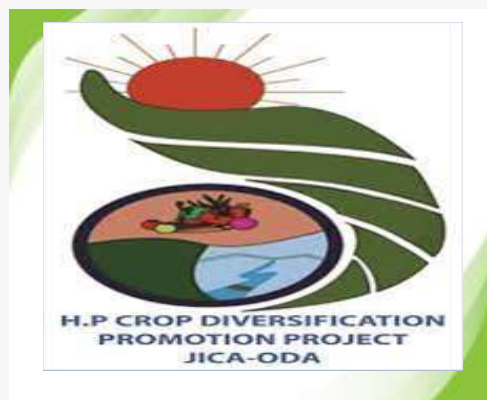




OPERATIONAL GUIDELINES FOR CORPUS FUND MANAGEMENT



**HIMACHAL PRADESH CROP DIVERSIFICATION PROMOTION
PROJECT (PHASE-II), JICA-ODA, HAMIRPUR
DISTRICT HAMIRPUR (H.P.) – 177001, INDIA**

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ACRONYMS

ACZ	: Agro Climatic Zone
APMC	: Agriculture Produce Market Committee
CIG	: Common Interest Group: A Common Interest Group is a group of individuals, farmers in case of HPCDP, who have join hands for collective farming to harness the benefits of economics of scale thereby ensuring sustainable livelihood generation. For availing any sort of assistance under these guidelines the CIG has to get itself duly registered under The Co-operative Society Act 1860; The Societies Registration Act, 2006.
DPR	: Detail Project Report
FPO	: Farmer Producer Organization- A Farmers Producer Organisation, is a registered entity under some appropriate law/act like Section 465(1) of the Companies Act, 2013; The Companies Act 1956 (Part IXA of the Companies Act, 1956); The Co-operative Society Act 1860; The Societies Registration Act, 2006, etc. by providing farmers with integrated support across cultivation, technical services, processing and marketing, aimed at improving agricultural productivity and economic outcomes.
HPCDP	: Himachal Pradesh Crop Diversification Promotion Project
HPSAMB	: Himachal Pradesh State Agricultural Marketing Board
JICA	: Japan International Cooperation Agency
KVA	: Krishak Vikas Association, duly registered under The Co-operative Society Act 1860; The Societies Registration Act, 2006.
MoD	: Minutes of Discussion
NABARD	: National Bank for Agriculture And Rural Development
PMC	: Project Management Consultant
PMU	: Project Management Unit
SDP	: Sub Project Development Plan
SFAC	: Small Farmers Agribusiness Consortium
SHG	: Self Help Group- A Self Help Group (SHG) is a small, informal association of individuals, primarily women, formed to conduct various group activities and must comply with all legal requirements such as necessary licenses and permits, with the goal of economically empowering the rural communities. For availing any sort of assistance under these guidelines the SHG has to get itself duly registered under The Co-operative Society Act 1860; The Societies Registration Act, 2006.

CHAPTER –1

INTRODUCTION

1. INTRODUCTION

Point No. 114. Of Annex II of MoD envisages that “in order to maintain the assets created under the Project and develop business of FPO, the Corpus Fund, at the rate of INR 1,000 Lakh, shall be provided. This fund would be managed by PMU in the form of fixed deposit, based on the business plan interest accrual shall be used by the FPO. On the other hand, the existing FPO, HAVI can also avail loan for processing and value addition activities on the similar terms and conditions and the details of operation and maintenance of corpus funds shall be framed in consultation with PMC expert”.

Attachment 2 of MoD vide point No. 3.1.4 provides that “FPOs need to secure operational cost to purchase the produce from its member farmers. However, it is a challenge for FPOs to access financial services due to lack of collateral. The Project will take steps to provide FPOs with financial access by creating corpus fund to fulfill the needs of FPOs by the time they acquire adequate credibility to borrow from other financial institutions, in order to maintain the assets created under the Project and develop business of FPO, the Corpus Fund shall be provided”.

Hence, detailed Guidelines & required framework for operating the Corpus Fund vis-à-vis interest accruals on the principal amount are detailed in this document.

1.1 Status of Farming in H.P.

Himachal Pradesh “Province of the Snow laden Mountains” is a state in the northern part of India. Situated in the Western Himalayas, it is one of the eleven mountain states and is characterized by an extreme landscape featuring several peaks and extensive river systems. Himachal Pradesh is the northernmost state of India and shares borders with the union territories of Jammu and Kashmir and Ladakh to the north, and the states of Punjab to the west, Haryana to the southwest, Uttarakhand to the southeast and a very narrow border with Uttar Pradesh to the South. The total population of Himachal Pradesh is 68.75 Lakh of which 62%, i.e., 42.56 Lakh population is engaged in agriculture and allied services. The total area of the state is 55.67 Lakh Ha of which only 9.55 Lakh Ha is net sown area. The agricultural economy of the state is characterized by the existence of many small and marginal farmers having small & terraced fields, in general.

Because of the mountainous terrain, only a little over 10 percent of the total available land area is cultivated in the state. Population pressure on cultivated land is high and the holdings of most of the cultivators are small and scattered, i.e., 88.00% of the farmers are small and marginal. About 20% of the cultivated area is under irrigation and remaining 80% of the area is rainfed. The cultivation is carried out right from 300 to 3000 meters above Mean Sea Level. Agro-climatically the region is more suitable for growing off-season vegetables and temperate fruits. The state have been divided into 4 Agro-climatic zones on the basis of homogeneity, altitude, rainfall pattern, cropping pattern etc. as mentioned in Table 1.1

Table 1.1 Agro-climatic zones of H.P.

Zone		Area (in Sq km) % of Total Area	Elevation(m)	Mean Annual temperature [°C]	Soil type	Rainfall [mm]	Cereal Crops	Vegetable Crops
Sub-Tropical Sub Montane & Low Hills	Zone 1.1	8201	240-1000	15 to 23	Sandy loams (Light Textured, Shallow)	≤ 1500	Wheat, Maize, Paddy, Barley	Potato, Tomato, Colocasia, Cucurbits, Onion, Leafy vegetables, Okra, Cauliflower, Turmeric
		[14.73%]						
	Zone 1.2	2059	240-1000	18.6 - 21.9	Loamy sand (medium in depth)	>1500		
		[3.70%]						
Sub Humid Mid Hills	Zone 2.1	3770	1001-1500	14.2 - 22.1	Sandy Loam- Clay loam (Acidic)	≤ 1500	Wheat, Paddy, Barley, Maize	Cauliflower, Peas, French Bean, Cucurbits, Cucumber, Potato, Onion, Garlic, Broccoli
		6.77%						
	Zone 2.2	894	1001-1500	16.53 - 21.25	Silt Loam- Loam	> 1500		
		[1.60%]						

Wet Temperate High Hills	Zone 3.1	8207 [14.74%]	1501-2500	9.1 - 20.6	Mainly Loamy shallow, acidic	≤ 1500	Wheat, Barley, Maize	Pea, Tomato, Cauliflower, Potato, Cucurbits, Broccoli, Exotic (Lettuce, Iceberg, Leek, Parsley), Garlic
	Zone 3.2	1010	1501-3250	15.4 - 20.5	Sandy Loams shallow to Medium depth.	> 1500		
		[1.81%]						
Dry Temperate High Hills	Zone 4.1	4616	2501- 3250	20-Sep	Sandy Loams (Shallow in depth)	< 700	Wheat, Barley	Pea, Cabbage, Cauliflower, Tomato, Lettuce, Ice berg, Broccoli, Potato
		[8.29%]						
	Zone 4.2	7003	3251- 4250	8.8 – 19.9	Sandy Loams (Shallow)	Dry/ snow		
		[12.58 %]						
	Zone 4.3	19890 [35.74%]	> 4250	8.7- 19.7	Sands & Pebbles (Loose Textured)	Dry/ Snow		

1.2 Marketing of Farm Produce- Facilities in H.P.

In Himachal Pradesh, marketing of farm produce is regulated through “Himachal Pradesh Agricultural and Horticultural Produce Marketing Development and Regulation Act, 2005”. In order to regulate the farm produce marketing, the state has established HP State Agriculture Marketing Board with its headquarter at Shimla. There are 10 Agricultural Produce Market Committee (APMCs) in the state, one in each district except Kinnaur and Lahaul Spiti. At present, total 71 Market Yards (10 APMCs and 61 Sub-Market Yards) are operational which are providing marketing facilities to the growers. In a state like Himachal Pradesh, where majority of the farmers are small and marginal, various challenges are being faced by them, especially in marketing of the farm produce. Major challenges include small and scattered land holding in the state which limits the economy of scale with the farmers. Land parcels are smaller than the neighbouring states where farmers own small & marginal size of land holdings. Even within the land parcels, farmers have non-contiguous sort of arrangement of their farm land. This limits the quantum of produce with a farmer and thus economy of reaching out to distant markets which handle large volume of produce. Local retailing & wholesales offer economic transactions to limited quantity of produce, thereby hindering the proliferation of farming as an enterprise. In addition to the APMCs, farm gate purchases by agribusiness operators from within & outside the state are also coming up in the state and have potential to address the bottlenecks of small & scattered landholding in the state, thereby providing better livelihood opportunities from farming. Few of such agribusiness operators include Lahaul Potato Society, Vyas Kamdhenu, DeHaat, Crofarm, Reliance Fresh, Bigbasket, etc.

1.3 Status of FPOs in H.P.

Farmer Producer Organization (FPO) is an entity formed by primary producers including farmers, milk producers etc. As a producer organization, FPO shall be able to unleash the economic and entrepreneurial potential of the local producer community through enhanced negotiation power and business partnerships. These organizations are created depending upon the needs of the producers considering the demand potential to adopt value chain approach to enhance producer’s economic and social benefits.

A total of 174 Farmer Producer Organisations (FPO) are present in the State (8 by SFAC, 99 by NABARD & 67 by IAs under CSS for formation & Promotion of 10,000 FPOs) and out of which the following indicative list represents FPOs and the major commodities of

their business. The comprehensive details of FPOs in the State are available at <https://farmerconnect.apeda.gov.in/> (APEDA Farmer Connect FPO Directory).

NAME OF THE FIRM	ADDRESS / CONTACT	COMMODITY
Banasar Kisaan Samridhi Producer Company Ltd	Solan	Tomato
Chureshwar Farmer producer Company	Sirmour	Vegetables, Cash crops, Fruits
Dharampur Vegetable Producer Company Limited	Solan	Tomato, Cabbage/Cauliflower, French bean
Mashobra Vegetable Producer Company Limited	Shimla	Peas, Cabbage/Cauliflower, French bean
The Agrifresh Fruits and Vegetable Producers Marketing Society Ltd, Cheog	Shimla	Vegetables, Dairy, Fruits
The Agronomy fruits Vegetables Production Cum Sales Co-Op Society Ltd. Shorshan Teh. Karsog Distt. Mandi	Shorshan	Beans, Vegetables, Apple, Fruits, Cash Crop, Others
The barang horticulture producer cum marketing cooperative society limited	Kinnaur	Apples, Fruits

CHAPTER –2

HPCDP (Phase-II): Overview

2. HPCDP (Phase-II): Overview

With the aim to strategically promote sustainable agricultural practices, enhancing crop diversification to high value crops and improving the income of farmers' in the state by development of infrastructures such as irrigation facilities and access farm roads, farmer support and institutional development as well as strengthening farmer's sales force with marketing development, thereby contributing to economic and social development of the state, JICA assisted "Himachal Pradesh Crop Diversification Promotion Project, Phase-II" is being implemented across all 12 districts of Himachal Pradesh since June, 2021.

Phase-I of HPCDP was implemented in five districts viz., Hamirpur, Bilaspur, Una, Kangra and Mandi *w.e.f.* 2011-2021 by creating irrigation infrastructure in 210 sub projects. Successful implementation of Phase-I lead to the provision of assured irrigation facilities in 4671.10 ha area and diversifying from traditional crops to high value crops in 3265 ha area.

2.1 Results and Outcomes of Phase-I

The Phase-I of project comprised of three components viz., (1) Infrastructure Development and Support (2) Institutional Development and (3) Farmers Support Program implemented on the ground with the following outcomes:

The projects effectiveness assessment indicates that the project has achieved its stated results, outcomes, and outputs as follows:

- Creation of 125.84% irrigation command area (4671 ha against 3712 ha) by designing and developing 210 subprojects. The project has achieved target of vegetable crop cultivation (more than 40 number of vegetable species) in 3,230 ha area in the created command area. Under Infrastructure Development Component, irrigation systems are constructed which include lift irrigation, flow irrigation, shallow tube wells
- The increased yields, productivity has helped raise annual average farm income per ha from Rs.20,000/- (in 2010) to Rs. 2,40,000/- (2021) against target of Rs. 145,000/-. The project also promoted farmers support activities such as installation of 70 number of solar pumping systems in 58 number of subprojects, micro irrigation system installed to cover 372.6 ha of area in 80 number of subprojects, farm mechanization in all 210 subprojects, 23 Collection Centers constructed in the clusters of KVAs.

Encouraging results of JICA assisted Phase-I project paved the way for Phase-II of HPCDP in which creation of assured irrigation facilities at 296 sub projects covering 7433 ha area benefitting 25,000 farming families (approx.) across entire state is targeted. To execute the project efficiently & effectively, the project comprises of 4 components viz.,

Component 1: Infrastructure Development

Component 2: Farmers Support

Component 3: Value Chain and Market Development

Component 4: Institutional Development

Table 2.1: Overall Cost of the Project (Million Rs.)

Breakdown of Cost	Total	JICA portion	Others
	(Million Rs.)		
Infrastructure Dev. Component	3,3077	3,3077	0
Farmers Support Component	1,085	1,085	0
Value Addition and Market Dev.	633	633	0
Institutional Dev. Component	1,575	1,575	0
S. Total (civil works)	6,600	6,600	0
Price escalation	569	569	0
Physical Contingency	358	358	0
Consulting services	546	546	0
Interest during construction	462	0	462
Front end Fee	16	0	16
Land Acquisition	0	0	0
Administrative cost	404	0	404
GST	1,134	0	1,134
Import Tax, Other Taxes	17	0	17
Total Cost	10,106	8,073	2,033

Apart from creating irrigation structures, project has provision of providing targeted farmers with training-cum-demonstration on cultivation practices of vegetable crops, Food Grains productivity Training & demonstration, Farm machinery, Poly Houses and Poly tunnels etc. to promote crop diversification that will help in improving the skills of farmers for cultivating

crops with modern technology instead of cultivating traditional crops. The project is also providing support to HPSAMB in modernizing facilities and equipments in 13 market/ sub market yards.

Since one of the objectives of the project is to strengthen farmers' sale force with marketing development, therefore, there is a need to have strong market force by developing Agri-Business operators from within the target farmers of project area. In another words, it is important to identify such crops which can be grown on large scale thereby yielding marketable surplus. To realize this, clusters of different flagship crops are required to be identified according to agro climatic zone and complete focus on proliferating best crop production and post production interventions so as to help farmers in realizing best of its value.

In view of the above, project strategize crop diversification approaches into two different levels. One is identification of advanced & near to advanced farmers and most relevant crop in a season in term of Agro- climate suitability, already under successful cultivation around the project area with already existing marketing linkages, to be termed as **Flagship Crops** for the said sub project/ cluster, while second thrust is on general crop diversification by the farmers for local sale and consumption.

Crop to be scaled up to commercial level should be identified keeping in view the farmers' interest, agro-climatic suitability, and marketability in line with the set of crops specified in MoD for the agro- climatic zone (Table 1), for the purpose. This shall be leading in undertaking FPO formation for each crop with the supporting interventions under the value chain and marketing component where corpus fund can play a critical role.

Table 2.2 : Agro-ecological zone wise strategic Vegetables

Agro-ecological Zones			
Zone-I (240m to 1,000m)	Zone-2 (1,001m to 1,500m)	Zone-3 (1,501 to 3,50m)	Zone-4 (Over 3,250m)
Okra	Potato	Tomato	Pea
Capsicum	Capsicum	Cabbage	Cauliflower
Tomato	Tomato	Cauliflower	Cabbage
Cucurbits	Onion	Pea	Potato
Onion	Beans	Cucurbits	
Beans	Cabbage	Beans	
Potato	Cauliflower	Potato	
Cauliflower	Pea	Garlic	
	Beans	Onion	

Table 2.3: Distribution of BPMUs under different Agro-climate zones of H.P.

Agro climatic Zone	Area	Altitude (m)	Rainfall (m)	Major crops grown	Name of BPMU	Crops
Sub Mountain sub tropical Zone (Zone 1)	Hamirpur, Bilaspur, Una, Parts of Sirmaur, Kangra, Solan and Chamba	650	1100	Maize, Wheat Paddy, Black Gram, Sugarcane, Mustard, Potato, Vegetables, Tomato Pulses	Una	Potato, Tomato, colocasia, cucurbits, onion, leafy vegetables, okra, wheat, Maize
					Hamirpur	Cauliflower, Okra, Onion, Turmeric, Colocasia
					Bilaspur	Cauliflower, Okra, Onion, Turmeric, Colocasia
Mid hill sub humid zones (Zone II)	Palampur Kangra, Rampur, parts of Mandi and Sirmaur	650-1800	2200	Maize, Wheat Paddy, Black Gram, Barley, Beans, Pulses	Palampur, Dehra, Baijnath, Dharmshala,	Cauliflower, Peas, French Bean, Cucurbits, Local cucumber, Potato, Onion, Garlic
					Rampur	Broccoli, Cabbage, Cauliflower, Brinjal, Okra, Cucurbits, Beans
High Hill Sub temperate wet zone (Zone-III)	Shimla, parts of Kullu, Solan, Chamba, Mandi, Kangra	1800-2200	1000	Wheat, Barley, Millets, Buckwheat, Amaranthus, Maize, Rice, Potato, Cabbage, Cauliflower	Solan	Garlic, tomato, beans, capsicum, ginger, Rice, Wheat, Broccoli, Sugarcane, Raddish, Cucumber
					Mandi, Gohar	Pea, Tomato, Cauliflower, Potato, Cucurbits, Broccoli, Exotic (Lettuce, Iceberg, Leek, Parsley), Garlic
					Sarkaghat	Colocasia, Onion, Garlic
High Hill Temperate dry (Zone-IV)	Kinnaur, Lahaul & Spiti, Parts of Chamba District	Above 2200	snowfall	Wheat, Barley, Rajmash, Buckwheat, Amaranthus	Chamba	Cabbage, Pea, French bean, Potato, Cauliflower, Broccoli, Rajmash, Black Gram
					Kullu	Pea, Cabbage, Cauliflower, Tomato, Lettuce, Iceberg, Broccoli, Potato, Rajmash

Table 2.4 Distribution of sub projects/ CCA across Agro - climatic zones of H.P

DPMU	District	No. of sub projects	Sub -Mountain low hills sub- Tropical zone (Zone- I)		Mid- hills sub- humid zone (Zone-II)		High Hill sub temperate wet zone (Zone- III)		High hills sub temperate dry zone (Zone-IV)	
			No. of sub projects (No.)	CCA	No. of sub projects (No.)	CCA	No. of sub projects (No.)	CCA	No. of sub projects (No.)	CCA
Hamirpur	Hamirpur	19	19	253.93	-	-	-	-	-	-
	Bilaspur	16	16	265.82	-	-	-	-	-	-
	Una	21	21	359.35	-	-	-	-	-	-
	Total	56	56	879.1	0	0	0	0	0	0
Palampur	Kangra	81	35	1211.29	44	2024.68	2	45	-	-
	Chamba	15	-	-	8	125.91	7	115.05	-	-
	Total	96	35	1211.29	52	2150.59	9	160.05	0	0
Mandi	Mandi	65	29	652.39	36	946.09	-	-	-	-
	Kullu	16	-	-	9	306.03	7	149.69	-	-
	Lahaul- Spiti	5	-	-	-	-	1	36	4	136.83
	Total	86	29	652.39	45	1252.12	8	185.69	4	136.83
Solan	Solan	22	1	37.26	21	521.52	-	-	-	-
	Shimla	14	6	126.46	6	107.65	2	64.43	-	-
	Sirmaur	14	6	191.59	7	108.55	1	25	-	-
	Kinnaur	7	-	-	-	-	-	-	7	182.95
	Kullu	1	1	13.05	-	-	-	-	-	-
	Total	58	14	368.36	34	737.72	3	89.43	7	182.95
	Grand Total	296	134	3111.14	131	4140.43	20	435.17	11	319.78

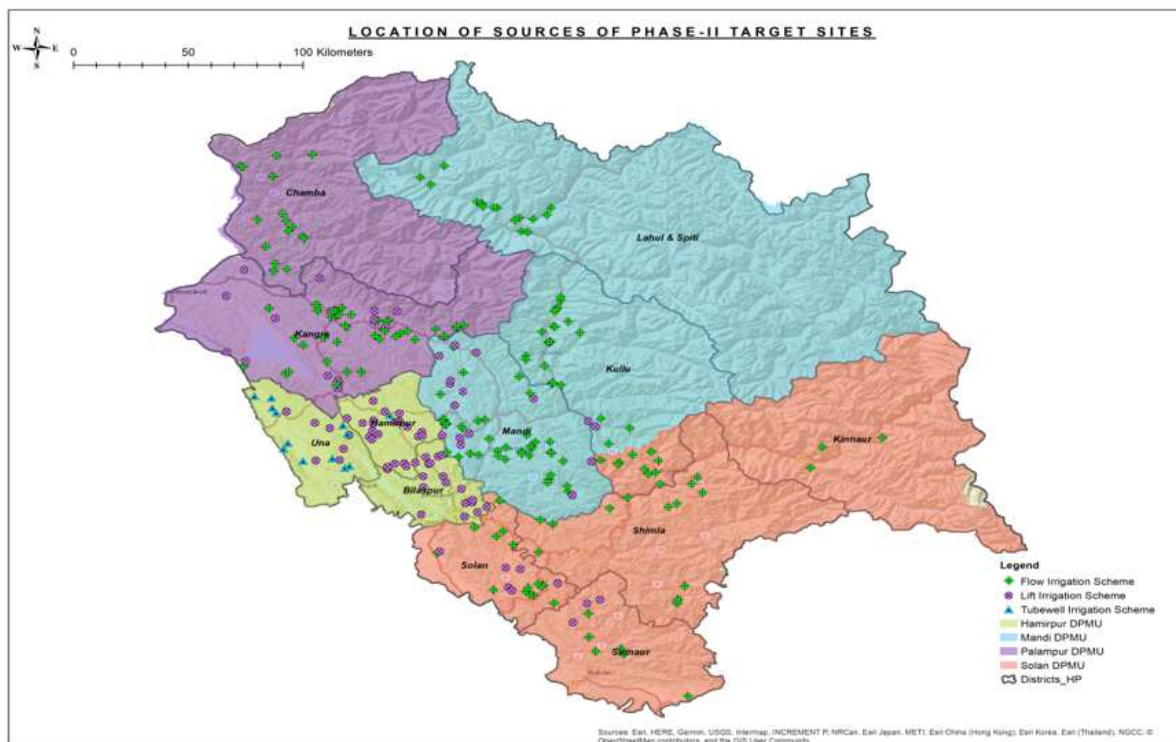


Fig.2.1 Location of Phase-II target sub project sites

CHAPTER –3

FPO formation & Agribusiness Development under HPCDP (Phase-II)

3. FPO formation & Agribusiness Development under HPCDP (Phase-II)

Besides other activities under different components, a set of activities to promote agribusiness development under the aegis of HPCDP (Phase-II) has been designed under value chain & market development component of the project. Farmer Producer Organizations (FPOs) are being formed & supported in line with the guidelines from the SFAC. Also, A Farmers Producer Organisation, is a registered entity under some appropriate law/act like Section 465(1) of the Companies Act, 2013; The Companies Act 1956 (Part IXA of the Companies Act, 1956); The Co-operative Society Act 1860; The Societies Registration Act, 2006, etc. by providing farmers with integrated support across cultivation, technical services, processing and marketing, aimed at improving agricultural productivity and economic outcomes. Under the project, formation of FPOs shall be expedited through a hired but specialized agency across the project area. Project FPOs remain at the helm of affairs in the value chain and market development component *i.e.* Component 3. It means majority of the activities under this component provide support system to develop project FPOs as real agribusiness entities that will handle the farm produce of its member farmers/KVAs/FIGs/CIGs/SHGs & bring high remuneration for them. This chapter is about various interventions for FPOs & their agribusiness development.

3. Value Chain and Market Development

3.0 Development Strategy

(1) Roles of Public Sector

A series of GOI's agricultural market reform policies aim at demolishing a monopoly market system of APMC model (Mandi) and promoting entry of the private sector including farmers into marketing and processing business in order to stimulate market dynamism, reduce the costs and increase farmers' income. With progress of policies, GOI expects that the public sector steps down from a primary operator of the business and changes its roles in providing supporting services to the private sector is going to play a vital role in the business as shown in the following table.

Table 3.1 Role Sharing in Agricultural Marketing and Processing Business

No	Roles	Private Sector	
----	-------	----------------	--

			Farmers/ FPOs	Enterprises	Govt/ Public Sector
1	Collection & primary processing (sorting, packing, etc.) at farm level	Operation	XX		...
		Investment	X		XX
2	Commercial business operation in grading, processing, packaging, cold storage, CA storage, etc.	Operation	X	XX	...
		Investment	X	XX	...
3	Mandi operation (weighing, quality inspection, auction, temporary storage, loading & unloading)	Operation	...	XX	...
		Investment	...	X	XX
4	E-trading operation backup (system maintenance, equipment & manpower)		...	...	XX
5	Providing market-related information (system, equipment & manpower)		...	...	XX
6	Regulation of a quality standards system		...	...	XX
7	Mobilizing and capacity building of FPOs (farming technology & business management)		...	...	XX
8	Matching service for FPOs and agribusiness operators (contract farming, etc.)		...	...	XX
9	Development of public financial support system, including insurance system for FPOs/agribusiness operators		...	...	XX
10	Linkage FPOs/agribusiness operators with financial institutions under the public financial support system		...	...	XX
11	Business consultation to FPOs and agribusiness operators		...	...	XX

XX: Primary role X: Subsidiary role

Source: JICA Survey Team

(Note: Reference Table No 3.0.1, Page No- 27 (MoD))

Public investment in agricultural marketing and processing business, especially for vegetables and shall be selectively made in accordance with a basic strategy as stipulated below.

- i) To mobilize and incubate FPOs as a business entity
- ii) To facilitate participation of a wide range of private enterprises in the business linking agriculture sector reforms
- iii) To regulate a fair and competitive agricultural marketing system
- iv) To provide a timely and reliable market-related information to all stakeholders

(2) Principles in Planning

Efforts should be made to maximize the opportunities for farmers' benefit through "Market-In" Supply Chain Development under Market Reform which the Government of India has announced conjuncture of COVID-19.

(a) In line with the GOI's market reform policies

Reforms in agriculture sector in India by the Government of India is supposed to facilitate private firms to participate in agriculture supply chains. The Project should make use of the opportunity of the reform to invite private investment in the State. Partnerships and collaboration between farmers, private firms (including Agri-tech) and government agency should be strategically promoted.

The Project shall invest in plans which will contribute to enhance the roles of public sector after understanding the principle idea of GOI's policies and the role-sharing between the public sector and the private sector.

(b) Market-In Approach:

Planning of marketing should be developed based on market demand and the project activities range from production stage, pre/post harvesting stage, processing stage, distribution stage to retailing stage. These activities should be planned in an interrelated and integrated manner.

(c) Supply Chain Approach:

The project activities range from production stage, pre/post harvesting stage, processing stage, distribution stage to retailing stage. These activities should be planned in an interrelated and integrated manner.

(d) Collective Marketing by FPO

It is important to motivate farmers to aggregate producers into KVA cum Farmer Interest Groups and clusters with the vision to collectivizing viable clusters into Farmer Producer Organization (FPO) to gain from economies of scale and promote better management of risks, with business skills and experience. The Project focuses on establishment with primary processing and storage unit for better quality control and promotion of FPO through training program on post-harvest handling and value addition, business management etc.

(e) Consistency with farmers' support program (Component-2)

Component-2 of the Project focuses on vegetable crops including spices, potato etc. Component-4 also shall focus on marketing and processing of those crops. The Project, however, considers reality that a definite segmentation of target crops, such as distinguishing between vegetables and fruits, is not always a reasonable manner in terms of marketing.

(f) Synergy effects between similar schemes and projects

No project in agricultural marketing and processing accomplish its objectives only with linkage within agricultural sector. It needs a cross-sectional linkage with other economic sectors for making expected achievements. There are many similar schemes which has already been implemented in Himachal Pradesh, e.g. Mega Food, PM FME, SMFP, MIDH, etc. The Project shall pay a serious attention to knowledge and information obtained by the schemes for effective and efficient operation of the Project. In addition, a similar project named "Himachal Pradesh Horticulture Development Project (HPHDP)" supported by the World Bank is under implementation at present. As the Project shares a common ground with HPHDP in terms of supply-chain and agribusiness development, the Project shall pursue high synergy benefit with HPHDP.

(3) Project Outline

Possible sub-components of Component-4 are outlined in accordance with the 4 strategies discussed above.

Table 3.2 Arrangement of Component-3

No.	Project Components	The Project (Phase 2)	Remarks
1	Strategy-1: To mobilize and incubate FPOs as a business entity		
1-1	Bringing FPOs up as a business entity	Yes	-
1-2	Establishment of FPO's Collection Center	Yes	-
1-3	Corpus Fund for Sustainable activities of FPO	Yes	-
2	Strategy-2: To facilitate participation of a wide range of private enterprises in the business		
2-1	Capacity building, of local agribusiness operators	No	To leverage support from the existing Govt. schemes, e.g. SMFP
2-2	Matching FPOs with agribusiness operators	Yes	-
2-3	Facilitation of pilot business bails	Yes	To be combined with 2-2
2-4	Financial support to FPOs and agribusiness operators	No	To leverage support from the existing Govt. schemes, e.g. National Rural Livelihood Mission, Kisan Credit Cards, MIDH, SMFP, etc.
3	Strategy -3: To regulate a fair and competitive agricultural marketing system		
3-1	Modernizing facilities and equipment in mandis	Yes	Upgrading of 9 mandis is in progress by HPHDP
3-2	Enhancement of eNAM trading	No	A proposal has already given to GOI (GOI will take necessary measures)
3-3	Empowerment of CAs	Yes	-
3-4	Setting up a workable qualified standards system	No	The Agricultural Produce Marketing standards Bureau will be established in HPSAMB (no need an additional support)
4	Strategy-4: To provide a timely and reliable market-related information to all stakeholders		
4-1	Updating mandi's information system	No	The Economic and Marketing information and Intelligence Cell (EMI cell) Will be established in HPSAMB by HPHDP (no need an additional support)
4-2	Upgrading of equipment	No	Ditto

(Note: Reference Table No 3.0.2, Page No- 28 (MoD))

(a) Strategy-1: To mobilize and incubate FPOs as a business entity

1. Bringing FPOs up as a business entity-

FPOs shall be mobilized and empowered as a federation of village-based KVAs. As planned in Mega Food Park scheme, FPOs are core units in developing a cluster of agricultural marketing and processing industries. Empowerment of FPOs as an independent business entity, therefore, must be the most real challenge of the Project. As shown in the Growth Framework in the following table, considerable efforts should be strategically taken for a long-time to encourage FPOs to be a self-standing, competitive and sustainable business entity to increase bargaining power in the marketing activities. While a continuing public intervention should be well arranged in accordance with the development stages of FPOs, the intervention in the beginning stage (in the Seeds-Early Stage) must be crucial for incubating independent FPOs.

Table-3.3: Growth Framework of FPOs

	Seeds-Early Stage (0-5 years)	Expansion Stage (6-10 years)	Mature Stage (over 11 years)
Business Management Strategy	<ul style="list-style-type: none"> To solidify the foundation for robust organization and good management To attain basic skills and knowledge 	<ul style="list-style-type: none"> To deepen the attained skills and knowledge, and the management system 	<ul style="list-style-type: none"> To continue a self-sustaining development of the business
Business Model	<ul style="list-style-type: none"> Collective marketing Contract farming 	<ul style="list-style-type: none"> Collective marketing Collective purchasing of inputs JV agri-business operation (marketing & processing) 	<ul style="list-style-type: none"> Collective marketing Collective purchasing of inputs
Public Intervention	Mobilization, trainings (management & technology), information dissemination (market, new technology, supporting schemes, laws & regulations, etc.), matching with private business operators. financing, etc.		

(Note: Reference Table No: 3.0.3, Page No-29 (MoD))

2) Establishment of FPO's Collection center -

Farmers themselves should add value to their produces if they will achieve diversification of distribution channels of Agricultural produces & increase income as envisaged in GOIs policies.

The formation of FPOs should be made where the momentum is growing as a result of raising farmers awareness and enhancement of farmers capacity through interventions of the project at initial stage. The collection centres will be made after formulating FPOs in along with business plan made by themselves.

3) Corpus Fund for Sustainable activities of FPO-

FPOs need to secure operational cost to purchase the produce from its member farmers. However, it is challenge for FPOs to assess financial services due to lack of collateral. The Project will take steps to provide FPOs with financial access by creating corpus fund to fulfil the needs of FPOs by the time they acquire adequate credibility to borrow from other financial institutions.

(b) Strategy 2: To facilitate participation of a wide range of private enterprises in the business linking with agriculture sector reforms

1) Capacity building of local agribusiness operators (OUT OF THE PROJECT SCOPE)

Local agribusiness operators are expected to play an important role in FPOs development as a business partner. As well as FPOs, the agribusiness operators need to be empowered as an independent business entity. It is expected to leverage support from the existing Govt. schemes, e.g. SMFP.

2) Matching FPOs with agribusiness operators

The Project plans to provide the matching opportunity through business matching study, event and workshops for agribusiness operators irrespective of nationality, Japanese or Indian, to connect to individual farmers or FPO as well as connecting to agribusiness operators which have different type of business with necessary information and assistance to facilitate a contract farming, a joint-venture business operation, etc.

3) Facilitation of pilot business trials

For the support for collaboration between farmers, buyers and private agribusiness operators the Project plans to prepare demonstration farm in the Center of Excellence for demonstration of agribusiness companies, services or technologies in order to encourage matching between farmers and the abovementioned companies. In addition, the project provides the support such as disseminating information about agribusiness in the state, intermediating FPOs and agribusiness operators, introducing available government schemes, etc. To provide a timely and reliable market-related information to all stakeholders.

(c) Strategy 3: To regulate a fair and competitive agricultural marketing system

1) Modernizing facilities and equipment in Mandis

Though diversification of agricultural marketing is progressed with GOIs policies, mandis must remain having a leading role in supply chains of vegetables and fruits. Even though, it is reported that many mandis have a problem of poor facilities and equipment in their proper operation. The facilities and equipment of selected mandis located at transaction hub centers should be modernized. The number of mandis may be revised depending on the result of the report.

2) Enhancement of e-NAM trading (OUT OF THE PROJECT SCOPE)

While 19 mandis in HP have introduced e-NAM, it is reported that they are facing a lot of challenges in smooth implementation of e-NAM. The challenges should be supported with the following countermeasures. A proposal has already given to GOI (GOI will take necessary measures).

- Improvement of communication environment (IoT equipment)
- Modification of e-NAM platform system
- Staff training (Operation and system maintenance)

3) Empowerment of CAs

As private intermediators called as CAs (Commission Agents) organize an auction at mandis, they should be empowered to facilitate a fair and competitive auction, CAs also have high potential to be a familiar business partner of FPOs at local level. They should be constructively empowered to be an independent business entity

4) Setting up a workable quality standards system (OUT OF THE PROJECT SCOPE)

Though e-NAM has stated nationwide quality standards of major agricultural produces, vegetables and fruits need practical local standards as quality requirements from consumers have a wide range of diversity if location is different, if variety is different, etc. In addition, the quality is strongly influenced by weather conditions. As the conditions change every year, stated quality standards should be adjusted in accordance with the actual conditions. And the adjusted standards should be shared among all stakeholders before the harvesting season. In Japan, a workshop called "Mezoroe-kai" (means "eyes adjustment among stakeholders") is organized for the purpose every year. Staff of HPSAMB related to the quality standards should be empowered to be able to fulfil such duties. The Agricultural Produce Marketing Standards Bureau will be established in HPSAMB (no need of additional support).

(d) Strategy 4: To provide a timely and reliable market related information to all stakeholders

1) Updating mandis' information system (OUT OF THE PROJECT SCOPE)

A market information system to ease accessibility of wide range of stakeholders contributes to promote a smooth transaction in mandis. An improved access to reliable market information must be the most powerful tool especially for farmers to overcome their weak bargaining power due to information asymmetry. Farmers also need to increase their sensitivity to market information to manage a stable market-oriented farming for long time. Mandis information system including manpower competence should be updated so that a reliable market information will be efficiently disseminated to farmers and other stakeholders. The Economic and Marketing Information and Intelligence Cell (EMI cell) will be established in HPSAMB by HPHDP (no need an additional support).

2) Upgrading of equipment (OUT OF THE PROJECT SCOPE)

Mandis need to procure necessary equipment for updating the information system. The Economic and Marketing Information and Intelligence Cell (EMI cell) will be established in HPSAMB by HPHDP (no need of additional support).

(4) Project Component Planning

As described in the principles in planning, every project in agricultural marketing and processing needs a cross-sectional linkage with other economic sectors for achieving expected results. There are various government schemes and international cooperation projects which

have already been implemented in Himachal Pradesh for developing the agricultural marketing and processing industries. The project component shall be carefully planned to lead an efficient investment effect of the Project with due considerations to a good synergy with those schemes and projects.

The sub-components consisting Component-3 are narrowed down after the examination as shown below.

1. Bringing FPO up as a business entity
2. Establishment of Collection Centers
3. Matching FPOs with agribusiness operators and facilitation of pilot business trials
4. Modernizing facilities and equipments in mandis
5. Empowerment of CAs

Contents of the sub-components are summarized in the following table:

Table 3.4: Sub-components of Component-3

No.	Sub-Components	Inputs
1	Bringing FPOs up as a business entity	<p><Trainings></p> <ul style="list-style-type: none"> • Organization management • Concept of agri, cooperative movement • Business Management (Business planning, financing, accounting, documentation & filling, computer operation & communication, etc.) • Govt. supporting schemes and a way of access • Agri. Marketing and market-oriented cropping • Post-harvest management of Agri, produce • Quality standards, grading and evaluation of agri. Produce • Market information system (eNAM, EMI cell of HPSAMC, etc.) • Laws and regulations related to agri. Marketing business • Study tour to advanced FPOs and private enterprises
2	Establishment of FPO's Collection Center	<p><Envisaged Facility & equipment></p> <ul style="list-style-type: none"> • Details will be made based on FPO's business plan. • Post-harvest operation hall, storage, handling tables, conveyors for grading, washing machine, pe-coo ling cabinet, weighing & packing machine, office, computer set, vehicle (truck), etc. • <Initial Handover Trainings> • O & M of facilities and equipment

3	Corpus Fund	<p>FPOs need to secure operational cost to purchase the produce from its member farmers. However, it is a challenge for FPOs to access financial services due to lack of collateral. The Project will take steps to provide FPOs with financial access by creating corpus fund to fulfil the needs of FPOs by the time they acquire adequate credibility to borrow from other financial institutions. The information below will be examined by 1st PMC in project implementation stage;</p> <ul style="list-style-type: none"> - Fund governance structure and management rules - Fund management, including risk assessment - Loan Eligibility criteria - Loan size and nature of loans • Loan appraisal rules and procedures, duly simplified - Monitoring, Reporting and countermeasures against default - Possible relationship with financial institutions like NABARD -
4	Facilitation Demonstration farm/ Pilot Business trails	<p><System development and on-the-job-training></p> <ul style="list-style-type: none"> • Introducing a Local counterpart entity/ agency for managing a pilot trial • Providing supporting services to facilitate a pilot trial (Govt. permission and approval process, license process. Site arrangement, etc.)
	Matching FPOs with agribusiness operators	<p><System development and on-the-job-training></p> <ul style="list-style-type: none"> • Registration of potential FPO & agribusiness operators including Commission Agents at APMCs (periodical updating) • Disseminating information on potential FPOs & agribusiness operators (periodical issue/ updating of newsletters, brochures, website, SNS, etc.) • Providing consultation services to potential FPOs & agribusiness operators to enter a joint business operation between FPOs & agribusiness operation (contract farming, JV, etc.) • Providing intermediary services to facilitate a joint business operation between FPOs & agribusiness operators • Introducing possible Govt. schemes supporting a joint business <p><Matching event></p> <ul style="list-style-type: none"> • Organizing investment fairs, matching event and site-visit tours
5	Modernizing facilities and equipment in Mandis	<p><Facility construction of 13 mandis (APMC)></p> <ul style="list-style-type: none"> • Jassor (Kangra) • Passu (Kangra) • Chauribihal (Kullu and Lahaul Spiti) • Patlikuhal (Kulu and Laliaul & Spiti) • Khegsu (Kulu and Lahaul & Spiti) • Takoli (Mandi) • Bhattakuffar (Shimla and Kinnaur) • Tapri (Shimla and Kinnaur) • Ghandoori (Sirmaur) • Khairi (Sirmaur) • Solan (Solan) • Vaknaghat (Solan) • Kuniyar (Solan)

6	Empowerment of CAs	<p><Trainings></p> <ul style="list-style-type: none"> • Concept of fair trading and necessary skills of auction management • Laws and regulations related to agri. Marketing business • Quality standards, grading and evaluation of agri. produce • Post-harvest management of agri. produce • Sanitary management of market facility and agri. produce • Market information system (eNAM, EMI cell of HPSAMC, etc.) • Business management documentation (business planning, financing, accounting, documentation & filing, computer operation & communication, etc.)
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(Note: Reference Table No: 3.0.2, Page No- 32 (MoD))

3.1 Bringing FPOs up as a business entity

3.1.1 Formation and Formalization of FPO

Producers or farmers need to be empowered the following capabilities if they will increase their income during the process in post-harvest handling and marketing.

- To maintain a stable supply of agricultural produce in terms of quantity and quality
- To increase added value of agricultural produce (sorting/grading, packaging and processing)
- To collect and process market information for making a business strategy/plan
- To operate a business (business planning, organization management, finance and accounting)

The required roles of FPOs as a producer's organization are not only limited in farming technology aspects but also in business management aspects to increase bargaining power in the marketing activity. FPOs, therefore, should address many issues which are not familiar with common farmers, i.e. overcoming an information asymmetry, creating a flexible and efficient cropping cum marketing system based on market analysis, building a robust organization structure and a sound financial base, etc. FPO need a lot of trial and error processes for a certain long-time before understanding concepts of the required roles and integrating the understanding into the daily activity.

One FPO is composed of around 300 farmers who are the member of KVA. The procedure for forming of FPO is assumed as follows.

Table 3.5 Procedure for Establishment of FPO

Step	Timeline	Procedure	Description	Executed by	Supported by
Formation and Formalization of FPO					
Step-1	1 st year	Conduct farm management training by the Project to raise Farmer's awareness	Each KVA provides information on its present farming and prepare the farm income target and strategy	BPMU	DPMU PMC
Step-2	1 st to 2 nd year	Conduct cultivation training and demonstration by the project	Confirm the technical skills and real motivation of farmers in KVA	BPMU	DPMU PMC
Step-3	End of 2 nd year	KVAs candidate to be member of FPO	Motivated and skilled KVAs will autonomously candidate at the beginning based on motivation of farmers to participate in FPO	BPMU	DPMU PMC
Step-4	3 rd year	Awareness meeting	Provision of awareness meeting on benefit of formation of FPOs and necessary support from the Project	DPMU	PMC
Step-4	ditto	Select initial members (KVAs) of FPO	Discussion among candidates for establishment of FPO	DPMU	PMU
Bringing FPOs up as a business entity will be started					
Step-5	1 st year after formation of FPO	Conduct business management training by the outsourced experts	Intensive business management training will be	DPMU	PMU Outsourced experts

			provided to member of FPO		
Step-6		Elaboration of FPO Business Plan	FPO elaborates Business Plan including the design of the Collection Center under the support of Outsourced experts	DPMU	PMU Outsourced experts
Based on the Growth Framework as in Table 3.03, Attachment 2 of the MoD					

(Note; Reference Table No: 3.1.1, Page No- 33 (MoD))

PMU will set up a special division named "Marketing & Post-harvesting" for dedicating various supporting services to FPOs. The trainings shall be provided by qualified service providers hired by PMU as well as Experts in Business Management/Service providers hired by PMU. In addition, the corpus fund will be launched in the project to strengthen the of financial status of FPOs.

3.1.2 Business Management Training

The Project shall provide the members of FPO with intensive business management training outsourcing to service provider as the experts of business management such as Business Development Service (BDS) consultant, Incubator and Accelerators in the seeds and early stage of the development of FPOs within the growth framework as per Table 3.3.

3.1.3 Training on post-harvest handling and value addition

3.1.4 Corpus fund

FPOs need to secure operational cost to purchase the produce from its member farmers. However, it is a challenge for FPOs to access financial services due to lack of collateral. The Project will take steps to provide FPOs with financial access by creating corpus fund to fulfil the needs of FPOs by the time they acquire adequate credibility to borrow from other financial institutions. In order to maintain the assets created under the Project and develop business of FPO, the Corpus Fund shall be provided. The Corpus fund would be managed by PMU in the form of fixed deposit based on the business plan the interest accruals shall be used by the FPO. The SHG's formed under HPCDP Phase II will also be supported with marketing costs.

3.2 Establishment of FPO's Collection Center

3.2.1 Construction of collection center including warehouse

3.2.2 Procurement of machinery & equipment and O & M training

The Project shall support at most 10 FPOs to develop a collection center for aggregating and primary processing of harvested crops before marketing with necessary facilities and equipments such as warehouse, Post-harvest operation hall & storage, Handling tables, Conveyors for grading, Washing machine, Pte-cooling cabinet, Weighing & packing machine, Office, Computer set, Vehicle (Truck) etc. While a basic module of the facilities and equipment to be furnished are shown in the 3.4.1, the actual components and specifications shall be determined based on FPO's Business Plan considering actual needs (kinds of produces, volume of aggregated produces, etc.) of each FPO. In case FPOs are interested in ICT technology, they are able to procure digital devices and apps as a part of this component.

The construction of collection center shall be carried out along the main road in a place that is easily accessible by both producers and distributors and where land can be secured. From experience in Phase-1, there was a case where the construction of the collection center preceded without a clear sales plan, so it is necessary to optimize the location based on the supply chain and market development plan /FPO's Business Plan considering the efficiency of production and transportation. The collection center is expected to be the core of FPO's joint collection and shipping, and has the function of primary post-harvest processing and short-term storage.

3.3 Matching FPOs with agribusiness operators

3.3.1 Matching FPOs with agribusiness operators

A registration system of agribusiness operators including CAs in Himachal Pradesh, the agribusiness operators in the other states who are interested in running a business in the state and FPOs in the state (not limited to the 10 FPOs) shall be operated by the Project in cooperation with MOFPI, DoH and DoA. The Project shall provide various supporting services, e.g. disseminating information about agribusiness in the state, organizing investment seminars, intermediating FPOs and agribusiness operators introducing available government schemes, etc. to the registrants in order to facilitate a joint business operation between FPOs and agribusiness operators. Also, the Project shall provide necessary service to facilitate pilot

business trials to agribusiness operators. The services shall be provided by PMU collaboration with PMC. Trainings to staff of the Marketing & Post-harvesting division of PMU shall be actively provided on on-the-job-training basis to prepare a sustainable operation of this sub-component in future. The existing FPC (HAVI) established in phase 1 is also eligible for this component so that the activities can be started and accelerated at early stage of the Project.

Table 3.6 Example of Business Matching Event;

Item	Summary
Participants	<p>HP State: PMU, PMC, DoA, other concerned authorities, Donor funded projects</p> <p>FPOs: Registered in the project as well as the others</p> <p>Individual farmers: Target farmers of the project</p> <p>Agribusiness operators (irrespective of nationality, both Japanese and Indian): Agri Input, companies including Start Ups, Processing companies, Transformation, Urban retail etc.</p> <p>High end customer: Restaurant, Japanese agribusiness companies etc.</p> <p>The others: Researchers from University, R&D Institution etc.</p>
Timing and venue	Quarterly basis in HP state or Urban cities such as Delhi
Activities	<ol style="list-style-type: none"> 1) Exhibition event for Agri products, Agri Input such as materials, seeds, chemicals, pesticides, fertilizers etc. 2) Provision of meeting opportunities for business matching between FOPs, Agribusiness operators 3) Site visit tour at farms of FPOs and Collection Centers etc.
Budget	300 Lakh INR/ 4mil for national workshop, 7 mil for international workshop (3 days)

(Note: Reference Table No- 3.4.1, Page No- 36 (MoD)

The followings are list of Japanese & India companies as potential partners who have shown to participate in the pilot business trial. Marketing & Post-harvesting division of PMU as well as PMC will update accordingly.

Table 3.7: Potential Partners in Agri Business Trial

Name of Company	Business Field (conducting/planning in India or HP States)
Japan Based Company	
1) Agriculture Production	
Quality Input	
Sakata Seed Corporation	Production and sales of crop seeds
Mitsui Chemicals Agro, Inc.	Production and sales of agrochemical products
Toyo Agricultural Machinery	Development and sales of recycled fertilizers (organic fertilizer)
Manufacturing Co., Ltd.	Sales and extension service of small potato harvester
Agritree Co., Ltd.	Extension and technical services of solar sharing with solar panel
Kett Electric Laboratory	Development and sales of moisture measuring devices for cereals mainly
Land Improvement	
Japan Conservation Engineer & Co, Ltd	Development and sales of plant growth promoter "Fujimin" to improve s condition
Kyouwa Kensetsu Kougyou Co.,Ltd	Development and sales of sheet pipe for farm drainage management
Farm Management with IoT	
Amegumi India PvtLtd	Development and sales of reasonable smartphone and applications for far management
Integrity Japan Corporation	Development and sales of farm management censor with IoT
Mikawa Genki Monogatari Co., Ltd	Extension service of farm management with drone and remote sensing technology
2) Post harvesting handling & Processing	
Merry Time Foods Co.Ltd	Processing service of frozen vegetables
Nissan Steel Industry Co., Ltd.	Development and sales of the materials for keeping crop freshness
Shinmei Co., Ltd.	Sales and extension service of packaging products
Premium Seat Co., Ltd.	Sales of lunch box with the disposal crops for improvement of food loss
3) Distribution	
Ntl-Logistics (India) PvtLtd	Distribution service of farm products
Toyo Wharf & Warehouse Co., Ltd	Technical support of cold chain service
4) Others	
Asahifuji Co, Ltd	Planning and production of the crops for export to Japan
India Based Company	
1) Agriculture Production	
Quality Input	
Cropin Technology Pvt Ltd.	Provision of farm management system operated with smartphone based on remote sensing technology

EF Polymer Pvt Ltd	Development and sales of organic super absorbent polymer made by organic waste for crop production to reduce water requirement
Farm Management with IoT	
Yuktix Technologies Pvt Ltd	Sales and extension service of farm management censer based on IoT
Source Trace Systems India PvtLtd	Advisory service on value chain (especially fruits); farm management Jogistical management, market linkage and financial services based on digital technology
2) Production to Distribution	
Oorja Development Solutions India PvtLtd	Sales and extension service of solar irrigation, agro processing and cold chain
3) Linkage Support	
Ninjacart	Platform and logistic service to connect farmers to retailers
pay Agri Innovations Pvt Ltd	Platform service to provide the linkages between farmers and input technology, financial and market
Crofarm Agri Products PvtLtd	Logistic service of crops directly from farmers to end customer through online application

(Note: Reference Table No- 3.4.2, Page-No 36 (MoD))

Furthermore, HPHDP has established the Agri-Business Promotion Facility (ABPF) having a function to promote the agribusiness development. As ABPF has already launched several programs for supporting FPOs and agribusiness operators, i.e. investment seminars, registration of agribusiness operators and matching grants, the sub-component shall be implemented with careful considerations to a good synergy with HPHDP by sharing roles each other.

3.3.2 Facilitation of pilot business trial

With its hilly terrain and various agro ecological conditions, agriculture in Himachal Pradesh requires agricultural inputs appropriate for such unique environment. While there are huge needs from farmers, agricultural inputs appropriate for the hilly state is not supplied by private companies. Therefore, the Project will aim to promote agricultural input companies to invest, develop and supply agricultural inputs including seeds in the state.

For the support for collaboration between farmers, buyers and private agribusiness companies the Project plans to prepare demonstration farm in (1) the Center of Excellence (CoE), (2) DoA's seed farms and Testing farm in SAU for demonstration as well as testing of agribusiness companies' services or technologies in order to encourage matching between farmers and the abovementioned companies. In addition, the project provides the support such as disseminating

information about agribusiness in the state, intermediating FPOs and agribusiness companies, introducing available government schemes, etc.

A part of the field to be developed in COE, DoA's seed farms and SAU will be made available for testing and demonstrating of seed and other inputs of private companies on PPP mode, in a way to test private company's seed and other inputs. Field in SAU is for testing the applicability of agricultural input, while field in COE and DoA's seed farms are used for demonstration for farmers. COE and DoA's seed farms are also expected to become an entry points for private companies and FPOs where they can find business partner through demonstration and information exchange. Based on Memorandum of Understanding between COE/DoA's seed farms/SAU and private companies, COE/DOA's seed farms/SAU will provide daily farm management for the products by private companies.

Table 3.8: Operational Procedure for Demonstration Firm at COE

Name of Activities	Description
Construction of Center of Excellence (COE)	2 center of excellences with the following specs will be constructed
	Hi-tech Green House: 560 sqm
	Fan & Pad system
	Shade net house with covered area of 250 sqm
	Solar PV pump (2HP)
	Shallow Tube Well
Establishment and Operation of Platform	Marketing and Post-Harvesting Division in SPMU will set up platform to connect with private companies. As a part of the operation of platform, a list of private companies as potential partner will be updated accordingly and information or demonstration firm will be transmitted to private companies in the platform.
Field demonstration	COE will take care of plots for demonstration of private companies based on the technical requirement by the companies.
Extension to farmers	In case the results of demonstration are promising and farmer groups or individual farmers is interested in the agricultural input, SPMU facilitates extension to farmer on cost sharing basis with the private companies.

(Note: Reference Table No- 3.4.3, Page No- 38 (MoD))

Table 3.9: Operational Procedure for Demonstration Firm at DoA's seed farms

Name of Activities	Description
DOA's seed farms	XX
Establishment and Operation of Platform	Marketing and Post-Harvesting Division in SPMU will set up platform to connect Operation of Platform with private companies. As a part of the operation of platform, a list of private companies as potential partner will be updated accordingly and information on demonstration firm will be transmitted to private companies in the platform.
Field demonstration	DOA's seed farms will take care of plots for demonstration of private companies based on the technical requirement by the companies.

(Note: Reference Table No- 3.4.4, Page No- 38(MoD))

Table 3.10: Testing at Palampur University

Testing at Palampur University	
Name of Activities	Description
Preparation of field	1 ha in SAU and 0.1 ha in COE will be prepared for testing/demonstration Field in SAU will be divided into 10 plots with 0.1 ha for each plot.
Public relation	Marketing and Post-Harvesting Division in SPMU will set up platform to connect with private companies. As a part of the operation of platform, information on testing/demonstration field will be transmitted to private companies in the platform
Coordination and preparation of MOU	Once private companies interested in the testing/demonstration field, Marketing and Post-Harvesting Division in SPMU will coordinate between the companies and SAU/COE with support from PMC. In case of SAU, MOU will be prepared by SAU while SPMU prepares MOU for COE.
Field Testing/ Demonstration	SAU and COE will take care of plots for testing/ demonstration of private companies based on the technical requirement by the company
Extension to farmers	In case the results of testing / demonstration are promising and a farmer group is interested in the agricultural input, SPMU facilities extension to farmers on cost sharing basis with the private companies.

(Note: Reference Table No- 3.4.5, Page No- 38 (MoD))

3.4 Modernizing facilities and equipment in Mandis

13 Mandis listed in the table shall be modernized by the Project. The detailed design for the works shall be made in accordance with actual needs of each mandi after additional site surveys. PMU/HPSAMB shall manage all construction works including hiring local contractors. As HPHDP has a plan to modernize 9 mandis, the Project shall share a common finding about the modernization works with HPHDP.

3.5 Empowerment of Commission Agencies and Communication Network

There are almost 1,500 CAs running a business in Himachal Pradesh. As CAs are responsible for organizing a fair auction in mandi which is a public market facility in India, they shall be empowered through trainings on various subjects eg. auction management, relevant laws and regulations, post- harvest management, market information system, business management, etc. as shown in the table. Special attention shall be paid to improve CAs' understanding about quality standards and sanitation of agricultural produces, as well as about improving financial capabilities. The trainings shall be provided by qualified local experts hired by PMU/HPSAMB under supervision of PMC.

Table 3.11 Cost Breakup of Value Chain and Market Development

No.	Item	Unit	Quantity	Unit Price (INR)	Total Cost ('000 INR)
3	Value Chain and Market Development Component				
3.1	Bringing FPOs up as a business entity				1,95,000
3.1.1	Formation and formalization of FPO				
3.1.2	Business management training				
3.1.3	(1) Training on post-harvest handling and value addition	LS	10	58,000,000	
	(2) Procurement of service provider for business management	LS	3	10,000	30,000
3.1.4	Corpus funds	LS	1	107,000,000	1,07,000
3.2	Establishment of FPO's Collection Center				78,000
3.2.1	Construction of collection center including warehouse	No	10	5,800,000	58,000
3.2.2	Procurement of machinery & equipment and O & M training	No	10	2,000,000	20,000
3.3	Matching FPOs with agribusiness operators	LS	1		30,000
3.3.1	Matching FPOs with agribusiness operators				
3.3.2	Facilitation of pilot business trials				

3.4	Modernizing facilities and equipment in Mandis	No			3,10,100
3.5	Empowerment of CAs	LS	1		20,000
	< Trainings>				
	(1) Concept of fair trading and necessary skills of auction management				
	(2) Laws and regulations related to agri. marketing business				
	(3) Quality standards, grading and evaluation of agri. produce				
	(4) Post-harvest management of agri. produce				
	(5) Sanitary management of market facility and agri. produce				
	(6) Market information system (eNAM, EMI cell of HPSAMC, etc.)				
	(7) Business management (business planning, financing, accounting, documentation & filing, computer operation & communication, etc.)				
Total (3)					6,33,100

(Note: Reference Attachment 6-3 (MoD))

CHAPTER –4

Operational Guidelines of Corpus Fund management under HPCDP (Phase-II)

4. Operational Guidelines of Corpus Fund management under HPCDP (Phase-II)

4.1 Building Sustainable Agri-Business Entities in the form of CIGs/FPOs

The project envisages to build sustainable Agri-Business entities in the form of FPOs while the KVAs/Farmer Interest Groups (FIGs)/Common Interest Groups (CIGs) shall be formed as the building blocks of the said FPOs. It is proposed to establish 10 FPOs for Agri business activities like collective marketing, contract forming, post-harvest processing etc. These Agri business entities activities including KVAs etc are planned to be supported by the project through creation of post-harvest management facilities like warehouses, preservation, processing and packing etc. besides the support in production of crops.

The creation of these sustainable institutions is laborious, process oriented and time consuming. The steps involved in the process are given below

- Identification of block/cluster based on Agro-Climatic zone and product
- Identification of advanced farmers from KVA
- Formation of CIGs based on proximity and product (Memorandum of Association is Annexed as Annexure 1)
- Strengthening of CIGs by institutionalizing the group
- Selection of group leaders
- Survey of marketability of product
- Preparation of Business Plan
- Identification of master farmer (Farmer to Farmer extension) and integration with CIGs for technology transfer and market linkages
- Implementation of business plan and performing business
- Incentivization of marketing costs from corpus fund in tapering manner
- Formation of FPOs based on geographical proximity or product
- Supporting FPO to expand the business boundaries in terms of turnover and markets

- Supporting FPO in terms of extension of soft loans for business expansion, infrastructure, collateral to storage product etc.

4.2 Corpus Fund

It is assumed that the project promotes the FPOs/CIGs and lead them to initiate business ventures like Collection centres, Input centres, semi processing/processing/post harvesting units etc. We are aware that these FPOs/CIGs are newly established and don't have any business history. It is very difficult for these FPOs to access the formal financial institutes for their operational costs/establishment of processing units. Keeping this fact in view, the project proposed to create corpus fund, whose interest proceeds can be utilized to provide necessary financial support. The purpose of corpus fund is to extend financial assistance to FPOs/CIGs for their proposed business ventures based on approval from Project units. It is envisaged that, the FPOs shall acquire adequate credibility and business acumen over a period of time. Then, the mainstream financial institutions will come forward to support these FPO business ventures.

FPOs are mobilized and empowered as a collective of farmers' producer groups at cluster level and shall attain the role of collective marketing and contract farming. These FPOs need to secure operational cost for collective procurement and purchase of produce from its members.

Realization of Interest Accruals – year wise breakdown for next five years

Assumption: Fixed Deposit Receipt for INR 10.70 Cr for five years @ 6% interest rate per annum*

Interest accruals	2023-24	2024-25	2025-26	2026-27	2027-28	Total
Annual	64.20	64.20	64.20	64.20	64.20	321.00
Cumulative every year	64.20	128.40	192.60	256.80	321.00	

*Indicative only

Corpus Fund Support to CIGs, FPOs and SHGs in Project Period

The main purpose of the corpus fund is to provide financial support to CIGs and FPOs in the process of establishment as sustainable business organizations. ***The financial support should be provided from the interest proceedings of the corpus fund only.*** The project proposed four components in corpus fund.

4.2.1 Financial support to CIGs in the form of incentivization of business costs such as

- Aggregation costs
- Transport costs involved in marketing (production point to final sale point)
- Storage costs
- Labour costs involved in marketing
- Market yard cost like cess etc.

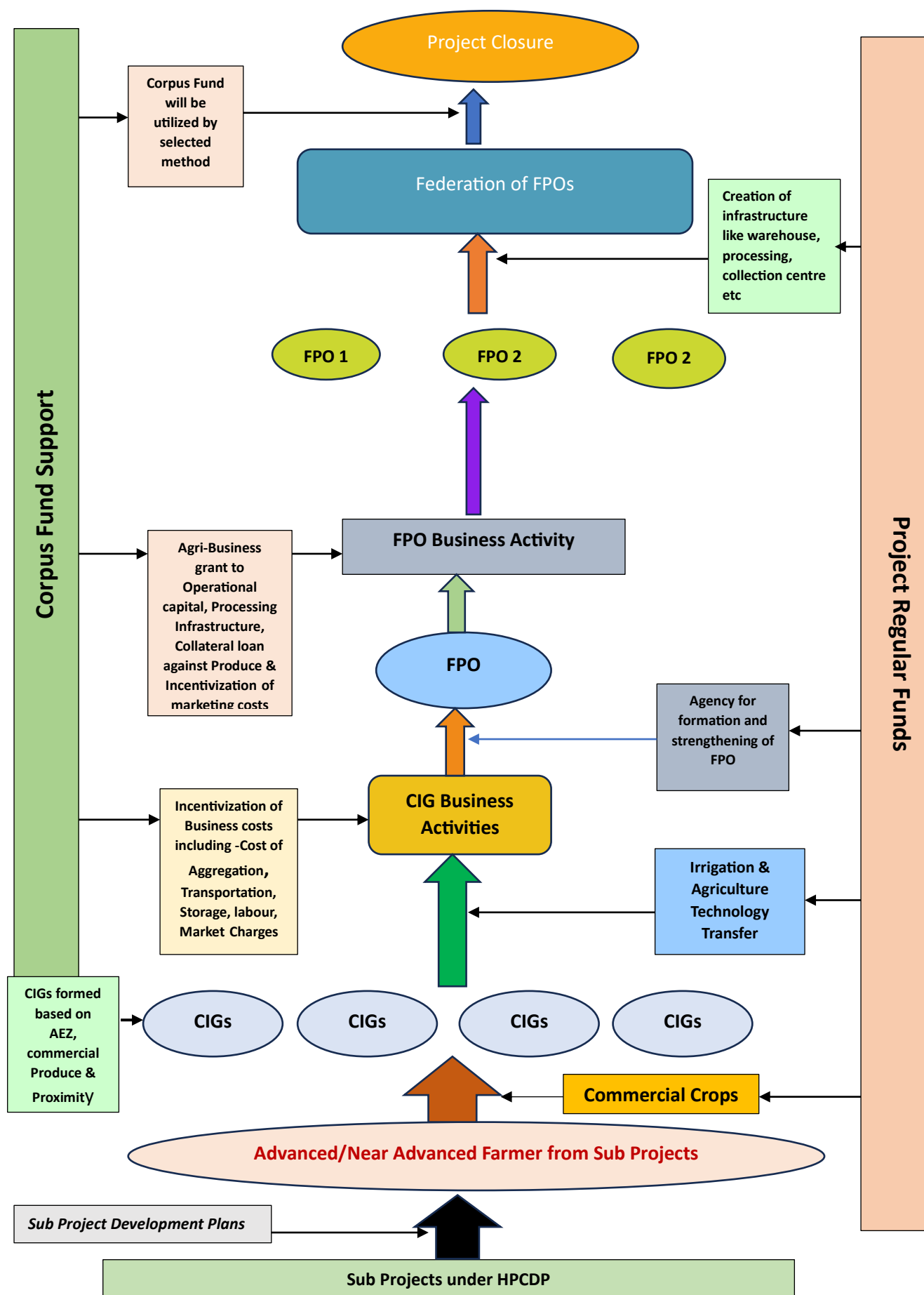
4.2.2 Financial support to FPOs in the form of grant for different business activities

- Business operational capital
- Infrastructure (Processing/ post-harvest) costs
- Collateral loans against storage receipt
- Incentivization of marketing costs (4 years)

4.2.3 Financial support to SHGs business ventures in the form of incentivization of business costs

4.2.4 Proceeds at the closure of Project or Project Exit Strategy

Fig. 4.1 Outline of Corpus Fund Support in HPCDP (Phase-II)



Corpus Fund Management

The corpus fund can be used to support the business activities of CIGs/FPOs and SHGs. Each entity had different institutional setup and business purposes; it is inevitable to have different set of rules for each entity.

Fund Placement & Overall fund utilization supervision

The Corpus Fund is placed in the formal financial institution like Public sector Banks in the form of fixed deposit (FD) in the name of SPMU. Another Bank Account can be opened in the name of SPMU for placing interest proceeds. This interest proceeds can be utilized for providing financial support to different institutions created under project.

The SPMU constitute a three member monitoring and steering committee, whose main functions include

- Approval/endorsement/ratification of business proposals of CIGs/FIGs/FPOs/SHGs, received through BPMU/DPMU
- Approval/endorsement/ratification and disbursement of fund to approved business proposals
- Overall monitoring of corpus fund utilization at DPMU/BPMU level
- Annual internal auditing of fund utilization

4.2.1 Financial Support To CIGs in The Form of Incentivization

A Common Interest Group is a group of individuals, farmers in case of HPCDP, who have join hands for collective farming to harness the benefits of economics of scale thereby ensuring sustainable livelihood generation. For availing any sort of assistance under these guidelines the CIG has to get itself duly registered under The Co-operative Society Act 1860; The Societies Registration Act, 2006. The Farmer Interest Groups (FIGs)/Common Interest Groups (CIGs) are the building blocks of FPOs. These groups shall be oriented properly and strengthened in all aspects of institutional development. The extent of achievement of project objectives are mainly dependent on these groups. The crop diversification starts with motivation of these groups. These groups will come together and form FPOs.

Introduction of thrift to CIGs/FIGs

The groups stand together when there is a common binding factor. There are several such binding factors like Agriculture technology/information sharing, collective marketing, savings etc. As these groups formed newly, they may not get tangible financial benefits from activities like information sharing, technology sharing and collective marketing. These activities takes time to realise the benefits. It is advised to introduce thrift (savings) and credit (loan) among this groups from initial stage itself. This activity instil confidence among formal financial institutions on CIGs/FIGs.

This component of corpus fund can be utilized to support the CIGs business activities by bearing all the costs involved in marketing of the produce (farm gate to point of sale) as per approved business plan. The eligible activities covers costs involved in product aggregation, labour, transportation, storage and marketing costs like fees, cess etc.

Eligibility criteria to CIGs to avail corpus fund

- The CIG/FIGs should be formed under the project of HPCDP II and registered with designated project authority;
- The CIGs/FIGs should prepare and submit proper production and marketing business plan and that plan and agree to aggregate their produce . The plan shall be approved by BPMU (Block Project Management Unit) and DPMU (District Project Management Unit);
- The CIGs/FIGs should have their bank account.

Fund Sanction Rules, Mechanisms and Limits

A. Fund Sanction Rules

The financial support to CIGs/FIGs is in the form of grant.

- The CIGs/FIGs should have been formed with the assistance of HPCDP- II;
- CIGs/FIGs shall develop and submit a valid business plan, duly approved at the level of BPMU and DPMU;
- The CIGs/FIGs shall have to pay all the marketing costs upfront and shall submit claim for reimbursement from project;
- The CIGs/FIGs shall have to open a joint signatory account to receive the reimbursement of marketing costs.

B. Fund Sanction Mechanism

The SPMU shall establish fund approval mechanism at different levels of project i.e., BPMU, DPMU and SPMU. A three member fund sanction committees at different level shall be formed by the SPMU. These BPMU/DPMU level committees scrutinize the business proposals submitted by CIGs/FIGs and shall accord approval, if eligible. As the proposed business proceeds, these BPMU level committees shall scrutinize the statement of marketing expenses submitted by CIGs/FIGs and recommend to concerned DPMU for approval of payment and SPMU for endorsement/ratification. Once endorsed/ratified at SPMU level, the fund will be disbursed to a joint signatory account managed by CIGs/FIGs. The fund shall be disbursed from SPMU to said joint account by online mode / Direct Benefit Transfer (DBT).

C. Fund Limits

The fund limits depend on several factors such as CIGs/FIGs business plan, extent of business plan and business turnover etc. The support is limited to four years of business operations in tapering system.

D. Tapering System of Fund Support

The fund support to cover the cost of marketing shall be in tapering mode i.e., the support will be reduced each year as business progresses. The fund will support CIGs/FIGs up to 4 years of their business activities.

- Each CIGs/FIGs get 100% reimbursement of marketing costs in 1ST year of business;
- Only those CIGs/FIGs, which shows 30 % incremental business turnover over 1st year will get 100 % reimbursement of marketing cost in 2nd year, rest of CIGs shall be eligible to get 80 % in 2nd year;
- Only those CIGs/FIGs, which shows 25 % incremental business turnover over 2nd year of business will get 100 % reimbursement on marketing cost in 3rd year, rest of CIGs will get only 70 % in 3rd year;
- Only those CIGs/FIGs, which shows 20 % incremental business over third year of business turnover will get 100 % reimbursement of marketing cost in 4th year, rest of CIGs will get 60 % in 4th year.

Fund flow and Disbursement System

A. Fund placement

The corpus fund will be placed in the formal financial institutions like Public/Private sector banks as fixed deposit under the management of SPMU. The interest proceeds shall be kept in another bank account in the name of SPMU and shall be utilized for providing financial support.

B. Fund flow

The corpus fund shall flow from SPMU to the joint signatory account managed by representatives of CIGs. The fund will be sanctioned against the approval of business proposal and fund will be released against the approval of statement of marketing expenditure submitted by CIGs/FIGs, recommended by concerned BPMU, approved by DPMU and endorsed/ratified at SPMU.

C. Disbursement System

The disbursement will be done against approval of statement of marketing expenses in reimbursement mode. The CIGs/FIGs shall submit the statement of marketing costs recommended by BPMU and approved by DPMU. The SPMU will endorse/ratify the statement of eligible marketing costs based on BPMU recommendation and approval from the DPMU level and the funds shall be transferred through the online mode/DBT to a joint account managed by representatives of CIGs/FIGs.

IV. Repayment rules

As this is grant to CIGs/FIGs, there is no repayment rules.

V. Documentation Required

The fund sanction and disbursal process shall be in transparent manner and it should be reflected in process.

A. Documentation at grant application time

- Application for business support on prescribed format (annexed as Annexure 3)
- Business plan on prescribed format pre-approved by BPMU

B. Documentation at the time of Fund sanction

- Statement of marketing costs approved by BPMU (annexed as Annexure 4)

C. Before Disbursement of Fund

- Details of Joint signatory account managed by CIGs/FIGs

4.2.2 Financial support to FPOs for different business activities

The financial support to FPOs shall be in four ways. i.e.,

- The incentivization of marketing costs on the analogy of CIGs, shall be applicable only to those FPOs, which have been constituted by CIGs/FIGs that have been formed under the HPCDP-II and developed their agri business by availing project support or incentives before. In addition, HAVI shall remain eligible for the incentives. The same rules and process of incentivization of CIGs are applicable to FPOs/HAVI:
- Support in the form of equity matching grant.
- Support in the form of Agri-Business grant
- Support in the form of interest subsidy.

Support in the form of equity matching grant

The FPOs can avail the financial support from the corpus fund in the form of equity matching grant. The FPOs can utilize this grant to initiate their business by utilising it as seed capital/ develop office infrastructure or other purposes like establishment of warehouse, cold storage, processing units, training programmes for members of organization, purchase of Agri equipments, fertilizers, other inputs, etc.

I. Eligibility criteria to avail equity matching grant:

The project aimed to promote the FPOs (Farmers Producer Organizations) and these institutions (FPOs) are new and need lot of support. Stringent eligibility rules applicable by formal financial institutions defeats the very purpose of financial support. So, for available assistance from corpus fund interest amount the following eligibility criteria shall be suitable.

- The FPO should be formed under the projects of either HPCDP II and registered with competent/designated authority. HAVI is also eligible and shall come under the same rules and processes.
- The FPO must be able to mobilise membership fees from at least 90 percent of registered members and shall keep the amount in a bank account.
- The FPO board of Directors shall have to be full without any vacancy and BoD shall approve/recommend the request for grant of matching equity.

II. Fund Sanction Rules, Mechanisms and Limits

A. Fund Sanction Rules

The financial support to FPO is in the form of matching grant against the membership fees mobilized from its members.

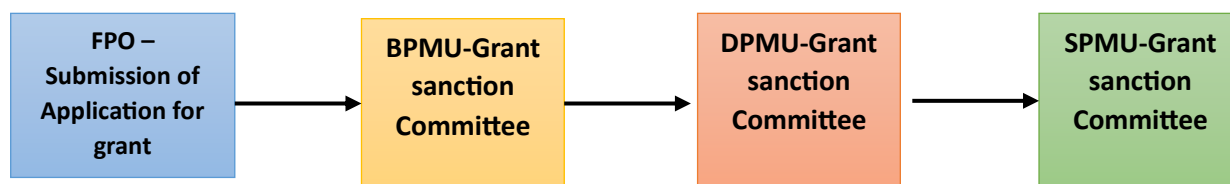
- The FPO shall have been formed with the assistance of HPCDP- II and shall have valid registration with competent authority. HAVI is eligible.
- The FPO must be able to mobilise membership fees from above 90 percent of its registered members and the funds kept in a bank account.
- FPO had full Board of Directors without any vacancy and BoD should approve the request for equity matching grant
- The FPO health assessment report (annexed as Annexure 6)

Note : This purpose of health assessment report is to assess the capability of FPO to handle the business and identify the gaps in FPO management. The helps the Project management to plan capacity building/other activities to strengthen FPO based on this assessment report. *This report shouldn't hamper the chances of availing equity matching grant.*

B. Fund Sanction Mechanism

The SPMU had to establish equity matching grant approval mechanism at different levels of project i.e., BPMU, DPMU and SPMU. The SPMU shall form a three member grant sanction committees at different level. These committees shall scrutinize the business proposals submitted by FPOs and gave recommendation at BPMU/DPMU level, if eligible. The SPMU will approve the proposals, Once approved at SPMU level, the fund will be disbursed to a joint signatory account managed by FPO representatives. The fund will be disbursed from SPMU to said joint signatory account directly through online mode/DBT.

Grant sanction Mechanism



C. Fund Limits

The fund limits depend on equity mobilised by FPOs from its members. *This support is 100 percent against equity raised by FPOs from its members by membership fees/ other resources with the maximum limit of Rs. 15 Lakhs, whichever is minimum.*

During the project period, the equity matching grant can be disbursed up to three (3) instalments based on FPO requirement and SPMU assessment.

III. Fund flow and Disbursement System

A. Fund placement

The corpus fund will be placed in the formal financial institutions like Public/Private sector banks as fixed deposit under the management of SPMU.

B. Fund flow

The corpus fund flow from SPMU to the joint signatory account managed by representatives of FPO. The fund will be sanctioned against the grant application recommendation at BPMU, DPMU and approval at SPMU level to that particular FPO.

C. Disbursement System

This is single disbursement/three disbursements based on agreement between FPO and project and it will be done after all the approvals are completed. The fund will be transferred in online mode/DBT to joint signatory account managed by representatives of FPO.

IV. Repayment rules

It is grant. So, no repayment rules

V. Documentation Required

The grant sanction and disbursal process should be in transparent manner and it should be reflected in the process.

A. Documentation at grant application time

- Application for sanction of equity matching grant (annexed as Annexure 5)
- Certificate of registration
- A Bank record proof of equity amount mobilized by FPO
- Document with list of members and their contribution towards membership fees to confirm above 90 percent members paid membership fees.
- Minutes of meeting of BoD of FPO to concur the acceptance of terms and conditions of equity matching grant.

B. Documentation at the time of grant sanction

- The grant sanction committee had to obtain the FPO health assessment (format is annexed as Annexure 6) and attach the same with grant application
- Minutes of meeting of grant sanction committee with recommendations

C. Before Disbursement of grant

- Document confirming the deposit of FPO equity

VI. Governance of Funds

- The corpus fund will be placed as fixed deposit on the name of SPMU. The SPMU constitute three member committee. These committees shall be formed at SPMU, DPMU, BPMU levels in the name of corpus fund Monitoring and Steering committee to provide approvals to CIG/FPOs/SHGs proposals, supervise the disbursements, monitor the grant utilization at field level and organize annual internal audit of fund status.
- The fund will be allocated to eligible FPOs in the form of equity matching grant
- The fund will be transferred to eligible FPOs accounts directly by online mode/DBT
- Every year a separate audit will be performed for grant sanction, disbursement and utilization as part of due diligence

VII. Audit and Review Mechanism

- A separate yearly audit is advised to scrutinize the process, disbursement and utilization of funds as part of due diligence
- Monthly review on status of corpus fund by SPMU as part of progress review is required.

Support in the Form of Agri-Business Grant

I. Eligibility criteria to avail Corpus Fund :

The project corpus fund support in the form of agri-business grant aim to promote the FPOs business activities like collective marketing, post harvesting, processing, packing etc type of business interventions. This FPOs can utilize this agri-business grant for their working capital needs. The eligibility criteria is given below.

- The FPO should be formed under the projects of either HPCDP II and registered with competent authority. HAVI is eligible and the same rules and processes shall apply.
- The FPO shall prepare and submit proper business plan and that plan should be approved by BPMU (Block Project Management Unit) and DPMU (District Project Management Unit)
- The FPO is willing to contribute 10 % of matching contribution amount from their own resources (membership fee, members contribution, reserve funds etc)
- The FPO should be able to procure all the legal compliances such as licences, permits etc and provide affidavit at the time of grant application.

II. Fund Sanction Rules, Mechanisms and Limits

A. Fund Sanction Rules

The financial support to FPO is in the form of grant.

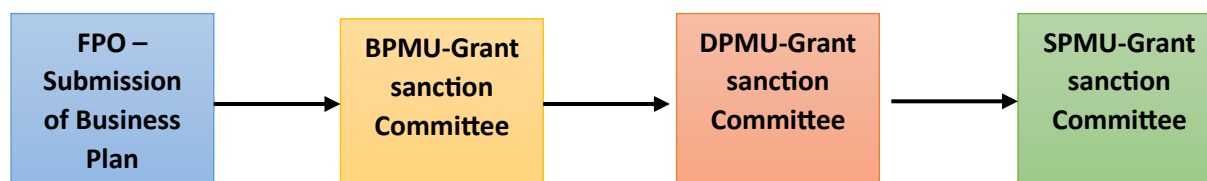
- The FPO was formed with the assistance of HPCDP- II and has valid registration with competent authority. HAVI is eligible.
- FPO has to develop and submit a valid business plan, which was approved at the level of BPMU and DPMU.

- The FPO has to provide written consent of 10 % contribution for overall business plan financial requirement
- FPO is willing to deposit their share of 10 % contribution in a joint account managed by competent authority of HPCDP and FPO before disbursement of fund.
- The FPO health assessment report (format is annexed as Annexure 6)

B. Fund Sanction Mechanism

The SPMU had to establish grant approval mechanism at different levels of project i.e., BPMU, DPMU and SPMU. The SPMU should form a three member grant sanction (fund) committees at different level. These BPMU/DPMU level committees scrutinize the business proposals submitted by FPOs and gave recommendation if eligible. The SPMU will approve these proposals, Once approved, the fund will be disbursed to a joint account managed by FPO representatives and HPCDP official. The fund will be disbursed from SPMU to said joint account directly through online mode/DBT.

Grant/Fund sanction Mechanism



C. Fund Limits

The fund limits depend on several factors such as FPO capability, Strength and practicality of Business plan, Project conditions etc.

This fund limits are depended on the FPO's ability of aggregation of produce in terms of quantity and its farm gate value. ***The fund support limited to 50 % of aggregated produce value at farm gate or Rs.20 Lakhs, whichever is minimum.***

The fund can be disbursed in maximum of three instalments based on FPO business capacity, operational costs and capital requirements.

III. Fund flow and Disbursement System

A. Fund placement

The corpus fund will be placed in the formal financial institutions like Public/Private sector banks as fixed deposit under the management of SPMU. Its interest proceeds are placed in another bank account, which can be used for financial support.

B. Fund flow

The corpus fund flow from SPMU to the joint account managed by representatives of FPO and BPMU officials. The fund will be sanctioned against the agri-business grant application recommendation at BPMU, DPMU levels and approval at SPMU level to that particular FPO.

C. Disbursement System

The first disbursement will be done only after ensuring FPO contribution i.e., 10 % of business plan. The SPMU will decide the number of disbursals and ratios of disbursals based on the recommendations from BPMU and DPMU & business proposal.

IV. Repayment rules

As mentioned, it is grant. So, no repayment rules

V. Documentation Required

The fund sanction and disbursal process should be in transparent manner and it should be reflected in process.

A. Documentation at grant application time

- Application for agri-business grant on prescribed format (annexed as Annexure 7)
- A business plan, pre-approved by BPMU
- Certificate of registration
- Minutes of meeting of FPO's BoD to concur the acceptance of terms and conditions of grant and grant application.
- Affidavit of willingness to contribute 10% of agri business grant

B. Documentation at the time of grant sanction

- The grant sanction committee had to obtain the FPO health assessment format and attach the same with grant application
- Minutes of meeting of grant sanction committee with recommendations

C. Before Disbursement of Grant

- Document confirming the deposit of FPO contribution (10%) in joint account

VI. Governance of Funds

- The corpus fund will be placed as fixed deposit on the name of SPMU
- The SPMU constitute three member committee to provide approvals to CIG/FPOs/SHGs proposals, supervise the disbursements, monitor the grant utilization at field level and organize annual internal audit of fund status.
- The fund will be allocated to eligible and approved business plans as grant
- The fund will be transferred to eligible FPO joint account managed by FPO and HPCDP officials directly as per grant disbursement conditions
- Every year a separate audit had to be performed for grant sanction, disbursement and utilization as part of due diligence

VII. Audit and Review Mechanism

- A separate yearly audit is advised to scrutinize the process, disbursement and utilization of funds as part of due diligence
- Monthly review on status of corpus fund by SPMU as part of progress review is required.

Support to FPOs in the form of Incentivization of Interest part of Loan

The major aim of corpus fund is to encourage the FPOs to take up business activities and grow up as sustainable business entities through financial support. The FPOs can access the corpus fund in the form of equity matching grant and agri-business grant. The project encourages the eligible FPOs to access the existing funds/schemes of the Govt. of

India/GoHP/NABARD/SFAC etc. So, the corpus fund proceeds shall support the well performing FPOs by providing incentives on interest of soft loans. This support has been designed in two ways.

- FPOs with loan from other than corpus fund. i.e., banks/GoI/NABARD/SFAC etc

FPOs with loan from other than corpus fund. i.e., banks/GoI/NABARD/SFAC etc

Eligibility

- These FPOs are formed by the support of HPCDP-II and HAVI is eligible
- The FPOs are able to get loan from sources other than corpus fund. Such as, Banks/NABARD/SFAC etc

Incentives from Corpus Fund

The corpus fund shall extend the financial support to well performing FPO's, which are able to access the loans from formal financial institutions. The support is in the form of interest subsidization.

The corpus fund reimburses the differential part of interest of a loan above 2% rate of interest, which is applicable to loans with regular repayments only, For Ex : A FPO availed a business loan with XXX Bank with rate of interest of 11 % and repaying regularly. The corpus fund reimburses 9 % (11%-2%) of interest to FPO (annexed as Annexure 12).

Limits of support

The corpus fund support of interest subsidization to specific FPO is limited to Rs.10 Lakhs per annum.

4.2.3 Financial support to SHGs business ventures

A Self Help Group (SHG) is a small, informal association of individuals, primarily women, formed to conduct various group activities and must comply with all legal requirements such as necessary licenses and permits, with the goal of economically empowering the rural communities. For availing any sort of assistance under these guidelines the SHG has to get itself duly registered under The Co-operative Society Act 1860; The Societies Registration Act, 2006.

Role of SHGs

The project envisaged that, the diversification in cropping pattern may lead to some unemployment among landless laborers, especially among women. So, it has recommended to take up livelihood generation activities. The SHGs play crucial role in taking up this livelihood activities. The project is going to support to these groups in terms of livelihood creation and income generation.

Support of SHGs business ventures

It is recommended to encourage the SHGs in group income generation activities. The project can support these business venture (income generating activities), through corpus fund.

The corpus fund of the project support to SHGs are in two ways.

1. The incentivization of marketing costs on the analogy of CIGs (annexed as Annexure 4), shall be applicable only to those SHGs, which have been constituted under the HPCDP-II and the same rules and process of incentivization of CIGs are applicable to SHGs.
2. Support in the form of interest subsidy

The process involved in availing project support is explained below.

Support in the Form of Marketing Costs Incentivization

I. Eligibility criteria to avail Corpus Fund :

The project aimed to strengthen the rural communities economically especially women through formation of self help groups (SHGs) and these new institutions needs lot of support.

- The SHG should be formed under the projects of either HPCDP II;
- The SHGs are performing thrift and credit activities.
- The SHGs shall have to prepare and submit proper business plan and that plan should be approved by BPMU (Block Project Management Unit) and DPMU (District Project Management Unit)
- The SHGs shall have to procure and possess all the legal compliances such as licences, permits etc.

- SHG has to get itself duly registered under The Co-operative Society Act 1860; The Societies Registration Act, 2006.

Fund Sanction Rules, Mechanisms and Limits

A. Fund Sanction Rules

The financial support to SHGs is in the form of grant.

- The SHGs shall have been formed with the assistance of HPCDP- II;
- SHGs shall have to develop and submit a valid business plan, which was approved at the level of BPMU and DPMU;
- The SHGs shall have to pay all the marketing costs upfront and shall apply for reimbursement from project;
- The SHGs shall have to open a joint signatory account to receive the reimbursement of marketing costs.

B. Fund Sanction Mechanism

The SPMU had to establish fund approval mechanism at different levels of project i.e., BPMU, DPMU and SPMU. A three member fund sanction committees at different level shall be formed by the SPMU. These BPMU/DPMU level committees scrutinize the business proposals submitted by SHGs and gave approval if eligible. These BPMU level committees scrutinize the statement of marketing expenses submitted by SHGs and recommend to concerned DPMU for approval of payment and SPMU for endorsement/ratification. Once endorsed/ratified at SPMU level, the fund will be disbursed to a joint signatory account managed by SHGs representatives. The fund will be disbursed from SPMU to said joint account by online mode / Direct Benefit Transfer (DBT).

C. Fund Limits

The fund limits depend on several factors such as SHGs business plan, Extent of business plan and business turnover etc. The support is limited to four years of business operations in tapering system.

D. Tapering System of Fund Support

The fund support to cost of marketing should be in tapering mode i.e., the support will be reduced each year as business progresses. The fund will support SHGs up to 4 years of business.

- Each SHGs get 100% reimbursement of marketing costs in 1ST year of business;
- Only those SHGs which shows 30 % incremental business turnover over 1st year will get 100 % reimbursement of marketing cost in 2nd year, rest of SHGs will get 80 % in 2nd year;
- Only those SHGs who shows 25 % incremental business turnover over 2nd year of business will get 100 % reimbursement of marketing cost in 3rd year, rest of SHGs will get 70 % in 3rd year;
- Only those SHGs shows 20 % incremental business over third year of business turnover will get 100 % reimbursement of marketing cost in 4th year, rest of SHGs will get 60 % in 4th year.

Fund flow and Disbursement System

A. Fund placement

The corpus fund will be placed in the formal financial institutions like Public/Private sector banks as fixed deposit under the management of SPMU. The interest proceeds shall be kept in another bank account in the name of SPMU and utilized for providing financial support.

B. Fund flow

The corpus fund flow from SPMU to the joint signatory account managed by representatives of SHGs. The fund will be sanctioned against the approval of business proposal and fund will be released against the approval of statement of marketing expenditure submitted by CIGs/FIGs, recommended by concerned BPMU, approved by DPMU and endorsed/ratified at SPMU.

C. Disbursement System

The disbursement will be done against approval of statement of marketing expenses in the mode of reimbursement. The SHGs shall have to submit the statement of marketing costs recommended by BPMU and approved by DPMU. The SPMU will endorse/ratify the statement of eligible marketing costs based on BPMU recommendation and approval from the DPMU

level and the funds shall be transferred through the online mode/DBT to a joint account managed by representatives of SHGs.

IV. Repayment rules

As this is grant to SHGs, there is no repayment rules.

V. Documentation Required

The fund sanction and disbursal process should be in transparent manner and it should be reflected in process.

A. Documentation at grant application time

- Application for business support on prescribed format (annexed as Annexure 3)
- A business plan, pre-approved by BPMU

B. Documentation at the time of Fund sanction

- Statement of marketing costs approved by BPMU (annexed as Annexure 4)

C. Before Disbursement of Fund

- Details of Joint signatory account managed by SHGs

4.3 Proceeds at the Closure of the Corpus Fund or Project Exit Strategy

The purpose of corpus fund is to extend financial support to the business entities (CIGs, FPOs & SHGs) developed under project. It is assumed at the end of project, the principle amount lying with formal financial institutions shall be utilized in the following ways. These are only proposed methods. These proposed methods shall be overlooked in favor of assessing and adopting the most appropriate or any additional options available at that time. The final method of utilization shall be decided by SPMU based on field situations, case study of corpus fund interest utilization and approval by the Executive Committee of the HPADS, before closure of project. Necessary approval regarding utilization of corpus fund will also be sought from JICA India office.

Proposed Methods

1. Distribution of Corpus Fund among FPOs based on Merits

In this method, all the functional FPOs constituted with the support of HPCDP-II and HAVI (If functional) shall be eligible to get some share of the fund based on the business, institutional and geographical strength.

Process involved

Eligibility

All the functional FPOs constituted with the support of HPCDP-II and HAVI(If functional)

Assessment of FPOs

- The project team collect the all the information regarding to FPO institutional and Business strengths on prescribed format (annexed as Annexure 6);
- The collected information shall be quantified in terms of marks;
- A merit list shall be prepared based on the marks obtained;
- The SPMU will constitute a three member committee from senior level officers of DoA and Project.
- The three member committee will decide the ratio of funds, that each FPO will get based on merit list;
- The SPMU will take this decision in the final year of project.

Note : The formats for assessment and marking can be prepared in the final year.

2. Creation of Federation of FPOs and placing the corpus fund with federation

In this method, all the eligible FPOs come together and form the federation of FPOs at state level and the corpus fund will be allocated to federation of FPOs as grant. But, the federation of FPOs manages the corpus fund with the same spirit as proposed in HPCDP-II.

Eligibility

- All the FPOs, which are interested to join the federation of FPOs shall be constituted with the support of HPCDP-II and HAVI(if functional) is eligible to join;
- The FPO must be in functional status and performing the business activities.

Process Involved

- The SPMU, HPCDP-II will constitute a state level committee to scrutinize the eligibility of FPOs;
- The SPMU with the help of either inhouse expertise or outsourced expert will develop by-laws and operational manual for the management of federation of FPOs;
- The SPMU will nominate one senior level officer preferably Joint Director of Agriculture and above in the Board of Directors (BoD) of federation of FPOs.
- The SPMU shall support the formal registration of the federation.

Allotment of Corpus Fund

- The SPMU will develop the protocols and guidelines for the management of Corpus Fund keeping in view of federation structure;
- The project will provide proper training to federation board members on corpus fund management and operational guidelines;
- The SPMU shall transfer the corpus fund to federation of FPOs as grant, through online mode;
- The federation of FPOs will continue to utilize the corpus fund with the same spirit as advised in MoD and the operational guidelines;
- All the member FPOs can access the corpus fund as soft loan based on prescribed eligibility criteria.

3. Creation of “Agri-Business Incubator” in the Department of Agriculture

This is a conceptual idea to create enabling environment and encourage startup culture in the field of agriculture. In this method, The DoA shall create a entity called – Agri-Business Incubator. This incubator provides support to FPOs businesses, Agri-Startups, Tech startups that helps improves agriculture production or marketing.

Setting up of Agri-Business Incubator

- The SPMU with the support of DoA will set up the Agri-Business incubator with proper registration;
- The SPMU will develop protocols and guidelines for corpus fund management in the view of structure and objectives of Agri-Business incubator;
- The SPMU will provide proper training to functionaries of Agri-Business incubator before transferring corpus fund;
- The SPMU will transfer the corpus fund as grant to Agri-Business incubator;

Eligible activities for accessing Agri- Business incubator funds

- Agri Business by FPOs/CIGs/FIGs
- Agri-Business Startups
- Tech Startups to improve agriculture/Agri business/Agri marketing

Services provided by Agri-Business Incubator

- Mentoring support to FPOs/CIGs/FIGs to fine-tune the business plans
- Handholding support to new agri-business startups
- Financial support in terms of providing soft loans

ANNEXURES

Annexure-1: Memorandum of Association

We, the following persons who are members of KVA.....make this agreement onday of.....month.....year..... between

S. No.	Name	Age	Parentage/Spouse detail	Address	Signatures
1					
2					
3					
4					
5					
6					
7					
8					
9					

Who are members of a group, herein referred to as collectively, CIG/FIG/SHGgroup members, which expression shall, unless repugnant to the context or meaning include every member of the said CIG/FIG/SHG and their legal heirs, executors and administrators.

Whereas all members are residents of village..... Tehsil..... District..... and are known each other.

Whereas all members of CIG/FIG/SHG named above have joined voluntarily together and formed CIG/FIG/SHG with intent to carry on crop diversification/intensification/Income generation activities, savings, credit and economic developmental activities for mutual benefit subject to terms and conditions herein after appearing: -

1. Each member shall save an amount of Rs..... and deposit with treasurer of the group on monthly basis.
2. Each member shall strive for the success of the CIG/FIG/SHG and shall not carry out any activity which is detrimental to the business interest of the FIG/SHG.
3. The CIG/FIG/SHG members shall be jointly and severally liable for all the debts contracted by CIG/FIG/SHG
4. The assets and goods acquired by the group shall be in the joint ownership of all members of the group and shall be in the custody of a member authorized by the group.

5. The CIG/FIG/SHG members hereby duly elect and appoint (i) Shri/Smt..... as President (ii) Shri/Smt..... as Secretary (iii) Shri/Smt..... as Treasurer of the CIG/FIG/SHG to look after and manage day to day affairs of the group and also act in their name and on their behalf in all matters there to. The authorized representatives may however be removed at any time by majority vote of all the members and new representatives elected.
6. Each member of the CIG/FIG/SHG hereby agree to abide by and ratify all such act deeds and things as the authorized representatives may do in the interest of the said activities.
7. The authorized representatives shall take decisions in the day to day working of FIG/SHG and each representative shall actively involve himself/herself and cooperate in looking after day to day affairs of the CIG/FIG/SHG. Every member of CIG/FIG/SHG hereby authorizes the representatives in the following matters:
- (a) To apply for loan/grant and execute agreements on behalf of CIG/FIG/SHG for the purpose including registration of CIG/FIG/SHG.
 - (b) To collect the loan/grant and deposit it in the bank/Cooperative society account of the CIG/FIG/SHG.
 - (c) To collect loan instalment and deposit it in the bank/Cooperative account of the CIG/FIG/SHG.
 - (d) To open a savings/RD account in Cooperative society/bank, make FDR in cooperative society/Bank
 - (e) To take membership of FPO and also stand as collateral for their loan requirements.
 - (f) To receive payments and issue receipts on behalf of the CIG/FIG/SHG.
 - (g) To institute and defend on behalf of the CIG/FIG/SHG members any legal proceedings and safeguards the interest of each member in the CIG/FIG/SHG, engage/hire an advocate/ lawyer/agent and incur any expenditure on fees/services.
8. In the event of death of any member of the CIG/FIG/SHG, his or her legal heirs shall be entitled to the benefits and liable for obligations of the deceased.
9. As per requirement stipulated by HPCDP, we will forming Joint Liability Groups (JLG) within our group to ensure that the JLG takes responsibility of timely repayment of credit and amount of interest on the principal amount received through Corpus Fund in the form of Revolving fund. The terms and conditions of Joint Liability Group are accepted by all the members mentioned above.

Verification

We the following persons, who has been elected as authorized representatives of CIG/FIG/SHG..... here by verify the contents 1 to 9 mentioned above in this agreement.

President

Secretary

Treasurer

Annexure-2: Application Form for registration of CIG/FIG/SHG

(For submission by CIG/FIG/SHG)

To,

Competent Authority, BPMU

Address:

Subject: Request for registration of CIG/FIG/SHG

Madam/Sir

We, the following members, (signatories) have formed a CIG/FIG/SHG named

on (DD/MM/YY).....

We are members of KVA..... We have opened a savings and RD account in the bank

We have decided to undertake activity for crop diversification/Income generation under HPCDPP JICA.

We shall be conducting weekly/bi-weekly/monthly meeting. Monthly meeting will be held on of every month.

We will abide by all the terms, conditions, policies and operational modalities stipulated by the HPCDP-II and FPO.

We guarantee that the amount of financial support received for our program activity will be utilized diligently and timely as guided by the HPCDP-II.

It is therefore requested that our FIG/SHG may kindly be registered with HPCDP-II so that we are able to avail benefits of the different programs of the HPCDP-II.

Thanking you

Yours faithfully,

President.....

Secretary.....

Treasurer.....

Recommendation of selected BPM, DPM

FIG/SHG..... Registered Identification Number on DD-MM-YY.

Annexure-3: Proposed Business Development Plan

1. Name of the CIG/FPO/SHG _____
2. Name of the KVA _____
3. Registration number and date _____
4. Address of the CIG/FPO/SHG _____
5. Members involved in the Flagship crop/IGA: _____
6. Name of the Proposed Activity: _____
7. Location _____
8. Past experience of the CIG in similar activity. (Yes/No):
9. Special Trainings required related to the activity, If any:
10. Existing Fixed Capital

Land - area in ha, type of land agriculture – non agriculture, if it is owned, what is present market value in Rs.

Building – Plinth area in sq m – Ownership – Own, Lease, Rent, Used as Hall, Office Market Value of the building if it is owned.

Movable Assets – plant, machinery, equipment, furniture, vehicles (goods carrier)

11. Details of the Proposed project

Sr. No	HPCDP Family Registration Number	Name of Farmer / Custodian Cultivator	Kh. Number and Area in ha	Flagship Vegetable Crops proposed		Cereal crops proposed		Other crops proposed	
				1.		1		1	
				2.		2		2	
				Kh No and area	Yield quantity	Kh / area	Yield Qty	Kh / area	Yield Qty

12. Expected volume of production

12.1 Description of the Business

- Target Market
- Key Selling Points
- Growth Trend in the Business
- Pricing
- Promotion

12.2 Business Operations

- Production
- Procurement or collection of produce at gradation and storage centre
- Marketing
- Processing details
- Linkage with markets

13 Business Projections

13.1 Annual Estimation

Particulars	Rotation / Cycle			Total For year
	1 st - Aug- Dec	2 nd Oct Feb	3 rd Feb - Jul	
Area in ha				
No of producers				
Procurement of produce average per day in Tons				
Total procurement in tons during rotation / cycle				
Purchase price of the procured quantity Rate INR /MT				
Total value of procured quantity				
Procurement Cost and losses 20%				
Selling and distribution expenses				
Overhead costs per unit of produce				
Cost to the FPO				
Sale Price INR/MT				
Quantity Sold MT				
Value of sold quantity				
Gross Profit				
Profit margin in %				
Quantity in stocks				
Value of the stocks				

13.2 Five Year Projections

Particulars	Year					Total For 5 years
	1	2	3	4	5	
Area in ha						
No of producers						
Procurement of produce average per day in Tons						
Total procurement in tons during rotation / cycle						
Purchase price of the procured quantity Rate INR /MT						
Total value of procured quantity						
Procurement Cost and losses 20%						
Cost to the FPO						
Sale Price INR/MT						
Quantity Sold MT						
Value of sold quantity						
Gross Profit						
Profit margin in %						
Quantity in stocks						
Value of the stocks						

13.3 Details of financial requirement for executing the business plan

Sr. No	Line Items	Source				Total
		Own	Loan	Grant	Other	
A	Capital Costs / Investments					
A1	Production Collection facilities					
A2	Storage Facilities					
A3						
A4						

Sr. No	Line Items	Source				Total
		Own	Loan	Grant	Other	
A5						
	Sub Total (A)					
B	Working –capital					
B1	Input cost					
B2	Procurement and Processing costs					
B3	Storage Costs					
B4	Transport costs					
B5						
	Sub Total (B)					
C	Recurring costs (Project Management)					
C1	Staff salaries					
C2	Office overheads					
C3	Cost of Legal formalities, permits, licenses, insurance, annual maintenance contracts					
C4						
C5						
	Sub Total (C)					
D	Preparatory Activities					
D1	Community Mobilization					
D2	Technical support					
D3	Market Linkages					
D4	Training, Exposure visits					
D5	Awareness Programs					
D6	Other					
D7						
D8						
D9						
D10						
	Sub Total (D)					

14 Fund Requirements

Specify source of loan amount – principal, interest, repayment schedule or duration and present status of the loan repayment and loan liability

- Disbursement Schedule
- Assumptions for Financial Plan
- Preparatory Activities
- Target area, farmers
- Production / Procurement related
- Membership of the FPO
- Eligibility of members
- Capital Requirements
- Recurring cost requirements
- Sources of financing
- Mechanism of monitoring of utilization of funds
- Mechanism for recovery of loan amounts
- Interest rate policy
- Dos and don'ts
- Willful defaulters

15 FPO Project Management Cost

Sr No.	Line Item	Unit	Units	Unit Rate	Amount
A	Staff Salary				
A1					
A2					
A3					
A4					
A5					
	Sub Total (A)				
B	Office Overheads				
B1	Power – Energy				
B2	Water Supply				
B3	Administration				
B4	Maintenance Contracts				
B5	Other				
C	Legal Costs				
C1	Permits, Licenses				
C2	Other				
C3					
C4					
C5					
	Total				

16 Cash Flow Projections (Five Years)

Year	Projected revenue	Margin	Loan Principle	Loan interest	Repayment			Margin after repayment
					Principle	Interest	Total	
1								
2								
3								
4								
5								

17 Debt Service Coverage Ratio

Year	Earning before depreciation, interest, and taxation	Interest and principal amount component	Debt Service Coverage Ratio
1			
2			
3			
4			
5			
Total			

Last 3 Years audited financial statement – balance sheet, profit and loss statement of FPO with notes on accounts and annexures

18 Details of earlier / current loans and grant if any (approval letters) available from other banks, Financial Institution

Sr. No.	Name of the Agency	Year	Amount	Purpose	Repayment status % of principal amount repaid	Present status of loan proceeds and its use

19 Risk Management

- Creditworthiness analysis
- Loan structure and tenure,
- interest rate
- Loan recover plan – Instalments
- Details of security / collaterals to be offered:
 - Own Assets – details with present depreciated market value of the assets
 - Other collaterals – such as Bank Guarantee
 - Close monitoring
- Counter-steps if the applicant is found to be willful defaulter
- Any other provision to ensure that fund provided will be recovered as per schedule

Annexure 4: Application Formats for reimbursement of Marketing Costs to CIG/FPO/SHGs

(Recommendation by DPMU)

To,

The District Project Manager

.....

Subject: Request for Reimbursement of Costs incurred in Marketing of produce by FPO

.....

Madam/Sir

We are enclosing an application of FPO/CIG/SHG named.....for
reimbursement of costs incurred in marketing of produce. The group is registered with
.....Number on dated

This FPO/CIG/SHG constituted with ----- Number of farmers

We request you to reimburse the costs incurred in marketing of produce, which comes
Rs.....

It is therefore requested that the fund may be transferred as under:

Name of FPO/CIG/SHG.....

Account No..... IFSC CODE.....

Bank Name.....Branch

Account Title.....

Thanking you

Yours faithfully,

Annexure-5: Application Format for Equity Matching Grant to FPO

(Recommendation by DPMU)

To,

The District Project Manager

.....

Subject: Request for Equity Matching Grant to FPO (first tranche/second tranche/third tranche) in respect to

Madam/Sir

We are enclosing an application of FPO named.....for FPO Equity Matching Grant(first tranche/second tranche/third tranche). The group is registered withNumber on dated

This FPO constituted with ----- Number of farmers, and ----- Number of farmers paid membership fees

We request you to sanction the release of Equity Matching Grant which comes Rs.....

Detail of earlier claimed Equity Matching Grant Tranches

Tranche	Sanction Number	Amount(in Rs.)	Remarks
1 st			
2 nd			
Total Received till date			

It is therefore requested that the fund may be transferred as under:

Name of FPO.....

Account No..... IFSC CODE.....

Bank Name.....Branch

Account Title.....

Thanking you

Yours faithfully,

Annexur-6: Assessment of Health of FPOs

Name of theAs of
Date

Sr. No	Particulars	Response
01	In which year the FPO was promoted by DPMU:	Month.....Year
02	FPO Company Legal Entity under which law	Company Act 2013 Sect 465(1) with part IXA of Company Act 1956
03	Company Registration Number and date	
04	Trademark Registration under Trademark Act 1999 – Registration Number	
05	Other Legal License, Permits with registration number and dates	

FPO Operational Area

Number of villages:		Names
Number of KVAs in the FPO operational area		Names
How many KVAs member became member of FPO		
How many SHGs in FPO operational area		
How many clusters of KVAs covered in the operational area		

Milestones in the Development of FPO –

Milestone	Process Steps followed	Lessons Learnt – reasons
Activities undertaken for promoting FPO Initial – Initiation		
Activities undertaken for promoting FPO Innovations		
Activities undertaken for promoting FPO Institutionalization		
Rating in terms of planned versus actual achievements		
What is role of DPMU Earlier / Initial stages Development stages Growth stages O&M Stages		

Notes: (1) Input supply mechanism (2) Crop growth monitoring (3) Harvest and Post harvest processing technology adopted, collection centers. (4) Promoting FPO business through Exhibition and farmers fares, (5) public private partnership – collection, processing, branding, marketing (6) Types of marketing – Sell strategy, local retail consumers, wholesale traders, district level consumers / traders, institutional marketing

7 Present Status of FPO

Sr. No.	Query on Status	Actual Status
01	What are the major milestones achieved?	
02	What are the outputs, outcomes, and achievements / results?	
03	Are all members satisfied with what has been achieved so far?	
04	Where and when did they meet planned targets? Deviation from plan if any.	
05	What constraints, difficulties and problems encountered and how were they addressed?	
06	Which strategies adopted in input supplies, production, agronomic practices, harvesting, processing, branding, marketing of produce,	
07	What are the future challenges? What are the plans to meet those challenges including any plan for diversification	
08	FPO's vision and mission, guiding principles / approach- how smartly would they like to grow and develop further?	
09	Achievements / outcomes that are noteworthy at state / National level	
10	Any award, recognition and appreciation earned by FPO, when, from whom	

2 FPO Basic Information

Name of FPO			
Who maintains records/ documentation		RAES Motivator	
Number of Farmers Joint Liability Groups		CCA in ha	
FPO –loan amount		Loan repaid -	
No. of FPO members as per FPO records and actual number of FPO members		No. of MC members	

Frequency of GB meetings			Frequency of MC Meetings		
When GB meet?			Schedule of MC meetings		
FPO Produce and its marketing	Crop(s) cultivated by number of FPO members and =Yield MT or Q / per ha				
	What is the quantity of produce (MT) harvested and collected every year				
	Year 1: 5 Year 10	Year 2: Year 6	Year 3: Year 7	Year 4 Year 8:	Year 9 Year 9
	How much produce is processed? How much produce is marketed, where, at what price,				
	What was production costs, value of produce and economics – cost benefit to the FPO and the				
Production Costs	2022		Gross Receipts from sale of FPO produce	2022	
	2021			2021	
	2020			2020	
Net surplus generated (costs –net receipts)	No margin	Net benefit to FPO			
Net Benefit to members					
FPO Assets created	Harvesting, Post harvest collection, grading, processing, branding – packaging, investments in these assets, source of finance, repayment of loan if any – attach list				
Promotion of post-harvest technology	FPO obtained requisite permits and licence to sale and purchase fertilizers, seeds and pesticides It has started a shop for input supply.				
Marketing & Networking,	Business Plan and its implementation				

Note

1. FPO holds GB meeting Times /year and MC meeting every ... months as a main actor of FPO
2. FPO has reviewed and revised its targets production targets, processing, and marketing Times until now.
3. Role of MC of the FPO
4. Loan repayment – performance – role of JLGs, individual farmers and FPO,
5. Activity and Process mapping – grading, processing, packaging,

3 FPO Status

Particulars	Unit	Annual Records				
		2018	2019	2020	2021	2022
Crop cultivation Status						
Crop name						
Before FPO	Area in ha					
Present	Area in Ha					
FPO – Input Supplies	Package					
FPO – Crop growth monitoring	Mechanism					
FPO – Harvested Produce	Qty in MT					
Post Harvest Technology	Qty in MT					
Collection, grading	Qty in MT					
Processed produce	Qty in MT					
Packaging, branding	Qty in MT					
Marketing – local	Qty in MT					
Marketing Institutional	Qty in MT					
Expenses on Production						
Input supplies	Rs.					
Crop Monitoring	Rs.					
Harvest, Post harvest collection, grading	Rs.					
Marketing all types	Rs.					
Publicity, Exhibition	Rs.					
Market Realization						
Main Crop produce	Rs.					
Residual crop - fodder	Rs.					
Gross Margin Earned	Rs.					

4. FPO Performance Assessment Sheets

4.1 Institutional Performance

Performance Indicator	Definition	Gradation		
		C Poor or Defunct	B Partially Functioning	A Fully Functioning
Institutional				
Representation:				
FPO Membership Ratio	$\frac{\text{Total number of FPO members}}{\text{Total number of Producers}}$	<25%	25-50%	>50%
Female FPO membership ratio	Number of female FPO members as % of total number of female irrigators	<25%	25-50%	>50%
Representation of farmers by their land holding category in FPO Management Committee (MC)	Number of FPO MC members by land holding categories of small and marginal farmers	Not represented	< 33%	≥ 33

Performance Indicator	Definition	Gradation		
		C Poor or Defunct	B Partially Functioning	A Fully Functioning
Representation of Joint Liability Groups in FPO MC in lift irrigation scheme	Number of JLGs in FPO-MC as % of total number of JLGs	< 50%	50% to 80%	> 80%
Female representation in FPO MC	Number of female members of FPO MC if at least 10% of FPO members are women	None	-	At least one female MC member
Transparency and Accountability:				
Annual General Meetings (AGM) of FPO General Assembly (GA)	Number of AGM of FPO GA held and level of representation by FPO members	None	At least one but with <50% representation	At least one with >50% representation
Regular meetings of FPO MC – input, crop growth stages, harvesting, processing, market	Number of meetings held during every stage	None	Less than one each month	At least one each month
Minutes of meetings	Existence of minutes of meetings of FPO GA and MC	None	Minutes for some meetings	Minutes for all meetings
Elections of members of FPO MC	Elections for members of FPO MC in accordance with FPO Byelaws / Constitution	None	Irregular elections	Regular elections
Written set of Internal Rules & Regulations	Existence of written set of Internal Rules & Regulations approved by FPO GA	None	Written rules, not approved by GA	Written rules, approved by GA
Communication between FPO and member farmers	Level of communication between FPO and Member Farmers WhatsApp Group	None	Only PP notice board used	Formal notices at variety of public places
Authority:				
Enforcement of sanctions – -Crop production / management related - JLG performance	Extent of application of sanctions by FPO on offenders Farmers members and JLGs	None	Enforcement possible with outside help	Enforcement possible without outside help
Resolution of internal indiscipline / conflicts and willful defaulting JLGs.	Number of resolved internal conflicts as % of number of reported internal conflicts	<50%	50% to 75%	>75%
Institutional Capacity:				
Level of facilities	Extent of office facilities, with or without adequate means of transport (motorbike, bicycle) for field work	None or very limited	Adequately equipped office, inadequate transport	Well equipped office with adequate transport

Performance Indicator	Definition	Gradation		
		C Poor or Defunct	B Partially Functioning	A Fully Functioning
Employment of executive staff, including those involved in input supplies, crop growth monitoring, harvesting, collection, processing and marketing	Duration of employment FPO staff – Their adequacy – skill, number, duration,	None	Staff for less than ___ months/year	Staff for more than ___ months/year

4.2 Financial Management:

Performance Indicator	Definition	Gradation		
		C Defunct	B Partially Functioning	A Fully Functioning
Finance – Capital				
Finance – Working Capital				
Loan Recovery FPO to Bank				
Loan Recovery JLG to FPO				
Loan Recovery Farmer to JLG				
Wilful Defaulters				
Operation Maintenance charges – billed and paid				
Level of charges	Level of charges set by FPO in relation to ICA (ha)	< INR ___ /ha	INR ___ to INR ___ /ha	>INR ___ /ha
Full payment of FPO charges	Number of Farmers paying FPO charges before end of financial year as % of total number of Farmers	<50 %	50 – 90%	> 90%
FPO charge collection per hectare of cropped area	Amount of money collected as FPO charge per hectare of cropped area (ha)	INR ___ /ha	INR ___ to INR ___ /ha	> INR ___ /ha
FPO charge collection performance	Total amount of FPO charges collected as % of total amount of FPO charges invoiced	<50%	50% to 80%	>80%
Establishment of Emergency and Reserve Fund (E&RF)	E&RF has been established with amount deposited equivalent to at least 10% of annual O&M costs	No E&RF	E&RF with less than 10% of annual O&M costs	E&RF with at least 10% of annual O&M costs
Approval of Annual Balance Sheet and Financial Statements by FPO GA	Approval of Annual Balance Sheet and Financial Statements by FPO GA in specified time after end of financial year	None	Approved but not in timely manner	Approved in timely manner

Performance Indicator	Definition	Gradation		
		C Defunct	B Partially Functioning	A Fully Functioning
Financial Audit of FPO	Level of approval of FPO financial affairs by independent auditors	No approval	Conditional approval	Unconditional approval
Timely submission of accounts to Registrar Companies	All accounts are submitted to Registrar by FPO in timely manner	Not submitted	Submitted but not in time	Submitted in time
Social Audit	Equitable distribution of water to all members based on FPO policy.	Few share water	Equal distribution with complaints	Significant equal distribution

4.3 O&M Performance: (If applicable)

Performance Indicator	Definition	Gradation		
		C Poor or Defunct	B Partially functional	A Fully Functional
Water entitlement of the FPO from scheme.	Quantum of water and cropping pattern approved.	To be decided	To be decided	To be decided
Actual water receipts to the FPO	Water losses and actual availability	To be decided	To be decided	To be decided
Redressal of the complaints by FPO at Federation level	No of complaints lodged and resolved	To be decided	To be decided	To be decided
Irrigated area as proportion of cropped area	Total Irrigated area as % of total ICA	< 80%	80% to 90%	> 90%
Efficiency of water supply per hectare of irrigated/cropped area	Supplied volume of water per ha of cropped/irrigated ICA as % of calculated in DPR	< 80%	80% to 90%	> 90%
Equitable supply of FPO	Irrigated area in tail section as % of irrigated area in head section	< 70%	70% to 90%	>90%
Implementation of annual maintenance inspection	Annual maintenance inspection is conducted in last financial year	No	-	Yes
Approved annual maintenance plan	Approval of annual maintenance plan by FPO GA	maintenance plan not prepared	maintenance plan prepared, not approved	Maintenance plan prepared and approved
Maintenance budget per hectare of ICA	Maintenance budget per ha ICA compared with maintenance costs as calculated in plan	<INR____/ha	to INR____/ha	>INR____/ha

Performance Indicator	Definition	Gradation		
		C Poor or Defunct	B Partially functional	A Fully Functional
Water entitlement of the FPO from scheme.	Quantum of water and cropping pattern approved.	To be decided	To be decided	To be decided
Actual water receipts to the FPO	Water losses and actual availability	To be decided	To be decided	To be decided
Redressal of the complaints by FPO at Federation level	No of complaints lodged and resolved	To be decided	To be decided	To be decided
Maintenance expenditures per hectare of ICA	Maintenance expenditures per ha cropped area compared with maintenance costs as calculated in plan	<INR___/ha	INR___/ha	> INR___/ha
Maintenance cost to revenue ratio for gravity irrigation scheme	Maintenance expenditures as % of gross revenue collected	< 70%	70% to 80%	> 80%
Maintenance cost to revenue ratio for lift irrigation scheme	Maintenance expenditures as % of gross revenue collected	< 55%	55% to 65%	> 65%
Operational capacity of distribution system in gravity irrigation scheme	Actual conveyance capacity as % of designed conveyance capacity	< 80%	80% to 90%	> 90%
Operational capacity of lift equipment in lift irrigation schemes	Number of operational pumps as % of total number of installed pumps	< 80%	80% to 90%	> 90%

4.4 Agriculture Extension and Development Performance

Performance Indicator	Definition	Gradation		
		C Poor or Defunct	B Partially Functioning	A Fully Functioning
Formulation of Agriculture Development Plan	Comprehensive Business Plan to achieve economic and financial targets as per plan	No	Prepared, not validated	Validated
Proposed Cropping Pattern season wise and yield projections finalized by FPO	Plan to achieve EIRR from agricultural activities as per plan / feasibility study	< 80%	80% to 90%	> 90%
Actual Cropping pattern season wise and yield data recorded by FPO	Achievement of EIRR mentioned in plan	< 80%	80% to 90%	> 90%
Cropped area under Vegetables	Percentage of total cropped area	< 10%	10% to 20%	> 20%
Adoption of new crops, varieties, technology, inputs	% of cropped area under adoption of new crops, varieties, technology and inputs	< 10%	10% to 20%	> 20%

Performance Indicator	Definition	Gradation		
		C Poor or Defunct	B Partially Functioning	A Fully Functioning
Marketing of the produce	% of the total agricultural produce marketed by FPO	< 50%	50% to 75%	> 90%
Promoted Producers organizations of FPO members	% of FPO members promoted Producer Organizations	< 50%	50% to 75%	> 90%
Share of value addition produce (selected major crops)	% of agriculture produce processed for value addition	< 50%	50% to 75%	> 90%
Formulation of Participatory Action Plan for women specific activities	Plan focus to check negative and positive impacts of the sub project giving details of strategic and immediate needs	No	Prepared, not validated	Validated
Women Specific Activities to reduce workload and to improve their health	% of women from member households benefitted with activities that reduce their workload and to improve their health	< 50%	50% to 75%	> 90%

3.5 Post Harvest Process, Collection, Marketing

Performance Indicator	Definition	Gradation		
		C Poor or Defunct	B Partially Functioning	A Fully Functioning
Formulation of Post harvest process technology and Plan	Comprehensive Business Plan to achieve economic and financial targets as envisioned by FPO	No	Prepared, not validated	Validated
Market Outreach Networking	Identification of potential buyers and customers			
Branding	Packaging – standardized stickers, fliers, product information and specifications			
Use of social media for different categories of customers	Number of groups by categories Number of clienteles			
Trademark registration if any	Trademark registered with the Registrar Trademark Registration Govt of India under Trademark Act 1999			
Delivery of product to the customers - mechanism				
Linkage with APMC				
Product FSSAI License				

5 FPO Impact Assessment by Development Objective

5.1 Outcomes

Outcome Indicator	Baseline Value Year:	Actual Value Year	Achievement (%)
Area under production in ha			
Number of FPO Members			
Crop Cultivation			
Cropped area in ha			
Crop 1			
Crop 2			
Crop 3			
Total Cropped Area in ha			
Yield by crops (MT / ha)			
Crop 1			
Crop 2			
Crop3			
Produce Marketed (MT)			
Crop 1			
Crop 2			
Crop 3			
Beneficiary Farmers income increased with FPO			
FPO – Revenue Generated			
Other tangible / intangible economic benefits			
1 Employment generated for landless laborers			
2			
3			

5.2 Outputs

Output Indicators	Baseline Value Year:	Actual Value Year	Achievement (%)
FPO Facilities / amenities			
Input supply			
Irrigation facilities / assets creation - ha			
Investments in irrigation facilities Rs.			
Agriculture extension			
Crop Growth monitoring			
Harvesting			
Post harvest technologies – grading, collection			
Processing and Packaging			
Marketing – Exhibitions, fares, other activities			
Operation and Maintenance of all facilities			
Total area of FPO farmer members covered			
Number of FPO farmer members benefited			
Unanticipated and additional outcomes			
1			
2			
3			

6.0 FPO: Growth Framework

6.1 Stage based Development and Growth of FPO

Framework	Stage-based	Outputs	Plan	Actual
Business Management Strategy	Seeds – Early Stage <5 years	To solidify the foundation for robust organization		
		Good business management		
		To attain basic skills and knowledge		
		FPO management systems in place		
	Expansion stage 6-10 years	To deepen attained skills and knowledge		
		Institutionalize management systems		
	Mature Stage Over 11 years	To continue a self-sustaining development of business		
Business Model	Seeds – Early Stage <5 years	Collective Marketing, Contract farming		
	Expansion stage 6-10 years	Collective Marketing		
		Collective purchasing of inputs		
		JV agri-business operation (marketing & processing)		
	Mature Stage Over 11 years	Collective marketing		
		Collective purchasing of inputs		
		Independent agribusiness operation (marketing & processing)		
Public Intervention		Mobilization		
		Trainings – business management, technology		
		Information Dissemination (market new technology, supporting schemes, laws & regulations		
		matching with private business operators, financing,		

6.2 Process Steps and Procedure of Formation and Formalization of FPOs

Step	Timelin e	Procedure	Description	Exec uted by	Supported by	Actual progress
Step-1	1st year	Conduct farm management training by the Project to raise Farmer's awareness	Each KVA provides information on its present farming and prepare the farm income target and strategy.	BPM U	DPMU PMC	
Step-2	1st to 2nd year	Conduct cultivation training and demonstration by the Project	Confirm the technical skills and real motivation of farmers in KVA	BPM U	DPMU PMC	
Step-3	End of 2nd year	KVAs candidate to be member of FPO	Motivated and skilled KVAs will autonomously candidate at the beginning based on motivation of farmers to participate in FPO	BPM U	DPMU PMC	
Step-4	3rd year	Awareness meeting	Provision of awareness meeting on benefit of formation of FPOs and necessary support from the Project	DPM U	PMC	
Step-5	3rd year	Select initial members (KVAs) of FPO	Discussion among candidates for establishment of FPO	DPM U	PMU	
Bringing FPOs up as a business entity will be started						
Step-6	4 th year	Conduct business management training by the outsourced experts	Intensive business management training will be provided to member of FPO	DPM U	PMU Outsourced experts	
Step-7	4 th Year	Elaboration of FPO Business Plan	FPO elaborates Business Plan including the design of the Collection Center under the support of Outsourced experts	DPM U	PMU Outsourced experts	

**Annexure-7: Application Formats for Agri-business Grant to FPO
(Recommendation by DPMU)**

To,

The District Project Manager

.....

Subject: Request for Agri-Business Grant to FPO

Madam/Sir

We are enclosing an application of FPO named.....for FPO Agri-Business Grant. The group is registered withNumber on dated

This FPO constituted with ----- Number of farmers, and ----- Number of farmers paid membership fees

We proposed a agri-business plan with projections of Rs..... for financial year..... and we require Rs..... to meet operational costs of business

We request you to sanction and release of Agri-Business Grant which comes Rs.....

It is therefore requested that the fund may be transferred as under:

Name of FPO.....

Account No.....

IFSC CODE.....

Bank Name.....Branch

Account Title.....

Thanking you

Yours faithfully,

**Annexure 8: Application Formats for reimbursement of interest to FPO/SHGs
(Recommendation by DPMU)**

To,

The District Project Manager

.....

Subject: Request for reimbursement of interest on Loan to FPO.
.....

Madam/Sir

We are enclosing an application of FPO named.....for FPO interest reimbursement. The group is registered withNumber on dated

This FPO constituted with ----- Number of farmers, and ----- Number of farmers paid membership fees

We availed a loan of amount in Rs..... bearing loan Acc No.....from the Bank (Name) on the day (Date)..... with rate of interest..... We performed the proposed business and repaid the loan regularly as per loan agreement instalments. We are herewith requesting to reimburse eligible amount of Rs

We request you to sanction and release of eligible interest amount, which comes Rs.....

It is therefore requested that the fund may be transferred as under:

Name of FPO.....

Account No.....

IFSC CODE.....

Bank Name.....Branch

Account Title.....

Thanking you

Yours faithfully,

