

**GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA**

UNSTARRED QUESTION NO:854

ANSWERED ON:14.08.2012

IRREGULARITIES IN NAFED

Das Shri Ram Sundar;Karwariya Shri Kapil Muni

Will the Minister of AGRICULTURE be pleased to state:

- (a) whether certain irregularities have come into the notice of the Government in respect of the functioning of the National Agricultural Co-operative Marketing Federation of India Limited (NAFED);
- (b) if so, the details thereof;
- (c) whether any investigation has been conducted in this regard;
- (d) if so, the outcome thereof along with the action taken against the defaulting officials; and
- (e) the steps taken by the Government to resolve the irregularities?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF AGRICULTURE, FOOD PROCESSING INDUSTRIES AND PARLIAMENTARY AFFAIRS (SHRI HARISH RAWAT)

(a) to (e): In order to diversify its activities, NAFED undertook tie-up business under Public Private Partnership mode in agricultural and non-agricultural items by extending financial facilities for an amount of Rs.3945.50 crores to 62 parties during the year 2003-04 to 2005-06. Tie-up business in non-agricultural items as well as extending loan facilities to non-members was contrary to the bye laws of NAFED.

Taking cognizance of the statutory audit report of NAFED for the year ending 2007 on the unsecured tie up overdue of Rs.57976.00 lakhs, the Central Registrar of Cooperative Societies (CRCS) had ordered an enquiry on 30.01.2008 followed by a second inquiry on 24.02.2009 under sub-section (1) of section 83 of the Multi State Cooperative Societies Act, 2002 to inquire into the conduct of members of the Board of Directors of NAFED, its office bearers and officers/officials of NAFED. The major findings of the enquiry are

- (i) tie-up business in non-agricultural and non-traditional items was contrary to the bye-laws of NAFED
- (ii) the members of BOD and Business Committee of NAFED were fully aware that the tie-up business in non-agricultural and non-traditional items was contrary to the bye-laws of NAFED.
- (iii) adequate securities were not obtained, and
- (iv) the officers of NAFED did not take due care and diligence while sanctioning or disbursing the amount.

Based on the Inquiry Committee Reports, the CRCS had issued show cause notices to 34 officers/ex-officers including the then Directors/Members of Business committee of NAFED, under Section 83 of the MSCS Act, 2002 for causing deficiency to the assets of NAFED. The recovery orders were issued by CRCS on 27.10.2011 against 25 persons under Section 83 (2) of MSCS Act, 2002 asking them to deposit a total amount of Rs. 387.438 crores with NAFED, within 2 months. The affected persons filed appeals before the Appellate Authority (AA) under Section 99 of the MSCS Act, 2002 against the recovery orders. The AA has remanded 17 of these cases to CRCS to examine certain issues and dispose of the matter afresh, as per provisions of law.

In order to make necessary structural changes to avoid recurrence of systemic failure in NAFED, a Committee comprising the officers of Department of Agriculture & Cooperation, Comptroller & Auditor General of India (CAG) and NAFED was constituted. The Committee has recommended amendment of bye-laws of NAFED, strengthening of internal audit, nomination of 4 Functional Directors in the Board of Directors of NAFED, etc. to revamp the working of NAFED. The same has been accepted by NAFED.