

Pradhan Mantri Krishi Sinchayee Yojana

Micro Irrigation Fund

Operational Guidelines

Department of Agriculture, Cooperation & Farmers' Welfare
Ministry of Agriculture & Farmers' Welfare
Government of India
2018

Operational Guidelines of Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) - Micro Irrigation Fund (MIF)

1. Introduction

- 1.1. Water being the most critical input for agriculture, its judicious use is important to ensure sustainable agricultural development and food security. There is a need for adopting optimum cropping pattern and efficient water application, that utilises available water resources in an efficient manner. The saving of water will not only help in improving soil health, enhancing productivity and providing environmental advantage, but also in supporting irrigation with extended coverage for a longer duration from the same source of water.
- 1.2. The water use efficiency of protective irrigation source through small water harvesting structures in rainfed areas can be enhanced by integrating them to micro-irrigation systems, and provide live saving irrigation to the standing crop. Micro irrigation techniques not only help in water saving, but also in reducing fertilizer usage, labour expenses, and other inputs and input costs, besides sustaining soil health. Micro-irrigation systems deliver water savings of upto 40 per cent over conventional flood irrigation methods, along with appreciable crop productivity and income enhancement.
- 1.3. Department of Agriculture, Cooperation & Farmers Welfare (DAC&FW) has been playing a leading role since VIII Plan for the promotion of improved irrigation methods like drip and sprinkler irrigation. DAC&FW launched centrally sponsored scheme on Micro Irrigation in 2005-06 which was subsequently converted as National Mission on Micro Irrigation in 2010-11. During 2014-15, the scheme was subsumed as On Farm Water Management component of National Mission for Sustainable Agriculture (NMSA) and further subsumed under Per Drop More Crop Component of PMKSY.

- 1.4. The Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) was launched on 1st July, 2015 with the objective to achieve convergence of investments in irrigation sector at field level. The scheme aims at providing end-to-end solutions in irrigation supply chain, viz., water resources, distribution network, farm level applications and improving water use efficiency. PMKSY not only focuses on creating sources for assured irrigation, but also creating protective irrigation by harnessing rain water at micro level through 'Jal Sanchay' and 'Jal Sinchan'. Micro irrigation (MI) is an integral component of PMKSY to maximise water use efficiency at field level and ensuring 'Per Drop-More Crop' (PMKSY-PDMC).
- 1.5. With a view to provide impetus to the micro irrigation, in the Union Budget 2017-18, Hon'ble Finance Minister announced setting up of a dedicated Micro Irrigation Fund (MIF) to be instituted with NABARD with an initial corpus of Rs. 5000 crore for facilitating the States to mobilize additional resources for expanding coverage of Micro Irrigation.

2. Rationale

- 2.1. The Task Force on Micro Irrigation had estimated a potential of 69.5 m ha under micro irrigation, whereas the area covered so far (2017-18) is only about 10 m. ha (14%). Considering the importance of efficient water management, the Group of Secretaries, 2017, emphasized on target of 10 million ha under micro irrigation over the period of 5 years (2017-18 to 2021-22), which would require an additional annual coverage of about 1 million ha compared to the present pace of implementation. This can be accomplished by effective utilization of the resources of both PMKSY-PDMC and MIF. It is expected that MIF would not only facilitate States in incentivising and mobilizing resources for achieving the target envisaged under PMKSY-PDMC but also in bringing additional coverage through special and innovative initiatives by State Governments.
- 2.2. It is observed that while Western and Southern States use substantial portion of the allocated amount under PMKSY-PDMC Scheme, remaining

states particularly in the Indo-Gangetic Plain, Eastern and North-Eastern regions are not availing of adequate benefit from the programme.

- 2.3. Farmers in states with high MI coverage are mainly encouraged by offering an additional (Top up) subsidy by these States, in addition to the subsidy available under the Scheme. With the operationalization of MIF, it is expected that the States which are lagging behind, would also be encouraged to promote micro irrigation on a larger scale in the line of better performing states.
- 2.4. There is also a need to cover more area with micro irrigation in irrigation commands to improve water use efficiency for bringing additional area under assured irrigation and enable water availability to tail end farmers.

3. Objective

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

4. Strategy for implementation of Micro Irrigation Fund (MIF)

- 4.1. MIF would not only facilitate States in incentivising and mobilizing resources for achieving the target envisaged under PMKSY-PDMC but also in bringing additional coverage through special and innovative initiatives by State Governments.
- 4.2. The loans will be extended by NABARD to the State Governments during the remaining period of 14th Finance Commission i.e. during 2018-19 and 2019-20 with an allocation of Rs. 2000 crore and Rs. 3000 crore respectively.
- 4.3. The fund is to be accessed by the State Government and not by individual farmers.
- 4.4. States may access MIF for incentivizing micro irrigation through an additional (top up) subsidy over and above the one available under

PMKSY-PDMC Guidelines for achieving the target. The proposal for this purpose should clearly indicate the details of the approved Annual Action Plan of PMKSY -PDMC and extent of fund required under MIF for top up subsidy.

- 4.5. The MIF should not be a substitute for State's share in PMKSY-PDMC.
- 4.6. States may access MIF exclusively for innovative integrated projects (like high water duty crops like sugarcane/solar linked systems/ Micro irrigation in commands etc.) including projects in the Public Private Partnership (PPP) mode depending on State specific requirements. The project proposal should clearly indicate the component/activity wise source of funding viz. MIF/State Government/PMKSY- PDMC/Farmers' share and convergence if any from other programmes/schemes of GoI/State Government.
- 4.7. Coverage of more area with micro irrigation in irrigation command to improve water use efficiency and bring additional area under assured irrigation is also need of the hour. MIF may be accessed for taking up such projects in commands wherever necessary.
- 4.8. Farmers Producers Organizations (FPOs)/Cooperatives/Water User Associations (WUAs)/State Level Agencies can also access the funds with State Government Guarantee or equivalent collateral in the alternate. These organizations may access this fund for innovative cluster based Community Irrigation projects for Micro irrigation coverage. The cluster size would be preferably 20 ha or more in North Eastern & Himalayan States and 50 ha or more in other States. The general procedure for accessing MIF is prescribed in Para 5.1 of the Operational Guidelines.
- 4.9. For better implementation of the programme, States should ensure assured energy support for installation of MI.
- 4.10. Borrowings from NABARD shall be paid back in 7 years including the grace period of 2 years starting from 2018-19 to 2026-27. 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.

- 4.11. To keep the borrowing under MIF attractive for the State Governments, NABARD shall lend at 3% lower interest rate than 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. The interest subvention amount shall be paid to NABARD on annual/periodical basis by Government of India. This cost shall be met from the ongoing scheme of PMKSY-PDMC with provisioning of appropriate budget head. However, the Interest subvention will be restricted to Rs. 150 crore of budgetary outlay per year.
- 4.12. The loan amount shall be given to States in a perspective manner for the purpose which it has been sanctioned.
- 4.13. Technical requirements / standards, cost norms etc. for various activities/interventions involved in projects/proposals will be as per the existing Operational Guidelines of PMKSY - Per Drop More Crop (Micro Irrigation) (at Para 7 to 17). For additional activities/interventions involved in formulation and implementation of projects /proposals, not covered therein, concerned subject matter scheme Guidelines of Government of India will be followed for technical requirements / standards, cost norms etc.
- 4.14. The company must provide free after sales service to the farmers for three years from the date of installation of system.
- 4.15. While preparing the Proposals/Projects, due priority should be given to small and marginal farmers in selection of beneficiaries. And wherever possible, Operational Guidelines of PDMC (para 13.4 on page 15 should be adopted".

5. Implementation mechanism

- 5.1. An Advisory Committee chaired by Secretary, DAC&FW will provide policy direction and ensure effective planning, coordination and monitoring; and Steering Committee chaired by CEO, NRAA will

examine and approve the Projects/proposals from State Governments (total cost, eligible loan amount to the State and phasing) which are recommended by State Level Sanctioning Committee (SLSC) of PMKSY, including those bodies seeking direct funding without State Government guarantee. The Steering committee will also coordinate and monitor to ensure time bound implementation of the assisted projects/proposals within approved cost and phasing. The proposals shall be sanctioned by the screening committee & then recommended to NABARD for grant of loan, if found eligible.

5.2. The composition of the Advisory Committee and **Steering Committee** are as under:

5.2.1 Advisory Committee

(i)	Secretary, Department of Agriculture, Cooperation & Farmers Welfare (DAC&FW)	Chairman
(ii)	Secretary, Ministry of Water Resources, River Development & Ganga Rejuvenation	Member
(iii)	Secretary, Department of Land Resources	Member
(iv)	Secretary, Ministry of New & Renewable Energy	Member
(v)	Secretary, Ministry of Rural Development	Member
(vi)	Chief Executive Officer (CEO), National Rainfed Area Authority (NRAA)	Member
(vii)	Chairman, NABARD or his rep. not below the rank of DMD	Member
(viii)	Joint Secretary, NRM/RFS, DAC&FW	Member Secretary

5.2.2. Steering Committee:

(i)	Chief Executive Officer, National Rainfed Area Authority (NRAA) / Additional Secretary, DAC&FW	Chairman
(ii)	Chief General Manager, NABARD	Co-Chairman
(iii)	Joint Secretary, Crops, DAC&FW	Member
(iv)	Representative from Department of Land Resources	Member
(v)	Commissioner, Command Area Development (CAD), (MoWR, RD &GR)	Member
(vi)	Joint Secretary, Ministry of New & Renewable Energy	Member

(vii) Advisor Agriculture, NITI Aayog	Member
(viii) Representative of IFD, DAC&FW	Member
(ix) Representative of the State seeking assistance from the Corpus	Member
(x) Joint Secretary, NRM/RFS, DAC&FW	Member Secretary

5.3 Role and Function of the Committees:

5.3.1 The Advisory Committee will provide policy direction and ensure effective planning, coordination and monitoring of the Micro Irrigation Fund. The Committee will also to establish an effective inter and intra Departmental/Ministerial co-ordination for accomplishing key deliverables of Micro Irrigation Fund and to review the activities of the Mission and suggest corrective measures.

5.3.2 The Steering Committee will examine and approve the Projects/Proposals from State Governments (total cost, eligible loan amount to the State and Phasing). The Committee will also coordinate and monitor to ensure time bound implementation of the assisted projects/proposals within approved cost and phasing. The proposals of the States shall be recommended to NABARD by the Steering Committee, for grant of loan, if found eligible.

6. Monitoring Mechanism

6.1 The scheme will be implemented under the frame work of PMKSY and all monitoring and evaluation provisions prescribed for PMKSY shall also be applicable to MIF.

6.2 The existing institutions, monitoring information system, Direct Benefit Transfer (DBT) and Bhuvan portal for geo tagging of infrastructure created under PMKSY-PDMC will also be applicable for monitoring of MIF. The progress and information on the activities undertaken through the MIF shall be reported in the PMKSY Portal and all the activities undertaken will be geo-tagged with unique code on PMKSY Bhuvan Platform.

7. **Memorandum of Agreement:**

- 7.1. A Memorandum of Agreement will be signed between the State Government, DAC&FW and NABARD to ensure effective implementation and periodic repayment of loan and interest to NABARD. The operational guidelines for sanction and release of loan out of MIF and any modifications thereto shall be read as part and parcel of this Memorandum of Agreement.
- 7.2 A format of Memorandum of Agreement (MoA) is given at ANNEXURE-I.

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

_____ – _____ 2018

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 _____ or his nominee 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 Krishi Bhawan, New Delhi, or his nominee 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 1st 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 hectares. 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 hectares 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, 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 Government of India, NABARD shall host and administer MIF and extend credit support from out of MIF to State Government in accordance with the operational guidelines on MIF (including the modifications thereto) finalized as and when issued by GoI, NABARD and State Governments through mutual consultations and in accordance with CCEA approval .

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 all 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 alongwith 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 at 3 % lower than the cost raising the funds by NABARD from the market. However, the interest subvention will be restricted to Rs. 150 crore of budgetary outlay per year. The cost of fund shall include the rate at which NABARD borrows from the market and NABARD's margin of 0.60%.

(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, MoAFW 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 release 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 operational guidelines framed by NABARD in consultation with MoAFW 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, MoAFW, 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, at 3%. The GoI shall make adequate and sufficient budgetary allocation for payment of interest subvention amount to NABARD on annual basis.

(iv) 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.

(v) An Advisory Committee has been set up to provide policy direction and ensure effective planning, coordination and monitoring of the Micro Irrigation Fund, vide DoC&FW's OM No19-2/2017-RFS-III dated 6th June, 2018.

(vi) In order to provide technical and administrative support to the above Committee, a Steering Committee has been set up for over-all coordination and monitoring of the implementation of the Projects/Proposals, vide DoC&FW's OM No19-2/2017-RFS-III dated 6th June, 2018.

(vii) 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 as per the CCEA proposal which has been approved.

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.