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GUIDELINES FOR CLUSTER DEVELOPMENT PROGRAMME

Implemented by National Horticulture Board

Guideline Dated – 8th April 2025

INTRODUCTION

Cluster Development Programme (CDP): Launched by the National Horticulture Board as a Central Sector Scheme, redesigned after a 2021 pilot, CDP focuses on developing horticulture clusters to enhance specialization, economies of scale, global competitiveness, and better price realization for farmers.

India's Horticulture Status & Challenges: In 2023–24, India achieved a record horticulture production of 352.23 million MT (58% vegetables, 32% fruits), but still faces challenges like weak supply chains, poor storage infrastructure, high post-harvest wastage, and price volatility—especially in Tomato, Onion, and Potato (TOP) crops.

CDP Focus Areas & Investment: With a budget of INR 2000 Cr over 5 years, CDP supports High Value Multi-Commodity Clusters and Integrated Peri-Urban Vegetable Clusters (within 50–100 km of cities), emphasizing modern technologies, Good Agricultural Practices (GAPs), traceability, and direct market linkages

PART A

High Value Multi-Commodity Clusters

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OBJECTIVES

Address the entire horticulture value chain: pre production, production, post-harvest, value addition, logistics, marketing, and branding.

Introduce innovative technologies to boost global competitiveness and promote exports

Increase farmers' income by reducing costs and increasing revenue.

ELIGIBILITY CRITERIA FOR CLUSTER

FOCUS CROP IDENTIFICATION

Clearly identified primary horticulture crop; additional crops may be included for diversity and productivity

MINIMUM FARM GATE VALUE (FGV)

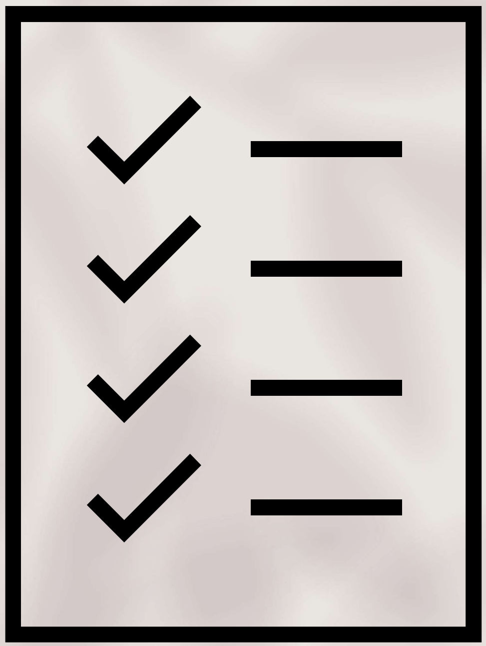
Must be equal or exceed INR 100 crores annually, calculated as: FGV = acreage × productivity × price

GEOGRAPHICAL BOUNDARIES

Must lie within a single state/UT for effective administration.

LAND CONTIGUITY

Cluster land should be contiguous. If not, then max distance between boundaries should be 50 km for hilly areas and 80 km for plains.



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ELIGIBILITY CRITERIA FOR IMPLEMENTING AGENCIES

Net Worth: Must match or exceed IA's equity contribution of IA’s project cost component

Equity Contribution: Minimum 20% of IA’s cost component, with valid financial proof.

Experience: Proven track record in agriculture/horticulture, processing, trading, logistics, etc.

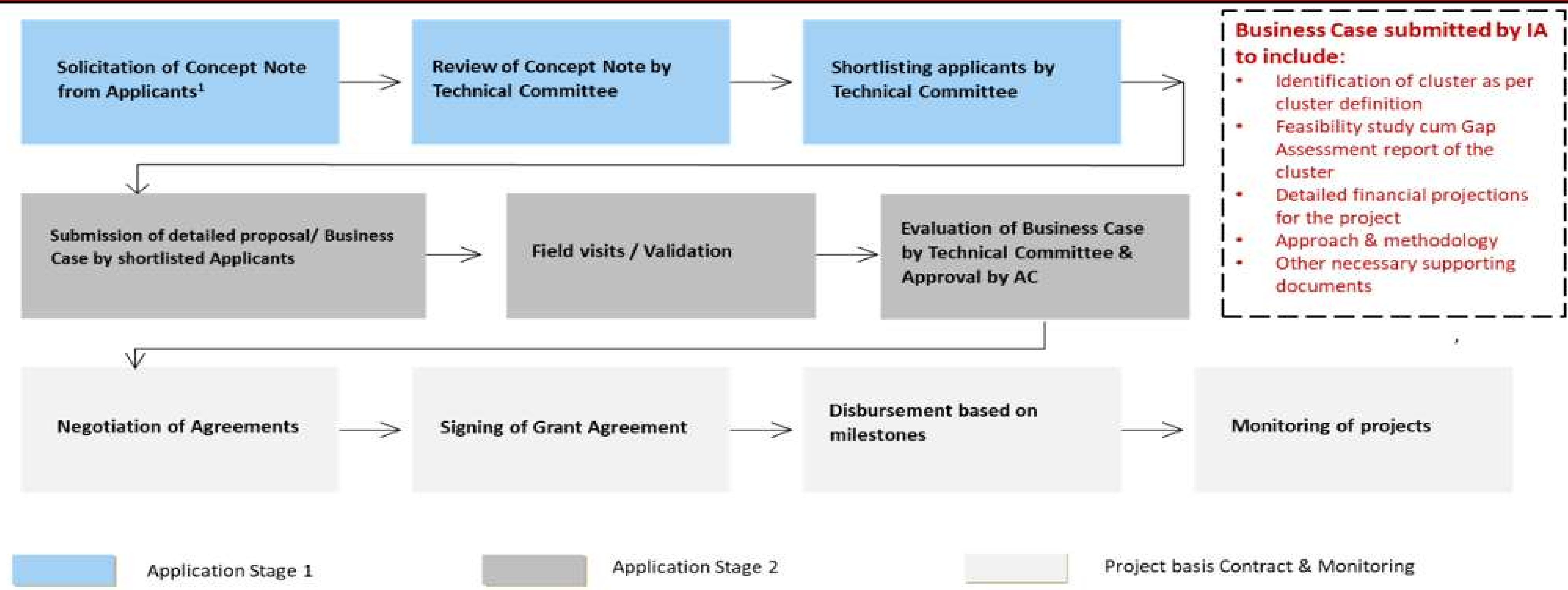
Turnover: Annual turnover must equal or exceed total project cost.

Term Loan: Minimum 20% of IA’s cost component from an RBI-approved Bank/FI with a detailed appraisal note (endorsement-only documents not valid).

Clean Financial Record: No debt defaults or NPAs in past 3 years by the entity or its key stakeholders.

PROJECT AWARD PROCESS

Figure 4: Outline of Project Award Process



[1] Rolling call for proposal by MoA&FW, Government of India

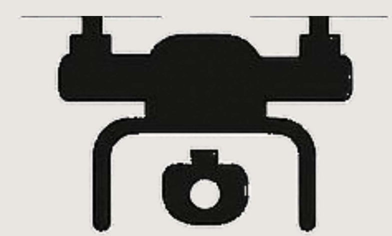
PATTERN OF ASSISTANCE

- Financial assistance capped at 25% of Farm Gate Value to ensure equity and impact.
- Up to 10% additional incentive for innovative components, capped at 50% of actual costs of the component.
- 5% bonus incentive for timely and complete project execution as per approved DPR.
- Credit-linked assistance for Implementing Agency only; not applicable to farmers or collectives.
- Farmer assistance follows approved norms and is disbursed to vendors via Direct Benefit Transfer (DBT) through CDP Suraksha Portal.
- The financial assistance for the farmers' component will be over and above the financial assistance to the IA.
- For calculation of subsidy, the cost towards civil work shall not exceed 30% of the total project cost.
- Subsidy on seeds and planting material: 100% in first season, 50% in second, limited to one year; none from third season onward.

ELIGIBLE COMPONENTS FOR IA (1/3)

VERTICLE – 1 **PRE-PRODUCTION AND PRODUCTION**

- Formation and promotion of FPOs
- Capacity-building of Farmers/ FPOs
- Awareness campaigns/ Exposure visits
- Hi-tech nurseries and tissue culture labs
- Quality control labs
- Adoption and dissemination of Good Agricultural Practices
- Promotion of crop-care practices, including Maximum Residue Levels (MRL), INM and IPM practices
- Micro-irrigation, farm mechanisation, and advanced farming techniques like precision farming, high-density plantation, usage of drones etc.
- Adoption of new technologies and advanced farm machinery for enhancing efficiency
- Real-time market intelligence, IT/Digital innovations, IoT infrastructure, traceability block chains, remote sensing, weather station and farm management software
- Development and dissemination of IEC material
- Technical assistance from various National and International organisations/ universities/ other institutes



Note – This is an indicative list only, not the exhaustive one.

ELIGIBLE COMPONENTS FOR IA (2/3)

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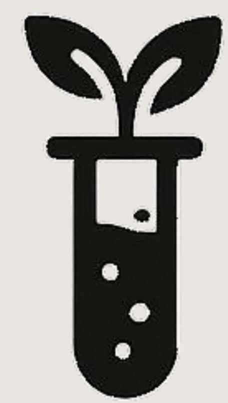
VERTICLE – 2 **POST-HARVEST MANAGEMENT AND VALUE ADDITION**

- Cost towards aggregation infrastructure such as collection centre .
- Establishment/ expansion/ modernisation of cluster-level infrastructure such as integrated pack-house, ripening chambers, pre-cooling units, cold rooms, reefer vans, primary & secondary processing units and/or value addition.
- Cold storage infrastructure including multi/temperature- controlled atmosphere cold
- storages and other related utilities.
- Infrastructure for packaging/ innovative packaging (such as modified atmosphere
- packaging, nitrogen flushing etc.) and cost of innovative packaging material. Preliminary and Pre-operative Expenses including Interest During Construction (IDC). Other ancillary facilities required for post-harvest handling of produce.
- Cost towards trainings on post-harvest handling practices.



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ELIGIBLE COMPONENTS FOR IA (3/3)

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VERTICLE – 3 **LOGISTICS, MARKETING, AND BRANDING**

- Development of transport, cold chain and other logistic infrastructure from farm gate to the domestic market and up to the exit point for export markets
- Appropriate storage and material handling infrastructure to promote the use of alternative multi-modal means for seamless transport
- Establishment of market linkages in identified domestic and export markets
- Leverage e-commerce platforms and digital marketing for bringing efficiency and as an alternate mode of market outreach
- Customization on Digital Public Infrastructure for Traceability, Blockchain & IoT Solutions
- Marketing campaigns (print/ electronic), trade fairs/ buyer seller meet, product sampling in target markets
- Collation and dissemination of market intelligence with inputs on real-time market needs
- Approach road/ Internal Road, assistance of up to INR 1.5 Cr. per project

Note – This is an indicative list only, not the exhaustive one.

ELIGIBLE COMPONENTS FOR FARMERS (1/1)

VERTICLE – 1 **PRE-PRODUCTION AND PRODUCTION**

- Cost of quality planting material
- Farm machinery at farmer/collective level
- Cost towards micro irrigation
- Inputs for INM and IPM practices
- Inputs for adoption of GAPs
- Innovative practices/ technologies/ equipment (Fruit netting, bagging, cable/ zip-line fruit evacuation system/ portable on-farm weather station etc.)

Note – This is an indicative list only, not the exhaustive one.

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INELIGIBLE COMPONENTS

- Cost of land
- Site development (excavation, filling, etc.)
- Administrative office building/guest house etc.
- Canteen/restaurants etc.
- Fuel, consumables, spares and stores
- Second hand/old machines/Reconditioned and refurbished plant & machinery
- All applicable taxes, insurance and margin money
- All types of service charges, carriage and freight charges
- Stationery items
- Operational cost including rentals, salaries, maintenance cost, etc.

EVALUATION CRITERIA

Evaluation is done in **Two** phases.

A) **Technical Evaluation** – During review of Concept note

B) **Business Case Evaluation** – During review of DPR/Business case

S.No.	Process Milestone	Process (in days*)
1.	Issue of Quarterly Rolling Notice (EoI)	-
2.	Submission of Concept Note by Bidders	Submission cycle ends on the last day of the 3rd month of the applicable quarter (T)
3.	Review & Shortlisting of Concept Note by Technical Committee	T+7
4.	Submission of detailed proposal/ Business Case by shortlisted Applicants	T+50
5.	Field visits / Validation	T+65
6.	Evaluation of Business Case by Technical Committee & Approval by AC	T+80
7.	Signing of Grant Agreement	T+90

EVALUATION CRITERIA

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Technical evaluation criteria

CRITERIA	KEY HIGHLIGHTS	MARKS
1. Alignment with CDP Objectives	Only domestic market, covers 40% of farmers in cluster – 2 marks. Domestic + Export, covers 50% of farmers in the cluster–4 marks; Domestic + Export, covers 60% of farmers in the cluster–6 marks; Domestic + Export, covers 70% of farmers in the cluster–8 marks; Domestic + Export, covers 80% farmers in the cluster–10 marks	10
2. Innovation	Traditional products or services– 2 marks, Improved Varieties and planting material – 3 marks, Innovative technologies (e.g. AWS) – 3 marks, Induced Clusters – 3 marks, Innovative Packaging – 2 marks, Innovative practices on production and harvesting – 2 marks	15
3. Organization & Business Strength of Applicant	• Years: Up to 3 years – 2 marks, 3–5 years – 3 marks, >5 years – 5 marks • Net worth in the immediately preceding year >Proposed Equity (X): Up to 1.5 X - 2mark , 1.5 X to 2 X years - 3 marks, More than 2X - 5 marks • Turnover in the immediately preceding year > Project Cost (X): Up to 1.5 X - 2 marks, 1.5 X to 2 X years - 3 marks, More than 2X - 5 marks	10
4. Impact & Inclusiveness	% of Small/Marginal Farmers: ≤25%–2 marks, 25–40%–3 marks, 40–60%–5 marks, 60–80%–6 marks, >80%–7.5 marks	7.5
5. Additionality: Secondary Processing	% of crops processed for secondary processing: Up to 10% = 2 marks, 10–20%–3 marks, 20–30%–5 marks, 30–50%–6 marks, >50%–7.5 marks	7.5

Note - In order to be shortlisted, applicants must score a minimum of 30 marks out of 50 in the technical evaluation.

DPR/BUSINESS CASE EVALUATION MATRIX (1/3)

Applicant's Profile

CRITERIA	KEY HIGHLIGHTS	MARKS
1. Turnover (x = Project Cost)	>3.5x = 5 Marks; 2.5–3.5x = 3 Marks; 1.5–2.5x = 2 Marks; 1.0–1.5x = 1 Mark	5
2. Export Linkages/ Trade experience of horticulture crops in number of countries (Over the last 5 years)	1 Mark per Country	5
3. Avg. Export Value of Focus Crop in last 5 yrs	>20 Cr = 5 Marks; 15–20 Cr = 3 Marks; 5–15 Cr = 2 Marks; 1–5 Cr = 1 Mark	5
4. Experience in Pre-Production and production related Projects of more than ₹1 Cr	3+ projects = 5 Marks, 2 Projects = 3 Marks, 1 Project = 1 Mark	5
5. Post-Harvest & Value Addition Experience of more than ₹5 Cr	3+ projects = 5 Marks, 2 Projects = 3 Marks, 1 Project = 1 Mark	5
6. Logistics, Marketing & Branding Experience of more than ₹1 Cr	3+ Projects = 5 Marks; 2 Projects = 3 Marks; 1Project = 1 Mark	5

DPR/BUSINESS CASE EVALUATION MATRIX (2/3)

CRITERIA	MARKING SCHEME	MARKS
MoUs / Arrangements with Farmers / FPOs	>30% farmers = 10 Marks ; 20–30% farmers = 6 Marks; 10–20% farmers = 3 marks; <10% Farmers = 0 Marks	10
Business Operation Period (Days)	BOP > 270 = 5 Mark; 210 <BOP≤ 270 = 3 Mark; 180 <BOP≤ 210 = 2 Mark ; 180 <BOP = 0 Mark	5
Avg. Value of Focus Crop Export (First 5 yrs)	AV > 25 Cr. = 5 Mark20 Cr. <AV≤25 Cr. = 3 Mark 15 Cr. <AV≤20 Cr. = 2 Mark; 10 Cr. <AV≤15 Cr. = 1 Mark	5
Value of Existing Infra (As % of IA cost)	V > 20% = 5 Mark ; 15% <V≤20% = 4 Mark; 10% <V≤15% = 3 Mark ; 5% <V≤10% = 2 Mark; 0% <V≤5% = 1 Mark	5
Investment in Pre-Production and production Vertical	>25% of IA's Component of Project Cost = 5 Mark ; >20% of IA's Component of Project Cost = 3 Mark	5
Investment in Value Addition (Secondary Processing)	>35% of IA's Component of Project Cost = 10 Mark ; >25% of IA's Component of Project Cost = 6 Mark	10
Investment in Logistics, Marketing & Branding	>35% of IA's Component of Project Cost = 10 Mark; >25% of IA's Component of Project Cost = 6 Mark	10
Internal Rate of Return (IRR)	>15%=5 2.5Mark ; 10-15% =1.5 Mark5-10%= 1 Mark ; <5% = 0 Mark	2.5
Debt Service Coverage Ratio (DSCR)	>2.5 = 2.5 Mark ; 2-2.5 = 1.5 Mark; 1.5-2.0 = 1 Mark = 1; <1.5 = 0 Mark	2.5
Proposed Equity Contribution	>40% = 5 Mark ; 30-40% = 3 Mark ; 20-30% = 2 Mark	5

DPR/BUSINESS CASE EVALUATION MATRIX (3/3)

Presentation

Criteria	Marking Scheme	Marks
Technical Understanding & Experience (Cluster & Crop)	Quality of technical insight	2.5
Understanding of Market	Knowledge of market environment	2.5
Approach for Development of 3 Verticals	Includes: Pre-Production, Value Addition, Logistics & Branding	5

Note - Minimum Marks for the IA to be eligible for the award of project is 60 out of 100 in total and more than 50% in each of the three sub-categories.

RELEASE OF FUNDS

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For IA

The release of funds by NHB to the IA shall occur in three instalments.

30%

of the approved financial assistance will be released within 9 months of SHM approval, subject to the completion of 30% of the components as per the approved DPR.

50%

of the approved financial assistance will be released within 18 months of SHM approval, subject to the completion of 80% of the components as per the approved DPR.

20%

of the approved financial assistance will be released within 36 months of SHM approval, subject to 100% completion of the project in all aspects.

For Farmer

The release of assistance to farmer & farmer's suppliers will be done in two equal tranches.

50%

of the assistance will be released upon approval by the farmer and Implementing Agency (IA).

50%

of the assistance will be released after further approval by the State Horticulture Mission (SHM), in addition to the farmer and IA.