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State of Maharashtra's Agribusiness and Rural Transformation Project (SMART), a World Bank assisted project incorporated by Government of Maharashtra having its office 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.

About SMART

i. Government of Maharashtra is implementing the 'State of Maharashtra's 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) and Community Managed Resource Centres (CMRCs).

iv. **Main intervention 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.

v. SMART aims to support access to finance interventions to enable the project beneficiaries to access a broader range of financial products. The CBOs are relatively young institutions with limited capital, physical collaterals, and operational experience. Majority of these CBOs are 2-3-year-old. Similarly, financial institutions have limited expertise and inadequate products. Given this scenario, SMART will facilitate financial education and counselling of CBOs, development of new agriculture value chain financing products, and risk mitigation solutions including partial credit guarantee facility. An independent credit rating system of FPOs is also proposed to be supported to facilitate bank linkages. The expected results from this sub-component are (a) enhanced capacity of CBOs for better financial management; (b) availability of customized financial products to enable composite / project based financing for CBOs; (c) increase in number of CBOs accessing credit and volume of credit accessed by CBOs from financial institutions and (d) establishment of an independent third party credit rating system for FPOs.



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WHEREAS

- i) The Government of Maharashtra, through various externally aided projects and State and Central Schemes has promoted over 3000 CBOs which includes FPCs, CLFs, CMRCs and PACS in the state with an objective of aggregation of produce for achieving economies of scale as well as for increasing farm productivity, providing alternate market and advance technology.
- ii) CBOs require loans for investment and working capital for building their business collectively, purchase of inputs, aggregation, primary processing and marketing of farm produce and other activities to increase income of member farmers.
- iii) The SMART Project intends to provide business development services, partially fund their business proposals (VGF upto 60%) and provide handholding in their collective business.
- iv) In this regard, SMART has requested Allahabad Bank for extending loans to the beneficiary CBOs to raise part of finance required for their business proposal (apart from VGF and equity of their own).
- v) Allahabad Bank is interested in financing the CBOs desirous of undertaking such agribusiness proposals.

1. NOW THIS DEED WITNESSETH AS FOLLOWS:

1. SMART Project shall assist CBOs in collection of required document as specified by the bank, preparation of business plan for investment and working capital of the CBOs which require finance and further perform duties more clearly set out in this MoU. This will also include sanction of Full Project Proposals (FPP) by SMART with clear indication of cost of project, VGF offered by SMART and expected share of beneficiary to be raised.
2. That Allahabad Bank shall finance at its sole discretion, the genuine requirements of the CBOs for the business plan.
3. Allahabad Bank will extend project based composite finance to the CBOs based on the FPP sanctioned by the project.
4. However, SMART shall not have any liability towards loan given by Allahabad Bank and thereof between Allahabad Bank & the borrower CBOs. In the event of any dispute in relation to the loan given to the CBO and/or recovery thereof, between Allahabad Bank and Borrower (CBOs), SMART will not be legal party for that matter.
5. Both SMART and Allahabad Bank 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. The Memorandum of Understanding shall be reviewed after three years from the date hereof and may be renewed by mutual consent of parties. In the normal course, this Memorandum of Understanding shall not be terminated by either of the parties. If for any reason, any party decides to terminate this Memorandum of Understanding, then that party will give one months' notice in writing to the other party and within this period both parties shall continue to discharge their obligations.

IN WITNESS whereof the parties hereto have executed this Memorandum of Understanding in triplicate as of the date set out hereunder.

2. ROLE OF SMART Project

- SMART to support productive partnerships and market access plans to connect CBOs to the buyers / markets will be implemented in the State of Maharashtra. The SMART Project will give preferred bankers status to Allahabad Bank.
- a) The SMART Project will publish a call for proposal for inviting agribusiness proposals for Productive Partnerships and Market Access Plans for value chain development of agricultural commodities. (PPs to be submitted jointly by CBOs and the buyers while MAPs to be submitted by CBOs and their Federations).
 - b) SMART shall assist eligible CBOs and buyers in preparation of bankable full project proposals (FPPs) through dedicated Technical Support Group (TSG) of consultants.
 - c) SMART shall approve FPP with defined VGF from SMART.
 - f) SMART shall assist beneficiary CBOs for preparation of loan proposal. SMART will provide Viability Gap Fund upto 60% of project cost as grant to the eligible CBOs participating in approved projects.



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- h) SMART shall provide capacity building and handholding services for implementation of FPP through its own staff and TSG.
- i) VGF in the form of grants will be released to loan account of CBOs in tranches linked to the progress of the project as specified in the Project Implementation Plan.
- j) The grant agreement between the Beneficiary CBO, SMART Project and Buyer/Technical Partner (as applicable) will govern the funding ratio and release of tranches for execution of the sub-project.
- k) The fund flow to beneficiary CBO will be in 3 tranches by respective PIU.
1. First Tranche - Up to 50% of project grants against upto 50% of beneficiary contribution.
 2. Second Tranche - Up to 80% of project grants against upto 80% of beneficiary contribution.
 3. Final Tranche - Balance Project Grants (in no case it will exceed 30% of total Project Grants as per grant agreement) against Balance Beneficiary Contribution as per grant agreement.
- l) Banking arrangement at CBO level - For SMART Project purposes, each CBO would open a separate Current Bank account operated under the joint signatures. The Bank A/c of the CBO would be linked with PFMS by PIU in co-ordination with DIU official.

3. ROLE OF ALLAHABAD BANK

Allahabad Bank has a mandate to support investments in agriculture sector, individually and collectively, to improve the income of the farmers. To fulfill this mandate, Allahabad Bank will provide various financial products and services to the community based organizations through its network of branches in the project area. On issuance of approval to the FPP by SMART, Allahabad Bank will initiate following steps:

- a. The Allahabad Bank will receive approved project proposals from the project after a thorough scrutiny of its technical viability and economic feasibility by an internal mechanism of the project as well as an Independent Assessment Panel. Bank may assess the same as per the Bank's policy. All the technically viable and economically feasible proposals shall be considered by the bank. It will be the Bank's sole discretion to accept or reject any proposal.
- b. The scheme of financing the CBOs for economic activity will be implemented through designated branches / offices of Allahabad Bank. On final selection of CBOs, Allahabad Bank will initiate following steps:
 - a) Allahabad Bank will finance all eligible CBOs after completion of all necessary procedure.
 - b) The Allahabad Bank may cover the farmers / groups for financing other agriculture products and developing CBOs as Business Correspondents for the Allahabad Bank.
 - c) Allahabad Bank has the right but not the obligation to insure the assets purchased out of the banks finance namely investment, machinery, agriculture stock, purchased materials etc.
 - d) **No dues from the other Banks:** To avoid multiple financing, the branches of Allahabad Bank will take necessary steps as per bank's laid down instructions.
 - e) **Margin Money:** Margin will be fixed as per RBI / Bank guidelines.
 - f) **Interest rate:** Interest rates as applicable to agricultural advances will be adopted.
 - d) **Security norms:** Allahabad Bank's security norms as applicable to the facility will be applicable.
 - e) Allahabad Bank will ensure for joint verification of assets created under the project for which bank finance is availed and the joint verification will be a prerequisite before release of next instalment where the disbursement will happen in various stages.

4. Implementation Mechanism -

SMART has a Project Coordination and Management Unit at Pune 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) and 34 District Implementation Units (DIUs). This MoU shall be implemented through a coordinated effort of the branches of Allahabad Bank and implementation units of the project.



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5. Duration –

The MoU shall be reviewed after three years from the date of signing and may be renewed by mutual consent of parties.
In the normal course, this MoU shall not be terminated by either of the parties, however, due to any serious reasons, either party, if decides to terminate the MoU shall give one months' notice to the other party.

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, failing which, the same shall be settled by arbitration following appropriate procedure under the Arbitration and Conciliation Act.

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 DELIUVERED

For and on behalf of

1) THE STATE OF MAHARASHTRA'S AGRIBUSINESS AND RURAL TRANSFORMATION PROJECT (SMART)

Represented by the Additional Project Director, SMART Project



Name : Dashrath Tambhale

In the presence of:

Witness 1:

Name: Shri. Jeevan Bunde

Designation: Suptd. Agri Officer

Witness 2:

Name: Shri. Pradip Patil

Designation: Dy. Director of Agriculture

2) ALLAHABAD BANK

Represented by the Assistant General Manager and Zonal Head, Zonal Office, Pune



Name : S. C. Hota

In the presence of:

Witness 1:

Name: Shri. Suraj H. Patil

Designation: Chief Manager, Allahabad Bank

Witness 2:

Name: Shri. Chetan Bhakkad

Designation: Consultant

