

**MODEL MEMORANDUM OF TRIPARTITE AGREEMENT
(MOA) TO BE EXECUTED BETWEEN NODAL AGENCY
(NA), IMPLEMENTING (IA) & SPECIAL PURPOSE
VEHICLE (SPV) AGENCY UNDER SCHEME OF FUND
FOR REGENERATION OF TRADITIONAL INDUSTRIES
(SFURTI)**

MEMORANDUM OF TRIPARTITE AGREEMENT (MOA) TO BE EXECUTED BETWEEN NODAL AGENCY (NA), IMPLEMENTING AGENCY & SPECIAL PURPOSE VEHICLE (SPV) AGENCY UNDER SCHEME OF FUND FOR REGENERATION OF TRADITIONAL INDUSTRIES (SFURTI)

This agreement is made on this the day of Between, Khadi and Village Industries Commission, a statutory body, having its head office at 3, Irla Road, Vile Parle(W), Mumbai, (hereinafter called the "NA") on the one part and the Implementing Agency of SFURTI (Scheme of Fund for Regeneration of Traditional Industries) ----- Cluster (hereinafter called the "IA") on the second part and President of the SPV (Special Purpose Vehicle) (hereinafter called the "SPV") on the third part.

Whereas the Khadi and Village Industries Commission under the Scheme of Fund for Regeneration of Traditional Industries of the Ministry of MSME, Govt. of India is providing grant for setting up of Common Facility Centre and Product Development cum Design Centre (hereinafter called CFC). The operational guidelines of the scheme prescribed by Govt. of India vide No 4/4/2017-KVI-I dated 27th June, 2018 and circular vide no 4/67/2016-KVI-1 dated 06.07.2016 its amendments/modifications from time to time will also form an integral part of this agreement.

Whereas..... the Technical Agency (hereinafter called "TA") has submitted the Detailed Project Report (hereinafter called "DPR") duly endorsed by the IA/SPV to KHADI AND VILLAGE INDUSTRIES COMMISSION for sanctioning 90% grant for construction of CFC in and Khadi and Village Industries Commission has pleased to recommend the grant of Rs..... to the Government. Sanction for the same will be issued in due course, which shall together with other communications may be issued in continuation

thereof form part of this agreement as if incorporated herein subject to the conditions hereinafter appearing and subject to the conditions in the order to be issued and whereas IA and SPV has agreed to remit 10% of IA contribution. Therefore, it has now been decided to establish CFC as per the following terms and conditions.

1. The IA/SPV have agreed to arrange cents of land in terms of registered sale in the name IA/SPV for establishment of CFC.

The IA/SPV have agreed to arrange cents of land in terms of lease out/set apart for a minimum tenure of 15 years in the name IA/SPV for establishment of CFC. (strike out whichever is not applicable).

2. The total project cost estimated by the Implementing Agency and SPV for the project is Rs..... The IA/SPV agrees to remit the 10% of beneficiary contribution. The IA contribution of Rs..... to be remitted by IA/ SPV shall be deposited by the IA in the dedicated CFC account opened for that purpose. The NA shall release 90% of the project cost as grant amount on a *paripasu* basis. The CFC shall be established as approved by the NA and all assets created out of the grant received shall be in the name of KHADI AND VILLAGE INDUSTRIES COMMISSION. The IA/SPV hereby undertake and agree that the grant amount would be utilized only for the purpose for which it is granted.

3. In the case of civil constructions, the plan and estimate and valuation of the construction shall be approved by competent authorities like local PWD/Chartered Engineer/Local bodies like Panchayat/ Municipality. Besides, a letter of consent should also be obtained from the Electricity Board (EB) for providing adequate power supply to the proposed unit. It shall be the responsibility of the Technical Agency to ensure that all the aspects connected with statutory clearances are complied in the cluster. For the construction of CFC IA should follow the Central Procurement Norms of Govt. of India ie follow

the Manual for procurement of goods 2017 and its amendment if any, released by the Ministry of Finance, Department of Expenditure, Govt. of India.

4. Payment in the case of civil construction will be released after inspection by a team consisting of the representatives of the IA and NA.

5. The payment should be limited as follows:

a) Construction up to foundation level – not exceeding 20% of the contracted cost.

b) Construction up to roof level – not exceeding 40% of the total contracted cost.

c) 35% will be released on completion of the remaining works and

d) 5% will be released on completion of construction of the building.

A certificate in this regard has also to be given by the IA. to NA.

6. As regards purchase of machinery and equipments, the IA/ SPV has to follow the Government of India procedures and norms for purchase.

7. As regards placement of orders for procurement of machinery, the performance of the machinery and equipments has to be given paramount importance. The two cover tender system should be followed in all cases of purchase of machinery. In the technical bid the past performance of the machinery supplied by the tenderer has to be evaluated and if required the purchase committee including technical experts from the appropriate field should visit the units where the machinery supplied by the tenderer has been installed, for an on-the-spot evaluation. The financial bids of the tenderers who qualify the technical bid should only be opened and the lowest will be recommended for placement of orders. The machinery supplier shall enter an agreement with IA/ SPV jointly to ensure the rated production, trouble free operation, training the workers, SPV members, artisans etc. along with one year performance guarantee for plant and machinery.

8. In case of machinery purchased, payment may be as follows:
- a. Payment of advance along with firm order should be discouraged. However in inevitable cases advances up to 60% can be released against Bank Guarantee for equal amount, which may be decided by the I.A.
 - b. Up to 60% of the cost of the machinery may be released once the machinery is landed in the CFCs.
 - c. Out of the balance 40%, 35% cost of the machinery may be released on installation and successful trial run;
and
 - d. The balance 5% may be released after successful running of the unit and production of insurance policy. A certificate in this regard has also to be given by the I.A. to the NA.
9. The IA shall maintain separate and dedicated bank account in their name with a nationalized bank in the locality of the cluster, jointly operated by their authorized signatory, Nodal Officer/Officer-in-charge of Khadi and Village Industries Commission Secretary of IA and CDE, for utilization of the funds received from the NA for implementation of the soft and hard interventions like setting up of CFC, civil works, procurement and installation of machinery and shall allow the auditors deputed by the Khadi and Village Industries Commission and/ or the representatives of the Khadi and Village Industries Commission/Ministry of MSME/A.G. to inspect and audit such accounts at any time. The Nodal Agency(NA) shall release to this account 90% of the project cost meant under Hard Interventions as grant amount in installments as per the guidelines approved by the Ministry on recommendation by TA and State Office, KVIC only if the IA/SPV contributes 10% as its share for total hard intervention cost in lumpsum into this joint account. Payment from this account may be released from time to time for establishment of the Common Facility Centre as per guidelines furnished above.

10. The IA/SPV shall commence the work of CFC within one month from the date of receipt of grant contribution from NA and shall complete the CFC within 6 months period after the commencement of the work.

11. Working Committee to look after CFC: To ensure that the facilities and infrastructure created with grants under SFURTI are sustainably managed to the advantage of artisans for improved production and marketing, IA will constitute a Working Committee for each cluster comprising the following:

- Chief functionary of the IA – Convener
- Representative of a Nationalized bank operating in the area preferably from the Bank through the IA/SPV operates its fund
- 3 artisans nominated by the IA (including at least one woman) on annual rotation basis, renomination may not be allowed in five years
- Representative of the State Office, KVIC
- GM, DIC or his representative/nominee

The Working Committee should meet at least once in a month to review the progress of the CFC and decide about the user charges once it setup. The Committee may decide *interalia* the user charges to be levied for availing the facilities of the Common Facility Centre.

12. In the event of any breach in the guidelines issued and the agreement arrived at, the NA or his authorized person will have powers to retrieve the balance amount available in the dedicated account along with interest accrued in the grant amount maintained in the dedicated account at any time by issuing a letter to the Bank.

13. The maintenance of the CFC shall be the responsibility of the IA/SPV and NA shall not provide any funds for that purpose. The IA/SPV shall develop and sustain the cluster after the project implementation period is over.

14. In the event of project cost exceeding the estimate prepared, the IA/SPV has to remit the equity contribution of the extra amount to the bank

account open for the purpose. However the escalation in the estimate cost shall be limited to the orders issued by the NA in this regard.

15. The IA/SPV shall maintain dedicated accounts with appropriate bills & vouchers & render correct & accurate accounts of expenditure incurred out of the grant sanctioned by NA. The accounts/ machineries installed in CFC shall be opened for inspection & audit by such officers authorized in this behalf by the Khadi and Village Industries Commission or by the Government.

16. In case of dissolution of Implementing Agency/Special Purpose Vehicle within 10 years from the date of sanction of assistance by the Government under the Scheme, all the assets created with such assistance shall be vested with the Government.

17. The role and responsibility of the IAs include the following:

- a) Recruit a full-time CDE in order to ensure efficient implementation of the project. Selection of CDE must be made from 3 options viz. (i) a local capable & strongly acceptable CDE from among the beneficiary group, (ii) grooming of an existing person from the group to become a good CDE and (iii) an externally recruited CDE. Additional qualification, experience and expertise to be considered while selection of the CDE in line with the requirements of the project deliverables.
- b) In case of an external person is chosen as the CDE, a capable local person may be made the deputy to the CDE so that he is groomed to take up the responsibility once the regular CDE leaves the cluster after financial support is stopped.
- c) The IA would identify and arrange suitable land for the project .
- d) Implement various interventions as outlined in the approved DPR.
- e) Undertake procurement and appointment of contractors, when required, in a fair and transparent manner.
- f) The IA will enter into an agreement with the Nodal Agency for timely completion on cluster intervention and proper utilization of Government Grants.

- g) Operation & Maintenance (O&M) of assets created under the project by way of user-fee based model.
- h) Responsible for furnishing Utilization Certificates (UCs) and regular Progress Reports to Nodal Agency in the prescribed formats.
- i) Ensure that the services of the facilities created under the scheme are extended to the clusters in general, in addition to the members enterprises.

18. On obtaining final approval, a sanction order will be issued by NA and 1st installment for the soft and hard intervention will be released by NA in the dedicated bank account opened in the name of the IA/SPV. Whereas release of fund by NA to IAs for interventions shall be need-based.

19. The NA, IA and SPV shall be abide to oblige the rules and regulations imposed by the Ministry of MSME and shall bound to follow the guidelines and its amendments made from time to time.

20. No Liability to NA

The NA shall not be held liable for acts of omissions or commissions of IA/SPV resulting in claims and damages from third party against NA.

The IA/SPV, at all times indemnify the NA against any claims in respect of any damages of compensation payable in consequences of any accident or injury sustained by its (IA/SPV) employee of the sub-contractors or by any other third party resulting from or by any transportation/conveyance or act or omissions conducted by or on behalf of the IA/SPV. Similarly, the IA/SPV shall all times indemnify NA against all claims/damages etc for any intellectual property rights (IPR) while providing its services under the project.

21. Amendment to Agreement:

NA, IA and SPV may make amendment to this Agreement, as per requirements, by mutual agreement, consent and in writing.

22. In case of any dispute in the above terms and conditions or any other matter connected thereto, the decision of the Chief Executive Officer, Khadi and Village Industries Commission will be the final.

22. The terms and conditions of this agreement shall be interpreted in Indian law and will be subjected to the jurisdiction of courts of Mumbai, Maharashtra.

In witness whereof for and on behalf of the N.A. have hereunto set their hands and the seal of the organization has been fixed on the day and year first above written.

Signed by

Shri..... Shri..... Shri.....

For & on behalf of the N.A. For & on behalf of the I.A. For & on behalf of the SPV

In the presence of witnesses:

- 1.
- 2.
- 3.