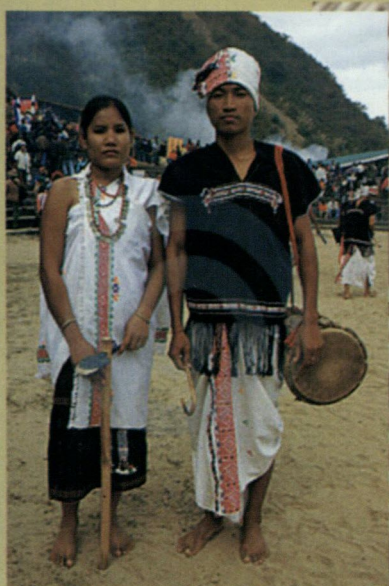


NAGALAND

The Land of Immense Potential



G.D. Banerjee
Srijeet Banerji



Nagaland has always been under news for many a wrong reason. General people from rest of India may have wrong perceptions or very little knowledge about Nagaland and its people. Even sometimes it is reported that Naga students are mistaken as foreigners in cities like Delhi and Bangalore. The literature existing about Nagaland is either on various tribes inhabiting Nagaland which were written by missionaries or anthropologists about fifty to hundred years ago or about the insurgency problem in Nagaland which have wreaked havoc on this most beautiful and serene land. There is very little literature available about the general civil population and the economic development of Nagaland. However, something has been written recently about Nagaland.

This book tries to dispel many misbeliefs and half-truths about Nagaland and its people. The media does not always portray a correct picture which is on the ground, negative things gain immense publicity and positive developments and happenings often go unnoticed and unreported. Opening a hospital or school will not make a good news item but killings or bullet firings will always make a good news piece. As I worked for many years as an Officer In charge in NABARD Regional Office, Dimapur, Nagaland, I had the first hand feel about Nagaland and its people. I toured the state many a times, and interacted with a great number of people from all the sections of the population. In my opinion the Naga people are educated, honest, they are loving husbands, caring fathers, wives and mothers, good friends and have good civil manners, well informed and have a decent opinion on everything with a rational bent of mind. They always have in their hearts a burning desire to make the state prosper.

To me it appeared from all my experiences and knowledge about Nagaland, that Nagaland has "An Immense Potential" for economic growth and development. Nagaland can attain good sustainable economic development and prosperity without resorting to high-level heavy industrialization and polluting its land and environment. Any hard work in sectors like Agriculture, Sericulture, Apiculture, Animal Husbandry sector, Horticulture, Food Processing industry, and Tourism can work wonder for the state and people of Nagaland. This book tries to highlight the potentials (which should be realized) to attain high level of development and happiness in the State.

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Agricultural Economy of Nagaland: Dynamics and Dimensions

Agriculture, the largest private enterprise in India (>10 crore farm holdings), has been and will continue to be the lifeline of the Indian economy at least in the foreseeable future. It is a matter of concern therefore that the share of agriculture in the country's economy has been decreasing over the years. At present it is 19.90% of the Gross Domestic Product (GDP) in 2005-06. However this sector continues to sustain the livelihood of about two-thirds of the population, provides direct employment to about 234 million people (cultivators and agricultural labourers) and forms the backbone of the agro-based industry. The Tenth Five Year Plan targeted real GDP growth in the agriculture sector at 4% per annum so as to reverse the deceleration in agricultural growth. The actual growth rate in the first four years of the 10th Plan, however, averaged only 2% per annum, reflecting the need for increasing investment and provision of infrastructure in rural areas.

"Everything else may wait but not agriculture"—these words of Pandit Jawaharlal Nehru, the nation's first Prime

Minister, bear ample testimony to the concerns of the national leadership towards strengthening agriculture. If the challenge was to offset food shortages during the 1950s and 1960s, the emphasis is presently shifting to sustainability of agricultural production base and income levels and quality and marketing of the produce. There have been several initiatives by the Government to create an environment conducive to the growth of this sector. To name a few, constitution of the Rural Infrastructure Development Fund (RIDF) for extending loans to State Governments for rural infrastructure projects, launching of cold storage schemes for creation/expansion of additional storage capacity of 20 lakh tonnes, Agri marketing and Infrastructure with subsidy support, evolving the Kisan Credit Card (KCC) Scheme for making agriculture credit flexible and quicker, Rashtriya Krishi Bima Yojana, Self Help groups, Watershed Development Programmes, establishment of bio-technology parks for medicinal plants and marine products, etc. Besides, Food Processing has been given the status of priority sector investment for banks. The Government of India has also announced a Special Farm Credit Package aimed at doubling agricultural credit in three years by March 2007.

Location

Nagaland, the sixteenth state of the Indian Union, covers a geographical area of 16579 Sq.Km. It was formed in December 1963 by the amalgamation of the erstwhile Naga Hills District of Assam State and the Tuensang Areas, which was under a separate administrative control. Assam in the North and West, Myanmar and Arunachal Pradesh in the East and Manipur in the South bound Nagaland. The topography is hilly, interspersed with ridges and valleys. The altitude varies approximately between 110 Metres and 3840 metres above sea level. The State has been reorganised into 11 districts with 52 Development Blocks. The districts are Dimapur, Kiphore, Kohima, Longleng, Mokokchung, Mon, Peren, Phek, Tuensang, Wokha, and Zunheboto. The state has a good network of roads. Dimapur, is the only town in the state that is connected by air and rail as well.

Physical and Demographic Features

The climate of the state is bracing and healthy. Summer temperature ranges from 7 degree Celsius to 23 degree Celsius. The average annual rainfall in the state ranges from 200 to 280 cm concentrated mainly in the monsoon months between April and October. The State falls under the Mid-Tropical Hill Zone category of Agro-climatic Zone Classification with further sub-classification into three distinct geographical regions viz.: (i) High Hill areas with lateritic soils and non-laterised red soils; (ii) Lower Hill ranges of brown forest soils and podzolic soils and (iii) Foothills/ Valleys with recent alluvium, old alluvium and mountain soils. The soils are generally fertile and are receptive to the application of fertilisers. The forests in Nagaland may be classified under three types viz. (1) Tropical Wet evergreen forests, (2) Tropical Semi Evergreen forests, and (3) Montane Sub-Tropical Pine forests. Of the three, the most important in terms of commercial exploitation is the Tropical Wet Evergreen forest, which is rich in valuable evergreen timber species in the top canopy with bamboos occurring abundantly in the lower and middle storey. Out of the total land area of 16,57,900 hectares (ha.), forests occupy an area of approximately 8,62,930 ha. which amounts to 52% of the state's geographical area. The population of the state as per the 2001 Census is 19.88 lakh consisting of 10.41 lakh males and 9.47 lakh females. The rural population constituted 82% of the population. The population below poverty line stands at 5.49 lakh constituting 32.70% of the population. Nagaland recorded a high decennial growth rate of 64.41% during 1991-2001 as compared to the national average of 21.34%. The population density in the state is 73 persons per Sq.km. with a sex ratio of 999:1000. The literacy level is 65%. The state has a good network of institutions, which provides education upto Higher Secondary level. It has one University, 23 colleges, one Polytechnic and 3 technical & industrial schools. Like the rest of the North-eastern region, Nagaland has a predominant tribal population generically referred to as Nagas with several tribes and sub-tribes and clans etc. speaking diverse dialects specific to each tribe. The major tribes of Nagaland are Angami, Ao, Chang,

Chakesang, Khiammung, Konyak, Lotha, Phom, Rengma, Sangtam, Sumi, Zeliang and a few mixed tribes such as the Kacharis, Mikirs and Gorkhas. Generally the distribution of various tribes is confined to various districts and regions.

Occupational Pattern and Land Ownership

Agriculture continues to be the main occupation of the people engaging nearly 68% of the State's main workers. A small segment of the population in the state are engaged in weaving, black smithy, Handicrafts and other small and village scale industries as part-time occupation. There is very little or no manufacturing activity. The high potential existing in the state has not been exploited due to lack of infrastructure facilities. In Nagaland, the problem of fragmentation of land holdings is not an issue on account of the peculiar pattern of land-ownership, tenure and use prevalent in the state. The number of landless is negligible. There are no large holdings and intermediary rights are hardly existent and therefore the need for legislation on ceilings, consolidation of holdings and/or abolition of intermediaries has not arisen. Only a small area of about 259 sq.km. in Dimapur Mouza has been cadastrally surveyed (for historical reason as it was part of Assam when the process was completed). In the rest of the state there has been no cadastral survey and systematic land record of rights have not been built up. The only legal framework is the Jhum Land Regulations Act, 1970. The ownership of land and the individual rights are governed by what are known as customary laws of the community and in case of any dispute, the interpretation of rights is vested in the Village Council. As there is no clear-cut land ownership pattern in the state, from the point of view of bank lending, it is risky as there are no definite laws for the banks to rely for security. One of the most important Acts relating to the banking sector viz. the Transfer of Property Act has so far amongst others not been made applicable to Nagaland on account of the safeguards provided under the Indian Constitution through Article 371 (A). The non-applicability of the Transfer of Property Act in its wake has created a situation wherein land cannot be taken as collateral and

thus be offered as security. This has been one of the major constraints in the flow of Ground Level Credit in the state.

Economic Indicators and Infrastructures Supports

The Gross State Domestic Product for the year 2002-03 is estimated at Rs.2587.98 crore with a per capita income of Rs. 11,367. The Infrastructure Development Index (IDI) for the state stands at 71 against the all India average of 138. The state of Nagaland continues to be confronted with many inadequacies in the areas of physical and social infrastructure. For the development of such essential and critical areas, the State is constantly faced with acute financial and resource problems. One of the reasons for this state of affairs is the almost non-existent Tax base of the State. The tribal traditions and customs of the inhabitants have also been protected by special provisions in the Constitution of India as a result of which, the State does not own any land unless purchased from the people for specific purposes by the Government.

The State still suffers from a shortfall in its generation of power. Against the present requirement of 60 MW, the State's own generation is a mere 6.12 MW only. This shortfall is presently met through purchases from other neighbouring States like Manipur, Assam and Meghalaya. The total number of villages electrified as on 2001-02 was 1216 constituting 95% of the inhabited villages. Per capita consumption of electricity was 88 Kws during 1996-97, as compared to the minimum of 80.4 Kws by Tripura and maximum of 192.8 Kws by Meghalaya among the N.E States. During the year 2003-04, the total length of roads in the state of Nagaland was 13371 km. Of this, the total length of surfaced roads was 6225.62 km and unsurfaced roads were 7145.83 km constituting 46.56% and 53.44% respectively of the total road length in the state. The road density per thousand sq. km of geographical area was 807 Km. The State has 248 km. of National Highways and 1033 km. of State Highways. The current status of road network in the state is very poor. As on 31 March 2000, only 29.24% villages were connected by pucca roads while the remaining 70.76% of the villages were still connected only by kutcha roads. The only means of intra-state movement being roads, paucity

of all-weather roads causes delay in supply of essential commodities, leading to delay/cost escalation of developmental activities. At present there are no Medium or Large Irrigation Projects in the State. The potential for irrigation is estimated at 165000 ha. Against a net sown area of 312770 ha. the irrigated area was 64,490 ha (2002-03) The districts with a larger area under irrigation are Kohima, Dimapur, Phek, Wokha and Tuensang.

Operational Holdings

According to the estimates of the Agricultural Census 1995-96, the number of operational holdings in Nagaland was 1,49,183 operated in an area of 7,13,970 ha. The net sown area was 312770 ha. constituting 43.81 % of the operated area. The average net sown area per holding was 1.68 ha. The average size of holdings in the state was 4.79 ha. It is important to note that in Nagaland the average size of operational holdings does not indicate the structure of agricultural economy in view of the prevailing technology employed for cultivation (predominance of Jhum), labour input (family labour), and unique land tenure system. The average size of the holding merely shows the efficiency of land utilisation and inequality in the distribution of land holdings. As the scope for increasing the net sown area is limited, the thrust in the primary sector should be to increase productivity. Improving the infrastructure facilities and facilitating a congenial labour climate are the key areas in improving the growth in the secondary sector. The tertiary sector has over the years grown to dominate the traditional sectors.

Agriculture

Agriculture is one of the significant contributors to the net state domestic product and is the largest employer of the workforce in the state. Though the dependency for employment on agriculture has declined from as high as 96.5% in the 1950s to about 68% in 2000, it continues to be the main source of livelihood. Shifting and terrace cultivations remain the dominant forms of land use practice in the state.

The traditional form of shifting cultivation i.e. Jhum, is the method of cultivation that is widely practised across Nagaland. Jhum occupies about 90% of the area under agriculture. Terrace cultivation is confined largely to the districts of Kohima and Phek. The single cropping system is prevalent in the state resulting in low cropping intensity. Multiple cropping is yet to be practised by the farmers except in very small and negligible pockets. During the last decade, the cropping intensity remained constant at about 110 percent. The cropping season that begins in March and continues upto August is Kharif while the Rabi season starts in September and ends in December every year. Rabi crops are mainly confined to vegetables. Rice is the staple food of the people hence paddy is the major crop in the state. Use of technological interventions in terms of improved seeds, fertilisers and better implements has been limited. The mechanisation of agriculture has been poor because of the nature of the terrain in the state and the low purchasing power of the farmers. The consumption of fertilisers and pesticides has not been uniform and almost negligible until recently. The State Government is trying to turn this into an advantage by accessing markets for 'organic foods'. The State Department of Agriculture has established a research station at Mokokchung with three other sub-stations in the state to adapt technological innovations for local use.

Constitution of Nagaland Bamboo Development Agency

Bamboo, the fastest growing and highest yielding renewable natural resource, grows extensively all over the state and constitutes one of the most important resources of the state. At present bamboo is used mainly for handicrafts, papermaking and other traditional uses. The potential of bamboo for various end users are limitless with value added applications as food, as medicinal products, as wood substitute, as building and construction material and so on. A planned scientific and holistic approach to the cultivation and management of bamboo on sustained basis can be an inexhaustible source of goods and services and can play a significant role in the rejuvenation of the rural economy and the overall economic development of the state.

Accordingly, the Govt. of Nagaland has framed the Nagaland Bamboo Policy and has set up the Nagaland Bamboo Development Agency (NBDA). The development of Bamboo in Nagaland has been approached in a Mission Mode ie Bamboo as (a) a resource and (b) an enterprise

Active steps have been taken to develop the raw material base in 65 villages, and train rural youth and entrepreneurs in bamboo applications, and even architects and civil engineers in bamboo structural activities. The NBDA has estimated that the State has potential to fetch business worth Rs. 10 crore from bamboo shoot alone. The development of bamboo is regarded as a vehicle for economic growth. Accordingly, Training is being conducted on use of bamboo, bamboo shoot, pickle processing, bamboo charcoal production technology, etc. The Agency has taken up various activities during the past year with the support of the National Mission on Bamboo Applications (NMBA) some of which are highlighted below:

- A bamboo shoot processing unit (Nagaland Foods Pvt. Ltd.) has been established with NMBA support at the Industrial Estate Dimapur (Ganesh Nagar). It commenced commercial production in July 2005. In addition to processed bamboo shoot, other products include pineapple slices, passion fruit and orange juice, for off-season processing.
- Mat supply chain development activities have been initiated with the Nagaland Bamboo Development Agency at Tuli.
- Commercial natural dyes - usage and application - were demonstrated by IIT Delhi at Dimapur (October 2005).
- 3 Charcoal kilns, designed for batch operation were established at Dimapur CFC in December 2005. Another two kilns have been established at Dunki village, 30 kms from Dimapur. Yield of 32-35% obtained in trials. 3-day production cycle established. In 2006, an additional programme of 50 kilns being taken up in collaboration with the Nagaland Bamboo Development Agency.

- 1,000 plants of *Phyllostachys pubescens* brought for field trials to Nagaland Bamboo Development Agency in March 2006.
- Multi-locational trials of tissue cultured bamboo being carried out at Wokha
- Trial and demonstrative induction of one gasifier (35 kgs/hour, delivered 25 Kwt) taken up at Government of Nagaland R&D Farm at Razhephema village, for lighting, pumping of water for irrigation and for poultry farm.
- Multi-stage project being taken up by NMBA in collaboration with the Nagaland Bamboo Development Agency (NBDA) and the China Bamboo Research Centre (CBRC), Zhongzhu for: a) feasibility testing of bamboo for conversion to charcoal by modified kiln technology, and then activation, b) establishment of a demonstrative kiln in Nagaland by the CBRC, and c) establishment of a manufacturing unit for activated carbon. Samples of charcoal from Nagaland being sent to China for testing by the NBDA.
- Establishment of Bamboo Processing and Treatment Facility (BPTF) at Dimapur, on cost-sharing basis between NMBA and NBDA as an integrated bamboo processing and treatment facility, capable of producing bamboo slats and slivers, splits, cross-cut sections, round and square sticks. A special feature is a thin sliver machine for mat making and craft activities. Universal bamboo working machine, for drilling, sanding, profile moulding and slotting being provided, to support furniture and craft units. For the first time, pelletising equipment is being provided, 3 charcoal kilns already placed.
- Government of Nagaland has constructed large span structure - 32,000 sq. ft supported by NMBA with induction of bamboo mat based composite roofing material, at Kisama, as part of a heritage complex. It extensively uses to treat whole bamboo columns. Core group of trained workers in bamboo treatment

and bamboo based construction formed by Government of Nagaland (about 90 trained workers). Additional structures planned by Government of Nagaland with NMBA support.

Nagaland Environmental Protection and Economic Development (NEPED)

The Nagaland Environmental Protection and Economic Development (NEPED) project was a five-year-long initiative funded primarily by the Canadian International Development Agency, through the India-Canada Environment Facility. Initiated in February 1995, its objectives were to increase agro-based industries, preserve the natural habitat, increase forest cover, introduce competitive methods of agriculture and enhance food security. The project initially involved over 6000 farmers in 1794 test plots across 854 villages covering about 5500 ha. of land. This was the first major project with a coverage as high as 70% of the 1286 inhabited villages of Nagaland. Seven million trees were planted in the first phase of this project. *The second phase* of the project which commenced on 1st April 2001 was called the "*Nagaland Empowerment of People through Economic Development,*" thereby bringing out new thrust areas while retaining the acronym which has attained visibility and credibility throughout the State. This project responds to the critical need for income generation through a multi-dimensional agro-forestry initiative. The project is being routed through the Village Development Boards (VDBs) who will ensure the delivery of the project amongst the project beneficiaries. The project proposes activities that reinforce the progress already made by assisting VDBs to engage in community based natural resource management, establish viable economic clusters of villages, develop downstream economic options for the village communities and adopt community-based measures to encourage protection of remaining forest land and bio-diversity. The project aims to contribute towards the long-term results that cover: (a) environmental Protection, (b) economic Development leading to poverty reduction, (c) Improved social cohesion, (d) sustainable VDB mechanism for community development and empowerment and

(e) improved Government of Nagaland Development Programming.

NEPED Pioneered Activities

Some NEPED Pioneered Activities include setting up of revolving fund; 25 percent of this fund (Rs. 2.25 crore) is exclusively earmarked for women to take up their own schemes and programmes, (ii) complementing the resources of the Village Development Boards by way of capacity building, training and exposure trips, (iii) investments in monitoring, research and setting up processing equipment and production infrastructures over the five-year period, (iv) for the first time, women are being allowed access to land, either by purchase or long term lease. Modalities vary from tribe to tribe, but with a very definitive tilt in benefit sharing in favour of the women who are organising themselves in small formal groups to undertake development activities, and (v) farmers are organising themselves into formal groups for creating marketable surplus and accessing markets.

Establishment of Market Linkages and Enactment of Nagaland Agricultural Produce Marketing Act, 2005

The main thrust of the State Government has been the development of rural markets. Lack of marketing linkages has been one of the key disincentives to Naga farmers in producing surplus. In order to meet these needs, the Department of Agriculture has initiated the process of creating agricultural marketing infrastructure through private sector and cooperatives. This marketing infrastructure would incorporate grading, storage and transport. Linkages are also being explored with markets outside the state. The Department has taken up identification of viable commercial crops, identified through crop zoning maps. Village Marketing Committee (VMC), Agriculture Produce Marketing Sub-Committees (APMSC) and Agricultural Produce Marketing Committees (APMC) at the district level have been set up to market the surplus produce and enter into contract farming kind of practices. Identification of trade centres will further strengthen the marketing infrastructure for commercial crops.

To this end, the State Government has enacted the Nagaland Agricultural Produce Marketing (Development and Regulation) Act, 2005 to provide for establishment, improvement, development and regulation of markets and marketing systems for agricultural produce in the State of Nagaland including processing and export and for matters connected therewith or incidental thereto.

Thrust on Organic Farming

The farmers of Nagaland have been following the practice of raising crops under organic conditions since time immemorial. The use of fertilisers and pesticides has been negligible until recently. In the context of globalisation of agriculture, organic products have a higher market value and the market space for organically grown agricultural produce is increasing. This opens up a new area of income and livelihood for the people of Nagaland. The State Govt., is trying to turn this into an advantage by accessing markets for 'organic foods'. The State is actively pursuing the organic farming policy that will bring benefits in terms of healthier foods free from toxic chemicals, as well as better markets both in the country and abroad. Efforts are on in exploring this market.

Development of Animal Husbandry Sector

The Sample Survey Report of 2001-02 (base level) reveals that the State produced only 31% of its net requirement of meat, milk and eggs. The balance 69% was imported from outside the state at a cost of about Rs. 375 crores. Domestic production has since increased considerably in 2004-05, reducing the import cost to Rs. 334 crore. To check this huge drain of money, The Animal Husbandry and Veterinary Services (AH&V) Department has initiated steps to improve the quality of infrastructure, provide better animal health and veterinary care, and improve technology levels in livestock production. The AH & V Department has embarked on a road map to make Nagaland self-sufficient in meat and livestock products. This calls for rapid increase in the production of livestock that can be possible by involving all households of the villages in livestock farming. The

Department has therefore framed a three pronged approach to achieve self-sufficiency in livestock production. The first is to revive and improve the age old practice of Backyard Farming by every individual household through the involvement of the Village Development Board of every village of the state. This is proposed to be done in a cluster approach. Secondly, the existing progressive farmers, unemployed youth, veterinary field assistants, etc. will be encouraged to get involved in livestock production through the Chief Minister's Corpus Fund for self employment. The third approach is to rope in unemployed veterinary graduates for entrepreneurship development particularly in specialized farming on poultry, piggery, dairy farming including animal health, veterinary services and setting up feed manufacturing units. With the declaration of 2006 as the Year of the Farmer, the Department has planned a year long calendar of events for providing training and capacity building for improvement of backyard livestock and poultry farming through improved technology transfer.

Creation of the Department for Development of Under Developed Areas

The state of Nagaland is economically backward as compared to the rest of the country. There are however certain areas within the state that are far more backward than other areas. These areas cover nearly 40% of the state's population and is spread over 57 villages. To improve the condition of these backward areas and to accelerate the pace of development, the State Government had declared certain districts and areas as economically, educationally and socially backward and special attention has been provided to improve their living conditions under the Backward Areas Development Programme under implementation since 1980-81. In order to provide focused attention on the special needs and requirements of the backward areas, to bridge the gap between the less developed, and the more developed areas the Government of Nagaland has created a new 'Department for the Development of Under Developed Areas'. The new Department will be provided with substantial funds for infrastructure development, creation of assets and more

job opportunities to raise the standards of living in the interior and backward areas of the state.

Initiatives in the Handloom & Handicraft Sector

For the first time in the State, the Nagaland Handloom and Handicrafts Development Corporation has, successfully organized a Handloom Expo in January 2006 at Dimapur with financial support from the Ministry of Textiles. 48 participants from the States of Jammu and Kashmir, Assam, Himachal Pradesh, Manipur, Nagaland, Tripura and West Bengal participated in the fair. This has provided the local weavers and craftsmen with a window for showcasing their products and an opportunity for establishing marketing linkages. The State Govt. has also commenced the process of patenting the indigenous textile designs and crafts in collaboration with National Institute of Fashion Technology.

Establishment of Central Institute of Horticulture

Recognizing the importance for institutional support for development of horticulture in the northeast, the Government of India approved the establishment of a Central Institute of Horticulture in Nagaland in January 2006, with a financial outlay of Rs 20.00 crore spread over a period of five years. The Institute is being set up at Medziphema in an area of 43.50 hectares.

The objectives and the identified programmes of the institute are given below:

- Capacity building by training of trainers, extension officers, farmers, entrepreneurs, processors and exporters.
- Demonstration of improved technologies such as use of improved varieties/hybrids, adoption of INM/IPM practices, Hi-tech farming, precision farming, protected cultivation, post harvest technology, etc.
- Follow-on extension support in the field of horticulture.
- Promotion of organic cultivation of horticultural crops.
- Establishing convergence and synergy among

programmes in the field of horticultural research and development.

- Monitoring of centrally sponsored programmes in the area of horticulture.

The Honb'le Union Minister for Agriculture Shri Sharad Pawar laid the foundation stone of the Institute in March 2006. Since then the Institute has temporarily set up its office at the campus of School of Agricultural Sciences and Rural Development (SASARD) at Medzhiphema in order that developmental works at the site may be executed smoothly. While the institute has been established to cater to the needs of the Northeast states, its location within Nagaland will give the much-needed support in boosting horticulture development in the state. Some of the activities in progress in the institute during the past year are summed up below:

- A technical expert has been appointed for preparation of training manuals and identification of technology demonstration in the farmers' fields. A training manual on production of fruits in the North-Eastern States has already been finalised and is under printing.
- The master plan for the Institute has been prepared and has also identified suitable varieties of selected crops for the establishment of mother blocks at the institute and technologies for large-scale demonstration in the farmer's fields.
- The Institute organized a Master's training programme for senior officers of state horticulture/ agriculture departments who were involved in the implementation of various horticultural programmes in north-east stat on advanced technologies on horticultural development between 26th and 28th May 2006 at the National Research Center for Mithun, Jharnapani. They were also identified as master's trainers for imparting further training to farmers in respective states.
- A regional workshop on cashew was organized in collaboration with the Directorate of Cashew and

Cocoa Development, Cochin to discuss various issues related to development of cashew in northeast states.

- The Institute in collaboration with the National Bee Board and State Horticulture Department, Sikkim has organised a national workshop cum honey festival on the development of Apiculture on 16th - 17th June 2006, at Sikkim.
- The Institute in collaboration with School of Agricultural Sciences and Rural Development (SASARD), Nagaland University, had organized number of training programmes on the protected cultivation of vegetables. Tissue culture of banana cultivation, horticulture etc at the SASARD campus.
- The Institute has collected mother plants of 15 selected varieties of citrus and has taken the necessary steps for establishing a 'mother block' of these selected varieties.
- The Institute in collaboration with the National Research Centre for Cashew have identified high-yielding varieties of cashew suitable for the region and has taken necessary steps for the establishment of a mother block of these selected varieties.

PART—2

State Government, Govt, of India, NABARD and RBI's Initiatives etc.

1. State Government Initiatives

Agriculture and Allied sector form the core plan of the state's development programmes. With this perspective, the Government undertook various initiatives for the development of the primary sector. As stated earlier some of the initiatives of the State Govt, are: (i) Declaration of 2006 as the 'Year of the Farmer', (ii) Constitution of Nagaland Bamboo Development Agency, (iii) Nagaland Environmental Protection and Economic Development (NEPED), (iv) Establishing Market Linkages and enactment of Nagaland Agricultural Produce Marketing Act, 2005, (v) Creation of the Department for Development of Under Developed Areas,

(vi) Initiatives in the Handloom & Handicraft Sector
(vii) Initiatives to Improve Flow of Institutional Funding.
The Government of Nagaland has passed the Nagaland Money Lenders Bill, 2005, to regulate the unorganized money market and to safeguard the interest of both the lenders and the borrowers. The State Govt. has also issued a notification dated 5th May 2006 declaring Dimapur Municipality/Mouza under Dimapur district as notified town for the purpose of registration of equitable mortgage of immovable properties against loans. This move will not only enable recovery of loans, but in the process, improve the flow of credit in the State.

2. Govt. of India Initiatives

The Government of India approved the establishment of a Central Institute of Horticulture in Nagaland in January 2006, with a financial outlay of Rs 20.00 crore spread over a period of five years. The Institute is being set up at Medziphema in an area of 43.50 hectares. The objectives and the identified programmes of the institute were dealt with in Part-1.

3. NABARD's Initiatives

Besides extending credit support to banks, NABARD has taken a number of non-credit initiatives which are highlighted in the ensuing paragraphs.

Promotional Areas

(i). *Rural Entrepreneurship Development Programme: Rural Entrepreneurship Development Programme (REDP)* was introduced in the early nineties as a means to support capacity building of rural unemployed persons to enable them to set up their own enterprises. It is now firmly entrenched as a successful model for employment generation in the rural areas. During the year, the Regional Office supported one REDP covering 22 unemployed rural women and involving grant assistance of Rs. 0.50 lakh.

(ii) *Micro-finance Initiatives*

(a) *Capacity building support:* During the year (2006-07),

training programmes were organized in association with partner. NGOs. These include:

- 10 awareness creation and capacity building programmes covering 457 SHG members to inculcate skills for managing thrift and credit
- 1 Workshop for NGOs on micro-finance initiatives
- To disseminate information on the SHG-Bank linkage programme more effectively at the grass roots level, the Regional Office has translated the SHG handbook into the Ao Naga dialect during the year. The handbook shall be used as a tool for spreading awareness on SHGs. Translations into other local dialects are planned in the coming year.

(b) *Grant support:* A grant Support of Rs. 1.25 lakh was sanctioned to the Nagaland Rural bank for functioning as Self Help Promoting Institute (SHPI). The NRB has since promoted 210 SHGs in its area of operation and disbursed cumulative credit of Rs. 113.76 lakh as on 31 March 2007.

(c) *Revolving Fund Assistance (RFA):* NABARD provides bulk lending facilities to NGOs for on-lending to SHGs/SHG members. The Regional Office had provided Revolving Fund Assistance (RFA) of Rs. 4.00 lakh to the Peoples Integrated Development Service (PIDS) the development wing of the Rongmei Baptist Association head quartered at Jalukie, in Peren District of Nagaland. The RFA was sanctioned for the purpose of on lending to savings and credit groups promoted by the NGO. A grant assistance of Rs. 0.72 lakh was sanctioned for the promotion of these groups. The project envisaged assisting 150 members during a two year period (March 2002 to March 2004). As on 31 January 2007 the NGO has utilised the RFA for assisting over 467 members of 51 and the cumulative loans disbursed by the NGO through roll back of the loans repaid stood at over Rs. 19.00 lakh.

(d) *Support to Village Development Boards (VDBs):* To stimulate credit flow in the state as also to ensure community involvement, reduce transaction, and risk cost of lending, a pilot scheme for accelerating the flow of credit through VDBs was launched in the state during the year 2004-05.

In all 25 VDBs were identified for implementation of the scheme and an MOU was entered into and signed by NABARD, Government of Nagaland and State Bank of India (SBI). A corpus of Rs. 25 lakh (Rs. 1 lakh per VDB) to be shared in the proportion of 40, 20, 20 and 20 per cent by the VDB, State Government, NABARD and the Central Government, respectively was created. The corpus would be maintained with SBI against which loan in multiples of the corpus sanctioned by SBI would be available to the VDB for loaning operations. NABARD, besides sanctioning Rs. 5 lakh towards its share of the corpus has also provided operational guidelines and training to the stakeholders. As on 31 March 2007 19 VDBs have been financed. Interaction with the stakeholders has revealed that the above scheme has been a boon to the people in the rural areas as it has facilitated easy access to credit to the genuine rural borrower that was earlier considered beyond their reach. It has also instilled a sense of ownership and responsibility on the VDBs being the financial intermediaries through which the loans are disbursed as they have been given the flexibility to fix interest rates on the loans released within the overall ceiling of 18% p.a. This not only makes it attractive to the VDB as it assures some returns by way of interest income, but it also ensures proper selection and identification of the borrowers so that there are no defaults. The Government of Nagaland is keen to expand the scheme to cover all VDBs.

Institutional Sphere

Institutional Development of the Co-operatives and Regional Rural Banks is of primary concern to NABARD considering their poor financial position. At NABARDs initiative, Development Action Plans (DAP) are prepared by the Coop Bank and the RRBs to achieve current and sustainable viability within a stipulated time frame. The DAP aims at sensitizing these banks on the concept of cost effectiveness, commercial orientation, professionalism and accountability so as to enable them to withstand competition. The Nagaland State Cooperative Bank Ltd. and the Nagaland Rural Bank have prepared DAPs and entered into Memorandum of Understanding (MOUs) during the year.

NABARD has provided assistance from the Cooperative Development Fund (CDF) to the NSCB to augment its infrastructure. Assistance under Cooperative Development Fund through both loans and grants to the NSCB totaled Rs. 11.01 lakh.

Financial Sector Plan for NER

The Reserve Bank of India constituted a Committee on Financial Sector Plan for the North East Region under the chairmanship of Smt. Usha Thorat, Deputy Governor, Reserve Bank of India (RBI), to suggest measures to achieve greater financial inclusion and financial services in the North east region and to prepare state specific monitorable action plans for the region. The Committee has submitted its recommendations in July 2006 and the same were accepted by the RBI. The recommendations are now being implemented within a specified time.

PART—3

State and Central Governments as well as NABARD: Policy Prescriptions

The Government of India, Government of Nagaland, at the time of formulating the annual budget, keeping in view the aspirations and expectations of the people, have been framing policies towards furthering and fulfillment of the common will of the people. The Reserve Bank of India (RBI) frames and reviews the monetary and credit policy to ensure stability in money supply and interest rates, foster economic growth and control inflationary pressures. The Policy initiatives of NABARD are focused on augmenting the flow of ground level credit for agriculture and rural development. Major policy initiatives taken by Govt. of India, State Govt., RBI and NABARD that have a bearing on production and productivity in agriculture, improving the quality of life for rural masses and accelerating credit flow for the agriculture and rural development activities are briefly highlighted in the following paragraphs.

1. Policy Initiatives by Government of India

(i) Union Budget-2006-07—Highlights relating to Agriculture and Rural Sector

Bharat Nirman: Allocation enhanced from Rs. 12,160 crore for 2005-06 to Rs. 18,696 crore for 2006-07 (54% increase).

Agriculture Credit: It includes (i). Banks to increase farm credit to the level of Rs. 175,000 crore in 2006-07, Banks to provide finance to another 50 lakh new farmers, (2). Banks to open a separate window for Self Help Groups or Joint Liability Groups of tenant farmers and ensure that a certain proportion of the total credit is extended to them (necessary instructions have been issued by NABARD to RRBs & Cooperatives), (3). Relief by way of crediting to borrower's account, amount equal to two percentage point of the borrower's interest liability, provided to farmers who had availed crop loans for Kharif/Rabi 2005-06, and (4). Farmers to be provided Short Term credit at 7% with an upper limit of Rs. 300000 on the principal amount with effect from Kharif 2006-07.

National Agricultural Insurance Scheme (NAIS) continued in its present form for Kharif and Rabi 2006-07.

Irrigation: Outlay under Accelerated Irrigation Benefit Programme enhanced to Rs. 7121 crore for 2006-07 from Rs. 4500 crore during 2005-06. Command Area Development Programme was revamped to allow participatory irrigation management through water users' associations, and 20,000 water bodies with a command area of 1.47 million hectares were identified in the first phase for repair, renovation and restoration through pilot projects in 23 districts spread over 13 States.

Plantation: Special Purpose Tea Fund for rejuvenation of tea plantation set up with a package of Rs. 4700 crore for a period of 15 years, with yearly contribution to the Fund; similar package for coffee, pepper and rubber are contemplated

Horticulture: Rs. 150 crore were earmarked for setting up of Model Terminal Markets under PPP model in different parts of the country under National Horticulture Mission.

A Central Institution of Horticulture was established in Nagaland. Jute Technology Mission was launched to harness the potential of jute, and Jute Board was established.

Rural Infrastructure Development Fund (RIDF): Corpus of RIDF XII increased to Rs.10, 000 crore. Specified projects under Public Private Partnership (PPP) model have an access under RIDF. In addition RIDF XII included a corpus of Rs. 4,000 crore during 2006-07 for roads component of Bharat Nirman.

Micro Finance: A Bill was introduced to provide formal statutory framework for promotion, development and regulation of micro-finance. Banks provided credit linkage to 3,85,000 SHGs during 2006-07 and allowed appointing banking correspondents and banking agents; a window to access ECB funds opened. NABARD opened a separate line of credit for financing farm production and investment activities through SHGs; a scheme has since been introduced. Committee on Financial Inclusion was set up and suggested plan for designing and delivering credit to every household that seeks credit from lending institutions. (RBI has already set up the committee).

Textiles: Scheme for Integrated Textiles Parks (SITP) was launched and 25 parks was created.

Handlooms: About 100 additional clusters were taken up for development at a cost of Rs. 50 crore during 2006-07. Yarn depots were established in different parts of the country to ensure uninterrupted supply of yarn to weavers. 'Handloom mark' on the lines of 'woolmark' was launched. A scheme similar to Technology Upgradation Fund Scheme was introduced for the handloom sector to provide interest subsidy on term loans and Insurance scheme was extended to handloom weavers.

Food Processing Industry: Food processing was treated as a priority sector for bank credit and necessary circular was issued by RBI). NABARD created a separate window with a corpus of Rs. 1,000 crore for refinancing loans to the sector, especially for agro-processing infrastructure and market development. National Institute of Food Technology Entrepreneurship and Management to be set up.

Small and Medium Enterprises (SMEs): About 180 items were identified for dereservation. Credit Guarantee Trust for Small Industries (CGTSI) was formed to reduce the one time guarantee fee from 2.5 per cent to 1.5 per cent for all loans

Services Sector—Tourism: As many as 15 tourist destinations and circuits were taken up for development on the lines of an integrated area development approach. About 50 villages with core competency in handicrafts, handlooms and culture, close to existing destinations and circuits were identified and developed

Power Sector: Power generation continues to be a major thrust area. Investments in solar and wind energy, hydro power, bio-diesel, biogas were promoted through appropriate policies and credit products

(ii) Other Measures

In view of the widespread outbreak of Avian flu in the poultry sector, certain relief measures including the interest subvention and rescheduling of loans were announced. NABARD is designated as the implementing agency for the scheme of revival of short term cooperative credit structure (Vaidyanathan Committee) supported by monitoring committees at National, State and District level involving GOI, State Governments, RBI, NABARD, SCB/DCCB officials and Chartered Accountants. Investment limit in plant and machinery enhanced from Rs. 1 crore to Rs. 5 crore in respect of: (i) 69 additional items reserved for exclusive manufacture in SSI sector, and (ii) all items (whether reserved or not) in the Drugs and Pharmaceuticals Sector) The loan component was raised by State Governments under RIDF for AIBP assisted major, medium irrigation projects (and minor irrigation where applicable. Nine activities viz., maintenance and repair of agricultural implements and machinery, agri service centres, seed processing units, tissue culture, production of bio-fertilizers/bio-pesticides/bio-control agents, honey and bee product processing units, feed processing and testing units, IT Kiosks in rural areas and cool chains, which can be undertaken under agriclincs/

agribusiness centres scheme were made eligible for coverage under Credit Guarantee Fund Scheme for small enterprises.

2. Policy Initiatives of Government of Nagaland

(i) State Budget-2006-07—Highlights relating to Agriculture and Rural Sector

The GoN took the following initiatives:

The Govt. of Nagaland declared the Year 2006 as the “Year of the Farmer” with the theme “Empowering Farmers”.

- Rs. 17.00 crore was earmarked and allocated to Agriculture and Allied Departments for implementing the activities connected with the Year of Farmer during the year. Allocation of plan fund to Agriculture and allied sectors were substantially enhanced to more than 10% of the plan outlay.
- The State actively pursued the *organic farming policy* that will bring benefits in terms of healthier foods free from toxic chemicals, as well as better markets both in India and abroad.
- Set up a *Central Horticultural Institute*, the first of its kind in Nagaland at Medziphema, Dimapur.
- Recognizing the potential of the state’s rich bamboo resources as an engine of economic growth and development, the Government framed a Bamboo Policy for development of bamboo as a resource and an enterprise. Active steps were taken to develop the raw material base in 65 villages, and to train rural youth and entrepreneurs in bamboo applications, and even architects and civil engineers in bamboo structural activities. The premises of the defunct Nagaland Sugar Mill were converted into a Common Facility Centre under the Bamboo Mission. Steps were also taken for induction of latest technology into bamboo applications. This enhanced the commercial viability of such activities.
- At present, 69% of the state’s net requirement of meat, milk and eggs is imported from outside the state at a cost of about Rs. 375 crores. To check this

huge drain of money, steps were initiated to improve the quality of infrastructure, provide better animal health and veterinary care, and improve technology levels in livestock production for self reliance, while ensuring that the traditional practice of 'Backyard Farming' by every individual household is encouraged through the VDB's.

- Tuli Paper Mill, which has been lying in a dormant state for many years, was revived with the Planning Commission giving its "in principal clearance" for its revival, with investment to the tune of Rs. 487 crores.
- Nagaland selected for a pilot scheme, whereby VDBs took the responsibility of obtaining loans from the banks for On-lending to beneficiaries, including their recovery. 25 Village Development Boards (VDBs) were declared as financial intermediaries for the purpose, and a corpus of Rs. 1 lakh was created for each VDB through contributions of VDBs (40%), GOI (20%), NABARD (20%) and Government of Nagaland (20%). The custodian bank, in turn, contributed an initial matching share of Rs. 1 lakh that, together with the corpus fund, will form the Revolving Fund Assistance (RFA) that would be available to the VDBs for lending purpose.
- A sum of Rs. 540 lakhs was earmarked during 2006-07 to provide encouragement to Micro Financing Activities in the 21 unbanked blocks in the state.
- *The National Rural Employment Guarantee Scheme (NREGS)* was launched in Mon district with effect from February 2006, which will provide 100 days of wage employment to every household during the year.
- Emphasis was given to training of youth in management of SSIs/Small Scale Service and Business Enterprises, particularly on bamboo products, food processing, oil extraction from medicinal and aromatic plants.
- Self Help Groups (SHGs) were identified to

implement various schemes with expertise from departments such as Agriculture, Industry, State Urban Development Agency, Horticulture, Veterinary, Fisheries under the P.M's package.

- *The Nagaland Money Lenders Bill, 2005* was passed to regulate the unorganized money market and to safeguard the interest of both the lenders and the borrowers.
- The Government of Nagaland declared Dimapur mouza as notified town for registration of equitable mortgage of immovable properties against loans to improve recovery of loans, and in the process, improve the flow of credit in the State.

3. Policy and Development Initiatives of NABARD

- **Micro Finance**

Rating of MFIs—The scheme for financial assistance to banks for rating of MFIs introduced in 2005-06 is extended up to 31 March 2008; in addition to CRISIL, other rating agencies like M-CRIL, ICRA, CARE and Planet Finance are covered. Financial assistance by way of grants for rating of MFIs was met by NABARD to the extent of 80% of the total professional fees subject to a maximum of Rs. 80000 and the remaining cost would be borne by concerned MFIs.

Micro Finance Development and Equity Fund (mFDEF)—Micro Finance Development Fund (mFDF) is renamed as mFDEF with corpus increased to Rs.200 crore; Capital/equity support to various types of MFIs viz., NGOs, Companies, Co-operatives and NBFCs will be provided by way of long term debt, soft loan, equity or preference shares with low coupon rate.

Scheme for financing matured SHGs for Farm Production and Investment activities—A separate line of refinance for banks for financing farm production and investment activities through matured SHGs is introduced in addition to the existing refinance facility for general credit linkage of SHGs.

- **Farm sector**

Unit Costs for Various Investment Activities—Having

recognised the long experience of banks in financing various investment activities in the agriculture and allied sector and also keeping in view the feedback that the needs of individual farmers vary, the practice of convening State Level Unit Cost Committee meeting has been discontinued.

Farm Mechanisation Programme—Banks are free to use their commercial judgment regarding makes and models, while financing tractors and power tillers; for refinance purpose, banks are required to certify compliance with Minimum Performance Standards (MPS) of tractors as stipulated by Gol.

Financing purchase of Land for Agricultural Purposes—Acreage ceiling prescribed for small farmers for different agroclimatic zones based on pre-development net income of the farmers as stipulated by NABARD was to be followed; margin reduced to 10% for loans above Rs. 50,000; repayment period extended to 7-12 years; farmers can acquire land within the village boundary or in the radius of 3-5 km from their existing land.

Tribal Development Fund (TDF)—With a corpus of Rs. 50 crore, the Fund supports holistic tribal development programme for sustainable livelihood adopting WADI approach with peoples' participation, which comprises development of small orchard of fruit trees on one acre land surrounded by multipurpose forestry species, with support components such as soil and water resources conservation, income generating activities, women and health development and organisation of community development cooperatives.

Farm Innovation and Promotion Fund (FIPF)—With a corpus of Rs. 5 crore, the Fund supports innovative projects relating to farm technology, new concepts in agriculture, prototypes, market survey, dissemination of information, innovations in IT, innovative ideas, etc.

National Horticulture Mission—Area/crop specific banking plans awas prepared in consultation with the State level NHM to enhance the flow of institutional credit in conformity with the Mission objectives.

Development of Bamboo Farming—Policy document

highlighting the intervention in four broad areas viz., policy & promotion, capacity building, financial assessment and state specific strategy & action plan has been prepared; National Consultative Meet and a few State Level Consultative Meets were conducted to sensitize the officials of banks, Government Departments, NGOs, etc..

Medicinal Aromatic and Herbal Crops (MACs)—MACs have been covered under AEZs with a view to providing 100% refinance to all banks

Bio Fuels—With a view to promoting production of eco-friendly, renewable energy crops, *Jatropha* cultivation on wastelands in forest and non-forest areas (in around one lakh hectare) through institutional credit is being encouraged; model bankable project with three different models has been made available to financial institutions.

Organic Farming—Measures initiated include preparation of model schemes, popularisation of bio-pesticides, vermicomposting, softer interest rates on refinance and cent per cent refinance support to banks for financing organic farming projects, awareness creation through workshops/seminars, skill building through suitable training programmes and developing a package of practices for organic cultivation.

Agro Processing—Steps initiated to create a separate window with a corpus of Rs. 1,000 crore for refinancing loans to the food processing sector, especially for agro-processing, infrastructure and market development; National level Consultative Meet on Fruit and Vegetable Processing was organized in association with MoFP, Gol, EXIM Bank and APEDA

Capacity Building for Adoption of Technology (CAT) scheme—A special scheme was introduced to sensitize farmers (preferably marginal, small and tribal) for adopting proven technologies developed by research institutes, corporate houses, NGOs, progressive farmers/entrepreneurs, through exposure visits and training.

Contract Farming and Agricultural Marketing—A special refinance package was introduced for contract farming arrangements (within and outside AEZs) aimed at promoting increased/creation of marketing avenues for the farmers

National Level Commodity Exchanges—Equity contributions were provided to National Commodity & Derivatives Exchange (NCDEX) Ltd. and Multi Commodity & Derivatives Exchange (MCX) of India Ltd. that are set up for enhancing efficiency of agricultural markets; both the exchanges are in the process of linking with APMCs to provide easy access to market information for farmers in a real-time basis.

Pilot Project for Integrated Development of Backward Blocks (PPID)—Scheme was extended to 40 more blocks (total 50) for overall development through convergence of various NABARD schemes and programmes of Govt/other agencies to achieve sustainable development in rural areas.

Watershed Development Fund (WDF)—In respect of the distress districts, the loan-based projects sanctioned under the WDF assistance, if any, was converted into full grant based scheme. In these projects special emphasis were given for crop production, animal husbandry, fisheries and other income generating activities on a sustainable basis in a flexible manner. A scheme was introduced to provide Revolving Fund Assistance to NGOs/VWCs to take up post watershed development/income generating activities.

Crop Loans (Production credit)—Rate of interest on refinance—Reduced to 2.5 % and 4.5 % to SCBs and RRBs respectively for financing Seasonal Agricultural Operations with the condition that farmers be provided crop loans @ 7 %, as announced in Union Budget 2006-07.

Scale of finance—With a view to giving more freedom to the financing banks, NABARD has stopped issuing guidelines for fixing scales of finance for various crops. State/district level committees would fix suitable scales of finance for various crops.

- Non Farm Sector

Venture Capital Support for Local Marketing—A pilot project for supporting market intervention in select states, was introduced to facilitate setting up of retail outlets and to cover the initial risks; Federation of SHGs/ctivity groups/producer groups/associations/farmers clubs/matured SHGs are eligible for assistance; an NGO facilitating setting up the outlets through the eligible beneficiaries would also be provided a lump sum grant.

Scheme for strengthening Rural Haats—scheme was introduced earlier for DRIP districts is extended to all DDM districts and all districts in NER; project holder to contribute atleast 10% of the project cost with NABARD grant upto 90% of the cost or Rs. 3 lakh whichever is less.

Rural Clusters—Developed 55 clusters (50 clusters on participatory basis and 5 clusters for intensive development) in a period of 3 to 5 years starting from 2005-06; further, 50 handloom weavers clusters would be developed, if necessary, by considering additional clusters. Also, rural tourism as a tourism cluster especially for home based rural tourism and agri-tourism would be given focussed attention.

Scheme for provision of Sanitation facilities in rural areas—A model scheme for construction of a twin structure of toilet and bathroom costing about Rs. 8600 per unit was recommended for bank finance and refinance is available to banks under NABARD's Rural Housing scheme, on automatic basis.

- Rural Infrastructure Development Fund (RIDF)

Rate of interest to State Governments linked to Bank Rate; would be 0.5 percentage point above the Bank Rate. One more activity viz., 'Construction of Anganwadi Centres' was added under RIDF XII, thereby increasing the eligible activities to 31. Broad based district level infrastructure plan was evolved in tune with the potential and priorities with the involvement of all concerned and to be aggregated at the State level for submission to NABARD.

- Other Issues

A separate Department called Department for Cooperative Revival and Reforms has been set up within NABARD to oversee and extend necessary guidance and support for implementation of the Scheme of revival of cooperative credit structures.