CHAPTER VI: MINISTRY OF FOOD PROCESSING INDUSTRIES

6.1 Tardy implementation of 'Mega Food Parks Scheme'

The Mega Food Parks Scheme was launched in September 2008 with 10 projects for implementation in the first phase. Due to slow pace of implementation, projects lagged behind the prescribed schedule and despite an investment of ₹ 250 crore, the scheme objectives remained unfulfilled.

Mention was made in the CAG's Audit Report No. CA 1 of 2008 that none of the 45 food parks sanctioned by the Ministry till March 2004 were fully operational as of March 2007. As a result, the grant of ₹ 110.55 crore released by the Ministry for setting up food parks country-wide remained largely unfruitful. Subsequently, the Ministry apprised the Cabinet Committee on Economic Affairs (CCEA) the major reasons for the inadequate functioning of the parks as; poor site selection, delay in providing basic infrastructure facilities like power, water, road etc., poor management and implementation capabilities. In the Action Taken Note, the Ministry while attributing financial constraints of the promoters being one of the reasons for the slow implementation of the projects stated that continuous efforts were being made to revitalize the existing food parks.

Subsequent examination in Audit disclosed that the Ministry had further sanctioned 11 food parks country-wide during 2004-07. Funds aggregating ₹ 26.85 crore were released for the purpose. Audit observed that out of the total of 56 (45+11) food parks sanctioned, only 27 (24+3) had been made fully operational while nine (6+3) had been closed as of July 2013. Thus, the progress in operationalisation of food parks remained largely unsatisfactory.

Meanwhile, the Ministry proposed (August 2008) to implement a Scheme to establish 30 Mega Food Parks (MFPs) in the country during the 11th Plan. The primary objective of the Scheme was to provide adequate/excellent infrastructure facilities for food processing. It included creation of infrastructure near the farm, transportation, logistics and centralized processing centers. The CCEA approved (September 2008) setting up of 10 MFPs in the first phase.

The responsibility of execution, ownership and management of the MFPs were vested with Special Purpose Vehicles[1] (SPV) in which Financial Institutions/ Banks, organized retailers, processors, service providers, producers, farmer organizations and other related stakeholders would be the equity holders. The SPVs were mainly responsible for achieving financial closure and ensure completion of project.

The Scheme provided a capital grant of 50 *per cent* of the eligible project cost in general areas and at the rate of 75 *per cent* of eligible project cost in difficult and hilly areas, subject to a maximum of ₹ 50 crore per project. The time schedule for completion and successful operationalisation of the project was 24 months from the date of release of first installment. The timelines were later revised to 30 months (July 2012) from the date of issue of final approval.

Audit test checked 10 projects sanctioned by the Ministry under phase-I of MFP scheme and noted that a sum of ₹ 250 crore had been released for nine projects against the sanctioned amount of ₹ 450 crore till December 2013. It was observed that none of the parks had been made operational[2] by the Ministry. Eight of the ten projects had already exceeded the prescribed time limit of 30 months for operationalization. Thus the projects were languishing at various stages of implementation as detailed in **Annex-IV.**

Audit further observed that the Scheme guidelines did not prescribe any time frame from in-principle approval to the final approval of the project. In the absence of timelines, final approvals were given by the Ministry after delays of 3 to 24 months. Even the project at Sultanpur, Uttar Pradesh had not been finally approved, as yet, despite being accorded in-principle approval in September 2010. The other reasons for delay in implementing the projects were attributed to issues relating

[1] A legal entity created solely to serve a particular function as the facilitation of a financial arrangement or creation of a financial instrument

[2] Only two parks each at Haridwar and at Chittoor had been made partially operational.

to land acquisition, contribution of funds by the members etc. Audit also observed that the scheme guidelines did not delineate the role of the Ministry in acquisition of land which devolved on the SPVs. The Ministry could have considered to nominate, ab *initio*, a government representative in the board of directors of the SPV to expedite the issues.

Thus, the bottlenecks now encountered were similar to those experienced in the earlier food park scheme. The fact that these projects continue to be hampered by similar delays indicates inadequate planning by the Ministry in resolving various related issues. As a result, the scheme objectives remained unfulfilled.

The Ministry stated (April 2014) that it was very much concerned about the progress in implementation of MFPs and had been continuously engaged in devising ways and means to improve the pace of implementation of MFPs. In most of the projects, delay in implementation was due to the reasons such as possession of land in the name of SPVs and obtaining statutory clearances from the State Governments. The Ministry asserted that it played a proactive role to resolve these issues/bottlenecks by taking up the matters with the concerned authorities and was monitoring each project closely and individually. As a result, two projects[3] had been made operational.

The fact remains that the pace of implementation of these projects was a cause for concern and resulted in non achievement of project objectives despite the passage of considerable period. The Ministry needs to institute measures to ensure that these projects are completed in a time bound manner.

[3] Haridwar and Chittoor

6.2 Excess release of grant

The Ministry failed to adjust the amount of internal revenue generated by the Indian Institute of Crop Processing Technology while releasing grants to it. In the process, it breached the specific directions of the Expenditure Finance Committee. This led to excess release of grants amounting to ₹ 6.46 crore till 2012-13.

In terms of Rule 209 of General Financial Rules, the grant sanctioning authorities should take into account the internally generated resources while regulating the award of grants, particularly for annual grant.

The Expenditure Finance Committee (EFC) of the Ministry of Food Processing Industries (MFPI) approved (July 2007) a proposal for the up-gradation of the Indian Institute of Crop Processing Technology (IICPT), an autonomous body, under the MFPI. The proposed funding by the MFPI included two components viz. capital expenditure[4] (non-recurring expenditure) and revenue expenditure[5] (recurring expenditure). As per the approved proposal, the Ministry was to fund the capital expenditure and the shortfall in recurring expenditure after adjusting the internal revenue generated[6] by IICPT. The financial estimates for the up-gradation work were approved (February 2009) by the EFC at a total cost of ₹ 88.48 crore which included an estimate of revenue expenditure of ₹ 13.67 crore and the balance towards capital expenditure. The EFC after considering the projected internal revenue generation of ₹ 3.46 crore by IICPT, set off this amount from estimate of revenue expenditure and revised the amount to ₹ 10.21 crore. However, the MFPI allocated an amount of ₹ 10.35 crore towards revenue expenditure.

During 2007-08 to 2012-13, grants aggregating to ₹ 84.20 crore were released to IICPT by the Ministry. The details of funds released and the revenue generated by the IICPT are given in the following table:

---

4 Expenditure on land and building.

5 Expenditure on manpower recruitment, salaries etc.

6 The internal receipts of IICPT are mainly generated from the sale of consultancy fees, analysis charges, training fees, interest earnings, seminar registration fees, etc.

(₹ in crore)

Financial Year	Amount released by the Ministry	Amount of internal revenue generated
2007-08	3.55	0.15
2008-09	7.00	0.29
2009-10	37.15	0.70
2010-11	28.50	1.81
2011-12	4.50	2.36
2012-13	3.50	4.61
Total	**84.20**	**9.92**

Audit observed that IICPT had internally generated revenue of ₹ 9.92 crore against the projected revenue of ₹ 3.46 crore. Further, the revenue generated by the IICPT was transferred by the organisation to its reserve capital fund and the 'staff welfare fund'[7]. Audit, however, observed that the MFPI failed to take cognizance of these facts while releasing subsequent grants in 2011-12 and 2012-13. Hence, the failure of the Ministry to adjust the revenue generated by the IICPT contravened the provisions of GFR. This led to excess release of ₹ 6.46 crore[8] till 2012-13. Audit also observed that the revised cost estimates approved by the Ministry in April 2013 did not take into account the internal revenue generated by the IICPT.

The Ministry stated (November 2013) that the excess revenue generated by the IICPT was not adjusted in accordance with the decision of the board meetings of the IICPT.

The reply is not in consonance with the provisions of GFRs. The Ministry may initiate measures for adjustment of excess releases made to IICPT.

[7] ₹ 4.11 crore to reserve capital fund and ₹ 0.11 crore to staff welfare fund was transferred up to 2011-12.

[8] Revenue generated ₹ 9.92 crore (-) revenue projection ₹ 3.46 crore

6.3 Avoidable payment of 'composition fee'

The Ministry of Food Processing Industries engaged National Buildings Construction Corporation Ltd. (NBCC) for setting up the National Institute of Food Technology, Entrepreneurship and Management in Haryana on a plot of land acquired from Haryana State Industrial & Infrastructure Development Corporation Ltd.(HSIIDC). NBCC was allowed to commence construction on the plot of land before submission of the building plans to HSIIDC and in the process the orders of the Town and Country Planning Department, Government of Haryana were contravened. This led to avoidable payment of ₹ 1.36 crore towards composition fee.

The Town and Country Planning Department of the Government of Haryana issued orders (April 2006) regarding development/ construction procedures in the State. In terms of these orders, the building plans were to be submitted and got approved by the competent authority before laying the roof of ground floor so that any rectification required subsequently may be complied without endangering the structural stability. In case of breach of these orders, penalty as determined by the Department was leviable. These orders are applicable to Haryana State Industrial & Infrastructure Development Corporation Ltd. (HSIIDC), a company established under the ageis of Department of Industries and Commerce, Haryana for development of industrial infrastructure in the State of Haryana.

The Cabinet Committee on Economic Affairs approved (August 2006) setting up of the National Institute of Food Technology, Entrepreneurship and Management (NIFTEM), an autonomous body under the Ministry of Food Processing Industries (MFPI). HSIIDC allotted a plot measuring 100 acres to NIFTEM at Kundli, Haryana at a cost of ₹ 31.36 crore. NIFTEM obtained the possession of the plot of land in August 2007.

MFPI selected (August 2007) National Buildings Constructions Corporation Ltd. (NBCC) as the agency for undertaking the construction of the campus of the NIFTEM on turn-key basis. The campus was to house institutional and residential buildings. Based on the directions of the Ministry, NIFTEM signed a Memorandum of Understanding (MoU) with NBCC for the construction activity. In terms of the MoU, NBCC was responsible for obtaining all statutory approvals, both pre and post construction, from the concerned authorities and NIFTEM was to help NBCC in this process.

Audit examination disclosed that the Ministry/NIFTEM allowed NBCC to commence[9] the construction activity on the plot of land even before submission of building plans to HSIIDC. The building plans were submitted by NIFTEM to the HSIIDC in August 2009. HSIIDC conveyed (December 2010) the approval of the building plans subject to depositing a sum of ₹ 1.18 crore towards composition fee[10] for commencing construction before approval of building plans. The fee was deposited by NIFTEM in December 2011 and NIFTEM commenced its academic operations in August 2012.

The HSIIDC on similar grounds also imposed additional composition fee of ₹ 18.10 lakh in June 2012 for the residential buildings constructed on the plot of land. NIFTEM paid this additional fee in July 2012. The building plans of residential Complex were approved by HSIIDC in October 2012.

Thus the failure of the Ministry/NIFTEM to comply with the extant orders of the Town and Country Planning Department of Haryana governing construction procedures led to avoidable payment of composition fee.

The Ministry stated (March 2014) that this being a big project requiring sufficiently long time for construction work, submission of papers for approval of building plans and commencement of construction was taken up almost simultaneously. The Ministry also stated that even though HSIIDC handed over the possession of the plot of land in August 2007, the formal allotment letter was issued by HSIIDC only in March 2010. This also led to delay in approval of the building plan as the Town planning Department of the HSIIDC was insisting on

[9] NBCC commenced construction from July 2008. The building plan of institutional buildings duly signed by the architect and the owner was sent to NBCC on 18.9.2008 for onward submission to HSIIDC. These drawings were accepted by HSIIDC on 28.8.2009.

[10] The Department of Town and Country Planning, Government of Haryana prescribes composition norms/rates for various violations in construction activity.

submission of allotment letter along with building plan papers. Thus, HSIIDC took more than a year to approve the building plan. It further added that NBCC had not ensured compliance of the prevailing rules and regulations of Town & Country Planning, Haryana and thus, payment of composition fee of ₹ 18.10 lakh paid towards residential portion was being recovered from them.

The reply only confirms that the Ministry/NIFTEM was not even in possession of the documents necessary for statutory approvals. It, thus failed to secure compliance with the laid down provisions and allowed NBCC to commence construction activity in July 2008 itself i.e more than a year before the date on which building plans were accepted by the HSIIDC. Thus, the Ministry/NIFTEM failed to exercise due diligence in the matter leading to imposition of composition fee, a charge which was avoidable.