Rural Infrastructure Development Fund

GENESIS

Rural Infrastructure Development Fund (RIDF) was instituted in NABARD with an announcement in the Union Budget 1995-96 with the sole objective of giving low cost fund support to State Govts. and State Owned Corporations for quick completion of ongoing projects relating to medium and minor irrigation, soil conservation, watershed management and other forms of rural infrastructure.

Dr. Manmohan Singh, the then Hon'ble Union Finance Minister, while announcing the establishment of the RIDF, in his budget speech on 15 March 1995 stated:

> ***"Inadequacy of public investment in agriculture is today a matter of general concern. This is an area, which is the responsibility of States. But many States have neglected investment in infrastructure for agriculture. There are many rural infrastructure projects, which have been started but are lying incomplete for want of resources. They represent a major loss of potential income and employment to rural population."***

Accordingly, RIDF was operationalised through NABARD for financing of, at that point of time, the ongoing rural infrastructure projects in irrigation sector. The projects so supported were public irrigation projects, which were incomplete due to inadequate budgetary resources. Such projects were also having long gestation periods and as there were no cash flows, repayment were to be met out of the State budgetary supports. The funding was decided to be met out of the shortfall in Scheduled Commercial Banks' (both public and private) lending to agriculture.

4. Every year the allocation to RIDF is being met through announcement in the Union Budget, after which RBI prepares the list of bank-wise allocations based on the priority sector shortfall by each bank. Under RIDF I, the fund was allocated from the shortfall in sub-target (18%) for agriculture under priority sector lending with a ceiling of 1.5% of net bank credit. From RIDF II to XIV, the funds were allocated from shortfall in priority sector lending (40%) and/or agriculture (18%). From RIDF XV onwards, the allocation to RIDF is being met out of shortfall from priority sector and/or agriculture and/or weaker section (10%).

1. **Introduction**

   Government of India / Reserve Bank of India created the Rural Infrastructure Development Fund (RIDF) in NABARD in 1995-96. The corpus of the fund is being extended on a year-to-year basis by GoI since then. The first tranche of RIDF (RIDF-I) was launched with an initial corpus of `.2,000 crore which was met out of the deposits from commercial banks, including private and public sectors banks operating in India, to the extent of shortfall in their agricultural lending. Since 1996-97, the sources of deposits from commercial banks have been broad based by including shortfall in achievement of priority sector lending target and /or lending to agriculture and/or lending to weaker sections as on last reporting Friday of March every year.

With the allocation of `.20,000 crore from GoI, the cumulative allocation under RIDF-I to RIDF-XVIII for the States has reached `.1,54,000 crore. Out of allocation of `.20,000 crore for the year 2012-13, `.5,000 crore is earmarked for creation of warehousing facilities.

2. **NABARD ACT - Operative Section - 27A**

RIDF operations are governed by Section 27A of NABARD Act, 1981 which inter-alia stipulates : *"National Bank may make loans and advances to any State Government ... as may be approved by the Board, for the purpose of development of infrastructure facilities for promotion of agriculture and rural development".*

I. **Borrowing units**

State Govts, on behalf of Departments or Corporations for the proposals recommended and routed through the Finance Department.

II. **Rate of Interest**

Deposits

As decided by the Reserve Bank of India.

Loans

Bank Rate minus 1.5 percentage points.

III. **Activities covered**

At present, there are 31 eligible activities under RIDF as approved by GoI, MoF listed in Annexure I. More sectors / activities, as and when requested for inclusion by State Govts, can be considered by GoI.

IV. **Sanction of loans from ridf**

a. Eligible project proposals are considered for sanction by a Projects Sanctioning Committee, a committee of the Board of Directors of NABARD,with following nine Members :

i. Chairman, NABARD
ii. Deputy Governor of RBI on NABARD Board
iii. Representative of GoI (Finance) on NABARD Board
iv. Representative of GoI (Agriculture) on NABARD Board

v. Representative of GoI (Rural Development) on NABARD Board
vi. Director representing RBI Board, appointed u/s 6(1)(c) of the NABARD Act
vii. Two representatives of State Governments nominated u/s 6(1)(e) of the Act
viii. Managing Director, NABARD

RIDF LOAN POLICY – 2012-13

V. Quantum of loan

The Board / Projects Sanctioning Committee shall decide on the quantum of loan for various sectors covering eligible activities for funding under RIDF. The quantum of loan for projects relating to Agriculture and related sectors, Social sector and Rural Connectivity is, as of now, 95%, 85% and 80% of the eligible project cost, respectively.

For projects from the North Eastern States and Sikkim and Hill-States of Himachal Pradesh, Jammu & Kashmir and Uttarakhand, the quantum of RIDF assistance in case of Social sector and Rural Connectivity sector is, as of now, 90% of the eligible project cost.

VI. Normative allocation

a. The ‘Normative Allocation’ is presently arrived at on the basis of the geographical area of the State, its rural population, the inverse of infrastructure development index, inverse of Rural CD Ratio of the State and the trends in the past disbursements. The normative allocation among States has been made for `.15,000 crore and separate policy and guidelines are being framed for `.5,000 crore earmarked for creation of warehousing facilities. The Normative Allocation for 2012-13 is furnished in Annexure II .

b. The Projects Sanctioning Committee will review the utilization of allocation by the States in the third quarter of the financial year and re-allocate the funds, if necessary.

c. The prioritisation of projects, within the eligible sectors, is to be done by the States. NABARD may however tender appropriate advice to them for channelising funds to the desired sectors.

VII. Cost Escalation

The proposals for cost escalation in respect of projects sanctioned under RIDF may be considered by NABARD based on needs and justifications, as per the guidance of Projects Sanctioning Committee from time to time.

VIII. **Security / Documentation**

The documents such as Mandate, Time Promissory Note will be executed for the RIDF funds flow to the State Govts.

3. **Disbursement of Mobilisation / Start-up Advance**

A portion of the loans sanctioned to State Governments under RIDF may be released to them, on request, before their incurring expenditure on the projects in the form of mobilisation advance.

The quantum of such advance is limited to 20% of the total loans sanctioned. For the RIDF projects from the North Eastern States and Hill States including J&K, Himachal Pradesh & Uttarakhand, the quantum of such advance is limited to 30% of the total loans sanctioned.

4. **PHASING**

   a. The phasing of the projects shall be decided by the Projects Sanctioning Committee as per needs / requirements for implementation of the projects (normally upto three years). For projects from the North Eastern States including Sikkim and Hill States of Himachal Pradesh, Jammu & Kashmir and Uttarakhand, the maximum phasing period is four years.

   b. Maximum phasing period of five years may be allowed for projects related with major and medium irrigation and other stand-alone projects involving RIDF loan of `. 50 crore and above.

   c. The phasing of projects to be sanctioned in the second half of the financial year i.e. between 1st October & 31 March will be reckoned from 1st April of next year.

5. **Non Starter Project**

A project will be considered non-starter if no drawals are made within one year from the date of sanction letter, irrespective of the fact whether mobilization advance has been availed or not. Further, the sanctions would lapse if the State Government fails to ground the project within a period of 18 months from the date of sanction letter.

6. **Withdrawal of projects**

NABARD may consider withdrawal of projects by State Governments on account of genuine constraints/ difficulties.

No commitment charges will be levied for such withdrawals unless otherwise decided by the Projects Sanctioning Committee.

7. **Repayment of loan & payment of interest**

Repayment period of loans will be 7 years, including a grace period of 2 years. Interest is payable during the grace period.

The interest on RIDF loans will be payable on quarterly rests at the end of each quarter i.e. 31 March, 30 June, 30 September and 31 December every year.

If State Government / Union Territory fail to pay the interest on the due date, it shall be liable to pay interest on the overdue interest amount at the same rate as applicable to the principal amount. Chairman/Managing Director is authorised to waive such additional interest depending upon merits of the case/s.

8. **Other operational matters**

Any other matter to be operationalised under RIDF will be as per the guidelines issued by Government of India / Reserve Bank of India from time to time.