

National Horticulture Board

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NHB/CC/Revised Guidelines/2013-14/

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C I R C U L A R

- i) The Agriculture Production Commissioner of All State/UTs
- ii) The Secretaries of Agriculture/Horticulture of all States/UTs
- iii) The Directors of Agriculture/Horticulture/of all States/UTs
- iv) The Chairman/Managing Directors of all Scheduled Banks
- v) The Chairman of All Regional Rural Bank
- vi) The Chairman/Managing Directors of All State Co-operative Bank
- vii) Managing Directors, State Financial Corporation
- viii) Conveners of All State Level Bankers Committee (SLBC)

Subject : Implementation of NHB Schemes – Revised Operational Guidelines.

National Horticulture Board (NHB) has been implementing a set of innovative schemes for development of hi-tech commercial horticulture since the year 1999-2000. The schemes of NHB have resulted into promotion and growth in horticulture and creation of critical infrastructure for the sector attracting a sizable public and private investment in the projects of hi-tech commercial horticulture and post harvest management.

2. It has been decided to revise the Operational Guidelines of the following schemes of NHB with a view to simplify the procedure of disbursement of subsidy for projects and to reduce the interest burden on the loan taken by the farming communities/ entrepreneurs on projects.
 - I. Development of Commercial Horticulture through Production and Post-Harvest Management of Horticulture Crops.
 - II. Capital Investment Subsidy Scheme for construction/ expansion/Modernization of Cold Storages/Storages of Horticulture Produce
3. The revised guidelines provide for release of the estimated (tentative) subsidy in the Subsidy Reserve Fund (to be maintained by the bank) after release of at least 50% of term loan into the project bank loan account. The provision of estimated (tentative) subsidy under this system shall be applicable to all the projects under above schemes, irrespective of whether Letter of Intent (LOI) has been earlier

granted or not. Revised Operational Guidelines for the release of subsidy are enclosed herewith for necessary action.

4. These guidelines would come in force with immediate effect.



(Rajendra Kumar Tiwari)
Managing Director

Distribution:

1. State-centres of NHB in states
2. SLBC of respective states
3. CMDs of Commercial Banks/FIs
4. Indian Banking Association, Lucknow
5. NABARD and its Regional Offices
6. Area Officers, NHB, Head Quarter
7. Joint Director (Finance & Accounts), NHB

CC to :

1. JS, NHM, DAC
2. SFAC, Hauz Khas, New Delhi
3. PPS to Secretary (A&C), DAC
4. PPS to AS (J), DAC
5. PPS to AS&FA, DAC

Revised Operational Guidelines for release of subsidy in respect of projects under NHB schemes

With a view to promote horticulture and creation of critical infrastructure for the sector and to reduce the interest burden on the loan taken by the farming communities/entrepreneurs on projects considered under the credit linked back ended subsidy scheme of the Board, Operational Guidelines have been revised (Annexure I and II, Chapter-III) for the release of subsidy. Following are the broad parameters governing this procedure:

a) **Procedure for submission of documents/papers for final subsidy claim to the Board :**

- i) The concerned FI/Bank which has provided credit for the project shall submit subsidy claim in prescribed format as under to respective office of NHB as under:
 - To respective State Office of NHB-upto the project cost of Rs.50.00 lakh.
 - To NHB, HQ, Gurgaon where the project cost is above Rs. 50.00 lakh,
- ii) Upon release of 50% installment of term loan by bank to promoter, NHB would release 100% subsidy to the concerned bank/FI as per prevailing **cost norms**.
- iii) The subsidy would be kept frozen by bank/FI in the Subsidy Reserve Fund Account (SRFA) of the NHB.

b) **Final subsidy claim on completion of project and upon release of final withdrawal of term loan by the Bank/FI.**

A Joint Inspection Team (JIT) consisting representative from bank, NHB, State Hort./Agri. Department will conduct joint inspection of the project to settle the final subsidy claim based on eligible project cost on the basis of all the relevant parameters and approval of appropriate committee of NHB.

c) **Documents to be submitted with the subsidy claims :**

- (b) Financial appraisal report of the bank.
- (c) Term loan sanctioned letter issued by the bank with detailed terms and conditions.
- (d) Term loan disbursement schedule for the project
- (e) Extract of term loan account of promoter.
- (f) Affidavit in Format-IV.
- (g) Release of at least 50% of term loan into project Bank loan account.

d) **Documents to be submitted with final subsidy claim**

Final subsidy claim shall be submitted to the Branch Office of NHB or to the Head Office, NHB as the case may be, alongwith following documents.

- (i) Completion Certificate by Bank/FI.
- (ii) Term loan disbursement details date-wise).
- (iii) Statement of Expenditure incurred certified by bank for project costing upto Rs. 50.00 lakh or by Chartered Accountant (CA), if project cost exceeds Rs. 50.00 lakh.

e) **Procedure for adjustment of borrower's account**

The subsidy released by NHB to the Bank/FI in favour of the project shall be kept in a separate account termed as Subsidy Reserved Fund Account of NHB in the name of the beneficiary. The subsidy amount shall be released as soon as the 50% of the term loan is released to the beneficiary. Subsidy so released shall be frozen in the Subsidy Reserve Fund until the completion of the project, and released finally after inspection.

Banks shall not charge interest from the beneficiary to the extent of amount available in the Subsidy Reserve Fund for which due credit be given to the beneficiary. The full project cost excluding the subsidy amount and the margin money contribution from the beneficiary would be disbursed as loan by the banks and the repayment schedule will be drawn on term loan amount.

Final settlement will be made only after Joint Inspection by Bank, NHB and State Government representative, and clear written advice of NHB with regard to the eligible project cost and amount of subsidy to be released to the promoters account. Only on receipt of this advice, banks will release the eligible subsidy to the beneficiaries, and refund the balance amount (if any) to NHB along with the interest of the amount to be refunded to NHB.

f) **Submission of the Utilization Certificate by the Bank/FI.**

The bank/FI shall submit to NHB Utilization Certificate of the subsidy amount in prescribed format .

g) **Mechanism to keep track of amounts released to various Banks by way of subsidy, amount utilized and the amount to be collected back from banks that are not disbursed.**

- (a) Bank branches will send the statement of account of SRFA of NHB quarterly to the state offices of NHB (and also the Head office of NHB in case the subsidy has been released directly by Head Office). State Office In-charge shall review the subsidy releases every month and will monitor

its utilization and refund. State-wise register will be maintained by concerned Centre Incharge for centres and by the Finance & Accounts Division for Head Office. Area Officers shall review the subsidy release, utilization and refund quarterly.

- (b) The bank will furnish the information regarding Account No. of SRFA, name of the project, date and amount of subsidy released by NHB in SRFA, , date, amount of subsidy adjusted in term loan (with Account number), date and amount refunded by bank to NHB.
- (c) Internal audit will be conducted (on test basis) of the subsidy release, utilization and refund as per the provisions of the guidelines. F&A Division shall overall monitor the releases, utilization and refund of subsidy regularly and to bring out cases of default and issue suitable advice to concerned Area Officers for taking corrective measures.

h) Other Provisions:

- (i) The subsidy so granted to the lending banks/FIs shall be deemed as estimated (tentative) only. Final amount shall be determined on the basis of the Joint Inspection Team by the Approval Committee on completion of the project.
- (ii) The subsidy will be adjusted by bank only after receiving the written advice of NHB for this purpose and balance amount would be refunded to NHB within 30 days. For any delay beyond it, bank will be liable to pay interest on the refundable amount.
- (iii) Requirement of application for the Letter of Intent (LOI) will be voluntary for the promoter and would be issued only on the request of the promoter. This will not be required for claim of subsidy.
- (iv) It is expected that the lending bank would undertake necessary inspection(s) and technical & financial appraisal to ensure that the project is new, meets the guidelines of NHB, and the promoter has clear land title or lease hold right over the land before the release of term loan.
- (v) In case the project is not completed within 18 months from the date of release of estimated (tentative) subsidy, the project would not be eligible for any subsidy, unless the promoter has sought extension of time from NHB under unavoidable or exceptional circumstances. In such cases, the bank would refund the subsidy to NHB expeditiously or not later than 30 days after such period.
- (vi) The decision of NHB with regard to eligibility and interpretation of the guidelines shall be final and binding on the beneficiaries and banks.
- (vii) These guidelines would come in force with immediate effect.**

Scheme 1: Development of Commercial Horticulture through Production & PHM of horticulture crops. Annexure-I

In the operational guidelines of the schemes of NHB, framed in July 2010, Annexure-I, Chapter-III – prescribes following guidelines for making Subsidy Claims:

NHB Guidelines (Earlier)	Now Proposed
<p><u>Procedure for submission of documents/papers for final subsidy claim to the Board.</u></p> <p>The concerned FI/Bank who has provided credit for the project has to submit subsidy claims to respective office of NHB directly according to the delegation of powers for sanctioning subsidy for the project. In all cases, the subsidy claims must be submitted in the following manner by speed post/registered post/or by messenger of the Bank who must have Identity Proof of being messenger or must carry authorization certificate from the concerned bank branch. This will help eliminate possibility recurrence of cases of submission of fake subsidy claims as had happened in some States. NHB is proposing to make provisions enabling Financing Institution to make online entry about loan sanction, release of installments of loan, progress of project implementation and making subsidy claims which may facilitate reporting of progress of project and later on, processing by competent authority in NHB of subsidy claims pending receipt of signed and attested copies of documents.</p>	<p><u>Procedure for submission of documents/papers for final subsidy claim to the Board.</u></p> <p>The concerned FI/Bank which has provided credit for the project shall submit subsidy claim to respective office of NHB.</p> <p>Upon release of 50% installment of term loan by bank to promoter, NHB would release 100% subsidy to the concerned bank/FI as per prevailing cost norms.</p> <p>The subsidy would be kept frozen by bank/FI in the Subsidy Reserve Fund Account (SRFA) of the beneficiary.</p> <p><u>Final subsidy claim on completion of project and upon release of final withdrawal of term loan by the Bank/FI:</u></p> <p>A Joint Inspection Team (JIT) consisting representative from bank, NHB, State Hort./Agri. Department will conduct joint inspection of the project to settle the final subsidy claim based on eligible project cost on the basis of all the relevant parameters and approval of appropriate committee of NHB.</p>

Eligible Project Cost (EPC)

It is observed that the farmers/beneficiaries and bankers are sometimes under impression that the subsidy @ 20% or 40% of the project cost as appraised or as assessed during Inspection/Joint Inspection of completed project will be sanctioned. This is not true. Therefore, it is being clarified that 20% or 40% subsidy will be sanctioned and released against the eligible project cost (EPC). EPC is calculated taking into account per unit area project cost, and component-wise cost norms. In addition, it is to be noted that the component wise eligible cost shall be least of cost indicated in project report, cost appraised by the bank/FI and cost assessed during Inspection/Joint Inspection of the project. The components not indicated in the project report, appraisal report shall, therefore, be not eligible for inclusion for the purpose of calculation of EPC. Similarly, change in crop or project site without prior approval of NHB shall make the component or project, as the case may be, ineligible for getting subsidy. Even the change of FI/Bankers should be done with prior approval of NHB. It should also be ensured that condition of prescribed minimum percentage of term loan is fulfilled otherwise, subsidy claims will be rejected. Crop-wise and component-wise cost norms are enclosed at Appendix-II

Eligible Project Cost (EPC)

Deleted.

Documents to be submitted with the subsidy claims

Keeping in view of the above, the subsidy claims must be submitted in the form prescribed at Format-VII along with following documents including the Bank Inspection Report :

(a) Completion certificate of the project as issued by the Bank.

(b) Financial appraisal carried out by the Bank before sanction of term loan showing means of finance along with any other details showing investment components and their costs. In case, pre-sanction inspection of project site is carried out by the FI / Bank, then a certified copy of each of such documents should also be submitted alongwith subsidy claim.

(c) Term loan sanction letter issued by the Bank to the beneficiary with detailed terms and conditions clearly mentioning the purpose of term loan, period of repayment along with the activities e.g. plantation of fruits crops with drip / sprinkler system, establishment of hi-tech green house for commercial cut flower/horticulture produce, tissue culture unit, primary processing of horticulture produce, establishment of quality planting material nursery, etc. for which loan sanctioned.

Documents to be submitted with the subsidy claims

Subsidy claim shall be submitted to the Branch Office of NHB, or the Head Office, NHB, as the case may be, alongwith following documents :

- Financial appraisal report of the bank.
- Term loan sanction letter issued by the bank with detailed terms and conditions.
- Term loan disbursement schedule for the project.
- Extract of term loan account of promoter.
- Affidavit in Format-IV.
- Release of atleast 50% of term loan into project Bank loan account.

Final subsidy claim shall be submitted to the Branch Office of NHB or to the Head Office, NHB as the case may be, alongwith following documents:

1. Completion Certificate by Bank/FI.
2. Term loan disbursement details (date-wise);
3. Statement of Expenditure incurred certified by bank for project costing upto Rs.50 lakh or by Chartered Accountant (CA), if project cost exceeds Rs.50 lakh.

(d) Date wise term-loan disbursement details for the project.

(e) Extract of term-loan account of promoter related to the project.

(f) Notarized Affidavit by the farmers on Rs.20/- stamp paper as per NHB prescribed format (**Format-IV**).

(g) Copy of Record of Rights of project land as appended in loan document by the beneficiary along with Search Report, if any, got done by the FI / Bank. This will enable NHB tally the same with the copy of record of right submitted by the beneficiary to NHB along with application for LOI.

(h) Photographs taken at the time of inspection of the project duly signed by the Bank Officer and the promoter. It should be ensured that the Inspecting Officer (Bank Officer) along with Promoter and NHB officer (in case of JIT) should also be seen in the photographs.

(i) All major components of the project i.e., Drip Irrigation system, PHM infrastructure, store room, watchman/servants waiting room, water harvesting pond, tube-well, tractor and planted crop in the field along with sign board of project etc. must be covered in the photographs.

(j) Duly certified expenditure statement (prepared on the basis of vouchers/bills) by Bank or CA certificate

<p>as per NHB format (Format-V) by way of proof of assessed cost of the project during Inspection / Joint Inspection.</p> <p>(k) If release of subsidy by RTGS is preferred by the Bank, then application for the same with details of corresponding subsidy reserve fund account (Format-VI).</p>	
<p><u>Procedure for adjustment of borrower's account</u></p> <p>The subsidy released by NHB to Bank/Fl in favour of the project shall be kept in the separate account termed as Subsidy Reserve Fund. The adjustment of subsidy to term loan account shall be made only as back-ended subsidy. Accordingly, the full project cost including the subsidy amount but excluding the margin money contribution from the beneficiary would be disbursed as loan by the banks. The repayment schedule will be drawn on the loan amount in such a way that the subsidy amount is adjusted after the bank loan portion (excluding subsidy) is liquidated. The subsidy amount in the borrower's Term Loan account should be adjusted only as a part of the recovery of last installment which should not be prior to 36 months period from the date of release of Term Loan. Therefore, term loan account of borrowers should not be charged interest from the date subsidy amount is received by the Bank.</p>	<p><u>Procedure for adjustment of borrower's account</u></p> <p>The subsidy released by NHB to the Bank/Fl in favour of the project shall be kept in a separate account termed as Subsidy Reserve Fund in the name of the beneficiary. The subsidy amount shall be released as soon as the 50% of the term loan is released to the beneficiary. Subsidy so released shall be frozen in the Subsidy Reserve Fund until the completion of the project, and released finally after inspection.</p> <p>Banks shall not charge interest from the beneficiary to the extent of amount available in the Subsidy Reserve Fund for which due credit be given to the beneficiary. The full project cost excluding the subsidy amount and the margin money contribution from the beneficiary would be disbursed as loan by the banks and the repayment schedule will be drawn on term loan amount.</p> <p>Final settlement will be made only after Joint inspection by Bank, NHB and State Government representative, and</p>

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	clear written advice of NHB with regard to the eligible project cost. Only on receipt of this advice, banks will release the eligible subsidy to the beneficiaries, and refund the balance amount (if any) to NHB along with the interest of the amount to be refunded to NHB.
<u>Submission of the Utilisation Certificate by the Bank/FI</u>	<u>Submission of the Utilisation Certificate by the Bank/FI</u>
After completion of the project and closure of borrower's term loan account and on adjustment subsidy amount as part of the last installment which should not be prior to 36 months period from the date of release of Term Loan, the Bank/FI shall submit to NHB Utilisation Certificate of the subsidy amount in prescribed format (Format-VIII).	The Bank/FI shall submit to NHB Utilisation Certificate of the subsidy amount in prescribed format (Format-VIII).

Scheme 2: Capital intensive subsidy scheme for construction/expansion/modernization of cold storages/storages of horticulture produce.

In the operational guidelines of the schemes of NHB, framed in July 2010, Annexure-II, Chapter-III – prescribes following guidelines for making Subsidy Claims:

NHB Guidelines (Earlier)	Now Proposed
<p><u>Procedure for submission of documents/papers for final subsidy claim to the Board.</u></p> <p>The concerned FI/Bank who has provided credit for the project has to submit subsidy claims to respective office of NHB directly according to the delegation of powers for sanctioning subsidy for the project. In all cases, the subsidy claims must be submitted in the following manner by speed post/registered post/or by messenger of the Bank who must have Identity Proof of being messenger or must carry authorization certificate from the concerned bank branch. This will help eliminate possibility recurrence of cases of submission of fake subsidy claims as had happened in some States. NHB is proposing to make provisions enabling Financing Institution to make online entry about loan sanction, release of installments of loan, progress of project implementation and making subsidy claims which may facilitate reporting of progress of project and later on, processing by competent authority in NHB of subsidy claims pending receipt of signed and attested copies of documents.</p>	<p><u>Procedure for submission of documents/papers for final subsidy claim to the Board.</u></p> <p>The concerned FI/Bank which has provided credit for the project shall submit subsidy claim to respective office of NHB.</p> <p>Upon release of 50% installment of term loan by bank to promoter, NHB would release 100% subsidy to the concerned bank/FI as per prevailing cost norms.</p> <p>The subsidy would be kept frozen by bank/FI in the Subsidy Reserve Fund Account (SRFA) of the beneficiary.</p> <p><u>Final subsidy claim on completion of project and upon release of final withdrawal of term loan by the Bank/FI:</u></p> <p>A Joint Inspection Team (JIT) consisting representative from bank, NHB, State Hort./Agri. Department will conduct joint inspection of the project to settle the final subsidy claim based on eligible project cost on the basis of all the relevant parameters and approval of appropriate committee of NHB.</p>

<u>Eligible Project Cost (EPC)</u>	<u>Eligible Project Cost (EPC)</u>
<p>It is observed that the farmers/ beneficiaries and bankers are sometimes under impression that the subsidy @ 40% of the project cost as appraised or as assessed during Inspection/Joint Inspection of completed project will be sanctioned. This is not true. Therefore, it is being clarified that 40% subsidy will be sanctioned and released against the eligible project cost (EPC). EPC is calculated taking into account per unit area project cost, and component-wise cost norms. In addition, it is to be noted that the component wise eligible cost shall be least of cost indicated in project report, cost appraised by the bank/FI and cost assessed during Inspection/Joint Inspection of the project. The components not indicated in the project report, appraisal report shall, therefore, be not eligible for inclusion for the purpose of calculation of EPC. Similarly, change in component or project site without prior approval of NHB shall make the component or project, as the case may be, ineligible for getting subsidy. Even the change of FI/Bankers should be done with prior approval of NHB. It should also be ensured that condition of prescribed minimum percentage of term loan is fulfilled otherwise, subsidy claims will be rejected.</p>	Deleted.

Documents to be submitted with the subsidy claims

Keeping in view of the above, the subsidy claims must be submitted in the form prescribed along with following documents including the Bank Inspection Report :

(a) Completion certificate of the project as issued by the Bank.

(b) Financial appraisal carried out by the Bank before sanction of term loan showing means of finance along with any other details showing investment components and their costs. In case, pre-sanction inspection of project site is carried out by the FI / Bank, then a certified copy of each of such documents should also be submitted alongwith subsidy claim.

(c) Term loan sanction letter issued by the Bank to the beneficiary with detailed terms and conditions clearly mentioning the purpose of term loan, period of repayment along with the activities for which loan sanctioned.

(d) Date wise term-loan disbursement details for the project.

(e) Extract of term-loan account of promoter related to the project.

(f) Copy of Record of Rights of project land as appended in loan document by the beneficiary along with Search Report, if any, got done by the

Documents to be submitted with the subsidy claims

Subsidy claim shall be submitted to the Branch Office of NHB, or the Head Office, NHB, as the case may be, alongwith following documents :

- Financial appraisal report of the bank.
- Term loan sanction letter issued by the bank with detailed terms and conditions.
- Term loan disbursement schedule for the project.
- Extract of term loan account of promoter.
- Affidavit in Format-IV.
- Release of atleast 50% of term loan into project Bank loan account.

Final subsidy claim shall be submitted to the Branch Office of NHB or to the Head Office, NHB as the case may be, alongwith following documents:

1. Completion Certificate by Bank/FI.
2. Term loan disbursement details (date-wise);
3. Statement of Expenditure incurred certified by bank for project costing upto Rs.50 lakh or by Chartered Accountant (CA), if project cost exceeds Rs.50 lakh.

<p>FI/Bank. This will enable NHB tally the same with the copy of record of right submitted by the beneficiary to NHB along with application for LOI.</p> <p>(g) Photographs taken at the time of inspection of the project duly signed by the Bank Officer and the promoter. It should be ensured that the Inspecting Officer (Bank Officer) along with Promoter and NHB officer (in case of JIT) should also be seen in the photographs.</p> <p>(h) All major components of the project must be covered in the photographs.</p> <p>(i) Duly certified expenditure statement (prepared on the basis of vouchers/bills) by Bank or CA certificate as per NHB format by way of proof of assessed cost of the project during Joint Inspection.</p> <p>(j) If release of subsidy by RTGS is preferred by the Bank, then application for the same with details of corresponding subsidy reserve fund account (Format-VI).</p>	
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<p><u>Procedure for adjustment of borrower's account</u></p> <p>The subsidy released by NHB to Bank/FI in favour of the project shall be kept in the separate account termed as Subsidy Reserve Fund. The adjustment of subsidy to term loan account shall be made only as back-ended subsidy. Accordingly, the full</p>	<p><u>Procedure for adjustment of borrower's account</u></p> <p>The subsidy released by NHB to the Bank/FI in favour of the project shall be kept in a separate account termed as Subsidy Reserve Fund in the name of the beneficiary. The subsidy amount shall be released as soon as the 50% of the term loan is released to the</p>
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project cost including the subsidy amount but excluding the margin money contribution from the beneficiary would be disbursed as loan by the banks. The repayment schedule will be drawn on the loan amount in such a way that the subsidy amount is adjusted after the bank loan portion (excluding subsidy) is liquidated. The subsidy amount in the borrower's Term Loan account should be adjusted only as a part of the recovery of last installment which should not be prior to 36 months period from the date of release of Term Loan. Therefore, term loan account of borrower should not be charged interest from the date subsidy amount is received by the Bank.

beneficiary. Subsidy so released shall be frozen in the **Subsidy Reserve Fund** until the completion of the project, and released finally after inspection. Banks shall not charge interest from the beneficiary to the extent of amount available in the Subsidy Reserve Fund for which due credit be given to the beneficiary. The full project cost excluding the subsidy amount and the margin money contribution from the beneficiary would be disbursed as loan by the banks and the repayment schedule will be drawn on term loan amount. Final settlement will be made only after Joint inspection by Bank, NHB and State Government representative, and clear written advice of NHB with regard to the eligible project cost. Only on receipt of this advice, banks will release the eligible subsidy to the beneficiaries, and refund the balance amount (if any) to NHB along with the interest of the amount to be refunded to NHB.

Submission of the Utilisation Certificate by the Bank/FI

After completion of the project and closure of borrower's term loan account and on adjustment subsidy amount as part of the last installment which should not be prior to 36 months period from the date of release of Term Loan, the Bank/FI shall submit to NHB Utilisation Certificate of the subsidy amount in prescribed format (**Format-VIII**).

Submission of the Utilisation Certificate by the Bank/FI

The Bank/FI shall submit to NHB Utilisation Certificate of the subsidy amount in prescribed format (**Format-VIII**).