parameters; TA to develop business plans and commercial loan applications; and TA to meet target firm performance standards across a range of areas including regulatory compliance, production efficiency, adoption of new technologies, waste reduction and product design improvements.

11. The program supports institutional reform and strengthening MSMEs at the central and state level; raising quality of needed technical services; development of online marketplaces and platforms for scaled up technical service provision to a larger number of MSMEs in the selected states; and program evaluation and impact assessment. The Program funds will be used to finance technical assistance activities, IT related interventions and financial assistance to MSME units in the form of 'subsidies'. Civil works or any major construction related activities are not envisaged under the Program. The expenses will be incurred mainly towards, staff costs of officials supporting in the scheme implementation, consultancies, awareness and capacity building programs, conducting seminars & workshops, domestic and international training programs, study tours, and travel expenses, office/administrative expenses, publications, advertisement and publicity, marketing and promotional activities.

12. The program design provides for flexibility to include Institutions either as implementing agencies (IAs) or Implementing Partners (IP) during program implementation at the Central and State level. The IPs (public or private sector agencies) will be competitively selected and will be legally a Contractor / Service Provider, while IAs (government or quasi-government / public sector agencies) will be identified by the Government on nomination basis. The design also envisages an increase in the proportion of competitively selected IPs over nominated IAs, though already engaged IAs may continue during a transition period. MoMSME, at the Central level and the Department of Industries / MSME at the state level will be the nodal agencies who will engage

IAs and IPs for the Program implementation and will be responsible for the overall monitoring and progress of the activities. They will be supported in identification and selection of IAs and IPs and monitoring of performance by the NPIU and SPIUs respectively. The MoU or contractual arrangements entered by MoMSME and state Department of Industries / MSME with the public and private sector agencies will define their relationship under the Program either as IA or IP. Institutions engaged as IAs will be subject to Bank’s prior fiduciary assessment and shall comply with all the PAP actions, as funds will be released to them as Grant-in-Aid for implementing program activities. The selected IA’s will further hire service providers / consultants following the GFR-2017 provisions. If the institutions are engaged as IPs to deliver services under the contract, the NPIU and SPIUs will monitor the contract performance, deliverables and payment milestones in the MIS system to be developed by MoMSME. All the contracts awarded to IP or awarded by IA to service providers / consultants will be subject to an annual audit covering procurement and FM aspects of the Program.

13. The team has adopted a framework approach to arrive at the conclusion of IFSA. The fiduciary systems of the Program were assessed based on the data and information shared by MoMSME, review of fiduciary processes of CLCS-TUS scheme that was implemented by one of the main IAs (QCI) implementing two of the major CLCS-TUS sub-schemes being scaled up under the Program, sample ‘Sanction Orders’ issued by MoMSME to IAs and audit reports of the C&AG that are available in the public domain; implementation experience of an existing WB financed Program (TCSP) – IPF operation with MoMSME having similar institutional structure; Central and State level PFM knowledge and other broader assessments such as recently concluded MAPS. IPs being contractors, do not require assessment under IFSA.

14. The five states were selected based on proven track record of carrying out reforms to improve the Ease of Doing Business Environment and the size of the MSME sector in the state. These selected states of the RAMP program account for more than 50% of six million registered MSMEs in India and hence are a good representation.

15. The below **table 2** shows the overall program expenditure at the Central and State-level.

**Table 2: The Program Expenditure Framework (USD millions and percent)**

<b>Program Expenditure Categories and Centre/State Allocations</b>				
<b>Expenditure Categories Summarized from Budget Heads/Objects</b>	<b>National</b>	<b>State</b>	<b>Total</b>	<b>%</b>
Institutional Development – policy, planning, implementation and M&E	70	50	120	<b>15%</b>
Market Development - digital platforms and quality service providers	100	100	200	<b>25%</b>
Support Services to MSMEs (at Centre and State)	388	100	488	<b>60%</b>
<b>Total</b>	<b>558</b>	<b>250</b>	<b>808</b>	<b>100%</b>

**Table 3: Expenditure Framework**

Scheme	Sub-Scheme	Object heads presently mapped to the Schemes*	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26	FY21-26
			Figures in Mn	Figures in Mn	Figures in Mn	Figures in Mn	Figures in Mn	Figures in Mn	Figures in Mn
Establishment Expenditure for the Centre	Secretariat - Budget head Nos [3451.00.090.61.(01,96,99)]	Allowance, Medical Treatment, Domestic Travel Expenses, Foreign Travel Expenses, Office Expenses, Other Administrative Expenses, Advertising and Publicity, Minor Works,	INR 224.20	\$ 1.45	\$ 1.80	\$ 2.00	\$ 4.30	\$ 4.60	\$ 14.15
	Development Commissioner (MSME) - Budget Head Nos [2851.00.001.05.(01,96)]		INR 344.30	\$ 2.21	\$ 2.40	\$ 2.80	\$ 5.60	\$ 5.98	\$ 18.99
	<b>Sub-Total</b>		<b>INR 568.50</b>	<b>\$ 3.66</b>	<b>\$ 4.20</b>	<b>\$ 4.80</b>	<b>\$ 9.90</b>	<b>\$ 10.58</b>	<b>\$ 33.14</b>
Technology Upgradation and Quality Certification	Credit linked Capital Subsidy and Technology Upgradation Scheme (LEAN, DESIGN, ZED, Incubation, IPR, DIGITAL MSME) - Budget Head Nos [2552.00.236.31.03], [3601.06.101.73.01], [3601.06.789.62.01]	Other Administrative Expenses, Domestic Travel Expenses, Foreign Travel Expenses, Office Expenses, Advertising and Publicity, Professional Services,	INR 1,511.90	\$ 24.19	\$ 27.82	\$ 29.77	\$ 31.85	\$ 34.08	\$ 147.70
	Technology Upgradation Scheme – States [2552.00.101.11.01], [3601.06.101.73.01], [3601.06.789.62.01]	Grants-in-Aid General	INR 1,500.00	\$ 24.00	\$ 27.60	\$ 29.53	\$ 31.60	\$ 33.81	\$ 146.54
	<b>Sub-Total</b>		<b>INR 3,011.90</b>	<b>\$ 48.19</b>	<b>\$ 55.42</b>	<b>\$ 59.30</b>	<b>\$ 63.45</b>	<b>\$ 67.89</b>	<b>\$ 294.25</b>
Marketing Promotion Scheme	Procurement and Marketing Support Schemes - Budget head Nos [2552.00.236.33.03], [2851.00.102.97.02], [2851.00.789.65.04], [2851.00.796.64.04]	Other Administrative Expenses, Domestic Travel Expenses, Foreign Travel Expenses, Advertising and Publicity, Professional Services, Grants-in-Aid General, Subsidies	INR 545.90	\$ 7.79	\$ 8.33	\$ 8.92	\$ 9.54	\$ 10.21	\$ 44.79
	Procurement and Marketing Support Schemes – States - Budget head Nos [2552.00.101.10.00], [3601.06.101.72.00], [3601.06.789.62.00], [3601.06.796.65.00]	Grants-in-Aid General	INR 290.00	\$ 4.14	\$ 4.43	\$ 4.74	\$ 5.07	\$ 5.42	\$ 23.79
	Marketing Assistance Scheme - Budget head Nos [2552.00.236.33.02], [2851.00.789.65.02], [2851.00.796.64.02], [2851.00.800.52.01]	Subsidies	INR 0.40	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.03
	International Cooperation Scheme - Budget head Nos [2552.00.237.14.01], [2851.00.789.65.03], [2851.00.796.64.03], [2851.00.800.52.02]	Grants-in-Aid General	INR 200.00	\$ 2.85	\$ 3.05	\$ 3.27	\$ 3.50	\$ 3.74	\$ 16.41
	<b>Sub-Total</b>		<b>INR 1,036.30</b>	<b>\$ 14.78</b>	<b>\$ 15.82</b>	<b>\$ 16.93</b>	<b>\$ 18.11</b>	<b>\$ 19.38</b>	<b>\$ 85.02</b>
Infrastructure Development Programme	Capacity Building for Technology centers (old scheme name - Establishment of New Technology centers) - Budget head No [2851-00-102-99-04]	Other Administrative Expenses, Domestic Travel Expenses, Foreign Travel Expenses, Office Expenses, Professional Services, Grants-in-Aid General	INR 110.00	\$ 1.57	\$ 1.68	\$ 1.80	\$ 1.92	\$ 2.06	\$ 9.02
	<b>Sub-Total</b>		<b>INR 110.00</b>	<b>\$ 1.57</b>	<b>\$ 1.68</b>	<b>\$ 1.80</b>	<b>\$ 1.92</b>	<b>\$ 2.06</b>	<b>\$ 9.02</b>
	RAMP (WB) - Budget head No...	Grants-in-Aid General, Professional Services, Grants-in-Aid Salaries	INR 0.00	\$ 24.50	\$ 24.50	\$ 24.50	\$ 20.00	\$ 20.00	\$ 113.50
	RAMP (WB) - States Budget Head No...	Grants-in-Aid General	INR 0.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 250.00
	<b>Sub-Total</b>		<b>INR 0.00</b>	<b>\$ 74.50</b>	<b>\$ 74.50</b>	<b>\$ 74.50</b>	<b>\$ 70.00</b>	<b>\$ 70.00</b>	<b>\$ 363.50</b>
Research and Evaluation Studies	Database Research Evaluation and Other Office Support Programme - Budget head Nos [2851.00.102.02.03], [2851.00.789.68.01], [2851.00.796.67.01], [2552.00.236.35.01]	Other Administrative Expenses, Domestic Travel Expenses, Office Expenses, Publications, Advertising and Publicity, Professional Services	INR 272.50	\$ 3.89	\$ 4.16	\$ 4.45	\$ 4.76	\$ 5.10	\$ 22.36
	Survey, Studies and Policy Research - Budget head No [2851.00.800.54.01]	Grants-in-Aid General	INR 12.60	\$ 0.18	\$ 0.19	\$ 0.21	\$ 0.22	\$ 0.24	\$ 1.03
	<b>Sub-Total</b>		<b>INR 285.10</b>	<b>\$ 4.07</b>	<b>\$ 4.35</b>	<b>\$ 4.66</b>	<b>\$ 4.98</b>	<b>\$ 5.33</b>	<b>\$ 23.39</b>
	<b>Grand Total</b>								<b>\$ 808.33</b>

\*Note: 'Object heads' mentioned above are taken from the budget documents of FY20-21. During the course of Program implementation, MoMSME may add 'object heads' under the schemes to represent the economic nature of expenditure, but those heads will be confined to financing Staff costs and Administrative expenses, Subsidies and Technical Assistance activities.

**RAMP Program Monitoring and Implementation Arrangements**

16. The schemes will be implemented at the Central level by the Ministry, Department and Agencies (MDAs) with the support of five selected State Govts (i.e. Gujarat, Maharashtra, Punjab, Rajasthan, and Tamil Nadu) and field level Institutions/agencies (IAs), as follows;

- (i) **Central Level:** Central Ministry (MoMSME) with the support of its administrative division 'O/o DC-MSME'.

- (ii) **State level:** ‘Department of Industries’ or ‘Department of MSMEs’ through its district offices ‘District Industries Center-DIC’(DIC’s are considered as IAs further in this document).
- (iii) Field-level Institutions / Scheme Manager / Implementing agencies (**IAs**): These are MSME development Institutes (DI), Technology Centers (TCs) and other Institutional partners [Autonomous Bodies, Quasi-Government organizations such as - National Institute of Design (NID), Ahmedabad & Indian Institute of science (IISc), Bengaluru, Quality Council of India (QCI)], together with private sector service providers. These specialized institutions/ agencies are established by the Central Govt and MoMSME to promote MSME development.
- (iv) Credit Guarantee Fund Trust for Micro and Small Enterprises (**CGTMSE**): A Trust set up by GoI and Small Industries Development Bank of India (SIDBI) in the year 2000 to support the flow of credit to MSME sector through credit guarantee schemes (CGTMSE is considered as IA further in this document).
- (v) **Other Public sector agencies** will also be involved in the Program implementation as IAs.
- (vi) **Private sector agencies** may be competitively selected as IPs on contractual basis.

17. The selected States will transmit a letter of commitment to MoMSME to participate in the Program. The roles and responsibilities of the different federal and state agencies under the Program will be detailed in the Program Implementation Manual (PIM).

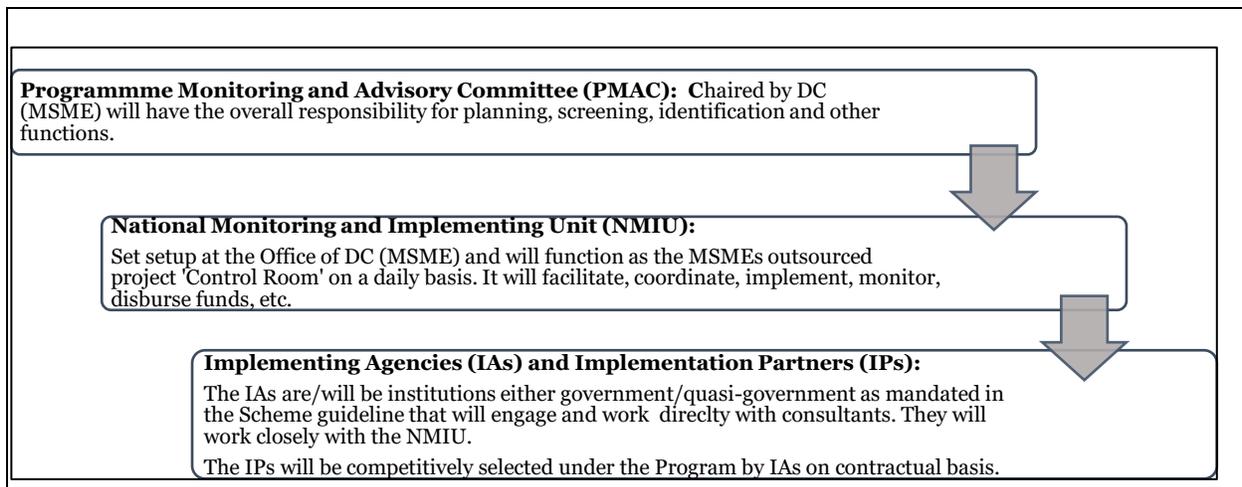
- (i) Program Steering Committee (PSC) will be established, chaired by the Secretary, MoMSME. Members of the committee will include representatives from the five states as well as the MDAs participating in the Program (DFS, RBI, CGTMSE at SIDBI). The Committee will be responsible for providing oversight, strategic guidance, and policy direction for all activities under the RAMP Program. The Committee will meet quarterly or more frequently as required.
- (ii) A National Project Implementation Unit (NPIU) will be established at MoMSME. The NPIU will be responsible for monitoring and implementing the program. The NPIU will include specialized technical personnel, as well as a M&E specialist, Gender Specialist and Environment Specialist, FM and Procurement Specialist. The NPIU will prepare progress reports and financial reports based on inputs from the respective component managers (from O/o DC-MSME, CGTMSE, DFS and RBI), as well as from SPIUs.
- (iii) A State-level Project Implementation Unit (SPIU) will be established in each of the selected states in Department of Industries / Department of MSMEs. The SPIUs will be responsible for preparation and implementation of the Strategic Investment Plan (SIPs) and for providing inputs to the NPIU.

### **Governance Arrangements of MoMSME Schemes**

18. The MoMSME runs various schemes aimed at financial assistance, technology assistance and upgradation, infrastructure development, skill development and training, enhancing competitiveness and market assistance of MSMEs and helping them to scale up. MoMSME consist of Small & Medium Enterprises (SME) Division, Agro & Rural Industry [ARI] Division, Data Analytics and Technical Coordination (DATC) Wing, an Integrated Finance Wing (IFW) and O/o

Development Commissioner [DC-MSME] that also implement - The WB TCSP Program (IPF Operation). The Secretary of MoMSME is the Chief Accounting Authority, supported by Financial Advisor who heads the IFW rendering financial advice, examining and concurring to the financial proposals received from the Program Divisions of MoMSME and examine matters relating to signing of MoUs/Agreements/ Contracts and release of funds. Financial Advisor is supported by Controller of Accounts (representative of Controller General of Accounts-CGA) for payment, accounting and financial reporting functions.

19. The scheme guidelines layout a three-tier governance structure for implementation and monitoring of all the schemes. At an apex-level there is a Programme Monitoring and Advisory Committee (PMAC) chaired by DC-MSME who has the overall responsibility for planning, screening, identification and approval functions. Second-tier comprises of National Monitoring and Implementing Unit (NMIU) setup at the O/o DC-MSME responsible for day to day facilitation, coordination, implementation, monitoring, disbursement of funds. The last tier comprises of Implementing Agencies (IAs) - Institutions of public sector, Autonomous Bodies, Quasi-Government organizations and they work directly with MSME units through their certified consultants. The IAs work under the overall direction and support from NMIU.



20. The IFSA has been conducted through virtual meetings and discussions with the officials of MoMSME. It also relies upon WB past knowledge and understanding of the FM and Procurement systems at the Central and State level, [(including the findings of recently concluded country procurement assessment (MAPS)], and implementation experience of WB IPF operation-Technology Center Systems Program (TCSP closed on December 31, 2020). The team has put in adequate mitigation measures based on the discussions and limited FM and procurement data made available during the Program preparation. The implementation of these actions will be closely monitored during the life of the Program. If any significant events and issues come to the knowledge of the WB during the program implementation, additional mitigation measures shall be promptly put in place in consultation with MoMSME.

## **Section 3: Review of Public Financial Management Cycle**

21. Public Financial Management (PFM) encompasses both upstream functions – policy, planning and budgeting and downstream functions – budget execution, procurement, control, accounting, reporting and audit. The procurement cycle including contract management is embedded coherently within the PFM and contributes substantially to the efficacy of upstream and downstream functions.

### **3.1 Planning and Budgeting**

22. At the Central level, project proposals of schemes (CS and CSS) are prepared by the Nodal Ministry and appraised and approved as per delegation of powers issued by DoE, Ministry of Finance (MoF). The MCRRP of US\$3.4 billion prepared by MoMSME will be appraised and approved by DoE. It will prescribe financial outlay of the schemes over the implementation period, that provide a broad framework for the annual planning and budget exercise.

23. At the State level, planning department appraises the scheme proposals submitted by the administrative department and thereafter in consultation with the Finance Department (FD) of the State, a separate budget line is opened in the ‘Demand for Grants’ of the Administrative Department to implement the scheme.

24. The GoI has an established budget preparation and approval process and these provisions are enshrined in the Constitution of India and detailed in Budget Manual and GFR-2017. The budget preparation process start with the issue of budget circular by Budget Division in Department of Economic Affairs (DEA), MoF in the month of September each year, followed by submission of budget proposals by Ministries/departments, and, pre-budget meetings held between representatives of Ministries/departments and MoF officials to finalize the budget allocations (as per ceilings indicated in MTEF statement). The Central budget is consolidated at the Budget Division and tabled by the Finance Minister in the Parliament in February and approved by the Legislature. The budget approved for next FY for each Ministry/department is reflected in the Demand for Grants and is disclosed at the website of Department of Expenditure, MoF and each Ministry/Department. Any revision to the original budget estimate is made through a defined process of re-appropriation and supplementary budget later in the month of September.

25. The budget classification system of GoI is well defined, and it is uniformly applied across the country. It follows a six-tier /15-digit code budget classification system - Major Head [Function, 4 digit code] and Sub-Major Head [Sub-function, 2 digit code], Minor Head [Program/Umbrella Scheme, 3 digit code], Sub Head [Scheme, 2 digit code] and Detailed head [Sub-Scheme, 2 digit code], and object Head [2 digit code such as salaries (01), professional services (28) and so on]. The actual expenditure is aggregated against the 15-digit budget code that allow for expenditure planning, tracking and budget control.

26. The five selected States have relatively advanced PFM systems and the overall FM framework is embodied in their Budget Manual, Treasury Code and Financial Rules, that are largely aligned to the Central level GFR-2017. The budget preparation and approval process are guided by Budget Manual. The budget instructions are issued by the FD in the month of September,

each year to all Administrative Departments. The Administrative Departments prepare the Budget Estimate (BE) and these detailed budget proposals, are submitted to the Budget Division in the FD along with Revised Estimate (RE) for the current FY. The proposals are thoroughly examined by the FD in decentralized budget meetings held during October to December, with Administrative Departments officials to ensure that budget allocations are adequate and expenditure commitments are within the fiscal targets set in the Fiscal Responsibility and Budget Management Act (FRBM). The final agreed budget allocations are presented in the annual State budget and approved by the State Assembly in February/March. The budget classification structure of the State is similar to Central Govt with high degree of transparency and disaggregation of budget heads for expenditure tracking till the last object head level.

27. The budgeting risk of the Program is assessed as ‘**Moderate**’. The RAMP program budget of US\$808.33 million over a five-year period with an average annual outlay of approximately \$160 million, represents 16% of the annual budget of MoMSME (as per FY20-21 budget figures). The WB’s past experience of working with GoI also indicate that once the program/ scheme is formally approved by the Govt, there were no subsequent delays or challenges in the approval of budget by the legislature. In the WB financed TCSP program (implemented during FY12 to FY20), there were also no instances of delays noted in the approval and allocation of budget by the Central Govt to MoMSME for the implementation of this scheme.

#### **Actions proposed:**

- MoMSME and selected states shall obtain approval of the RAMP Program from the Govt.
- Approval of annual work plans by Program Steering Committee of MoMSME by September each year so that amounts are adequately budgeted in the scheme budget lines.

#### **Budgeting - Proposed for the Program**

28. The Program funds represented in the ‘Expenditure Framework’ for the ongoing schemes will be budgeted in the existing budget lines of the schemes over the implementation period of 5 years. The MoMSME has opened a separate budget line to finance costs for additional activities involved in RAMP Program. The PSC chaired by the Secretary, MoMSME will provide oversight, strategic guidance, and policy direction for the implementation of the Program. The NPIU formed at MoMSME will ensure that activities planned and budgeted are implemented in a timely manner by coordinating with O/o DC-MSME, MDAs (i.e. DFS, RBI, CGTMSE), SPIUs of five selected States. The SPIUs will be responsible for the preparation and implementation of the SIP and for providing inputs to the NPIU.

29. At the Central level, MoMSME will follow the extant norms of GoI for its budget preparation process. The budget division of Integrated Finance Wing (IFW) in MoMSME will coordinate with NPIU to obtain annual funding requirement of the Program that is approved by the PSC. The Budget (BE for next FY, Revised Estimate-RE for current FY and actual expenditure-AE for previous FY) for the schemes will be fed into the Detailed Demand for Grants (DDG) module of Union Budget Information System (UBIS). This budget data will be submitted to the budget division in DEA, MoF. The budget for next FY will be approved by the Parliament following the budget calendar of GoI (normally happens in February). The approved budget will be reflected in the Demand for Grants with detailed scheme-wise allocations till object head level

in 15-digit budget code of DDG. This disaggregated budget data will be later fed into the PFMS portal to permit the expenditure to take place under the schemes.

30. At the State level, the SPIU will submit the budget through State Industries Department to the FD of the State based on SIP approved by PSC established at MoMSME. A separate budget line for the RAMP Program will be opened in the ‘Demand for Grants’ of the State Industries Department and program funds will be annually budgeted in this budget line to implement the activities approved in the SIP.

### 3.1.2 Adequacy and Reliability of budgets.

31. The original budget and actual expenditure of MoMSME is shown in table 4. The overall funding to MSME sector has shown an increase from INR 34,647.70 million from FY16-17 to INR 75,722.00 million in FY20-21. The budget execution for the past four FYs shows a budget outturn of within 5% of the originally approved budget thus corresponds to a good Public Expenditure and Financial Accountability (PEFA) Performance Indicator PI-1 rating of “A”.

**Table 4: Budget vis-à-vis Actual Expenditures, FY16-17 to FY20-21 (fig in INR million)**

	<b>FY16-17</b>	<b>FY17-18</b>	<b>FY18-19</b>	<b>FY19-20</b>	<b>FY20-21</b>
Original Budget	34,647.70	64,819.60	65,526.10	70,112.90	75,722.00
Actual Expenditure	36,264.10	62,021.20	65,094.70	67,067.36	19098.50
Budget Outturn	105%	96%	99%	96%	...

Note: Actual Expenditure reported for FY19-20 is unaudited and for FY20-21 is for the period April 2020 to September 2020

32. The Budget Estimate and Actual Expenditure for the previous two FYs (FY18-19 and FY19-20) for the identified schemes of the Program boundary, distributed by ‘Object Heads’ is provided in annex I. The budget outturn for the schemes – ‘Technology Upgradation and Quality certification (CLCS-TUS)’ ‘Marketing Promotion’, ‘Research and Evaluation Studies’ and ‘Infrastructure Development Program’ is low, which shows weak absorptive capacity of the IAs to implement the scheme activities. The IAs mapped to these schemes would require extensive technical, procurement planning, FM, training and capacity building support from MoMSME to implement the schemes under RAMP.

### 3.1.3 Procurement planning.

33. The GFR mandates IAs to prepare procurement plans. While procurement activities are initiated through a formalized sanction process there is no practice of systematic procurement planning. All procurements are based on approved Combined Sanction Order (for multiple agencies in SO) followed by specific SO (for respective agency). There is a formalized delegation of powers for approval of tender award for various threshold which is practiced. IA choose appropriate method of procurement, estimated cost and expected timeline for selection and contract completion; (a) Procurement Plan needs to be prepared as mandated in GFR and used for monitoring purposes wherein responsibilities of various participants of procurement process are clearly defined; and, (b) plan is used as a tool to forecast the cash outflow requirements on a time scale.

**Action Proposed:** In accordance with GFR, preparation of procurement plan as per sanction order.

**Sample sanction order and budget allocations for last two years were analyzed to understand the spend profile of IAs. Details are mentioned in Table 5.**

**Table 5: Sample sanction order and budget allocations for last two years**

Based on the review of sanction orders the MoMSME spends on the construction works including minor repair, electrical maintenance and annual maintenance works is entrusted to the Central Public Works Department (CPWD). The CPWD carries out the procurement procedure broadly in line with the GFR and CPWD Code (manual). The Tenders are invited as per the delegation of financial powers of CPWD Works Manual <sup>3</sup> . The amount also includes recurring expenditure.				
Financial Years	Total Number of Sanction Orders	Total Number of Sanction order analyzed	Total Amount INR million	Equivalent in US \$ million [ 1 US \$ = 75 INR]
FY 2020- 21 [November 2020]	103	76	844.29	11.26
FY 2019- 20	274	217	2,953.00	39.37
FY 2018- 19	162	102	430.53	5.74
For CLCS TUS sub scheme the amount spent on consultancy services, training, awareness program, desktop assessment, site assessment, implementation of lean tools, development of design projects including prototype, reimbursement under IPR for patent, trademark and GI, nurturing and development of Ideas, setting of IPFCs is as below (MoMSME informed that the amounts in table reflects payments made by IA for commitment of past years. No new expenses incurred during these FY'S): (Figures in INR million)				
Sub-scheme under CLCS-TUS	IAs	Budget	GIA released by MoMSME to IA	Value of UC submitted by IA to MoMSME
		FY19-20	FY19-20	FY19-20
1 LEAN	NPC & QCI	189.70	174.00	181.40
2 DESIGN	IISc, Bangalore & NID	110.00	99.00	100.06

<sup>3</sup> [https://www.cpwd.gov.in/WriteReadData/other\\_cir/44774.pdf](https://www.cpwd.gov.in/WriteReadData/other_cir/44774.pdf)

3 ZED	QCI	132.90	110.00	129.90
4 Incubation	Host Institutes	229.10	148.10	219.90
5 IPR	IPFCs	360.20	54.70	94.10
6 DIGITAL	CSC & EDII	400.00	190.00	245.00

**Action:** In view of different kind of IA being engaged in carrying out procurement and in the absence of universal suit of SPDs, there is need to develop SPDs for the program.

**Important fiduciary provisions: Sample Sanction order<sup>4</sup>states the following fiduciary provisions:**

The Grant-in-aid (General) will be regulated in accordance with the provisions contained in the guidelines of the six components of CLCS-TUS. The fund released is also subject to the provisions contained in Chapter 9 of the General Financial Rules, 2017, as amended from time to time, read with the Government of India's decisions incorporated there-under, and any other guidelines which may be issued in this regard and in particular to the following conditions (extracted the ones applicable for procurement cycle]:

**Procurement Framework for Grant-in Aid:**

(xv) MSME-TDC (PPDC), Agra shall adhere to all the relevant provisions of GFR and any other instructional guidelines issued by the Government from time to time, while making procurement purchases of goods and services including compliance to GFR provisions, in case of out-sourcing of services and engagement of consultants.

Grant-in-Aid shall be utilized subject to the Economy and other Instructions(x) issued from time to time by the M/o Finance or by the Competent Authority.

**Asset Register:** (v) MSME-TDC (PPOC), Agra shall maintain a register of permanent and semi-permanent assets acquired wholly or mainly out of the above grant in the prescribed format and copy thereof should be furnished to this Ministry.

**Audit:** (v) The accounts of MSME-TOC (PPOC), Agra shall be open for inspection by the sanctioning authority and audit, both by the Comptroller & Auditor General of India under the provision of C&AG (DPC) Act, 1971 in accordance with the provisioned down in Section 14 of the C&AG (DPC 1971) as amended from time to time and Internal Audit team Principal Accounts Office of the Ministry of Micro, Small & Medium Enterprises (MSME), whenever it is called upon to do so

**Disposal:** (vi) If any capital assets created in the NMIU Secretariat, the OIO the DC (MSME) will be the sole proprietor of the same. Assets acquired wholly or substantially out of Government Grant shall not be disposed off without obtaining the prior approval of the sanctioning authority of Grant-in-aid

<sup>4</sup> Sanction order of lump sum amount of Rs. 33.00 crore under Grant-in-Aid -General (Object Head: 95.03.31) to MSME-TDC (PPDC), Agra for implementation of six components of "Credit Linked Capital Subsidy - Technology Upgradation Scheme (CLCS-TUS)" (except Credit Linked Capital Subsidy component) during the year 2019-20 dated 30 December.2019

**Monitoring and Completion: (viii)** The grantee shall submit the Utilization Certificate in the prescribed form GFR-12-A, {see Rule 238(1)} duly signed by the Head of the Institutional Grantee. The utilization certificate in respect of grants should also disclose whether the specified, quantified and qualitative targets that should have been reached against the amount utilized were in fact reached, and if not, the reasons there for. They should contain an output-based performance assessment instead of input-based performance assessment.

### **3.1.4 Program Procurement profile. (refer annex II for details)**

34. In accordance with the program boundary and the expenditure framework features various procurement activities which are covered under Grant-in-Aid General. These grants are transferred to implementing agencies as per the Sanction Order (SO). The program expenditure profile may vary from scheme to scheme. The Detailed demand for grants already includes the schemes that will be supported under the Program. The implementation arrangement and activities are defined in the scheme guideline and form the program boundary. The procurement arrangements envisioned under proposed Program are summarized below.

35. Under the RAMP Program the Activities under the Object head Grant- In- Aid General will mainly comprise of procurement of technical advisory services, research and studies, training initiatives and conducting workshop and seminars, workshops and conferences, participation in exhibitions etc., for MSME, various capacity building activities, preparation of DPR's, incentives, awards, consultancies for strategic advice or studies, develop and operationalization of new ICT platforms and maintenance of existing ones etc., procurement of equipment, machinery, technical assistance for undertaking studies for upgrading / adopting lean manufacturing, zero defect production, bar coding, ISO certification etc., as per various schemes (Kindy refer to Brief summary of Scheme<sup>5</sup> Guidelines) . Under RAMP no major civil work is envisaged.

36. Based on the budget allocated the O/o DC-MSME issues a sanction order to mandated IA which contains the information in regard to the activities to be carried out. The IA shall adhere to all the relevant provisions of GFR-2017 and instruction or guidelines issued by the MoMSME from time to time, while making procurement of Goods and Services or for engagement of consultants/technical advisory services. In no case the grant released (Generally in tranches) under the sanction order shall be utilized for any purpose other than as specified in sanction<sup>6</sup>. The IA shall not divert the grants and entrust execution of the scheme or work concerned to another Institution or Organization and shall abide by the terms & conditions of the grant and follow/adhere to all the relevant provisions of GFR regarding Grants in Aid. If IA fails to utilize the grant for the purpose for which the same has been sanctioned or does not adhere to the terms & conditions of

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<sup>5</sup> Credit Linked Capital Subsidy and Technology Upgradation (CLCSTUS) comprises: (i) Zero Defect Zero Effect certification (ZED) with a focus on MSME production quality through better technology and processes, and the application of formal standards, through online and face to face support; (ii) Lean Manufacturing Competitiveness (Lean) promotes lean manufacturing processes to groups of firms through consultancy support to implement lean action plans; (iii) Design for Manufacturing (Design) supports design related improvements and product development projects in MSMEs; (iv) Digital MSME (Digital) supports digital upgrading through the provision of digital tools and related advice; (v) Entrepreneurial & Managerial Development of MSMEs through Incubators (Incubators) provides support at the proof of concept level; (vi) Building Awareness on Intellectual Property Rights for MSME (IPR) supports awareness and the effective use of intellectual property (patents, trademarks, design marks) through support centers. In addition, a set of Marketing Development Assistance (MDA) sub-schemes support MSMEs in accessing new markets through supporting scoping visits and participation in trade fairs.

<sup>6</sup> Sanction Order also stipulates for few schemes "Government assistance is only for organizational expenses of the proposed event and not for capital items like equipment"

the grant and GFR provisions, the IA shall be required to refund the grant as per conditions laid down in GFR. The SPIUs will be responsible for preparation and implementation of the SIPs and for providing inputs to the NPIU. For the Program implementation, each of the IA would follow the fiduciary rules, systems and processes as defined in GFR 2017 in addition to State specific rules, if and as applicable.

37. **Procurement framework:** The SO stipulates General Financial Rules 2017 [GFR-2017] as applicable procurement framework. Procurement provisions and associated procurement manuals (Goods/Works/Services) of GoI. The implementing agencies will use their respective e-tendering<sup>7</sup> systems defined in their regulations and for procurement of goods, Government e-Marketplace (eGeM) portal of central government would be used by all implementing entities.

38. MoMSME may engage with private sector on contractual basis by ensuring NPIU/SPIU is following selection process as per GFR-2017 and enter into a contract with a clear ToR which is aligned to the scheme activities.

39. All IAs performing any program activities in the premise of Program Expenditure Framework will comply the procurement and contractual arrangements prescribed in the GFR – 2017, GoI’s procurement manual for Goods, Works, and Services and other services, and other instructions issued from time to time by the Ministry of Finance [GoI] or by the Competent Authority.

40. The GFR-2017 stipulates the preparation of Annual Procurement Plan (APP)<sup>8</sup> in alignment with the AWPB and Budget in the beginning of Financial Year. Also stipulates the publication of complete schedule of procurement cycle from date of issuing the tender to date of issuing the contract in the Tender. Also, the GoI prepared procurement category wise manuals (Goods<sup>9</sup>, Works, Services, and Services and other services Manual). However, no Standard/model Procurement Documents (SPDs) inter alias like Bid/Tender documents and Proposal documents developed by MoMSME .

**Action Proposed:** *MoMSME to develop standard bid and contract documents as per expenditure framework to be used by all IA at federal and state level.*

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<sup>7</sup> <https://eproc.karnataka.gov.in/> (Karnataka), <https://tendersodisha.gov.in> (Odisha), <http://apeprocurement.gov.in/> (AP) and <https://eprocure.gov.in/> (DoLR)

<sup>8</sup> GFR 144 Fundamental principles of public buying (for all procurements including procurement of works) (x) All Ministries/Departments shall prepare Annual Procurement Plan before the commencement of the year and the same should also be placed on their website. (ix) a complete schedule of procurement cycle from date of issuing the tender to date of issuing the contract should be published when the tender is issued [Hyperlink: [https://doe.gov.in/sites/default/files/GFR2017\\_0.pdf](https://doe.gov.in/sites/default/files/GFR2017_0.pdf)]

<sup>9</sup> [GoI’s Procurement of Goods Manual: Hyperlink

[https://doe.gov.in/sites/default/files/Manual%20for%20Procurement%20of%20Goods%202017\\_0\\_0.pdf](https://doe.gov.in/sites/default/files/Manual%20for%20Procurement%20of%20Goods%202017_0_0.pdf)

GoI’s Procurement of Works Manual: Hyperlink

<https://doe.gov.in/sites/default/files/Manual%20for%20Procurement%20of%20works%202019.pdf>

GoI’s Procurement of Services and Other services Manual: Hyperlink

[https://doe.gov.in/sites/default/files/Manual%20for%20Procurement%20of%20Consultancy%20and%20Other%20Services%202017\\_0.pdf](https://doe.gov.in/sites/default/files/Manual%20for%20Procurement%20of%20Consultancy%20and%20Other%20Services%202017_0.pdf) ]

41. Procurement method are chosen based on the market condition and market assessment. The specification is generic to attract better competition. The procedure for bid submission and opening, evaluation and contract award are based on the criteria provided in the bid documents. Market readiness: For procurement of goods, Government e-Marketplace (GeM) portal of central government would be used by all implementing agencies. There is a clearly identified target market for all procurement activities. Open competition is the default procurement method.

42. **At the State level** the IAs will be included as part of the scheme guidelines and based on the sanction order the activities will be carried out by these IAs. State implementation plans which will define the state level activities are being finalized. Upon approval these activities will be taken up by the respective States. In selected States, the procurement framework is governed by State Tender Transparency / Procurement Act and State Financial Rules. While procurement framework is governed by State Act in Tamil Nadu, Rajasthan and Punjab, the State of Gujarat and Maharashtra are governed by State Financial Rules & circulars issued by various Ministries. Similarly, eProcurement platforms and applicable thresholds also varies by State. For instance, the MoMSME is using the GoI's National Informatics (NIC) hosted platform, whereas some of the States use e-procurement platforms developed by private service provider. As mandated under their respective regulatory framework, each State implementing agency would follow GFR-2017 and the e-tendering<sup>10</sup> systems. The MoMSME has presence in some states else it operates through Department of industries. The 'Department of Industries' / 'Department of MSMEs' through its district offices 'District Industries Center-DIC' (DIC's are considered as IAs for execution of schemes. Private sector agencies can be competitively selected as IPs on contractual basis and will have clearly defined deliverables.

## **3.2 Budget Execution**

### **3.2.1 Treasury Management and Fund Flow**

43. At the Central level, the entire budget execution process is guided by the Central Government Account (Receipts and Payments) Rules-1983, and GGFR-2017. The Budget approved by the Parliament for each Ministry / department is reflected in the Demand for Grants and is available to the Secretary of the Ministry/Department at the beginning of FY. The budget is further distributed to the Drawing and Disbursement Officer (DDO)/ Budget Controlling Officer of the administrative division. The execution of budget provided in the Demand for Grants is covered under the cash management system of GoI (Exchequer control-based expenditure management). The Ministry / Department prepares Monthly Expenditure Plan (MEP)<sup>11</sup> that forms the basis of Quarterly Expenditure Allocation (QEA) and such information is submitted to Budget Division in DEA within 2 weeks of passing of Demand for Grants in the Parliament. The expenditure is regulated by the Ministry / Department within the specified QEA limits i.e. payments cannot be released beyond QEA limits without prior consent of cash management cell in Ministry of Finance. The Financial Advisor of the Ministry in IFW ensures compliance to MEP and QEA limits.

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<sup>10</sup> <https://eproc.karnataka.gov.in/> (Karnataka), <https://tendersodisha.gov.in> (Odisha), <http://apeprocurement.gov.in/> (AP) and <https://eprocure.gov.in/> (DoLR)

<sup>11</sup> MEP for the month of March may not exceed 15% of BE. MEP for Q4 may be so fixed that QEA for Q4 may not exceed 33% of BE.

44. The GoI, in past decade has developed an ICT application - Public Financial Management System (PFMS), an online Management Information and Decision Support tool to monitor disbursement and utilization of funds for all CS / CSS schemes implemented by Ministries / Departments. The system was developed and administered by CGA office (Controller General of Accounts) and has been recognized in the core PFM document of GFR 2017 – as an end-to-end IFMIS solution for effective administration and management of programs/schemes implemented by GoI. The PFMS has the following key features:

- a. It provides a uniform FM platform for all CS and CSS schemes;
- b. It provides a database of all recipient agencies, and applies the principle of “Just in Time” release of funds after validating bank accounts and ascertaining balances, before any further release of funds;
- c. It has an interface with core banking solutions of commercial banks that facilitates Direct Benefit Transfer (DBT) to the beneficiaries (using DBT module),
- d. It is integrated with e-Kuber payment gateway of Reserve Bank of India (Central Bank) and with State treasuries that provides a platform to track release and utilization of funds given to lowest level of institution / agency involved in the scheme implementation;

45. The MoMSME uses the PFMS extensively to implement CS schemes. The 15-digit budget code / scheme account codes specified in DDG are configured into PFMS and key FM functions of budget distribution, treasury management, electronic payments to IAs / beneficiary (MSME units) are done through DBT and EAT (Expenditure, Advance, Transfer) module of PFMS. The ‘Sanction Order’ issued by MoMSME require that the bank accounts of the IAs and MSME units are registered in PFMS to disburse funds under the schemes. The PFMS also has the functionality to validate the beneficiary details including bank accounts by interacting with Core Banking Solution of the commercial banks.

46. The payroll of Central Govt employee is processed through Employee Information System (EIS) module of PFMS. The complete record of employee and bank account details are created in EIS with a unique identification number that is mapped to DDO. The electronic EIS record is maintained along with physical service book of the employee. At end of each month, the DDO will approve the pay bill in EIS module and it is forwarded to PAO (Pay & Accounts Office) through PFMS. Once the bill is approved by PAO, the salary is electronically transferred into the bank account of the employee. PFMS also has feature to transfer the employee record from relieving DDO to another DDO (in the event of transfer) and generation of Last Pay Certificate.

47. The treasury systems of the States are well established and experienced under several WB operations. The transactions are governed by the State treasury and financial rules. The computerization of FMIS have brought operational efficiencies to the Treasury processes and improved transparency and accountability to public finances.

48. At the IA level, the bank accounts are registered with PFMS to receive Grant-In-Aid from MoMSME under the Schemes. The payments are made by IAs to the vendors and consultants from this bank account.

49. The treasury and fund flow process, and performance of the PFMS was experienced by WB in other Central level Programs and also with respect to TCSP Program implemented by MoMSME wherein funds were disbursed to the TCs (likely to be IAs for this Program). Although minor administrative delays were noted in the file processing and obtaining 'Sanction order' within MoMSME, but TCSP Program never experienced any large delays in the release of Grant-In-Aid by MoMSME to the TCs. Once the 'Sanction Order' was obtained by O/o DC-MSME with the concurrence of IFW, the Grant-In-Aid was disbursed by PAO into the bank account of TCs mapped to the PFMS. However, subsequent payments made by TC to the suppliers / contractors were not reflected in the PFMS as the bank accounts of the vendors / suppliers were not linked by TCs to PFMS. The implementation partner (consulting firm) engaged by MoMSME under TCSP Program provided close oversight and technical support to MoMSME by ensuring that Grant-In-Aid was released to TCs in a timely manner and also obtained quarterly progress reports, financial and other contract management reports from the TCs on the funds spent under the Program. The WB also never received any complaints from the suppliers/contractors citing payment delays for the activities completed under the TCSP Program.

**Action proposed:**

- The bank accounts of IAs (including of vendors and consultants engaged by IAs) involved under the Program need to be registered in the PFMS portal. This will ensure expenditure tracking by NPIU and SPIU for the payments made by IA from the bank account and will also provide real time information of closing bank balances of IAs to MoMSME.

**Treasury Management and Fund Flow - Proposed for the Program**

50. At the Central level, program funds will be routed through PFMS. The scheme-wise approved budget allocations provided in DDG till the last object head level (15-digit budget code) will be fed into the PFMS portal by PAO. Once the project proposals under the schemes are approved, the DDO of O/o DC-MSME supervising the Program will obtain 'Sanction Order' with the concurrence of IFW and submit the bill to PAO. The payments by MoMSME will be made as following:

- **At the Central level:** (a) salary and administration costs, TA expenses incurred at MoMSME; (b) financial assistance (subsidies) to MSME units, (c) Grant-In-Aid to IAs to implement TA activities, and salary & administration costs; and (d) Grant-In-Aid releases to selected State treasuries, as per approved SIP. The payments will be made by Pay & Accounts Office (PAO) using DBT and EAT module of PFMS and amounts will be booked against the program specific budget head in accordance with extant procedures of GoI.
- **At the State level:** the DDOs are authorized to raise bills and the procedures are governed by State financial and treasury rules. The State Industries department will obtain 'administrative cum sanction order (Government Order)' with the concurrence of FD for the activities listed in the SIP approved by PSC of MoMSME. Upon receipt of Grant-In-Aid from MoMSME by the State, the DDO of the State Industries department supervising the Program will submit the bill to Treasury along with approved Government order. The Grant-In-Aid will be transferred into the bank accounts of IAs using PFMS payment

gateway and transaction will be appropriately reflected in the Program budget line of 'Demand for Grants' of the State Industries department following State treasury rules.

51. The bank accounts of all IAs will be linked to PFMS portal to receive program funds. The bank accounts of all consultants and vendors engaged by IAs will also be mapped to PFMS portal so as to capture the entire transaction trail of payments made under the Program. The fund flow risk for the Program is assessed to be **Substantial**. However, the use of PFMS is expected to mitigate this risk to a large extent.

### **3.2.2 Accounting and Financial Reporting**

52. Government accounting at the Central level follows well-established procedures and guidelines of the CGA prepared in consultation with C&AG (Comptroller and Auditor General of India). These procedures and guidelines are contained in Government Accounting Rules (GAR-1990) and GFR-2017. The Secretary in MoMSME is the Chief Accounting Authority, supported by IFW headed by Financial Advisor to render financial advice, and Chief Controller of Accounts (CCA) for payment, accounting and financial reporting functions (organogram of MoMSME & Accounting Organization is provided in annex III-A&B). The payments are made by PAO through computerized accounting application 'PFMS' upon receipt of 'Sanction Order' and submission of bill by DDO. The accounting is done by Principal Accounts Office (PrAO) through another ICT application 'e-Lekha' integrated with PFMS. The PrAO regularly reconciles the 'e-lekha' data with the transaction reports of Reserve Bank of India (RBI). The monthly accounts are submitted by CCA to the CGA within 10th of the following month. These accounts are compiled and aggregated by CGA to prepare monthly and annual Finance Accounts & Appropriation Accounts. The budget execution reports are publicly disclosed at the website of CGA.

53. At the State level, the accounting and financial reporting is governed by the State financial rules. The budget approved by the State legislature is allocated by the FD to the Administrative Department at the beginning of FY and is further distributed to the DDO / Budget controlling officers of the Administrative Department through computerized government financial applications (FMIS). The bills are submitted by respective DDOs to the Treasury / Sub-treasuries for bill passing and payment and transactions are accounted against the approved budget head. The DDOs do periodic reconciliation of accounts with Treasury / Sub-treasury offices. The Directorate of Treasury & Accounts submits monthly accounts to the Accountant General (Accounts and Entitlement- AG A&E) for preparation of monthly and annual appropriation / State finance accounts. The budget utilization reports are shared by the AG (A&E) with the FD for expenditure monitoring and control.

54. Accounting and financial reporting at the IAs is governed by the Act and rules under which these are formed. The IAs formed as Quasi-Government organizations & autonomous bodies under a separate Act; Agencies (such as Development Institutes-DI), and Societies (such as, Technology Centers-TCs) formed under Central and State specific Society Registration Acts, largely follow cash basis of accounting and maintain their books in manual form. The IAs formed as Companies under the Companies Act 2013, normally follow accrual basis of accounting, maintain accounts as per applicable accounting standards in computerized systems. The method and system accounting, applicability of standards may differ from State to State and from one IA to another. There would be also variations in the level of compliance on submitting UC.

55. The performance of the accounting and financial reporting systems (PFMS at the central level and FMIS at the state level) were experienced by WB in several Programs. These systems have in-built controls and have the ability to record the financial transactions of the Govt and also generate reliable financial reports at an aggregate and dis-aggregate level, depending upon the user needs. The WB often relied on the PFM systems of the govt to obtain program financial reports for expenditure monitoring and disbursements. The finance accounts of the Union Govt for FY20-21 (till the month of November 2020) at an aggregate level (covering all MDAs of Union Govt) is available at the website of CGA. The PFMS was used to transfer funds under TCSP Program. The Grant-In-Aid released by MoMSME to the TCs (likely to be IAs for this Program) are accounted against the 15-digit budget head at the time of release and fund utilization by the TCs are monitored offline (outside of PFMS) through Utilization certificates (UCs) submitted by the TCs. In the past two years, there have been a significant improvement in the timelines on submission of UCs (submitted within a period of 6 months from the date of release) by TCs, as MoMSME closely monitored these aspects while issuing 'Sanction orders' to release next tranche of funds. The TCs maintain books of accounts in computerized accounting systems and submit quarterly progress reports and financial & contract management reports in the formats prescribed by MoMSME providing details on the funds met out of Grant-In-Aid. The implementation partner (consulting firm) engaged by MoMSME under the TCSP Program provided close oversight and monitoring support to MoMSME to obtain the UCs and financial & contract management reports from TCs.

**Action proposed:**

- The payments made by IAs and bank balances will be closely monitored by NPIU and SPIU through the payment transactions reflected in PFMS portal. The IAs will be required to submit Utilization certificates, financial & contract management reports within 6 months from the date of release of Grant-In-Aid. Further 'Grant-In-Aid' will not be released to IAs that have not submitted UCs. Training programs for online submission of UC through PFMS portal will also be organized for IAs.

**Accounting and Financial Reporting - Proposed for the Program**

56. At the Central level, the accounting and financial reporting for the Program will follow the extant systems practiced by GoI. The computerized accounting applications 'PFMS' used by PAO and 'e-lekha' used by PrAO in CCA sufficiently captures the Program level expenditure details till the last object head level provided in the budget.

57. At the State level, the accounting and financial reporting will be done in computerized 'FMIS' systems of the State. It will be used to monitor the release of 'Grant-In- Aid' to IAs.

58. At the IA level, the accounting will be followed as per their present system. The IAs will maintain accounting records for Program expenses met out of 'Grant-in-Aid' received from MoMSME and State Industries Depts. The IAs will use PFMS portal to make payments so as to capture all payment transactions made under the Program. The bank accounts of all vendors / consultants will be linked to PFMS portal and payments will be made using this portal. The IAs will submit the Utilization certificate, financial & contract management reports to the NPIU in MoMSME and SPIU in State Industries depts within 6 months from the date of release of Grant-In-Aid.

59. The accounting and financial reporting risk for the Program is assessed to be **Substantial**. This is mainly due to the complexity arising from involvement of IAs with variations in staff capacity, use of diverse accounting practices and systems. However, the use of PFMS and close monitoring by NPIU and SPIU on obtaining utilization certificates, financial & contract management reports and training of IAs on PFMS portal are expected to mitigate this risk to a large extent.

### 3.2.3 Procurement Processes and Procedures

60. The procurement activities under the Grant-In Aid will be taken up through IA's as per the mandate provided in the scheme guidelines and enunciated in the SO. The implementing agencies are mandated in the scheme guideline are government or quasi-government organizations / institutes or autonomous bodies and will vary from scheme to scheme. For operability of the scheme a Sanction Order is issued to the mandated IA's which stipulates that Procurement of activities under the scheme will be governed by GFR 2017 along with CVC circulars issued from time to time. The GFR-2017, rules and orders are treated as executive instructions. All federal/state government procurements are required to adhere to the principles outlined in the GFR / State GFR or state transparency acts, if enacted in the program state. Except payment milestones, the SO does not stipulate any financial threshold above which the intermediate approvals are necessary as part of the concurrent oversight (Utilisation certificate are submitted by the IA's). The policies like make in India, MSME preference etc., are applicable. Relationship between the procurement entity and the providers (Supplier of Goods/ Contractors for Works/Consultants for services and other services) are solely governed by the Law of land and relevant bid/proposal/ contractual documents like MoU etc.,

61. In principle, the GFR lays out the framework and principles of procurement to be adhered to; the procurement process is decentralized, and the respective ministries, departments and agencies are thus expected to expound the specifics of their individual processes in compliance with the general principles of the respective financial rules. The terms of any procurement contract will be governed by the provisions of the Indian Contract Act 1872; the Sale of Goods Act 1930 is applicable where the contract relates to the sale of goods which are applicable throughout the country. In addition, there are host of other Acts and regulations<sup>12</sup> that have an impact on public procurement which are applicable to both the federal as well as the states. Besides, Ministry of Finance (MoF), other ministries such as Ministry of Micro Small & Medium Enterprises (MSME), Ministry of Industry through Department of Industrial Policy & Promotion (DIPP), Ministry of Communication and Information Technology and others such as Central Vigilance Commission (CVC) also issue rules, procedures, directives and orders. CVC act is not applicable to the states and each of the states have their own similar Acts.

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<sup>12</sup> Arbitration and Conciliation Act, 1996 read with The Arbitration and Conciliation (Amendment) Act, 2015 and 2019; Competition Act, 2002 as amended with Competition (Amendment) Act, 2007; The Information Technology Act, 2000 (IT Act, regarding e-procurement and e-auction, popularly called the Cyber Law); Right to Information (RTI) Act 2005 and amendment 2019; *Central Vigilance Commission Act, 2003*; *Delhi Special Police Establishment Act, 1946 (DSPE – basis of the Central Bureau of Investigation)*; Prevention of Corruption Act, 1988 and amendment 2018; Code of Criminal Procedure, 1973 (Sections 195(1) and 197(1)); various labour laws applicable at the works' site; various building and safety acts, codes, standards applicable in the context of the scope of work; and various environmental and mining laws, codes, standards applicable in the context of the scope of work, the Foreign Trade (Development and Regulation) Act, 1992 and the Foreign Trade Policy, (EXIM Policy), 2015; Foreign Exchange Management Act (FEMA), 1999 and FEMA (Current Account Transactions) Rules, 2000. Procurement Policy for Micro and Small Enterprises, 2012 has been notified by the Government in exercise of the powers conferred in Section 11 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. notifications issued by Department of Promotion of Industry and Internal Trade orders for 'Public Procurement (preference to make in India) order, 2017 - revised (25/09/2019) etc.

62. **Open tender using e-procurement** is the default method of procurement of goods, works and services for contracts valued INR 2.5 million and above. Common use goods and services are procured through GeM portal. e-Government procurement (eGP) platform is being used mainly for e-Tendering stage from publication till the award of contract for all procurement categories. The evaluation is offline and needs to input the results of technical evaluation to the eGP Platform. Such tenders are advertised in newspapers and central e-procurement portal. The publication period is adequate for the potential bidders to submit the bid [Average 24.7 days; Minimum: 7 days, Maximum 53 days for active procurement opportunities in the eGP Platform published from 7 Nov 2020 to 12 Jan 2021.) The assessment team observed disclosure of contract award was not done for all the completed procurements. In view of the selective disclosure of contract award details, the procurement lead time from publication till the award of contract was not computed. This can be stipulated as one of the KPIs to benchmark and baseline based on the historic data.

63. Subsidies are paid by MoMSME through PFMS to the beneficiary (MSME units) strictly in accordance with the criteria specified in the scheme guidelines and are monitored through the PFMS system.

### 3.2.4 Contract Management

64. The terms of any procurement contract will be governed by the provisions of the Indian Contract Act 1872; the Sale of Goods Act 1930; Arbitration and Conciliation Act 1996 (Revised 2015 & 2018) are applicable where the contract relates to the sale of goods which are applicable throughout the country. In addition, there are host of other Acts and regulations<sup>13</sup> that have an impact on public procurement which are applicable to both the federal as well as the states. Besides, Ministry of Finance (MoF), other ministries such as Ministry of Micro Small & Medium Enterprises (MSME), Ministry of Industry through Department of Industrial Policy & Promotion (DIPP), Ministry of Communication and Information Technology and others such as Central Vigilance Commission (CVC) also issue rules, procedures, directives and orders. CVC act is not applicable to the states and each of the states have their own similar Acts. Contracts are administered in line with the contractual provisions listed in the Standard Procurement Documents.

65. World Bank funded TCSP is an IPF which is being executed by the MoMSME. RAMP is a PFR but given that the office of DC-MoMSME, is the nodal agency for both TCSP and RAMP the experience of executing contracts under TCSP is helpful for RAMP. The TCSP project envisaged various procurement activities of about US \$337 million [after restructuring] out of the project envelope of US \$ 400 million. As on April 2020, the committed expenditure is about US \$ 182 million (54%) and remaining in the various stages of the procurement process. Based on the available data in Bank's STEP portal, the average publication period was 68 days and average procurement lead time from publication to award of contract was 238 days [32 activities, 22 Post,

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<sup>13</sup> Arbitration and Conciliation Act, 1996 read with The Arbitration and Conciliation (Amendment) Act, 2015 and 2019; Competition Act, 2002 as amended with Competition (Amendment) Act, 2007; The Information Technology Act, 2000 (IT Act, regarding e-procurement and e-auction, popularly called the Cyber Law); Right to Information (RTI) Act 2005 and amendment 2019; *Central Vigilance Commission Act, 2003*; *Delhi Special Police Establishment Act, 1946 (DSPE – basis of the Central Bureau of Investigation)*; Prevention of Corruption Act, 1988 and amendment 2018; Code of Criminal Procedure, 1973 (Sections 195(1) and 197(1)); various labour laws applicable at the works' site; various building and safety acts, codes, standards applicable in the context of the scope of work; and various environmental and mining laws, codes, standards applicable in the context of the scope of work, the Foreign Trade (Development and Regulation) Act, 1992 and the Foreign Trade Policy, (EXIM Policy), 2015; Foreign Exchange Management Act (FEMA), 1999 and FEMA (Current Account Transactions) Rules, 2000. Procurement Policy for Micro and Small Enterprises, 2012 has been notified by the Government in exercise of the powers conferred in Section 11 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. notifications issued by Department of Promotion of Industry and Internal Trade orders for 'Public Procurement (preference to make in India) order, 2017 - revised (25/09/2019) etc.

10 Prior review; 17 Goods, 15 Works; Open International: 12, Open National: 20]. Annex V provides information on the progress of Goods and Works contract awarded. This may helpful to draw inference on the DC-MoMSME procurement capability. From implementation experience of TCSP and with retained institutional memory, the MoMSME and staff gained supportable procurement proficiency.

66. TCSP has adopted procurement model of centralized procurement and decentralized contract implementation at targeted Technology Centers (TC)s. The centralized procurement was facilitated with the support of Project Management Unit (PMU) comprising of a consulting firm with Procurement Specialist. The ministry staff capacity on procurement proficiency is enhanced. The procurable activities include:

- **Works** with estimated cost of US\$160 million for upgradation of existing 18 TCs and the construction of 15 new one. It has successfully awarded single works contract for US\$14 million which incidentally the biggest contract in TCSP.
- **Consultancy** transactions estimated cost of US\$18 million includes Implementation Partner. The major consultancies were PMU, Construction Supervision Consultant and Cluster Technology manager. These consultancies aim to provide desired support and advice to MoMSME. TCSP 16942 trainees have been trained under TCSP.
- **Goods** with estimated cost US\$169 million were planned which include IT Equipment (e.g., computers, printers, network infrastructure, and servers), office equipment and heavy industrial equipment for TCs. and have awarded contracts for US\$20.5 million in period of six months (May 2020 till November 2020).

67. Annex V provides information on the TCSP project data on Goods and works contract award and helps to determine the DC-MoMSME overall execution capability.

68. RAMP Program will have similar implementation structure as TCSP. The activities are expected to mainly have consultancy and technical advisory services contracts. The NPIU and SPIU capacity shall be strengthened through appointment of Procurement and FM experts /consultant to ensure compliance, expediting procurement and collating of all the procurement, FM and contract data on a regular basis which will be shared with the Bank. SO stipulates the IA shall furnish the report on the status of implementation of the project periodically /quarterly. Also, designates focal point for monitoring the progress, utilization and release of funds, and receipt of utilization certificate as per GFR 112. The performance data is spread across number of IA. Based on the Sanction orders it is analyzed that the IA have experience of executing contracts for civil works activities (refer to the table 5 on data from SO) however expenditure was less than amount of funds released during each of last two years. To ensure effective oversight and as a forward looking action , all procurements under proposed Program shall be monitored through a set of Key Performance Indicators which is part of the implementation support and monitored bi-annually and reported as part of the ISR (referred in section 5 as part of the implementation support). This information would be useful to focus attention on underperforming activities and agree on timely implementation of remedial measures. **Private sector agencies** may be competitively selected as IPs on contractual basis and will perform as per the agreed TOR with clearly listed deliverables.

**Action Proposed:** Consolidated monitoring of physical and financial progress to measure cost overrun and time overrun. Measure the performance of the procurement system identified set of four (04) Key Performance Indicators as under: (a) Procurement lead time from publication till the award of contract (days) (b) number of bids/ quotations received; (c) Number of contracts awarded and completed within the contract period; and, (d) number of complaints received and upheld.

69. **Documentation and Record Keeping:** As per GOI's Record keeping policy<sup>14</sup>, IAs maintains procurement related documentation as per record keeping including tender documents, bidders' details, comparison sheets, approval notes, and minutes of the Committee meeting to evaluate bidders. However, there is no centralized procurement MIS system and extraction of procurement data for the purpose of any analysis is time and resource intensive.

**Action Proposed:** Development of a procurement MIS system for entire program at MoMSME level, which can be used for data analytics purpose as well as for monitoring by top management of MoMSME.

### 3.3 Internal Controls

70. The internal control framework is embodied in the financial rules supplemented by defined delegation of financial powers. At the Central level, these are detailed in the GFR-2017, the GAR-1990, and the Central Government (Receipts & Payments) Rules-1983. At the States, these are detailed in their respective budget manuals, financial rules, and treasury code. Oversight over compliance with internal controls are vested with the head of the Administrative Department and FD, and these are reviewed by the C&AG during annual audits. Internal controls at the Central level and States are robust and respected, though there are deviations in their applications. However, the extent of deviation is reducing due to use of ICT, and adoption of payments through electronic modes. The internal controls for the IAs are defined in the Act, byelaws, rules and regulations under which these are formed. The Board of Directors / Governing Body and Committees provide oversight on the functioning of the Organization.

71. The Governance structure, FM and procurement assessment of the performance of QCI (one of the IA of this Program) is provided in annex VI.

#### 3.3.2 Internal Audit

72. Internal Audit function at MoMSME is carried by Internal Audit Wing (IAW) from the O/o CCA. The audits are conducted by IAW staff with the support of individual consultants as per the Audit Manual of CGA. For the IAs, there are no defined systems for internal audit. However, in view of likely increase in activities and volume of transactions at IAs under the Program, the internal audit system needs strengthening. The risk is assessed as **Substantial**.

#### Internal Audit - Proposed for the Program

73. The IAW of the Ministry will spearhead the internal audit function. Staffing needs at IAW will be addressed by engaging individual consultants (or private audit firm) that can work under

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<sup>14</sup> GOI's Record Retention Schedule in respect of Records Common to All Ministries/Departments [https://darpg.gov.in/sites/default/files/RRS\_WC.pdf ]

the overall guidance and supervision of IAW. Risk-based audit approaches will be applied, and Procurement & FM areas will be integrated to conduct the internal audit of the schemes. An Internal Audit ToR will be agreed to review the compliance made by IAs on the agreed FM & Procurement processes as defined in the ‘Sanction Order’. An effective compliance and follow-up mechanism will also be established at NPIU and SPIU to satisfactorily close the Procurement and FM audit observations.

### **3.3.3 Program Governance and Anti-Corruption Arrangements**

#### **Governance and Accountability Systems**

74. Under the larger governance framework of India, all government departments and agencies are covered under the Right to Information (RTI) Act 2005. The C&AG also carries out compliance and performance audits annually, and the audit-related queries are reported to the Legislature and Public Accounts Committee for recommendations and actions. Prevention of Corruption Act 1988 is the governing law which defines legal framework to prevent corruption in the country. Central /State Vigilance units have jurisdiction and power to undertake an enquiry or cause an enquiry/investigation to be made on any information that a public servant has exercised or refrained from exercising his powers, for improper or corrupt purposes. Government Departments can also initiate Disciplinary Proceedings against the Public Servant on charges of misconduct, possessing disproportionate assets and violation under respective Civil Services (conduct) Rules.

75. **Applicability of the World Bank’s Anti-Corruption Guidelines (ACG) to the Operation:** The program will be subject to WB “Guidelines on Preventing and Combating Fraud and Corruption in Program for Results Financing” dated February 1, 2012 and revised on July 10, 2015 for all activities within the Program Boundary. As there is no distinction between WB financed activities and Government financed activities within the Program boundary, these guidelines shall be applied in an unrestricted manner on all activities within the Program boundary. Requirements under these guidelines include but are not limited to (a) borrower’s obligation on informing the WB about all fraud- and corruption-related allegations and investigations, (b) the WB right to conduct administrative enquiries with regard to fraud and corruption allegations, and (c) ineligibility of debarred firms for contract awards. MoMSME and IAs will ensure that any person or entity debarred or suspended by the World Bank is not awarded a contract under or otherwise allowed to participate in the Program during the period of such debarment or suspension. The list may be found in the following website: <https://www.worldbank.org/en/projects-operations/procurement/debarred-firms>. MoMSME add to the scope of program Auditor to validate applicability of the ACG and that no contract is awarded to WB debarred firms.

76. **In order to operationalize implementation of various areas covered in the ACGs, the following actions are proposed to be taken by MoMSME:**

- Ensure that NPIU and SPIU’s aggregates all Fraud and corruption and any other complaints received, related investigations and actions taken and prepare a consolidated bi-annual report to be shared with the WB in a prescribed format.

- Include in the Sanction order or Bid and contract document reference to applicability of Bank's Anti-corruption Guidelines and contract not to be awarded to Bank debarred firms for which procurement entity incorporates Bank's debarment list in the filter used by implementing entities when they conduct due diligence. The list may be found in the following website: <https://www.worldbank.org/en/projects-operations/procurement/debarred-firms>
- MoMSME add to scope of Auditor to validate compliance to ACG and that, under Program Expenditure Framework, no contract is awarded to WB debarred firms.
- MoMSME would set-up a centralized procurement & FM complaint redressal system which shall have a web interface to receive complaints and clearly defined rules and authorities to resolve/process the complaint/suggestions. Furthermore, this system shall be designed to ensure compliance with the requirements of various applicable acts and rules.

77. If the Borrower and/or MoMSME or the WB determines that fraud and corruption have occurred in connection with the Program, the Borrower and/or MoMSME will take timely and appropriate action, satisfactory to the WB, to remedy or otherwise address the situation and prevent its recurrence. The MoMSME will share incidences related to fraud and corruption with WB. If the WB determines to conduct an administrative review into allegations or other indications of fraud and corruption in the Program, MoMSME and all IA's will cooperate fully with representatives of the WB for carrying out review.

78. The selected States shall implement its respective activities under the Program, in compliance with the Anti-Corruption Guidelines for the Program. A workshop to sensitize States and IAs on applicability of anti-corruption guidelines and protocol to be followed will be organized as part of the RAMP project launch.

### **3.4 Auditing**

#### **3.4.1 Program Audit**

79. Audit of the government departments at the Central and State level is annually conducted by the Comptroller & Auditor General of India (C&AG), through its Central & State audit offices and these are subject to Parliamentary oversight and Legislative scrutiny. The selection, duties, and powers of the C&AG are enshrined in the Constitution and are guided by the C&AG's (Duties, Powers and Conditions of Service) Act, 1971, supported by Regulations on Audit and Accounts, 2007. The C&AG, as the Supreme Audit Institution in India (SAI), is a member of the International Organization of Supreme Audit Institutions and follows international auditing standards of the SAIs. Besides financial & compliance audits, the C&AG also conducts performance audits. The audit reports issued by C&AG on the Finance Accounts of the Central Government and State Finance Accounts, compliance and performance audit reports are tabled at the Parliament of India, and State legislatures. Meetings and debates on the audit findings take place at the Public Accounts Committee and Committee of Public Undertakings, after these audit reports are presented in the Legislature. These reports are subsequently made available on the public domain at the website of C&AG.

80. Finance Accounts of the Central Govt and State Govts are finalized by O/o of Controller General of Accounts (CGA) at the Central level and O/o Accountant General (Accounts & Entitlement) at the State level within 9 months from the end of FY. The financial audits are

conducted, and reports are issued by C&AG before the ensuing budget session (i.e. within 12 months from the end of FY), with an exception for FY18-19 where there was a delay due to CoVID-19 pandemic. The audit reports at the Central level for the past two FYs (FY17-18 and FY18-19) issued by C&AG (available in public domain) were reviewed by the team. There were no serious / significant audit issues reported for MoMSME and its schemes in these audit reports.

81. The financial Audits of IAs are carried as per the Act under which these are formed. The audits are either conducted by C&AG, or private audit firms empaneled with C&AG, or by private audit firms appointed by IAs. The audit reports of CGTMSE (likely to be an IA under RAMP) available in public domain for the past two FYs (FY18-19 and FY19-20) issued by a private firm of chartered accountants (statutory auditor appointed by the Board of CGTMSE on recommendation by C&AG) were reviewed by the team. These audit reports were 'unqualified' and issued by the statutory auditor within 6 months from the end of FY. Similarly, in the WB financed TCSP program (where major civil works and procurement of plant & machinery activities were involved) and was implemented by MoMSME during FY12 to FY20 with the support of TCs (likely to be IAs to implement TA activities for this Program), the program financial audits were conducted by Pvt firm of chartered accountants empaneled with C&AG. These audit reports were issued within a period of 9 months from the close of FY. These program audit reports were unqualified and had not reported any accountability issues. The WB could not get access to the audit reports of other IAs.

### **Auditing - Proposed for the Program**

82. The financial statements of the RAMP on scheme budget lines will be prepared by NPIU within 9 months from the end of each FY. The audit will be conducted by C&AG as per the ToR that was agreed between C&AG and WB for the India portfolio and such audit report will be submitted by NPIU to the WB within 12 months from the end of each FY (i.e. by March 31). The WB during first year of Program implementation will enhance the ToR to meet the specific requirements of the P4R Program.

83. The auditing risk of the Program is assessed to be **Substantial** due to possible delay in submission of audit reports by IAs. However, the NPIU and SPIUs will closely monitor the audit status of IAs and timeliness on receipt of audit reports. The audits of the IAs will be conducted by the statutory auditors of IAs, as per the audit ToRs to be agreed with WB during program implementation and such audit reports will be submitted by IAs to NPIU and SPIUs within 12 months from end of FY. Further 'Grant-In-Aid' will not be released to IAs that have overdue audit reports and where audit opinion is 'disclaimer or adverse'. An effective compliance and follow-up mechanism will be established at NPIU to satisfactorily close recurrent and significant audit observations. The NPIU in MoMSME will share the audit reports of IAs with the WB within 12 months from end of FY (i.e. by March 31).

### **3.5 Procurement and Financial Management Capacity**

84. Based on the interactions, the procurement activities are undertaken by the administrative staff. There is no dedicated procurement officer at NMIU or at MoMSME. The administrative staff are managing the procurement and contract management functions. As GFR was revised in 2017 and published procurement category wise procurement manuals in 2019, the staff needs

orientation. Also, the GFR -2017 provides broad guidelines for preparation of the bid / proposal documents. In the absence of universal suit of standard/model procurement documents, recent changes<sup>15</sup> in the applicable procurement framework induced PPD, DoE, MoF, GoI, a dedicated staff is required at NMIU to manage the procurement and contract management to articulate the procedures prescribed as per GFR.

85. On FM, there is adequate staffing at MoMSME, participating MDAs and State Industries Department to carry out day to day FM functions. The FM staffing and capacity at IAs may vary. The 'Accounts Wing' of IFW at MoMSME is headed by CCA and works under the overall administration and direction of the Financial Advisor. The CCA is supported by Deputy Controller of Accounts and Principal Accounts officers to maintain accounts for the Ministry and submit periodic financial reports to the CGA in MoF. The CCA is assisted by PAO for payment of bills submitted by DDO of Program / Administration wing of MoMSME. Similarly, at the State level, the accounting, financial reporting and payment functions are carried by 'Directorate of Treasury and Accounts', that is under the administrative control of the FD. The payment functions are carried by Treasury / Sub-treasuries upon submission of bills by the DDO of the Administrative Department. However, to oversee the FM activities of the Program and monitor key performance Indicators related to budget and payments, accounting & financial reporting, and audit compliance, NPIU and SPIUs may engage a FM Specialist that can provide required operational and technical support to MoMSME and State Industries Department. It would further help in maintaining effective coordination with various program offices i.e. O/o DC-MSME, participating MDAs at Central level, State level Industries Department, field level IAs on FM related matters.

**Action Proposed:** Engage FM and Procurement staff at NPIU and SPIU, to monitor the FM and Procurement performance.

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<sup>15</sup> After date of IFSA, Change(s) in applicable procurement framework will promptly conveyed to the Bank and their implication on overall project implementation. The Bank will review

## Section 4: Program Systems and Capacity Improvements

86. Based on the assessment, following PAP actions are proposed:

**Table 6: Summary of Risk and Proposed Mitigation Measures**

Description of Risk	Proposed mitigation measure(s)	DLI / Program Action Plan (PAP)	Proposed timeline
<b>Absence of Standard Bidding Documents, recent changes / revision of GFR and introduction of category wise manuals.</b>	Provide model templates with GCC to be incorporated in each contract as per permissible procurement methods in GFR for Consultancy services and goods (for Non E-GeM) category.	PAP	Within 03 months from the program effectiveness
<b>Dedicated Procurement and FM consultant /staff required at NPIU at MoMSME and SPIU at State level.</b>	Engage Procurement expert at NPIU and SPIU's with experience for overall coordination on procurement aspects and to provide operational and technical support to MoMSME and various IA in selection of consultancy services & guide on contract management and other procurement issues. Will also be responsible for collating fiduciary information and carry out concurrent review of activities under the program as part of due diligence as per ACG and ensure exclusion of High Value Contract.  Assign a procurement staff in an IA to carry	PAP	Within 03 months from the program effectiveness  Within 03 months from the program effectiveness

	<p>out procurement as per the sanction orders following the GFR.</p> <p>Engage FM specialists at NPIU and SPIU to provide operational and technical support to MoMSME and coordinate with various program offices i.e. O/o DC-MSME, participating MDAs at Central level, State level, field level IAs on FM related matters.</p> <p>Focused training to Fiduciary and program staff directly involved in FM, procurement and contract management</p>		<p>within first year of effectiveness</p>
<p><b>Absence of procurement and contract management MIS system.</b></p>	<p><b>Develop a procurement and contract management MIS system for MoMSME level to monitor</b> annual Planned procurement, contract Award, Implementation Progress and completed Activities of each IA under the program.</p>	PAP	<p>within first year of effectiveness</p>
<p><b>Procurement and FM related complaint handling mechanism and Compliance of Anti-Corruption Guidelines.</b></p>	<p>Maintain separate complaint handling register for procurement and FM till web-based mechanism is in place and Share Report with WB.</p> <p>To establish a web-based centralized complaint handling</p>	PAP	<p>within first year of effectiveness. Subsequently, to share biannual complaint reports</p>

	mechanism with an interface to accept procurement & FM complaint and detailed provisions on complaint resolution, including appeal.		
<b>Strengthen Internal and Financial Audit arrangements.</b>	<p>a) Appointment of Internal Auditor to conduct audit of the program at Central and State level covering FM and procurement aspects.</p> <p>b) Finalize ToRs of Internal audit and financial audit. The scope of audit ToRs would specifically include that in Program Expenditure, (i) there is validation of applicability of ACG and that no contract awards made to debarred firms; (ii) no High Value contracts are present; (iii) FM and procurement is done in accordance with GFR-2017 and applicable GO /regulations;</p>	PAP	Within 06 months from program effectiveness
<b>Sanction Order (SO) or Standard Bid document (SBD) does not mention the Applicability of Bank's Anticorruption Guidelines.</b>	SO or SBD to stipulate the WB Anti-corruption Guidelines as one of the conditions.	PAP	Prior to issuance of SO or SBD under RAMP program

## Section 5: Implementation Support

87. The WB task team will carry out regular implementation mission to support the implementing agencies to achieve results. The progress on agreed PAPs will be reviewed and any changes to the action plan will be made during the implementation phase. The NPIUs and SPIUs will regularly share KPI reports with the WB to monitor the FM and procurement performance, identify gaps and recommend actions. These reports will be reviewed, and issues identified will be addressed appropriately.

88. The team will monitor the following performance indicators:

Indicator	Measure	Timeline
Budget and Fund Flow to ensure that amounts budgeted in the scheme budget lines are adequate, timely payments are made for program activities, including releases for Grant-in-Aid to IAs.	<ul style="list-style-type: none"> <li>Budget documents (i.e. Demand for Grants) of MoMSME and State Industries Department will be monitored to ascertain the amounts budgeted in the scheme budget lines based on annual plans approved by Program Steering Committee.</li> </ul>	Semi-Annually (during preparation of Budget Estimate and Revised Estimate)
	<ul style="list-style-type: none"> <li>Payments made by MoMSME for program activities, Fund releases to IAs, and payments made by IAs to vendors and consultants will be monitored through PFMS reports, Utilization certificates, and contract management reports.</li> </ul>	Semi-Annually during ISM
Fiduciary Staffing	<ul style="list-style-type: none"> <li>Adequate fiduciary staffing at all levels, to manage FM and Procurement functions of the Program.</li> </ul>	Semi-Annually during ISM
Accounting and Financial Reporting	<ul style="list-style-type: none"> <li>PFMS reports at MoMSME that capture Program expenditure details till last object head level; including amounts accounted in the object head 'Grant-In-Aid' for releases to IAs.</li> <li>FMIS reports of the States to ascertain the amounts released towards Grant-In-Aid to IAs.</li> <li>PFMS reports, Utilization certificates and contract management reports submitted by IAs.</li> </ul>	Semi-Annually during ISM
Effectiveness of internal audit function	<ul style="list-style-type: none"> <li>Appointment of Individual consultants (or Internal Audit firm) by IAW.</li> <li>Audit plans prepared by IAW applying risk-based approach covering FM and Procurement aspects.</li> <li>Internal Audits completed.</li> <li>Review of Internal Audit reports and compliance to audit findings.</li> </ul>	Annually

Indicator	Measure	Timeline
Timely audit of financial statements of IAs	<ul style="list-style-type: none"> <li>• Appointment of statutory auditor by IAs.</li> <li>• Financial Statements prepared by IAs.</li> <li>• Audits completed for IAs.</li> <li>• Review of financial audit reports and compliance to audit findings</li> </ul>	Annually
Adequate monitoring of the procurement activities	<ul style="list-style-type: none"> <li>• Percentage of contracts awarded to consultant, service providers and IP's and completed within the original contract period.</li> <li>• Average number of quotation/ bids received.</li> <li>• Number of Procurement related complaints received and upheld.</li> <li>• No contract exceeds the threshold for high value contracts</li> </ul>	Annually

## Annex I: Budget Estimate and Actual Expenditure for FY18-19 and FY19-20

Budget Estimate and Actual Expenditure for the identified schemes for FY18-19 and FY19-20								Figures in INR
Scheme	Sub-Scheme	BE18-19	AE18-19	FY18-19	BE19-20	AE19-20	FY19-20	
		Figures in Million	Figures in Million	Budget Outturn	Figures in Million	Figures in Million	Budget Outturn	
1	Establishment Expenditure for the Centre	203.30	191.27	94%	206.60	198.64	96%	
	Secretariat Development Commissioner (MSME)	260.40	311.76	120%	328.70	334.29	102%	
	<b>Sub total</b>	<b>463.70</b>	<b>503.03</b>		<b>535.30</b>	<b>532.93</b>		
2	Technology Upgradation and Quality Certification	10,060.00	10,070.92	100%	7,057.80	7,584.20	107%	
	Credit linked Capital Subsidy and Technology Upgradation Scheme	-	-		-	-		
	Credit linked Capital Subsidy and Technology Upgradation Scheme - States	-	-		-	-		
<b>Sub total</b>	<b>10,060.00</b>	<b>10,070.92</b>		<b>7,057.80</b>	<b>7,584.20</b>			
3	Marketing Promotion Scheme	650.00	85.62	13%	876.00	799.16	91%	
	Procurement and Marketing Support Schemes	-	-		-	-		
	Procurement and Marketing Support Schemes - States	150.00	33.07	22%	100.30	-	0%	
	Marketing Assistance Scheme	50.00	47.99	96%	300.00	69.04	23%	
<b>Sub total</b>	<b>850.00</b>	<b>166.69</b>		<b>1,276.30</b>	<b>868.21</b>			
4	Infrastructure Development Programme	-	-		51.20	-	0%	
5	Research and Evaluation Studies	150.30	39.73	26%	231.00	75.71	33%	
	Database Research Evaluation and Other Office Support	10.00	2.85	28%	15.70	-	0%	
	Survey, Studies and Policy	-	-		-	-		
<b>Sub total</b>	<b>160.30</b>	<b>42.58</b>		<b>246.70</b>	<b>75.71</b>			
		<b>11,534.00</b>	<b>10,783.22</b>	<b>93%</b>	<b>9,167.30</b>	<b>9,061.05</b>	<b>99%</b>	

The budget and actual expenditure reflected in serial no 2 (Technology Upgradation and Quality Upgradation) is combined for Credit linked Capital Subsidy Scheme and Technology Upgradation scheme (CLCS-TUS). FY20-21 is the last year of implementation for Credit linked Capital Subsidy Scheme. The Budget and Actual Expenditure for FY19-20 of CLCS-TUS schemes (LEAN, DESIGN, ZED, INCUBATION, IPR, DIGITAL MSME) taken up under RAMP is provided below:

CLCS-TUS schemes	FY19-20		Budget Outturn
	BE	AE	
<i>LEAN</i>	<i>189.70</i>	<i>181.40</i>	<i>96%</i>
<i>DESIGN</i>	<i>110.00</i>	<i>100.60</i>	<i>91%</i>
<i>ZED</i>	<i>132.90</i>	<i>129.90</i>	<i>98%</i>
<i>Incubator</i>	<i>229.10</i>	<i>211.10</i>	<i>92%</i>
<i>IPR</i>	<i>360.20</i>	<i>94.10</i>	<i>26%</i>
<i>Digital MSME</i>	<i>400.00</i>	<i>245.00</i>	<i>61%</i>
<b>Total</b>	<b>1,421.90</b>	<b>962.10</b>	<b>68%</b>

Budget distributed by object heads for the identified schemes for FY18-19 and FY19-20							Figures in INR
		BE18-19	AE18-19	Budget Outturn	BE19-20	AE19-20	Budget Outturn
	Object Heads	in millions	in millions		in millions	in millions	
01	Salaries	317.50	385.23	121%	374.90	417.14	111%
02	Wages	5.00	-	0%	1.00	-	0%
03	Overtime Allowances	0.90	0.21	23%	0.90	0.07	8%
06	Medical Treatment	20.00	10.24	51%	12.50	6.65	53%
11	Domestic Travel expenses	61.30	27.76	45%	94.00	24.26	26%
12	Foreign Travel expenses	43.90	6.01	14%	105.10	9.32	9%
13	Office Expenses	99.90	83.75	84%	228.60	78.33	34%
16	Publications			0%	30.00	2.24	7%
20	Other Administrative Expenses	569.20	66.12	12%	939.10	142.37	15%
26	Advertisement and Publicity	73.40	24.45	33%	122.20	98.36	80%
27	Minor Works	1.00	2.75	275%	8.10	4.00	49%
28	Professional Services	9.80	2.33	24%	147.00	28.59	19%
31	Grants in Aid General	1,552.00	201.07	13%	1,274.40	1,563.39	123%
33	Subsidies	8,780.10	9,973.31	114%	5,829.50	6,686.33	115%
36	Grants in Aid Salaries	-	-	0%	-	-	0%
		<b>11,534.00</b>	<b>10,783.22</b>	<b>93%</b>	<b>9,167.30</b>	<b>9,061.05</b>	<b>99%</b>

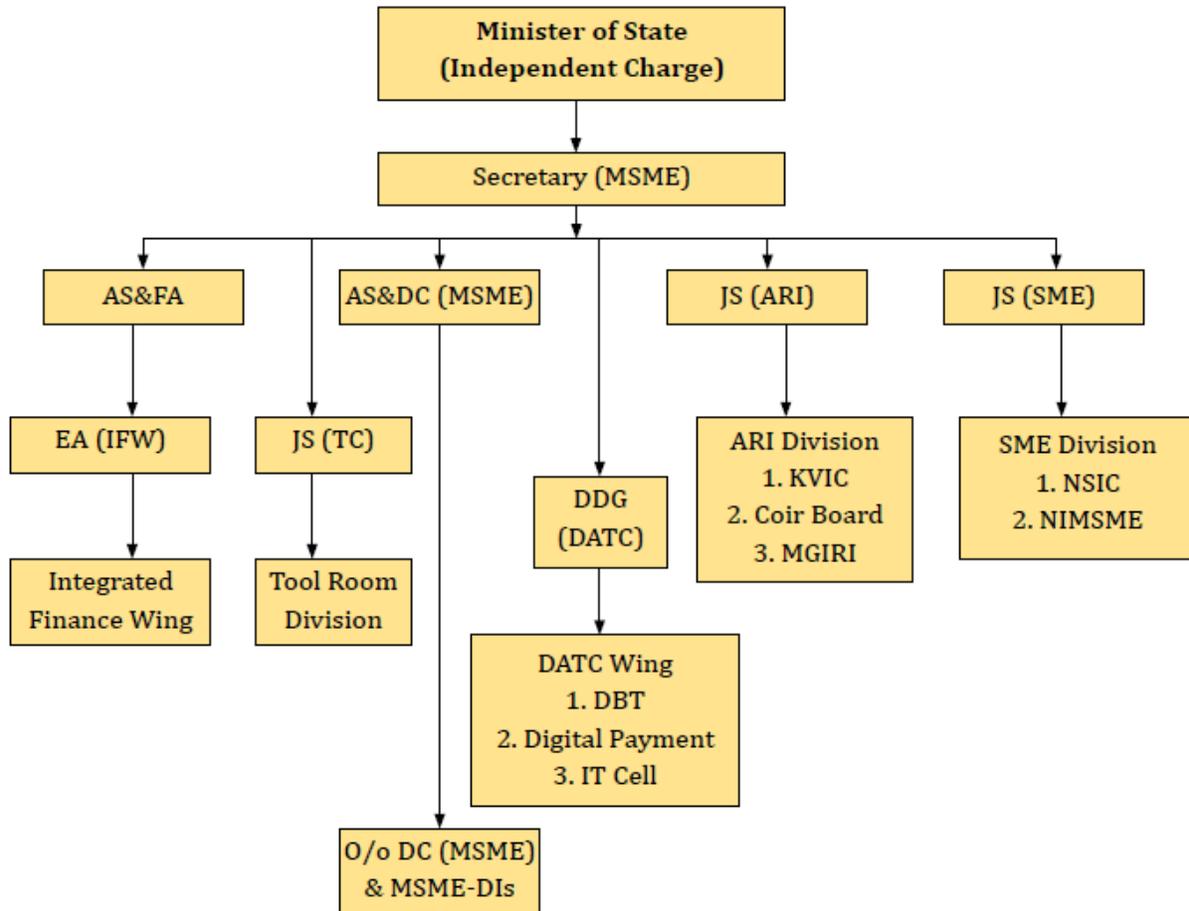
## Annex II: Procurement profile of selected schemes and Implementing Agencies

S l o	Schem e (Sub- Head)	Sub-Scheme (Detailed Head)	Object heads	Activities under the program	Implementing Agencies
1	Establis hment Expend iture for the Centre	Secretariat	Salaries, Wages, Overtime Allowance, Medical Treatment, Domestic Travel Expenses, Foreign	Hiring of staff and technical support organization to strengthen M&E unit, policy unit.	MoMSME
		Development Commission er (MSME)	Travel Expenses, Office Expenses, Other Administrative Expenses, Advertising and Publicity, Minor Works, Professional Services	Hiring of technical consultants for digital platforms; website and web portal development.	Office of Development Commissioner- MSME
2	Techno logy Upgrad ation and Quality Certific ation* (refer annex IV)	Credit linked Capital Subsidy and Technology Upgradation Scheme	Other Administrative Expenses, Domestic Travel Expenses, Foreign Travel Expenses, Office Expenses, Advertising and Publicity, Professional Services, Grants-in-Aid General, Subsidies	Six sub schemes (Zed /lean/digital/incubator /IPR /Design): Refer to annexure IV for details.  All technical service provision to MSMEs. Activities: Scheme manager agencies such as Quality Council of India, National Institute of Design and National Productivity Council; hiring of technical consultants / technical support organizations and paying a part of consultant charges for technical service provision services to MSMEs. Subsidy to MSMEs to support costs of certification and ratings across several areas. Costs of onboarding, training and certification of service providers.	ZED – Quality Council of India; LEAN – National Productivity Council and Quality Council of India; Digital MSME – CSC e-Governance Services India Limited; Design Scheme - National Institute of Design, Ahmedabad & Indian Institute of Science, Bangalore; Incubator scheme - MSME-Development Institutes/Technology Centres/Central Government/State Government & its institutions; IPR scheme - MSME-Development Institutes, Technology Centres*
		Credit linked Capital Subsidy and	Grants in Aid General		

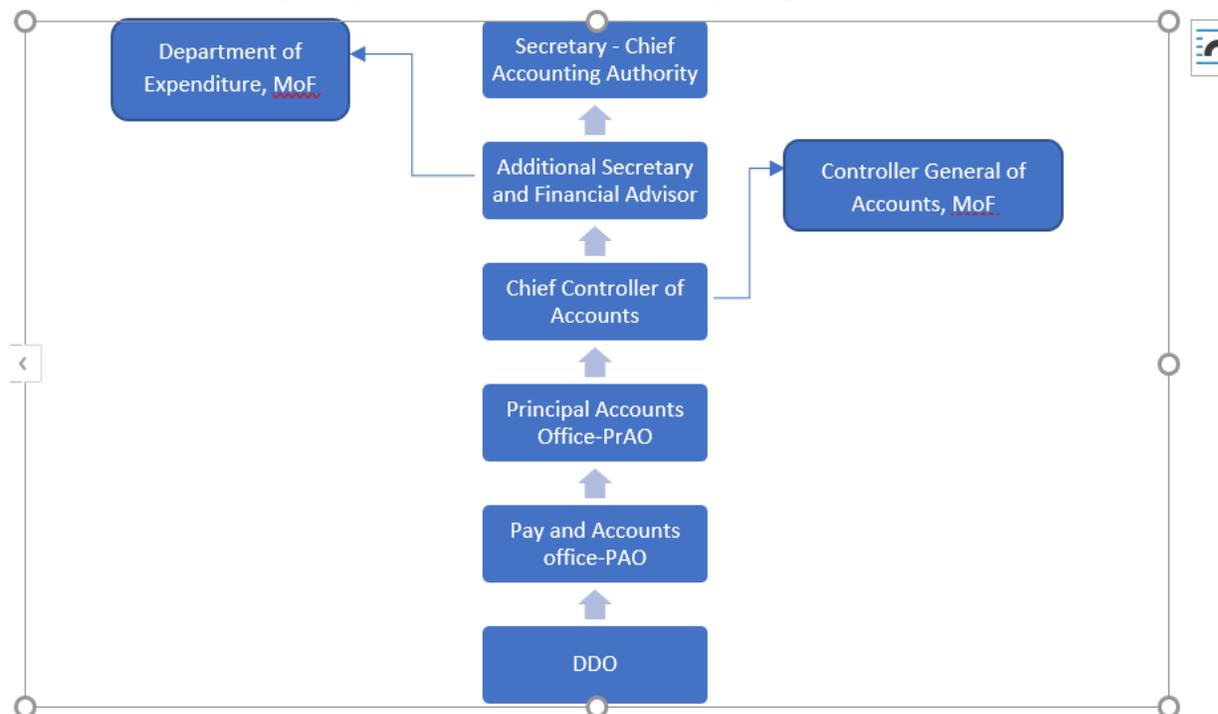
<b>S l o</b>	<b>Schem e (Sub- Head)</b>	<b>Sub-Scheme (Detailed Head)</b>	<b>Object heads</b>	<b>Activities under the program</b>	<b>Implementing Agencies</b>
		Technology Upgradation Scheme – States			
3	Marketi ng Promoti on Scheme	Procurement and Marketing Support Schemes	Other Administrative Expenses, Domestic Travel Expenses, Foreign Travel Expenses, Advertising and Publicity, Professional Services, Grants-in-Aid General, Subsidies	Supporting costs of MSEs and MSE associations for attending trade fairs and visit to target markets.	Office of DC-MSME and its implementing office; Other filed organisation of MoMSME namely NSIC, KVIC, Coir Board; State governments through its departments/organisations/corporations/autonomous bodies and agencies; Other Central Govt ministries through its departments/organisations/corporations/autonomous bodies and agencies.
		Procurement and Marketing Support Schemes – States	Grants in Aid General	Advisory services	Same as above
		Marketing Assistance Scheme	Subsidies	Advisory services	Same as above
		International Cooperation Scheme	Grants in Aid General	Visits of MSMEs, MSME associations and support institutions to visit international target markets as part of business delegations; holding conferences and seminars with international participants.	Same as above
4	Infrastr ucture Develo	Capacity Building for	Other Administrative Expenses, Domestic Travel Expenses, Foreign Travel		Office of DC-MSME with the support of Technology Centres.

S l n o	Scheme (Sub-Head)	Sub-Scheme (Detailed Head)	Object heads	Activities under the program	Implementing Agencies
	pment Program	Technology Centers	Expenses, Office Expenses, Professional Services, Grants-in-Aid General		
5	Research and Evaluation Studies	Database Research Evaluation and Other Office Support Program Survey, Studies and Policy Research	Grants in Aid General ,Other Administrative Expenses, Domestic Travel Expenses, Office Expenses, Publications, Advertising and Publicity, Professional Services	Hiring of researchers and research organizations for studies and costs of surveys and field investigations.	

## Annex III-A: Organization Structure of MoMSME



## Annex-III-B: Organogram of the Accounting Organization in MoMSME



### Roles and responsibilities of the Accounting Organization in MoMSME

1. The Secretary of the MoMSME is the Chief Accounting Authority. S/he discharge the functions with the support from Financial Advisors (FA) and Chief Controllers of Accounts (CCA) of the Ministry.
2. Additional Secretary and Finance Advisor (FA) is head of the Integrated Finance Wing (IFW) of MoMSME. S/he is assisted by CCA to perform the roles and functions. The FA has a dual responsibility and also interacts with the Secretary (Expenditure) in Department of Expenditure (DoE) of Ministry of Finance (MoF) on financial matters that concern MoMSME.
3. The CCA is an official representative from the office of Controller General of Accounts (CGA). S/he is the head of the 'Accounts Wing' and works under the overall administration and control of FA. S/He is supported by Deputy Controller of Accounts and Principal Accounts officers for the maintenance of accounts, financial reporting and internal audit. S/he is assisted by Pay and Accounts Office (PAO) to ensure timely payments of bills / claims submitted by Drawing and Disbursing officer (DDO) of MoMSME. CCA ensures effective implementation of IT initiatives of GoI, such as, PFMS, DBT and GeM.
4. Drawing and Disbursing officer (DDO) is the budget holder/ controlling officer authorized to draw money from the approved budget line of MoMSME. S/he ensures that the expenditure does not exceed budget allocation and is responsible for presenting the bills/claims to the PAO for payment.

5. Controller General of Accounts (CGA) is responsible for laying down the general principles of Government Accounting and the Form of Accounts. The CGA prepares the Finance Accounts of MoMSME based on the inputs received from the CCA of MoMSME.

## Annex IV: Scheme details of six components of CLCS-TUS

Key Benefits	Scheme applicable and how to apply	Objective
<ul style="list-style-type: none"> <li>• Promote adaptation of Quality tools/systems and Energy Efficient manufacturing.</li> <li>• Enable MSMEs for manufacturing of quality products.</li> <li>• Encourage MSMEs to constantly upgrade their quality standards in products and processes.</li> <li>• Financial assistance will be provided to the MSMEs in obtaining a ZED certification.</li> <li>• Reimbursement of Certification fees/Consultancy charges on successful certification, subject to an upper ceiling as per the scheme guideline. This can be claimed as per scheme guidelines.</li> <li>• For MSMEs supplying for Defence, reimbursement shall be admissible additionally on Defence related certificates/Standards as per the scheme guidelines.</li> </ul>	<p>All the Udyog Aadhar Memorandum (UAM) registered manufacturing MSMEs are eligible to apply for ZED registration.</p> <p><a href="http://dcmsme.gov.in/schemes/clcs-tus/Operational-Guidelines-ZED.pdf">http://dcmsme.gov.in/schemes/clcs-tus/Operational-Guidelines-ZED.pdf</a></p> <p>Contact: Sh. Manoj Saraswat, Director, O/o DC MSME</p> <p>Email: <a href="mailto:manoj.saraswat1963@gmail.com">manoj.saraswat1963@gmail.com</a></p> <p>Ph.: 011-23062561</p>	<p>The scheme envisages promotion of Zero Defect and Zero Effect (ZED) manufacturing amongst MSMEs and ZED Assessment for their certification so as to:</p> <ol style="list-style-type: none"> <li>a. Encourage and Enable MSMEs for manufacturing of quality products using latest technology tools &amp; to constantly upgrade their processes for achievement of high productivity and high quality with the least effect on the environment.</li> <li>b. Develop an Ecosystem for Zero Defect Zero Effect Manufacturing in MSMEs, for enhancing competitiveness and enabling exports.</li> <li>c. Promote adoption of Quality and recognizing the efforts of successful MSMEs.</li> <li>d. Increase public awareness on demanding Zero Defect and Zero Effect Products through the ZED Rating and Grievance Redressal Portal.</li> </ol>
Key Benefits	Scheme applicable and how to apply	Objective
<p>Financial assistance is provided for implementation of lean manufacturing techniques, primarily the cost of lean manufacturing consultant (80% by GoI and 20% by beneficiaries).</p>	<p>Existing Entrepreneurs <a href="http://www.dcmsme.gov.in/schemes/clcs-tus/LEAN-Operational-Guidelines.pdf">http://www.dcmsme.gov.in/schemes/clcs-tus/LEAN-Operational-Guidelines.pdf</a></p> <p>Contact: Sh. Manoj Saraswat, Director, O/o DC MSME</p> <p>Email: <a href="mailto:manoj.saraswat1963@gmail.com">manoj.saraswat1963@gmail.com</a></p> <p>Ph.: 011-23062561</p>	<p>The objectives of the Scheme is to enhance the manufacturing competitiveness of MSMEs through the application of various Lean Manufacturing (LM) techniques by;</p> <ol style="list-style-type: none"> <li>a. Reducing waste;</li> <li>b. Increasing productivity;</li> <li>c. Introducing innovative practices for improving overall competitiveness;</li> <li>d. Inculcating good management systems; and</li> </ol>

		e. Imbibing a culture of continuous improvement.
<b>Key Benefits</b>	<b>Scheme applicable and how to apply</b>	<b>Objective</b>
<p>To facilitate MSMEs to develop new Design strategies and or design related products through design interventions and consultancy. Financial assistance to the MSMEs for engagement of design consultants for design intervention (GoI contribution @ 75% for micro, 60% for SMEs for the project range up to Rs. 40 lakh).</p> <p>The Design Scheme shall support design work by reimbursing 75% of expenses incurred up to Rs. 1.5 lakh for final year student project done for MSMEs</p>	<p>Manufacturing MSMEs can submit their proposal to Implementing Agency (IA) as per scheme guideline. The scheme guideline is available at: <a href="http://www.dcmsme.gov.in/schemes/Design-Guidelines-CLCS-TUS-2019-2020.pdf">http://www.dcmsme.gov.in/schemes/Design-Guidelines-CLCS-TUS-2019-2020.pdf</a></p> <p>Contact: Sh. Manoj Saraswat, Director, O/o DC MSME Email: <a href="mailto:manoj.saraswat1963@gmail.com">manoj.saraswat1963@gmail.com</a> Ph.: 011-23062561</p>	<p>To bring Indian manufacturing sector and Design expertise/ Design fraternity on to a common platform and to provide expert advice and cost-effective solution on real time design problems, resulting in new product development, continuous improvement and value addition for existing products including new products.</p>
<b>Key Benefits</b>	<b>Scheme applicable and how to apply</b>	<b>Objective</b>
<p>To make MSMEs digitally empowered and motivate them to adopt Information Communication Technology (ICT) tools and application in their production and business process.</p>	<p>All MSMEs registered under MSME Act 2006 as amended from time to time and also MSMEs which are included as per executive orders issued by Office of DC (MSME) consistent with MSME Act from time to time.</p> <p><a href="http://www.dcmsme.gov.in/schemes/DigitalMSME-Guideline-CLCS-TUS-2019-2020.pdf">http://www.dcmsme.gov.in/schemes/DigitalMSME-Guideline-CLCS-TUS-2019-2020.pdf</a></p> <p>Contact: Sh. Manoj Saraswat, Director, O/o DC MSME</p>	<p>The main objective of scheme is to make MSMEs digitally empowered and motivate them to adopt ICT tools and applications in their production &amp; business processes with a view to improve their competitiveness in national and international Market.</p>

	Email: <a href="mailto:manoj.saraswat1963@gmail.com">manoj.saraswat1963@gmail.com</a> Ph.: 011-23062561	
<b>Key Benefits</b>	<b>Scheme applicable and how to apply</b>	<b>Objective</b>
<ul style="list-style-type: none"> <li>• funding supports up to Rs. 15 lakhs for development of innovative ideas into commercial products</li> <li>• Seed funding support up to Rs. 100 lakhs for setting up new units for commercialization of successful innovative ideas</li> </ul>	<p>Any individual or MSME with innovative ideas ready for commercialization can apply to the host institution (e.g., IITs, NITs, technical colleges, research institutes, etc.) For more details: <a href="http://www.dcmsme.gov.in/schemes/Incubator-Guidelines-CLCS-TUS-2019-2020.pdf">http://www.dcmsme.gov.in/schemes/Incubator-Guidelines-CLCS-TUS-2019-2020.pdf</a></p> <p>To apply:  <a href="https://my.msme.gov.in/inc/">https://my.msme.gov.in/inc/</a></p> <p>Contact: Sh. Manoj Saraswat, Director, O/o DC MSME          Email: <a href="mailto:manoj.saraswat1963@gmail.com">manoj.saraswat1963@gmail.com</a>          Ph.: 011-23062561</p>	<p>The main objective of the scheme is to promote &amp; support untapped creativity of individual and to promote adoption of latest technologies in manufacturing as well as Knowledge based innovative MSMEs (ventures) that seek the validation of their ideas at the proof of concept level. The scheme also supports engagement with Enablers who will advise such MSMEs in expanding the business by supporting them in design, strategy and execution. The Enablers will play a pivotal role and would be integral part of the business development.</p>
<b>Key Benefits</b>	<b>Scheme applicable and how to apply</b>	<b>Objective</b>

<p>Reimbursement of Patent/Trademark/GI:</p> <ol style="list-style-type: none"> <li>1. Patent: <ol style="list-style-type: none"> <li>A. Indian Patent upto Rs.1.00 Lakh</li> <li>B. Foreign Patent upto Rs. 5.00 Lakh</li> </ol> </li> <li>2. Trademark upto Rs. 0.10 Lakh</li> <li>3. GI Registration Rs. 2.00 Lakh</li> </ol> <p>Assistance for setting up IP Facilitation Centre upto Rs. 1.00 cr. for period of 5 years</p>	<p>Existing MSMEs To apply: <a href="https://my.msme.gov.in/MyMsme/Reg/COM_IprReim.aspx">https://my.msme.gov.in/MyMsme/Reg/COM_IprReim.aspx</a> For more details: <a href="http://www.dcmsme.gov.in/schemes/IPR-Guidelines-CLCS-TUS-2019-2020.pdf">http://www.dcmsme.gov.in/schemes/IPR-Guidelines-CLCS-TUS-2019-2020.pdf</a> Contact: Sh. Manoj Saraswat, Director, O/o DC MSME Email: <a href="mailto:manoj.saraswat1963@gmail.com">manoj.saraswat1963@gmail.com</a> Ph.: 011-23062561</p>	<p>To enhance the awareness of Intellectual Property Rights (IPRs) amongst the MSMEs to encourage creative intellectual endeavour in Indian economy;</p> <ul style="list-style-type: none"> <li>• To take suitable measures for the protection of ideas, technological innovation and knowledge-driven business strategies developed by the MSMEs for;</li> <li>• To provide appropriate facilities and support for protection and commercialization of Intellectual Property (IP) for the benefit of MSME sector;</li> <li>• To assist SMEs in effective Utilization of IPR Tools for technology up-gradation, market and business promotion and competitiveness enhancement.</li> </ul>
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## Annex V: WB Funded TCSP Program: Procurement and contract performance (Goods and Works)

### CIVIL WORKS

S. No.	New TC Site	Contract Signing Date	Notice to Proceed Date	% Completion of Trg & Prod Block	Overall % Completion	Expected Completion Date	% Financial Progress
1	Pudi, Vizag	Mar '17	May '17			Work Completed	104*
2	Bhiwadi	Jan '17	May '17			Work completed	103*
3	Bhopal	Sept '17	Oct '17			Work completed	84**
4	Rohtak	Feb '17	May '17	96	96	Nov'20	86
5	Puducherry	Mar '17	Oct '17	96	93	Jan'21	81
6	Durg	Jan '17	May '17	96	87	Feb'21	79
7	Baddi	Mar '17	May '17	79	81	Mar'21	75
8	Sitarganj	Mar '17	May '17	78	79	April'21	72
9	Kanpur	Sept '17	Dec '17	70	74	Mar'21	62
10	Gr. Noida	Sep '18	Feb '19	67	61	May'21	48
11	Bengaluru	Jan '17	May '17	76	62	Mar'21	47
12	Ernakulam	Apr '18	Aug '18	55	48	Aug'21	29
13	Imphal	May '18	May '18	46	40	Aug'21	33
14	Aurangabad	Jan '18	Jan' 18	100		Completed	92
15	Bhubaneswar	Feb '17	Feb '17	92		Dec' 20	60
16	Mumbai	Jul' 17	Aug' 17	25		Short Closure in progress	20

### TCSP Works Status update: out of 15 contracts 13 signed for New TCs

Roadmap	Bhi wadi	Durg	Rohtak	Vizag	Beng aluru	Badd i	Sitar ganj	Gr. N.	Pudu cherr y	Imp hal	Bho pal	Kanp ur	Ernak ulum	Patna	Sriper umbu dur
Draft DPR	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Master Plan, BOQ	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Built up area (Appx. in Sqm)	19,071	19,101	16,571	18,786	15,185	14,715	14,554	12,804	10,363	5,400	12,640	12,640	11,000	17,766	20,895
Bid Release	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bid opening	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

<b>Contract Value in Cr.</b>	<b>65.01</b>	<b>59.87</b>	<b>79.1</b>	<b>71.98</b>	<b>52.74</b>	<b>51.73</b>	<b>56.68</b>	<b>52.95</b>	<b>40.82</b>	<b>43.50</b>	<b>52.8</b>	<b>53.3</b>	<b>72.09</b>	<b>100.89</b>	<b>109.68*</b>
Bid Evaluation	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
WB NO	✓	NA	✓	✓	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Issue of LoA	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Contr. Signed	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		

## GOODS

Estimates	INR Cr	USD* Mn	(A)
Total Project cost	2,200.00		
(A) Value for goods procurement	1,050.00	145.83	
(B) Goods ordered and delivered	248.99	34.58	23.71
(C) Goods ordered and under delivery	150.81	20.95	14.36
(D) BER under Approval / Bids under evaluation	62.28	8.65	5.93
(E) Bids in market	-	-	-
(F) Bids likely to be in market in Q3 of FY 2020-21	136.76	18.99	13.02
(G) Bids likely to be in market in Q4 of FY 2020-21 (Technical Specifications under review / finalization)	253.26	35.18	24.12
(H) Total Procurement (B+C+D+E+F+G)	852.10	118.35	81.15
<b>Balance (A-H)</b>	<b>197.90</b>	<b>27.49</b>	<b>18.85</b>

Note: Current Goods Procurement estimated is of INR 1,257 Cr against INR 1,050 Cr \*USD 1= INR 72.

## Status of number of Machines/Labs for New TCs

#	TC	As per DPR	Ordered	Delivered	Comm.	Pending for commissioning	Balance for ordering	Balance for ordering (%)
1	Bhiwadi	94	49	42	42	0	45	48
2	Bhopal	82	45	40	31	9	37	45
3	Durg	82	47	42	33	9	35	43
4	Rohtak	80	46	42	34	8	34	43
5	Vizag	85	47	42	42	0	38	45
6	Puducherry	56	21	21	0	21	35	63
7	Sitarganj	87	50	39	0	39	37	43
8	Baddi	82	48	39	0	39	34	41

9	Kanpur	82	45	35	0	35	37	45
10	Gr. Noida	86					86	100
11	Imphal	45					45	100
12	Bangaluru	109					109	100
13	Kochi	81					81	100
14	Patna	84					84	100
15	Chennai	91					91	100
		<b>1226</b>	<b>398</b>	<b>342</b>	<b>182</b>	<b>160</b>	<b>828</b>	<b>67</b>

## Annex VI: Fiduciary Assessment of Quality Council of India (QCI)

Quality council of India is an accreditation body under the Ministry of Science and Technology. It was set up as non-profit autonomous society registered under the Society Registration Act 1860. The organization structure and the Governing body is given below. QCI is one of the main Implementing Agency for the LEAN and ZED schemes of CLCS-TUS administered by MoMSME. This IA will continue to be involved under RAMP project. This fiduciary assessment was based on telephonic discussion and desk review of information and Utilization Certificates (UC) submitted by QCI.

**Procurement:** QCI has a purchase department with 5-6 staff and a purchase committee where head of Finance & Accounts (Principal Advisor) is the chair. QCI has a service manual and strictly follows the provisions of GFR. All contracts above Rs 25 lakhs are advertised and up to Rs 20000 are procured following the market research process. The contracts are strictly awarded based on LI for price and technical evaluation determines the most technically qualified firm. On an average 4-5 bids are received and if the bids received are less than 3 then the process of re-tendering is followed. The QCI uses e-Gem, GoI electronic market place as well. Grievance redressal is through an appellate committee. Staffing comprises of regular staff selected through advertisement and committee approval; professional such as subject matter expert, retired officials who are onboarded as consultant for a period of 6 months to 2 years; and project planning and implementation which has interns and other staff for 3-6 months. The details for ZED and LEAN schemes are as under:

### ZED scheme:

<b>ZED Scheme</b>	
No sanction orders for FY18-19 and FY19-20.	
Amount spent by QCI from FY16-17 to FY18-19	Rs 229.50 million
Amount spent on	<ul style="list-style-type: none"> <li>• Awareness programs and trainings</li> <li>• Assessment of MSME</li> <li>• Development &amp; maintenance of IT systems</li> <li>• Branding and Promotion</li> <li>• Project management &amp; Administration costs</li> </ul>

Under ZED scheme the budget based on the scheme guideline and SO was mainly spent for activities related to awareness creation, trainings, assessment of MSME. The **awareness training** costs are provided in the scheme guideline (for example a specific training may cost Rs 70000) and this includes cost of the venue, honorarium to the master trainers, logistics and food etc. The **assessment of MSME** are carried out only through QCI accredited agencies. These agencies are

selected based on a software metrics and includes criteria such as eligibility, scope, presence in the state, previous trainings completed etc. No consultancy contracts are awarded by QCI under ZED scheme.

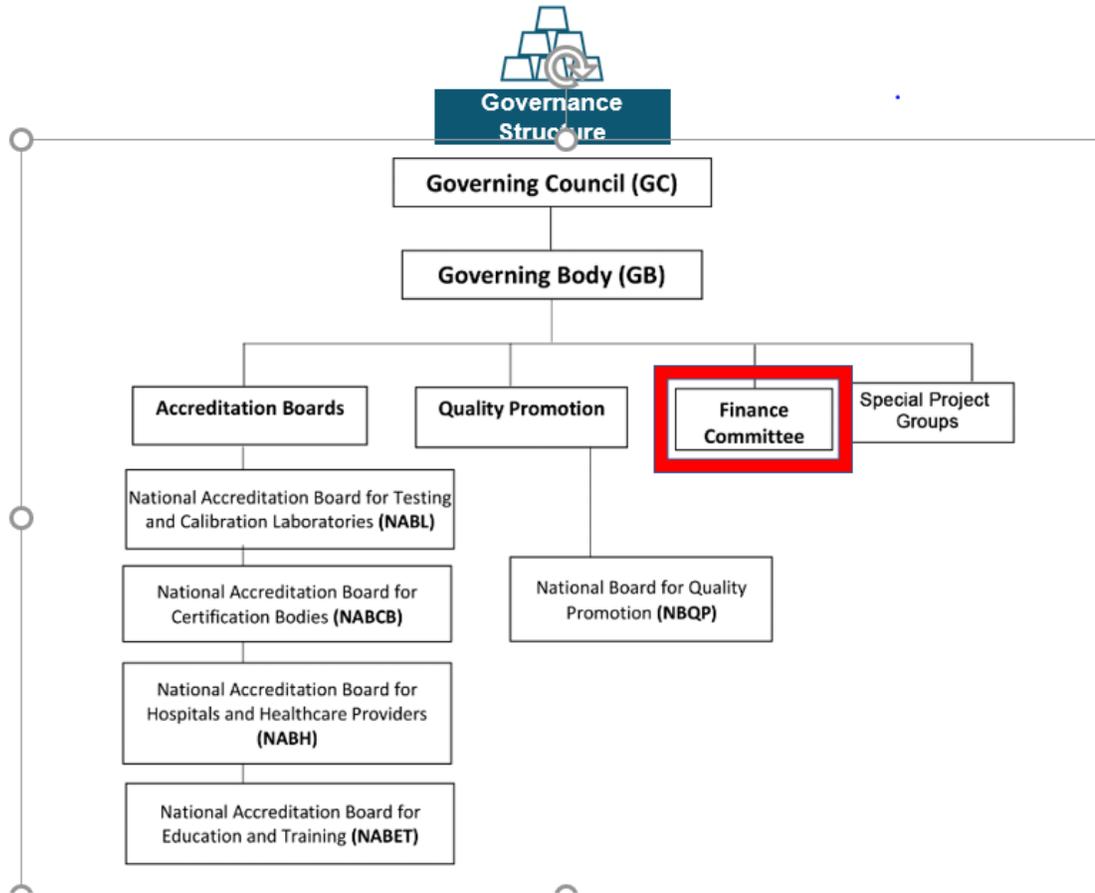
**LEAN scheme:**

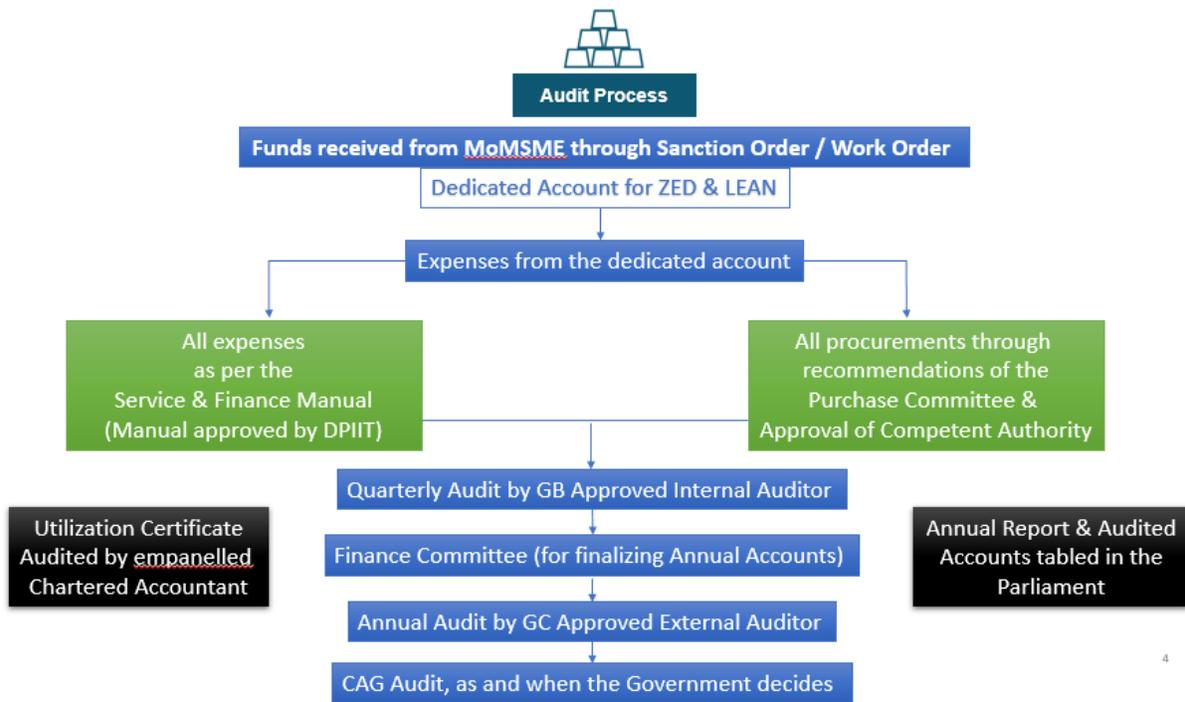
<b>LEAN Scheme</b>	
Total amount received by QCI since inception of scheme in FY14 till FY19	Rs 349.07 million
Spent towards Consultancy services	Rs 238.50 million
Amount received in FY18-19	Rs 119.70 million
Amount spent towards procurement of consultancy services in FY18-19	Rs 77.7 million*
*UC shared with us is for Rs 45.95 million	

Under LEAN scheme, the selection of consultant is strictly done in accordance with the GFR and average 4-5 Bids have been received. Weightage for technical is 70% and financial is 30%. The contracts are strictly awarded based on LI for price and technical evaluation determines the most technically qualified firm. If the bids received are less than 3 then the process of retendering is followed. Since Inception of Scheme (2014 to till date) the largest contract handled by QCI is for Rs 49.50 million and in FY18-19 the largest contract awarded was for Rs 10.8 million. The complaints received has related to delay in payments. Since August 2019 the scheme is frozen and is being revamped.

**Financial Management:** QCI has a Finance Wing headed by Principal Advisor - Finance and Accounts and supported by a team of 20 Nos accounts staff responsible for the finance and accounting functions. It reports to the Governing Body. The accounts are maintained in computerized system. Separate bank accounts are maintained for LEAN and ZED schemes and the bank accounts are linked to the PFMS system of GoI to receive funds. Under the LEAN scheme, it has received Rs 126.50 million in FY17-18 and Rs 45.95 million in FY18-19 from MoMSME and these amounts were fully utilized. The UC for FY17-18 was submitted to MoMSME in October 2018 (within 7 months from end of FY) and for FY18-19 before the year end in March 2019. Under the ZED scheme, it has not received funds in FY17-18 and FY18-19 from MoMSME, but it has spent Rs 10.30 million in FY17-18 and Rs 38.33 million in FY18-19 from the unspent balance of previous years and interest accumulated on bank balances. For FY17-18, UC was submitted with a significant delay in June 19 and for FY18-19 it was submitted in August 19 (within 6 months from end of FY). Utilization Certificates (UC) are signed by the competent authority of QCI (Principal Advisor - Finance & Accounts and Secretary General) and the auditor (Chartered Accountant firm). For ZED scheme, the UC also provide details of opening bank balances, interest earned, Grant received, expenses incurred and closing bank balances along with Statement of Expenditure providing expenditure details on the funds spent under various components and activities. The statutory audit is annually conducted by pvt firm of Chartered

Accountant appointed by the Governing Council and normally issued within 6 months from end of FY (for FY 19-20 there was a delay in conducting the audit due to CoVID-19 pandemic). The WB could not get access to these audit reports.





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