

महाराष्ट्र MAHARASHTRA

2022

BN 282703

अनु.क्र. 28517 दि. मु.शु.क्र. 08 JUL 2022

दस्तावाचा प्रकार MoU

दस्त नोंदणी कारणार आहेत का ? होय/नाही

मिळकतीचे वर्णन

मुद्रांक विकत घेणाऱ्याचे नांव डॉ. कल्पिता कर्वे

पत्ता ए.टी. कर्वे रोड

दुसऱ्या पक्षकाराचे नांव

हस्ते द्याकर्त्याचे नांव व पत्ता

मनोज एल. प्रक्षारडे

परवाना क्र. 2201072

बी.टी. कर्वे रोड, पुणे-३६

मुद्रांक विकत घेणाऱ्याची सही

ज्या कारणासाठी ज्यांनी मुद्रांक खरेदी केला.

त्यांनी त्याच कारणासाठी ६ महिन्यांच्या आत वापरण्याचा आहे



117 JUN 2022

पथम मुद्रांक लिपीक नोषागार पुणे करिता



MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (MoU) made at Pune, Maharashtra, India on \_\_\_\_\_ day of \_\_\_\_\_, 2022: 15 JUL 2022

BETWEEN

Bank of Maharashtra, a body corporate constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970, having its Registered Office at 1501, Lokmangal, Shivajinagr, Pune- 411 005 and its Circle office at Shivaji Nagar Pune and represented by Mr. Atul Joshi, hereinafter referred to as Bank, (unless it be repugnant to the subject or context thereof, include its successors and assigns) of the FIRST PART.

Signature of Project Director

Project Director

State of Maharashtra's Agribusiness and Rural Transformation. (SMART) Project.

Signature of Notary



008



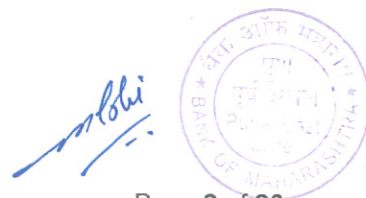
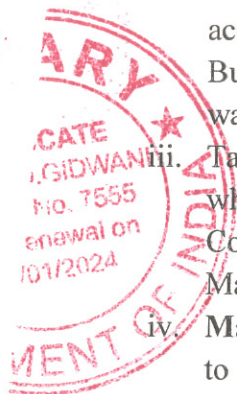
AND

Hon. Balasaheb Thackeray Agribusiness and Rural Transformation Project (SMART), a World Bank assisted Project implemented by the State of Maharashtra's Agribusiness and Rural Transformation (SMART) Society of Government of Maharashtra having its Project Coordination and Management Unit at Sheti Mahamandal Bhavan, 270, Bhamburda, Senapati Bapat Marg, Pune - 411016 (Maharashtra) (INDIA) (hereinafter called as SMART), which expression shall unless excluded by or repugnant to the context, be deemed, to include its successors, administrators, executors and assigns of the SECOND PART.

Both BANK and SMART are individually referred to as 'Party' and collectively as 'Parties'.

**1) Brief information about SMART:**

- i. Government of Maharashtra is implementing the 'Hon. Balasaheb Thackeray Agribusiness and Rural Transformation (SMART)' Project. This World Bank funded project proposes to support the development of inclusive and competitive agriculture value chains, focusing on small holder farmers and agri-entrepreneurs in Maharashtra. This would be achieved by expanding access to new and organized markets for producers and enterprises with complementary investments in technical services and risk management capabilities.
  - ii. Supporting Enterprise Growth and Expanding Market Access is an important component of the project. It provides for enterprise development and technical support services to promote productive partnerships between buyers and sellers as well as implementation of market access plans for enabling production clusters to access better markets. Promotion of exports from potential clusters and improving access to finance for community organizations is also envisaged in this intervention. Building Risk Mitigation Mechanism through market intelligence and strengthening warehouse receipt systems is another important intervention under the project.
  - iii. Target beneficiaries of the project are **Community Based Organizations (CBOs)**, which includes Farmer Producer Organizations (FPOs), Primary Agriculture Cooperative Societies (PACS), Cluster Level Federations (CLFs), Community Managed Resource Centers (CMRCs) and ATMA registered Farmer Groups.
  - iv. **Main interventions of the Project are for market access support.** The objective is to increase the integration of smallholder producers in value chains, by developing and implementing productive partnerships between CBO and the private sector aiming at improving market linkages. The project will finance competitive matching grants and needed support to business plans prepared by the CBO for implementing sustainable and competitive business investments.
- a) **Productive Partnerships (PP) Subproject.** The project will support developing and partially financing Productive Partnerships (PP), between CBOs and buyers. The aim is to develop a long-term, voluntary and commercial relationship that will help the participating partners to improve their competitiveness in terms of price, cost, productivity, quality, and sales volume.



- b) **Market Access Plans (MAP) Subproject.** The project will support development and partially financing Market Access Plans between CBOs (and their federations) and markets.
- c) **Warehouse based sub projects.** The project will support up gradation of existing warehouses owned by CBOs or construction of new warehouses to facilitate availability of storage, warehousing finance and direct marketing of farm produce.
- v. The total cost of the SMART Project is Rs.2100 crore, out of which major component, of approximately Rs.1400 crores, relates to subsidy to beneficiary CBOs through the activities mentioned above. Besides the project cost, beneficiary contribution in the Sub-projects mentioned above will be around Rs.1000 crores entailing amount involving bank transactions to the tune of Rs.3100 crores.

**NOW THIS DEED WITNESSETH AS FOLLOWS:**

**2) General banking arrangements of SMART Project:**

The project has adopted parent child banking mechanism alongwith PFMS. The general banking arrangements have been mentioned in detail as given below:

- i. SMART has a Project Coordination and Management Unit at Pune which will be the parent account and the project activities are being implemented through 11 Project Implementation Units (PIUs) located in the offices of line departments / agencies, 8 Regional Implementation Units (RIUs), 34 District Implementation Units (DIUs), and VANAMATI which can be collectively referred to as "Child Accounts".  
**Annexure-2** shows the Accounting Centers in the SMART Project along with their constitutions.
- ii. In this system, PCMU will open a 'Parent Account' in Bank of Maharashtra. This bank account will be attached with PFMS system. At each accounting center level, Bank of Maharashtra will open a zero-balance account (attached with PFMS). The bank account will be opened in the branches which are convenient to accounting center. The staff of these branches will be trained in PFMS and parent child system by Bank of Maharashtra.
- iii. A 'Parent-Child banking system' has been adopted, wherein parent account will allocate certain limits of withdrawal to Zero Balance child bank accounts. This limit will be intimated to parent Bank of Maharashtra branch and also entered in the bank Limit module of MIS system.
- iv. The MIS will be linked to PFMS system and single entry point of transactions for project accounting centres will be MIS. PPA will be generated from the Bank of Maharashtra developed MIS itself. The PFMS will be auto populated or by syncing MIS data as and when allowed and required by PFMS.
- v. The Bank will help the Project in linking of PFMS with the bank MIS system. The Bank of Maharashtra or Accounting Centres will coordinate with each other for collection and submission of PPAs for further process.
- vi. The bank will ensure that only PPA/cheque amounts are swiped and no other amount can be swiped from the parent account without prior permission from Project's PCMU office.



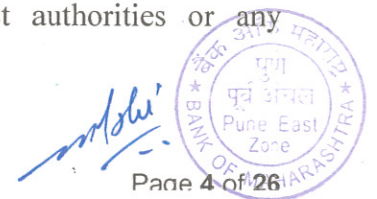
- vii. Payment to beneficiary group/contractor/any third party will be made by each accounting centre only through MIS synced to PFMS system. Bank will ensure that only PPAs are accepted as the payment instrument except tax payments, electricity etc are allowed by Cheque or Net Banking as per the instructions of PCMU.
- viii. In case of taxes payment, in MIS there will be special provision that only these transactions will be through the internet banking system or through cheque. Bank will provide Net Banking facility for same. As a stop gap arrangement till MIS is in place, remittance of taxes payments will be made through cheque. Any changes in PFMS system may be adopted accordingly in the MIS.
- ix. All Bank Accounts under the Project will be under joint signatures i.e. to be signed jointly by more than one officer not below the rank of class II officer or officer authorized by PIU head.
- x. The PCMU will have viewing right of transactions of all the bank accounts of all accounting centers under the Project. Continuous monitoring of this bank account is required at the level of PCMU.
- xi. Initially, as per the requirement, training should be provided by Bank of Maharashtra for their field staff and project staff w.r.t. bank MIS, PFMS and parent child system.
- xii. The MIS developed by bank will provide various reports in prescribed formats after discussion with the project staff.

**3) Steps that will be taken by SMART Project to execute the expected banking arrangements within SMART Project**

- i. The Project Co-ordination & Management Unit (PCMU) of SMART will open its main/parent account with Bank of Maharashtra Nodal Branch B T Kawade Road of Pune East Zone, Pune. The funds will be available in this SMART parent account only. The Project Director of SMART will be custodian of this account and this account will be operated by any two signatories designated by the Project Director.
- ii. The Project will set the timely fund limits as per the requirements of the Project for withdrawal from the Child accounts. This will be communicated in writing to the Nodal Branch and also through Bank of Maharashtra developed MIS system.
- iii. The Accounting Centers will be permitted to execute the payments through PFMS, from the child accounts upto the limits set with due date, for them by the Project. The Accounting Centers will initiate PPA (Print Payment Advice) through MIS provided by Bank of Maharashtra.
- iv. No bank charges of any kind will be levied by Bank of Maharashtra with respect to all bank accounts of SMART project. Charges for Demand Draft, NEFT/RTGS, SMS alert, cheque book etc. will be waived by the Bank.
- v. In case such charges have been levied, they will be reversed by the Bank suo moto/ after the Project brings this to the notice of the Bank.

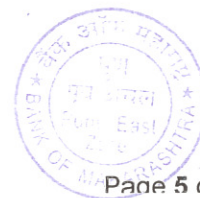
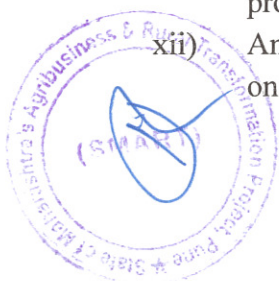
**4) Bank of Maharashtra developed MIS along with dashboard for accounting centers.**

- i) Bank will develop and maintain the MIS as per the Project needs. From time to time, if any, changes are suggested by project authorities or any



addition/deletion required, due to changes in Project activities or structure, then the MIS will be amended accordingly by the bank. No charges for the same will be levied by the bank.

- ii) The bank developed project MIS should be in sync with PFMS system. The branch managers should be trained to use the same. It would be advisable if auto sync of the project and bank software is there.
- iii) Whenever bank receives the payments through PFMS, the payments will have to be executed in T (Date of transaction) + 0 (Zero) working days, in case due to any technical reason it can be extended to T+2 working days.
- iv) While approving the payments of child accounts, Bank of Maharashtra should ensure that the limits set by the project are not exceeded with the help of developed MIS.
- v) Bank will designate a Nodal branch. The parent Account will be opened in this branch. The nodal branch will be a one point contact for any query related to transactions across the State of Maharashtra. This branch will address banking related issues pertaining to SMART projects Child Accounts opened at any Bank of Maharashtra branch throughout the State of Maharashtra. In order to facilitate this, the contact number of the person designated by the nodal branch shall be shared throughout the State of Maharashtra. Any change in the bank authorities will be communicated immediately to the project.
- vi) Cheque books will be issued for each Child Accounts for payments which cannot be done through PFMS like remittance of taxes, payments w.r.t electricity, telephone bill and property tax.
- vii) Nodal Branch will verify limits assigned in MIS as per letter submitted by PCMU periodically to all the child accounts. The periodical limits assigned by PCMU to child accounts will be reported and maintained through MIS system.
- viii) The transactions done by child account after the assigned period will be rejected by the Bank, if fresh limit and period is not allotted to child accounts. Bank will not be held responsible for such rejection / dishonored transactions occurred due to not assigning limits and period to child account.
- ix) PCMU hereby undertakes to maintain sufficient balance in the parent account at all times which should not be less than the total limits set for all the child accounts put together. Bank reserves the right to reject such transactions where limit is exhausted in such child accounts.
- x) MIS should generate a periodical reconciliation between PPA generated through PFMS and actually cleared in bank by syncing MIS data to PFMS system.
- xi) In Bank developed MIS a system equivalent to DBT portal discussed with project authorities will be developed and separate dashboards will be provided to accounting centers.
- xii) Any technical or other problems faced in MIS will be resolved by the bank on real time basis.



**5) Migration process from existing bank to Bank of Maharashtra:**

- i) Bank will open bank accounts of all accounting centres i.e. parent and child accounts. It will send bank personnel to all accounting centre to complete the application form and KYC procedure. Either Bank officials or SMART officials from accounting centre have to complete the application form and KYC procedure with mutual coordination.
- ii) The cheque book, account viewing rights to the respective accounting centre or any other document as required for account operations should be provided by the Bank of Maharashtra immediately after activation of the account.
- iii) The Child accounts will be zero balance accounts. As per Banking Rules and Regulations, each child account will provide an authority or a no-objection for PCMU to view their account information, controlling the financial transaction, stop payment rights, etc., as per format provided by the Bank.
- iv) Dedicated bank staff is required at PCMU level and district level (at bank branch) for smooth transition of bank accounts from existing bank to Bank of Maharashtra. The names and contact numbers of the liasoning Bank of Maharashtra staff at PCMU level and district level will be shared immediately after signing of MoU. If any change in bank authorities then the same will be intimated to project immediately.
- v) Bank of Maharashtra will help the project to link bank accounts in PFMS. MIS generated PPAs are not populated in PFMS directly. Bank will synchronise only the MIS data to PFMS as and when PFMS integration is available. The correspondence will be done by the Project office with PFMS office and Bank of Maharashtra will follow up for the same with PFMS office. No specified Time is defined by Bank for synchronisation of MIS data to PFMS.
- vi) Immediate training will be conducted by the bank for bank and project staff.
- vii) The time line of transition activities and other are given in Annexure 4.

**6) Providing MIS and dashboard for the Project**

- i. Project specific MIS along with a dedicated dash board to each and every accounting centre will be provided by the Bank. This MIS will cater to the following
  - a. Banking and monitoring needs of the project.
  - b. Monitoring of the project grants given to the CBOs.
- ii. Bank of Maharashtra will be developing and maintaining free web portal along with mobile based app or web based solution for CBO as per the requirement of project.

Bank of Maharashtra agrees to provide a portal as per the project needs to track the following-

  - a) Demand raised by CBO for release of project grants- expected documents which are pre requisite for release of grants could be uploaded on the portal. In MIS developed by bank, there should be checks and



*[Handwritten signature]*



- e) Equated Monthly Installment (EMI) will be calculated considering the bank's exposure/loan amount.
- f) Security- primary hypothecation / mortgage of assets created out of bank finance. Collateral- Non Agriculture, Town Planning or competent authority approved property taken as collateral if available with CBO which will be defined case to case basis.
- g) Bank has standardized credit rating tool namely 'BOM ICON' which CRISIL based rating tool and accepts minimum credit rating as "BBB".
- h) Bank has centralized loan processing cells at each District/Zones throughout the state for the hassle-free loan and quick loan processing. However, many branch managers have their own delegation of power to sanction loans within their limits.
- ii. However, SMART shall not have any liability towards loan given by the Bank of Maharashtra. In the event of any dispute in relation to the loan given to the CBO and/or recovery thereof, between the Bank of Maharashtra and Borrower (CBOs), SMART will not be legal party for that matter. SMART is related to approval and release of subsidy only to the selected CBOs by SMART. Bank of Maharashtra has not any liability towards the approval and rejection of subsidy from SMART. Bank is also not responsible for the utilized portion of subsidy fund by CBO. In case of cancelation or rejection of grant subsidy, hypothecation on developed assets by Loanee CBO is continues till the full repayment of loan
- iii. The branch managers of the respective branch will be signing the Grant Agreements (Both Loan and No Loan case). The Head Office will inform the branch staff accordingly or on produce of MoU to the branch, managers will sign the grant agreement.
- iv. Bank alongwith beneficiary CBO and project strives for convergence with the various schemes such as interest subvention scheme of Agriculture Infrastructure Fund (AIF), Credit Guarantee scheme of Nab Sarakshan, Financial Intermediary Loan (FIL) scheme of MAGNET project, SFAC credit guarantee fund scheme and similar schemes where convergence is possible. This will benefit the bank as the loan will get more secured and also the CBOs.

**B) Role of Bank of Maharashtra to facilitate monitoring of Project funds at CBO level**

As mentioned in Annexure 1, point no. 4, the project has adopted Special Current Account (i.e. account specific for SMART Project and funds(margin plus project grants) lying in this account should be utilized for sub-project purpose only)in case CBO is taking bank loan. CBO will give preference to avail credit facility from nearest branch of Bank of Maharashtra. Also CBOs have the liberty to take loan from bank of their choice. Considering this, there can be the following scenarios. The role of Bank of Maharashtra in case of each scenario is given below-

**i) Loan of CBO from Bank of Maharashtra-**

- a) Bank of Maharashtra will facilitate beneficiary CBO in imparting financial literacy with respect to Special Current Account.



*[Handwritten signature]*



- b) Bank of Maharashtra will facilitate beneficiary CBO in opening dedicated (Schematic i.e. for SMART project scheme) current account for SMART in the bank branch of CBO's convenience.
- c) Bank will see to converge the benefits of different schemes with the loan given to CBO. (as referred in para 8A (iv))
- d) Bank of Maharashtra officials/ Co-ordinator from SMART at branch/ district level will update the bank developed MIS with respect to CBO bank transactions.
- e) Bank will monitor proper usage of project funds as mentioned in grant agreement through their loan monitoring mechanism. Bank will also ensure payment from current account of CBO and Loan account on pro-rata basis for sub-project purposes only as mentioned in annexure-1.
- f) At the completion of sub-project the subsidy will be reconciled proportionately and if subsidy released is more than the expected proportion or as per the original order of sub-project then the balance subsidy will be refunded to project. There will be joint assessment of bank & project authorities and on the basis of the assessment report, the final settlement subsidy amount will be decided. Bank will return the balance subsidy within 15 days' time.
- g) Bank of Maharashtra will provide in-principle sanction to CBOs at the State level. On the basis of this, first tranche of subsidy of CBOs will be released by project to the bank in the special current account named as "**Grants Received from SMART Project**" specifically maintained and managed centrally by bank.

Once the loan is finally sanctioned by bank, the Project will inform bank to release grants to the special current account of respective CBOs.

In cases where bank does not sanction the loan or sanctions loan of lesser amount to CBO, accordingly, the first tranche of subsidy given by Project will be recalculated and the remittances will be made from bank to project.

#### ii) Loan of CBO from other Banks:

- a) Bank of Maharashtra developed MIS will also be available for the CBOs who has taken loan from other banks.
- b) Project authorities will help CBOs to update the Bank of Maharashtra developed MIS.

#### iii) No loan by CBO-

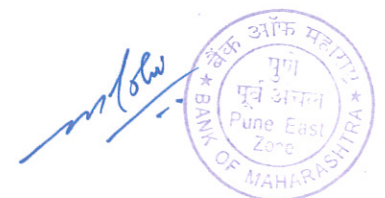
- 1) The District Bank Branch (convenient to respective CBO) will open a Special Current Account exclusively for the SMART project in the name of the concerned CBO. This Special Account has been devised to ensure that the project grants given to the CBO are utilized for the approved sub-project proposal only. This account will be governed by the following conditions:-

- i) The district bank branch should ensure that, this special Account is linked with the Nodal Bank developed MIS for SMART.
- ii) The district bank branch should ensure that, no cash withdrawal above Rs.5000/- is permitted from this Special Account.



- iii) The district bank branch should ensure that, payments to sister concerns of CBO are not be permissible through this Account.
- iv) The district bank branch will enable each vendor payment, only after the project authorities have given approval in the Nodal Bank developed MIS.
- v) In case where the sub project is not executed as per the grant agreement/delayed beyond limit set by Project or due to some project/government decisions the amount of grants have been reduced, then proportionate unspent project grants will be refunded by the bank to the project as per the directions of Project. It has to be refunded within 15 working days from the date of receipt of project communication from SMART in this regard.
- vi) CBO will open a special current account and Bank of Maharashtra will obtain consent from CBO regarding the conditions placed by the project for the special account.
- vii) Bank of Maharashtra officials at branch level will update the bank developed MIS with respect to CBO bank transactions.
- viii) A circular will be issued by the bank explaining the procedure of opening and operating of the CBO special account after discussion with project. It will describe the responsibilities of bank in such case and the reason for signing the grant agreement.
- 2) Till the time the above system is in place, as a stop gap arrangement, the following system will be adopted-
- i) A separate current account will be opened by the CBO in nearest branch of Bank of Maharashtra which will be jointly operated by DIU/PIU Project authorities.
- ii) In case of PIU-Agriculture DIU head will be the joint signatory (in case of other PIUs, representative of concerned PIU designated by PIU head) along with CBO designated authority for payments above above Rs.5.00 lakh. In case of payments below the threshold of Rs.5.00 lakh, the joint signatories will be at the level of CBO itself.
- 3) If instances of confiscation, compensation, allotment or seizure arise with respect to CBO (for other than SMART activities), this will not lead to attachment of bank account opened for SMART Project purposes.
- 9) Both SMART and the Bank of Maharashtra agree that they shall not use the logo, trademark and copyrights or other proprietary rights; of the other party in any advertisements or publicity material or any other written communication with any other party, without the prior written consent of such opposite party.
- 10) Bank will promote the project through the SLBC (State Level Banker's Committee) and ease the procedure of financing to CBO.

#### 11) Duration of the MoU:



- i) The MoU shall be reviewed from time to time by mutual consent of both parties. This MoU shall be terminated by either of the parties, by giving three months' notice to the other party.
- ii) **Termination in case of defaults:** Project reserves the right to terminate the MoU in case of bank delays the activities given in Annexure 4. Project also reserves the right to terminate MoU, if bank does not provide the above agreed services satisfactorily and if customized MIS does not work satisfactorily.
- iii) The provisions of the MoU shall be governed by and interpreted in accordance with the laws of India. Any controversy, dispute or claim arising out of or relating to this agreement or breach thereof shall be endeavored to be settled by mutual discussions, as far as possible, failing which, the same shall be settled by arbitration following appropriate procedure under the Arbitration and Conciliation Act. Further, the language of Arbitration and expenses thereof be borne by the parties on equal portion. The Award of the Arbitrator shall be final and binding on the parties subject to provisions of appeal before appropriate authority. The jurisdiction will be Pune.

## 12) Review Committee

Following will be the members of the review committee:

1. Finance Specialist SMART – Convener
2. Deputy General Manager Planning , Bank of Maharashtra – Member
3. SAO PP MAP Co-ordinator, SMART- Member.
4. Finance Consultant, SMART- Member
5. Assistant General Manager, Agriculture Bank of Maharashtra - Member.

**The committee will review the following issues:**

1. Overall monitoring of terms of references mentioned in MoU.
2. Resolving operational and policy issues to roll out the MoU.
3. Review of sub projects, reconciliation and closure of sub projects.
4. Any other issues related to MoU as and when arises.

## 13) Force Majeure:

a. No party shall be liable for any inability to perform its respective obligations due to Force Majeure Events. "Force Majeure Events" shall mean any event which is beyond the reasonable control of a party and shall include sabotage, fire, flood, explosion, acts of God, civil commotion, riots, insurrections, lockdowns resulting in events such as spread of coronavirus or any other disease resulting in threat to common life on a mass scale, wars or acts of government, changes in legislation and other allied acts of regulatory/statutory nature.

b. This agreement and the transactions contemplated herein shall be binding upon and ensure to the benefit of each party and their successors and assigns. This agreement shall not confer upon any person other than the parties to this agreement the benefit of any rights or remedies.



**14) Severability:**

If any provision of this MOU shall be held to be illegal, invalid or unenforceable, in whole or in part, under any enactment or rule of law, such provision or part shall to that extent be deemed not to form part of this MOU, but the legality and enforceability of the remainder of this MOU shall not be affected.

IN THE WITNESS WHEREOF parties hereto have set and subscribe their respective hands and seal on the day in the year first hereinabove written.

**SIGNED, SEALED AND DELIVERED**

For and on behalf of

**1) THE HON. BALASAHEB THACKERAY STATE OF MAHARASHTRA'S AGRIBUSINESS AND RURAL TRANSFORMATION PROJECT (SMART)**

Represented by the;

**Name:** Shri Dheeraj Kumar (IAS)  
**Designation:** Project Director

*Dheeraj Kumar*  
15/7/22

In the presence of:

**Witness 1:**  
**Name:** Shri Dasharath Tambhale  
**Designation:** Additional Project Director

*Dasharath Tambhale*  
15/7/22

**Witness 2:**  
**Name:** Shri Jeevan Bunde  
**Designation:** Coordinator

*Jeevan Bunde*

**2) THE BANK OF MAHARASHTRA**

Represented by the –

**Name:** Shri Atul Joshi  
**Designation:** General Manager, Resource Planning

*Atul Joshi*

In the presence of:

**Witness 1:**  
**Name:** Shri. Abhijit Chanda  
**Designation:** Dy. General & Zonal Manager, Pune East Zone

*Abhijit Chanda*

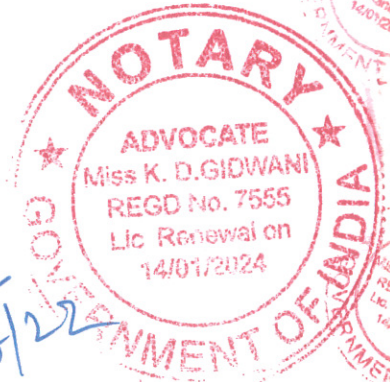
**Witness 2:**  
**Name:** Shri. G. M. Sreedhar  
**Designation:** Asst. General Manager, Agriculture

*G. M. Sreedhar*

**ATTESTED**

**Miss. K. D. Gidwani**  
**Advocate & Notary**  
**Govt. of India**

15 JUL 2022



## Annexure – 1

### Fund flow mechanism and banking arrangements for beneficiary community based organizations (CBOs) of SMART.

#### 1) Funding Ratio:

As per the Project mandate for Productive Partnership and other types of value chain development sub projects, Project Grants will be limited upto 60% of the Total Sub-Project Cost (TPC). Thus, minimum of 40% of the Sub-Project Cost has to be borne by the beneficiary CBOs. The overall ratio between the Project grants and the beneficiary contribution is decided by Viability Gap Funding method (VGF).

The CBOs need to raise their share in the sub-project through their own equity and bank loan. However bank loan will not be the mandatory.

#### 2) Tripartite Grant Agreement:

The tripartite grant agreement between the Beneficiary CBO, SMART Project, and the CBO bank will govern the funding ratio and release of tranches for execution of the sub-project.

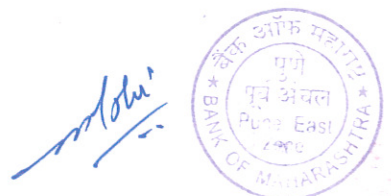
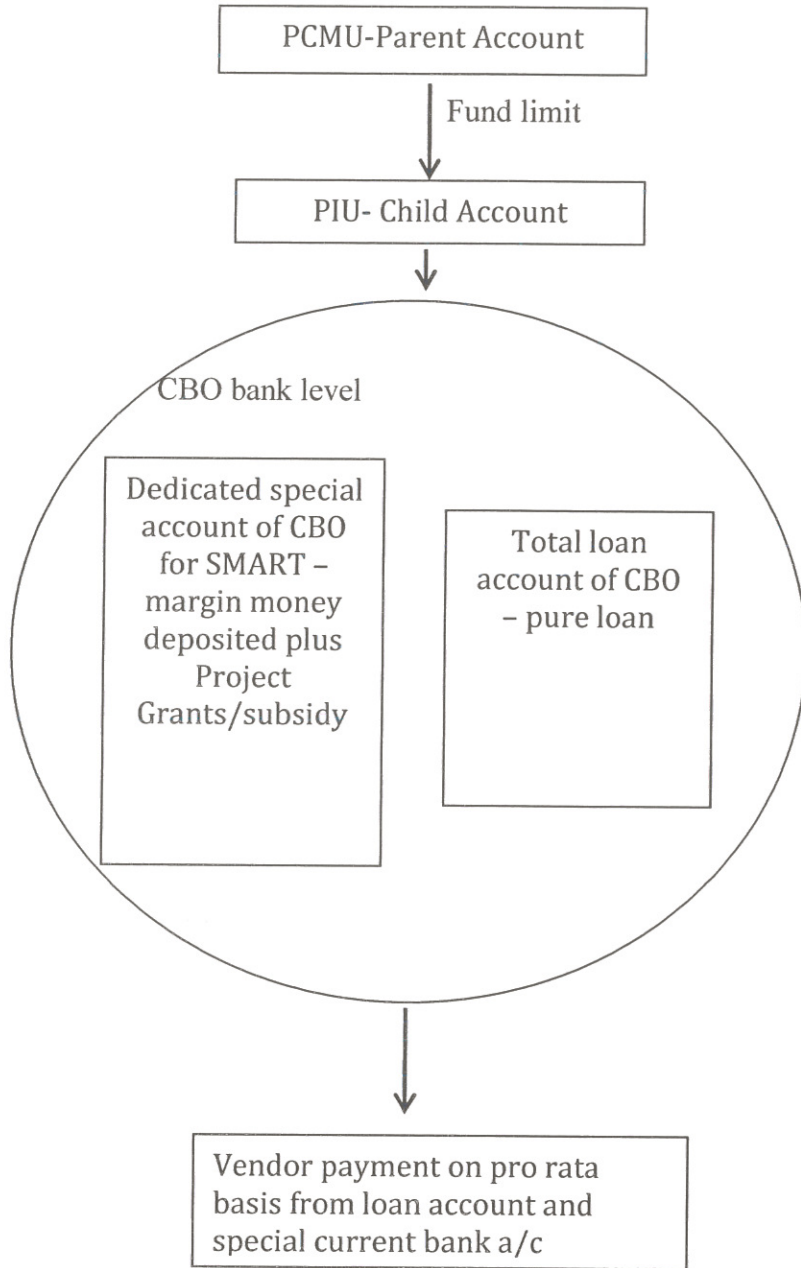
The grant agreement will clearly mention the role and responsibilities of each party. The Project will prepare a template of a legally vetted grant agreement. Amongst other things, the grant agreement will specify the amount of Project Grants and Beneficiary Contribution associated with each tranche.

#### 3) Since availing loan from bank is not a project mandate, there are two scenarios of funding to CBOs –

- a) Loan taken by the CBO
- b) No loan taken by the CBO.



**Fund Flow Mechanism for loan taken by CBO**



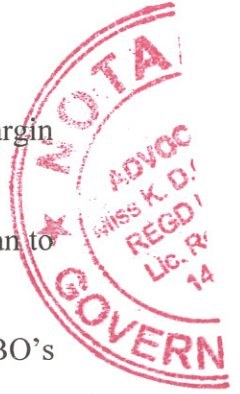
## Concept :

- 1) Project grants will be as per the grant agreement in the form of tranches. But to explain the concept of loan case and for simplicity purpose, in this example tranches have not been considered.
- 2) To explain the concept, let us consider, sub project proposal-Rs.100/-
- 3) out of which Rs.60/- may be Project grants
- 4) out of which Rs.40/- may be the CBO share
  - a. out of which Rs.20/- is considered in this example as the margin money to be raised by the CBO
  - b. out of which Rs.20/- is considered in this example as the bank loan to be taken by the CBO.
- 5) Initially Project grants of Rs.60/- released to the bank and will be deposited in CBO's special account.
- 6) CBO bank approves loan of Rs.20/-.
- 7) Margin money of Rs.20/- deposited by CBO in dedicated special account opened for SMART.
- 8) Vendor payment by bank will be from CBO's special account of Rs.80/- + loan account of Rs.20/- on a pro-rata basis.
- 9) No interest on loan limited to the extent of Project grants lying interest free with the bank i.e. to the extent of Rs.60/-.
- 10) In the above example, vendor payment will be incurred from CBO's special account/Loan Account in the ratio of 80:20. However while accounting for this expenditure at the CBO level, the expenditure will be booked in the ratio of 60:20:20 i.e. Project grants : availed bank loan : margin money respectively.
- 11) If in exceptional cases, subproject proposal is not executed in entirety as per the grant agreement i.e. of Rs.100/-, following will be the modality –

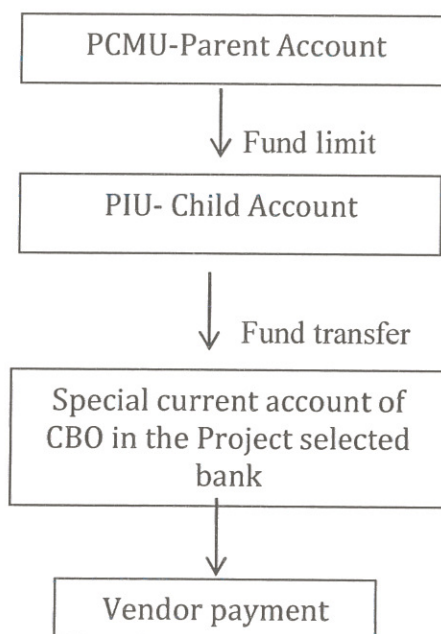
An amount in proportion as agreed in the grant agreement will be refunded by the bank to the Project.

For clarity, in case of the above example, if Rs.90/- is the total sub project cost on completion, then 60% of Rs.90/- i.e.Rs.54/- will be the cost to be borne by SMART Project and the differential amount of Rs.6/- is already given to CBO, this amount will be given back by the CBO and the bank to the Project. This clause has been

inserted in the tripartite grant agreement.

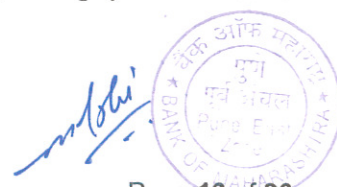


#### 4) Fund Flow Mechanism for no loan taken by CBO



#### Concept

- 1) Since this is a no loan case, bank monitoring will not be possible in normal case. Hence, the bank and along with Project has to devise a control mechanism which would ensure/ safeguards to Project funds and to ensure vendor payment at the CBO level to be on a pro rata basis (project grant and equity raised by CBO). This has been addressed by making it compulsory for the CBO to open a special current account (scheme based) in the Project selected bank which imparts fiduciary safeguards with respect to Project funds.
- 2) The Special account will be a clause of the tripartite agreement between CBO, Project and the bank
- 3) A Special current account will work on the following principal – CBO will not be able to withdraw funds once deposited in this account, for the purpose other than the sanctioned sub project and not in a way agreed in tripartite agreement. Vendor payment permissible only after approval from Project authorities as mentioned in the following point.
- 4) Project monitoring will be done through the following mechanism and will impart fiduciary safeguards with respect to Project funds -
  - a) The CBO special bank account will be operated by the joint signatories of CBO itself. However, for each vendor payment, there will be DIU/representative of PIU monitoring through the DBT portal that is being developed by the Project. On approval by DIU/ representative of PIU competent authority through DBT portal, bank will authorize CBO to incur vendor payment. The tripartite agreement, in which CBO bank is also a party, will take care of these arrangements.
  - b) However, till the time the above mechanism of DBT portal actually operationalizes, DIU head/ representative of PIU will be the joint signatory along with CBO designated authority for payments above



above Rs.5.00 lakh. In case of payments below the threshold of Rs.5.00 lakh, the joint signatories will be at the level of CBO itself.

- 5) The bank will make direct payments to CBO vendors from the Special account which will impart some additional fiduciary safeguards. Accounting of expenditure by the CBO of expenditure incurred from this special account, would be governed by the principle of pro-rata basis. i.e. in the ratio of Project grants : margin money as laid down in the tripartite grant agreement.

**5) Procedure for release of tranches by the Project-**

- a) The demand proposal will be submitted by CBO to the office of respective PIU/DIU.
- b) PIU/DIU will scrutinize the proposal and submit it to the office of RIU in case of PIU Agriculture and in case of other PIUs they will submit demand proposal to the PCMU within stipulated working days as laid down in the operational guidelines.
- c) In case of PIU Agriculture the office of RIU after due scrutiny will submit the proposal to the office of PIU Agriculture PIU within stipulated working days as laid down in the operational guidelines.
- d) The office of PIU after due scrutiny will submit the proposal for grants release to PCMU.
- e) The office of PCMU will allocate fund limit to the concerned PIU.
- f) The concerned PIU will thereafter release the share of Project grants directly in the bank account of beneficiary CBO.

**6) Numbers of tranches for Project grants:**

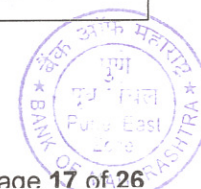
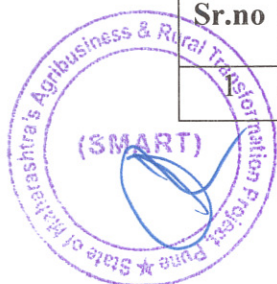
In general, the fund flow availability to the beneficiary CBO will be in four tranches. Each tranche will be funded through the Beneficiary Contribution and the Project Grants, in the ratio as mentioned in the Grant Agreement.

Tranche	Beneficiary contribution share as per the grant agreement	Project grants share as per the grant agreement
1st	50% of Beneficiary Contribution	50% of Project Grants in the form of advance.
2nd	30% of Beneficiary Contribution	Matching share of Project Grants in the form of advance.
3rd	10% of Beneficiary Contribution	Matching share of Project Grants in the form of advance.
4th	10% Expend initially both the Beneficiary and Project share.	Balance amount of Project Grants in the form of reimbursement.

**7) First tranche of Project Grants:**

The first tranche will be 50% of the total Project Grants in the form of advance. The pre requisites for release of first tranche and the corresponding checklist of documents is given below. These documents should be attached to the demand letter for Project grants by the CBO.

Sr.no	Pre requisites	Corresponding check list of documents
	Demand from CBO	Copy of demand letter by CBO





2	Recommendation by respective PIU	Copy of recommendation letter by respective PIU
3	Grant agreement between the Project, CBO and Banker.	Copy of Grant Agreement
4	Opening of dedicated bank account (current) for SMART by CBO and deposition of beneficiary share	
4a	Loan case of CBO –	
	i) Dedicated current account for SMART	Attested copy of first page of passbook/bank document
	ii) Equivalent share of margin money related to first tranche deposited in current account.	Bank statement attested by bank authorities.
	iii) Sanction of bank loan	Loan sanction letter / In principle Sanction letter
4b	No Loan case of CBO - i) Special account opened for SMART.	Attested copy of first page of passbook/bank document
	ii) Equivalent share of beneficiary contribution related to first tranche deposited in current account.	Bank statement attested by bank authorities.
5	If the sub project includes civil work, technical approval necessary	Approval of cost estimates, by in house technical person at PCMU/related line department.
6	Hiring of Tally literate person/CA/CA firm for accounting by the CBO.	Declaration by CBO
7	Purchase of Tally accounting /other double entry software related by the CBO.(if applicable)	Declaration by CBO

### 8) Second tranche of the Project Grants:

The second tranche of Project grants will 30% of the total Project Grants in the form of advance. It can be claimed only after 70% of the total of Project grants and beneficiary contribution related to the first tranche has been expended. The pre requisites for release of second tranche and the corresponding checklist of documents are given below.

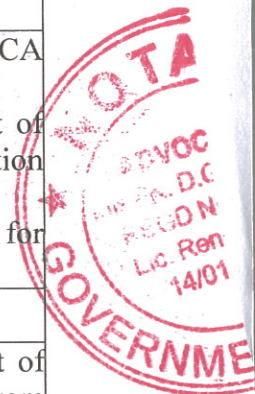
Sr.no	Pre requisites	Corresponding check list of documents
1	Demand from CBO	Copy of demand letter by CBO
2	Recommendation by respective PIU	Copy of recommendation letter by respective PIU
3	70% of the total amount raised for first tranche is expended	
3a	Loan case of CBO	1) Utilization certificate from CA/CA firm hired by CBO. 2) Attested copy of bank statement of loan account of CBO (attestation from bank authorities). 3) Attested copy of bank statement of



*[Handwritten signature]*



Sr.no	Pre requisites	Corresponding check list of documents
1	Demand from CBO	Copy of demand letter by CBO
2	Recommendation by respective PIU	Copy of recommendation letter by respective PIU
		current account of CBO (attestation from bank authorities). 4) CBO attested copies of invoices for expenditure.
3b	No Loan case of CBO	1) Utilization certificate from CA/CA firm hired by CBO. 2) Attested copy of bank statement of special account of CBO (attestation from bank authorities). 3) CBO attested copies of invoices for expenditure.
4	Deposition of an equivalent beneficiary contribution by CBO	
4a	a) Loan case of CBO	1) Attested copy of bank statement of loan account of CBO (attestation from bank authorities). 2) Attested copy of bank statement of current account of CBO (attestation from bank authorities)
4b	b) No Loan case of CBO	Attested copy of bank pass book/ statement of special account of CBO (attestation from bank authorities).
5	Inspection by the concerned DIU- Accountant.	Inspection report signed by Accountant and DIU head.
5	Field visit by the technical team of the Project.	Field visit report along with geo-tagged photographs



### 9) Third tranche of the Project Grants:

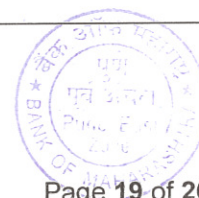
The third tranche of Project grants will 10% of the total Project Grants in the form of advance.

It can be claimed only after 100% of the total of Project grants and beneficiary contribution related to the first tranche is expended.

Also 70% of total of Project grants and beneficiary contribution second tranche has to be expended.

The pre requisites for release of third tranche and the corresponding checklist of documents are given below.

Sr.no	Pre requisites	Corresponding check list of documents
1	Demand from CBO	Copy of demand letter by CBO
2	Recommendation by respective PIU	Copy of recommendation letter by respective PIU
3	100% and 70% of the total amounts raised in the first tranche and second tranche respectively is expended	





3a	Loan case of CBO	1) Utilization certificate from CA/CA firm hired by CBO. 2) Attested copy of bank statement of loan account of CBO (attestation from bank authorities). 3) Attested copy of bank statement of current account of CBO (attestation from bank authorities). 4) CBO attested copies of invoices for expenditure.
3b	No Loan case of CBO	1) Utilization certificate from CA/CA firm hired by CBO. 2) Attested copy of bank statement of special account of CBO (attestation from bank authorities). 3) CBO attested copies of invoices for expenditure.
4	Deposition of an equivalent beneficiary contribution by CBO	
4a	a) Loan case of CBO	1) Attested copy of bank statement of loan account of CBO (attestation from bank authorities). 2) Attested copy of bank statement of current account of CBO (attestation from bank authorities)
4b	b) No Loan case of CBO	Attested copy of bank statement of special account of CBO (attestation from bank authorities).
5	Inspection by the concerned DIU- Accountant.	Inspection report signed by Accountant and DIU head.
6	Field visit by the technical team of the Project.	Field visit report along with geo - tagged photographs

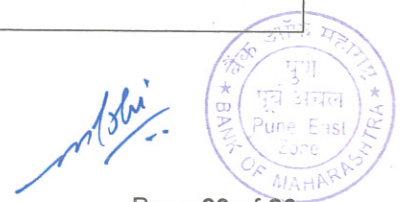
10)

**Fourth and final tranche of Project grants**

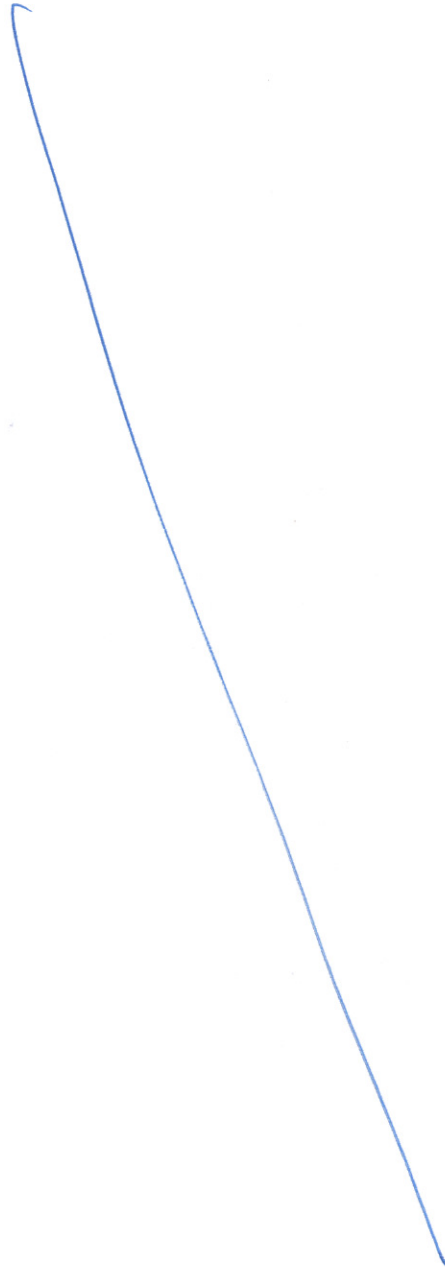
The final tranche of Project grants will be 10% of the total Project grants. in the form of reimbursement. Beneficiary CBO will execute the entire sub project, through funds raised at their level, through own contribution or through bank loan, and claim the Project share corresponding to the final tranche.

The pre requisites for release of final tranche and the corresponding checklist of documents are given below.

Sr.no	Pre requisites	Corresponding check list of documents
1	Audit by the CA appointed by the Project.	1) Audit report and Audited UC by CA appointed by the Project 2) CBO attested copies of invoices for expenditure.



2	Field visit by the technical team of the Project.	Field visit report along with geo-tagged photographs
3	Demand from CBO	Copy of demand letter by CBO
4	Recommendation by respective PIU	Copy of recommendation letter by respective PIU



## Annexure-2

### List of Accounting Centers

Department	No.	Constitution
<b>AGRICULTURE DEPARTMENT</b>		
Project Co-Ordination And Monitoring Unit (PCMU)	1	Society
Project Implementing Unit- Agriculture (PIU-Agri)	1	Line Department
Regional Joint Director of Agriculture (RIUs)	8	Line Department
District Implementing Units - (DIU-ATMA)	34	Society
Vasantrao Naik Sate Agricultural Extension Management Training Institute (VANAMATI)	1	Society
<b>Sub-Total (AGRI)</b>	<b>45</b>	
<b>AGRI MARKETING DEPARTMENT</b>		
Project Implementing Unit- Agricultural Marketing (PIU-AM)	1	Line Department
Maharashtra State Agricultural Marketing Board (PIU-MSAMB)	1	Board
Maharashtra Co-Operative Development Corporation (PIU-MCDC)	1	Corporation
Maharashtra State Warehousing Corporation (PIU-MSWC)	1	Corporation
Maharashtra Cotton Federation (MAHACOT)	1	Federation
<b>Sub-Total (AM)</b>	<b>5</b>	
<b>ANIMAL HUSBANDRY DEPARTMENT (AHD)</b>		
Project Implementing Unit-Animal Husbandry PIU-AHD	1	Line Department
<b>Sub-Total (AHD)</b>	<b>1</b>	
<b>RURAL DEVELOPMENT DEPARTMENT</b>		
Maharashtra State Rural Livelihoods Mission (PIU-MSRLM)	1	Society
Village Social Transformation Foundation (PIU-VSTF)	1	Section-8 Company
<b>Sub-Total (RDD)</b>	<b>2</b>	
<b>WOMEN AND CHILD WELFARE DEPARTMENT (WCWD)</b>		
Mahila Arthik Vikas Mahamandal (PIU-MAVIM)	1	Section-8 Company
<b>Sub-Total (WCWD)</b>	<b>1</b>	
<b>URBAN DEVELOPMENT DEPARTMENT (UDD)</b>		
Pune Municipal Corporation (PIU-PMC)	1	Corporation
<b>Sub-Total (UDD)</b>	<b>1</b>	
<b>TOTAL</b>	<b>55</b>	



*(Handwritten Signature)*





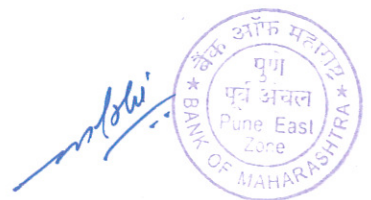
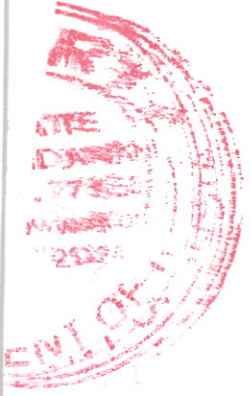
ANNEXURE 3 : EXAMPLE FOR LOAN CASE OF CBO AS PER ANNEXURE 1.

Particulars	Project grants	Margin money	Total from CBO Special account		Bank Loan	Total Exp endi ture	Remarks
<b>Total</b>	60	20	80	20	100		
	<b>First tranche</b>						
<b>1st tranche total receipts (50%)</b>	30	10	40	10	50		
<b>1st tranche exepnditure</b>							
1st Vendor payment from 1st tranche Rs.20	12	4	16	4	20		Interest on loan taken starts after Rs.30 i.e. Project grants deposited in 1st tranche.
2nd Vendor payment from 1st tranche Rs.10	6	2	8	2	10		
3rd Vendor payment from 1st tranche Rs.20	12	4	16	4	20		
<b>2nd tranche total receipts</b>	18	6	24	6	30		Interest on loan taken starts after Rs.18 i.e. Project grants deposited in 2nd tranche.
1st Vendor payment from 2nd tranche Rs.20	12	4	16	4	20		
2nd Vendor payment from 2nd tranche Rs.10	6	2	8	2	10		



3rd tranche total receipts	6	2	8	2	10	Interest on loan taken starts after Rs.6 i.e. Project grants deposited in 3rd tranche.
1st Vendor payment from 3rd tranche Rs.4	2.4	0.8	3.2	0.8	4	
2nd Vendor payment from 3rd tranche Rs.1	0.6	0.2	0.8	0.2	1	
3rd Vendor payment from 3rd tranche Rs.2	1.2	0.4	1.6	0.4	2	
4th Vendor payment from 3rd tranche Rs.2	1.2	0.4	1.6	0.4	2	
5th Vendor payment from 3rd tranche Rs.1	0.6	0.2	0.8	0.2	1	

Note : No interest on loan will be charged limited to the extent of Project grants lying interest free with the bank



## Annexure 4

Activities to be implemented by Bank of Maharashtra within the given timeline:

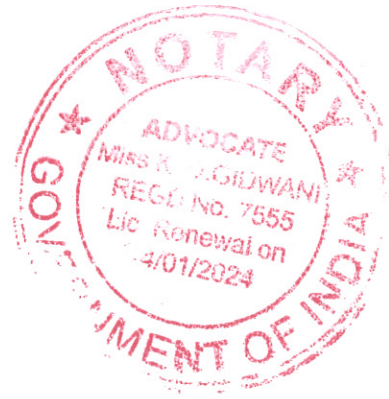
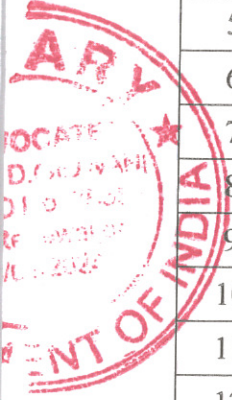
Sr.No.	Activity	Timeline	Consequences for non-completion of the activity within given timeline
01.	Development of MIS and mobile app as per needs to Project and the same should be approved by the project.	50-60 days from signing of MoU	Project reserves the right to terminate the MoU if bank does not follow the specified timeline.
02.	Linking of MIS with SMART PFMS system.	Till 30 <sup>th</sup> Sept 2022	
03.	Opening of parent and child current accounts	Within one week from signing of MoU.	
04.	Completion of KYC and other procedures related to bank account opening.	Within two weeks from account opening. Specified format for the same will be given by Bank.	
05.	List of Signing authorities for the parent and child account to be communicated to BoM.	Project will provide these details within one week of opening of accounts.	
06.	Communication of account number, login details and supply of cheque book (if required) etc.	Within one or two weeks from account opening.	
07.	Transition of SMART accounts from Canara Bank to Bank of Maharashtra	By 15 <sup>th</sup> Aug 2022.	
08.	Training to bank staff and project staff of the MIS and App developed for SMART	Every month from Signing of MoU.	
09.	BoM will provide training to CBO for CLSS	As per project instruction	
10.	No Loan case – CBO Current account to be linked with bank MIS.	As per project instruction	

Note: Any other activity related to project, remained to be considered above or arises in future, will be discussed in review committee and accordingly time line will be decided.



## Abbreviations

Sr.No	Abbreviations	Full Form
1	AIF	Agriculture Infrastructure Fund
2	APD	Additional Project Director
3	DIU	District Implementing Unit
4	FS	Finance Specialist
5	FMM	Finance Management Manual
6	FIL	Financial Intermediary Loan
7	MAGNET	Maharashtra Agribusiness Network Project
8	PCMU	Project Co-ordination And Monitoring Unit
9	PD	Project Director
10	PFMS	Public Financial Management System
11	PIU	Project Implementing Unit
12	PPA	Print Payment Advice
13	RIU	Regional Implementing Unit
14	SMART	State of Maharashtra Agribusiness and Rural Transformation Project
15	SFAC	Small Farmers Agribusiness Consortium



*Handwritten signature in blue ink.*



