



# **Memorandum of Agreement (MoA) under National Hydrology Project**

between

**Ministry of Water Resources, River Development &  
Ganga Rejuvenation**

and

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**Water Resources Department (SW)**

**Government of Andhra Pradesh**

**Dated: 14<sup>th</sup> Oct, 2016**



Memorandum of Agreement (MoA) between the Ministry of Water Resources, River Development & Ganga Rejuvenation (MoWR, RD&GR), Government of India and Water Resources Department, Government of Andhra Pradesh for the implementation of National Hydrology Project (NHP).


1. This MoA is made between the Ministry of Water Resources, River Development & Ganga Rejuvenation (MoWR, RD&GR), Government of India and the Resources Department, Government of Andhra Pradesh for the implementation of National Hydrology Project (NHP) from 2016-17 to 2023-24 as a Central Sector Scheme.
2. The State / Central Government Organisations, henceforth called Implementing Agency, agrees to undertake NHP implementation as per guidelines. The Implementing Agency (IA) declares its commitment to the objectives of the Project. To this end, the Implementing Agency shall carry out the Project in accordance with the provisions of Project Implementation Plan/ Annual Work Plan/ Procurement Plan, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
3. The project will be of 08 years' duration and would be taken up in two phases of four years each. The four components envisaged are, viz. (A) Water Resources Data Acquisition System; (B) Water Resources Information System; (C) Water Resources Operation and Planning; (D) Institutional Capacity Building at a cost of Rs. 3679.7674 Crore. The Ministry of Water Resources, RD & GR, Government of India agrees to provide central assistance (Grants) under different activities for the completion of project targets during the period of MoA subject to the following conditions:
  - i) The Project will start from November, 2016 and be completed by the Water Resources Department, Government of Andhra Pradesh as per the annual physical and financial targets as mentioned in the approved Project Implementation Plan/ Annual Work Plan/ Procurement Plan. Its completion will be informed immediately to the Ministry of Water Resources, RD&GR, Government of India.
  - ii) The total Central assistance for an amount of Rs. 80 Crore as approved by the Cabinet and will be given as Grant-in-Aid in two tranches annually as per the conditions prescribed in the scheme guidelines mentioned in the Schedule of Implementation (Annexure-I) and Financial Management (Annexure-II). The allocations of funds to the Implementing Agencies under NHP may be revised, based on necessity and utilization of funds by them,
  - iii) The project will be monitored by the World Bank, MoWR, RD&GR and State Government as prescribed in the scheme guidelines. National Project Monitoring Unit (NPMU) MoWR RD&GR will be lead agency for the implementation of NHP and the release of the central assistance (Grant) will be based on their recommendations. The MoWR, RD&GR and the World Bank will review and monitor the physical, financial, procurement and safeguard compliance of NHP in accordance with the Financing Agreement to be signed between Government of India and the World Bank.



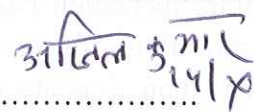
- iv) Quarterly Progress Report (QPR) indicating quarterly physical and financial targets / achievement, matching with annual target certified by the Nodal officer of the Project Monitoring Unit (PMU) of the Implementing Agency shall be submitted to the NPMU by the end of Month of April, July, October and January positively. QPRs shall be submitted through the web-based Monitoring Information System (MIS) of NHP. The annual physical and financial reports executed during the immediate preceding financial year will be submitted to the NPMU by July 31 of every financial year.
- v) The State / Central IAs shall ensure quality control and safeguard during the execution of the works.
4. The IAs need to follow the World Bank Guidelines including procurement, financial management and safeguard. The IAs may initiate the preparation of the bid documents on the same lines.
5. While closing the final account of a project on completion of all the works the IAs shall submit Utilization & Audit certificate and refund balance central share, if any to Govt. of India (Annexure-III and Annexure-IV).
6. In case of shortfalls in achievements (physical and financial) and delay in completion of various activities against annual targets, the implementing agency shall submit proposal for carry-over of activities and revalidation of amounts to NPMU with justification. The MoWR, RD&GR would either approve such extension or reallocate such amounts to other agencies if there is consistent shortfall in achievements beyond one year.
7. All Implementing Agencies shall ensure uninterrupted sharing of hydro-meteorological data (including surface water, ground water, meteorological, and water quality, etc.), both historical and real-time with National Water Informatics Centre (NWIC) / India-WRIS in order to enable basin-wise water resources assessment and develop integrated river basin plans, flood forecasting, etc.

Signed on the day 05/14<sup>th</sup>, 2016 at New Delhi.

**For and on behalf of  
Government of Andhra Pradesh**

  
.....  
Secretary,  
Water Resources Department  
Government of Andhra Pradesh

**For and on behalf of  
Government of India**

  
.....  
Joint Secretary (A&GW),  
Ministry of Water Resources, River  
Development & Ganga Rejuvenation

**SCHEDULE****Execution of the Project****Section I. Implementation Arrangements****A. Institutional Arrangements.**

The Implementing Agency (IA) shall maintain, throughout the period of Project implementation, a Project Management Unit (PMU), with staff in adequate numbers and with qualifications, functions and resources. Without limitation on the foregoing, the Project Management Unit shall be headed by a Project Coordinator and be responsible for carrying out the implementation, management, financial management, performance evaluation, safeguards, monitoring and reporting activities under the Project.

**B. Anti-Corruption**

The Implementing Agency shall ensure that the Project is carried out in accordance with the provisions of the World Bank's Anti-Corruption Guidelines and CVC Guidelines.

**C. Safeguards**

The Implementing Agency shall ensure that the Project is carried out in accordance with the provisions of the Environment Assessment and that no activities under the Project shall resort to involuntary land acquisition and as per statutory land acquisition procedure.

**Section II. Project Monitoring, Reporting and Evaluation****A. Project Reports**

The Implementing Agency shall monitor and evaluate the progress of the Project and prepare Project Reports. Till such time the reports are generated on the MIS, such Project Report shall cover the period of one Quarter, and shall be furnished to the NPMU and World Bank not later than thirty (30) days after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits**

1. The Implementing Agency shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards, both in a manner adequate to reflect the operations and financial condition of the Implementing Agency, including the operations, resources and expenditures related to the Project.

2. Without limitation to Part A of this Section, the Implementing Agency shall have its financial statements referred to above audited by CAG/ independent auditors as stipulated in the Financial Manual and submit the audit reports to NPMU and World Bank within five months from end of the financial year.

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## **Financial Management Guidelines**

### **National Hydrology Project**

**Government of India**

**Ministry of Water Resources, River  
Development & Ganga Rejuvenation**

**August, 2016**

## Financial Management under National Hydrology Project (NHP)

### Brief Summary:

1. The financial management arrangements for National Hydrology Project (NHP) have been designed around two essential guiding principles: (i) use of country fiduciary systems, to the extent feasible and considered satisfactory and meeting the additional fiduciary requirements; (ii) build upon successful models developed and tested implemented across various states in India.
2. The National Project Management Unit (NPMU) of the Ministry of Water Resources, River Development & Ganga Rejuvenation (MoWR, RD&GR) shall be responsible for implementing the National Hydrology Project (NHP). The NPMU will be responsible for establishing and maintaining financial management arrangements for the project. Besides the NPMU, 9 Central, two river basin organizations and 39 State level Implementing Agencies have been identified covering the entire country. These institutions are typically Government Organisations at State and Central level. The Memorandum of Agreement (MoAs) will be signed between MoWR, RD & GR and each State and Central organisations other than those under MoWR, RD&GR.
3. NHP is to be taken up in two stages at an overall cost of Rs.3679.7674 crore [Rs.3,640 crore for National Hydrology Project (NHP) and Rs.39.7674 crore for NWIC], as a Central Sector Scheme to be taken up in two stages. The first Stage from the year 2015-16 to 2019-20 entails an expenditure of Rs. 1681.56 crore. The second stage for the period 2019-20 to 2023-24 has an outlay of Rs. 1998.20 crore. The Second Stage, beyond 2019-20, would be processed keeping in view the achievements till the year 2018-19, so as to maintain continuity. Stage-wise World Bank's Loan component and the Central Government's Assistance has been worked out in the table given below:

(Rs. in Crore)

Stages	Duration (in years)	Total Cost	World Banks' Loan	Central Govt.'s Assistance
Stage-I	(2015-16 to 2019-20)	1681.5674	840.7837	840.7837
Stage-II	(2019-20 to 2023-24)	1998.2000	999.1000	999.1000
<b>TOTAL</b>	<b>8 years</b> (2015-16 to 2023-24)	<b>3679.7674</b>	<b>1839.8837</b>	<b>1839.8837</b>

4. Fifty per cent of the amount, i.e. Rs. 1839.8837 crore would be World Bank loan to be repaid by Central Government. The remaining 50%, i.e. Rs. 1839.8837 crore would be Central Assistance from the budgetary support. The approved allocations to the States and Central Organisations shall be passed on to them as Grants for effective implementation of NHP. MoWR, RD&GR will release funds to the State and Central Implementing Agencies against agreed annual work plan, through direct transfer into NHP Bank accounts of the Implementing Agencies.



## **Planning & Budgeting:**

5. The Expenditure Finance Committee (EFC) project clearance outlines that the project would be a Central Sector Scheme and would be 100 percent financed by the Government of India. A dedicated budget line for the project has been created at the Centre. The project fund requirements at the Centre will be budgeted each year on the basis of an Annual Work Plan (AWP). These funds would be transferred to States as Grant in Aid (GIA). Funds would be released in tranches based on the AWP, milestones and performance of the agencies. The above arrangements are outlined in the Memorandum of Agreement (MoA) between the GOI and Implementing Agencies.

6. Each Implementing Agency will prepare an 8-year Project Implementation Plan (PIP) and every year an Annual Work Plan (AWP) for the project. These plans will be appraised and approved by MoWR, RD&GR. The NPMU will prepare annual estimates of the project by consolidating State level and NPMU level estimates. The project will be budgeted at the Union level, under an identifiable budget head item of the MoWR, RD&GR. The NPMU will maintain an MIS System to track the project expenditures by activity heads to allow for quarterly interim financial reports to be prepared in a manner that will allow easy monitoring of actual expenditures against agreed work plans and for management decision making purposes. The Secretary (WR, RD&GR), shall approve the work plans and proposal for activities under the project.

### *Objectives of the budgeting system:*

7. The main objective of an efficient budgeting system is to facilitate timely approval of the annual work plan, draw down of resources from MoWR, RD&GR, and budgetary control i.e. monitoring of performance at regular intervals and fixing accountability for variances.

### *Budget Process:*

8. The function of budgeting shall be carried out by all the accounting centres of the Central and State Implementing Agencies, hence forth called the CPMU and SPMU respectively.

### *Budget Period:*

9. Budget Period to be followed by the Mission Units shall be the financial year i.e. from April to March of each year. Budgets shall be prepared for the budget year and broken up into quarterly budgets. This would enable periodical performance review through quarterly variance analysis and preparation of quarterly financial reports.

### *Budget calendar:*

10. The milestones in the budgeting process along with the target dates are laid down in the following budget calendar.



S.No.	Activity	Agency responsible	Completion date
1	Preparation of next year's AWP	PMU of State and Central IAs	15 <sup>th</sup> September
2	Preparation of next year's APP	PMU of State and Central IAs	15 <sup>th</sup> September
3	Preparation of next year's budget (taking into consideration of the current years progress)	PMU of State and Central IAs	30 <sup>th</sup> September
4	Submission of next year's AWP, APP to the NPMU/WB	PMU of State and Central IAs	30 <sup>th</sup> September
5	Approval of the next year's budget	PMU of State and Central IAs	15 <sup>th</sup> October
6	Consolidation of all the AWP, APP and next year's budget and submission to the World Bank	NPMU	15 <sup>th</sup> November
7	Approval of the AWP, APP and budget by Secretary (WR, RD&GR)	NPMU	15 <sup>th</sup> January

#### **Fund Flow Arrangements:**

11. To facilitate this transfer the implementing agencies would be required to open a bank account in the name of the nodal officer/SPMU head so that these amounts could be received and expended. MoWR, RD&GR has issued an overall Government Order/s (GO) outlining the mechanism and detailed guidelines are outlined below. The States/UTs are required to open bank accounts by negotiation, and this needs to be authorized by their finance department. For MoWR, RD&GR and central agencies like CWC, CGWB, CWPRS they would access the budget and make payments through PAO. For other agencies which don't access funds through budget, project funds would be transferred to project bank accounts.

12. The NPMU will remain within the existing financial management systems of MoWR, RD&GR. No separate bank accounts will be established for the NPMU. MoWR, RD&GR will release funds to State and Central Implementing Agencies against agreed annual work plans and as per Financial Management provisions of MoA which will be signed between MoWR, RD&GR and each participating State and Central Implementing Agency (except CWC, CGWB and CWPRS which shall utilize the budget of MoWR, RD&GR). Funds will be released in two tranches each year through direct transfers into State Implementing Agencies' bank accounts. For all fund releases following the first tranche, the State and Central IAs will be required to submit audit reports and utilization certificates, as per established GoI procedures. The funds from NPMU to State and Central IAs will be through Electronic Fund Transfer system.

13. Opening of Bank A/c: Project Management Unit (PMU) of State and Central Implementing Agencies, will maintain a separate Bank A/c in a Scheduled Bank for the NHP and notify the same to MoWR, RD&GR. The transfer of funds from MoWR, RD&GR to State and Central Implementing Agencies will be through ECS to this account. In terms of bank account the following rules should be followed:

- a) The bank account can be opened in any scheduled bank;
- b) There would be only one account per agency. Sub accounts or DDO wise accounts are not permitted;

- c) The bank account should be savings account and the interest accrued shall be reflected in the utilisation certificate submitted. This would be accounted for grants being released under annual work plan / annual work plan.
- d) The bank account should be joint account operated by minimum two persons (one technical person and one financial person) or as may be advised by the state finance department;
- e) The state can designate who would operate the accounts; and
- f) Interest earned from the funds would be used only for project purposes only;
- g) All payments would be centralized at the state level and all the bills need to be passed and submitted to the respective PMU for payments.

*Fund flow options within the state:*

14. Procedure for release of funds to States: NHP would fund States for the activities mentioned in the appraised and approved annual work plans and annual procurement plans, and MOA.

15. NPMU would review the performance against these plans half-yearly and annually and funds flow to the States and Central IAs would be based on the revised annual plans. Funds will be released in two tranches each year through direct transfers into bank account of PMU of IAs. For all fund releases following the first tranche, the Implementing Agencies will be required to submit audit reports and utilization certificates, as per established GoI procedures.

Tranche	Period	Conditions of release
<b>First (upto 60% of the AWP)</b>	<b>April-May</b>	<ul style="list-style-type: none"> <li>• Approval of the Annual Work Plan &amp; Annual Procurement Plan; and</li> <li>• On fulfilling condition(s) imposed at the time of release of previous tranche.</li> <li>• IUFR for the previous half year and UC for the previous period</li> <li>• Audit report for the previous financial years which are due before the tranche is requested</li> </ul>
<b>Second (Balance of AWP)</b>	<b>October – November</b>	<p>On the request of PMUs of all IAs, in prescribed pro-forma and on fulfilment of the following conditions:</p> <ul style="list-style-type: none"> <li>• Utilization of at least 60% of the total available funds (including opening balance) and submission of Utilization Certificates.</li> <li>• The opening balance of the PMUs should not exceed 10% of the allocation of the previous year. <i>Central funds would proportionally reduced for unutilized amount.</i></li> <li>• Audit Reports for the last FY (with auditor's remarks),</li> </ul>



		<ul style="list-style-type: none"> <li>• Utilization Certificates and Bank Reconciliation Statement for the previous year furnished along with Non-diversion of fund certificate.</li> <li>• IUFR for the previous half year</li> <li>• Achievement with reference to Annual Action Plan.</li> </ul> <p>Other terms and conditions stipulated at the time the previous release should have been met.</p>
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16. Consideration to Committed Liabilities would be duly given and in exceptional circumstances, the second tranche may be considered in Jan-March subject to availability of funds as per FRBM Act.

17. Once the MIS is fully operational, the release of funds would also be subject also to physical and financial process reporting on MIS.

18. If expenditure is incurred by the State and Central Implementing Agencies from their own funds and seek reimbursement -

- Actual expenditure for the activities approved by the MoWR/WB under NHP would be reimbursed in the same financial year as far as possible.
- If the central assistance is not released in that financial year, reimbursement would be in the next financial year.
- If there is a delay in release of central assistance from MoWR, RD&GR for any reason, the state government may revise the Annual Work plan/procurement Plan for the next financial year and include the unfinished activities in this Plan.

#### **Accounting Policies, Procedures and Systems:**

19. Project expenditure will be subject to controls as per General Financial Rules of Government of India. All fund releases (Grant-in-Aid) to State and Central IAs to finance approved state Annual Work Plans will be recorded as expenditure in accordance with existing GoI rules. The releases to the IAs being "on account", will be subject to adjustment, including recoveries on account of Audit observation and disallowance. For the purpose of the program, however, NPMU will keep track of actual expenditures reported against the grants by the State and Central Implementing Agencies, as these are essentially in the nature of advances, and incorporate them in six monthly interim consolidated financial reports of the project.

- Accounting at departments:* The departments would maintain cash books and other relevant ledgers for the project separately for the ease of accounting, auditing, and reporting along with a separate project bank account. The departments would report the expenditure in the interim unaudited financial report (IUFR) formats. These agencies would submit the IUFR to MoWR, RD&GR for consolidation.
- Accounting at central agencies:* These agencies would follow the accounting system normally used by them. These agencies would maintain separate cash book and accounts for the project



along with a separate project bank account. These agencies would submit the IUFR to MoWR, RD&GR for consolidation.

- (iii) *Accounting at MoWR, RD&GR:* MoWR, RD&GR will create an accounting unit at NPMU which will consolidate all the reports from states and central agencies and submit report to the Bank. An excel based tool or a software would be implemented at central level to compile and report the accounts for the project. This will be done in the first six months of the project. The MIS platform is being developed wherein the accounting reports would be captured and online reporting could be generated at central level. This would be piloted and rolled out in the first year of operation.
- (iv) *Books to be maintained at Implementing agency:* 1. Cash Book; 2. Contractors ledger; 3. Cheque issue register; 4. Bank statement; 5. Bank Reconciliation Statement; 6; Treasury statement where amounts are paid through treasury. The existing formats for the books will be followed.

#### **Staffing/Hiring of professionals for Financial Management Cell in Project Monitoring Units:**

20. FM cell would be created in MoWR, RD&GR and by IAs in the states to carry out compilation and consolidation of reports in relation to project data. The FM Cell at MoWR, RD&GR would be supported by a professional financing/Chartered Accounting firm to be selected as per prescribed procedure. States can either deploy regular staff on transfer/deputation or hire personnel as per prescribed procedure.

#### **Internal audit arrangements:**

21. Internal audit would be an integral part of the project design. CA firms would be hired to carry out the internal audit of the project. The firms would be selected on a region wise basis and would be hired by NPMU. The scope, selection process, frequency of audit and the TOR are being firmed up and agreed by negotiations. The audits would be conducted on a rotation basis based on the risk perception and the expenditure incurred and progress achieved by the agencies.

#### **Financial Reporting:**

22. NPMU will be responsible for compiling and preparing consolidated project financial progress reports on a six monthly basis. These Interim Unaudited Financial Reports (IUFRs) will aggregate the financial reports for the following: (a) NPMU level expenditures as obtained from Pay & Accounts Officer (PAO) reports; (b) fund releases to State and Central Implementing Agencies by MoWR, RD&GR, as obtained from PAO reports; (c) State and Central Implementing Agency level financial reports, as obtained from their financial management systems. The consolidated project IUFRs will be submitted to the Bank within 60 days of the end of each half year. The Implementing Agencies would ensure timely submission of IUFR and audit reports to NPMU. The draft formats are provided in the following pages.

#### **Disbursement Arrangements:**

23. NHP is a Central Sector Scheme. As per the standard Centre-State mechanism for Central Sector Schemes, GoI funds to the States will be on a grant basis. The fund releases to the States which will be accounted for at MoWR, RD&GR level as 'Grants in Aid,' will not be considered as eligible expenditures for purposes of disbursement under the project. Disbursements will be based on consolidated IUFRs based on actual expenditure and will be made in six-monthly intervals and not merely on the basis of Grants-in-Aid released by MoWR, RD&GR.



24. For procurement of goods, works, non-consulting services and consulting services, the World Bank guidelines shall be followed. For operating expenses, the agencies can follow their own State systems. Operating expenses would mean those expenses which are incurred for running the project, e.g. travel expenses, boarding and lodging, incremental staff cost, rent for building, vehicles expenses, incremental office expenses like stationery, etc.

**External Audit:**

25. The annual statutory audit of NPMU (MoWR, RD&GR) will be conducted by the Comptroller and Auditor General (C&AG) of India/independent auditors as per standard terms of reference and prevailing norms. The audit reports of NPMU and each of the State and Central Implementing Agencies will be submitted to the World Bank by 31<sup>st</sup> of December every year for previous financial year. The annual audit report will consist of (i) audit opinion, (ii) annual financial statements and (iii) management letter highlighting significant issues to be reported to the management. NPMU will implement a regular system of review of audit process, including quality of audit at state level, audit observations and monitoring compliance of the observations by implementing units. The TORs would be developed and agreed by negotiations.



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**Format of IUFR to be submitted by Agencies to MoWR, RD & GR**

**Table 4: Agency wise IUFR for FY-----**

Project Name: National Hydrology Project

Implementing Agency Name:

Period for which IUFR is submitted:

*Amount in Rupees Million*

<b>PARTICULARS</b>	<b>Current Period</b>	<b>For the Year</b>	<b>CTD</b>
<b>SOURCES OF FUNDS</b>			
OPENING BALANCE OF BANK			
ADD: RECEIPTS FROM GOI			
ADD: INTEREST			
<b>TOTAL SOURCE OF FUNDS</b>			
<b>Uses of funds</b>			
Component A			
Component B			
Component C			
Component D			
<b>Total use of funds</b>			
<b>Closing Balance of Bank account</b>			

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## FORM GFR 19-A

## UTILISATION CERTIFICATE

[see Rule 212(1)]

Table 5:

<u>Sl. No.</u>	<u>Letter No. and date</u>	<u>Amount</u> <u>(Rs. in Lakh)</u>
1		
2		
.		
	<b>TOTAL</b>	

1. Certified that out of Rs..... (Rupees ..... ) of grants-in-aid sanctioned during the year ..... in favour of ..... under this Ministry/ Department Letter No. given in the margin, and Rs ..... (Rupees ..... ) on account of unspent balance and Rs ..... (Rupees ..... ) as interest accrued during the previous year, a sum of Rs..... (Rupees ..... ) has been utilised for the purpose of ..... for which it was sanctioned and that the balance of Rs..... (Rupees ..... ) remaining unutilized as on .....(date) has been surrendered to Government (vide No. ...., dated ..... / will be adjusted towards Grants-in Aid payable during next year.

2. Certified that I have satisfied myself that the conditions on which the grants-in-aid was sanctioned have been duly fulfilled / are being fulfilled and that I have exercised the following checks to see that the money was actually utilised for the purpose for which it was sanctioned.

Kinds of Checks exercised:

- 01.
- 02.
- 03.
- 04.
- 05.

Signature :

Designation :

Date :

**Format of IFR to be submitted by Agencies to MoWR, RD & GR**

**Table 6:**

Project Name: National Hydrology Project

Implementing Agency Name:

Period for which IFR is submitted:

*Amount in Rupees Million*

<b>PARTICULARS</b>	<b>Current Period</b>	<b>For the Year</b>	<b>Cumulative Total Disbursement (CTD)</b>
<b>SOURCES OF FUNDS</b>			
OPENING BALANCE OF BANK			
ADD: RECEIPTS FROM GOI			
ADD: INTEREST			
<b>TOTAL SOURCE OF FUNDS</b>			
Uses of funds			
Component 1			
Component 2			
Component 3			
Component 4			
<b>Total use of funds</b>			
Closing Balance of Bank account			

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