OFFICE MEMORANDUM

Subject – Guideline of Mahila Kisan Sashtkikaran Pariyojana for Value Chain Development

To bring exclusive focus on value addition and market linkages through producers’ collectives and promotion of Producers Enterprises which are owned and governed by women farmers, a dedicated value chain development component has been approved under Mahila Kisan Sashaktikaran Pariyojana (MKSP).

The guideline of Mahila Kisan Sashtkikaran Pariyojana (MKSP) for Value Chain Development is attached herewith for kind information.

This has the approval of competent authority.

(Nita Kejrewal)
Joint Secretary to the Govt. of India
Ph.: 011-23461754

Encl: As above

To,
Principal Secretaries of all States
Copy to :CEOs / SMDs of all States
GUIDELINES FOR VALUE CHAIN DEVELOPMENT UNDER MAHILA KISAN SASHAKTIKARAN PARIYOJANA

Table of Contents

1. BACKGROUND 3
   1.1 MAHILA KISAN SASHAKTIKARAN PARIYOJANA 3
   1.2 VALUE CHAIN DEVELOPMENT INTERVENTIONS UNDER DAY-NRLM 3
   1.3 DAY-NRLM STRATEGY ON VALUE CHAIN DEVELOPMENT 4

2 OBJECTIVES OF VALUE CHAIN UNDER MKSP 5

3 EXPECTED OUTCOMES 6

4 NON-NEGOTIABLES 6

5 APPROACH 7

6 VALUE CHAIN PROJECTS UNDER MKSP 8
   6.1 ABOUT THE PROJECT 8
   6.2 THE COMPONENTS UNDER THE PROJECT 8

7 FUNDING 9
   7.1 GENERAL CONDITION 9

8 CONVERGENCE 10

9 PROCESSES UNDER MKSP FOR VALUE CHAIN DEVELOPMENT 10
   9.1 IDENTIFICATION OF PROJECT AREAS 10
   9.2 PROJECT IMPLEMENTING AGENCY 10
   9.3 PROPOSAL SUBMISSION PROCESS AND TEMPLATES 11
   9.4 PROPOSAL APPROVAL STAGES - 11
      9.4.1 DESK APPRAISAL 11
      9.4.2 PRE-EMPOWERED COMMITTEE MEETING 11
      9.4.3 EMPOWERED COMMITTEE 12
   9.5 ROLE OF THE STATE RURAL LIVELIHOODS MISSION 12
9.6 PROJECT PERIOD

9.7 ELIGIBLE ITEMS OF EXPENDITURE:
   9.7.1 SUPPORT TO SRLM
   9.7.2 SUPPORT TO PRODUCERS’ ENTERPRISE (PE)
   9.7.3 TECHNICAL SUPPORT AGENCY

9.8 GENERAL CONDITIONS FOR ELIGIBLE ITEMS OF EXPENDITURE

10 RELEASE OF FUNDS
   10.1 1ST INSTALMENT
   10.2 2ND INSTALMENT
   10.3 3RD INSTALMENT
   10.4 UTILIZATION OF INTEREST EARNED ON CENTRAL RELEASE
   10.5 RELEASING OF MATCHING SHARE:
   10.6 SUBMISSION OF PROGRESS REPORTS
   10.7 MONITORING AND REVIEW OF THE PROJECT
      10.7.1 STATE LEVEL
      10.7.2 CENTRAL LEVEL
   10.8 MIS
   10.9 AUDIT

11 NECESSARY CONDITIONS FOR PROJECT APPROVAL

12 PROJECT COMPLETION

ANNEXURE – I: APPRAISAL CRITERIA – VALUE CHAIN PROJECTS UNDER MKSP

ANNEXURE I-A - GUIDANCE NOTE FOR APPRAISAL OF A MKSP AAP VALUE CHAIN DEVELOPMENT PROPOSAL

ANNEXURE – II: RESULTS FRAMEWORK

ANNEXURE – III PROPOSAL SUBMISSION TEMPLATE
1. Background

1.1 Mahila Kisan Sashaktikaran Pariyojana
In 2011, the Ministry of Rural Development launched “Mahila Kisan Sashaktikaran Pariyojana” (MKSP), a sub component of the National Rural Livelihood Mission (NRLM) to improve the present status of women in agriculture, and to enhance the opportunities for her empowerment. The primary objective of the MKSP is to empower women in agriculture by making systematic investments to enhance their participation and productivity, as also create and sustain agriculture based livelihoods of rural women. By establishing efficient local resource based agriculture, wherein women in agriculture gain more control over the production resources and manage the support systems, the project seeks to enable them to gain better access to the inputs and services provided by the government and other agencies. Once the production capacities of women in agriculture improve, food security ensues for their families and communities.

In 2012, the scope of MKSP was extended to Non Timber Forest Produce (NTFP) based livelihoods to promote NTFP collectives to increase the income of tribal NTFP collectors through sustainable harvest and scientific post-harvest practices for higher returns; negotiate better with market forces while also taking up various value addition activities at appropriate levels. The intervention would envisage strengthening the NTFP value chain on end-to-end basis and creating strategic public-private-panchayat partnerships for the benefit of all stakeholders.

Interventions to promote value chain for ensuring better market linkages for the produce were envisaged as one of the important interventions under MKSP, both for agriculture and NTFP.

1.2 Value chain development interventions under DAY-NRLM
Under MKSP and various other Farm Livelihoods interventions, Producers’ Groups (PGs) have been formed to undertake primary level aggregation and value addition activities at the village level. These PGs are small sized unregistered entities and engaged in localized marketing activities based on the local demand and supply situations. The PGs, being small and disaggregated cannot individually engage effectively in large scale economic activities.

As a result the impact of the PGs in ensuring better prices for the small and marginal producers was not very significant in terms of exploiting the true market potential. It has been realized that to achieve the desired goal of getting the maximum percentage of every consumer rupee spent a larger professionally managed and community owned institution would be more effective.
In 2015-16, DAY-NRLM, under its’ World Bank supported National Rural Livelihoods Project (NRLP) had launched a special fund for promotion of large size value chain interventions building on the strength of Community Based Organizations (CBO) under DAY-NRLM. Several initiatives focused on value chain development for market linkages have been taken up under this special fund in various states.

1.3 DAY-NRLM Strategy on Value Chain Development

To consolidate the value chain development experiences under DAY-NRLM and to bring specific impetus on value addition and market linkages the scope of MKSP is now extended to incorporate proposals for value chain development with exclusive focus on value addition and market linkages through collective action and promotion of Producers Enterprises (PE) which are owned and governed by the producers.

Under DAY-NRLM, it is envisaged that the members of the existing PGs would be federated into Producers’ Enterprises of size to attain the economy of scale through value chain interventions. In geographies, where PGs have been promoted under Farm Livelihoods interventions, the members of the PGs would be federated into Producers’ Enterprises.

Promotion of sustainable and economically viable Producers’ Enterprises is a highly challenging and complex task and DAY-NRLM has identified policy, technomo-managerial manpower and financing challenges through various consultative processes and from experience. There is a need for a special intervention to promote member owned and member controlled Producers’ Enterprises to ensure better price realisation to Mahila Kisans. These interventions would be covered under the MKSP Value Chain Development interventions. The value chain interventions in agriculture, dairying and NTFP under MKSP Value Chain will be implemented through Producer’ Enterprises.

The strategy envisaged to develop Producers’ Enterprises is centred on the following aspects –

a. Robust Business model - The focus should be on building member owned PEs. A robust business model which takes into account supply factors, market and consumer preferences is essential for success of Producers’ Companies. Post farm-gate to market interventions would be supported.

b. Focus on value addition – Interventions centred on value addition and marketing would be encouraged rather than interventions based on purely aggregation and marketing.

c. Dedicated human resource Human Resource with relevant qualifications and experience as staff of the PE to manage the PE operations effectively. There would focus on placement of a dedicated team of experts at the SRLM level (Spear Head Team) to support and guide the implementation of value chain interventions proposed by the SRLMs.
d. **Capacity building** - Mentoring and capacity building of small farmers is essential for the sustainability of PEs through a dedicated team.

e. **Financing** – Procurement infrastructure, processing infrastructure, working capital and viability gap funding to the PEs

As a component of DAY-National Rural Livelihoods Mission (DAY-NRLM) Ministry of Rural Development is extending the scope of Mahila Kisan Sashaktikaran Pariyojana (MKSP) to development of value chain interventions through promotion of sustainable Producers’ Enterprises for interventions from farm gate to market with exclusive focus on market linkage.

**Producers Enterprise**

- A Producers’ Enterprise (PE) is defined as registered formal organization of farmers including co-operatives and Farmer Producer’ Companies.
- A producer enterprise is built on Mutual Assistance Principles
- The primary objective of these organizations is to ensure better economic return to the farmer producers by helping them to take up business activities.
- These enterprises operate as commercial organizations and being economically viable is of paramount importance for these organizations.

2 **Objectives of Value Chain under MKSP**

The objective of this component of MKSP is to empower women farmers and collectors through an integrated approach of developing Producers’ Enterprises, building market linkage and capacity building programed together.

The key objectives of value chain component of MKSP are:

1. To ensure **higher price realization** for the agriculture, dairying and NTFP produce for the small and marginal women farmers
2. Increasing influence of women farmers on the commodity value chain
3. To ensure increased **bargaining power of small and marginal producers** by achieving economy of scale and therefore negotiate better prices.
4. To develop **robust business models at scale** for the commodities produced by small and marginal women farmers
5. To develop **scalable and sustainable Producers’ Enterprises** to implement the value chain development interventions
6. To create **opportunities for value addition** of commodities
7. To take up **Capacity building** of the community for better post-harvest handling, knowledge of quality parameters
8. To provide the platform for producers to promote their interests and influence policies
in the local and national environment that affect their business and livelihood.

9. To promote the use of ICT for accounting, inventory management, payment to producers and market information dissemination.

3 Expected Outcomes

MKSP Value Chain proposals being submitted should have clearly stated outcomes. The expected outcomes that must be achieved through the planned interventions:

   a. Better price realisation to the small and marginal women farmers
   b. Establishment of scalable and sustainable women Producers’ Enterprises with robust business model and viable business plan having small and marginal women farmers as the shareholders
   c. Establishment of professional management structure for the Producer Enterprise
   d. Equitable sharing of profits between the members
   e. Access to market information for better marketing of their products
   f. Establishing market linkages with institutional buyers
   g. Development of Standard Operating Procedures for all processes of the Producers’ Enterprises such procurement manuals, HR manuals, accounting processes.
   h. Development and promotion of sustainable management, quality assurance and storage practices

The SRLM may develop partnerships with other reputed organizations having demonstrated experience in value chain development of the selected commodities for achieving the desirable outcomes. This would be as per the partnerships guidelines of DAY-NRLM.

Creation of standalone marketing infrastructure such as retail outlets, market yards, if necessary, should be taken up through convergence.

The result framework of the project is attached as Annexure- II.

4 Non-negotiables

While designing the proposal the PIA has to consider the non-negotiables of DAY-NRLM and MKSP Value Chain and should ensure that these principles are respected and are not violated. These non-negotiables have been clearly defined to make the project community owned,
community governed and sustainable. These principles would guide the project and make the project relevant for the small and marginal women farmers.

a. The interventions would be focused on small and marginal women farmers. The Producers’ Enterprises proposed to implement the interventions would be women Producers’ Enterprises.
b. The interventions proposed would be implemented through PEs and at scale.
c. The producer Enterprise would be professionally managed having its own professional managers with requisite qualifications and relevant experience of running a business enterprise
d. The interventions would be focused on post farm-gate to market for agriculture produce, dairying and NTFP.
e. The Producers’ Enterprises would be community owned and must adhere to the principles of co-operation.
f. Any assets provided under the interventions would be community owned i.e. by a producers’ enterprise.
g. Any financial support such as working capital support, viability gap funding etc, to organizations other than PEs would not be permitted.
h. A dedicated team at the SRLM level should be in place before any intervention is proposed. The team should consist of manpower with relevant techno-managerial experience in operations, financial management, commodity handling etc.
i. No subsidy or grant to be provided to any individual
j. Market linkages have to be identified before submission of proposal. The market linkages must be worked out before the producers’ enterprise is promoted
k. Core business of the Producers’ Enterprise must be based on agriculture, Dairying or NTFP.

5 Approach

The Value Chain projects would be implemented by the Producers’ Enterprise promoted for that specific purpose. The SRLM is the promoting organization of the PE. DAY-NRLM Guideline for the promotion of Producer Enterprises would be followed as a framework for implementation.
6 Value Chain Projects under MKSP

6.1 About the Project
a) The objective of the MKSP Value Chain Development is to empower women to sustain and to enable better price realisation through value addition, market linkage based livelihoods by establishing sustainable Producers’ Enterprises. The project objectives must be explicitly stated and formulated accordingly.
b) The objective is also to build on existing producers’ groups that have been formed under MKSP agriculture and livestock interventions to federate their members into market linked, sustainable Producers’ Enterprises.
c) While evaluating the proposal the size of the enterprise would be a key determinant. An enterprise which is not big enough may not be able to meet the overhead expenditure like good quality manpower and also may not be able reach the economy of scale.
d) The Projects should be conceived in a manner so as to provide end to end solutions. Provision of a complete package of ‘end–to-end’ services through mobilizing women producers into Producers’ Enterprises, providing access to a complete package of post-harvest services from procurement, value addition to marketing of produce should be made in the project in order to make it a holistic project. To the extent possible, the existing gaps in the marketing eco-system must be addressed.
e) The project proposal should draw extensively from the existing best practices in post-harvest practices, value addition and marketing.
f) The project must have a clearly defined business model and business plan at the time of submission of the proposal.
g) Project should lead to substantial tangible and intangible socio-economic benefits.
h) Project should have a well-defined internal monitoring systems to track the progress i.e., physical and financial achievements. Appropriate Management Information Systems and accounting software should be set up by the PEs.
i) The PEs proposed would be professionally managed entities; hence the SRLM must plan for recruitment of professionals with relevant qualifications and experience in the proposal.
j) The Producers’ Enterprises Staff must have relevant qualification and experience. The Staff must consist of commodity specialists (depending on the number of commodities handled) and an accountant.
k) The project should be developed on the existing implementation experience of the implementing agency or its partners in implementation of large size value chain development interventions involving promotion of producer enterprises.

6.2 The components under the project
i. Promotion of Producer Enterprise through organization and mobilization of SHG women in agriculture should be the core element of the project.
ii. The PEs would be owned and governed by the community and would be managed by the professionals. Project would support the PE for hiring the professional managers for some period.

iii. The Producer Enterprise so promoted would engage in post-harvest value development for agriculture, dairying or animal husbandry produce and NTFP.

iv. Processing activities that add value to the agricultural, dairy or NTFP would be taken up by the producer enterprise and necessary infrastructure for the same would be provisioned under the project. This would include horticulture, agro-processing, food-processing, storage, value addition, preservation, etc. The business model of the PE must be clearly identified.

v. Building market linkages is an essential component of the project. The market linkages must be identified before the project is proposed.

vi. The producers enterprise may need to buy and store the produce for a short period of time and the project would support working capital towards that.

vii. In order to optimize the benefits from the project under MKSP Value Chain, a well-defined convergence strategy should be mentioned at central, state, district and block levels in order to leverage schemes of various Ministries /Departments such as MGNREGA, Ministry of Agriculture, Department of Animal Husbandry, Department of Food processing etc. and similar schemes aimed at providing support to development of Enterprises or value addition infrastructure.

viii. The PE must plan for knowledge building, management and dissemination relating to markets, post-harvest practices and village level value addition.

ix. Capacity building of producers in better harvest and post-harvest technology may also be part of the funding to the producer enterprise.

x. Producer enterprise would also take up the training of members and board of directors in governance of a producer enterprise

7 Funding

7.1 General condition
Ministry of Rural Development (MoRD) would provide funding support of up to 60% (90% for North East and hill states) to the project submitted by the SRLMs under MKSP Value Chain. Balance is to be contributed by the respective state governments or any other donor agencies, national and international in the form of grants.

Participation of banks in financing the projects would be encouraged. The SRLM would be expected to define the financing mechanism for the Producers’ Enterprise post the project period.
The SRLMs will be submitting the project proposals for a period of three (3) years and the funding will be made through a project route. The project will be approved for a three years project period.

The investment per household should not exceed INR 15000 over the period. Dairy value chain development requires high infrastructure investment, hence in the case of dairy value chain projects, the investment per household should not exceed INR 18000 over the project period.

The investment per household would be calculated as:

Investment per household = total investment proposed for the project / number of unique farmers to be covered during the project period.

The total project cost for any single project shall not exceed INR 45 crores.

8 Convergence
DAY-NRLM has issued joint advisories with Ministry of Agriculture and Department of Animal Husbandry, Dairy and Fisheries. For implementation of the value chain interventions the SRLMs may explore convergence opportunities with other schemes and departments in their respective States.

9 Processes under MKSP for Value Chain Development

9.1 Identification of project areas
The project area would primarily be the intensive blocks under DAY-NRLM. If a project is being conceived in an intensive block, the non-intensive blocks adjacent to the intensive block may also be included with the condition that the SRLM would develop a plan to cover these non-intensive blocks under its social mobilization and financial inclusion interventions.

The areas taken up under Mission Antyodaya would be given preference for promotion of value chain interventions under MKSP- Value Chain Development.

Priority would be given to those areas where there are existing producers groups in significant numbers promoted under DAY-NRLM.

9.2 Project implementing agency
The State Rural Livelihoods Mission of any State may pose projects under MKSP- Value Chain Development.
9.3 Proposal submission process and templates

The proposal for value chain development projects under agriculture, dairying or NTFP may be submitted under MKSP Value Chain in the proposal submission template provided. The proposal submission template is provided in Annexure – III.

The SRLMs will be submitting the project proposals for a period of three (3) years and the funding will be made through a project route.

9.4 Proposal approval Stages -

9.4.1 Desk appraisal

The proposal submitted by the SRLMs would be appraised by a team of experts having thorough understanding of value chain interventions including business models and commodity markets. The proposal submitted by the SRLMs would be appraised by a team of experts having thorough understanding of value chain interventions including business models and commodity markets. The expert team would comprise of Farm Livelihoods team of DAY-NRLM handling value chain development interventions and National Resource Persons empanelled by NIRD&PR having expertise on value chain development. The appraisal would be taken up following the scoring template as Annexure I. The detailed guidance on scoring is also provided in Annexure I-A.

Any proposal scoring less than 60% marks will not be considered.

The Appraisal Team would appraise the project based on the following -

a. Non-negotiables defined in the MKSP Value Chain Guidelines
b. Results Framework defined in MKSP Value Chain Guidelines
c. Project submission template and financial analysis, business plan, financial viability, sustainability, profitability.

In case the SRLM has proposed a Technical Support Agency or Field Implementation partner, the mode of procurement has to be mentioned in the proposal.

In case the proposal is not found to be suitable to be taken to the pre-EC stage, the SRLM would re-work the proposal based on the comments of the Farm Livelihoods Team.

The Farm Livelihoods Team may undertake a field appraisal of the project areas to verify the readiness of the SRLM to implement value chain development interventions, suitability of the commodity and other factors.

9.4.2 Pre-Empowered Committee meeting

The Projects submitted would be examined and considered by the Pre-EC before it is submitted to the Empowered committee for its recommendation. The composition of the Pre-EC would be as under:
i. Joint Secretary (Rural Livelihoods) - Chairman
ii. Farm Livelihoods Team – Member Convener
iii. Concerned SRLM Team members

The pre-EC meeting could be held multiple times during the appraisal stage of the proposal.

9.4.3 Empowered Committee
Once the projects have been examined in the Pre-EC meeting, the proposal would be put forth for approval by the Empowered committee. The composition of the Empowered Committee would be as under:

i. Secretary, Department of Rural Development - Chairman
ii. AS & FA, Ministry of Rural Development - Member
iii. Senior Adviser (RD), Planning Commission - Member
iv. Joint Secretary, Ministry of Environment & Forest - Member
v. Joint Secretary (Agriculture Marketing) - Member
vi. Joint Secretary (A &DD)/JS (Fy) - Member
vii. Joint Secretary, Ministry of Tribal Affairs - Member
viii. Joint Secretary, Ministry of Development of North East Region (In case of Projects from North East) - Member
ix. Special Invitee/Expert (Two) - Member
x. Joint Secretary (Rural Livelihoods) Member-Convener

9.5 Role of the State Rural Livelihoods Mission
The State Rural Livelihoods Missions (SRLM) as Project Implementing agency (PIA) will place a dedicated spearhead team at the State level for proposal development and subsequent facilitation of the project roll-out. However, before recommending the project to MoRD, SRLM will obtain the requisite approval for commitment for state share.

Spearhead will comprise of one or two commodity experts, one expert in financial management and one expert in promotion of producers’ enterprises and operations. This team should be a separate team apart from the existing farm livelihoods team. The cost of this spearhead team could be met by the SRLM out of the provision available under DAY-NRLM for administrative expenses.

9.6 Project Period
Projects are to be implemented within three years’ time
9.7 Eligible Items of Expenditure:
Component-wise expenditure likely to be incurred for the project, like beneficiary mobilization, cost of training and capacity building, monitoring fees, administrative expenditure etc. must be mentioned in the project document.

The major components envisaged under the value chain development projects proposed under MKSP Value Chain are:

a. Support to SRLM
b. Support to Producers’ Enterprise (PE)
c. Technical Support Agency

Any kind of subsidy to individual members or asset creation for individual members is not permissible under this project.

9.7.1 Support to SRLM
During the initial stages of the project, the SRLM would undertake the activities for the incorporation of the PE. Therefore, the funds permissible under the Support to SRLM would include:

a. Pre-incorporation and incorporation expenses – which includes expenditure towards preliminary survey (if required), identification of initial subscribers, facilitation of KYC of initial subscribers, hiring a Chartered Accountant, registration fees for the PE etc.

b. MIS entry and profiling of Mahila Kisans – entry of the Mahila Kisan profiles in the DAY-NRLM Farm Livelihoods MIS would be taken up by the SRLM profiles. In case the entry of the Mahila Kisan profiles would be budgeted under the administrative expenses under the support to PE component.

c. Administrative expenses – includes the following components
   o Spearhead team – the SRLM may budget the salary and travel expenses of the spearhead team under this component
   o Monitoring and Evaluation – includes expenditure towards baseline, mid-line and end-line surveys, independent evaluation to be taken up etc.
   o Documentation/Dissemination of best practices – the SRLM may document the best practices developed in the project to replicate in other areas.

9.7.2 Support to Producers’ Enterprise (PE)
As the value chain interventions would be implemented under the aegis of the PE, the support to PE for value addition viability gap funding and HR support for a limited period, working capital support and procurement infrastructure would be provided under this
component. This component would be released to the PE by the SRLM after the registration of the PE and the submission of the DPR by the PE to the SRLM.

The sub-components envisaged under the support to the PE are:

a. **Infrastructure for Value addition** - The MKSP for value chain development would provide financial assistance to PEs for—
   i. Processing facilities for value addition of agriculture, dairying or NTFP produce which may include facilities for weighing, cleaning, sorting, grading, packing, testing equipment, ripening chambers, oil extraction, specialized packaging etc.
   ii. Facilities including pack-houses, pre-cooling units, bulk milk coolers etc. may be proposed
   iii. The SRLM may specify the plan for convergence with other Departments such as Department of Animal Husbandry, Dairying and Fisheries, Ministry of Agriculture, Ministry of Food Processing Industries, TRIFED etc. in the proposal
   iv. Promotional costs for marketing, certifications costs (such as FSSAI, organic certifications) which add value or are part of legal compliances would be covered.

Any infrastructure set-up under MKSP value chain component would be owned by the PEs. Asset for a single individual member will not be permissible under this component.

b. **Viability gap funding** – includes costs of community mobilization, social capital development, training and capacity building and logistics expenses of the PE.
   i. Selection of areas where there is significant presence of SHGs and social capital is encouraged. Therefore, community mobilization should not exceed 5% of the support to PE
   ii. Total viability gap funding should not exceed 20% of the support to the PE.

Any staff working at block level or below can be considered under the training and capacity building cost.

c. **Administrative cost of PE** –
   i. **Support for professional management** includes the cost of key manpower such as CEO, commodity handling experts, accountant etc. of the PE. The PE must have a lean HR structure.
ii. **Setting up of the PE**— includes cost of suitable accounting software, inventory management software, office furniture and fixtures and computers. The administrative cost of PE should not exceed 6% of the support to PE cost.

d. **Working Capital**— the project would support the PE for the working capital required for procurement of produce from farmers for a period of 3 weeks. That means if the PE has a plan to procure paddy then the support on working capital would be equivalent to cost of paddy procured for 21 days.

9.7.3 **Technical Support Agency**

The SRLM may take the services of a technical support agency for providing technical and handholding support to the specific PE(s) to be promoted under this proposal. The mode of procurement of the Technical Support Agency (TSA) must be specified in the proposal.

Therefore the TSA are to be taken to provide specific support to the PEs.

The Cost of the TSA should not be budgeted as a percentage of the total project cost. The cost should be defined as per clearly specified milestones and deliverables.

9.8 **General Conditions for Eligible Items of Expenditure**

The project should incorporate expenditure on various components indicated under MKSP to arrive at the project cost. The administrative expenses for managing the project shall not exceed 6% with the condition that savings if any in the administrative component may be used for furthering the activities of the Project but not vice versa. Purchase of vehicles is not admissible in the projects. No cost escalation shall be borne by the Government of India.

At the end of the project period, the ownership and management rights of the infrastructure and assets created if any, under the project, shall remain with the PE. Reallocation of funds not exceeding 5% of the total project cost among major budget heads will be permissible to accommodate any innovation within the project. Within the main budget heads reallocation of funds is permissible. However, reallocation on account of administrative expenditure shall not be permitted. Any Additional Information that may be relevant to the Project Proposal may be mentioned in the Project Document.

10 **Release of Funds**

The funds will be released directly to the concerned SRLM from the Ministry of Rural Development.
10.1 1st Instalment
The first instalment will be released by MoRD to the SRLM on the approval of the project by the Empowered Committee. Out of the first instalment (i.e. 25% of the central share), 10% of the central share may be released after approval of the project. The SRLM would submit DPR to the Ministry of Rural Development. Rest of the 15% will be released immediately after submission of DPR to the Ministry of Rural Development for which a maximum period of 3 months from date of approval of the project by Empowered Committee will be permitted to the PIA. In case Technical Support Agency (TSA) has been proposed, the TSA needs to be on-board before the release of the second tranche of the 1st instalment. The placement of spearhead team to spearhead this activity at the SRLM level in a focused manner is a necessary condition for project approval.

10.2 2nd Instalment
The 2nd instalment of 50% of central share will be released upon the following:
   a. The PE proposed has been incorporated.
   b. The PE Staff proposed has been recruited and positioned in the PE.
   c. Entry of Mahila Kisans covered and CRPs developed in the National Livelihoods MIS.
   d. Release of state share
   e. Submission of a Utilization certificate along with an expenditure statement for at least 60% of the released 1st instalment funds and contribution from state Govt./other agencies and achievement of corresponding physical target.
   f. Submission of year-wise audit reports of the funds utilized;
   g. Quarterly reporting of progress in the prescribed formats
   h. A certificate from the Designated Agency that the project is being implemented as per the approved project proposal.

10.3 3rd Instalment
The 3rd and final instalment of 25% of central share will be released upon the following:
   a. Utilization of 80% of the total available funds and achievement of corresponding physical targets.
   b. Entry of Mahila Kisans covered and CRPs developed in the National Livelihoods MIS.
   c. Submission of year-wise audit reports of the funds utilized;
   d. Regular reporting of progress in the prescribed format;
   e. A certificate from the Implementing/Coordinating Agency that the project is being implemented as per the approved project proposal.
   f. Before the release of the 3rd and final instalment, it will be open to MoRD to have verification of the progress of the project by a third party / independent agency.
All financial documents (UC, Audit report etc.) and the project report submitted by the SRLMs should be scrutinized and authenticated by the SRLM before they are forwarded to the Ministry of Rural Development.

10.4 **Utilization of Interest earned on central release**
The interest amount accrued on Government releases, if any, shall be adjusted against the Government share of the Project cost at the time of release of the third and final instalment.

10.5 **Releasing of Matching Share:**
The State Government/other donor agency is required to release its corresponding matching share within a month of receipt of the respective instalment of the central share.

10.6 **Submission of progress reports**
The SRLM shall submit the progress report of the project by 15th of the month succeeding every quarter in the format prescribed by the Ministry. Failure to furnish the progress report would make SRLM liable to refund the Central funds released for the Project along with interest.

It shall be open to the Ministry of Rural Development to prescribe such conditions, as it deems fit, from time to time to ensure proper execution of the project.

10.7 **Monitoring and review of the Project**
Monitoring and review of the Projects sanctioned and implemented will be done at two levels i.e. at the Central level by NMMU and at the State level by the RD Department or the SMMU. 1.5% of the central share in a project will be given to agencies identified at central level for appraisal, fund routing, monitoring and coordination.

10.7.1 **State Level**
For monitoring and periodic review of the sanctioned project, a Committee at the State level, headed by the Secretary (RD) of the State is to be constituted who will be responsible for reviewing and monitoring the Project/s. The Mission Director, SRLM would be convener of the committee. The State Committee shall have participation from Forest and Environment, tribal development and Women and Child Development Departments, Department of Agriculture, Department of Animal Husbandry, Dairying and Fisheries.

The spearhead Team to spearhead the value chain activities in a focused manner at the State Level would undertake regular monitoring and handholding of the Value Chain development interventions and the PEs.
10.7.2 Central Level
At the Central Level, the Farm Livelihoods Team will periodically review and monitor the MKSP Value Chain projects sanctioned under the scheme. The team would brief the Empowered Committee about the progress of the ongoing projects periodically. In addition, an advisory body including the representatives from private organizations, industries, marketing firms etc. would be constituted at the Central Level to give necessary advice to the Ministry of Rural Development on the implementation of MKSP.

The National Resource Persons (NRP) may also be utilized for periodic review and monitoring of the project.

10.8 MIS
The DAY-NRLM Farm Livelihoods MIS has been developed at the National level to capture household level interventions through various data points. The data pertaining to the Mahila Kisan covered, CRPs developed and Producers’ Enterprise promoted must be entered into the Farm Livelihoods MIS. The SRLM must plan for MIS staff at the State level and block level.

10.9 Audit
1. The Ministry of Rural Development retains the right to carry out internal audit of funds and financial implications of the project, if deemed necessary.
2. Financial audit is to be carried out by the Chartered Accountant of the SRLM or any other authority appointed by the State Government. The audit report together with action taken on the auditor’s observations and physical progress under the project shall be furnished at the time of release of 2nd or 3rd instalment of the Central funds.

11 Necessary conditions for project approval

a. Recommendation by the appraisal Team
b. Commitment of 40% of the Project Cost by State Government.
c. Professionals with relevant education and experience to be recruited by the SRLM.
d. Exit and Scaling up strategy
e. Predominant focus on vulnerable communities (ST/SC, Minorities and women headed households)
f. Comprehensive project design – farm gate to market
12 Project Completion

Process Documentation from the beginning will be useful for developing audio visual for further scaling up and midway corrections. Documentation is an essential requirement of the project along with video recording for important project milestones, giving the status of the project participants before and after. It should cover the details of deliverables as indicated in the project and achievements made against these deliverables. The completion report of the project should be made available by the SRLM to MoRD within three months from the date of project completion along with final utilization certificate and audit reports and funds that remained unspent, if any.
Annexure – I: Appraisal Criteria – Value Chain Projects under MKSP

State Name:  
Proposal Name:  
Total Marks Awarded:  
Appraisal Decision:  
Name of appraiser/s:  

**Minimum marks for considering project viable - 60**

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Marks Awarded</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Does the proposal clearly articulate the opportunity?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Any detailed value chain study taken up?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Situation Analysis <em>(3 marks)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>o Opportunity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o Strength</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o Weakness</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o Threat</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• What is the overall project rationale and context? <em>(2 marks)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>o In terms of demand/supply analysis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o Rationale for commodity selection – livelihood opportunity /intended impact</td>
<td></td>
<td></td>
</tr>
<tr>
<td>results</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o Business risk (and mitigating measures planned)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• What is intended impact on livelihoods and the local economy? <em>(5 marks)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>o # HH impacted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o Opportunity for local employment creation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Total Marks: 10 points)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Does the proposal have a strong business model and a business plan?**

- **Institutional Mechanism (5 marks)**
  - Type of Producer Enterprise (PE) proposed
  - Scale of PE proposed – annual turnover and no. of members
  - Business model of the PE
  - Fund flow mechanism proposed

- **Market Analysis (5 marks)**
  - Does the project demonstrate a strong market orientation – market linkage/private sector partnership etc.?
  - Market intervention measures/partnerships suggested
  - National and local scenario developed for the commodities
  - Total production of the commodities identified in the selected areas and the percentage targeted to be procured by the PEs.
  - Terms of trade, presence of intermediaries, middlemen, local traders, mandis etc.

- **Benefit to the individual members in terms of net increase in income (15 marks)**
  - Per unit increase in price realization to the farmer
  - Per household investment
  - Benefit cost ratio
  - % of consumer rupee passed on to the farmer

- **Gap Analysis (5 marks)**
  - Who are the competitors?
- What would be the competitive advantage for the PE over the competitors?
  - What would be the strength / USP of the PE in business?

- **Financial analysis (8 marks)**
  - Business plan of the PE
  - P&L projections for 5 years
  - Break-even of the PE –
    - 1st year of operations
    - 2-3 year of operations
    - 4-5 year of operations
  - Return on net assets (net income / (fixed assets + working capital))
  - IRR of the project
    - <5%
    - 5-10%
    - 10-20%
    - 20-30%
    - > 30%

- **HR Strategy (6 marks)**
  - HR structure proposed for the PE
  - Profile of the manpower to be recruited

- Are any Business Development Services proposed?

- **ICT proposed (3 marks)**
  - Accounting and inventory management software
  - Is DBT proposed?
  - MIS
- **Stakeholder analysis (3 marks)**
  - Social Capital to be created through the project (Udyog Mitra)
  - Community
  - Local market traders
  - Service providers (logistics etc.)

  **(Total Marks: 50 points)**

**Technical Support Agency (TSA) and capacity building strategy**
- Has a TSA been proposed?
- Procurement mechanism?
- Is there a Capacity building plan for –
  - Community
  - Udyog Mitra
  - PE Staff
  - Board of Directors of PE
  - Spearhead team
- Is there a partner for capacity building?

  **(Total Marks: 10 points)**

**What is the overall implementation readiness of the SRLM?**
- **Spearhead Team (SHT) (10 marks)**
  - Has the SRLM placed a dedicated spearhead team for value chain interventions?
  - Composition of the SHT (profile of SHT members) – Commodity specialist, finance, accounting and commercial expert, supply chain management expert.
- **Prior experience of SRLM (5 marks)**
  - Existing project portfolio – formed PE or not with women SHG members, Turn over, profitability, management structure of PE,
<table>
<thead>
<tr>
<th>number of commodities handled, years of operation, return on investment, benefit to farmer members, profits shared with members etc</th>
</tr>
</thead>
</table>
| • Is there a Monitoring, Learning, and Evaluation plan in place? *(5 marks)*
| o  Is there a plan for baseline and M&E? *(Total Marks: 20 points)* |

**What is the post project sustainability?**

- Exit strategy of the SRLM
- For how many years would the SRLM provide handholding support after the project period?
- Is there any suggested financing mechanism for post-project maintenance costs?
- Is there a bank financing mechanism worked out?

*(Total Marks: 5 points)*
Annexure I-A - Guidance note for appraisal of a MKSP AAP Value Chain development proposal
(This is an indicative guidance for doing appraisal of the MKSP-AAP Value chain proposal. The appraisal should be a judicious mix of qualitative assessment along with objective criteria)

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Scoring Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Does the proposal clearly articulate the opportunity?</strong></td>
<td>The appraiser has to assess the quality of the value chain analysis. If no study has been undertaken the proposal would be given ‘0’ against the total marks assigned ‘10’.</td>
</tr>
<tr>
<td>• Any detailed value chain study taken up?</td>
<td></td>
</tr>
<tr>
<td>• Situation Analysis (3 marks)</td>
<td>1. Situation Analysis</td>
</tr>
<tr>
<td>o Opportunity</td>
<td>a. 3 marks if all aspects – Opportunity, Strength, Weakness and Threat are of good quality and captures the field level realities</td>
</tr>
<tr>
<td>o Strength</td>
<td>b. Marks to be proportionately reduced based on how many aspects of SWOT are covered in detail</td>
</tr>
<tr>
<td>o Weakness</td>
<td>2. Project rationale and context</td>
</tr>
<tr>
<td>o Threat</td>
<td>a. Comprehensive coverage of demand &amp; supply analysis, risk analysis and rationale for commodity selection clearly articulated</td>
</tr>
<tr>
<td><strong>What is the overall project rationale and context? (2 marks)</strong></td>
<td>b. The rationale should be thorough and should give a complete picture of the business proposition</td>
</tr>
<tr>
<td>o In terms of demand/supply analysis</td>
<td>3. Intended impact on livelihoods –</td>
</tr>
<tr>
<td>o Rationale for commodity selection – livelihood opportunity/intended impact (results)</td>
<td>The proposal should be of scale and there should be a positive impact on aspects of local economy such as employment generation.</td>
</tr>
<tr>
<td>o Business risk (and mitigating measures planned)</td>
<td>If the proposal is for covering 2000-4999 HH it would get 1 marks, 5000 HH or above it would get 2 marks, more than 10000 HH would get 3 marks. Any proposal proposing to cover less than 2000 would get ‘0’</td>
</tr>
<tr>
<td><strong>What is intended impact on livelihoods and the local economy? (5 marks)</strong></td>
<td>If the proposal has scope for local/farm gate value addition having employment opportunity for 50 people it would get 2 marks, between 25-</td>
</tr>
<tr>
<td>o # HH impacted</td>
<td></td>
</tr>
<tr>
<td>Topic</td>
<td>Marks</td>
</tr>
<tr>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Opportunity for local employment creation</td>
<td>10</td>
</tr>
</tbody>
</table>

### Does the proposal have a strong business model and a business plan?

- **Institutional Mechanism (5 marks)**
  - Type of Producer Enterprise (PE) proposed
  - Scale of PE proposed – annual turnover and no. of members
  - Business model of the PE
  - Fund flow mechanism proposed

- **Market Analysis (5 marks)**
  - Does the project demonstrate a strong market orientation – market linkage/private sector partnership etc.?
  - Market intervention measures/partnerships suggested
  - National and local scenario developed for the commodities
  - Total production of the commodities identified in the selected areas and the percentage targeted to be procured by the PEs.

### 1. Institutional mechanism

- The institutional mechanism proposed should follow the Guidelines for promotion of Producers’ Enterprise under DAY-NRLM. In case of deviation from the PE guidelines the proposal will get '0'.
- If the proposal adheres to the PE guidelines an assessment has to be made on:
  - Annual turnover of PE – more than 10 crore: 3 ; 5-10 crore: 2, less than 5 crore: 1
  - The business model should be robust with clear role differentiation between BOD and the professional managers – if yes then give 1 mark and if no then give ‘0’ mark
  - Clear articulation of fund flow mechanism from SRLM directly to PE based on the business plan should be there - if yes then give 1 mark and if no then give ‘0’ mark

### 2. Market Analysis

- The appraisal team should evaluate the marks based on comprehensiveness of market study and market analysis.
- The proposal should display a complete understanding of the terms of trade and flow of value along the entire chain of the selected commodities.
  - The market linkage established with organized sector – if yes then give 2 mark and if no then give ‘0’ mark
  - The role of existing middlemen clearly articulated – if yes then give 1 mark and if no then give ‘0’ mark
- Terms of trade, presence of intermediaries, middlemen, local traders, mandis etc.

**Benefit to the individual members in terms of net increase in income (15 marks)**
- Per unit increase in price realization to the farmer
- Per household investment
- Benefit cost ratio
- % of consumer rupee passed on to the farmer

**Gap Analysis (5 marks)**
- Who are the competitors?
- What would be the competitive advantage for the PE over the competitors?
- What would be the strength / USP of the PE in business?

**Financial analysis (8 marks)**
- Business plan of the PE
- P&L projections for 5 years
- Working capital plan
- Break-even of the PE –
  - 1st year of operations
  - 2-3 year of operations

- Market analysis in terms of transaction costs been done for both local and distant markets – 2 marks, done only for one market give 1 mark and not done at all give ‘0’

3. **Benefit to individual members** –
   a. Emphasis should be placed on the benefit proposed for the women farmers through the proposed intervention.
   b. Marks to be allotted according to the benefit cost ratio and the net realization accrued to the farmer over the duration of the project.
   c. % of consumer rupee can be deduced from the efficiency proposed to be brought into the value chain.
      - Net return to farmers is more than 20%: 10 marks
      - Net return to farmers is between 15-20%: 7 marks
      - Net return to farmers is between 10-15%: 5 marks
      - Net return to farmers is between 5-10%: 2 marks
      - Net return to farmers is less than 5%: 0 marks
      - Benefit cost ratio (after 3 yrs of intervention) more than 3 times: 3 marks
      - Benefit cost ratio (after 3 yrs of intervention) between 2-3 times: 2 marks
      - Benefit cost ratio (after 3 yrs of intervention) between 1-2 times: 1 marks
      - Per HH investment between 10-15 thousand: 1 marks
      - Per HH investment less than 10 thousand: 2 marks

4. **Gap analysis** –
   a. Articulation of the opportunity through usage of tools such as Porters model, PESTLE etc.
   b. Marks to be allotted according to the benefit cost ratio and the net realization accrued to the farmer over the duration of the project.
4-5 year of operations

- Return on net assets (net income / (fixed assets + working capital)
- IRR of the project
  - <5%
  - 5-10%
  - 10-20%
  - 20-30%
  - > 30%

HR Strategy (6 marks)
- HR structure proposed for the PE
- Profile of the manpower to be recruited
- Are any Business Development Services proposed?

ICT proposed (3 marks)
- Accounting and inventory management software
- Is DBT proposed?
- MIS

Stakeholder analysis (3 marks)
- Social Capital to be created through the project (Udyog Mitra)
- Community
- Local market traders

Financial analysis –

- Marks to be allotted in proportion to year of breakeven (early breakeven more marks), IRR (higher IRR gets more marks) and high Return of net assets
- The appraising team should understand the industry / sectoral benchmarks while appraising on the financial criteria.
  - Prepared the projection for P & L for first five years: 2 marks
  - Not prepared the same: 0 mark
  - Breaking even in 3 years: 3 marks
  - Breaking even in 4 years: 2 marks
| Service providers (logistics etc.) (Total Marks: 50 points) | • Breaking even in 5 years: 1 marks  
• Breaking even in more than 5 years: 0 mark  
• If there is no projection for breaking even the proposal may not be considered  
• Turn over/working capital ratio more than 10: 3  
• Turn over/working capital ratio between 7-9: 2  
• Turn over/working capital ratio between 5-7: 1  
• Turn over/working capital ratio less than 5: 0 |
| --- | --- |

6. **HR Strategy** – The HR strategy proposed should follow the Guidelines for promotion of Producers’ Enterprise under DAY-NRLM.
   - Dedicated manpower in the pay roll of the PE has been provisioned with 1 CEO, 2 commodity expert, 1 expert in finance & accounts: 4 marks
   - Dedicated manpower in the pay roll of the PE has been provisioned with 1 CEO, 1 commodity expert, 1 expert in finance & accounts: 3 marks
   - Have provisioned for at least 1 CEO/commodity expert, 1 expert in finance & accounts: 2 mark
   - Have not made any provision for staff in PE pay roll: Reject the proposal
   - Performance based incentive structure has been introduced: 2 marks

7. **ICT proposed** - The ICT proposed (accounting and inventory management software, DBT facility etc.) should follow the Guidelines for promotion of Producers’ Enterprise under DAY-NRLM
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Technical Support Agency (TSA) and capacity building strategy</strong></td>
<td><strong>Technical support agency for field level implementation and capacity building strategy proposed should follow the Guidelines for promotion of Producers’ Enterprise under DAY-NRLM.</strong></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>• Has a TSA been proposed?</td>
<td>• Adequate provision has been made for a TSA for field level implementation: 4 mark</td>
</tr>
<tr>
<td>• Procurement mechanism?</td>
<td>• How the TSA would be taken on board is articulated: 2 marks</td>
</tr>
<tr>
<td>• Is there a Capacity building plan for –</td>
<td>• A clear plan including module development Result for capacity building for community, Udyog Mitra, PE staff, BOD of PE is there: 2 marks</td>
</tr>
<tr>
<td></td>
<td>• Planned to take a capacity building partner: 2 marks</td>
</tr>
<tr>
<td>• Community</td>
<td></td>
</tr>
<tr>
<td>• Udyog Mitra</td>
<td></td>
</tr>
<tr>
<td>• PE Staff</td>
<td></td>
</tr>
<tr>
<td>• Board of Directors of PE</td>
<td></td>
</tr>
<tr>
<td>• Spearhead team</td>
<td></td>
</tr>
<tr>
<td>• Is there a partner for capacity building?</td>
<td></td>
</tr>
<tr>
<td>(Total Marks: 10 points)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>What is the overall implementation readiness of the SRLM?</strong></td>
<td><strong>1. Spearhead team placed should follow the Guidelines for promotion of Producers’ Enterprise under DAY-NRLM.</strong></td>
</tr>
<tr>
<td>• Spearhead Team (SHT) (10 marks)</td>
<td>The appraisal team should evaluate the composition of SHT in terms of relevant qualification of the team and the experience of the team members</td>
</tr>
</tbody>
</table>
o Has the SRLM placed a dedicated spearhead team for value chain interventions?
  o Composition of the SHT (profile of SHT members) – Commodity specialist, finance, accounting and commercial expert, supply chain management expert.

- **Prior experience of SRLM (5 marks)**
  o Existing project portfolio – formed PE or not with women SHG members, Turn over, profitability, management structure of PE, number of commodities handled, years of operation, return on investment, benefit to farmer members, profits shared with members etc

- Is there a Monitoring, Learning, and Evaluation plan in place? **(5 marks)**
  o Is there a plan for baseline and M&E?

(Total Marks: 20 points)

The SRLM should have prior experience in implementation of aggregation, value addition and marketing through Producer Enterprises / Producer Groups.

- Have experience of promoting producer enterprises in agriculture/dairy/horti/NTFP with at least 1000 members in last 5 yrs: 3 marks
- Have promoted at least 100 producer groups in last 5 yrs: 2 marks

3. Monitoring and evaluation plan – clearly defined targets and indicators for measuring performance of the project.

- A detailed plan for base line survey with time line has been incorporated: 2 mark
- Result framework has been objective and clear in terms of output/outcome and indicators: 2 marks
- Performance monitoring for PE has been worked out: 1 mark

in the commodities proposed. People having experience in commodity business in commercial sector would get higher weightage.

- SHT is having dedicated 5 or more members: 10 marks
- SHT is having dedicated 4 members: 8 marks
- SHT is having 3 members: 6 marks
- SHT is having 2 members: 4 marks
- SHT is having 1 member: 2 marks
### What is the post project sustainability?

- Exit strategy of the SRLM
- For how many years would the SRLM provide handholding support after the project period?
- Is there any suggested financing mechanism for post-project maintenance costs?
- Is there a bank financing mechanism worked out?

(Total Marks: 5 points)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
</table>
| **1.** | **There should be plan for post project sustainability of the institutions promoted under the project.**  
The plan should include all the aspects detailed in the Guidelines for promotion of Producers’ Enterprise under DAY-NRLM.  
- The exit strategy of SRLM is gradual and clearly defined in number of years: 1 mark  
- In case project takes longer than 3 yrs to break even, the support strategy is clearly articulated: 1 mark  
- Plan exists for financing through bank/other agencies : 1 mark  
- Co financing through convergence has been planned with clear commitment: 2 marks |

### Notes:

- Ensure the plan includes all aspects specified in the Guidelines. 
- Consider different scenarios, especially if the project takes longer than 3 years to break even. 
- Explore options for financing, including both internal and external sources.
Annexure – II: Results Framework

**Project Development Objective** – To establish sustainable and viable Producers’ Enterprises owned by women primary producers that enables their improved access to market having an increased ownership of the value chain.

**Result Framework for Value Chain development under DAY-NRLM**

<table>
<thead>
<tr>
<th>Outcome / Outputs</th>
<th>Indicators</th>
<th>Means of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable and viable Producers’ Enterprises (PE) established</td>
<td>1. % of PEs promoted which are financially viable at the end of the project period 2. % of PEs being managed with relevant experience as per the PE guidelines 3. % of PEs who have achieved turnover of more than ___ crore 4. % of PEs having SOPs developed for – Procurement, Sales, Pricing, Payment to Farmers, Storage and quality, Logistics, Finance and Human Resource (recruitment and performance incentives). 5. Use of IT systems for accounting 6. MIS for monitoring at PE level 7. Data entry in Livelihoods MIS at National Level 8. Professionals with relevant experience and education managing the PE operations</td>
<td>Through assessment of – 1. Analysis of financial Indicators – a. Profitability b. Break-even point c. EBIDTA 1. Baseline data 2. YoY business operations data 3. Books of accounts 4. Employee profile in the payroll of the PE</td>
</tr>
<tr>
<td>To ensure member centrality and governance in the PEs promoted</td>
<td>1. % of producers in the operating area enrolled as members 2. % of the total produce of the member farmers handled 3. % PEs having patronage based profit sharing mechanism 4. % of profit shared with the members 5. % of consumer rupee that flows back to the producer 5. % of PEs have timely election of their Board of Directors as per bylaws</td>
<td>Through assessment of - 1. Financial Statements 2. Bylaws of the PE 3. Survey</td>
</tr>
<tr>
<td>6. % of PEs submitted legal and financial compliances as per Company Law requirements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. % of PEs having extension services for better harvest and post-harvest technology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. % members of the PEs receiving the extension services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. % of PEs providing market information services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. % of the members of the PEs receiving market information services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. % of PEs having transparent procurement mechanism</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. % of PEs having transparent pricing mechanism</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| To ensure the members move up in the value chain for better return |
| 1. % PEs having a business model and business process established based on understanding of the value chain |
| 2. % of PEs undertaking value addition activities (except aggregation, grading, cleaning and sorting) |
| ▪ Percentage of value addition in the value of the produce sold |

| To establish market linkage |
| 1. % of PEs having market linkages with institutional buyers |

| To ensure better price realization to the farmers |
| 1. % of PEs ensured better price realization to the members by at least 10% |
| 2. Increase in income of the farmers |

| 1. Reporting and submission of documents |

| 1. MoUs with institutional buyers |

| 1. Current local market price |
| 2. Reduction in losses |
FRAMEWORK FOR DEVELOPING THE PROJECT PROPOSAL FOR VALUE CHAIN INTERVENTIONS UNDER MKSP

1. Background & Context
   1.1. Situation Analysis
      1.1.1. Analysis of the scenario of the identified commodities in the State and country

2. Supply and demand dynamics
   2.1. Analysis of the activity/subsector – at producer/collectors level, at secondary aggregation level, at value addition level, margin spread, existing bottlenecks in aggregation, value addition and marketing, design issues etc.
   2.2. Demand and supply condition of the commodity/products to be dealt.
   2.3. Potential of export of the commodity.
   2.4. Whether there is an unmet demand for the product in the state, nationally and internationally
   2.5. Price trend of the commodity/products in the market.
   2.6. Based on the above demand-supply and price analysis, determine whether product has a good potential to increase income of the primary producers and job opportunities in the value chain

3. Geography Selection
   3.1. Location of proposed model. Rationale for selecting that area of operation.

4. Value chain and activities mapping
   4.1. What are the main broad functions for the value chain being explored for intervention?
   4.2. Who are the main value chain actors involved in the chain?
   4.3. What are the different segments and the margin spread within each value chain segment?
   4.4. How does the product flow among the value chain actors and in what volumes?
   4.5. Traditional market and emerging market identification for the product developed.
   4.6. Terms of exchange with supplier and buyer (Credit period offered).
   4.7. Specific problems of small and marginal producers as a value chain player.
   4.8. Analysis of the local market including the APMCs, their advantages and dis-advantages.

5. Prioritizing the interventions:
   5.1. What are the gaps in the value chain?
5.2. Developing the points of interventions. Determining the stage(s) in the value chain where the interventions to be incorporated.

6. Rationale for intervention
   6.1. Pro poorness of the activity – How the intervention is going to address specific marketing problems of small and marginal farmers.
   6.2. If expansion of existing intervention, then what has been the output/ outcome of the previous intervention (previous outreach - household, acreage, number of artisans etc; results of the intervention in terms of benefit to the producers and income enhancement, etc)
   6.3. Techno economic analysis
   6.4. Please mention the area specific context of the problem envisaged to be tackled through the submitted proposal.
   6.5. Analyse the gaps in the existing value chain, which will be addressed by the project.
   6.6. Please provide suitable rationale for the type of investment expected.
   6.7. The benefits to small and marginal farmers from the intervention?

7. Objectives/Key Deliverables
   7.1. Please mention the deliverables from the proposal.
   7.2. Please mention the key objectives of the proposal in measurable terms

8. Target Group
   8.1. Who is the target group? How many households? How many villages/ GPs? How many blocks/districts? What per cent of small farmer/marginal farmer/poor/EPVG/SECC deprived HH/ST/SC/OBC families of the target areas are covered in the intervention? What are the roles to be played by these households?

9. Value proposition of the interventions
   9.1. What value will the proposal add to the livelihood portfolio of the household?
   9.2. Increase in margin in the activity (return to producers’ enterprise) as well as overall income enhancement at the household level?
   *There is a need to quantify the value proposition.*

10. Intervention
    10.1. Describe the key interventions being proposed – Is it only an aggregation model or does it involve aggregation and primary processing or any other model (please specify)?

11. Market Analysis Section
    This section is basically a summary of the Marketing Plan. It needs to show the demand for the product to be marketed, the proposed market, trends within the industry, a description of the
pricing plan and packaging. This section should also take up an Industry Analysis. This section evaluates the playing field in which the producers’ enterprise will be competing, and includes well-structured answers to key market research questions such as the following:

- What are the sizes of the target market segments? – This section assesses the customer segment(s) that would be served. This section must convey the needs of the target customers. It must then show how the products satisfy these needs.
- What are the trends for the industry as a whole? What is the geographical area of the market?
- Who are potential buyers and what is their current source of the product?
- How many potential customers are in that area?
- What percent of the market to be catered? How much markets share that will have in the future? How quickly will you reach that percentage?
- Who are the competitors? What are their strengths and weaknesses?
- Is the business seasonal?

12. Marketing Strategy

What will be the strategy to attract and keep the segment of this market (USP)?
1.1. customer quality
1.2. product quality
1.3. price
1.4. location
1.5. promotion
1.6. persuasion—personal selling
1.7. satisfaction guarantee/product warranty
1.8. distribution
1.9. credit (if yes, what is the credit policy and payment terms?)
1.10. terms of trade

13. Location of the Physical Infrastructure like common facility centre etc.

13.1. What is the location of the Physical Infrastructure and why it is chosen as location?
13.2. Will the building be rented, leased, or owned by the producers’ enterprise?

14. Licenses/Permits/Registrations

- What licenses or permits are required to be obtained?
- How long does it take to get the needed licenses/permits? What is the cost involved?
- Describe the insurance coverage if required?
15. Training and capacity building
Details of the trainings proposed including topic, frequency and technical agency/resource persons for -
- Members of the PE
- Board of Directors
- Udyog Mitras / CRPs
- PE staff

16. Producers’ Enterprise

16.1. Management Section
- Outline the organizational structure and management team of the producers’ enterprise. Include the legal structure of the Producers’ Enterprise whether it is a producers’ company, a cooperative society or a MACS etc.
- Please elaborate the reasons for choosing a particular legal structure and the pros and cons for the same.
- HR structure of the PE

Phasing strategy and timelines may be mentioned for the way the producers’ enterprises are planned to evolve

16.2. Business model and business plan
- How will the raw material/traded goods flow? What are the interventions for reducing cost of raw materials/traded goods?
- What are the technology interventions? How it is demystified and transferred?
- How is knowledge transferred? What is the system of community extension mechanism?
- What are the roles of the community professionals?
- How does the marketing of the produce/product/service take place? What will be the intervention in this aspect? - to be detailed in the marketing section
- If forward linkages are proposed to be developed, what level of business analysis has been made?
- Detailed business plan of the Producers’ Enterprise including –
  a. P&L projections for 5 years
  b. Break-even analysis
  c. Commodity-wise P&L and cost analysis
- How the monitoring of the activity takes place? What is the MIS? How MIS feeds into course corrections?

16.3. Fund Flow mechanism
- How does the fund flow happen?
- For what activity the funds are routed?
- To whom?
- How the fund utilization is monitored?

16.4. Implementation arrangement

- Has the SRLM placed a dedicated Spearhead Team for implementation of value chain intervention? Profile of the Team members to be given.
- Will a Technical Support Agency be taken on board? What is the procurement process?
- What is the role of the Technical support agencies?
- Who are the other partners in the entire implementation process? What are their roles and responsibilities?

16.5. Output/ outcome

- Total number of household covered
- Number of Producer enterprises formed? Estimated turnover of the PEs.
- Number of professionals trained and groomed for running the producers’ enterprise?
- Economic benefits to the producers? Increased price realisation / income to the farmer
- Profitability of producers’ enterprises measured through a pre and post interventions projections for P&L, Balance Sheet, Cash Flows and ROI
- A result framework may be submitted in the format given in Annexure II of MKSP Value Chain Guidelines.

17. Other important aspects

- What is the level of credit\(^1\) aspect in the activity?
- If the working capital/ input cost is subsidized by when the activity can be totally financed from the banks/ Financial Institutions?
- Break even analysis of the producers’ organizations?
- What is the cost of intervention per beneficiary household

\(^1\) It is expected that the inputs/ working capital at individual level is met from CIF or bank loans
What additional cost will be required for scaling-up the program and what will be the per household costing?²

18. Overall Budget requirement
- Support to Producers’ Enterprise
- Support to SRLM
- Technical Support agency

19. Risk Analysis
Comprehensive analysis of the risks such as product risk, market risk, commodity risk, price risk, business risk and the respective risk mitigation strategy to be proposed.

20. Convergence
What are the different convergence needs of the households (related to the proposed activity in this particular proposal) in terms of assets/ infrastructure (both individual and common); services (department of agriculture/ fisheries/ AHD/ SME, etc); Please elaborate how the following convergence will be made possible and whether there will be a proposal to use the special convergence fund window.

² The initial cost per household may be higher which will reduce as the number of household goes up