

ABPF - Matching Grant

Guiding Principles and Operational Guidelines



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Executive Summary

Salient features

ABPF Matching Grant has been designed to crowd-source private investors in the Agri/ Horticulture value chain in the state of Himachal Pradesh. By design, the Matching Grant support will complement the formal financing institutions by focusing on viability gap funding. Matching Grant aims at providing support to budding entrepreneurs by grounding their innovative business ideas which often face viability gap. The support by the matching grant may be used for creation of assets (*tangible & intangible*) based business model or service based business model involving procuring business development services, technology licensing, technology adoption etc. The Matching grant aims to achieve the objective of creation of an ecosystem for supporting entrepreneurship in the state of Himachal Pradesh. Some of the key features of Matching Grant are as follows:

- The Matching grant process will follow a two stage selection process which will involve an expression of interest stage and a proposal (business plan) stage. There will be two call for proposal in a year (half-yearly).
- Any applicant can apply under two major categories which may be product based or service based entrepreneurship model.
- Eligibility to participate in the Matching Grant process applies to all existing entrepreneurs/ new entrepreneurs interested to invest in Horticulture value chain in HP. The business should be legally registered.
- The eligible constitution of the applicant entity includes Individual Entrepreneurs, Private Company, Farmers Producer Company and Producer Cooperatives. Business consortium may also apply.
- The project cost will be calculated by considering eligible project components which includes Plant & Machinery, technology licensing, business development services, marketing, certification, technology adoption etc.
- At step-1, business ideas will be shortlisted by ABPF, at step-2, a two stage evaluation process will be followed to evaluate the applications. The first step of the evaluation will include a technical & financial evaluation on objective criteria by a peer review committee. The peer review committee will recommend the technically eligible cases for consideration by four membered Approval Committee chaired by Project Director of HPHDP.
- All applicants are required to provide a mandatory equity contribution of 10% for product based and 20% for service based entrepreneurship business models.
- HPHDP project will provide matching grant support up to 30% of the project cost for all applicants approved by the project. The grant amount will increase by additional 5% for women and Person with Disability (PwD) entrepreneurs.
- Matching Grant will be disbursed in three tranches (30%, 40%, 30%) and will be linked to bank loan
- There are some non-eligible expenditure for Matching Grant, mentioned in this operational guidelines
- Ongoing monitoring, that includes field appraisal, will be conducted to ensure proper utilization of Matching Grant. There will regular reporting requirement from Matching Grant awardee to ascertain progress as mentioned in the business plan

Guiding Principles

ABPF Matching Grant design is based on seven guiding principles which aim at fostering economic and business development in the state of Himachal Pradesh where a sizeable population is dependent on the horticulture sector. These principles define the framework and boundaries in which the design construct of the matching

grant is developed. The guiding principles are -

1. Innovation centric
2. Participatory (Matching contribution)
3. Competitive
4. Holistic support
5. Simplicity
6. Results based appraisal
7. Impact orientation

Along with Matching Grant support, holistic support will be provided to entrepreneurs. This includes access to finance, mentoring support and market linkage assistance. This comprehensive support will minimize the chance of business failure.

Operating Guidelines

This document acts as a guiding document providing the vital information on the following:

1. Eligibility of applicant to apply for the Matching Grant
2. Detailed process to be followed by the applicant to avail the Matching grant by the project
3. Details of the disbursement process to be followed by the project
4. Ongoing monitoring of approved projects
5. Addressing of grievances by the applicants or other stakeholders
6. Support services to be provided to the entrepreneurs and applicants
7. FAQ's for the interested applicants

1. Context

1.1. HP HDP Project

Himachal Pradesh Horticulture Development Society (HDS) is implementing Horticulture Development project (HP HDP) in the state. The objective of the project is “to support small farmers and agro-entrepreneurs to increase the productivity, quality, and market access of selected horticulture commodities in Himachal Pradesh.”

The project beneficiaries will include farmers and entrepreneurs especially in the micro, small & medium enterprises (MSME) segment, farmer producer organizations, and other value chain participants. The project will contribute to inclusive growth by prioritizing support to small and marginal farmers in the state, with specific focus on fruit tree crops. The project will benefit about 150,000 producers. Of these beneficiaries at least 33 percent are expected to be women. Indirect beneficiaries will include those who benefit from technologies demonstrated by the project, farmers whose produce goes through rehabilitated markets, and farmers accessing Negotiable Warehouse Receipt financing, etc.

1.1.1. Project Components

HP HDP intervention is holistic with focusing on entire value chain. The project has three major components with specific focus on – production, processing, marketing so that farmers get better price for their farm produce through adoption of better technologies, market linkage, price discovery and upgradation of value chain. Private sector investment has been considered as an important enabler towards this objective.

1.1.1.1. Horticulture Production & Diversification

This first component started at the beginning of the project and has following subcomponents – (a) Availability & adoption of elite planting materials & transfer of technology (*access to superior planting material can improve productivity within short time horizon, moreover new areas can be brought under horticulture crops by focusing on developing water resource and irrigation structures*), (b) Climate resilient technologies & adoption (*the impact of the climate change is well felt and farmers need to select crop/ varieties based & adopt climate resilient horticultural practices based on changing climatic pattern*), (c) Access to financial services and building financial capabilities (*financial support is crucial for realizing the diversification goal, so this subcomponent promotes financial literacy and facilitate the discussion between bankers & farmers*).

1.1.1.2. Value-addition & Agri-enterprises Development

This secondary component focused on value chain upgradation of horticulture commodities where HP has comparative advantages. The different pathways towards reaching the goal can be achieved by the following subcomponents – (a) Product Aggregation & Sale through Producer Associations (*as several of the marketing issues may be solved through power of producer collectives. Farmer Producer Organizations will be formed so the farmers reach the market collectively and harness better share of the consumer pie*), (b) Supply Chain infrastructure support & sale through Negotiable Warehouse Receipt - NWR (*due to perishability & seasonality, horticulture commodities have their own set of challenges, different innovative products like Warehouse Receipt financing, etc. will be piloted in this subcomponent*), (c) Agribusiness promotion facility (ABPF) – this component will promote private investment in agri/horti business in HP by supporting the entrepreneurs through business incubation, market linkage, Matching Grant support and facilitating institutional finance.

1.1.1.3. Market Development

With improving productivity & diversification of horticultural crops, horticulture in HP is moving from subsistence farming to commercial cultivation. Market information and Marketing infrastructure are crucial for commercial horticulture. Market development is core towards realizing the goals. The component has the following subcomponents – (a) Economic & market information & intelligent services (*focusing on creation & dissemination of market information to the producers for better decision making*), (b) Upgradation & modernization of Agri-wholesale market (*linking the markets electronically for better price discovery*).

1.2. Agribusiness Promotion Facility (ABPF)

Despite comparative production advantage in horticultural commodities and emerging marketing opportunities, conversion of this advantage into competitive horticulture based industries has proved to be a challenging task in the state. The Agri/ horti-based industry in HP is at a nascent stage. A recent study conducted by the Industries Department, Government of Himachal Pradesh (GoHP) indicates that the total investment in assets, across food processing, for Small and Medium Enterprise (SME) is a meagre ₹ 83.75 million (US\$ 1.40 million), with an abysmally low total processing capacity of about 1113 tonnes.

The major challenges faced are - (i) Procurement of raw materials- lack of surplus production (except in case of apples) poses huge challenge for the processing industry. In case of vegetables, given that majority of the produce is off-season (*hereby fetching better prices for fresh produce*), procurement of raw materials at lower price is challenging for processors targeting large volumes, (ii) Lack of optimally distributed post-harvest infrastructure - absence of adequate post-harvest infrastructure (grading, sorting, CA & cold stores, etc.) poses huge challenges in maintaining an even supply of raw materials for the processing industry. Also, lack of a) on-farm primary processing facilities such as grading and sorting, b) cold chain infrastructure and c) forward linkages through refrigerated transportation hamper the quality of raw material and limit the growth of processing industry within the state, (iii) Packaging and other downstream ancillary industries- packaging and other downstream ancillary industries are lacking in the state. Though some packaging units have started operations in industrial areas like Baddi, Kala Amb, majority of the packaging material is currently being imported into the state from neighboring places like Delhi and Chandigarh. This increases the cost of packing material and builds up the cost of end product, (iv) Access to finance – often entrepreneurs, primarily new entrepreneurs find it difficult to access finance from institutional source to start the business. It is hindering the entrepreneurial growth in the state. To address most of these problems and to attract private investment in the horticulture value chain in HP, Agribusiness Promotion Facility (ABPF) will foster an entrepreneurial ecosystem and attract private investment for the success of HP HDP.

1.2.1. ABPF Objectives

1. Promoting private investments in local Agribusiness, fostering backward & forward linkages in agriculture & horticulture value chains
2. Providing Agribusiness incubation services, with the objective of identifying & supporting entrepreneurs and their investment in local Agribusiness sector (technical support & business mentoring)

ABPF will provide pre and post investment support for agri-entrepreneurs¹. This will include, among others, scanning the market for potential opportunities for entrepreneurs to participate, conducting market studies and value chain analysis; holding investor meets (*including outreach initiatives*); establishing a mentor network; scouting for new technologies; assisting small and medium private entrepreneurs to prepare business proposals; and providing incubation services to emerging agri- entrepreneurs. It will also facilitate agriculture policy seminars, thereby providing a forum for stakeholders in Himachal Pradesh to discuss improvements in the agribusiness investment climate. ABPF will facilitate linkages between enterprises and clients.

Networking between entrepreneurs, farmers, government, and other stakeholders will provide valuable feedback towards creating a more conducive, business enabling environment, to attract private investment in the local horticulture industry. The agribusinesses supported through ABPF could be value added manufacturing or service businesses supporting horticulture production. More widespread availability of such services and market outlets will further encourage farmers to take up improved production and post-harvest handling technologies. ABPF will also facilitate access to finance for entrepreneurs and manage a fund that will be utilized as “**Matching Grant**” for innovative agriculture/horticulture business initiatives.

1.2.2. Major Activities

- (a) **Investor Outreach** – through different promotional activities like one to one counselling, events, road-shows, etc. and sharing with potential entrepreneurs different available opportunities, value chain studies & project reports, more investor will be attracted to HP to invest in Horti-value chain.
- (b) **Technology Scouting** – under this sub-component, possible technologies in Agri/ Horti-business will be collated and present adoption of technologies in HP, across different business will be assessed. Moreover Govt. & private technology innovators will be invited to technology workshops to demonstrate

¹ Agri-entrepreneurs includes entrepreneurs in horticulture value chain

their technology. This may induce rapid adoption of technology in the state.

(c) Mentor-mentee Network – ABPF will engage a pool of mentors who are successful entrepreneurs to handhold the entrepreneurs during initial days of their business start-up. The mentors may be within the state or outside, but should have significant experience and patience to support the mentees in supporting their entrepreneurial learning curve.

(d) Access to Finance and Matching Grant – Often first generation entrepreneurs find it difficult to access institutional finance to invest on intangibles like business development services (BDS), technology access, etc. Matching grant supports the entrepreneurs to kick-start or scale-up their business. Access to finance part focuses on sensitizing bankers on the HP HDP objectives and potential investment opportunities in agriculture-horticulture value chain, so there is not much difficulty in accessing institutional finance.

1.3. Matching Grant

According to literature review, matching grant is one-off, non-reimbursable transfer to project beneficiaries. It is based on a specific project rationale for particular purposes and on condition that the recipient makes a specified contribution for the same purpose. Matching Grant contribution can be either in cash or in kind, or a combination of both. They may or may not be provided with other financial services, such as loans, and linked to them. As one-off transfers, Matching Grant differ from permanent public transfers, such as subsidies for inputs and services (e.g. fertilizer or interest rate subsidies) or safety nets (cash transfers, food for work)².

1.3.1. Why Matching Grant

Well defined Matching Grant may help draw private investments and investors into growing or underserved market by addressing specific barriers to market entry for certain target groups, technologies or service providers. Matching Grant are most effective when the investment has public goods nature. Campos et. al. (2012) provides a useful synthesis of the possible justification for the use of public funds through Matching Grant within the following two contexts –

- *BDS are profitable investment, but various market failures prevent firms from purchasing them. Matching Grant can address the market failures and catalyze the market for BDS.*
- *The expected private return of investing in BDS might not justify its cost, but it can have positive externalities for the economy. Supporting the use of such service through Matching Grant may justified in case the net benefit is positive for the economy.*

Matching Grant should be used if it is least cost tools in a given context. An economic analysis should be carried out before considering Matching Grant as investment instrument.

1.3.2. International Evidence

Yemen SME Revitalization and Employment Pilot Project (FY 2013-16), through a partial impact evaluation measured the impact of Matching Grant in short run. The results indicated that there is additional innovative activities among the firms received the grant, compared to the control group³.

Another randomized trial of regional Matching Grant programme for SMEs in Mexico reported that this intervention has positive short-term impact on the productivity and return of assets of firms as well as on employment opportunities⁴.

Evaluation assessment of Burkino Fasso Competitiveness & Enterprise Development Project (FY 2003-14) concluded that the project was benefited from additional financing and improved the performance of the beneficiaries.

Zambia Agriculture Development Support Programme (FY 2006-14) used Matching Fund to promote innovation among small holder farmers within Agriculture value chains. At closing 29 sub-projects were implemented and 30 innovative technologies were introduced. Couple of recipients have also accessed new export market as a part of Matching Grant support.

² IFAD technical notes on Matching Grant

³ Review of World Bank – Matching Grants projects

⁴ Bruhn et.al. (2013)

1.3.3. Matching Grant within HP HDP

The ABPF will provide Matching Grant to new and existing agro enterprises (*including commercial agro enterprises, commodity associations and producer collectives*) that are actively seeking to expand their operations. The grants will be provided on a competitive basis and there will be mandatory matching contribution (in cash) by the beneficiaries. Selection criteria for these grants will include: (i) additional support for expenditure where getting investment is difficult (*the grant is not simply replacing commercial capital*); (ii) have some public good character that benefits many participants in a value chain; and (iii) has the potential for systemic impact (*for jump-starting structural changes in the sector for adoption of a new technology, etc.*).

1.3.3.1. Objective of ABPF matching grant

This Matching Grant has been designed to attract private investment and support private investors to procure BDS and to adopt to new technologies that improves operational efficiency or reduces cost in an environmentally sustainable way. Matching grant is not a replacement of institutional finance, but it reinforces the confidence of the bankers in the project proposal as viable business proposition towards investment. Moreover the core of Matching Grant is innovation that traditionally is not supported through departmental subsidies and not covered under mainstream institutional finance.

1.3.3.2. Guiding principles

The Matching Grant within ABPF has been designed with the following seven guiding principles –

1. Innovation centric
2. Participatory (Matching contribution)
3. Competitive
4. Holistic support
5. Simplicity
6. Results based appraisal
7. Impact orientation

1.3.3.3. Expected Outcomes

The sole purpose of this ABPF Matching Grant is to increase private investment in Agribusiness/ Horticulture business, so there is integration among different participants in the value chain and producers can capture better value for their produce. It is often noted that first time entrepreneurs find it difficult to mobilize necessary resources for investment, especially for services like Marketing, BDS, Technology Licensing and Upgradation, Innovation, Organic Certification, etc. Matching Grant will not undermine the power of institutional finance and only strengthen the equity base of the entrepreneurs, so bankers become confident for financing the new venture.

At the end of five years of the project, it is expected that investment in Horticulture value chain in Himachal Pradesh will improve significantly. This quality investment in turn will bring operational efficiency in the value chain (*better integration with market, sizeable reduction in wastages, etc.*), hence producers will capture better value for their farm produce. It is expected that matching grant should bring three times investment compared to the disbursed amount.

2. Matching Grant- Guiding Principles

Matching Grant is a one-off, non-reimbursable transfer to project beneficiaries. It helps to draw private investments and investors into growing or underserved markets by addressing specific barriers to market entry for certain target groups, technologies or service providers. The following are the seven guiding principles those has been embedded in the designing of the Matching Grant.

2.1. Innovation centric

Innovation is core to ABPF Matching Grant and it may be used for creation of assets (*tangible & intangible*), procuring business development services (BDS), technology licensing, etc. towards improving operational/ process efficiency in the value chain that includes improving supply chain competitiveness, reduction of wastages, forward and backward integration/ linkages among market players, substantial value addition of farm produces and improving the quality & longevity of final product significantly. Matching Grant will also support service firms with process innovation in Agribusiness with focus on reduction in response time & energy utilization.

Often these innovations are technology driven and the entrepreneur needs to procure the technology through technology licensing from research institutions. These technologies not only enhance the operational efficiency of the existing system, but also helps to launch totally new/ innovative product in the market and provide the entrepreneur will first mover advantage & other competitive edge.

For example, research institutes like CSIR-Palampur has several off-the-shelf technologies those are ready for commercialization. Some of these technologies are –green processing technologies for stevia, extraction of tea nutraceuticals, crispy fruits, ready to eat Kangri Dham (local food recipe), value added buck wheat products, extraction of dietary fiber from apple pomace, etc. CSIR- IHBT is ready to license these technologies at a cost.

ABPF, through the Matching Grant support will support entrepreneurs to procure some of these technologies.. Moreover Matching Grant will act as gap funding towards adequacy of certain investment support by Government. We are in a process of analyzing the existing relevant schemes by Industries & Horticulture departments to identify the gaps in the funding and derive the support required through Matching Grant towards adequacy of the investment.

2.2. Participatory (Matching contribution)

Sustainability of proposed business plan is an important indicator while deciding award of Matching Grant. Hence the entrepreneur needs to be convinced on the feasibility of the business proposal before seeking Matching Grant support. A suitable participatory contribution (minimum *10% of the project cost*) in cash (not in kind) by promoter is proposed, as it will not only make the access to institutional finance easier, but also will increase the confidence of bankers as often they find owner's contribution is very low in submitted project proposals. This mandatory matching contribution will act as an indicator for promoter's motivation to engage in the business operations. It will also reduce the risk of project abandonment, significantly.

2.3. Competitive

Matching grant is not subsidy and this grant support will be provided to entrepreneurs who has strong technical understanding of the proposed business opportunity. Moreover business plan with detailed market analysis is pre-requisite for the award of Matching Grant. On boarding of Matching Grant awardee will be a multi-stage selection process, carried out by efficient panel of experts. There will be wide canvassing of call for application to reach out to genuine entrepreneurs with significant motivation to invest in Horticulture value chain in Himachal Pradesh. As per submitted business idea, at step-1, all qualified candidates will be asked to submit the business idea. At step-2, the shortlisted candidates need to submit complete business plan. To bring objectivity to the selection process, first all business plans are technically & financially appraised by team of experts. If a business plan crosses the minimum cut-off, it is checked for social & environmental safeguards. Then the result is submitted to Approval Committee who finally will select the Matching Grant awardee based on the strength of the business plan and its feasibility.

2.4. Holistic support

Matching Grant component is fully integrated with other component of the project, especially with ABPF. It has been well documented in evaluation studies of Matching Grant in different part of the World that if there is synergy among different components of a project, there is significant benefit to project participants⁵. So, Matching Grant awardee will be provided with holistic support like – business mentoring (*through mentor-mentee network*) from experienced business mentors who will coach the entrepreneurs in accounting & finance management, in developing marketing strategies and fostering market linkages, etc. Additionally the Matching Grant awardee will be linked to access to finance and will be supported for market linkage. This holistic support will increase the probability of business success.

2.5. Simplicity

Often entrepreneurs find the lengthy & complicated documentation as a deterrent to participate in different schemes and support offered by different Government departments. While designing the Matching Grant, special care will be taken for simple documentation needed during signing the contract agreement and efforts will be undertaken for faster approval for funds release. Simple documentation doesn't mean laxity in the due diligence process, but a shared responsibility between entrepreneur and project team with significant weightage on field based appraisal for collating information on project progress. ABPF staff will conduct field visit & collect information on genuine candidature of the applicant through established information channels & networks.

2.6. Result based appraisal

Regular monitoring will ensure the assessment of performance of the business continuously. Monitoring will start immediately after the award of Matching Grant through a mix of tools like quarterly reports, data tracking, one to one meeting, field appraisal, etc. A tentative Monitoring Framework has been mentioned in the later part of this document.

Matching Grant is a financial instrument to the augment gap in project finance. So, it is expected that immediately after release of Matching Grant, the business operation will start. The performance of the project/ business venture will be tracked as per the timeline provided in the business plan/ DPR. The submitted business plan will be the basis of monitoring, so the Matching Grant awardee needs to stick to proposed timelines. Any unforeseen events should be reported immediately and any deviation needs to be approved by Matching Grant Approval Committee and should be communicated to ABPF Team. Performance based appraisal will be the only instrument for assessing progress. Second & subsequent funding will depend on performance evaluation of stage one funding. Fund will be released based on appraisal reports.

2.7. Impact orientation

As mentioned earlier, the objective of ABPF in general and Matching Grant in particular is to improve private investment in horticulture value chains in HP, so, in designing the Matching Grant, the spirit of economic and social impact has been accounted. This may be in terms of investment in infrastructure for better market outreach, reduction in waste of produce, value upgradation of horticulture produce through primary, secondary or tertiary processing, etc. Employment generated through Agribusiness ventures will be an important indicator. This potential for economic & social impact will be embedded in prioritizing investment opportunities - in the selection criteria for shortlisting of Matching Grant awardee, for shortlisting business opportunity with significant potential for impacting triple bottom lines - profit, people and planet.

3. Matching Grant-Operational Guidelines

The operational guideline provides an easy to use step by step process to participate in the matching grant process and avail the grant support under the HP HDP projects ABPF component.

3.1. Eligibility

In order to qualify for the matching grant process, the applicant has to meet basic eligibility conditions. The eligibility conditions are non- negotiable. The applications of all applicants who do not meet the eligibility condition will not be processed further by the ABPF unit. The following are the eligibility criteria for applying for the Matching Grant under ABPF component of HPHDP project.

1. The applicant should be Farmers/Growers/ New or existing Entrepreneur of any legal entity (Sole proprietorship, Partnership, Private or Public Ltd. Company, Farmer's Cooperative, Farmer Producer Company) that is eligible to conduct business within Himachal Pradesh, with demonstrated interest to invest in Agriculture/ Horticulture value chains in Himachal Pradesh. New entrepreneur should register in Industry department in HP & should have IUID number. Existing entrepreneurs should have Udyog Aadhar number (UAN) from Ministry of MSME or Common Application Form (CAF) number from Industry Department.
2. The applicant (entrepreneur/ promoter) should be more than 18 years old and has basic knowledge/ understanding of horticulture/ agri centric models and overall business environment in Himachal Pradesh. In case the applicant is a company, promoter should be an existing entrepreneur with innovative expansion/ diversification plan or a new entrepreneur who wants to start business in horticulture & allied field
3. Matching Grant will be awarded only once to an applicant. Applicant's not selected in one cycle may apply for subsequent cycles.
4. The applicant should have an existing banking relationship with a scheduled bank. In case, the applicant is defaulter of any kind of bank loan earlier, his/ her application will be rejected automatically. Taking bank loan of 20% of total project cost is mandatory and bank will be involved for all financial transactions & monitoring of Matching Grant. While submitting the final business plan, it is preferred that the bank has already sanctioned loan to the entrepreneur.
5. Applicant should not receive any subsidy by central/ state grant schemes for the same project/ for any project developed on the same land parcel. Matching Grant will not support business that has already received subsidies from Govt. departments.
6. Matching Grant will be provided only for Horticulture & allied enterprises focusing on at least some level of value addition (*primary, secondary or tertiary processing*) and /or service based entrepreneurship model (soil & leaf analysis lab, consultancy for trellis, etc.). New & existing firm can apply only after registering with Dept. of Industries/ MSME. Business license, along with GST will be the proof for the business legality. For private limited company MOA and AOA can be the proof. For Cooperatives, society registration may be produced.

3.1.1. Type of horticulture business/ activities

Indicative list of some of the business opportunities those will be supported through Matching Grant Scheme in Himachal Pradesh.

- Model modern nursery unit for production of quality planting material for temperate & sub-tropical fruit crops, it may include root stock grafting, tissue culture units;
- Bee keeping for pollination & other pollination management services in the horticulture clusters, that includes honey processing/ packaging;
- Advisory services (*soil plant and health clinic facility, nutrient analysis lab, water conveyance and application efficiency structures, improved packaging for better shelf life, etc.*);

- Value addition through Common Service Centers owned and managed by new enterprise and up-gradation of public infrastructure and also green field projects;
- Promote agribusiness service sector for backward and forward linkages components relating to pack house, ripening chambers, reefer vans, retail outlets, grading & packing houses, pre-cooling units, processing, cold storages and marketing;
- Horticulture business support services to foster adoption of technologies (e.g. - *trellis support and irrigation support for high density plantation in Apples, etc.*)
- Processing of fruits to make value added products like juice, jam, squash, etc. and units related to increasing shelf-life of fruits.
- Value added products from stone fruits (e.g. – *oil extraction from Walnut, Apricot, etc.*)
- Any other possible horticulture business enterprise to up-lift the economy of the Orchardists & farmers and becoming the part of the value/ supply chain in existing/emerging demands

This is an indicative list of generic business enterprises, but while shortlisting enterprises with plan for incorporating innovative technologies for improving process efficiency in Horticulture value chain, should be given higher weightage (*see business plan evaluation criteria in the later section of this report*). Business plans those can harness the potential of locally available horticultural crops through value chain approach should be given preference for the award of Matching Grant.

Ideally there will be two cycles of **Matching Grant - Call for Application** in a year. Ideally there will be gap of six months between two successive Matching Grant cycles.

3.2. Quantum of Support

Deciding quantum of support is the most crucial aspect of decision problem for designing Matching Grant guidelines within ABPF, we have mapped the Agri/ horticulture business ecosystem within the state through interaction with several stakeholders – Government officials, existing entrepreneurs, potential entrepreneurs, incubatees under CM start-up scheme, bankers, Farmer Producer Organizations, etc. We have also studied the existing schemes under DIC, Department of Horticulture, Agriculture, Rural Development and understood different subsidies available for improving production, quality and market access towards agriculture/ horticulture commodities and to facilitate Agriculture/ Horticulture livelihoods promotion within the state. Moreover, HPHDP organized Banker’s Meet in Shimla on *26 Sep 2018*, involving bankers from several nationalized bank and NABARD, and presented the draft Matching Grant draft guidelines for their feedback. It is our endeavor not to duplicate the support/ subsidy available by different nodal departments and not to undermine the importance of financial input (debt) provided by financial institutions (banks).

ABPF believes that one size doesn’t fit all as different organizations are at different growth trajectories of their business and each has its unique set of challenges & financial need. So, we have developed the following matrix categorizing product & service based entrepreneurship, to address the specificity of MG requirement and have tried to flesh out almost all possible conditions of Matching Grant requirement. In case, a situation doesn’t fit into the matrix, the discretion of MG Approval Committee will be final.

Product based entrepreneurship model – we will consider an entrepreneurial venture product based, if it involves manufacturing and invests significant amount in land development (*includes construction of factory building/ shed*), installation of plant & machineries, etc. Moreover the final product is tangible (*fruit juice, grafted plants, etc.*) and product moves upstream in the value chain. It could also be input centric value added manufacturing like bio-pesticides unit, etc.

Service based entrepreneurship model – we will consider an entrepreneurial venture service based, if there is no manufacturing involved in it and the business doesn’t invest in land/ land development, may or may not invests in fixed assets, but there is significant amount of working capital needed to run the business. Moreover the major revenue sources is service fees (*e.g. – soil & leaf analysis lab, consultancy for trellis, etc.*).

The following table captures the quantum of support under these two categories.

Table 1: Matching Contribution

	Product based Entrepreneurs	Service based Entrepreneurs
On complete project cost basis	Up to 30% of eligible Project cost	Up to 30% of eligible Project cost
	₹ 60 lakh (Whichever is less)	₹ 60 lakh (Whichever is less)
Mandatory Matching Contribution	10% of the approved project cost	20% of approved project cost
Eligible expenses in project cost	Land development ⁵ & factory sheds, installation cost of P&M, one cycle working capital, business development services, technology licensing, branding & marketing	Instruments/ machinery purchase, technology licensing, one cycle working capital, business development services, dealership fees, technology licensing

*Women entrepreneurs, will get additional 5% Matching Grant support. Similarly People with Disability (PwD) applicant will get additional 5% Matching Grant support. Women entrepreneur with disability will get 35% matching grant support. The maximum amount of Matching Grant to an entrepreneur or business is restricted to all applicants at **₹ 60, 00,000***

3.3. Matching Contribution

As mentioned earlier, Matching Grant is neither subsidy nor replacement of debt capital from financial institutions. Hence mandatory equity contribution by entrepreneur/ promoter is necessary. This matching contribution indicates the interest of the entrepreneur and acts as an antidote to wrong selection of entrepreneurs. Ideally matching contribution by entrepreneurs are asked between 10 - 20% of project cost.

As mentioned earlier, matching contribution is mandatory for accessing Matching Grant schemes. The matching contribution required is as follows:

i. In case, an applicant has been categorized as product based entrepreneurs (with significant investment in land development, P&M, etc. s/he needs to mobilize at-least 10% of eligible project cost as equity. This category of entrepreneurs are eligible for up to 30% of Matching Grant support (may be less also), but in no case, the owner's contribution will fall below 10% of the eligible project cost.

ii. In case, an applicant has been categorized as service based entrepreneurs (without much investment in land development & other fixed assets, s/he needs to mobilize at-least 20% as matching equity of the eligible project cost. The margin for MG has been increased in this case as there is no mandatory fixed asset (land, building, P&M) investment that may back-up as security in this case.

3.4. Eligible Project Cost

It is important to distinguish between total project cost and eligible project cost. Total project cost includes the actual project cost required to set-up and run the business. Land purchase cost may also be considered as a part of total project cost. But for Matching Grant purpose, **Eligible project cost will be used** to calculate the quantum of support and following expenses will be deducted from total project cost to arrive as eligible project cost. The following are some of the expenditure items **non-eligible** while ABPF calculates eligible project cost.

- Land purchase cost, any civil work other than those directly related to production (e.g. - factory shed & civil work related to installation of P&M)
- Purchase of any kind of vehicle, even for business purposes
- Office furniture, fixture, IT assets
- Office administrative expenses, traveling expenses, salary/ bonus to staff

⁵ Land development cost should not exceed 10% of total project cost

- Interest paid to financial institutions

In case, working capital finance is not secured, **one cycle working capital** may be included in the eligible project cost.

ABPF aims to promote bank finance and towards its facilitation, the premium incurred by banks for Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE) may be reimbursed from Matching Grant.

Below section details illustrative eligible expenses

3.4.1. Plant & Machinery (P&M)

Plant & Machinery (P&M) including its transport (from supplier location) cost, installation cost, GST, etc. are eligible project cost. The technical specification for P&M should be mentioned in detail in the business plan. Invoices from three suppliers should be submitted to ABPF Matching Grant team for release of subsequent tranches. During auditing, some of these suppliers may be contacted randomly to assess the actual price of these P&M and its installation.

3.4.2. Technology Licensing

One of major objective of Matching Grant is to promote innovative technologies in horticulture value chain of Himachal Pradesh. Often, these innovative technologies need to be sourced from reputed research and academic institutions like Institute of Himalayan Bio-resource Technology (CSIR- IHBT), National Institute of Food Technology Entrepreneurship & Management (NIFTEM), Central Food Technological Research Institute (CFTRI), Indian Institute of Horticultural Research (IIHR), Indian Institute of Food Processing Technology (IIFPT), etc. ABPF encourages procurement of off-shelf commercial technologies those have financial feasibility and are appropriate for Himachal Pradesh conditions.

ABPF team should be engaged during negotiation for licensing of these technologies. ABPF within HP-HDP is in a process fostering partnership with some of these institutes to get preferential rate & other support services. ABPF team has already partnered with NIFTEM and CSIR-IHBT. Partnership plan for several other institutes is in the pipe-line.

3.4.3. Business Development Services (BDS)

Small & Medium Enterprises (SME) often need to invest in Business Development Services (BDS) like training & capacity building of the farmers & workers/ laborers, installation of software for transparency in business operations, enrolling for paid market information services to gather business intelligence or to take a consultant's service for conducting marketing research, etc. Often these services have high gestation period before yielding results. Moreover, sometimes it is quite difficult to establish causal relation between BDS and business outputs.

An applicant may seek support for BDS after establishing the need of such service for his/her business. Assessing actual cost of BDS is often difficult, so several checks & balances have been developed to arrive at an expenditure limit that is appropriate and optimum.

Table 2: Business Development Services

Expenditure Head	Unit Cost	Maximum Limit in eligible project cost ⁶
Training & capacity building for farmers/ laborers	₹ 500 per person per day (<i>not exceeding 5 man-days in a year</i>)	Not exceeding ₹ 2,50,000 per year (considering 100 participants in each training/ capacity building event)
Consultancy services (including Market Research)	₹ 1,00,000 per consultancy support, should not exceed 2 such consultancy in first three year	Total Consultancy cost should not exceed 5% of the eligible project cost
Purchase of Market Information Services/ Business Intelligence	₹ 2,00,000 per year, for up-to three years only	₹ 2,00,000 per year, for up-to three years only
Installation of Software, web services	₹ 2,00,000 (one time cost)	Total cost should not exceed 5% of the eligible project cost

⁶ Unit cost has been calculated as per industry standards and maximum limit has been calculated based on that

3.4.4. Certification

Often farmers need to engage certifying agency for getting better and premium market access and certification agency is hired for the same. Matching Grant may be sought for the certification cost, but for accessing MG support, production needs to synergize with processing or storage infrastructure. In no case, eligible project cost for certification to an individual entrepreneur will not exceed ₹ 2, 00,000.

3.4.5. Pre-operative Expenses

Limited pre-operative expenses will be considered (*not more than 5% of total project cost*) in the eligible project cost. Examples of pre-operative expenses are business registration cost, GST registration cost, DPR preparation cost, expenses for coordinating with ABPF team (including travel cost for attending ABPF meeting/ onboarding).

3.4.6. Marketing & Brand Building

Assessing the optimum cost of marketing expenditure is quite difficult due to its subjective nature of investment as law of marginal return doesn't hold good in this case, but our initial interaction with set of entrepreneurs have indicated that this is an important area of investment support as the entrepreneurs find marketing most challenging and there is almost no financial support available for brand building & marketing.

Marketing & Branding budget should not exceed 10% of eligible project cost (in DPR). Necessary expenditure detail should be maintained appropriately to submit during UC. It includes the following components:

- Marketing promotion cost for developing marketing collaterals like pamphlets, product catalogue
- Branding cost – developing brand logo
- Innovative packaging cost – cost of innovative package design, packaging materials for improving shelf life, according to present preference of consumers
- Innovative Marketing channels – developing online & mobile application based marketing portals

Participation in marketing promotion events for product/ services display in cities, restricted to Shimla, Chandigarh and Delhi (Participation fees only)

3.5. Matching Grant - Application Procedure

Matching Grant component within ABPF focuses on maximum outreach through different promotional techniques to reach to the genuine, innovative entrepreneurs who like to invest in Agri/ Horticultural value chain to bring strategic changes in production/ processing, supply chain, post-harvest management and marketing of outputs that will add to the competitiveness of Himachal Horticulture.

3.5.1. Call for application

Matching Grant support will run for three financial years (**2019-22**) with two cycles in each year (half-yearly call). All promotional activities will start 15 days prior to the last date of submission of application. The following promotional strategies have been visualized for maximum outreach of Matching Grant.

1. Advertisement – through advertisement in popular media, wider outreach will be ensured. Information about Matching Grant application will also be available in the HPHDP website. Printed poster (one pager) will be pasted in the notice board of major offices (e.g. – DC office, DIC office, Agriculture & Horticulture offices, etc.).

2. Direct Outreach – To encourage students into entrepreneurship, interaction will be organized in local colleges, including Agriculture & Horticulture Universities.

3.5.2. Stage 1- Shortlisting

With given window of application (15 days), the applicant will apply in standard format (*see appendix-1*) indicating the business idea, project cost, component/ sub-components seeking Matching Grant, other sources of finance, etc. The application may be sent (through email or registered/ speed post to ABPF Cell) or applied online (www.hds.hp.gov.in).

The address is as follows:

ABPF Cell, Horticulture Development Society (HDS) office at

Dreyton Bizhub, Talland Bypass, Shimla – 171001, marking Agribusiness Manager – ABPF

The email ID for submission of application will be mentioned in the advertisement seeking application for ABPF Matching Grant. Based on application & screening criteria (*strength of business idea, market assessment, financial feasibility, employment generation, economic impact in society, etc.*), within 15 days from application closing date, shortlisted candidates list will be published in the HP HDP website. An email to registered ID of shortlisted candidate will also be sent. **No** postal letters will be sent to the shortlisted candidates. So the candidates are suggested to check the website at regular intervals for updates.

Once shortlisted in stage -1, the shortlisted applicants should come up with complete business plan (**see appendix-2**) within sixty days from the date of publishing result of stage-1. During this phase list of mentors will be shared with each shortlisted applicant to fine tune their business plan. The consultancy fees charged by mentor will be mutually agreed between the mentor and the applicant and ABPF will only facilitate the process. Moreover, the candidates may reach local ABPF satellite offices for support.

Satellites offices are located in **Mandi** (for Mandi, Kullu, Bilaspur & Lahual districts), **Solan** (Solan & Sirmour districts), **Dharamsala** (Kangra, Chamba, Una & Hamirpur districts). Main office in Shimla will cater to Shimla, Kinnaur & Spiti districts. It is sole responsibility of the candidates to be in touch with their mentors allocated to them. Check ABPF brochures (uploaded in website) for contact details.

3.5.3. Stage 2 – Selection

Upon submission of complete business plan, Matching Grant Peer Review Committee will assess each proposal/plan for technical & financial evaluation. Then the plan will be checked from social & environmental safeguards points of view. At this stage, each proposal will be marked, based on well-defined criteria (*mentioned in the later part of this report*). Upon scoring a minimum cut-off, the shortlisted business plan, will be submitted to approval committee. ABPF will present each case to the committee. Finally selected candidates will be emailed along with onboarding date & necessary documents to submit. The name of Matching Grant awardee will also be mentioned in the HP-HDP website.

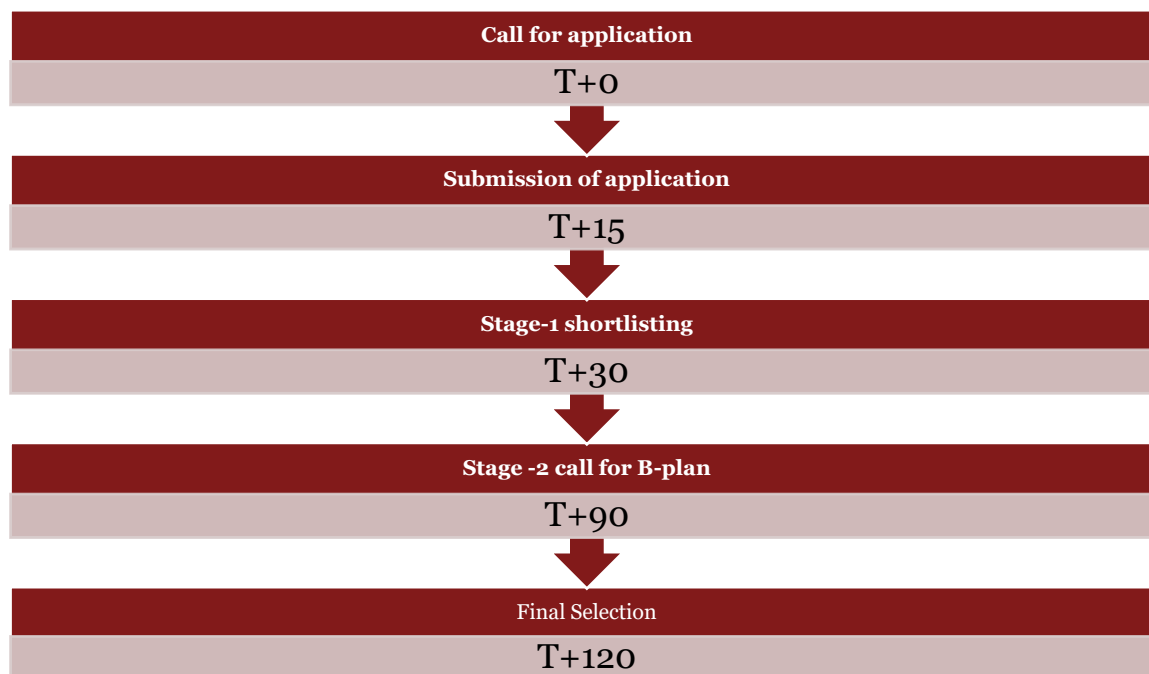
If a candidate is not selected, s/he may apply in the next cycle as each Matching Grant cycle has limited funds to invest. Rejection doesn't mean lack of strength of business idea, but a lower score in this highly competitive & objective selection process, that can't be funded with limited Matching Grant resources at present cycle.

3.5.4. Stage 3 – Onboarding

Upon selection, the Matching Grant awardee should attend the orientation programme that will be conducted in Shimla within 30 days from the date of the award. This one day programme will orient the Matching Grant awardees on the Do's and Don'ts of fund management and will explain different periodic reporting requirement. In the same programme, contract between HP-HDP and the Matching Grant awardee will be signed. So, it is mandatory to attend this **Onboarding** session. A list of documents (*see appendix-3*) that the awardee needs to submit before signing contract with HP-HDP for accessing Matching Grant.

3.5.5. Tentative timelines

Figure 1: Timelines (*T* indicates date of advertisement with call for application of Matching Grant Scheme)



3.5.6. Stage 4 – Field Appraisal

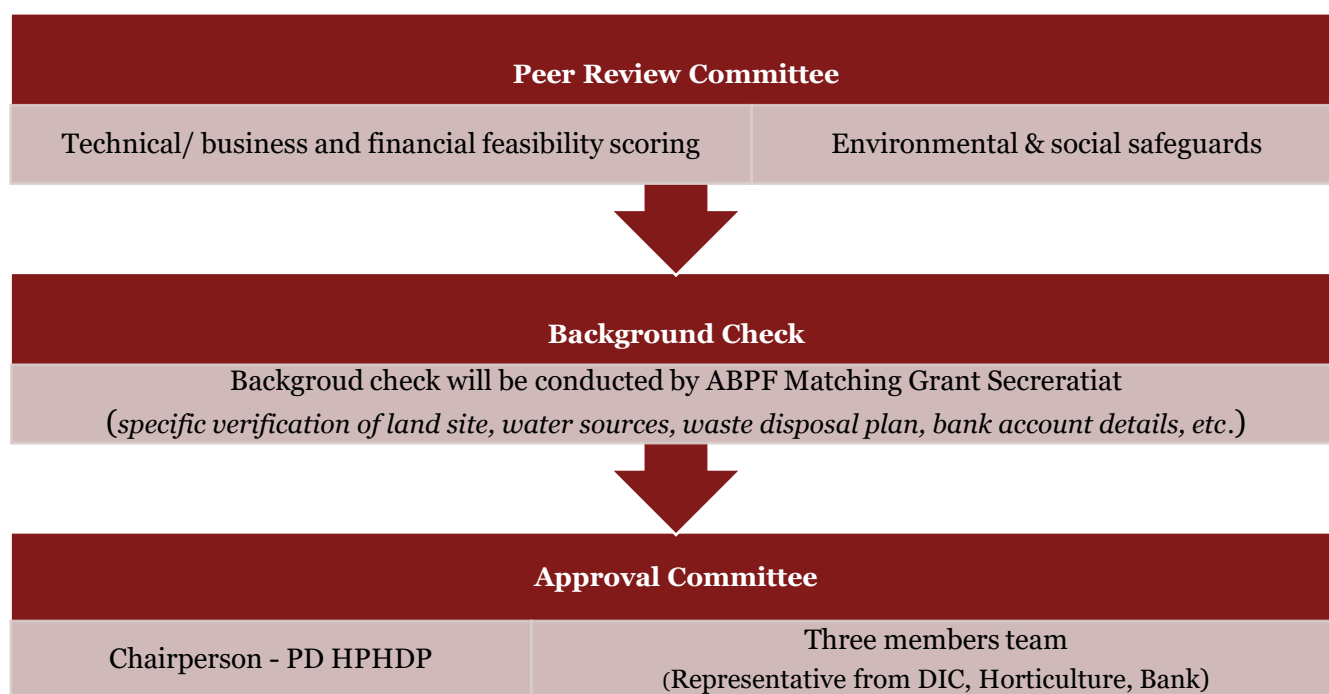
Before releasing the Matching Grant amount, the ABPF team will conduct field appraisal to assess the proposed site of business operations and relevant facilities mentioned in the proposal. The entrepreneur/ investee should facilitate this field visit. During this appraisal, the ABPF team will also interact with relevant bankers to update about the Matching Grant investment and to assess the existing banking relationship. Field appraisal is pre-requisite for releasing the Matching Grant amount.

It is expected the field appraisal, the entrepreneur has already started constructing the premises using equity and bank loans. As matching grant tranche release is mirrored to the release of bank tranches, it is expected that the entrepreneur will apply for bank loans before applying for Matching Grant Scheme.

3.6. Independent Assessment Panel (IAP) & Evaluation Process

As mentioned earlier, the purpose of Matching Grant is to crowd-in private investors, with innovative & viable business plan, who are interested to invest in the Horticultural value chain in Himachal Pradesh. Towards ensuring objectivity in the final shortlisting process, a two-stage assessment and approval process is proposed. An Independent Assessment Panel (IAP) will be constituted for running the evaluation process. The IAP will consist of two committees namely Peer Review Committee & Approval Committee. The composition of these committee is provided in the subsequent paragraphs. Evaluation of Final business plan will be screened through following 3 steps

Figure 2: Evaluation Process



The current evaluation process and criteria have been considered as starting point (level-0) and it may change slightly based on the feedback of the experts in the selection committee after running one/ two cycles of Matching Grant. The change in selection criteria, if any, will be shared in the HP-HDP website.

3.6.1. Peer Review Committee

Once an applicant submits the final business plan, each application will be screened for technical & financial feasibility. Once the business plan is marked (*as per well-defined criteria*) on technical and business parameters, it will go for environmental & social safeguard screening. With positive outcome of this screening (*no marks will be awarded*), the ABPF will conduct background check (*may include field visit also*) to assess authenticity of the promoter and the ground works already been carried out, for the submitted proposal. The peer review committee will have the following members –

Table 3: Peer Review Committee

NAME OF THE PANEL	TENTATIVE MEMBERS
1. TECHNICAL	Two members team – (a) Horticulture Expert (from PCU team) (b) Value chain expert/ existing Agri-business entrepreneur (<i>an expert in assessing business plan, can be from cohort of ABPF mentors also</i>)
2. FINANCIAL	Two members team – (a) Retired Banker (b) Financial Specialist (<i>from the mentor team, preferably CA</i>) ABPF Lead Economist will facilitate the scoring process
3. ENVIRONMENTAL & SOCIAL SAFEGUARDS	Two members team – (a) HPHDP Social Development Specialist (PCU team) (b) HPHDP Environmental Specialist (PCU team)

Peer review panel should assess the business plan on the following three parameters, hence the business plan will should have the following three components.

- ① **Technical proposal**–will consist the following
 - A brief description of the applicant’s organization and present business/ occupation and an outline of recent experience of the applicant similar to the business plan submitted, if any

- Staff and other facilities presently available with the applicant and proposed manpower/HR structure to run the business
- Description of the proposed business, present demand –supply scenario, value chain mapping, market assessment (*market size of the segment proposed, growth rate, competition, etc.*), marketing strategies (*procurement strategy, plan for forward linkages, pricing, promotion, etc.*), possible risk & mitigation strategies, etc.

(ii) **Financial proposal** will consist the following

- Project cost and promoters equity, required loan amount, plan for equity mobilization
- Land requirement and plan for mobilizing land (*own vs land lease and approval for industrial use*)
- History of bank loans and repayment status, present relationship with bank
- Plan for working capital – one cycle working capital requirement, working capital loan requirement
- Financial assumption & profitability forecast (*operating margin, gross profit margin, benefit-cost ratio, IRR, DSCR, etc.*)

(iii) **Environmental & Social safeguards**– Environmental & social safeguards are embedded in ABPF Matching Grant investment. Moreover, given the environmentally fragile condition of Himalayan ecosystem, ensuring environmental & social safeguards is common to any development project/ investment in the state. Each potential entrepreneur should reply to the checklist (see A.8. Appendix – Environment Check List for ensuring environmental & social safeguards).

ABPF will collate the scores after technical & financial analysis (*scoring part mentioned in the later part of this report*) based on evaluation criteria and classify the business plans accordingly to the following three categories:

Table 4: Evaluation Categories

Evaluation Categories	Follow-up stages
Green category	Score is more than 60% and the business plan can be submitted to the approval committee without much alteration required
Yellow category	Score is within 40-60%, The entrepreneur will be called for a detailed presentation and after incorporating the feedback/ suggestions provided by the Peer Review Committee, the business plan may be re-evaluated and submitted to approval committee (in case it scores more than 60%). The time limit to submit the edited business plan is 15 days
Red category	Score is below 40% and the business plan will not be considered for further processing in this Matching Grant cycle

3.6.2. Approval Committee

All green category business plan will be recommended by ABPF to Approval Committee. This committee has been formed to bring objectivity in the selection process. This selection committee has been constituted of experts from different fields to bring multi-dimensional perspective to the business feasibility. Approval Committee will be chaired by Project Director – HP HDP. There will be another three members in the assessment panel (*except the position of chairperson, all other positions are floating & can be nominated from a pool of experts*). A tentative list of Approval Committee members are as follows:

Chairperson

A. Project Director – HP HDP or nominated official (Chairperson)

Permanent Members

- B. Representative from Banker (NABARD or other nationalized banks)
- C. Representative from Department of Industries
- D. Representative from ABPF mentor network/ seasoned entrepreneur running business for at least 5 yrs./ Incubation cell in HP

Out of these four members committee, a quorum of minimum three members is needed (inclusive of chairperson) to take the “final approval” decision for the award of the Matching Grant as per the feasibility of the business plan. The Chairperson will be the final authority for the selection of Entrepreneurs for the matching grant scheme.

3.6.3. Criteria and weightage – Peer Review Committee

Towards bringing objectivity, peer review committee has been formed with experts from the relevant field (as mentioned earlier). Each business plan will be assessed for technical possibilities (**50% weightage**) and financial feasibility (**50% weightage**). Weightage of each parameter is mentioned below. Each applicant get score after the technical & financial feasibility assessment. Applicants scoring more than 60% automatically considered for environmental & social safeguard assessment. Candidates with score between 40-60% will be called for a detailed presentation and will be given feedback for incorporating changes in the business plan within 15 days from the date of publication of results. Applicants with score below 40% will be rejected automatically.

Table 5: Evaluation Criteria

S.No	Technical (50% weightage)	Awarded Marks	Subsection Total
1	Priority of business		10
	Business aligning with HDHDP project development objectives, focusing on selected temperate & subtropical fruits and clearly fitting within broad priorities of the state	Maximum 10	
	Other agribusiness, not directly linked with HPHDP, but has potential to harness potential & improve the competitiveness of horticulture value chain in HP	Maximum 5	
2	Proposed HR structure		5
	Credential of the Organization (based on net worth and past work/ business history)	Maximum 2.5	
	Proposed manpower and job roles	Maximum 2.5	
3	Innovation & Technology use		5
	Use of innovative technology to improve efficiency in the value chain Product & process innovation Technology licensing arrangement with institutions	Maximum 5	
4	Market Assessment		30
	Plan for raw materials sourcing	Maximum 10	
	Market size estimation	Maximum 10	
	Marketing strategies – Segmenting, Targeting, Positioning, Pricing, Promotions & forward linkages	Maximum 5	
	Competitions and Risk Mitigations	Maximum 5	
	Financials (50% weightage)	Awarded Marks	Subsection Total
5	Leveraging investment in the project		10
	Equity contribution by promoter->=20% for manufacturing based entrepreneur	10	

	Equity contribution by promoter – >=30% for service based entrepreneur	10	
	Equity contribution by promoter =10% for manufacturing based entrepreneur	7	
	Equity contribution by promoter = 20% for service based entrepreneur	7	
6	Land ownership of the promoter		
	Individual land ownership or Long-term lease deed completed for business purposes (<i>with permission for industrial use</i>)	Maximum 3	5
	Manufacturing space in Industrial Area/ Industrial Estate	Maximum 2	
7	Investment on eligible project cost		
	More than ₹ 2 crores	10	10
	Between ₹ 50 Lakh-2 crores	8	
	Less than ₹ 50 Lakh	6	
8	Relevance of assumptions		
	Working capital cycle estimate	Maximum 2	5
	Revenue & Cost forecast	Maximum 3	
9	IRR of the project		
	More than 20%	5	5
	Between 14-20%	3	
	Less than 10-14%	1	
10	Debt-service coverage ratio		
	More than 3.0	10	10
	More than 2.0	8	
	Between 1.5-1.9	7	
	Less than 1.5	0	
11	Days of operation for core processing/ service facilities		5
	Above 150 days	5	
	Between 120 – 150 days	3	
	TOTAL		100

3.6.4. Signing of contract

The following process will be adopted for the contract signing -

1. Post award of the matching grant an award letter will be mailed to the awardee via e-mail/courier.
2. The awardee will have to provide a letter of consent providing his willingness to avail the matching grant, as per the terms & conditions.
3. The awardee will also submit an undertaking that s/he has not taken any other support/ subsidy for the same business plan and has not used the same land for other business purposes
4. He will be further called to sign the contract with HP HDP project under ABPF component at a mutually agreed date. This date may coincide with the on-boarding day.
5. A detailed bi-partite agreement will be signed between each awardee of matching grant and the HP-HDP project (for *draft agreement (refer A.4. Appendix – Draft Agreement), this will also be shared on the HP-HDP website for the reference of all applicants*).
6. Post signing of contract an induction cum on-boarding event will be scheduled for sensitizing the awardee to all the requirements of the contract, release of funds, dispute resolution, arbitration process and other conditionality associated with the contract.
7. The contract will act as a legal document for all practical purposes and will be referred to in case of any discrepancies during the tenor of the contract. All disputed will be resolved within jurisdiction of Shimla court/ tribunals.

3.7. Fund Disbursement Mechanism

Towards bringing transparency & efficiency, the following mechanism with three tranches (30%, 40%, and 30%) fund transfer protocol has been designed.

3.7.1. General Conditions for disbursement

1. Matching Grant will be provided to selected entrepreneurs after consent of approval committee
2. The matching grant will be provided once the promoter has invested his equity (*matching contribution as per the matrix mentioned under quantum of support*)
3. The business has been registered under suitable legal entity and complied with all legal requirement/ clearance to start the business in Himachal Pradesh
4. A proper bank loan assessment and sanction of loan for the committed amount needs to be completed. Matching Grant will be released after release of bank loan and will mirror the bank installments
5. Submission of progress report and utilization certificate (*duly signed by Chartered Accountant*) before seeking subsequent tranches of Matching Grant
6. There is a lock in period of 1 year for the major shareholder to maintain his/her majority equity holding in the entity availing the matching grant. Any changes in the shareholding pattern has to be duly approved and ratified by the ABPF MG
7. Before release of every tranche of Matching Grant, there will be field appraisal by ABPF team

3.7.2. First tranche

As mentioned earlier, all Matching Grant tranches will be released only after equity contribution and release of tranches of bank loan. The release of Matching Grant tranche will mirror the release of bank loan tranches.

It is expected that the bills/ vouchers of all assets (tangible/ intangible) purchased through Matching Grant amount should be collected from the vendor and should be maintained by the entrepreneurs for verification/ preparation of utilization certificates.

3.7.2.1. Pre-requisites

- Signing of contract with HP-HDP
- Business registration completed & took necessary licenses for conducting business in HP
- First field appraisal completed
- Loan account opened by the entrepreneur in a nationalized bank, sanction letter of bank loan
- 30% of mandatory equity transferred to Trust & Retention account (TRA)
- First tranche of bank loan disbursed to the loan account
- 70% of the combined amount (first tranche of equity and bank loan) spent on the project and Utilization Certificate (UC) prepared by Chartered Accountant

3.7.2.2. Process of disbursement of first tranche

The following process will be adopted by ABPF for the release of first tranche of the MG -

1. Generation of Matching Grant awardee number for the awardee
2. Filing MG grant agreement, copy of loan award letter and loan account number issued by nationalized bank

3. Documentation of land record in the MG file
4. Approval by PD, based on recommendation by ABPF , for release of the grant

3.7.3. Second tranche

Like, first tranche, second tranche also will be released after the entrepreneur transfers his/her equity tranche (40%) in the TRA. Similarly the second tranche of bank loan should also be released to TRA.

3.7.3.1. Pre-requisites

- Second tranche of Matching equity contribution in TRA (40% of total equity contribution)
- Payment of second installment of bank loan
- Procurement & installation of Plant & Machinery completed
- Second field appraisal completed
- Utilization of at least 70% of total mobilized amount (first & second tranches of mandatory equity and bank loan amount + first tranche of Matching Grant amount)

3.7.4. Third tranche

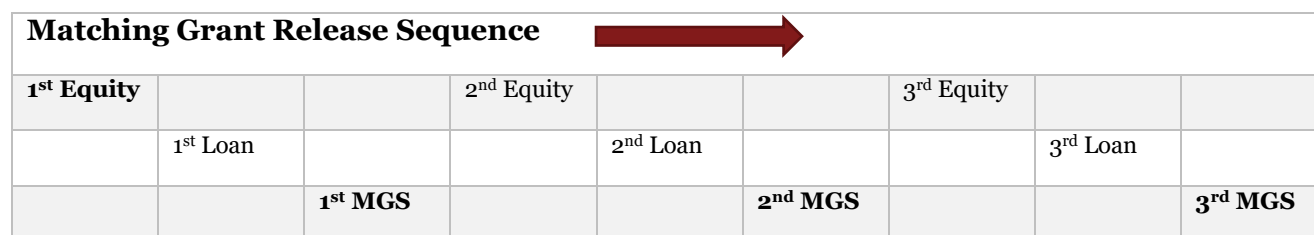
Third or last tranche will be released after third installment of bank loan is released to the loan account of the entrepreneur and s/he contributes the remaining amount of Matching Contribution. Additionally before releasing the third tranche, ABPF Matching Grant monitoring team will conduct final field appraisal and will submit report to ABPF.

3.7.4.1. Pre-requisites

- Third installment of bank loan released
- Entrepreneur contributes remaining 30% of matching contribution
- Production/ service cycle started
- Field/ site appraisal completed and report submitted to ABPF
- 90% of earlier released amount is utilized (first, second & third tranches of mandatory equity and bank loan amount + two tranches of Matching Grant amount) – UC by CA submitted

3.7.5. Fund Release Sequence

Figure 3: Matching Grant Release Sequence



3.7.6. Additional documents requirement along with UC

If a part of the Matching Grant is spent on the following component, additional documentation requirement is as follows.

3.7.6.1. Plant & Machinery

- (i) Quotation from three suppliers in the company letter head
- (ii) Bills/ Invoice (including GST) in company letter head
- (iii) P&M installation update – photographs & field appraisal reports

3.7.6.2. Technology Licensing

- (i) Agreement between the entrepreneur & research institution for technology licensing
- (ii) Invoice for licensing cost, in the letterhead of the research institute (*ABPF team should be engaged during the price negotiation process with the research institutions*)

3.7.6.3. Certification

Often, entrepreneur undertakes services for certification agencies / service providers (organic certification/ fairtrade, etc.) to access premium markets. Fund release, in this case, will be similar to technology licensing. ABPF team should be engaged during the consultation with service providers. Necessary invoices should be submitted along with Utilization Certificate.

3.7.6.4. Business Development Services

Business Development Services (BDS) include wide range of activities – training & capacity building for farmers to improve quality of final produce, consultancy services including Marketing Research/ Market intelligence, installation of software/ web services for process improvement etc. Additionally following documents/ condition needed along with submission of utilization certificate, mentioned below:

Table 6: Documents required for BDS

Type of BDS	Documents/ conditions needed during first tranche UC	Documents/ conditions needed during second tranche UC
Training & capacity building	<ul style="list-style-type: none"> • Bills/vouchers of completed training • Training report & photos (50% training should be completed) 	<ul style="list-style-type: none"> • Bills/vouchers of completed training • Training report & photos (100% training completed)
Consultancy services for study (including Marketing Research)	<ul style="list-style-type: none"> • Concept note on consultancy services & technical competency • At least three resume (for individual consultant) or three quotation (company) 	<ul style="list-style-type: none"> • Proof of payment of first installment to consultant • Travel bills/ vouchers of field visit for study/ research • Study/ Research report
Business Intelligence/ Market information services	<ul style="list-style-type: none"> • Quotation from service provider • Evidence of impact from similar services 	<ul style="list-style-type: none"> • Demonstration of service to ABPF team • Proof of payment of first installment to service provider
Software/ Web services	<ul style="list-style-type: none"> • Quotation from service provider • Company profile of service provider • Service level agreement 	<ul style="list-style-type: none"> • Proof of payment of first installment to service provider • Demonstration of process improvement to ABPF team

3.7.6.5. Marketing Support

Marketing support is unique to ABPF Matching Grant. Often it is difficult to monitor the expenditure incurred for Marketing, so several checks & balances are imposed for accessing MG for marketing support. For accessing MG for marketing support, the entrepreneur should submit business registration certificate and detailed Marketing Plan (*in line with the Business Plan submitted during selection procedure*). Specific requirements are mentioned below:

Table 7: Documents required for marketing support

Marketing subcomponent	Documents/ conditions needed during first tranche UC	Documents/ conditions needed during second tranche UC
Market Promotion/ Branding	<ul style="list-style-type: none"> • Quotation from service provider • Design of collateral 	<ul style="list-style-type: none"> • Proof of advance payment to service provider • Hard copy of marketing collateral/ image for hoarding/ paper cutting for advertisement
Digital Marketing	<ul style="list-style-type: none"> • Quotation from service provider • Service level agreement 	<ul style="list-style-type: none"> • Proof of advance payment to service provider • Demonstration of mobile app/ web page to ABPF team
Participation in marketing events	<ul style="list-style-type: none"> • Brochure/ pamphlet of marketing event 	<ul style="list-style-type: none"> • Participation fee voucher • Photograph of stall/ event

3.7.7. Recall of Grants

- If the project is not completed within the approved project period
- If the assisted project stops its commercial operation within three (3) years from the date of commencement of commercial production of the project
- If additional subsidy is sought for the same project/ business from State or Central Govt. scheme within three years from receipt of Matching Grant

3.8. Monitoring

Proper and timely monitoring determines the success of any project. Along with generic project monitoring for ABPF, a focused monitoring strategy for Matching Grant has been designed. Monitoring team will consist of senior officials of ABPF team. This team will collect data at regular intervals and will provide feedback to the Matching Grant awardees.

3.8.1. Framework

The monitoring will be carried out at two levels – Matching Grant process management level and MG awardee level. Specific data will be collected at regular interval to monitor & assess the progress of the project.

- (a) Process Management Level** – some output indicators at this level are number of call for proposal completed, number of application received, number of Matching Grant awardees, Number of monitoring visits/ field appraisal conducted, amount sanctioned to MG awardee, etc.
- (b) Awardee level** – the indicators will track the percentage completion of business start-up, amount released from different sources (*bank loan, Matching Grant, owner's equity, etc.*), participation in different event (*e.g. - investor outreach, buyer-seller meeting, mentoring network*), business health (*e.g. - year-on-year growth in volume of business and revenues, etc.*).

3.8.2. Field appraisal

Field appraisal is an integral part of monitoring and fund release. Field appraisal will be conducted before release of every tranche of Matching Grant. There may be more than one field appraisal depending on the risk profile of the business and quantum of Matching Grant approved.

Detailed indicators for field appraisal and format of field appraisal report is mentioned in Annex-4.

3.8.3. Reporting requirement

The following table captures the type & frequency of reporting requirement by each Matching Grant awardee. Each awardee should comply with this reporting requirement. Otherwise ABPF may stop release of fund or take necessary punitive action.

Table 8: Reporting

Report	Frequency	Remarks
Progress report	Quarterly	This report needs to be sent for three years from day of award
Detailed progress report	Yearly	This report needs to be sent for three years from day of award. This report will include also financial report

Reporting formats will be shared with all Matching Grant awardee during the induction programme. Moreover MG awardee will be informed about different events like – mentoring workshop, buyer-seller meet, etc. and it is expected the Matching Grant awardee should attend these events.

3.9. Grievance & Conflict Resolution

Grievance may arise from either side – applicants and ABPF cell. Each conflict will be resolved through a two-step process – first through decent negotiation and second through legal recourse. All dispute and litigation, with legal recourse, will be filed & resolved within jurisdiction of Shimla only. The following fictional case study will help us to understand the conflict resolution process better.

Mr. Rakshit has applied in the first cycle of Matching Grant application call for technological upgradation of his essential oil extraction unit in Chamba. His application has been shortlisted in stage-1 and selected in stage-2 of selection procedure. The requested amount for Matching Grant in the proposal is for technology licensing from a renowned research institute that would cost ₹ 30, 00,000. Mr. Rakshit is already in this business for last three years, but through this new technology he aspires to improve the extraction efficiency by 200% (more quantity of oil will be recovered from the same amount of raw materials) compared to the traditional method. He has submitted a separate project proposal. The Matching Grand awardee signs a contract with HP HDP and agreed to the terms & condition of ABPF Matching Grant. An amount of ₹ 9, 00, 000 was sanctioned as Matching Grant (30% of project cost as significant investment is in P&M). As first tranche, ₹ 2, 70,000 (30% of sanctioned amount) was transferred to Mr. Rakshit's account after confirming the requirements. Technology procurement is an important component of his submitted project proposal.

But unfortunately, the awardee didn't submit narrative report for two consecutive quarters instead of repeatedly reminding him. Upon field monitoring visit, it has been noticed that he hasn't paid any amount to the technology source institute for unforeseen reasons, though he submitted the quotation for technology licensing before releasing the first tranche of Matching Grant. Upon contacting the research institute, it has been found that the entrepreneur has not contacted the institute during the last few months.

After collecting these evidences, the awardee has been called to ABPF office and asked to show reasons for non-compliance. The verifying/ monitoring officials give him 15 days' notice to complete the technology procurement process. He has also been informed that in case of non-compliance, the awardee needs to return the Matching Grant amount with interest soon.

3.10. Role of ABPF

ABPF team will monitor the Matching Grant Scheme. Roles of ABPF for rolling out & monitoring of Matching Grant is as follows⁷ –

- i. To plan the Matching Grant cycle and coordinate the call for application as per planned cycle
- ii. To shortlist stage -1 application (*based on alignment of business with HPHDP development objectives and financial feasibility*) and seek complete business plan from shortlisted applicants
- iii. To coordinate with Peer Review Committee and collate comments & scores
- iv. To organize Approval Committee meeting & present each case to the Committee
- v. To facilitate onboarding of MG awardee/ investee and signing of contract
- vi. To coordinate/ conduct field appraisals and submit report to fund sanctioning authority
- vii. To facilitate release of Matching Grant and verify Utilization Certificates, bills/vouchers, etc.

3.11. Holistic Technical Assistance to awardee

Reviewing several literature of Matching Grant, reaffirms that there is strong causal relation between technical support and success of Matching Grant towards realizing their expected objectives⁸. So within ABPF Matching Grant, supporting awardee through technical assistance has been considered as an important pillar for its efficacy and success. It has also been concluded from impact evaluation results of Matching Grant across the world, conducted by World Bank, that if there is connection between Matching Grant with other components of the project, the probability of success of Matching Grant increases significantly. ABPF objective is to support entrepreneurs holistically – access to finance, mentoring support, market linkage, etc. along with award of Matching Grant. So while designing the ABPF Matching Grant, care has been taken to build synergy with other component of HP-HDP project, with special emphasis on Agribusiness Promotion Facility. Some of the initiatives undertaken for integration are as follows:

3.11.1. Mentor-mentee support

Developing mentor-mentee network is an important component of ABPF where a set of mentors (successful Agri/ Horticulture businessmen) will handhold mentees through their business learning curve. This handholding will also improve the risk appetite of the entrepreneur. As mentor-mentee programme is a standalone sub-component of ABPF, a mentee may or may not be an awardee of Matching Grant, but all Matching Grant awardee are encouraged to network with mentors for accessing mentoring support. A mentor will not only support Matching Grant applicant, but also other mentees/ entrepreneurs like to start Agri/ Horticultural business through ABPF cell within HP-HDP project.

A list of ABPF mentors will be shared with each shortlisted applicant in stage-1 of selection process. The mentor-mentee match will be made based on business idea, articulated support required, geographical proximity, etc. ABPF will share the contact details of the assigned mentors during the stage-1 results. As mentors are extremely busy professionals, it is the sole responsibility of the mentees to contact them to fine tune their business plan during stage-2 selection process and for other handholding support subsequently.

3.11.2. Facilitation of bank finance

Another important component of ABPF is facilitating access to finance. Through one to one meeting with bankers and through organizing Banker's workshop/ seminars, etc., ABPF will sensitize the bankers on the potential of investment opportunities in Horticulture value chain and the feasibility of different business plans, submitted by entrepreneurs in HP. This platform will inform the bankers on the HP-HDP project and stringent selection process for accessing Matching Grant within ABPF.

ABPF not only will facilitate bank finance for the entrepreneurs, but will also include one/ two bank representative in the Matching Grant selection committee to sensitize the bankers on the rigor of the selection

⁷ Comments – indicative list of activities and actual activities may be much bigger in scope than the mentioned ones

⁸ Review of World Bank – Matching Grant Projects

procedure. Ideally projects sanctioned under ABPF Matching Grant will have bank loan component. We propose mandatory requirement of 20% bank loan from scheduled bank.

3.11.3. Investor Outreach

Towards disseminating information on HP-HDP as a whole and ABPF component in particular, ABPF team is organizing series of Investor Outreach (*at least two in each quarter*) in different parts of the state. This platform is a multi-stakeholders meet where Govt. officials of related line departments, existing entrepreneurs, potential entrepreneurs, technology service providers, buyers, etc. are invited to participate and discuss on specific horticulture business potential and related supporting ecosystem in Himachal Pradesh.

3.11.4. Buyer-seller meet

ABPF likes to build sustainable businesses that may change the landscape of Horticulture business in Himachal Pradesh by enhancing post-harvest supply chain efficiency, increasing storage capacity, value addition of horticulture produce and strong market linkages. ABPF will conduct series of buyer-seller meet in different part of the state to facilitate market linkages. All awardee of Matching Grant can participate in these meetings for business networking and better market access. Information on exact dates of such buyer-seller meet will be communicated to all awardee of Matching Grant.

3.11.5. Training

Based on the training need assessment, ABPF will develop structured training module. These trainings will be delivered through network of mentors. The training will range from financial literacy, raising capital for business to design marketing strategies. All ABPF awardee can enroll for these training programme. Exact date of such training programme will be communicated to all ABPF entrepreneurs.

3.12. Risks & Mitigations

The following table captures possible risk in the implementation of ABPF Matching Grant and planning for their mitigation.

Table 9: Risk & Mitigation

Risk	Mitigation
<i>If sufficient number of applications are not mobilized for Matching Grant</i>	Promotional strategy has been planned to disseminate information during application window for Matching Grant in regional newspaper in Hindi & English. Additionally pamphlets with MG application details will be displayed in major Govt. offices and local colleges/ Universities
<i>If there is selection error of Matching Grant awardee</i>	Two stage selection process is in place. A panel of experts from different field will form the selection committee to bring objectivity in the selection process. Moreover regular monitoring will ensure implementation of the project. There is also provision for recalling grant
<i>If the awardee doesn't comply with Matching Grant terms & conditions</i>	Each awardee will sign contract with HP-HDP agreeing to terms & conditions of the project. Moreover there will be provision for soft & hard resolution strategies, including provision for legal recourse
<i>If the entrepreneurs finds it difficult to access market & sustain business</i>	Each awardee will be connected with a mentor to provide handholding support. Moreover series of buyer-sellers meet will be organized by ABPF to link buyers with sellers

4. Frequently Asked Questions (FAQ)

- 1. I am already in business, can I apply for ABPF Matching Grant?**
Yes, new as well as existing entrepreneur can apply for Matching Grant. In case you are an existing entrepreneur in Horticulture business, you need to separate business plan for seeking this Matching Grant i.e. for improving production process, diversification or for adding a product line, etc.
- 2. I am not from Himachal Pradesh. Can I apply for Matching Grant?**
As of now Matching Grant is open for any Indian national, with good understanding of HP Horticulture & business environment. So, any legal entity to carry out business in Himachal Pradesh can apply for Matching Grant
- 3. I am yet to find an idea on business opportunity, can I apply for Matching Grant?**
Unfortunately business grant application needs to have strong business idea backed up by business plan, so you may apply for Matching Grant only after finalizing your business idea.
- 4. I have two Horticulture business one as sole proprietor and another as partnership ship. Can I apply for Matching Grant with two business ideas?**
As the objective of Matching Grant is to reach maximum number of entrepreneurs, one applicant/ entrepreneur can apply for Matching Grant with only one business idea. So two application from the same person will lead to cancellation of his/her candidature. Moreover we follow one family – one applicant policy
- 5. We are renowned private limited company running food processing units. Can we apply for Matching Grant?**
Yes, all business entity can apply for Matching Grant, including public & private limited company. We will support MSME, along with large business houses. Additionally Farmer Producer Company & Farmers Cooperatives can also apply for Matching Grant. So, this scheme is open to all size of business.
- 6. How will you ensure that the business is a legal entity?**
Business license, along with GST will be the proof for the business legality. For private limited company MOA and AOA can be the proof. For Cooperatives, society registration may be produced.
- 7. We are women Farmer Producer Company. Are we exempted from showing our own contribution during applying for Matching Grant?**
No, all applicant should show matching contribution to apply for Matching Grant as per the matrix mentioned in this guidelines. Women Farmer Producer Company can showcase the group savings, Revolving Fund, Community Investment Fund (CIF), etc. as their own contribution.
- 8. I have already taken subsidy from DIC. Can I still apply for Matching Grant?**
*In case, an applicant has received subsidy from any other department, s/he will **not** be eligible for Matching Grant support. Every entrepreneur needs to submit an undertaken on the same.*
- 9. I applied for Matching Grant in cycle -1, but rejected. Can I apply again in cycle -2?**
Yes, an applicant rejected in one cycle can again apply for another cycle as rejection doesn't mean lack of strength in business idea. Each cycle of Matching Grant has a fixed budget and only can provide Matching Grant to certain number of shortlisted application based on score/ rank.
- 10. My business plan has been selected and I have received first tranche of Matching Grant. Can I apply cycle-2 again with another business idea?**
ABPF Matching Grant likes to reach maximum number of entrepreneurs who like to invest in Horticulture value chain in H.P. So, once an applicant received Matching Grant in any cycle, cannot re-apply for Matching Grant in another cycle.
- 11. I stay in Lahual & Spiti district with limited internet connectivity. Can I send my application through post?**
Yes candidates may apply either by post or by registered/ speed post services of Indian Postal Services. The selection of final candidate is mode of application agnostic.

- 12. I am not interested to put my own money into business. Can I still apply for Matching Grant?**
Matching contribution (certain percentage of project cost) as owner's equity is mandatory for award of Matching Grant. Please refer this guideline for more details.
- 13. I have been shortlisted in stage-1 and I have been assigned a mentor, but my business plan is ready. Is it mandatory to take support from the mentor?**
Mentor-mentee network has been created to support entrepreneurs to prepare strong business plan. Moreover Mentors are expected to support mentee through their business learning curve. ABPF will share the list of mentors to all shortlisted applicants. Taking support from mentor is the sole discretion of the mentee/ entrepreneurs.
- 14. I am applying for Matching Grant for business expansion, focusing on technology licensing, do I still need to submit business plan?**
Yes, submission of business plan is mandatory for all shortlisted applicants. In-case, you have applied for business expansion/ diversification, you need to make a complete business case of it.
Moreover, along with general financial feasibility, we will verify the specific investment in P&M, technology, marketing, etc. needed for this expansion.
- 15. I have been selected for Matching Grant and received an invitation for attending induction programme in Shimla. Is it mandatory to attend this induction?**
Yes, attending induction programme is mandatory for all Matching Grant awardee. Along with induction, this will serve as a platform for signing contract agreement, collecting documents and guiding the awardee on the monitoring aspect and reporting requirements.
- 16. My Matching Grant request has been approved. Now I have a better business idea. Can I use the Matching Grant for pursuing this idea?**
Matching Grant can only be used for the same business idea that has been approved during selection process. Any deviation in business plan may reject the award of Matching Grant.
- 17. I have received Matching Grant, but I also have received a Government job offer that I like to pursue. Can I ask my friend to continue my business idea with the Matching Grant amount sanctioned to me?**
Matching Grant is not transferable. Person who has been awarded Matching Grant can only continue the business. At any point of time, if the Matching Grant awardee changed his/ her mind, s/he needs to inform ABPF MG team and return the funds transferred.
- 18. Can ABPF secure bank loan for my business?**
ABPF can't guarantee bank loan for the entrepreneurs, but ABPF cell will facilitate discussion with bankers and sensitize them on the feasible Horticulture business opportunities. ABPF will also include Bank representation in the selection/ assessment panel to foster banker's confidence. It is expected that the applicant should have already established contact with bankers to finance the project.
- 19. Is bank loan mandatory for accessing Matching Grant?**
Yes, bank loan is mandatory is accessing Matching Grant. Minimum 20% of the total project cost should be taken as debt/ loan and Loan account will be used for all Matching Grant transaction. Moreover release of MG tranches are synergized with loan tranches.
- 20. Is collateral mandatory for accessing bank loan?**
Requirement of collateral is sole discretion of the banker. ABPF will only facilitate access to bank finance. Moreover bankers prefer credit guarantee (through CGTMSE). Matching Grant may be used for enrolling for credit guarantee (2-2.5% of project cost).
- 21. Can ABPF look out for buyers for my business?**
ABPF will conduct buyer-seller meet and that will provide the entrepreneurs the platform to network with buyers for their business development & market linkages.
- 22. I don't have Chartered Accountants in my area. Can I send my Utilization Certificate (UC) without CA signature, but with proper bills & vouchers?**
CA signature on the utilization certificate is mandatory. The Matching Grant awardee needs to contact CA for verifying the UC. ABPF cell can share some contact details of CA, who has offices in different districts of Himachal Pradesh.

23. Can I deduct the CA fees from Matching Grant?

No, CA cost is a part of administrative expenses that can't be claimed from Matching Grant.

24. Can business registration fees be made from Matching Grant?

Yes, business registration fees may be considered eligible for Matching Grant and it can be shown as pre-operative expenses. Bills for fees paid should be collected and attached with UC.

25. Can land lease cost be paid from Matching Grant?

No cost related to land purchase, land lease, land development can't be claimed from Matching Grant. Please refer the ineligible cost section of this guideline for reference.

26. I am sourcing Plant & Machinery from Hyderabad, can transport cost be included?

Under Plant & Machinery section, we have mentioned that P&M cost including GST, installation cost and transport of P&M from supplier to entrepreneur location is eligible under Matching Grant.

27. Can Marketing cost be claimed under Matching Grant?

Certain marketing expenses is eligible under Matching Grant, with permissible unit cost & upper limit. Please refer relevant section of this guideline for more detail.

28. I have exhausted my first tranche of Matching Grant. Can I apply for second tranche?

Once you conform to all the conditions for release of second tranche, you can apply irrespective of the time lag between first and second tranche. Please refer this guideline for more detail.

29. I am not much educated to write narrative report. Am I exempted from report submission?

Submitting narrative report is mandatory. You may take professional help for report writing.

30. How long do I need to retain my books of accounts for Matching Grant?

You need to keep all books of accounts, bill/ vouchers, etc. for at least five years from the date of award of Matching Grant

5. Appendices

A.1. Application Format (Stage-1)

Applicant Name Father's / Mother's Name	
Address	Village District Tehsil/ Block State
KYC Details	Aadhar Card No PAN No.
Date of Birth (Day/ Month/ Year)	
Existing/ New Entrepreneur (Agri/ Horticulture business)	

<p>Entity (tick the appropriate box) of individual applicant or lead entity (in case of consortium)</p>	<p>Sole Prop. <input type="checkbox"/></p> <p>SHG/FPO/ Cooperative <input type="checkbox"/></p> <p>Pvt. /Public Ltd <input type="checkbox"/></p> <p>Partnership <input type="checkbox"/></p> <p>Others . <input type="checkbox"/></p>
<p>Consortium Details (Give full details including email and phone no)</p>	<p>Name and address of the lead partner</p> <p>Name and address of the other consortium partner</p>
<p>If registered, registration Type & number</p> <p>If not, probable date of Registration</p>	
<p>Major source of income (tick the appropriate box)</p>	<p>Agri/ Horticulture <input type="checkbox"/></p> <p>Business <input type="checkbox"/></p> <p>Service <input type="checkbox"/></p>
<p>Business Concept/ Idea</p>	<p>Business to be undertaken (700 words)?</p> <p>Total Investment in INR Crores?</p> <p>What is the value addition to consumers?</p>

<p>Matching Grant sought for and proposed equity contribution</p> <p>(tick the appropriate box and mention product/ service)</p>	<p>(a) <i>Project related to product business</i> <input type="checkbox"/></p> <p>(b) <i>Project related to service business</i> <input type="checkbox"/></p>
<p>Any subsidies taken for this project if yes, mention the details (project component, scheme, component sub component, year, etc)</p>	
<p>Give details about the proposed investment in Himachal Pradesh (location of investment).</p>	
<p>Do you have land for the business? Give the land details (place, area, etc)</p>	
<p>Are you convicted with any criminal offense?</p> <p>If yes, mention detail</p>	
<p>Bank Account Detail</p>	<p><i>Account Number</i></p> <p><i>Bank Name & Branch</i></p> <p><i>Address</i></p>

A.2. Appendix – Business Plan Format (stage -2)

- Detailed Project Report which includes the following:
 - Executive summary
 - Project business concept (What is the product/ service you are offering?), SWOT analysis
 - Brief of the entrepreneur/ promoter (background like educational qualification, experience, etc.)
 - Project cost & means of finance (mention owner's contribution, bank loan, Matching Grant, etc.)
 - Matching Contribution Details – sources of funds, commitment to Matching Equity percentage
 - Innovation in the project, if any
 - Any partnership with other organization/ institution for technology/ Plant & Machinery
 - Present status of project implementation (yet to start or already some work have been done)
 - Market potential
 - i. Estimation of relevant market size
 - ii. Demand-supply analysis
 - iii. Value-chain mapping and gap identification
 - iv. Competition analysis (local and domestic)
 - Marketing Strategy
 - i. Unique selling proposition (USP)
 - ii. Segmenting, targeting, positioning
 - iii. P r i c i n g
 - iv. Marketing Channels & Promotional strategy
 - Activities & timelines (use Gantt chart) for project completion
 - Possible risks & mitigation strategy
 - Economic viability and financial analysis
 - i. Clearly state all assumptions
 - ii. Working capital estimates
 - iii. Cost & profitability estimates
 - iv. Projected balance sheet and projected cash flow
 - v. Debt-service coverage ratio, term-loan payment schedule
 - vi. Return on Investment
 - vii. Internal rate of return/ NPV
 - Conclusion

Appendix – report on market research, any other supporting documents

A.3. Appendix – Documents required during signing Contract Agreement

All these documents are mandatory while signing the contract with HP-HDP Matching Grant Scheme

1. Business registration (if already existing entity) – MoA, AoA for limited company, Partnership deeds, etc., Society Registration Certificate
2. Legal documents
 - Land – lease deed or land revenue document (proof of land for business), mandatory for product/ manufacturing business
 - Environmental clearance, if needed
3. KYC – PAN, Aadhar, GST/ VAT (if already registered)
4. Other licenses – FSSAI (if food business)
5. Loan sanction letter from scheduled bank for the same project
6. Undertaking showing commitment to contribute Matching contribution as per the category mentioned and assurance that no other subsidy/ support has been taken for the same project
(Should be written on ₹ 100 stamp paper and notarized)
7. Certificate of Net Worth from Chartered Accountant (for limited company)
8. Photocopy of bank passbook and bankers certificate mentioning no-default on loans
9. Five passport size photographs of promoters/ entrepreneurs
10. Police clearance report stating no criminal case against the entrepreneur

A.4. Appendix – Draft Agreement

MEMORANDUM OF AGREEMENT

THIS AGREEMENT is entered into on this the ----- day of ----- (Month) ----- (Year) at-----

BETWEEN,

PROJECT DIRECTOR, Himachal Pradesh Horticulture Development Project, hereinafter referred to as "HPHDP" (which expression shall include its successors and assigns),

AND

M/s XXXX Limited, having its office at ----- hereinafter referred to as the "GRANTEE" (which expression shall include its permitted successors and assigns).

WHEREAS,

HPHDP through Agribusiness Promotion Facility (ABPF) is promoting private investment in Horticulture Value Chain. The primary objective of ABPF is to provide Agribusiness Incubation Services, including Matching Grant Scheme (MGS) support to Agri-entrepreneurs who likes to invest in Horticulture Value Chain in the state towards realizing the project development objectives - *to increase the productivity, quality, and market access of selected horticulture commodities in Himachal Pradesh.*

AND WHEREAS,

M/s XXXXX is an entrepreneur with registered business within HP and have applied & selected for receiving Matching Grant Scheme support through competitive selection process.

HPHDP, after evaluating the business plans submitted by the Promoters of the enterprise had given in-principle approval as Matching Grant beneficiary, vide its letter dated

NOW THEREFORE THIS AGREEMENT WITNESSETH AS FOLLOWS:

ARTICLE 1

DEFINITIONS AND INTERPRETATION

In this Agreement, the following words and expressions shall, unless repugnant to the context or meaning thereof, have the meaning hereinafter respectively assigned to them:

"**Agreement**" means this agreement any amendments thereto made in accordance with the provisions of this Agreement.

"**Arbitration Act**" means the Arbitration and Conciliation Act, 1996 and shall include modifications to or any re-enactment thereof as in force from time to time.

"**Commencement Date**" means the date of execution of this Agreement.

"**Construction Works**" means all works and things necessary to achieve commercial operation of the Project in accordance with this Agreement.

"**Contractor**" means Person with whom the grantee has entered into/ may enter into all or any of the Project Agreements.

"**Cure Period**" means the period specified in this Agreement for curing any breach or default of any provision of this Agreement by the Party responsible for such breach or default.

"**Encumbrance**" means any encumbrance such as mortgage, charge, pledge, lien, hypothecation, security interest, assignment, privilege or priority of any kind having the effect of security or other such obligations and shall include without limitation any designation of loss payees or beneficiaries or any similar arrangement under any insurance policy pertaining to the Project, physical encumbrances and encroachments on the Project Site.

"**Financing Documents**" means the documents executed by the enterprise in respect of financial assistance for the Project to be provided by the Lenders by way of loans, advances, subscription to debentures and other debt instruments and guarantees, risk participation, take-out financing or any other form of credit enhancement and shall include loan agreements, guarantee agreements, subscription agreements, notes and any documents providing security for such financial assistance, and includes amendments or modifications made thereto.

"**Financial Closure**" means the date on which the Financing Documents providing for funding by the Lenders have become effective and the enterprise has immediate access to such funding under the Financing Documents.

"**Implementation Period**" means the period beginning from the Commencement Date till the subsistence of this Agreement.

"**Lenders**" means financial institutions, banks, funds, trusts or trustees of the holders of debentures or other securities their successors and assigns, who provide finance to the enterprise under any of the Financing Documents.

"**Parties**" means the parties to this Agreement collectively and "Party" shall mean either of the Parties to this Agreement individually.

"**Project**" means the establishment of Agri-Enterprise as per the guidelines of Matching Grant Scheme.

"**Project Cost**" means the aggregate delivered cost for implementation of the Project, which may be revised and approved by HPHDP from time to time, and shall include Core Processing Facilities, and other eligible cost in the MGS operational guideline document.

"**Scheme Guidelines**" means the guidelines of Matching Grant Scheme approved by HPHDP which contain all details of the Scheme including components eligible for funding and pattern of release of assistance.

"**Termination Date**" means the date on which the Termination occurs which shall be the date on which Termination Notice has been delivered or deemed to have been delivered by HPHDP in accordance with the provisions of this Agreement.

"**Termination Notice**" means a communication in writing by HPHDP to Enterprise regarding Termination in accordance with the applicable provisions of this Agreement.

Matching Grant Scheme guidelines as approved and issued by the HPHDP will be the integral part of this Agreement and in case of any discrepancy the MGS guidelines will prevail.

ARTICLE 2

2.1 Project

HPHDP aims to increase the productivity, quality, and market access of selected horticulture commodities in Himachal Pradesh. Towards this objective, engaging with private sector is important to improve the Horticulture value chain in the state. HPHDP, through ABPF, aims to provide Agri-incubation support service to the entrepreneurs who likes to invest in the Horticulture value chain in HP. Under improving access to finance sub-component, ABPF has designed Matching Grant Scheme to support the entrepreneurs through competitive selection process. Each MGS investment will be considered as Project.

2.2 Validity Period of Agreement

This Agreement shall commence on the date of release of first instalment of the Matching Grant by HPHDP and shall remain in force for a period of three years of business operations; thereafter the Agreement shall be deemed terminated by lapsing.

Provided that:

- i) in the event of the period being extended by HPHDP beyond the said period of 3 years in accordance with the provisions of this Agreement, the Period shall include the period/aggregate period by which it is so extended, and
- ii) in the event of Termination, the Period shall mean and be limited to the period commencing from the Commencement Date and ending with the Termination.

2.4 Grants-in-aid

2.4.1 HPHDP agrees to make available to the grantee (*selected for Matching Grant*) 30% of eligible project cost, whichever is applicable as per guidelines of MGS guidelines, subject to a maximum of ₹ 60 lakhs (excluding cost of the land & other ineligible cost) as per the guidelines of MGS and on the terms and conditions set forth in this Agreement.

2.4.2 The Grantee hereby accepts the offer of grants-in-aid and agrees and undertakes to implement the Project and to perform/discharge all of its obligations in accordance with the terms and conditions set forth in this Agreement and in line with the guidelines of MGS which shall be read as an integral part of this Agreement.

2.4.3 The grantee will share mandatory matching contribution as per the type of business, mentioned in the MGS guidelines.

2.4.4 The grantee shall enter into a Trust and Retention Account (TRA) Agreement with a Schedule 'A' Commercial Bank to operate the grants-in-aid account.

2.5 Project Location

M/s XXXXXXXX, the grantee has started business in the below mentioned address.

ARTICLE 3

3.1 In addition to and not in derogation or substitution of any of the obligations set out elsewhere in this Agreement, the Parties agree and undertake as under:

3.2 General Obligations of the Grantee

M/s XXXXXXXX, the MGS grantee shall at its own cost and expense:

- i) obtain all permissions and clearances in conformity with the existing laws of the land (for establishing manufacturing facility) and be in compliance with thereof at all times during the business operations;
- ii) procure and maintain in full force and effect, as necessary, appropriate proprietary rights, licenses, agreements and permissions for materials, methods, processes and systems used in or incorporated into the business;
- iii) provide to the HPHDP reports on a regular basis as per mandatory requirements

ARTICLE 4

4.1 WITHDRAWAL FROM PROJECT

In the event of grantee withdrawing from executing the business, the grantee shall return the amount of grants-in-aid released by HPHDP together with the interest accrued thereon, within a period of not more than 60 days of acceptance of its withdrawal by HPHDP. The accrued interest shall be calculated at the SBI Benchmark Prime Lending Rate prevalent at the time or 10 % per annum (*as per general terms and conditions of grants-in-aid laid down in General Financial Rules-2009, Government of India*), whichever is higher. In the event of failure of the grantee in refunding the grant amount along with interest within period specified, additional penalty may be imposed along with legal recourse.

ARTICLE 5

INSPECTION AND AUDIT

- 5.1 Grants-in-aid shall be utilized only for the purpose it is required by the grantee as per guidelines of the Scheme and subject to the provisions contained herein and the General Financial Rules.
- 5.2 The grantee shall submit financial progress report at regular interval before applying for the next installment as grants-in-aid.
- 5.3 The amount so released to the grantee shall be open to inspection by the sanctioning authority/HPHDP.
- 5.4 The grantee shall submit the Utilization Certificate in the prescribed format within prescribed time period specified in General Financial Rules-209 GOI, and also before submitting claim for next installment.

ARTICLE 6

6.1 FORCE MAJEURE

Definition

For the purposes of this Agreement, "Force Majeure" means an event which is beyond the reasonable control of a Party, and which makes a Party's performance of its obligations under this Agreement impossible or so impractical as to be considered impossible under the circumstances.

No Breach of Agreement

The failure of a Party to fulfill any of its obligations under the Agreement shall not be considered to be a breach of, or default under this Agreement insofar as such inability arises from an event of Force Majeure, provided that the Party affected by such an event (i) has taken all reasonable precautions, due care and reasonable alternative measures in order to carry out the terms and conditions of this Agreement, and (ii) has informed the other Party as soon as possible about the occurrence of such an event.

Extension of Time

Any period within which a Party shall, pursuant to this Agreement, complete any action or task, shall be extended for a period equal to the time during which such Party was unable to perform such action as a result of Force Majeure.

6.2 Dispute Resolution

In the event that the Parties are unable to agree in good faith about the occurrence or existence of a Force Majeure Event, such Dispute shall be finally settled in accordance with the Dispute Resolution Procedure, provided that the burden of proof as to the occurrence or existence of such Force Majeure Event shall be upon the Party claiming relief and/or excuse on account of such Force Majeure Event.

ARTICLE 7

EVENTS OF DEFAULT AND TERMINATION

7.1 Event of Default

Any of the following events shall constitute an event of default by the grantee unless such event has occurred as a result of a Force Majeure Event;

- (1) The grantee fails to initiate the enterprise in line with the guidelines of the MGS;
- (2) The grantee fails to utilize the grants-in-aid amount in time and mobilize its own matching contribution for the project;
- (3) The grantee fails to ensure progress of the business in keeping with proposed implementation plan and agreed time frame;
- (4) The grantee fails to submit Utilization Certificate for installment of grants-in-aid within prescribed time period as specified in MGS operating guidelines;
- (5) Any representation made or warranties given by the grantee under this Agreement is found to be false or misleading;
- (6) The grantee creates any Encumbrance on the Project Lands/ Project Facility in favour of any Organization/Person saves and except as otherwise expressly permitted;
- (7) The grantee suspends or abandons the operations of the business without the prior consent of HPHDP, provided that the grantee shall be deemed not to have suspended/ abandoned operation if such suspension/ abandonment was as a result of Force Majeure Event and is only for the period such Force Majeure;
- (8) The grantee repudiates this Agreement or otherwise evidences an intention not to be bound by this Agreement;

7.2 Termination due to Event of Default

- (1) Without prejudice to any other right or remedy which HPHDP may have in respect thereof under this Agreement, upon the occurrence of an Event of Default by the grantee, HPHDP shall be entitled to terminate this Agreement by issuing a Termination Notice to the grantee, provided that before issuing the Termination Notice, HPHDP shall, by a notice in writing, inform the grantee of its intention to issue the Termination Notice ("*Preliminary Notice*"). In case the underlying breach/default is not cured within a period of 60(sixty) days from the date of the Preliminary Notice (Cure Period), HPHDP shall be entitled to terminate this Agreement by issuing the Termination Notice;
- (2) The following shall apply in respect of cure of any of the defaults and/or breaches of this Agreement:
 - (i) The Cure Period provided in this Agreement shall not relieve the grantee from liability for damages caused by its breach or default;
 - (ii) If the cure of any breach by the grantee requires any reasonable action by grantee that must be approved by HPHDP, the applicable Cure Period shall be extended by the period taken by HPHDP.

7.3 Rights of HPHDP on Termination

- (1) In the event of Termination, HPHDP shall be fully authorized to recall the grants-in-aid given under MGS along with accrued interest thereon, which shall be required to be paid by grantee within a period of not more than 60 days of notice to recall the grant. The accrued interest shall be calculated at the SBI Benchmark Prime Lending Rate prevalent at the time or 10 % per annum (*as per general terms and conditions of grants-in-aid laid down in General Financial Rules-2009, Government of India*), whichever is higher. In the event of failure of the grantee in refunding the grant amount along with interest within period specified, a penalty may be imposed.
- (2) In case of grantee not willing to or not be in a position to return the grants-in-aid amount, HPHDP shall be within its rights to attach project/ business assets and use these assets for purpose, uses as it deems fit.

(3) However, in case of HPHDP deciding to attach the assets, the lenders' rights on project assets shall be taken into consideration and HPHDP shall consult the lender banks/financial institutions and try to arrive at common strategy for revival of the project;

(4) Notwithstanding anything to the contrary contained in this Agreement, any Termination pursuant to the provisions of this Agreement shall be without prejudice to accrued rights of either Party including its right to claim and recover money damages and other rights and remedies which it may have in law or contract. All rights and obligations of either Party under this Agreement, shall survive the Termination of this Agreement to the extent such survival is necessary for giving effect to such rights and obligations.

ARTICLE 8

8.1 Assets created by Grants-in-aid Amount

8.1.1 The grants-in-aid shall be utilized exclusively for the purpose(s) for which it is sanctioned.

8.1.2 The ownership of all project assets, including factory shed, plant and machinery, misc. fixed assets, utilities etc. constructed with the grants-in-aid amount shall vest with the grantee which shall be responsible for operation and maintenance of such assets. However, this shall not come in the way of grantee creating mortgage, lien on the assets for raising term loan for ensuring financial closure for the Projects.

8.1.3 The assets, permanent or semi-permanent, acquired wholly or substantially out of this grants-in-aid shall not without prior concurrence of HPHDP be disposed of or encumbered or utilized for purpose other than those for which this grants-in-aid has been sanctioned.

8.1.4 The books and accounts of the grantee shall be open to inspection by the sanctioning authority/audit and by any other authority specified by HPHDP, whenever the institution is called upon to do so.

8.1.5 Before the grants-in-aid is released, the grantee should execute a bond that (a) it shall abide by the conditions of the grants-in-aid by the target dates, if any, specified therein (b) that it shall not divert the grants-in-aid and entrust execution of the business or work concerned to another institution(s) or organization(s) and (c) shall abide by any other conditions specified in this agreement and in the event of his failing to comply with the conditions or committing breach of the bond, the grantees individually and jointly shall be liable to refund, the entire amount of the grants-in-aid with interest at 10% per annum thereon or the sum specified under the bond.

ARTICLE 9

DISPUTE RESOLUTION

9.1 Arbitration

It is hereby agreed between the Parties that the Project shall be executed in the manner and form outlined in this Agreement and MGS Guidelines. If any dispute or difference of any kind whatsoever arises between the Parties in connection with or arising out of or relating to or under this Agreement or under the Scheme, the Parties shall promptly and in good faith negotiate, with a view to reaching an amicable resolution and settlement. In the event no amicable resolution or settlement is reached within a period of thirty (30) days from the date on which the above-mentioned dispute or difference arose, such dispute or difference shall be referred to an Arbitrator who shall be appointed from among a panel of officers of HPHDP. The seat of arbitration shall be Shimla and the arbitration shall be conducted in the English language. The Arbitration and Conciliation Act, 1996, shall govern arbitral proceedings.

The existence of any dispute or difference or the initiation or continuance of the arbitral proceedings shall not postpone or delay the performance by the Parties of their respective obligations under or pursuant to this Agreement. Further, this Agreement shall remain subsisting and operative during the arbitral

proceedings and no payment due and payable to either Party shall be withheld except the payment in dispute, if any.

The courts of Shimla alone shall have jurisdiction with respect to arbitration or any other dispute.

ARTICLE 10

REPRESENTATIONS AND WARRANTIES

10.1 Representations and Warranties of the Grantee

The grantee represents and warrants to HPHDP that:

- (i) It is duly organized, validly existing and in good standing under the laws of India;
- (ii) It has full power and authority to execute, deliver and perform its obligations under this Agreement and to carry out the transactions contemplated hereby;
- (iii) It has the financial standing and capacity to undertake the Project;
- (iv) This Agreement constitutes its legal, valid and binding obligation enforceable against it in accordance with the terms hereof;
- (v) It is subject to civil and commercial laws of India with respect to this Agreement and it hereby expressly and irrevocably waives any immunity in any jurisdiction in respect thereof;
- (vi) There are no actions, suits, proceedings, or investigations pending or, to the grantee's knowledge, threatened against it at law before any court or before any other judicial, quasi judicial or other authority, the outcome of which may result in the breach of or constitute a default of the grantee under this Agreement
- (vii) The workers, employees, staff or agents engaged or employed by or on behalf of grantee shall neither be nor deemed to be the worker, employee, staff or agents of HPHDP under any circumstances what so ever it may be and there is no such agreement for or regarding the workers between the grantee and HPHDP.
- (viii) Notwithstanding anything in this Agreement in no event shall HPHDP be liable under the laws of contract, tort, misrepresentation warranty, negligence, and strict liability or otherwise, for any special indirect, incidental or consequential damages (including loss of profit arising out of execution of this Agreement).

ARTICLE 11

LIABILITIES AND INDEMNITIES

11.1 Liability and Indemnity

(a) General Indemnity

- (i) The grantee shall indemnify, defend and hold HPHDP harmless against any and all proceedings, actions and, third party claims arising out of a breach by grantee of any of its obligations under this Agreement.
- (ii) Without limiting the generality of Article 11.1 of this Agreement, the grantee shall fully indemnify, save harmless and defend HPHDP including its officers, agents, subsidiaries, Programme Management Unit from and against any and all loss and damages arising out of or with respect to (a) failure of the grantee to comply with any laws or permits, (b) payments of taxes relating to the grantee's contractors, suppliers and representatives income or other taxes required to be paid by the grantee without

reimbursement hereunder, or (c) non-payment of amounts due as a result of materials or services furnished to the grantee or any of its Contractors which are payable by the grantee or any of its Contractors.

11.2 Governing Law and Jurisdiction

This Agreement shall be construed and interpreted in accordance with and governed by the laws of Himachal Pradesh & India and the Courts in Shimla, HP shall have jurisdiction over all matters arising out of or relating to this Agreement.

11.3 Amendments

This Agreement constitutes a complete and exclusive statement of the terms of the Agreement in conjunction with the MGS guidelines between the Parties on the subject hereof and no amendment or modification hereto shall be valid and effective unless agreed to by all the Parties hereto and evidenced in writing.

11.4 Notices

Unless otherwise stated, notices to be given under this Agreement including but not limited to a notice of waiver of any term, breach of any term of this Agreement and termination of this Agreement, shall be in writing and shall be given by hand delivery, recognized national courier, mail, telex or facsimile transmission and delivered or transmitted to the Parties at their respective addresses set forth below:

If to HPHDP

Tel No. -----

If to the Grantee

The Promoter,

----- Limited,

Tel No. -----

Or such address, or facsimile number as may be duly notified by the respective Parties from time to time, and shall be deemed to have been made or delivered (i) in the case of any communication made by letter, when delivered by hand, by recognized national courier or by mail (*registered, return receipt requested*) or e mail at that address and (ii) in the case of any communication made by telex or facsimile, when transmitted properly addressed to such telex number or facsimile number.

11.5 Exclusion of Implied Warranties etc.

This Agreement expressly excludes any warranty, condition or other undertaking implied at law or by custom or otherwise arising out of any other agreement between the Parties or any representation by any Party not contained in a binding legal agreement executed by the Parties.

11.6 Counterparts

This Agreement may be executed in two counterparts, each of which when executed and delivered shall constitute an original of this Agreement.

IN WITNESS WHEREOF THE, PARTIES HAVE EXECUTED AND DELIVERED THIS AGREEMENT AS OF THE DATE FIRST ABOVE WRITTEN.

SIGNED SEALED AND DELIVERED
For and on behalf of Project Director, HPHDP by:

(Signature)

(Name)

(Designation)

SIGNED, SEALED AND DELIVERED
For and on behalf of Grantee by:

(Signature)

(Name)

(Designation)
In the presence of:

- 1)
- 2)

A.5. Appendix – Field Appraisal Format (Final Tranche)

Field appraisal will be done ABPF Matching Grant monitoring team before receiving final installment/ tranche of the Matching Grant

Field Appraisal Report

Name of Firm :

Line of business :

Date of Inspection :

Name of Person visited :

S. No.	Particulars of the Firm		Commitment	Actual observation
1	Name of the Firm / Applicant		NA	NA
2	Address		NA	NA
3	Type of concern			
4	Location of the business unit			
5	Project description & Product line			
6	Start date of operation			
7	Scheduled Bank / Branch, sanction letter no. & date, ROI	Bank Name - Sanction letter no.		
8	Loan Amount & Interest Rate	Term loan: Working Capital:		
9	Installed Capacity			
10	Main raw materials & source			
11	Land title/ Lease			
12	Employment	Direct – Seasonal labour-		
13	Subsidy from Govt. line departments			
14	Matching Grant Detail			Comments by inspection team
	Total sanctioned amount			
	Purpose (project cost basis or sub-component) Which subcomponent			
	Amount disbursed			
	Committed Matching Contribution			
	Actual Matching Contribution (till date)			
	Percentage of Matching Grant Utilization			

15	Field Observation			Overall Remarks
	Component	Present Status	Remarks	
	Land & land development			
	Plant & Machinery			
	Technology			
	Business Development Services			
	Procurement Plan			
	Inventory Management			
	Manpower			
	Working Capital cycle			
	Marketing tie-up			
	Quality Management			

Based on this field appraisal, the ABPF monitoring team will assess whether the third installment/ tranche of Matching Grant will be disbursed or not.

A.6. Appendix - Evaluation Format

Evaluation will be conducted at the end of three years from award of Matching Grant. This analysis will try to assess economic and social return of investment.

Economic Analysis

Indicator/ Variable	Amount/ Percentage	Remarks
Project Cost		
Owner's Contribution		
Bank Finance		
Matching Grant Support		
Net Profit Margin		
Return on Investment (calculated for five years)		
Direct Employment (No.)		
Employment Days (No.)		
YoY increase in Share Capital (reinvestment by owner)		

Along with the project based economic analysis, overall Matching Grant level analysis will also be carried out. As Matching Grant has been developed to attract private investment in the horticulture value chain in Himachal Pradesh, information regarding total private investment (*i.e.* - number of times of Matching Grant amount) will provide an indication on the success of this scheme. Along with the economic benefits, evidences of the following social benefits may be collected qualitatively.

Social Analysis

Component	Benefit
Economic benefit spilled over to society	e.g. – Reduction in wastage of fruits & vegetables, level of value addition
Indirect benefit spilled over to society	e.g. – Pollination in the catchment area increased from honey business
Public goods/ utilities developed	e.g.- Common service centre, warehouses, private market
Other social benefits	e.g. – dropout rate reduces among children of FPO members, health outcome reduces among SHG members

A.7. Appendix – Screening criteria for Matching Grant Applicants

Once applicants apply for Matching Grant in the prescribed format (see appendix A.1), ABPF will screen all applicant's based on the following criteria. It is just Yes/ No category and any "No" will lead to rejection of the business idea. If a candidate score "Yes" in all the criteria, the candidate will be asked to submit complete business plan. The following are the 15 questions to screen all Matching Grant applicants.

Criteria	Yes	No
Is the business plan related to horticulture, focusing on fruit crops or on orchardists growing fruits?		
Is the business idea aligning with HPHDP Project Development Objectives (PDO) of improving productivity, quality and market access of selected horticultural commodities?		
Will this business idea improve the value chain competitiveness of the selected horticulture crop?		
Is the investment proposed is in any part of Himachal Pradesh?		
Is the business registered or in a process of getting registered soon?		
Does the applicant interested to contribute the mandatory equity contribution?		
Will the business plan will have some social impact (<i>creating jobs, reducing drudgery, reducing wastage of fruits, improve scientific decision making hence reduce resource wastage, etc.</i>)?		
Is the business feasible (as per the logic provided by the applicant)? <i>ABPF team will conduct some secondary research on the business idea at this stage.</i>		
Does the business idea articulate the technology that will be used in the business?		
Does the applicant interested to take mandatory bank loan (<i>minimum 20% of total project cost</i>)?		
The applicant has not applied for other support/ subsidy for the same business plan/ project.		
The project will not have any environmental impact.		
The applicant doesn't have any criminal case against him.		

A.8. Appendix – Environment Check List

Questions	Yes	No
<i>Does this business plan/ project intend to use or depend on any resources of national parks and protected areas or any critical aquatic and terrestrial habitat area?</i>		
<i>Is the business/ project area proposed in this proposal located in high risk zone such as landslide prone area, steep slopes, highly degraded land in hills, riverine area susceptible to annually flooding, and in areas causing large-scale soil erosion?</i>		
<i>Will this business/ project involve land clearance on slopes greater than 45 degree?</i>		
<i>Will this business/ project involve in logging or causing any major environmental harm?</i>		
<i>Is this project likely to eliminate indigenous plant species of ecological significance?</i>		
<i>Does this business proposal involve any activity that is likely to make irreversible adverse impact on indigenous communities, women and vulnerable groups?</i>		
<i>Does this business proposal include any activity that promotes or involve incidence of child labour?</i>		
<i>Does this proposal require some families losing their prime farm land and assets on the land and displacement of families due to construction of infrastructure?</i>		

A.9. Appendix – Relevant Schemes for entrepreneurs in HP

Towards promoting entrepreneurship in the state, several state and central Government schemes are being implemented. Some of the important schemes through which entrepreneurs are accessing funds are mentioned below. Here the focus is on State Govt. schemes, but central sector schemes may be accessed as usual.

5.1.1.1. Mukhyamantri Swavalamban Yojana

This scheme has been designed to provide self-employment opportunities for the youth of HP and empower them financial and socially. All Himachali youth between 18-35 years of age are eligible for this scheme.

Table 10: Benefits of Mukhya Mantri Swavalamban Yojana

Benefits

1. 25% investment subsidy for purchase of an machinery or an input up-to ₹ 40 lakhs
2. In case of women entrepreneur, the subsidy will be 30%
3. Interest subsidy of 5% for 3 years on loan up-to ₹ 40 lakhs
4. Land on 1% rent for the youth
5. Reduced stamp duty of 3% (instead of 6%) on purchase of land

5.1.1.2. Chief Minister Start-up Scheme

Any innovation who wants to translate it into business opportunity will get the following support.

1. Monthly sustenance allowances of ₹ 25,000 per month for one year
2. Incubation support in the host institutions by means of mentoring services, access to their labs, etc. on free-of-cost basis (host institutes include – CSIR-IHBT, HPKV Palampur, UHF, Nauni, etc.)
3. Market/ commercialization assistance of ₹ 10 lakhs to launch its product/ services in the market
4. The cost of filing and processing of patent application will be reimbursed to the incubated startup companies subject to a limit of ₹ 2 lakh (0.2 million) per Indian patent awarded or actual cost incurred, whichever is less. For awarded foreign patents on a single subject matter, up to ₹ 10 lakh (1 million) or actual cost incurred, whichever is less would be reimbursed
5. Startups shall be allowed to self-certify compliance with labour laws and environment laws and any other statutory/mandatory laws. No inspections by the officers of the Labour Dept., H.P. Pollution Control Board, Drug Dept., Food & Civil Supply Dept. will be done for 3 years without permission of Head of the Department. Startups may be inspected only on receipt of complaint of violation, filed in writing and approved by at least one senior level Officer to the inspecting Officer. The format developed by the Ministry of Labour & Employment, GOI for self-declaration are to be used by the start-ups during the first year under the following labour laws:-
 - *Industrial Disputes Act, 1947*
 - *The Trade Unions Act, 1926*
 - *The Building and other Constructions Worker(Regulation and Employment and Conditions of Service) Act 1996*
 - *The Industrial Employment (Standing Orders)Act, 1946*
 - *The Inter-State Migrant Workmen (Regulation and employment and conditions of service) Act,1979*

- *The Payment of Gratuity Act,1972*
- *The Contract Labour (Regulation and Abolition) Act,1970*
- *The Employees Provident Funds and Miscellaneous Provisions Act,1952*
- *The Employees State Insurance Act, 1948*
- *Start-ups falling in Green & Orange Category Industries to be established in notified Industrial Areas which do not require environment clearance shall be granted consent to establish on self-certification without any prior inspection.*

5.1.1.3. State Mission on Food Processing (Dept. of Industries)

Table 11: Incentives under State Mission on Food Processing

State Mission on Food Processing	Support available
a. Technology upgradation/ Establishment / Modernization	a. 33% with limit of 75 lakhs
b. Value addition (other than Horticulture)	b. 50% with limit of 5 crores
c. Collection centers	c. 75% with limit of 2.5 crores 7
d. Meat shop	d. 5% with limit of 5 lakhs
	e. 50% with limit of 50 lakhs

Additionally an entrepreneur can get the following support in Himachal Pradesh

Interest Subvention

1. Interest subsidy @ 5 percent p.a. on term loan, with a ceiling of ₹ 2 lakhs p.a. for a period of 3 years
2. Interest subvention @5 percent up to a loan of ₹ 25 lakhs for 3 years (for new startups having ₹ 25 lakhs investment

Electricity

1. Total exemption from the payment of Electricity Duty for period of 10 years (located in category B and C) from the period of commencement
2. Concessional rate @ 10 paise per unit from the date of commencement of operation (when setting up quality certifying agencies)

Power

Sanction power connection to 100% export oriented units and projects involving FDI

5.1.1.4. Mission for Integrated Development of Horticulture – MIDH (Dept. of Horticulture)

For post-harvest infrastructure for handling horticultural crops, MIDH has the following schemes.

Table 12: MIDH Schemes & Incentives for post-harvest infrastructure

<u>Components</u>	<u>Subsidies available</u>
• Pack house (9m by 6m)	₹ 2,00,000 per unit
• Integrated pack house with facilities for grading, sorting (8 m by 18 m)	₹ 25,00,000 per unit
• Pre-cooling unit (6 MT capacity)	₹ 12,50,000 per unit
• Mobile pre-cooling unit	₹ 12,50,000 per unit

Additionally the following MIDH schemes, related to market infrastructure are relevant for the entrepreneurs.

Table 13: MIDH Schemes on market infrastructure

Component	Unit Cost	Support Available
Rural Markets/Apni mandies/Direct markets	₹ 25.00 lakh	Credit linked back-ended subsidy @ 40% of the capital cost of project in general areas and 55% in case of Hilly & Scheduled areas, per beneficiary.
Functional infrastructure for collecting/ sorting/ grading, packing units, etc.	₹ 15.00 lakh	Credit linked back-ended subsidy @ 40% of the capital cost of project in general areas and 55 % in case of Hilly & Scheduled areas, per beneficiary
Food processing units	₹ 800 lakh	Credit linked back ended capital investment assistance of 50% of cost in states of J&K, HP and UK

5.1.1.5. Prime Minister's Employment Generation Programme – PMEGP (Khadi & Village Industries Commission - KVIC)

The scheme is implemented by KVIC functioning as the nodal agency at the national level. At the state level, the scheme is implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs), District Industries Centres (DICs) and banks. In such cases KVIC routes government subsidy through designated banks for eventual disbursement to the beneficiaries / entrepreneurs directly into their bank accounts.

The maximum cost of the project/unit admissible in manufacturing sector is ₹ 25 lakhs and in the business/service sector, it is ₹ 10 lakhs. The balance amount of the total project cost will be provided by the banks in the form of term loan and working capital.

Who can apply?

Any individual, above 18 years of age. At least VIII standard pass for projects costing above Rs.10 lakh in the manufacturing sector and above Rs. 5 lakh in the business / service sector. Only new projects are considered for sanction under PMEGP. Self Help Groups (including those belonging to BPL provided that they have not availed benefits under any other Scheme), Institutions registered under Societies Registration Act, 1860; Production Co-operative Societies, and Charitable Trusts are also eligible.

Existing Units (under PMRY, REGP or any other scheme of Government of India or State Government) and the units that have already availed Government Subsidy under any other scheme of Government of India or State Government are **NOT** eligible.

Disclaimer:

This document has been prepared for and only for Himachal Pradesh Horticulture Development Project (HPHDP) in accordance with the agreed terms and conditions and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.