20

COMMITTEE ON AGRICULTURE
(2010-2011)

FIFTEENTH LOK SABHA

MINISTRY OF FOOD PROCESSING INDUSTRIES

DEMANDS FOR GRANTS

(2010-2011)

{Action Taken by the Government on the Observations/Recommendations contained in the Ninth Report of the Committee on Agriculture (2009-2010)}

TWENTIETH REPORT

LOK SABHA SECRETARIAT

NEW DELHI

March, 2011/Chaitra, 1933 (Saka)

TWENTIETH REPORT

COMMITTEE ON AGRICULTURE
(2010-2011)

(FIFTEENTH LOK SABHA)

MINISTRY OF FOOD PROCESSING INDUSTRIES

DEMANDS FOR GRANTS

(2010-2011)

{Action Taken by the Government on the Observations/Recommendations contained in the Ninth Report of the Committee on Agriculture (2009-2010)}

Presented to Lok Sabha on 24.03.2011
Laid on the table of Rajya Sabha on 25.03.2011

LOK SABHA SECRETARIAT

NEW DELHI

March, 2011/Chaitra, 1933 (Saka)

COA No. 243

Price: Rs.

Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Thirteenth Edition) and Printed by

<CONTENTS>

COMPOSITION OF THE COMMITTEE ON AGRICULTURE (2010-2011)

Shri Basudeb Acharia - Chairman

MEMBERS

Lok Sabha

2. Shri Narayansingh Amlabe
3. Shri K.C. Singh 'Baba'
4. Shri Thangso Baite
5. Shri Jayant Chaudhary
6. Smt. Shruti Choudhary
7. Smt. Ashwamedh Devi
8. Shri Biren Singh Engti
9. Smt. Paramjit Kaur Gulshan
10. Shri Anant Kumar Hegde
11. Shri Sk. Nurul Islam
12. Shri Naranbhai Kachhadia
13. Shri Surendra Singh Nagar
14. Shri Prabodh Panda
15. Shri Premdas
16. Shri Vitthalbhai Hansrajbhai Radadiya
17. Shri Nripendra Nath Roy
18. Shri Bhoopendra Singh
19. Shri Uday Singh
20. Shri Jagdish Thakor
21. Shri Hukmadeo Narayan Yadav

RAJYA SABHA

22. Shri Shashi Bhusan Behera
23. Shri Narendra Budania
24. Shri Satyavrat Chaturvedi
25. Shri A. Elavarasan
26. Shri Vinay Katiyar
27. Shri Mohd. Ali Khan
28. Shri Upendra Kushwaha
29. Shri Bharatsinh Prabhatsinh Parmar
30. Shri Rajpal Singh Saini
31. Shri S. Tangavelu

SECRETARIAT

1.	Shri S. Bal Shekar	-	Additional Secretary
2.	Shri Raj Shekhar Sharma	-	Joint Secretary
3.	Shri P. C. Koul	-	Additional Director
4.	Shri C. Vanlalruata	-	Under Secretary

INTRODUCTION

I, the Chairman, Committee on Agriculture (2010-11) having been authorized by the Committee to submit the Report on their behalf, present this Twentieth Report on Action Taken by the Government on the Observations/ Recommendations contained in the Ninth Report of the Committee on Demands for Grants (2010-11) pertaining to Ministry of Food Processing Industries.

2. The Ninth Report of the Committee on Agriculture on Demands for Grants (2010-11) was presented to Lok Sabha on 3 May, 2010. The Report was laid on the Table of Rajya Sabha on 3 May, 2010. The Action Taken Replies on the Report were received on 28 February, 2011.

3. The Report was considered and adopted by the Committee at their Sitting held on 22 March, 2011.

4. An analysis of the Action Taken by the Government on the Observations/ Recommendations contained in the Ninth Report of the Committee is given in **Annexure.**

NEW DELHI;
23 March, 2011
02 Chaitra, 1933(Saka)

BASUDEB ACHARIA
Chairman,
Committee on Agriculture.

CHAPTER I

REPORT

This Report of the Committee on Agriculture deals with the action taken by the Government on the Recommendations contained in the Ninth Report (Fifteenth Lok Sabha) of the Committee on Agriculture (2009-2010) on 'Demands for Grants' (2010-11) of the Ministry of Food Processing Industries which was presented to Lok Sabha on 03 May, 2010 respectively and laid on the Table of Rajya Sabha on 03 May, 2010.

1.2 The Ministry of Food Processing Industries have furnished Action Taken Replies in respect of all the 13 Observations/Recommendations contained in the Report. These have been categorised as under:

- Observations/Recommendations that have been accepted by the Government
  Recommendation Para Nos. 1.23, 1.25, 1.26, 1.27, 1.28, 2.47, 2.48, 2.49, 2.50 and 2.52

- Observations/Recommendations which the Committee do not desire to pursue in view of the Government's reply
  Recommendation Para No. 2.51

- Observations/Recommendations in respect of which action taken replies of the Government have not been accepted by the Committee.
  Recommendation Para No. 1.24

- Observations/Recommendations in respect of which final replies of the Government are still awaited.
  Recommendation Para No. 2.46

1.3 The Committee trust that utmost importance would be given to implementation of the Observations/Recommendations accepted by the Government. In cases, where it is not possible for the Ministry to

implement the recommendations in letter and spirit for any reason, the matter should be reported to the Committee with reasons for non-implementation. The Committee desire that further Action Taken Notes on the Observations/Recommendations contained in Chapter-I and final Action Taken Replies to the Recommendations contained in Chapter-V of this Report should be furnished to them at an early date.

1.4 The Committee will now deal with the action taken by the Government on some of the Recommendations in the succeeding paragraphs.

OVERVIEW OF DEMAND
(Recommendation Para No.1.24)

1.5 Noting with huge disappointment that the Ministry had been allocated a sum of Rs. 400.00 crore only for 2010-11 and their total Allocation for four years of the Eleventh Plan added to Rs. 1280.00 crore only against the total Plan Allocation of Rs. 4031.00 crore the Committee had recommended that the allocation of the Ministry be enhanced to at least Rs. 1500.00 crore during the year 2010-11 so as to provide much needed funds to them and also leave as balance, manageable funds for the last fiscal of the Eleventh Five Year Plan.

1.6 The Ministry of Food Processing Industries, in their Action Taken Note, have stated that the Plan allocation of the Ministry for 2010-11 was kept at Rs. 400.00 crore. Ministry had taken up issue for enhancement of allocation from time to time. Ministry had finally proposed RE for Rs. 600.00 crore which was also not approved and RE was retained at Rs. 400.00 crore only.

1.7 The Committee express their deep concern over the way Planning Commission and Ministry of Finance have given short shrift to the genuine requirements of funds of the Ministry during the fiscal 2010-11. The Committee had recommended allocation of Rs. 1500.00 crore with a view to ensure that the Schemes of the Ministry were not starved of funds during 2010-11 and they had a manageable balance to spend during 2011-12. However, both these entities have failed to see merit in this argument and have retained the paltry sum of Rs. 400.00 crore for 2010-11 at the RE stage as well. The Committee strongly deprecate this lack of concern on the part of the Planners as well as the Government which has led to the backloading of funds resulting in an amount of Rs.2351.00 crore being left for the terminal year of the current Plan period. Going by the past performance of the Planners as well as the Government, the Committee have an apprehension that the Ministry not being able to absorb this huge unspent balance may now be touted as an alibi for not allocating the entire amount to them. Being well aware of the deleterious effect of this reduced allocation on all the Schemes of this much flaunted sunshine sector of our economy, the Committee impress upon the Planners and the Ministry to put their house in order and ensure maximum allocation during the fiscal 2011-12.

MEGA FOOD PARKS
(Recommendation Para No.2.46)

1.8 Noting that the Mega Food Parks Component, though intended to be an improvement on the failed erstwhile Food Parks, still had several rough edges to be smoothened and concurring with the decision of the Government to sanction assistance for only 10 out of 30 MFPs in the first phase on the pilot basis the Committee had recommended that the Government should constantly monitor the execution of the 10 proposals that had been approved for assistance in the first phase before taking further initiatives in the matter. The Committee had also felt that an amount of Rs. 10 lakh as earnest money was a modest collateral guarantee from the side of the SPVs and while the bidder only risked the forfeiture of this amount, the Projects got delayed for months together. They had therefore, recommended better collateral guarantee for the purpose.

1.9 The Ministry of Food Processing Industries, in their Action Taken Note have stated the earlier Scheme of Food Parks was operated during Eighth to Tenth Plan periods. During these periods, a total of 56 Food Parks were sanctioned at an approved grant of Rs. 208.544 Crore, out of which total grant released so far is Rs. 137.98 Crore. In the case of 20 Food Parks, funds have been fully released and in case of 34 Food Parks, which are at different stages of progress, the funds have been partially released. The objective of the Food Park Scheme was to develop Common Infrastructure Facilities to facilitate setting up of units by Micro, Small & Medium Enterprises. So far, a total of 2210 plots have been allotted to industrial units out of total approved plots of 4150. The number of units commissioned is more than 200. The Scheme of Food Parks could not achieve desired results due to various reasons. To identify the bottlenecks and find out solutions thereto, Ministry of Food Processing Industries had commissioned reputed external agencies such as EDI, Ahmadabad, Consulting Engineers Ltd, etc to carry out evaluation of the Food Park scheme. As most of these Food Parks have been promoted by State Industrial Development Agencies, they have been conceptualized in traditional industrial estate mode with no forward and backward linkages. This has resulted in valuable real estate being acquired but utilized at low levels of efficiency. Major reasons for the poor functioning of parks are mentioned below:

- Poor site selection
- Delay in providing basic infrastructure facilities like power, water, road etc.
- Absence of strong backward linkages
- Weak linkages with the market
- Delay in release of financial assistance
- Poor management and implementation capabilities
- The studies have also pointed towards the lack of **:**
    i. A comprehensive project report from the raw material supply chain to the market, assessing infrastructure needs at every stage
    ii. Funding for components such as internal roads, drainage, environmental control facilities and solid waste management facilities etc, which are also important infrastructure needed in the park.
    iii. A competent proposal appraisal.

1.10 The study concluded suggesting that the Food Park will be successful only if infrastructure for (1) On Farm Storage (2) Primary Processing (3) Minimal Processing (4) linkages with Retail Outlet (5) Mobile Processing Unit (6) Mobile Pre-cooling Unit (7) Packaging Centre (8) Palletisation etc., is provided in the Park. Production area remained under developed and not integrated with the requirements of the market. There was no assurance of steady supply of raw materials. The benefits of Value addition rarely percolated to the farming community.

1.11 These Studies thus recommended need for providing higher scale of assistance for building infrastructure items in the pattern of schemes like Industrial Infrastructure Upgradation Scheme (IIUS) under the Department of Industrial Promotion Policy, Ministry of Commerce and Industry and Scheme for Integrated Textile Parks (SITP) under the Ministry of Textiles and Scheme for

Pack Houses, Cold Storages and Mobile Processing Units under National Horticulture Board, Ministry of Agriculture. These schemes carry higher rates of subsidy as compared to MFPI's Infrastructure Schemes. Based on these findings and also recommendation of Working Group proposal addressing the above issues were initiated for Infrastructure Development Scheme for Mega Food Parks. The proposal for Mega Food Park was placed before the EFC and the EFC in its meeting held on 19.03.2008 had recommended the Infrastructure Development Scheme for Mega Food Parks, which aims at providing state of art infrastructure along the value chain from farm gate to retailer's outlet with strong backward and forward linkages.

1.12 The CCEA accorded approval on 11.09.2008 for setting up of 10 Mega Food Park Projects out of 30 projects envisaged in the Eleventh Plan. In other words although Eleventh Plan commenced with effect from the year 2007, approval of the Scheme was received by the Ministry precisely after 1 year and 5 months. Also only 10 projects were approved in the first phase.

1.13 The Mega Food Projects have long gestation periods as they seek to address both forward and backward linkage and create adequate infrastructure facilities along the supply chain from the farms to retailer outlets. Various statutory clearances are necessary from the State Governments also. The statutory clearances and land issues etc delay the project implementation considerably. The Ministry is vigorously monitoring the progress of implementation by holding periodical review meetings and taking follow up action to expedite the process. An online MIS system has been developed under which the Project Management Consultants (PMCs) of the respective

SPVs are required to upload data on monthly basis regarding the physical progress of constructions at site. The online MIS system also aims at providing links to various related schemes of the Central Govt. undertaken by various Ministries. The nature and dimension of the projects are quite enormous and the Ministry constantly making efforts to fine tune the process based on the learning experience the Ministry gains by way of implementation of the projects. To take care of the problems of SPV formation the minimum constituent members has been reduced from 5 to 3. To ensure participation of Food processor(s) having a considerable say in the SPV one of the member should be from food processing sector having a minimum net worth of 10.00 Crore and must have at least 26% equity in the SPV .

1.14 To take care of the situation of midway withdrawal of the SPVs from the approved projects, the Ministry is considering enhancement of EMD and to keep it in case of successful bidders as a performance guarantee amount. Also, the SPV in the event seeking withdrawal after receipt of the grant in aid, the amount along with interest accrued thereon needs to be refunded by the SPV. Based on the progress made in the implementation the Government have approved setting up of 5 more Mega Food Parks.

1.15 The Committee subscribe to the view of the Ministry that the Mega Food Parks Project have long gestation period as they seek to address both forward and backward linkages and create adequate infrastructure facilities along the supply chain from the farms to retailer outlets. Apart from this, various statutory clearances are necessary from the State Governments also which coupled with land issues, etc. delay the project

implementation considerably. The Committee desire that Ministry should take cogent steps to ensure that Special Purpose Vehicles get statutory clearances from State Governments in a time bound manner. Further, the Committee have been apprised by the Ministry that they are considering enhancement of Earnest Money Deposit (EMD) and to retain it in case of successful bidders as a performance guarantee amount. The Committee recommend that the Ministry should expedite the issue of enhancement of EMD, so as to negate the scope of withdrawal from the Scheme by successful SPVs. The Committee would like to be apprised about the further developments in the instant matter.

SCHEME FOR TECHNOLOGY UPGRADATION/ESTABLISHMENT/ MODERNISATION OF FOOD PROCESSING INDUSTRIES
(Recommendation Para No.2.47)

1.16 Feeling that the cap of Rs. 50 lakh as subvention on cost of plants, machinery and civil works in general areas and 75 lakh in difficult areas under the Scheme for Technology Upgradation/Establishment/Modernisation of Food Processing Industries is grossly insufficient, the Committee had recommended that these ceilings should be enhanced to Rs. 1.00 crore in general area and 1.50 crore in difficult areas with immediate effect.

1.17 Noting further that there was a total absence of any consultancy mechanism in the Ministry to provide hand holding to the prospective entrepreneur or to advise, facilitate and guide him/her on the matters pertaining to this Scheme, the Committee had desired the Ministry to give a serious thought to this matter and workout a consultancy mechanism that provided a single window clearance system for the Scheme.

1.18 The Ministry of Food Processing Industries, in their Action Taken Note, have stated that the Ministry acknowledge that cap of Rs. 50 lakhs and Rs. 75 lakhs (NE area) will be a constraining factor as far as modernization/setting up of food processing units are concerned. On the basis of average total project cost of food processing units, it would be prudent to revise the grant amount appropriately. Due to Budgetary constraints in the terminal year of the plan the upscaling of grant-in-aid will be proposed in the Twelfth Plan, while proposing continuation of scheme after its evaluation during Eleventh Plan period. So far, consultancy mechanism in the Ministry is concerned; the system to provide hand holding to the prospective entrepreneurship or to advise, facilitate and guide him/her on the matters pertaining to this scheme is being established by National Institute of Food Technology Entrepreneurship and Management. Ministry has also posted model project proposal on it website for reference apart from providing a link to the information about technology providers.

1.19 The Committee are glad to note that the Ministry have belatedly woken upto the gross inadequacy of the present cap of Rs. 50 Lakh in general areas and Rs. 75 lakh in difficult areas as subvention on cost of plant and machinery and civil areas under the Scheme for Technology Upgradation/Establishment/Modernisation of Food Processing Industries. However, they express their concern on being apprised that due to budgetary constraints in the terminal year of the Plan, the upscaling of grant-in-aid will be proposed in the Twelfth Five Year Plan while proposing continuation of the Scheme after its evaluation during Eleventh Plan period. Keeping in view the importance of this Scheme for

upgradation and modernisation of existing processing capabilities, the Committee reiterate their recommendation to enhance the existing cap to Rs. 1.00 crore in general areas and Rs. 1.50 crore in difficult areas with immediate effect and take up the issue of additional allocation with the Planning Commission and Ministry of Finance accordingly.

<u>UTILISATION CERTIFICATES</u>
(Recommendation Para No. 2.52)

1.20 Finding that the 2117 Utilisation Certificates (UCs) amounting to a huge Rs. 330.65 crore are pending in respect of grants paid up by the Ministry till 31 March, 2008 and due as on 31 March, 2009 and concerned to note that the Ministry could not furnish them the number and value of the Utilisation Certificates received by the Ministry during 2008-09 and 2009-10, the Committee had exhorted the Ministry to pursue the liquidation of pending Utilisation Certificates so as to clear the huge backlog as also provide them details of the number and value of UCs received by the Ministry during 2008-09 and 2009-10 alongwith details of 10 oldest pending UCs .

1.21 The Ministry of Food Processing Industries, in their Action Taken Notes, have stated that the Ministry have been taking the issue of pending UCs seriously and has been reviewing the matter on weekly basis at the level of Additional Secretary & Financial Advisor and Secretary. It has been found that many of the old Utilisation Certificates (which have been reported as outstanding) are pertaining to grants-in-aid released by the Ministry against the reimbursed expenditure already incurred by the grantee organizations. Thus, in terms of GFR Rule 212(1), Note 1. We are consulting Ministry of Finance to consider them as liquidated. Accordingly, the Ministry have taken steps to liquidate the number of outstanding UCs. As desired by the Hon’ble Members of the Committee, the number and amount of UCs received by the Ministry during FY 2008-09 are 453 (Rs. 67.48 crore), and during FY 2009-10 are 166 (Rs 70.63 crore). Details of ten oldest pending UCs are also enclosed herewith.

1.22 The Committee are satisfied to note that the Ministry pursuant to their Recommendation are taking up the issue of pending Utilisation Certificates seriously and the matter is now being reviewed on a weekly basis at the level of Additional Secretary & Financial Advisor and the Secretary of the Ministry. The Committee also appreciate the move of the Ministry to liquidate old Utilisation Certificates in consultation with the Ministry of Finance. They are, however, concerned to note that the pendency has acquired serious dimensions, with all the 10 oldest cases whose details have been furnished by the Ministry being two decades old or so. They, therefore, desire an expedient solution of this problem from the Ministry.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

FOOD PROCESSING INDUSTRY SECTOR
(**Recommendation Para No. 1.23)**

The Committee note with concern the existing demographic and food production situation in the Country. While, on one hand, we have a burgeoning population, on the other, the rate of food production is not keeping pace with it. In such a grim scenario one immediate way out is to somehow salvage, the huge amounts of agriculture produce that perishes each year due to lack of adequate food processing facilities in the Country. Though no estimates of the agriculture and allied produce losses are available in totality, the estimated loss of Rs. 50000 crore per annum in just fruit and vegetables sector gives a fair idea of the colossal loss that might be taking place in the agriculture and allied produce sector as a whole, at the post harvest stage. Given these compulsion, development of the food processing industries sector becomes a *sina qua non* for ensuring the food security of the Country, albeit in an indirect manner. Handled judiciously and more pro-actively, a well-developed food processing industries sector can also contribute handsomely, to the growth of household income at the micro level and at the macro level to the nation's economy through enhanced GDP and exports. Unfortunately, however, as the succeeding narrative will prove, the Government though being aware of the merits of the development of food processing industries sector has been affected by a strange inertia when it comes to initiating pro-active measures. Resultantly, the sun of this avowedly sunshine sector of Country's economy is , for decades together now, stuck in the eastern horizon. The Committee have made some very relevant recommendations on these matters recently in their Fifth Report on the Demands for Grants 2009-10 of the Ministry. The Committee are confident that coupled with them, the recommendations made in the present Report, if implemented with a sense of purpose and sincerity, will at last, no only kickstart the much awaited ascent of sun in the eastern horizon but also take it to its zenith.

Reply of the Government:

The Ministry is in full agreement with the observations of the Committee. Ministry is trying to deliver optimally out of Budgetary support being made available for growth and development of food processing sector. The policies and programmes have been able to show sustained growth of this sector over last four years. A lot more is however required to be done.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 28 February, 2011]

PLAN OUTLAY AND ANNUAL PLAN ALLOCATIONS
(Recommendation Para No. 1.25)

During the course of their examination of the Demands for grants of the Ministry, the Committee considered the contentious issue of huge disparities between the Approved Outlay of the Ministry for the Eleventh Plan and the

Actual Allocations made to them in each of the Annual Plans of the Eleventh Plan.

The Planning Commission have justified the lower allocations, which are not at all commensurate with the total Plan Outlay of the Ministry, under the plea that it is mainly because the Ministry have not been able to utilize, in the previous years, even the lesser allocations made to them.

The Ministry on the other side have ascribed the low spending in successive years to the delays in the planning process an the approvals/clearness of their Schemes. For instance, the Schemes for Eleventh Plan, which commenced from April, 2007, were approved in October, 2008. The completion of other related formalities, etc. took further time. The implementation proper of Schemes, therefore, commenced from Fiscal 2009-10, which happens to be the third year of Eleventh Plan. As a consequence, the Ministry could not achieve anything tangible in the first two years of the Plan. The Committee note that with most of the approvals/clearances in bag the Ministry have acquitted themselves in a far better manner in the year 2009-10.

The committee find a lot of merit in the argument of the Ministry that since most of the under spending in the initial years of Eleventh Plan was due to delays in approvals/clearances of the Schemes, their performance in these years, need not be the sole benchmark for the allocations in the subsequent years.

The Committee, therefore, recommend that the Planning Commission should not take a purely mechanical view while deciding the allocations for the next Annual Plan. Apart from considering the spending in the previous year, the Planning Commission ought to consider the status of Schemes that were to be implemented, the release position of funds, the timing of approvals/clearness so that a fair target is given to the Ministry with a fair expectation and with a fair amount of money. Apart from the Ministry of Food Processing Industries, the Committee have found a similar situation prevailing in the case of other Ministries/Departments. The Planning commission would, therefore, be well advised to systemize, the advice of the/Committee so that it is applied on all Ministries/Departments uniformly and the situation that has, unfortunately, been witnessed till now in the Eleventh Plan is a thing of past.

Reply of the Government:

The Ministry is in full agreement with the observations of the Committee. Ministry has requested Planning Commission to considered Annual Plan allocation of the Ministry on need based approach.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 28 February, 2011]

ALLOCATION TO NORTH EAST REGION
(Recommendation Para No. 1.26)

The Committee observe that out of the BE of Rs. 340.00 for 2009-10, the Ministry had made a provision of Rs. 34.00 crore for the North East Region. With the allocation of the ministry getting reduced to Rs. 290.00 crore at the RE stage the mandatory 10% allocation to the NE Region has also gone down to Rs. 29.00 crore. Sadly, however, out of the actual spending of Rs. 148.83 crore till 30 November, 2009, the expenditure for NE Region has been a mere Rs. 5.54 crore which is not even 4% of the total.

It has been the experience of the Committee that for various reasons, the funds allocated for the North East Region, remain unspent and are, thereafter, mechanically transferred to the Non-lapsable NER Funds. This is a worrisome situation. The non-utilization of funds in the NE Region apart from affecting the development efforts also creates a sense of being discriminated against among the people of the Region. The Committee, therefore, strongly deprecate the casual approach of the Ministry towards implementation of schemes in the NE region and recommend that since the NE Region is brimming with raw materials for the food processing industries sector, the Ministry should urgently reorient their strategy for the Region with a view to ensure that inspite of the constraints being faced, their Schemes meant for the Region are successfully implemented.

Reply of the Government:

Ministry has noted the recommendation of committee and formulated its strategy to ensure utilization of 10% of the allocation for NER. In fact during 2010-11, so far as against BE of Rs. 40.00 crore, Ministry has utilized over Rs. 26.00 crore which is highest ever utilization in a year.

Ministry has taken up special advertisement in NER, investor's meet, follow up meetings, out reach programmes and close monitoring to ensure utilization of NE allocation.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 28 February, 2011]

MID TERM APPRAISAL
(Recommendation Para No. 1.27)

The Committee note that the Mid Term Appraisal Review Meeting of the performance of the Ministry, halfway through the Eleventh Plan, was held on 23 August, 2009. The Minutes of the said meeting are yet to be received by the Ministry for implementation. Queries with the representative of the Planning Commission during the Oral Evidence revealed that normally this procedure takes about a year. The Mid Term Appraisal being such a long winding process, for whatever reasons, the Committee feel that its results cannot be put to optimal use by the Ministries/Departments in the extant form. In the instant case thought he MTA was to be readied by March, 2010, it is supposed to take another six weeks for Cabinet approval. It can be safely assumed that the remaining formalities may take a few more weeks if not months. Thus, no inputs from could provided to the Ministry for the Fourth Year Annual Plan of the Eleventh Plan which commenced from 1 April, 2010. At best these can be utilized while drawing the Annul Plan for 2011-12 i.e. the last year of Eleventh Plan. But then the inputs based on the performance of the Ministry in 2010-11 would be of more relevance. The Committee find this a very unsatisfactory state of affairs. The MTA is a tool for performance assessment and recommending mid course corrections. If it is lingered on for months together or a year, the very purpose and relevance of MTA is lost. The Committee, therefore, recommend that the Government and the planners should put their heads together and devise ways and means to ensure that the MTA is completed at the soonest after the Five Year Plan is halfway through, and the mid course corrections are suitably co-opted at the first available opportunity in the Annual Plan or the RE stage, as the case may be.

Reply of the Government:

The Ministry is in full agreement with the observations of the Committee. The observations of the Committee have been forwarded to the Planning Commission for suitable action.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 28 February, 2011]

<u>INTERNAL EVALUATION AND PERSPECTIVE PLANNING</u>
(Recommendation Para No. 1.28)

The Committee, with a view to evaluate the internal evaluation mechanism of the Ministry, had sought information about any evaluation of the Schemes being done, in view of the slippages in implementation during the first three years of the Eleventh Plan. They have been informed that the Ministry are already evaluating all Schemes for the period of four years from 2005-06 to 2008-09. The Committee find it inexplicable, as to what purpose such an evaluation will serve, when it is covering two years of the Tenth Plan and two years of the ongoing Eleventh Plan. Moreso, when several Schemes/components of the Tenth Plan have been discontinued or revamped and new Schemes which were not there in the Tenth Plan have been started in the Eleventh Plan. The Committee are of the opinion that in order to make a more realistic an to the point assessment, the Ministry should evaluate the performance of their Schemes in the first three years of the Eleventh Plan. This will not only enable them to understand the shortcomings and constraints being faced in their implementation but also facilitate corrective measures down the line and perspective planning for the Annual Plan 2011-12 and Twelfth Five Year Plan.

Reply of the Government:

The process of evaluation of the schemes of the Ministry being implemented in the Eleventh Plan has started. Expert agencies have been hired to evaluate the performance of the schemes of the Ministry for the uncovered period, i.e. 2005-06 and 2006-07 of the 10th Plan and the first three years of the current Eleventh Plan, i.e. 2007-08 to 2010-11. The agencies have been asked to complete their assignment within a period of 6 months. It is expected that these evaluation reports would be available by the time the exercise of preparation of Twelfth Plan commences.

Evaluation of discontinued schemes of Tenth Plan for last two years of Tenth Plan i.e. 2005-06 and 2006-07 is relevant to assess the impact of schemes and also to ascertain relevance of findings in present context, so that if so found, some of the recommendations may form part of Twelfth Plan proposals.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 28 February, 2011]

SCHEME FOR TECHNOLOGY UPGRADATION/ESTABLISHMENT AND MODERNIZATION OF FOOD PROCESSING INDUSTRIES
(Recommendation Para No. 2.47)

The Committee note that the Scheme for Technology Upgradation / Establishment and Modernization of Food Processing Industries is meant for upgradation and modernization of processing capabilities. Being a continuing Scheme from the Tenth Plan, it was luckily not stuck in the maze of approvals/clearances at the beginning of Eleventh Plan. Therefore, the Ministry have performed satisfactorily in implementation of this Scheme. In fact, as stated previously in this Report, this Scheme has also caught the eye of the Planning Commission, as all allocated CE funds have not only been utilized additional infusions were also required at the RE stages. The Committee, however, find two areas of concern in this Scheme. The Committee feel that the Cap of Rs.50 lakh as subvention on cost of plant and machinery and civil works in general areas and Rs.75 lakh in difficult areas in grossly insufficient. The modern food processing industries sector is a capital intensive where such small doses of financial assistance are not going to prove effective. The Committee, therefore, recommend that the Government should enhance this sum to Rs.1.00 crore in the general areas and Rs.1.5 crore in the difficult areas, with immediate effect.

The second shortcoming that has come to the notice of the Committee is the absence of a consultancy mechanism in the Ministry. There is nothing available in the system to provide hand holding to the prospective entrepreneur or to advise, facilitate and guide him/her on the matters pertaining to this Scheme, particularly on how to go about the balance funding of the project proposal through banks/financial institutions. The Committee can well imagine the plight of a prospective or even an existing entrepreneur who has to wade through a stream of formalities in banks/financial institutions to reach the Ministry for securing the subvention part and, thereafter, go through another round of similar formalities to secure the balance funds from various sources. The Committee, therefore, desire that the Ministry should give a serious thought to this matter and workout a consultancy mechanism, immediately approaching them are provided a much needed Single Window Clearance System for the Scheme.

Reply of the Government:

The Ministry acknowledges that cap of Rs. 50 lakhs and Rs. 75 lakhs (NE area) will be a constraining factor as far as modernization/setting up of food processing units are concerned. On the basis of average total project cost of food processing units, it would be prudent to revise the grant amount appropriately.

Due to Budgetary constraints in the terminal year of the plan the upscaling of grant-in-aid will be proposed in the 12th Plan, while proposing continuation of scheme after its evaluation during 11th Plan period.

So far, consultancy mechanism in the Ministry is concerned, the system to provide hand holding to the prospective entrepreneurship or to advise, facilitate and guide him/her on the matters pertaining to this scheme is being establish by National Institute of Food Technology Entrepreneurship and Management (NIFTEM). Ministry has also posted model project proposal on it website for reference apart from providing a link to the information about technology providers.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 28 February, 2011]

Comments of the Committee

For Comments of the Committee please refer to Para No. 1.19 of Chapter-I of this Report.

NIFTEM
(Recommendation Para No. 2.48)

The National Institute of Food Technology, Entrepreneurship and Management (NIFTEM) is one of the components of the Scheme ' Strengthening of Institutions' The cost of the project which was originally estimated to cost of Rs.244.60 crore is set to escalate substantially to Rs. 604.75 crore due o certain changes in civil works, technical facilities, etc. suggested by the knowledge sharing partner viz. Cornell Sathguru Foundation for Development, Hyderabad. The Committee, concerned with such a high jump in estimates, have already recommend, a careful consideration of the same by the Government, in their Fifth Report on Demands for Grants 2009-10.

Apart from the cost factor, they have also note that the CCEA had fixed an implementation scheme for the operationalisation of NIFTEM according to which the Institute ought to have been fully functional academic session 2010-11. For this purpose NIFTEM has to be granted the deemed University status by University Grants Commission, it has to also have a faculty, furthermore being an institution offering technical degrees also, a recognition of its courses by AICTE will be required . The Committee are, however, shocked to note that Ministry have not been able to make any headway in these crucial matters. A Cabinet note to change legal status of NIFTEM from a Section 25 Company to that of a society to be registered under Indian Societies Act is being submitted to the Cabinet Secretariat shortly. The Ministry have informed that Committee, that any further action on issues like Deemed University status, filling up of faculty and other positions, recognition by AICTE, etc. will arise only after the approval of the Cabinet is received.

The Committee are aware of the time consuming nature of all the issues referred to above. They, therefore, can say without thinking twice that the Ministry will not be able to meet the deadline academic activity in NIFTEM from 2010-11 Session. The Committee feel that that if the Ministry plan it very professionally and in a highly time bound manner, they can at best think of making NIFTEM fully operational by the next academic session viz. 2011-12 only. Nothing the lack of clarity in the matter of how to proceed further with the Project the Committee would like the Ministry to come out with a blue print in the matter and submit the same to the Committee on priority.

Reply of the Government:

- CCEA in its meeting held on 31.8.2006 approved setting up of NIFTEM at an estimated cost of Rs.244.60 crore including foreign exchange component of US $ 8.1 million.

- For achieving NIFTEM's mandate as an international centre of excellence review of Rabo DPR was made.

- The following additional focus areas not considered in the Rabo DPR but considered essential components were incorporated.

  - ✓ Focus on comprehensive spectrum of Food Science, Technology & Management

- ✓ Creation of comprehensive incubators.
- ✓ Creation of tenancy area within the incubator.
- ✓ Creation of bio resource centre, sensory facility and other essential research facilities.

- Accordingly, the revised proposal of RCE at a cost of Rs.604.75 crore was submitted to Ministry of Finance and all other concerned Ministries/Deptt. and Planning Commission on 29.9.2009.

- Planning Commission on October 14, 2009 reviewed the proposal and desired MFPI to submit RCE as they are not in a position to support enhancement of the cost due to proposed area expansion in certain building components.

- Ministry of Finance on December 2, 2009 also desired reconsideration of the RCE-Rs.604.75 crore and scaling down the cost based on the clear demand from the industry for NIFTEM graduates who would be passing out subsequently. It was also desired that implementation schedule of CCEA should be followed to avoid cost and time overruns in the project.

- On the directions of Ministry of Finance and Planning Commission, a detailed review of the enhanced cost was undertaken. As a result, the project cost was scaled down from Rs.605.94 crore to Rs.494.66 crore.

- The RCE proposal was considered by EFC in its meeting held on 29.6.2010. EFC directed the Ministry to take following actions and then revert back to EFC.

  - ✓ To review the revised cost estimate closely with a view to paring the cost to the extent possible.
  - ✓ Requirement of funds for NIFTEM to be rephased having regard to availability of funds.
  - ✓ To approach Planning Commission for allocation of additional funds.

- As directed by EFC, MFPI again reviewed and further rationalized the RCE by bringing down the revised project cost from Rs.494.66 crore to Rs.479.94 crore. MFPI reassessed the requirements of funds based on the rationalized RCE of Rs.479.94 crore and phased out year wise requirement of funds during 2010-11, 2011-12 & 2012-13. The additional requirement of funds for the year 2010-11 of Rs.20 crore has been identified internally from saving in other Schemes within the BE 2010-11 and re appropriation proposal sent to Ministry of Finance in the last batch of supplementary.

- With a view to obtain Deemed to be University status from UGC, the legal status of NIFTEM as a company registered under Section 25 of the Companies Act 1956 had to be changed to that of a Society.

- The Union Cabinet in its meeting held on 23.4.2010 approved as under :

  - ✓ Registering National Institute of Food Technology Entrepreneurship and Management as an autonomous organization under the Indian Societies Act, 1860.

- ✓ Transfer all assets and liabilities of NIFTEM as a Section 25 Company to NIFTEM Society.
- ✓ Winding up of NIFTEM under the Indian Companies Act, 1956.

- In pursuance of above decision of the Union Cabinet follow up action was taken as under:

  - ✓ Ministry of Food Processing Industries registered NIFTEM as a Society under Societies Registration Act, 1860 on 19.5.2010 and directed NIFTEM Company to take follow up action on the remaining two decisions of the Cabinet.

  - ✓ In pursuance of Cabinet decision, NIFTEM transferred all assets and liabilities of NIFTEM Company to new NIFTEM Society on 11.11.2010 and has now initiated action for voluntary winding up of the Company as per provisions of the Companies Act.

- Immediately after registration of NIFTEM as a Society, an application was submitted to UGC on 20.5.2010 for grant of Deemed to be University status under De Novo category.

- UGC constituted an Expert Committee to recommend suitability of NIFTEM proposal for grant of Deemed to be University status under De Novo category. The Committee held a meeting on 13.1.2011 in which a detailed presentation was given by NIFTEM. As per advice of the UGC Expert Committee, the course curriculum of B.Tech (Food Technology & Management) course has been revamped by accentuating management content of the course and designed new course curriculum for M.Tech

(Food Technology & Management) for consideration of UGC. UGC is now to take final decision on the proposal to recommend the case for grant of Deemed to be University status under De Novo category for final approval of Ministry of HRD.

- NIFTEM campus construction covering 12000 sq. mtr. area would be ready by the end of February, 2011 alongwith peripheral infrastructure to commence activities from the current financial year and first academic session from 2011-12.

- In the Annual Plan discussions 2011-12 held in January 2011 with Planning Commission, MFPI explained the status of preparedness of NIFTEM campus and its commitment to start academic session 2011-12 which was duly appreciated by the Commission.

- Planning Commission has provided Rs.100 crore out of GBS Rs.600 crore in Annual Plan of MFPI for the year 2011-12 for this project.

- The meeting of EFC under the Chairmanship of Secretary, Expenditure was convened on 18.2.2011 to consider the revised (enhanced) cost proposal of NIFTEM. The EFC has recommended the proposal for consideration of CCEA subject to certain conditions.

- In the 1st phase, 62 posts were proposed to be created to make the Institute functional in 2010-11. 46 posts including the post of Director has been created, Recruitment Rules for these posts have been finalized and recruitment process started. It is scheduled to be completed by April

2011. Proposal for creation of additional posts has been sent to the Ministry of Finance for approval.

- NIFTEM intends to start residential training courses under various subject areas from March 2011.
- Outreach programmes in different areas across the country for brand building of NIIFTEM are being undertaken.
- All preparatory activities are being undertaken to commence academic session 2011-12 with B.Tech (Food Technology & Management) by June 2011.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 28 February, 2011]

FOOD PROCESSING TRAINING CENTRES
(Recommendation Para No. 2.49)

The Committee note that the objectives of setting up of Food Processing Training Centre (FPTCs) include development of rural entrepreneurship, transfer of technology for processing of food products by utilizing locally grown produce and providing hand-on experience. The FPTCs basically function as production-cum-training centers. The Ministry have a Scheme for providing grant-in-aid for setting up of FPTCs. Till date, the Ministry have assisted 533 FPTCs in the country. However, when queried about the FPTCs, which are fully functional, they have informed that they planned an evaluation in this regard. With regard to adequacy or otherwise of the existing FPTCs the Ministry have again taken refuge behind the said ‘planned evaluation’. Simultaneously, however, the Ministry have informed the Committee, that during EFC meeting, a total of 270 FPTCs were proposed during the Eleventh Plan period. The Committee are dismayed at the ad hoc manner in which the Scheme of FPTCs is being implemented. The food processing industries sector is witnessing substantial growth. If the growing requirements of trained manpower fro the sector are to be ensured, the FPTCs are to be set up/revamped on a priority basis. The Committee wonder, why the aspect of FPTCs augmentation, in a desired manner, has not stuck, the Ministry even when they cam out with the grandiose Vision – 2015. Being production-cum-training centers, the FPTCs have a vital role in further progression of the food processing sector. On one hand, they will ensure a regular supply of training and skilled manpower for the sector on the other, they will also add to the processed food production capacity. The Committee have a feeling that the Ministry's belated intention to evaluate the Scheme, seems to have occurred only when the Committee prodded them for the information in the matter. Notwithstanding, whatever has happened, the Committee recommend that the Ministry may complete the planned evaluation within three months of presentation of this Report to the Parliament and come back to the Committee with a detailed feedback on the FPTCs.

Reply of the Government:

The objective of Scheme of setting up of Food Processing Training Centres (FPTCs) includes development of rural entrepreneurship, transfer of technology for processing of food by utilizing locally grown produce and providing hands-on experience. The Ministry in its Eleventh Plan Document had proposed an overall budget outlay of Rs. 100 crore for the scheme of Human

Resource Development in FPI which included Rs. 25 crore for setting up of 270 FPTCs in the country. However, the budget outlay was restricted to only Rs. 65 crore for the scheme of HRD. Further, the actual allocation of funds during the first four years of the Eleventh Plan was hardly Rs. 31.75 crore for the entire scheme of HRD. Out of which Rs. 4.70 crore was provided for setting up of FPTCs. The year-wise break-up of the FPTCs in the EFC document vis-a-vis actual achievement is as under:

(Rs. in crore)

S.N	**Year**	**11th Plan Target**		**Actual Achievement**		
		Financial	**Physical**	**BE/RE**	**Expenditure**	**No. of FPTCs Approved**
1	2007-08	3.50	35	1.20	1.20	41
2	2008-09	5.00	52	0.50	0.50	19
3	2009-10	5.50	61	1.50	1.48	32
4	2010-11	5.50	61	1.50	1.12	26***** (30 targeted)
5	2011-12	5.50	61	4.00*		80******
	Total	**25.00**	**270**	**8.70**	**4.30**	**202**

***** up to 22-02-2011.
****** proposed for FY 2011-12.

The scheme of HRD, which was operational during 10th Plan, was continued in the 11th Plan with higher level of assistance. The actual achievement during the year 2007-08 was more compared to the physical targets with lesser availability of fund as the cases were processed as per the pattern of assistance of 10th Plan. During the 10th Plan, the pattern of assistance for a Single line FPTC was Rs. 3.00 lakhs and for a Multi line FPTC was Rs. 7.50 lakhs. In the 11th Plan the pattern of assistance was enhanced to Rs. 6.090 lakhs for single line FPTC and Rs. Rs. 15.00 lakhs for a multi line FPTC. The Scheme of HRD with enhanced level of assistance for the 11th Plan was approved in the 2nd half of financial year 2008-09.

Even with the less allocation of funds under the scheme, the Ministry has so far approved 118 FPTCs during the first four of the Eleventh Plan period. The Ministry has already commenced evaluation of the scheme and the report will be placed before the Committee.

The Ministry will carry out the publicity of the scheme on sustained basis and also through the State Nodal Agencies/State Governments for inviting proposals with an objective that at least one FPTC in each District is established during the Twelfth Plan period.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 28 February, 2011]

<u>FOOD TESTING LABORATORIES</u>
(Recommendation Para No. 2.50)

The existing Food Testing Laboratories (FTLs) network in the Country came out as another major area of concern during the examination by the Committee. There is an acute shortage of food testing laboratories. As per a study conducted at the Ministry's behest in 2006, there were 312 food testing laboratories in the country with only 10 of them located in the NE Region. The study had recommended setting up/upgradation of 620 laboratories. The break-up being at least 285 labs at the district levels. Unfortunately, however, the Scheme of FTLs has not been accorded the requisite priority in the scheme of things of the Ministry. Till date, they have provided grant to only 45 FTLs out of 312 under the Scheme meant for the purpose. Only 2 of these laboratories are in NE Region. The Committee feel that the increasing importance of quality control, standardization and accreditation in the global importance of quality context, demands a comprehensive network of FTLs which are dotted all over the country at easily accessible distances to facilitate the food processing sector. The Committee, therefore, strongly recommend that Ministry should come out with detailed road map on how to ensure the coverage of all districts of the country under the FTL scheme on a priority basis within three months of presentation of this Report to the Parliament. If need be further incentives may be added to achieve this goal at the earliest.

Reply of the Government:

The objective of Scheme is to establish a surveillance system for monitoring the quality and composition of food, analysis the samples received from food processing industries, and other stakeholders, reduce the time of analysis of samples by reducing transportation time of samples, ensure compliance of International standards on food in case of exports as well as imports.

The Ministry in its Eleventh Plan Document had proposed an overall budget outlay of Rs. 250 crore for the scheme of setting up of Food Testing Laboratories/HACCP/R7D/Promotional Activities etc. which included Rs. 84

crore for setting up of 74 Food Testing Laboratories (FTLs) in the country during the Eleventh Plan period/ During the first four years of the Eleventh plan an amount of Rs. 31.82 crore was provided under the scheme, and accordingly the Ministry have already assisted 15 Food Testing labs and accorded “in-principle” approvals to another 5 laboratories. The year-wise break-up of the proposed Food Testing Laboratories in the CCEA document vis-à-vis actual achievement is a sunder:

(Rs. in crore)

S. No	**Year**	**11th Plan Target**		**Actual Achievement**		
		Financial	**Physical**	**BE/RE**	**Expenditure**	**No. of FPTCs Approved**
1	2007-08	9.94	2	9.94	9.94	2
2	2008-09	2.08	6	2.08	2.08	1
3	2009-10	9.00	16	9.80	9.799	8
4	2010-11	25.00	22	10.00	6.353	4* (10 targeted)
5	2011-12	37.98	28	25.00**		20**
	Total	**84.00**	**74**	**56.82**	**28.172**	**41**

* Upto 22/11/2010

** Proposed during 2011-12

In the NE Region, the Ministry has assisted 3 Food Testing Laboratories during Eleventh Plan period and “in-principle” approval to 1 laboratory in NE

Region was granted. Since there is very encouraging response from the stakeholders with the enactment of Integrated Food Law (IFL) there would be more need for Food Testing Labs across the country. Further, the Ministry is in the process of commissioning evaluation of the scheme and, thereafter, increase in the level of assistance and the number of Food Testing Labs will be proposed at the time of preparing the road map for 12th plan.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 28 February, 2011]

UTILIZATION CERTIFICATES
(Recommendation Para No. 2.52)

The Committee find that the Ministry have to cover a lot of ground in the matter of liquidation of pending Utilization Certificates (UCs). There are 2117 UCs amounting to a huge Rs.330.65 crore pending in respect of grants paid up till 31 March, 2008 and due as on 31 March, 2009. This is a substantial amount for a Ministry, whose Annual Budget had been Rs.290.00 crore last year and who have barely reached the Rs.400.00 crore BE allocation mark in the ongoing Fiscal. What is the matter of further concern to the Committee, is the fact that the Ministry did not /could not furnish to them the number and value of the UCs received by the Ministry during 2008-09 and 2009-10. Likewise, they also did not could not furnish to the Committee, details of the ten oldest pending UCs. The Committee deprecate this tendency of laissez faire of the Ministry, on an important issue like the liquidation of pending UCs. It should be clearly understood that the responsibility of the Ministry does not end merely with release of grants. Their proper utilization is rather more important.

The Committee, therefore, exhort the Ministry to pursue the liquidation of pending UCs with all seriousness so that such huge backlog is cleared at the earliest. They would also like to be apprised about the two matters referred to above, on which information is still pending.

Reply of the Government:

The Ministry has been taking the issue of pending UCs seriously and has been reviewing the matter on weekly basis at the level of AS & FA and Secretary. It has been found that many of the old UCs (which have been reported as outstanding) are pertaining to grants-in-aid released by the Ministry against the reimbursed expenditure already incurred by the grantee organizations. Thus, in terms of GFR Rule 212(1), Note 1. we are consulting Ministry of Finance to consider them as liquidated. Accordingly, the Ministry has taken steps to liquidate the number of outstanding UCs. As desired by the Hon'ble Members of the Committee, the number and amount of UCs received by the Ministry during FY 2008-09 are 453 (Rs. 67.48 crore), and during FY 2009-10 are 166 (Rs 70.63 crore). Details of ten oldest pending UCs are also enclosed herewith.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 28 February, 2011]

Comments of the Committee

For Comments of the Committee please refer to Para No. 1.22 of Chapter-I of this Report.

CHAPTER III

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY

OUTCOME BUDGET
(Recommendation Para No. 2.51)

The Outcome Budget, which is the successor of Performance Budget of the yore, contains details of performance of any Ministry /Department on both the physical and financial parameters. It also contains the salient features of the forthcoming Annual Plan and other relevant details pertaining to the Demands for Grants, financial projections, physical targets, etc. By virtue of the information it contains, the Outcome Budget is an important tool for the Departmentally Related Standing Committees in assessing the performance of the Ministry/Department in question, more so, in the context of the examination of the Demands for Grants. It is because of the time bound requirements of reporting on the Demands for Grants to the Parliament that the Outcome Budget is invariably presented to the Parliament along with the Demands for Grants.

The Committee are, however, unhappy to note that in the instant cases, the Ministry did not lay the Outcome Budget alongwith the Demands for Grants 2010-11, laid in the Lok Sabha on the last day (16 March, 2010) of the first half the ongoing Budget Session. Copies of the Outcome Budget were provided to the Committee only during the Oral Evidence of the Ministry on 31 March, 2010. The Oral Evidences, therefore, remained inconclusive on that day and further Oral Evidence, therefore, remained inconclusive on that day and further Oral Evidence was necessitated on 9 April ,2010. Inspite of the assurance of the Secretary of Ministry of Food Processing Industries during the Oral Evidence on 31 March, 2010, that the Outcome Budget will be laid in the Parliament immediately in the next Sitting (15 April, 2010) of the Lok Sabha in the ensuing Session, this was done only on 29 April, 2010.

The Committee consider that as a serious lapse on the part of the Ministry. If timely submission of documents to the Parliament and its entities is not ensured by the Government, the concept of the accountability of the executive to the legislature is severally dented, which is a matter of grave concern. While cautioning the Ministry to ensure that there is no recurrence of such nature in future, the Committee also desire a report in the instant matter one month of presentation of this Report.

Reply of the Government:

Delay in presentation of Outcome Budget 2010-11 in the Lok Sabha was due to delay in compilation/preparation of the document because of late receipt of inputs from concerned Divisions of the Ministry. There was further delay in translation of the document into Hindi version. Printing of the documents was given to an agency, which also took time more than expected. In future, such delay will not be occur. We request Hon’ble Members to pardon us this time. The Ministry has already taken appropriate steps in order to make available the copies of Outcome Budget 2011-12 in the Lok Sabha in time.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 28 February, 2011]

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

OVER VIEW OF DEMAND
(Recommendation Para No. 1.24)

Coming to the immediate task of the examination of the Demands for grants of the Ministry for the year 2010-11, the Committee have extensively covered several matters pertaining to the Ministry in their Fifth Report on Demands for Grants (2009-10) of the Ministry, which was presented to the Hon'ble Speaker on 18 February, 2010 and presented/laid in the two Houses of Parliament on 3 March, 2010. As not much time has elapsed since the Fifth Report was presented and the Action Taken Replies of the Government on the observation/recommendations contained in the Report are not yet due, the Committee in their present Report have either recommended additional measures which are warranted in matters already covered in their Fifth Report or on such matters which did not find mention in that Report.

Having examined Demand No. 17 pertaining to the Ministry of Food Processing Industry, the Committee note that the Ministry have been allocated a sum of Rs. 400.00 crore on the Plan side. Out of this Rs. 297.49 crore is in the Revenue Section and the balance Rs. 102.51 crore in the Capital Section. The allocation on the Plan side is about 43% higher than RE 2009-10 which stood at Rs. 280.00 crore.

The Ministry have also been allocated a sum of Rs. 19.72 crore on the Non-Plan side, which is all in the Revenue Section. The Non-Plan allocation has seen an almost 19% decline from the RE 2009-10 of Rs. 11.57 crore. If maintained till the end of the Fiscal it would be a commendable effort.

Notwithstanding, the statistics quoted above, the Committee are hugely disappointed to find that as in the previous several years, the Ministry have been given a raw deal in allocation of funds for 2010-11 as well. The allocation of Rs. 400.00 odd crore for 2010-11 takes the tally of allocations in the first four years of the Eleventh Plan to a measly Rs. 1280.00 crore. What to speak of the Rs. 4816.00 crore initially sought by the Ministry for the Eleventh Plan, this amount is not even a patch on the total allocation of Rs. 4031.00 crore approved by the Planning Commission.

The Committee can understand that the overall availability of resource position and the inter-se prioritization amongst various Ministries/Departments may cause some up downs in the actual allocations. But the yawning gaps between the allocations made for the Eleventh Plan and the actual allocations in the context of the Ministry of Food Processing Industries is indicative of a very disdainful attitude towards proper planning and management of finances by the Government. This needs to be deprecated in the strongest terms. The Committee, therefore, recommend that the Government should, without waiting till the Revised Estimates stage, immediately enhance the allocation of the Ministry for the year 2010-11 to at least Rs. 1500.00 crore. This will only provide much needed funds to the Ministry at a juncture, where they require it the most, but will also leave, as balance, manageable funds for the last year of the Plan.

Reply of the Government:

The plan allocation of the Ministry for 2010-11 was kept at Rs. 400.00 crore. Ministry had taken up issue for enhancement of allocation from time to time. Ministry had finally proposed RE for Rs. 600.00 crore which was also not approved and RE was retained at Rs. 400.00 crore only.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 28 February, 2011]

Comments of the Committee

For Comments of the Committee please refer to Para No. 1.7 of Chapter-I of this Report.

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

MEGA FOOD PARKS
(Recommendation Para No. 2.46)

The Committee note that the Ministry was implementing a Scheme of Food Parks in the Ninth and Tenth Plans with a view to boost the food processing industry sector. 56 Food Parks were covered under the Scheme by the Ministry over the years. The Scheme, as per own admission of the Ministry, did not yield the desired results because of new Mega Food Parks (MFPs) component under the Infrastructure Development Scheme, the Mega Food Parks, as the name suggests are on a substantially larger canvas and Special Purpose Vehicle (SPV) driven entities. Apart from the large and all encompassing infrastructure, they will also be having sufficient backward and forward linkages to ensure their viability.

The Committee further note that though the CCEA had approved in principle 30 MFPs during the Eleventh, only ten have been approved in the first stage on pilot basis. The Ministry received bids for all the ten MFPs. However, four of the proposals relating to setting up of MFPs in Karnataka, Maharastra, Punjab and UP could not proceed beyond shortlisting stage. While the SPVs, themselves, sought withdrawal in case of Maharastra and UP. Two remaining ones in Karnataka and Punjab forfeited their claim being unable to submit the Detailed Project Report, as they could not identify and acquire the requisite land within the stimulated time. As a consequence, the earnest money amount of Rs.10.00 lakh deposited by each of these four places for selection of fresh SPVs. Till date, the Ministry have released a sum of Rs.35.00 crore as grant assistance to the remaining SPVs. Being cost and time intensive projects the MFPs require 24 to 30 months for completion. The Committee have been informed by the Ministry that due to delay in approvals/clearances none of the MFPs is complete as of now. The earliest, they expect some of them to be completed somewhere in the last year of the Eleventh Plan viz. 2011-12.

The Committee feel that the Mega Food Parks component, though intended to be an improvement over the failed erstwhile Food Parks still have several rough edged to be smoothened. The Government have, therefore, rightly decided to sanction assistance for only ten out of 30 MFPs in the first phase on pilot basis. Since these projects are having a long gestation period, any glitches at any interim stage, delay the entire process. The Committee, therefore, feel that that Government should constantly monitor the execution of the ten proposals, that have been approved for assistance in first phase on pilot basis, before taking further initiatives in the matters.

The Committee also feel that these projects should have better collateral guaranties from the side of the SPVs rather than the modest amount of Rs.10.00 lakh as earnest money. As can be seen from the four cases which did not go beyond the short listing stage, the bidder have to only face the risk of forfeiting the earnest money of Rs.10.00 lakhs but the projects have been delayed for months together, as the entire thing is to be started afresh. Besides, this exercise though infructuous would surely have been a big drain on the Government resources, time and money.

Reply of the Government:

The earlier Scheme of Food Parks was operated during 8th to 10th Plan Periods. During these periods, a total of 56 Food Parks were sanctioned at an approved grant of ` 208.544 Cr., out of which total grant released so far is ` 137.98 Cr. In the case of 20 Food Parks, funds have been fully released and in case of 34 Food Parks, which are at different stages of progress, the funds have been partially released. The objective of the Food Park Scheme was to develop Common Infrastructure Facilities to facilitate setting up of units by Micro, Small & Medium Enterprises. So far, a total of 2210 plots have been allotted to industrial units out of total approved plots of 4150. The number of units commissioned is more than 200. The scheme of Food Parks could not achieve desired results due to various reasons. To identify the bottlenecks and find out solutions thereto, Ministry of Food Processing Industries had commissioned reputed external agencies such as EDI, Ahmadabad, Consulting Engineers Ltd, etc to carry out evaluation of the Food Park scheme. As most of these Food Parks have been promoted by State Industrial Development Agencies, they have been conceptualized in traditional industrial estate mode with no forward and backward linkages. This has resulted in valuable real estate being acquired but utilized at low levels of efficiency. Major reasons for the poor functioning of parks are mentioned below:

- Poor site selection

- Delay in providing basic infrastructure facilities like power, water, road etc.
- Absence of strong backward linkages
- Weak linkages with the market
- Delay in release of financial assistance
- Poor management and implementation capabilities
- The studies have also pointed towards the lack of **:**

i. A comprehensive project report from the raw material supply chain to the market, assessing infrastructure needs at every stage

ii. Funding for components such as internal roads, drainage, environmental control facilities and solid waste management facilities etc, which are also important infrastructure needed in the park.

iii. A competent proposal appraisal

- The study concluded suggesting that the Food Park will be successful only if infrastructure for (1) On Farm Storage (2) Primary Processing (3) Minimal Processing (4) linkages with Retail Outlet (5) Mobile Processing Unit (6) Mobile Pre-cooling Unit (7) Packaging Centre (8) Palletisation etc., is provided in the Park. Production area remained under developed and not integrated with the requirements of the market. There was no assurance of steady supply of raw materials. The benefits of Value addition rarely percolated to the farming community.

These Studies thus recommended need for providing higher scale of assistance for building infrastructure items in the pattern of schemes like

Industrial Infrastructure Upgradation Scheme (IIUS) under the Department of Industrial Promotion Policy, Ministry of Commerce and Industry and Scheme for Integrated Textile Parks (SITP) under the Ministry of Textiles and Scheme for Pack Houses, Cold Storages and Mobile Processing Units under National Horticulture Board, Ministry of Agriculture. These schemes carry higher rates of subsidy as compared to MFPI's Infrastructure Schemes. Based on these findings and also recommendation of Working Group proposal addressing the above issues were initiated for Infrastructure Development Scheme for Mega Food Parks. The proposal for Mega Food Park was placed before the EFC and the EFC in its meeting held on 19.03.2008 had recommended the Infrastructure Development Scheme for Mega Food Parks, which aims at providing state of art infrastructure along the value chain from farm gate to retailer's outlet with strong backward and forward linkages.

The CCEA accorded approval on 11.09.2008 for setting up of 10 Mega Food Park Projects out of 30 projects envisaged in the 11th Plan. In other words although 11th Plan commenced with effect from the year 2007, approval of the Scheme was received by the Ministry precisely after 1 year and 5 months. Also only 10 projects were approved in the first phase.

The Mega Food Projects have long gestation periods as they seek to address both forward and backward linkage and create adequate infrastructure facilities along the supply chain from the farms to retailer outlets. Various statutory clearances are necessary from the State Governments also. The statutory clearances and land issues etc delay the project implementation considerably.

The Ministry is vigorously monitoring the progress of implementation by holding periodical review meetings and taking follow up action to expedite the process. An online MIS system has been developed under which the Project Management Consultants (PMCs) of the respective SPVs are required to upload data on monthly basis regarding the physical progress of constructions at site. The online MIS system also aims at providing links to various related schemes of the Central Govt. undertaken by various Ministries. The nature and dimension of the projects are quite enormous and the Ministry constantly making efforts to fine tune the process based on the learning experience the Ministry gains by way of implementation of the projects. To take care of the problems of SPV formation the minimum constituent members has been reduced from 5 to 3. To ensure participation of Food processor(s) having a considerable say in the SPV one of the member should be from food processing sector having a minimum net worth of ` 10.00 Cr. and must have at least 26% equity in the SPV .

To take care of the situation of midway withdrawal of the SPVs from the approved projects, the Ministry is considering enhancement of EMD and to keep it in case of successful bidders as a performance guarantee amount. Also, the SPV in the event seeking withdrawal after receipt of the grant in aid, the amount along with interest accrued thereon needs to be refunded by the SPV.

Based on the progress made in the implementation**,** the Government have approved setting up of 5 more Mega Food Parks.

[*Vide* Ministry of Food Processing Industries O.M. No. 6-3/2010-Parl. dated 28 February, 2011]

Comments of the Committee

For Comments of the Committee please refer to Para No. 1.15 of Chapter-I of this Report.

NEW DELHI;
22 March, 2011
01 Chaitra, 1933 (Saka)

BASUDEB ACHARIA
Chairman
Committee on Agriculture

APPENDIX

COMMITTEE ON AGRICULTURE
(2010-11)

MINUTES OF THE TWENTY-FIRST SITTING OF THE COMMITTEE

The Committee sat on Tuesday, the 22nd March, 2011 from 1515 hours to 1700 hours in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Basudeb Acharia - Chairman

LOK SABHA

2. Shri Narayansingh Amlabe
3. Shri Jayant Chaudhary
4. Smt. Shruti Choudhary
5. Smt. Paramjit Kaur Gulshan
6. Shri Naranbhai Kachhadia
7. Shri Premdas
8. Shri Hukmadeo Narayan Yadav

RAJYA SABHA

9. Shri Shashi Bhusan Behera
10. Shri Narendra Budania
11. Shri Satyavrat Chaturvedi
12. Shri Vinay Katiyar
13. Shri Mohd. Ali Khan
14. Shri Upendra Kushwaha

SECRETARIAT

1. Shri P.V.L.N. Murthy - Director
2. Shri P.C. Koul - Additional Director

2. At the outset, the Chairman welcomed the members to the Sitting of the Committee. The Committee, thereafter, took up the following Draft Reports for consideration:

*(i) *** *** *** *** *** *** *** *** *** ***

*(ii) *** *** *** *** *** *** *** *** *** ***

*(iii) *** *** *** *** *** *** *** *** *** ***

(iv) Action Taken Report on Observations/Recommendations contained in the Ninth Report of the Committee on Demands for Grants (2010-2011) pertaining to the Ministry of Food Processing Industries.

3. After some deliberations, the Committee adopted the draft Reports without any modifications. The Committee then authorized the Chairman to finalise the above Draft Reports after getting them factually verified from the concerned Ministry/Department and present the same to the Parliament.

*4 *** *** *** *** *** *** *** *** *** ***

*5 *** *** *** *** *** *** *** *** *** ***

*6 *** *** *** *** *** *** *** *** *** ***

The Committee then adjourned.

**Matter not related to this Report.*

ANNEXURE

(Vide Para 4 of Introduction of the Report)

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE NINTH REPORT OF COMMITTEE ON AGRICULTURE (15TH LOK SABHA)

(i)	Total number of Recommendations		13
(ii)	Observations/Recommendations which have been Accepted by the Government		
	Para Nos.	1.23, 1.25, 1.26, 1.27, 1.28, 2.47, 2.48, 2.49, 2.50 and 2.52	
	Total		10
	Percentage		76.90%
(iii)	Observations/Recommendations which the Committee Do not desire to pursue in view of the Government's replies		
	Para No.	2.51	
	Total		1
	Percentage		7.7%
(iv)	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee		
	Para No.	1.24	
	Total		1
	Percentage		7.7%
(v)	Observations/Recommendations in respect of which Final replies of the Government are still awaited		
	Para No.	2.46	
	Total		1
	Percentage		7.7%