

# **Memorandum of Agreement**

**Amongst**

**State of \_\_\_\_\_**

**And**

**National Bank for Agriculture and Rural  
Development (NABARD)**

**And**

**Government of India**

**Ministry of Agriculture and Farmers  
Welfare**

**\_\_\_\_\_ 2019**

# Memorandum of Agreement

**THIS MEMORANDUM OF AGREEMENT** is made

**BETWEEN**

**The Governor of the State of \_\_\_\_\_** acting through Principal Secretary/ Secretary, Ministry of Finance, Government of \_\_\_\_\_, having office at \_\_\_\_\_, herein-after referred to as “**the State Government**” (which expression shall, unless repugnant to the context or meaning thereof, include his successors in Office) **OF THE FIRST PART**

**AND**

**National Bank for Agriculture and Rural Development**, a body corporate established under an Act of Parliament viz. National Bank for Agriculture and Rural Development Act, 1981 and having its Head Office at C-24, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051 hereinafter referred to as “**NABARD**” (which expression shall, unless repugnant to the context or meaning thereof, include its successors and assigns) **OF THE SECOND PART**

**AND**

**The President of India** acting through the Secretary, Ministry of Agriculture and Farmers Welfare (MoA&FW) having office at \_\_\_\_\_ New Delhi – \_\_\_\_\_ hereinafter referred to as the “**GoI**” (which expression shall, unless repugnant to the context or meaning thereof, include his successors and assigns) **OF THE THIRD PART**

## WHEREAS

1. Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) was launched on 1<sup>st</sup> July 2015 with the motto of ‘Har Khet ko Pani’ for providing end to end solutions in irrigation supply chain, viz., water resources, distribution network, farm level applications and improving water use efficiency. Micro irrigation (MI) is being popularized to ensure ‘Per Drop – More Crop’ (PDMC).

2. The current coverage under Micro irrigation is about 10 million ha. The Govt. of India Task Force on micro irrigation (2004) estimated a potential of 27 million ha for drip irrigation and 42.5 million ha for sprinkler irrigation with total potential of 69.5 million ha. This estimate is based on the area under crops that are suitable for micro irrigation. Thus, there is a gap of around 60 million ha still to be covered under micro irrigation.
3. With a view to provide impetus to the micro irrigation, the Union Finance Minister, in his Budget Speech 2017-18, has announced a dedicated Micro Irrigation Fund (MIF) to be instituted with NABARD with an initial corpus of Rs 5000 crore for encouraging public and private investments in modern irrigation methods such as sprinkler and drip irrigation as also water use enhancing practices to realize the objective of per drop more crop.
4. The main objective of MIF shall be to facilitate the States in mobilizing the resources for expanding coverage of micro irrigation by taking up innovative integrated projects/ proposals, including projects in the Public Private Partnership (PPP) mode and also for incentivizing micro irrigation through an additional (top-up) subsidy over and above the one available under PMKSY-PDMC Guidelines and for covering additional areas.
5. As per the Budget Announcement of the Government of India, NABARD has been assigned the task of hosting and administering MIF and extending credit support from out of MIF to State Government and in accordance with the Terms of Reference on MIF (including the modifications thereto) finalized by GoI, NABARD and State Government through mutual consultations and in accordance with CCEA approval. NABARD has since agreed to host and administer MIF. The Terms of Reference for loan from NABARD to State Governments from MIF and any modification thereto shall be read as part and parcel of the MoA
6. The State Government/Union Territories shall avail loan from NABARD out of MIF for the eligible projects, as per their requirement.

## **NOW THEREFORE THIS AGREEMENT WITNESSTH THAT:**

### **1. RIGHTS AND OBLIGATIONS OF THE STATE GOVERNMENT**

- (i) The State Government hereby:
  - (a) Undertakes to take such steps as may be found necessary to remove any legal or other procedural hurdles in the smooth implementation of the micro irrigation projects/ proposals to be sanctioned under MIF.
  - (b) Undertakes to ensure that the loan advanced by NABARD shall be utilized only for the purposes for which the loan is given.
  - (c) Undertakes to maintain separate accounts for the transactions of loans borrowed from out of MIF clearly showing the principal amount of loan, repayment of loan, outstanding, interest and additional interest separately.
  - (d) The State Government shall observe, perform and fulfill such other terms and conditions / obligations as may be stipulated in the respective sanction letters issued by NABARD.
  - (e) Agrees to allow NABARD to verify/inspect its books of accounts, vouchers, papers, documents, etc. and any other financial/non-financial document/s of the State Government related to borrowing from NABARD.
  - (f) Agrees to submit to NABARD and GoI, the project report along with estimated cost of the eligible micro irrigation projects/proposals.
  - (g) Undertakes to submit such information/documents as and when required by Government of India and/or NABARD. State Government agrees for carrying out evaluation, third party monitoring, social audit, other IT activities, etc. as may be considered by GoI, and/or NABARD.
  - (h) Agrees to execute/cause to execute such supplementary documents as required by NABARD to carry out its obligations under this agreement including servicing of loan.
  - (i) State Government will submit the proposals to DAC&FW, Government of India for approval of the same by the Steering Committee which is set up for the over-all coordination and monitoring of the implementation of the Projects/Proposals and upon approval by the Steering Committee the same shall be recommended to NABARD for release of funds.

(ii) The Finance Department of State Government will be the Nodal Department for availing loan from NABARD under MIF. The State Government shall notify to NABARD the name, designation and specimen signature of the representative of its Finance Department, who is duly authorized by it to apply for drawal of the loan amounts and issue necessary acknowledgements for the amounts disbursed and also to receive communication, notices and other correspondence from NABARD in respect of the loans sanctioned, for completion of formalities, drawal of loan installments and repayments thereof together with interest. The State Government shall also intimate NABARD subsequent change in the designated officer, if any, and forward the particulars and specimen signature of the new incumbent.

(iii) The State Government shall execute a Time Promissory Note (TPN) in favour of NABARD for each loan disbursement separately. Each TPN will be supported by written communication that necessary budgetary provision would be made available and held in trust to repay the principal and interest as per the schedule indicated in the TPN.

(iv) The State Government shall repay the loan to NABARD as per the instructions as specified in the terms and conditions of the Sanction Letter and disbursement advice issued by NABARD. The State Government shall also pay interest on loans availed from out of MIF from NABARD at the rate and on due dates as may be prescribed by NABARD in the respective sanction letter/ disbursement advice. The Principal shall be repayable in annual instalments and the interest would be payable at quarterly rests. The rate of interest on loan on each occasion shall be decided at 3 % below the corresponding cost of funds mobilized by NABARD from the market. The cost of fund shall include the rate at which NABARD borrows from the market and NABARD's margin of 0.60%. However, the interest subvention will be restricted to Rs. 150 crore of budgetary outlay per year.

(v) If the State Government fails to pay the principal amount on the respective due date(s), it agrees to pay additional interest (over and above the lending rate) at the rate of 1 % per annum from the date of default to the date of payment. Further, if the State Government fails to pay the interest on the respective due date, it shall be liable to pay interest on overdue amount at the same rate as is applicable to the principal amount.

(vi) The State Government, on a continuous basis, shall maintain the details of due dates/obligations towards repayment of principal and payment of interest to NABARD and also ensure availability of adequate resources for fulfilling its obligations under this Agreement.

(vii) The State Government shall submit its tentative requirement of funds to NABARD one month prior to the expected date of disbursement. NABARD shall disburse the requisitioned amount within 15 days of getting drawal application form complete in all respects along with all necessary documents from the State Govt. In the event that State Government after giving one month's notice, does not avail funds raised by NABARD upon drawal request by the State Government, it shall be liable for financial loss suffered by NABARD in this process. This loss will be determined based on the difference between interest rate on such borrowings by NABARD and the prevailing reverse repo rate for the period such borrowing remains unutilized under this scheme.

(viii) The State Government shall furnish an undertaking in favour of NABARD in a format prescribed by NABARD that it shall make adequate and specific provision in its annual budget for repayment of the principal, payment of interest or any other dues in respect of loans availed by it from NABARD under this Agreement. The State Government shall also furnish a letter to NABARD in a format prescribed by NABARD confirming that it has made adequate and specific provision in its annual budget.

(ix) The State Government shall issue a certificate that the borrowing is within the limits fixed by the State Legislature under Article 293 (1) of the Constitution of India or that no limits have been fixed by the State Legislature under Article 293(1) in a format stipulated by NABARD. Such borrowing is also subject to the consent of the Government of India, whenever required, under Article 293(3) of the Constitution of India.

(x) The State Government shall, in all events, abide by the terms of this agreement and ensure that it shall honour its repayment obligations to NABARD under this agreement.

(xi) Subject to the provisions of clause (xii), the State Government shall furnish an irrevocable letter of authority (Mandate) in a prescribed format duly executed by it and registered with the RBI/Principal Banker and unconditionally authorise NABARD to request RBI/Principal Banker that in the event of default by the State Government in honoring its repayment

obligations to NABARD under this agreement, to debit forthwith such amount as may be requested by NABARD, (and further directs the RBI/ Principal Banker to act according to such request) in regard to repayments of principal and interest, from the account of the State Government maintained with RBI/ Principal Banker and credit the same to the account of NABARD. All such amounts in default and repayable under this agreement by the State Government to NABARD shall be intimated as such by NABARD to RBI/Principal Banker for debit from the account of the State Government.

(xii) Notwithstanding the provisions of the agreement dated -----entered into between the State Government and RBI under sub-section (1) of section 21 A of the Reserve Bank of India Act, 1934 (hereinafter referred to as “RBI Agreement”)/ Agreement with its Principal Banker [to be modified as per actual position], the State Government hereby irrevocably and unconditionally authorises NABARD to request RBI/Principal Banker to act promptly on the requests of NABARD as per clause 1(xi) above and debit the State Government account maintained with RBI/ Principal Banker by credit to the account of NABARD or to such account as NABARD may specify, and correspondingly requests the RBI / Principal Banker to act as per this request. The State Government agrees that if at any time, the balance in the State Government account is inadequate to meet the aforesaid debit, its account may be debited to the extent of availability of funds, and the remaining amount may be debited subsequently as and to the extent funds become available in its account.

Explanation:

The balance in the State Government account means the amount held in such account including the minimum balance required to be maintained in the account under the RBI / Principal Banker agreement, and the authorised limit of the normal ways and means advances, the operative limit of the special ways and means advances, or any other authorised advances that may be made by RBI / Principal Banker to the State Government but not including any unauthorised overdraft that may have emerged in such account.

(xiii) Notwithstanding the provisions of the RBI Agreement / Agreement with its Principal Banker [to be modified as per actual position], the State Government hereby undertakes not to exercise the option of terminating the RBI Agreement / Agreement with its Principal Banker

while this agreement remains in force, and the State Government accepts that the option of the State Government under the RBI Agreement / Agreement with Principal Banker stands modified to this extent.

(xiv) While this Agreement is in force, the State Government will fully indemnify NABARD against any loss or liability caused by any act or omission of the State Government that may prove harmful or prejudicial to the interest of NABARD. Further, the State Government will fully indemnify NABARD against any form or manner of revocation of this agreement during the entire duration of this agreement.

(xv) No failure to exercise and no delay in exercising, on the part of NABARD, any right, power or privilege under this agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other power or right. The rights and remedies herein provided to NABARD are cumulative and not exclusive of any rights or remedies provided by law.

(xvi) The liability of the State Government to NABARD under this agreement shall not be impaired or discharged by reason of any time or other indulgence, which may be granted by NABARD or by a forbearance whether as to repayment, time or performance.

(xvii) The State Government shall not by its act, omission or otherwise revoke, withdraw or in any manner render this agreement ineffective either wholly or partially so long as it is in force.

(xviii) All the amounts repayable under this agreement shall be paid by the State Government to NABARD and shall be deemed as “debt charges” for which the State Government is liable. The repayment of such “debt charges” shall be expenditure chargeable to the Consolidated Fund of the State of ----- in terms of Article 202(3) of the Constitution of India.

(xix) As a separate and alternative stipulation, the State Government irrevocably agrees that any sums expressed to be payable by it under this agreement, but which for any reason whatsoever whether existing now or in future are not recoverable from the State Government on the basis of this agreement, shall nevertheless be payable by and recoverable from the State Government, and the State Government shall indemnify NABARD and hold harmless accordingly.



## **2. RIGHTS AND OBLIGATIONS OF NABARD**

- (i) NABARD will be raising resources from the market for lending to State Governments under MIF. NABARD is authorised to raise resources from market in proportion of its Net Owned Funds (NOF) for its normal business as well as to meet requirements under specific funds like MIF. Thus, in order to ensure uninterrupted flow of funds under the programme, in the event of shortfall in Net Owned Funds, MoA&FW may appropriately take up with Ministry of Finance to facilitate contribution of additional share capital by GoI to NABARD in the ratio of 1 :10 [share capital : loans to be availed during a year]. In the event of NABARD's inability to raise resources from the market due to non-enhancement of its share capital by GoI, NABARD would not be liable to finance under this MoA.
- (ii) The rate of interest on loan on each occasion shall be decided at 3 % below the corresponding cost of funds mobilized by NABARD from the market. The cost of fund shall include the rate at which NABARD borrows from the market and NABARD's margin of 0.60%.
- (iii) The procedure to be followed for sanction of loans by NABARD and disbursement of loans in respect of projects/proposals sanctioned shall be in accordance with the arrangements approved by the GoI and Terms of Reference framed by NABARD in consultation with MoA&FW and States and further on satisfying itself that the related documentation from the State Government is complete in all respects.
- (iv) NABARD shall have a right to inspect/cause to inspect projects undertaken and funded under this MoA on a random basis, including site visits.
- (v) In the event of default by the State Government in honoring its repayment obligations to NABARD under this agreement, NABARD, may request RBI / Principal Banker to the State Government, to debit forthwith such amount as may be requested by NABARD in regard to repayments of principal and interest, from the account of the State Government maintained with RBI/ Principal Banker and credit the same to the account of NABARD or to such account as NABARD may specify. All such amounts in default repayable under this agreement by the State Government to NABARD shall be intimated as such by NABARD to RBI / Principal Banker for debit from the account of the State Government.
- (vi) Without prejudice to the other provisions of this agreement and also without prejudice to any other legal remedies available to NABARD for recovery of its dues, if any, installment of

repayment of the principal and/or payment of interest remains unpaid on the due date, NABARD can issue notice to State Government calling upon it to make payment of the same.

(vii) NABARD at its own discretion and without prejudice to its rights and other legal remedies as may be available to it upon default in payment of dues or breach of any other terms and conditions of this Agreement may stop further disbursement of the loans and advances under MIF or any other accommodation granted to the State Government.

(viii) NABARD may accept, purely at its discretion, advance repayment of loan or advance before due date subject to the condition that the State Government gives three days clear notice (excluding Saturdays, Sundays and Bank Holidays) to NABARD for such advance repayment, provided however that if the State Government fails to give aforesaid advance notice of three days, the repayment shall be deemed to have been made after three days (excluding Saturdays, Sundays and Bank Holidays) from the actual date of realization of payment and interest will be levied accordingly. The State Government, in such cases, shall be liable to pay a pre-payment charge equivalent to difference between cost of borrowing by NABARD and prevailing yield on 10 year G-Sec. for the period for which it is preponed / advanced, irrespective of three days notice given to NABARD.

(ix) NABARD shall be entitled to call upon the State Government to repay the entire loan in one lump sum together with interest in case NABARD is convinced that the State Government has committed breach of any of the material terms and conditions of the sanction.

(x) NABARD reserves the right to modify the terms and conditions of project specific loan sanction.

### **3. RIGHTS AND OBLIGATIONS OF GOVERNMENT OF INDIA (GOI)**

(i) NABARD will be raising resources from the market for lending to State Governments under MIF. To facilitate extending uninterrupted loans to State Government by NABARD, in the event of shortfall in the Net Owned Funds of NABARD as indicated in para 2(i) above, for raising required financial resources from the market, MoA&FW, GoI, may facilitate contribution of additional share capital to NABARD to the extent of 10% of the annual lending requirement under MIF.

(ii) GoI in consultation with NABARD would decide the policy for the eligible activities and projects to be funded under MIF. In the alternative, the Steering Committee can do so while

according sanctions of proposals submitted by State Government, as NABARD is also a member of Steering Committee.

(iii) The GoI agrees to compensate by way of subvention to NABARD to the extent of difference between the cost of raising of resources from the market including NABARD's margin of 0.60% and the lending rate under MIF. The GoI shall make adequate and sufficient budgetary allocation for payment of interest subvention amount to NABARD on annual basis.

(iv) In the event of default by the State Government in honoring its repayment obligation under this agreement, GoI shall not release any further amount to the State Government under central share, if any, in projects sanctioned under MIF or under any other scheme administered by MoA&FW, till the default to NABARD by the State Government is cleared. Further, NABARD shall have the Charge on the amount due to the State Government on account of grants, assistance, reimbursement and any other amount payable to the State Government by the MoA&FW. The default amount shall be deducted by MoA&FW before the State's share is released to the State Govt. and remitted to NABARD.

Further, MoA&FW shall facilitate execution of an irrevocable letter of authority (Mandate) by the State Government with RBI/Principal Banker and registration of the same with RBI/Principal Banker as per the provision of clause 1 (xi) of this MoA.

(v) The GoI shall suitably advise and facilitate State Government to undertake awareness building on enhancing water use efficiency and social auditing in the project areas.

4. The Parties to this MoA may amend/ modify/ add/ delete any provision of the Agreement with mutual consent in writing and in accordance with the CCEA approval.

## **5. DISPUTE RESOLUTION**

In the event of any dispute or difference relating to the interpretation and application of the provisions of commercial contract(s) between Central Public Sector Enterprises (CPSEs)/ Port Trusts inter se and also between CPSEs and Government Departments/Organizations (excluding disputes concerning Railways, Income Tax, Customs & Excise Departments), such dispute or difference shall be taken up by either party for resolution through AMRCD as mentioned in DPE OM No. 4(1)/2013-DPE(GM)/FTS-1835 dated 22-05-2018

In witness whereof, the parties have signed this Memorandum of Agreement on the day, month and year mentioned herein below.

Signature of Shri  
Principal Secretary/ Secretary, Department of Finance,  
Govt. of the State of \_\_\_\_\_  
Acting in the premises for and behalf of and under the  
Authority of Governor of the State of \_\_\_\_\_

Place: \_\_\_\_\_ Date: \_\_\_\_\_

In the presence of

- 1.
- 2.

Signed, sealed and delivery by the said NABARD  
by the hands of its duly authorized official  
Shri \_\_\_\_\_  
Chief General Manager  
National Bank for Agriculture and Rural Development  
.....Regional Office,  
(Address .....  
.....)

Place: \_\_\_\_\_ Date: \_\_\_\_\_

In the presence of

- 1.
- 2.

Signature of Shri  
Secretary, Ministry of Agriculture and Farmers Welfare  
Govt. of India, New Delhi 110 001  
Acting in the premises for and behalf of and under the  
Authority of President of India

Place: \_\_\_\_\_ Date: \_\_\_\_\_

In the presence of

- 1.
- 2.

# **Terms of Reference for loan from NABARD to State Governments from Micro Irrigation Fund (MIF) under Pradhan Mantri Krishi Sinchayee Yojana (PMKSY)**

## **1 Introduction**

**1.1** Government of India is committed to accord high priority to water conservation and its management. To this effect, Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) was launched on 1<sup>st</sup> July 2015 with the vision of extending the coverage of irrigation 'Har Khet Ko Pani' and improving water use efficiency 'Per Drop-More Crop ' (PDMC) in a focused manner with end to end solution on source creation, distribution, management, field application and extension activities. PMKSY not only focuses on creating sources for assured irrigation, but also on creating protective irrigation by harnessing rain water at micro level through 'Jal Sanchay' and 'Jal Sinchan'. Micro irrigation (MI) is being popularized to ensure PDMC.

**1.2** In the Union Budget for 2017-18, Hon'ble Finance Minister announced setting up of a dedicated Micro Irrigation Fund (MIF) in NABARD to achieve the goal, 'per drop more crop' (PDMC). The Fund will have an initial corpus of Rs. 5000 crores.

**1.3** The current coverage under Micro Irrigation is about 10 million ha. The Government of India Task Force on Micro Irrigation (2004) had estimated a potential of 27 million ha for drip irrigation and 42.5 million ha for sprinkler irrigation, with total potential of 69.5 m h. This estimate is based on the area under crops that are suitable for micro irrigation. Thus, there is a gap of around 60 million ha still to be covered under micro irrigation. The dedicated Micro Irrigation Fund (MIF) would supplement the efforts of Per Drop More Crop Component of Pradhan Mantri Krishi Sinchayee Yojana in an effective and timely manner. Under PDMC- PMKSY, it is expected that about 6 million ha will be brought under micro irrigation during the remaining period of 14<sup>th</sup> Finance Commission, with annual target of about 2 million ha per year. With the additional investment for micro irrigation through MIF, for financing of innovative, composite/ commodity/ community/ cluster based micro irrigation projects, the coverage may be extended upto about 10 million ha during the period. Besides, the Fund will facilitate States to mobilize resources for their initiatives, including additional (top up subsidy) in implementation of PMKSY-PDMC.

## **2. Objective**

The main objective of the fund shall be to facilitate the States in mobilizing the resources for expanding coverage of Micro Irrigation by taking up special and innovative projects and also for incentivizing micro irrigation beyond the provisions available under PMKSY-PDMC to encourage farmers to install micro irrigation systems.

## **3. Fund Corpus and Phasing**

The Fund will have an initial corpus of Rs. 5000 cr. The corpus of the Fund shall comprise of borrowings raised by NABARD from the market. The loans shall be extended by NABARD to the State Governments during the remaining period of 14<sup>th</sup> Finance Commission, i.e., during 2018-19 and 2019-20 with allocation of Rs. 2000 cr and Rs. 3000 cr, respectively.

#### **4. Implementation Structure**

**4.1 Advisory Committee:** An Advisory Committee chaired by Secretary, Department of Agriculture, Cooperation & Farmers' Welfare (DAC&FW), MoA&FW, GoI, will be set up to provide policy direction and ensure effective planning, coordination and monitoring.

**4.2 Steering Committee:** DAC & FW shall also set up a Steering Committee for examining and approving the Projects/ proposals from State Governments (total cost, eligible loan amount to the State and phasing), coordination and monitoring to ensure time bound implementation of the assisted projects/ proposals within approved cost and phasing. The proposals shall be recommended to NABARD for grant of loan, if found eligible.

#### **5. Features of MIF Loan**

**5.1 Eligible Entities:** State Governments through Finance Departments shall be eligible to borrow loans from NABARD under MIF for innovative integrated projects, including projects in PPP mode and also for incentivizing micro irrigation through an additional (top up) subsidy over and above the one available under PMKSY-PDMC Guidelines and for covering additional areas. The beneficiaries under MIF may also include Farmers Producers Organization (FPO)/ Cooperatives/ State Level Agencies who may access the financial assistance under MIF from the State Government with or without institutional credit support.

**5.2 Period of loan:** The principal loan amount shall be repayable by the State Governments in annual instalments in 7 years, including a moratorium of 2 years on principal repayment. The interest shall be payable at quarterly rests i.e., 1<sup>st</sup> April/ 1<sup>st</sup> July/ 1<sup>st</sup> October/ 1<sup>st</sup> January. During the moratorium period also, the interest would be serviced by the State Governments.

**5.3 Interest rate:** The rate of interest on loan on each occasion shall be decided at 3 % below the corresponding cost of fund mobilized by NABARD from the market. The cost of fund shall include the rate at which NABARD borrows from the market and NABARD's margin of 0.60%.

**5.4 Payment of interest subvention to NABARD:** To keep the borrowing under MIF attractive for the State Governments, NABARD shall lend at 3% below the corresponding cost of fund mobilized by NABARD from the market. The cost of fund shall include the rate at which NABARD borrows from the market and NABARD's margin of 0.60%. The interest subvention shall be paid by MoA & FW, GoI to NABARD at the rate of 3% of the outstanding loan amount, at the intervals of every three months.

In order to enable NABARD to service interest to the investors on due dates without fail, the MoA&FW shall ensure payment of interest subvention to NABARD, one week before the due date for servicing of payment of interest on loans by the State Governments, during entire tenor of the loan.

If interest subvention remains unpaid by MoA&FW, GoI on the respective due dates as indicated above, it shall be liable to appropriately compensate NABARD for consequential loss, if any, arising on account of such delayed payment of interest subvention.

## **6. Documentation**

**6.1** States will have to sign Memorandum of Agreement (MoA) with MoA&FW, GoI and NABARD. The MoA in respect of State Government will be signed by the Finance Department of the State Government, being the Nodal Department for availing loan under MIF.

**6.2** The State Government will get a Mandate registered with Reserve Bank of India/Principal Banker, in favour of NABARD, to the effect that, in the event of default by the State Government in honouring its repayment obligations to NABARD, Reserve Bank of India/Principal Banker shall debit forthwith such amount as may be requested by NABARD from the account of the State Govt. maintained with RBI/ Principal Banker and credit the same to the account of NABARD.

**6.3** The State Government shall execute a Time Promissory Note (TPN) in favour of NABARD, in a format prescribed by NABARD, for each loan disbursement separately.

**6.4** The State Government shall furnish an undertaking in favour of NABARD in a format prescribed by NABARD that it shall make adequate and specific provision in its annual budget for repayment of the principal, payment of interest or any other dues in respect of loans availed by it from NABARD under MIF.

## **7. Appraisal and Sanction**

The following procedure shall be followed for sanctioning of Projects under MIF:-

**7.1** Implementing departments of the State Govt. shall prepare detailed Project Report (DPR) and obtain necessary statutory clearances, if any.

**7.2** Nodal department, i.e., Finance Department, shall submit project proposals to MoA&FW, GoI for recommendation with a copy to NABARD Regional office of the respective State.

**7.3** The proposals shall be placed before the Steering Committee at DAC & FW, GoI for examining the projects/ proposals from State Governments (total cost, eligible loan amount to the State and phasing).

**7.4** Based on the recommendation of the Steering Committee at DAC & FW, GoI, Sanctioning Committee of NABARD shall sanction the project.

**7.5** Details of sanction along with terms and conditions shall be conveyed by NABARD to the State Government with a copy to MoA&FW, GoI for information.

## **8. Release of Loan**

**8.1** The release of funds with respect to the sanctioned projects, shall be made by NABARD on the basis of application in prescribed format submitted by the Finance Department (nodal department) of the State Government after satisfactory completion of all the documentation formalities. Along with each drawal application, State Govt. shall also

furnish Utilization Certificate in respect of the entire amount of previous loan installment, if any, released to it.

**8.2** The Borrowings of the State Governments under MIF shall be governed by Article 293 (3) of the Constitution of India under which GoI determines the States Governments' borrowing powers from the market and financial institutions during the financial year and Article 293 (1), under which borrowing limits are fixed by the State Legislature. Disbursements shall be made only after receipt of Borrowing Power approval from GoI under Article 293 (3) of Constitution of India by the State Government.

**8.3** NABARD shall disburse the loan amount based on submission of a statement of expenditure incurred by the State Govt. and due recommendation from MoA&FW, GoI. The loan to be so disbursed shall be restricted to the amount of the statement of expenditure and recommendation for release of loans by MoA&FW. Drawal application will be submitted based on actual expenditure incurred even ahead of phasing given in the sanction.

**8.4** The State Government shall submit its tentative requirement of funds to NABARD one month prior to the expected date of disbursement. NABARD shall endeavour to disburse the requisitioned amount within 15 days of getting drawal application, complete in all respects along with all necessary documents from the State Govt. and due recommendation from MoA&FW, GoI. In order to raise resources from the market through issuance of bonds with minimum lot size, the demands received from the States shall be clubbed by NABARD till the minimum amount of Rs. 500 cr is reached and the period of 15 days may be reckoned from the date on which such amount is reached.

**8.5** The State Government would make adequate budgetary provision annually for repayment of loans under MIF and interest thereon.

**8.6** Each disbursement would be treated as a separate loan and would have prescribed repayment schedule.

**8.7** In the event that State Government after giving one month's notice and the drawal request, does not avail the loan out of funds raised by NABARD, it shall be liable for financial loss suffered by NABARD in this process. This loss will be determined based on the difference between interest rate on such borrowings by NABARD and the prevailing reverse repo rate for the period such borrowing remains unutilized under this scheme.

## **9. Monitoring and Evaluation**

**9.1** Monitoring of individual projects shall primarily be the responsibility of the implementing agency/department of the State Govt.

**9.2** In addition to monitoring by the State Govt., like any other centrally sponsored schemes, there will be structured mechanism for effective implementation of MIF. The existing institutions, monitoring information system and Bhuvan portal for geo-tagging of infrastructure created under PMKSY – PDMC shall also be applicable for monitoring of MIF.



**9.3** MoA&FW, GoI shall have separate budget for concurrent evaluation/social audit, third party monitoring, awareness building, promoting adoption of micro irrigation projects amongst farmers, IEC and IT and professional services, administrative expenses etc. MoA&FW, GoI shall maintain periodical MIS at National level on progress of sanctioned projects.

**9.4** State Govt. shall put in place appropriate mechanism for facilitating social monitoring of assisted projects.

**9.5** NABARD may undertake monitoring of projects on sample basis.

**9.6** High Powered Committee (HPC) under the chairmanship of Chief Secretary, constituted in each State for monitoring RIDF projects may also review the progress of projects assisted under MIF. All important aspects, such as, periodical progress under various projects, bottlenecks in implementation, adequacy of funds, adequacy of borrowing limit of the State, etc., may be reviewed by HPC.

## **10. Social Monitoring**

Social monitoring is done by making available basic details of projects in public domain to generate awareness among the ultimate beneficiaries. As part of social monitoring, MoA & FW, GoI shall advise the State Governments to arrange to display suitable engraved plaques at critical sites across the project indicating physical and financial details of the projects financed, preferably in local language, clearly mentioning the details of funding under MIF through NABARD.

## **11. Project Completion Report (PCR)/Certificate**

Project Completion Certificate along with Project Completion Report shall be submitted by the implementing department through Finance Department of concerned State Government to MoA&FW, GoI and NABARD within three months from the date of completion of the project.

**12.** The parties to MoA under which these Terms of Reference are being issued may amend/ modify/ add/ delete any provision of Terms of Reference including General Terms and Conditions for sanction of loans under MIF as per the procedure prescribed in the MoA.

**13.** If any provision contained in the Terms of Reference or its Annexure is inconsistent with MoA in this regard, the provisions of MoA would prevail.

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## **GENERAL TERMS AND CONDITIONS FOR SANCTION OF LOAN UNDER MICRO IRRIGATION FUND (MIF)**

### **1. Nodal Ministry/ Department**

1.1 Ministry of Agriculture and Farmers' Welfare (MoA&FW), Government of India (GoI) shall be the Nodal Ministry to oversee all activities under the fund.

1.2 Finance Department of the respective State Governments will be the nodal department for availing loan under MIF.

### **2. Release of loan**

2.1 The release of funds with respect to the sanctioned projects, shall be made by NABARD on the basis of application in prescribed format submitted by the Finance Department (nodal department) of the State Government after satisfactory completion of all the formalities. Along with each drawal application State Govt. shall also furnish Utilization Certificate in respect of the entire amount of previous loan installment released.

2.2 Borrowings of State Governments under MIF shall be governed by Article 293 (3) of the Constitution of India under which GoI determines its borrowing powers from the market and financial institutions during a financial year and Article 293 (1), under which limits are fixed by the State Legislature for borrowing. Disbursements shall be made only after receipt of Borrowing Power approval from GoI under Article 293 (3) of Constitution of India by the State Government.

2.3 NABARD shall disburse the loan amount based on submission of a statement of expenditure incurred by the State Govt. and due recommendation from MoA&FW, GoI. The loan to be so disbursed shall be restricted to the amount of the statement of expenditure and recommendation for release of loans by MoA&FW. Drawal application will be submitted based on actual expenditure incurred even ahead of phasing given in the sanction.

2.4 The State Government shall submit its tentative requirement of funds to NABARD one month prior to the expected date of disbursement. NABARD shall disburse the requisitioned amount within 15 days of getting drawal application, complete in all respects along with all necessary documents from the State Govt. and due recommendation from MoA&FW, GoI. In order to raise resources from the market through issuance of bonds with minimum lot size, the demands received from the States shall be clubbed by NABARD till the minimum amount of Rs. 500 cr is reached and the period of 15 days may be reckoned from the date on which such amount is reached.

2.5 The State Government would make adequate budgetary provision annually for repayment of loan under MIF and interest thereon.

2.6 Each disbursement would be treated as a separate loan and would have prescribed repayment schedule.

2.7 In the event that State Government after giving one month's notice, does not avail funds raised by NABARD upon drawal request by the State Government, it shall be liable for financial loss suffered by NABARD in this process. This loss will be determined based on the difference between interest rate on such borrowings by NABARD and the prevailing reverse repo rate for the period such borrowing remains unutilized under this scheme.

### **3. Use of loan amount**

The State Government shall utilize the loan amount solely and exclusively for the purpose for which it is sanctioned by NABARD. The Finance Department of the State Government shall ensure that funds drawn from NABARD are passed on to the implementing agency. No part of the funds shall be delivered for any other purpose other than for completion of the projects sanctioned.

### **4. Documentation for the loan**

4.1 States will have to sign Memorandum of Agreement (MoA) with MoA&FW, GoI and NABARD. The MoA in respect of State Government will be signed by the Finance Department of the State Government, being the Nodal Department for availing loan under MIF.

4.2 The State Government will get a Mandate registered with Reserve Bank of India/Principal Banker, in favour of NABARD, to the effect that, in the event of default by the State Government in honouring its repayment obligations to NABARD, Reserve Bank of India/Principal Banker shall debit forthwith such amount as may be requested by NABARD from the account of the State Govt. maintained with RBI/ Principal Banker and credit the same to the account of NABARD.

4.3 The State Government shall execute a Time Promissory Note (TPN) in favour of NABARD for each loan disbursement separately. Necessary formats in this regard will be provided by NABARD.

4.4 The State Government shall furnish an undertaking in favour of NABARD in a format prescribed by NABARD that it shall make adequate and specific provision in its annual budget for repayment of the principal, payment of interest or any other dues in respect of loans availed by it from NABARD under this Agreement.

### **5. Rate of Interest**

5.1 The rate of interest on loan on each occasion shall be decided as 3 % below the corresponding cost of fund mobilized by NABARD from the market. The cost of fund shall include the rate at which NABARD borrows from the market and NABARD's margin of 0.60%.

5.2 The interest shall be paid by the States Govt. at intervals of three months. Interest shall be paid during moratorium period also. The interest shall be paid on 1<sup>st</sup> April/ 1<sup>st</sup> July/ 1<sup>st</sup> October/ 1<sup>st</sup> January.

5.3 If the State Government fails to pay interest on the respective due date (s), it shall be liable to pay interest on the overdue amount at the same rate as is applicable to the principal amount.

## **6. Repayment of loans**

6.1 Loans under MIF shall be repaid by the State Government in five equal annual instalments during the period of seven years from the date of drawal, including a moratorium of 2 years on repayment of principal.

6.2 The instalments falling due on any date during a month after moratorium, will be payable on the first day of the next month.

6.3 NABARD may accept, purely at its discretion, advance repayment of loan or advance before due date subject to the condition that the State Government gives three days clear notice (excluding Saturdays, Sundays and Bank Holidays) to NABARD for such advance repayment, provided, however, that if the State Government fails to give aforesaid advance notice of three days, the repayment shall be deemed to have been made after three days (excluding Saturdays, Sundays and Bank Holidays) from the actual date of realization of payment and interest will be levied accordingly. The State Government, in such cases, shall be liable to pay a pre-payment charge equivalent to difference between cost of borrowing by NABARD and prevailing yield on 10 year G-Sec., for the period for which it is preponed / advanced, irrespective of three days' notice given to NABARD.

6.4 If the State Govt. fails to pay the principal amount on the respective due date (s), it shall be liable to pay additional interest (over and above the lending rate) at the rate of 1% per annum from the date of default to the date of payment of the amount due.

## **7. Budgetary provision**

7.1 The State Govt. shall make adequate provision in the budget as may be required for smooth implementation of the sanctioned projects. An undertaking to this effect shall be given by State Government to NABARD.

7.2 The State Government shall make suitable budget provision for timely payment of interest and repayment of loan instalments.

## **8. Administrative approval**

State Govt. shall accord administrative approval in respect of the projects sanctioned by NABARD and in case of revision in the cost of the projects, the State Govt. shall also accord administrative approval for the same. The State Govt. will submit copy of administrative approvals to NABARD to ensure uninterrupted flow of funds.

## **9. Appropriation of Repayments:**

All the amount paid by the State Government shall be first appropriated towards additional interest on the overdue interest, overdue interest, additional interest on overdue loan and overdue loan amount, if any in that order.

## **10. Default recovery –Invoking of letter of authority**

10.1 In the event of default by the State Government in honoring its repayment obligations to NABARD under this agreement, NABARD may request RBI / Principal Banker to the State Government, to debit forthwith such amount as may be requested by NABARD in regard to repayments of principal and interest, from the account of the State Government maintained with RBI/ Principal Banker and credit the same to the account of NABARD or to such account as NABARD may specify. All such amounts in default repayable under this agreement by the State Government to NABARD shall be intimated as such by NABARD to RBI / Principal Banker for debit from the account of the State Government.

10.2 Without prejudice to the other provisions of this agreement and also without prejudice to any other legal remedies available to NABARD for recovery of its dues, if any, installment of repayment of the principal and/or payment of interest remains unpaid on the due date, NABARD can issue notice to State Government calling upon it to make payment of the same.

## **11. Stoppage of further disbursements**

11.1 Without prejudice to NABARD's rights and any other legal remedies as may be available to it, upon breach of any or all of the terms and conditions herein, NABARD at its own discretion, may stop further disbursement of the loans and advances under MIF or any other accommodation granted to the State Government.

11.2 Notwithstanding what is contained in sub clause 11.1, on the occurrence of default in repayment of any installment of the principal or payment of any installment of the interest as mentioned above, it shall be open to NABARD to stop further disbursement of loan and advances sanctioned under the above project until such amounts in default are paid in full by the State Govt. In such an event, NABARD shall not be liable for any loss, damage or expenses that may be caused in the completion of the aforesaid project otherwise.

## **12. Project design**

The State Govt. shall ensure that the project is completed as per the approved technical design, cost estimate and specific time schedule. In case of any deviation needed for such changes, the State Govt. shall inform NABARD in advance, justifying the need for change.

## **13. Maintenance of Accounts**

13.1 State Government shall maintain separate account for the transactions under MIF clearly showing the principal amount of loan, repayment of loan, loan outstanding, interest and additional interest, if any, separately.

13.2 State Government shall allow NABARD to to verify/inspect its books of accounts, vouchers, papers, documents, etc. and any other financial/non-financial document/s of the State Government related to borrowing from NABARD.

13.3 State Govt. shall submit such information/documents as and when required by NABARD.

13.4 State Govt. on a continuous basis, shall maintain the details of due dates/obligations towards repayment of principal and payment of interest to NABARD.

#### **14. Project Implementation / Progress of Works**

14.1 In respect of each project, the State Govt. shall submit to NABARD a PERT/BAR/CPM Chart as soon as the sanction is communicated by NABARD so as to facilitate proper monitoring and review.

14.2 The State Govt. shall maintain such records and furnish such information to NABARD on a half yearly basis to establish to the satisfaction of NABARD that the work of the projects is progressing satisfactorily and diligently so as to be completed within the time prescribed in the sanction letter.

14.3 NABARD shall have a right to inspect/cause to inspect projects undertaken and funded on a random basis including site visits.

14.4 In case, NABARD is of the view that the work is not progressing with such speed and diligence so as to be completed within the period prescribed in the sanction letter, PERT/CPM Chart furnished by the State Govt., it shall be open to NABARD to stipulate such further conditions and terms as it may deem fit for completion of the project in consultation with MoA & FW, GoI.

#### **15. Obligation to ensure smooth progress of work**

15.1 The State Govt. shall take all such steps as may be found necessary to remove any legal or other procedural hurdles in the smooth implementation of the projects.

15.2 The State Govt. shall ensure completion of all process including land acquisition, if any, in respect of obtaining necessary clearances from the authorities concerned at the earliest in order to enable timely completion of the sanctioned projects.

#### **16. Display of Board:**

The Implementing Department/Agency shall arrange to display the physical and financial details of the projects financed under MIF through suitable engraved plaques at critical sites across the project site, showing NABARD's name, in local language as per the format to be prescribed by NABARD.

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**Shubha Thakur**  
Joint Secretary



भारत सरकार  
कृषि एवं किसान कल्याण मंत्रालय  
कृषि, सहकारिता एवं किसान कल्याण विभाग  
Government of India  
Ministry of Agriculture & Farmers Welfare  
Department of Agriculture, Cooperation  
& Farmers Welfare

D. No. 17-8/2018-RFS-III (Pt.)

Dated: 28<sup>th</sup> August, 2019

Dear *Sir/Madan,*

You may be aware that a Micro Irrigation Fund (MIF) has been made operational with a corpus of Rs. 5000 crore for incentivizing Micro Irrigation through additional subsidy over and above, the available financial assistance under the on-going PMSKY-PDMC component.

2. This Department had circulated operational guidelines of MIF on 3<sup>rd</sup> August, 2018 and subsequently a Tripartite Memorandum of Agreement (MoA) on 28<sup>th</sup> December, 2018. The final and revised tripartite MoA along with Terms of Reference for availing loan from NABARD to State governments from MIF under PMSKY is now enclosed. For operationalization of MIF the States need to sign the tripartite MoA and submit proposals to this Department to avail funds.

3. I, therefore, request your kind intervention in the matter and issue necessary directions to the concerned for signing the MoA and submit proposals for innovative projects and to avail (top up) subsidy under micro-irrigation. An early action in the matter would be appreciated.

*With regards,*

Encl.: As above.

To

Chief Secretaries as per list.

Yours Sincerely,

*Shubha Thakur*

(SHUBHA THAKUR)

F. No.17-8/2018-RFS-III(pt)  
Government of India  
Ministry of Agriculture & Farmers Welfare  
Department of Agriculture, Cooperation & Farmers Welfare

Krishi Bhawan, New Delhi - 110 001

Dated: 7<sup>th</sup> October, 2019

To,

Chief Secretary,  
All State Governments


Subject: Operationalisation of Micro-Irrigation Fund (MIF) under NABARD-reg

Sir,

In continuation to the this departments letter of even number dt. 28.08.2019 regarding subject mentioned above (copy enclosed), the word 'Operational Guidelines' in the Para- 5 of line 3 of Memorandum of Agreement of MIF may be read as ' Terms of Reference'.

Yours sincerely,

Encl.: As above



(R.A.S.Patel)

Deputy Commissioner (RFS)

Copy to:

1. Agriculture Production Commissioner/ Principal Secretary (Agriculture/ Horticulture)/ Secretary (Agriculture/ Horticulture), All State Governments  
Commissioner (Agriculture/ Horticulture)/ Director (Agriculture/ Horticulture), All State Governments

Copy for information to: Chairman, NABARD, BKC Complex, Bandra (E), Mumbai