

Government of India
Department of Animal Husbandry and Dairying
(Ministry of Fisheries, Animal Husbandry and Dairying)

Operational Guidelines
of
National Programme for Dairy Development
July 2021

COMPONENT B

A. Background:

- I. In consonance with the mandate of the Government for the doubling the farmers income, this Department had initiated Japan International Cooperation Agency (JICA) ODA Loan assistance proposal for "Dairying through Cooperatives" (Also Known as "Project for Dairy Development in JICA's Document")
- II. The scheme is envisaged with a total Outlay of Rs. 1568.28 crore in the form of Loan of Rs.924.56 crore (JPY 14,978 million) by JICA and remaining amount of Rs.475.54 crore as Grant by Govt. of India and Participating Institutes' share of Rs. 168.18 crore.
- III. A tripartite agreement namely Minutes of Discussion (MOD) has been signed on pilot project by DAHD,GOI, JICA and NDDDB on 24.09.2018.
- IV. Exchange of Note and Loan Agreement for project for Dairy Development have been signed on 21.12.2018 between Department of Economic Affairs (DEA), Government of India and Government of Japan and JICA respectively.

B. Objectives:

To increase sales of milk and dairy products by increasing farmers' access to organised market, upgrading dairy processing facilities and marketing infrastructure and enhancing the capacity of producer owned institutions, thereby contributing to increase in return to milk producers in the project area.

C. Project Components:

- I. Strengthening Milk Procurement Infrastructure
- II. Milk processing facilities and manufacturing facilities (milk & milk products and cattle feed)
- III. Support for Marketing infrastructure
- IV. Support for ICT Infrastructure
- V. Productivity Enhancement
- VI. Project Monitoring and Studies
- VII. Training and capacity development

D. Project Area:

The states namely, Bihar and Uttar Pradesh shall be covered on priority. However, any addition of state shall be in compliance to the loan agreement between Government of India and Government of Japan.

As per loan agreement the location for projects is as below:

“Two States selected from following States. Number of States is expandable up to five States. Bihar, Uttar Pradesh, Madhya Pradesh, West Bengal, Andhra Pradesh, Rajasthan, Telangana, Uttarakhand, Punjab”

The scheme will cover all the districts in the State of Uttar Pradesh and Bihar. The priority will be given to socially and economically backward districts having dairying potential (includes all 21 aspirational districts).

E. Eligible Participating Institutions (PIs)/ Producer owned Institutions (POIs)

Milk Unions/ Multi-state Milk Cooperatives/ State Dairy Federations/ Milk Producer Companies

F. Eligibility criteria

(i) Eligibility criteria for PIs Institutional/ Governance Criteria

1. PIs should have a duly constituted Governing Body such as Board of Directors/Management Committee as applicable to the legal form of the PI.
2. PIs should have a full time Chief Executive/Managing Director (or equivalent) and adequate number of qualified technical and managerial personnel at key positions.
3. PIs should be willing to amend Bye-laws.
4. PIs should have fixed/ Undisturbed tenure for senior/ key management personnel including Managing Director/Chief Executive.
5. Board of the PI should nominate one expert each in the field of finance, Dairy Technology and marketing as independent directors.

(ii) Financial Criteria

(i) General Financial Criteria (applicable for all PIs)

1. Audit of accounts should be up-to-date and the auditor's observations should not contain any adverse opinion or disclaimer.
2. PIs should not have any over-dues to any financial institution.
3. PI should not be in a default to any bank/financial institution.
4. PI needs to contribute its share in the Project. However, in case PI does not have adequate resources to contribute its share, State Government may offer necessary grant.

(ii) Additional Financial Criteria (applicable for PIs availing loan under the project)

1. PI should have positive net worth.
2. All outstanding dues to producer members should not exceed four payment periods.
3. The financial returns of the project: Project will have uniform rate of Return on Investment (ROI) of 10%(minimum) and Debt Service Coverage Ratio (DSCR) of 1.5 times (minimum) for all sub projects.
4. The loan should be secured through collateral security, which should be minimum 1.5 times of the loan amount in terms of mortgage of immovable assets and hypothecation of movable assets. In case of shortfall, State Government guarantee will be required.

(iii) Technical Criteria : Component wise

A. Strengthening of Milk Procurement Infrastructure:

1. PI should have its own milk processing facilities or have a forward linkage with an existing milk processing facility.
2. PI should have the land/ premises for setting up DCS building and housing Bulk Milk Coolers free from any encumbrances.
3. Preference will be given to PIs that already have in place IT based reporting and monitoring systems.
4. PI should be capable in organising producers' institutions, maintaining transparency in the processes of milk

collection at village level, milk quality testing, timely payments to milk producers and grievance redressal system in place.

B. Strengthening of Processing Infrastructure

1. PI should have required environmental/ statutory clearances for setting up of plants.
2. PI should have its own land/ long term lease, free from encumbrances, in case of setting up of new plant or expansion of existing plant. In case of lease, requisite No Objection Certificate from the concerned authority for mortgage to NDDB would have to be obtained.

C. Strengthening of Marketing Infrastructure

1. PI should have own milk processing facility and marketing network for sale of liquid milk & milk products.

D. Support for ICT Infrastructure

1. PI should have its own milk processing facilities or have a forward linkage with an existing milk processing facility.
2. PI should have competent manpower to manage ICT Infrastructure and applications.

E. Productivity Enhancement

E1- Sub Component:- Nutritional Interventions for PE

1. PIs which will identify/recruit technical manpower exclusively for the project will be considered.
2. PIs must have their own plants for manufacturing and supply of cattle feed (pregnancy feed, calf starter & calf growth meal), mineral mixture and fertility supplement or have an assured tie up for sourcing these products.
3. Preference will be given to the PIs which have implemented animal nutrition activities (Ration Balancing Programme (RBP)/Fodder Development) under NDP I successfully.
4. PIs which will create corpus from the beginning for sustainability of the activity, will be given preference.

E2 Sub Component :- Fodder Development

E2.1 - Fodder seed production and distribution/fodder conservation and green fodder enhancement and fodder technology demonstration

1. PIs should have a network of village level farmers organisations such as Village Dairy Cooperative Societies, Milk Producers' Institutions and Self Help Groups (SHGs) and have an experience in conducting demonstrations for technology transfer at field level.
2. PIs should have capacity to formulate and implement a sound plan for demonstrations.
3. Preference will be given to PIs that have prior experience in this area.

E2.2 - Crop residue management

1. PIs must have the capacity to formulate and implement a sound plan for crop residue enrichment and densification.
2. Preference will be given to PIs that have prior experience in this area.
3. PIs should have land (free of encumbrances) for setting up the units.
4. Availability of surplus crop residues in the operational area of PI in large quantity from cereal /cash /fodder crops.
5. PIs should have network of village level farmers organisations such as Village Dairy Cooperative Societies, Milk Producers' Institutions and SHGs for implementation work.

G. DURATION OF THE PROJECT:

The scheme will be implemented during 2021-22 to 2025-26 and will continue till 2027-28.

H. Funding Pattern and fund flow:

The fund under the scheme is classified into loan component and grant component. While the loan component has been signed with Government of Japan by Government of India (D/O Economic Affairs) on 21st December 2018, the grant component shall be funded under on-going programme 'National Dairy Development Programme' (NPDD).

a) Funding Pattern:

- i. Strengthening of processing infrastructure component and feed manufacturing Facilities will be funded as interest bearing loan (90% of the project cost as Loan and rest 10% as State Government/POI's contribution).
- ii. Building for village level Producers' institution and capital cost on BMC and AMCU/DPMCU shall be funded as 50% ODA loan and 50% Grant-in-aid,
- iii. The activities such as Productivity Enhancement, milk collection accessories, all milk testing equipment at village level, Dairy Cooperative Society (DCS) establishment will be funded as 90% grant-in-aid and 10% as State Government/POI's contribution.
- iv. ICT and Marketing infrastructure shall be funded as 80% ODA Loan and 20% Grant-in-aid by Government of India
- v. Project Management & Learning shall be 100% Grant basis. 90% of the fund to be transferred to NDDDB for conducting trainings, overseas exposure, concurrent evaluation, impact studies, appointment of auditors for audit of accounts etc. The rest 10% of the fund shall be retained at DAHD for creating and managing PCMC-cell at DAHD in the form of suitable budget provision under the appropriate head of scheme.

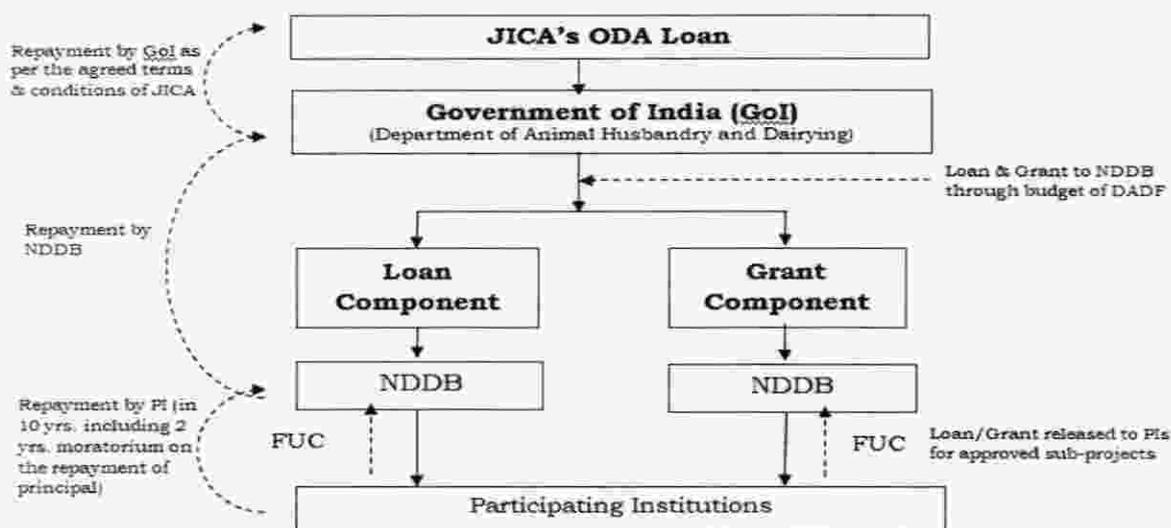
b) Fund Flow mechanism of Component-B (JICA) of NPDD:

The Government of India will bear the hedging cost arising out of currency difference in Yen and Rupee. As per Government Finance Rules and JICA procedure, the ODA loan is to be transferred by JICA in two/three tranches to the consolidated fund of India with RBI. The Budget Division, D/O Economic Affairs (DEA) will keep suitable budget provision based on the approved programme and as proposed by DAHD year on year basis. Subsequently, D/O Expenditure will allocate budget to DAHD under the scheme. DAHD in turn will release the fund to NDDDB based on the action plan approved by CPSC and progress made under the programme. Preferably, such releases shall be made in two instalments in a financial year.

GoI will receive the ODA loan from JICA at about 0.85% p.a. and transfer fund to National Dairy Development Board (NDDDB) for onward disbursement to the Producer owned Institutions (POIs) @ 1.5 % p.a. NDDDB shall retain a margin of 0.5-0.65% p.a. as cost of fund management and loan default risk. The period of reimbursement to

JICA is 20 years by GOI (Repayment period of JICA ODA loan is 15 years with 5 years grace period). The period of reimbursement by Producer owned organisation (Cooperatives and Producer Companies) to NDDB shall be maximum 10 years, of which first 2 years (maximum) shall be moratorium on payment of principal amount.

Fund Flow arrangement



I. JICA Procurement Guideline with Japanese ODA Loans

Procurement of goods and services covered by Japanese ODA Loans should be implemented in accordance with "Guidelines for Procurement under Japanese ODA Loans", dated April 2012. Employment of consultants should be implemented in accordance with "Guidelines for Employment of Consultants under Japanese ODA Loans", dated April 2012. "Principles of Procurement under the Project"

J. Institutional Arrangement:

NPDD	Component B
	Cooperative Sector
Recommending authority (for submission of proposals)	Implementation and Monitoring Cell (IMC) of National Dairy Development Board (NDDB)
State Implementing Agencies/ Implementing Agencies	NDDB - Nodal agency for project implementation and monitoring

End Implementing Agencies/PIs/POs	All State Dairy Federations and their constituent District/Taluka Level Milk Unions and farmer producer organisations, Government dairy/other registered Cooperative Unions (like dairy cooperatives registered under Multi State Coop. Act and Mutually Aided Cooperative Society Act etc.).
Village level Participating Agencies	All dairy cooperative societies and other agencies associated or affiliated to above SIAs or EIAs like village level NGOs, SHGs, Universities, Colleges, ICAR Institutes etc.

(a) Implementation Mechanism

The project will be implemented through National Dairy Development Board (NDDB) who in turn will implement it through the Producer oriented Institutions (POIs) such as State Dairy Federation, Multi State Milk Cooperatives, District/Taluka Milk Unions and Milk Producer Companies.

(b) Monitoring and policy decisions

(i) Central Project Steering Committee (CPSC)-

At the apex level, there will be a Central Project Steering Committee (CPSC), headed by Secretary (AHD), GoI, which will provide policy and strategic support to the project, monitor the progress of approved projects of NPDD component B, consider annual action plans, give policy directions and shall have the authority to re-appropriate component-wise fund requirement in approved programmes, change the eligibility conditions and other terms & conditions of the agreements between stakeholders, implementation arrangement and can change the composition of committees viz. CPSC, PSC and IMC.

Secretary, DAHD	Chairperson
Financial Advisor, DAHD	Member
Animal Husbandry Commissioner, DAHD	Member
Deputy Director General (Animal Sciences), ICAR	Member
Principal Secretary/ Secretary, Department of Animal Husbandry and Dairy of States (one each from North, South, East and West)	Member
MDs of State Dairy Federations (one each from North, South, East and West)	Member
Chairman, NDDB or his nominee	Member
Managing Director/ Executive Director, NDDB	Member
Group Head (FPS), NDDB	Member

Director NDRI Karnal	Member
NRLM-Representative	Member
Representative from JICA as an observer	Member
Joint Secretary (CDD), DAHD	Member Secretary

(ii) Project Sanctioning Committee (PSC)

Project Sanctioning Committee (PSC) will be headed by Secretary AHD, GoI and will have the authority to sanction projects, appraised and recommended by (IMC), NDDDB for Component B. PSC will have power for re-appropriation of funds within the components, change norms and change unit cost of items of the project. PSC will also have power to re-appropriate funds within the approved sub projects of same POIs/IAs and decide the loan security mechanism for sub- projects (w.r.t component B). The PSC will meet quarterly or as frequently as necessary to ensure that proposals received from POIs/IAs are considered without unreasonable delay. The composition of PSC will be as under:

- I. Secretary, AHD, GoI –Chairman of the Committee
- II. Financial Advisor, DAHD
- III. Joint Secretary (Dairy Development), DAHD
- IV. Chairman, NDDDB or his nominee not below the rank of Executive Director (ED)
- V. Executive Director / Group Head (FPS), NDDDB
- VI. A representative from the concerned State Government and the State Dairy Federation would be an invitee while discussing the proposals pertaining to that particular state.
- VII. Representative from ICAR
- VIII. Representative from Rural Development
- IX. Representative from NRLM/concerned SRLM
- X. Deputy Commissioner (DD) / Assistant Commissioner(DD) , GoI – Member Convener

(iii) Programme Coordination Management Cell (PCMC)

A Programme Coordination Management Cell (PCMC) shall be created to provide Secretariat support to CPSC and PSC. PCMC will be responsible for analysis and placement of projects sent by IMC of NDDDB to PSC, as well as for providing inputs to CPSC for successful implementation of the project as per the objectives. PCMC shall be headed by Joint Secretary (CDD). Project Management Consultant (PMC) under the Project Consultancy component will assist PCMC and IMC in the implementation of the project activities.

(iv) State Level Technical Management Committee (SLTMC)

At the State level, there will be a State Level Technical Management Committee (SLTMC), which will be headed by Additional Chief Secretary/Principal Secretary/Secretary/Commissioner of the State, comprising representative of DAHD, SRLM, State Dairy Federation and NDDDB as members for effective implementation and to have synergy among the similar dairy development programmes implemented in the State. SLTMC shall oversee state-level monitoring of the projects, the land availability for village level institutions like, primary dairy societies, bulk milk cooling centres and cattle feed plants, statutory requirements, co-ordination among PIs and NDDDB, policy support etc. All PoIs/SIAs shall be the member of the committee. For the SHG-run private dairies/producer companies, project proposals shall be submitted to the concerned SLTMC for recommending the same to Govt. of India. The composition of SLTMC will be as follows:

- i. Additional Chief Secretary/ Principal Secretary/Secretary/Commissioner of DADF of the State Government – Chairman of the Committee
- ii. Representatives from Dairy Development/ Animal Husbandry Department of the State Government.
- iii. Representatives from Department of Animal Husbandry and Dairying, Government of India.
- iv. Representative from Department of Finance and Planning of the State Government
- v. District Magistrate of Scheme Districts or his representative.
- vi. CEO, State Livestock Board
- vii. Representative of SRLM
- viii. Managing Director, State Dairy Federation/Milk Producer Company – Member convener (for projects under Component A)
- ix. Representative of NDDDB (nominated by Chairman, NDDDB), Member convener (for projects under Component B)

(v) Implementation & Monitoring Cell (IMC)

An Implementation and Monitoring Cell (IMC) located at NDDDB, Anand, will appraise the project proposals and screen them based on merit and manage the implementation and monitoring of day-to-day project activities. IMC will forward the appraised project to PSC for consideration. IMC will be supported by various Technical Groups within NDDDB during implementation of the scheme and PMC. IMC will be headed by Managing Director/ Executive Director, NDDDB. IMC will

conduct due diligence with respect to re-appropriate the funds within the approved sub-components of the approved project and the securitization arrangements of loan component for sub-projects subject to concurrence of PSC. IMC shall identify necessary changes required in the programme for effective implementation and prepare policy proposals for decision of CPSC. It will also prepare annual action plan, comprehensive loan drawl plan (quarterly/half yearly/annually) as per reimbursement procedure as mentioned in schedule 6 and technical appraisal note/ document required for smooth implementation of the programme for consideration of CPSC.

K. PROJECT PREPARATION AND SUBMISSION OF PROPOSAL

- I. NDDDB will conduct workshops for sensitization of the Project. Along with the workshop, training for strategic management, business planning and marketing strategy will be provided to potential Participating Institutions (PI).
- II. PI/PoIs with support from NDDDB will prepare and submit sub-project proposal to IMC and SLTMC. IMC will conduct appraisal with support from NDDDB's technical and functional groups. SLTMC after screening the sub-project will forward recommendation to GoI. In case PIs/PoIs need guarantee and/or grant to fill viability gap, SLTMC should send a commitment letter from respective state government along with recommendation to GoI. Once technical and financial assessment of the proposal is complete by IMC, a 'Note for approval' will be prepared and submitted to PSC for approval.
- III. In case environmental clearance/permissions are required to obtain, NDDDB will scrutinize the compliance and inform PIs. PIs shall obtain those clearances prior to commencement of any project activities.
- IV. In order to have review from JICA, after sanctioning of sub-projects by PSC, IMC shall submit the Financing Request Format, Screening Format of each sub-project as per JICA Guidelines for Environmental and Social Considerations (April 2010) with IMC's Note for Approval.
- V. After obtaining all the required clearance, NDDDB and PIs will sign Project Agreement. PIs will submit Fund Utilization Certificate (FUC) to IMC on monthly basis, and accordingly, NDDDB will disburse the fund to PIs. While the sub-project will comprise

different components, NDDDB will manage and disburse fund of loan and grant separately.

- VI. IMC will monitor the progress of sub-projects including conducting field visit. IMC shall report the progress of sub-projects to DAHD, GoI with Copy to JICA.
- VII. The Project/subproject Proposals under Dairying through Cooperatives (DTC) JICA assisted project shall ensure optimal resource utilization and shall discourage avoidable expenditure and duplication/ overlap of activities.
- VIII. Special efforts must be made to re-commission idle equipment and equipment that is damaged but repairable. A list indicating condemned equipment's needs to be prepared and submitted as a part of the project. Proposal for fresh procurement shall be made only after making a realistic need assessment.
- IX. The DPR for individual projects shall be prepared based on the model Sub Project Proposal (SPP) annexed. The detailed Guideline/ procedure for preparing of a new project proposal along with model sub-project plan is available on DAHD/NDDDB website.
- X. The proposal shall include copies of FSSAI registration certificate for plant, process certification from BIS, balance sheet and a copy of income tax return of concerned POI of last financial year in the DPR.
- XI. The project proposal of PIs/PoIs duly recommended by SLTMC should be submitted to NDDDB with a copy endorsed to DAHD for consideration.
- XII. NDDDB shall submit DPR and appraisal note of all proposals received under the scheme to DAHD.
- XIII. IMC will monitor the progress of sub-projects including conducting field visit. IMC shall report the progress of sub-projects to DAHD.

L. Submission of Information:

POI shall submit following information on Quarterly basis to NDDDB with copy endorsed to DAHD (at the end of March, June, September & December):

- i) Project-wise and component-wise progress report indicating total outlay, loan and Grant assistance, PI/PoIs contribution, fund released (loan & grant) to PIs/PoIs, fund utilized by PI, unspent balance etc

ii) Physical progress vis-à-vis key parameters vis-a-vis approved physical parameters. Status of tender/ installation of dairy plant/BMC/ Cold storages/ Laboratory equipment's etc.

iii). Audited utilization certificate (duly authenticated by registered auditor and also countersigned by Administrative Secretary of concerned Department of State Government) to NDDB. NDDB shall propose release of fund based on the utilization and also for new proposal. In case of a new proposal, the progress of ongoing proposals in the state needs also be submitted.

iv) Audited report of expenditure vis-à-vis approved components/sub-components/items etc.

vi) SC/ST/Women population covered under the project.

M. Project completion report:

On completion a project, the SLTMC would review the achievements made under the project vis-a-vis targets and would submit a project completion report indicating its achievements, setbacks, operational status of Dairy plant/ BMC etc. alongwith a consolidated utilisation certificate (audited) and consolidated audited statement of expenditure, audited balance sheet of PoIs/PIs etc.

NDDB will be put up the following logo on at all facilities introduced under JICA's funding: