Support available under Producer Organization Development Fund (PODF)

1.0 Institutions Eligible for Grant Assistance

1.1 Producer Companies (POs)/ Producers’ Organizations (POs), Primary Agricultural Cooperative Societies (PACS)/ Primary Cooperative Agriculture and Rural Development Banks (PCARDBs) as Multi Service Centre (MSC), promoting/facilitating/on-lending agencies, agribusiness incubators and other professional organizations providing capacity building/handholding support to POs/PACS/PCARDBs.

1.2 Subsidiaries of NABARD for supporting specific training/capacity building measures of POs (which are covered under on-lending) organized through a professional/reputed agency.

1.3 Any other institution/organization, as approved by NABARD, whose objectives/activities are in conformity with the overall objectives of PODF.

2.0 Lending Institutions

The eligible lending institutions for the purpose of extending credit support to POs, PACS/PCARDBs as MSC would include commercial banks, regional rural banks, cooperative banks, small finance bank, subsidiaries of NABARD and such other institutions approved by NABARD.

3.0 Eligible Activities linked to loan

The following broad activities will be eligible for credit linked grant support to existing POs and PACS/PCARDBs as MSCs:

3.1 Producer Organizations
3.1.1 Training/Capacity Building

Various types of capacity building initiatives that could be supported are:

i. Skill development in order to enable the members produce goods and commodities, both in farm and/or off farm sector,

ii. Business planning
iii. Technological extension through classroom training,

iv. Exposure visits, tie up with agricultural university, expert meetings, etc.

v. *Tie-up with agribusiness incubators/ professional agencies for business facilitation/incubation services*

vi. Any other capacity building initiatives, which directly benefits the POs

### 3.1.2 Market Linkage

i. Setting up of marketing infrastructure facilities for sale of produce.

ii. Setting up of retail unit on the line of *rural haat* and rural mart.

iii. Facilitating marketing tie-ups between buyers of produce and Producers’ Organizations

iv. Forging partnerships between POs and local or large companies /retail chains, etc. towards suitable market linkages.

v. Promoting convergence with schemes of various Ministries, Govt. Departments, Missions, etc., for creation of necessary infrastructure facilities, wherever possible.

### 3.1.3 Other purposes

**(i) DPR Preparation**

Support for preparation of detailed project report (DPR) in case the project is to be sanctioned by the subsidiaries of NABARD. The grant amount would be within the overall cap of 20% of loan amount (max. Rs. 1.0 lakh or 0.5% of project cost), whichever is less.

**(ii) Administrative Cost**

The POs which directly avail credit facility from the lending institutions and without having support of any Promoting agency (or Promoting agency is not a corporate), may be given a maximum of 5% of the loan amount within the overall cap of 20%, as grant towards administrative costs. This facility is available to POs, which are less than 5 years old. In case, PO is more than 5 years old, the amount would be restricted to a
maximum of 2.5% of the loan amount, within the overall cap of 20%. Other conditions are:

- Support towards administrative cost will be extended only if it is found that the PO is facing viability problem as the administrative cost for the initial phase capitalized/ made a part of working capital and if the same is clearly justified in the sanction memorandum by the lending agency with proper financial analysis.

- Grant towards administrative cost would be released directly to the PO and in such cases, separate incentive to promoting agency would not be available.

- 20% of the grant amount sanctioned under administrative support will be given as advance. Thereafter, 60% would be released in 3 equal half-yearly installments and the balance 20% will be given after satisfactory recovery of loan at the end of repayment period.

(iii) Incentive for the Promoting Agency

Need-based incentive can be given to the promoting agency (other than corporates), purely on a case to case basis as per the following guidelines;

- A maximum of 5% of loan amount sanctioned (for PO less than 5 years old) and a maximum of 2.5% of sanctioned loan amount (for PO more than 5 years old) within the overall cap of 20% of loan amount, can be given as incentive to the Promoting agency. This support would be extended only if it is found that the PO is not able to compensate the Promoting agency for its efforts by bearing / incurring the administrative cost for the initial phase capitalized/ made a part of working capital.

- 10% of the incentive will be given as advance, 70% would be given in equal instalments linked with each installment of loan repayment and 20% balance at the end of repayment period based on satisfactory repayment.

- The need for grant support may be clearly justified in the sanction memorandum by the lending agency with proper financial analysis.

- Wherever this facility is given to the promoting agency, grant support towards administrative costs to the POs, would not be available.
3.2 Grant Support to PACS/PCARDBs as MSC:

Eligible Activities
The following activities can be supported under the grant component:

- Knowledge dissemination center – cost of one PC (need based).
- Initial administrative cost to start new business activities i.e. reimbursing 50% of the salary of the additional staff engaged for the initial period up to 12 months (maximum 2 staff).
- Activity specific training to farmers, if required. In case the loan is sanctioned to StCB/CCB, the concerned bank can factor service charges up to 2% from the grant component within overall limit (10% of the loan amount) of the grant.
- Other need based trainings to the farmers for adopting best Management Practices, technology transfer, crop diversification, etc., may be supported from the existing funds like FSPF or under other developmental/promotional programs.

4. Quantum of Grant support to existing POs and PACS/PCARDBs as MSC

- The need based grant support up to a maximum of 20% of loan amount in the case of existing POs linked to availment of loan from the Lending Institutions will be considered for sanction, provided the activity considered for support, forms part of the project and its needs are clearly evaluated and justified in the loan sanction memorandum.

- With a view to facilitating PACS/PCARDBs to become a MSC and extend a range of pre and post-harvest agro related services for the benefit of the farmer members, need based grant support not exceeding 10% of the loan amount, subject to the maximum of Rs.25 lakh per PACS/PCARDB, will be available to PACS/PCARDBs, which are covered under refinance facility from NABARD/financed by subsidiaries of NABARD. The grant amount will not be utilized towards capital cost of the project.

5. Financial Support not linked to sanction of loan to Promoting Institutions/Professional organizations/Training Establishment for building sustainable POs

(i) Grant support for specific activities not involving loan component, such as special studies, stakeholders’ Meeting/Conference, Round Table, building the specialized capacities of existing POs, ICT interventions for improving marketing/operational efficiency and such other critical interventions necessary for building sustainable POs.
(ii) **Credit Guarantee Facility**

Contribution towards creation of risk fund / credit guarantee fund by NABARD for facilitating collateral free lending to POs by the subsidiaries of NABARD / Financing Banks. For this, separate guidelines have been framed by NABARD.

(iii) **Any other promotional support**

Any other promotional / developmental activity which is felt necessary for enabling a Producer Organization function in a better and profitable manner subject to specific approval of DMD / Chairman.