

**Government of Puducherry**  
**Finance Department**

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No. 726/FD/F3/2022-23

Puducherry, dt.16/09/2022

**CIRCULAR**

**Subject:** Insertion of Clause in the Contract Agreement towards Inter-se Priority of Arbitration over Courts in Resolution of Disputes

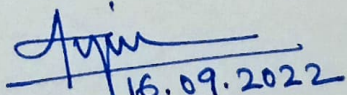
**Ref:** Office Memorandum No. 726/FD/F3/2022, dated 10/08/2022, of the Finance Department, Puducherry

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1. It has been observed that while the Departments and Government Entities have started using the Model Arbitration Agreement, as mandated by the order cited under reference, in the contract agreements being signed by them, they are also referring to the jurisdiction of Courts in the contract agreement. This creates some ambiguity over the inter-se priority between Arbitration and Courts in the resolution of disputes arising during the contract tenure.
2. Section 8 of the Arbitration and Reconciliation Act, 1996 settles this issue by making it abundantly clear that any Judicial Authority *shall* refer the parties in dispute to arbitration unless it finds prima facie that no valid arbitration agreement exists. With the model Arbitration Agreement getting inserted in all contract agreements, the ambiguity is largely tackled. However, *in limited cases left* where a court dispute may still arise, there is a need to eradicate the ambiguity over the court jurisdiction. Hence, to handle this ambiguity of jurisdiction, **the following clause shall be inserted in the contract agreement in addition to the clause containing the 'Model Arbitration Agreement':**  
  
*"All legal proceedings arising out of and in connection with this Agreement shall be subject to the jurisdiction of the courts of Puducherry and the High Court of Madras, Chennai, irrespective of the place of performance/ execution of the Agreement."*

3. The above clause has been duly vetted by the Law Department, Puducherry.

//By Order//

  
16.09.2022  
(Arjun Ramakrishnan)  
Under Secretary (Finance)

**For compliance:**

All Secretariat Departments/All Secretaries/HoDs/Heads of Autonomous Bodies  
All SAOs/JAOs for ensuring faithful compliance

The P.S. to the Chief Secretary - for kind information  
The PS to the Law Secretary