

**Chapter IV**  
**Post-Harvest Management,  
Processing and Market  
Infrastructure**



# Chapter IV

## Post-Harvest Management, Processing and Market Infrastructure

### 4.1 Construction of Integrated Pack houses and Pack houses

With a view for effective handling of harvested horticulture crops, MIDH included provision for extending financial assistance @ 50 per cent of project cost (maximum of ₹ 25 lakh for construction of Integrated Pack houses<sup>37</sup> and maximum of ₹ 2 lakh for construction of Pack houses). The balance cost was to be borne by the beneficiaries.

#### (a) Integrated Pack houses:

SHM extended a total financial assistance of ₹ 1.95 crore to nine beneficiaries in the State for construction of nine Integrated Pack houses during 2015-16 to 2019-20. In the four sampled districts (Bishnupur, Imphal East, Senapati and Ukhrul), ₹ 85 lakh was released to four beneficiaries for construction of four Integrated Pack houses. Joint inspection (January 2021 to August 2021) revealed that three (₹ 60 lakh) out of the four Integrated Pack houses (₹ 85 lakh) were utilised as kitchen, drawing room/living room or private residence in violation of the Scheme Guidelines and one remained incomplete for over two and half years till the date of audit (July 2021) as shown in the following table and photographs:

**Table 4.1: Details of Integrated Pack houses**

Sl. No.	Beneficiary & proposed site	Amount paid (₹ in lakh)	Remarks
1	Tuimi Lolly Hamleikhong-Ukhrul	25.00	Paid ₹ 15 lakh (September 2015), ₹ 4 lakh (October 2015) and ₹ 6 lakh (December 2015). The structure was utilised as kitchen cum drawing room and no facilities for sorting, grading, washing and weighing, etc.
2	Urup Farmer Association (Secy: M. Sushil Meitei) Urup-Imphal East	17.50	Paid ₹ 17.5 lakh (August 2015). The structure was utilised as <b>dwelling house</b> with no facilities for sorting, grading, washing and weighing, etc.
3	Kwasiphai Rural Farmer Association (Vice-President-Sanathoi) Kwasiphai-Bishnupur	17.50	Paid ₹ 10 lakh (October 2015), ₹ 2.5 lakh (November 2015) and ₹ 5 lakh (December 2015). The structure was utilised as <b>dwelling house</b> and no facilities for sorting, grading, washing and weighing were provided.
4	Integrated Rural Area Development Organisation (Secy-R.K Pholmani Singh) Kwasiphai-Bishnupur	25.00	Paid ₹ 5 lakh (January 2018), ₹ 15 lakh (October 2018) and ₹ 5 lakh (January 2019). The construction was yet to be completed.
<b>Total</b>		<b>85.00</b>	

*Source: Bills/Vouchers and Joint Physical Verification Report.*

<sup>37</sup> with facilities for conveyor belt, sorting, grading, washing, drying and weighing of the crops (fruits and vegetables).



*Integrated Pack house of Tuimi Lolly at Hamleikhong (Ukhrul) utilised as Kitchen and Drawing Room*



*Integrated Pack house of Sushil Meitei at Urup (Imphal East) utilised as living room*



*Integrated Pack house of Sanathoi at Kwasiphai (Bishnupur) utilised as private residence*



*Incomplete Integrated Pack house of Integrated Rural Area Development Organisation (IRADO) at Kwasiphai, Bishnupur*

The diversion of Scheme funds for personal purposes was not only irregular but also defeated the objective of creating infrastructure for handling harvested horticulture crops.

In reply, Department stated (April 2022) that the beneficiaries have been instructed to properly utilise the Integrated Pack houses and to complete the incomplete structure.

### **(b) Pack houses**

SHM extended a total financial assistance of ₹ 6.20 crore to 310 beneficiaries in the State for construction of 310 pack houses during 2015-16 to 2019-20. In the four sampled districts (Bishnupur, Imphal East, Senapati and Ukhrul) ₹ 2.50 crore was released to 125 beneficiaries for construction of 125 Pack houses.

Audit observed that in 38 (₹ 76 lakh) Pack houses jointly inspected in the four sampled districts out of 125 Pack houses (₹ 2.50 crore), only 13 Pack houses (₹ 26 lakh) were completed and functioning as intended, whereas three Pack houses (₹ 6 lakh) were not found at the site and 16 Pack houses (₹ 32 lakh) were utilised for dwelling purposes, and the remaining six Pack houses (₹ 12 lakh) were incomplete for over two to four years till the date of audit (August 2021) (Details are given in *Appendix 4.1*). The following photographs show Pack houses being utilised for dwelling purposes/remaining incomplete:



**Pack house of T. Sanayaima Singh at Utlou Makha Leikai (Bishnupur District) utilised as private residence**



**Pack house of Joinu Dangmei at Chothe (Bishnupur District) utilised as private residence**



**Pack house of L. Adenkumar at Khoijuman (Bishnupur District) lying incomplete**



**Pack house of L. Ichou Singh at Sansabi (Imphal East District) lying incomplete**

Thus, out of total Scheme fund of ₹ 1.61 crore released by SHM for construction of Integrated Pack houses (₹ 85 lakh) and Pack houses (₹ 76 lakh) inspected in the four sampled districts, only ₹ 26 lakh was utilised for the intended purpose (13 Pack houses) of post-harvest management, indicating a shortfall of 84 per cent.

The remaining expenditure of ₹ 1.35 crore incurred failed to achieve the intended objective of the Scheme as three Pack houses (₹ 6 lakh) were not found at the site, ₹ 92 lakh spent for 16 Pack houses and three Integrated Pack houses was diverted for dwelling purpose and ₹ 37 lakh spent against one Integrated Pack house and six Pack houses remained incomplete for over two to four years as of 31 March 2021.

In reply, the Department stated (April 2022) that instructions have been given to the beneficiaries to construct the Pack houses not found at site and to complete the incomplete Pack houses and utilise the constructed Pack houses for intended purposes.

The above situation indicated lack of monitoring and widespread mis-utilisation of MIDH Scheme funds in the SHM. The State Government should conduct investigation to fix responsibility and take necessary corrective action to prevent further mis-utilisation of public funds.

#### **4.2 Construction of Pre-cooling unit/ Cold rooms (Staging)**

Under MIDH, during 2015-16 to 2019-20, the State Horticulture Mission extended financial assistance of ₹ 62.5 lakh and ₹ 37.5 lakh for construction of five Pre-

cooling units and installation of five Cold rooms (staging)<sup>38</sup> of 30 MT @ 50 per cent of the project cost or maximum of ₹ 12.5 lakh and ₹ 7.5 lakh respectively and the balance cost was to be borne by the beneficiaries.

**(a) Pre-cooling units**

Audit scrutiny of records revealed that SHM released ₹ 50 lakh to four beneficiaries for construction of four Pre-cooling units in two sampled districts (Bishnupur & Imphal East). The details and results of our joint physical verification are given below:

**Table 4.2: Details of the Pre-cooling units**

(₹ in lakh)

Location	Details of Beneficiaries	Financial Assistance released	Remark
(1) Huikap, Imphal East	H. Ibohanbi, President Nongpok Imphal Loumi Sinmi Apunba Loop, Huikap	12.5	Paid ₹ 4.5 lakh (Jan 2019), ₹ 6.75 (Feb 2019) and ₹ 1.25 lakh (March 2019). Pre-cooling unit was not found as the structure had been demolished for construction of office building of Young Farmers club.
(2)Naranseina, Bishnupur	O. Leenthiongambi Devi, Naranseina	12.5	Paid ₹ 8.0 lakh (April 2020), ₹ 4.5 lakh (May 2020) The pre-cooling unit was not yet completed and found abandoned. The site was located in the residential area and not at the cultivation site.
(3) Chothe Bishnupur	Joinu Dangmei, Bishnupur	12.5	Paid ₹ 11.25 lakh (Feb 2019), ₹ 1.25 lakh (June 2019). The unit was lying idle due to no demand from the beneficiaries as the unit was not constructed near the cultivation site.
(4) Moirangkampu Sajeb, Imphal East	RK Binita, Proprietor Binita Mushroom Centre	12.5	Paid ₹ 11.25 lakh (Feb 2019) and ₹ 1.25 lakh (March 2019). The unit was lying idle as there was no mushroom production activity.
<b>Total</b>		<b>50.00</b>	

*Source: Bills/Vouchers and Joint Physical Verification Report.*

One Pre-cooling unit (₹ 12.5 lakh) at Huikap, Imphal East (Sl. No. 1) was not found at the site. While one unit at Sl. No 2 (₹ 12.5 lakh) was lying incomplete for 15 months, the other two units at Sl. No. 3 and 4 (₹ 25 lakh) remained idle due to improper site selection and lack of the related activity/demands.

Thus, failure of the SHM to ensure monitoring of proper implementation of the work and absence of due diligence after the funds were released to the beneficiaries rendered the expenditure of ₹ 50.00 lakh incurred for Pre-cooling units for rapid cooling of freshly harvested crops wasteful and unproductive.

<sup>38</sup> Pre-cooling unit is a specialised cooling system to rapidly cool down freshly harvested produce and for subsequent travel in the cold-chain. The Cold room (staging) is an insulated and refrigerated chamber and a necessary combination for Pre-cooling unit and serves as a transient staging space to temporarily store preconditioned fresh produce, awaiting transport link to a distribution point (a cold store close to market).

In reply, the Department stated (April 2022) that instructions have been given to the beneficiaries to make the Pre-cooling units operational at the earliest.

**(b) Cold room (Staging)**

Audit further observed that four Cold rooms installed in two sampled districts (Bishnupur & Imphal East) out of five Cold rooms installed in the State were of only 5 MT each as against the approved capacity of 30 MT for which ₹ 30 lakh (₹ 7.5 lakh each) was released by SHM. This has resulted in payment of excess financial assistance amounting to ₹ 25 lakh<sup>39</sup> in violation of the Scheme Guidelines. Action to recover the excess amount paid to the four beneficiaries was not on record.

Joint inspection of three of the four Cold rooms in the sampled districts revealed that two Cold rooms (₹ 15 lakh) at Huikap, Imphal East and Chothe-Bishnupur were not located at the production sites (Cold Rooms should be installed in conjunction with pack houses at the actual horticulture farms) and were lying idle due to lack of related activity and demand for the past 19 months as on 30 April 2021. The Cold Room installed at Moirang Kampu Sajeb, Imphal East was also found lying idle as the Mushroom Production activity was yet to resume.

Thus, due to lack of serious monitoring and due diligence on the part of SHM during implementation of the work, there was shortfall in installed capacity of Cold rooms to the extent of 100 MT resulting in excess payment of ₹ 25 lakh to four beneficiaries which remained unrecovered for the past 19 months as of 30 April 2021. Further, expenditure of ₹ 22.50 lakh for three Cold rooms (15 MT Capacity) was wasteful as they were not functional.

In reply, the Department stated (April 2022) that instructions have been given to the beneficiaries to make the Pre-cooling units operational.

The above situation indicated the need for urgent review as to how MIDH Schemes are being implemented by SHM to ensure accountability of those responsible to prevent mis-utilisation of public funds.

**4.3 Refrigerated Transport Vehicles**

Under MIDH, State Horticulture Mission released ₹ 26 lakh for purchase of two Refrigerated Transport Vehicles of 9 MT each at the rate of 50 *per cent* of the cost upto a maximum of ₹ 13.00 lakh to two beneficiaries in two sampled districts as per details given below:

<sup>39</sup> {(₹ 7.5-1.25) x 4} to the four beneficiaries.

**Table 4.3 Details of beneficiaries and capacities for Refrigerated Transport Vehicles***(₹ in lakh)*

Details of beneficiaries	Capacity of the Vehicle (MT)		Amount payable	Amount paid	Excess payment
	To be installed	Actually installed			
Development Organisation, Andro Kendra (DOAK)- (Imphal East District)	9	1.64	2.36	13.00 (on June 2018)	10.64
M/s Pakhangba Fruits & Vegetables Processing Industries, Ningthoukhong. (Bishnupur District)	9	2.08	3.00	13.00 (on June 2018)	10.00
<b>Total</b>	<b>18</b>	<b>3.72</b>	<b>5.36</b>	<b>26.00</b>	<b>20.64</b>

*Source: Bills/Vouchers and Joint Physical Verification Report.*

Joint inspection (April 2021), however, revealed that against the installed capacity of 18 MT in two refrigerated vehicles for which ₹ 26 lakh was paid to the above two beneficiaries, only 3.72 MT capacity was found to be installed in two vehicles with a shortfall of 14.28 MT in deviation of the Scheme Guidelines. This has resulted in excess payment of ₹ 20.64 lakh (₹ 1.44/MT).

Audit further observed that DOAK's vehicle was an old vehicle<sup>40</sup> fitted with defunct refrigeration system. It is evident that the released amount of ₹ 13 lakh was not used for purchase of new vehicle with the approved capacity. The other vehicle was also yet to be utilised for want of demand or linkage with the farmers.

Thus, SHM failed to ensure that the released amount of ₹ 26 lakh was utilised for the purpose for which it was paid and there was shortfall of installed capacity of 14.28 MT for Refrigerated Transport Vehicle.

In reply, Department stated (April 2022) that beneficiaries have assured to rectify the shortfalls in the capacity of vehicles and would make the defunct refrigeration unit functional at the earliest.

#### **4.4 Construction of Cold Storage**

Under MIDH, the State Horticulture Mission (SHM) released ₹ 3.30 crore as financial assistance for construction of Cold Storages for Fruits and Vegetables to reduce Post-harvest losses to six beneficiaries in the State during 2015-20 @ 50 per cent of the project cost with maximum of ₹ 5,000/MT capacity and the balance was to be borne by the beneficiaries.

Scrutiny of records revealed that in two sampled districts (Bishnupur & Imphal East), ₹ 1.80 crore was released to three beneficiaries for setting up of three Cold Storages as per details given below:

<sup>40</sup> Registered in the name of one L. Kaka Singh (RC. No AS 25CC 5498).



Table 4.4: Details of Cold Storages in the Sampled Districts

₹ in lakh)

Location of Cold Storage	Beneficiary	Capacity of Cold Storage Units (MT)		Amount admissible	Amount released	Excess Amount paid	Remark
		To be installed	Actually installed				
Thambalnu Market, Imphal East	Development Organisation Andro Kendra-Poiroupat Lamkhai	1,600	151	7.55	80.00	72.45	Lying idle since inauguration (July 2018). There was no power supply.
Kyamgei, Imphal East	Manipur Rural Service Association-Kyamgei	1,000	45	2.25	50.00	47.75	Lying idle since October 2019 (Payment of last instalment). There was no power supply.
Kwasiphai, Bishnupur	Pakhangba Fruits & Vegetable Industries, Ningthoukhong	1,000	102	5.10	50.00	44.9	Incomplete with a delay of over two years and nine months from payment of first instalment (October 2018).
<b>Total</b>		<b>3,600</b>	<b>298</b>	<b>14.9</b>	<b>180.00</b>	<b>165.1</b>	

Source: DPRs, Bills/Vouchers and Joint Physical Verification Report.

Joint inspection (April 2021 to June 2021) revealed that two out of three cold storages (₹ 1.30 crore) appearing at Sl. No. 1 and 2 above were lying idle since July 2018 and October 2019 respectively. The other cold storage (₹ 50.00 lakh) remained incomplete since October 2018 till date of audit (June 2021).

Audit further observed that against the approved total installed capacity of 3600 MT for the three Cold Storages, only 298 MT was actually found constructed with a shortfall of 3,302 MT. The total financial assistance admissible for the three Cold Storages (₹ 5,000/MT) as per the actual installed capacity worked out to ₹ 14.9 lakh only thereby leading to excess payment of ₹ 1.65 crore.

The following photographs show the incomplete/non-functional Cold Storage units.



Idle cold storage unit at Thambalnu Market



Incomplete cold storage unit at Kwasiphai



Idle Cold Storage unit at Kyamgei-Imphal East

Thus, SHM paid a total excess financial assistance of ₹ 1.65 crore to the above three beneficiaries for construction of Cold Storages in violations of the Scheme Guidelines. Expenditure of ₹ 1.80 crore incurred towards setting up of the three Cold Storages for reducing Post-harvest losses of horticulture produce remained unfruitful

since July 2018. The intended potential capacity of 3,600 MT of the Cold Storage was not achieved and even 298 MT capacity Cold Storages constructed was not operational till the date of Audit (June 2021).

It may be noted that these audit findings were the result of test check and joint inspection of three out of six Cold Storages approved for construction by SHM. The Department should conduct inspection to identify similar lapses in other cases and recover excess payment, if any, to avoid mis-appropriation of public funds.

In reply, the Department stated (April 2022) that while the cost of machineries and other inputs have escalated, but the cost norms for subsidy/assistance was of 2014. As such the Department is left with no option other than compromising on the size of the Cold Storage Units. Further, the Department stated that the power supply has been installed at Thambalnu Market and Kiyamgei Cold Storages will be operational in the coming season. Also, Cold Storage at Kyamgei, Imphal East is now operational.

The reply is not acceptable as the Department incurred extra expenditure of ₹ 1.65 crore in violation of the Scheme Guidelines. The Government may furnish Third Party Inspection Report on the status and readiness of the Cold Storage units to Audit for verification.

#### **4.5 Establishment of Cold Chain System**

Under the State Plan, the Department sanctioned ₹ 540 lakh for the work “Establishment of Cold Chain System” in January 2020 in three<sup>41</sup> districts. This included construction of 15 collection centres (five each in these districts), three Integrated Pack houses (one each in these districts), three Pre-Cooling Chambers (one each in these districts), four Cold Rooms (one each in Imphal West and Imphal East and two in Churachandpur) and two Cold Storages (one each in Imphal West and Churachandpur).

Audit found that:

- ₹ 5.08 crore (after deduction of ₹ 0.32 crore for Agency Charges, GST and Labour Cess) was drawn by the Department in February 2020 before commencement of the work to prevent lapse of budget grant and deposited in the Bank Account, outside the Government Account. Till the date of audit (March 2021), only ₹ 1.13 crore had been spent by the Department for the scheme and the balance amount of ₹ 4.27 crore remained parked in the Bank Account for over one year. This was in violation of Rule 290 of the Central Treasury Rules under which no money should be drawn from the treasury unless required for immediate disbursement. Moreover, keeping Scheme funds outside the Government Accounts was irregular under Government Order (April 2011).

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<sup>41</sup> Churachandpur, Imphal East & Imphal West.

- As against ₹ 28.73 lakh Agency Charges to be deposited in Government Account, the Department deposited only ₹ 19.56 lakh resulting in short deposit of ₹ 9.17 lakh from the Scheme Bank Account for over one year.
- No PIB clearance was obtained for the project cost of ₹ 5.40 crore in violation of the limit of ₹ 3 crore under Delegation of Financial Powers Rules, 1995. Expenditure sanction accorded by the Finance Department without the approval of the PIB was irregular.
- No feasibility study was undertaken nor was Detailed Project Report prepared by the Department for taking up the projects. There was no assurance about the viability of the project till date.
- The status of completion of different components of the Scheme as on the date of Audit (March 2021) was as below:

Table 4.5: Status of different components of the Scheme

Component	Quantity to be constructed	Status as on March 2021		
		Imphal West	Imphal East	Churachandpur
Collection Centre	Five in each district	Only two have been started and 80 per cent completed.	five constructed and 80 per cent completed.	None of them have been started.
Integrated Pack House	One in each district	Not started.	Started and 29 per cent completed.	Started and 40 per cent completed.
Pre-cooling Chambers	One in each district	Not started.	Started and 79 per cent completed.	Not started.
Cold Rooms	One each in Imphal West & Imphal East and two in Churachandpur	Started and 68 per cent completed.	Not started.	One is 68 per cent completed and the other not started.
Cold storage	One each in Imphal West and Churachandpur	Started and 60 per cent completed.	NA	Started and 56 per cent completed

Source: Estimates, Bills/Vouchers furnished by Department.

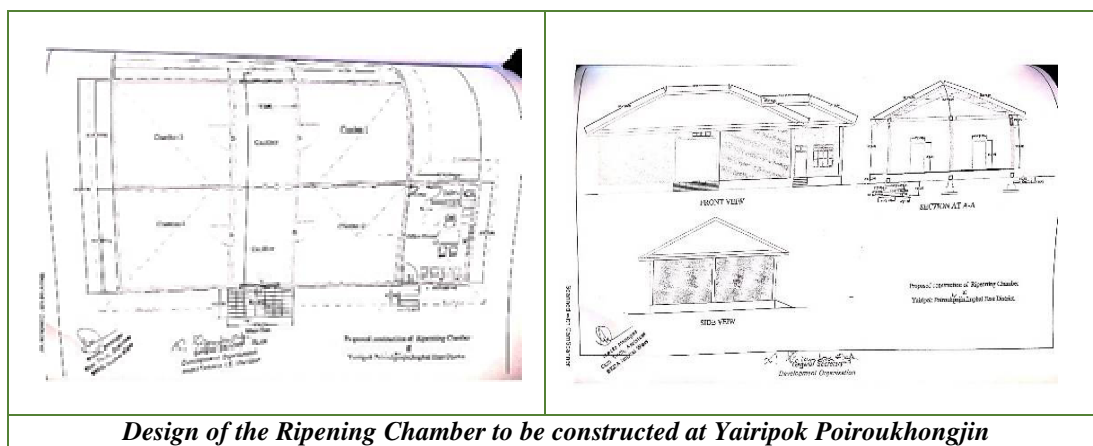
Thus, even after a lapse of over one year from drawing an amount of ₹ 5.40 crore, the project remained incomplete after incurring an expenditure of ₹ 1.13 crore and the balance of ₹ 4.27 crore was lying in the Scheme account, resulting in non-achievement of the intended benefits.

In reply, Department stated (April 2022) that the balance amount of ₹ 9.17 lakh Agency Charge has now been deposited and the construction work is now 90 per cent complete. Machineries have been installed which will be in operation shortly.

#### 4.6 Establishment of Ripening Chamber

Under MIDH, as part of extending financial assistance (@ 50 per cent of the capital cost) to farmers for helping them to obtain remunerative prices and reducing Post-harvest losses, SHM approved a project for setting up of 'Ripening Chamber 100 MT capacity for ripening of fruits and vegetables' at Yairipok Poiroukhongjin in Imphal East District.

Audit noticed that ₹ 50.00 lakh<sup>42</sup> was released to one beneficiary (Development Organisation, Andro Kendra) in four instalments during the period from November 2018 to September 2019 for construction of the Ripening Chamber, as per the design given below:



*Design of the Ripening Chamber to be constructed at Yairipok Poiroukhongjin*

However, Joint Inspection (December 2020) revealed that the Ripening Chamber was yet to be procured even after a lapse of over two years from the payment of the first instalment (November 2018).

It is evident that payments were released by SHM to the beneficiary in a routine manner over a period of 11 months without ensuring that the approved project is actually executed. Moreover, SHM failed to exercise due diligence to avoid misutilisation of MIDH funds by the selected beneficiary by not linking release of instalments with utilisation of funds already released and actual work progress at the site.

Audit recommends that proper investigation should be conducted to recover the amount from the defaulting beneficiary and responsibility be fixed to prevent such recurrence in future.

Thus, due to the above reason, SHM failed to achieve the objective of helping farmers to get remunerative prices and reducing Post-harvest losses by setting up of Ripening Chamber (100 MT capacity).

In reply, the Department stated (April 2022) that the construction of Ripening Chamber at Poiroukhongjin will be completed shortly. The reply of the Department points to the fact that the assistance was released without monitoring the actual implementation of the project and thus was fraught with the risk of misappropriation.

#### **4.7 Establishment of Primary Processing Units**

Under MIDH, SHM extended financial assistance for setting up Primary Processing Units (PPU) for processing of perishable horticulture crops for value addition and reducing Post-harvest losses @ 55 per cent of the project cost with maximum of ₹ 13.75 lakh and the balance of the cost was to be borne by the beneficiary.

<sup>42</sup> Paid ₹ 34 lakh plus another ₹ 17 lakh (November 2018), ₹ 10 lakh (March 2019) and ₹ 6 lakh (September 2019).

SHM released financial assistance of ₹ 8.61 crore to 67 beneficiaries for construction of 67 processing units for different horticulture produce during 2015-16 to 2019-20. The assistance ranged from ₹ 5 lakh to ₹ 99 lakh. In the four sampled districts (Bishnupur, Imphal East, Senapati and Ukhrul), ₹ 3.54 crore was released to 22 beneficiaries for setting up of 22 processing units for processing of items such as ginger, turmeric, chilli, fruits and vegetables, etc.

Joint Inspection (December 2020/August 2021) of all 22 processing unit sites revealed that only 5 units (₹ 1.43 crore) out of 22 PPUs were completed and functional whereas the remaining 17 PPUs (₹ 2.12 crore) were either not found at site or remained incomplete or were lying idle as detailed below:

(i) Six PPUs (₹ 66.91 lakh) shown below were not found at the actual site:

**Table 4.6: Details of Primary Processing Units not found at sites**

Beneficiary	Proposed sites	Financial Assistance paid ( In lakh)	Remark
(1) Development. Organisation Andro Kendra(DOAK).	Poirou Khongjin (Imphal East)	12.00	PPU for Spices (Ginger, Turmeric and Chilly). Paid ₹ 6.00 lakh (December 2017) and ₹ 6.00 lakh (January 2018).
(2) M/s Modern Fruit & Vegetable Processing Industry, Kyamgei.	Kyamgei Maning Leikai (Imphal East)	10.00	PPU for fruits and vegetables (Pineapple, Orange, Lemon and Chilly). Paid ₹ 5.00 lakh (June 2018) and ₹ 5.00 lakh (July 2018).
(3) M/s S.I Mushroom Processing Unit, Ningthoukhong Kha-Khunou.	Ningthoukhong Kha Khunou (Bishnupur)	10.00	PPU for mushrooms. Paid ₹ 5.00 lakh (June 2018) and ₹ 5.00 lakh (July 2018).
(4) Development Organisation Andro Kendra(DOAK).	Poirou Khongjin (Imphal East)	13.75	PPU for Spices (Ginger, and Turmeric). Paid ₹ 6.875 lakh (June 2018) and ₹ 6.875 lakh (July 2018).
(5) M/s R.R Spices Production Centre, Ningthoukhong.	Ningthoukhong Kha Khunou (Bishnupur)	10.58	PPU for Spices (Ginger, Turmeric, coriander and dry Chilly). Paid ₹ 5.00 lakh (December 2019) and ₹ 5.58 lakh (May 2020).
(6) M/s Poiroukhongjin Laishram Leikai Farmers Association.	Poiroukhongjin (Imphal East)	10.58	PPU for Spices (Ginger and Turmeric). Paid ₹ 9.52 lakh (December 2019) and ₹ 1.06 lakh (February 2020).
<b>Total</b>		<b>66.91</b>	

**Source: Bills/Vouchers and Joint Physical Verification Report.**

It is evident from above that ₹ 66.91 lakh was paid to six beneficiaries for setting up PPUs in two separate instalments each, in a routine manner without ensuring that funds were paid for actual works executed at site for the intended purpose.

Action taken to recover the amount from the above six defaulting beneficiaries was not found on record. These audit findings were the result of test check and Joint Inspection of only 22 out of 67 processing units. Audit recommends that proper investigation should be conducted to identify similar lapses in other cases and responsibility be fixed to prevent such recurrence in future.

(ii) Nine PPUs (₹ 93.91 lakh) were found lying idle due to non-availability of raw material, power supply or non-installation of purchased machineries. Further, two

PPUs (₹ 50.87 lakh) remained incomplete due to incomplete civil work and non-procurement of machineries even after a lapse of one year to two and half years (December 2017 to February 2020) of payment made by SHM. Details of PPUs are given in **Appendix 4.2**.

Photographs showing incomplete processing unit at Bishnupur and idle processing unit at Marou, Ukhurul are given below:



*M/s Pakhangba Fruits & Vegetable Processing Industry, Ningthoukhong, Bishnupur (₹ 40 lakh -incomplete PPUs)*



*M/s Shimray Fruits & Spices Processing at Marou, Ukhurul (₹ 10 lakh-machineries lying idle)*

(iii) Further audit scrutiny revealed that there was excess assistance of ₹ 1.14 crore to three beneficiaries as detailed below:

**Table 4.7: Excess payment of assistance**

				(₹ in lakh)
Sl. No.	Beneficiary	Maximum subsidy payable as per guideline	Subsidy actually paid	Excess subsidy
1	M/s Kangla Food Products, Nambol	13.75	99.00	85.25
2	Pakhangba Fruits & Vegetables Processing industry	13.75	40.00	26.25
3	M/s Athoi Ahen Enterprises	13.75	16.00	2.25
<b>Total</b>		<b>41.25</b>	<b>155.00</b>	<b>113.75</b>

*Source: Bills/Vouchers and Bank Statement.*

Thus, it is evident that expenditure of ₹ 2.12 crore incurred in four selected districts towards setting up of PPUs for reducing Post-harvest losses of horticulture produce failed to achieve the intended objective in 17 out of 22 cases (77 per cent) test checked and jointly inspected by audit.

In reply, the Department stated (April 2022) that the beneficiaries have assured construction of the units not found at site and for proper utilisation of the units which were lying idle. Further, the Department stated that subsidies given to the three firms listed at **Table 4.7** were as per approval of SLEC and within the limit of 50 per cent of maximum permissible cost of ₹ 800 lakh/ project.

The reply of the Department is not tenable as the maximum permissible assistance for establishing a Primary Processing unit as given in **Table 4.7** is ₹ 13.75 lakh (55 per cent of ₹ 25 lakh) only. The cost norm of 50 per cent of maximum permissible cost of ₹ 800 lakh/project quoted by Department is applicable only for J&K, Himachal and Uttarakhand.

#### 4.8 Re-establishment of Magfruit Factory

A project of “Re-establishment of Magfruit Factory” (estimated cost of ₹ 9.52 crore) was approved (June 2015) by NEC to be completed by May 2016. The objectives of the project *inter alia* included enhancing processed food, reducing Post-harvest losses and employment generation. Construction of civil component of the factory building, boundary wall and internal road, *etc.*, was entrusted (September 2015) to Manipur Tribal Development Cooperation (MTDC) whereas procurement and installation of Plants and Machineries was taken up by the Department.

Audit observed that:

- NEC had released its full share of ₹ 856.80 lakh<sup>43</sup> to the State Government in three instalments of which ₹ 685.44 lakh had been transferred to the Implementing Agency together with ₹ 140.77 lakh State Share. Out of the total amount of ₹ 826.21 lakh (₹ 685.44 lakh *plus* ₹ 140.77 lakh) received by the Implementing Agency, ₹ 806.44 lakh had been spent, thereby leaving a balance of ₹ 19.77 lakh lying unutilised with the Department as on March 2020. Moreover, the balance amount of ₹ 171.36 lakh released by NEC in December 2019 was yet to be transferred to the Implementing Agency by the State Government despite a delay of 26 months (up to March 2022) beyond 30 days of release of fund by NEC;
- An MoU was signed with MTDC (11 September 2015) for construction of factory building. Due to lack of timeline for completion of work in the MoU, the Department could not take action to charge penal interest from the Agency for not completing the work even after four and half years (September 2015 to March 2020) from handing over the work as provided in the MoU.
- Tenders (November 2018) for supply of Plants and Machineries<sup>44</sup> for ₹ 294.70 lakh from five bidders were rejected on the ground of non-submission of ISO certificate, performance statement, less turn over, *etc.*

However, one bidder *viz.*, M/s Bajaj Process Pack Ltd. was accepted despite non-submission of documents required for the technical bid such as GSTR-3B, copy of PAN card and valid manufacturing license. Competitive pricing was not ensured by the Department in award of supply order (23 July 2019) to the firm valuing ₹ 294.95 lakh. Thus, the selection process lacked transparency and undue favour was extended to the firm.

- Against the supply order (23 July 2019) for plants and machineries for ₹ 294.95 lakh, material valued at only ₹ 70.95 lakh was supplied within the stipulated six months, whereas material valued at ₹ 170.59 lakh was supplied after a delay of 20 to 181 days, and material valued ₹ 53.41 lakh was yet to be supplied as on the date of audit (January 2021) with a delay of 366 days. The total penalty leviable for delay in supply worked out to ₹ 23.87 lakh as shown in **Appendix 4.3**.

<sup>43</sup> ₹ 342.72 lakh in June 2015, ₹ 342.72 lakh in August 2017 and ₹ 171.36 lakh in December 2019.

<sup>44</sup> Canning and bottling equipment, Fruit Juice and RTS Beverages equipment, Dehydration equipment, Boiler and Water Plant and Laboratory equipment and machineries.

However, audit observed that no penalty had been levied from the above firm which is an extension of undue benefit to that extent.

- As on March 2021, Civil structures such as collapsible shutter for loading and unloading area, rolling shutter of DG set, six numbers of overhead water tank, power connection for running the machineries, lightening conductor had not been taken up even after a lapse of five years and ten months. None of the machineries had been installed and many equipment were lying exposed in the open with the risk of being damaged. Few photographs are shown below:



*Collapsible shutter of unloading area not yet fitted*



*Collapsible shutter of loading area not yet fitted*



*Vegetable washer lying outside without protective measure*



*R.O. water plant lying outside*



*Straight line exhaust lying exposed*



*Other machineries kept without protection from sunlight or rain*

Thus, the objectives of enhancing processed food, reducing Post-harvest losses and generating employment had not been achieved. The expenditure of ₹ 806.44 lakh and ₹ 19.77 lakh lying unspent with the Department remained unfruitful even after more than four years.

In reply, the Department stated (April 2022) that the amount of ₹ 19.77 lakh has been utilised and NEC share of ₹ 171.36 lakh has been transferred and partially utilised leaving a balance of ₹ 32.02 lakh only. Regarding selection of the Supplier, all documents required for the technical bid were submitted by the Supplier. Further, all pending works have been completed and all the machineries and equipment lying outside have been shifted inside the factory premises. Penalty for delayed supply was not done as Supply was hampered due to COVID-19 pandemic and late payment to the Supplier by the Department.

The fact remains that the factory is yet to be operative even after more than four years and penalty to the extent of ₹ 23.87 lakh was not levied from the Supplier for delayed supply. The Department is also silent on the status of material worth ₹ 51.4 lakh yet to be supplied by the firm. The GSTR-3B of firm pertains to December 2021 whereas the firm was selected in July 2019 indicating that the firm was selected



despite non-submission of GSTR-3B of the relevant year thereby extending undue favour to the firm.

#### 4.9 Creation of market infrastructure

With a view to strengthening the existing horticulture markets and encouraging investments from private and cooperative sectors, the State Horticulture Mission (SHM) implemented a scheme “*Creation of market infrastructure*” under MIDH for setting up Whole Sale Markets, Rural Markets and Retail Markets by providing financial assistance up to 55 per cent of the cost of work and up to 50 per cent of the work cost subject to a maximum of ₹ 13.75 lakh and ₹ 7.5 lakh for each Rural and Retail Market respectively. The balance cost of the work was to be borne by the beneficiary.

The SHM released financial assistance of ₹ 11.16 crore to 102 beneficiaries (Societies, SHGs and Individuals) for construction of 64 Rural Markets (₹ 8.31 crore) and 38 Retail Markets (₹ 2.85 crore) during 2015-16 to 2019-20. Further scrutiny of records revealed that in the four sampled districts (Bishnupur, Imphal East, Senapati and Ukhrul), payment of ₹ 5.92 crore was made to 53 beneficiaries for construction of 35 Rural Markets (₹ 4.57 crore) and 18 Retail Markets (₹ 1.35 crore) without ascertaining the costs and specification of actual work executed at the site.

Joint Inspection of 27 Rural Markets (₹ 3.47 crore) and 15 Retail Markets (₹ 1.12 crore) revealed that seven markets (4 Rural Markets and 3 Retail Markets) stated to have been constructed (₹ 70.00 lakh) were not located at the actual sites as per details given below:

**Table 4.8: Details of markets not constructed at site**

Sl. No.	Types of markets (Rural/Retail)	Proposed sites	Details of Beneficiaries	Financial Assistance released (₹ in lakh)	Remark
1	Rural	Keinou (Bishnupur)	Kangleipak Farmers' Producer Co-Ltd., (Kwakeithel Moirangpurel Leikai)	10.00	Paid ₹ 3.0 lakh (October 2015), ₹ 4.0 lakh (November 2015) and ₹ 3.0 lakh (December 2015). During inspection, a newly constructed storage house was shown as market shed in deviation of the prescribed design.
2	Rural	Oinam (Bishnupur)	Oinam Awang Leikai Women Development Association (Oinam)	10.00	Paid ₹ 5.0 lakh (May 2015) and ₹ 5.0 lakh (August 2015). No market was found at site.
3	Retail	Naranseina (Bishnupur)	N. Manihar Singh, (Naranseina)	7.50	Paid ₹ 4.0 lakh (August 2017) and ₹ 3.5 lakh (January 2019). Private grocery shop was shown as retail market.
4	Rural	Thambalnu Bazar (Imphal East)	Thambalnu Bazar Board (Yairipok)	13.75	Paid ₹ 6.0 lakh (January 2019), ₹ 6.37 lakh (February 2019) and ₹ 1.375 lakh (March 2019). No market was found at site.
5	Rural	Kaina Govindaji Lamkhai (Imphal East)	Development Organisation-Andro Kendra (Poiroupat Lamkhai)	13.75	Paid ₹ 6.875 (April 2019) and ₹ 6.875 (May 2019). No market was found at site.
6	Retail	Andro Santhei National Park (Imphal East)	Poiroukhongjin Laishram Leikai Farmers Association	7.5	Paid ₹ 6.75 (December 2019) and ₹ 0.75 lakh (February 2020). No market was found at site.

Sl. No.	Types of markets (Rural/Retail)	Proposed sites	Details of Beneficiaries	Financial Assistance released (₹ in lakh)	Remark
			(Poiroukhongjin Laishram Leikai)		
7	Retail	Andro Torongthel (Imphal East)	Poiroukhongjin Laishram Leikai Farmers Association (Poiroukhongjin Laishram Leikai)	7.5	Paid ₹ 3.75 lakh (December 2019), ₹ 3.0 lakh (December 2019) and ₹ 0.75 lakh (February 2020). No market was found at site.
<b>Total</b>				<b>70.00</b>	

*Source: Bills/Vouchers and Joint Physical Verification Report.*

Audit further observed that Department failed to adhere to the prescribed funding norms (55 per cent and 50 per cent) of the cost of work and that though payments to beneficiaries were made in two to three instalments, the actual execution of work was not ensured. Moreover, action taken to recover the unspent amount from the defaulting beneficiaries was not found on record.

Joint Inspection further revealed that the size of 22 of the 23 Rural Markets constructed were below the prescribed size (167.35 sqm) which ranged from 46.45 sqm to 166.25 sqm, and six of the 12 Retail Markets constructed below the prescribed size of 41.76 sqm ranged between 27.87 sqm and 36.23 sqm. Photographs of the smallest Rural and Retail Markets constructed at sites are given below:



**Smallest rural market at Vakho Village-Senapati (46.45 sqm as against 167.35 sqm)**



**Smallest retail market at Heingang Awang Leikai (27.87 sqm as against 41.76 sqm)**

It may be noted that these audit findings have been noticed during Joint Inspection of only 42 out of 102 rural/retail markets. The State Government may identify similar cases in the remaining markets stated to have been constructed and take necessary corrective action.

Thus, non-construction of seven markets (total prescribed Area of 794.68 Sqm<sup>45</sup>), and construction of 22 Rural Markets and six Retail Markets below the prescribed sizes aggregating to 1,723.09 Sqm compromised on the objective of strengthening the market infrastructures by encouraging investment from private sectors as envisaged in the Scheme.

In reply, Department stated (April 2022) that construction of Rural Market at Thambalnu Bazar (Sl. No. 4 of Table 4.8) has been completed and Retail Market at

<sup>45</sup> (4 x 167.35) + (3 x 41.76)=794.68 Sqm.

Santhei Natural Park, Andro (Sl. No. 6 of Table 4.8) has been constructed as Retail outlet. The remaining five markets will be constructed within a short period.

The Government may conduct Third Party Inspection of the sites and a Report thereof may be furnished to Audit for verification.

### Conclusion

- Out of four Integrated Pack Houses (₹ 85 lakh) and 38 Pack Houses (₹ 76 lakh) inspected jointly in the four sampled districts, three Pack Houses (₹ 6 lakh) were not found at sites, three Integrated Pack Houses (₹ 60 lakh) and 16 Pack Houses (₹ 32 lakh) were utilised as living/ drawing rooms, kitchen for dwelling purposes. One Integrated Pack Houses (₹ 25 lakh) and six Pack Houses (₹ 12 lakh) remained incomplete over two to four years as on August 2021. Only 13 Pack Houses (₹ 26 lakh) were completed and used for intended purposes.
- None of the four Pre-cooling units in two sampled districts inspected were utilised and thus remained unproductive, as one unit (₹ 12.5 lakh) was not found at site, another unit (₹ 12.5 lakh) was lying incomplete for 15 months and the other two units (₹ 25 lakh) remained idle due to improper site selection and lack of related activity/demands.
- Four Cold Rooms (Staging) (₹ 30 lakh) installed in two sampled districts were below the approved installed capacity to the extent of 100 MT thereby resulting in excess financial assistance of ₹ 25 lakh. Out of three Cold Rooms (Staging) (₹ 22.5 lakh ) Jointly Inspected, two Cold Rooms (₹ 15 lakh) at Huikap, Imphal East and Chothe-Bishnupur were not located at the production site were lying idle/unutilised and the third one at Moirang Kampu Sajeb, Imphal East (₹ 7.5 lakh) was also lying idle/unutilised.
- ₹ 26 lakh was paid for purchase of two Refrigerated Transport Vehicles with installed capacity of 18 MT. However, only 3.72 MT capacity was found installed with a shortfall of 14.28 MT resulting in excess payment of ₹ 20.64 lakh. Further, one vehicle was an old vehicle fitted with defunct refrigeration system, which indicated that the release amount was not utilised for the intended purpose.
- Against an amount of ₹ 1.80 crore released for construction of three Cold Storages of total capacity of 3600 MT in two sampled districts, three Cold Storages of only 298 MT were constructed with a shortfall of 3,302 MT resulting in excess payment of ₹ 1.65 crore. Two Cold Storages (196 MT) were lying idle since July 2018 and October 2019 and one Cold Storage (102 MT) remained incomplete since October 2018.
- Under State Plan, ₹ 5.08 crore sanctioned for establishment of Cold Chain system (January 2020) was irregularly drawn and deposited in the Scheme Bank Account, outside the Government account in violation of Central Treasury

Rules. Without obtaining necessary financial clearance (PIB<sup>46</sup> clearance) and preparation of DPR, the Department had spent ₹ 1.13 crore till March 2021. The Scheme remained incomplete even after lapse of over one year since the drawal of ₹ 5.40 crore and the amount of ₹ 4.27 crore was lying in the Scheme Account.

- An amount of ₹ 50 lakh was released to one beneficiary (*Development Organisation Andro Kendra*) in four instalments during the period from October 2018 to September 2019 for construction of one Ripening Chamber (100 MT). However, the project was not found at site even after a lapse of over two years from the date of payment of first instalment, which indicated that payments were made without ascertaining whether the approved project was executed by the beneficiary on ground.
- An amount of ₹ 3.54 crore was released to 22 beneficiaries for setting up of 22 processing units for processing of items such as ginger, turmeric, chilli, fruits and vegetables, etc. Six PPU (₹ 66.91 lakh) were not found at the actual site. Nine PPU (₹ 93.91 lakh) were found lying idle due to non-availability of raw materials, power supply or non-installation of the purchased machineries. Two PPU (₹ 50.87 lakh) remained incomplete due to incomplete Civil works and non-procurement of machineries even after a lapse of one to two and half years (December 2017 to February 2020) of payment made by SHM. Further, there was excess assistance of ₹ 1.14 crore to three beneficiaries. Thus, 17 (₹ 2.12 crore) out of 22 PPU jointly inspected failed to achieve the intended benefits.
- Under NEC Scheme, an amount of ₹ 826.21 lakh (₹ 685.44 lakh –NEC share plus ₹ 140.77 lakh –State share) was released to the Department for the project “Re-establishment of Magfruit Factory”, out of which an amount of ₹ 806.44 lakh had been spent leaving a balance of ₹ 19.77 lakh lying unutilised with the Department as on March 2020. But the project remained largely incomplete for more than four years. The Joint Inspection noticed that Civil structures such as collapsible shutter for loading and unloading area, rolling shutter of DG set, six numbers of overhead water tank, power connection for running the machineries, lightening conductor had not been taken up even after a lapse of five years and ten months. None of the machineries had been installed and many of them were lying exposed to the open with risk of being damaged.
- An amount of ₹ 5.92 crore was paid to 53 beneficiaries for construction of 35 Rural Markets (₹ 4.57 crore) and 18 Retail Markets (₹ 1.35 crore) without ascertaining the cost and specifications of actual works executed at site. Seven markets for ₹ 70 lakh (total prescribed area of 794.68 sqm) were not found at the site. 22 Rural Markets and six Retail Markets were constructed below the prescribed dimension aggregating to 1723.09 sqm.

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<sup>46</sup> PIB=Public Investment Board.

## Recommendations

- *State Government should review the position of the assets created in the State under MIDH for Post-harvest management such as Integrated Pack houses, Pack houses, Pre-cooling units, Cold Rooms (Staging), Refrigerated Transport Vehicles, Cold Storages, Primary processing units and Rural Markets to identify deficiencies to take corrective action to prevent misutilisation of Scheme funds and ensure that the assets created are operationalised to achieve the intended objectives.*
- *State Government should investigate non-construction of seven Rural Markets six Primary processing units, one Ripening Chamber, one Pre-cooling unit and three Pack houses funded under MIDH to take action as appropriate and to recover Scheme funds from the defaulting beneficiaries and Officials responsible under Manipur Public Servants' Personal Liability Act, 2006.*
- *State Government should investigate the issue of excess assistance paid in violation of the Scheme Guidelines in respect of three Cold Storages, three Primary processing units, four Cold Rooms and two Refrigerated Transport Vehicles to take action as appropriate and to recover the excess amount. The cases of the old Refrigerated Transport Vehicle fitted with defunct refrigeration system and the construction of the Rural Markets below the prescribed standards should be investigated and appropriate action should be taken to fix responsibility.*
- *State Government should ensure completion of the assets funded under MIDH which are remaining incomplete till date such as the Cold Storage at Kwasiphai, Bishnupur, six Pack Houses, one Pre-cooling unit, two Primary processing unit) including two projects "Establishment of cold chain system" under State plan and "Re-establishment of Magfruit Factory" under NEC to achieve the intended objective of the scheme for which the funds had been incurred.*
- *State Government should investigate the irregularities pointed out by audit including tendering process w.r.t 'Re-establishment of Magfruit Factory' and fix responsibility of the erring officials within a specified time frame.*

