Report on Evaluation of the Impact of the Scheme for Mega Food Park of the Ministry of Food Processing Industries

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Abbreviations

AEZ	Agri-Export Zone
APEDA	Agricultural & Processed Food Products Export Development Authority
APES	Apparel Parks for Exports Scheme
APFPS	Andhra Pradesh Food Processing Society
APMC	Agricultural Produce Market Committee
ASIDE	Assistance to State for Infrastructure Development and Exports
BIADA	Bihar Industrial Area Development Authority
CAG	Comptroller and Auditor General
CCs	collection centers
CEO	Chief Executive Officer
CII	Confederation of Indian Industries
CLU	change of land use
COD	certificate of deposit
CPCs	central processing centres
DIPP	Department of Industrial Policy and Promotion
DPR	detailed project report
DS	diagnostic study
EOI	expression of interest
EPZ	export promotion zones
FAO	Food and Agriculture Organization
FCEL	Future Consumer Enterprise Limited
FICCI	Federation of Indian Chambers of Commerce and Industry
FI	financial institution
HALMAS	Halal Malaysia

HDC	Halal Industry Development Corporation
HDI	Human Development Index
ICRIER	Indian Council for Research on International Economic Relations
IDC	interest during construction
IMAC	Inter-ministerial Approval Committee
IMT-GT	Indonesia-Malaysia-Thailand Growth Triangle
IT	information technology
KINFRA	Kerala Industrial Infrastructure Development Corporation
MFP	Mega Food Park
MFPS	Mega Food Park Scheme
MLC	Mega Leather Clusters
MOFPI	Ministry of Food Processing Industries
MOT	Ministry of Textiles
MOUs	Memorandum of Understanding
MSE-CDP	Micro & Small Enterprise – Cluster Development Programme
MSME	Micro, Small and Medium Enterprises
NABARD	National Bank for Agriculture and Rural Development
NBFC	non banking financial corporation
NCER	North Corridor Economic Region
NCR	National Capital Region
NHM	National Horticulture Mission
NMFP	National Mission on Food Processing
NOCs	no objection certificates
PAC	Project Approval Committee
PMC	project management consultant

PMS	Project Management Service
PPCs	primary processing centres
PRA	participatory rapid assessment
PwC	PricewaterhouseCoopers
SEZs	special economic zones
SHLCC	State High Level Clearance Committee
SICDP	Small Industries Cluster Development Programme
SIDCUL	State Infrastructure and Industrial Development Corporation of Uttarakhand Ltd
SITP	Scheme for Integrated Textile Park
SMEs	small and medium enterprises
SPV	special purpose vehicles
SSC	Scheme Steering Committee
SWOT	strength, weakness, opportunities and threat
TC	Technical Committee
TCIDS	Textile Centre Infrastructure Development Scheme
TRA	Trust and Retention Account
UAE	United Arab Emirates
UNIDO	United Nations Industrial Development Organization
US	United States
UT	union territories
VAT	value added taxes
WTO	World Trade Organization

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Chapter 1 : Introduction

India, as a large producer and consumer of food is likely to have an overwhelming impact on world demand and supply of food products in the future [Food and Agriculture Organization (FAO) 2012]. With its vast production base, India has the potential to become one of the largest food suppliers to the world and at the same time serve its own vast population (MOFPI 2014). The total value of the Indian food processing industry is expected to touch $194 billion in 2015 from a value of $121 billion in 2012, registering a growth of around 20 per cent per annum.[1]

Food and grocery constitute a substantial part of India's consumption basket accounting for around 31 per cent share in the total. In contrast, consumers in other countries spend a much lower proportion of their income on food and grocery—9 per cent in the United States (US), 17 per cent in Brazil and 25 per cent in China.[2] Food and grocery is the largest segment in India's retail sector, with a share of more than 60 per cent in India's total retail market in 2014.[3]

While there are tremendous opportunities in the demand side, India also has a strong supply base for the food and grocery industry. India is the world's second largest producer of food after China. Its arable land area of 159.7 million hectares (394.6 million acres) is the second largest in the world (after the US).[4] India has a strong raw material base for the food processing industry. India is one of the largest producers of certain fruits, vegetables, pulses, cereals and dairy products such as mangoes, papaya, potatoes, onions, ginger, check peas, rice, wheat, groundnuts, milk and eggs among others. [5] Over time, there has been a continuous increase in the production of food processing industries. The total value addition of the food processing sector as a share of GDP manufacturing was 9.8 percent in 2012-13.[6]

Yet, in India the sector suffers from several bottlenecks leading to an estimated wastage of 25-30 percent of agriculture produce (Chari and Raghavan 2012). India lacks agricultural raw materials of processable quality (Mukherjee *et al*., 2013). Only 7 per cent of the total Indian perishable

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[1] For details see http://www.ibef.org/pages/35318 (last accessed on April 15th, 2015)
[2] Boston Consulting Group (2012)
[3] Images (2015)
[4]http://www.ers.usda.gov/topics/international-markets-trade/countries-regions/india/basic-information.aspx (last accessed on February 28, 2015).
[5] Ministry of Agriculture (2012) and MOFPI (2014)
[6] http://makeinindia.com/sector/food-processing/ (last accessed on February 28, 2015)

produce is processed, which is extremely low compared to countries such as the US (65 per cent), Philippines (78 per cent) and China (23 per cent).[7]

Realising the need for improving capacity of the food processing industry, the government has taken several initiatives to fillip the growth of the sector. Food processing is recognized as the priority sector in the National Manufacturing Policy (2011). The Ministry of Food Processing Industries (MOFPI) has been set up as a nodal agency for formulation and implementation of the policies and plans for the food processing industries. In 2005, the MOFPI released a vision document, 'Vision 2015'[8] that set out targets for the food processing sector. It set targets for enhancing the level of processing of perishable, value addition by the sector and increase India's share in global food trade by 2015. To achieve these targets, the Government earmarked certain investments that were to be disbursed through specific schemes.[9] One of the schemes enacted by the MOFPI is the Scheme of Mega Food Park, which is based on the 'cluster' approach for developing food processing industries.

Clusters are geographical concentrations of interconnected companies and institutions in a particular field that promote both concentration and competition (Porter 1998). There are complementarities, access to information, better access to supplies and therefore several benefits. On this pretext, the Mega Food Park Scheme of the government was enacted to ensure establishment of world-class infrastructure and common user facilities in the food processing sector.

The scheme was rolled-out in 2008-09[10] and at present is in its fourth phase. In an attempt to evaluate the impact of this scheme, the MOFPI awarded a study to the Indian Council for Research on International Economic Relations (ICRIER).[11] The objective included a comparative analysis of the scheme with similar schemes of the government, an evaluation of selection criteria and other terms and conditions of the scheme, an assessment of the management and governance structure of the mega food parks, role of the state governments and

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[7] Inputs from the Associated Chambers of Commerce and Industry of India (ASSOCHAM).
[8] MOFPI (2015)
[9] For details see http://www.mofpi.nic.in/H_Dwld.aspx?KYEwmOL+HGpoo8DlNeKVV9Ovc/epY+sr3kZVvH4grl0ma98lRhLYOg== (last accessed on March 2, 2015)
[10] Based on the feedback from industry and other stakeholder, the food park scheme of MOFPI was revised and reformulated as the Mega Food Park Scheme in 2008-09.
[11] In the past, an evaluation was done by the Infrastructure Leasing & Financial Services Limited (IL&FS)

financial institutions, capacity utilization and socio-economic impact of the scheme. In essence, the objective of the study is to evaluate the present status of the scheme and make recommendations to improve its functioning, if required. The detailed terms of reference is enclosed in Annexure 1.

1.1 Scheme Evaluation

Evaluation is considered an important accountability tool (World Bank 2006). Most international organisations such as the World Bank require all its projects and schemes to be evaluated. However, the evaluation methodology depends on the budget, time and data available for conducting studies. An evaluation involves analysis of the project or scheme at several levels – for different groups of respondents and time periods.

The strength of an evaluation lies on the coverage in terms of the groups and time periods. Evaluations divide the respondents in two groups – the ***treatment group*** and the ***control group***. The treatment group is the one that undergo the scheme or the project. In layman terms, these are the beneficiary of the scheme. The control group presents the ***counterfactual*** – that is those who were not provided the benefits of the scheme.

Additionally, evaluation studies are conducted under two scenarios, ***pre-test*** and ***post-test***. The pre-test scenario gives a ***baseline***, which is the status before the scheme or project was enacted. The post-test scenario actually assesses the impact of the scheme on the beneficiaries.

Depending of the availability of time, data and the budget, the study designs are chosen. These are presented in Table 1.1.

Table 1.1: Methodologies used for conducting impact evaluation of schemes

Prevalent Methodologies	Scope
Design 1: Pre-test-post-test control group design	In this case a survey of two groups – one which is the beneficiary of the scheme and the other which is not the beneficiary are done. The former is the treatment group and the latter is the control group. This survey is done before, during and after (at the end) of the implementation of the scheme to assess the impact of the scheme and present the counter factual. This is usually the longest running method and it involves a high cost.
Design 2: Delayed pre-	In this case, evaluation does not begin until the project has been

test, post-test comparison group design	underway for some time usually as a part of the midterm review and it involves both the treatment group and the control group. The duration and cost is less than design one as there is no baseline but still high.
Design 3: Pre-and post-intervention project group and post-intervention comparison group	In this case while the treatment group is surveyed both before and after the scheme is implemented, the control group was surveyed only after the implementation. The cost is much lower – up to 25 percent of the cost can be saved.
Design 4: Post intervention project and comparison groups with no baseline data	In this case no baseline survey is done. The survey is conducted only after the scheme has been implemented and a comparison the treatment group and control group is gone to see the impact of the scheme.
Design 5: Pre- and post-intervention project group comparison	This is a reflexive comparison. There is no comparison with the control group but the treatment group is compared both before and after the scheme implementations
Design 6: Post-intervention project group without baseline data or a comparison group	In this case the impact analysis or the scheme evaluation is done on a combination of qualitative data such as recall, key informants, focus group and participatory group techniques such as participatory rapid assessment (PRA), project records and secondary data from public service agencies, census and government data. Secondary data is used for global or other comparisons and not for household-level analysis.

Source: For details see World Bank (2006)

1.2 Study Framework and Methodology

This report evaluates the impact of the Mega Food Park Scheme (MFPS) of MOFPI. As per the scheme guidelines, the primary objective of the MFPS is to provide modern infrastructure facilities for the food processing along the value chain from the farm to the market and the expected outcome is increased realization for farmers, creation of high quality processing infrastructure, reduction in wastage, capacity building of producers and processors and creation of an efficient supply chain along with significant direct and indirect employment generation.

Considering the structure of the scheme, the evaluation results in this report are based on Design 6, which is post-intervention project group without baseline data or a comparison group. The reasons for selecting this approach are given below:

- The evaluation study commissioned when the scheme was in its third phase of implementation and therefore, there is no baseline survey for this particular scheme.

- The duration of the study is short – four months and therefore, the scope of the study is limited.

- The scheme aims at creating new infrastructure for food processing sector. Therefore the impact of the scheme can be assessed on only the infrastructure that has been created under the scheme. Therefore, there is no control group. A comparison with other food parks, which have been established under other schemes and initiatives, can be useful for presenting a comparative picture but not an assessment of the scheme.

- Secondary research can be used for providing a global perspective even in this case as the scope and budget of primary survey is limited.

This study is based on both primary survey and secondary analysis. For the primary survey, the population included the mega food parks that were proposed under the scheme and a stratified random sample was selected from the list of proposed mega food parks. The stratification was done of the stage of approval of the mega food parks and care was taken to select parks in each stage and across various locations. Apart from the food parks, other stakeholders such as wholesalers, retailers and farmers were also covered under the survey in order to meet the terms of reference of the study. The stakeholders covered as a part of the study are mentioned in the Table 1.2.

Table 1.2: Sample Framework

Stakeholder	Sample Covered
Special Purpose Vehicles (SPVs) of the food parks at different stages of development(operational, under construction, final approval, in-principle approval and cancelled)	20
Units operating in MFPs	18[12]
Units operating outside MFP	20
Farmers & suppliers associated with MFPs	20
Users of MFPs including retailers, wholesalers etc.	20
PMA	2
PMC	6
State Government Officials	20
Members of Technical Committee	4
Banks	10
Other Central Government Departments and Agencies	10
TOTAL	150

A total sample size of 150 respondents has been achieved. The survey was conducted using Participatory Rapid Assessment (PRA), which enable individuals to share and assess their local knowledge (Chambers, 1994). Tools developed and used in this process facilitate the collection and analysis of information by and for community members, with an emphasis on local knowledge. Semi-structured questionnaires were used and face-to-face interviews were conducted. Field-visits were made to the mega food parks that are operational or are have 'in-principle' approval and have land in their possession. For others, visits were made to the corporate offices of the mega food parks. Since the sample size is small, typically, a qualitative analysis is done.

The results of the analysis are presented in forthcoming sections of the report, along with secondary information gathered during the course of research. The layout of the report follows the terms of reference, given in Annexure 1. A brief overview of the global experiences in development of food parks is discussed in the next Chapter to put India in the global context.

[12] 11 units of Patanjali Food and Herbal Private Limited (all captive); 3 units in International Mega Food Park Limited; 4 units in Srini Food Park Private Limited; Integrated Mega Food Park Private Limited - None of the units were operational during our visit to Tumkur. Therefore, the survey had to be completed with 18 units only

Chapter 2 : Global Experiences of Food Parks

The new economics of competition gives significance to the role of clusters in success of a business, efficiency, promoting economic development and prosperity (Porter 1998). A cluster-based approach is often used for enhancing competitiveness of key sectors in a country. Food, being a subject of national importance has been a policy focus in all nations. Many countries have focused on enhancing food production using innovative business models and cluster based development of food processing industry. However, countries have adopted different models of cluster development. Thus, to evaluate the scheme of the Indian Government for Mega Food Park, it would be instructive to look at the global experiences of food parks/clusters. A majority of the inferences drawn in this section are based on country cases and examples from different parts of the world. This section is based on secondary information - literature review and information available on the Internet.

Like India, agriculture and agro-processing are treated as priority sectors in many countries and cluster-based approach is adopted for promoting growth of the sector. While most countries promote a cluster-based approach to attract investment and create employment, impact in food-processing sector is positive if it is able to create the forward and backward linkages. In the case of food processing these linkages are from farm to fork. The nature of food clusters however vary from country to country depending on their raw material and land availabilities, other schemes applicable to the sector, role of the government and competitive and resource advantage, among others. Based on this, many countries have clearly identified sub-sectors within agro-processing as focused areas for cluster development.

Globally, clusters have either been organic or managed.[13] Often the nature of cluster depends on the raw material availability that fosters competitive advantage and export capabilities. For

[13] **Organic Clusters-** When units or business locate in a region by themselves**,** without any prior planning from a management authority, it is called an organic cluster. They later develop the common user facility amongst themselves as per the requirements. In these clusters, there is no developer or management authority. There is no boundary for these types of clusters and there is no entry and exit norm. **Managed Cluster-** When an region is developed by a developer or authority by providing infrastructure like power, water, internal road connectivity etc and common user facilities like water treatment plant, effluent treatment plant etc and then the developer of the cluster attracts units in them, it is called a managed cluster. This region is bounded by a boundary wall and as the name suggests, these clusters are usually managed by an authority (usually the developer). The managed clusters can be both single sector (having units producing the output of one sector) and multi sector (having units producing

example, New Zealand has an advantage in the production and exports of meat, diary, kiwi fruits, apples and honey, among others. Similarly, Malaysia has been focusing on development of palm oil and halal meat cluster while China has developed a vegetable cluster in Shouguang. The competitive advantage accruing to the industry enhances export competitiveness. Due to the small size of the domestic market, many countries plan their food parks focusing on global markets. Many food parks and are, therefore, located within free trade zones and export promotion zones (EPZ). There are several cases verifying this. In India too, the Government wants to develop special economic zones (SEZs) for agro-processing sector and CCCL Pearlcity Food Port SEZ Limited, Chennai, Tamil Nadu is one such example.

In Nigeria and Ghana, food processing industries (covering commodities such as tuna, fruit packing, cocoa, palm oil, etc.) are an important part of the free trade zones and export processing zones. In Philippines, food processing sector is identified as a priority sector by the government for attracting foreign investments under special economic zones and are also known as agro-industrial economic zones. In Dubai, food processing industries are located within Dubai Industrial Park, which is a free zone and it provides infrastructural support including water and electricity supply, waste management system, telecommunication network, road connectivity, modern plants, among others.

When food-processing sector is made a part of SEZs/free trade zones, they get several incentives that are not applicable to the rest of the country. However, the export-linked incentives in a food park should be carefully designed as they are increasingly becoming actionable in the World Trade Organization (WTO). These include incentives linked to inputs, technology, R&D and food standards. Countries are therefore designing and providing subsidies that are not actionable under the WTO. They are also providing ease of doing business in the zones, which makes them attractive.

Country cases have shown that government has played a key role in development of food clusters. The role of the government in development of a food park varies from country-to-country and is largely linked to national objectives and targets. Overtime government's role has

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the output related to various sectors. The managed cluster has certain norms both for the entry and the exit. The Mega Food Park is one such example of the managed clusters. Other examples are Scheme for Integrated Textiles Park (SITP), Software Technology Parks (STP Scheme).

shifted from infrastructure development to incentivizing and encouraging the private sectors to enter into park development projects. In some countries government provides incentives largely in the form of tax and duty concessions/exemptions, in others they assist through capital and grant. For instance, in Thailand, the government gives income tax holidays of up to 8 years and reduction of/exemption from import duties on machinery and raw materials to developers of food park. There are further incentives such as 50 percent reduction of corporate income tax for another 5 years, double deduction of public utility and transportation costs from taxable income for up to 10 years, and additional 25 percent deduction of infrastructure investment costs. Sometimes, the government also gives non-tax benefits and acts as a facilitator. These include assistance in land ownership rights for foreign investors; permission to bring in foreign experts and technicians; and work permit and visa facilitation for expatriate employees.[14]

While in a majority of the cases government assistance is related to duty and tax concessions, there are some cases where the government assistance has been in form of grant. For instance the New Zealand government had provided the Waikato Innovation Park with around $2.8 million (3.95 million New Zealand dollars)[15] grant to support food innovation in the region.[16] The Chinese government also supports the development of certain food industries by making cash investments and giving the government minority holdings in preferred companies.

Sometimes the government assistance comes after the development of food park. For instance, the agro-food cluster in the Netherlands began as private initiative and the government became involved at the later stages of development. The Innexus Cluster in North Netherlands, which comprises of mid-sized enterprise, is a private initiative but they have tie-ups with public research institutes and the government focus on R&D and technology. The Food Valley in Netherlands, which relies on private-public partnership, has one of the largest R&D infrastructures comprising of 8,000 scientists, 70 science companies and 20 research institutes.

In developing countries, government incentives are targeted to get technology, R&D and best management practices. Countries such as China offer several incentives to attract foreign investment and technology in food processing. However, these are largely routed through the

[14] http://www.boi.go.th/index.php?page=incentive
[15] http://www.oanda.com/currency/converter/
[16] Groupe Grenoble Ecole de Management and Lab Center for Competitiveness (2011)

provincial or local authorities. In Greenport Shanghai the government provides single window clearances which significantly reduced the cost of doing business. China is increasingly adopting business facilitation measures to attract investment in food parks. In the Dutch-Chinese joint food park project of Greenport Shanghai, companies are given support to find the right partners, they are provided with latest information on economic, agriculture, scientific and policy. They get assistance for market studies, technical feasibility studies and for exploring new markets, among others. The Chinese government has been focusing on food safety and global food standards since China has faced issues with food safety standards in the past.

To the best of our knowledge, none of the food parks have specifically focused on the benefits to the farmers but in some cases the government clubs other objectives such as development of small and medium enterprise and promotional of technology with the development of food parks. In Malaysia and Taiwan the government's focus has been on achieving economic competitiveness through the promotion of small and medium enterprises (SMEs) using a cluster based approach. Often, the Government or its designated agency can play a key role in success of the park by sharing information and knowledge, marketing and promotion. For example the Halal Industry Development Corporation (HDC) in Malaysia has been active is increasing SME's access to global market through provision of portals such as the HalalSME.com and HalalMedia.net and therefore, the role of the government extends beyond mere development of the food park.[17]

An important aspect related to a cluster and more specifically a food cluster is the land availability, requirement and use. Food, in terms of resource is totally dependent on land. However, success of food clusters around the world is not necessarily dependent on land size. There are a range of Halal clusters in Malaysia covering land area which is substantially less than or more than 100 acres but the success factors of these parks have been their location and infrastructure.[18]

Since land is increasingly getting scarce, a number of initiatives are being taken to optimize land use and reap benefits of a cluster. For example, food clusters in Singapore have adopted land and space optimization techniques. The JTC Food Hub in Senoka Food Zone is a seven storied ramp

[17] Dawood *et. al*. (2015)
[18] Hutchinson *et. al.* (2015)

up development comprising of 50 modular factory units which is expected to be completed by 2017. This entails the use of electric overhead traveling hoisting cranes that would permit containers to be hoisted from ground level to the “doorstep” of companies on each level of the complex, eliminating the need for vehicular ramps that typically take up a lot of land. The Singapore government provides incentives for clusters that engage in land optimizing techniques. Due to this, technology is now being extensively used to optimize land usage.

The location of a cluster is more crucial than the size of the land, as proved by the success of certain clusters in Malaysia. The example of Penang International Halal Hub Penang International Halal Hub, covering 100 acres of industrial space and catering to sea food processing, herbs extraction, bakery products, canned food and beverages and soya products deserves a special mention. In two years time, 2011 to 2013 the Halal Hub achieved full tenancy in 50 percent of the park. This is because of its strategic location between large and growing markets of India and China and its linkages to good ports and international airport. Penang is also strategically located in the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) and the North Corridor Economic Region (NCER). The strategic location is complemented by efficient transport and logistics system and soft infrastructure such as availability of resource development and training through Penang Skill Development Centre.

Country cases reflect that one of the key contributors to the success of food parks depends on their international accreditations and standardization. For instance, the emphasis on food safety standards and bringing the food standard at par with global standard has been one of the key elements of success halal parks in Malaysia. These are monitored by Halal Industry Development Corporation (HDC) which laid down the guidelines for the HALMAS status - an accreditation given to Halal Park operators as a mark of excellence indicating that the products are of the highest quality. While the HDC helps the developers to get the HALMAS status, this status makes operators, industry players and logistic operators eligible for various incentives provided by HDC and the Ministry of Finance, Malaysia. Companies that are eligible under the Halal Malaysia (Halmas) guidelines receive various incentives such as full tax exemptions of statutory income for 10 years, or 100 percent income tax exemption on capital expenditure for a period of five years and exemptions from import duties and sales tax on equipment used for the manufacture of halal products. The parks can be developed by federal agency, state agency or private players. Thus, Malaysia has been able to link incentives with quality and safety standards.

The success of a food cluster also depends on the research and development undertaken in the sector. For example, before 1989 the total vegetable production area in Shouguang, China, was only about 3000 hectares. In 1989, a vegetable farmer in Shouguang invented a structure of plastic tunnel in which vegetables can be grown without heating during winter season. Since 1990s the municipal government focused on this sector and the vegetable varieties scale and volume of production and economic return increased. Today, this "Vegetable City" is a leading vegetable production, trading and export center. Its 53000 hectare (130966 acres) vegetation plantation produces about 4 million tons annually.[19]

In a number of developing countries, agro parks including food processing zones are developed with foreign collaboration which leads to percolation of technology, knowledge, finance and best management practices. For instance, the city of Shanghai requested Dutch entrepreneurs and researchers to help them build a highly sophisticated agro park known as Greenport Shanghai. The park has high quality of Dutch standards. This led to technology and R&D percolation. China is also developing the Jilin China – Singapore Food Area in collaboration with Singapore. Similarly, Vietnam is developing the Friesland Campina New Dairy Zone in Ha Nam province in collaboration with Dutch companies. This is a public-private partnership project. The project is planned to be implemented between 2014 and 2018, and it aims to establish three specialized dairy zones for family farms that can contribute to food security while creating jobs and reducing milk imports. The Vietnam Singapore Industrial Park provides integrated food processing zone that includes cold storage, a weighing station, vehicle charging bays and warehouse space. The governments of Vietnam and Singapore initiated this park with a 500 hectare zone dedicated for overall industrial use, including food processing sector. In Sudan, the government established a free zone for agricultural products with an area of two million acres to be given to Saudi Arabia for cultivation and the area is located closer to the port for easier transportation across the Red Sea.

[19] Juma (2011)

The above discussion reflects that global experiences with regard to food clusters are varied. Different countries have different policy objectives, infrastructure requirements, government's participation, tastes and preferences, among others, all of which affect formation of a food cluster. Global experiences also show that every country has faced challenges in developing food parks that may lead to failure of a food park. A study by Saleman and Jordan (2013) points out that a cluster/park may fail due to the following four reasons:

- The park does not get built – this can be linked to the inability to get land, etc.
- The park is built but there is little demand from firms to locate inside the park
- The park is built and generate demand but there is very low cluster effect
- The park is successful but creates negative externality

Some of the issues are explained below.

One of the key challenges faced by the food processing sector is the lack of raw materials of processable quality.[20] One such case is of Philippines where a decline in the production of mango and coconut has led to an increase in prices of these commodities. This, further with increase in the cost of sugar and flour along with increase in cost of transportation has adversely affected the food processing industry of Philippines.

Often international competition can adversely affect the success of a food park. Countries such as Thailand and Philippines are losing their market shares in global exports of processed food due to international competition. International competition is likely to increase with market integration under bilateral and regional trade agreements, which encompass agriculture, even if the progress of the WTO negotiations is slow. A number of countries such as Taiwan are taking measures to face global competition through improvements in standards and by adaptation of new technology. Taiwan, which was earlier not keen to undertake commitments in agriculture and agro-processing sector in trade agreements, has now opened up the sector under bilateral trade agreements such as the agreement with New Zealand. Even China has opened its agriculture sector under its trade agreements with countries such as Australia. Liberalisation under trade agreements have put pressure on domestic companies to innovate and upgrade. It has also enabled them to access the market of the partner countries. In future, food safety standards

[20] http://www.ats-sea.agr.gc.ca/ase/6212-eng.htm

and R&D will be crucial for growth of agro-processing sector and food parks will be the drivers of this process by offering these services under one roof through a cluster based approach. The food parks will help companies to link to global value chains.

Poor co-ordination between government policy and private sector efforts has led to ineffective cluster strategies in countries such as Thailand. Experts also argued that high import tariffs and other restrictions on inputs and uncoordinated government position in international trade negotiations may have adversely affected the food industry.[21] Global experiences show that focus on low value-added products and outdated technology can lead to unsuccessful cases. For instance, Thai firms in the past have focused on a few, labor-intensive steps in the value chain leading to a fragmented supply-chain. Until recently, most food clusters in Thailand have been developed as part of industrial estates such as the Nava Nakorn Pathumthani, which consists of 11 food industries. To revive Thailand's global competitiveness in 2013, the Federation of Thailand Industry (Chiang Mai), Federation of Industry of Northern Thailand and Industrial Promotion Center Region 1 introduced the "Food Valley" concept to create a Northern Food Valley in this region. The Thai cabinet allocated Bt 80 million[22] to launch the scheme, including a supply chain of raw materials, food production, processing, marketing and management. The Thai government studied the Netherlands food valley model and implemented the programme in which SMEs will receive support for R&D to improve products.

Considering that food cluster is a global phenomenon and there are number of countries with varied experiences and approaches, taking lesson from global experiences would be a meaningful exercise. Many developing countries such as Thailand and Vietnam in fact, have designed their food parks based on international experience. A number of countries have learned from the experiences of the Netherlands and are trying to replicate the model. The Netherlands model is worth reviewing as the country has a comprehensive cluster development policy, which includes regulation, standards, education, R&D, procurement policy and networking. In the case of India, there is a need to have field visit to some countries such as the Netherlands, China, New

[21] http://www.academia.edu/2918007/Thailands_Competitiveness_Creating_the_Foundations_for_Higher_Productivity

[22] http://www.thaivisa.com/forum/topic/653732-industry-ministry-pushes-for-thai-food-hub-in-northern-region/

Zealand and Vietnam to understand the measures taken by the government to develop food parks/clusters.

Chapter 3 : Mega Food Parks in India

TOR 1: To study the provisions of the Mega Food Park Scheme Guidelines and undertake a comparative analysis with Guidelines of other similar Industrial Park Schemes like Scheme for Integrated Textile Park (SITP) etc. currently being implemented by other Ministries/Agencies of Govt. of India.

The Indian government launched the Mega Food Park (MFP) Scheme with the view to establish mega food clusters in India. The scheme was based on certain pre defined guidelines that have undergone several amendments since the inception of the scheme. This section examines the Mega Food Park scheme of the MOFPI and compares the different versions of the guidelines to draw broad conclusions about the structure of the scheme.

3.1 Background

The Eleventh Five Year Plan (2007-12) of the (erstwhile) Planning Commission, Government of India, laid down the scheme for infrastructure development that aimed to establish several Mega Food Parks in India.[23]

Prior to the MFP Scheme, the MOFPI had launched the Central Sector Food Park scheme in the Eighth Five Year Plan (1992-97). The scheme was implemented during Eighth to Tenth plan period and was envisaged with the primary objective[24] of development of infrastructure and common facilities for use by small and medium enterprises, which enhance value addition, among others. However, due to the under-utilization of this scheme[25], and other issues such as routing of fund through the state governments and low amount given; the government replaced the Food Park scheme with the Mega Food Park scheme during the Eleventh Five Year Plan.

The MFP Scheme was launched in 2008-09 as a carefully planned, cluster- based, and privately driven *50-50-50* scheme**.** Under this scheme, the MOFPI gives a grant up to Rs.50 crores to build

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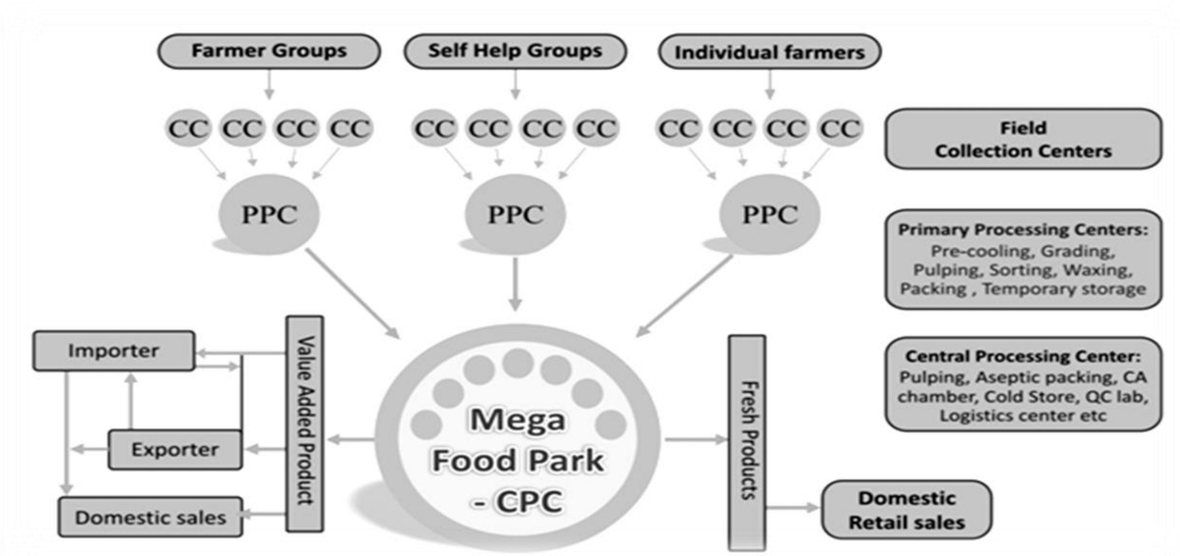
[23] For details see Eleventh Five Year Plan Document accessible at http://planningcommission.gov.in/plans/planrel/fiveyr/11th/11_v3/11th_vol3.pdf (Last accessed on March 9, 2015)
[24]Guidelines for implementation of partially completed projects of Old Food Park Scheme(Sanctioned during 8th to 10th Plan) during the remainder of 12th Plan (2013-17) under National Mission on Food Processing http://www.mofpi.nic.in/H_Dwld.aspx?KYEwmOL+HGqHeLlRhVlZUFlDG0CKGPNmpP1Kgy54DIexa/dafeXVAA==
[25] Page 18, The implementation of Industrial Parks: Some lessons learned in India: Yannick Saleman and Luke Jordan; Page 122, Eleventh Five Year Plan Document on (Volume III: Agriculture, Rural Development, Industry, Services and Physical Infrastructure)

a Mega Food Park with a minimum land area of 50 acres with at least Rs.50 crore investments from the Mega Food Park developer. As per the MOFPI's Annual Report (2013-14), the '*Mega Food Park Scheme aims to create a modern food processing infrastructure for the small and medium processing units who otherwise have not been able to develop due to the capital intensive nature of food processing equipments. The scheme intends to facilitate establishment of an integrated value chain, with food processing at the core and supported by requisite forward and backward linkages.'* (Pp 37)

The broader objective is to integrate the food processing sector with strong forward and backward linkages from the farm to fork. The Mega Food Park scheme is envisioned as a managed cluster (See Figure 3.1).

Figure 3.1: An Illustration of the Mega Food Park Model



Note: CC stands for collection centers, PPC stands for primary processing centers and CPC stands for central processing centers.
Source: Ministry of Food Processing Industry, Government of India Website accessible at *http://www.mofpi.nic.in/ContentPage.aspx?KYEwmOL+HGpVvrjs+CYNMLqhQLFBZcdgAOpUMbFczjJfFtEHoKWtF95p+YTEdjCTPQ0/QvjhE9+zghrKmMIJiTHlOBoFHTUAbLP3HoVQMLgLms4jcU2yHA==* (Last accessed on March 10th, 2015).

When the scheme was launched, the MOFPI issued the first set of guidelines on 19th December, 2009. Since then, several revisions have been made to the guidelines. The guidelines where modified on 17th November, 2011, 1st October 2012[26] and more recently in 10th February, 2014. On 14th January, 2015 the MOFPI released an office memorandum that suggests further changes to the guidelines. All guidelines however, define certain stakeholders that are involved in the MFP schemes. These are defined in Box 1.

Box 3.1: Roles and Responsibilities of Different Stakeholders in MFP Scheme

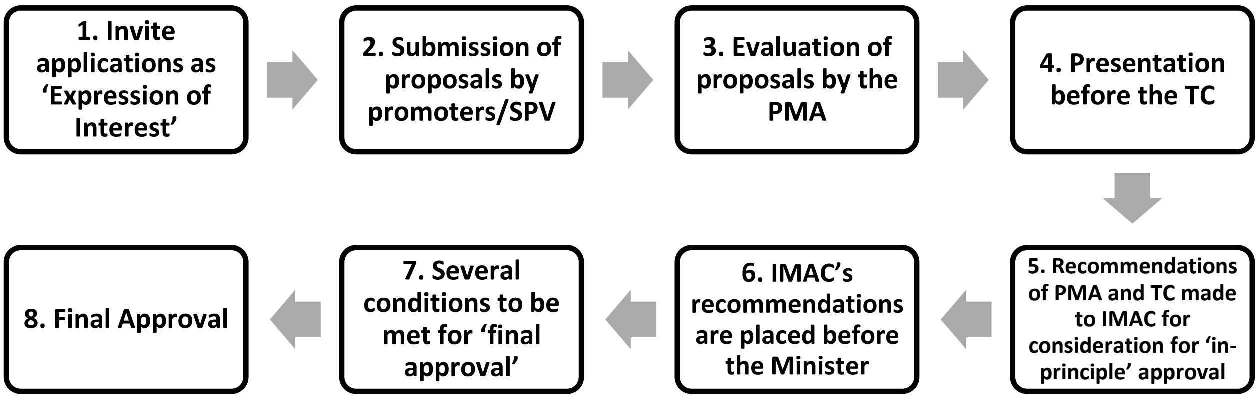
- Special Purpose Vehicle (SPV): Responsible for execution, ownership and management of the Mega Food Park registered under the Companies Act
- Project Management Agency (PMA): An external institution with extensive experience in project development, management, financing and implementation of infrastructure projects hired to assist the MOFPI in implementation of scheme among other roles.
- Project Management Consultant (PMC): An external institution engaged by the SPV for preparation of detailed project report and for assistance in implementation of project
- Technical Committee (TC): Headed by the Additional/Joint Secretary (MoFPI), this committee scrutinizes the proposals and Detailed Project Reports (DPRs) and provides its recommendations to the Inter-Ministerial Approval Committee for final approval.
- Inter-Ministerial Approval Committee (IMAC): The IMAC headed by the Minister, MOFPI select the projects and grants the “In-Principle” and “Final Approvals” to the projects. The IMAC will also monitor the implementation of the projects sanctioned under the Scheme

Source: Scheme Guidelines and subsequent office Memorandums

With each guideline, the ministry invited a new expression of interest (EOI) from the Special Purpose Vehicle (SPV) for developing MFP. Thus, there have been four phases of EOI as of January 21st, 2015 and projects have been allocated for the first three phases of the MFP scheme. The MOFPI has given ‘in-principle’ approval to 17 mega food parks in the fourth phase of bidding. As per the most recent guidelines, the procedure for granting approval is illustrated in Figure 3.2.

[26] *http://www.mofpi.nic.in/H_Dwld.aspx?KYEwmOL+HGpVvrjs+CYNMLqhQLFBZcdgAOpUMbFczjLV66KWSasRDw==*

Figure 3.2: Procedure for Approval of Mega Food Parks



Source: Mega Food Park Scheme Revised Guidelines dated 10th February 2014 accessible at *http://www.mofpi.nic.in/H_Dwld.aspx?KYEwmOL+HGpVvrjs+CYNMLqhQLFBZcdgAOpUMbFczjLV66KWSasRDw==* (Last accessed on March 10th, 2014)

Given this background, this chapter compares the different guidelines issued under the Mega Food Parks scheme and discusses the evolution of the scheme since its inception. The section is based on primary survey and secondary information analysis.

3.2 Comparison of the different Versions of the Guidelines

At the outset, it is worth mentioning that the revised guidelines addressed the concerns of the mega food park owners who received approval under the previous guidelines. A mid-term appraisal was undertaken by the IL&FS and their inputs were considered while revising the scheme. Therefore, the revisions to some extent have been informed and the MOFPI has tried to address policy related issues faced by the developers.

Each guideline spells out several components. To begin with, the guidelines provide the background and objective of the scheme, thereafter issuing the salient features of the scheme. These give an overview and highlight how the scheme has been conceptualized and what the Ministry is expecting the MFP to deliver. Thereafter the guidelines define the pattern of assistance i.e. how much grant will be given and what components are to be covered for being eligible for the grant. The guidelines further specify the implementation process, basically highlighting the institutional set-up, procedure and requirements for approval of grant. While these are largely project requirements, the guidelines further defines the constitution of various committees, role of the state government, incidences of dovetailing and revisions, process of release of funds, timelines and monitoring and evaluations.

Each of these components has bearing on application, approval and execution of the project thereby having an impact on the outcome – success or failure – of the mega food park. Thus, it is important to evaluate and compare the scheme guidelines. For the purpose of this chapter and henceforth, the terms 'latest guidelines' or 'revised guidelines' would refer to the guidelines issued on February 10, 2014. A close comparison of the various versions reveals that in general, the Ministry has become careful in the use of terminologies and cautious with its terms of reference. The latest guideline clearly specifies that the application of guideline will be against new expression of interest. Compared to this, the consolidated guideline released in October 2012 was silent on the date of applicability and, therefore, there was uncertainty on that aspect.

As regards the terms of reference, the different aspects are compared below:

1. **Objective:** One of the key objectives of the scheme is to create food processing infrastructure within the mega food park. In the first guideline, the Ministry defined the required infrastructure to be 'adequate/ excellent'. While adequate or excellent is a broad description, it was clarified to be 'state-of-the-art' infrastructure in the subsequent, consolidated guidelines issued in 2012. This has been replaced by 'modern' infrastructure. Two things come out of the change – a) the Ministry specifically envisage creation of technically sound infrastructure and b) it has tried to simplify the terminology used to define it. Another clarification issued in the new guideline is regarding setting up of 'processing' infrastructure near the farm as opposed to any kind of infrastructure making it clear that the idea is to promote processing.

   Further, the objective no longer defines the scheme as pre-marketed. When the scheme was launched in 2009, a feasibility study was done by the IL&FS and based on that, certain states were identified that were considered eligible for setting up Mega Food Parks. However, later this criterion was removed and Mega Food Park allotments were considered based on project proposals. Though this has not been explicitly mentioned anywhere else in the guidelines but a discussion with the Ministry revealed this information. It may be pointed out that the scheme guidelines have been adjusted time and again to be more forward looking and less constrained.

The requirement for the scheme to facilitate food processing units to meet social standards is also removed in the latest guideline. Meeting the social standards is a broad requirement that can include many things and ensuring it as a part of the scheme objective could be difficult to prove or achieve. Therefore, removing it from the guidelines has strengthened the objective.

It is worth pointing out that when the scheme was first time launched in 2009 it was linked to the 'Vision 2015' document of the MOFPI that had set certain targets to be achieved as regards processing of agriculture commodities and trade. The latest guidelines were issued in 2014 and we are now in 2015. Of course, the latest guidelines no longer talk about the 'Vision 2015' under its objective. The discussion with experts show that despite these changes the objectives of the Mega Food Park Scheme do not explicitly include improvement in efficiency, productivity and global competitiveness of the agro-processing sector or its linkages with the global value chain.

2. **Salient features of the scheme:** When the scheme was launched in 2009, it was co-terminus with the 11th Five Year Plan, implying that the scheme will exist only in the 11th Plan Period but those food parks that receive approval in this period will continue to receive the grant and benefits even after the 11th Plan. However, this feature was removed in the 2012 and 2014 guidelines, delinking the existence of the scheme with the 11th Plan. It was pointed out that while the scheme has explicitly been de-linked to the 11th Five Year Plan but the target set by the Cabinet Committee during the Plan to have around 42 Mega Food Parks[27] in the country remains a committed liability for the Ministry of Food Processing Industries. Unless this is achieved, the scheme will continue to run and project proposal will be invited.

   Other than this, there are certain clarificatory changes that do not really change the purpose or structure of the scheme. For instance it is clarified that the PPC and CC should be adequate to meet the 'raw material' requirement of the CPC as opposed to any requirement. Further, the latest guidelines also specify that the scheme is to facilitate food processing industries that make food products fit for human/animal consumption as well as packaging

[27] As per the information provided by a Senior MOFPI official

industries ancillary to the food processing industries. This clarification was added in the 2012 consolidated guidelines however it was not there in the original scheme guidelines.

3. **Pattern of Assistance:** This is one of the most important components of the MFP scheme as the whole scheme is based on the pattern of assistance provided by the Ministry. This component has undergone several changes since inception. One of the most crucial changes is with respect to the inclusions under the grant.

   As per the original scheme, the grant was given on the total project cost, which excluded the cost of land. Overtime, the guidelines clarified that the grant will be given on the eligible project cost. In 2012 guidelines the eligible project cost was defined as "*total project cost minus cost of land, pre- operative expenses and margin money for working capital. However, interest during construction (IDC) as a part of pre-operative expenses would be considered under the eligible project cost".* In the latest guidelines, it was further expanded to include the fee to project management consultant up to 2 percent of the approved grant.

   The Ministry has earmarked certain amount from the grant for related expenses on its part. Initially it included cost of the project management agency and other promotional expenses but in the latest guidelines the scope has been increased to include office expenses and travel expenses related to the scheme.

   Inclusions under the pattern of assistance have also undergone certain changes. Basically, the changes have largely been a result of 'learning by doing'. Core and non-core infrastructure has been altered keeping in view practical requirements of setting up a mega food park. For instance, initially, at least 50 percent of the project cost excluding land would have to be allotted towards creation of core processing facilities. In the 2012 guidelines, this was revised to 35 percent and in 2014 it was further reduced to 25 percent. These revisions have largely been based on feedback. In 2012, the central processing facility was redefined to include cost of development of industrial plots and civil work. In the latest guidelines, the term cost of development of industrial plots was dropped from the definition.

   As regards enabling infrastructure, the upper limit for investing in the captive power plant from the grant component has been revised to Rs.10 crores in the guidelines issued in 2012. There is a further clarification in the latest guidelines that the additional cost of captive power plant can be met from SPV's contribution through equity and debt. It is also clarified in the latest guidelines that at least 50 acres of land for the project has to be arranged by the SPV either by purchase or on lease of at least 25 years.

Another restrictive requirement that was subsequently removed is that in the very first set of guidelines, the government grant could be used to cover 50 percent of the non-land component of the project including the core and non-core infrastructure. Further, earlier projects that gave emphasis to establishing core processing facilities will be given preference; however, in the subsequent guidelines this condition has been relaxed.

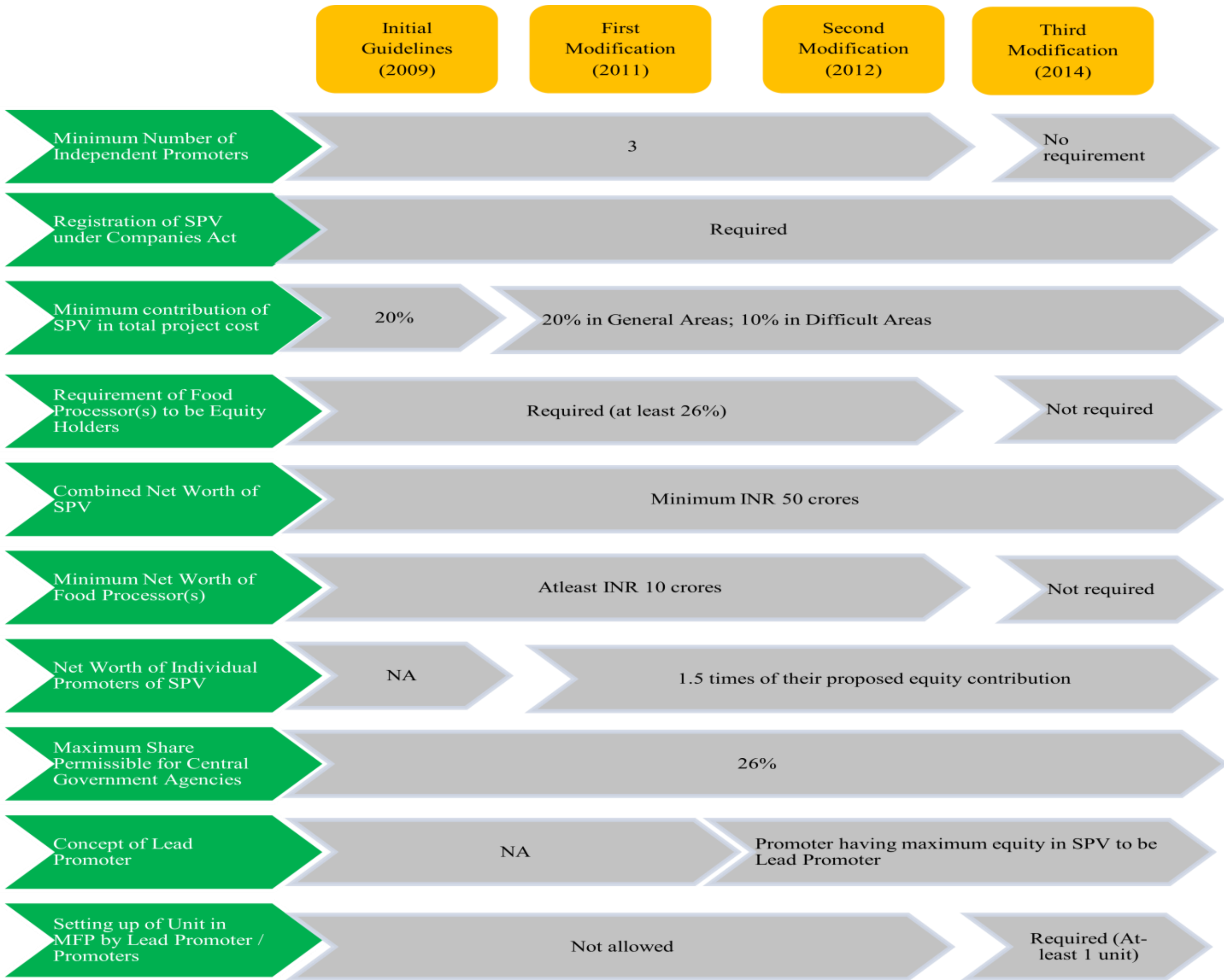
4. **Implementation Process:** All the guidelines set out a procedure for implementation of the mega food park scheme. It begins with the formation of a SPV, appointment of a PMA and PMC, floating expression of interest, in-principle approval and final approval. There have been several modifications in this.

    a. One of the most crucial processes in the establishment of a mega food park is the *formation of a SPV*. The SPV is responsible for the overall development including execution, ownership and management of the mega food park. Therefore, the intent of an SPV in development of a mega food park is extremely important. With each revision in the guidelines, the MOFPI has tried revising the structure and composition of the SPV to ensure that promoters with the right intent apply for the grant. To begin with the latest guidelines allow state government/ state government entities/cooperatives to apply for projects without forming an SPV.

    Further, the latest guidelines requires the SPV to set up at least one food processing unit in the park with an investment of not less than Rs.10 crores. There is no upper limit of the number of food processing units that an SPV can hold, which implies that there is scope for the Mega Food Park to be captive. In addition, the revisions have also imposed a limit on the net worth of individual promoter of SPV of about 1.5 times of their proposed equity contribution.

    Initially, at least three entrepreneurs, independent of each other with no common Directors were required to form the SPV. This condition has been relaxed in the latest guidelines. Further, to ensure transparency, the SPVs are required to publish their user charges and hiring rates for common facilities and lease rentals rates for plots etc. online on their own website and on the MOFPI website. It is also mandates that plot and common facilities can only be leased out, not sold. Some of the changes in the guidelines over time are illustrated in Figure 3.3.

Figure 3.3: Changes in the Structure and Composition of SPV



Source: Compiled from the different versions of the scheme guidelines given by MOFPI

In a nutshell, it may be pointed out the scheme was conceptualized with the view to encourage small and medium enterprises to develop infrastructure in the mega food park. However, over time considering the scale of the projects, large investors were also encouraged to form an SPV. The main aim of the scheme was to create modern infrastructure and to ensure that the intent of the SPV is in line with the objective, the guidelines were amended to allow the SPV to own units inside the mega food park. The SPV would then have a stronger interest in building common infrastructure as his own units will be able to use it. The guidelines evolved to ensure high involvement of promoters with strong financial capacity and interest in the food processing sector.

b. *Appointment of PMA* by the Ministry is an important step in the implementation process. Until recently, IL&FS Cluster Development Initiative Limited and Grant Thorton India LLP were the appointed PMAs by the MOFPI for the mega food park scheme. However, the Ministry has reconstituted the PMAs and now Srei Infrastructure Finance Limited and PricewaterhouseCoopers (PwC) Private Limited are the new PMAs. Earlier many PMAs were also PMCs to some projects. Now, that has been removed. Additionally, over time, the role of PMA has been widened. As per the latest guidelines, the PMAs are also required to maintain and update the database of the projects on monthly basis in the software decided by the ministry. The revised guidelines have strengthened the role of the PMA in the grant disbursement process, which is discussed later.

c. The latest guidelines give a clear definition of the *role of the PMC.* While the purpose of appointing the PMC is the same across all the guidelines, the latest guidelines spell out the role clearly. In addition, the list of agencies empanelled by the MOFPI has also undergone a change.

d. List of points to be covered while submitting an *expression of interest (EoI)* have undergone several changes in the latest guidelines. The criterions have become stringent and require greater evidence and supporting documents for a proposal to be selected. For instance, to assess the net worth of the promoters, now audited balance sheets for last three years are required to be submitted with the EoI. Under the profile of the project, rationale for proposed cluster/location in terms of availability of farm product, tentative layout of the project, proof of possession of the land and change of land use (CLU) certificate, etc. is also required. Other than this, proof of backward and forward linkages, investment details and justification for connectivity, among others. As regards the financials, proposed business plan including estimates of revenue sources, operating costs, profit and loss, cash flow and details of the key financial indicators such as internal rate of return and debt service coverage ratio have to be furnished.

In the previous phases, the number of mega food proposals that were cancelled after being given ‘in-principle’ approval was very high. This was primarily because most food park owners could not furnish further details such as land possession proof, CLU, among others. If these are asked for at the EoI stage, it is likely that there will be fewer cancellations resulting from the inability of the SPV to possess land.

e. While the procedure for granting *in-principle Approval* has remained same over time, but the criterions for granting approval have changed for the evaluation by PMA. For instance, in the very first guidelines, there were points for proposed employment generation, which was subsequently removed from the guidelines. In the latest guidelines, maximum emphasis has been given on possession of land along with the CLU certificate, as opposed to viability of the cluster. In addition, there is no weight assigned for number of stakeholders and share holding pattern. However, higher points are given if there is focus on perishables in CPCs and PPCs. Moreover, investment in PPCs is given more importance in the latest guidelines.

   The evaluation criterion for the TC remains the same.

f. The requirements for final approval remain the same, more or less, except, since 2012, bank appraisal has been made an important criterion for final approval. However, in the first set of guidelines, the approval had to be given within two months, which was subsequently removed. In the latest guidelines, there is also a requirement to submit proof of appointment of PMC to obtain final approval.

5. **Technical Committee and Project Approval Committee:** Overtime, attempts have been made to strengthen the composition of the technical committee. In 2012, a

Representative from the concerned state government was added in the technical committee, which was continued in the latest guidelines. However, in January 2015, both the technical committee and IMAC were reconstituted. As reflected by the Figure, there is greater inter-ministerial representation in the TC and the Minister of the MOFPI now Chairs the IMAC. In addition, instead of representation by officer of any rank or level in TC, mostly Joint Secretaries of different departments are now put on Board. This change is illustrated in Figure 3.4.

Figure 3.4: Composition of TC and IMAC: First guidelines (19th December, 2009) and Office Memorandum (14th January, 2015)

First Guidelines: 19th December, 2009

Composition of TC:

- Headed by Joint Secretary (MFPI)
- Representative from Ministry of Agriculture
- Representative from APEDA
- Representative of ICAR
- Director (Finance), MoFPI
- Director, MoFPI, Convener

Composition of IMAC

- Additional Secretary and Financial Advisor, MoFPI
- Advisor (Industry), Planning Commission
- Joint Secretary, Ministry of Agriculture
- Joint Secretary, MoFPI
- Chairman, APEDA
- Chairman, MPEDA
- Director- MoFPI- Member Secretary
- Secretary of respective state governments.

Office Memorandum: 14th January, 2015

Composition of TC:

- Joint Secretary (MoFPI) incharge of the MFP scheme, Chairperson
- Advisor (Industries), Planning Commission or his nominee, Member
- Joint Secretary (PF), Department of Expenditure or his nominee, Member
- Joint Secretary, Ministry of MSME or his nominee, Member
- Joint Secretary, Ministry of Environment& Forest or his nominee, Member
- Joint Secretary, MNRE or his nominee, Member
- Economic Advisor, MoFPI, Member
- Joint Secretary/ Director (Finance), MoFPI, Member
- State representative from the concerned State Food Processing Mission Directorate (NMFP), Member
- Financial Expert from a bank/ Financial Institution, Member
- Representative of National Horticulture Board as expert member
- Director, MFP, MoFPI, Member Secretary

Composition of IMAC

- Hon'ble Minister of Food Processing Industries, Chairperson
- Secretary, MoFPI, Member
- Additional Secretary and Financial Advisor, MoFPI
- Joint Secretary, in charge, MFP scheme, MoFPI, Convener & Member
- Principal Secretary, Industries/FPI of the concerned State, Member
- Joint Secretary, In- charge MIDH, Ministry of Agriculture, Member
- Representative of NABARD as Financial expert member

Source: Compiled from different versions of the Scheme guidelines

6. **Role of the State Government:** State government participation in general has increased. Apart from being able to independently bid for projects, the states have representations in the Technical Committee. This is based on the recommendation of the draft report of working group on Food Processing Industries for the 12th Five Year Plan.[28] Further, as per the latest guidelines, an important role of the state is to nominate a suitable officer to be appointed as the Ministry's nominee Director in the SPV. This was not there in the previous guidelines. State representation in the board of SPV is likely to strengthen the decision making power and it was conceived that this will facilitate the process of getting clearances, etc.

7. **Dovetailing of Assistance and Revision of Project Costs:** Dovetailing of schemes implies joining together or linking different schemes together. The MFP scheme is grant-based scheme, without any defined distribution of grant towards the different components of the scheme. The grant comes as a lump-sum amount, (seldom) with an upper limit to its deployment on certain activities such as captive power provision. Over time, the guidelines have made dovetailing with the central and the state government assistance easier, however, there is a slight change in the approval process. As per the latest guidelines, while this is permissible, the cost revision due to the dovetail has to be presented to the IMAC for consideration. In the earlier guidelines, revision in the project cost up to 20 percent of the originally approved cost without a change in the scope of the project or project components was to be approved by the Secretary, MOFPI.

8. **Release of the fund:** This has by far been the most important component of the guidelines, as the release of funds is the fundamental requirement of the scheme, it is task based and it ensures that the core objective of the policy is met. Considering the significance, over time, this is undergone several changes.

   As per the first guideline the grant was disbursed in four installments of 30 percent-30 percent- 30 percent -10 percent and the first installment was disbursed in two phases – 10 percent released in the first phase and 20 percent released in the second phase. This process of grant disbursement saw a change in the revised guidelines according to which the grant

[28] http://www.planningcommission.gov.in/aboutus/committee/wrkgrp12/wgrep_fpi.pdf

was disbursement in four installments of 30 percent-30 percent- 20 percent- 20 percent. As per the revised guidelines the first installment would be released in a single tranche. The disbursal of 20 percent of the installment as the last installment may put more pressure on the SPV to complete the project.

A meaningful development that has taken place in the latest guidelines is that the requirements that were imposed for getting 'in-principle' approval have been removed from the list of requirements imposed for release of the first installment. In the previous guidelines, there was an overlap. Both 'in-principle' approval and release of funds has similar requirements, with some changes. However, the latest guidelines require the SPV to make some progress for the first installment to be released. Overall, the requirements have become more specific, pointing out in details each task to be fulfilled and definite and quantifiable targets set at every level. Figure 3.5 presents the requirement for release of funds as per the latest guidelines:

9. **Time Schedule:** The latest guidelines mention that the time schedule on a SPV for completion and operationalisation of the project will be 30 months from the date of release of 1st installment. While the previous guidelines also had the same overall timeline for the project, it further detailed the timelines by installment. These specific time schedules for completion of projects have been removed from the latest guidelines, instilling some flexibility.

Figure 3.5: Requirements to be met for Release of Funds as per the Latest Guidelines

First Installment of 30%

1. Establishment of Trust & Retention Account
2. Appointment of Ministry Nominee Director on Board
3. Proof of increase in authorized capital of SPV to allow stipulated equity contribution as per approved means of finance for the project
4. Expenditure certificate from Chartered Accountant confirming expenditure of at least 10 % of the eligible project cost.
5. Award of contracts worth at least equivalent to 30 % of total project cost including at least 20 % of approved components of basic enabling infrastructure.
6. Recommendation of PMA confirming the fulfillment of above conditions

Second Installment of 30%

1. Utilization certificate for 1st installment
2. Proof of proportionate expenditure by SPV (including term loan and equity) of the eligible project cost equivalent to percentage of grant released as 1st installment.
3. Proof of proportionate contribution by SPV (including term loan and equity) in TRA account, of the eligible project cost equivalent to percentage of grant to be released as 2nd installment.
4. Submission of documents in lieu of proof of possession of land for all PPCs along with construction schedule.
5. Proof of commencement of construction of Standard Design Factory sheds for SMEs.
6. Recommendation of PMA confirming the fulfillment of above conditions

Third Installment of 20%

1. Utilization Certificate for 2nd installment
2. Proof of proportionate expenditure by SPV (including term loan and equity) of the eligible project cost equivalent to grant released as 2nd installment..
3. Proof of proportionate contribution by SPV (including term loan and equity) in TRA account, of the eligible project cost equivalent to percentage of grant to be released as 3rd installment.
4. Certificate from PMC confirming completion of at least 40% of construction of PPCs and proof of expenditure of at least 40% of the total proposed cost for PPCs as per approved DPR
5. Certificate from PMC confirming completion of at least 50 per cent construction of SDF sheds
6. Proof of allotment of at least 25% of plots
7. Recommendation of PMA confirming the fulfillment of above conditions

Fourth & Final Installment of 20%

1. Utilization certificate of 3rd installment
2. Proof of expenditure of 100% envisaged contribution of SPV including term loan and equity on the approved project components.
3. Certificate from PMC confirming completion of the project as per approval.
4. Proof of allotment of at least 75 percent of total allotable plots and commencement of operations in at least 25 percent of the units.
5. Proof of allotment of at least 75 percent of total allotable plots and commencement of operations in at least 25 percent of the units.
6. Recommendation of PMA confirming the fulfillment of above conditions

Source: Compiled from the Latest Guidelines released by the MOFPI under the Mega Food Park Scheme

A comparison of the different versions of the guidelines reveal that overtime, several changes have been made taking in account the feedback of the industry and experiences. In some cases, there are greater flexibilities like in the case of pattern of assistance and timeline of the project, the role of the state has been strengthened and more importantly, states can now independently bid for a project. Further, the focus now is the get individuals with higher net worth to bid for the project than getting smaller players to participate. Overall, an attempt has been made to improve transparency, yet, compared to some other schemes, there are some setbacks. These are discussed below.

3.3 Comparison with other Central Government Schemes

There are a number of schemes in India to promote development of clusters under the different ministries/departments of the central government. Other than the MFP scheme, these include schemes such as the Scheme for Integrated Textile Parks (SITP) under the Ministry of Textiles (MOT) announced in 2005 (10th Five Year Plan); the scheme for developing Mega Leather Clusters (MLC) under the Department of Industrial Policy and Promotion (DIPP) announced in 2013 (12th Five Year Plan); the Software Technology Park Scheme under the Ministry of Communications and Technology announced in 1991 and the Scheme for setting up of Plastic Parks of the Department of Chemicals and Petrochemicals under the Ministry of Chemicals and Fertilizer announced in 2012 (12th Five Year Plan); to name a few. Apart from these centrally sponsored schemes, different state governments also have schemes to promote the development of industrial clusters/parks.

This section presents a comparative analysis of the guidelines of the MFP scheme with that of other similar industrial park schemes of the central government. A comparative analysis of the latest guidelines[29] of the MFP Scheme is made with the latest guidelines of the SITP scheme[30], the MLC scheme[31] and the Scheme for Setting up of Plastic Parks[32]. The comparisons are made among the four schemes in terms of their objective, eligibility criteria; grant release patterns, scheme management framework and role of the state governments, among others. The analysis is

[29] Guideline published on February 2014, http://mofpi.nic.in/H_Dwld.aspx?KYEwmOL+HGpVvrjs+CYNMLqhQLFBZcdgAOpUMbFczjLV66KWSasRDw==

[30] http://texmin.nic.in/policy/sitp_brief.pdf

[31] http://www.leatherindia.org/documents/pdf/guidelines_mega-leather-cluster.pdf

[32] http://chemicals.nic.in/pp-scheme131010.pdf

based on secondary research and interviews with policymakers, IL&FS and other cluster development experts.

These four schemes share certain commonalities with respect to their structure. All of these are grant based schemes and provide benefits to the developer of the industrial clusters. They refer to formation of a Special Purpose Vehicle (SPV) for park development. The eligible components of grant are common across schemes and they include development of basic infrastructure and common facilities for the park. Land is not a part of the grant component. These schemes differ from schemes such as the Software Technology Park Scheme, which is envisioned as a virtual cluster.

- **Preliminary observations**

Each of the schemes focuses on a specific sector and they have replaced or modified the previous schemes, which were applicable to cluster development within that sector. For example, the Food Park Scheme preceded the MFP scheme; the SITP scheme was formulated by clubbing two schemes namely the Apparel Parks for Exports Scheme (APES) and the Textile Centre Infrastructure Development Scheme (TCIDS).[33] The MLC scheme was preceded by the 'Development of Leather Parks' scheme. The National Plastic Park Policy, launched in 2010, was modified into the scheme for Setting up of Plastic Parks in 2013.

Most of these schemes have followed the recommendation of the Planning Commission or stakeholders in the sector. The MFP scheme was formulated with inputs from various stakeholders and internal studies of the Planning Commission.[34] The scheme for Setting up of Plastic Parks was formulated after doing several feasibility studies in various areas of the petrochemical sector.[35] In most cases, before launching the scheme no study was done on global best practices or on similar successful international parks or clusters. In the case of leather cluster, a Planning Commission Working Committee report on Leather Industry for the 12th

[33] http://pib.nic.in/newsite/erelease.aspx?relid=36684
[34] "Mega Food Parks Scheme (MFPS) Guidelines (Consolidated as on 01/10/2012)", available at http://mofpi.nic.in/H_Dwld.aspx?KYEwmOL+HGpVvrjs+CYNMLqhQLFBZcdgAOpUMbFczjL2PTipsjM7jw==
[35] "Outcome Budget 2013-14", Department of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilizers, Government of India, October 5, 2012

FYP[36] recommended that a high level delegation should visit China to study the leather clusters/parks before implementing the MLC scheme.

In terms of drawing the broad guidelines, all the schemes share certain similarities. This is due to the fact that often cluster-based schemes are designed by organizations such as the IL&FS and are modeled on similar schemes. For example, the MFP scheme was modeled on the SITP scheme while the MLC scheme took several components of the MFP scheme. The IL&FS played a crucial role in designing the MFP scheme. They shared the initial idea with the MOFPI and helped them to design the scheme. In all the schemes IL&FS has kept a project management component that ensures it's continuous and long run engagement with the scheme. IL&FS is also a key contributor to Planning Commission documents on cluster development.

While the schemes for setting up of plastic parks and the MLC scheme are relatively new and have not undergone any changes in their guidelines, the guidelines of the SITP scheme and the MFP scheme have undergone revisions since their inception. However, in comparison to the SITP scheme, which has been changed only once since its inception in the year 2005, the MFP scheme has undergone four modifications since its inception in the 2009. A quick look at the changes shows that the SITP scheme has strengthened its monitoring and evaluation process. The changes in the MFP scheme guidelines are more extensive and they relate to a number of aspects including changes in the SPV structure and the role and involvement of the state governments (as discussed in Section 2.2). Further, the MFP scheme has recently been amended through three office memorandums since the revised guidelines of February 2014. The comparison of the four schemes shows that the MFP scheme has undergone the maximum changes. This has certain implications. While the guidelines may be requiring changes due to the evolving nature of the scheme, discussion with policymakers and sector experts show that, frequent modifications may create confusion and uncertainty among investors. It may also change the core objective of the scheme. For example, a cluster development expert pointed out that the most recent guideline of the MFP scheme requires the lead promoter to have substantial financial capabilities, while the original MFP guideline was drawn to attract several smaller and mid-sized players to form a SPV. Further, with the revision of the guidelines, some changes

[36] "Report of Working Group on Leather and Leather Products-12 Five Year Plan Period (2012-2017)", Submitted by DIPP, Ministry of Commerce and Industry, May 23, 2011

have been made in the possibilities of getting or not getting benefits under multiple schemes, which is also referred to as dovetailing of benefits. For example, the SITP scheme in its latest guidelines removed the scope of dovetailing this scheme with the SEZ scheme by stating that ITPs cannot be part of SEZs.

- **Comparing objective of the schemes**

In cluster development schemes, the objective is either improving the domestic manufacturing capabilities or enhancing the exports or both. While schemes like the MFP Scheme and the STPI scheme aims at enhancing the efficiency of the domestic manufacturing in sectors such as food processing and textiles, other schemes like the Scheme for Setting up of Plastic Parks and the MLC scheme aims at increasing both domestic manufacturing capabilities as well as the export potential of the plastic and leather sectors respectively.

All the four schemes aim to build sector-specific clusters with modern infrastructure and good forward and backward linkages. The SITP and MFP scheme focus to facilitate the entire value chain in textile and food-processing sectors respectively and involve the whole range of stakeholders present in the respective sectors. This is as per the recommendations of the Planning Commission Working Group on Clustering and Aggregation for the 12th FYP, which states, *"In case of certain sectors like agro-processing, traditional handicrafts, garments and furnishing, etc., the initiatives need to cover the entire value chain" (pp 8).* Others may concentrate on upgrading the existing value chain and bring export competitiveness like the MLC or the Scheme for Setting up of Plastic Parks. All the four schemes are demand-driven.

The objectives of the scheme often reflect the issues facing the different sectors. Since wastage of perishable products is a major issue in India's agricultural sector, one of the prior objectives of the MFP scheme is to address the wastage. The scheme for setting up of plastic parks aims at environmentally sustainable growth of the clusters and stresses on recycling and waste management.

Presence of raw materials and potential markets near the clusters are key factors of success of a cluster. Other than the Scheme for Setting up of Plastic Parks, all the other three schemes have mentioned that the clusters will be located in potential growth areas with access to raw material and potential market for the finished product.

With regards to the time given to the SPV for the completion of the project, the MLC scheme specifies that maximum timeframe to complete an MLC is five years. The MFP scheme says that an ideal project should take 30 months (2.6 years) to complete. While developing a food processing cluster can be equally if not more complex than a leather cluster, interestingly the MFP scheme foresees a much less amount of time for the cluster to develop.

Under all the four schemes, SPV has to arrange for the land. Further, in all four schemes land is not a part of the project cost eligible for grant. The SPV can either get land from the state land bank or can acquire land privately. However, the four schemes differ as to whether they specify a minimum size of land required to set up the cluster, or the number of units that can be located inside the park or both. For example, the SITP scheme does not mention minimum area requirement. It, however, mentions that each ITP is expected to have 50 units on an average. The MLC scheme says that the park should be of an area between 25 acres (without tanneries) to 40 acres (with tanneries). The MFP scheme mentions that the size of the MFP should be between 50 to 100 acres and should have around 30-35 units. The Scheme for Setting up of Plastic Parks does not mention any specific land requirement. It also does not mention average number of units that may locate inside the park. Although discussion with policymakers shows that they prefer "contiguous land" the different scheme guidelines per se do not refer to contiguity. Global experiences and discussion with experts highlight that since land is a scarce resource, clusters have now focused on vertical expansion rather than horizontal expansion, thereby making redundant the minimum land criteria. There are concerns about the minimum number of units as well. The MFP scheme mentions that the MFP should have ideally 30-35 units located in 50 acres of land. While there is no specific requirement about size of each units, the respondents felt that the scheme aimed to target mainly the small and mid-sized companies. A number of larger units, therefore, prefer to locate in other privately owned industrial clusters such as Sri City Private Limited.

The survey shows that specifying a minimum land criterion and more importantly having an underlying clause of contiguous land may pose problems for the SPV in getting the appropriate land. Such large stretch of land may not be available even with the state industrial development corporation in some small and hilly states.

Overall, all the schemes stress on enhancing domestic capabilities of the Indian SMEs and only some emphasize of increasing India's share in international trade. However, not much importance is given to linking India to the global value chain. The objective in schemes such as the MFP does not refer to increasing export or any form of global linkages. This is an area of concern especially since the Prime Minister has recently launched the 'Make in India' campaign, which focuses on attracting global investors to invest in India for domestic and global markets.

- **Approval Process**

The Mega Food Park Scheme has a two-step approval process whereby first an in-principle approval is accorded to a project, which is followed by final approval subject to certain conditions. For the in-principle approval, the expression of interest is first evaluated by the PMAs on a scale of 100 points. The Technical Committee (TC) on a scale of 50 points further evaluates it. The final evaluation report along with the recommendations of the TC is then presented to the Inter-ministerial Approval Committee (IMAC) for in-principle approval. Once the project is accorded the in-principle approval, the SPV has to submit the detailed project report (DPR) within 6 months from the date of issue of the in-principle approval. If the SPV fails to do so the project automatically gets cancelled. The project is accorded final approval after the submission of DPR, submission for proof on possession of land, submission of proof for incorporation of SPV, plan to fund the project with proposed equity contribution and proof of appointment of PMC by the SPV.

Like the MFP scheme, both the MLC scheme and the Scheme for Setting up of Plastic Parks also have a two-step approval process, whereby a project is first accorded in-principle approval for 6 months by an Empowered Committee/ Scheme Steering Committee as constituted by the respective departments or ministries. The DPR has to be submitted within 6 months of getting the in-principle approval. Once the DPR is duly evaluated by the PMC and conditions like possession of land, incorporation of SPV, execution of shareholder's agreement are met, final approval is accorded to the project. Unlike these schemes, under the SITP scheme does not follow a two-step approval process. The proposal is first submitted to the Project Scrutiny Committee who after their due approval submits the report to the Project Approval Committee who gives the final approval. The constitution of the different committees responsible for approvals under each scheme is given below:

- **MFP Scheme:** Technical Committee (TC) and Inter-Ministerial Approval Committee (IMAC)
- **SITP Scheme:** PAC-Headed by Minister of Textiles Secretary (Textiles), Additional Secretary & Financial Adviser, Ministry of Textiles and Joint Secretary , Ministry of Textiles in charge of SITP as members.
- **MLC Scheme:** Scheme Steering Committee (SSC) - constituted under the Chairmanship of Secretary (Chemicals and Petrochemicals). The SSC may induct representatives of the industry associations, R&D institutions and other expert/ technical agencies as members or special invitees.
- **Scheme for Setting up of Plastic Parks:** Empowered Committee-having representative of all concerned Ministries and Departments and other stakeholders

Each of the committee evaluates the project on the criterions listed under the guidelines and scoring is done. Based on the recommendations of these committees, final approval is given to the project.

- **Eligible Grant Component**

Under the MFP scheme eligible project cost is defined as total project cost excluding the cost of land, pre-operative expenses and margin money for working capital. However, interest accrued during construction as part of the pre-operative expenses and fee to PMCs up to 2 percent of the approved grant are also a part of the project cost.

Under all the four schemes, grant covers both core infrastructure and supporting infrastructure. However, within the core and non-core infrastructure the components that are eligible for grant differ and these are customised to meet the requirement of the sector. For instance, while the MFP scheme mandates construction of central processing centres (CPCs) and primary processing centres (PPCs) such components are not specified in other three cluster-based schemes. This is attributable to the structure of the food processing industry, which depends on agricultural raw materials that may get wasted during transportation. Since leather is an export-oriented sector the MLC scheme has provisions for export services related infrastructure such as clearing agents, customs, and DGFT liaison office.

While in the case of MFP and SITP, the grant covers only hard infrastructure/facilities, the Scheme for Setting up of Plastic Parks has a provision for soft infrastructure which includes surveys/studies, awareness generation, skill development and training, exposure/visits, etc., to strengthen the capacity of the SPV and units.

- **Quantum of Grant Assistance and Release Pattern**

All the four schemes have a maximum limit for grant allocated to each project (See Table 3.1). Unlike the MLC and the plastic park scheme, the SITP scheme and the MFP scheme also provide greater amount of assistance in difficult and hilly regions. While the SITP provides such liberal assistance only for the first two projects there are no such limitations in the case of MFP scheme. All the schemes provide grant in a phased manner though the number of installments may differ.

Table 3.1: Quantum of Grant and Release Pattern

Particulars	MFP Scheme	SITP Scheme	MLC Scheme	Scheme for setting up of plastic parks
Amount of grant[37]	Capital grant of 50% of the eligible project cost maximum upto Rs.50 crore	40% of the project cost maximum upto Rs.40 crore	Grant of 50% of the project cost subject to limitations[38]	50% of the project cost subject to maximum limit of Rs.40 crore
Installments	4 Installments of 30%-30%-20%-20%	5 Installments of 10%-15%-25%-25%-25%.	4 Installments of 25%-30%-30%-15%	4 Installments of 20%-35%-35%-10%

Source: Compiled from scheme guidelines

[37] The grant is different and more generous for hilly and difficult areas in MFP and SITP scheme. There are no such provisions in the other two schemes.

[38] a. MLC of 25-60 acres (without tanneries) and 40-60 acres (with tanneries) - Assistance limit of Rs.50 crore b. MLC of 61-100 acres land- Assistance limit of Rs.70 crore, c. MLC of 101-150 acres land- Assistance limit of Rs.105 crore, d. MLC of more than 151 acres land- Assistance limit of Rs.125 crore.

The scheme for setting up of plastic parks relates the quantum of grant with particular infrastructural requirements within the park, which is not the case for the other three schemes. Under the scheme for setting up of plastic parks, 25 percent of the grant is earmarked for setting up common enabling infrastructure of the plastic processing industry including characterization, prototyping and virtualization, non-destructive material testing, incubation, training, warehousing, plastic recycling, R&D, etc. It also mentions that maximum 5 percent of the grant should be towards administrative assistance including the Chief Executive Office (CEO's) salary for the project implementation and another five percent should be directed towards appointing architects, engineers and other experts during the project implementation phase. The assistance for soft initiatives as mentioned above is over and above the grant provision and should not exceed 75 percent of the project cost. Further, this assistance is to be given only for the project implementation phase.

Under all the schemes the SPV has to fulfill certain requirements to get the different installments, but the requirements vary (see Table 3.2 for the first and last installments). There are some commonalities across schemes and Under all the four schemes, the last installment is linked with at least some percentage of units in the park getting operational or starting production (for details refer to Table 3.2). This is because the policymakers want the parks to start operation and production. As shown in the Table, the grant release criterions under the MLC scheme and the Scheme for Setting up of Plastic Parks are less complicated than that of the SITP scheme and MFP scheme.

- **Role of the Bank**

The role of the bank has increased overtime and bank appraisal play a key role in project selection. Under both the SITP scheme and the scheme for setting up of plastic parks, the SPV has to submit a bank guarantee before applying for the first installment. Under the MFP scheme, a bank appraisal report has to be submitted by the SPV before getting the final approval.

Table 3.2: Requirements for getting first and last installments

Condition to be met	MFP scheme	SITP scheme	MLC scheme	Scheme for setting up of plastic parks
First installment	• Establishment of a Trust and Retention Account (TRA) account with commercial or rural bank. Draft TRA agreement with mode of account operation, responsibility of the lending bank, SPV and PMC • Appointment of Ministry's nominee director at the board of SPV • Proof of increase in authorised capital of the SPV • Expenditure certificate from the CA confirming expenditure of atleast 10 percent of the project cost • Award of contracts worth at least 30 percent of the total project cost and 20 percent of the cost of basic enabling infrastructure • Recommendation of the PMA confirming the fulfilment of above conditions	• Establishment of SPV • Inclusion of representative of GOI and one representative of PMC on board • Land to be in possession of SPV • Issuance of share by SPV in proportion to area allocable to them • Execution of share holder's agreement • Establishment of Escrow account with a nationalised bank • Recommendation of PMC confirming the above points • Detailed Project Report (DPR) duly validated by PMC and approved by Project Approval Committee (PAC)	• On final approval of the project • Award of contracts by the SPV • Project specific TRA with proportionate contribution of SPV	• Final approval of the project • Achieving financial closure • Getting a bank guarantee
Last installment	• Utilisation certificate of the grant released in the previous installment • Proof of expenditure of 100% contribution of the SPV including term loan and equity on the	• Successful completion of project • 33% of the units or a higher percentage as specified by PAC for successful completion of project start	• Successful completion of infrastructure as per the DPR • 25 percent of units start	• SPV has mobilised and spent its entire share in proportion to grant

	approved project component • Certificate from PMC confirming the completion of the project • Proof of allotment of at least 75 percent of the total allocable plots and commencement of operations in at least 25 percent of the units • Completion and commissioning of the processing unit of the anchor investor in the park • Recommendation of the PMA confirming the fulfilment of the above conditions	their production	production	• 25 percent of units have become operational

Source: Compiled from the scheme guidelines

- **Scheme Management Framework:** ***Role of PMA and PMC***

Each of the schemes is under a nodal agency of the central government. This nodal agency or government ministry/department appoints an external agency/ consultant to help in effective implementation of the scheme. The role and designation of the external consultant varies across the schemes. For example, under the SITP scheme, the MOT appoints a panel of project management consultants (PMCs) who have considerable experience and expertise in infrastructural development. These agencies are responsible for speedy implementation of the projects in a transparent or professional manner. They also assist the SPV in preparation of DPR, selection of location and submission of DPR to the project approval committee.

In the case of MFP, there are two different agencies – the PMA and PMC. The PMA has to perform multiple duties including assisting the ministry is organizing workshop and media campaigns regarding the scheme, evaluation of DPR, assist the ministry is release of grant etc. while the PMC assists the SPV to meet the requirements of the scheme, prepare DPR, etc. Compared to this, in the case of the other three schemes a single agency perform the dual function of assisting the SPV and the nodal ministry/department, in the MFP scheme there are two different agencies. The external consultants are empanelled by the ministry/department under all the four schemes.

In the case of MLC the PMC is paid a fee subject to a ceiling of one percent of the assistance for each approved MLC and this amount would be release corresponding to the release of installments to the SPVs. In the case of SITP the PMC gets the professional fee in five equal installments of 20 percent, which is linked to five installments of the scheme. In the case of MFPs, up to 5 percent the overall grant available is earmarked for the PMA for meetings its cost along with travel and other expenses. In the case of MFP, the SPV has to fund for the PMCs. However the guidelines states that this cost should not exceed 2 percent of the eligible grant amount.

Overall, the process of creating the PMA and PMC in the MFP is to ensure that there are no vested interests – since PMA supports the government and PMC the SPV. The PMA in one project can be the PMC in another as per the previous FP guidelines. According to the information provided by the Ministry, the (then) PMAs i.e. IL&FS and Grant Thorton were PMCs only in nine projects out of the total 25 Mega Food Projects under implementation. It is further pointed out by the Ministry that the PMA and PMCs are selected based on the pre-fixed qualification criteria and an agency cannot be debarred based on its experience in the same field rather it would be beneficial for the scheme if the experienced organizations are engaged as PMCs. Yet, in the latest guidelines, this has been changed and PMAs now cannot be PMCs and new agencies have been appointed as PMAs.

While some respondents have raised transparency issues in allocation of MFPs projects stating that the approval process is not on-line, the Technical Committee meeting notes and decisions of IMAC are not published, as has been the case of the Board of Approval meetings of SEZs (special economic zones) and other schemes, the MOFPI pointed out that the appraisal of the applications for Mega Food Parks is made in a transparent manner where applicants are given opportunity to make presentation before the Technical Committee and the criteria of the appraisal are well published and have been made part of the guidelines. Further, to strengthen transparency in grievance redressal, the Ministry has also constituted a Committee of Independents Monitors (CIM) to look into the grievance against the selection of projects.

The focus of the present government is on e-governance and use of technology. For e-governance, it is important that schemes are monitored using appropriate software and packages and only certain things such as site visit will require physical presence. For transparency it is important to have meeting outcomes and information on-line.

- **Monitoring of the Project**

Under the MFP scheme, the MLC scheme and the Scheme for Setting up of Plastic Parks, the prime responsibility of monitoring the progress of the project is on the external consultants (PMAs, Project Manager or PMCs as they are referred to under different schemes). The ministry also does a periodical review. Contrary to these, MOT along with the state government plays a major role in monitoring under the SITP scheme. It not only constitutes a monitoring Committee headed by the Secretary (Textiles), Joint Secretary (SITP), Director (SITP), it also constitutes a District Level Coordination Committee under the chairmanship of the District Collector for coordinating and monitoring the progress of the parks.

- **Role of the State Government**

The state government has a common set of roles under all the four schemes. These include

a) Assisting the SPV in procuring the land

b) Giving all necessary clearances

c) Providing flexible and conducive labour environment

It should be noted here that in order to increase the accountability of the state government in giving the clearances, the SITP scheme requests the state government to sign an agreement with MOT on facilitating clearances and land which is not there in MFP scheme.

Schemes have also tried to engage the state government in implementation and monitoring phases. For instance, the MFP scheme makes the state mission director as the nodal agency for state-level implementation of the scheme. The SITP scheme engages the state government in the monitoring of the project with the formation of a District Level Coordination Committee headed by the District Collector. Further, the schemes have tried to involve the state government in SPV and in some cases bid under the scheme independently. For instance, under the Scheme for Setting up of Plastic Parks, only state government agencies or state industrial development corporation can form the SPV. The MLC scheme and the SITP scheme mention that state government agencies may also participate in SPV through nomination of a representative on the board of SPV. The MFP scheme also gives a similar directive and has broadened the scope of participation of the state government by saying that the state government industrial organisations can bid for projects and they do not have to be form an SPV.

Chapter 4 : Selection Criterion under the Scheme

TOR2: To study the appropriateness of the criteria and procedure adopted for selection of most suitable proposal for setting up of sanctioned projects including the appraisal mechanism followed by the Ministry. This may specifically highlight pros and cons of the scheme being 'timeline specific' or 'Open-ended'.

The mega food park scheme is an on-tap infrastructure development scheme implying that the grant under the scheme is meant for immediate use. There are specific timelines mentioned in the scheme wherein the project has to be completed within 30 months of the release of the first installment. As discussed earlier, the previous guidelines had auxiliary time schedules imposing specific timeline for release of each installment and mapping it with the progress of the project. Further, the scheme will continue to run unless the committed liability under the 11^{th} Five Year Plan of having 42 operational mega food parks in the country is met. However, the scheme is opened for expression of interest (EoI) as and when the Ministry cancels any project. There are no specific time schedules or window for the EoI to be submitted to the Ministry. With every change in the guidelines, the Ministry invites EoI to bid under the scheme.

Under the first four phases 42 MFPs were granted approvals out of which 17 were cancelled. After the revisions to the guidelines in February 2014, the Ministry received 83 EoIs, which also include EOIs from certain projects that were cancelled in the previous phases. Of these, 72 proposals were approved for consideration and only 17 got 'in-principle' approval. These approvals were against the previously cancelled 17 projects. An analysis of the proposals reveal that a majority of the proposals were consider ineligible either because the net worth criterion was not met or the equity contribution was not clear or the same SPV had applied for more than one project. Therefore, while it appears that the scheme generates a lot of interest, the numbers over state some of it. In addition, since the state government has been allowed to apply under the scheme independently, around six approvals were given to state-owned MFPs. A lot of time and effort from the part of the Ministry is forgone in reviewing and short listing the applications but the outcome of the previous rounds of EOIs and approvals show that success rate is about 20 percent. Additionally, this rate is for the projects that have received 'in-principle' approval. The actual, operational projects are far lesser – only four at the time of the survey and all projects were running behind schedule. This necessitates the evaluation of the scheme in terms of its design and comparing it with the performance and design of some other scheme of the central government. While the project's Terms of Reference requires us to compare it is important to note that each scheme for cluster development is different and caters to the specific needs of the sector.

Another ongoing on-tap cluster development scheme is the Micro & Small Enterprise – Cluster Development Programme (MSE-CDP) of the Ministry of Micro, Small and Medium Enterprises (MSME). We have selected this scheme because during the interview MOFPI officials and IL&FS officials told us that the MFP scheme was originally designed to give opportunities to MSME to develop clusters. The MSP-CDP is timeline specific, however, applications can be made under the scheme at any point of time. The scheme has two broad components for infrastructure development – a) common facility centers and b) infrastructure development/up gradation centers. In October 2007, the erstwhile cluster development scheme, 'Small Industries Cluster Development Programme (SICDP) was renamed as 'Micro and Small Enterprise – Cluster Development Programme (MSE-CDP)'. The Integrated Infrastructure Development scheme was also subsumed with this scheme. Apart from sustaining and supporting the growth of the existing infrastructure, the purpose of the scheme was to create/upgrade infrastructure and common facility centers for the use of MSME. The Ministry accepts online applications through its website; http://www.dcmsme.gov.in; and applications can be made at any point in time. Other supporting documents like check-list, sample for different reports, etc. are all available on the website of the Ministry of MSME.

As per the latest information provided by the Ministry, under the common facility centers programme, out of the 109 proposals taken, only seven were cancelled, 14 are completed, 47 are ongoing, 31 have 'in-principle' approval and the remaining were not approved. This reflects that in general, the rate of approval is higher and also the number of operational projects under the scheme is much more. The success rate is even higher in the case of infrastructure development/up gradation centers. Out of 188 projects, 115 projects are completed. While some are infrastructure up gradation projects, many pertain to development of new infrastructure.

There are several similarities between the MSE-CDP scheme and the MFP scheme of the MOFPI. First, the MSE-CDP scheme is also a 'time specific scheme' where each project deliverable has a specific timeline. For instance, both the infrastructure and common facility centers have to be created within two years of the date of final approval. Further, the scheme has a role of the state, along with the centre in the implementation and functioning of the scheme. The states can also participate and submit a proposal, independently under the scheme. The scheme requires formation of a SPV for implementing the project and it also has Project Management Service (PMS) Providers, which are similar to the PMAs and PMCs joined together in the MFP scheme. There is also a provision of a detailed project report (DPR) with a separate grant for preparing it, to assess the technical and financial viability of the project.

There are various differences from the MFP scheme that could be responsible for the better performance of the MSE-CDP scheme, as understood from secondary research and in-depth discussions with the Ministry and other stakeholders. Some of these are discussed below.

1. **Requirement to conduct a Diagnostic Study (DS) under the MSE-CDP scheme:** This is like a feasibility study for the cluster. The purpose is to map the business processes in the cluster and give strength, weakness, opportunities and threat (SWOT) analysis for the proposed project. An important task to be performed is to point the issues and problems and remedial actions for dealing with them. The DS is an important component and there is a budget allotted for conducting this study. The end user should preferably prepare it within a period of three months. There is a predefined format for preparing the DS, which is readily available to download on the Ministry website. This helps in assessing the viability of the cluster. At present this is missing under the MFP scheme.

2. **Composition of the SPV:** It is pointed out in the MSE-CDP scheme guidelines that the SPV should have a character of inclusiveness wherein provisions for enrolling new members to enable prospective entrepreneurs in the cluster to utilize the facility should be provided. Further a written commitment is required from the 'users' of the proposed facility so that the benefit can be further enlarged. There should be minimum of 20 cluster units serving as members of SPV and large manufacturing firm and other major buyers, commercial machinery suppliers and business development service providers can also have a stake. This makes the scheme all-inclusive and creates certain backward and forward linkages in the project.

3. **Tripartite Agreement:** For all the common facility center projects, an agreement is signed between the Government of India, State Government and the concerned SPV highlighting the roles and responsibilities of each of them. The agreement also defines the arbitrator of the project thereby legally binding the roles and responsibilities of

each of the party. This also ensures due diligence on the part of the SPV as most clauses in the agreement are applicable to the SPV created under the project. There are no written commitments on the part of either the MOFPI or state government in the MFP scheme.

4. **Provision of land:** For all the infrastructure development projects, the land has to be provided by the state government/union territories (UT). The state/UT will meet the cost of land in excess of the grant. Further, there is no restriction of the size of the land. This is an important factor as availability of contiguous land is one of the major issues faced by the SPV under the mega food parks scheme of the MOFPI and many projects got delayed and cancel because of this reason.

5. **Customized scheme:** The MSE-CDP scheme has several components and it invites application for each of these. For instance, applicants can only apply for soft intervention implying that they will only support the development of already established clusters by helping them to reach the market, upgrade skills, organize fairs, etc. There is a separate grant for this. Some applicants can apply for hard intervention, which require creation of infrastructure and common facility centers and there can be separate application for each of these. The MSE-CDP scheme is not a 'one-size-fit-all schem[39]e, it is tailor made catering to different requirement. In case of the MFP scheme, each MFP is required to have a CPC and some PPCs. Therefore, the hub and spoke business model is the standardized model given by the scheme and the developer/SPV cannot decide whether to create or not to create a PPC. Hence, the MFP scheme specifies the broad business model, which according to experts leaves little option for private players to have innovative business practices and cater to individual requirements. Considering India already has several operational rigidities, the design of the scheme adds to it.

These differences between the two schemes have a key impact on performance of the scheme and some of these points can be considered by the MOFPI while redesigning the scheme guidelines in future. The MSE-CDP utilizes the budget allocation that it receives from the Centre for funding the scheme yet, the design is robust, which is reflected in the high rate of success of the scheme.

[39] A "one size fit all scheme" refers to a scheme that is standardized and not tailor-made to individual and business needs.

Chapter 5 : Management Structure, Governance System and Financial Capacity of the Implementing Agency

TOR 3: To appraise management structure, financial capacity and governance system of the implementing agencies (SPVs) and their impact on the project implementation.

An important feature of the Mega Food Park (MFP) scheme is the establishment of a special purpose vehicle (SPV) for execution, ownership and management of the mega food park. Therefore, the SPV has a key role to play in the success of the park. Initially, the MFP scheme aimed to encourage small and medium enterprises to form a SPV; however, realizing the scale of investment, the guidelines were altered to attract larger players with higher net worth and strong financial capacity. Considering the size of the investment required it is essential that promoters of such projects have not only sufficient financial resource (since MFPs like any other infrastructure project have long gestation period) but also relevant experience. Consequently, provisions were plugged in the scheme guidelines to ensure that persons with credit worthiness and interest in the food processing industry apply under the scheme. Given this background, this chapter looks at the management structure, financial capacity and governance system of the SPV and their impact on project implementation and thereby, on the success of the park.

The chapter is based on a primary survey of mega food parks that were approved in different phases of the scheme. To assess the information about the management structure, the survey participants were asked questions regarding the mega food parks and its ownership details such as the names, experience, core business activity, equity contribution and the net worth of the promoters. It is worth mentioning that the mega food parks that were surveyed received approval in the first three phases of the scheme. The latest guidelines – which mark the beginning of the fourth phase - have certain new provisions. The impact of these new provisions could not be assessed or evaluated. Based on the survey findings, this chapter presents the shareholding pattern of the food parks. It then looks at the background of the SPV, governance structure and the financial capacity of the promoters and the SPV and their impact on the success of the park. These findings are elaborated in the following sections.

5.1 Shareholding Pattern

The survey found that a majority of the surveyed MFPs were privately managed. A total sample of 20 mega food parks was covered during the survey out of which, 17 mega food parks had complete private management structure while the remaining three have state government/state government entity/cooperative is a shareholder in the SPV. It is expected with the change in guidelines state government is likely to have greater representation in the mega food parks as they can independently apply under the scheme without forming an SPV. Table 5.1 presents the phase wise mega food parks surveyed and their share holding pattern.

Table 5.1: Shareholding pattern of Selected MFPs

<table>
<tr><th>Name of SPV</th><th>Shareholder details</th><th>Shareholders</th><th>Phase</th></tr>
<tr><td rowspan="2">Patanjali Food and Herbal Private Limited</td><td>Patanjali Ayurveda Limited.- 49%</td><td rowspan="2">7</td><td rowspan="14">I</td></tr>
<tr><td>Shareholding of Top 2 Shareholders – 86%</td></tr>
<tr><td rowspan="2">Srini Food Park Private Limited</td><td>Rajender Reddy Gaddam & Raveendra Nalluri – 29% each</td><td rowspan="2">10</td></tr>
<tr><td>Shareholding of Top 2 Shareholders- 58%</td></tr>
<tr><td rowspan="2">India Food Park Private Limited</td><td>Future Consumer Enterprise Limited. – 73.89%</td><td rowspan="2">3</td></tr>
<tr><td>Shareholding of Top 2 Shareholders – 99.89%</td></tr>
<tr><td rowspan="2">International Mega Food Park Limited</td><td>Sukhinder Singh & Associates – 45%</td><td rowspan="2">5</td></tr>
<tr><td>Shareholding of Top 2 Shareholders – 81%</td></tr>
<tr><td rowspan="2">Paithan Mega Food Park Limited</td><td>Nath Bio-Genes (I) Limited – 51%</td><td rowspan="2">5</td></tr>
<tr><td>Shareholding of Top 2 Shareholders – 77%</td></tr>
<tr><td rowspan="2">Jangipur Bengal Mega Food Park Limited</td><td>IIDL, Shiv Biri, Devika Foods (each having 26% share) – 26%</td><td rowspan="2">6</td></tr>
<tr><td>Shareholding of Top 2 Shareholders – 52%</td></tr>
<tr><td rowspan="2">North East Mega Food Park Limited</td><td>Ozone Ayurvedics – 69%</td><td rowspan="2">4</td></tr>
<tr><td>Shareholding of Top 2 Shareholders – 93%</td></tr>
<tr><td rowspan="2">Indus Mega Food Park Private Limited</td><td>Ananda Group, Vasistha Holdings, ARGM Agro Foods – 33.33% each</td><td rowspan="2">3</td><td rowspan="2">II</td></tr>
<tr><td>Shareholding of Top 2 Shareholders – 66.66%</td></tr>
<tr><td rowspan="2">Godavari Mega Aqua Park Private Limited</td><td>Aswini Fisheries Private Limited – 26%</td><td rowspan="2">8</td><td rowspan="12">III</td></tr>
<tr><td>Shareholding of Top 2 Shareholders – 42%</td></tr>
<tr><td rowspan="2">Himalayan Food Park Private Limited</td><td>Paras Frozen – 27%</td><td rowspan="2">14</td></tr>
<tr><td>Shareholding of Top 2 Shareholders – 47%</td></tr>
<tr><td rowspan="2">Gujrat Agro Infrastructure Mega Food Park</td><td>Doshi Group – 40%</td><td rowspan="2">5</td></tr>
<tr><td>Shareholding of Top 2 Shareholders – 66%</td></tr>
<tr><td rowspan="2">Greentech Mega Food Park Private Limited</td><td>CG Foods – 35%</td><td rowspan="2">7</td></tr>
<tr><td>Shareholding of Top 2 Shareholders – 57%</td></tr>
<tr><td rowspan="2">Pristine Logistics & Infrastructure Private Limited</td><td>Pristine Logistics and Infraprojects – 44.5%</td><td rowspan="2">6</td></tr>
<tr><td>Shareholding of Top 2 Shareholders – 69.5%</td></tr>
<tr><td rowspan="2">Smart Agro Industries Corporation Private Limited</td><td>Palla Malla Reddy – 35%</td><td rowspan="2">5</td></tr>
<tr><td>Shareholding of Top 2 Shareholders – 61%</td></tr>
</table>

Source: Compiled from information collected during the survey

The initial guidelines of the MFP scheme had a mandatory requirement of having at least three entrepreneurs/ business units in the SPV. However, this requirement was relaxed in the revised guidelines. Table 5.1 shows that for most of the surveyed MFPs the shareholding of the top two promoters is above 50 percent of the total equity contribution of the SPV.

As shown in the table, in case of the mega food parks approved in the first phase, the share of the top two shareholders has been quite high. However, in the mega food parks approved in the subsequent phases, concentration of shareholding at the top has reduced marginally. It is probably because over time, most businesses realized the scale of operations and therefore, more stakeholders were incorporated in the SPV. Yet, in a majority of the cases, only a handful of promoters hold substantial stake in the SPV and take active part in day-to-day implementation activities of the SPV, while the remaining members are not very active. Presence of many promoters in the SPV management often created several issues, in terms of lack of trust and difficulty in coordination towards effective and timely implementation of the project.

5.2 Background of the SPV

The guidelines of the MFP scheme have required the EOIs to carry information on the work experience of the key promoters in the food-processing sector. The survey found that out of the 20 MFPs surveyed, 10 had promoters/ lead promoters from the food-processing sector and three out of the four operational MFPs had promoters from the food processing industry background. It is expected that the likelihood of a park to succeed is higher if the promoter has experience in the food processing industry. However, the case of Srini Food Park Private Limited – where the SPV is from information technology (IT) background – demonstrates that it is the intent of the SPV and not its background that results in the success of the MFP.

The survey did not reveal any correlation between delay in project implementation and the background of the SPV. Interestingly, the survey found that a majority of the operational food parks such as Patanjali Food and Herbal Private Limited and Srini Food Park Private Limited has one key person at the top level managing the operations of the food park.

Compared to this, Keventer Group and Indo-Gulf Fertilizer (agri-input business of Aditya Birla Nuvo) where the SPV have been formed by large corporate yet the project did not do well. It was found during the survey that no matter how strong is the background of the SPV; several issues continue to obstruct success of the food park, which are often beyond the control of the management. One such issue is related to land. These companies faced problems such as land acquisition, issues in getting clearances to bring in gas pipeline and delays in state approval, which led to postponements in operationalizing the food park. Since the earlier guidelines of the scheme had specific timelines, in certain cases delays led to cancellation of projects.

During the survey it was found that Keventer Mega Food Park Private Limited was cancelled, as the SPV was unable to get 50 acres of contiguous land. Even though the promoters had an allocation letter from Bihar Industrial Area Development Authority (BIADA), possession of the land could not be done. There was encroachment on the land and even the state government could not intervene. Even though some land was procured privately by the SPV, but due to lack of contiguity, the project got cancelled. Similarly, India Food Park Private Limited whose key stakeholder is Future Consumer Enterprise Limited, faced issues related to procurement of land, which took one year more than what was envisaged. Even in cases where state government/state government entities are shareholders, issues related to land and clearances such as environmental clearances continue to persist. For instance, it took Jharkhand Mega Food Park Private Limited around three years to get permission for sub-leasing of land despite Ranchi Industrial Area Development Authority being a shareholder in the SPV.

5.3 Governance System of Implementing Agency

To assess the governance system of the food park, the constitution of the board was examined. The survey found that all the SPVs or the implementing agency of the MFPs had constituted a board for implementation of the project and running the business. However, despite constitution of board by the SPV to jointly oversee all the activities related to project implementation, almost all the projects were found to be running behind the schedule. Moreover, the role of Board members and the frequency of Board meetings vary. For example, one of the MFPs pointed out that despite the Board, major decisions are taken by the Chief Executive Officer (CEO) who is also a board member. In other cases, one or two Board members take a majority of the decisions. For instance, in the case of the Srini Park Private Limited (Andhra Pradesh), one person in the Board takes most day-to-day decisions as the other Board members residing abroad. This, of course is not because of the design of the scheme but because of the constitution of the Board in certain cases.

Interestingly, in the guidelines, one of the criterions for the release of first installment of the grant requires that the SPV appoints a Ministry's nominee director on the board of the SPV. The ministry in turn appoints a representative of state government as a nominee of the Ministry whose tenure is co-terminus to the operationalization of the project. The rationale for the criterion is that since the projects are implemented in a particular state, appointment of a State Level Nominee Director in the board was expected to assist the SPV in terms of coordination with state level officials/ bodies wherever required. However, it was found during the survey that even after having a state nominee director on board most MFPs surveyed, faced delays in getting necessary clearances and approvals such as CLU and environmental clearances. It was also found during the survey that many developers were not aware of the State level nominee director on the Board as often the officials change (see Annex A). The requirement to have a State-level nominee director was incorporated in the latest guideline (dated 10th February, 2014) and was therefore not required from projects, which were sanctioned under the earlier guidelines that are also part of the evaluation.

However, the MOFPI points out that the observation is erroneous and this should not have been the case. This is because the Nominee Director is on the Board of the SPV is required to register all the details with the Registrar of Companies (RoC) of that region and obtain DIN, which is unique identification of a Director in the SPV. The promoters complete all these formalities and the SPV is required to invite Nominee Director in every Board meeting. Therefore, it is highly unlikely that the promoters will not be aware of the existence of State's Nominee Director.

Thus, there was little difference observed in time taken by SPVs in project implementation with or without having State Nominee Director on Board. For example, Satara Mega Food Park Private Limited has Mission Director, NMFP on its Board but still they faced issues in getting environmental clearance and lifting land reservation, as in the case of Jharkhand Mega Food Park Private Limited. Further, many MFPs mentioned that there is state level nominee director on the Board of SPV but there has been no interaction between the SPV and state level nominee director. As the Ministry nominee is co-terminus to the operationalization of the project, the Ministry does not seem to have any control/governance system in place, once the fourth and final instalment is paid to the SPV. It was pointed out that the Ministry has a Memorandum of Agreement (MoA) with the SPV. The MoA with one of the food parks shared with ICRIER is limited to two years after the release of the first instalment or completion of the food park, whichever is later. While two years is anyway a short duration considering that the mega food park takes 30 months to be completed, the MoA talks about the utilization of grant and not about the maintenance of the food park once the entire grant has been disbursed and the Agreement is over. Further, the point made is that the MOFPI does not have control after the entire grant is disbursed.

In some cases, even when the food park owners have worked closely with the state government, there have been several issues. For instance, Jangipur Bengal Mega Food Park Ltd. continued to face land conversion issues despite having worked closely with the state government and the MFP has complete support of the present state government.

5.4 Financial Capacity of Implementing Agency

As discussed earlier, the revised guidelines of the scheme have imposed stringent conditions with respect to the net worth of the promoters. The survey found that over time, individuals with higher net worth have applied under the scheme. The scheme that was originally targeted to attract small and medium enterprises, gradually shifted towards inviting individuals with credit worthiness and higher net worth. Further, as there are no requirements on the number of promoters in the 2014 guidelines it implies that the scheme is designed for companies with good financial background that is mid-sized to large companies. Thus, it is expected that in future SPVs will be the ones with strong financial capacity. During the survey, questions were asked on the net worth of the promoters of mega food parks. At the outset, most respondents were reluctant to share information on net worth. Therefore, there are some gaps in the information. In some cases, information on net worth was extracted from the bank appraisal reports. Table 5.2 presents net worth of some of the promoters of the surveyed mega food parks. It illustrates that most promoters are companies with high net worth.

Table 5.2: Net Worth of Promoters of Selected Mega Food Parks

Sr. No.	Name of MFP	Lead promoter	Net Worth (Rs.. crores)
1	India Food Park Private Limited	Future Consumer Enterprise	953.23
2	International Mega Food Park Limited	Sukhinder Singh & Associates	113.52
3	Paithan Mega Food Park Limited	Nath Bio-Genes	81.78
4	Greentech Mega Food Park Private Limited	CG Foods	48.21
5	Godavari Mega Aqua Park Private Limited	Ananda Aqua Exports Private Limited	17.82
6	Gujarat Agro Infrastructure Mega Food Park	Doshi Group	47.02
7	Satara Mega Food Park Private Limited	Hanmantrao Ramdas Gaikwad	330.56
8	Himalayan Food Park Private Limited	Paras Frozen (India) Foods Limited	10.2
9	Smart Agro Industries Corporation Private Limited	Malla Reddy Palla	80.4

Source: Compiled from the information received during the survey or bank appraisal report

With the latest guidelines, several changes have been introduced in the scheme. The scheme has become attractive to the state government and state government entities while certain large corporate such as the Adani Group also applied and received approval. However, the scheme is still unattractive to global multinationals as they want ease of doing business and not grant. As shown in Chapter 2, the likelihood of a project to be successful is higher if it attracts global best management practices and finance.

5.5 Conclusion

Overall the survey found that there has been no correlation between the management structure and the success of the food park. The parks surveyed have succeeded or failed due to other factors and one of the most important finding is that the intent of the SPV has a key role to play in the success of the food park. The intent in turn comes with interest in the food-processing sector as well as with presence of right skills to develop the infrastructure required in the food park. Once the infrastructure is in place, SPV is required to lease the land to the units, which requires marketing and infrastructure management skills. As regards the financial capacity, that merely allows the promoter to participate in the scheme, fulfilling the eligibility criterion.

Financial capacity does not play an important role in the success of the park. Lastly, even if the state has a strong role in the functioning of the park, several issues such as land possession are often beyond the control of the state government.

Chapter 6 : Role of the State Government in Project Implementation

TOR 4: To assess the role of State Governments in implementation of projects including its role in facilitating Statutory Clearances like CLU, Master Plan Clearance, external infrastructure linkages to the project etc. State Governments" perception of the Scheme may also be duly captured.

The state government is a key facilitator and stakeholder in the mega food park scheme of the Ministry of Food Processing Industries. The envisaged role of the state government as per the scheme guidelines is varied. The state government is involved in project approval; it can be a shareholder in the project, it assists the project while it is underway and ensures that the mega food park gets all the necessary clearances in the due course. More recently, the states can also bid independently under the scheme. This chapter assesses the role of state governments in implementation of projects including its role in facilitating statutory clearances such as CLU, master plan clearances, external infrastructure linkages to the project, etc.

The chapter is based on in- depth interviews of SPVs and state government officials such as nodal officers (principal secretaries/ directors) as well as other officials from state government Department of Horticulture, Department of Food Processing and Department of Industrial and Infrastructure Development in Andhra Pradesh, Bihar, Gujarat, Karnataka, Punjab, Tripura, Telengana, Maharashtra, Uttarakhand and Uttar Pradesh. The state government officials were asked questions related to their awareness about the scheme, their perception and issues about the various aspects of the scheme and their suggestions to improve the scheme further.

6.1 State Representation and Role of the State Government

Most of the states have a State Department of Agriculture and Department of Food Processing or Agro-Industry Development Corporation under their agriculture division. The MOFPI designates a nodal officer for the MFP scheme in each state for assisting the SPV in the implementation as well as the day to day operations of the MFPs. However, in each state, these nodal officers may belong to different Department (Table 6.1).

Table 6.1: Nodal agency for different states in the Mega Food Park Scheme

State	State Mission Director and Department
Andhra Pradesh	Chief Executive Officer, Andhra Pradesh Food Processing Society (APFPS)
Bihar	Director (Food Processing), Department of Industries
Gujarat	Managing Director, Gujarat Agro Industries Corporation Limited
Haryana	Director, Industries & Commerce Department
Himachal Pradesh	Director of Industries, Department of Industries
Karnataka	Director of Agriculture, Department of Agriculture
Kerala	Managing Director, Kerala Industrial Infrastructure Development Corp., (KINFRA)
Madhya Pradesh	Commissioner-cum-Director, Directorate of Horticulture and Farm Forestry
Maharashtra	Managing Director, Maharashtra Agro Industries Dev. Corporation Ltd., MAIDC Ltd.
Punjab	Secretary, Department of Food Processing
Rajasthan	Joint Director, Commissioner Industries, Industries Department
Tamil Nadu	Mission Director, Department of Agricultural Marketing and Agri Business
Uttar Pradesh	Director (Horticulture), Department of Horticulture and Food Processing
Uttarakhand	Mission Director, Horticulture & Food Processing Department
West Bengal	Director, Department of Food Processing & Horticulture
Telangana	Secretary, Industries and Commerce Department

Source: www.mofpi.nic.in

The discussions with the state government officials and an analysis of the scheme guidelines show that the involvement of the state government in the MFP scheme has undergone changes overtime. The latest guidelines have strengthened the role of the state government and have made provisions for the state to bid independently under the scheme, without forming a SPV. After the provision of allowing the state governments to apply for the MFP project, six state government MFPs got approvals. The role of the state government as envisaged in the latest guidelines is as follows:

1. Evaluating proposals as a part of the TC and IMAC

2. Providing assistance to SPVs in procurement/purchase of suitable land

3. Providing all the requisite statutory clearances including permission for sub-leasing of land by SPV, wherever needed, for setting up the MFP and its components thereof and providing the necessary assistance for power, water, approach roads and other external infrastructure to the project

4. Providing flexible and conducive labour environment and consider special facilities like exemption of stamp duty, VAT/Sales tax exemption etc. for the MFP and the units located in the MFP

5. Monitor the implementation of project through State Mission on Food Processing

6. Nominates a suitable officer to be appointed as Ministry's nominee Director in the SPV

The role of the state government in the scheme is much more diverse as compared to the central government, as it helps in the process of acquiring land and is also responsible for all state level clearances. An indicative list of the approvals and clearances required from the state government for the MFP projects along with the concerned departments which provides these clearances and approvals have been given in the Table 6.2.

Table 6.2: Approvals and clearances required from the state government for setting up Mega Food Parks

Approvals		Departments
Land Related	Change of land use	Town and Country Planning Department in Haryana/ Punjab, State Urban Development Department
	Master Plan clearances	Concerned local authority/municipal body
Labour Related	Labour	State Department of Labour
Clearances	Industrial building	Chief Inspector of Factories, Department of Industries
	Environmental clearances	State Pollution Control Board. Site clearance certificate for highly polluting industries to be issued by the Office of Industries Commissioner, Department of Industries
	Power	State Electricity Board
	Water	Department of water resources
	Sewerage	Sewerage Department
	Fire	Chief Fire Officer, State Police Department
Other specific clearances	Food safety	Food and Drugs Control Administration under FSSAI
External Infrastructure	Road	Local municipal authority
	Agricultural sourcing license	State Department of Agriculture. Also at times Forest Department
Clearances before going into production	Registration as Factory	Chief Inspector of Factories, Department of Industries
	Sales Tax Registration	Sales Tax Officer, Department of Revenue
	VAT registration	Commercial Tax Officer, Department of Revenue

Source: Compiled from different state government websites

As shown in Table 6.2, several ministries/departments of the state government are involved in the clearance process. For clearance certificate in a state industrial estate, the SPV has to work with respective State Industrial Development Corporation. Moreover, different states have different policies and procedures. For instance, in Punjab, the Principal Secretary along with the secretaries of other departments may form an empowered committee that is responsible for giving single-window clearance for release of power connection, grant air and water pollution no objection certificates (NOCs) and site approval under the Factories Act, 1948. In Karnataka there is a state level single window clearance committee chaired by the Chief Secretary to clear projects between Rs.15 to Rs.100 crore. The committee has various high profile members including Principal Secretary[40]. While the departments that provide clearances and facilitate implementation of the projects are almost same across all the state, the survey shows that their performance varies across states. The varied performance of the states is related to the perception of the state government officials about the scheme, which is discussed in the section below.

6.2 Perception and Support of the State Government

During the survey, the state government officials were asked about their perception of the scheme based on the previous guidelines. It was found that overall the awareness of the scheme was limited to the nodal officers. In general, there is a lack of awareness among other state government officials in departments that are not allied to or associated with the Ministry of Agriculture such as State Departments for Infrastructure and Industrial Development. Even though the revised guidelines were out before the survey was conducted, not many government officials from Departments other than the Horticulture and Food Processing were aware of the scheme and that they could bid as per the latest guidelines of the scheme. For instance, officials with the State Infrastructure and Industrial Development Corporation of Uttarakhand Limited (SIDCUL) and West Bengal Industrial Development Corporation (WBIDC) were not aware about the MFP scheme. In some cases even the Mission Director had limited knowledge about the MFP scheme.

The nodal officers, who were relatively better aware about the scheme pointed out that the present guidelines are better than the previous ones; since it involves participation of the state government right from the time of evaluation of proposals (as a part of TC and IMAC) rather than only when the MFP faces problem. Moreover, allowing the state governments to bid for the MFPs is likely to increase the awareness about the MFP scheme. However, it was mentioned that frequent changes in the guidelines are often confusing. Based on the responses received from all the state government officials, perceptions on the various aspects of the scheme are illustrated in Table 6.3. While sharing their perception about the scheme, participants made certain suggestions about the scheme, which have been elaborated at the end of this chapter.

[40] For details refer to http://investkarnataka.gov.in/index.php/single-window-advantage

Table 6.3: Perceptions of the state government officials about the various aspects of the scheme

Aspects of the scheme	Good	Bad	Average
Overall perception about the MFP scheme			
Land criterion of the scheme			
Grant component of the scheme			
Provisions for the units			
Involvement of the state government in the scheme			

Note: This table is based on the discussion with the state government officials covered during the survey.

Although the overall perception is 'average', the survey found that some state governments have supported the MFPs during the implementation. For instance, representative of an upcoming MFP in West Bengal pointed out that the PPCs created under the National Horticulture Mission (NHM) were transferred to the MFP for its use, since the MFP was finding it difficult to get land for PPCs. In many other cases, state government has extended support to MFP promoters in getting land. Some MFPs, which have got some support from state government for land acquisition, include Srini Food Park Private Limited (Andhra Pradesh), India Food Park Private Limited (Karnataka), Gujarat Agro Infrastructure Mega Food Park (Gujarat) and Pristine Logistics and Infraprojects Private Limited (Bihar) among others.

It was reiterated during the survey that relationship of the SPV with the state government is important. The SPVs having good relations with the state government were able to get faster clearances and timely approvals. Promoters of an upcoming MFP in Gujarat claimed that their good relation with the state government is likely to be crucial in obtaining necessary approvals and clearances on time. Another promoter of an impending MFP in Bihar had similar views. It was pointed out that they have already done some infrastructure projects in the state and expect approvals and permission to come on time. Further, in cases where there are different political parties with different ideologies at the centre and state, survey participants pointed out that it makes implementation of a centrally sponsored scheme difficult in certain states.

6.3 Issues related to the State government faced by the SPV

The survey found that certain SPVs faced issues with the state government during setting up their MFPs. Table 6.4 gives a detail of the issues faced by the SPV with state government. These issues have been elaborated with anecdotal evidences in the subsequent paragraphs.

Table 6.4: Issue faced by the SPV from the state government

<table>
<tr><th colspan="2">Issues in state government support</th><th>Examples of MFPs which faced the issue</th></tr>
<tr><td rowspan="2">Land related</td><td>Land Acquisition</td><td>India Food Park Pvt. Limited</td></tr>
<tr><td>Availability of contiguous land/50 acres land</td><td>Bengal Mega Food Park Limited</td></tr>
<tr><td rowspan="4">State government clearances related</td><td>Change of land use</td><td>International Mega Food Park Private Limited</td></tr>
<tr><td>Sub- leasing of land</td><td>Jharkhand Mega Food Park Private Limited
India Food Park Private Limited</td></tr>
<tr><td>Environmental clearances</td><td>Satara Mega Food Park Private Limited
International Mega Food Park Private Limited</td></tr>
<tr><td>Other statutory clearances</td><td>Satara Mega Food Park Private Limited</td></tr>
<tr><td colspan="2">Single window system</td><td>Almost all MFPs faced issues with the single window system.</td></tr>
</table>

1. *Issues related to land:* Though in some cases state government had helped SPVs in getting land but majority of the surveyed MFPs said that the state government has provided limited support to the SPVs as far as land is concern. Out of the 20 surveyed MFPs, six did not get any support from the state government while nine got only partial support from the state government in procurement of land. For example, land acquisition is a problem in West Bengal as the West Bengal Land Reforms Act of 1955 (Chapter IIB – Ceilings on Land Holdings – Section 14V-14Y) puts a land ceiling limit of 24.7 acres on a piece of land for industrial use. As a result, those interested in setting up a MFP have to take relaxation from this clause of the Land Ceiling Act and subsequently, permission from the state government. While food processing industries do come under the exclusion list, yet there are delays in getting clearances. This has delayed the process of getting contiguous land for setting up of MFPs in the state.

   During the survey it was found that India Food Park Private Limited (Karnataka) took two years to acquire land and still some parts of land are facing disputes. Although Keventer Mega Food Park Private Limited (Bihar) got allocation letters from Bihar Industrial Area Development Authority (BIADA) but at the time of actual possession of land there was encroachment on land and BIADA couldn't help.

Often, availability of land is also an issue. Bengal Mega Food Park Limited (West Bengal) pointed out that it was difficult to procure 50 acres of contiguous land, which is an important criterion for applying under the scheme.

2. *Issues related to clearances*: Certain SPVs reported issues related to the requisite statutory clearances such as permission of sub-leasing the land; environmental clearance and CLU. Survey data shows that 10 out of 17 surveyed MFP (excluding three cancelled) did not get the requisite support from the state government in providing statutory clearances. For examples, it took both Jharkhand Mega Food Park Private Limited and India Mega Food Park Private Limited, 36 months to get permission for sub-leasing of land and Satara Mega Food Park Private Limited (Maharashtra) and International Mega Food Park Limited reported facing issues in getting environmental clearance from the state. The latter got environment clearance in 18 months and the CLU in one year. Satara Mega Food Park Private Limited also faced issues in lifting the reservation on the land purchased and it took them two years to get a 'no objection certificate'.

3. *Issues related to single window clearances*: Even though single window facility exists in almost all states, Karnataka, Andhra Pradesh, Punjab and Uttar Pradesh they have failed to provide timely and holistic clearances. For example, India Food Park Private Limited (Karnataka) had to approach multiple departments to get respective approvals and clearances in-spite of presence of fast track single window clearance agency. A MFP developer in Andhra Pradesh pointed out that while single window clearances exist but it does not work and a lot of delays are caused by delays in getting clearances. Godavari Aqua Mega Food Park Private Limited (Andhra Pradesh) had the same experience.

4. *Issues related to the outside zone infrastructure*: While the MFP developer is responsible for creating the inside zone infrastructure, the state government is responsible for providing outside zone infrastructure facilities such as infrastructure to support transport connectivity to the MFP etc. However, during our survey some MFP developers reported having faced negligence from the state government in the provision of these facilities.

5. *Issues related to allowing state government setting up MFPs*: The revised guidelines allow the state government/state government entities/cooperatives to independently apply

under the MFP scheme. However, the design of the scheme is such that state government has representations in approval committee and thereby, is one of the decision makers under the scheme. It is therefore likely that the state government can have a biased view, in favour of projects backed by the state. In addition, it is likely that state-owned MFPs will get faster approvals, clearances and assistance during implementation. The state government might also support the state MFPs by giving them further incentives, which has been discussed in detail in the next chapter. All these factors might put the private players at a disadvantage that will be competing with the state governments under the scheme.

6.4 Suggestions of the State Government/Representatives on the Scheme

While there are issues faced with the state government, the state representative gave several suggestions to improve the functioning of the scheme. Some of these are discussed below.

1. *Better centre- state co-ordination*: The role of state governments in ensuring the success of the MFP scheme is significant. The state governments need to play the role of enabler and facilitator for the MFP to succeed. Whether and to what extent state governments will act as facilitators rests upon the centre-state relations in the existing federal framework. Co-ordination and co-operation between the centre and state departments/ ministries and political ideology of the ruling state government also have an important role to play. The state government officials pointed out that while giving clearances, etc. are state subject, there is a need for better centre-state co-ordination on aspects such as single window clearances and provision of outside zone infrastructure, among other things.

2. *Greater involvement of the state industrial and infrastructure development department*: During our interview some of the state government officials said that the MFP scheme is basically an infrastructure development scheme. Hence, there should be greater role given to the department of infrastructure and/or industrial development because they have the required expertise for developing industries which the food processing/ horticulture department lack. Moreover, the industrial department can get the industry related clearances faster.

3. *Proposals should be routed through state government:* The nodal officers feel that the revised guidelines have strengthened their role in the approval process by including them in the Technical Committee (TC). However, during the interview most nodal officers stressed that the detailed proposal report (DPR) for the MFP should be routed through them. If the proposals are routed through the state nodal agency, the state Department of Horticulture, Department of Food Processing and Department of Industrial Development can do a screening of the proposals, which will help in identifying bottlenecks if any and help in faster implementation of the projects.

4. *Review land requirement:* During the survey, state government officials suggested that the requirement of minimum 50 acres of contiguous land should be relaxed for small and hilly states where land availability and contiguity is an issue. They also suggested that instead of one scheme for MFP there can be customization as per the state requirements. There should be a provision for constructing food parks without a size restriction.

5. *Special incentives to units locating in the MFP:* State government officials pointed out that one of the reasons why units do not want to locate in the MFPs is because there are no special incentives given to units particularly for setting up in MFPs. On top of this, the units sometimes have to pay high rentals for locating in the MFP and they cannot own the land. This makes the scheme unattractive to units who prefer to locate outside. The state government official feels that the scheme is likely to be more successful for captive units. If the scheme has to attract units there should be some incentives given to units in MFP.

6. *States should advise the MFP about the location of PPCs:* During our survey, we found that hardly any of the PPCs of the operational MFPs were working although they have been created. The state government officials were of the view that often multiple infrastructure are being created in one region for one type of products while there is lack of infrastructure for other products or in other region. The central government should work with different state government and they together should identify the products and infrastructure requirements. A MFP can have infrastructure like PPCs across multiple states as well. To know the requirements a project may need involvement of more than one state government.

7. *Monitoring of the MFPs post establishment:* State governments are also of the opinion that post establishment of the MFPs; the monitoring of these MFPs should be a responsibility of the state government. This would ensure that these MFPs function properly and do not use it entirely for captive usage.

8. *Entire value chain should be set up:* State government officials are of the view that food processing requires setting up of the entire value chain. In the MFP scheme, the DPR talks about the entire value chain but the approval criterion listed in the guidelines gives more weight to the backward linkage. The approval should be given to after assessing whether the SPV has the equity to finance the entire value chain and not just for developing MFPs. The project should not be approved until it proposes to establish the entire value chain. The SPV should have the full knowledge of its market including backward and forward linkages and access to it. Only when the market is ensured, can the farmers of that region benefit from the setting up of MFPs.

There were other suggestions also such as allowing units to have land ownership. This was the case in the SPTI scheme where units were allowed to be a part of the SPV. While some of the state governments want the MOFPI to have a relook at the possibilities of land ownership this may not be possible in the format in which the scheme is designed.

The survey found that the state governments are on the same page with the MOFPI in some aspects of the scheme. They have issues and suggestions about certain other aspects of the scheme, which have been discussed above. Centre and state should work in close co-ordination to make the scheme successful and the state should provide necessary assistance through speedier clearances, land related assistance, outside zone infrastructure as well as fiscal incentives to provide impetus to the MFP scheme. Most importantly, the states should make some reference to the MFP scheme in their state policies. The centre and the state should work together so that the incentives can be dovetailed for instance, state governments can refer to the MFP scheme in their agro-processing policies. The next chapter focuses on the dovetailing of the central and state government incentives for the MFP scheme.

Chapter 7 : Dovetailing of the Mega Food Park Scheme

TOR 5: To assess the synergies between State specific industrial/food processing/agri-business policies and the Mega Food Park Scheme of MOFPI. The aspect of dovetailing of financial assistance available under various schemes of Central and State Governments, along with its impact on project structuring and implementation may be analysed.

The previous chapters highlight that states have a key role to play in the mega food park scheme of the MOFPI. The role of state is manifold and it is one of the key beneficiaries of the scheme since the scheme leads to infrastructure creation in the state. Often states themselves give benefits for such infrastructure creation. They also provide tax incentives and other benefits to sectors such as agriculture and food processing. The implementing agency of the MFP may therefore have several schemes to choose from or to complement with the MFP scheme of MOFPI. Given this background, this chapter examines the synergies between state specific industrial/ food processing/ agri-business policies and the mega food park scheme and analyze whether the incentives offered by the MOFPI under the MFP scheme can be dovetailed by the incentives offered by the state government.

In the context of MFP scheme, *dovetailing incentives implies to the process of joining or clubbing together the state and central government incentives by the MFP developers and units.* The section is based on analysis of state government policies and discussion with state government policymakers and sector experts. To provide a more in-depth analysis of how benefits can be dovetailed with the MFP scheme a sample of six states was selected out of the states surveyed for this study. The selection covers states with operational MFP, states where MFP have failed, states with specific policies focusing on MFP and states where there is no reference to MFP in the policy document (See Table 7.1) .

There are central government schemes where either the money is routed through the state government, or the state government provides a part of the grant or the state governments also have a share in the project. State government policies clearly mention about such central government schemes such as Agricultural & Processed Food Products Export Development Authority's (APEDA's) Agri-Export Zone (AEZ) scheme, and the Assistance to State for

Infrastructure Development and Exports (ASIDE) scheme of the Ministry of Commerce and Industry to promote industrial clusters for exports.

The original guidelines of the Mega Food Park scheme did not refer to any state partnership or state participation specifically. However, the recent scheme guidelines have strengthened the role of the state government in the MFP scheme and have also allowed the state governments to apply for the MFP scheme. Hence, some state industrial/ agro-industrial/ food processing policy refer to this scheme while others do not mention about the Mega Food Park (MFP) scheme. For example, states such as Maharashtra, Uttar Pradesh and Karnataka have a food processing policy which clearly mentions about MFPs. However, Punjab's Agro Industrial Policy (2009) does not mention about the mega food parks[41]. Before explaining the aspect of SPV dovetailing the state government incentives provided to the developer and units and the incentives given by MOFPI, we need to understand how the state industrial and agro/food processing policies refer to the MFP scheme.

States in India have industrial policies to promote and facilitate investment in industries and thereby accelerate economic growth and create employment opportunity within the state. These are generally designed and monitored by the state industrial development authority or state department of commerce and industries. In some states, food processing is a focused area within the industrial policy while others have sector specific policies on food processing/agro-processing sector in addition to the industrial policy. Such policies are planned and implemented by different state departments such as the Industrial Development Authority (for industrial policies) or Department of Food Processing or Department of Horticulture and Food Processing (food processing policy).

[41] Also, the industrial policies of the states have come up at different points of time. Hence, some of them refer to MFP while others refer to food parks in general which preceded the MFP scheme.

Table 7.1: State wise industrial and agro- processing policy and mention of MFP in these policies

State	Have mention of Mega Food Park in its Industrial Policy?	Have a food/ agro-processing policy and Mega Food Park is mentioned in that policy?
Karnataka	Karnataka Industrial Policy, 2009[a-] 2014 – Yes	Integrated Agri- business development Policy[b], 2011- No
Maharashtra	Maharashtra Industrial Policy, 2013[c] - No	Agro Industrial Policy, 2010[d]- Yes
Punjab	Industrial Policy, 2009 [e] - No Fiscal incentives for Industrial Promotion, 2013[f]- Yes.	Agro Industrial Policy, 2009[g]- No
West Bengal	Investment and Industrial Policy of West Bengal, 2013[h]- No	West Bengal Food Processing Industry Policy, 2011[i]- Yes
Uttarakhand	Industrial Policy 2003[j]- No	Not Applicable
Uttar Pradesh	Uttar Pradesh Infrastructure and Industrial Investment Policy, 2012[k]- Yes	Food Processing Industry Policy, 2012[l]- Yes

Source: Compiled from the different state government policy documents[42]

At the onset, there seems to be some ambiguity on the dovetailing aspect of the state and central government schemes with regards to the MFPs. There are states like Karnataka and Uttar Pradesh that have clearly mentioned in their industrial policy that Mega Food Parks will be set up in the state and there is a provision of dovetailing the schemes of the central government. There are other states like West Bengal that has neither mentioned about the Mega Food Parks, nor does it have a mention about the dovetailing aspect of the central government and state government schemes for its state food parks. Thus, there are variations across states as to how

[42] Links to the above policies:
a. http://www.karnatakaindustry.gov.in/documents/Karnataka%20Industrial%20Policy%202009-14%20English.pdf; b. https://karnataka.gov.in/Documents/Integrated-AgriBusiness2-RN-8pm.pdf; c. http://www.progressivemaharashtra.com/attachments/012_MahIndPolicy13part1.pdf; d. http://foodprocessingindia.co.in/state_pdf/Maharashtra/DraftAgroIndustrialPolicy2010.pdf; e. http://pbindustries.gov.in/pdf/Industrial_Policy_2009__48%20-%2006%20Oct2009.pdf; f. http://www.punjabgovt.gov.in/jsp/apps/work/Fiscal%20Incentives%20for%20Industrial%20Promotion_2013.pdf g.https://view.officeapps.live.com/op/view.aspx?src=http%3A%2F%2Fwww.punjabagro.gov.in%2Fdoc%2FAgro%2520Industrial%2520Policy.doc; h. http://foodprocessingindia.co.in/state_pdf/WestBengal/WBFPIPolicy2011.pdf; i. http://foodprocessingindia.co.in/state_pdf/WestBengal/WBFPIPolicy2011.pdf; k. http://www.udyogbandhu.com/DataFiles/CMS/file/Indl_Policy_English.pdf; l. http://www.udyogbandhu.com/DataFiles/CMS/file/Food_processing_policy_english.pdf; (All web links were last accessed on April 13, 2015)

they want to synergize or complement the policies of the central government such as the MFP scheme.

There are different aspects to the policies related to mega food parks in the states and as per the MFP scheme of MOPI. Some of these are discussed below.

- **Definition:** Most states provide special incentives to Mega Projects. However, a careful analysis of the state industrial policy shows that Mega Projects have been defined differently in various states. Some define them in terms of land size while others define them in terms of investments. However, within the same parameter (land size or investment) also, the states vary in the defining mega projects. The size that the state envisages depends on the topography and the land availability of that state. These definitions are different from the definition of MFPs as envisaged by the MoFPI. For example, while the Uttarakhand Industrial Policy 2003 defines mega projects as projects over Rs.50 crores investment[43], the Karnataka Industrial Policy 2009-14[44] defines mega project as projects with investment of Rs.250 crore and above. For dovetailing there has to be some synergies in the definition.

- **Identification of projects for providing incentives/funding:** Food processing policies of the states generally focus on the raw materials that are available within the state. Some states such as West Bengal provide a list of products that they want to incentivize while others such as Karnataka have a negative list of products. To get the state level incentives it is important to focus on clusters based on the products which the state wants to promote. Majority of the states have been able to identify cluster/agri- export zones and state food parks they want to promote. State governments themselves can also invest in food parks. For example, the West Bengal Food Processing Industry Policy (2011)[45] refers to six agri-export zones and twelve food parks which have been identified by the government in specific locations. The Karnataka's Industrial Policy (2009- 2014) also stated that food processing parks will be set up at specific locations such as Shimoga.

[43] Page 10, Industrial Policy 2003, Government of Uttaranchal
[44] Page 39, Karnataka industrial Policy 2009-14, Department of Industries and Commerce, Government of Karnataka
[45] Page 1-2, West Bengal Food Processing Industry Policy, 2011

Thus, the states are often able to clearly identify the areas where they would like the industrial clusters to locate.

Discussions with state level policymakers show that state government grants and benefits are prioritized towards state owned projects or project in which state government is a PPP partner or the projects where state have identified land and nodes for development of agro-processing clusters. States have their own Food Parks which they want to develop and promote. The survey found that this receives priority over the central government's Mega Food Park projects in getting state grants and incentives. The discussions also highlight that while selecting the projects under the MFP scheme, the MoFPI has to keep this into consideration whether the intended project is covering the agro-processing units which the state wants to promote and are located in clusters identified by the state. This will help to get the support of the state government for the project.

- **Assistance/support given in state government policies:** State government can provide support/assistance to cluster developers in a variety of ways – non-financial and financial. Financial assistance can be giving in the form of a grant, subsidy or tax and duty exemption. While, grant is pre facto, subsidy and exemption are usually post facto and given after the project becomes operational (like income tax exemption, interest subsidy, VAT/CST exemption, etc.). The MFP scheme gives financial assistance to the developer/ SPV in the form of grant. State governments also give incentives to the developers under various schemes but usually in the form of subsidy or taxes and duties exemption, depending upon the investment made by the developers/ SPV in the project. State encourages investments under these Mega Projects by providing incentives to the developer/ SPV under the state Industrial Policy or Food Processing/ Agri- business/ Agri-processing policies. Some states provide subsidies such as electricity subsidy, water subsidy or stamp duty concessions for zones and clusters while others in their industrial policy mention that they will provide more direct support. For example, the West Bengal Food Processing Policy 2011 also states that 'the power distribution system will also be strengthened to ensure uninterrupted power supply to the processing industries, Food-Agro Technology Parks and Agri- Export Zones through dedicated feeder lines'.

Non- financial assistance from the state government majorly refers to the assistance provided by the state government in the implementation of the MFPs through state government clearances, land related assistance to SPV, providing the outside park infrastructure and connectivity. Some states policies mention about the providing non-financial assistance to the food parks or agri- export zones. For example, the West Bengal Food Processing Policy 2011[46] states that *'a comprehensive Infrastructure Development Plan will be put into place within a fixed time frame to provide speedy access to the food parks/agri- export zones with the nearest state/national highway, marketing centers and nearest airport, railway station/ seaport as well as with other centres of production, both for movement of primary raw materials and processed end products'*.

There can be other forms of non- financial incentives offered by the state government. For example, the Uttar Pradesh Food Processing Policy 2012 states that interested entrepreneurs/ promoters desirous of setting up Mega Food Parks in the state under the National Food Processing Scheme will receive support for preparing the proposal for the Ministry of Food Processing Industry, Government of India.

- **Dovetailing of state government incentives with grants under the MFP scheme:** The MFP scheme allows a SPV to dovetail the incentives provided that grant is not for the same component. The MFP scheme does not include land as an eligible component of grant. However, some states have provision of giving concessional land to private developers or giving subsidy on land purchase or exemption of duties such as stamp duties. However, this kind of dovetailing is subject to meeting certain conditions. For example, under the Infrastructure and Industrial Development Policy of Uttar Pradesh (2012)[47] *developer of industrial area or industrial estate in private sector will be provided 25% reimbursement from stamp duty paid, subject to the condition that the industrial area or industrial estate has been developed and at least 50% land has been sold within three years from the date of purchase of land*.

  For the purpose of developing industrial area and industrial estates, states provide grants, viability gap funding and special packages to the developers. For example, the Industrial

[46] Page 5, West Bengal Food Processing Industry Policy, 2011
[47] Page 34, Infrastructure and Industrial Development Policy of Uttar Pradesh (2012)

Policy (2003) of Uttarakhand mentions that the state government endeavors to arrange to mobilize venture capital for suitable projects from existing venture capital funds and also consider setting up such a fund in the state[48]. Discussion with state government officials in West Bengal shows that the state may offer Rs 5-10 crores for MFP projects which can be dovetailed with the central government scheme. Karnataka's Industrial Policy (2009-2014) provides special package of incentive over and above the standard package to Mega Projects based on the recommendations of State High Level Clearance Committee (SHLCC)[49]. Additionally, the state provides exemption of APMC cess/fees for procurement of agricultural produce and interest free loan on VAT (value added taxes) for large and mega projects.

Some states such as Karnataka[50], have special incentives for large and mega projects coming up in low Human Development Index (HDI) districts or backward districts/areas with certain eligibility conditions (such as local employment generation) to reap the benefits. These benefits can be dovetailed with the grants under the MFP scheme.

- **Matching of the objectives and eligibility of the state and central schemes:** It is also important to note that matching of the objectives and eligibility criteria as designed by the central and state governments is crucial for dovetailing incentives of central and state governments. In a case where a MFP developer gets approval and grant from the MOFPI under the MFP scheme and then applies for a grant from the state government under any scheme, the government will only give the grant only if the objectives and eligibility criteria of the two schemes match. For example, the Maharashtra Agro-industrial Policy (2010)[51] promotes end-to-end integrated projects[52] in the specific clusters identified by it. As per the policy, the state government will also provide viability gap funding and other facilitation, if required, in addition to the support available under the various schemes

48 Page 10, Industrial Policy 2003, Government of Uttaranchal
49 Page 21, Karnataka industrial Policy 2009-14, Department of Industries and Commerce, Government of Karnataka
50 Page 33, Karnataka industrial Policy 2009-14, Department of Industries and Commerce, Government of Karnataka
51 Page 5, Agro Industrial Policy 2010, Government of Maharashtra
52 End to end infrastructure projects as per the Maharashtra Agro-industrial Policy (2010) is a project which ensures aggregation of agricultural produce, setting up of post harvest infrastructure for storage, grading and sorting facilities at farm level, pack houses and cold chain infrastructure, warehousing infrastructure and market linkages

taken together (including the new schemes under this policy) depending on the techno-economic feasibility and likely impact of individual projects. However, the state policy does not mention or clearly define what it implies by the end- to- end integrated projects and whether it is available to Mega Food Parks as well. Thus, for dovetailing the incentives under the state and central policy there is a need to match the objectives as well as eligibilities clearly.

Overall, the survey found that there is limited clarity among SPV developers and state government officials on how state government grants and other incentives can be dovetailed with the MFP scheme. The MOFPI has to work with their state level nodal agency to identify how the central government and state government benefits can be dovetailed. These should then be mentioned in state industrial policies or food processing policies.

Few states governments provide with incentives competing with the MFP scheme. For example, the Maharashtra Agro-industrial Policy (2010)[53], states that while the state government urges the MOFPI to sanction a larger number of Mega Food Parks in Maharashtra, this may not happen. Therefore, the state will directly assist projects which are viable and good but cannot obtain funding or are not eligible under the Mega Food Park scheme. The funding is on a case-by-case basis and state government will do techno-economic feasibility of the projects.

States providing competing incentives to the MFP scheme may create a conflict of interest since if the states will be funding the MFP it will want it to be more successful and will push it. Thus, the private MOFPI sponsored projects will be competing with the state government sponsored projects, (as well as MOFPI sponsored state government projects) which is bound to put them to a disadvantage.

An important finding during the survey was regarding incentives to the units located in the mega food park. Under the MFP scheme, there are no incentives given to the units. However, until recently, the MOFPI used to give an incentive of Rs.50 lakhs to food processing units irrespective of its location under the Scheme for Technology Up gradation /Establishment/ Modernisation of Food Processing Industries (subsumed under the National Mission on Food Processing for XIIth five year plan). Additionally, state industrial policy and food processing

[53] Page 7-8, Agro Industrial Policy 2010, Government of Maharashtra

sector specific policy provides certain benefits to the units. The most common incentives given to units in all states are include VAT/CST exemption, stamp duty exemption, *mandi* fees exemption, interest subsidy, capital investment subsidy and anchor unit subsidy. However, these incentives are applicable to all the units, irrespective of their location within or outside the MFP.

Chapter 8 : Perceptions of Banks and Financial Institutions

TOR 6: Interaction with the Banks/Financial Institutions engaged in financing of projects (in case of all projects which have obtained Financial closure), to study the issues regarding appraisal and financing of the projects.

Banks/financial institutions (FIs) are the only third party that are involved in the mega food parks scheme of the MOFPI, which has neither a government or a industry representation, nor it is empanelled or pre-appointed by government. In that sense, the financial institutions/banks are independent stakeholders in the MFP scheme. The objective of the banks in participating in the scheme is also quite autonomous, without any overlap with the objective of the MOFPI or with the industry. Therefore, as an independent third party, bank is a key stakeholder in the scheme as well as an important independent evaluator.

This chapter assesses the role of financial institutions/banks in the success of mega food parks. A survey of banks and financial institutions was conducted. The questions that were asked relates to key issues faced by the banks/FIs while funding MFP projects; major reasons related to inability of SPVs in obtaining financial closure; their expectations from Ministry and other stakeholders and key amendments (as required) in the guidelines. In addition to this, banks were also asked about their perception on the top positives and negatives of the scheme and the critical success factors for the success of MFP. In total 7 banks/financial institutions were interviewed during the survey.

8.1 Lending Patterns and Key Perceptions

The role of banks has evolved over time and more recently it is has become definitive. As per the latest guidelines, the basic enabling infrastructure of the mega food park has to be funded by equity and debt component along with the grant. Taking a loan therefore, has become mandatory. This is a departure from the first guideline where an "in-principle approval" of term loan from the bank would have been sufficient.

The survey found that the financing structure of the MFP projects involves a combination of grant (by the Ministry), equity contribution by the SPV promoters and debt/borrowed funds from various financial institutions (banks and non banking financial corporation (NBFC)). Due to the obligatory bank loan requirement, the Ministry encourages a thorough evaluation of each MFP project by the concerned FIs/ Banks. A list of the MFP and their means of financing is given in Table 8.1.

Table 8.1: Bank borrowings and interest rate charged by the banks for the MFPs

Sl. No.	Name of the MFP	Name of the Bank	Borrowing from Banks (in percent)	Interest Rate (in percent)
1	Patanjali Food and Herbal Private Limited	State Bank of India, Haridwar	23	14.0
2	India Food Park Private Limited.	Punjab National Bank, London	35	
3	Srini Food Park Private Limited	State Bank of India, Chittoor & Bank of Maharashtra	41*	14.50
4	International Mega Food Park Private Limited	SIDBI, Union Bank of India & State Bank of Patiala, Chandigarh	42	13.75
5	Godavari Mega Aqua Park Private Limited	Canara Bank, Hyderabad	37	14.75
6	Indus Mega Food Park Private Limited	Canara Bank, Hyderabad	42	13.0
7	Paithan Mega Food Park Private Limited	IDBI Bank	35	13.0
8	Satara Mega Food Park Private Limited	Union Bank of India, Pune	39	14.5
9	Jangipur Mega Food Park Private Limited	IFCI	38	
10	Sikaria Mega Food Park Private Limited	NA		
11	Green Tech Mega Food Park Private Limited	Bank of Baroda	26	13.0
12	Gujarat Agro Infrastructure Mega Food Park	Canara Bank, Mumbai	27	11.5
13	Pristine Logistics & Infrastructure Private Limited	Central Bank of India, Patna	40	14.75
14	Jharkhand Mega Food Park Private Limited	Allahabad Bank, Ranchi	30	14.5
15	Himalayan Food Park Private Limited	Uttarakhand State Co-operative Bank	33	12.0
16	North East Mega Food Park Private Limited	NEDFi, Guwahati	12	12.5
17	Smart Agro Industries Corporation Private Limited	Vijaya Bank	25	16.0

* *Note:* Borrowing of Srini Food Park Private Limited also includes NBFC

It was found during the survey that a majority of the SPV did not face any issues in getting a bank loan sanction. One of the key reasons for this is that most SPVs approach those banks with which they have a long-standing relationship. The banks, therefore, have some level of trust and knowledge about the credit history of the individual promoters. Often, promoters from the corporate sector face fewer issues compared to group of individuals with family business or from the non-corporate sector. Moreover, as shown in Table 8.1, the SPV mainly depended on public sector banks for loan. This is largely due to two factors –first, the private sector banks are a little reluctant to give loans for infrastructure projects with long gestation period and second, the level of knowledge about this scheme is also very low among some private sector banks.

During our survey, two common issues raised by the most of the MFP developers about the loans taken from the banks/FIs were high cost of borrowing and high value of collateral required. For all the surveyed MFP's the banks charged an interest rate of over 11 percent, which is very high for high cost and low return projects (See Table 8.1). In case of delays, the interest burden increased further, making the project unviable. MFPs are of the opinion that since term lending and working capital interest rates are exceedingly high, priority lending should be given to food processing sector and interest rates should be at par with international norms. Further, collateral for the loans vary on a case-by-case basis and often it is very high. In case of Patanjali Food and Herbal Park Private Limited, the bank took 25 percent of the loan amount and personal guarantee of the promoters as collateral, while for Jharkhand Mega Food Park Private Limited, the bank took land and assets as the collateral while giving loan.

Banks have both positive and negative perception about financing a project under the MFP scheme. Since it is government's grant-based scheme for infrastructure development there are often delays in implementing the project and hence affects the performance of the bank. Two banks pointed out that this is an extremely complex business model with PPCs and cluster. According to one of the bankers, in any such big projects wherever there is clause of proportionate expenditure by the SPV, there are delays due to multiple reasons. The other group of bankers pointed out that they were comfortable in financing such projects mainly because government is the key stakeholder and they are confident about the evaluation/ due diligence being done by the ministry apart from the financial scrutiny that the bank performs.

Before approving the loan, the bank does an appraisal for each project. They scrutinize each and every aspect (financial, economic, technical, marketing etc.) of the project and then approve the loan. The MOFPI gives high importance to the bank appraisal and the SPV has to submit the bank appraisal for getting final approval. The ministry is dependent on the bank evaluation and bank considers that the ministry will do due diligence. Thus, both sides depend on the other for evaluation the project feasibility yet; the evaluation criteria are different for both. While the ministry evaluates the project on its social contribution as well (such as benefits to the farmers and catchment area), the banks evaluate the projects on its economic and financial viability. While doing the appraisal, the banks hardly give any weightage to impact on farmers or employment generated from the MFP project. As per the banks, Table 8.2 gives the list indicating the critical success factors in terms of priority:

Table 8.2: Critical success factors of the MFP project as per banks

Rank	Key success factors
1	Formation of forward linkages by the MFP promoters
2	Supportive state government policies for getting all necessary clearances and approvals on time
3	Grant on offer by MoFPI
4	Infrastructure inside the MFP
5	Formation of backward linkages
6	Geographical location of MFP

Note: The respondents from Banks and Financial Institutions were asked to rate the factors that they consider critical for the success of a MFP on a scale of 1 to 5. The priority ranking is calculated by averaging the ratings for each parameter assigned by the respondents and then ranking the same.

Further, it was pointed out during the survey that if there are changes in the DPR by the SPV, they have to approach both the ministry as well as the banks. While this improves the accountability, it also leads to delays.

8.2 Concerns of Banks/Financial Institutions in Funding MFP Projects

During the survey, banks stated several concerns that affect project viability and the decision of banks to fund these projects. Since the scheme requires an equal amount of contribution from the SPV, the SPV should have strong financial capacity. In case, there are delays in payments or release of grants, the SPV should have enough liquidity to meet contingencies. Otherwise, it would lead to delays in the projects and have implications on the banks. It was highlighted that the MFP doesn't often have liquidity in the form of unsecured loan or contingencies etc., which affects the project during the implementation stage. This concern has been addressed to some extent in the latest guidelines.

Certain banks expressed concerns with the existing lease-rental model of the MFP. Unavailability of owned land and higher rental for the leased land made it relatively unattractive for banks to lend to the units as they often cannot provide collaterals. Most SMEs use land as a collateral for getting a bank loan. Additionally, the banks perceived that there is lack of fiscal incentives for units to locate inside the MFP as a major risk. Promoters are not able to attract units to their MFP as there are no direct benefits/incentives available for units to come to Mega Food Park resulting in under-utilization of infrastructure created. However, recently NABARD has set up a special fund of Rs.2000 crore (designated as Food Processing Fund 2014-15) to make available affordable credit to agro-processing units in designated Food Parks.[54]

Further, in the recent years there has been a negative publicity about cancellation of projects.[55] The negative publicity has been fuelled by several reports in the newspapers regarding canceled projects and the reasons for cancellation. Often, there are cases when Ministry officials have justified the reasons for cancelling projects, which are counter argued by State-level official leading to prolonged debates and more negative publicity.

However, it is pointed out by the Ministry that cancellation of the projects has been done only in cases where the promoters have failed, after repeated attempts by the Ministry to make them adhere to the implementation timelines and complete the formalities as required under the scheme. Given that there are several frauds in other government schemes and projects, banks are skeptical about funding them as then the recovery becomes difficult.

Since the SPV is dependent on the revenue from lease rental of plots and common utilities from the units inside the MFP, inability to commence operations post construction and/or under-utilization of the MFP resources is critical to the viability. Any departure from the projections made in the DPR by the SPV directly impacts the ability to repay debts, and signifies major risk to the banks. Thus, due to (a) the absence of many operational Mega

[54]Financial assistance from Food Processing Fund – 2014-15, will be provided by NABARD either directly or through consortium arrangements with other financing agencies. State Governments, entities promoted by State/ Central Governments, Joint ventures, Cooperatives, Federation of Cooperatives, SPVs, Farmers' Producers Organizations, Corporates, Companies, Entrepreneurs, etc., may avail loans from this Fund for establishing the designated Food Parks and also for setting up of individual food/ agro processing units in the designated Food Parks Food Processing Fund – 2014-15 – Operational Guidelines, https://www.nabard.org/foodprocessing.pdf

[55] For details see: http://www.business-standard.com/article/pti-stories/cong-workers-farmers-protest-against-food-park-cancellation-115041501176_1.html; http://economictimes.indiatimes.com/news/politics-and-nation/amethi-food-park-cancelled-as-promoter-failed-to-comply-with-conditions-government/articleshow/47247569.cms; http://timesofindia.indiatimes.com/city/lucknow/Mins-explanation-contradicts-her-ministrys-stand/articleshow/47208876.cms; (last accessed on May 13th, 2015

Food Parks, (b) inability of operational MFPs in attracting units and (c) cancellation of 17 MFPs; banks/financial institutions are cautious of funding such projects.

8.3 Expectations of Banks/Financial Institutions from Various Stakeholders

During the survey, the banks revealed several expectations from the Ministry and the PMA in order to make the scheme more effective and impactful. Some are related to amendments required in the guidelines, while some are specific steps required by the Ministry and the PMA to ensure the success of the scheme.

1. **Release of final grant installment by the government:** According to our survey, the four operational MFPs are yet to achieve financial closure. None of the projects have been completed at the time of survey. The most significant reason for delay is failure of MFPs in construction of PPCs. One of the bankers pointed out to an issue pertaining to the disbursement of the final installment, which is related to the structuring of the grant. According to the first guideline, final ten percent of final grant assistance will be released after successful completion of the project and operationalisation of the common facilities in the CPC as mentioned in the DPR. The Ministry wants that the bank should release the final installment of the approved term loan, while the bank insists on the ministry's release of the final installment to it to give its final share. In this case, it is difficult for the promoters to complete the project without bringing extra capital. Bringing of additional capital by promoters towards the end of the project may lead to various complications like change in debt-equity structure necessitating re-appraisal by banks, mechanisms to take out additional capital infused, increase in cost in case additional capital is raised through unsecured loan, etc. The banks are of the view that the ministry should disburse the final grant installment in advance and not post completion.

2. **Incentives for units who want to set up unit in MFP**: Banks consider presence of units inside MFP as one of the most important parameters for assessing viability and success of the project. The ability of SPV to repay debts is directly linked with the establishment of units in the MFP. Banks were of viewpoint that apart from the SPV, units too have to be incentivized to make sure they are attracted to the MFP and ensure adequate capacity utilization of the MFPs.

3. **Empanelment of banks, which have pre-approved the project:** Certain banks pointed out that it might be useful to engage banks in the process of selection of appropriate

proposals towards the beginning. This may be achieved by empanelling a set of banks- public as well as private, which are engaged in the approval of projects along with the MOFPI. The ministry should also work in close coordination with the empanelled banks and explain them the project and modalities. This is a common practice in case of many infrastructural and residential projects. Further, since taking a bank loan has now become mandatory, a panel of banks should review the changes or amendments to the guidelines. Moreover, inputs from an expert committee from the banking sector should be taken before making any changes to the guidelines.

4. **Marketing of the Project**: At present the scheme is not marketed very well and therefore, there is limited knowledge among companies as well as banks. Appropriate time bound marketing activities for each of the projects is required to be carried out after looking at the business environment and ecosystem of the project in particular.

5. **Better co-ordination between Centre and States to speed up MFP implementation process:** Supportive State Government policies for getting all necessary clearances and approvals on time are of critical importance as many MFPs suffer in their absence, leading to delays. According to banks, this is a major issue as lack of coordination leads to unnecessary delays, which further lead to cost escalations, delay in repayment by the promoters etc. For example, one banker mentioned that project is delayed by couple of years and certificate of deposit (COD) extension has been given to the MFP for the second time. According to banks it has a cascading effect as it affects the overall chain of events. Banks are of viewpoint that the MOFPI should coordinate with the nodal officers at the state level to ensure that projects can be implemented in a faster and timely manner.

Apart from these suggestions, most banks pointed out that a more transparent, online system of application should be adopted and applicants should be able to track their applications online. Further, a grant based scheme should have both social objective but the overall focus should be on creating forward and backward linkages and project viability.

8.4 Conclusions

Banks and financial institutions have a key role to play in the mega food park scheme of the MOFPI. Apart from being a key source of finance, it is also an important evaluator of the project and therefore, active discussions and feedback from time-to-time is crucial for ensuring the success of the scheme. Further, the Ministry should ensure that banks – both public and private sector – are better informed about the scheme so that the applicants face minimal hurdles in approaching the banks.

Chapter 9 : Physical and Financial Progress and Socio-Economic Impact

TOR 7: To appraise the status of Physical & Financial Progress of the approved projects against the envisaged timeline for completion. To assess the utilisation of common facilities being created in the Mega Food Parks and investments by prospective units; TOR 9: To study social and economic impact of the project

Success of the mega food park scheme can be ascertained by the physical and financial progress made under the scheme and the socio-economic impact generated by the food park. These are key features of impact assessment. This chapter covers these aspects of the scheme. Precisely, it covers the sustainability of the technology/equipment, capacity utilization of the facilities being created in the MFPs, investments by prospective unit, value addition and increase in processing levels, reduction in wastages, direct and indirect employment generation, level of exports, the benefits to farmers, and impact on various stakeholders, among others. It also covers the overall socio-economic impact of the project with respect to wastage reduction of agriculture and horticulture produce, economic benefit to farmers, technology and knowledge transfer to farmers, among others.

The section is based on the field visits and questionnaire based survey of the MFP SPVs, units in the MFPs and traders, retailers and consumers and other stakeholders. The project has to be operational to understand the infrastructure created and its linkages with different stakeholders. Therefore, this section focuses primarily on four operational MFPs namely Patanjali Food and Herbal Park Private Limited, Srini Food Park Private Limited, India Food Park Private Limited and International Mega Food Park Limited and their stakeholders. In some cases, findings have been substantiated by information received from the other, non operational food parks namely Gujarat Agro Infrastructure Mega Food Park, Greentech Mega Food Park Limited and Paithan Mega Food Park Limited, among others. The selection of MFPs has been as per the discussion with the MOFPI in January 2015. The survey team has also visited some non-operational MFPs such as Himalayan Food Park Private Limited in Uttarakhand. A snapshot of the operational Mega Food Parks is given in Table 9.1.

Table 9.1: A Snap-shot of Operational Mega Food Parks

Particulars	Patanjali Food and Herbal Park Private Limited	Srini Food Park Private Limited	India Food Park Private Limited	International Mega Food Park Limited
Location of the MFP	Haridwar, Uttarakhand	Chittoor, Andhra Pradesh	Tumkur, Karnataka	Fazilka, Punjab
Operational Since	January 2010	July 2012	September 2014	December 2014
Date of the field/site visit	November 17, 2014	October 30, 2014	October 29, 2014	January 16, 2015
Date of receipt of filled in questionnaire	December 6, 2014	November 3, 2014	December 6, 2014	Filled during visit
Number of operational units during site visit	11	4	0	3
Was the CPC operational at the time of the field visit?	Yes	Yes	No	Yes
Business Model (as stated by the respondent during the field visit)	Captive units	Partially captive	Mostly captive	Mostly captive
DPR	Not received from the MOFPI			
Bank appraisal reports	Not received from MOFPI/PMA	Not received from MOFPI/PMA	Not received from MOFPI/PMA	Received from MFP promoters

Source: Compiled from the survey results

Field or on-sight visits to the four operational MFPs show that all of them have created state-of-the-art facilities. However, these food parks are new and most of these facilities were either under-utilized or were under construction. In the India Food Park Private Limited, at the time of the survey, the CPC was not functional as no processing activities were being undertaken. The MFP had allocated some space to prospective units, which include large, medium and small enterprises and they were mostly doing contract manufacturing for the Future Consumer Enterprise Limited (FCEL). However, the survey team could not meet any of them. Given this backdrop, this section tries to assess the physical and financial progress of the MFPs and their impact.

9.1 Suitability of the Technology/Equipment Used

The field visits show that in all the four operational MFPs technology/equipment meets the DPR requirements. Discussions during field visits confirmed that the SPVs have followed a fairly transparent procurement policy for getting the technology and equipment. The PMCs play a critical role in the technology and equipment selection process. They assist the SPVs in preparation of procurement policy, in inviting bid documents and in selecting the appropriate equipment supplier. Tenders for supply of equipment are published in local newspapers as well as on the websites of the respective MFPs. Once the tenders are received, they are matched with the technical specifications and generally, the bidder with the lowest quote is selected.

Figure 9.1: Picture of Milling Equipment used at the India Food Park in Tumkur

Based on the availability of the equipment domestically, the promoters of the MFP’s either import it or use locally manufactured equipment. Survey results show that a number of MFPs have imported their technology/equipment from different countries. For example, Patanjali Food and Herbal Park Private Limited has installed state of the art multi-fruit and vegetable processing line from Alfa Laval which is a Sweden-based global leader in food processing equipment They have also installed state of art Tetra-Pak and Volpak packaging plants, which have been imported from Sweden and Italy respectively.

Non- operational MFPs have also invested or were planning to invest in state-of-the- art technology and machinery. For example, Godavari Mega Aqua Park Private Limited plans to source their plant and machinery from European countries. Some of the new food parks have made field visits to Patanjali Food & Herbal Park Private Limited and Srini Food Park Private Limited before selecting their technology and equipment. Since the scheme has certain requirements related to technology/equipment all survey respondents tried to meet the requirements to get their installment payments.

Overall, the survey showed that MFPs knew about the technology and equipment that they need and none of the promoters faced any challenges related to selection of suitable technology or purchase of technology for the MFP.

9.2 Capacity Utilization

Table 9.2 summarizes some of the infrastructure facilities created by the MFPs *vis-a-vis* what was proposed. Some MFPs have created capacities beyond what has been proposed as shown in the Table 9.2.

Table 9.2: Capacity and Infrastructure Facilities Created by the MFPs

Current Status of Selected Technologies/ Equipments in Use	Patanjali Food and Herbal Park Private Limited		Srini Food Park Private Limited		India Food Park Private Limited		International Mega Food Park Limited	
	Proposed	Status during the survey	Proposed	Status during the survey	Proposed	Status during the survey	Proposed*	Status during the survey
Cold Storage (Metric Tonnes)	3000	3000	4 with capacity of 50 MT each	4 with capacity of 50 MT each	500	660	4000	4000
Individually Quick Frozen (MT/Hour)	Not filed	Not filled	1.5	1.5	1	1	2	2
Pack House - Washing, Sorting, Grading, packaging etc. (MT/Hour)	Not filled	Not filled	1.5	1.5	10	10	Yes	Not filled
Dry Warehouse (square meters)	2 (size not mentioned)	2 (size not mentioned)	10,000	10,000	13,500	14,800	3716	3716
Quality Assurance, Food Testing and Development lab (in numbers)	1	1	2	2	Yes (numbers not provided)	Yes (numbers not provided)	Yes	Under Construction
Boiler and Steam Generation (numbers)	Not filled	Not filled	2	2	1	1	1	1
Reefer Vans (in numbers)	3	3	1	1	5	0	Yes	Not filled
Ripening Chambers (in numbers)	Not filled	Not filled	11	11	9	9	Not proposed	-

Source: Survey Finding. *wherever the response is 'yes', the number or capacity is not mentioned in the DPR

Capacity utilization can be defined as the extent to which an enterprise or equipment actually uses its installed productive capacity. As discussed above, all the MFP have either created or are in the process of creating significant processing, storage and cold chain capacities (see Table 9.2). However, in all the parks the capacity was under-utilized at the time of the field visits.

When we asked the SPVs about why the capacity utilization is low, they pointed out that most of the food parks are new. They are still trying to attract farmers, manufacturers, retailers and other stakeholders. There are other central government schemes such as the MSE-CDP scheme where there is a separate grant for soft-intervention under the scheme. Independent agencies can apply under this scheme to organize marketing and promotional activities for clusters. However, in case of the MFP scheme, the Ministry organizes promotional events in different regions of the country to promote Mega Food Parks. The SPVs of the Mega Food Park are invited in these promotional events to make presentations before the prospective investors. If any of the SPV is willing to organize Investors meet to market their project, the assistance can also be made available to them under other schemes of the MOFPI. Yet, it was pointed out during the survey that the SPV finds it difficult to get units in the food park. Additionally, since the grant is linked to creation of infrastructure, that remains the core focus of the SPVs.

Another major reason for under-utilization of facilities such as cold storage facilities is the in-ability of the SPV to attract units to their respective MFP. In case of the CPC for processing of fruits and vegetable, the survey participants argued that fruits and vegetables are seasonal. Most of the common infrastructure and capacity at the time of the field visit was for captive use of the SPV. Some other observations from field visits are given below:

- **Patanjali Food and Herbal Park Private Limited** was one of the first MFP to get operational. It is the only MFP where more than 10 units (all captive) were found to be operational. According to the survey respondent the total utilization of common equipment and infrastructure was around 75 percent, which included CPC, dry warehouse and cold storage, among others. In order to have an optimal use of capacity Patanjali Food and Herbal Park Private Limited has installed multi-fruit and multi-vegetable processing line so that different fruits and vegetables can be processed depending on its seasons. The same capacity is used for multiple fruits and vegetables. This MFP has other units for manufacturing of products such as flour, spices and besan, which run throughout the year and these units use the common facilities such as warehouse throughout the year. We did not observe any other stakeholders, including farmers, using the facilities inside the park. The MFP has created a state-of-the-art R&D/ laboratory facility but it was not fully-operational during the field visit.

Figure 9.2: Biogas Plant at Patanjali Food and Herbal Food Park Limited

- **Srini Food Park Private Limited** had only 4 operational units in the MFP. During the field visit various fruits including mango, guava, papaya and tomato were being processed at the MFP. Some farmers pointed out that they are using facilities such as cold storage and ripening chambers. The promoters expressed that they encourage orders from outside companies for use of common facility (for example, cold storage), but priority is given to the units within the food park.

Figure 9.3: Processing Facility in the Srini Food Park Private Limited

- During our visit to the **India Food Park Private Limited** we found that there was no processing and none of the capacity created was utilized. However, the survey participants told us that the MFP has allocated 60,000 sq. ft. of standard factory sheds space to the prospective units who are likely to come to MFP.

Figure 9.4: A Paranomic View of the India Food Park Private Limited

- **International Mega Food Park Limited** was inaugurated in December 2014 and has three captive units, which are operational. Bank appraisal of International Mega Food Park Limited states 35% capacity utilization of IQF, cold storage/warehouse in the first year. It was observed that IQF facilities and cold storage facilities were used in the MFP to certain extent but still the utilization levels were found below as was projected in the bank appraisal. Promoters of the MFP have ventured into products such as frozen vegetables and dairy products which will be processed in the park. The cold storage facilities at the time of the survey were being used to store the frozen vegetables and ghee. Additionally, the survey team saw that cleaning, sorting, grading of *kinu* fruits was being done at the park for the famers and MFP units.

Figure 9.5: International Mega Food Park Limited

9.3 Value Addition and Reduction in Wastages

Value addition is defined as the process of taking a raw commodity and changing its form to produce a high quality end product. Value addition in the food processing sector is throughout the supply chain - from farm to fork. Value addition leads to reduction is wastage and an increase in ability of farmers to get a better price. It leads to creation of a new product which is of a higher value, is easier of store, and has a strong shelf life.

Global studies acknowledge that that agro-processing cluster leads to value addition and enables to link industries of a particular country with the domestic and global value chain by increasing their productivity and improving the quality of the products (for example, see United Nations

Industrial Development Organization (UNIDO), 2009). These studies also highlight how value addition can lead to creation of new products or better technology. For instance, Scotland's Food Cluster Programme added value to raw materials through branding, improved packaging and creation of new processed products (Regional Technology Strategies, 2003). In Malaysia, the palm oil clusters in Sabah and Serawak helped the entrepreneurs to venture into more value added palm oil products and achieve global competitiveness. [56] Studies also show that value addition differs across product categories and it depends on the technology used (Morisset and Kumar, 2011). None of the studies, however, mention about the extent of value addition.

The first guidelines (2009) of MFP scheme mention that one of the major objectives of the scheme has been to facilitate the implementation of 'Vision 2015', which envisaged an increase value addition from 20 percent to 35 percent by 2015. However, there are several schemes, which aim to support the 'Vision 2015' and there is no clear mention of what is precisely expected from the MFP scheme in terms of value addition. At the launch of the scheme there was no specific target for value addition or increase in the processing levels. Amongst the four operational MFPs, we have access only to the bank appraisal reports of International Mega Food Park Private Limited and in that, too, there is no specific mention about the expected value addition by the MFP.

This section tries to examine the extent of value addition or increase in processing level by MFPs and whether these parks have led to the reduction in wastages of the agricultural produce (sub-setion c and d of the TOR 7). The section is based on survey of famers, SPVs and units in mega food parks.

During the survey some farmers mentioned that MFP has led to value addition of around 20 percent in places like Chittor, which supply mangoes to Srini Mega Food Park. However, value addition varies across product categories and states. The farmers and SPVs also gave examples of how the value addition happens. After the MFP is created, farmers and 'aratiyas' (large farmers or middlemen who consolidates the product) can bring raw materials directly to the CPC. They do not have to go to several layers of middle-men and, therefore, they get a better price for the products.

[56] http://www.mpc.gov.my/mpc/images/file/RR2014/RURB%20Palm%20Oil%20Report/Chapter%202.pdf

Farmers associated with the Srini Food Park Private Limited, pointed out that the MFP pays the farmers for the pulp rate of mango instead of raw mango. Therefore farmers get a better price. Some of the MFPs also procure from across different states. For example, Patanjali Food & Herbal Park Private Limited procure Amla from Rajasthan which they then process into Amla juice and other products. This helps in providing value addition to not only the local raw materials but also to raw materials across multiple states.

Although all MFPs prefer to source from large farmers and 'aratiyas' (to maintain consistency of raw materials), these parks have also helped in reducing the system of multiple layer of the middle- men involved in the procurement of raw materials. The primary processing centres and collection centre have helped the farmers in sorting and grading of products. Many MFPs have created new brands and fresh products which is also a form of value addition. For example in International Mega Food Park Limited in Fazilka, Punjab, the promoters have ventured into new product brands consisting of frozen vegetables and dairy products. Similarly, Patanjali Food and Herbal Park Private Limited has also created a brand for retailing its product. It is also important to note that value addition can be increased if all components of the primary product including the waste materials are used not only within the food processing industry but also across other industries. For instance, while the pulp of the fruits can be used in food processing, the skin and the seeds can be used in cosmetic industries also agro-waste can be used to meet fuel shortages within the park. During the survey, it was found that some operational food parks are already re-cycling their wastes. For instance, Patanjali Food and Herbal Park Private Limited has put up a bio-gas power plant which utilises the agro-waste of the park to produce and supply power to the canteen being run inside the park. However, since other kinds of units such as cosmetic units cannot locate in mega food parks, often the SPVs just throw away the waste materials, which could have been used to create new products.

Figure 9.6: Current System of Waste Disposal in an Operational Mega Food Park

When we specifically asked if MFPs have lead to reduction in wastage, all stakeholders pointed out that Indian agricultural sector suffers from huge wastage due to fragmented and unorganised supply chain. They also said that it is difficult to get an exact estimate of wastage. This is confirmed by existing studies. While some studies give an estimate of aggregate wastage in agricultural produce, others give product-specific wastage estimates. For example, Chari and Raghavan, 2012 and Parfitt *et. al.* 2010 estimated the total wastage in agricultural produce to be around 25-30 percent. In a report prepared for MoFPI in 2014, YES Bank estimated the annual loss of fruits and vegetables at 18 percent, pulses and cereals at 6 percent, fish at 5.3 percent, poultry at 3.7 percent, meat at 2.3 percent and milk at 0.8 percent. Some studies estimate the wastage in value terms and not as a share of total produce. For example, Emerson Climate Technologies in a report in 2013 estimated the total wastage of fruits, vegetables and grains in India around $7.04 billion.

The MFP scheme guidelines mention reduction in wastage as one of the important objectives of the scheme. MFPs can lead to reduction of wastage through two channels:

- **Channel 1**: Reduction in agriculture wastage from farmers through increased sourcing from farmers; better storage facilities and providing common infrastructure facilities.

- **Channel 2**: Reduction in wastage resulting from the food processing through using the waste in other products or for making fuel or gas.

Considering that only two MFPs have been operational for more than 2-3 years (Patanjali and Food and Herbal Park Private Limited and Srini Food Park Private Limited) while the India Food Park Private Limited and International Mega Food Park Limited had been operational for less than six months at the time of the survey, the level of processing was low. It is therefore difficult to ascertain the overall extent of reduction in wastages by MFPs. However, survey respondents pointed out that MFPs are contributing towards reduction in agricultural wastage. Survey shows that Srini Food Park Private Limited has been successful in reducing the wastage levels through channel 1. The wastage of agriculture produce has gone from 40% (earlier levels) to 10% (current levels) for fruits such as mango, guava and papaya. Patanjali Food and Herbal Park Private Limited has contributed through reduction of wastage through Channel 2. As mentioned earlier the agro waste that is generated is used to generate biogas and that gas is used to generate electric power and they are running their canteen using that power. There is a further reduction in wastage by the means of innovating new products for consumption. For instance, in Patanjali Food and Herbal Park Limited, after processing the Amla (Myrobalan), the solid part is used for making innovative products like candies/*burfis/laddus* as per the tastes of Indian customers. This helps in using waste bi-products of the fruits and vegetable by adding value to them.

The survey participants also pointed out that much of the wastage is due to the lack of availability of outside zone infrastructure. MFP cannot address wastage resulting from poor quality of connecting infrastructure, inter-state border issues and regulatory barriers. Moreover, often Indian agricultural products are not of processable qualities. This may also lead to further wastage as food processors may not be able to accept products which are not of processable quality.

9.4 Direct and Indirect Employment Generation

This section examines the direct and indirect employment generation in operational MFPs (sub-section (e) of the ToR 7). Employment generation largely refers to new employment opportunities created by a facility and not simply engagement of more people, who were already employed. Further, indirect effects as defined by Krishna (1977) refer to macro effects external to, or occurring outside of the sector in which primary technical change takes place. Hence, in case of the Mega Food Park scheme it can said that direct employees are those working within the food park such as the food park employees while indirect employees are those that are external to the food park such as distributors and retailers engaged with the food park. As per the definition, these may or may not be new employment opportunities generated by the food park.

As per the scheme guidelines, Mega Food Parks Scheme is expected to generate significant direct and indirect employment. Each MFP is expected to create about 30,000 direct and indirect employments. Thus, if all the approved 42 MFPs are operational then it would lead to a generation of around 13 lakhs employment.

However, the survey revealed that the actual employment in the food park was far less. It was found during the survey that a) there is lack of clarity among the mega food park owners regarding indirect employment, b) most numbers received are estimates as opposed to actual as often records of farm-level engagements are not clearly maintained and c) numbers are seasonal and hence, fluctuating. It was further found during the survey that there is no set or defined pattern for recording employment numbers and therefore, different food parks record employment figures in different ways. While the details of direct, indirect, skilled and unskilled employment was asked to all the survey participants, very few food parks furnished the details in the desired format.

As of date, only four MFPs are operational. Out of these two MFPs (India Food Park Private Limited and International Mega Food Park Limited) have been less than a year ago and the remaining two (Patanjali Food and Herbal Park Private Limited and Srini Food Park Private Limited) are partially operational. Since these parks are new they have only recently started generating (direct) employment. Moreover, all of them only provided data on direct employment.

For instance, Patanjali Food & Herbal Park the total employment is divided in direct employment, contractual labour and indirect employment. According to the data, there are 1649 persons directly employed that include workers employed in the CPC, PPC, units and other activities undertaken within the food park. Further, there are 10337 contract labour (temporarily employed) and 6856 indirect employees of the food park. The indirect employees also include distributors and retailers that are associated with the park. Retailers are in the ratio of 1:40 of the distributors. In total, there are 18842 persons employed as on 13th May 2015. However, this number is subject to seasonal fluctuations.

In case of Srini Food Park Private Limited, employment generation is far less. In terms of direct employment, it was pointed out that as of May 19th, 2015 about 1025 persons where directly employed by the food park of which, 900 persons are unskilled and 125 are skilled. A majority of the skilled and unskilled individuals are employed with the developer and a small number at the units in MFP primarily because at present, very few units have started. It was further pointed out that about 300 individuals are employed indirectly.

As regards the India Food Park Private Limited, the peak-time employment was provided along with further bifurcation. It was pointed out during the survey that with full-fledged operations, 3700 people work in the mega food park at the peak-time. Of this, 20 percent of the people are directly employed and 80 percent indirect employment. In terms of the type of contract, about 25 percent are permanent and 75 percent are contractual employees. While this is the peak-time employment figures, as on 9th May, 2015, about 200 persons were employed with food park. The actual level of employment at this point therefore is quite low. At present, the mega food park is supplying to three large retailers namely Future Bazaar, KB Fair Price Stores and Nilgiri retailer. Since these retailers have been in operation since before the inception of the food park, the employment in these outlets cannot be attributed to the food park alone.

The International Mega Food Park is one of the most recent operational Mega Food Parks and the level of employment is one of the lowest. As of 16th January, 2015, around 120 persons were employed at the food park. Of this, about 50 were skilled and 70 were unskilled. A majority of the skilled and unskilled workers are employed in the units while the others are employed with the developer.

Patanjali Food and Herbal Park Private Limited, with around 11 functional units, is reported to generate the highest employment amongst all operational MFPs. As per the Annual Report (2013-14) of MOFPI, the total employment in registered food processing sector is almost 17.77 lakhs. Thus, the employment generated by the four operational MFPs is around 1% of the total employment as of May 2015.Though the present level of employment at the mega food parks is low, however, since the parks are only partially operational, the employment is expected to increase once the parks become fully operational.

Further, a large part of the employment created is for the local population in the area. It was pointed out that local employment is considered better as in some cases the food parks get land in remote areas and it is not possible to appoint workers from far off places as there are issues with accommodation. In such cases, local workforce is always preferred. However, while anecdotal evidence shows that a majority of the workers are youth and women, it is difficult to substantiate that with numbers. It was also pointed out that training is provided to the employees. An interesting case being Sikaria Mega Food Park Private Limited, where the local youth previously engaged in anti-social activities were trained and employed in the mega food park. However, this park has been cancelled. The survey further found that cancellation of projects had led to unemployment in some cases.

The above discussion shows that the present level of employment in the Mega Food Park does not really reflect the actual potential of the park. It is further highlighted that employment generation varies across the different parks that are at different stages of operationalisation and therefore, it is not possible to generalise for the entire scheme.

9.5 Level of Exports

This section examines the level of exports from the MFPs (sub-section (f) of TOR 7). India's share of export of processed food in the world trade for processed food is pretty low. It is only around 1.5 percent vis-à-vis 4.5 percent for Brazil and 10.5 percent for the US. The 'Vision 2015' document of MOFPI aims at increasing India's share in global food trade from 1.5 percent to 3 percent by the year 2015. The MFP scheme was conceptualized to fulfil the objectives given in the 'Vision 2015' document.

India's export of processed food was valued at Rs.31551.99 crores in 2013-14[57] which is around 2%[58] of the global trade in processed food. Thus the export targets of the 'Vision 2015' document may not be reached. Moreover, out of the country's total exports only a minuscule part is from MFPs. Amongst the four operational MFPs, only Patanjali Food and Herbal Park Private Limited and Srini Food Park Private Limited were exporting at the time of the survey. Survey data shows that Patanjali Food and Herbal Park Private Limited exported goods worth Rs.2.16 crores in 2012-13 which rose to Rs.2.96 crores in 2013-14. Its exports include food supplements, juices, and spices to various countries/regions such as UAE (United Arab Emirates), Middle East, Canada, the US and the UK. Srini Food Park Private Limited is exporting products such as frozen fruits, mango pulp, papaya and guava pulp to Middle East and some European countries. Srini Food Park Private Limited exported goods worth Rs.6.01 crores in 2012-13 which reduced to Rs.1.06 crores in 2013-14 (see Table 9.3).

Table 9.3: Exports from the MFPs

Particulars	Patanjali Food and Herbal Park Private Limited	Srini Food Park Private Limited
Exports 2012-13 (Rs. Crores)	2.16	6.01
Exports 2013-14 (Rs. Crores)	2.96	1.06
Growth in Exports (2013-14 over 2012-13)	37%	-82%

Source: Survey

The 'Vision 2015', document of MOFPI' suggests that for raising the exports of the agriculture and food products, there is a need to set up independent world class food testing and inspection infrastructure, particularly in clusters with significant presence of exporters. Also, the products have to be certified of international quality standards for them to be able to export. Survey results show that only Patanjali Food and Herbal Park Private Limited and Srini Food Park Private Limited have a partially operational *Quality Assurance, Food Testing and Product Development Laboratory* while such laboratory is under construction for the International Mega Food Park Limited. Out of the four operational MFP's, only Srini Food Park Private Limited has an

[57] http://apeda.gov.in/apedawebsite/six_head_product/PFV_OPF.htm
[58] World integrated Trade Solutions (WITS) database

Agricultural and Processed Food Products Export Development Authority (APEDA) certification[59], while India Food Park Private Limited is in the process of obtaining it.

9.6 Benefits to Farmers/Producers

This section examines the benefits to farmers/ producers from the MFP projects. It was found during the survey that the SPVs do not maintain official records of the farmers working with them. While most farmers are in the vicinity of the food park, there is no definite list with the food park owners. In such circumstance, several methods were adopted to approach the farmers. In some cases, the mega food park owners connected the survey team with the middleman who further connected the team with the farmers or village panchayat. In other cases, gram panchayat heads were identified and interviewed or the survey team. In some cases the survey team waited at the gate of the MFP to connect with the farmers. In all the cases, the procedure was time consuming and labour-intensive. It will, therefore, be helpful in the long run to have a database of farmers associated with the mega food parks, along with their contact details. At present, there is no mechanism for obtaining feedback from farmers.

Discussion with farmers, their associations and gram panchayat shows that farmers may be benefited in various ways with the establishment of a mega food park. These include a) stake hold in the farm itself, b) economic benefits that may accrue to the farmer viz. increased income and reduced wastages, c) access to technology and modern methods of production and d) improved social conditions.

It was found from the bank appraisal forms and interviews that some farmers and farmer's bodies have invested in the mega food park (See Table 9.4).

[59] The APEDA certification certifies the standard and specifications for the scheduled products for the purpose of exports.

Table 9.4: Farmers Investments and Background of the SPVs in Selected Mega Food Park

Name of Mega Food Park	Background of Promoters and Farmer Investment
Patanjali Food and Herbal Park Pvt Ltd	• Promoters are from health and wellness background
Srini Food Park Pvt Ltd	• Promoters are from diverse background including IT industry, general trading, food business, sugar and distillery etc.
India Food Park Pvt Ltd	• Promoters are from retail, food processing and infrastructure development background.
International Mega Food Park Ltd	• Mr. Sukhinder Singh comes from an agricultural family • One minority shareholder is Citrus Estate Tahliwala Jatta (Regd.) which is a farmer's organization to facilitate citrus farmers.
Godavari Mega Aqua Park Pvt Ltd	• Promoters are majorly from sea-food industry background, have own hatcheries and fish culture farms
Smart Agro Industries Corporation Pvt Ltd	• Promoters are from agriculture family but they have their experience in pharmaceutical industry, IT industry.
North East Mega Food Park Ltd	• There is no farmer/farmer body which has invested in the Mega Food Park. Promoters are from infrastructure development
Pristine Logistics & Infraprojects Pvt Ltd	• There is no farmer/farmer body which has invested in the Mega Food Park. Promoters are from infrastructure and logistics background
Gujarat Agro Infrastructure Mega Food Park	• There is no farmer/farmer body which has invested in the Mega Food Park. Promoters are from infrastructure development, warehousing, real estate and agriculture processing
Jharkhand Mega Food Park Pvt Ltd	• There is no farmer/farmer body which has invested in the Mega Food Park. • Promoters are from diverse background including shipping, trading, venture capitalist ,etc.
Indus Mega Food Park Pvt Ltd	• Ananda Aqua Exports is having its own hatcheries and grow-out farm of 50 hectares
Paithan Mega Food Park Ltd	• There is no farmer/farmer body which has invested in the Mega Food Park. • Promoters are from diverse background including infrastructure development, food processing, seed production etc.
Satara Mega Food Park Pvt Ltd	• There is no farmer/farmer body which has invested in the Mega Food Park. Promoters are from food processing background
Greentech Mega Food Park Pvt Ltd	• There is no farmer/farmer body which has invested in the Mega Food Park. Promoters are from food processing, power generation, transport and infrastructure development
Himalayan Food Park Pvt Ltd	• There is no farmer/farmer body which has invested in the Mega Food Park. Promoters are from food processing, real estate development, financial corporations
Jangipur Bengal Mega Food Park Ltd	• There is no farmer/farmer body which has invested in the Mega Food Park. Promoters includes • West Bengal State Food Processing and Horticulture Dev. Corp., bidi manufacturers, etc.

Source: Survey and Bank Appraisal forms

International studies have shown that food processing or agro-processing clusters enable the farmers to access the value chain, receive crucial market related information, and access higher technology and produce higher value-added products (see FAO, 2010; UNIDO 2001; Kumar *et al*, 2011; Parwez, 2013). Most of these studies have adopted a case study approach. The Mega Food Park scheme aims to benefit the farmers through increase in their income by reducing wastage and by value adding to their produce through processing. An expected outcome of the MFP scheme is an increase realization to the farmers through establishment of a strong food processing industry backed by an efficient supply chain. The 17 new MFP, which have been recently sanctioned, when fully functional, is expected to benefit about 5 lakh farmers directly and indirectly.[60]

It was found during the survey that all mega food parks directly engage with the farmers. For instance, there are 11080 farmers associated with Patanjali Food and Herbal Park Private Limited Patanjali's engagement with farmers is the largest as it had previously established operations in the sector. As of March 2015, India Food Park Private Limited engaged around 800 farmers though it was pointed out that the food park has a potential to engage 135,000 farmers directly and indirectly, once it is fully operational. Similarly, Srini Food Park Private Limited directly engaged 250 farmers and another 250-300 farmers were indirectly engaged with the food park. International Mega Food Park Limited engaged 300 marginal farmers to supply peas, corn, cauliflower and other vegetables. The food park also links certain dairy farmers for supply of milk. In a majority of the cases food parks organise training workshops for the farmers and contribute to capacity building.

Figure 9.7: Training Workshop for Farmers Engaged with the Food Park

[60] http://www.tribuneindia.com/news/nation/punjab-haryana-get-mega-food-parks/58218.html

During the field visits, the survey team was connected to famers who were associated with Srini Mega Food Park Private Limited and International Mega Food Park Limited. Patanjali Food and Herbal Park Private Limited did not connect the survey team to the farmers but the survey team interviewed some farmers who were outside the gate of the food park. In the case of the India Food Park Private Limited the respondent said that they had signed Memorandum of Understanding (MOUs) with the farmers. However, the food park did not share the names of the farmers and neither the farmers in the vicinity said that they had signed any MOUs.

The survey found that SPVs prefer entering in MOUs with middle-men or *arathiyas* who are often farmers with large land holdings. These farmers with large land holding in turn enter into contractual obligations with smaller farmers. International Mega Food Park Limited has tied up with marginal farmers to supply them vegetables like peas, corn, carrot and cauliflower, among others. Farmers from Rajasthan come to Patanjali Food and Herbal Park Private Limited with their produce. At the factory gate the produce is checked for quality. If the quality is good the farmers get a high price. If the quality is not good or does not meet processable standards they do not get the price. Since they travel from a long distance and they do not have the proper storage system they then sell the product at whatever price the food park offers.

The SPV prefer to do MOUs rather than contracts even in states where Agricultural Produce Market Committee (APMC) Act allows direct contract with farmers. Agriculture is a sensitive sector in India and is subject to monsoon and other crop related problem. Under those circumstances a contractual obligation would give the park negative publicity. The SPVs submit the MOUs to the MOFPI. Srini Food Park Private Limited has appointed a person who was formally associated with ITC Limited's agri-business division to enter into contract and new product development with farmers. All the farmers that were interviewed were mid-sized to large farmers. The farmers helped us to meet their agricultural workers. The agricultural workers pointed out that MFP may have helped to reduce wastage but there is no increase in their income.

All the approved and operational MFPs were asked to give reasons for the gap between the numbers of farmers that has been proposed to benefit from the project *vis-a-vis* those that are actually associated with the project. The top five answers given by the SPVs are as follows:

- MFPs are not fully functional
- There are several political issues in entering into contract with farmers.
- The scheme gives preference to projects which are able to mention how many farmers will benefit. SPVs sometimes work with Panchayats to get farmers to sign in to meet the scheme condition.
- There are technical and regulatory issues of getting into contractual obligations with a large number of farmers
- The raw materials are not of similar quality or processable quality if sourced from a large number of farmers.

Given this background, the famers that were interviewed were asked to specifically say how they have benefited from the MFPS. Most of the respondents said that they have benefited from the MFPs. They also gave examples to illustrate their cases, which are discussed below:

a) Estimated increase in farm gate price

MFPs have helped in increasing the farm gate price for the farmers. For example, Srini Food Park Private Limited in Andhra Pradesh buys fruit pulps from local farmers at a fixed pulp rate, which is higher than the market rate. The fixed price also protects the farmers from price fluctuations in the local market. However, this is possible since the Srini Food Park Private Limited sources directly from the farmers and there are no traders or dealers in the middle. Survey results show that the MFP scheme has been helpful in reducing the multiple layers of the middle-men thus providing higher realizations to the farmers and better quality raw materials to the consumers. Some MFPs such as Patanjali Food and Herbal Park Private Limited sometimes pre-fix the price of the raw materials that they procure from the farmers, hence giving the farmers also the power to bargain and saving them from price fluctuations.

b) Estimated reduction in wastage

Farmers in India suffer from poor productivity, poor access to technology and market, lack of quality inputs such as seeds and fertilizers, lack of storage and supply chain facilities and lack of finance (Ministry of Agriculture, 2013). A number of studies have also shown that the Indian agricultural products are not of processable quality (Mukherjee, *et. al.* 2013). The MFP scheme by providing farm related infrastructure has addressed some of these concerns. For example, farmers can use the PPCs for sorting and grading and the cold storages for storing their products increasing the shelf life and reducing wastage. However, the SPVs and farmers pointed out that there are other issues such as lack of irrigation facilities, erratic power supply in cold storage and poor quality of road transportation that go beyond the scope of the scheme these cause the maximum wastages. Nevertheless, farmers pointed out that MFPs have helped to reduce agricultural wastage. Survey shows that Srini Food Park Private Limited has been successful in reducing the wastage levels from 40 percent to 10 percent for fruits such as mango, guava and papaya at the time of the survey.

c) Technology and knowledge transfer to the production practices at field level

Another positive impact of the SPV can be through provision of farm-related information and training to the farmers to increase productivity and diversify into other crops that are in demand. The Srini Food Park Private Limited is training the farmers to develop new farm products such as "basil". The SPV has imported seeds from Europe which it has distributed among some famers – these are demo farms. The SPV also plans to train the farmers in oregano, thyme and coriander cultivation. Srini Food Park Private Limited is also helping farmers by introducing modern technology in harvesting at the farm level. The primary SPV member is an information technology expert and he is using his skill to help the farmers. The farmers were very happy with the new products and knowledge transfer. One of the farmers pointed out such projects should not face financial difficulties and MOFPI should support project, which are like Srini Food Park Private Limited.

Figure 9.8: Mango and Basil Farms in Chittor, Andhra Pradesh

Patanjali Food and Herbal Park Private Limited is also helping farmers through its *Mobile Soil Testing Laboratory* wherein they test the soil and their scientists educate farmers regarding manure and fertilizers to be used for better produce. International Mega Food Park Limited. is supplying seedlings to the farmers free of cost.

During the survey the farmers also pointed out that the MFP scheme operates on a rental model for use of storage, cold chain etc. Sometimes these rents are high and they cannot afford it.

9.7 Impact on Traders, Retailers, Consumers and Other Stakeholders

Creation of an efficient agro-supply chain is one of the core objectives of the MFP scheme. There are several stakeholders in the agro-supply chain. This section focuses on the impact of the MFP scheme on different stakeholders such as traders, retailers, manufacturers and consumers. The section is based on primary interactions with traders and retailers associated with Patanjali Food and Herbal Park Private Limited, Srini Food Park Private Limited and International Mega Food Park Limited. The lead promoter of India Food Park Private Limited is one of India's renowned corporate retailers. The owners of Patanjali Food and Herbal Park Private Limited have ventured into retailing and the owners of Srini Food Park Private Limited are planning to venture into own food brands. Thus, the creation of food parks has led to horizontal business expansion.

a. ***Impact on wholesalers/traders and retailers:***

Large corporate retailers and small retailers were asked if they have benefited from the operational MFPs. The survey found that while in some cases the traders and retailers have benefitted, these are few in numbers. For example, some traders and retailers source products from Patanjali Food and Herbal Park Private Limited. They mentioned that their product range has increase and there is a demand for products produced in this MFP. However, these traders and retailers are selling not only processes food products but also other medicinal products produced by the brand. All the traders that were interviewed were associated with the “Patanjali” brand for more than 5 years, much before the MFP got operational.

Mixed response was observed from the traders and retailers associated with brands of International Mega Food Park Limited. Some traders and retailers mentioned that there has been an increase in their profit levels as a result of higher margins on offer by the brand while some mentioned that it has not really impacted them. Some of the traders of *Acres Fresh*, the frozen vegetables brand of International Mega Food Park Limited, pointed out that they are using the cold storage facility of the Mega Food Park to store frozen vegetables and it was a direct benefit being accrued by them. On the contrary, some traders of *Novello* brand complained of erratic supplies of the product. During the survey, we found that the promoters of International Mega Food Park Limited have recently appointed channel partners to carry their new products to the market and resolve supply related issues. It is also important to note that although International Mega Food Park Limited was inaugurated this year but its dairy plant and frozen vegetables facility had started functioning even before the inauguration. The traders and retailers also said that since they were the brands *Acres Fresh* and *Novello* for only around 6-18 months it would take time for them to realize the positive impacts.

Large corporate retailers pointed that Future Consumer Enterprise Limited has received grant from the MOFPI to set up facilities, which will be primarily captive. This put them at a competitive disadvantage. Moreover, large retailers need around 25 acres of land to establish their processing and collection centres. None of the MFPs are able to meet their requirements. They also pointed out that MFPs are at remote locations from which it is difficult to draw supply chains. Distributors and wholesalers also complained about the locations of some MFPs. Small retailers in the catchment area were also not aware of MFPs. They mostly sourced through wholesalers and distributors.

b. ***Impact on Manufacturers***

Large manufacturers such as PepsiCo India, Cadbury India or Kellogg's India need large areas of land - normally more than 25 -30 acres to build factories. This land should be at a good location having right connectivity and support infrastructure. Hence, they prefer to locate in clusters such as Sri City in Andhra Pradesh which offer them better facilities and more flexibilities then MFPs in the same state. Moreover, as per the MFP scheme guidelines each MFP will have around 30-35 units in 50-100 acres of land leading to an average of around 1.5 to 3.5 acre per unit. While some units can be small and some large, there is a strong preference for multiple units which reduced economies of scale. This can be further illustrated by the PepsiCo India case. When PepsiCo India was looking for a suitable cluster to set-up its new manufacturing facility in Andhra Pradesh they could not get the required size of land in Srini Food Park Private Limited due to constraints related to proposed number of units & land size per unit in the DPR. PepsiCo India finally decided to set-up its largest manufacturing facility in India in about 80 acres in Sri City Private Limited, which is around 200 kilometers from Srini Food Park Private Limited in the same state. Other factors such as infrastructure, support facilities, connectivity with logistics hubs are also better in Sri City Private Limited compared to Srini Food Park Private Limited according to most global manufacturers who have established presence in the former.

Small and medium sized manufacturers argued that the MFP scheme does not offer any incentives to them to locate in the MFPs. Moreover, they cannot own land and have to lease it.

However, the units located in the MFPs have said that they have benefited from the MFP as it offer state-of-the-art infrastructure. These are all new units and therefore the MFPs have lead to creation of additional manufacturing facilities.

c. Impact on consumers:

The MFP scheme is a demand driven scheme. In India the demand for processed food is low and if consumer demand is not generated most stakeholders felt that MFPS will be under-utilized. It is difficult to assess the impact of four operational MFPs on consumers. However, the survey showed that consumers were aware of brands such as "Patanjali" and are willing to try out new products manufactured in the MFPs. Overall, the impact is positive as consumers now have access to more brands and products.

9.8 Overall Socio-Economic Impact

Overall, socio-economic impact on the catchment area is highly positive for MFPs such as Patanjali Food and Herbal Park Private Limited which has led the growth and development of the nearby area. It has provided employment to local residents near their home. As a result, living standards of the residents in the area has improved. Respondents from Patanjali Food and Herbal Park also pointed out that many residential plots have been created nearby and hospitals have been constructed as a result of MFP becoming operational. Condition of roads has improved and new roads have been constructed. The survey found that since the MFPs are new it will take around 5-10 years to understand their impact on local catchment area.

9.9 Business Model of the Projects

In the Mega Food Park Scheme, the entire infrastructure created in the MFPs is either leased or rented to users. Out of the 4 operational Mega Food Parks, only Srini Food Park Private Limited has rented out land to entrepreneurs on rental basis. It is, therefore, difficult to estimate the percentage of goods handled in rental model by the Mega Food Parks. As mentioned earlier, all the units operational in Patanjali Food and Herbal Park Private Limited and International Mega Food Park Limited are captive, while there was no unit operational in India Food Park Private Limited during our visit to the MFP.

During the survey of Patanjali Food and Herbal Park Private Limited, respondents pointed out that there are around 22,000 square meters of space that is remaining and this can be allotted to non-captive entrepreneurs. The MFP charges Rs.275 per square meters per annum as the lease rental for industrial plots. India Food Park Limited had only three units at the time of the survey, which were captive. The survey respondents pointed out that plots were available for Rs.8 per square feet (developed plots). During our visit, no unit was operational in the India Food Park Private Limited. The developed leasable plots were available at rate of Rs.120/- per square meter per annum, for a minimum lock-in period of 33 years (total Rs.1.6 crores for 33 years). The lessees have an option of paying the premium upfront for a discounted one time price of Rs.1.5 crores for 33 years. Apart from leasable plots, there are standard factory sheds also which are available at Rs.20 per square feet per month with a minimum lock in period of 9 years (For details see Box 9.1). Srini Food Park Private Limited provided land to units on a long-term lease (generally 99 years) and the lease rate was in the range of Rs.40 lakhs per acre.

Box 9.1: Sources of Income for a Mega Food Park: The Case of India Food Park Private Limited (Tumkur)

While building a Mega Food Park entails high cost, there are also high returns as pointed out during the survey. The SPV recovers costs from several sources of incomes including hiring of plots, standard design factory (SDF) sheds, user charges under CPCs, warehouses and weighbridge, among others. In one of the food parks, the developed leasable plots are available at rate of Rs 120/- per sqm per annum, for a minimum lock-in period of 33 years (Total Rs 1.6 crores for 33 years). The lessees have an option of paying the premium upfront for a discounted one time price of Rs 1.5 crores for 33 years. The ready to move-in SDF sheds are chargeable at Rs 20/ sqft/ month with a total area under SDF being 72000 sq. ft. The minimum lock-in period is 9 years It is likely that the rate will be revised every year at 5%. There are several other chargeable facilities some of which are bulleted below -:

• Freezer Rooms	: Rs. 2500/ palette/ month
• Cold Rooms	: Rs. 2050/ palette/ month
• Straight line IQF	: Rs 8/ kg of output
• Spiral freezer for RTE	: Rs 8/ kg of output
• Grading and Sorting of F&V	: Rs 1/ kg of input
• Pulping Line (rates per kg of output basis)	
– Mango Pulping	: Rs 10/ kg
– Mango concentrate	: Rs 14/ kg
– Tomato paste	: Rs 18/ kg
– Tamarind paste	: Rs 14/kg
– Papaya Pulp	: Rs 10/kg
– Guava Pulp	: Rs 10/ kg
• Mango ripening chamber	: Rs 1.8/ kg
• Banana ripening chamber	: Rs 1.5/ kg
• Silos:	
– Large silos(5000 MT)	: Rs 5.5 Lakh/ silo/ month (minimum storage capacity is 1 silo)
– Small Silos (2500 MT)	: Rs 2.75 Lakh/ silo/ month
• Raw material Warehouse storage in bulk space	: Rs 16/ sqft/ month (includes loading, unloading)
• Finished goods warehouse storage in palettes	: Rs 172/ palette/ month
• Weigh bridge	: Rs 35/ weighment
• CETP plant	: Rs 25/kilo liter of input volume

Source: Survey

Apart from the leasable plots and standard factory sheds, there are common facilities such as testing laboratory, dry warehouses, specialized storage facilities, cold storage including controlled atmosphere chambers for which the SPV charges rentals. Units in the MFPs and those outside and farmers, wholesalers and other stakeholders can use these facilities. The SPVs were not willing to share the rental income from these sources.

Overall, the survey found that since most of the facilities is either captive or are under-utilized, the amount of goods handled in rental model is low. The SPVs were not willing to share the percentage and since the processing of fruits and vegetable is seasonal it is difficult to estimate the percentage through a single field visit. All SPVs said that this is a low return project and it will take them time to breakeven.

9.10 Commercial/Financial Viability of the Projects

As shown in Table 9.5 only International Mega Food Park Limited shared bank appraisal report. Since it was only inaugurated in December 2014 it cannot be analyzed at the time of the survey under the above parameters. For the rest the survey team requested the MOFPI to give the bank appraisal reports but the MOFPI asked ICRIER to contact PMAs directly. In spite of several e-mail communications between ICRIER and PMA in which the MOFPI was copied this information was not provided. MFPs have provided certain details in the filled in questionnaire, which is given in Table 9.5. However, ICRIER has been unable to verify the authenticity of this information.

Table 9.5: Key Financial Indicators of MFPs

Parameter	Patanjali Food and Herbal Park Private Limited		Srini Food Park Private Limited	
	FY 2012-13	FY 2013-14	FY 2012-13	FY 2013-14
Annual Turnover (Rs. Lakhs)	1,270	1,174	2,089	3,100
Net Profit/Loss (Rs. Lakhs)	303	334	(498.78)	(222.61)
Net Profit Projected in Bank Appraisal / Bank Term Loan Sanction Letter* (Rs. Lakhs)	Not available		451	588
Industrial Plots Occupancy (%)	75	75	3	13
CPC Capacity Utilization (%)	75	75	50	75

* Term loan sanction letter for Srini Food Park Private Limited was shared by the Ministry and MFP financials were shared by Srini Food Park Private Limited.

Chapter 10 : Hub and Spoke Model and Infrastructure Development

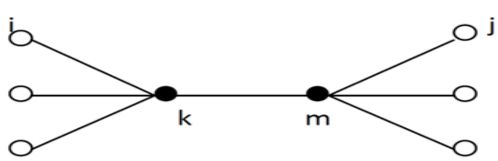
TOR 8: Assessment of implementation structure with regard to Hub and Spoke model and developing PPCs as farm proximate infrastructure and assessment regarding establishment of forward linkages for the project.

The Mega Food Park scheme envisaged the MFPs to be built as a hub and spoke model wherein the central processing centre is connected with primary processing centers and collection centers.[61] This chapter assesses the implementation structure of the MFP with regard to the hub and spoke model; reasons for delay in forming backward and forward linkages by the SPV; developing PPCs as a farm proximate infrastructure (TOR 8) and the effectiveness of primary processing practices at primary processing centres (PPCs) in value additions. To assess this, first we need to understand what a hub and spoke model is, which is explained in the section below.

10.1 What is a Hub and Spoke Model?

The hub-and-spoke-system has been a successful strategy, which provides efficiency and reduces costs of transportation. Hub networks lead to an agglomeration of transportation flows and thus promote economies of scale. A hub is centrally located within many propagating spokes; hence it can be a suitable place to gather materials and later redistribute (O'Kelly 1998). Thus, the hub-and-spoke system is a many-to-many distribution system consisting of many origins and many destinations, as well as a number of transshipment facilities (Wongsak 2011; O'Kelly 1998). In this system the collection and distribution points are defined as "hubs", and the linkages connecting the origin/destination nodes with the hubs and connecting between hubs together are defined as "spokes". Instead of an original point connecting with a destination, a flow travels via one or two hubs (See Figure 10.1).

Figure 10.1: Diagram of a Hub and Spoke model



[61] http://pib.nic.in/newsite/erelease.aspx?relid=93270 (last accessed on April 13, 2015)

For MFP model, i= collection centre, k= PPC, m= CPC, j= exporter/ retailer/wholesaler
Source: Wongsak (2011), Page 13, Figure 2.2

As regards the food processing sector, farmers critically need opportunities to operate over the production to consumption chain. This obviously requires an efficient delivery of agri-inputs as factor of production, access to markets, credit and information, which are the key to input-use efficiency and the hub and spoke model can play an instrumental role in this regard.

Considering the importance of the hub and spoke model, the MFP scheme was built on this concept of hub and spoke. It is however, a two stage hub and spoke model. As per the MFP scheme, there are food processing units and a CPC with need based common infrastructure required for processing, packaging, environmental protection systems, quality control labs, trade facilitation centers, etc. The CPC would be supported by PPC and CCs in identified locations adequate to meet the raw material requirements of the CPC (see Figure 3.1 in Chapter 3). In the MFP model, the PPCs and CPCs are the two hubs which are connected to each other.

10.2 Effectiveness of the Primary Processing Practices in PPCs

The PPCs are a hub where all the raw material from the various collection centers comes for cleaning, sorting, grading. After this, the raw material from all PPCs goes to the CPC which is the dominant hub for processing. PPCs can be a source of value addition similar to the CPCs. For example, for a MFP which manufactures fruit juice, it requires both PPC and a CPC for the manufacturing process. But, for an MFP which wants to retail or export cut, sort and packaged fruits and vegetables or frozen meat, there is actually no requirement for a CPC and the PPC would be sufficient infrastructure for it. However, the value addition of the PPCs totally depends on the usability of the PPCs.

Even though the guidelines of the MFP do not mention the number of PPCs to be set up by each MFP, the criteria for the evaluation of the proposals and disbursement of grants is linked to the construction of PPCs. The as- is status of the PPCs in the various MFPs based on the survey data, banks appraisal reports and a field visits of the MFPs is listed in the Table 10.1 and the reasons for the delay have been mentioned in the points below:

Table 10.1: Status of existing linkages of MFPs

Name of MFP	MFP Status	PPC Status		
		Proposed	*Constructed*	*Operational*
Patanjali Food and Herbal Park Private Limited	Operational	5	6	0
Srini Food Park Private Limited	Operational	4	4	4
India Food Park Private Limited	Operational	6	0	0
International Mega Food Park Limited	Operational	4	4(Under Construction)	0
Jangipur Bengal Mega Food Park Limited	Under Construction	6	0	0
North East Mega Food Park Limited	Under Construction	3	1	0
Indus Best Mega Food Park Private Limited	Under Construction	4	4 (Under construction)	0
Jharkhand Mega Food Park Private Limited	Under Construction	6	2	0
Paithan Mega Food Park Private Limited	Under Construction	5	0	0
Godavari Mega Aqua Park Private Limited	Under Construction	6	0	0
Satara Mega Food Park Private Limited	Under Construction	4	0	0
Sikaria Mega Food Park Private Limited	Under Construction	5	0	0
Himalayan Food Park Private Limited	Under Construction	3	0	0
Greentech Mega Aqua Park Private Limited	Under Construction	4	0	0
Gujarat Agro Infrastructure Food Park	Final Approval	2	0	0
Pristine Logistics and Infraprojects Private Limited	Final Approval	6	0	0

As shown in the table, only one MFP has an operational PPC. There were several reasons cited for poor performance in terms of PPCs.

- Patanjali Food and Herbal Park Private Limited proposed setting up of 5 PPCs but had actually set up 6 PPCs and 5 collection centers. It was pointed out that none of the PPCs were operational as they catered to fruits which are seasonal and one was closed due to payment issues by the party it was outsourced to.

- While all the PPCs in the case of Srini Food Park Private Limited are operational, they did not propose or set up any collection centers.
- Jangipur Bengal Mega Food Park Limited has proposed six PPC on a hire basis, of which they hired two PPCs while remaining is under negotiations.
- North East Mega Food Park Limited had proposed 6 PPCs in their initial DPR, which was later revised to three PPCs. As of now, only one PPC has been constructed, one is under construction and one is facing land conversion issues.
- Sikaria Mega Food Park Private Limited has planned five PPCs. Land for all PPCs have been procured but construction is yet to begin on any PPC.
- Jharkhand Mega Food Park Private Limited pointed out that cancellation of land for PPCs by State Industrial Area Development Authority and difficulty in purchasing land in tribal area have been the major reasons for non- construction of the remaining PPCs.

Even though the MFPs have set up PPCs, none of them showed the PPCs to the survey team during the visits citing reasons such as PPCs are far off or they would like the survey team to come back for the PPC visit, which was difficult given the project time and budget. Some of them raised concerns that PPCs are not utilized at the time of the survey since the fruits that it caters to are seasonal. Moreover, none of the operational MFPs had completely received the grant amount and most of them mentioned that this was because the PPCs and collection centres are yet to be operational. The survey found some other issues related to the PPCs, which are discussed below.

1. **Location of the PPCs**: Most of the PPCs that have been planned or set up by the MFPs are located near to the Core Processing Center within a maximum radius of 250- 300 kilometers. However, some MFPs source the raw materials from states other than where the MFP is located. The DPRs are largely written by external consultants. The consultants generally mention the location of the PPC based on their knowledge of the availability of the raw materials. There is no feasibility study for the PPCs. Sometimes

PPCs are proposed at close proximity by different SPVs which lead to over creation of infrastructure at certain places for certain products (for example mangoes in Tumkur) while in other places there is hardly any infrastructure (for example, if Patanjali Food and Herbal Park Private Limited is sourcing amla from Rajasthan its PPCs should be in Rajasthan).

2. **Multiplicity of infrastructure under the various schemes:** There are other schemes under MOFPI such as National Horticulture Mission, Scheme for cold chain etc. that require creation of infrastructure facilities and some of them provide grants for the same. Some survey participants pointed out that they are using the PPCs which were created under National Horticulture Mission (NHM). So instead of setting up a new PPC under the MFP scheme; they were using the existing infrastructure. Moreover, if multiple infrastructure facilities are near close proximity of the MFP, they should be used by the SPVs of the MFP. States such as West Bengal have their own schemes for creation of infrastructure facilities. These can be used by the SPVs, but the present MFP scheme requires them to create new infrastructure. SPVs will create the infrastructure to meet the scheme requirement and get their grant amount, but there are concerns expressed that they may not be able to run them profitably and, therefore, these may not be operational in the future.

3. **PPCs as criteria for evaluation of proposals**: Under the MFP scheme, during the evaluation of proposals, more marks are allotted to the proposals with higher investment in PPCs as a percentage of total eligible project cost. Due to this criterion, a number of proposals propose setting up PPCs even when they are not required or there is similar infrastructure in close proximity. While evaluating the proposals some respondents pointed out that the ministry should also evaluate the location of the PPCs with respect to the MFP in which the state government can play an instrumental role. The location of the PPCs should be decided based on the requirement and need of a PPC in that area. There should have a mapping of the existing infrastructure under central and state policies and schemes for different product categories, which will enable them to understand the requirements. Since it is likely that the SPVs will create the PPCs towards the end, based

on the requirements of the products that they will process and the units that they will attract, the SPV should be given the flexibility to decide the location.

4. **Different infrastructure is required for different raw materials**: Food processing industry requires different type of raw materials. Each raw material has a different type of processing requirement. Depending on the processing requirement, each raw material needs different type of infrastructure thus making seasonality and sustainability another major issue for the PPC (as well as the CPC). Sometimes the ripening chamber may have to be in close proximity to major metros to reduce wastage.

5. **Economic viability of the PPCs**: MFP is a privately built cluster where the entire infrastructure created is either leased or rented out to the users. One of the major factors in determining the rent of any infrastructure is its cost of installation. The survey found that in order to create world class facilities, all the food parks have imported machineries from abroad which are expensive. Hence the rent or the lease amount for these facilities is also expected to be high. In some cases small and medium food processors said that they will not be able to afford these facilities. In case of PPCs, their economic viability also depends on the rental that they charge. Even if the PPC has a state of the art infrastructure the users may not be willing or may not have the ability to pay a high rental. The survey found that farmers usually opt for the facilities with lower rental. This, in turn, leads to the low usability of the PPC. Moreover, the famers in certain district have a wide range of choice. Some farmers in Andhra Pradesh and Karnataka pointed out that they prefer to bring the product directly to the gate of the food parks rather than taking it to the PPC. If they bring their products to MFPs like Srini Food Park Private Limited, they get the pulp rate. Economic viability also depends on the cost and availability of infrastructure where the PPC is located. For example, if there is no power the SPV has to provide back up in each PPC which is not economically viable. In some cases PPCs do not have proper link roads.

6. **Connectivity of the PPCs**: Good connectivity of the PPCs with the CPC is essential to reduce wastage of the processed products. If the PPC is in remote location, then the transportation of the raw material to the CPC might take time and lead to wastage if the

connectivity is not good. Also, if the PPC is in remote location, electricity supply might be a problem.

10.3 Assessment of Forward Linkages in the Mega Food Park

Forward linkages are a crucial part of the food processing industry. In the context of the MFP, forward linkages imply to the processed goods from the CPC reaching the consumers. If there is no demand/market for processed food, businesses will not invest in this sector or even if they are attracted to the grant based schemes they will not be able to make profits. Establishing forward linkages may require investment in brand development, product marketing and advertising holder in the MFP from the SPVs. The MFP scheme has a provision for the SPVs to invest in these activities but does not give substantial weight to it during the evaluation of the proposals.

An analysis of the scheme guidelines show that while the scheme is skewed in favour of creation of backward linkage, it does not give as much importance to the creation of forward linkage. For example, the revised guidelines (dated 10th February, 2014), have certain criteria for assessment/ evaluation of EoIs/ proposals. The list includes creation of backward infrastructure such as collection centers and PPCs near the farms as one of the criteria. However, there is no such criterion or assessment for the creation of forward linking or post-production inventory infrastructure for the MFP near the market. The guidelines do not mention any criterion on creation of forward linkage infrastructure for the release of grant installments.

Out of the four operational MFPs, all the four have set up forward linkages through either form supplying to a retail brand, creating its own brand, exporting the product, etc. For example, in Patanjali Food and Herbal Park Private Limited, promoters have set-up complete distribution channel involving channel partners, retail outlets, transportation facilities, storage facilities, etc. so as to ensure end product reached final consumer. Srini Food Park Private Limited has also established forward linkages to supply to retailers like Reliance Fresh and Walmart in domestic market and has also taken APEDA certification for exports. Transportation facilities are also being offered by the Srini Food Park Private Limited promoters which are being availed by units located there.

While the forward linkages cater to the demand aspect, the backward linkages ensure the supply side of this process. In case of no forward linkages (that is, no demand), it will lead to a supply glut leading to losses of the producers and the production process will stop. Hence, the stakeholders in the backward linkages (farmers) can only benefit if there is enough demand.

10.4: Suggestions for Modifications with respect to PPCs and Forward Linkages

Based on the survey and evaluation of the questionnaire and bank appraisal reports, the following modifications in the structure of the scheme have been suggested.

10.4.1 Suggestions related to PPCs

1. **Reconsidering establishment of PPCs as a criterion of approval:** During the survey, some respondents mentioned that the ministry could also review the criterion of investment in PPCs during the evaluation of proposals since a lot of proposals propose the establishment of PPCs for seeking approvals, even when there is no requirement or a PPC already exists in that area. This leads to over-creation and under-utilization of infrastructure making it economically unviable.

2. **Evaluation of location of PPCs:** While evaluating the proposals, the ministry should also evaluate the location of the PPCs with respect to the MFP in which the state government can play an instrumental role. The location of the PPCs should be decided based on the requirement and need of a PPC in that area. There should be a mapping of the existing infrastructure under central and state policies and schemes for different product categories which will enable to understand the requirements.

3. **Streamlining the process of change in number of PPCs to be set up:** Survey respondents pointed out that if they want to make any changes to the number of PPCs proposed in the DPR they have to follow a lengthy procedure. The request has to go to the ministry and to the bank for the approval. There is often a delay at the end of the ministry for granting approvals on these which, delays the whole process.

4. **Flexible model for PPC and CPC establishment:** There might be certain cases in which the MFP is involved in very basic type of processing. In such cases the CPC can be done away with and only the PPC establishment would be sufficient. Thus, there is a need to design a flexible model which can be used for multiple purposes and gives the

SPV the flexibility to decide what they think is best to reduce wastage and increase shelf-life; then only the MFP scheme will be economically viable.

10.4.2 Suggestions related to Forward Linkages

- **Greater weight to forward linkages during proposal evaluation**: As explained above, while the MFP scheme has a provision for the forward linkage infrastructure, there are no criteria for evaluating the establishment of the forward linkage infrastructure during the evaluation of proposals like the backward linkage infrastructure. Putting establishment of forward linkage infrastructure as a criterion for giving approval to projects and disbursal of grants (similar to the PPCs) may result in the mandatory creation of the forward linking infrastructure. Moreover, certain component of grant should be allocated to creating forward linkages such as marketing of products and brands developed in the MFP.

- **Proximity of the MFP with the market**: During the survey, several respondents pointed out that in many cases poor road conditions or lack of storage infrastructure at ports and airports often lead to wastage of processed products. They said that the MFPs can create world class infrastructure and produce good quality products, but, until the product is sold in the markets, there will be no profitability in the project. With the rudimentary road infrastructure available in India, it often takes long for the finished products to reach markets across India. This impacts the shelf-life of the products. Additionally, there are inter-state issues which aggravate the problems. Many survey respondents also said while it is important to locate the park near the market where the finished products can be sold, the MFP scheme does not have any evaluation criterion that looks into this and most proposals focus on the location of the MFP closer to the source of raw material. Hence, while the MFPs can address the wastage issues in the backward linkages to certain extent, it has not effectively addressed the wastage of final processed products from the MFP to the nearby markets.

Chapter 11 : General Perception of the Scheme and Key Issues

TOR 7: Evaluation of the randomly selected projects (as mentioned above) in terms of any implementation and operational issues/gaps will have to be carried out. In case of such issues/ gaps, analysis of the causes of the issues/gaps needs to be made. Based on verification covering the above points, the consultant shall be required to prepare an evaluation report for the scheme. The evaluation report should include suggestions for necessary amendment(s) in the Scheme/ Guidelines.

In the earlier chapters, the scheme has been evaluated in terms of its design in comparison with other schemes, its structure and progress. Different stakeholders involved in the scheme were surveyed and were questioned on different aspects of the scheme. This chapter presents the general perception and key issues highlighted during the survey as a way to lead to recommendations for the scheme.

11.1 SPVs Perception about the Scheme

To understand what motivated the SPVs to invest in the MFP the respondents (these are either the lead promoter or CEOs and were identified by the SPVs to speak on their behalf) were asked to rank a number of factors one a scale of one to five, in order of "one being the most important factor". This semi-structured question was presented to the respondent, with multiple factors listed in a table along with the option to add new factors. The SPVs were asked to rank the factors that motivated them to invest in MFP, key positive and negative features of the scheme and critical success factors for the MFPs. The results are tabulated and explained in Table 11.1.

Table 11.1: Factors Motivating SPVs to Invest in MFPs

Factor	Rank
Increasing urbanization leading to increased demand for processed food	1
Cluster development approach will help in economies of scale	2
Increased consumer awareness towards quality and hygiene aspects of the food	3
Well-designed scheme	4
Easy raw material availability	5
Emergence of organized retail & private label leading to increased demand for processed food	6

MFP direct in line with existing core business	7
Already in possession/ease of availability of land	8
Availability of skilled cheap labour	9
Low cost of land	10
High returns	11
State Government Support	12

Note: Based on responses of 16 MFPs

The key motivation for investing in the scheme was the rising trend in urbanization and increase in demand for processed food. The market for processed food in India is still nascent and many of the SPVs felt that there are huge opportunities to develop new products and brands. While the focus of most has been the domestic market some of them wanted to export and develop global value chains.

Moreover, as shown in the table, factors such as availability of cheap labour and high returns to investment were not ranked high. The SPVs pointed out that skill levels are poor and skilled workforce is not cheap. All of them felt that the project is a difficult and offers low return in the beginning. It was further highlighted during the survey that the business model conceptualized in the guidelines is not probably the best. There can be other business models such as creation of smaller size cold storage and ripening centres outside major metros for fruits and vegetables. This would have further reduced wastage of branded fresh fruits and vegetables because under the present model the SPVs ripen the fruits and vegetables in the food parks and then they are transported *via* poor logistics network to the cities which leads to wastage. They also pointed out that there is hardly any state government buy-in for the project (all the SPVs interviewed were from the first to fourth round of bidding) and this has led to project delays. A number of SPVs pointed out that they were expecting organised retail to develop and foreign retailers to come to India. They could then do contract manufacturing for the organised food and grocery retailers. This has not happened. Twelve SPVs pointed out that in a demand driven scheme and if there are restrictions in the key segments of the value chain such as retail then the scheme cannot be successful.

The SPVs were asked to rank the top five positive and negative features of the MFP Scheme. The responses are tabulated in Table 11.2 and 11.3. While most of these issues have been discussed in details earlier, two new issues were pointed out, which focus on role of PMAs, and PMCs. The issues are discussed in details in the next Section.

Table 11.2: Top 5 Positive Feature of the Mega Food Park Scheme

Top Positives	Number of MFPs mentioning the same	Rank
Cluster based approach	12	1
Creation of Common infrastructure/utilities	9	2
Financial Assistance from MOFPI	8	3
Adequate reward to farmers	7	4
Allows dovetailing with other incentive schemes	4	5

Note: Based on responses of 17 MFPs

Table 11.3: Top 5 Negative Features of the Mega Food Park Scheme

Top Negative	Number of MFPs mentioning the same	Rank
No state government support and lack of center/state coordination	11	1
No fiscal incentives for units to locate in the food park	7	2
50 acre of contiguous land requirement	5	3
Inability to select their own PMCs	4	4
Over dependence of the MOFPI on PMAs and Bank Appraisal	3	5

Note: Based on responses of 17 MFPs

The respondents were then asked factors critical for the success of the MFPs and the responses in order of priority are given in Table 11.4. Interestingly, grant and ease of availability of finance has been given a much lower ranking in terms of critical factors for success of the MFPs.

Table 11.4: Critical Success Factors for MFPs

Critical Success Factors for Mega Food Parks	Rank
Formation of Forward Linkages	1
Outside Park Infrastructure (connecting road, rail, port, airport etc.)	2
Inside Park Infrastructure (power, water, telecom, etc.)	3
Formation of backward linkages	4
Support from state government for getting all necessary clearances on time	5
Geographical location of the MFP	6
Ease of availability of land	7

Grant of the MOFPI	8
Ease of availability of finance from financial institutions	9
Political factors	10

Note: Based on responses of 16 MFPs

11.2 Some Areas of Concerns

The previous chapters have discussed in details the MFP scheme, its benefits to different stakeholders and perception of different stakeholders about the scheme. Some of the issues related to the state government, banks and creation of PPCs have also been discussed in details. This section presents a snapshot of the key issues in terms of which are the most critical ones, at what stage of the project they are likely to be faced and the issues related to the scheme guideline design and implementation process as pointed out by various stakeholders during the survey.

During the survey SPV were asked to rank the issues (1 being the most critical issue). The ranking is given in Table 11.5. It is important to note that these SPVs were all from the first four phases and some of the concerns that they may have faced have been addressed in the latest revised guideline.

Table 11.5: Ranking of Issues as Faced/Perceived by the MFPs

Key Issues	Rating	Rank
Getting necessary clearances and approvals like power, water, environmental, etc., from state governments	3.63	1
Issues faced in getting units/in entering into agreement with food processors	3.25	2
Issues with financial institution such as high interest rate, collateral required, etc.	3.13	3
Issues faced while entering into agreement with farmers for supply of raw materials	2.69	4
Issues regarding acquisition of contiguous land	2.63	5
Issue regarding amount of loan applied and actually sanctioned by the financial institution	2.63	6
Delay from MoFPI in releasing of grant	2.50	7
Issues with respect to the selection criteria adopted by MoFPI	2.38	8
Political interference	1.63	9

Note: based on average rating of 16 MFPs done on a scale of 1 to 5.

The issues also vary by different stages of development of the MFP as shown in Table 11.6. While the top most issues for MFPs in different stages are mostly different, political interference was given the least rank by all the mega food parks.

Table 11.6: Key Issues Faced/Perceived by the MFPs in Different Stages

Key Issues Faced/Perceived at different stages	Operational MFPs		Under Construction MFPs		MFPs Having Final Approval		MFPs Having In-Principle Approval	
Key Issues	Rating	Rank	Rating	Rank	Rating	Rank	Rating	Rank
Delay from MoFPI in releasing of grant	4.3	1	2.2	7	1	8	2.5	7
Issue related to getting necessary clearances and approvals like power, water, environmental, etc. from state governments	3.3	2	4	1	3.5	3	3.6	1
Issues with respect to the selection criteria adopted by MoFPI	3.3	3	2.1	8	1.5	7	2.4	8
Issue regarding acquisition of contiguous land	2.5	4	3	4	2	6	2.6	5
Issue regarding amount of loan applied and actually sanctioned by the financial institution	2.5	5	2.8	5	2.5	5	2.6	6
Issues faced while entering into agreement with farmers for supply of raw materials	2.3	6	2.6	6	4	2	2.7	4
Issues faced while entering into agreement with food processors/getting units to MFPs	2.3	7	3.3	3	4.5	1	3.3	2
Other issues with financial institution like high interest rate, collateral required, etc.	2	8	3.4	2	3.5	4	3.1	3
Political interference	1.5	9	1.9	9	1	9	1.6	9

Note: Based on average rating of 16 MFPs

	Most Critical		**Least Critical**

Some of the issues are further discussed below:

1. **Unit Related Issues:** This part is based in interviews with units located in MFPs and those in other food processing clusters. One of the key issues faced by the SPVs is their inability to attract units to their respective MFP**.** While the MFP scheme provides a grant to the SPV for setting up the food park, it does not provide any specific incentive to the units for locating in the MFPs. It is important to note that under the National Mission on Food Processing the MOFPI used to give a grant of Rs.50 lakh to the units for investment over Rs 5 crores in the food processing sector though this was not specific to the units located in the MFPs. However, in the Union Budget (2015-16) presented in February 2015, the Government of India announced the de-linking of NMFP from support from Central Government. Accordingly, State Governments may decide to continue (or not) NMFP scheme out of their resources. Therefore, the units do not get any specific grant-related benefit to locate in a MFP.

   Another issue related to units is that the units in the MFP cannot own land and, therefore, they cannot use the land as collateral to take loans from banks, which acts as a disincentive. Some units felt that the rentals charged by the MFPs are high (see Box 9.1). Some SPVs and units pointed out that until the grant is disbursed, the MOFPI and PMAs have a say in what kind of units can locate in the MFP. For instance, one of the mega food parks was given an offer by PepsiCo Indian Limited for setting up a cold chain for potato within the food park. However, the offer had to be declined as the SPV felt that the Ministry was not in favour of it. Therefore, SPV prefer to attract small and mid-sized units. Since most SPVs have their own captive units in food processing and/or they are using the CPC to develop some of their own brands or they are working as contract manufacturers for other brands, they pointed out that they are selective about whom they would like to locate in their MFP. They are also worried about the competition that their units can face from similar products. According to the units who are located in other food processing clusters said that the MFP model is primarily designed for creation of captive facilities. Many companies said that they would like to locate in food processing clusters but cannot locate in the MFPs due to their remote locations. Units pointed out that other food processing clusters such as the Sudharas Food Park in West Bengal have a much better location and facilities than the MFPs in the same state.

2. **Issues related to the Design of the Scheme:** Several issues were discussed related to the design of the scheme. There are bulleted below:

   - **This is a 'one-size-fit-all' Scheme:** The MFP scheme is a 50-50-50 scheme with a maximum grant of Rs.50 crores for setting up a MFP in minimum 50 acres of contiguous land with 50 percent contribution to the total project cost from the SPV. The approach of the scheme is basically 'one-size-fit-all' and respondents felt that the scheme has not been able to attract investors with different investment requirements. For example, the Malur Food Park, which received funding under the 'Food Park" scheme of the MOFPI, has set up a common processing centre and have installed Gamma Irradiation technology for improving the shelf life of products, has been built up with a total investment of less that Rs 30 crores.

     It was further pointed out that it is often difficult to get 50 acres contiguous land, especially in small and hilly states. In most cases, such large parcels of land are located in remote areas with poor connectivity making the project non-viable and unattractive to units. In this context, it is important to note that the draft report of working group on Food Processing Industries for 12th Five Year Plan also suggested launching a scheme for Mini-Food Parks during the 12th Plan to cater to the need of smaller and hilly states. The scheme was proposed to provide for a maximum grant of Rs.20 crores, over a minimum area of 30 acres.

   - **The Design of the Scheme is Unattractive to Global Multinationals and Investors in Cluster Development:** Some of the global multinational food processing companies and investors pointed out that they cannot invest in a grant based scheme as they cannot take a grant from developing country such as India. This scheme is, therefore, unattractive to investors from countries such as Japan, Korea, the US, Australia and the EU who are now willing to invest in food processing clusters in India. They also pointed out that experiences of other countries such as China, Thailand and Vietnam shows that state of the art food parks can be developed through joint ventures. As discussed in Chapter 2, in a number of developing countries, food processing zones/ agro parks are being successfully developed with foreign collaboration, which leads to the percolation of technology, finance, knowledge and best management practices. They also pointed out that the business model proposed under the scheme is very restrictive. Global multinational have developed their own specialized business models, which connects farmers to their markets. Some of the successful cases are that of the potato farmers linked to global multinational such as the PepsiCo India and McCain Foods. These companies pointed out that they would not like the MOFPI or its PMAs to design a business model and advice them where to locate the PPCs and collection centres. Moreover, there are large industrial parks with better facilities such as the Sri City Private Limited, where a number of global multinational have established presence. Although the Prime Minister of India has launched the "Make in India" campaign the objective of the scheme as per the revised guidelines does not refer to linking India with the global value chain. The large corporate and foreign companies argued that food processing sector will grow very fast in India if instead of grants, the MOFPI works with central and state government department to reduce regulatory hurdles in agro-supply chain and implement ease of doing business.

- **Rigid Time-lines of 30 months:** Almost all survey participants felt that the timeline of 30 months to make the park operational is too tight and it does not take into account the contingencies. Other schemes such as the Mega Leather Cluster scheme offer a more reasonable timeline of five years, which is a sector where players have experiences of developing global value chains. Food processing is a nascent sector with multiple stakeholders. It is therefore a challenge for a food park to work with farmers in improving quality of raw materials, creating linkages and implementing new ideas in a 30 month timeframe. This is further substantiated by the fact that none of the food parks have been operational in 30 months.

  Moreover, while rigid timelines are imposed on the SPV the MOFPI has removed all timelines for approval in their revised guidelines. It was found during the survey of the SPVs and Ministry officials that the IMAC does not meet regularly and that cause project delays. The MOFPI industry wants monthly progress reports from the SPVs, however, it was pointed out during the survey that since the scheme requires infrastructure development, one month is a very short time-period to report any progress. It was suggested that the progress report should be submitted quarterly. For instance, Infrastructure and Project Monitoring Division of the Ministry of Statistics and Programme Implementation, Government of India requires detailed quarterly project implementation reports and the Department of Economic Affairs under the Ministry of Finance also requires quarterly progress report for the financial support given the public private partnership projects aimed at infrastructure development.

- **Over Dependency on PMA:** The state government nodal agency identified by the MOFPI and the SPVs pointed out that the MOFPI is over dependent on the PMAs. They gave some examples to substantiate their case. Whenever they go to the ministry for any minor or major issues or discussion first the PMAs start giving a presentation. They also told the survey team that most of the financial records are with the PMAs and PMAs does the site visits and other activities. Since there were several issues raised about the PMAs, the MOFPI has now appointed two new PMAs. The MOFPI directed ICRIER to the previous PMAs for all related documents such as bank appraisal reports and DPRs. However, since the term of the older PMAs are now over, they did not respond and share bank appraisal and DPRs with ICRIER in spite of repeated follow ups.

- **Financially strong SPV and mandatory loan requirement:** The latest guidelines require the SPVs to be financially strong but it also has a mandatory requirement that SPV should take bank loan. This change in guidelines was made because the MOFPI pointed out that bank loan ensure a second level of check and thus the MOFPI depends on the bank appraisal. Moreover, according to the Ministry, they are yet to go through proposals in which promoters would put entirely their own money as equity. Regarding the project feasibility the banks pointed out that they approve the projects based on their previous interaction with the lead promoter and on the assumption that this is a government project. Thus, neither the MOFPI nor the bank undertake due diligence. This results in failures and project cancellations.

- **Scheme requires over-commitments in DPR:** Most of the SPVs appoint an external consultant to write DPR. Since the scheme emphasizes on factors such as the number of farmers likely to benefits from the MFP, most of these consultants commit to large and arbitrary numbers for indirect and direct benefits to farmers and employment generation without doing a feasibility study. In fact, hardly any of them had undertaken a feasibility study to arrive at that number.

- **Marketing of the MFP scheme by MOFPI**: it was found during the survey that overall, the awareness of the scheme is low. The key responsibility of marketing the scheme is given to the PMA. Initially, the PMAs made presentations in front of industry associations such as the Confederation of Indian Industries (CII) and Federation of Indian Chambers of Commerce and Industry (FICCI). Yet, often the SPV is not guided correctly while executing the project that leads to wrong decisions. For example IL&FS Bihar motivated Keventer Group to invest in Bihar and assured them state government support in getting the land. As a genuine investor the Keventer Group made all effort to start the park but they had issues in getting contiguous land. This caused delay to the project. When they finally got the contiguous land, IMAC cancelled their project stating that the land was not a contiguous rectangular piece of land and they were suggested to re-apply under the revised guidelines. This has two key issues – one, that the company is aware that the guidelines will be revised and therefore the scheme will again invite applications for bidding, giving a company edge over the rest. Second, a lot of time and resources are wasted on part of businesses, which is often frustrating and impact investor motivation. Since this is a reputed company with genuine interest in the food processing sector, it gave the MFP scheme negative publicity. Of late there is other negative publicity about the scheme - especially the cancelled projects. Therefore, the government has to market the scheme on its transparent bidding process. Many SPVs pointed out that the MOFPI should also have awareness campaigns for hygienic processed food and brands developed in the MFPs. A number of private sector banks and state government officials interviewed were not aware of the MFP scheme.

- **Maintenance of the MFPs post completion:** The MFP scheme guidelines have no mention about the maintenance of the MFPs post the completion. Due to the absence of this provision, there is no clarity on the maintenance structure of the MFPs. For example, during the survey, one of the SPVs said that for maintaining the food park, the company is planning to create an association of units within the food park, who will undertake all maintenance work. It will operate like a cooperative association and the SPV will stay out of their realm. Another SPV pointed out that it will continue to maintain the park. Two SPVs pointed out that once the grant is fully disbursed, if they do not get units, they will try to attract units from other sectors. The MOFPI pointed out that they sing MoA with the SPV, which is for a short duration. Hence, once the grant is totally disbursed or the MoA cease to exist, the future of the MFPs is in the hands of the SPV. it is their discretion to continue running the facility as a food park or converting it to some other use. The MOFPI is responsible until full grant is disbursed and it meets its commitment as under the 11th Five Year Plan. This is a major issue as it does not ensure long-run benefits to the food processing sector.

- **Issues Faced with the Empanelled PMCs:** The original purpose of having a set of empanelled PMCs was to help the SPV (who were perceived to be small and mid-sized companies) at different stages of the project. The scheme does not give the SPVs the freedom to select their own consultants. The survey found that many of the empanelled PMCs did not have a single project under them to assist. When asked, the SPVs pointed out that most of the PMCs lack technical knowledge about the sector. Moreover, since the MOFPI is over-dependent on the PMAs they try to select the PMAs as PMCs. Thus, the PMA in one project is the PMC in another. This issue was known to the MOFPI and it was addressed in the revised guidelines.

- **Issues related to transparency of the scheme and the scheme evaluation process:** A number of issues have been raised about the overall transparency of the scheme and the bidding process. Since the bidding process is not on-line it is difficult to verify the issues. Further, the state nodal agencies raised concerns regarding the transparency of the scheme and would prefer the scheme to be routed through them. The TC member from APEDA also raised concerns about the transparency of the evaluation process of this grant-based scheme during the TC meeting. Therefore, it is suggested that the evaluation report should be made public and the appraisal reports and points allotted to each applicant should be online. Along with this, the IMAC meeting outcomes should be on-line. If project are cancelled the project cancellation should be made on-line. In addition, the scheme is evaluated from time to time and the evaluation reports should be made public and this should be discussed in inter-ministerial meetings. This will help to enhance transparency and confidence in the selection criteria.

Chapter 12 : Recommendations and the Way Forward

TOR 7: Evaluation of the randomly selected projects (as mentioned above) in terms of any implementation and operational issues/gaps will have to be carried out. In case of such issues/ gaps, analysis of the causes of the issues/gaps needs to be made. Based on verification covering the above points, the consultant shall be required to prepare an evaluation report for the scheme. The evaluation report should include suggestions for necessary amendment(s) in the Scheme/ Guidelines.

The previous chapters of the report present an evaluation of the MFP scheme based on a primary survey and secondary information analysis. The scheme was evaluated on several points including its comparison with other schemes, its design, financial and technical viability and socio-economic impact, among others. Perceptions of different stakeholders and groups were congregated and based on those, certain recommendations are prepared in this Chapter. This Chapter therefore focuses on some general recommendations and then tries to make suggestions for necessary amendment in the scheme/guidelines as is desired by the TOR 7.

- **Undertake feasibility study:** It was found during the survey that most individuals/SPVs apply for the grant as the grant amount is very attractive. It is probably one of the largest grants being offered for cluster based project. However, many of the SPVs have not done a comprehensive feasibility study before applying for the grant. In most cases they appointed an external consultant to write their proposal. Given this context, the government should not give a grant to the individual unless it is backed by a comprehensive feasibility study. At present, there is a requirement for a DPR, which gives the financial and to some extent technical feasibility of the project. However, there is a need for a detailed diagnostic study that should be have detailed inputs of the end users of the facilities. The DPR presents the contribution based on the perception of the SPV rather than getting any inputs from the potential units or end users of this facility. This is important to ensure that backward and forward linkages are created by the mega food park.

- **Design of the Scheme:** Certain broad points came out during the survey as regards the design of the scheme including scheme announcement, timeline and the “50:50:50” nature of the scheme. In this regard, there are some broad recommendations for the design of the scheme.

First, since the Ministry has to meet a committed liability, it should clearly state that on the website and keep announcing the fortnightly progress of the scheme so that those interested in applying under the scheme are prepared and aware of a probable vacancy. State-level nodal agencies can put information on their websites regarding this.

Second, the time frame of the project should be increased. Creating backward and forward linkages in the food processing sector is far more time consuming as the industry is still at a nascent stage. Therefore, the MOFPI should consider revising the timeframe to up to five years as in the case of the MLC Scheme.

Third, the scheme should be 'tailor made' to suit the requirements of specific states and areas. The scheme should be flexible in terms of the land requirement per se, and based on that the amount of grant and contribution by the SPV should also be flexible. While it is clear that the grant is up to Rs.50 crores and hence, it can be less than that depending on the total project cost, however, land requirement is fixed 50 acres. This should be made flexible. In some small and hilly states it is difficult to get 50 acres of land and these states can be given some flexibility on a case-by-case basis. In addition, contiguity has to be clearly defined as in some cases there has been misinterpretation.

Fourth, the mention of the requirement of around 30-35 units in the guidelines restricts scale expansion. A single multi-storied building can host more than 50 units while one unit can be developed in more than 30 acres of land. Therefore, the number of units is redundant. To ensure that the scheme is not misused the guidelines can be more generic and state that "more than 10 units" instead of specifying exact numbers.

Lastly, the focus should also be towards creating forward linkages as at present, there is a significant emphasis to possession of land and backward linkages during the TC's evaluation. Compared to this, much less emphasis is given to forward linkages. Unless the forward linkages are emphasis business will not be viable. It is important to note that business operate on profit motives. Unless they are able to point out how and when they would start earning profits and how they would develop their lease rental model they will never be successful. Unless specific questions are asked on forward linkages the TC cannot fully evaluate the intent of the SPV.

- **Innovative incentives/ benefits for units:** The MOFPI should design innovative incentives to attract units to the MFP. To begin with, at least five units in each MFP can be given a small grant to support machinery purchases, use of green technology and R&D. Such incentives will not only help units to locate in MFPs but also will enable food processing sector to have better and environment friendly business practices. Individual investors looking to set up units in MFP could be given priority/preference in all current and future schemes of the MOFPI. All other schemes such as incentives related to R&D and new technology, which are directly benefitting food processors could be made available to individual investors looking to set up units in MFP on priority basis. The scheme can be made more innovative for units by introducing smaller components such as grants for soft interventions as in the case of the MSE-CDP Scheme, for the benefit of units such as such as marketing and promotion of products of the units, organizing conferences, training and skill development and meets with buyers, among others. While providing such incentives the MOFPI should be ensure that these are not actionable under the WTO.

- **Focus on the more realistic DPR:** At present, while designing the DPRs some of the SPVs focuses on both direct and indirect benefits to farmers and direct and indirect employment creation and then they put in unrealistic figures for these categories. The ministry has also realized this and there proposed employment generation has been removed from the latest guidelines. The Ministry should select DPR, which have more realistic projections rather than those, which provide large numbers. If a MFP project is successful it will benefit farmer and create employment. However, global studies show that none of the food parks are approved or are marketed on basis of how many farmers will benefit.

- **Marketing of the scheme and promotion of frozen fruits and vegetables:** As a scheme, the MFP scheme has a number of merits and it has been designed to ensure that farmers are linked to the value chain. However, the scheme has recently received some negative publicity by vested interest groups and media. It is, therefore, important to have positive publicity campaigns so that famers are aware of the scheme and they can then become a part of MFP projects. Moreover, the MOFPI should do a marketing campaign to highlight the benefits and promote consumption of frozen and processed fruits and vegetables. This will help to create demand for processed fruits and vegetables.

- **Ensure collaboration and commitment from the state governments in project implementation:** The current role of the state government as envisaged in the revised guidelines (dated 10th February 2014) is to provide assistance to SPV in procurement of suitable land, providing all statutory clearances wherever needed, providing flexible and conducive labour environment, monitor the implementation of the project, providing a fast track single window agency and nominating a suitable officer as Nominee Director on the board of SPV. However, it does not ensure any commitments on part of the state governments. To ensure commitments an tripartite agreement can be signed by the MOFPI, state government and the SPV wherein the state government and MOFPI makes commitments to help in speedy completion of the project. This is done in the case of the ASIDE scheme, MSE-CDP Scheme and also for the National Investment and Manufacturing Zones (NIMZs). At the state level some governments have distinct policies, which help in development of industrial clusters. The Gujarat Special Investment Region is an example of this and MFP can be a part of similar initiatives. The MOFPI has also constituted a District Level Coordination Committee for convergence and coordination of the scheme, with representation from district level agriculture officer, horticulture officer, development manager and animal husbandry officer, among others. However, the provision of this committee has not been highlighted in the latest scheme guidelines, thereby making it ambiguous. Further, information or the notification should be made available on the Ministry website. At present, this information is not on the MOFPI website and most of the SPVs and state governments were not aware of it.

- **Engage banks more thoroughly:** The role of the bank should be strengthened as banks are an important stakeholder in the scheme. The bank is thoroughly involved in the project right from appraising the project reports to sanction of the loans. Moreover, the Bank / FIs representative has also been nominated in the TC and IMAC at the stage of appraisal. Therefore, there is a substantial involvement of the banks in the selection and implementation process. While banks have a representation in the reconstituted Technical Committee, it is also essential to take bank's feedback while redesigning the scheme guidelines. The MOFPI can explore the possibility of having an empanelled set of public and private banks that pre-approve the scheme guidelines and spread information about it. Further banks can be sensitized about the scheme and this can help in financial closure of pending projects.

- **Discuss with other central government departments and state governments on dovetailing of schemes and incentives:** There are a number of food processing cluster development schemes funded by state government and central government agencies such as APEDA. The Special Economic Zone (SEZ) policy of the Department of Commerce can be dovetailed with the MOFPI's MFP scheme. In the recent approvals granted to 17 MFPs, the Adani Ports and Special Economic Zone Ltd. was also given approval. It is a port based SEZ (Mundra SEZ) along with a Free Trade Warehousing Zone (FTWZ). However, our survey showed that many companies are not aware how different schemes can be dovetailed. The MOFPI should do a detailed study on the dovetailing of the MOFPI scheme with other central and state government schemes and this should be published in its website. States should be encouraged to promote MFPs in their agro processing and industrial policies.

- **On-line transparent procedures and e-governance:** Since there have been several concerns and negative publicity about the scheme, the bidding and selection procedures have to be made on-line. For examples, bids can be submitted and tracked on-line. Instead of depending on PMAs, an on-line database and project management system should be designed by a well-known information technology (IT) firm so that information is collected and collated in a proper manner. This firm then can help to design a proper project management software for the project evaluations which will help to store the information in a tabulated format. If that is done it will be easy for the MOFPI to monitor the project. This will also be in line with the present government's e-governance strategy. Additionally, project evaluation documents should be available online, which will ensure greater transparency. Further, before the guidelines are changed, draft/proposed changes should be made on the website for comments by the stakeholders. Many government departments like the Department of Industrial Policy and Promotion have adopted this practice for new policies and amendments. All the DPRs and bank appraisal reports should be stored online and each project should have a unique identification number to access these documents. For the sake of data and information protection, these documents can be made password protected. He meeting notes of IMAC and points given by Technical Committee should be on-line.

- **Link the scheme with Prime Minister's "Make in India" campaign**: Ideally any scheme and policy should be linked to the overall vision of the government. The 'Vision 2015' document of the MOFPI under, which this scheme was designed focus on attracting global investors to India and linking India with the global value chain. In spite of its several revisions the objective of the MFP scheme fails to mention that one of the main aim to develop the MFPs is to link Indian farmers and processors with global value chain. Unless that is done the scheme will not meet the overall objective of the present government.

- **How to reach the farmers through PPCs:** The PPCs were conceived on a hub and spoke model but the survey saw that only a few were operational and that to they were under-utilized. A number of reasons are there for the poor success of PPCs. First PPCs are not uniformly spread across the country. While there is a shortage of PPCs in certain states such as Himachal Pradesh and North East States there are excess of PPCs, cool packing houses etc. In certain districts of some states. Therefore, there should be a mapping of such infrastructure on a pan-India basis so that demand and supply can be matched. Moreover, the mandatory requirement to investment 10% in PPCs should be reviewed and revised. Investors should have the flexibility to decide such investments as per need basis. Often they are not able to make investment in certain proposed locations due to non availability of land or problems related to conversion of land. They should have the flexibility to change location. Instead of investing in PPCs they can use the existing facilities and invest in forward linkages such as cold storage facilities outside major metro cities. The SPVs can spend the amount proposed on PPC on farmers training programme or providing better technology to farmers. If the SPVs have tired but are not able to create all the proposed PPCs the grant amount can be reduced proportionately and the project should be closed within a timeline.

- **Push for regulatory reforms for benefits of farmers and processors:** While the MOFPI emphasizes that the MFP scheme is going to benefit the farmers how can farmers benefit if the state governments do not direct sourcing. In India there are cases where contract farming has benefitted the farmers while there are also cases where there are no visible benefits. Yet, available literature shows that direct sourcing, which is regulated by the APMC act is likely to benefit the farmers (see Chand 2012 and Pachouri 2012). Therefore, the MOFPI should push for regulatory reforms focusing on Acts such as the APMC Act, which help the SPV and farmers to connect with each other. Moreover, it the Good Safety and Standards Authority of India (FSSAI) takes a long time to give approval for new products. The MOFPI should work with the FSSAI to speed up the approval process. Sample testing laboratories, accredited and approved by the FSSAI should also be built inside the MFPs. Further, it will be beneficial if a database of farmers associated with the food park is created and updated from time to time. This will be beneficial in understanding whether the scheme is actually able to create backward linkages or not. The list can be created by the mega food park owners, attested by the state-level nodal agencies and then submitted to the Ministry.

- **Have a proper product and infrastructure mapping:** One of the objectives of the scheme is creation of processing infrastructure near the farm by setting up of Primary Processing Centres (PPCs). However, the survey found that often the SPVs propose the PPCs at the wrong places leading to over creation of infrastructure for some products in some states and u**n**der creation of infrastructure. There are villages, which need roads that connect them to the already existing PPCs. During the interviews, farmers pointed out that they are not able to reach the PPCs due to connectivity related issues. The Ministry should have proper infrastructure mapping, based on the mapping of fruits and vegetable availability to streamline the supply chain and assist the SPVs to plan their infrastructure. There should be mapping of existing PPCs. Unless this is done, infrastructure creation will not be uniform.

- **Allow the SPV to select their own consultants:** When the MFP scheme was originally designed it was expected that the SPV will constitute of small and medium enterprises and these may need project management related help. However, as the scheme has evolved the SPVs are required to be financially strong companies with experiences in food processing. Such companies have their own competent advisor and consultants. In the past most of the PMCs lacked technical capabilities and a number of them who were empanelled by the MOFPI did not have a single project. The MOFPI in the latest guidelines states that the PMCs should be centrally located either in Mumbai or national capital region. If the project management consultant is located in Delhi while the project is in a remote district in a state like Andhra Pradesh it leads to additional cost. The SPVs should be allowed to select their own consultants and if they need help MOFPI can refer to the empanelled PMCs.

- **Learn from global best practices:** The discussions with MOFPI and its PMAs such as IL&FS shows that the MFP scheme was designed based on the SITP scheme and neither the ministry nor the scheme designer (IL&FS) visited any global food parks or did any research on them before drawing up the scheme. It is important for the ministry to have field visits to some of the global food parks discussed in this report and learn from their best practices. Some of the best practices adopted globally are that grant is given only on a case-by-case basis, food parks are customized to product requirements and there is strong emphasis on R&D, product development and on meeting international standards, among others. Globally, a number of successful food parks are built on joint venture model with foreign companies.

- **Focus on capacity utilization of existing MFPs**: The MOFPI should reconsider the number of MFPs that it wants to create. The survey found that rather than numbers, it is more important to focus on a few parks and make them operational. Considering that there are 29 States and seven union territories (UT) in India, even if the Ministry can achieve one park in each state and UT that is operational, with strong backward and forward linkages, it will be very credible. For example, under the MLC scheme, the nodal agency is focusing on developing two clusters. The survey respondents and cluster experts pointed out that the MOFPI should work with the operational MFPs to help them to attract units in their park, help SPVs to develop brands and market them. This will help in strengthening forward linkages, which at present are lacking. The Ministry can focus on five MFPs to develop them as successful models. At present, none of the MFP can be referred to as highly successful model. In our opinion, Srini Food Park Private Limited and International Mega Food Park Limited can be taken as two 'model' mega food parks as farmers associated with these two mega food parks have benefitted. Moreover, most stakeholders associated with these two mega food parks have given positive feedback about these.

- **Close the long running projects:** None of the MFPs have received the complete grant amount which implies that none of them have actually completed the project. The MOFPI should focus on closing the projects, which have received the grant amount up to Rs 45 crores. If there are any issues in closing such projects these have to be resolved on an urgent basis. In addition, one of the recommendations of the banks is that the MOFPI should release the final amount of grant in advance and not before the completion of the project. Further, the amount should be transferred to the bank for it to give its final share.

Finally, since different investors have different requirements and some (such as investors from developed countries) cannot apply under grant based schemes, the MOFPI should have different schemes catering to different type of investors. This will increase investments in the food processing sector. Moreover, while an infrastructure development scheme can help to create infrastructure it may not necessarily set up the agriculture-value chain if there are shortages of raw materials of processable quality or restrictions on imports of certain ingredients required from processing. India is conservative on opening up the agriculture and agro-processing sectors in its trade agreements. Countries such as China which are now opening up this sector are receiving investments from countries such as Australia and New Zealand. Unless India has a more liberal policy especially with respect to fruits and vegetable processing and trade, it will not get investment from Indian corporates and foreign companies. A number of Indian corporate are now opening their food processing units in other countries such as Sri Lanka.

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Annexure 1 - Terms of Reference

Statement of Objectives and Tasks to be carried out:–

(i) To study the provisions of the Mega Food ParkScheme Guidelines and undertake a comparative analysis with Guidelines of other similar Industrial Park Schemes like Scheme for Integrated Textile Park (SITP) etc.currently being implemented by other Ministries/Agencies of Govt. of India.

Task to be carried out – Comparative analysis to encompass aspects like eligible components for grant, quantum of grant assistance and release pattern, scheme management framework and role of the State Governments. This will include primary and secondary interaction with relevant Ministry officials, promoters implementing the projects and pertinent State Government bodies acting as nodal agencies.

(ii) To study to appropriateness of the criteria and procedure adopted for selection of most suitable proposal for setting up of sanctioned projects including the appraisal mechanism followed by the Ministry. This may specifically highlight the pros and cons of the Scheme being „timeline(s) specific‟ or „Open Ended‟.

*Task to be carried out – Analysis of quantum and quality of EoI proposals submitted under mega food park scheme (*timeline(s)-*specific scheme) vis-à-vis proposals submitted against some of the on-tap infrastructure developmentschemes in other sectors. This task shall again include interaction with relevant stakeholders and scrutiny of both successful and unsuccessful EoI proposals. This shall also entail discussions with consultants (empanelled with the Ministry or otherwise)who prepare EoIs on behalf of promoters/project SPVs.*

(iii) To appraise management structure, financial capacity and governance system of the implementing agencies (SPVs) and their impact on the project implementation.

Task to be carried out – The consultant shall have to carefully analyze the implementing agencies' management structures and financial strength in each of the cases and try to correlate the same with various aspects of project implementation such as time taken in term loan sanction, time taken in obtaining Statutory Approvals, etc.

(iv) To assess the role of State Governments in implementation of projectsincluding its role in facilitating Statutory Clearances like CLU, Master Plan Clearance, external infrastructure linkages to the project etc. State Governments‟ perception of the Scheme may also be duly captured.

Task to be carried out – The consultant shall be required to interact with Nodal Officer/State Mission Director of the National Mission on Food Processing (NMFP) in each of the states where the final approval has been given to one or more project. The level of Nodal Officers' understanding of the Scheme and MoFPI's precise expectations from the State Government may then be ascertained by way of detailed discussions with these officers. A comparative chart of Statutory Approvals required to be met by Mega Food Park projects across the pertinent States may be prepared. Also, the consultant would be required to give suggestions on how to ensure uniformity across States in this regard.

(v) To assess the synergies between State specific industrial/food processing/agri-business policies and the Mega Food Park Scheme of MOFPI. The aspect of dovetailing of financial assistance available under various schemes of Central and State Governments, along with its impact on project structuring and implementation may be analysed.

Task to be carried out – The consultant shall review the food processing/agri-business policies in States where such schemes exist. In other cases, it shall review the industrial policy of the state, especially those provisions which may be pertinent for Mega Food Park projects. A comparative chart thereof may then be prepared. The consultant shall then analyse the means of finance of those projects where dovetailing with State Government schemes has been proposed and assess the impact thereof on project viability. The consultant may also suggest on how the process of obtaining grant from State Government could b esimplified in case of those projects which have been given in-principle approval by the Ministry.

(vi) Interaction with the Banks/Financial Institutions engaged in financing of projects (in case of all projects which have obtained Financial closure), to study the issues regarding appraisal and financing of the projects.

Task to be carried out – The consultant shall undertake detailed discussions with Financial Institutions funding Mega Food Park projects (in all cases where financial closure has been obtained). Since inability of project SPVs in obtaining financial closure is one of the main reasons for delay in project implementation. The consultant shall have to document the concerns of Banks *while funding such projects (especially in cases where promoters do not have existing relationships with Banks and have not taken large loans from Banks earlier). The documentation should also include Banks' expectations from the Ministry, PMA and PMC in assisting them about the Scheme in general and the project in specific. Recommendations of the Banks/FIs regarding the need of amendment in the Guidelines should also be documented by the consultant.*

(vii) To appraise the status of Physical & Financial Progress of the approved projects against the envisaged timeline for completion.To assess the utilisation of common facilities being created in the Mega Food Parks & investments by prospective units.

Tasks to be carried out - Physical verification/Site visits of projects where construction has started to ascertain extent of success in terms of achievements of its objectives in terms of the following:

a. Suitability of the technology/ equipment used including gaps/issues, if any. The experience of the promoter including the challenges faced and any further suggestions in this matter to be documented in details.

b. Capacity utilization of the facilities created versus projections given in the Bank appraisal. In case of significantly reduced capacity utilization, the reasons thereof.

c. Extent of value addition/increase in processing levels

d. Extent of reduction in the wastages of the agricultural produce

e. Employment generation (both direct and indirect)

f. Level of exports (percentage of the quantity/ value of goods exported)

g. Estimating the benefits to the farmers/producers from the project in terms of :

i. Estimated increase in farm gate price

ii. Estimated reduction in wastages.

iii. Estimated numbers of farmers/producers linked to the project, etc.

h. Impacts on traders, retailers, consumers and other stakeholders

i. Overall socio-economic impact of the project in the catchment area *j. Business model of the project in terms of :*

i. Percentage of goods handled in rental model.

ii. Rental rates, its product and season wise variation and growth.

k. Commercial/financial viability of the project i.e. Annual turnover, facilities utilisation, profit and key parameters of the project compared to the projections given in the Bank appraisal

l. Any other direct/indirect impact(s) of the project

Evaluation of the randomly selected projects (as mentioned above) in terms of any implementation and operational issues/gaps will have to be carried out. In case of such issues/ gaps, analysis of the causes of the issues/gaps needs to be made. Based on verification covering the above points, the consultant shall be required to prepare an evaluation report for the scheme. The evaluation report should include suggestions for necessary amendment(s) in the Scheme/ Guidelines.

(viii) Assessment of implementation structure with regard to Hub & Spoke model and developing PPCs as farm proximate infrastructure. Assessment regarding establishment of forward linkages for the project.

Tasks to be carried out – The consultant, while executing various tasks mentioned above, shall be required to document the as-is status of backward and forward linkages for projects in advanced stage (those which have received Rs.30.00 crore of more grant from the Ministry). The report thereof shall include aspects such as reasons for delay in forging these linkages, impact of this delay on the business plan, the apprehension of promoters' in not giving adequate focus to these aspects and the challenges that promoters face while handling sourcing and marketing aspects.

To assess the reasons for delay in implementation of the projects along with the suggestive measures to minimize delays. To identify benchmarks, to develop success stories (2-3), to suggest modifications in *Scheme/ Guidelines.*

Tasks to be carried out –

- *The consultant will be required to summarize the key reasons for delay in project implementation (substantiating with examples)*

- *The consultant shall identify suitable benchmarks against which success of the projects can be measured in quantitative and qualitative terms e.g. Investment, percentage of Capacity utilization, Employment, Turnover, etc.*
- *The consultant shall develop Success stories in project implementation clearly citing key reasons for effective implementation*

The consultant shall suggest appropriate modifications in the structure of the Scheme to make it more effective in terms of implementation and commercial operations

(ix) To study social and economic impact of the project

- *Wastage reduction of Agriculture and Horticulture produce and other perishables.*
- *Economic benefits accrued to the farmers.*
- *Technology and knowledge transfer to the productions practices at field level.*
- *Impact on the economic condition of farmers/workers.*
- *Effectiveness of primary processing practices at Primary Processing Centres (PPCs) in value additions.*
- *Any direct/indirect impact in the catchment area of the project.*

For the above, the consultant is required to design an appropriate evaluation methodology and prepare the evaluation/ survey proforma to the satisfaction of the Ministry of Food Processing Industries. The Methodology shall make use of the ToR and suggest the contours of the study along with the key deliverables.

The study is expected to rely on both secondary and primary modes of research.

a. **Secondary Research** – Comprehensive study and research of the existing studies and reports on the mega food parks/ food parks in India, successful business model, product and sector specific issues, and global scenario to understand the dynamics of the mega food parks in India. The outcome of the secondary research will be a framework of analysis that will outline the key features of the mega food parks in India, product wise and spatial distribution of the mega food park projects, successful business model of the mega food park operation, issues and challenges faced by the sector, role of Govt. in promoting the mega food parks in India, etc. The outcome of the secondary research should be used for designing the questionnaire(s) and feedback forms for the primary research.

b. **Primary Research** – will be conducted across all regions for the randomly selected 50% of Mega Food Park projects (i.e. around 15-20 projects) sanctioned under the scheme. Sample of mega food park projects that will be selected for the study shall be representative and identified scientifically, i.e. cover large & small, horticultural & non-horticultural sectors etc. For the above, the consultant is required to design an appropriate evaluation methodology, questionnaire and feedback forms, statistical tools to the satisfaction of the Ministry of Food Processing Industries.