

F. No. 3/(06)/PFMS/2023
Government of India
Ministry of Finance
Department of Expenditure
PFMS Division

North Block
New Delhi, 21st May, 2024

OFFICE MEMORANDUM

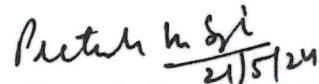
Subject: Master Circular - Procedure for release of funds under the Central Sector Schemes (CS) and monitoring utilization of the funds released.

The undersigned is directed to refer to DoE's guidelines dated 9th March, 2022, commonly known as the Central Nodal Agency (CNA) model regarding revised procedure for flow of funds under Central Sector Schemes.

2. Based on the feedback received from Ministries/Departments, various amendments/clarifications regarding the CNA model have been issued by the Department of Expenditure from time to time. Further, attention is also invited to this Department's OM of even no dated 5th February, 2024 wherein the decisions to (i) implement all Central Sector Schemes with annual outlay of Rs. 100 crore or more through Model 1 w.e.f. 01.06.2024, and to (ii) develop a hybrid TSA system to facilitate onboarding of Sub Agencies, whose account cannot be opened in RBI, on Model-1 were conveyed.

3. The enclosed Master circular is being issued in compliance of the aforesaid DoE's OM and to consolidate all the instructions / guidelines issued on the CNA guidelines till date. Instructions issued by this Department but inadvertently not included in the Master circular should also be followed by the Ministries/Departments.

4. This issues with the approval of competent authority.


(Prateek Kumar Singh)
Director
Tel. No. 011-23094961

To,

1. All Secretaries to the Government of India
2. All Financial Advisors to the Government of India
3. All Pr. CCAs/CCAs of all Ministries/Departments

Copy to:

1. PSO to Finance Secretary & Secretary (Expenditure)
2. PPS to CGA
3. PSO to AS (PFC-II)/AS (Pers)/AS(PFS)/JS(PFC-I)
4. Addl. CGA (PFMS), O/o CGA, INA, New Delhi

Master Circular on the 'CNA Model' - Procedure for release of funds under the Central Sector Schemes (CS) and monitoring utilization of the funds released

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Master Circular on the 'CNA Model' - Procedure for release of funds under the Central Sector Schemes (CS) and monitoring utilization of the funds released

The following procedure shall be followed by the Ministries/ Departments of Government of India for flow of funds under the Central Sector Schemes and monitoring utilization of funds released.

2. Every Ministry/ Department will designate a Central Nodal Agency (CNA) for implementing each Central Sector Scheme. CNA shall be referred to as 1st level agency of the scheme.
3. If there are other agencies involved in implementation of the scheme down the ladder, which get funds from the CNA, these Implementing Agencies (IAs) will be notified as Sub-Agencies (SAs) of the CNA.
4. SAs immediately below CNA are referred to as 2nd level agencies; SAs below 2nd level SAs are referred to as 3rd level agencies and so on.
5. Depending on (i) Budget Estimate of the scheme, (ii) number of levels of implementing agencies in the scheme, and (iii) nature of implementing agencies i.e. whether Government or private, Ministries/Departments have to select one of the following Models to implement the Central Sector scheme -

A. Model - 1: Implementation through Treasury Single Account (TSA)

6. This model will be applicable for schemes –
 - i. Having Budget Estimate of Rs 100 crore or more in a Financial Year (FY), and
 - ii. which are being implemented through only two level of Central/State Government agencies eligible to open account in Reserve Bank of India (RBI). Agencies may be a Central Autonomous Body or a Central Public Sector Enterprise or a State Government Agency.

Onboarding of Government Implementing Agencies

7. For each Central Sector Scheme, the concerned Ministry/Department will designate an Autonomous Body or a Central Public Sector Enterprise or a State Government Agency as the Central Nodal Agency (CNA) to implement the scheme.
8. The CNA will open an account with the Reserve Bank of India (RBI) in e-Kuber. Even in cases where the CNA is already registered in the TSA module and has a bank account in e-Kuber for some other grant, it will open separate account in e-Kuber for funds to be provided under each Central Sector Scheme.

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9. The relevant details of account of the CNA opened with RBI shall be mapped in the TSA module of PFMS as per the extant guidelines on TSA.
10. If besides CNA, there are 2nd level Central/State Government agencies involved in implementation of the scheme, these Implementing Agencies (IAs) will be known as Government Sub-Agencies (SAs) of the CNA.
11. The Government SAs will also open scheme-wise bank accounts with RBI in e-Kuber and shall be mapped in the TSA module of PFMS.
12. RBI will function as the primary banker to the Ministries/ Departments in this regard without involvement of an agency bank.
13. The CNA and SAs shall not open/operate/ park scheme funds in any other bank account except under the provisions made in these guidelines.

Assignment Limits for CNA and Government SAs

14. All accounts of CNA/Government SAs in RBI will be "Assignment Accounts". A limit up to which expenditure can be incurred by the CNA/ SAs shall be assigned to these accounts from time to time by the Pay and Accounts Office (PAO) concerned through PFMS.
15. Assignment will be based on an expenditure sanction issued by the Programme Division (PD) and the bill preferred by the Drawing and Disbursing Officer (DDO). The e-format of the assignments and Sub-assignments shall have requisite details required for accounting and reconciliation of transactions. The e-Kuber bank account details of the CNA/SAs shall be incorporated in the sanction order.
16. The assignments shall be uploaded on the TSA module and received electronically by the CNAs as per the existing protocols of TSA module. The CNA may issue e-Sub-assignments in PFMS against this assignment setting limits of expenditure for the SAs.
17. Control of limits shall be at the Standard Object Head level.
18. Consequent upon receipt of the sanction order for release of funds to the CNA along with bills from the Drawing and Disbursing Officer (DDO), the concerned Pay and Accounts Officers (PAOs) shall, through assignments, advise RBI, after exercising all necessary checks, to honor the payment instructions issued by the concerned CNA/SA up to the, "assigned limit" in the advice.
19. The PAO shall debit the concerned Head of Account for appropriation but not transfer the cash directly to the CNA. It shall be retained in an interim account in respect of the CNA listed under the parent Ministry/ Department in the public account.

20. CNAs & SAs shall adhere to all due process while incurring expenditure from the assignment limit sanctioned through PFMS. CNAs shall also ensure that sufficient limit is available in the relevant account before issue of assignment to SAs.

21. The system will be digital and fully online on PFMS with no physical flow of assignments to RBI or expenditure by CNAs/SAs on assignment basis. The electronic file containing a unique sanction ID and necessary details of the sanction order will travel directly from PAO to RBI and concerned CNAs. RBI will maintain individual ledgers in respect of the accounts of the CNAs for watching the availability of assignment.

22. PFMS Division in CGA will design requisite reports to enable all Program Division (PDs), Pay & Accounts Officers (PAOs), and other stakeholders to view details of sanction orders, summary and budget balance of assignments/sub-assignments, and expenditure details.

23. Ministries/ Departments administering the schemes concerned should strive to make realistic estimation of Budget under the Central Sector schemes and issue sanction orders according to actual requirements. The savings in the assignments should be anticipated well in advance particularly in the third quarter of Financial Year and Ministries/Departments shall ensure suitable savings/surrenders are informed to Budget Division during the pre-budget meetings.

24. Unutilized assignments will lapse to the Government at the close of the Financial Year as per the extant norms of Budget execution and will not be available to the CNAs /SAs for expenditure in the next financial year. In PFMS too, all e-assignments/e-sub assignments shall cease to exist after the close of financial years and shall be flushed out from the system as per the current practice in TSA module.

25. In respect of some transactions like payment of TDS, Income Tax and GST, Opening of Letter of Credit in favor of foreign suppliers, scholarships to foreign students not having account in India, and payment of salaries of the month of March to be paid in 1st week of April, CNAs/SAs may utilize the services of their existing account at commercial banks. They may transfer funds "just in time" to the extent required for meeting such transactions. However, in no case the money transferred under this provision will be parked in a Commercial Bank beyond a period of two weeks except in case of opening Letter of Credit in favor of foreign suppliers in which case the funds can be held in the bank account for the duration required as per purchase order/contract agreement.

26. Unutilized amount of past releases under the scheme available in the bank account of CNA & SAs shall be deposited in the Consolidated Fund of India.

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B. Model – 1A: Implementation through Hybrid Treasury Single Account (TSA)

27. This Model is applicable –

- i. To schemes having Budget Estimate of Rs 100 crore or more in a FY, and
- ii. Where there is a private Sub-Agency (SA) involved in implementation of the scheme which cannot open an account in the Reserve Bank of India (RBI); and/or
- iii. Where there are more than two level of Government/Private SAs involved in implementation of the scheme as RBI does not provide facility to open accounts for 3rd & below level agencies.

Onboarding of Government and Private Implementing Agencies

28. For each Central Sector Scheme, the concerned Ministry/Department will designate an Autonomous Body or a Central Public Sector Enterprise or a State Government Agency as the Central Nodal Agency (CNA) to implement the scheme. 2nd level Government agencies involved in implementation of the scheme will be designated as Government SAs.

29. CNA and 2nd level Government SAs will open assignment accounts in RBI and will be given assignments as per the procedure described in Model 1 above.

30. CNA and Government SAs may also function as 'Funding Agencies' to provide funds to Private SAs at 2nd level and to Government/Private SAs at 3rd level respectively. The Private SAs at 2nd level and Government/Private SAs at 3rd level will be referred to as Recipient SAs.

31. Each Recipient SA will open a savings bank account in a scheduled commercial bank. If there are SAs below the Recipient SA, they will open a Zero Balance Subsidiary Account (ZBSA) in the bank of the Recipient SA.

32. If Recipient SAs and SAs below it already have bank accounts as per para 31 above, same bank accounts may be used & there is no need to open new accounts subject to the condition that funds in the existing bank accounts shall be deposited in Consolidated Fund of India before onboarding.

33. The network of CNA and various types of SAs is explained in the illustrations given in Annexure I and Annexure II.

Procedure to incur scheme related expenditure

34. CNA and Government SAs having an account in RBI will incur expenditure directly from their RBI accounts as per the procedure in Model 1. The procedure for incurring

expenditure by Recipient SA and SAs below who have to incur expenditure from their account in scheduled commercial bank is described below.

- i. The bank account of recipient SA will be assigned a drawing limit by its concerned Funding Agency. Similarly, ZBSAs will be assigned a drawing limit by the agency immediately up the ladder. The available drawing limit will get reduced by the extent of utilization.
 - ii. When a Recipient SA/other SA down its ladder has to make payment to vendors/beneficiaries under the scheme, the SA concerned will prepare (i) a payment file in PFMS containing details of the beneficiaries and vendors to whom the payment is to be made and (ii) a demand file containing amount of funds needed to make the payments as per the payment file.
 - iii. The amount claimed in the demand file shall not exceed the drawing limits assigned to that SA.
 - iv. While the payment file will be retained by the respective SA, the demand files generated by the Recipient SA and SAs below it shall be consolidated daily in PFMS. The consolidated demand file will be sent to the concerned Funding Agency.
 - v. The demand received by the Funding Agency in PFMS till the cut-off time of 3 PM on a working day will be processed and sanction for the amount demanded will be generated on the same working day. Sanction for the consolidated demand received beyond the cut-off time of 3 PM will be generated on the next working day.
 - vi. After sanction, the sanction will be sent to RBI for debiting the assignment account in RBI of the concerned Funding Agency and crediting the sanctioned amount in the bank account of the Recipient SA concerned.
 - vii. Immediately on receipt of funds, the Recipient SA will disburse them to vendors/beneficiaries through its bank account or through ZBSA accounts as per the payment files generated by respective SAs.
35. The funds shall not be retained in any commercial bank account of Recipient SA for more than 2 working days. Interest accrued in the commercial bank accounts shall be deposited in Consolidated Fund of India as per provisions of GFR.
36. Provision in respect of transactions like payment of TDS, Income Tax and GST etc. shall be the same as described in Model 1.
37. CNA and SAs shall not open/operate/park funds in any other bank account except the bank accounts opened/operated as per these guidelines.

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C. Model – 2: Implementation through scheduled commercial banks

38. This Model shall be applicable for Central Sector Schemes with Budget Estimate of less than Rs 100 crore. However, Ministries/Departments may also opt for Model 1/1A to implement such schemes.

39. Every Ministry/ Department will designate a Central Nodal Agency (CNA) for implementing each Central Sector Scheme.

40. The CNA will open a Central Nodal Account (savings bank account) for each Central Sector Scheme in a scheduled commercial bank authorized to conduct Government business by the Ministry/ Department concerned.

41. Implementing Agencies (IAs) down the ladder will be designated as Sub-Agencies (SAs). The SAs will use the CNA's accounts with clearly defined drawing limits set for that account. However, depending upon operational requirements, Zero Balance Subsidiary Accounts for each scheme may also be opened by the SAs.

42. All ZBSAs will have allocated drawing limits to be decided by the CNA concerned from time to time and will draw on real time basis from the Central Nodal Account of the scheme as and when payments are to be made to beneficiaries, vendors etc. The available drawing limit will get reduced by the extent of utilization.

43. For seamless management of funds, the main account and all zero balance subsidiary accounts should be maintained with the same bank. However, Ministry/ Department may choose different banks for opening Central Nodal Accounts of different Central Sector Schemes.

44. Only banks having a robust IT system and adequate branch network should be chosen for opening Central Nodal Account and the zero balance accounts of SAs of each Central Sector Scheme. The bank chosen should have the facility to open the required number of subsidiary zero balance accounts and a robust MIS for handling accounting and reconciliation at each level. The bank should also provide necessary reports and a user-friendly dashboard to officers at various levels to monitor utilization of funds by SAs.

45. The bank's software system should be able to monitor the drawing limits of the SAs who should be able to draw funds on real time basis from the CNA's account as and when payments are to be made. The selected bank should ensure proper training and capacity building of branch managers and other staff for smooth operation of these accounts.

46. Ministries/ Departments will release the scheme funds for each Central Sector Scheme to the account of CNA concerned strictly on the basis of requirement, keeping in view the balance funds of the scheme available with the CNA as per PFMS or scheme-specific portals fully integrated with PFMS in consonance with Rule 232(v) and 230(vii) of the General Financial Rules, 2017.

47. The Ministries/ Departments and the CNAs shall ensure that the interest earned from the funds released is mandatorily remitted to the Consolidated Fund of India in terms of Rule 230(8) of GFR, 2017. Interest amount should be deposited in CFI only through Bharatkosh (NTRP) using PFMS process flow and no other mode should be adopted.

48. The Ministries/ Departments shall release the funds as far as possible in 'Just-In-Time' manner keeping the float in CNAs account to the minimum possible and shall in no case release more than 25% of the amount earmarked for the scheme in a financial year at a time. Additional funds (not more than 25% at a time) will be released only upon utilization of at least 75% of the funds released earlier and in compliance with the conditions of previous sanction.

49. In case Ministries/Departments are unable to sanction new projects in PFMS due to availability of sufficient funds lying in the CNA's Bank Account, sanction orders for token amount not exceeding Rs. 1 (one) in each case can be generated for new project. Once the sanction order is issued, CNA can assign adequate financial limit to the new project in PFMS to enable utilization from the amount balance in the CNA's bank account.

50. The drawing limits assigned to CNA/SA for various projects/activities may be modified based on the pace of utilization of funds as per the following procedure –

- i. The redistribution of drawing limits among SAs for various projects/activities pertaining to same object head can be done through a revised sanction order issued by the Ministry/Department.
- ii. The redistribution of drawing limits among SAs for various projects/activities pertaining to different object heads can be done through a revised sanction order issued by the Ministry/Department only if the original and revised sanction orders are issued in the same financial year backed up by necessary re-appropriation/supplementary as per DFPR etc.
- iii. While doing inter object head redistribution, Program Division and IFD should ensure that the total funds released under an object head in a financial year as per original/revised sanctions should not exceed the annual budget allotted under that object head unless the budget is augmented through re-appropriation/supplementary etc.
- iv. The intra/inter object head redistribution as per (i) and (ii) above shall be accompanied by necessary transfer entries in the books of accounts and the provisions of NS/NIS limits and rule 10 of DFPR shall apply.
- v. To avoid issue of multiple revised sanction orders in a financial year, Program Division of the Department/Ministry, in consultation with IFD, may give flexibility to the CNA to redistribute drawing limits among SAs during a financial year, subject

to issue of a consolidated revised sanction order as per (i), (ii), (iii), and (iv) above at the fag end of the financial year.

- vi. Funds lying unutilized with the SAs under an object head, which the Ministry/Department is unable to redistribute to other projects/activities as per aforesaid procedure, may be returned by the CNA to the Ministry.
 - vii. Ministries/Departments should develop an internal mechanism to monitor/track revision of sanction orders and project/activity wise utilization of funds for the purpose of submitting Utilization Certificates as per GFR provisions.
 - viii. The sanction module of PFMS will enforce budgetary controls at the line item and object head level.
51. For administrative convenience and efficiency, the Program Division may obtain approval of the competent authority and concurrence of the Financial Advisor for more than 25% at a time. But release of funds shall not exceed 25% in one instalment.
52. After opening of Central Nodal Account of the scheme and before opening zero balance subsidiary account of SAs or assigning them drawing rights from CNA's account, the SAs at all levels shall return all unspent amounts of the scheme lying in their accounts to the Central Nodal Account of the CNA.
53. It will be the responsibility of the Ministry/ Department concerned to ensure that the entire unspent amount of the scheme is returned by all the SAs to the Central Nodal Account of the CNA concerned before releasing funds to CNAs.
54. Ministries/ Departments will ensure that releases under all Central Sector Schemes are made strictly as per the actual requirement on the ground, without resulting in any material float with the implementing agencies at any level.
55. Ministry/ Department will register the CNAs and all SAs on PFMS and use the unique PFMS ID assigned to the CNA and SAs for making all payments to them. Bank accounts of the CNAs, SAs, vendors and other organizations receiving funds will also be mapped in PFMS.
56. Payments will be made from the zero balance subsidiary accounts up to the drawing limit assigned to such accounts from time to time. Transactions in each Subsidiary Account will be settled with the Central Nodal Account daily through the core banking solution (CBS) on the basis of payments made during the day.
57. CNAs and SAs will mandatorily use the EAT module of PFMS or integrate their systems with the PFMS to ensure that information on PFMS is updated by each SA at least once every day.

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58. CNAs will keep all the funds received in the Central Nodal Account only and shall not transfer the funds to any other account or not divert the same to Fixed Deposits/ Flexi-Account/ Multi-Option Deposit Account/ Corporate Liquid Term Deposit (CLTD) account etc. The funds released to CNA shall not be parked in bank account of any other agency.

59. Release of funds by the Ministries/ Departments towards the end of the financial year should be avoided to prevent accumulation of unspent balances with CNAs.

60. Provision in respect of transactions like payment of TDS, Income Tax and GST etc. shall be the same as in Model 1.

D. Fund releases exempted from CNA model

61. Following categories of fund releases by a Ministry/Department will be exempted from following these guidelines and may continue in existing mode:

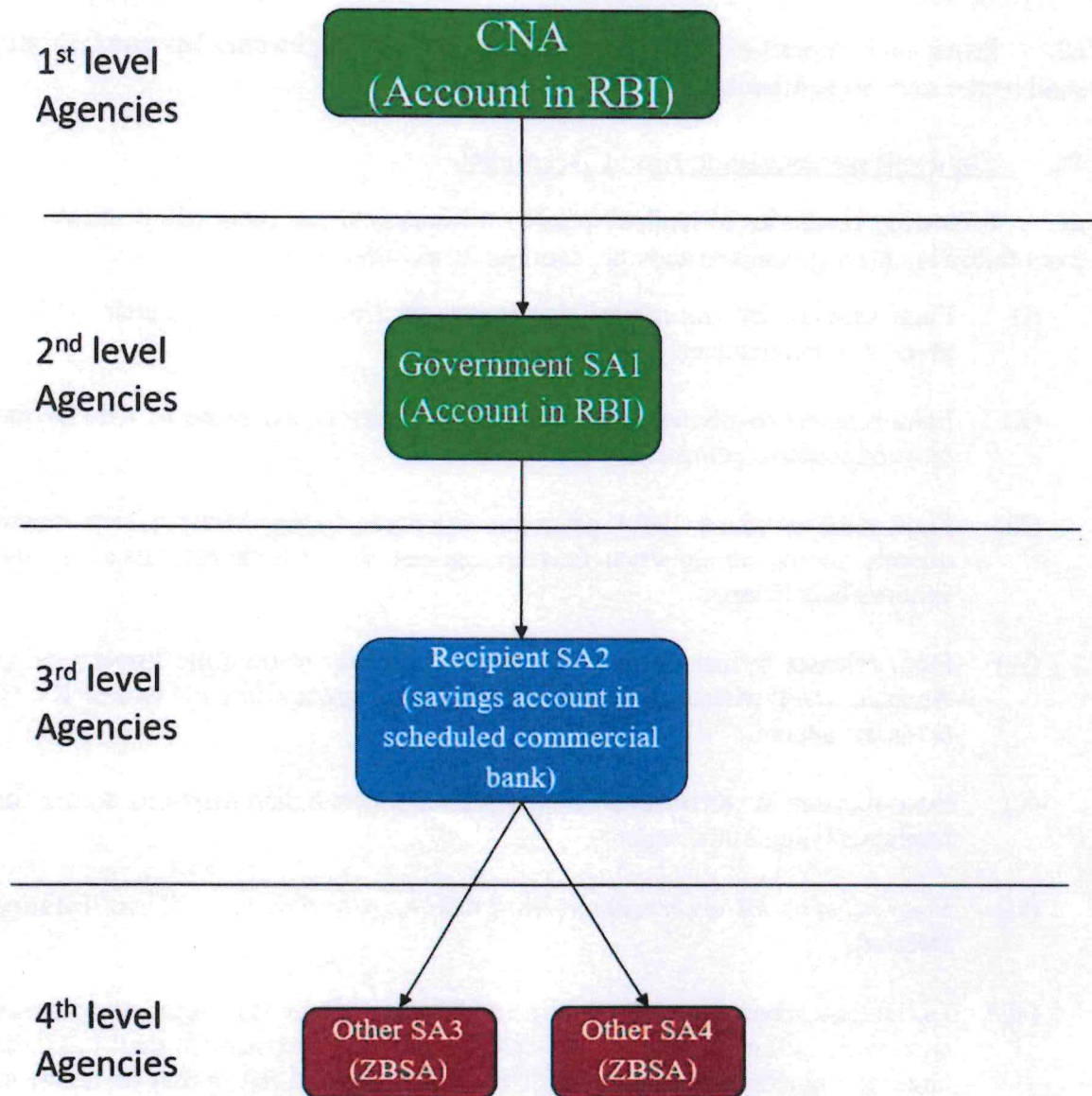
- (i) Fund released by Ministries/Departments in Direct Benefit Transfer (DBT) mode or reimbursement mode.
- (ii) Fund releases involving payment of equity share or extension of loan by the Government to a company.
- (iii) Fund releases where 100% payments are made by the Ministry/Department directly to the vendors/beneficiaries against the bills/claims raised by the vendors/beneficiaries.
- (iv) Fund releases by the Ministry/Department directly to multiple Implementing Agencies (IAs) where amount transferred to any agency does not exceed Rs. 10 lakhs per annum.
- (v) Fund releases in which funds are transferred to the Indian Missions abroad for implementation of the scheme.
- (vi) *Fund releases for a corpus/revolving fund approved by the Cabinet. [Stand Deleted]*
- (vii) Fund releases based on authorization where expenditure is incurred on real time basis with no float. However, in such cases Ministry/Department shall avoid the mode of transfer of funds through Civil Deposit and the option of Letter of Authorization should be adopted.

62. UTs without legislature work directly in PFMS and should be given Letter of Authorization (LoA). There is no need for them to open a Central Nodal Account. They will ensure that the funds are released on the basis of LoA to the vendors/ beneficiaries 'Just-In-Time'.

63. This issues with the approval of Finance Secretary & Secretary (Expenditure).

Annexure I

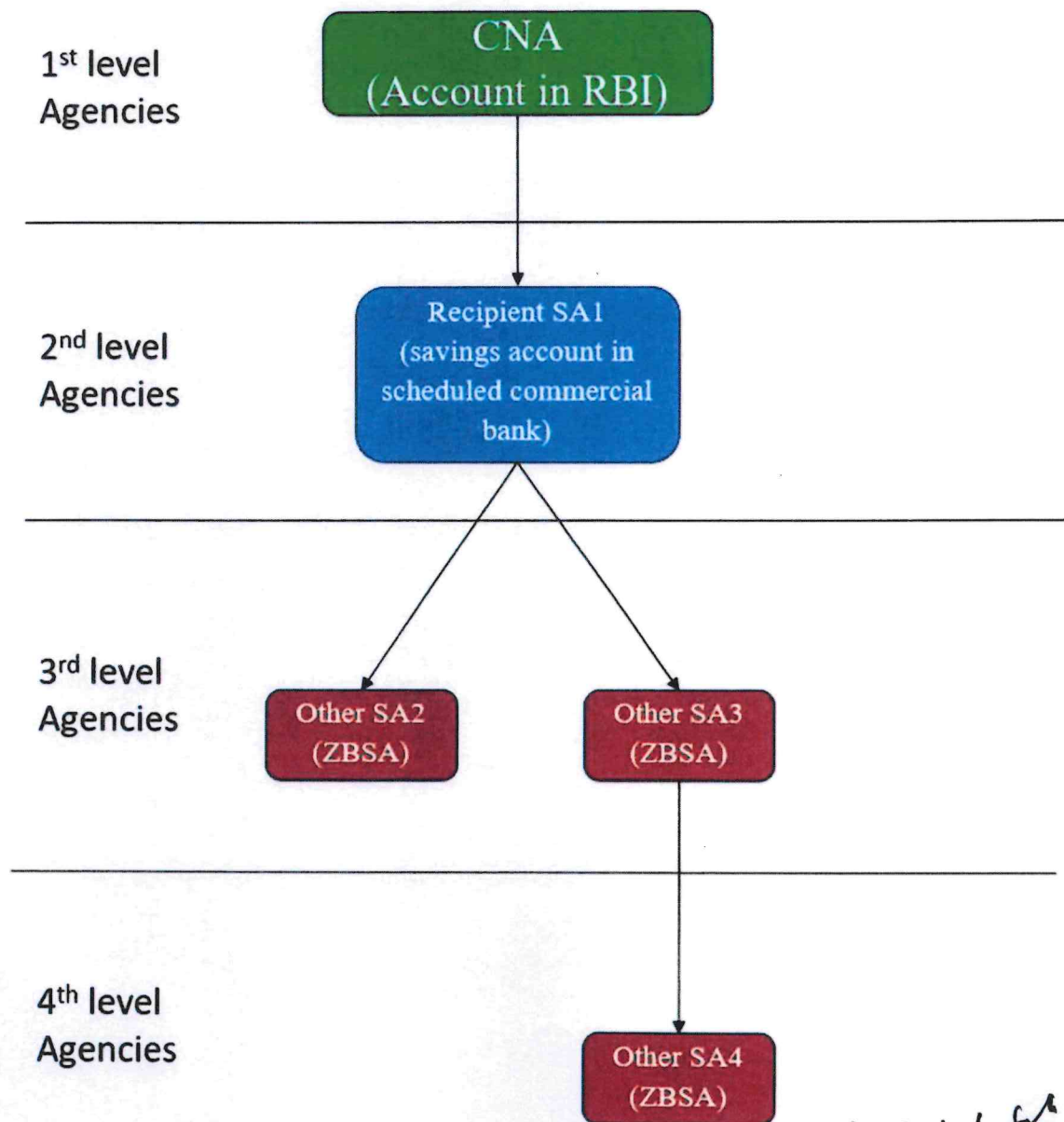
Case where Government SA is Funding Agency for Recipient SA at 3rd level



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Annexure II

Case where CNA is Funding Agency for Recipient SA at 2nd level



*Prepared by SA
21/11/21*

