

Guidelines for Investment Policy and Procedure for Investment of funds lying with Ad-hoc CAMPA

Background

The “Compensatory Afforestation Fund” has been constituted pursuant to the Hon’ble Supreme Court’s order dated 30.10.2002 in IA No. 566 in Writ Petition (Civil) No. 202/1995 and wherein, pursuant to the above said order of the Hon’ble Supreme Court, all monies received by the States/UTs from the user agencies towards compensatory afforestation, additional compensatory afforestation, penal compensatory afforestation, Net Present Value (NPV) of the forest land diverted, Catchment Area Treatment Plan Funds and use of forest land lying within protected areas, etc. are to be deposited (including the monies received by the States/UTs earlier but not utilized).

2. The Ministry of Environment & Forest vide Notification No.5-1/98/FC dated 23rd April, 2004, published in the Gazette of India Extra Ordinary vide S.O. 525 (E), constituted Compensatory Afforestation Fund Management and Planning Authority (CAMPA). The CAMPA has not become operational so far.

3. The Hon’ble Supreme Court by its order dated 5th May, 2006 has constituted the Ad-hoc CAMPA under the Chairmanship of the Director General of Forests and Special Secretary, Ministry of Environment and Forest with one representative each of the Central Empowered Committee and the CAG and the Inspector General of Forests (FC), Ministry of Environment and Forests as its Members. The Inspector General of Forests (FC), Ministry of Environment and Forests is, as per the decision taken by the Ad-hoc CAMPA, functioning as Member Secretary, Ad-hoc CAMPA. The Hon’ble Supreme Court directed that all monies received on behalf of CAMPA and which are presently lying with the various officers of the State Governments shall be transferred to the bank account(s) to be operated by the Ad-hoc CAMPA.

4. Pursuant to the above said order of the Hon’ble Supreme Court the monies received by the States/UTs towards the compensatory afforestation, additional compensatory afforestation, penal

compensatory afforestation, Net Present Value (NPV), Catchment Area Treatment Plans and for the use of land falling in protected areas etc. have been transferred by the States/UTs to the Adhoc CAMPA.

5. The amount being received by the States/UTs from the user agencies in respect of the above, after the constitution of the Ad-hoc CAMPA, are also being transferred to the Ad-hoc CAMPA. The monies so received are held on behalf of the respective States/UTs by the Ad-hoc CAMPA under the directions of the Hon'ble Supreme Court.

6. Presently an amount of about Rs.35000000000.00 (Rs Thirty five thousand crores) is lying with Ad-hoc CAMPA. Pursuant to the directions of the Hon'ble Supreme Court the Ad-hoc CAMPA maintains the State/UT-wise details of the principal amount received, interest received thereon and the amounts disbursed.

7. The bank accounts are presently held in the names of the State/UT CAMPAs in the following branches of the nationalized banks:

(i) Corporation Bank, Lodhi Complex, New Delhi-110003.

(ii) Union Bank of India, Sunder Nagar, New Delhi-110003.

8. The Hon'ble Supreme Court in Judgment dated 26th September, 2005 in IA No. 826 in W.P.(Civil) No. 202/1995 has upheld the constitutional validity and legal validity of the provisions of the CAMPA. The Hon'ble Supreme Court by its order dated 10th July, 2009 has directed release of up to about Rs.1000 crores per annum to the State CAMPAs, in proportion to the total amount lying to the credit of the respective States/UTs, for undertaking compensatory afforestation and other conservation and protection works and as per the Annual Plan of Operation approved by the Steering Committee constituted under the Chairmanship of the Chief Secretary of each State/UT. The Ad-hoc CAMPA is not permitted to use any money received/lying with it on behalf of the State CAMPAs and / or interest received thereon. The above order was valid for a period of 5 years, beginning with the year 2009-10, i.e. upto and including the year 2013-14. In their judgment dated 12th March, 2014 the Hon'ble Supreme Court of India have permitted the release of funds equal to 10% of the principal amount standing as balance in the account of the respective State CAMPAs. The Hon'ble Supreme Court has

further directed that the funds are to be released out of the interest received/ receivable (and not out of the principal amount received from the States/ UTs).

9. The funds lying with the Ad-hoc CAMPA on behalf of the State CAMPAs are invested in term deposits with the nationalized banks. These guidelines deal with the investment policy and procedure for investment of the funds lying with the Ad-hoc CAMPA.

Policy for Investment

10. A fortnightly assessment of funds lying with the SB or flexi accounts with the two Banks mentioned in Paragraph 7 above will be made to determine what amounts are required for disbursement to the States, and what amount can be invested in term deposits in nationalized Banks. The funds lying with the Ad-hoc CAMPA and which are not planned to be disbursed to the State CAMPAs in the near future will presently be invested in term deposits (with nationalized Banks only). No investment shall be made in private banks, foreign banks, or cooperative banks or any other organisation. No investment shall be made through any intermediary.

11. The funds will be placed in FDRs for a period of one year or so, so as to mature on the 27th day of March, June, September or December considering that the bank accounts are closed at the end of each quarter.

12. The amount received on maturity of the FDRs shall before their reinvestment be credited to the designated investment bank account of CAMPA. The renewal of the FDRs or its reinvestment without first receiving the amount in the designated bank account of Ad-hoc CAMPA shall not be permissible.

13. As far as practically feasible, the funds received on maturing of the FDRs along with the interest thereon, excluding the amount required to be retained for disbursement to the State CAMPAs in accordance with the directions of the Hon'ble Supreme Court, will be reinvested on the same day. The amounts received in the State CAMPAs from the States/UTs and required to be disbursed to the States/UTs against their Annual Plans of Operation shall be kept in flexi accounts.

14. The total investments in FDRs in a Category "A" (large banks) or Category "B" (medium banks) nationalised banks shall not exceed 20% of the total amount invested/to be invested by Ad-hoc CAMPA in FDRs. The total amount invested in a Category "C" nationalized bank (small banks) shall not exceed

10% of the total amount invested by Ad-hoc CAMPA in FDRs. The above ceiling will be subject to further restriction that the total amount invested in FDRs in a nationalized bank shall not exceed 35% its net worth as reduced by its NPA (as per the latest audited balance sheets). In respect of the Corporation Bank and the Union Bank of India, the limit shall be 45% of the net worth as reduced by its NPA. Serious note will be taken if any Bank furnishes wrong figures of Net Worth and / or Non Performing Assets. This may include black listing of the concerned Bank(s) from participating in the bids for investment of CAMPA funds for specified periods of time as decided by the Chairman, Ad-hoc CAMPA.

15. The banks, in which investments are made by the Ad-hoc CAMPA, will be required to meet the following conditions:

- (i) pre-mature encashment of the FDRs will be permitted by the bank only when such request is accompanied with the formal resolution passed by the Ad-hoc CAMPA and signed by at least three Members of the Ad-hoc CAMPA;
- (ii) the bank will provide monthly statements, to reach the Ad-hoc CAMPA by the 5th day of the following month, giving details of each of the existing FDRs of the Ad-hoc CAMPA along with relevant details such as name of the branch, date of investment, date of maturity, principal amount invested, interest rate and total amount receivable on maturity. The statements should also provide details of all the FDRs which have matured during the month and credited to the designated bank account of Ad-hoc CAMPA along with the relevant details and date of crediting;
- (iii) The amount of the FDRs, on maturity, along with the interest will be credited by the bank only in the designated bank account of Ad-hoc CAMPA;
- (iv) the bank will not engage any agent, middlemen, service provider or liaisoning agency for seeking investments from Ad-hoc CAMPA. It will not pay any commission or incentive to anyone for the purpose of obtaining investments from Ad-hoc CAMPA;
- (v) the bank branches, which do not participate in Delhi clearing will not be eligible for placement of the FDRS;

- (vi) the banks will quote the interest rate on quarterly compounding basis. The rates with six monthly/yearly compound basis will not be acceptable;
- (vii) once quoted no change in the rates will be permissible;
- (viii) no over-writing in the quotation shall be permissible; and
- (ix) selection of branch(es) for receipt of deposits will be done by the Nodal Officer of the bank and not by Ad-hoc CAMPA.

16. The banks who do not agree to meet the above said conditions or fail to comply with any of the conditions shall be held ineligible for investments by the Ad-hoc CAMPA.

17. One bank account each, designated as 'investment account' will be opened with the bankers of the Ad-hoc CAMPA (viz., Corporation Bank and the Union Bank of India). All investments in FDRs and receipt of FDR amounts on maturity will be from/to such investment accounts (and not from/to State CAMPA accounts). The amounts presently available in the State CAMPA accounts excluding the amounts planned to be disbursed to State CAMPAs in near future will be transferred to the investment accounts. Similarly periodic transfers on a daily basis as far as practically feasible of surplus funds available in the State CAMPA accounts to the investment accounts will be done. Releases to State CAMPAs shall be made from the main account and amounts shall be transferred first to the account in the name of its respective State CAMPA, before eventual transfer to the account held by the State CAMPA in the State capital.

18. The Ad-hoc CAMPA shall not under any circumstances utilize any amount received by it on behalf of State CAMPAs and / or interest received thereon for administrative, accounting or other expenditure. Such expenditure shall necessarily be incurred out of the funds received by it from CEC for this purpose.

Procedure for Calling of Quotations and Investments

19. The Chairman, State Bank of India, the CMDs of all nationalized banks and MDs of associated banks of SBI will be requested, if not already done, to nominate a General Manager level officer from the bank, incharge of bank operations in Delhi/NCR, as Nodal Officer of the bank to furnish quotations for the FDRs invited by the Ad-hoc CAMPA from time to time and for dealing with other issues such as

providing weekly/monthly statements of FDRs. The banks which do not have General Manager level officers incharge of banking operations in Delhi/NCR, may nominate an officer of the level of the Deputy General Manager. The Ad-hoc CAMPA will interact with such nominated Nodal Officers (and not with any other officer or agent of the bank) for the purpose of inviting quotations and other matters. The banks who have not nominated Nodal Officers will not be eligible for participating in the quotations invited by Ad-hoc CAMPA (till such time the Nodal Officers are appointed).

20. Ad-hoc CAMPA shall, as and when required (as per the procedure laid down in these Guidelines), invite quotations (on quarterly compounding basis) from the eligible nationalized banks by addressing letters to the Nodal Officers of all such banks specifying (a) the likely date of investment, (b) the amount likely to be invested in FDRs, (c) period(s) of FDRs, (d) the last date and time by which the quotation shall be received by Ad-hoc CAMPA, (e) designated place where quotations will be received and (f) other relevant details (if any).

21. The eligible and interested nationalized banks shall submit the quotations in closed envelop duly signed by the Nodal Officers and containing the following details:

- (i) the rates of interest offered (for the period(s) for which quotations have been invited) on quarterly compounding basis;
- (ii) names of the branch(es) selected by the Nodal Officer for FDRs along with its/their full address(es) and RTGS Code(s);
- (iii) the minimum (if any) and maximum (if any) amount for which the quotation is being given.
- (iv) If more than one branch has been selected by the Nodal officer, in that case the branchwise break up of the total amount of the FDRs for which quotation is being given;
- (v) the conditions including, penal interest, if any, for pre-mature encashment of the FDRs; and
- (vi) an undertaking that it will comply with all the conditions as given at para 15 of these guidelines.

23. The closed envelopes containing quotations, duly signed by the Nodal Officers, shall be dropped in the tender box kept at the designated place on or before the time and date as specified in the letters seeking the quotations and which shall normally be one working day before the day on which the investments are planned to be made. The Tender Box will be sealed immediately after the last date and time specified for receipt of quotations is over.
24. The closed envelope containing quotations shall be superscribed with "quotation for investment of CAMPA fund due to open on"
25. Quotations (a) received after the designated date and time, (b) with over-writing, (c) without prescribed undertaking, (d) from ineligible bank and (e) from anyone other than the Nodal Officer will not be entertained.
26. Copies of quotations shall not be sent through e-mail to any person or authority, connected directly or indirectly, with the affairs of the ad-hoc CAMPA. The ad-hoc CAMPA may debar the banks defaulting in this respect from submission of quotations for a period of one year or more.
27. The tender box containing the quotations will be opened by the Committee constituted for this purpose by the Adhoc CAMPA as soon as practically feasible after the last date and time for receipt of quotations is over and in the presence of the bank officers nominated by the designated Nodal Officers as their representatives (not more than one for each Nodal Officer) who desire to remain present.
28. A comparative statement will be prepared by the Committee authorized for this purpose by the Adhoc CAMPA giving details of the rates quoted by each of the participating bank, the minimum and maximum amount (if any) for which the quotations have been given and other relevant details. The details of the maximum amount which can be invested in each of the participating banks, after considering the total permissible amount and the amount already invested will also be provided in the comparative statement.
29. After considering the details given in the comparative statement, the Chairman and Member Secretary, Ad-hoc CAMPA will jointly take a decision, recorded in writing, to invest the available funds in one or more nationalized banks. The Chairman, Ad-hoc CAMPA shall be at liberty to coopt any other officer of the Ministry as a "Special Invitee". The investments will be made to the banks offering the

highest interest rates subject to the maximum amount which may be invested in each of such banks and provided they are otherwise eligible for investments by Ad-hoc CAMPA. If two or more eligible banks have offered the same interest rate, the amount will be divided proportionately amongst them (after rounding off to nearest lakh of rupees).

30. In the absence of either the Chairman, Adhoc CAMPA or the Member Secretary, Adhoc CAMPA, a decision may be taken by other Member(s) of Adhoc CAMPA. However, in such case, the matter shall be put up before the Chairman, Ad-hoc CAMPA or the Member Secretary, Ad-hoc CAMPA as the case may be, for obtaining their ex-post facto approval.

31. The Member-Secretary, Ad-hoc CAMPA will circulate the details of the FDRs every month to the Chairman and other Members of Ad-hoc CAMPA.

32. The interest will be reflected in the accounts maintained by Ad-hoc CAMPA on receipt basis (and not on accrual basis).

33. The Member Secretary, Ad-hoc CAMPA shall ensure that the details of the existing FDRs and matured FDRs as given in the books of accounts of Ad-hoc CAMPA are reconciled with the concerned banks on monthly basis.

34. Any change in these guidelines will be permissible only with the approval of the Ad-hoc CAMPA in its meeting.

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Category 'A' : Large Banks :

1. State Bank of India ;
2. Punjab National Bank ;
3. Bank of Baroda ;
4. Bank of India ;
5. Canara Bank ;
6. Union Bank of India.

Category 'B' : Medium Banks :

1. Allahabad Bank ;
2. Central Bank of India ;
3. Corporation Bank ;
4. Indian Bank ;
5. Indian Overseas Bank ;
6. Oriental Bank of Commerce ;
7. Syndicate Bank ;
8. UCO Bank.

Category 'C' : Small Banks :

1. Andhra Bank
2. Bank of Maharashtra ;
3. Dena Bank ;
4. Punjab & Sind Bank ;
5. United Bank of India ;
6. Vijaya Bank ;
7. Associated Banks of State Bank of India.