

MEMORANDUM OF UNDERSTANDING ON BANKING ARRANGEMENTS OF FUNDS OF THE NATIONAL RURAL DRINKING WATER PROGRAMME (NRDWP AND SANITATION CAMPAIGN (TSC))

01. This Memorandum of Understanding is among the following three parties:
 1. The Ministry of Drinking Water and Sanitation (MDW&S), Government of India acting through its Representative.
 2. State Water and Sanitation Mission, (herein called the State Agency), with registered office at..... acting through its Member Secretary.
 3.Bank....., with registered office at..... acting through its.....

02. The purpose of this Memorandum of Understanding is to define the responsibilities, obligation, rights and duties of the three parties in respect of the banking arrangement for the funds (herein call the funds) released by the MDWS, for the construction or up gradation of rural water supply system under the Scheme and Guidelines of National Rural Drinking Water Programme (NRDWP/ TOTAL SANITATION CAMPAIGN (TSC)), schemes of the Ministry of Drinking Water & Sanitation.

03. The State Agency undertakes that :
 - i. It will keep the funds for the NRDWP/TSC works and interest earned thereon in their entirety in one Account with the Bank. It will keep any other incidental income of NRDWP/TSC also with the Bank.
 - ii. It will not withdraw or apply or utilize any fund from the Account except in a manner permitted under NRDWP/TSC as per Guidelines, Orders and instructions issued from time to time by the Ministry of Drinking Water & Sanitation (MDW&S).
 - iii. It will render a complete, faithful, true and fair account of the fund to the MDW&S at monthly intervals.
 - iv. It will designate an Empowered Officer and intimate his name, designation and such other details, as the Bank may require, to the Bank.

- v. It will communicate, through the Empowered Officer, the names, designation and other details of Authorized Signatories and Authorized Payees to the Bank.
 - vi. It will have online arrangements for internet connectivity for all payments made by its Authorized Signatories and will forthwith enter all transactional data relating to payments into the IMIS software developed for management of the NRDWP/TSC Programme. In particular, the identity of the Authorized Signatories, the cheque number and the name of the Authorized Payee, the purpose of the payment and the work order (if applicable) will be entered in electronic data bases accessible to the Bank for the purpose of record, verification and further processing.
 - vii. It will not seek any overdraft facility from the Bank.
04. The Bank undertakes that notwithstanding any general agreement or any non statutory provisions in this regard:
- i. It will keep the funds for the NRDWP/TSC Programme only in three accounts hereinafter called the Programme Fund, Support Fund and TSC funds.
 - ii. It will follow the Guidelines of Government of India for payment from the NRDWP/TSC funds.
 - iii. All payments to the Contractors from the programme fund would only be by way of Account Payee cheques, as per standing instructions and communications issued by the Empowered Officer from time to time. Any wrong payment made in violation of the Standing instructions and communications will be borne by the Bank without demur.
 - iv. The selected branch of the bank will maintain internet-connectivity and enter all transaction data into the relevant module of the NRDWP/TSC Programme's Online Integrated Management Information System (IMIS).
 - v. The Bank will issue free of charge separate Cheque Books to each of the Authorized signatories under intimation to the Empowered Officer and will keep their signatures on record.
 - vi. On presentation of the cheques issued by Authorized Signatories, before making payment, the Bank would satisfy itself that the payment details have been entered in the Payment Module of the integrated Management Information System (IMIS), and that the Cheque meets with all other requirements, among others, like signatures agreeing with specimen signatures, the cheque amount being within the balance

- authorized limit and the payee being the authorized payee, payee account details being fully and correctly specified etc.
- vii. The Bank and its nominated branches in the State shall not take more than 24 hours to make the necessary enquiries and honour as per the cheques issued against the account by the Authorized Signatory subject to the instructions issued by the empowered officer.
 - viii. It will automatically invest the funds in excess of Rs.500.00 lacs in the Programme fund in its Fixed Deposits of maturity of one year in units of Rs.25 lacs.
 - ix. It will automatically encash the security last invested if the funds fall below Rs.500.00 lakh and pay interest payable from the date of investment to the date of encashment, without deducting any charges for early investment.
 - x. The rate of interest on fixed deposits will be the rate of interest last notified by the HQ of the Bank. It will pay interest on the balances in the SB account of NRDWP/TSC fund at the prevailing Saving Bank Interest Rate.
 - xi. It accepts its responsibility to pay interest for any omission to make investment and will submit an Audit Certificate each year that the investments were made as per the Memorandum of Understanding.
 - xii. It will issue without any charge demand drafts, Banker's cheques etc. when asked for by the State Agency or its Authorized Signatory.
 - xiii. It will send to the State Agency and each Authorized Signatory a weekly and monthly statement of receipts and payments, the balance of authorized limit.
 - xiv. It will forthwith inform the Empowered Officer of any unusual transaction involving any Authorized Signatory.
 - xv. It will send to the Ministry of Drinking Water & Sanitation a certificate of Balance at such intervals as the Ministry may direct.
 - xvi. It will promptly carry out the corrections in the account of the State Agency as and when noticed or brought to its notice by the State Agency or any Authorized Signatory.
 - xvii. It will promptly bring to the notice of the MDW&S any discrepancies that come to light in Audit Report etc.
 - xviii. It will promptly, and without demur, stop payment on the directions of the Empowered Officer, State Agency or the MDW&S.
 - xix. It will maintain confidentiality of the accounts and the transactions as per the law.

xx. It will abide by the NRDWP/TSC guidelines and orders issued by the Ministry of Drinking Water & Sanitation regarding the implementation of the transactions of the NRDWP/TSC.

05. The Ministry of Drinking Water & Sanitations undertakes that :

- i. It will promptly issue necessary clarifications to the Bank and the State Agency regarding any doubts that may arise in implementing this system.
- ii. It will inform the State Agency the purpose and the manner of using the funds as decided by the Ministry of Drinking Water & Sanitation, Government of India.
- iii. It will advise the State Agency and /or the Bank to suspend payments in order to investigate frauds and serious irregularities, if any, in the use of the funds.

06. Each party understands the rights of one another and their obligations and responsibilities. Each party solemnly promises to fulfill the obligations under this Memorandum of Understanding.

07. This Memorandum of Understanding comes into force from the date of signing. All parties may jointly agree to change any of the clauses, and such changes will take effect from such date as is specified in the agreement.

08. Notwithstanding anything contained in this Memorandum of Understanding the State Agency may terminate this MOU, with the concurrence of the Ministry of Drinking Water & Sanitation, after giving one month's notice. However, no notice would be given without giving the Bank opportunity to place their views before the State Agency in respect of the proposed termination.

09 The decision of the Joint Secretary Ministry of Drinking Water & Sanitation will be final in case of any dispute among the parties.

Signed this..... Day of2012.

1. Under Secretary,
Ministry of Drinking Water and Sanitation,
Government of India.

2. Name & Designation
State Water and Sanitation Mission

3. Name and Designation of the Bank Officer.

Witnesses

1.

2.

3.