

**CHAPTER VII : MINISTRY OF FOOD PROCESSING
INDUSTRIES**

7.1 Non-completion of Food Parks under Infrastructure Development Scheme

Grant of Rs. 110.55 crore released by the Ministry up to 2003-04 for setting up 43 food parks in different States remained largely unfruitful, as majority of the food parks did not attract entrepreneurs for setting up units.

With a view to addressing the problem of infrastructure constraints in the food processing sector, the Ministry of Food Processing Industries initiated a plan scheme for 'Infrastructure Development' in the VIII Plan. One major component of the scheme was 'Food Parks', with the objective of making available common infrastructure facilities for the Food Processing Industry, especially Small and Medium Entrepreneurs (SMEs). Initially, the quantum of grant to states was restricted to the common facilities, subject to a maximum of Rs. 4.00 crore. Subsequently during the X Plan, the quantum of grant was restricted to 25 per cent of the project cost in General Areas and 33.33 per cent in Difficult Areas,¹ subject to a maximum of Rs. 4.00 crore.

Under the scheme, financial assistance of Rs. 169.34 crore for setting up of 45 Food Parks was sanctioned up to March 2004; out of this, an amount of Rs. 110.55 crore was released in respect of 43 parks as detailed below:

(Amounts in Rs. crore)

Plan (Plan period)	Project Sanctioned	Number of Projects for which Grants released	Amount of Grants sanctioned	Amount of Grants released	Appraised Project Cost	Reported Expenditure *
VIII (1992-97)	2	2	8.00	04.75	64.50	19.50
IX (1997-2002)	27	27	104.47	74.30	335.47	210.38
X (up to 2003-04)	16	14	56.87	31.50	146.92	111.87
Total	45	43	169.34	110.55	546.89	341.75

* Including expenditure out of promoter's share and other sources of funding

Audit scrutiny revealed that none of the 45 Food Parks was fully operational as of March 2007, as detailed below:

- In the case of five parks, where grants amounting to Rs. 8.81 crore

¹ North Eastern Region including Sikkim, Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Andaman & Nicobar Islands, Lakshadweep & Integrated Tribal Development Project areas

were released, there was no physical or financial progress and the entire funds were lying unutilised with the implementing agencies.

- In the case of 13 parks, funds amounting to Rs. 33.45 crore were released, but the parks were not operational and did not attract any entrepreneur for setting up units.
- In the case of 22 parks, grants amounting to Rs. 59.64 crore were released, and the ministry had considered these parks as operational. However, Audit observed that only 109 units out of a total availability of 3154 units/plots (3.46 *per cent*) were commissioned as of March 2007.
- In the case of three parks (in Punjab, Kerala and West Bengal), funds amounting to Rs. 8.65 crore had been released, and the parks were operational with 50 *per cent* of the units being commissioned.
- In the case of two parks, grants were not released as the implementing agencies had not approached the Ministry for release of funds. Also, initial formalities, like achieving requisite physical and financial progress, had not been completed.

Large number of units remaining unutilised in 22 completed parks and 13 parks did not attract any entrepreneur indicate that adequate need assessment and feasibility studies had not been carried before designing and sanctioning the food parks. It also indicates lack of monitoring of the scheme as the Ministry neither ensured utilisation nor obtained refund of Rs. 8.81 crore in respect of five² projects sanctioned during 1996-97 to 2001-02.

Detailed audit scrutiny of the Ministry's records relating to 20 Food Parks, disclosed that only one park had become fully operational with more than 50 *per cent* units commissioned. The analysis revealed the following reasons for non-completion of Food Parks:

- In all 20 parks, the implementing agencies (IAs) could not adhere to the stipulated time schedule for completion. However, the sanctions were defective, as there was no provision for recovery of unutilised grants from the defaulting IAs, nor any penalty for non-adherence to the stipulated time schedules.
- In nine parks, the State Governments/ nodal agencies/ promoters had not contributed their share of funding.

² (i) Rajnandgaon, Chattisgarh, (ii) Chaygaon, Assam, (iii) Lamphelpat, Manipur (iv) Ghaziabad, Uttar Pradesh and (v) Dankuni, West Bengal

- In five parks, despite release of funds four-six years ago, the projects were still in progress.
- In four parks, the promoters had changed the site location and/or substantially modified the project.
- In one park, the Ministry had not released funds, due to non-fulfillment of the prescribed conditions.

Project-wise details of the selected 20 food parks are indicated in the **Annex**.

The Ministry had got the scheme reviewed (June 2004) by the Entrepreneurship Development Institute of India, Ahmedabad (EDIIA), which also identified reasons for poor implementation and slow progress of the scheme as (i) change in Promoters/Implementing Agencies, (ii) location and site related problems and increase in project cost, (iii) delay in receipt of financial assistance and setting up of basic infrastructure facilities, and (iv) lack of entrepreneurial awareness/interest and aggressive promotional efforts.

In response, the Ministry stated (May 2007) that the scheme was distinct from a normal plan scheme for assisting individual units. The Ministry did not implement food parks on its own and most of the parks had been sanctioned in the State sector, which got affected by resources constraints and other problems affecting the State Governments, thus resulting in delays. The Ministry also stated that the suggestion of audit relating to penalty clause would be kept in view while reviewing the policy. Further, based on the recommendations of EDIIA and experience gained, a holistic and more comprehensive scheme had been proposed for the XI plan and the Ministry was also examining the possibility of engaging professional agencies for efficient utilisation of existing food parks.

However, the fact remains that the objective of setting up of 45 food parks for providing common infrastructure facilities for food processing units was far from being achieved, and the grant of Rs. 110.55 crore released up to 2003-04, remained unfruitful, as majority of parks established have not been able to attract entrepreneur for setting up units. The Government must ensure conduct of proper need assessment, feasibility studies and suitability of identified locations before sanctioning food parks and releasing funds. The existing unviable projects may be reviewed for ensuring optimal utilisation of assets created.

Annex

(Referred to in Paragraph No. 7.1)

Analysis of the implementation of the scheme in respect of 20 Food Parks

Sl. No.	State	Project Site (Village/District)	Year of sanction of the project	Grant released (Rs. in lakh)	Grant lying with the bank (Rs. in lakh)	Reasons for delay	Status as on March 2007
1.	Assam*	Chaygoan, Kamrup	2000-01	175.00	55.51	Location was changed from Sonapur to Chargaon. An amount of Rs. 55.51 lakh lying with the bank.	No units commissioned.
2.	Andhra Pradesh*	Kuppan, Chittoor	2000-01	200.00	--	Funds were released without identification of co-partner since the project was joint venture.	Incomplete.
3.	Bihar#	Hajipur, Vaishali	2002-03	-	--	Due to non-fulfillment of condition for release, the fund could not be released till May 2007.	Project not started.
4.	Chhattisgarh\$	Tedesara, Rajnandgaon	2001-02	200.00	200.00	Funds still lying with the bank. The project had been revised and it was proposed to shift the site elsewhere from the original site.	No units commissioned.
5.	Haryana*	Saha, Ambala	2001-02	293.00	146.50	2 nd instalment still lying with the bank, as the requisite level of promoter's share of expenditure had not been incurred.	Incomplete
6.	Haryana*	Rai, Sonipat	2001-02	200.00	--	Most of the funds were still lying with the bank, as the requisite level of promoter's shares of expenditure had not been incurred.	Incomplete.
7.	J & K^	Jammu	2001-02	273.00	13.50	The completion date was 15 February 2003, but till January 2005, the construction of cold storage & pack house was in progress. Further Rs. 73.00 lakh was still lying with bank, as utilisation certificates was not furnished by the IA for funds utilised.	No units commissioned.

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Sl. No.	State	Project Site (Village/District)	Year of sanction of the project	Grant released (Rs. in lakh)	Grant lying with the bank (Rs. in lakh)	Reasons for delay	Status as on March 2007
8.	J & K*	Khanmoh, Srinagar	2000-01	300.00	100.00	Rs. 1.00 crore was lying with the bank, due to lack of proportionate expenditure by the promoters.	Incomplete.
9.	Kerala^	Mallapuram	1996-97	400.00	--	As per progress report (11.6.04), the project was still to be completed in all respects as construction of the Effluent Treatment Plant was under progress.	Incomplete.
10.	Kerala ^	Aroor, Alappuzha	2001-02	265.00	--	Necessary reports and utilisation certificates not received from IA.	Incomplete.
11.	Karnataka\$	Malur, Kolar	2000-01	200.00	200.00	Rs. 2.00 crore each released to the bankers of the IA, later on, a new entity namely Food Karnataka Ltd. (FKL) was formed to implement these projects. Rs. 4.00 crore was lying with the bank for nearly 5 years. The project has undergone several changes.	No units commissioned.
12.	Karnataka\$	Bagalkot	2000-01	200.00	200.00		No units commissioned.
13.	Manipur*	Imphal	2000-01	160.00	--	Work was stopped due to non-release of State's share of Rs. 2.30 crore.	No units commissioned.
14.	Orissa*	Khurda	2001-02	200.00	--	The project was still incomplete due to less expenditure by IA.	Incomplete.
15.	Punjab#	Sirhind, Fatehgarh Sahib	2000-01	200.00	--	Rs. 1.00 crore lying with the bank for more than five years; Ministry instructed on 19.3.07 to the bank for release of funds to the IA.	Incomplete.
16.	Rajasthan^	Boranada, Jodhpur	2002-03	193.88	--	IA spent only Rs. 0.71 crore against Rs. 1.94 crore released by the Ministry and the balance amount was lying with the IA.	Incomplete.

Sl. No.	State	Project Site (Village/District)	Year of sanction of the project	Grant released (Rs. in lakh)	Grant lying with the bank (Rs. in lakh)	Reasons for delay	Status as on March 2007
17.	Tripura [^]	Badhjung Nagar	2000-01	300.00	--	Funds were lying with the bank due to slow progress. Second instalment was released after reviewing the project but IA had sent no progress reports thereafter.	No units commissioned.
18.	U.P.*	Masuri, Ghaziabad	1999-2000	271.00	--	The banker had taken the possession of land, due to default in repayment of bank dues.	No units commissioned.
19.	U.P.*	Barabanki, Lucknow	2000-01	400.00	62.00	Non-release of promoter's share. The first instalment was released late by the Ministry while Rs. 0.62 crore was lying with bank out of second instalment as 100 per cent promoter's contribution was not incurred.	Incomplete.
20	W.B.*	Dankuni, Hoogly	1996-97	75.00	--	As per latest report the project is still unimplemented due to inability of the promoter to mobilise funds and acquire land for the project.	No units commissioned.

*10 Food Parks - State Governments/State Nodal Agencies/Promoters has not contributed their requisite share

[^]5 Food Parks - Works were still under progress while funds were sanctioned four to six years back.

\$3 Food Parks - Promoters had changed the site/reviewed the projects.

2 Food Parks - Ministry had late released/not released the funds, due to non-fulfillment of prescribed conditions.