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26TH ANNIVERSARY

Chairman's Message

On the eve of NABARD's anniversary, my congratulations to every one of you!

It has been an eventful, path-breaking and momentous 26 years and each one of you has contributed in no small measure to the unrivalled place that NABARD has earned.

Our achievements are manifold, but the task ahead is more challenging. I am aware that the transfer of share-holding by RBI and thereafter is an issue which must be weighing on your minds. I have discussed the matter with all concerned and their response so far seems encouraging. Let us hope for the best.

We will shortly finalize a strategy paper to help us to reposition NABARD in the changed environment, where we will be able to pursue our philosophy of 'development through business'. I have always maintained that NABARD's greatest strength is its versatile staff and you have proved me right time and again. However, I feel that this valuable resource can be deployed more judiciously, and to this end, I have appointed an in-house committee to study the

staff requirement in all our offices, so that our transfer exercise is more transparent and need-based.

I have always admired NABARD's capabilities in successfully piloting development initiatives. We must be able to upscale these ideas for wider application, so that the impact generated touches lives of people at large. Financial resources are not a problem at all to support development initiatives, as our RIDF business is growing. If these resources are tied to the intellectual capital that we have, we should be able to develop instruments to match the ground level requirements. All we need to do is to put on our thinking caps and think out of the box.

Let's do better than our best in the 27th year!

Umesh Chandra Sarangi

Managing Director's Message

I congratulate all our colleagues on the completion of the 26th year of our innovative and continuous contributions for changing lives and livelihoods in rural India with total commitment, professional expertise and high integrity levels.

On this day, let us unitedly pledge to empower the rural people, ensure a new deal to agriculture and rewrite the destiny of resurgent India.

Dr K G Karmakar

FINANCIAL INCLUSION FUND AND FINANCIAL INCLUSION TECHNOLOGY FUND

It has been decided to constitute two Funds, namely the "Financial Inclusion Fund (FIF)" and the "Financial Inclusion Technology Fund (FITF)" with an overall corpus of Rs. 500 crore each.

Objectives of FIF

To support "developmental and promotional activities" with a view to securing greater financial inclusion, particularly among weaker sections, low income groups and in backward regions/ hitherto unbanked areas.

Objectives of FITF

To enhance investment in Information Communication Technology (ICT) aimed at promoting financial inclusion, stimulate the transfer of research and technology in financial inclusion, increase the technological absorption capacity of financial service providers/users and encourage an environment of innovation and cooperation among stakeholders.

Corpus and Sources of Funds

Each of the Fund shall consist of an overall corpus of Rs. 500 crore, with initial funding to be contributed by the GoI, Reserve Bank of India (RBI) and NABARD in a ratio of 40:40:20. The funding would be contributed in a phased manner over a maximum period of five years, depending upon utilisation of funds.

Advisory Board

An Advisory Board to be constituted by the Government of India shall guide and render policy advice on various aspects relating to the FIF. The Advisory Board may determine its own procedures for day to day functioning in respect of FIF, including constitution of committees, sub-committees, task forces, etc., for

examination, implementation and monitoring of various issues. The Advisory Board shall meet at such intervals as deemed necessary, but in any case at least once in six months to review the status and progress of outflow from the FIF and to render policy advice.

The composition of Funds

Chairman : Chairman, NABARD

Members : Executive Director, RBI, Jt Secretary, Ministry of Finance, GoI, Jt Secretary, Ministry of Agriculture, GoI, Jt Secretary, Ministry of Rural Development, GoI, Jt Secretary, Ministry of Communications, GoI, Representative from NASSCOM, Member, IRDA, Managing Director, NABARD, Chief, IDBRT

Member Secretary

Executive Director, NABARD

Management of the Funds

The programme sanction, implementation, monitoring and administration of the Funds shall vest with NABARD. The interest accrued/ income earned from the Funds shall be ploughed back into the respective Funds as per the investment policy approved by the Advisory Board. The administering charges incurred in conduct of meetings of the Advisory Board and other expenses (except salaries/allowances of personnel involved in the sanction, implementation and monitoring of the Funds) of NABARD in connection with discharge of its functions related to Fund shall be met out of the respective Fund on such basis as may be decided by the Advisory Board from time to time.

Phasing

Both the Funds will be in operation until financial inclusion to the extent of 100% of rural families in all districts is achieved, over a period of five years from the date of commencement of the Fund or for such enhanced period as may be decided by the Government.

Eligible Activities/ Purposes - FIF

- ☞ Funding support for capacity building inputs to Business Facilitators and Business Correspondents;
- ☞ Providing promotional support to institutions, such as, Resource Centres, Farmers' Service Centres and Rural Development and Self Employment Training Institutes to enable them to provide improved technical and financial services (including counseling) aimed at increasing technology adoption, effective management of assets, nurturing entrepreneurial capacity and increasing financial education and literacy;
- ☞ Providing funding support for promotion, nurturing and credit linking of Self Help Groups (SHGs);
- ☞ Capacity building of personnel of NABARD, banks, Post Offices, State Government Departments, MFIs, NGOs, Local Level Associations, members of SHGs/ Joint Liability Groups, etc.;
- ☞ Defraying expenses of approved institutions for undertaking interventions for financial inclusion in Central, Eastern and NER Regions; J&K, Himachal Pradesh and Uttarakhand;
- ☞ Funding support for setting up of Rural Credit Bureaus and credit rating of rural customers;
- ☞ Supporting initiatives of local level associations/federations;
- ☞ Supporting pilot projects for development of innovative products, processes and prototypes for financial inclusion;

- ☞ Any other developmental and promotional interventions recommended by the Advisory Body for the FIF.

Eligible Activities/ Purposes - FITF

- ☞ Encouraging user friendly technology solutions;
- ☞ Providing financial support to technological solutions aimed at providing affordable financial services to the disadvantaged sections of the society;
- ☞ Creating a common technology infrastructure with comprehensive credit information.
- ☞ Funding support to technologies facilitating the documentation for processing of loans;
- ☞ Providing viability gap / pilot project funding for unproven but potential technological interventions;
- ☞ Conduct of studies, consultancies, research, evaluation studies relating to technological interventions for financial inclusion;
- ☞ Promoting seminars, conferences and other mechanisms for discussions, dissemination relating to financial inclusion technological interventions.
- ☞ Publication of financial inclusion technology literature, publicity material, etc.;
- ☞ Capacity building of personnel of banks, Post Offices, State Government, MFIs, NGOs, VAs, other stakeholders; and
- ☞ Any other activity as may be approved by the Advisory Board.

Eligible Institutions for Both the funds

- ☞ Financial Institutions, viz., NABARD, Commercial Banks, Regional Rural Banks and Cooperative Banks
- ☞ NGOs, MFIs, SHGs, Farmers' Clubs, local level associations, etc.;
- ☞ Service providers like Insurance Companies (providing micro insurance services), Post Offices, Railways, etc.;

Any other organisation whose objectives are in conformity with the overall objectives of the FIF and are approved by the Advisory Board from time to time.

Besides, Training and research organisations, academic institutions, universities will also be considered eligible for FIF.

Nature, Quantum and Terms of assistance

The nature, quantum and terms of assistance to eligible institutions/ organisations for various promotional and developmental interventions shall be decided by the respective Advisory Board.

Monitoring System

The institutions/ organisations shall undertake to monitor the programmes/ projects closely with a view to achieving and realising the objectives and purposes of the funds and keep NABARD informed of the same.

- The institutions/ organisations seeking assistance under these Funds may also submit periodic Progress Reports to NABARD, in the format prescribed for the purpose.

Audit

The annual audit of the Funds shall be done by Government appointed auditors as a part of the overall statutory audit of NABARD's financial operations.

Grievance Redressal Mechanism

All matters pertaining to grievances relating to these Funds shall be forwarded to NABARD, Head Office, Mumbai for necessary action.

SUPPLY CHAIN MANAGEMENT IN AGRICULTURE - DR. R. BALAKRISHNAN, ED.

Farming has become synonymous with poverty. Farmer is in the wrong end of the supply chain for inputs, consumption basket and farm produce. While he pays maximum for the former two, he gets the minimum for the latter. He is not organized to participate in the growth story of the mainstream economy. The managerial and organizational advantages of the corporate sector have escaped farming. Land, however small is dear to the farmer. The alienation of land is not the solution. What is needed is to confer the benefits of corporate discipline to farming. Farmers need win-win networks with the mainstream economy. Incidentally, this is the theme of a book titled "Supply Chain Management for Indian Agriculture – A blueprint for Agriculture led Prosperity" authored by me. please visit agrchain.com for details.

Recently, I visited a remote area of South Bihar near Deogarh where 365 self help groups of Santhal Tribe women had organized themselves into a Producer Company by name Masuta managing the entire supply chain of tasar silk starting with planting Arjun trees, seeding them with cocoons, preparing the yarn and fabrics and marketing in India and abroad. The management of the company is entirely in the hands of the tribal women. About 3000 women attended the AGM. This is the model fit for farmers. Farmers need apolitical commercial organizations, enabled by the Company Law for a better bargain and application of appropriate technology with different shades like organic, precision, zero budget or best practices farming. Agriculture will become agribusiness with grow to order crop diversification

There has been a significant growth in the flow of bank credit to agriculture. As against an ambitious target of Rs. 1750 billion for the year 2006-07, the disbursements were Rs.2032.96 billion or 16% over the target. Commercial banks, cooperative banks and the RRBs disbursed Rs.1403.82 billion, Rs.424.80 billion and Rs.204.34 billion respectively. During the year 8.35 million new farmers were provided institutional credit and 7.45 million kisan credit cards issued taking the total to 70.5 million. Yet, about 23% of the farmers have to go to the moneylenders for their credit needs. There are a few issues. An increase in credit with no corresponding farm incomes will push the farmers deeper into debt. Loan waiver can at best act as a one-time palliative with attendant risks to the health of the rural financial system. Formal credit has to address the holistic credit needs of the small farmer and the knowledge inputs – technical and commercial.

Micro finance is often misrepresented only as group finance. While group finance linked to savings has helped to reach out to the unreached poor, the essential principles of micro finance should not be lost sight of. With the present level of prices, credit of the order of Rs.100 thousand could be termed micro finance. Micro finance should meet the holistic needs of the farming family for multiple livelihood opportunities including animal husbandry and essential consumption linked only to the potential to repay. The cost of credit and security for loans are important. Regulation of interest for microfinance will result in rationing and denial of earning opportunities to the poor. The only viable way to bring down the rate of interest is for all classes of rural financial institutions to compete for the bottom of the pyramid market. Microfinance cannot be security based, though there could be no objection to secure the loans with assets created out of the loan.

NABARD has facilitated linking of 4.46 million self help groups of 58 million rural poor mostly women with the banks. The groups have saved about Rs.35 billion and have availed of credit of

the order of Rs.126 billion. This is the largest and fastest growing microfinance movement. There is also a parallel movement of the microfinance NBFCs catering to this segment.

Farmer is forced to be an entrepreneur assuming production and market risks. The minimum that the environment can do for him is to mitigate the risks through knowledge inputs, organization and insurance of insurable risks like weather. The world over, the need for subsidizing farms is recognized. Germany had gone to the extent of incentivising production sacrifices. Farm subsidy is not a charity, but an entitlement that should be linked to performance in production. Often we end up rewarding non-performance in many fields. The best way of subsidizing the farmer is to help him manage risks. Production risk can be managed by subsidized insurance – life and non-life. Market risk is not insurable. However, the farmer can be guided to grow high value crops and have unhindered and hassle free access to the continental and export markets. There is no justification to suppress the prices at the farm gate through controls.

The corporate sector has created contract-farming opportunities. Considering the weaker position of the farmers, there is a need to mandate contracted prices, but not less than the transparent benchmark spot prices. This means a transparent and competitive spot market without monopolistic practices and quality distinction. Organization of farmers as producer companies will help post harvest value addition through in situ processing, grading and marketing.

The farmer is entitled to financial services comparable to urban enterprises. Banks have to reach out to him directly or through credible representatives as banking correspondents and banking facilitators permitted by the RBI. Highest standard of transparency is needed in providing financial services and subsidies to farmers. Wherever possible the farmers' accounts should be credited using electronic channels.

Investments in water, soil conservation, vegetation, communication, affordable seeds, market infrastructure and extension are obvious needs. The policy also has to take care of the landless labour and women. Supply Chain Management in Agriculture - Dr. R. Balakrishnan, ED.

FARMERS' TECHNOLOGY TRANSFER FUND

Farmers' Technology Transfer Fund (FTTF), with a corpus of Rs.25 crore has been set up with effect from 1 April 2008. The Fund is aimed at supporting all farmers including Farmers' Club members for the following purposes.

- i Facilitating adoption of appropriate technologies through Training-cum-Exposure (T&V) visits, demonstrative projects or such other activities.
- ii Disseminating of appropriate technologies and commercial intelligence through direct contacts, literature, visuals etc.
- iii Undertaking activities such as financial literacy, credit counselling and other related activities.
- iv Organising farmers into informal associations, joint liability groups, producer groups, producer companies or other ways for self-help, collective approach for commercial transactions, networking with the value chain and financial inclusion.

Support will be provided to the maximum extent of 95% of the project outlay. Activity to be supported under the fund is expected to result in increase in farmers' income through increased production, productivity, reduction in costs, demand led diversification, market participation, value addition etc.

Normally, projects/programmes having duration upto **1-3 years** would be considered for support.

Eligible Activities

- i Survey/studies in connection with identification of modern technologies as well as marketing.

- ii Conduct of seminars\workshops for dissemination of information connected with both technologies as well as marketing.
- iii Formation of Farmers' Interest Groups (FIGs) or Association/Federation of farmers' clubs, Producers' groups/Companies or Joint Liability Groups for collective bargaining strength/power and setting up of Common Facility Centres.
- iv Need based 'Equity support' for such farmers' collectives.
- v Acquisition of new and innovative technologies developed and approved by reputed institutions/agencies.
- vi Training/Exposure visits for adoption of new technologies, value addition and supply chain managements.
- vii Entering into Agreements with Research Institutions, State Agriculture Universities (SAUs), Agriculture Technology Management Agency (ATMA), Krishi Vikas Kendras (KVKs) etc. for providing new technologies and also with other agencies and corporate houses for marketing tie-up.
- viii Information dissemination through publications such as pamphlets, leaflets, CDs, etc. in local languages.
- ix Efforts towards Financial Literacy, Credit Counselling etc.
- x. Support to Farmers Training and Rural Development Centres and other training institutions.
- xi ICT initiatives for the benefit of farmers' club members.
- xii Pilot projects for farmers' direct participation in Commodity Futures' Trading.
- xiii Dissemination of best practices, organic farming and certification.
- xiv Financing commodity specific infrastructure projects.
- xv Training/Skill Development Programmes of KVKs/ATMA, Programmes of the Ministry of Agriculture and Agricultural Universities for the benefit of farmers and food security.
- xvi Training initiatives for climate change, carbon trading, Clean Development Mechanism (CDM) and other environmental issues.
- xvii Training for use of Genetically Modified crops and bio-technological initiatives for farmers.
- xviii Strengthening of farmers' clubs for infrastructure / other related factors including setting up of small offices on selective basis.
- xix Any other activity relevant to the main objectives referred to above.

Eligible Institutions

- i. Commercial Banks / RRBs /Cooperative Banks
- ii. Research Institutions /SAUs/KVKs, ATMA
- iii. NGOs/Federation/Association of Farmers Clubs or any other registered body such as PACs etc.
- iv. Farmers' Clubs/Farmers' Collectives\ Farmers' Interest Groups
- v. Private Companies as part of CSR/ Technology Providers in Rural Areas.
- vi. Regional Offices of NABARD
- vii. Any other institutions catering to the objectives of fund.

Farmers' Training and Rural Development Centres (FTRDCs)

Support will also be provided to FTRDCs set up by major commercial banks or any other agencies by meeting 50% of the annual recurring expenses or Rs.15 lakh, whichever is lower, for the purposes of training and technology transfer to rural artisans, farmers and other rural populace.

Eligible items of Expenditure

Items eligible for assistance broadly include cost of equipments and other administrative and recurring costs/fees connected with the project /programme including core staff's salary and other miscellaneous expenditure, genuinely to be incurred under the project. Capital expenditures like purchase of buildings, vehicles etc. will not be considered for support under the Fund.

However, support for hiring premises, vehicles for visit etc., wherever necessary, may be considered on a selective basis. In hilly/resource poor regions/areas, capital expenses can be considered on selective/merit basis.

Rate of Interest for Soft Loan

At present the rate of interest for the soft loan is 6% which could be varied from time to time.

Security

The financial assistance by way of soft loan/loan will be secured by hypothecation of assets created out of assistance from the Fund and/or any other security, which may be prescribed by NABARD or the intermediary financial institution.

Repayment Period

The period of repayment for soft loan will be a maximum of 7 years with a moratorium of 1-2 years, as per assessment and needs in individual cases.

Monitoring and Submission of Progress Reports

The institution/agency will have to undertake to monitor the project/programme closely and keep NABARD informed of the same through constitution of a Project Monitoring Committee (PMC) depending on the size and nature of project by nominating NABARD representative on the same.

The institution /agency seeking assistance under the Fund, will also submit quarterly Progress Report to NABARD.

Utilization of Assistance

Eligible institutions/agencies availing financial assistance would be required to give an undertaking for proper utilization of assistance received from NABARD.

Where the assistance received from NABARD has not been utilized for the purpose for which it was released, NABARD may recall the entire amount of grant/loan, along with interest.

NABARD's Rights

- a. The recipient shall not publish the report /research findings /results without a written permission from NABARD. Further, NABARD shall have the right to use the same for its internal use, for training, publicity, etc. after duly acknowledging the source/s.
- b. Where the results of research or studies assisted by NABARD lead to obtaining of patent or to commercial exploitation in any form, NABARD shall have the right to demand a share in the gains made by the concerned institutions/agencies.
- c. NABARD shall have the right to access the Books of Accounts of the institutions/agencies to be provided with assistance under the Fund.

BHAVISHYA NIRMAN BOND

Achievement during 2007-08

Rank State Rs. Crore

1	Mumbai	989.71
2	New Delhi	116.00

3	Gujarat	94.59
4	West Bengal	78.20
5	Punjab & Haryana	69.47
6	Maharashtra	69.13
7	Karnataka	62.83
8	Uttar Pradesh	57.99
9	Himachal Pradesh	42.92
10	Kerala	39.49
11	Jharkhand	28.37
12	Chattisgarh	27.01
13	Bihar	23.83
14	Jammu & Kashmir	21.46
15	Orissa	21.27
16	Rajasthan	11.50
17	Tamil Nadu	10.83
18	Andhra Pradesh	3.95
19	Assam	3.30
20	Andaman & Nicobar	3.02
21	Meghalaya	2.99
22	Madhya Pradesh	1.89
23	Uttaranchal	1.81
24	Goa	0.30
25	Arunachal Pradesh	0.13
26	Sikkim	0.01
27	Manipur	0.00
28	Mizoram	0.00
29	Nagaland	0.00
30	Tripura	0.00

Total 1782.00

Financial Results (Audited)
for the year ended 31 March , 2008

(Rs. in Crore)

Sr. No.	Particulars	Year ended 31 March 2008	Year ended 31 March 2007
1	Net Income from Operations	5367.24	4379.50
2	Other Income	35.95	24.04
3	Total Expenditure :-		
	a) Staff Cost	341.30	470.66
	b) Other Expenditure	139.49	119.87
4	Interest Expenses	3152.67	2620.40
5	Depreciation	21.63	22.66
6	Gross Surplus before Taxation (1+2-3-4-5)	1748.10	1169.95
7	Provision for Taxation	521.95	313.53
8	Surplus after Taxation (6-7)	1226.15	856.42

9	Contribution to NRC Funds and Special Reserve u/s 36(1) (viii) of IT Act, 1961 #	730.00	450.00
10	Surplus after contribution to NRC Funds and Special Reserve	526.46	479.36
11	Paid-up Capital	2000.00	2000.00
12	Reserves (excluding revaluation reserve)		
	a) General Reserve	4718.80	4313.69
	b) Other Reserves	3884.04	3488.72
	c) National Rural Credit Funds	15159.00	14747.00

There is no outside obligation on these Funds.

NOTES

1. Previous year's figures regrouped and recast wherever necessary.
2. The net income from operations is reported after accounting for provision for assets.
3. The above financial results were taken on record by the Board of Directors at their meeting held on 16 June 2008.
4. Provision for taxation is net of deferred tax adjustment and includes provision for Fringe Benefit Tax.

CLIMATE CHANGE AND BUSINESS OPPORTUNITIES FOR NABARD - DR. R. M. KUMMUR, FM, NBSC

Climate change is the biggest challenge the humanity and the world faces today. Businesses talk about top line and bottom line, but not the triple bottom line-economic, social and the environmental bottom line. Climate change translated into economic value is a huge cost to the nations. It is not only the developed countries, the countries like China and India with high population and high economic growth rate are also adding to the climate change through emission of Green House Gasses (GHGs) and consequent global warming. Therefore, India also needs to put in more efforts to check global warming, though voluntarily by taking a long-term view of the effect of global warming on the humanity. The global warming is real, the earth is melting and we have no other place to live other than our dear earth. The latest report of the Intergovernmental Panel on Climate Change (IPCC) warns that the time for action is now, as otherwise the changes will be irreversible beyond 2015, if serious steps are not taken to reduce emission of GHGs.

The strategies available for controlling climate change are adaptation, mitigation, transfer of technology and project financing / capacity building. The experiences up to this time have shown that, it takes a lot of efforts to get projects approved and registered under CDM and various mechanisms put under these systems. The lead time required by CDM projects sanction mechanism takes 180 weeks on an average, as opposed to a reasonable time of 40 weeks within which it can be done. The strategies that can be adopted by NABARD to fight climate change are as follows:

1. CDM Projects under Land Use, Land Use Change and Forestry (LULUCF) - Carbon capture and sequestration is one of the major business opportunities for mitigating the climate change as the trees act both as a source and as a sink for neutralizing carbon dioxide. Though this can be very good and sustainable strategy for prevention of climate change not much work has been done and not many projects have been sanctioned (except one project in China) under this category. However, some efforts have been made and a few projects are in the

process of host-country approval and registration with World Bank Bio carbon Fund. NABARD being the agency promoting afforestation and reforestation, we may help the clients get registered their afforestation and reforestation projects at the World Bank Bio Carbon Fund under CDM for carbon credits eligibility. One project of farm forestry covering 2800 farmers involving 3500 hectares in six districts of Orissa and Andhra Pradesh has got host country (DNA) approval in 2006 and Emission Reduction Purchase Agreement (ERPA) has been signed in May 2007 and is expected to be validated for registration in June 2008. Similar projects are expected in Himachal Pradesh. Experts in the field are also of the opinion that the Small Scale CDM projects for 1000-hectare models may be developed and propagated, which may take one year time to get CDM process approvals.

2. Watershed Projects under CDM- At present NABARD has been financing on large scale Watershed Projects of 1000-hectare model. Over the years NABARD has financed 5 lakh hectares under Watershed Projects and the portfolio is growing rapidly after perfecting the participatory Watershed module under Indo German Watershed Development Project (IGWDP) and Watershed Development Fund (WDF). It is now estimated that about 30 per cent and above area in the Watershed Projects is getting covered under trees (both forest species and horticulture plantations). The beneficiaries of these projects being Village Watershed Committees (VWCs), they will not be able to go through the entire process of registering Watersheds under CDM. Here NABARD may take the lead and go through the process of registration of the Watershed Projects sanctioned / being sanctioned for CDM coverage for generation of carbon credits. The projects being small in nature, instead of project-to-project approach, NABARD may propose a programme approach to World Bank Bio carbon Fund for sanction of CDM coverage for Watershed Projects. The carbon credits thus generated may be traded in carbon futures markets / commodity exchanges and the proceeds may be credited to a Carbon Credit Fund created in NABARD, the proceeds of which can either be directly given to the VWCs or can be utilised for promoting post watershed development activities and awareness on climate change and its impact on agriculture. Similar approach may be adopted for Wadi projects.

3. JFMCs under CDM- Degradation of forests is one of the major issues facing the country. About 8-10 million hectares of forests are being lost every year under this process. The efforts of the Government for reforestation have not proved much successful except for the Joint Forest Management Committees (JFMCs) in some states. The Government of India can adopt strategy of afforestation either by allocating degraded forest lands to the corporates or to communities for reforestation under restoration forestry or silviculture plantations. All such reforestation projects can be covered under CDM process for carbon credit generation. To begin with all good working JFMCs may be identified district-wise and state-wise and may be registered through a programme approach for carbon credit generation. Since these community projects are small and scattered this may not be very attractive proposition for either the individual JFMCs or the Forest Departments of State Governments. NABARD may take a lead and get all such projects registered under CDM with active collaboration of state Forest Departments and the JFMCs.

4. Organic Farming- Due to the health and environmental concerns, there is increasing awareness about organic foods. Because of this, organic farming is developing in fruits and vegetables, in certain food crops, spices and beverage crops. The areas being covered under organic farming en-block, e.g. the large fruit orchards, tea / coffee estates, spices plantations and the contract farming areas for supply of agriculture produce to organised retail outlets / terminal markets / processing units, may be targeted. In such projects, the corporates involved or the organisations of growers may be encouraged to cover such contract farming projects under CDM for carbon credit generation.

5. CDM Projects in Dairy Sector- In the animal digestive system/process, enteric methane production and emission takes place, which results in 8 per cent loss of dietary energy. Now, there are technologies available, which can reduce about 10 per cent of this methane emission, and there is scope for generation of 18 million CERs from this. The enteric methane emission can be controlled through use of molasses urea blocks, feed additives and by microbial manipulation means. CDM projects can be thought of, in cattle feed manufacturing industry using feed additives as also silage and molasses urea blocks production. Similarly, there are opportunities for carbon credit generation through animal waste management, which prevents emission of methane and nitrous oxide. The biogas plants setup through bank finance can be covered under CDM projects under a programme approach.

6. Carbon Finance- Typically, project financing in agriculture, renewable energy and other rural development activities follow a 20 per cent equity and 80 per cent debt. Many of these projects in these sectors may find it difficult to achieve threshold IRR and to mobilise finance from banks. The experiences of the financial institutions indicate that 2 to 3 per cent increase in IRR can be achieved if carbon revenues are taken into consideration while formulating/ appraising projects. Therefore, there is need for carbon financing to the extent of carbon revenue expected to be generated in the projects being covered under CDM. In this context, NABARD may establish Carbon Financing Fund (CFF), which can be utilised to provide carbon financing to the borrowers of such projects covered under CDM for carbon credit generation. Typically carbon financing is done at the time of project planning or during project implementation or in ongoing projects. Because of the NABARD's core competence in project formulation and appraisal, NABARD can get involved in carbon financing at the project planning stage itself. The earlier in the project life the financial institution gets involved, it gets carbon credits at a higher discount in the projects for which carbon financing is given by it. And such Certified Emission Reductions (CERs) procured by NABARD under carbon financing may be traded in the carbon futures markets, which can generate an income stream for NABARD.

7. Research and Development (R & D) support to CDM process-

Adoption of the CDM process requires first the development of Approved Base Line Methodology for working out / assessment of carbon emission reductions by taking up the particular activity under CDM. Though base line methodologies have been developed for CDM projects in industrial and energy sector, Approved Base Line Methodologies are yet to be developed for many agriculture, horticulture, forestry, fisheries and animal husbandry

projects. NABARD may support out of its R & D Fund, Approved Base Line Methodology development projects for agriculture and allied activities, which are amenable for CDM projects. One such area can be sanction of R &D Fund assistance to the leading Agriculture Research Institutes and State Agriculture Universities (SAUs), to find out and assess the carbon emissions reduction by shifting to organic agriculture for production of organic foods.

EDUCATION LOAN LIMIT ENHANCED

The scheme of Loan to Employees for meeting expenses of professional courses in India/Abroad of their Wards has been reviewed and the the quantum of loan has been enhanced from Rs.3,00,000 to Rs.5,00,000 with effect from June 2, 2008.

The loan under the scheme will also be available for pursuing graduate, post graduate and diploma courses which were not covered hitherto. However, the loan for such courses would be subject to a asub-limit of 25% of the overall ceiling of Rs.5 lakh irrespective of any loan availed previously. Interest will be charged @ 5% per annum for all fresh loans sanctioned after June 2, 2008.

Recovery Norms

Employees who have already availed the loan under the Scheme will be eligible for difference between the existing and revised limits subject to the condition that his/her Ward has not discontinued the course for which the loan has been availed of.

The principal well be recovered in 100 equal monthly installments fixed proportionate to the loan sanctioned. The recovery of the interest in monthly installments of like amounts will commence from the month following the month in which repayment of principal has been completed.

SHORT-TERM REFINANCE TO RRBS

As announced in Budget Speech for 2008-09, the short-term crop loans will continue to be disbursed at 7% p.a. and the interest subvention scheme will continue during the year 2008-09 also. Accordingly, concessional refinance from NABARD under ST (SAO) and 2% interest subvention from Govt. of India on the own involvement would be continued during 2008-09 for RRBs implementing the Government of India Scheme of dispensation of crop loan to farmers (upto Rs.3.00 lakh) at 7% rate of interest p.a.