

F.No. 3/16/2000-EEC VI
Government of India
Ministry of Finance
Department of Economic Affairs

North Block, New Delhi
Dated, the 7th June, 2002

To

The Chief Secretaries of all
State Governments & Union Territories,
Secretaries to all Ministries and Departments of Government of India,

Subject: Procedure for the acceptance of foreign grants by the Central/State sponsored "Associations".

Reference: MHA's Letter No.II/21022/11(18)/99-FCRA.I, dated 16th August, 1999.

Sir,

Ministry of Home Affairs, in its letter No. II/21022/11(18)/99-FCRA.I dated 16th August 1999, had laid down procedures for the acceptance of foreign grants by State Government Departments, specifying that there can be no direct transaction of such funds by a State Government – the foreign funding agency has to first pass on the grant funds to the concerned Ministry/Department of the Central Government.

The question of laying down the procedure and channel for acceptance of foreign grants by Associations/Societies/Trusts, etc., sponsored by the Central/State Governments has been under consideration of the Government of India for some time. After giving careful thought to all aspects of the subject, it has been decided to regulate the flow of foreign grants to Central/State Government-sponsored Associations/ Societies/ Trusts, etc. in the following manner:

i. Any Society/Association/Trust which is sponsored by, or has ex-officio membership of the Central Ministry/State Government or representative(s) thereof is, for all practical purposes, to be treated as a parastatal rganization (hereinafter referred to as the Association) which is

governed by the same rules for purposes of flow of foreign grants, whether loan or grant, as are applicable to the State Governments.

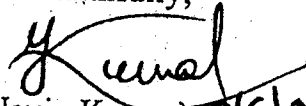
ii. For any such Association that seeks funds from external donors, either from Official Development Assistance or from private entities, through or in the form of concessional loans/grants, the procedure to be followed would be the same as is followed when a Central Ministry/State Government seeks external aid for funding of projects, namely:

- (a) The said Association will necessarily submit its request for funding by the external agency to the Central Ministry/State Government who, in turn, will refer this to the Department of Economic Affairs(DEA), Ministry of Finance, GOI.
- (b) The proposal received from the Central Ministry/State should include copies of the Articles of Association, list of Office bearers and the history and the present working/activity of the Association in each case. FCRA clearance from the Home Ministry should also be furnished.
- (c) On receipt of a reference from the Central Ministry/State Government, the Credit Division of the DEA that deals with that particular external agency shall apply all existing screening criteria to the proposal.
- (d) If fully satisfied after examining the proposal, the DEA will issue a 'No Objection' and the Association will pose the proposal to the external agency only thereafter.
- (e) If, following the issue of NOC to an Association by the DEA, a concessional loan/grant is made by the external agency, the donor agency would be required to deposit the foreign exchange in the GOI account maintained with the RBI.
- (f) On the advice of DEA, the concerned Ministry/Department will pass on the entire grant to the Association on the same terms and conditions as received from the external donor in as many tranches as received from the donor. For this purpose, the Ministry/Department of GOI will make necessary provisions in their Budget for passing on the funds to the concerned Association. The Rupee equivalent of the foreign currency received in RBI as per

Paragraph (e) above will be accounted for under Major Head 1605-Grants/Major Head 6002-Loans, as the case may be.

- (g) The Central Ministry/State Government shall ensure compliance of all prescribed procedures, monitor the utilization of the aid and ensure annual auditing of the accounts and submission of Audit Report by the Comptroller & Auditor General of India.
- (h) The Association shall submit a report of the activities undertaken with the grant through the Central Ministry/State Government to the Ministry of Home Affairs (as prescribed in the FCRA) and the Department of Economic Affairs.
- (i) Further, the Association shall be subject to other prescribed procedures under the FCRA of the MHA.

Yours faithfully,


(Navin Kumar) 7/6/02
Joint Secretary

Copy to:

1. Director (FCRA), Ministry of Home Affairs, Lok Nayak Bhavan, Khan Market, New Delhi.
2. All Heads of Division, Department of Economic Affairs.
3. Joint Secretary, Plan Finance, Department of Expenditure.
4. Executive Director, Exchange Control Department, RBI, Central Office, Mumbai.
5. Chief Controller of Aid Accounts & Audit, DEA, Janpath, Bhavan, New Delhi.
6. Technical Director (NIC), North Block, for posting on the DEA's web-site.