Farmer Producer Organizations

AN INNOVATIVE INSTITUTIONAL APPROACH FOR COLLECTIVE ACTION

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CHAPTER- 8: FUNDING ARRANGEMENTS FOR FARMER PRODUCER ORGANIZATIONS

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8.1 Financial requirements of FPO:

Any business will have financial requirement to start the business and run the business. The capital requirement of the FPO will depend on the nature and volume of business which would vary from case to case. The cost will include both fixed and running cost.

8.2 Fixed cost:

a. Fixed cost is the expenditure which will normally be a one-time expenditure. The expenses on the set up of the office with required furniture, fixtures and other equipment like computer, printer, cupboards, telephone connectivity etc. are fixed cost.

b. Normally the FPOs are engaged in the activities of procurement, aggregation and grading of raw produce before sale. In such cases, Infrastructure like warehouse, weighing machine, graders/ sorters, etc. will be required for any FPO, which is also a fixed cost. This infrastructure can be purchased or can be taken on rent depending upon the situation.

8.3 Term loan:

Long term loans are nothing but the loans that are required for meeting the fixed cost centers such as , like buying machinery or setting up infrastructure for the FPO.

8.4 Working capital requirement:

The cost required by a FPO its day to business is called 'running cost' or working capital requirement. The working capital of any business unit is calculated based on the following criteria:

a. Procurement of Raw material, storage cost, processing, transportation, insurance, etc.

b. Management and administration cost for day to day activities of FPO, which may include staff salary, (Manager/CEO, Production Officer, Accountant, Marketing officer, etc.) travel, rent, electricity, water, telecommunication, phone /fax, stationary, cleaning, meeting expenses of Board of Directors and the General Body , license fee, insurance and other statutory fee and other miscellaneous expenses

c. Training and capacity building of members of Board of Directors and various functionaries of the FPO. This may include training on subjects, like provisions in the Act, rules and regulations, statutory compliances, roles and responsibilities of Board of Directors and General body, banking operations, and also by exposure visits to the successful FPOs

8.5 Working capital loans:

It is a short term loan, required for running existing operations of the FPO; which can be used for buying raw materials (for example, seed, fertilizer, etc., in case of farm sector and leather, thread, etc., in case of non-farm sector, depending on the type of unit) or building inventories. Working capital loan may be a part of a composite loan (term loan + working capital) or separate limit. There are different methods of working out the working capital limit. Normally banks provide 20 per cent of the annual turnover as working capital loan.

8.6 Working capital requirement:

Assessment of the working capital requirement is one of the important aspects in the financial management of the FPO. The volume of working capital requirement of the FPO depends on various unit specific internal factors, like, operating efficiency, technology employed and the level of quality control and external factors, like, demand and supply gap, nature of activity, availability of production inputs (raw material, labour, power & fuel), and availability of credit, etc. Thus, the working capital would depend on the prevailing conditions, level and type of business. The working requirement changes from time to time. The banks, therefore, review and reassess the working capital requirements of borrowing enterprises on a regular basis.

There are several methods to assess the working capital requirement used by Banks. The methods like Cash Budget System, Turnover Method, Maximum Permissible Bank Finance (MPBF) System, and Net Owned Funds System, depending on the type of activity, are used by financial institutions.

8.7 Cash Budgeting Method:

Cash budgeting is done for a year, with month to month cash flows being taken up for analysis. Information required (to be called for from the borrower) is as follows:

i. Balance sheet for the previous financial year (In case of existing FPO)
ii. Projected balance sheet for the budget year
iii. Projected profit and loss account for the budget year
iv. Estimate of monthly sales and purchases
v. Estimate of monthly expenses and incomes other than from purchases and sales
vi. Seasonality factors in the business, if any

From this information, the cash flow is computed as follows.

Cash inflow: Opening cash/bank balance (+) amount of receivables at the beginning of the month (+) sales (-) amount of receivables at the close of the month

Cash Outflow: Payments made for raw materials /consumables (opening trade credits (+) purchases (-) trade credits at the end of the month); payment made to fixed asset suppliers; payment of interest; Payment of tax; payment towards other expenses such as labour, utilities, etc.; closing cash balance

No	Particulars / Months	1	2	3	4	5	6	7	8	9	10	11	12
	Opening cash balance												
	Receipts - sales												
	Collection of receivables												
	Miscellaneous receipts												
	A Cash inflow (1 TO 4)												
	Payments for raw material												
	Payment for consumables												
	Payment to creditors												
	Payment for fixed assets												
	Taxes, interest and Labour payments												
	Other payments												
	Closing cash balance												
	B Cash outflow (1 to7)												
	Difference between cash Out flow and inflow (B-A)												

The difference between inflow and outflows of cash would clearly indicate period when the business is short of cash and to what extent it requires funding. There would be variations in the cash deficit from month to month. The peak level of cash deficit would be the outer limit of working capital requirements. A two track working capital limit, one at the base level taking care of the normal requirements over the year and another additional limit to take care of increased seasonal demands, is worked out.

B. Projected Annual Turnover (PAT):

The working capital credit limits provided by lending banks is at a minimum level of 20 per cent of the Projected Annual Turnover (PAT). This norm is applicable in case of units (new as well as existing), village and tiny units with aggregate fund based 'working capital credit limits up to Rs.5 Crore from the banking system. The term PAT is with Gross Sales and not Net Sales.

a. The lending norms presuppose that the working capital requirements of a unit may be considered as 25 per cent of the value of output or PAT. Banks normally provide 4/5th or 80 per cent of this amount, the residual portion to be brought in by the promoter by way of margin from long term sources. The working capital credit limits provided by banks is at a minimum level of 20% of the projected annual turnover.

b. The total working capital requirements of a unit, pegged at 25 per cent of PAT, assumes an average working capital cycle of 3 months. In reality though, different units with different activities have different working capital cycle patterns at levels higher and lower than the average cycle of 3 months. It is therefore, necessary that the permissible level of bank credit is also assessed by using other methods of appraisal as applicable in each case along with the PAT based appraisal of credit requirements for units.

8.8 Terms of financing for working capital:

The broad terms of financing would be as under

a. Limits and sub-limits

b. Security: Primary and collateral

c. Margin requirement

d. Rate of Interest

e. Commission and other fee

f. Drawing power

g. Submission of Stock statement and Financial Statements

h. Stock Audit

i. Insurance

j. Repayment Terms: Working Capital Loans are short term loans and are generally payable in 12 months period, from the date of disbursement/sanction, depending upon the operating cycle. The borrowers are sanctioned a limit for meeting their operating expenses and are free to draw and repay as many times as required, within the sanctioned limit and within 12 months period.

k. Types of Documents/ agreements to be signed

- I. Loan agreement
- ii. Hypothecation agreement (term loan / working capital)
- iii. Mortgage (equitable / registered)
- iv. Demand Promissory Note (DPN)
- v. Deed of guarantee (personal / bank / govt. guarantee)

8.9 Assessment of Term loan requirement:

A term loan is a loan granted for the purpose of acquisition of capital assets, such as construction of factory buildings, purchase of machinery, modernization, rationalization of plant and is repayable from out of the future earnings of the enterprise, in phases/instalments, as per a pre-arranged schedule. Term Loans is sanctioned for a fixed term, normally for a period of more than 3 years, depending upon the cash flow generation from the business enterprise and economic life of the assets created. The term loan is only one of the source to meet the total Project Cost. The total project cost is assessed on the basis of expenses to be incurred for the following purpose;

- i. Land
- ii. Factory building/shed/godowns/administrative building
- iii. Machinery
- iv. Furniture and Fixtures
- v. Technical knowhow / research & development
- vi. Pre-operative & contingencies
- vii. Margin Money for working capital

8.10 Terms of financing Term Loan:

The broad terms of financing Term Loan are as under:

a. Margins and sources of margins

b. Disbursements in phases

c. Security: Primary & collateral and Guarantee

d. Rate of Interest

e. Commission and other fee

f. Insurance

g. Repayment: Term loan is repayable in instalments (monthly, quarterly, half yearly or yearly or depending on the harvest seasons, mainly for crops and horticulture schemes), depending upon the activity supported and the cash flow generation from the project and economic life of the asset created.

h. Types of Documents/ agreements

- i. Loan agreement
- ii. Hypothecation agreement (term loan / working capital)
- iii. mortgage (equitable / registered)
- iv. DPN
- v. Deed of guarantee (personal / bank / govt. guarantee)

The following details would also be required to be made available for sanction of loan.

- **Land:** The business may be on existing land or o
- n a leased land. Normally banks do not fund for purchase of land and the cost of land has to be borne by the Organization and the amount may be treated as Margin for the project.

- **Factory building/Shed/Godowns/Administrative:** Plan, approved by the appropriate authority, for construction of the Factory Building/Shed/Godowns /Administrative Building. The estimate for construction of the above structure shall be from the Chartered Engineer/Architect along with time frame for construction in different phases. Clearances from different regulators.
- **Machinery:** Quotations for purchase of requisite machinery with details of capacity of each of the machinery (including DG Sets & Electricity Poles & connection charges), the post sales services and the taxes and landing costs, if any, cost of erection/ grounding the machinery.
- **Furniture:** Quotations for purchase of requisite furniture.
- **Technical Knowhow / Research & Development:** A copy of the Agreements entered into and the total cost involved shall be provided by the potential Borrower.

8.11 Sources of Finance for FPO:

The finance can be arranged from the following sources.

a) Own Resources:

The reserve and surpluses of previous years are the source for personal financing. However, in case of a new FPO this opportunity will not be there.

b) Suppliers' Credit and Advance Payment from Buyers:

Suppliers' Credit can be obtained from credit companies or from potential buyers and sellers. The producers who sell their products to the FPO, can sell on credit. FPO can get part payment in advance from prospective buyers. It can get agriculture inputs from the Agro dealers on the conditions of payment after sales. But mostly this type of finance is not available for start-up businesses or a new venture.

c) Equity:

In case of aFPO the equity comes from the members and no external financier can participate in the equity investment.

d) Grant support:

The FPObeing a small holders' organization may seek capital support and other assistance from the Government under certain government schemes. Two major initiatives to support FPOs (i) support to the equity base of FPOs by providing matching equity grants, and (ii) setting up of a Credit Guarantee Fund to provide cover to banks which advance loans to FPOs without collateral has been announced by GoI. The Schemes will be implemented by Small Farmers' Agribusiness Consortium (SFAC).

e) Funding may also be available from the Department of Rural Development and Panchayats, Ministries of Agriculture and Cooperation or Horticulture or Food Processing Government of India and or state Governments under various schemes like National and State Horticulture Mission, Small Agribusiness Consortium.

f) External donor sources such as World Bank, bilateral/ multilateral donor agencies

g) From corporates under CSR may be other possible source of funds for FPOs. The FPOs will have to develop a financially viable business plans for the purpose

h) Debt financing: This is the most preferred way of financing a new business. Here it is a direct obligation to pay the interest on the money lent by the financier. The biggest advantage is that the financier does not have control over the business as opposed to equity financing. The important point to be noted in this is the rate of interest charged. However, it is not easy to raise debt financing for a producers company without collateral and margin.

8.12 Finance for FPOs from rural financial institutions:

The banks provide Short Term loan to meet working capital requirements and Medium to Long Term Loan for acquisition of capital assets (Term Loan) for any business. A composite loan to take care of both short and long term financial requirements loan is also sanctioned by Banks. The finance will depend on the nature and volume of business which would vary from case to case. The FPOs will have to approach the bank with a financially viable business plan/Detailed Project Report. The banks will generally require the following information/ data for sanction of loan;

a. A business plan and Detailed Project Report (DPR) as a formal application for availing the credit support
b. Margin money contribution
c. Details of project management (Executive team and Board of Directors with qualification and experience) of FPO
d. Details of dedicated team for execution and monitoring of the project
e. Details of proposed business plan
f. Financial requirements for executing the business plan
g. Last 3 years audited financial statements (Balance Sheet & P/L statement) with notes on accounts & annexure. In case the FPO is to be formed or in case it is less than three years old the projected financial statements may be submitted
h. Details of earlier/ current loans/ grants if any (sanction letters) availed from other Banks/ Financial institutions / Dev. Agencies/ Individuals
i. Details of security / collaterals to be offered
j. Copies of Registrations (Certificate of Incorporation /Commencement of business/Society Registration/FCRA /Trust Deeds etc.) & MA/AAs
k. Copies of PAN/TAN/Sales Tax Registration

l. Copies of approvals for reliefs in Taxation (I-T & Sales Tax)
m. Copies of agreements, if any, entered into for Lease / Confirmed Orders
n. Details of Associate companies (with audited financials for 3 years)

8.13 Detailed Project Report (DPR):

A DPR is a formal application for availing the credit support from any funding agency. It should provide details about the organization, Business plan, Marketing Plan, Operation and Management Plan, Financial projections and financial requirements. Although there would be some FPOs that are experienced in preparing DPRs, typically a Producer Organization would require assistance in preparation of the DPR through experts/ professional, which may involve some cost.

8.14 Support for preparation of DPR:

SFAC provides Project Development Facility (PDF) for Equity Grant and Credit Guarantee Fund Scheme for the preparation of Equity Grant Application and Detailed Project Reports (DPR) through empanelled consultants/institutions. SFAC will cover the full cost of preparation of DPR. This facility will be available for FPOs only. FPO desirous of assistance may approach the nearest empanelled consultant or SFAC directly. In addition to three broad categories of support (i.e. credit support, capacity building & market linkage) under producer organizationDF, NABARD provides grant support for preparation of DPR up to 0.5% of the project cost or Rs. 1.0 lakh whichever is lower, subject to the fact that the project is sanctioned by NABARD. The grant assistance would be within the overall cap of 20 per cent of the loan amount.

8.15 Alternative financial sources for FPOs:

A newly formed FPO does not have enough share capital, reserves and credentials for doing successful business, therefore mobilizing funds from banks is difficult in the initial phase. With all the costs included, the FPOmay face huge financial burden from the beginning and the idea of setting up FPO may not even take off. To overcome the problem, the FPOs may adopt the following business model in the initial years before they generate reserves and establish credentials.

a. Choose those activities in the initial years which require very less capital or no capital and which are risk free.

b. Take Dealership of seeds and fertilizers from the companies and work as commission agents. FPOs can earn good margin and a business relationship with those companies which resulted in getting credit limit in the subsequent years.

c. Dealership from various companies for various agriculture implements like water pump sets, mechanized plough, etc., which they can sell to their members at a reasonable price and earn commission.

d. Procurement of agriculture produce. The FPOs identified the prospective buyers and arranged buy back guarantee from them. Sell was organized at the farm gate level, therefore no transportation and storage cost were involved at the FPO level. FPO ensured a transparent transaction between the buyers and sellers (members and non-members both) and by doing so they earned some margin from the buyers.

e. Many FPOs took the advantage of Government of India scheme, which provide 80 per cent of the value of produce as loan against pledge of Warehouse Receipts (WHR) without collateral.

The successful demonstration of such business would build their credentials among the members and other stakeholders. Further, Demonstration of fair trade practices is very important for the FPO. These small activities give FPOs the opportunity to demonstrate such practices. Both the members and the trade and industry with whom FPO does the business appreciate such fair practices and it builds reputation for the FPO.

8.16 Format for Preparation of a DPR:

The project report is an essential building block for completion of a project. Hence, it must be prepared carefully and with sufficient details to ensure appraisal, approval and finally funding. Points to be covered in the Project Report are provided below:

8.16.1. Executive Summary

Executive summary is an important and necessary part of a project report. It includes all the details which will become part of a detailed project report but in summary form. It covers:

a. Details of the borrower/ company background, shareholding pattern, existing bankers etc.
b. Details of management team
c. Sector background and rationale for project
d. Project description and scope
e. Location
f. Layout of Factory / plant
g. Plant and Machinery
h. Technological arrangement
i. Proposed capacity
j. Product mix
k. Raw material requirement, storage and handling
l. Present and Future demand of end product
m. Pollution Control equipment's
n. Power and water supply
o. Capital Costing including margin for one cycle of working capital

p. Other subsidiary requirements and ancillary facilities like marketing, etc.
q. Capacity building assessment
r. Project phasing and timelines
s. Project operation and maintenance planning
t. Project financial viability and sustainability including
u. Detailed business plan, with investment and operating cost estimates

1. Introduction

a. Brief background of company/organisation
b. Background of entrepreneurs
c. shareholding pattern
d. Location details of the project

8.16.2. Entrepreneur/ Management Details

Details of management team (Executive team and board of directors with qualification and experience)

8.16.3. Sector background and rationale for project

8.16.4. Project description and scope

a. Site description

a. Location and Title of land
b. Meteorological data
c. Connectivity through road, train, air, etc.
d. Proximity of raw material sources and other vital facilities
e. Reason to choose the site

b. Plant Layout

This part of the project report will include the complete layout, structure and various facilities to cater with the production. This part must cover the layout map.

c. Technological considerations

a. Technology generally used by other similar companies to produce the end product
b. Merits and demerits of various technologies used
c. Technology proposed to be used in the project with reasons
d. Details of complete process cycle with process chart

e. Product Mix

a. What is the service or End product proposed
b. Proposed production and Manufacturing process

d. Raw Material

Details of raw material, Procurement plan for raw materials/ inputs etc., Physical Requirements, Availability in the market

e. Receipt, Storage & Handling of raw material

a. Handling system, Feed system
b. Storage arrangements (capacity): At the godowns - At the plant
c. Transportation arrangements

f. Application of end product

a. Whether it will be used in own plant
b. Target market: Domestic or Export
c. Industry details, where it is used

g. Environmental aspects

a. Whether all environmental clearance certificates required for the specific industry has been taken and details of the same
b. Arrangements to avoid pollution from the government specified limits

h. Waterpower and auxiliary services

Requirement, availability, Arrangement through government or private sources, Alternative arrangements

I. Quality Control

Sampling, Laboratory setup including R & D

j. Supplementary facilities

a. Repairs and Maintenance facilities
b. Ventilation and air conditioning system
c. Instrumentation & telecommunication
d. Automation and Computer Control
e. Safety and fire protection arrangement
f. Hydrant System

k. Sales/ Market arrangements

This part of project report covers complete market analysis of your end product. It also covers the marketing strategy which the organization is going to adopt in future, to sell its products;

a. in present
b. in future

l. Pollution control

Arrangements to avoid: Air Pollution, water Pollution, Noise Pollution, Arrangements for effluent disposal, if any.

m. Human resource planning

Category wise break up needs to be given along with the responsibilities of each cadre:

a. Human resource requirement: Senior Management, Technical staff, Marketing Staff, Maintenance Staff, Production staff, Quality Control Staff
b. Cost Involved
c. Training arrangement
d. Employee welfare arrangements

n. Construction planning

Month wise target is to be given for

a. Each construction phase
b. Erection of plant and machinery
c. Commencement of commercial production

8.16.5. Project cost and financial structuring

Capital Cost: Estimated cost is to be given for each capital expenditure planned up.

1	Land	Amt.
	Cost of land	
	Cost of site development	
	Building	
	construction cost, Internal designing cost	
3	Plant and Machinery	
a	Cost of purchase	
b	Erection and Commissioning charges	
c	Technical Know how	
4	Other cost	
a	Furniture and Fixtures	
b	Office Equipment	
c	Vehicles and Mobile equipment's	
5	Pre-operative expenditure	
a	Interest during construction	

8.16.6. Means of Finance

1	Equity Contribution	Amt.
a	Existing	
b	Proposed	
2	Borrowed Funds	
a	Existing	
b	Proposed	
3	Grant & Subsidies Contribution	
a	Existing	
b	Proposed	

8.16.7. Financial Appraisal

a. Projected balance sheet, Profit & loss, fund / cash flow statements for the next five years (covering the repayment period)

b. Break Even Point (BEP that means no profit no loss)

c. Calculation of Internal Rate of Return (IRR) on the basis of projected profitability

d. alculation of Debt Service Coverage Ratio (DSCR)

e. Details of assumptions made to prepare projected financials

f. Sensitivity Analysis - It is done to check the profitability if any projected targets not achieved

g. Year-wise Budget for capacity utilization

8.16.8. List of documents need to be submitted with project report

a. Detailed Project Report along with application for loan/ grant required in Duplicate

b. List of movable/immovable Assets of the organisation /promoters

c. List of tangible unencumbered security offered as collaterals. In case of landed property, copy of Sale Deed along with extract of latest Land record

d. Income Tax and Wealth Tax details of last three years, with copies of Assessment / Return if applicable

e. Certificate of reliefs given under statute. (IT, Sales Tax, etc.)

f. Copies of sanction letters from other institutions, Government Agencies, Overseas Agencies sanctioning loan, grant or other support services relating to the activity

g. Provisional Registration Certificate from the concerned authority viz., Registrar of companies, Registrar of Cooperative Societies, District Industries Centre, etc.

h. Certificate of Incorporation from competent legal authority. In case of corporates, certificate of commencement of business issued by Registrar of Companies

i. Memorandum & Articles of Association/ Bye laws of Society

j. Permission/license from Competent Authority (for Textile, Foods & Drugs, Forest, etc.)

k. Certified copy of sale deed along with extract of latest Land record in respect of land. (The land should be in the name of company/ society whichever applicable) OR

l. If rented premises, Rent Agreement for a minimum of eight years or covering the entire loan period

m. Three quotations in respect of each item of plant and machinery and raw material, proposed to be purchased

n. Import, Export Licenses (IEM)

o. Details of power requirement and tie-up with State Electricity Board

p. Permission from Water & Pollution Control Board

q. Approved Building plan from Competent Authority with cost estimates from the Architect

8.16.9 Indicators of Impact to be specified in the DPR:

The expected indicators of impact vary from project to project. However, the indicators have to be set before the project is implemented and based on the indicators the project impact has to be monitored. Log frame analysis may be used in the DPR to assess the economic and social changes in the project area. In the log frame methodology, the impact of the project is defined at the beginning of the project in the form of project objectives. Based on these objectives, the impact, the outcomes, out puts and the input are identified. The details are as under:-

Impact - Desired Impact indicated in the project objectives. Actual impact is based on the analysis of outcomes.

Outcomes - Analysis of the data- measure the increase or decrease in the values of parameters.

Outputs - Post projects survey data: Collect data for the selected parameters as done in base line survey after implementation of the project so as to compare the changes.

Inputs - Base line Survey- select parameters to assess impact and accordingly collect, base line data.

Broad impact parameters to be considered:

The broad objectives of the project will set parameters of impact. Impact should match and fulfil the objectives of the project. The following broad parameters could be considered for assessing the impact:

a. Farmer's/producer's income
b. Agriculture and rural development
c. Migration
d. Market
e. Quality of Life
f. Environmental
g. Women development with specific reference to gender issues

8.16.10 Impact on producer's income:

The impact of the project is directly related to the improvement of the individual producer's post period income when compared to the pre-project period. The increase in income could be 'direct income' and 'indirect income'. Direct income is derived from increase in productivity and production. Indirect income is derived through timely availability of inputs and marketing arrangements at the door step of the farmer. This could be assessed in terms of person days and income could be assessed. The indirect income could be added to direct income and the total income could be compared with the pre-project income.

Total income from the project per producer per annum may be compared with the baseline income. Producer-wise data need to be collected in the house hold format. Analysis could be carried out by collecting data by land holding size and compare the same and gap in the income levels could be assessed. Further, this data also may give leads to how the project helped small producers.

8.16.11 Impact on Savings, Investment and Credit:

a. How much the individual producer saved, where he/she has saved and quantum of amount saved, needs to be assessed?

b. Investment could be in purchase of land, cattle, agriculture implements, construction of wells, construction of house, purchase of jewelry, marriage and education of children etc. Changes in these need to be assessed.

c. Whether the farmers/producers have availed any loans from banks or any other source because of the increased bargaining power. Is there any decrease in credit from banks in view of loans from FPO? Such aspects may be seen.

8.16.12 Impact on Agriculture and Rural Development:

The agriculture related impact could be on productivity, production, increase in cultivated area, increase in irrigated area and cropping intensity. For example, in FPO initiative, farmer/producer wise data on increased yield, production, cultivated area, irrigated area and cropping intensity may be seen. Further, investment in land levelling, creation of water resources, etc., will give how much additional area has been brought under the cultivation. This speaks about the quality of land which is developed due to the development of wasteland in the project area. Due to trainings and capacity building of the farmers/producers, there may be improvements in quality of the produce at the production, harvesting and storage level. The benefit from the improved quality on the price of the commodity could be assessed.

a. Further, is there any development in rural economy in the form of establishment of micro enterprises, creation of more jobs etc., could be established from the number of new industries and number of people employed in these areas. Data related to trainings, like no of trainings, no of people trained, type of skill development trainings provided also could be assessed and the impact of trainings on the package of practices can be analyzed.

8.16.13 Impact on migration:

In the project areas, generally it is observed that there is reduction in migration and in some cases there is reverse migration. The level of reduction in migration and the extent of reverse migration need to be assessed. For this the level of migration has to be assessed under pre and post project situation.

8.16.14 Impact on Market:

The FPO may be able to have better say in the market management. The FPO may transact in produce which is in tune with the market demand in terms of both quality and quantity. The FPO gets better price for their produce and rejects may be reduced.

8.16.15 Impact on Quality of Life of the producer:

Implementation of projects brings changes in the quality of life like improvement in the food security, changes in the consumption pattern, housing, health & hygiene, education of children etc,. Study and analysis of data related to these aspects is essential to assess the living standard of the people of the project area.

a. Food security: The ‘food insecurity’ is an important aspect. The assessment of scarcity of food in pre and post project period gives an indication of the impact on the food security and quality of food intake.

b. Improved consumption basket: Under developmental projects, it is observed that there is a relative reduction in the percentage of food expenditure and rise in the non-food consumption items and other items showed improvement in the quality of life of producers in the post period scenario. There will be changes in the pattern of consumption like consumption of a variety of vegetables milk, milk products, poultry, meat, fruits etc., which will definitely indicate changes towards a better living.

c. Housing condition and sanitation facility: Housing is the first step in indicating better quality of life and sanitation is also associated with it. Assessment of immovable assets viz., house and sanitation facilities, during pre and post project gives an indication on the housing conditions and health improvements.

d. Adequate Safe Drinking Water: Safe drinking water is a key to healthy life of the family and also a relief to women as fetching water from long distance is one of the curses for them. Study of source of drinking water in each producer’s house and the project impact on the development of infrastructure in the project area gives an idea of the changes brought by the project.

e. Health and Family Planning: How many respondents reported to have vaccination such as, polio, tetanus, etc. What is the percentage of deliveries in houses/ local village level, government hospitals and private hospitals? The extent of awareness and acceptance of family planning among sample households.

8.16.16 Impact on Environment:

Increase in the efficiency of irrigation water due to installation of water conservation systems or due to adoption of techniques or due to awareness, improvement in water use efficiency, usage of organic fertilizers or decreased use of chemical fertilizers and pesticides to improve the quality of soil, quality of ground water, plantation of trees or usage of renewable energy sources etc. How many farmers/producers are adopting these techniques? How many farmers/producers were involved in awareness programmes related to sustainable development of agriculture?

8.16.17 Impact on Women Development with specific reference to gender issues:

The women development related impact on account of their participation in the project needs to be examined in detail with reference to specific gender issues. The issues related to their social status, responsibility, roles in decision making, participation in family activities as well as their own development of capability and economic independence needs to be assessed. These may be assessed in the following ways:

a. What is the percentage of women participating in the project/programme?

b. How many women are there in the village level, federation and producer organization level institutions? How the project helped in gender equity?

c. How many women are participating in SHG programme?

d. Education of girl child i.e. any increase in the admission of female children in schools?

e. How many women adopted family planning measures?

f. In decision making with regard to the use of their income, how many of them took decision on their own, how many consulted family and in how many cases there was no consultation?

8.16.18 Impact on Development Ethos and Work Culture:

Is there any impact of the project with qualitative changes leading towards positive development environment with participation of the poor farmers/producers? Any decrease/stop in consumption of alcohol and other addictions?

How the project brought unity among the farmer's/ producers for collective marketing, procuring of inputs?

Improvement in these aspects may be assessed in the following ways:

a. What is the percentage of families which could work on their own?
b. How many desire to shoulder the responsibilities in village development?
c. How many endorsed the women participation in development?
d. How many endorsed the view of positive socio-cultural change in their society?
e. How many beneficiaries accepted the positive role and help of FPO in development of village community?
f. How many beneficiaries accepted that the present project will help their children for better education?
g. How many respondents' actively participating in the working of FPO/Federation/ cluster/village level committee?

Designing of a house hold survey format:

A sample house hold format is given here. This is only an indicative format prepared keeping in view Farmers' Producer Organization. This would serve as a guide and separate formats need to be developed depending upon the requirement for other projects. A sample house hold format is given here. This is only an indicative format prepared keeping in view Farmers' Producer Organization. This would serve as a guide and separate formats need to be developed depending upon the requirement for other projects.

8.17 Household Survey Format

HH code:

Name: Caste: OC/BC/SC/ST

Village/ Habitation H .NO Resident in the village / Non-resident

a) Family members S. No.	Name	Male/ Female	Age	Relation with Family head	Educa -tion*	Dis-ability	Occupa- tion*	MNREGS Card Yes/ No	Card No

8.18 Components of the Project Execution Plan:

Typically the Project Execution plan includes the following elements:

a. Project Objectives and Priorities
b. Critical Analysis
c. Organisation, Roles and Responsibilities
d. Project Strategy, Implementation, Supervision and Monitoring

Project Objectives and Priorities:

Project particulars, including the sponsor's name, the project name and reference and details of the business approvals.

a. Project Objectives: The important project objectives which will be addressed by implementing the project.

b. Budget and programme: Project components and the costing. Component wise cost and the total cost of the project.

c. Funding source: How the budgeted amount will be met? It includes the sources of funds and the quantum of funds required from each source.

d. Approvals and consents: The clearances from Pollution Control Boards may be required. Similarly licence to carry out the business may be required.

Critical Analysis:

The perceived threats or constraints have to identified and specified in critical analysis. With any project, there will be critical issues, risk and uncertainties which could threaten the project. How these risks would be addressed? A suitable institutional monitoring mechanism has to be placed to assess the risks and take remedial measures from time to time.

Organisation, Roles and Responsibilities:

The project should specify the names, addresses, telephone, fax, etc., details of all departments /sections involved in the project, including stakeholders. Names and responsibilities of other key personnel within each department. The roles, responsibilities, accountabilities, delegated financial authority for design, procurement, construction, commissioning and handover should be defined. To execute the plan effectively the FPO should constitute Project Execution Team headed by a Project Manager who will be the in-charge for project planning and execution.

Project Execution Team - It is the unit which is responsible for the complete execution, operation, maintenance, finance, and monitoring of the project. It is responsible for the implementation of the project and work allocation to various departments like execution, finance and monitoring. The Project Execution Team headed by a Project Manager will be supported by the following three units:

Design and Execution Unit: Procurement of works, milestones and reconciliation with design programme, tendering procedures and procurement programme. Safety and Environment, Progress Reporting, Definition of standards, Quality Management, Site Controls and Inspections, Defects Rectification. Commissioning, Operation and Maintenance. Set time lines for the implementation of the project. Machinery procurement installation, operation and maintenance.

Cost Consultant- Chartered Accountants and Auditors:

The expert consultants will help in financial and cost and expenditure control. costing, tendering, taxes, insurances, risk assessment and developing control mechanisms and fund management.

Monitoring Team - Monitoring the implementation of the project and also the outcomes / impact of the projects from time to time and reporting to the system for information and necessary action.