

# **Terms of Reference (ToR) for loan from NABARD to State Governments under Pradhan Mantri Kisan Urja Suraksha evam Utthan Mahabhiyaan (PM-KUSUM)**

## **1. Introduction**

**1.1** As a part of Intended Nationally Determined Contributions (INDCs), India has committed to increase the share of installed capacity of electric power from non-fossil-fuel sources to 40% by 2030. Further, the Cabinet has approved scaling-up of solar power target from 20,000 MW of Grid Connected Solar power projects to 1,00,000 MW by 2022.

**1.2** In this backdrop, the Government of India has approved Pradhan Mantri Kisan Urja Suraksha evam Utthan Mahabhiyaan (**PM-KUSUM**) on March 8, 2019 for providing financial and water security to farmers. The scheme aims to add Solar and other renewable capacity of 25,750 MW by 2022 with total investment of Rs.1,46,625 crore. The nodal Ministry under the scheme is Ministry of New and Renewable Energy (MNRE), GoI.

**1.3** The scheme consists of three components:

- i. Component-A: Setting up of 10,000 MW of Decentralized Ground/ Stilt Mounted Grid Connected Solar or other Renewable Energy Based Power Plants** – Solar or other renewable energy based power plants of capacity 500 kW to 2 MW will be set up by individual farmers/group of farmers/cooperatives/panchayats /farmer producer organisations (FPO)/Water User Associations (WUA) on their barren or cultivable lands, through debt and equity in appropriate ratio. The renewable power generated will be purchased by DISCOMS at a pre-fixed levelized tariff. MNRE will provide a Procurement Based Incentive (PBI) @ 40 paise/kWh or Rs.6.60 lakh/MW/year, whichever is lower to the DISCOMS, for buying the power under this Scheme. The estimated cost under this component is Rs. 45,000 crore.
- ii. Component B: Installation of 17.50 lakh stand-alone Solar Agriculture Pumps**-Individual farmers/ Water User Associations and community / cluster based irrigation system will be supported to install stand-alone solar agriculture pumps of capacity up to 7.5 HP for replacement of existing diesel agriculture pumps/irrigation systems in off-grid areas, where grid supply is not available. Installation of new pumps is also permitted except in dark zone areas. The estimated cost under this component is Rs. 56,625 crore.
- iii. Component C: Solarisation of 10 Lakh Grid Connected Agriculture Pumps** - Individual farmers/ Water User Associations and community/ cluster

based irrigation system having grid connected agriculture pumps will be supported to solarise pumps. Solar PV capacity up to two times of pump capacity in kw is allowed under the scheme. The farmer will be able to use the generated solar power to meet the irrigation needs and the surplus solar power will be bought by DISCOMs at the rate to be decided by the respective State Electricity Regulatory Commission (SERC). The estimated cost under this component is Rs. 45,000 crore.

**1.4** Under Component B and C of PM-KUSUM, the benchmark cost or the tender cost of the stand-alone agriculture pump (for Component B) / solar PV component (for component C), whichever is lower, is supported by Central Fund Assistance (CFA) by GoI at the rate of 30%, by concerned State Government where the units are to be installed/commissioned at the rate of 30% and the remaining 40% is to be borne by beneficiary farmer. For North Eastern States, Sikkim, Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Lakshadweep and A&N Islands, the same will be shared in ratio of 50:30:20 amongst GoI, concerned State Government and the beneficiary farmer respectively. In case, the State Government provides subsidy more than 30%, the beneficiary farmer's share would be reduced to that extent.

**2. Eligible Components and purposes:** NABARD has agreed to extend credit support to the State Govt for the eligible projects under PM-KUSUM. Such credit support shall be available under component B and C of PM- KUSUM for the following purposes:

**i. Component-B**

- To facilitate State Govts. to increase their quantum of subsidy towards stand alone agriculture pump from the mandatory share of 30% so as to reduce beneficiary's share.

**ii. Component-C**

- To facilitate State Govts. to increase their quantum of subsidy towards solar PV component from the mandatory share of 30% so as to reduce beneficiary's share.
- To facilitate State Govts. to undertake feeder level solarization, instead of solarization of individual pumps, by mobilizing resources over and above 30% subsidy to be contributed by GoI for the purpose.

**3. Features of Loan**

NABARD will be raising resources from the market or utilize its pool of financial resources for lending to State Governments to support projects under PM-KUSUM.

### **3.1 Eligible Entities**

State Governments through Finance Department shall be eligible to borrow loans from NABARD under PM-KUSUM for the components & purposes mentioned at para 2 above.

### **3.2 Period of loan**

The principal loan amount shall be repayable by the State Governments in annual instalments in 7 years, including a moratorium of 2 years. The interest shall be payable at quarterly rests i.e., 1<sup>st</sup> April/ 1<sup>st</sup> July/ 1<sup>st</sup> October/ 1<sup>st</sup> January. During the moratorium period also, the interest would be serviced by the State Governments.

### **3.3 Interest rate**

The rate of interest on loan on each occasion shall be equal to the corresponding cost of funds to NABARD. The cost of funds to NABARD in case of funds raised from the market by NABARD for the specific purpose of funding the drawal applications under PM-KUSUM, will be the prevailing market rate as applicable for such borrowing plus NABARD's margin of 0.60% p.a. Else, the cost of funds shall be the 7 year (equivalent to tenor of loan) bond FIMMDA rate available on FIMMDA website one day prior to the date of disbursement applicable to PSU AAA entities plus NABARD's margin of 0.60% p.a

## **4. Documentation**

**4.1** States will have to sign Memorandum of Agreement (MoA) with MNRE, GoI and NABARD. The MoA in respect of State Government will be signed by the Finance Department of the State Government, being the Nodal Department for availing loan under PM-KUSUM.

**4.2** The State Government will furnish a mandate in a prescribed format registered with RBI / Principal Banker on their current account, in favour of NABARD, to the effect that, in the event of default by the State Government in repaying the principal and interest on loans taken under PM-KUSUM, NABARD shall have the first charge on all receipts of the State Government in their current account including from out of the Central Divisible Pool.

**4.3** Further, NABARD shall have the "First Charge" on the amount due or becoming due from GoI to the State Government on account of central plan assistance, and grants, including Finance Commission Grants, devolution of States share in Central taxes and any

other amount payable to the State Government. The aforementioned amounts could be deducted, by GoI before the State share is released or in case of State share of Central taxes as and when that State share is credited to the State Government's account with RBI/ Principal Banker.

**4.4** The State Government shall execute a Time Promissory Note (TPN) in favour of NABARD, in a format prescribed by NABARD, for each loan disbursement separately.

**4.5** 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.

## **5. Appraisal and Sanction**

The following procedure shall be followed for sanctioning of Projects under PM-KUSUM:-

**5.1** Implementing departments of the State Government. shall prepare detailed Project Report (DPR) and obtain necessary statutory clearances, if any.

**5.2** Nodal department, i.e., Finance Department, shall submit project proposals to MNRE, GoI for recommendation with a copy to NABARD Regional office of the respective state.

**5.3** Based on the recommendation of the MNRE, GoI, on total cost, eligible loan amount to the State and phasing, the Sanctioning Committee of NABARD shall sanction the project.

**5.4** Details of sanction along with terms and conditions shall be conveyed by NABARD to the State Government with a copy to MNRE, GoI for information.

## **6. Release of Loan**

The State Governments will furnish acceptance of the terms and conditions of sanction of loan.

**6.1** The State Government shall submit each drawal application to NABARD with respect to the sanctioned projects through its nodal Department, i.e., Finance Dept. with a copy to MNRE in prescribed format. NABARD would release loan to State Government., in the form of advance based on recommendation of MNRE and after satisfactory completion of

all the documentation formalities. Along with each drawal application, State Government shall also furnish Utilization Certificate in respect of the entire amount of previous loan installment, if any, released to it.

**6.2** The Borrowings of the State Governments under PM-KUSUM shall be governed by Article 293 (3) of the Constitution of India under which GoI determines the States Government's borrowing power from the market and financial institutions during the financial year and Article 293 (1), under which borrowing limit is fixed by the State Legislature. Disbursements shall be made only after receipt of Borrowing Power approval from GoI under Article 293 (3) of Constitution of India by the State Government.

**6.3** The State Government shall submit its tentative requirement of funds to NABARD one month prior to the expected date of disbursement. NABARD shall endeavour to disburse the requisitioned amount within 15 days of getting drawal application, complete in all respects along with all necessary documents from the State Government. and due recommendation from MNRE, GoI. In order to raise resources from the market through issuance of bonds with minimum lot size, the demands received from the States shall be clubbed by NABARD till the minimum amount of Rs. 500 crore is reached and the period of 15 days may be reckoned from the date on which such amount is reached. In the case of drawal application falling short of Rs 500 crore, NABARD may either exercise its right to hold such drawal application and consider the same along with other applications such that the total value of applications considered equals Rs 500 crore or more or exercise its discretion to consider release of drawals less than Rs.500 crore out of its own resources.

**6.4** The State Government would make adequate budgetary provision annually for repayment of loans under PM-KUSUM and interest thereon.

**6.5** Each disbursement would be treated as a separate loan and would have prescribed repayment schedule.

**6.6** In the event that State Government after giving one month's notice and the drawal request, does not avail the loan out of funds raised by NABARD, 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.

## **7. Monitoring and Evaluation**

**7.1** Monitoring of individual projects shall primarily be the responsibility of the implementing agency/department of the State Government.

**7.2** In addition to monitoring by the State Government., like any other centrally sponsored scheme, there will be structured mechanism for effective implementation of projects sanctioned under PM-KUSUM.

**7.3** MNRE, GoI/State Government. shall put in place appropriate mechanism for concurrent evaluation/social audit, third party monitoring, awareness building, etc.

**7.4** State Government. shall put in place appropriate mechanism for facilitating social monitoring of assisted projects.

**7.5** NABARD may undertake monitoring of projects on sample basis.

**7.6** High Powered Committee (HPC) under the chairmanship of Chief Secretary, constituted in each State for monitoring RIDF projects may also review the progress of projects assisted under PM-KUSUM. All important aspects, such as, periodical progress under various projects, bottlenecks in implementation, adequacy of funds, adequacy of borrowing limit of the State, etc., may be reviewed by the HPC.

## **8. Social Monitoring**

Social monitoring is done by making available basic details of projects in public domain to generate awareness among the ultimate beneficiaries. As part of social monitoring, MNRE, GoI shall advise the State Governments to arrange to display suitable engraved plaques at critical sites across the project indicating physical and financial details of the projects financed, preferably in local language, clearly mentioning the details of funding under PM-KUSUM through NABARD.

## **9. Project Completion Report (PCR)**

Project Completion Report shall be submitted by the implementing department through Finance Department of concerned State Government to MNRE, GoI and NABARD within three months from the date of completion of the project.

**10.** The parties to MoA under which these Terms of Reference are being issued may amend/ modify/ add/ delete any provision of Terms of Reference including General Terms and Conditions for sanction of loans under PM-KUSUM as per the procedure prescribed in the MoA.

**12.** If any provision contained in the Terms of Reference or its Annexures is inconsistent with the MoA in this regard, the provisions of MoA would prevail.

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## **GENERAL TERMS AND CONDITIONS FOR SANCTION OF LOAN UNDER Pradhan Mantri Kisan Urja Suraksha evam Utthan Mahabhiyaan (PM-KUSUM)**

### **1. Nodal Ministry/ Department**

**1.1** Ministry of New and Renewable Energy(MNRE), Government of India (GoI) shall be the Nodal Ministry to oversee all activities under the funding arrangement for providing loans to States for implementing PM-KUSUM.

**1.2** Finance Department of the respective State Governments will be the nodal department for availing loan under PM-KUSUM.

**1.3** The nodal department, i.e., Finance Department, shall intimate to NABARD the name, designation and specimen signature of the representative who is duly authorized by it to apply for drawal of the loan amounts and issue necessary acknowledgement 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 nodal department shall also intimate NABARD subsequent change in the designated officer, if any, and forward the particulars and specimen signature of the new incumbent immediately and in any case not exceeding 30 days.

### **2. Release of loan**

**2.1** The terms and conditions of the loan shall be governed by a Memorandum of Agreement and shall be read along with the Memorandum of Agreement (MoA) signed in this regard with the respective State Government and also the Term of Reference for PM-KUSUM.

**2.2** The State Government shall submit each drawal application to NABARD with respect to the sanctioned projects through its nodal Department, i.e., Finance Dept. with a copy to MNRE in prescribed format. NABARD would release loan to State Government., in the form of advance based on recommendation of MNRE and after satisfactory completion of all the documentation formalities. Along with each drawal application, State Government. shall also furnish Utilization Certificate in respect of the entire amount of previous loan installment/s, if any, released to it.

**2.3** The Borrowings of the State Governments under PM-KUSUM shall be governed by Article 293 (3) of the Constitution of India under which GoI determines the States Government's borrowing power from the market and financial institutions during the financial year and Article 293 (1), under which borrowing limits are fixed by the State Legislature. Disbursements shall be made only after receipt of Borrowing Power approval from GoI under Article 293 (3) of Constitution of India by the State Government.

**2.4** The State Government shall submit its tentative requirement of funds to NABARD one month prior to the expected date of disbursement. NABARD shall endeavour to disburse the requisitioned amount within 15 days of getting drawal application, complete in all respects along with all necessary documents from the State Government. and due recommendation from MNRE, GoI. In order to raise resources from the market through issuance of bonds with minimum lot size, the demands received from the States shall be clubbed by NABARD till the minimum amount of Rs. 500 crore is reached and the period of 15 days may be reckoned from the date on which such amount is reached. In the case of drawal application falling short of Rs 500 crore, NABARD may either exercise its right to hold such drawal application and consider the same along with other applications such that the total value of applications considered equals Rs 500 crore or more or exercise its discretion to consider release of drawals less than Rs.500 crore out of its own resources.

**2.5** The State Government would make adequate budgetary provision annually for repayment of loans under PM-KUSUM and interest thereon.

**2.6** Each disbursement would be treated as a separate loan and would have prescribed repayment schedule.

**2.7** In the event that State Government after giving one month's notice and the drawal request, does not avail the loan out of funds raised by NABARD, 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.

### **3. Use of loan amount**

The State Government shall utilize the loan amount solely and exclusively for the purpose for which it is sanctioned by NABARD. The Finance Department of the State Government shall ensure that funds drawn from NABARD are passed on to the implementing agency.

No part of the funds shall be delivered for any other purpose other than for completion of the projects sanctioned.

#### **4. Documentation for the loan**

**4.1** States will have to sign Memorandum of Agreement (MoA) with MNRE, GoI and NABARD. The MoA in respect of State Government will be signed by the Finance Department of the State Government, being the Nodal Department for availing loan under PM-KUSUM.

**4.2** The State Government will get a Mandate registered with Reserve Bank of India/Principal Banker, in favour of NABARD, to the effect that, in the event of default by the State Government in honouring its repayment obligations to NABARD, Reserve Bank of India/Principal Banker shall debit forthwith such amount as may be requested by NABARD from the account of the State Government. maintained with RBI/ Principal Banker and credit the same to the account of NABARD.

**4.3** The State Government shall execute a Time Promissory Note (TPN) in favour of NABARD, in a format prescribed by NABARD, for each loan disbursement separately.

**4.4** 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.

#### **5. Rate of Interest**

**5.1** The rate of interest on loan on each occasion shall be equal to the corresponding cost of funds to NABARD. The cost of funds to NABARD in case of funds raised from the market for the specific purpose of funding the drawal applications under PM-KUSUM, will be the prevailing market rate as applicable for such borrowing plus NABARD's margin of 0.60% p.a. Else, the cost of funds shall be the 7 year (equivalent to tenor of loan) bond FIMMDA rate available on FIMMDA website one day prior to the date of disbursement applicable to PSU AAA entities plus NABARD's margin of 0.60% p.a.

**5.2** The interest shall be worked out on quarterly intervals at the end of each quarter i.e. 31<sup>st</sup> March, 30<sup>th</sup> June, 30<sup>th</sup> September and 31<sup>st</sup> December every year and shall be paid by

State Government on the first day of the month succeeding the quarter. Interest is payable during the moratorium at quarterly intervals.

**5.3** If State Government fails to pay interest on the respective due date(s), it shall be liable to pay interest on overdue interest at the same rate as is applicable to the principal amount.

## **6. Repayment of loans**

**6.1** Loans under PM-KUSUM shall be repaid by the State Government in five equal annual instalments during the period of seven years from the date of drawal, including a moratorium of 2 years and as per the repayment schedule prescribed by NABARD.

**6.2** The instalments falling due on any date during a month after moratorium, will be payable on the first day of the next month.

**6.3** 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. Further, Partial prepayments, if any, to be appropriated to the outstanding loans / advances in chronological order of disbursement (First Out First In).

**6.4** If the State Government. fails to pay the principal amount on the respective due date (s), it shall be liable 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 of the amount due.

## **7. Budgetary provision**

**7.1** The State Government. shall make adequate provision in the budget as may be required for smooth implementation of the sanctioned projects. An undertaking to this effect shall be given by State Government to NABARD.

**7.2** The State Government shall make suitable budget provision for timely payment of interest and repayment of loan instalments.

### **8. Administrative approval**

State Government. shall accord administrative approval in respect of the projects sanctioned by NABARD and in case of revision in the cost of the projects, the State Government. shall also accord administrative approval for the same. The State Government. will submit copy of administrative approvals to NABARD to ensure uninterrupted flow of funds.

### **9. Appropriation of Repayments:**

All the amount paid by the State Government shall be first appropriated towards additional interest on the overdue interest, overdue interest, additional interest on overdue loan and overdue loan amount, if any in that order.

### **10. Default recovery –Invoking of letter of authority**

**10.1** 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 repayment 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.

**10.2** Further, if at any time, the balance in the State Government account is inadequate to meet the aforesaid debit, the account shall be debited to the extent of availability of funds and the remaining amount shall be debited subsequently as and to the extent funds become available in its account. Until the entire dues of NABARD are recovered from the State Government, RBI/Principal Banker shall not make any other payment on behalf of the State Government out of the balance in the State Government account.

**10.3** In the event of default by the State Government in honoring its repayment obligation under this agreement, NABARD shall have the “First Charge” on the amount due or becoming due from GoI to the State Government on account of central plan assistance and

grants, including Finance Commission Grants, devolution of States share in Central taxes and any other amount payable to the State Government. The aforementioned amounts could be deducted, by GoI before the State share is released or in case of State share of Central taxes as and when that State's share is credited to the State Government's account with RBI / Principal Banker.

10.4 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.

## **11. Stoppage of further disbursements**

**11.1** Without prejudice to NABARD's rights and any other legal remedies as may be available to it, upon breach of any or all of the terms and conditions herein, NABARD at its own discretion, may stop further disbursement of the loans and advances under PM-KUSUM or any other accommodation granted to the State Government.

**11.2** Notwithstanding what is contained in sub clause 11.1, on the occurrence of default in repayment of any installment of the principal or payment of any installment of the interest as mentioned above, it shall be open to NABARD to stop further disbursement of loan and advances sanctioned under the above project until such amounts in default are paid in full by the State Government. In such an event, NABARD shall not be liable for any loss, damage or expenses that may be caused in the completion of the aforesaid project otherwise.

## **12. Recall of Loan**

Without prejudice to anything herein before contained or in the sanction letter, 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 terms and conditions of the sanction/MoA.

## **13. Project design**

The State Government. shall ensure that the project is completed as per the approved technical design, cost estimate and specific time schedule. In case of any deviation needed

for such changes, the State Government. shall inform NABARD in advance, justifying the need for change.

#### **14. Maintenance of Accounts**

**14.1** State Government shall maintain separate account for the transactions in respect of loan availed from NABARD under PM-KUSUM clearly showing the principal amount of loan, repayment of loan, loan outstanding, interest and additional interest, if any, separately.

**14.2** State Government shall 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.

**14.3** State Government. shall submit such information/documents as and when required by NABARD.

**14.4** State Government. on a continuous basis, shall maintain the details of due dates/obligations towards repayment of principal and payment of interest to NABARD.

#### **15. Project Implementation / Progress of Works**

**15.1** In respect of each project, the State Government. shall submit a plan of implementation in respect of each project to NABARD as soon as the sanction is communicated by NABARD so as to facilitate proper monitoring and review.

**15.2** The State Government. shall maintain such records and furnish such information to NABARD on a half yearly basis to establish to the satisfaction of NABARD that the work of the projects is progressing satisfactorily and diligently so as to be completed within the time prescribed in the sanction letter.

**15.3** NABARD shall have a right to inspect/cause to inspect projects undertaken and funded on a random basis including site visits.

**15.4** In case, NABARD is of the view that the work is not progressing with such speed and diligence so as to be completed within the period prescribed in the sanction letter, plan of

implementation; it shall be open to NABARD to stipulate such further conditions and terms as it may deem fit for completion of the project in consultation with MNRE.

## **16. Obligation to ensure smooth progress of work**

16.1 The State Government. shall take all such steps as may be found necessary to remove any legal or other procedural hurdles in the smooth implementation of the projects.

16.2 The State Government. shall ensure completion of all process including land acquisition, if any, in respect of obtaining necessary clearances from the authorities concerned at the earliest in order to enable timely completion of the sanctioned projects.

## **17. Display of Board:**

The Implementing Department/Agency shall arrange to display the physical and financial details of the projects financed under PM-KUSUM through suitable engraved plaques at critical sites across the project site, showing NABARD's name, in local language as per the format to be prescribed by NABARD.

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