

Minutes of the 1st Meeting of the Executive Committee on Direct Cash Transfers held in PMO on 9.11.2012.

The list of the participants is annexed.

2. The meeting was chaired by the Principal Secretary to PM. In his opening remarks, Principal Secretary mentioned that **a policy decision has been taken by the Prime Minister to give a major push to Direct Cash Transfers** and hence, the urgency of rapidly moving to a system of directly transferring cash benefits for as many government schemes as possible within the next year. The reasons for this have been laid down in the document circulated under Agenda 1 for the meeting. He mentioned that the **twin pillars of the Direct Cash Transfer system are Aadhaar and Financial Inclusion**. He further added that in order to ensure greater and rapid convergence among different government agencies, the Prime Minister has approved the setting up of a National Committee on Direct Cash Transfers, chaired by the PM himself, and an Executive Committee on Direct Cash Transfers, with a Secretariat would in the Planning Commission. He also said that important decisions and actions need to be taken in the coming weeks, particularly in view of the **First meeting of the National Committee which is to be held by the PM on 26th November 2012**. He also mentioned that a lot of work has been done and this needs to be pulled together. The **Financial Inclusion and the Technology Committees will need to work together to ensure full coordination**. Any roadmaps that are prepared by Ministries should follow the identified geographic areas spelled out in the overall rollout plan.

3. Thereafter the Secretary, Planning Commission made a presentation that gave the background to Direct Cash Transfers. She emphasized that using Aadhaar enabled Direct Cash Transfers will ensure better targeting, eliminate duplication and most importantly, bring in institutional externalities. The more the number of schemes that get on to this platform, the greater the benefits that will flow from using a common platform. A Direct Cash Transfer system also brings together Plan and Non-Plan convergence of programs at the beneficiary level. The Planning Commission has identified at least seven Flagship programmes (including pensions) and 22 scholarship schemes given by nine central ministries/departments for the purpose, excluding those relating to subsidies. She emphasized the need to identify as many areas as possible for direct cash transfers. There are many pilots and Task Forces and their work and experience needs to be folded into the roadmaps that are to be prepared for rollout. The constitution of Implementation Committees in each Ministry is important to study and examine the schemes where direct cash transfers are possible and prepare rollout plans for the same. She also stated that the Committees on Financial Inclusion and on Technology would help the different ministries in ensuring seamless transfers of cash to beneficiaries. After identification of schemes, the roadmap would be prepared by the ministries for all those schemes that are amenable for rollout of Direct Cash Transfers.

4. Secretary, Financial Services apprised the meeting that the banking system is ready to meet the challenge of financial inclusion. There are plans to cover all villages with more than 5,000 population with branches and with more than 2,000 population with business correspondents. By 31 March 2013, all banks will migrate to the Core Banking platform which will facilitate Direct Cash Transfers. 6-7 states have already agreed to make electronic payments. However, he felt that the move to Direct Cash Transfers has to be driven by departments and that **D/o Planning and D/o Expenditure must insist on this switch as per agreed roadmaps**. The banking system will be ready in whichever districts rollout is to be done. The bigger challenge however, is to **have solid beneficiary databases and cash transfer procedures**.

5. DG, UIDAI made a presentation on the technological features of an Aadhaar-enabled Direct Cash Transfers system. He emphasized that ministries have to **digitize databases of their beneficiaries and link them with Aadhaar** so that Aadhaar-enabled bank accounts and Aadhaar-enabled payment systems could function through the Aadhaar Payment Bridge for rapid cash transfers across the country.

6. Secretary, P&NG discussed the experience in running a pilot in Mysore. He also highlighted the steps in the roadmap for Direct Cash Transfers for LPG subsidy. He drew attention to the challenges that would be there including - the need to **ensure Aadhaar penetration levels of 80%** before beginning cash transfers, confidentiality issues in disclosing bank account numbers, the challenge of **digitising beneficiary databases**, the need to give an advance in case of subsidy transfer and the need to support states in implementation.

7. Joint Secretary, MoRD informed the committee that MoRD has a digitized database of 12.5 crores families under MNREGA, along with their bank accounts (45% of these in banks and 55% in Post Offices). These are seeded with Aadhaar numbers in at least 65 districts. He suggested that wherever Aadhaar numbers are not there, Job Card numbers (EID/enrolment numbers) could also be used for cash transfers that can be later on seeded with Aadhaar number. The NSAP has 1.6 crore beneficiaries and digitisation of databases is going on. For using Post Offices more intensively, some tweaking in the rules and procedures may also be necessary.

8. Member, Postal Services Board stated that the D/o Posts has 2.7 crore bank accounts with 1.5 crore zero balance accounts. While the D/o Posts Department is moving towards an electronic transfer system and a Core Banking Solution is being rolled out with Rural ICT going to spread to 1,30,000 postal offices in rural areas, there is a problem in transferring funds to HPOs because of the nature of accounting in the postal system. There is no problem in further transfers down to the beneficiary. The Principal Secretary emphasized the need for harmonization among banks, financial institutions and post offices so that transfer of funds

from one to another is done without any problems either for the system or for the beneficiary. **Principal Secretary said that D/o Posts should be on the Financial Inclusion Committee.**

9. The Cabinet Secretary intervened to draw attention to the **need to have a reconciliation system** whereby transfers are tracked, fund releases are traced, balances held at different levels of intermediaries is known and transactions are auditable. A system of compulsory periodic reconciliation of funds flow may need to be put in place that can also meet the needs of audit.

10. Secretary, D/o Minority Affairs mentioned that pre-matric scholarships is done through an online system, though not embedded with Aadhaar.

11. Joint Secretary (School Education) mentioned that while in the Mid-day Meal Scheme, no Direct Cash Transfer is possible as hot cooked food has to be given to students as per Supreme Court orders, some components under SSA like school uniforms can be considered for Direct Cash Transfers. He informed that three States, i.e., Bihar, Jharkhand and Madhya Pradesh, have already agreed to transfer cash to beneficiaries for this component. There are other scholarship schemes where funds are credited to children's accounts. The major challenge would be to digitize databases.

12. Secretary, Higher Education informed the committee that although scholarships are transferred electronically to beneficiaries' accounts for the past four years, these have not been seeded with Aadhaar numbers, which will be done as per the roadmap. They can also consider moving to the Direct Cash Transfer system for school fees and for tracking student loans.

13. Secretary, Health & Family Welfare stated that Janani Suraksha Yojana has a component of paying beneficiaries through cheques. This could be replaced through an Aadhaar-enabled Direct Cash Transfer system, to begin with, in the 51 pilot districts and later rest of the country. Similarly, payments to ASHA workers can also move to this platform.

14. Secretary, Food stated that a pilot in East Godavari district, AP has shown very favorable and positive results in Aadhaar enabled Direct Cash Transfers to PDS beneficiaries. The de-duplication achieved through Aadhaar has reduced pilferage and leakages significantly. There are however, many issues to be decided in case of cash transfer of subsidies.

15. Secretary, Fertilizers gave details of the rollout of their cash transfer system based on the Phases identified by the Task Force. Phase III is to be rolled out from 31.12.2012 in 10 districts. He urged the **need to have CGA on board as Direct Cash Transfers would involve several financial processes to be executed differently.**

16. Principal Secretary pointed out that the roadmap for every scheme would be very different based on the unique features of their scheme and Ministries will have to examine and come up with solutions for **reengineering different processes** to ensure smooth Direct Cash Transfers.

17. Secretary, WCD informed that the Dhanalaxmi and Indira Gandhi Matritva Yojana schemes are amenable to Direct Cash Transfers. He highlighted the importance of many aspects in enabling cash transfers - such as the **opening of bank accounts for all**, prevention of hoarding of money by banks, a business model to **remunerate banks for the transactions**, not having separate accounts for each scheme, having **feedback loops to locate non-transferred amounts**, need to get states on board and prevent intermediate levels in states from keeping funds with them.

18. Secretary, Labor shared the experience in implementing digitising databases under RSBY and the use of RSBY cards in Chhattisgarh for the PDS system.

19. Cabinet Secretary mentioned that RSBY has a first mover advantage whose experience needs to be utilised in embedding and converging with other schemes and said that **D/o Labour should be in the Technology Committee**. Further, there **should not be a multiplicity of bank accounts** which will be similar to the metaphorical wallet bulging with multiple credit cards. This should be prevented at all costs. Secretary, Planning said that following the success in using RSBY cards, digitized databases they have can be used for convergence of other beneficiary oriented schemes.

20. The Principal Secretary to PM said that the Technology Committee must examine and analyse how much of the digitized data of RSBY can be seeded with Aadhaar numbers. Further, the **Aadhaar coverage will have to be driven through individual schemes mandating Direct Cash Transfers** from fixed dates. There should be mandatory requirement within the design of schemes to ensure linking of Aadhaar numbers to their digitized databases of beneficiaries for facilitating of Direct Cash Transfers.

21. Additional Secretary, SJ&E informed that as there are many scholarship schemes within the ministry, it was suggested to create a National Scholarship Portal wherein scholarships pertaining to SCs/STs/OBCs/Minorities/Meritorious can be served through a single window. He also felt that states need to be consulted while implementing the Direct Cash Transfers as they would be at different stages of development in IT. Secretary, Financial Services said that each **scheme must mandate electronic transfer of benefits**.

22. Secretary, Planning mentioned that henceforth, all EFC Memoranda will have to give an undertaking that the new proposed scheme would be Aadhaar enabled. She emphasized that

unless mandatory cut off dates are given to States, it will be difficult to implement Direct Cash Transfers.

23. MD, TRIFED informed that although the fund for pre-matric and post-matric scholarship for STs is electronically transferred to the States, they are yet to be directly transferred to beneficiaries. It is possible to do so if the system is in place.

24. Secretary, DeITy pointed out that in view of the aggressive deadlines that have been set, there is a need to focus on five elements - (i) Ensure safety and cost effectiveness during scaling (ii) **Eliminate duplication of efforts** (ii) **Benefits of convergence** through common technical standards and interoperability, process standardization and uniform application software (iv) have **infrastructure at the grassroots** level for service delivery and (v) converge databases. These are essential requirements to ensure that there are no hitches in Direct Cash Transfers.

25. Cabinet Secretary concluded that considerable experience already exists in some ministries on the implementation of Direct Cash Transfers. A number of issues have been thrown up in the discussion which need to be thought through carefully. There is a serious and urgent need for different ministries to engage with each other for better coordination, prevention of duplication and speedy implementation of Direct Cash Transfers. The PM has set a date for the meeting of the National Committee on 26.11.2012 and **individual committees need to get going on working out the details urgently.**

26. It was noted in the meeting that there are a number of areas where there is a need for extensive and close coordination and a number of critical issues that need to be addressed systematically to ensure that the rollout of a Direct Cash Transfer system takes place smoothly. These include:

- i. **The Aadhaar Platform and Financial Inclusion - the two pillars** of a Direct Cash Transfer System must synchronously enable **all cash transfers to be done through an Aadhaar enabled platform** so that there is no duplication of work, there is inclusion of all possible avenues for reaching financial services including Post Offices and Sewa Kendras, and there is full utilisation of the investment being made in and the technological potential of Aadhaar.
- ii. **Digitisation of databases of beneficiaries**, both at the central and state levels, is critical for rolling out cash transfers. In the absence of digital databases, it would be impossible to roll out Direct cash Transfers in the envisaged manner. This requires the maximum amount of effort on part of Ministries who will need to work with State Governments for many schemes. They should get going on this aspect immediately.

- iii. **NIC and the DelTy should provide the fullest assistance in enabling early digitisation** of databases as per the rollout plan. They should also ensure that while digitisation is being done, seeding with Aadhaar numbers takes place so that this facilitates Aadhaar enabled Cash Transfers.
- iv. A lot of work has already been done and this needs to be pulled together. **The Financial Inclusion and Technology Committees will need to work together** to ensure coordination to ensure seeding of bank accounts with Aadhaar numbers, achieve complete Financial Inclusion and rolling out cash transfers as envisaged.
- v. **The tipping point for rolling out Aadhaar enabled Cash Transfers would be an Aadhaar penetration level of 80% of beneficiaries.** UIDAI needs to ensure that Aadhaar penetration levels reach this level for the targeted beneficiaries as per the rollout plan. If needed, they may need to work through more registration agencies and also have Aadhaar on demand facilities.
- vi. **Coverage under Aadhaar would have to be driven by mandate under individual schemes** that they move to the Direct Cash Transfer System quickly. There cannot be a voluntary approach whereby a move to this system is done as per any agencies' convenience. There should be clear indication of switchover dates and those covered in a particular rollout phase will need to move to Direct Cash Transfers on that date. D/o Planning and D/o Expenditure will insist on this.
- vii. There are a number of technological and operational issues in ensuring the rollout. Departments and states will need hand-holding to help them prepare for rollout of Direct Cash Transfers. **UIDAI needs to open a dedicated cell to do the handholding for rolling out cash transfers.**
- viii. **Full utilisation should be made of the existing network of Post Offices** for achieving Financial Inclusion. This will require not just the inclusion of the **D/o Posts in the Financial Inclusion Committee** but also removing any procedural or systemic bottlenecks in their integration with the Cash Transfer system.
- ix. There are a **number of preparatory steps** to be taken - by Government Departments implementing schemes, Banks and technical agencies involved in enabling the Direct Cash Transfers. The roadmaps to be drawn by each Ministry must include all the preparatory steps.

- x. All the Committees that are being set up, including the Executive Committee, are there to ensure coordination of action between multiple agencies. **These Committees are not substitutes for normal approval procedures** of the government, where necessary.
- xi. On the Financial Inclusion front, the message down the line must be clear that there should be **no resistance in banks to opening no frills accounts and there should not be a need to have separate accounts for each scheme**. That defeats the purpose of the design of the Direct Cash Transfer system. Banks and other financial institutions also need a **business model for recouping their transaction costs** and that needs to be worked out. Also, all bank accounts must be seeded with Aadhaar numbers and there should be clear instructions on this to all banks.
- xii. On the procedural front for each scheme, there would be a **need to re-examine and review current procedures** which go through multiple levels from the Centre to States and to sub-state bodies. Some go directly to Societies/ Agencies. These **processes would need to be re-engineered** to suit a Direct Cash Transfer system.
- xiii. Each Ministry implementing Aadhaar enabled Direct Cash Transfers need to **designate a nodal point within their ministry** immediately to enable rollout of cash transfers.

27. The Principal Secretary to PM directed that that the following steps actions may be taken urgently and Planning Commission and PMO may be apprised of the action taken on these by 20.11.2012:

- (i) **Constitution of Ministry level Implementation Committee.** Each Implementation Committee must include representatives from Planning, Financial Services, Expenditure, IT and UIDAI.
- (ii) **Ministries to examine and prepare a list of schemes** to be moved to Direct Cash Transfers. The list should be as exhaustive as possible and could include wage and honorarium payments.
- (iii) Preparation of a roadmap for rolling out Direct Cash Transfers along with timelines. These must be in line with the larger roadmap for the whole country, i.e., 51 districts to be ready with adequate Financial Inclusion and Aadhaar penetration by 1.1.2013, 18 states from 1.4.2013 and rest of the country subsequently.

The meeting ended with a Vote of Thanks to the chair.

List of participants

Meeting of Principal Secretary to PM on 9.11.2012 at 11.30 a.m. in Room No.54, South Block.

1. Shri Ajit Seth, Cabinet Secretary
2. Smt. Sindhushree Kullar, Secretary, Planning Commission
3. Shri Ashok Thakur, Secretary, Department of Higher Education
4. Shri Mrutyanjay Sarangi, Secretary, M/o Labour & Employment
5. Shri G.C. Chaturvedi, Secretary, M/o Petroleum & Natural Gas
6. Shri D.K. Mittal, Secretary, D/o Financial Services
7. Shri Sutanu Behuria, Secretary, M/o Minority Affairs
8. Shri P.K. Pradhan, Secretary, Department of Health & Family Welfare
9. Shri Prem Narain, Secretary, M/o Women & Child Development
10. Shri J. Satyanarayana, Secretary, D/o Electronics & IT
11. Shri Sudhir Kumar, Secretary, Department of Food & Public Distribution
12. Shri Sudhir Mital, Secretary, Department of Fertilizers
13. Shri R.S. Sharma, DG, UIDAI
14. Smt. Meena Agarwal, OSD(PPD), D/o Expenditure
15. Shri Anoop Kumar Srivastava, AS, D/o of Social Justice & Empowerment
16. Smt. Suneeta Trivedi, Member(Planning), D/o Posts
17. Dr. B.K. Gairola, MD, DietY
18. Shri Umesh Kumar, JS, D/o Financial Services
19. Shri D.K. Jain, JS, MoRD
20. Shri Apurva Chandra, JS, D/o School Education & Literacy
21. Shri Jiji Thomson, MD(TRIFED), M/o Tribal Affairs
22. Shri Y.P. Rai, DDG(Rural Business), D/o Posts
23. Smt. Varsha Joshi, Director, RGI
24. Shri Rajesh Bansal, ADG, UIDAI
25. Shri S. Das, DS(Finance), M/o Tribal Affairs
26. Shri Alok Tripathi, DS, M/o Petroleum & Natural Gas
27. Shri P Jayadevan, Chief Manager, IOC

From PMO

1. Shri Shatrughna Singh, JS to PM
2. Shri B.V.R. Subrahmanyam, JS to PM
3. Smt. Anu Garg, JS to PM
4. Shri Sanjay Lohiya, Director
5. Shri Krishan Kumar, Director