

# **National Dairy Plan Phase I**

## Financial Management Handbook<sup>#</sup>



Project Implementation Plan: Volume II

Project Management Unit  
(located in NDDB)

<sup>#</sup> Overall control framework is also included in Manuals/Guidelines

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## **Abbreviations**

AI	:	Artificial Insemination
BMC	:	Bulk Milk Cooler
CCBF	:	Central Cattle Breeding Farms
CFSP&TI	:	Central Frozen Semen Production and Training Institute
CMU	:	Central Monitoring Unit
DADF	:	Department of Animal Husbandry, Dairying & Fisheries
EIAs	:	End Implementing Agencies
ICAR	:	Indian Council of Agricultural Research
FUC	:	Fund Utilization Certificate
GDP	:	Gross Domestic Product
GoI	:	Government of India
HF	:	Holstein Friesian
HGM	:	High Genetic Merit
ICT	:	Information & Communication Technology
IT	:	Information Technology
i-DIS	:	Internet based Dairy Information System
INAPH	:	Information Network for Animal Productivity and Health
KgPD	:	Kilogram per day
LN	:	Liquid Nitrogen
LRP	:	Local Resource Person
M&E	:	Monitoring and Evaluation
MAIT	:	Mobile Artificial Insemination Technician
MIS	:	Management Information System
MLPD	:	Million Litres per Day
MoA	:	Ministry of Agriculture
MT	:	Metric Ton
NDDB	:	National Dairy Development Board
NDP I	:	National Dairy Plan, Phase-I

NGO	:	Non Government Organization
PC	:	Producer Company
PMU	:	Project Management Unit
PS	:	Pedigree Selection
PT	:	Progeny Testing
RBP	:	Ration Balancing Programme
RSFP&D	:	Regional Stations for Forage Production and Demonstration
SHGs	:	Self Help Groups
SOPs	:	Standard Operating Procedures
SSMS	:	Semen Station Management System

## **1. Introduction**

### **1.1. What is a handbook and why it is needed?**

1.1.1. A handbook is a reference book that presents information, which is necessary for operating or implementing a particular system, project etc. It is written to act as a guide to the people so that they can have sound guidance while implementing a project. A handbook basically tells what one is supposed to do, how one should go about it, when and where and by what means one should execute a particular task, with whom and with whose support one should implement a project etc. As the project is being supported with financing from the World Bank, there are financial reporting & audit requirements (timelines & quality) of the Bank, which need to be adhered to.

### **1.2. What is Financial Management Handbook?**

1.2.1. A sound Financial Management system is critical for the efficient and effective decision-making required for the success of the project. This includes proper planning, budgeting, accounting, financial reporting, internal control, auditing, disbursement and physical performance of the project with the aim of managing the project resources properly for achieving the project objectives. Proper financial management revolves around the basic principle that all financial transactions are carried out in accordance with the established rules/ procedures/ principles, executed in a transparent manner and are duly accounted for, for future review and audit.

1.2.2. The Financial Management Handbook is prepared with a view to achieve the above objectives by acting as a guide to understand the eligibility criteria for funding, procedure for availing

assistance, responsibilities of the End Implementing Agencies (EIAs) in terms of fulfilment of project objectives, financial targets and operational bench marks, financial reporting, capabilities in terms of financial management etc.

### 1.3. **Whom is this handbook for?**

1.3.1. This handbook has been prepared primarily for the finance officials in all the EIAs which would be implementing the specific components/ sub-components under National Dairy Plan, Phase I (NDP I) and for those who would be directly or indirectly involved in the project. This would help the finance and accounts officers of the EIAs in understanding the financial management requirements including accounting, internal controls & documentation, reporting and audit arrangement and responsibilities/ obligations under the project.

### 1.4. **NDP I : A Background**

1.4.1. The demand for milk in recent years has been increasing at a much faster rate – driven by rising incomes due to high GDP growth, growing urbanization, changing food habits, an increase in population and export opportunities.

1.4.2. In order to meet the projected national demand of about 150 million tonnes of milk in 2016-17 through domestic sources, it is imperative that a scientifically planned multi-state initiative is launched at the earliest with a focus to improve milch animal productivity and increase milk production through a focussed approach to breeding and feeding. Keeping this in view, implementation of the NDP I has been envisaged for the period indicated in the Administrative Approval.

## 1.5. Objectives of NDP I

1.5.1. The objectives of the NDP I are:

- To help increase productivity of milch animals and thereby increase milk production to meet the rapidly growing demand for milk.
- To help provide rural milk producers greater access to the organised milk processing sector.

1.5.2. These objectives would be pursued through adoption of focused scientific and systematic processes in provision of technical inputs supported by appropriate policy and regulatory measures.

## 1.6. Activities Involved

1.6.1. The NDP I will have the following major components:

1.6.1.1. **Component A: Productivity Enhancement**: This component will aim at increasing bovine productivity following a scientific approach in animal breeding and nutrition.

1.6.1.2. **Component B: Village based milk procurement systems for weighing, testing quality of milk received and making payment to milk producers**: This component will aim at increasing the number of milk producers organised into milk producer institutions through (i) mobilisation and institution building of small holder milk producers, (ii) training and capacity building of milk producers and other functionaries; and (iii) investment in village level infrastructure for milk collection and bulking.

1.6.1.3. **Component C: Project Management and Learning** : This component will aim at effective coordination of project activities among various EIAs and a comprehensive and

functional Management Information System (MIS) for the Project through (i) Information and Communication Technology (ICT) based MIS and (ii) Learning & Evaluation.

**1.7. Outputs of the Project**

1.7.1. The project envisages the following outputs during the project period:

1.7.1.1. About 2500 high genetic merit bulls and import of about 400 bulls or equivalent embryos/ semen doses.

1.7.1.2. An incremental production of about 51 million disease free quality semen doses annually in the terminal year.

1.7.1.3. Close to an annual 4 million doorstep AIs - adopting the prescribed Standard Operating Procedures (SOPs) - by the terminal year.

1.7.1.4. Ration Balancing advisory services covering about 2.7 million milch animals.

1.7.1.5. Production of 7500 tons of certified/ truthfully labelled fodder seed, setting up 2 Straw Densification Plants and about 1350 silage making/ fodder conservation demonstrations.

1.7.1.6. Pilots for re-vegetation of about 700 hectares of common grazing land for production of green fodder.

1.7.1.7. Coverage of additional 23,800 villages under milk procurement systems.

1.7.1.8. An addition of about 1.2 million milk producers pouring milk to village based milk producers' institutions.

1.7.1.9. An additional milk procurement of about 54 lakh kg per day in the terminal year of the project.

## 1.8. **Implementing Arrangement**

1.8.1. The NDP I will be sponsored by the Ministry of Agriculture, Department of Animal Husbandry, Dairying and Fisheries (DADF). National Dairy Development Board (NDDB) would make appropriate arrangements for implementation of the project through the EIAs by setting up a Project Management Unit (PMU) in NDDB, headed by a Mission Director, that would provide technical assistance in project implementation and monitoring as may be required.

1.8.2. The project implementation would be initiated in the states where the required policy/ regulatory measures are in place. The states that do not have these policies/ regulatory measures in place, but have committed to comply within an agreed timeframe, will also be considered for implementation of the project. However, if by the agreed time, the required policy/ regulatory measures are not put in place, any new sub project under these states would not be considered for funding. The required policy/ regulatory measures are:

1.8.2.1. Having in place an appropriate breeding policy

1.8.2.2. AI delivery services not being notified as a Minor Veterinary Service

1.8.2.3. Charges for AI delivery being raised gradually to cover full cost

1.8.2.4. Semen for AI delivery in the state being sourced only from semen stations graded A or B

- 1.8.2.5. Adoption on common protocols and SOPs issued by DADF for all breeding activities
- 1.8.2.6. Notification of state rules under the Prevention and Control of the Infectious and Contagious Disease in Animals Act.
- 1.8.3. The EIAs will comprise State Cooperative Dairy Federations; District Cooperative Milk Producers Unions; Cooperative form of enterprises such as Producer Companies; State Livestock Development Boards; Central Cattle Breeding Farms (CCBF); Central Frozen Semen Production and Training Institute (CFSP&TI); Regional Stations for Forage Production and Demonstration (RSFP&D); Registered Societies/ Trusts (NGOs); Section 25 Companies; subsidiaries of Statutory Bodies; ICAR Institutes and Veterinary/ Dairy Institutes/ Universities that meet the criteria for each activity as may be decided by the National Steering Committee, chaired by Secretary, DADF, which will be formed to provide policy intervention and strategic support to NDP I.

## **2. Eligibility Criteria for Selection of EIA**

### **2.1. Financial criteria**

2.1.1. Audit of accounts should be up-to-date and the auditor's opinion should not contain any adverse opinion or disclaimer. The audit report of EIA should not be overdue for more than one year from the end of the financial year.

2.1.2. Should not have any over-dues to any Financial Institution.

*Note: In the case of newly formed institutions, that are otherwise found to be eligible, the above criteria would not apply till it completes its first year.*

### **2.2. Institutional / Governance criteria**

2.2.1. Should have a duly constituted Board of Directors / Board of Trustees / Management Committee as applicable to the legal form of the EIA.

2.2.2. Should have a full time Chief Executive / Managing Director (or equivalent) and adequate number of qualified technical and managerial personnel to ensure transparent and effective implementation, supervision and reporting.

2.2.3. The specific technical criteria for different Component(s)/ sub - component(s) have been mentioned in Annexes V to XII (including the details of the components/ sub-components).

### **3. Capabilities to be assessed during appraisal**

- 3.1. The EIA that fulfils the above-mentioned eligibility/technical criteria will also be assessed for the following capabilities to implement plan and achieve the required results:
  - 3.1.1. Adequate technical, financial, financial management and procurement capabilities for goods, works and services as evidenced by proper manpower, systems and procedures.
  - 3.1.2. Transparency in carrying out commercial transactions.
  - 3.1.3. Having proper recording systems for transactions supported by IT to report physical and financial progress of the sub project.
  - 3.1.4. A proper setup to address grievances.
  - 3.1.5. Adequate system to take stock of assets created under the sub project periodically, and to protect them from pilferage/ damage/ loss.

#### 4. Sub project Proposals

4.1. The following components and activities will be financed under NDP I.

	Activities
Component A	Productivity Enhancement
	Improvement in the genetic merit of cattle and buffalo
a)	– Production of High Genetic Merit cattle and buffalo bulls and import of bulls/ semen/ embryos of HF & Jersey breeds for semen production
b)	– Strengthening existing semen stations /starting new stations for producing high quality disease free semen doses
c)	– Setting up a pilot model for viable door step AI delivery services (based on Standard Operating Procedures [SOPs]) through a professional service provider including animal tagging and performance record
d)	Scientific nutrition programme for milch animals to produce milk commensurate with their genetic potential and to reduce methane emission:  – Ration Balancing Programme (RBP) – Fodder Development Programme
Component B	Village based milk procurement systems for weighing, testing quality of milk received and making payment to milk producers
Component C	Project Management & Learning
a)	ICT based MIS
b)	Learning and Evaluation

*Note: Details of funding pattern is mentioned in the Annex for each sub-component.*

- 4.2. EIAs that wish to avail funds under NDP I for component(s)/ sub-component(s) would need to prepare a sub project proposal and submit it to PMU in NDDB for appraisal. If the EIAs so desire, technical assistance may be provided by PMU in NDDB for preparation of the sub project proposal.
- 4.3. The appraisal of a sub project would involve evaluation of whether the EIAs meet the required eligibility criteria [criteria applicable to an EIA and the technical criteria applicable to the concerned component(s)/ sub-component(s)] and the proposal spells out the capability of the EIAs to achieve set targets/outputs.
- 4.4. Appraisal will be done on the following aspects:
  - 4.4.1. Technical (including the set objectives of the Project)
    - 4.4.1.1. Relevant experience in the sub project activity for a certain minimum (say 3-5 years) period of years
    - 4.4.1.2. Adequate professional manpower with relevant experience
    - 4.4.1.3. Required infrastructure for support services
    - 4.4.1.4. Objectives of the sub project are in line with the overall project objectives
    - 4.4.1.5. In addition to the above, specific technical aspects for each component/ sub-component will also be appraised.
  - 4.4.2. Financial, including financial management capacity
    - 4.4.2.1. Financial Management capabilities to account for and report on the project funds supported by appropriate internal control systems to properly manage project funds (as per Financial Management Assessment Checklist given at Annex I)

- 4.4.2.2. Validation of cost components provided in the sub project proposal
- 4.4.2.3. Financial outlay of the sub project commensurate with physical targets proposed
- 4.4.2.4. The sub project generates sufficient revenue to become financially sustainable by EOP
- 4.4.2.5. Capability of EIA to contribute funds, in case it is required
- 4.4.3. Procurement of goods, works, non-consultancy and consultancy services
- 4.4.3.1. Procurement Capabilities Assessment
- 4.4.4. Environmental and Social
- 4.4.4.1. Assessment of Environmental & Social impact of the sub project
- 4.4.5. If required, field visits by a team of technical and finance experts will be undertaken for appraisal.
- 4.5. In case of deficiencies observed during appraisal in the area of financial management, procurement management or any other area, necessary conditions and agreements may be incorporated in the sanction letter to ensure that the EIAs put in place/ develop the required systems/competencies. The EIAs must comply with the pre-disbursement requirements before release of funds.

- 4.6. All the assumptions made in the sub project proposal at the time of planning will be appraised keeping in view the past trends, achievability of projections, market conditions, etc. Any shortcoming will be addressed at this stage.
- 4.7. The sub project will be appraised to see the sustainability after the project period/ financial viability of components that are more commercial in operations.
- 4.8. A 'Note for sanction of grant-in-aid' will be prepared by the PMU in NDDDB and submitted for approval to the Project Steering Committee, chaired by the Mission Director, which will be formed to have Project oversight and to sanction sub project proposals.
- 4.9. PMU in NDDDB would convey approval of the proposal and sanction of the grant assistance to the concerned EIA through a Sanction Letter incorporating the terms and conditions. Necessary legal agreement(s) as may be stipulated in the sanction letter, would have to be executed between PMU in NDDDB and EIA for release of grant assistance and implementation of the sanctioned plan. An indicative list of documents (all may not be applicable in every case) to be executed by the EIAs is attached at Annex II.
- 4.10. The disbursement under the sub project will start after the EIAs have executed all the required legal documents and complied with pre-disbursement terms and conditions as indicated in the Sanction Letter.

- 4.11. The EIA shall regularly furnish information (in the prescribed format) related to implementation and performance of the sub project to PMU in NDDB during the project period and the EIA will continue to furnish such information to NDDB thereafter. On failure to submit such information on regular basis during implementation by the EIA, further funding to the EIA shall be stopped.
- 4.12. Grant related provisions of General Financial Rules (GFR) of GoI will be applicable to the grant to be provided by PMU in NDDB.
- 4.13. The procurement under the sub project will be carried out as per the World Bank's Procurement and Consultant Guidelines - January 2011 and as detailed in the Procurement Manual. However, for placing procurement orders upto Rs 10,000/-, the EIAs may follow their own procurement procedure.
- 4.14. For placing procurement order beyond the threshold limits as provided in the Procurement Manual, prior approval of World Bank will be required. Expenditure for such orders will be reported periodically to World Bank.

## **5. Release of funds to finance sub projects**

- 5.1. Upon completion of the required documentation by the EIAs with PMU in NDDB (as mentioned in the Sanction Letter) and compliance of pre-disbursement terms & conditions, the EIAs could begin availing grant assistance.
- 5.2. EIAs will be required to open a separate Bank Account for transactions relating to the implementation of the sub project. The name of the account will be “name of the End Implementing Agency – sub project name (PT/ PS/ SS/ AI/ RBP/ FODDER DEVELOPMENT/ MILK POOLING) NDP I” (this will be specified in the Sanction Letter).
- 5.3. PMU in NDDB will release funds to EIAs either as reimbursement of expenditure incurred or as advance.
- 5.4. Reimbursement of expenditure:
  - 5.4.1. If the EIAs incur project expenditure from their own funds, they can seek reimbursement of the amount, on a quarterly basis, after ensuring that the expenditure incurred is within the limit of the approved physical and financial outlay.
  - 5.4.2. The EIAs will submit their claims in the form of Fund Utilisation Certificates (FUCs) (format attached at Annex III) duly audited by a firm of Chartered Accountants/ their Internal Auditors. The EIAs will submit the FUC every quarter within 15 days after the completion of the quarter.
  - 5.4.3. It is in the interest of the EIAs to submit the FUC without any delay so that the sub project implementation & funds flow is not adversely affected.

- 5.5. Advance for implementation of the sub project
- 5.5.1. If funds are not available with the EIAs to carry out the activities under the approved sub project, they may avail an advance against the grant from the PMU in NDDB. The EIAs will have to submit estimated month-wise fund requirement for the year. The first advance will be released equivalent to four months requirements and the subsequent releases would be equivalent to three months requirement. This would ensure that at any point in time, the EIAs will have one month float available for project implementation and making payments. However, before the release of the funds for the last instalment of the project, EIAs will need to satisfy PMU in NDDB of full utilisation of funds availed till then.
- 5.5.2. The advance and subsequent fund disbursements shall be deposited in the separate bank account opened for transactions relating to the sub project.
- 5.5.3. The EIAs shall endeavour to utilise the advance and submit audited quarterly FUCs immediately, not later than 15 days of the close of the quarter.
- 5.5.4. The EIAs shall utilise the advance for activities approved under the sub projects. In case it is noticed that funds have been utilised for activities other than approved under the sub projects, the EIAs will be required to refund the diverted amount immediately with interest @ 10% p.a. on the diverted amount. However, certain minor variations, keeping in view of the sub project requirement, if justified and found acceptable to PMU in NDDB, will be regularised under re-appropriation keeping the overall cost within the approved limits.

- 5.5.5. In case of substantial / total un-utilisation of advance during the quarter reference period, the EIAs will be required to utilise the amount within the following quarter. If the non-utilisation continues, the PMU shall have the right to suspend or terminate and to discontinue further funding of the Sub Project and also to recall the unutilised funds, from the EIA.
- 5.6. In the cases where contribution of EIAs is required for any particular item (capital or revenue), the following should be followed:
  - 5.6.1. In case of capital items, the EIA's contribution shall also be deposited in the sub project bank account & the entire payment due to the suppliers/ service providers be made from the sub project bank account.
  - 5.6.2. In case of revenue expenditure items which are to be claimed on tapering basis (eg. Salary to MAIT, LRP, Village Sahayak, etc.), the EIA's contribution/share shall also be deposited in the sub project bank account on periodic basis (say quarterly) and all payments shall be effected from the sub project bank account.
  - 5.6.3. To re-iterate, in both the cases, all payments to suppliers/ contractors, service providers shall be released from the sub project bank account only. This is to maintain proper audit trail of assets and expenditures incurred under the sub project and monitor contribution of the EIAs, where required.
  - 5.6.4. Such expenditure should be reported including both the EIAs contribution and grant assistance (i.e gross expenditure) and the advance will be adjusted/accounted for by PMU in NDDB as per the approved pattern of funding of the specific activity.

## **6. Accounting and Internal Controls**

- 6.1. The EIAs should have adequate professional manpower to handle the accounting activities under the sub project. The EIAs will have to follow the following accounting practices:
- 6.2. The EIAs will maintain a separate 'Project Account', in their existing accounting system, to record the funds received (grant and EIA share) and expenditure incurred under the sub project. To facilitate this EIA should create appropriate account heads to record the transactions Component/ Sub-Component wise, activity-wise, sub-activity-wise based on the grant approval conveyed, irrespective of whether the EIA is handling projects other than NDP I or exclusively engaged in the approved sub project.
- 6.3. If an EIA does not have a computerised accounting system in place, it shall install an appropriate software package. The Grant-in-aid related to revenue expenditure should be recognised on a systematic basis in the Profit and Loss Account over the periods necessary to match them with the related costs. Such Grant-in-aid should be shown separately under the head 'Grant-in-aid received from GoI through PMU in NDDDB for the sub project'.
  - 6.3.1. Grant-in-aid received for acquisition of capital assets should be credited under the head 'Capital Grant-in-Aid received from GoI through PMU in NDDDB for the sub project' and be shown in the liability side and the corresponding assets acquired should be shown on the asset side of the Balance Sheet. Such Grant-in-aid should be allocated to the Profit & Loss Account over the periods and in the proportions in which depreciation on those assets is charged (by crediting depreciation in the Assets Account and

debiting depreciation to the Profit & Loss Account. Consequently, the amount of depreciation will be debited to the Capital Grant-in-Aid Account and credited to the Profit & Loss Account under the head 'Grant-in-Aid').

- 6.3.2. The monthly bank reconciliation statements for sub project bank account should be submitted along with FUC.
- 6.3.3. Assets created under the sub project will have a distinct identification number. Asset registers providing the details of the assets under the sub project are required to be maintained by the EIAs. Physical verification of the assets will be carried out by EIA's Internal Auditors once in every year and should be reconciled with the Accounts records.
- 6.3.4. All procurement/ purchase proposals will be vetted by the Finance/ Accounts team of the EIAs in accordance with the Procurement Guidelines of the World Bank.
- 6.3.5. The roles and responsibilities of Procurement, Finance and Accounts personnel need to be distinct and segregated from one another.
- 6.3.6. Sub project bank accounts to be operated by the signature of two authorized persons.
- 6.3.7. The approval for expenditure will be as per the delegation of powers. Certification of expenditure will be done by the User Group and accounting transactions will be generated by the Accounts Group. The transactions will be approved by an authorised officer. Further, Internal Auditors would also check the transactions.

- 6.3.8. All party and other payments should be made through cheques/ electronic transfers. As far as possible cash payments should be avoided and in no case that should exceed Rs 20000/- per transaction.
- 6.3.9. Documentation relating to sub project expenditures i.e procurement and contract award records – purchase orders/ contracts, salary contracts, delivery challans, invoices, payment vouchers, receipts from suppliers/ service providers, etc. – must be properly maintained to support the reported sub project expenditures.

## **7. Delegation of Powers**

- 7.1. The EIAs should have proper delegation of powers approved from the Board of Directors/ Management Committee/ Board of Trustees in respect of authorisation for the following:
  - 7.1.1. Operation of bank account including signing of cheques (minimum two authorised signatories)
  - 7.1.2. Passing of vouchers, certification of bills, payment of bills etc. – should be based on proper segregation of responsibilities.
  - 7.1.3. Approval of variances of expenditure *vis-a-vis* the budget with limits specified.

## 8. **Benchmarks**

8.1. In order to achieve the project objectives, PMU in NDDB in consultation with the EIAs, will set benchmark targets for every component/ sub-component for each year during the sub project period, while appraising the sub projects. The EIAs will strive to achieve the benchmark targets. The progress on achievement of benchmarks will be examined by PMU in NDDB annually. The funds for the first year of the sub project will be released as per the approved sub project plan and the funding from year two onwards of the plan shall be decided for each year based on the actual achievement in the previous financial year as under:

80% & above	Funding as per approved sub project
70% - 80%	Close monitoring to reach minimum 80% level
Less than 70%	Review the sub project for recasting the plan/ discontinuation etc.

8.2. The evaluation by PMU in NDDB in respect of achievement of performance levels of EIAs under each component/ sub-component of funding shall be final and binding on the EIAs.

## 9. Progress- financial and physical reporting of the sub project

- 9.1. The EIAs will submit quarterly physical reports along with FUC. Progress of sub project will be monitored by PMU in NDDB (quarterly/half yearly/annual) based on the FUC, physical reports, financial statements and project/ field visits undertaken by PMU in NDDB to EIAs to assess the progress in sub project implementation.
- 9.2. The EIA should also submit the statement showing list of contracts/ purchase orders awarded on a quarterly basis as per the format attached at Annex IV along with FUC.
- 9.3. Upon evaluation of achievements against the targets set for different activities, PMU in NDDB will advise the EIAs on variations so that the EIAs take corrective actions. In case corrective steps are not taken, PMU in NDDB may review the situation for appropriate action including stopping of further funds.
- 9.4. The timelines for submission of various reports on sources and usage of funds will be as under:

Name of report	Prepared by		Frequency
	EIAs	PMU in NDDB	
Fund Utilization Certificate from EIA to PMU in NDDB	√	-	Quarterly by 15 <sup>th</sup> April, 15 July , 15 October & 15 January each year
Consolidated Interim Financial Report (IFR) from PMU in NDDB to the Bank	-	√	For Sept 30 and March 31; by November 30 and May 31 each year
Annual financial statements (Sources & Uses of Funds)	√	√	Annually

**10. Audit of sub projects financed under NDP I**

- 10.1. EIAs shall appoint a firm of Chartered Accountants for audit of the FUC and supporting books of accounts/ records of all the transactions under the sub project. If the EIAs have appointed a firm of Chartered Accountant as Internal Auditor, the audit of quarterly FUC under the sub project can be carried out by them. The Board of Directors/ Management Committee/ Board of Trustees shall also review the audit observations and give necessary directions for compliance. Any adverse audit comments/ observations need to be complied immediately. A quarterly statement of observations pending compliance for more than six months shall be sent to PMU in NDDB.
- 10.2. Project External Audit: The PMU in NDDB will appoint a firm of Chartered Accountants centrally to act as Project External Auditor to carry out audit of the NDP I as a whole as per 'Terms of Reference' agreed with the World Bank. The EIAs project accounts will also be audited by the Project External Auditor annually at the end of the financial year. Necessary communication in this regard will be sent by the PMU in NDDB to the EIAs.

## **11. Governance**

11.1. The meeting of the Board of Directors/ Management Committee/ Board of Trustees should be held at least once every three months, i.e. at least four meetings every year.

11.2. The Statutory Audit and finalisation of annual accounts of the EIAs should be completed and submitted to the PMU in NDDB within one year of the close of the financial year.

## **12. Component/ sub-component Details**

12.1. The details for different components/ sub-components are attached at Annex V to XII.

## Annex I: Financial Management Checklist

Name of the Entity : \_\_\_\_\_

Topic	Remarks/Comments
<b>1. Governance Structure</b>	
1.1 What is the composition of the Board/ Trust / Management Committee?	
1.2 How often does the Board/ Trust / Management Committee meet?	
1.3 What are committees of the Board, if any? In case there is an audit committee, please provide complete details.	
1.4 What reports are provided to the Board and at what periodicity?	

<b>2. Finance and Accounts Section</b>	
2.1 What is the organizational structure of the finance and accounting section? Please attach an organization chart.	
2.2 In respect of the present key finance and accounts staff please provide job title, educational background and professional experience, years of experience, contractual or on deputation etc.	
2.3 Are there written descriptions that clearly define duties, responsibilities, reporting lines for all the officers, managers, and staff? If yes, please provide a copy.	

<b>3. Annual Budget/ Plan</b>	
3.1 (a) Is an annual budgets/plan (or Integrated Business Plan) is prepared for all significant activities in sufficient detail including physical details? (b) Are revenue and capital sources and expenditure detailed separately in the budget/plan? Please provide a	

	copy of the latest budget.	
3.2	At what frequency are actual expenditures compared to the budget?	
3.3	a) Are approvals, from competent authority, for variations from the budget required in advance or post-facto? b) What is the procedure for re-appropriation of budget?	

#### **4. Accounting**

4.1	What is the basis of accounting (e.g., cash, accrual)?	
4.2	a) Is accounting done on a computerized accounting system? b) If yes, what software is being used?	
4.3	In case of manual accounting system, at what periodicity are the Cash/Bank Book, General Ledger and subsidiary ledgers reconciled and balanced?	
4.4	At what periodicity are the books of account closed (quarterly/annually)?	
4.5	a) Is there an Accounts/ Financial Management Manual detailing the accounting policies and procedures, ensuring staff accountability, covering all routine financial management and related administrative activities, in particular project accounting? b) If yes, in which year was the manual developed and in which year was it last updated?	
4.6	Is there a chart of accounts? If yes, please provide a copy.	
4.7	Are separate accounts maintained for funds and	

	expenditure pertaining to specific projects/schemes/ profit centres?	
4.8	What is the policy of allocating (capitalization) overheads (such as indirect expenditure and interest during construction period) to fixed assets?	
4.9	What is the policy for accounting of grants received (a) for acquisition of fixed assets/ capital expenditure (b) for meeting revenue expenditure?	
4.10	Are you implementing or planning to implement an ERP system? If yes, please provide details.	
4.11	For how many years are accounting and supporting documents preserved?	
4.12	<i>(applicable to District Unions)</i> Please detail (including personnel responsible) the support/ assistance that you provide, if any, to the village cooperative societies in accounting and preparation of financial statements?	

### **5. Job Responsibilities, Delegation of Powers and Controls**

5.1	Is there a formal Board approved Delegation of Financial and Administrative Powers for revenue and capital expenditure? If yes, please provide a copy of the latest delegation.	
5.2	Are there any committees or sub committees such as for projects, purchases or accounts etc? If yes, Please detail of the membership and functions of these committees	
5.3	Is there a separate Purchase Section and Engineering Section? If yes, what is the	

<p>role of these sections in approval and supervision of execution of works or purchase of fixed assets?</p>	
<p>5.4 In respect of execution of capital works or acquisition of capital equipment (fixed assets) what systems are in place for the following:</p> <ul style="list-style-type: none"> <li>(a) To ensure that copies of purchase orders are received by Accounts &amp; User group and Goods receipt reports are received by Accounts and Purchase group;</li> <li>(b) Comparison of invoice quantities, prices, and terms, with those indicated on the purchase order and with records of goods actually received by the user;</li> <li>(c) Compliance with terms and conditions of the purchase order;</li> <li>(d) Comparison of invoice quantities with those indicated on the receiving reports (by the paying group); and</li> <li>(e) Checking the accuracy of calculations</li> </ul>	
<p>5.5 Are all invoices and other supporting activities stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?</p>	
<p>5.6 <u>(Generally applicable to District Unions)</u> In respect of Technical Inputs or Services provided to village cooperative societies/ members/ farmers (such as AI, fodder, Semen Straw, Testing, training, outreach, demonstration etc), please detail the process and related internal controls in respect of - a) collection of information, (b) documentation, (c) approvals,(d) accounting</p>	

records maintained and (e) mode of payments.	
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### **6. Cash and Bank**

6.1	Indicate the designation of authorized signatories to operate the bank accounts.	
6.2	Is a separate bank account opened for each project (loan/ grant)?	
6.3	Please describe the controls for collection, timely deposit and recording of sales?	
6.4	At what periodicity the bank reconciliation is carried out?	
6.5	Who reviews and approves the bank reconciliation?	
6.6	(a) Are payments invariably made through cheques/DD/electronic transfer? b) If cash payments are made, what is the maximum limit thereof?	

### **7. Financial Reporting**

7.1	What are the financial reports prepared for the management and at what periodicity?	
7.2	Does the reporting system have the capacity to link the financial information with physical progress?	
7.3	Are financial reports prepared directly from the accounting system or are they prepared through spreadsheets or some other means? Please describe.	

### **8. Annual Financial Statements**

8.1	Are profit centre wise annual financial statements prepared?	
8.2	Please provide a copy of the audited financial statements for the last two years.	
8.3	Do the financial statements	

<p>include:</p> <p>(a) Balance Sheet</p> <p>(b) Profit &amp; Loss Account</p> <p>(c) Profit appropriation statement</p> <p>(d) Cash Flow Statement</p> <p>(e) Statement of Accounting Policies and Notes to Accounts</p> <p>(f) Separate schedule for fixed assets and capital work in progress?</p>	
<p>8.4 Is the format of the financial statements prescribed under the Cooperative Act or prescribed by other agency/authority (Registrar or Cooperative Auditor etc)?</p>	

### **9. Fixed Assets**

<p>9.1 Is Fixed Assets Register maintained? If yes, are these complete and up to date? If in backlog please detail the steps taken to update it.</p>	
<p>9.2 What is the system of physical verification of fixed assets – periodicity, composition of team, reports?</p>	
<p>9.3 Are assets sufficiently insured?</p>	

### **10. Conflict of Interest and Vigilance**

<p>10.1 What is the policy of reporting in case employees and other parties suspect fraud, waste, or misuse of resources or property?</p>	
<p>10.2 What is the mechanism for identification, investigation and dealing with fraud? Is there a Vigilance Department?</p>	
<p>10.3 Do policies and procedures clearly define conflict of interest and related party transactions? Can Board members/ top management enter into contracts with the organisation/ firm as vendors/ suppliers/ consultants?</p>	

<b>11. Internal Audit</b>	
11.1 Is there an internal audit system in place? If yes, whether it is in-house or outsourced; periodicity and submission of reports?	
11.2 In case internal audit is in-house, what is the organizational structure and reporting lines and what are the qualifications and experience of audit staff?	
11.3 a) In case internal audit is outsourced, what is the process of selection and appointment of the auditors? b) What is the tenure of appointment?	
11.4 Is there an Internal Audit Manual?	
11.5 Has a TOR been provided to the auditors? If yes, please provide a copy.	
11.6 What is the system of compliance/action taken on the internal audit findings? Please provide copy of last audit report and indicate outstanding audit observations, if any.	
11.7 At what periodicity are the observations of the Internal Auditor put up to the Board?	
<b>12. External/Statutory Audit</b>	
12.1 Is statutory audit by cooperative auditors or other firms of Chartered Accountants and in case of other firms what is the procedure followed for appointing them?	
12.2 Up to which financial year has the audit been conducted? Please provide a copy of the audit report for the last two financial years (please translate in English if the audit reports are in the local language).	

12.3 Is there a practice of providing a Management Representation Letter to the Auditors? If yes, please provide a sample copy.	
12.4 What is the system of compliance/action taken on the audit findings?	
12.5 Is the audit opinion clean, qualified, adverse or disclaimer of opinion?	
12.6 If there is qualified opinion, are there any major control issues related to misappropriation, misuse of funds or those that affect the integrity of the financial statements, if yes what mitigation measures are proposed.	

## **Annex II: Indicative list of documents to be executed by EIAs**

1. Duplicate copy of the Sanction Letter duly accepted by authorised signatories.
2. Certified copy of the Resolution of Board of Directors / Management Committee / Board of Trustees authorising acceptance of terms & conditions of the Sanction Letter and execution of documents.
3. Grant Agreement.
4. Undertaking confirming there is no duplication in funding from other agencies.
5. Copy of Memorandum of Understanding entered between EIA and the concerned service provider as applicable in the case of Component A for confirmed arrangement in respect of AI Delivery and Semen availability.

## Annex III: Fund Utilisation Certificate (FUC) Format

Annex - III A										
NATIONAL DAIRY PLAN PHASE I										
QUARTERLY FUND UTILISATION CERTIFICATE (FUC) (Bank reconciliation statement to be attached)										
<b>Name of EIA:</b> <b>Reporting period:</b> <b>Sub project</b> <b>Bank Account:</b>										
Amount in Rs. Lakh										
S. No.	Particulars	To be filled by EIA					To be filled by NDDB			
		Approved outlay			Expenditure upto previous FUC	Expenditure under current FUC	Cumulative Expenditure	Balance expenditure to be incurred	Amount recommended for adjustment / reimbursement	Remarks
3	4	5=3+4	6	7						
<b>Part A</b>	<b>Capital Expenditure</b>									
	(details to be provided for each item									
	<i>the items to match with the approved plan</i>									
	Component/Sub Component/Item									
	Civil									
	1									
	2									
	Equipment									
	1									
	2									
	<b>TOTAL</b>									
<i>Note: Detailed statement of expenditure attached</i>										
<b>Part B</b>	<b>Revenue Expenditure</b>									
	(details to be provided for each item									
	<i>the items to match with the approved plan</i>									
	Component/Sub Component/Item									

	Goods									
	1									
	2									
	Services									
	1									
	2									
	Operating Cost									
	1									
	2									
	Activities on tapering basis									
	1									
	2									
	Training (details attached)									
	1									
	2									
	<b>TOTAL</b>									

**Advance**

**Account:**

Advance outstanding at the beginning of FUC period

(+) Advance received during the FUC period

(+) Interest received

(-) Utilisation during the period

(-) Advance refunded

(-) Interest refunded

Balance Advance

Auditor's Certificate: We have verified the above/attached Fund Utilization Certificate of ..... for the period from ..... to ..... as prepared and submitted to us by ..... with the books of accounts, records and other supporting documents produced before us. We certify that the FUC is in accordance with the said books/records and supported by adequate documents and the expenditure reported has been utilized for the purposes as specified in the Grant Agreement. (where relevant subject to exceptions noted below or in annexure)

Auditor of EIA

CEO of EIA

For use by PMU in NDDB only

We have examined the FUC and recommend for release of funds as given below:

Grant:

Amount in Rs.

Lakh

Amount in

words

Group Head





## NATIONAL DAIRY PLAN PHASE I

## REQUEST FOR ADVANCE FOR REVENUE AND CAPITAL EXPENDITURE

Name of EIA:

Utilisation period:

Component

Sub-component

Amount in Rs. Lakh

No.	Particulars	Expected Expenditure												
		Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
	<b>Revenue Expenditure</b>													
	(detailed expenditure as per approved plan to be provided)													
	<b>Capital Expenditure</b>													
	(detailed expenditure as per approved plan to be provided)													
	<b>TOTAL</b>													

**Advance Account:**

Advance outstanding  
 Expected expenditure for next 12 months  
 Advance required

CEO  
of EIA

For use by PMU in NDDB only

We have examined the request and recommend for release of advance as given below:

Advance:

Amount in Rs. Lakh

Amount in words

Group  
Head



## **Annex V: Progeny Testing (PT)**

The main objectives of the Progeny Testing Programme are:

- Production of genetically superior quality bulls for semen production stations
- Achieve a steady genetic progress in the buffaloes or cattle population for milk, fat and protein yield and type characters in the villages where the progeny testing programme is implemented

The programme implementation will be guided by the details mentioned in the Manual on Progeny Testing.

### **Technical Eligibility criteria for EIAs**

The EIAs must comply with the following criteria to be eligible for availing grant assistance under the sub-component:

- Breeds identified for Progeny Testing Programme  
Murrah/ Upgraded Murrah Buffalo, Mehsanai Buffalo, Pure HF, HF crossbred, Jersey crossbred and Sunandini subject to an existing population of at least 1,00,000 adult breedable female animals in the respective native tract.
- Experience of implementing a Progeny Testing Programme under field conditions in any breed of cattle or buffalo with a minimum of ten bulls in each batch for testing.
- Capacity to formulate and implement a sound plan for bull production by adhering to the prescribed standards of DADF for progeny testing (GoI, MoA, DADF letter F.No.3-13/2008-AHT (NPCBB) dated 19 January 2010).
- EIA should have a semen station graded “A” or “B” or an arrangement with a semen station graded “A” or “B” by the

Central Monitoring Unit (CMU) of the Government of India in their latest evaluation -- for putting in place the required number of bulls under test and obtaining the required number of test doses from the bulls put under test.

- Either having a network of mobile AI technicians or tie up arrangement with an established AI service provider having mobile AI technicians to carry out test AI in the identified area.
- Preference will be given to EIAs that already have in place IT based reporting and monitoring systems.

### **Pattern of funding**

The pattern of funding for this activity will be 100 percent Grant-in-aid for all capital and revenue items.

### **Items to be funded under PT programme**

The list of items to be funded under the programme is given below:

<b>No.</b>	<b>Particulars</b>	<b>Category</b>
<b>A.</b>	<b>Goods and Equipment</b>	
1	FS/ LN containers	Goods
2	Milk testing equipment	Goods
3	Computers & accessories	Goods
4	Personal Digital Assistant (PDA) <sup>1</sup>	Goods
5	Office Furniture	Goods
<b>B.</b>	<b>Civil Works</b>	
1	Strengthening Rearing Station	Civil Work
<b>C.</b>	<b>Frozen Semen &amp; LN</b>	
1	Long Storage of Semen	Operating cost
2	Proven Semen Doses	Operating cost
3	LN for storage	Operating cost
<b>D.</b>	<b>Animal Identification</b>	

<sup>1</sup> PDAs will be made available to AI Technicians, milk recorders and supervisors

<b>No.</b>	<b>Particulars</b>	<b>Category</b>
1	Ear tags <sup>2</sup>	Goods
2	Ear tag applicators <sup>3</sup>	Goods
<b>E. Performance Recording</b>		
1	Milk recording <sup>4</sup>	Operating cost
2	Mileage allowance for milk recorder <sup>5</sup>	Operating cost
3	Body measurement <sup>6</sup>	Operating cost
4	Daughter typing <sup>7</sup>	Operating cost
<b>F. Testing</b>		
1	Parentage testing	Operating cost
2	Sample bottles	Goods
3	Milk component analysis	Operating cost
<b>G. Male calf procurement and rearing</b>		
1	Calf procurement <sup>8</sup>	Operating cost
2	Calf rearing <sup>9</sup>	Operating cost
<b>H. Vaccination and deworming</b>		
1	Brucella vaccination <sup>10</sup>	Operating cost
2	Deworming <sup>11</sup>	Operating cost
<b>I. Extension</b>		
1	Calf rallies	Operating cost
2	Extension material	Operating cost
<b>J. Incentives</b>		
1	Incentive to milk recorders <sup>12</sup>	Operating cost
2	Incentive to farmers <sup>13</sup>	Operating cost
3	Incentive for daughter registration <sup>14</sup>	Operating cost

<sup>2</sup> Ear tags to identify all female animals and their calves

<sup>3</sup> Each inseminator to be provided with an ear-tag applicator

<sup>4</sup> Cost of recording milk of each animal – monthly interval; twice a day

<sup>5</sup> Milk recorder would be paid mileage allowance for each completed lactation record

<sup>6</sup> Body measurement of daughter calves

<sup>7</sup> Cost of services payable to supervisor for body typing of daughter calves

<sup>8</sup> Procurement of bull calves at age of 7-8 months

<sup>9</sup> Cost of rearing calves including quarantine

<sup>10</sup> Cost of vaccinating all female calves born in project villages

<sup>11</sup> De-worming of daughter calves twice a year

<sup>12</sup> Incentive payable only completed lactation records

<sup>13</sup> Incentive payable only completed lactation records

<sup>14</sup> Incentive to AI Technician for registering daughters

<b>No.</b>	<b>Particulars</b>	<b>Category</b>
4	Incentive for test AI <sup>15</sup>	Operating cost
5	Incentive to District Coordinator <sup>16</sup>	Operating cost
<b>K.</b>	<b>Training &amp; HRD<sup>17</sup></b>	Training
<b>L.</b>	<b>Data management<sup>18</sup></b>	Operating cost
<b>M.</b>	<b>Consultancy</b>	Consulting service
<b>N.</b>	<b>Salaries &amp; TA/ DA<sup>19</sup></b>	Operating cost
<b>O.</b>	<b>Office running expenses</b>	Operating cost

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<sup>15</sup> Incentive to AI Technician for carrying out test AIs

<sup>16</sup> Incentive to District Coordinator for organizing the PT programme in their districts

<sup>17</sup> Training for all programme staff including AI Technicians and milk recorders

<sup>18</sup> Data management includes data entry and transmission

<sup>19</sup> This includes salary and TA/ DA of Project Coordinator, District Coordinators, calf rearing in-charge, supervisors, accountants and data entry operators

## **Annex VI: Pedigree Selection**

The main objectives of the Pedigree Selection Programme are:

- Conserving and developing indigenous breeds in its native breeding tract
- Improve the genetic potential of the indigenous breeds for milk production and draft power (for dual purpose breeds)
- Production of genetically superior quality bulls for semen production stations
- Ensuring active participation of the communities in breed development programs

The programme implementation will be guided by the details mentioned in the Manual on Pedigree Selection.

### **Technical Eligibility criteria for EIAs**

The EIAs must comply with the following criteria to be eligible for availing grant assistance under the sub-component:

- Breeds identified for Pedigree Selection Programme  
Rathi, Kankrej, Tharparker, Hariana, Gir and Sahiwal breeds of cattle and Jaffarbadi, Nili Ravi and Pandarpuri breeds of Buffalo subject to an existing population of at least 50,000 adult breedable female animals in the respective native tract.
- Should have an experience of 5 years in implementing cattle or buffalo breed development programmes in field conditions.
- Preference will be given to EIAs that already have in place IT based reporting and monitoring systems.

## Pattern of funding

The pattern of funding for this activity will be 100 percent Grant-in-aid.

## Items to be funded under Pedigree Selection

The list of items to be funded under the programme is given below:

No.	Particulars	Category
<b>A.</b>	<b>Goods and equipment</b>	
1	FS/ LN containers	Goods
2	Computers and accessories	Goods
3	Office furniture	Goods
<b>B.</b>	<b>Civil works</b>	
1.	Establishment of calf rearing station	Civil Work
<b>C.</b>	<b>Frozen Semen &amp; LN</b>	
1	Frozen semen	Operating cost
2	Liquid Nitrogen	Operating cost
<b>D.</b>	<b>Animal Identification</b>	
1	Ear tags	Goods
2	Ear tag applicators	Goods
<b>E.</b>	<b>AI accessories &amp; consumables</b>	
1	AI accessories	Goods
3	AI consumables	Operating cost
<b>F.</b>	<b>Testing</b>	
1	Milk component analysis	Operating cost
2	Testing charges <sup>1</sup>	Operating cost
<b>G.</b>	<b>Performance recording</b>	
1	Milk recording <sup>2</sup>	Operating cost
<b>H.</b>	<b>Purchase and distribution of breeding bulls</b>	Operating cost
<b>I.</b>	<b>Male calf procurement and rearing</b>	
1	Calf procurement <sup>3</sup>	Operating cost
2	Calf rearing	Operating cost
<b>J.</b>	<b>Extension</b>	

<sup>1</sup> Testing for diseases, parentage for elite cows and male calves

<sup>2</sup> Cost of recording milk of each animal – monthly interval; twice a day

<sup>3</sup> Procurement of bull calves at age of 8 months

<b>No.</b>	<b>Particulars</b>	<b>Category</b>
1	Calf rallies <sup>4</sup>	Operating cost
2	Infertility camps <sup>5</sup>	Operating cost
3	Village meetings <sup>6</sup>	Operating cost
<b>K.</b>	<b>Incentives</b>	
1	Incentive to AI Technicians	Operating cost
2	Incentive for bull procurement <sup>7</sup>	Operating cost
3	Incentive to farmers <sup>8</sup>	Operating cost
<b>L.</b>	<b>Training and HRD</b>	
	Training of Project Coordinator and Area Coordinator	Training
1		
2	Training of Project Supervisors	Training
3	Training of LN supply incharge	Training
4	Training of AI Technicians	Training
5	Refresher training for AI Technicians	Training
6	Training of Data Entry Operators	Training
	<b>Field survey and consultancy charges</b>	Consultancy service
<b>M.</b>		
<b>N.</b>	<b>Salaries and TA/ DA</b>	
1	Project coordinators	Operating cost
2	Area Coordinators	Operating cost
3	Semen and LN supply in-charge	Operating cost
4	Project Supervisor <sup>9</sup>	Operating cost
5	Data Entry Operators	Operating cost
6	Honorarium to AI Technicians	Operating cost
7	TA/ DA	Operating cost
<b>O.</b>	<b>Office running expenses</b>	Operating cost

<sup>4</sup> Calf rallies – one rally per AI centre every year

<sup>5</sup> Infertility camps – per village per year

<sup>6</sup> Village meetings – per village per year

<sup>7</sup> Incentive payable to AI Technician

<sup>8</sup> Incentive to farmers for milk recording

<sup>9</sup> For every 15 AI Technicians, there will be one Project Supervisor

## **Annex VII: Strengthening Existing Semen Production/ Starting New Semen Stations for Producing High Quality Disease Free Semen Doses**

The funding will be provided for strengthening existing semen production stations/ starting new stations for producing high quality disease free semen doses from genetically superior quality bulls to cater to the demand of semen for AI.

The programme implementation will be guided by the details mentioned in the Manual on Semen Production.

### **Technical Eligibility criteria for EIAs**

- Semen Station graded “A” or “B” by the Central Monitoring Unit (CMU) of the Government of India in their latest evaluation and required land (free of encumbrance) and supporting infrastructure to expand the facilities.
- Capacity to strictly adhere to Standard Operating procedures (SOPs) (laid down by DADF, GoI – April 2005) and have in place adequate bio-security measures to produce disease free semen doses.
- Capacity to obtain data from each buyer about the actual use of semen doses<sup>1</sup>
- Preference will be given to EIAs that already have in place IT based reporting and monitoring systems.
- The new semen station to be set up under the project will be required to have a capacity to annually produce a minimum of 10

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<sup>1</sup> Inserted with the approval of the National Steering Committee (first meeting held on 23 March 2012)

million quality disease free semen doses following prescribed protocols and Standard Operating Procedures (SOPs). Consistent with these requirements, an EIA should:

- have the capacity to contribute 25 per cent of the capital investment;
  - own or have on long lease, encumbrance free land of 200 acres for setting up the station;
  - satisfy ESMF requirements; and
  - have the management capability of satisfactorily operating a new semen station which has a capacity to annually produce a minimum of 10 million high quality disease free semen doses following prescribed protocols and Standard Operating Procedures (SOPs).
  - have the capacity to obtain data from each buyer about the actual use of semen doses<sup>2</sup>.
- Preference will be given to an EIA that is already managing an existing large semen station graded A by the CMU or has a suitable collaboration/ arrangement with such an institution for technical and management guidance/ support.

### **Pattern of funding**

The pattern of funding will be 100 percent Grant-in-aid for strengthening existing semen stations and 100 percent Grant-in-aid for training.

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<sup>2</sup> Inserted with the approval of the National Steering Committee (first meeting held on 23 March 2012)

For establishing new semen stations, the pattern of funding will be 75 percent Grant-in-aid for setting up semen station and 100 percent Grant-in-aid for training. The balance 25 percent is to be arranged by the EIA. In case the EIA requires loan funding for the remaining 25 percent, it will have to seek permission for hypothecation of equipment in favour of lender from Project Steering Committee.

### **Items to be funded**

The list of items to be funded is given below:

<b>No.</b>	<b>Particulars</b>	<b>Category</b>
<b>Strengthening of Existing Semen Stations</b>		
<b>A.</b>		
1	Civil Works	Civil Work
2	Goods and equipment	
i.	Laboratory equipment	Goods
ii.	Farm Machinery and implements	Goods
iii.	Bulls	Operating cost
3	Training	Training
<b>Establishment of new Semen Stations</b>		
<b>B.</b>		
1	Civil works	Civil work
2	Goods and equipments	
i.	Equipment	Goods
ii.	Bio gas plant with power generator	Goods
3	Consultancy	Consultancy service
4	Training	Training

**Annex VIII: Setting up a Pilot Model for Viable Door Step AI Delivery Services (based on Standard Operating Procedures [SOPs]) through a Professional Service Provider including Animal Tagging, Performance Record**

It is proposed to set up a pilot model for viable door-step AI delivery services (based on Standard Operating Procedures (SOPs)). The project envisages setting up the proposed viable model for AI delivery services by inducting about 3000 trained Mobile AI Technicians (MAITs) capable of collectively performing up to 4 million AIs per annum in a financially self-sustainable manner by the end of the project period. Under the pilot, MAITs will raise the charges for AI delivery services on an incremental basis so as to cover the full cost of the service by the end of the fifth year. The pilot will thereafter be able to continue operations in a viable manner.

The programme implementation will be guided by the details mentioned in the Manual on AI Delivery Services.

**Pattern of funding**

Funding support will be extended to professional AI service providers for meeting expenditure on capital items, training, extension/ promotion and computerised data management. Support will also be provided to meet the expenditure on salary of key personnel and stipend to mobile AI technicians on a tapering basis. The funds will be extended as 100 percent Grant-in-aid.

**Items to be funded for viable Door Step AI Delivery Services**

The list of items to be funded under the programme is given below:

<b>No.</b>	<b>Particulars</b>	<b>Category</b>
<b>A.</b>	<b>Goods and equipment</b>	
<b>1</b>	<b>LN/ FS containers and accessories</b>	
i.	FS container (portable – 3 litres)	Goods

<b>No.</b>	<b>Particulars</b>	<b>Category</b>
ii.	FS container (3000 doses)	Goods
iii.	LN transport container (50 litres)	Goods
iv.	FS storage container (7000 doses)	Goods
v.	FS storage container (24000 doses)	Goods
vi.	LN transfer device	Goods
vii.	Container trolley	Goods
viii.	LN silo	Goods
<b>2</b>	<b>Computers and accessories</b>	
i.	PC with UPS <sup>3</sup>	Goods
ii.	Laser printer	Goods
iii.	Computer table and chairs	Goods
iv.	Laptop computers <sup>4</sup>	Goods
v.	Netbooks <sup>5</sup>	Goods
vi.	Pico projector	Goods
<b>3</b>	<b>Furniture</b>	
i.	Furniture for AI Technician	Goods
ii.	Furniture for Regional Offices	Goods
<b>B.</b>	<b>Animal identification</b>	
1	Ear tags	Goods
2	Ear tag applicators	Goods
3	Data entry charges	Operating cost
<b>C.</b>	<b>Extension and rural communication</b>	
1	Wall paintings	Operating cost
2	Flexi banners	Goods
3	Sign boards	Goods
4	Stickers, pamphlets and posters	Goods
5	Farmers meetings	Operating cost
6	Awareness film	Operating cost
7	Calf rallies	Operating cost
8	Cable video	Operating cost
9	Banners for camps	Goods
10	Visual aid design	consultancy
11	Publicity and press	Operating cost
12	AI technicians launch meet	Operating cost

<sup>3</sup> For Area Offices, Account Officer, MIS Officer and Store Assistant

<sup>4</sup> For Regional Managers

<sup>5</sup> For AI Officer, Area Executive, veterinary Executive and Breeding Specialist

<b>No.</b>	<b>Particulars</b>	<b>Category</b>
<b>D.</b>	<b>AI Kit</b>	Goods
<b>E.</b>	<b>Training</b>	
1	AI Technician basic training	Training
2	AI Technician refresher training	Training
3	AI Officer and Area Executive training	Training
4	Veterinary Executive training	Training
5	Regional Manager and staff training	Training
<b>F.</b>	<b>Salaries</b>	
1	Stipend to AI Technicians <sup>6</sup>	Operating cost
2	Supervisory and distribution cost <sup>7</sup>	Operating cost
3	Technical support cost <sup>8</sup>	Operating cost
<b>G.</b>	<b>Administrative expenses (AI Technician)</b>	Operating cost

<sup>6</sup> Stipend of Rs. 3500 per month to AI Technician on tapering basis – 100%, 80%, 60%, 40% and 20% from Yr. 1 to Yr. 5

<sup>7</sup> Stipend of Rs. 3500 per month to AI Technician on tapering basis – 100%, 80%, 60%, 40% and 20% from Yr. 1 to Yr. 5

<sup>8</sup> Salary and travel cost of Veterinary Executive and Breeding Specialist on tapering basis - 100%, 80%, 60%, 40% and 20% from Yr. 1 to Yr. 5

## **Annex IX: Ration Balancing Programme**

The objective of Ration Balancing is to create awareness amongst the milk producers on optimization of animal feeding by efficient utilization of locally available feed resources at the possible least cost.

The programme implementation will be as per the Guidelines on Ration Balancing Programme.

### **Technical Eligibility criteria for EIAs**

- EIAs must have their own plants for manufacture and supply of cattle feed, mineral mixture or have an assured tie up for sourcing these products.
- EIA must have adequate arrangements for imparting training to all village LRPs as per the specified curriculum.
- Preference will be given to EIAs that already have in place IT based reporting and monitoring systems.

### **Pattern of funding**

The pattern of funding of this programme will be 100 percent Grant-in-aid.

### **Items to be funded under Ration Balancing Programme**

The list of items to be funded for RBP implementation by cooperatives is given below:

<b>No.</b>	<b>Particulars</b>	<b>Category</b>
<b>A.</b>	<b>Goods and equipment</b>	
1	Net books	Goods
2	Computers	Goods
3	Laptops	Goods
4	Heavy duty printers	Goods
5	Printers	Goods

<b>No.</b>	<b>Particulars</b>	<b>Category</b>
6	LCD Projector	Goods
7	Video conferencing equipment	Goods
<b>B.</b>	<b>Animal identification</b>	
1	Ear tags	Goods
2	Data entry charges	Operating cost
3	Stationery	Operating cost
4	Telephone and internet usage charges	Operating cost
<b>C.</b>	<b>Extension &amp; Rural Communication</b>	
1	Farmers Meeting	Operating cost
2	RBP promotion expenses	Operating cost
3	LRP meetings	Operating cost
<b>D.</b>	<b>RBP Kit and stationery</b>	Goods
<b>E.</b>	<b>Field sample testing</b>	Operating cost
<b>F.</b>	<b>Trainings</b>	
1	LRP basic training	Training
2	LRP refresher training	Training
3	Technical Officer's basic training	Training
4	Supervisor's basic training	Training
5	Supervisor refresher training	Training
6	Animal Nutrition Officer's basic training	Training
7	Animal Nutrition Officer's refresher training	Training
8	Hiring of trainers	Operating cost
9	Technical Officer & trainer refresher training	Training
<b>G.</b>	<b>Salary and TA/ DA</b>	
1	Stipend to LRP <sup>1</sup>	Operating cost
2	Salary of Officers <sup>2</sup>	Operating cost
3	TA/ DA of Officers <sup>3</sup>	Operating cost
<b>H.</b>	<b>Administrative expenses</b>	Operating cost

<sup>1</sup> Stipend @ Rs. 1500 per month for LRP on tapering basis – Yr 1: 100%; Yr. 2: 50%

<sup>2</sup> Salary of technical officers, supervisors and animal nutrition officers on tapering basis – Yr. 1: 100%; Yr. 2: 50%

<sup>3</sup> TA/ DA of technical officers, supervisors and animal nutrition officers on tapering basis – Yr 1: 100%; Yr 2: 50%

## **Annex X: Fodder Development Programme**

The main objectives of the fodder development programme are:

- Enhance green fodder yield of cultivated fodder crops from the land already under fodder production.
- Improve efficiency of fodder utilization.
- Minimize fodder wastage.
- Re-vegetation of common grazing land for fodder production.
- Training of technical manpower.

The programme implementation will be as per the Guidelines on Fodder Development.

### **Technical Eligibility criteria for EIAs**

Technical criteria for establishing Fodder Seed Processing Plants:

- EIAs should have experience of producing /procuring certified/truthfully labelled fodder seeds
- EIAs should have the capacity to formulate and implement a sound plan for fodder seed processing and the capacity to strictly adhere to the SOPs for seed procurement and processing
- Preference will be given to EIAs that already have in place IT based reporting and monitoring systems.

Technical criteria for participating in Silage Making Demonstrations:

- Fodder Crops: Maize, Sorghum, Pearl Millet and Oats.
- EIAs should have a network of village level farmers organisations such as Village Dairy Cooperative Societies, Milk Producers'

Institutions and Self Help Groups and having experience in conducting demonstrations for technology transfer at field level.

- EIAs should have capacity to formulate and implement a sound plan for demonstrations
- Preference will be given to EIAs that have prior experience in this area.

Technical criteria for participating in Mower Demonstrations:

- EIAs should have access to farmers who can collectively make available about 400 hectares of their land which is generally under combined harvesting for securing crop residues.
- EIAs should have capacity to formulate and implement a sound plan for demonstrations.
- Preference will be given to EIAs that have prior experience in this area.

Technical criteria for participating in crop residue enrichment and fodder densification:

- EIAs must have the capacity to formulate and implement a sound plan for crop residue enrichment and densification.
- Preference will be given to EIAs that have prior experience in this area.

Technical criteria for participating in biomass storage silos:

- EIAs should have a network of village level farmers organisations such as Village Dairy Cooperative Societies, Milk Producers' Institutions and Self Help Groups and having experience of

providing production enhancement services and interested in movement of dry fodder from surplus to deficit areas

- EIAs should have land (free of encumbrances) for setting up the storage silos
- EIAs should have the capacity to formulate and implement a sound plan for crop residue enrichment and densification.
- Preference will be given to EIAs that have prior experience in this area.

### **Pattern of funding**

The pattern of funding of this programme will be 100 percent Grant-in-aid.

### **Items to be funded under Fodder Development Programme**

The list of items to be funded under the programme is given below:

<b>No.</b>	<b>Particulars</b>	<b>Category</b>
<b>A.</b>	<b>Fodder Seed Processing Plant</b>	
1	Plant building and godown	Civil Work
2	Plant and machinery	Goods
3	Consultancy	Consultancy service
<b>B.</b>	<b>Straw enrichment and densification plant</b>	
1	Plant building and godown	Civil Work
2	Plant and machinery	Goods
3	Consultancy	Consultancy service
<b>C.</b>	<b>Demonstrations</b>	
1	Silage making	Operating cost
2	Mower with manual pick-up (1000 MT/year)	Goods
3	Mower with auto pick-up (500 MT/year)	Goods
4	Biomass bunkers/stores (50 MT)	Civil works
<b>D.</b>	<b>Re-vegetation of common grazing land</b>	Operating cost

<b>No.</b>	<b>Particulars</b>	<b>Category</b>
<b>E.</b>	<b>Fodder seed production and marketing support<sup>1</sup></b>	Operating cost
<b>F.</b>	<b>Training</b>	
1	Advanced training on seed production technology	Training
2	Training on fodder production and conservation	Training
<b>G.</b>	<b>Salary and TA/ DA</b>	
1	Salary of Fodder Seed Processing Plant team <sup>2</sup>	Operating cost
2	Salary of Fodder Development Officer <sup>3</sup>	Operating cost
3	Salary of Straw densification plant teams <sup>4</sup>	Operating cost
4	TA/ DA for Fodder Development Officer <sup>5</sup>	Operating cost
5	TA/ DA for Straw Densification Plant team <sup>6</sup>	Operating cost

<sup>1</sup>Financial support of Rs. 1000/ MT for production and Rs. 1750/ MT for marketing of HYV of fodder seed

<sup>2</sup>Salary @ Rs. 10 lakh per annum per team for two years on tapering basis: Yr 1 – 100%; Yr 2 – 80%

<sup>3</sup>Salary @ Rs. 3 lakh per annum for two years

<sup>4</sup> Salary @ Rs. 20 lakh per annum per team for two years on tapering basis: Yr 1 – 100%; Yr 2 – 50%

<sup>5</sup> TA/ DA @ Rs. 1 lakh per annum for two years

<sup>6</sup>TA/ DA @ Rs. 3 lakh per annum for four years

## **Annex XI: Village Based Milk Procurement Systems for Weighing, Testing Quality of Milk Received and Making Payments to Milk Producers**

Milk pooling activities consist of milk collection, testing for quality and payment to producers for the milk supplied. Funding will be provided for capacity building and training of milk producers, institution building, extension for promoting/ strengthening village producer institutions, strengthening the systems for fairness and transparency for milk collection, testing and payment at the village level.

The programme implementation will be as per the Guidelines on village milk procurement systems through existing dairy cooperatives and approach to facilitate the promotion of a Producer Company.

### **Technical Eligibility criteria for EIAs**

#### Dairy Cooperatives

- should have willingness and capacity to contribute 50 per cent of the capital investment.
- should have demonstrated experience in organising producers into cooperatives, transparency in milk collection, milk quality testing and timely payments to members/ producers.
- should have its own milk processing facilities or have a forward linkage with an existing milk processing facility.
- should have the land/ premises for setting up the Bulk Milk Coolers free of encumbrances.

- should have capacity to implement a sound plan for milk procurement by adhering to guidelines for village based milk procurement systems.
- should have positive net-worth.
- Preference will be given to EIAs that already have in place IT based reporting and monitoring systems.

### Producer Companies

- should be purchasing milk from their member-Milk Producer Institutions located in the states of Andhra Pradesh, Gujarat, Punjab, Rajasthan and Uttar Pradesh (which together account for over 50 per cent of the country's milk production).
- annual average milk procurement should be more than 1 lakh kilograms per day from at least 30,000 pourers.
- should have provisions in their Articles of Association for active membership, patronage based returns and patronage based voting rights (subject to the condition that no single member would have voting rights exceeding 0.5 per cent of the total votes of the producer company)
- should have the land/ premises for setting up the Bulk Milk Coolers free of dispute.
- one-fifth of the total Directors of the producer company should comprise experts who have been co-opted.
- could have membership from one or more than one State<sup>1</sup>.

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<sup>1</sup> Amended with the approval of the National Steering Committee (first meeting held on 23 March 2012)

- preference will be given to producer companies that have a system of raising patronage linked member capital.

### **Pattern of funding**

The pattern of funding of this programme will be 50 percent Grant-in-aid for capital items and 100 percent for revenue items including training. The balance 50 percent is to be arranged by the EIA. In case the EIA requires loan funding for the remaining 50 percent, it will have to seek permission for hypothecation of equipment in favour of lender from Project Steering Committee.

### **Items to be funded for village based milk procurement system**

The list of items to be funded under the programme is given below:

<b>No.</b>	<b>Particulars</b>	<b>Category</b>
<b>A.</b>	<b>Support to village level institutions</b>	
1	Milk collection accessories	
i	Dairy Cooperatives	Goods
ii	Producer Companies (PC)	Goods
2	Stipend to village level functionaries	
i	Dairy Secretaries (Dairy cooperatives) <sup>2</sup>	Operating cost
ii	Village Sahayak (PC) <sup>3</sup>	Operating cost
3	One time set-up cost to cluster teams (PC)	Goods
4	One time set-up cost to Producer Companies	Goods
5	Creation of milk producers database (PC)	Operating cost
6	Data processor and Milk Collection Unit (DPMCU)	
i	Dairy Cooperatives	Goods
ii	Producer Companies (PC)	Goods
7	Milk cans	Goods
i	Dairy Cooperatives	Goods
ii	Producer Companies (PC)	Goods
8	ICT support for milk procurement(Dairy Cooperatives) <sup>4</sup>	Goods

<sup>2</sup> Stipend for DCS secretaries @ Rs.1500/month on tapering basis for three years only; 100% in Yr-1, 80% in Yr-2 and 60% in Yr-3

<sup>3</sup> Stipend for village Sahayak @ Rs.1500/month on tapering basis for three years only; 100% in Yr-1, 80% in Yr-2 and 60% in Yr-3

<b>No.</b>	<b>Particulars</b>	<b>Category</b>
<b>B.</b>	<b>Bulk Milk Coolers (BMC) build up</b>	
1	<b>Dairy Cooperatives</b>	
i	BMC 5KL	Goods
ii	BMC 2 KL	Goods
iii	BMC accessories	Goods
iv	Automated Milk Collection Units (AMCU)	Goods
2	<b>Producer Company</b>	
i	BMC 5KL	Goods
ii	BMC 3 KL	Goods
iii	BMC 2 KL	Goods
iv	BMC 1KL	Goods
v	BMC accessories	Goods
vi	Quality Control (QC) Labs	Goods
vii	Automated Milk Collection Units (AMCU)	Goods
<b>C.</b>	<b>Extension support for producer mobilisation</b>	
1	Extension material	
i	Dairy Cooperatives	Operating cost
ii	Producer Companies (PC)	Operating cost
2	Audio visuals equipment (PC) <sup>5</sup>	Goods
<b>D.</b>	<b>Trainings</b>	
1	<b>Training for Dairy Cooperatives</b>	
i.	Basic training for new DCS Secretaries	Training
ii.	Refresher training of DCS Secretaries	Training
iii.	Farmer induction program <sup>6</sup>	Training
iv.	Farmer orientation program <sup>7</sup>	Training
v.	Awareness program on clean milk production <sup>8</sup>	Training
vi.	Training of new field supervisors <sup>9</sup>	Training
vii.	Business appreciation program for existing procurement staff	Training
viii.	Board of Directors' orientation program	Training
ix.	Training of Trainers <sup>10</sup>	Training
2	<b>Training for Producer companies</b>	
i.	Producer Awareness Program	Training

<sup>4</sup> The charges are towards purchase of servers, database, scanners, computers and printers

<sup>5</sup> Audio visuals for cluster teams of Producer Companies

<sup>6</sup> Two farmers from each village will undergo this training

<sup>7</sup> one farmer per village will participate in this training

<sup>8</sup> For milk producers, 40 person per village will attend

<sup>9</sup> Training on producers' relationship management

<sup>10</sup> Training on new business and producers' relationship management

<b>No.</b>	<b>Particulars</b>	<b>Category</b>
ii.	Awareness program on Quality & clean milk production	Training
iii.	Women's awareness program	Training
iv.	Awareness Programme for Rural Youth	Training
v.	Awareness / Competitions for Children	Training
vi.	Orientation of advisory council	Training
vii.	Training of BMC operators on Operations & Maintenance	Training
viii.	Sahayak Orientation Programme	Training
ix.	Sahayak Refresher Programme	Training
x.	Orientation workshop on Producer Companies for BOD	Training
xi.	Business and Governance strategy workshop for BOD	Training
xii.	Yearly Orientation for BOD	Training
xiii.	Exposure visits for BOD	Training
xiv.	Training on Proc, Producer relations, and QA for Supervisors	Training
xv.	Training on Proc, Producer relations, and QA for Area Officers	Training
xvi.	Skill development programme for Assistants	Training
xvii.	Motivation programme for Assistants	Training
xviii.	Team Building & Leadership Development Programme <sup>11</sup>	Training
xix.	Quality programme for QA-Officers	Training
xx.	Quality programme for QA-Assistants	Training
xxi.	Institution Building – TOT programme	Training
xxii.	Leadership Development Programme	Training
3	Developing Communication Materials	Operating cost
4	Development of Training Modules	Operating cost

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<sup>11</sup> Programme for Area officer, Zone managers and Head office personnel

## **Annex XII: Project Management and Learning**

Under this component, EIAs will be provided support for the operations and management of computerised information systems for collection of data and dissemination of information related to breeding, nutrition and village based milk procurement systems. These information systems would basically be used by EIAs to ensure effective monitoring of processes and reporting outputs.

### **Pattern of funding**

The pattern of funding of this programme will be 100 percent Grant-in-aid.

### **Items to be funded**

The list of items to be funded under the programme is given below:

List of items to be funded under ICT based MIS:

<b>No.</b>	<b>Particulars</b>	<b>Category</b>
<b>A</b>	<b>Semen Station and ERP</b>	
<b>1</b>	<b>Development and Quality assurance<sup>1</sup></b>	
i	Hardware	Goods
ii	Software	Goods
iii	Consultancy	Consultancy
iv	Hardware AMC	Operating cost
<b>2</b>	<b>Mega Semen Station</b>	
i	Hardware	Goods
ii	Software	Goods
iii	ERP roll out and data migration	Consultancy
iv	Hardware AMC & connectivity charges	Operating cost
<b>3</b>	<b>Standard Semen Stations</b>	
i	Hardware	Goods
ii	Software	Goods

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<sup>1</sup> Development and Quality Assurance for both mega as well as standard semen stations

<b>No.</b>	<b>Particulars</b>	<b>Category</b>
iii	ERP roll out and data migration	Consultancy
iv	Hardware AMC & connectivity charges	Operating cost
<b>B</b>	<b>IIL (Indiagen)</b>	
i	INAPH (AI) Hardware and connectivity	Goods
ii	Integration with existing ERP (SAP)	Consultancy
iii	Internet bandwidth charges	Operating cost
<b>C</b>	<b>Producer Company</b>	
i	Hardware and Software	Goods
ii	Consultancy <sup>1</sup>	Consultancy
iii	Hardware AMC & connectivity charges	Operating cost
<b>D</b>	<b>Milk Union</b>	
i	Hardware and Software	Goods
ii	Hardware AMC	Operating cost
<b>E</b>	<b>PMU in NDDB</b>	
i	Analytical Applications and reports	Consultancy
ii	EPM	Consultancy
iii	Hardware and Software	Goods

List of items to be funded for Learning & Evaluation:

<b>No.</b>	<b>Particulars</b>	<b>Category</b>
A	Baseline Survey	Consultancy service
B	Mid-term Surveys	Consultancy service
C	End Term Assessment	Consultancy service
D	Annual Surveys	Consultancy service
<b>E</b>	<b>Special studies</b>	
1	Methane Reduction Emission Studies	Consultancy service
2	Other Studies	Consultancy service
<b>F</b>	<b>Consultants/ domestic experts</b>	Consultancy service
<b>G</b>	<b>Overseas exposure visits/study tours</b>	Training
<b>H</b>	<b>Preparatory study for Phase II</b>	Consultancy service
<b>I</b>	<b>Monitoring support for project implementation (PMU in NDDB)</b>	

<sup>1</sup> Include programme management, software development and ERP implementation

<b>No.</b>	<b>Particulars</b>	<b>Category</b>
1	Cost of DADF officers	Operating cost
2	Auditor fees	Consultancy service
3	Technical Examiner fees	Consultancy service