

To

Thu, Jan 23, 2020 at 8:26 PM

The Editor,
Cobrapost

We write to you in connection with the Article titled as '*Cobrapost Special Report: National Dairy Development Board brews a scam of more than Rs. 475 crore*' published on www.cobrapost.com on 28 December 2019.

At the outset, we note that the Article is replete with false assertions, allegations and insinuations, made recklessly and irresponsibly without verifying and checking their factual accuracy and without exercising due

care and attention. In our view, the contents of the Article are prima facie false, defamatory and libellous and its publication has caused, and is causing, grave harm and injury to the reputation of NDDB, Mother Dairy, NDDB Dairy Services and the other related entities and individuals named therein.

In particular, the Article casts serious accusations, imputations and insinuations on two major aspects of particular concern to NDDB, which are that (i) NDDB allegedly gives primacy to producer companies over dairy cooperatives, and (ii) funds amounting to Rs. 475 crore provided by NDDB to the producer companies

named in the Article allegedly constitutes a scam. These accusations and imputations are patently false and

factually incorrect and the publication of the same, without prior and proper verification, have considerably damaged and lowered NDDB's reputation and standing in the eyes of the general public.

In these circumstances, NDDB is entitled to take legal action against Cobrapost and its concerned officers/staff for committing criminal and civil defamation. While all such legal options are under assessment, NDDB wishes to place the correct facts and circumstances on record which are as under:

A. Allegation that NDDB gives primacy to producer companies over dairy cooperatives.

NDDB vehemently denies the allegation that the producer companies are given any preferential treatment by NDDB or even that the producer companies are strictly private in nature. In fact, the producer companies are producer owned enterprises which are corporatized versions of dairy cooperatives, working on similar principles of mutual assistance as cooperatives, constituted under and governed by the provisions of the Companies Act, 1956.

It is unfortunate that the Article did not bother to delve into, and explain, the actual history and background behind the concept of producer companies, which was conceived at the time when Dr. Verghese Kurien was the Chairman of NDDB. Dr. Kurien believed that cooperative laws in India were riddled with restrictive provisions which stifled the growth of large cooperative enterprises. Further, in his view, these cooperative laws were designed to meet the needs of small rural-cooperatives and were susceptible to high degree of subjectivity since they were not federal in application and varied from State to State. Therefore, it was felt that a cooperative should be given the freedom to carry out its business as a corporatized entity, while remaining a cooperative in form and spirit. Dr. Kurien therefore strongly advocated and advised the government to bring necessary amendments in the company law by introducing a concept of producer companies and allowing the existing cooperatives to opt for registering themselves as a producer company. Copies of two articles reporting such vision of Dr. Kurien, published in Business Line on 19 November 1999 (alongwith a typed copy of the article) and 09 November 2000, are enclosed herewith as Annexure-A ("collectively").

Having regard to the above, the Central Government amended the Companies Act, 1956

vide the Companies (Amendment) Act, 2002 and introduced Part IX-A (applicable *mutatis mutandis* on producer companies vide Section 465 of the Companies Act, 2013) bringing in the concept of producer companies, which are to be run on principles of mutual assistance akin to the cooperatives, with objectives for the benefit of its members. This is evident from the Statement of Objects and Reasons for the above amendment, which states as under:

“...to offer statutory and regulatory framework that creates potential for producer owned enterprise to compete with other enterprises on a competitive footing...”

The mutual assistance principles of the producer companies are quite similar to those for the cooperative enterprises:

- the membership shall be voluntary and available, to all eligible persons who, can participate or avail of the facilities or services of the Producer Company, and are willing to accept the duties of membership.
- each Member shall, save as otherwise provided in Part IX-A of the Companies Act, 1956, have only a single vote irrespective of the shareholding.
- the Producer Company shall be administered by a Board consisting of persons elected or appointed as directors in the manner consistent with the provisions of Part IX-A of the Companies Act, 1956 and the Board shall be accountable to the Members.
- provision shall be made for the education of Members, employees and others, on the principles of mutuality and techniques of mutual assistance.
- the Producer Company shall actively co-operate with other Producer Companies (and other organisations following similar principles) at local, national or international level so as to best serve the interest of their Members and the communities it serves.

It is also pertinent that in order to convey to the States and Union Territories that producer companies are akin to the cooperatives, the Ministry of Agriculture, Department of Agriculture and Cooperation, Government of India issued a circular no. L-12011/1/2012-I&P dated 23 March 2012 to the Principal Secretaries, Secretaries (Cooperation) of all the States/ Union Territories advising them to extend the concessions and benefits to producer companies formed by farmers at par with cooperatives. While stating the above, the circular also cited, amongst others, that the producer companies are enterprises established on the principles of mutual assistance akin to cooperative principle, with flexibility, autonomy and transparency of a company and virtues of cooperative enterprises. A copy of the circular dated 23 March 2012, issued by the Ministry of Agriculture, Department of Agriculture and Cooperation, Government of India, is enclosed herewith as Annexure-B.

It is therefore evident that Cobrapost has committed a grave error in pitching cooperatives and producer companies as mutually contradictory business endeavors.

Rather, these are just two sides of the same coin under the legal framework.

Further, the Ministry of Agriculture, Department of Animal Husbandry, Dairying & Fisheries (“DADF”), Government of India issued an office memorandum no. F.No.22-23/2011-DP dated 16 March 2012 (“Office Memorandum”), conveying the administrative approval for implementation of a central sector scheme *viz.* National

Dairy Plan Phase-I (“NDP-I”) with the objectives to help increase milk productivity and to help rural milk providers with greater access to the organized milk processing sector. As per paragraph No.6 of the Office Memorandum, NDP-I was to be implemented by NDDDB through End Implementing Agencies (“EIAs”) including, amongst others, cooperatives and cooperative forms of enterprises such as producer companies. A copy of the Office Memorandum dated 16 March 2012 issued by the Ministry of Agriculture, DADF, Government of India is enclosed herewith as Annexure-C. We state that the funds provided by NDDDB to the named farmer owned producer companies were not disbursed as any favor as alleged in the Article, rather the funding has been done as per the above policy of the Government of India.

It is also pertinent to mention that all the Milk Producer Companies (“MPCs”) mentioned in the Article are distinct legal entities whose entire shareholding is owned only by constituents of these producer companies i.e. the producer members. Further, none of the MPCs named in the Article are subsidiaries of NDDDB or its subsidiaries. Therefore, it is evident that the grants provided under NDP-I to the MPCs were as per the mandate given by the Central Government and the allegations raised by Cobrapost about the constitution of MPCs and favors being given to such producer companies are false and factually inaccurate.

B. Allegation that the funds of Rs. 475 crore provided by NDDDB to the producer companies named in the Article constitutes a scam.

NDDDB vehemently denies any irregularities, much less a scam, in sanctioning of sub projects of MPCs and providing them grant assistance under NDP-I to meet its objectives. In fact, it was at the behest and under the supervision of the Central Government that NDP-I was implemented by NDDDB through the MPCs, which were found eligible for funding based on the eligibility criteria (comprising of geographical, technical, financial and governance parameters), as stipulated in the Office Memorandum. It is reiterated that approval of the sub projects of MPCs under NDP-I and funding has strictly been done in accordance with the guidelines mentioned in the Administrative Approvals of NDP-I.

As stipulated in paragraph No.8 of the Office Memorandum, projects and funding under the NDP-I were to be approved and monitored by a framework of Committees, in the manner described below:

- The National Steering Committee (“NSC”) chaired by Secretary, Department of Animal Husbandry, Dairying and Fisheries (DADF), Government of India and having members from DADF, Animal Husbandry & Dairying Secretaries of the State Government and NDDDB approves state plans, annual plans, sanction release of funds to NDDDB as well as re-appropriation of funds and generally oversees and reviews implementation of NDP-I.
- The Project Steering Committee (“PSC”) headed by Mission Director, NDPI and having members from DADF and NDDDB approves and sanctions funds for disbursement to the proposals which are received from EIAs and examined and recommended by the Project Management Unit (“PMU”), NDDDB. The PSC is responsible for sanction of project proposals and project oversight. The Secretary, Animal Husbandry & Dairying of the concerned State Government or his representative is also an invitee while discussing proposals pertaining to that particular State.

The Office Memorandum, at paragraph Nos. 9 and 10, further provides guidelines for approval of projects under the NDP-I, which casts strict obligations upon NDDDB and on EIAs which includes the MPCs, for approval of projects and funding thereof.

From the above, it is evident that the role of NDDDB is essentially to disburse and pass on the funds, as approved, to the eligible EIAs including MPCs based on the audited fund utilization certificate, pursuant to the relevant proposals recommended by the PMU being approved by the PSC (which includes the nominees of the Central and State Governments). Considering adherence to such strict regime of fund allocation under NDP-I, it is impossible, and indeed incredulous, to allege that any funds allocation under NDP-I amounts to a scam.

NDDDB hereby calls upon Cobrapost to promptly withdraw the above objectionable portions in the Article in

their totality, but in any event no later than seven days from the date of receipt of this response. In case the

above request is not complied with, NDDDB specifically reserves all its rights and remedies available in law.

Please take note accordingly.

With regard to other allegations in the Article, similar stories were published in the media in the past which

have been rebutted by NDDDB in totality as they were based on misrepresentation of facts and contained false assertions, allegations & insinuations. Reference of these articles by Cobrapost without proper verification is defamatory. NDDDB hereby calls upon Cobrapost to take note of the same.

Sincerely,

For and on behalf of

National Dairy Development Board

Abhijit Bhattacharjee

Group Head, PR & Communications

From: Cobrapost Team [newsdesk@cobrapost.com]

Sent: Thursday, December 26, 2019 2:12 PM

To: NDDDB Anand

Cc: Admin Cobrapost

Subject: Media Questionnaire

To Date:26/Dec/2019

Mr. Dilip Rath

Chairman

National Dairy Development Board

Anand, Gujarat

Dear Mr. Rath,

Greetings from Cobrapost!

We are an independent non-profit news website and television production house, predominantly known for

investigative journalism since 2003.

During the course of investigation for a story on NDDDB, we have come across certain malpractices, both financial and procedural. We would like to ask you the following questions in this regard:

1. According to information available with us, NDDDB has created six private producer companies in recent past, namely, Paayas Milk Producer Company Ltd., Maahi Milk Producer Company Ltd., Saahaj Milk Producer Company Ltd., Shreeja Milk Producer Company Ltd., Bani Milk Producer Company Ltd. and Bapudham Milk Producer Company Ltd.. Does NDDDB have mandate to create such private entities at public expenses?

2. These private companies have been extended huge monetary grants under National Dairy Development Plan-I running into hundreds of crores of rupees. Not only that, they also have been allowed to use the unspent funds by NDDDB? What could be the reason for this undue favour being extended to these producer companies instead of helping the cooperative dairy farmers? Please explain to inform your answer.

3. Surprisingly, all these diversely located companies have a common auditor, the Gurgaon-based SB

Billimoria & Co. What could be the reason for this phenomenon of choosing a single auditor for all six companies?

4. Information available in public domain has it that all these private producer companies have common directors drawn from NDDDB and its subsidiaries. In other words, it means these subsidiaries are owned and controlled by NDDDB officialdom. Please explain.

5. It is learned that Mother Dairy, a direct subsidiary of NDDDB, is procuring milk from these private companies, thus giving primacy to private interests over dairy cooperatives. What would you like to say on this?

6. It is learned that Mr. Dilip Rath, who heads NDDDB and its subsidiaries such as NDS and IRMA, as Chairman is also the Mission Director and as Mission Director he found it plausible to extend huge grants to these six private producer companies out of NDP-I funds. We see there is a clash of interest here, and Mr. Rath should not have extended these grants to these producer companies for the sake of probity. How would you like to explain this granting of assistance?

7. It is learned that of these six producer companies, five companies figure in the annual reports of the NDDDB for the fiscals 2014–15 and 2017–18. Strangely, Bapudham Milk Producer Company Ltd. does not figure in these annual reports. What could be the reason for this omission? Please explain in detail.

8. Most of the top management of NDDDB consists of retired bureaucrats and professionals who are almost a decade past their superannuation age. What could be the reason for them to continue in office? What is your retirement policy?

9. Why NDDDB has refused to submit itself and its subsidiaries to the RTI Act 2005 despite the Government of India advising it to do so and Central Information Commissioner also directing it to do so? Should we say NDDDB is above law and not accountable even to Indian Parliament?

We request you to send your response to this email ID as soon as possible. If we do receive your reply, we

shall duly include the same in our story. In case, we do not hear from you in time, we shall publish your response in subsequent posts.

We hope to receive your response soon.

Warm regards,

Team Cobrapost

Amend Cos Act to include co-ops

Annexure - A ("Collectively")

Outdated laws stifling growth: Kurien

Harish Damodaran
Rieha Mishra
NEW DELHI, Nov. 19

The Hindu
BUSINESS LINE
20 NOV 1999

THE former chief of the National Dairy Development Board (NDDB), Dr. Verghese Kurien, has welcomed the Government's recent decision to constitute a high-powered committee to draft a legislative framework enabling co-operatives to register themselves under the Companies Act and function under a regulatory environment similar to that of

as enjoyed by its competitors who are registered under the Companies Act.

Co-operative laws in India have many restrictive provisions stifling the growth of large co-operative enterprises, as they were originally designed to meet the needs of small, rural co-operatives. Moreover, these laws are susceptible to a high degree of subjectivity as they are not federal in application and vary from State to State.

"As a result, most of our co-operatives are subjugated to a State Government's department of co-operation, a Registrar of Co-operative Societies and a co-operative department auditor. This is as against the Registrar of Companies, who strictly limits himself to functions such as registration and regulation, in a very limited sense of the term," Dr. Kurien said.

According to him, if private companies and MNCs were asked to carry out their business as per the existing co-operative laws, "They would pack their bags and go home." This is because they would have to appoint a chief executive and senior personnel only from a panel of names approved by the Registrar, constantly operate under the threat of their board of directors being superseded on some flimsy pretext and get their accounts audited not by a professional chartered accountant's firm but by Government auditors having little understanding of the enterprise's business. Besides,

the Government's permission has to be sought before opening any branch office or even investing funds in companies, whose bonds and debentures enjoy near-sovereign rating.

Dr. Kurien felt the Seven-member Committee under Dr. Y. K. Alagh, set up earlier this month by the Department of Company Affairs, should focus on how best to enable a co-operative to carry out its business under company law and yet ensure that the co-operative remains a co-operative in form and substance.

"Does an organisation become a genuine co-operative simply because it obtains a registration under our co-operative laws? In countries such as Denmark, Australia and New Zealand, dairy co-operatives operate under the same legal provisions that are applicable to private and public companies," he said. The need of the hour, according to Dr. Kurien, was to carry out an amendment to Companies Act, enabling the formation of 'co-operative companies' that would function as a distinct category within the definition of private limited companies.

Currently, a private company is defined under Section 3(1)(iii) of the Companies Act, 1956 as one which, by its articles, "(a) restricts the right to transfer its shares, if any; (b) limits the number of its members to fifty...and (c) prohibits any invitation to the public to subscribe for any shares in, or debentures of, the company".

A co-operative company, too, may be regarded as a private company enjoying similar privileges with regard to restricted transferability of shares.

Neither can the shares be traded in a stock exchange nor can these be offered to the general public, save those who are existing or new 'members' of the co-operative availing of its services.

But unlike private companies, there would be no limit to the number of members of a co-operative company.

Besides, voting is to be based on the 'one man, one vote' rather than 'one share, one vote' principle, so that it will not be possible for co-operative companies to be controlled by any member just on account of his individual shareholding.

Further, in contrast to 'investor-owned' firms, each member of a co-operative company would receive only a limited dividend (say, not exceeding 15 per cent) on his share capital.

Any resulting surplus shall be distributed as 'patronage dividend' in proportion to the volume of business transacted by any member with the company (number of litres of milk supplied in a year, etc.).

"The new intended legislation should not permit co-operatives to convert into companies that are investor-oriented and should ensure that the co-operative companies remain member-user driven," Dr. Kurien added.

ering private limited companies.

"Co-operatives are business organisations in the same measure as companies and multinational corporations (MNC), since they compete to serve the same markets and operate in the same environment. So why should they not be regulated under a common law?" the 78-year-old doyen of India's dairy industry, who continues to be the Chairman of Gujarat Co-operative Milk Marketing Federation (GCMMF) - better known as Amul - said in an interview to *Business Line*.

Noting that GCMMF is currently the country's largest processed food marketing organisation with turnover anticipated to touch Rs. 3,000 crores this year, Dr. Kurien asserted that given the scale of its operations and the kind of professionalism required to run its business, "GCMMF could do well to be regulated under a law that enables, not prescribes, and gives it the same freedom and flexibility

(Typed Copy)

The Hindu Business line 19 . . . November 1999

(reproduced from the paper clipping)

Amend Companies Act to include Co-ops

Outdated laws stifling growth: Kurien

The former chief of the National Dairy Development Board (NDDB), Dr Verghese Kurien, has welcomed the Government's recent decision to constitute a high powered committee to draft a legislative framework enabling co-operatives to register themselves under the Companies Act and function under a regulatory environment similar to that governing private limited companies.

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Noting that GCMMF is currently the country's largest processed food marketing organisation with turnover anticipated to touch Rs 3000 crores this year. Dr Kurien asserted that given the scale of its operations and the kind of professionalism required to run its business. "GCMMF could do well to be regulated under a law that enables, not prescribes, and gives it the same freedom and flexibility as enjoyed by its competitors who are registered under the Companies Act".

Cooperative laws in India have far too many restrictive provisions stifling the growth of large co-operative enterprises, as they were originally designed to meet the needs of small, rural co-operatives. Moreover, these laws are susceptible to a high degree of subjectivity as they are not federal in application and vary from State to State.

"As a result, most of our co-operatives are subjugated to a State Government's department of co-operation, a Registrar of Co-operative Societies and a co-operative department auditor. This is as against the Registrar of Companies, who strictly limits himself to functions such as registration and regulation, in a very limited sense of the term." Dr Kurien said.

According to him, if private companies and MNCs were asked to carry out their business as per the existing co-operative laws, "They would pack their bags and go home". This is because they would have to appoint a chief executive and senior personnel only from a panel of names approved by the Registrar, constantly operate under the threat of their board of directors being superseded on some flimsy pretext and get their accounts audited not by a professional chartered accountant's firm but by Government auditors having little understanding of the enterprise's business. Besides, the Government's permission has to be sought before opening any branch office or even investing funds in companies, whose bonds and debentures enjoy near-sovereign rating.

Dr Kurien felt the seven-member committee under Dr Y K Alagh, set up earlier this month by the Department of Company Affairs, should focus on how best to enable a co-operative to carry out its business under company law and yet ensure that the co-operative remains a co-operative in form and substance.

“Does an organisation become a genuine co-operative simply because it obtains a registration under our co-operative laws? In countries such as Denmark, Australia and New Zealand, dairy co-operatives operate under the same legal provisions that are applicable to private and public companies” he said. The need of the hour, according to Dr. Kurien, was to carry out an amendment to Companies Act, enabling the formation of co-operative companies that would function as a distinct category within the definition of private limited companies.

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But unlike private companies there would be no limit to the number of members of a co-operative company.

Besides, voting is to be based on the ‘one man one vote’ rather than ‘one share one vote’ principle so that it will not be possible for co-operative companies to be controlled by any member just on account of individual shareholding.

Further, in contrast to ‘investor-owned firms, each member of a co-operative company would receive only a limited dividend (say not exceeding 15 per cent on his share capital).

Any resulting surplus shall be distributed as ‘patronage dividend’ in proportion to the volume of business transacted by any member with the company (number of litres of milk supplied in a year, etc).

“The new intended legislation should not permit co-operatives to convert into companies that are investor-oriented and should ensure that the co-operative companies remain member-user driven.” Dr Kurien added.

News Article-1

B̄usiness Line

Financial Daily
from THE HINDU group of publications
Thursday, November 09, 2000

Co-ops must speak in single voice: Kurian

Our Bureau

ANAND, Nov. 8

THE father of India's white revolution, Dr V. Kurian, has urged co-operative organisations to narrow down their differences and "speak in a single voice" in order to force the Government to enact an enabling legislative environment for conduct of their business.

Speaking at a National Seminar on the "Future Co-operative Legislation -- principles and premises" at the Institute of Rural Management (IRMA) here on Tuesday, Dr Kurian said that there were influential interests who were "exploiting our differences of opinion on a few issues" to stonewall any move to reform existing co-operative laws that were "an artifact of the colonial regime".

At present, there was a near vertical divide amongst co-operative vis-a-vis appropriate legislation for the sector, with one section led by Dr Kurian himself advocating an amendment to the Companies Act to permit incorporation of 'producer companies' and existing co-operatives be given the option to register themselves as such entities. The other section led by the National Cooperative Union of India (NCUI) has opposed this proposal on grounds that it would undermine the very identity of co-operatives and make them similar to any investor-owned organisation.

Dr Kurian said that co-operatives were essentially business enterprises and hence, they should, like any other business, be free to elect their own board of directors and officers. "The Registrar to Companies does not conduct TISCO's or Reliance's elections.

Further, these companies can appoint their own auditors and chartered accountants, unlike co-operatives who can have their accounts audited only by Department auditors. We have instances where audits have been delayed for years together denying co-operative members a bonus or dividend," he said.

He alleged that while companies enjoyed better laws, which were being made even more liberal, for co-operatives, however, deregulation and decontrol remained a distant dream.

`` For the ordinary members -- the small producers, the artisans, the workers, the small consumers -- who own these co-operatives, the new economic policies seem a barren exercise designed to please only the big business houses and international investors. It is time for the Government to redress the imbalance and to enact a legislation which restores co-operatives to their owners," he added.

Dr Kurian also defended the co-operative companies' concept by stating that the proposed business entities would continue to adhere to the basic co-operative principle of one man-one vote (unlike the one share-one vote principle followed with respect to companies and other investor-owned businesses).

Further, the shares in a co-operative company cannot be traded in the open market, as ``any member can sell his share only to another member, who in turn, is again a user of the services offered by the co-operative company."

He said that he was not averse to changes being made in existing co-operative legislations themselves so as to make them more liberal and in tune with the imperatives of deregulation and competition. `` But, co-operation is unfortunately a State subject which means each State Government would have to enact separate legislations on their own.

Since this is a time-consuming process, it would make sense if we had a provision within the Companies Act itself allowing incorporation of co-operative companies", he pointed out.

Annexure - B

No.L-12011/1/2012-I&P
Government of India
Ministry of Agriculture
Department of Agriculture and Cooperation

Krishna Bhawan, New Delhi
Dated the 23rd March, 2012

To,
The Principal Secretaries/Sucretaries (Cooperation)
All States / UTs.

Subject: Extension of Concessions/Benefits to Producer Company at par with Cooperatives by the States/UTs-regarding.

Sir,

As you are aware, a 'producer company' is a business enterprise registered under the provisions of Part IX A of the Companies Act, and established on the principle of mutual assistance (listed in Section 581C(2) of the said Act), which are similar to "Cooperative Principle". Producer Company, under the Companies Act can be registered by producers or producer institutions engaged in any activity related to agriculture and allied sector and handloom, handicraft and other cottage industries. Producer Companies combine the institutional strengths of Cooperative principles with the flexibility, autonomy and transparency of company and a cooperative society. It combines all the virtues of a cooperative enterprise coupled with the vibrancy and efficiency of a company.

2. In view of the above, the States/UTs may consider to extend the concessions/benefits to Producer Companies formed by farmers at par with cooperative Societies.

Yours faithfully,


(R.K. Singh)
Director
T.No.23384309

Copy to: All Divisional Heads in DOAC with the request that producer Companies may be considered at par with cooperative societies while revising the ongoing schemes for the 12th Five Year Plan.

F.No.22-23/2011-OP
Government of India
Ministry of Agriculture
Department of Animal Husbandry, Dairying & Fisheries
Krishi Bhawan, New Delhi-110001
Dated the 16th March, 2012

OFFICE MEMORANDUM

Subject:- Administrative Approval of Central Sector Scheme "National Dairy Plan Phase-I (NDP-I)"

The undersigned is directed to convey the Administrative Approval of Government of India for implementation of Central Sector Scheme "National Dairy Plan" phase I for a period of six years from 2011-12 to 2016-17 with the following objectives:

- a) To help increase productivity of milch animals and thereby increase milk production to meet the rapidly growing demand for milk.
- b) To help provide rural milk producers with greater access to the organised milk-processing sector.

These objectives would be pursued through the adoption of focused scientific and systematic processes in provision of technical inputs supported by appropriate policy and regulatory measures.

2. NDP-I will be implemented with a total investment of about Rs.2,242 crore comprising Rs.1584 crore as International Development Association (IDA) credit, Rs.176 crore as Govt share, Rs.282 crore as share of End Implementing Agencies (EIAs) that will carry out the projects in participating States and Rs.200 crore by National Dairy Development Board (NDDB) and its subsidiaries for providing technical and implementation support to the project.

3. Pattern of funding under the scheme will be 100% grant-in-aid for nutrition and breeding activities. In the case of new semen station, 25% of the project cost of the capital expenditure and in the case of village milk procurement systems, 50% of the cost of capital items will be shared by the End Implementing Agencies. Administrative expenses including training expenses under the scheme would be kept within the admissible 6% ceiling of total expenditure proposed under the scheme.



4. The key components of NDP-Phase I are:

[A]. Productivity Enhancement

- a). Production of high genetic merit (HGM) cattle and buffalo bulls and import of Jersey/ HF Bulls for semen production
 - i) Progeny testing
 - ii) Pedigree Selection
 - iii) Import of bulls (equivalent embryos)
- b). Strengthening existing semen stations / starting new stations for producing high quality disease free semen doses
 - i) Strengthening existing semen stations -(A & B grade semen stations only)
 - ii) New Semen stations
- c). Setting up a pilot model for viable doorstep AI delivery services (based on Standard Operating Procedures (SOPs)) through a professional service provider including animal tagging and performance record
- d). Improving nutrition of milch animals to produce milk commensurate with their genetic potential and for reducing methane emission
 - i) Ration Balancing-Program
 - ii) Fodder Development

[B]. Village based milk procurement systems for weighing, testing quality of milk received and making payment to milk producers

- a) Milk weighing, testing and collection
- b) Milk cooling
- c) Support for creating institutional structure
- d) Training

[C] Project Management and Learning

- a) ICT Based MIS
- b) Learning & Evaluation

5. NDP-I would focus on 14 major milk producing States - Uttar Pradesh, Punjab, Haryana, Gujarat, Rajasthan, Madhya Pradesh, Bihar, West Bengal, Maharashtra, Karnataka, Tamil Nadu, Andhra Pradesh, Orissa and Kerala which account for over

90% of the country's milk production. Coverage of NDP I will however be across the country in terms of benefits accruing from the scheme.

6. The scheme will be implemented by NDDB through end implementing agencies (EIAs) comprising State Livestock Boards, State Cooperative Dairy Federations, District Cooperative Milk Producer Unions, cooperative forms of enterprises such as Producer Companies, Trusts (NGO's, Section 25 companies), subsidiaries of statutory bodies, ICAR institutes and Veterinary/Dairy Institutes/Universities and any other entity as may be decided by, the National Steering Committee to be set up under the NDP-I. The EIAs will be eligible for funding of various components based on the eligibility criteria which will comprise geographical, technical, financial and governance parameters.

7. NDP-I is to be implemented in States where the respective state governments commit to undertake the necessary regulatory/ policy support to prepare an environment for successfully implementing the scheme. The regulatory / policy support to be provided by the state governments are:

- a) Having in place an appropriate breeding policy;
- b) AI delivery services not being notified as a Minor Veterinary Service (MVS);
- c) Charges for AI delivery being raised gradually to cover full cost;
- d) Semen for AI delivery in the state being sourced only from semen stations graded A or B;
- e) Adoption of common protocols and SOPs issued by DADF for all breeding activities; and
- f) Notification of State Rules under the Prevention and Control of the Infectious Diseases in Animals Act.

8. **Projects under the scheme will be approved and monitored by the Committees as indicated below.**

(a) **National Steering Committee (NSC)** chaired by Secretary, DADF, GoI would approve State Plans, Annual Action Plans, sanction release of funds to NDDB as well as re-appropriation of funds, and generally oversee and review implementation of NDP I. The NSC would have the authority to consider and approve changes in eligibility criteria with reference to implementing agency, project area, norms of unit cost of components/items, composition of National & Project Steering Committees, component structure and re-appropriation proposals. The composition of the NSC will be as below.

- 4
- i) Secretary, DADF, GOI - Chairman,
 - ii) Chairman, NDDB,
 - iii) Animal Husbandry Commissioner, GoI,
 - iv) Additional Secretary & Financial Adviser, DADF,
 - v) Joint Secretary (Dairy Development), DADF,
 - vi) Principal Secretary/Secretary (AH & Dairying) (from two States on rotation basis)
 - vii) Managing Director, NDDB as Mission Director, NDP I

(b) **Project Steering Committee (PSC)** to be headed by Mission Director (NDP I) will have representatives of DADF and NDDB. The Secretary (AH & Dairying) of the concerned State Government or his representative would be an invitee while discussing proposals pertaining to that particular state. The project proposals received from EIAs are to be examined and recommended by Project Management Unit (PMU), NDDB and will be placed before the PSC for approval and sanction of funds for disbursement. The PSC will sanction project proposals and have project oversight. PSC will meet as frequently as necessary to ensure that sub project proposals are considered/sanctioned within one month of submission by the PMU. The PSC will have powers to authorize the re-appropriation of funds within a project component and between EIAs that are implementing the projects in the same State. The composition of the PSC will be as below:

- i) Managing Director, NDDB as Mission Director, NDP-I.
- ii) Representatives of DADF,
- iii) Representatives of NDDB,
- iv) The Secretary (AH & Dairying) of the concerned State Government or his representative (would be an invitee while discussing proposals pertaining to that particular state).

(c) Implementation of the project will be managed by a Project Management Unit (PMU) located at NDDB and will be headed by the Mission Director. PMU will appraise the project proposals received from EIAs and recommend the proposals to PSC for sanction, provide technical assistance in project implementation and monitoring as may be required.

9. **The guidelines for approval of project under the Scheme are as follows: -**

- i. The PMU in NDDB will examine and appraise the project proposal submitted by the EIA. After the EIA has incorporated any changes, that may be required and resubmitted the proposal, the PMU, NDDB will recommend the project proposal and circulate the same to the members of the Project Steering

Committee for approval. PSC will consider the project proposals and on approval of the project the earmarked amount will be released to EIAs by NDDB.

- ii. The NDDB would convene PSC meeting and be responsible for all financial and accounting functions related to NDP-I.
- iii. The NDDB shall maintain separate books of accounts and all transactions pertaining to NDP-I. It will be accounted under a new project code (and named as 'NDP-I Fund') which will be separate and distinct from all other accounts of NDDB. A separate bank account will be maintained for the receipt of funds from DADF for onward disbursement to EIAs as Grant-in-aid. Authorized signatories of the NDDB will operate the account.
- iv. The NDDB will draw funds from DADF, for passing on to EIAs for implementing approved projects, as an advance, usually on a half-yearly/ yearly basis. The NDDB shall make necessary arrangements to obtain audited Fund Utilization Certificates (FUCs) from the EIAs for the funds received by them during the year (on a suitable periodicity - quarterly/ half-yearly) and forward the same to DADF on a yearly basis or as and when required by DADF.
- v. For activities related to ICT based MIS under the head Project Management and Learning, support for project coordination/management units at Department of Animal Husbandry & Fisheries (DADF), NDDB and State/district levels as needed will be provided for (i) project monitoring, evaluation and learning activities involving DADF, State Governments, NDDB and EIAs; (ii) services of external agencies for carrying out baseline, mid-term and project completion surveys and other special surveys/studies as may be needed; (iii) technical assistance for MIS; and (iv) providing support for emerging needs and innovations during implementation.
- vi. The EIAs will maintain separate books of accounts and all transactions pertaining to NDP-I will be accounted under a new project code (and named as 'NDP-I Fund') which will be separate and distinct from all other accounts of EIAs. A separate bank account will be maintained for the receipt of funds from NDDB. Authorized signatories of the concerned EIA will operate the account.
- vii. Funding will be through a line of credit from the International Development Association (IDA), which along with the share of the Government of India, will flow from the DADF to NDDB and in turn to EIAs.

- viii. The expenditure incurred by the implementing agency / EIAs on the items of work 12 months prior to the approval of World Bank Board after following World Bank procedures, are eligible for reimbursement under retroactive financing. Normally, it would not exceed limit of 20% of the budgetary amount of Loan/Credit received in a financial year.
- ix. The utilization of at least 60 percent of already released funds would be considered necessary for the release of estimated requirements for the subsequent year. However, before the release of the funds for the next year, the EIAs will satisfy full utilization of funds availed until then.
- x. Administrative expenses including training expenses on each component under the scheme should be kept within the admissible 6% ceiling of total expenditure proposed under each component under the scheme.
- xi. The evaluation of scheme as a whole and projects under the scheme will be done by a third party external monitoring & evaluation agency. The evaluation would include baseline, annual, mid-term and end-term surveys. The details of procedure to be followed for survey/studies would be prepared and circulated by NDDB after seeking the approval of National Steering Committee.
- xii. Where feasible, the services of ATMA may be utilized by EIAs for carrying out information and education campaigns to create awareness amongst milk producers about the new scientific approach and technologies that could be adopted to increase milk productivity and milk production. The services of KVKs, village based community resource persons and other field staff will be used for capacity building of milk producers, wherever feasible.
- xiii. Project Implementation Plan would form the basis for NDDB to determine the components to be funded and the objective to be achieved under the scheme.

10. The following points may be noted for preparing the sub project proposals under the scheme:

- i. The project proposal under the scheme will be prepared by the End Implementing Agencies (EIAs) and be submitted to the PMU, NDDB.
- ii. The duration of the project period to be submitted by EIAs shall be between 2011-12 to 2016-17.
- iii. It must be ensured that there is no duplication of activities under NDP I and the existing schemes of the Department. The activities under ongoing

schemes should not overlap with the activities under NDP I in their specific areas. A certificate in this regard needs to be issued by the concerned EIA while submitting the project proposal.

- iv. A background note and present status of dairy development in the covered area especially in respect of components proposed needs to be incorporated in the proposal.
 - v. The project proposal shall contain a fact sheet showing the salient features of the proposal as per the given format.
 - vi. Component/Item-wise justification needs to be provided elaborately supported with facts and figures.
 - vii. The project proposal shall provide the relevant information on existing Animal Husbandry and Dairy Development infrastructure available in the proposed area as per the given format.
 - viii. All the components proposed under the project should clearly indicate its unit costs as well as detailed cost break up based on prevailing market price and based on the unit costs of similar ongoing schemes of DADF.
 - ix. The project proposal would comprise of a number of Annexures which are to be filled up based on data available with Government sources, benchmark survey, international agencies of repute (eg United Nations website, International Dairy Federation, United States Department of Agriculture and other Government sources). Source of data needs to be mentioned suitably in the annexures. The list annexures would be available in the website of NDDB and DADF.
11. A total sum of Rs.176 crore has been allocated under the scheme as Government of India's share of which an amount of Rs.12.76 crore has been earmarked for implementation of NDP-I during 2011-12.
12. This issues with the concurrence of Integrated Finance Division (IFD) of the Department of Animal Husbandry, Dairying and Fisheries vide their Diary No.5680 AS&FA dated 15.03.2012.


(K. L. Patra)
Under Secretary to the Government of India

To,

1. Managing Director, National Dairy Development Board, P.B.No.40, Anand-388001, Gujarat.
2. Secretary, Department of Expenditure, Ministry of Finance, North Block, New Delhi
3. Secretary, Department of Economic Affairs, Ministry of Finance, North Block, New Delhi
4. Secretary, Department of Agriculture & Cooperation, Ministry of Agriculture, Krishi Bhawan, New Delhi
5. Secretary, Department of Rural Development, Ministry of Rural Development, Krishi Bhawan, New Delhi
6. Principal Accounts Officer, Ministry of Agriculture, Department of Animal Husbandry & Dairying, 16 Akbar Road Hutments, New Delhi.
7. Accountant General Commerce, Works & Misc., AGCR Building, Near I. T. O. New Delhi.
8. Chief Controller of Accounts, Ministry of Agriculture, Room No. 242, Krishi Bhawan, New Delhi-110001.
9. Principal Adviser (Agriculture), Planning Commission, Room No.106, Yojna Bhawan, New Delhi.
10. Adviser (PAMD), Planning Commission, Room No.228, Yojna Bhawan, New Delhi.
11. All Secretaries In charge of Dairy Development in all States/U.Ts.
12. All Managing Directors of State Level Co-operative Dairy Federations.

Copy for information to: -

PPS to Secretary (ADF) / PPS to AS&FA / PPS to JS(C&DD) / Dir(DD) / AC (DD) / US (Finance) / AO (Budget)


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