Chapter 2 - Agriculture Department

2.1 Introduction

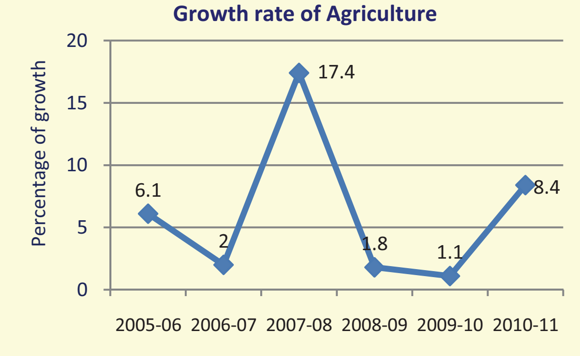
Andhra Pradesh is an agrarian State with 72.7 *per cent* of its population residing in rural areas and dependent primarily on agriculture. The State is divided into nine agro-climatic zones based on temperature and rainfall. A Regional Agriculture Research Station was set up in each of these zones to facilitate better research and more focused planning for each zone. The details of these agro-climatic zones are depicted alongside.

Map-1

NINE AGRO-CLIMATIC ZONES OF ANDHRA PRADESH

Agriculture contributes about 21.5 *per cent* of the GSDP[1] of Andhra Pradesh. The share of agriculture sector in the GSDP declined from 25.1 *per cent* in 2004-05 to 21.5 *per cent* in 2010-11 with inter-year fluctuations. The trend in the growth rates of agriculture to GSDP can be seen from the graph given alongside. The State witnessed an impressive growth in this sector during 2007-08, due mainly to an excellent monsoon, and a poor show during 2009-10, due again, to a poor monsoon. This underlines the continuing monsoon dependence of agricultural operations in the State.

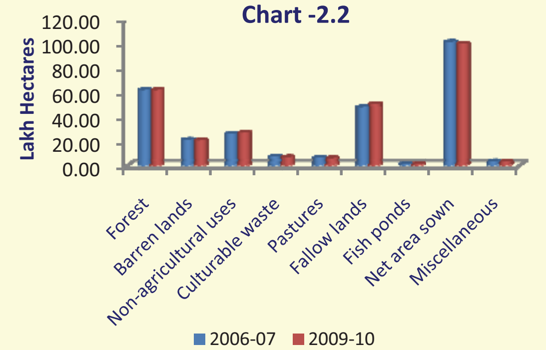
Chart -2.1
Growth rate of Agriculture



2.1.1 Land utilisation

The total geographical area of the State of Andhra Pradesh is 275.04 lakh hectares (ha). The extent of land used for agricultural purposes out of this (net sown area), has been fluctuating over the years and declined during the last few years from 37 *per cent* in 2006-07 to 36 *per cent* in 2009-10, as can be seen from the category-wise utilisation of land during 2006-07 and 2009-10 given alongside. This can be attributed partly to rapid urbanisation taking place in the State.

Chart -2.2



[1] Gross State Domestic Product

2.1.2 Functioning of Agriculture Department

The Department of Agriculture (DoA) was created mainly to provide agricultural extension services to farmers involving transfer of the latest technical knowhow to the farming community, introduce high yielding varieties of seeds, ensure timely supply of seeds, fertilizers and pesticides, impart training and awareness to farmers to boost agricultural production and productivity, etc.

Mission of the Department

The Mission of the DoA is to attain 5 per cent growth rate and increase return on investment to farmers through,

-Improved technology

-Effective extension reach

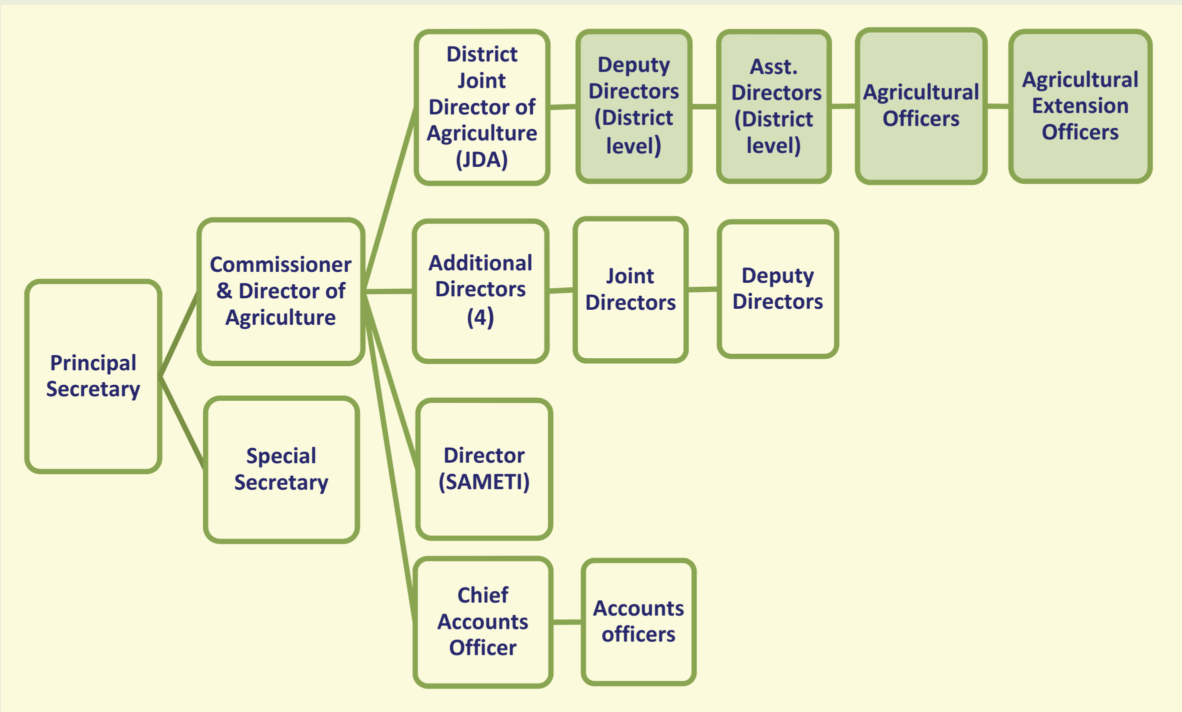
-Efficient input delivery; and

-Mechanisation, marketing tie up, adequate credit and crop insurance.

The main strategies adopted by the Government to fulfill the Mission set for itself are capacity building of farmers, re-engineering of extension approach, strengthening research and extension linkages and supply of timely and quality inputs.

2.1.3 Organisational set up

Principal Secretary to the Government is the administrative head of the Department. The Commissioner and Director of Agriculture (C&DA) is responsible for overall development of agriculture in the State, including planning, strategizing, implementing, monitoring and follow up activities. The organogram of the DoA is given below.



2.2 Audit Framework

2.2.1 Audit objectives

Functioning of the Agriculture Department was reviewed in audit with the objective of evaluating its performance with specific reference to the following:

- Effectiveness of agricultural extension services;
- Timely supply of seeds and other inputs;
- Economy, efficiency and effectiveness in implementation of schemes relating to improvement in production and productivity of agriculture sector in the State; and
- Quality of internal controls in various areas of the department and compliance thereto.

2.2.2 Scope and Methodology of Audit

Audit was carried out between February and May 2011 and covered the core activities of the Department during 2008-11. Audit methodology involved scrutiny of the relevant documents and analysis of data at the Secretariat, district and division level and the selected project sites. Discussions were held with the concerned officials at both Secretariat as well as at the field units chosen for detailed scrutiny. Joint inspection of the sampled sites was carried out with the Departmental officials and photographic evidence was taken to substantiate audit findings where required.

Audit objectives and methodology were discussed with the Special Secretary to the Government in an entry conference held in February 2011. Audit findings were discussed with the Principal Secretary to the Government and his team in an exit conference held in October 2011. The replies/responses of the Government have been incorporated in the report at appropriate places.

2.2.3 Audit sampling

Out of 19 schemes undertaken by the Department, eight were selected for detailed audit scrutiny on considerations of financial materiality and their importance in overall priority accorded by the Government to various initiatives. Implementation of the sampled schemes was reviewed through a test-check of records in six districts *viz*. Anantapur, East Godavari, Krishna, Medak, Nizamabad and Visakhapatnam covering 41[2] out of 402 field units chosen on simple random sampling without replacement method.

2.3 Programme Implementation

2.3.1 Major Government Interventions

As part of its efforts to achieve its mission of 5 *per cent* growth rate during the XI Plan period, the DoA has been implementing several programmes under State and Central schemes. The details of major schemes in this regard are as follows.

[2] 6 JDAs, 14 ADAs, 14 MAOs, 4 FTCs and 3 seed farms

Table-2.1

State Plan Schemes	Central Plan Schemes	Centrally sponsored schemes
Supply of Seeds	Seed Village Scheme	ISOPOM[3] – Pulses
Polambadi[4]	National Project of Organic Farming	ISOPOM – Oil Seeds
State Seed Farms		ISOPOM - Maize
Integrated Nutrient Management		MM-II Technology Mission on Cotton
Farm Mechanisation		Work Plan on Macro Management in Agriculture
Extension Programmes		Agriculture Technology Management Agency (ATMA)
National Agricultural Insurance Scheme		Jute Technology Mission
Rashtriya Krishi Vikas Yojana		
Crop loans to farmers (Pavala Vaddi)		
Buildings for Agriculture Department		
Relief assistance (Input subsidy)		

Source: Outcome budgets

Budget allocation and expenditure on State plan schemes during the last three years is given below.

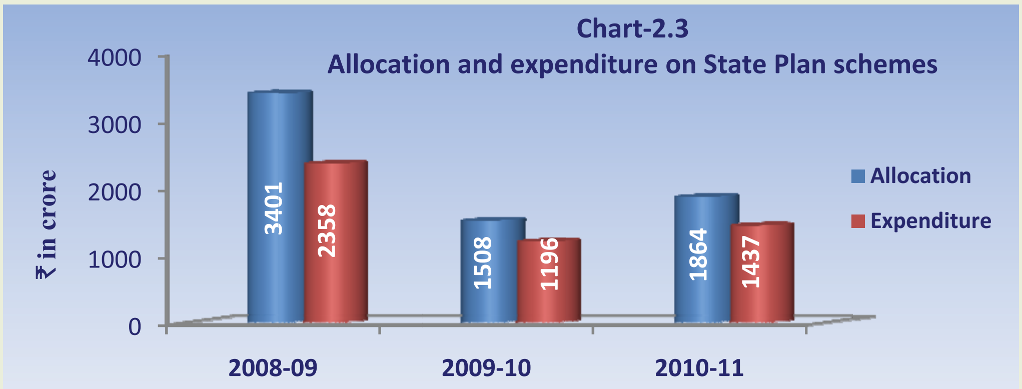
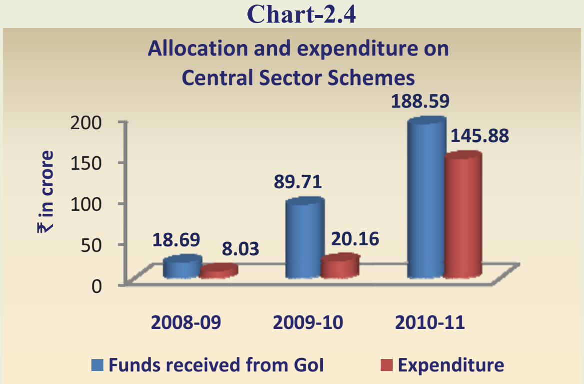


Chart-2.3
Allocation and expenditure on State Plan schemes

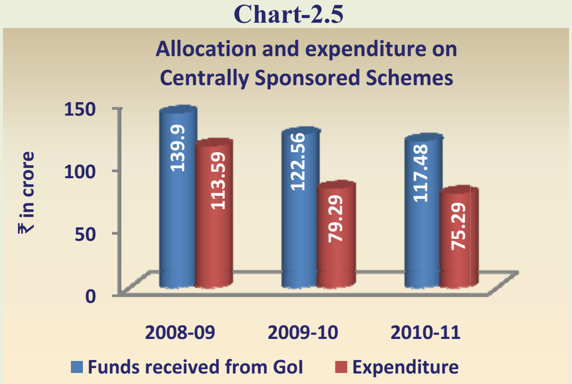
Allocation and expenditure on Central Plan and Centrally sponsored schemes during 2008-11 is given below.

Chart-2.4



Allocation and expenditure on Central Sector Schemes

Chart-2.5



Allocation and expenditure on Centrally Sponsored Schemes

Source: C&DA

[3] Integrated Scheme of Oilseeds, Pulses, Oil palm and Maize
[4] Farmers' field school

As can be seen from the above details, the DoA has not been able to utilise the funds provided either for State Plan schemes or Central Plan/Centrally sponsored schemes and there have been substantial savings year after year. Saving in State Plan schemes was up to 30 *per cent* during 2008-09 and saving with regard to GoI schemes was up to 53 *per cent* during 2009-10. While the validity of some of these sanctions/releases has been extended, the State has been losing an opportunity to improve the agriculture sector at a rapid pace due to its inability to spend the funds, which in turn reduced the GoI allocation in some cases.

The State Government formulated several schemes for creating awareness among the farmers about technological advancements in farming sector, so as to improve the yield and productivity of this sector and to increase the return on investment to farmers. These initiatives fall broadly under two categories:

- Programmes for increasing productivity; and
- Agricultural extension programmes.

We selected eight[5] schemes (seven State Plan Schemes and one Central Sector Scheme) for detailed scrutiny to assess the success of both these initiatives of the State Government. Our findings are discussed below.

2.3.2 Programmes for increasing productivity

2.3.2.1 Supply of seeds

One of the important factors that determine the success or failure of crop is availability of quality seed. Government has been implementing the '**supply of seeds scheme'** under State Plan for distribution of seeds on subsidy to farmers. It has also been implementing '**Seed Village Scheme',** which is fully funded by GoI, for production of quality foundation seed (FS) in selected villages through the State Seed Farms.

DoA arrives at the total requirement of seeds for each crop season[6] at the State level, based on the village wise assessment made by the AO, which in turn is consolidated at Mandal, District and State levels. Government distributes limited quantity of subsidised seeds annually to farmers. The rates of subsidy vary depending on the variety of seeds and are notified at the beginning of the season. Expenditure on subsidy is met by the DoA from the budgetary support of the State Government. Non-subsidy seeds are supplied by private seed supply agencies at market rates.

Audit scrutiny of seed supply management indicated that during 2008-11, DoA supplied 57.68 lakh quintals of seeds by spending ₹ 874.94 crore[7] against the assessed and planned requirement of 77.74 lakh quintals leaving the balance to be met from private sources.

[5] Supply of seeds, Seed Village scheme, State Seed Farms, Relief assistance (Input subsidy), National Agricultural Insurance scheme, RKVY (Farm mechanization), Buildings for Agriculture Department, Extension programmes including Pavalavaddi

[6] percentage of Seed Replacement Rate varies from crop to crop and season to season

[7] Subsidy allowed per quintal: Paddy – ₹ 500; Groundnut – ₹ 1,600/₹ 1,650; Red gram – ₹ 2800; Black gram – ₹ 3,250; Green gram – ₹ 3,000, etc.

C&DA attributed the 26 *per cent* shortfall to non-availability of the requisite quantity of seeds in 2008-09 and 2010-11 and severe drought conditions in 2009-10.

Table-2.2

(Quantity in lakh quintals)

Crop	Total Seed requirement	Expected seed availability		Total
		Govt. sources	Private sources	
Paddy	14.38	5.69	**13.05**	18.74
Maize	0.90	**0.13**	2.20	2.33
Red gram	0.70	0.55	0.08	0.63
Green gram	0.52	0.21	0.04	0.25
Black gram	0.17	0.44	0.04	0.48
Groundnut	21.00	**10.88**	6.23	17.11
Soyabean	1.05	2.40	0.24	2.64
Cotton	0.39	0.00	**0.40**	0.40

Source: C&DA

However, the DoA had not made adequate arrangements for ensuring availability of required quantity of seeds to farmers even during 2011-12, as can be seen from the details about the requirement and availability of seeds relating to major crops during Kharif 2011 given in Table-2.2. During the 2011 Kharif season the expected availability of seeds from Government sources was far less than the requirement.

Audit scrutiny of Seed Action Plan of the DoA for the Kharif 2011 season revealed that only 40 *per cent* of paddy seed, 52 *per cent* of groundnut seed and 14 *per cent* of maize seed were proposed to be supplied through Government sources. Declaration of crop holiday during Kharif 2011 in some parts of the State by the farmers where paddy is predominantly grown need to be taken into cognizance by the DoA for drawing up appropriate action plan to supply seeds at subsidised rate. Short supply of subsidised seeds also forced the small and marginal farmers to buy seeds in the open market at higher rates, leading to increased financial burden. Crop failures in such cases invariably push the farmers to the door-step of private money lenders.

Similarly, cotton seed availability from Government was nil due to its complete inability to supply subsidised seeds to cotton growers. This compelled them to buy seeds from more expensive private sources.

Government stated in November 2011 that the shortfall in supply of seeds was due to less demand from the farmers, crop diversification and adverse seasonal conditions. During the exit conference (October 2011) however, the State Government had admitted that it was not equipped to supply the entire quantity of seeds required by farmers. Considering that the overall requirement of seeds is assessed every year on the basis of past pattern and the inputs from functionaries involved in extension activities, the DoA should have been able to plan supply of various types of seeds in required quantities. It is obvious that the Government neither met the seed requirements of the farmers on its own nor made any other contingency plans for the purpose. Its inability to make the farmers aware, in time, about its inability to arrange supply of seeds as per their requirement virtually pushed them into a situation where they would be completely at the mercy of private seed suppliers obliging them to buy seeds at expensive rates.

2.3.2.2 Production and Certification of Seeds

Production of foundation seed (FS) is the basis for subsequent production of certified seed (CS) as CS is the progeny of the FS. The Central sector **Seed Village Scheme** envisaged production of certified seed through the identified seed village plots of farmers, for distribution among themselves and develop them as seed entrepreneurs. Quality seed production and distribution to farmers at affordable cost are the objectives of this scheme. The scheme is being implemented from Rabi 2005-06 with 100 *per cent* funding from GoI.

The aim of this scheme is to

- identify the areas of better seed production;
- promote group activity with unit size of 10 ha;
- supply foundation/certified seed at 50 *per cent* cost to the identified farmers;
- preserve/store the produced seed till the next sowing season with the help of storage bins;
- impart three-day training on seed production and seed technology to farmers for the seed crops grown in the seed villages.

Our scrutiny of the relevant records and information obtained from APSSDCL[8] and APSSCA[9] revealed that the State has not been able to utilise the funds provided by the GoI for implementation of this scheme. The following table gives the details of the flow of funds for this scheme during 2008-11.

Table-2.3

(₹ in crore)

Year	Opening Balance	Receipts	Total	Expenditure	Unspent balance
2008-09	Nil	18.27	18.27	8.00	10.27
2009-10	10.27	78.81	89.08	19.96	69.12
2010-11	69.12	Nil	69.12	33.14	35.98

Source: C&DA

Government stated (November 2011) that only ₹ 33.14 crore of the revalidated amount of ₹69.12 crore could be spent and that GoI was requested to revalidate the balance funds. Clearly, the State was unable to utilise the funds released and revalidated by GoI as it was not adequately equipped to cope with the demand for seed requirement, despite availability of funds.

2.3.2.3 Production of Foundation Seed

There are three classes and sources of seed viz. Breeder Seed, Foundation Seed and Certified Seed. Breeder (pure) Seed is directly controlled by the originating plant breeder and this provides source for initial and recurring increase of foundation seed. Foundation

[8] Andhra Pradesh State Seed Development Corporation Limited
[9] Andhra Pradesh State Seed Certification Agency

Seed is the progeny of the Breeder Seed. Stage-I of the Foundation Seed[10] is used for further production of Foundation Seed whereas Stage-II[11] could be used only for production of the Certified Seed.

There was short production of 2.39 lakh quintals (46 *per cent*) of foundation seed during 2008-11. As a result, there was acute shortage of 11.82 lakh quintals (25 *per cent*) of certified seed and the value of the shortfall in production of both foundation and certified seeds was estimated at ₹ 298.75 crore by APSSDCL, the nodal agency. Details are given below.

Table-2.4

(Quantity in lakh quintals and value in crore of rupees)

Year	Foundation seed				Certified seed			
	Expected quantity	Actual quantity	Shortfall	Value of shortfall seeds	Expected quantity	Actual quantity	Shortfall	Value of shortfall seeds
2008-09	1.94	1.45	0.49	12.74	12.47	10.33	2.14	35.69
2009-10	1.86	0.67	1.19	38.92	14.56	8.52	6.04	139.56
2010-11	1.45	0.74	0.71	26.97	13.48	9.84	3.64	123.50
Total	**5.25**	**2.86**	**2.39**	**78.63**	**47.51**	**28.69**	**11.82**	**298.75**

Source: C&DA

The shortage of certified seed forced the DoA to procure 'truthfully labelled seed' from private seed companies. Thus, APSSDCL, which is the designated seed supplier in the State, was not geared to meet the anticipated demand for certified seed.

Government stated (November 2011) that there was a decrease of 22 *per cent* in production of seed during 2009-10 over the level of 2008-09 due to untimely rains in north coastal region of the State. Government also added that seed processing and seed storage capacity of APSSDCL was limited due to inadequate infrastructure, and that, after the completion of the ongoing augmentation works by the year end, the APSSDCL would be in a position to produce 13 to 14 lakh quintals of seeds per annum against the average annual requirement of 15.44 lakh quintals.

2.3.2.4 Seed farms

There are twenty five Seed Farms in the State which are producing FS by utilising the breeder seed from Acharya N G Ranga Agricultural University. FS produced in these farms is supplied to seed breeders under GoI Seed Village scheme at 50 *per cent* subsidy. We reviewed the records of these seed farms at Samalkot (East Godavari district), Sadashivpet (Medak district) and Boppaspalli (Nizamabad district) and noticed that there was 57 *per cent* shortfall in production of FS during 2008-11 in these farms, as indicated in the Table-2.5.

[10] First produce of Foundation seed
[11] Second and subsequent usage of foundation seed

Table-2.5

Year	Target (MT)	Production (MT)	Shortfall (*per cent*)	Remarks
2008-09	289	113	176 (61)	Shortfall was attributed by Boppaspalli farm to drought, late and heavy rains whereas Samalkot farm cited cyclonic rains. Unsuitability of land was the reason stated for shortfall in Sadashivpet.
2009-10	259	97	162 (62)	
2010-11 (Kharif)	125	79	46 (37)	
Total	**673**	**289**	**384 (57)**	

Source: SSFs

C&DA had estimated that ₹ 15.90 crore would be required for strengthening Seed Farms in the State. The works envisaged for the purpose included land development, drilling of bore wells, fixing electrical motors, etc. Contrary to this proposal, the State Level Sanction Committee (SLSC) of Rashtriya Krishi Vikas Yojana (RKVY) sanctioned ₹ 1.42 crore (October 2009) for taking up 80 infrastructural works and the funds were released to C&DA during February-March 2010. The funds were passed on by C&DA through the JDs to AP State Agro Industries Development Corporation Limited (APSAIDC) that was to execute the infrastructural works. No time limit was prescribed for completion of the works. Of the 80 works sanctioned, only 13 works (16 *per cent*) were completed as of March 2011.

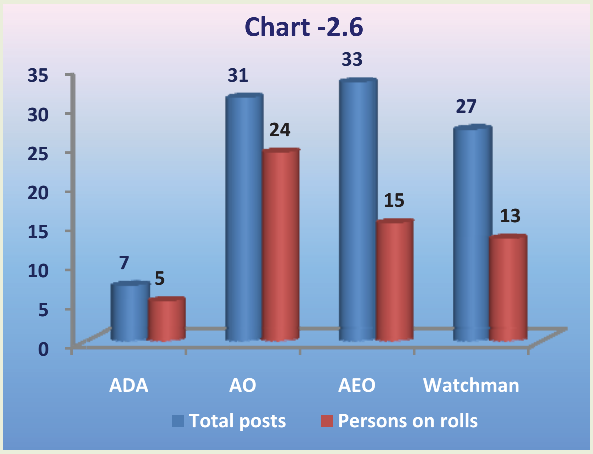
Table-2.6

Parameter	Number	Amount released (₹ in lakh)
Works completed	13	19.78
Works at various stages	38	28.88
Works not yet taken up	29	93.34

Source: C&DA

Thus, apart from markedly low financial support to development of required infrastructure in the seed production centres, little progress was actually achieved in completing the works even with the limited funds provided for this purpose. Adverse impact of poor infrastructure on low achievement of seed production targets was obvious.

Government stated (November 2011) that 53 out of 80 works were completed and that necessary power connections were being obtained for the bore wells. It was also added that proposals for sanction of ₹ 30 crore for the developmental works were submitted to GoI and their approval was awaited.



Source: SSFs

There were huge vacancies in all cadres in the seed farms as can be seen from the chart given alongside. 17 farms were under the control of in-charge ADs in the State. In all the three sampled farms, ADAs (Regular) were holding additional charge, indicating that seed farms were not given due importance by the DoA. This also underscored the inability of the department to utilise funds and achieve even limited objectives.

Government stated (November 2011) that ADAs were posted in the recent past and that, the vacancies in the cadre of AOs had gone up due to the promotion of the incumbents.

2.3.2.5 Seed processing units

C&DA placed purchase order[12] in July 2006 on APSAIDC for supply of 30 two-ton capacity seed processing units to 15 Seed Farms at an estimated cost of ₹ 1.15 crore. APSAIDC supplied 29 units at a cost of ₹ 1.11 crore by March 2007. As of March 2011, 12 of these units remained uninstalled due to non-availability of suitable place, proper shed, electricity, etc., rendering the expenditure of ₹ 45.93 lakh incurred on the purchase of these 12 units idle. Photographs of an idle seed processing unit and dilapidated building in Boppaspalli Seed Farm are given below.

Photograph taken on 21 April 2011 shows the dilapidated building of the State Seed Farm, Boppasapally

Photograph showing the locked up premises in the Seed Farm at Sadashivpet in Medak District. Photograph was taken on 5 May 2011

Government admitted (November 2011) the non-installation of 12 seed processing units due to lack of power connections and infrastructure facilities and assured that the installation of these units would be completed during the year.

2.3.2.6 Seed certification

The AP State Seed Certification Agency was set up by Government under Seeds Act, 1966 for registering the seed village plots for seed certification. The Agency is assisted in this task by the District JDAs who furnish to it, before every sowing season, the list of farmers participating in seed production and provide crop-wise sowing dates for each village. The seed certification officers of the Agency are required to visit the seed village plots at different stages of crop growth to monitor adherence to the seed production standards.

The details of areas registered by the Agency and visits by seed certification officers in the sample districts are given in the Table-2.7.

[12] C&DA proposed (December 2006) to GoI to set up one small SPU at each Farm so that the foundation seed produced at the farm as well as the Certified seed produced by the farmers could be processed in the farms and make available the quality seed at lower prices to the farmers and requested to approve and release ₹1.20 crore under innovative scheme of Macro Management in 2006-07

Table-2.7

(Area in hectares)

District	Particulars	Year		
		2008-09	**2009-10**	**2010-11**
Anantapur	Area offered	10000	15217	13232
	Area registered	Nil	Nil	3177
East Godavari	Area offered	2700	1312	2510
	Area registered	Details were not available with JDA		
Krishna	Area offered	1748	2840	5680
	Area registered	Nil	Nil	Nil
Medak	Area offered	960	3420	3420
	Area registered	960	Nil	Nil
Nizamabad	Area offered	2930	1820	4800
	Area registered	Nil	Nil	Nil
Visakhapatnam	Area offered	1180	1220	3240
	Area registered	760	763	Nil

Source: JDAs

The whole process of certification of seed village plots had remained neglected, as evidenced from the details in the table above. The JDAs, after having furnished details of plots in seed production to the Agency, had not pursued certification process beyond that stage. Consequently,

- in Visakhapatnam district, while only about 63 *per cent* of offered areas were registered during 2008-09 and 2009-10, no plots were registered during 2010-11;
- in Medak district, while all the offered plots were registered in 2008-09, none were registered thereafter;
- in Anantapur district[13], no groundnut seed was produced, although it is the most predominant crop in this district. Consequently, majority of farmers in the district had to obtain groundnut seed from far off places involving high transportation costs;
- no area was registered for certification during 2008-11 in Krishna and Nizamabad districts.

As a result, seed produced under the scheme remained uncertified/unavailable. Since the seed could not be stored till the following season, it had to be sent to market for consumption as grains. This had a cascading effect on seed availability in the subsequent crop seasons and led to severe shortage of seeds.

Government accepted that there was incomplete registration of seed village plots and assured (November 2011) to procure seeds from seed village plots during 2011-12.

[13] Seed Farm at Kanekal

2.3.2.7 Storage bins not supplied

Guidelines provided that the seed produced in the seed village plots were to be preserved/stored till the subsequent season. To encourage farmers to develop storage capacity of appropriate quality, the DoA decided to procure storage bins for storing the seed produced by the farmers in their farms. Although 0.23 lakh bins were targeted to be supplied to farmers during 2008-09 alone, not a single storage bin was supplied to them during the entire period 2008-11. This indifferent attitude of the DoA not only defeated the objective of preserving the produced seed till the following sowing season, but also exposed the seed to possible damage by rodents, moisture, etc.

2.3.2.8 Seed Testing Laboratories

APSSCA has established three seed testing laboratories at Hyderabad, Kadapa and Amaravathi. GoI released ₹ 11.85 lakh in May 2008 for strengthening the existing Kadapa and Amaravathi laboratories[14] and ₹ 25 lakh for establishing the DNA Finger Printing Laboratory at Rajendranagar, Hyderabad under the Central Sector Scheme of 'Development and strengthening of seed infrastructure facilities for production and distribution of quality seeds'. Of this, ₹ 18.50 lakh was reportedly advanced to the AP State Police Housing Corporation Limited, Hyderabad for execution of the works and the balance was parked in fixed deposits during 2008-10. The works were not completed even as of October 2011. Thus, the objective of strengthening the three STLs was not achieved even after three years of release of funds, and the basic objective of ensuring supply of pure seed by the APSSDC did not fully materialise.

Supply of quality seeds through the implementation of GoI's Seed Village Scheme and other State plan schemes was affected by poor utilisation of funds, inadequate production of foundation seed, insignificant supply of certified seed and non-strengthening of seed testing laboratories and seed farms.

2.3.3 Disbursement of relief assistance

State Government provides financial assistance to farmers whose crops are affected by natural calamities. The assistance is released in separate instalments for small and marginal farmers (SMF), on priority basis. As per the norms prescribed (June 2007) by GoI, assistance of ₹ 2,000 and ₹ 4,000 per hectare respectively for rain-fed areas and areas under assured irrigation was to be released to farmers.

As per the instructions of the District Collectors, Tahsildars[15] are to open joint bank account with AOs for depositing the instalments of assistance released by the District JDAs for disbursement to the affected farmers. After disbursing the assistance, Tahsildars are required to render accounts and utilisation certificates to JDAs and remit unspent balances to Government account. District JDAs are to submit UCs to the C&DA for onward submission to the Revenue Department. The State Government had released ₹ 1,451.09 crore during 2008-11 for disbursement to the affected farmers. The JDAs had drawn the

[14] Kadapa laboratory: ₹ 4.65 lakh and Amaravathi laboratory: ₹ 7.20 lakh
[15] Formerly Mandal Revenue Officers

entire amount and kept it at the disposal of the Tahsildars for disbursement to the affected farmers. We however, observed that, Tahsildars had disbursed only ₹ 1,075.41 crore and the balance amount of ₹ 375.68 crore was lying outside the Government account in Savings Bank accounts held by Tahsildars.

Audit scrutiny of the related acquittance rolls and bank statements, etc. in the offices of ADs, and detailed contingent bills and other connected records in JDAs' offices in the sampled districts revealed the following irregularities:

- JDAs did not keep enumerated lists of calamity affected farmers with them, although they were required to do so. Due to this, the correctness of disbursements could not be vouchsafed in audit.
- There was no evidence on record to prove that only eligible farmers received the assistance. There was no supervision over disbursement of funds and there was no documentary proof in support of disbursement to actual cultivators; money was disbursed through uncrossed cheques; cash books were not maintained; there were identical signatures against multiple beneficiaries in the acquittance rolls, etc.
- There was little evidence to suggest that the assistance was disbursed in time to 'SMF' and other farmers. In Nizamabad district, disbursement of assistance of ₹ 49.18 crore to the affected farmers was delayed by 21 months (from May 2009 to January 2011) after the calamity. Similarly, in Krishna district, delays in disbursement of ₹ 44.48 crore were in the range of two to 31 months.

Lack of transparency in disbursement of relief assistance and absence of adequate proof of disbursement of money to farmers underlined strong likelihood of vested interests indulging in corrupt practices in passing such benefits to the intended beneficiaries, their harassment in the process and even misappropriating public funds.

Government accepted (November 2011) that there could be irregularities in the distribution of relief assistance and attributed it to incomplete and old revenue records. Belated release of funds was attributed to budgetary constraints. Government also stated that a joint appraisal involving the officials of Revenue, Agriculture, and Directorate of Economics and Statistics was being contemplated and that self-reporting system by the farmers was also being envisaged to plug these problems. Further, it was stated that necessary instructions were given to JDAs for supervision to avoid the irregularities pointed out by Audit. Government has not, however, indicated the action proposed to be initiated against the delinquent officials relating to both (a) enumeration and (b) disbursement of subsidy.

2.3.4 Implementation of National Agricultural Insurance Scheme

National Agricultural Insurance Scheme is being implemented from Kharif 2008 for identified principal crop in all 22 rural districts of the State with village as the insurance unit as against Mandal as the insurance unit before that. Farmers availing credit are automatically covered under the scheme. Other farmers have the option to avail of the benefit of this scheme. While all the beneficiaries are required to pay a premium, small and marginal farmers are entitled to the element of subsidy in payment of premium. Farmers' claims are settled on the basis of yield statements obtained by Agriculture Insurance Company of India Limited (AIC) which is required to maintain a distinct account for receiving premium from the loanee and non-loanee farmers and paying out their claims.

Under the scheme, the crop insurance premium in respect of loanee farmers is deducted by the loan-sanctioning banks and Primary Agricultural Cooperative Societies (PACS) upfront, by deducting the same from loan amount being disbursed. The premium so deducted is passed on by the banks to AIC through their identified nodal branches at the district level. In the case of PACS, the premia are consolidated and sent to AIC through the District Cooperative Central Banks. Payment of claim is regulated on the basis of crop yield data and actuarial premium rates determined by professional agencies. Since the premium paid by the farmer is insufficient to meet expenditure on insurance claims, the balance expenditure is funded by Central and State Governments on equal basis. For this purpose, AIC prefers a claim on both the Governments and disburses claims to the farmers through nodal banks in the districts as well as through PACS. These agencies are required to credit the claims to the individual loan accounts.

As of March 2011, insurance claims amounting to ₹ 1,569.65 crore were disbursed to 20.80 lakh farmers in the State[16]. Our observations on the implementation of this scheme based on our scrutiny of records in the sampled districts are discussed in the succeeding paragraphs.

2.3.4.1 Poor coverage of non-loanee farmers

DoA is responsible for creating awareness about the scheme among the non-loanee farmers (including tenant farmers) so as to extend its benefits to a larger segment of farmers. However, as against the existing coverage of 118 lakh farmers in the entire State, only 6.26 lakh non-loanee farmers were enrolled by the DoA during 2006-11 whereas there are 1.44 crore farmers in the State. The Extension Wing of DoA was obviously unsuccessful in popularising the scheme amongst the non-loanee farmers at large.

2.3.4.2 Disallowance of proposals

Bank branches in each district submit details of premium collected from farmers at periodical intervals to their nodal branches stationed in the district headquarters. The nodal branches of banks have to send lists of farmers from whom insurance premium was collected and the demand drafts to AIC on a monthly basis. AIC pays service charges to banks for rendering service to farmers. During 2008-11, AIC paid ₹ 9.82 crore to the banks on this account.

We noticed that remittance of the premium paid by the farmers as well as submission of bank-wise and insurance unit-wise details of farmers to AIC was delayed by the nodal branches of banks. Consequently, AIC had rejected insurance proposals submitted by nodal branches and refunded premium aggregating ₹ 58.20 lakh in respect of loanee farmers, who had suffered crop damage, to the banks during 2008-11. Due to failure of nodal branches in adhering to the time schedule prescribed by AIC for receiving the premia, the farmers were deprived of their insurance claims although premium had been collected by banks upfront at

[16] During Rabi 2006-07 to Kharif 2009, disbursed during May 2008 to November 2010

the time of sanctioning the loans. Despite receipt of service charges aggregating ₹ 9.82 crore, banks did not secure the interests of the farmers.

2.3.4.3 Compilation of yield data

It was observed in audit that compilation of data relating to the yield particulars from each insurance unit was incomplete, as many columns in the prescribed proforma were left blank. Primary workers and supervisors engaged on the work of compiling data were hired on contract basis in a non-transparent manner. Further, Chief Planning Officers[17] were drawing the insurance money meant for farmers and diverting it for payment of honorarium in cash to the contract primary workers through the personal account of Assistant Statistical Officers (ASOs).

Payment of honorarium in cash and crediting money to the personal account of ASO was incorrect, irregular and fraught with the risk of misappropriation.

2.3.4.4 Denial of benefit to loanee farmers

As per the instructions of AIC, insurance claims of farmers are to be ordinarily credited to their loan accounts. However, in cases where no loan is outstanding or the loan has been rescheduled on account of crop failure insurance claims are required to be credited by the banks/PACSs in the mandatory saving accounts of the farmers. Contrary to these instructions, 8,211 commercial banks and 2,748 PACS in the State have been crediting the insurance claims to the loan accounts of farmers, even in cases where outstanding loan was nil or where repayment of loans was not due on that day. As a result, farmers were deprived of the relief in the form of insurance claims. To that extent, banks were benefited, as crediting of insurance claims against the loan accounts of farmers acted as premature repayment of loan.

2.3.4.5 Delay in disbursement of claims

State Government had delayed release of its share of insurance claim by one week to nine months. This had contributed to delayed disbursement of accepted claim amounts to the beneficiaries putting them to hardship. Our scrutiny of disbursements made by AIC during 2000-01 to 2009-10 revealed that banks had delayed disbursement of farmers claims by 3 to 15 months.

Government stated (November 2011) that due to the awareness campaigns organised by AIC all over the State, there was gradual progress in coverage of non-loanee farmers. Delays in settlement of claims were attributed to delays in receipt of yield data from the Directorate of Economics and Statistics.

[17] Head of the district unit of the DES

2.3.5 Interest reimbursement schemes

2.3.5.1 Pavalavaddi

Government introduced Pavalavaddi[18] Scheme in June 2008 to provide additional relief to farmers who repay their crop loans within the prescribed due dates. The scheme was made applicable with effect from Kharif 2008, to all those farmers who had obtained short term production credit viz. crop loans. The scheme was extended to 2009-10 and later to 2010-11 as well. Under this scheme, interest charged by banks over and above 3 *per cent* is to be reimbursed to the farmers.

Government targeted disbursement of ₹ 310 crore in 2008-09 alone on account of this scheme. However, only ₹ 1.17 crore was reimbursed by C&DA in that year. As of March 2011, ₹ 123.57 crore[19] was released by the Government to reimburse the claims of 2008-09. District JDAs drew and disbursed to the banks only ₹ 83.37 crore for eventual release to 10.17 lakh farmers. The short disbursement of ₹ 40.20 crore was attributed by the C&DA to budget freeze. Claims of the farmers for relief for the subsequent two years were yet to be taken up by the C&DA. Consequently, against 120 lakh cultivators, only 10.17 lakh farmers (8.47 *per cent*) got the benefit of Pavalavaddi Scheme as of March 2011.

Government stated that arrears were cleared up to 2008-09 and payment for the year 2009-10 was in progress and that no claims were received for the year 2010-11.

2.3.5.2 Interest rebate for loans disbursed by PACS

Primary Agricultural Cooperative Societies (PACS) were disbursing short term agricultural loans to the farmers at the prevailing rate of interest. Government decided in July 2004 to provide interest rebate of 6 *per cent* on agricultural loans disbursed by PACS on the condition that the current outstanding loan was repaid fully by the end of the financial year. As a sequel, PACS were to pass on the interest rebate to farmers and claim the amount from the Government through APCOB[20]. The scheme was extended up to 2010-11 on a year to year basis.

Audit scrutiny revealed that the State Government has been delaying reimbursing the interest rebate allowed by PACS. As of March 2011, ₹ 146.57 crore pertaining to the claims of 2008-09 was yet to be released by the Government. Claim for the subsequent years was not even preferred by APCOB. Delayed release of funds affected the liquidity of PACS as also fresh sanctions of agricultural loans to farmers.

2.4 Agricultural Extension Programmes

The State Government formulated several schemes for creating awareness among the farmers about technological advancements in farming and Government support to the agriculture sector, so as to improve the yield and productivity of this sector and to increase the return on investment to farmers. Agricultural extension programmes are the major programmes under the above initiatives. Our findings on these initiatives are discussed below.

---

[18] Interest at quarter of a rupee per mensem known as interest subvention scheme

[19] 2008-09: ₹ 3.57 crore; 2009-10: ₹ 60 crore and 2010-11: ₹ 60 crore

[20] Andhra Pradesh State Cooperative Bank Limited, State level apex body of PACS

2.4.1 Rythu Chaitanya Yatras

Rythu Chaitanya Yatras (RCY) which are awareness campaigns, are being organised annually by the Government throughout the State to educate farmers, particularly small and marginal farmers, about the programmes of the Government for welfare of farmers, technology transfer, credit delivery, effective input planning for kharif, agriculture mechanisation, crop diversification, water management, etc. with the objective of increasing productivity and reducing the cost of cultivation. All the allied departments like Animal Husbandry, Horticulture, Sericulture, Social Forestry, Fisheries, Marketing, AP Transco and ANGRAU[21] are also required to participate in these Yatras. Considering the farmers pre-occupation with agricultural operations during different months of the year the period between March and April was the most appropriate time for organising RYC campaigns.

Audit scrutiny revealed that the aim of organising RCY in all the 71,421 habitations during the last three years has been achieved only partly, as can be seen from the table given below.

Table-2.8

Component	2008-09	2009-10	2010-11
Habitations visited	50,083	31,867	36,757
Farmers contacted	34,41,673	13,44,424	33,19,778
Female farmers contacted	5,78,699	2,24,710	5,31,102
Soil samples sent to ST Laboratory	2,02,799	3,32,188	3,38,266
Soil samples tested N, P and K	37,892	--	--
Live models displayed	--	81,174	58,997
Live demonstrations conducted	--	61,294	50,142
Dates of organising RCY	17 May to 3 June 2008	27 April to 10 May 2009	17 May to 2 June 2010

Source: C&DA


Photographs show thin attendance in the RCY held on 17 and 18 May 2011 in Billuruvadapalli and Pandulakunta habitations in Anantapur district

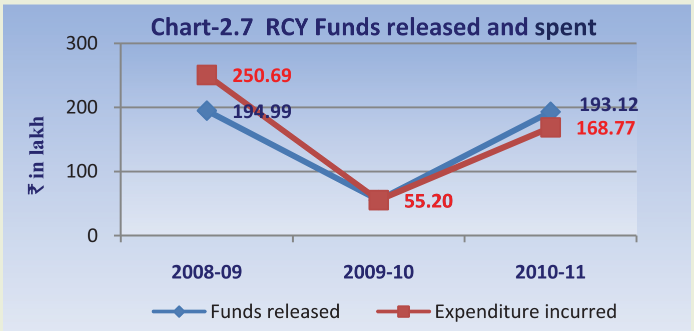
While 2008-09 started with coverage of 70 *per cent* habitations, the number of habitations declined from year to year thereafter, with only about 51 *per cent* of habitations being covered during 2010-11. Despite the Government's claims of targeting female farmers, the

[21] Acharya N.G. Ranga Agricultural University

table above reveals that the number of female farmers contacted under the RCY remained stagnant at 16 - 17 *per cent*.

The Agricultural Extension Officers (AEOs) were supposed to interact with the farmers on a continuous basis throughout the year. Trying to reach out to the latter once a year over a period of two weeks would not have the desired impact.

The graph (alongside) illustrates the fluctuating trend of funds released and spent during 2008-11. During the year 2008-09, the extra expenditure was met partially by diverting ₹ 56 lakh from seeds account. The amount remained un-recouped as of October 2011.



As per the calculations of the Department, to organise RCY in a year, an approximate amount of ₹ 1.94 crore[22] would be required. While there was no separate budget allocation for the RCY, Government released ₹ 4.43 crore during 2008-11 for organising these Yatras against a projected requirement of ₹ 5.82 crore.

As can be seen from the above, allocation of funds was not need-based and inadequate even for this all-important programme of the Government forcing the C&DA to divert ₹ 56 lakh from Seeds Account during 2008-09.

There were no guidelines about the way the RCY was to be conducted. There was also no record in the DoA to suggest that impact assessment of these campaigns was conducted at any time since their launch.

Government stated (November 2011) that there were 50,083 habitations in the State and all those were covered during 2008-09 and 2010-11. The reply did not reflect the actual position, as the website[23] of the DoA clearly depicted that there were 71,421 habitations in the State and thus the claim of the Government about coverage of habitations was not correct. Government attributed the fluctuating trend in the expenditure to the visit of the Chief Minister in many RCYs, without, however, giving details of the number of RCYs attended by the Chief Minister. The statement of the Government was thus not verifiable.

2.4.2 Rythu Sadassu Scheme

The DoA decided to organise Rythu Sadassus[24] in all the 79 Revenue Divisions to mark the conclusion of RCY and to explain the ongoing schemes, etc. The idea was to inspire confidence among the farmers to adapt to new technologies for better growth and prosperity. DoA reported the status of implementation of this programme during 2008-11, as follows.

[22] Publicity material: ₹ 50 lakh, public address system: ₹ 50 lakh and mobility: ₹ 94 lakh
[23] http://agri.ap.nic.in/villagedetails.htm
[24] Farmers' conferences/conclaves

Table-2.9

(₹ in crore)

	2008-09	2009-10	2010-11
Funds required[25]	3.95	Not conducted due to code of conduct in force during General Elections, 2009	4.65
Funds released to JDAs	3.96		3.33
Expenditure incurred	4.53		2.97
Reported to have conducted in	79 Divisions		79 Divisions
Dates of organising	5 to 9 June 2008		7 to 11 June 2010
Reasons attributed by C & DA for excess expenditure	No reasons given for excess expenditure		Budget freeze in Treasuries

Source: C&DA

It was planned to conduct these conclaves for 2.86 lakh farmers[26] in all the selected revenue divisions at a cost of ₹ 4.65 crore. The DoA reported that 4.68 lakh and 3.41 lakh farmers attended the Sadassus in 2008-09 and 2010-11, respectively. Going by this assessment, the Government should have budgeted and expended ₹ 4.65 crore during each year on Rythu Sadassus. Therefore, the Government's claim that it had organised Sadassus in all 79 divisions in 2008-09 and 2010-11 by incurring an aggregate amount of ₹ 7.50 crore appears to be improbable.

Government, while confirming the requirement of funds, stated in November 2011 that excess expenditure during 2008-09 was due to the visit of the Chief Minister in most of the revenue divisions. As details of the visits and divisions were not furnished, the claim of the Government was not verifiable. Further, the contention of DoA about the applicability of the code of conduct in 2009-10 is also not acceptable, as it would not be applicable to ongoing schemes such as RCY and Rythu Sadassus.

2.4.3 Adarsha Rythu Scheme

Government launched the Adarsha Rythu scheme in 2007 in order to bridge the gap between scientific know-how and field level do-how. The main objective was to introduce a nodal functionary (Adarsha Rythu) between the farmers and the extension staff. The duties and responsibilities of the Adarsha Rythu (AR) included, *inter-alia,* to:

- act as interface between farmers and the extension staff and establish two-way communication between them;
- assist the extension staff in implementation of all schemes;
- maintain records of 200 to 250 farmers associated with him/her; and
- keep the farmer informed about day to day developments of schemes, technology, etc.

The DoA planned to deploy one AR for about 250 farm holdings. Between March 2007 and June 2008, 50,000 ARs were engaged in two phases[27] and were paid a monthly honorarium of ₹ 1,000. The monthly expenditure under the scheme would aggregate to ₹ 5 crore. In the

[25] ₹ 5 lakh for each of the 79 revenue divisions
[26] At 3625 farmers per revenue division
[27] Phase-I: 25,379 (March 2007) and Phase-II: 24,621 (June 2008)

sampled districts, 13,853 ARs[28] were deployed out of the targeted 14,028 ARs[29]. Releases under this scheme aggregated ₹ 168.77 crore[30] during the four year period ended March 2011 and expenditure thereagainst was ₹ 154.84 crore[31]. The balance of ₹ 13.93 crore could not be drawn by DoA due to budget freeze.

As per Government instructions ARs were selected by the selection committee headed by the Minister-in-charge of the district. The review revealed that contrary to the criteria for selection of Adarsha Rythus (ARs), most of the selected persons after their appointment had shown zero interest in facilitating crop loans to farmers, participation in farmers field school (Polambadi) and setting of Joint Liability Groups. Further, the performance of most of the ARs was either average or poor. This gave credence to the likelihood of ARs being selected on considerations other than merit.

Further, additions and deletions of the ARs were also made based on the instructions of the members of the Legislative Assembly irrespective of the criteria. There were also no records with ADAs and AOs to suggest that ARs were discharging their duties and responsibilities diligently. A review of ARs was conducted by DoA during July – August 2009 and 7,493 ARs were removed in view of their poor performance (2,513 ARs[32] in the sampled districts). Such reviews, however, were not carried out at regular intervals to weed out the non-performers.

Our scrutiny of records in the sampled units revealed that ARs had failed to deliver the tasks assigned to them. This was corroborated by the inadequate monitoring and supervision by the Department rendering the scheme largely defunct and expenditure of ₹ 154.84 crore unfruitful.

While agreeing with audit findings in October 2011, Government stated that the Adarsha Rythus were not able to deliver results in view of the magnitude of the task expected from them. Government also accepted that their capacity was very poor and that contrary to expectations, they had failed to bridge the gap between the farmers and the Government.

2.4.4 Farmers' groups

Rythu Mitra Groups (RMGs), Commodity Interest Groups (CIGs), etc. were formed in the State during different periods, with the objective of transferring technology, establishing marketing linkages, providing credit facilities to farmers, etc. Our observations in this regard are given below.

2.4.4.1 Rythu Mitra Groups

Government decided in June 2003 to form two lakh RMGs from among the farmers to act as pressure groups to serve their common interests viz., technology transfer, access to market information, self-supporting finance mechanism, etc. An outlay of ₹ 350 crore (₹ 50

[28] Anantapur: 2,598; East Godavari: 2,878; Krishna: 2,353; Medak: 2,428; Nizamabad: 1,638 and Visakhapatnam: 1,958 (total: 13,853 farmers)

[29] Anantapur: 2,598; East Godavari: 2,878; Krishna: 2,408; Medak: 2,428; Nizamabad: 1,758 and Visakhapatnam: 1,958 (total: 14,028 farmers)

[30] 2007-08: ₹ 17.57 crore; 2008-09: ₹ 54.74 crore; 2009-10: ₹ 45.46 crore and 2010-11: ₹ 51 crore

[31] 2007-08: ₹ 17.12 crore; 2008-09: ₹ 48.54 crore; 2009-10: ₹ 43.11 crore and 2010-11: ₹ 46.07 crore

[32] Anantapur: 308, East Godavari: 715, Krishna: 580, Medak: 412, Nizamabad: 294 and Visakhapatnam: 204

crore for initial operations and ₹ 300 crore as grant) was made for the purpose. All the farmers in a village were eligible to become members[33] of RMGs, subject to the condition that one family should be represented by only one member. Later, in July 2009, Government decided to sanction subsidy to senior and active RMGs for procurement of high cost machinery such as combine rice harvesters under the Rashtriya Krishi Vikas Yojana (RKVY). Our observations on the sanction of subsidy to ineligible groups are given in paragraph 2.4.4.3.

Against the target of two lakh RMGs, 2.28 lakh RMGs were actually formed and DoA spent ₹ 49.40 crore on these groups. Functioning of the groups was to be reviewed after six to nine months and depending upon their performance, grant of ₹ 15,000 was to be released to each RMG.

We observed that RMGs had become inactive and defunct due to lack of supervision by the lower level field formations (ADAs, AOs and AEOs) and non-release of promised assistance of ₹ 15,000 to each RMG. Further, C&DA did not prescribe any duties or checks for monitoring their functioning. This is corroborated by the fact that JDs were unable to organise RMGs in the order of seniority for sanction of high-cost machinery under RKVY[34]. The indifferent attitude of the Government in reviewing their performance and releasing the matching grant led to wasteful expenditure of ₹ 40.85 crore[35]. Government agreed (November 2011) that RMGs had become dormant and that other schemes like CIGs and Joint Liability Groups (JLGs) overlapped with RMG scheme. Lack of monitoring was attributed to Department's staff being deputed for other services.

2.4.4.2 Commodity Interest Groups

In February 2008, DoA proposed to constitute CIGs under RKVY to strengthen the weak extension services for major crops[36] (except sugarcane and tobacco) in the State. Each CIG was to cover a block of 500 ha[37]. The broad objectives of CIGs were to act as vehicles of technology transfer for the entire area, to carry out training demonstration, organise farmers' field schools and seed production, and exploit effective marketing linkages. While 14,368 groups were targeted to be formed during 2008-09, as of June 2011, only 13,435 groups were formed by incurring an expenditure of ₹ 2.24 crore. This amount was spent for the mobility of the extension staff for collection of the data of farmers and to mobilise them to form into CIGs.

It was observed in audit that C& DA did not prescribe any duties, activities to be performed by CIGs. As a result, the CIGs became dormant and their presence was not felt even during the crisis hour of marketing linkages for paddy, etc. The expenditure of ₹ 2.24 crore thus, proved unproductive. The objective of strengthening research and extension linkages was not achieved because instead of strengthening existing RMGs and effectualising their functioning, DoA had established CIGs with more or less identical objectives and was

---

[33] Maximum: 15 members in a group
[34] Rashtriya Krishi Vikas Yojana also known as National Agriculture Development Programme
[35] Initial grant of ₹ 2,500 x 1,63,401 non-functional RMGs
[36] Commodities/crops are grown as interim crops by the same groups of farmers
[37] This criterion was not prescribed for RMGs

looking for formation of similarly tasked new groups (Joint Liability Groups). This has led to unfruitful expenditure of ₹ 43.09 crore besides bringing to the fore a diffused strategy in extension services as well as lack of internal control in formulating and implementing schemes of a similar nature.

Government stated (November 2011) that CIGs were formed during 2008-09 as part of strengthening the extension system and their activities would be reviewed under the new Rythubata[38] programme.

2.4.4.3 Supply of high cost machinery to ineligible RMGs

With a view to accelerate agricultural mechanisation in the State and to achieve higher production, supply of high cost farm machinery was envisaged under Rashtriya Krishi Vikas Yojana. C&DA planned to supply high cost machinery including Combine Rice Harvesters (CRHs) between 2009-10 and 2010-11 to groups of farmers (Rythu Mitra Groups – RMGs) involving subsidy of ₹ 48.40 crore. It was proposed to supply the machinery to the active RMGs on seniority basis. According to the envisaged funding pattern, group was to contribute 10 *per cent* and 50 *per cent* cost of the CRH limited to ₹ 10 lakh was to be given by Government as subsidy. The balance was to be provided as bank loan. The CRHs were to be hypothecated to the loaning bank.

As per the eligibility norms under the Scheme, high cost machinery were to be supplied to all farmers groups in order of seniority on 50 *per cent* subsidy and the seniority of the group was to be assessed based on the date of opening of bank account by the RMG for drawing subsidy and its continued operation. It was also laid down that AO should identify the viable and senior farmer groups as certified by banker and obtain approval of the ADA and forward the lists to JD.

Combine rice harvester

We noticed that 453 CRHs were supplied to RMGs involving subsidy of ₹ 44.76 crore (2009-10: 177 units - ₹ 17.48 crore and 2010-11: 276 units – ₹ 27.28 crore). High cost machinery was sanctioned irregularly to 86 out of 113 RMGs in the sampled districts, involving release of subsidy of ₹ 8.58 crore (76 *per cent*) as indicated in the Table-2.10.

[38] A programme to reach out to the farmer

Table-2.10

(₹ in lakh)

District	Number of CRHs sanctioned	Subsidy released	Number of dubious groups	Amount of subsidy
Anantapur	11	110	11	110
East Godavari	25	249	0	0
Krishna	59	588	59	588
Medak	3	30	3	30
Nizamabad	13	130	11	110
Visakhapatnam	2	20	2	20
Total	**113**	**1127**	**86**	**858**

Details of CRH sanctioned irregularly in all the sampled districts in contravention of guidelines without being backed by institutional finance and under political pressure, are given below.

Subject	Audit observation
Seniority of RMGs	Seniority of RMGs as per the date of opening their bank account along with its continued operation and viability aspect about their conduct was not assessed by the Joint Directors of Agriculture of the sampled districts.
Un-even distribution	Division-wise distribution of targets was not done in the districts resulting in uneven distribution of the equipment i.e. grant of more harvesters to one division/Mandal.
Non-sanction of bank loans	As most of the RMGs had become dormant, banks refused to sanction loans. There was no continued operation of bank accounts of the RMGs selected for sanction of subsidy. To cover the gap owing to non-availability of bank loan, these groups managed funds from individuals.
Incorrect formation of groups	In contravention of the norms prescribed for the formation of RMGs, more than one member of the same family became members of such groups. Applications otherwise ineligible supported by recommendations of public representatives were approved. There were also cases where RMG members were not cultivators of Paddy, thereby defeating the very purpose of grant of CRH at 50 *per cent* subsidy.
Incomplete utilisation certificates	UCs submitted by RMGs did not have the vital details viz., date of receipt and demonstration, details of after-sale-warranty to denote end-receipt and utilisation of the harvesters thereby casting doubt on the genuineness of the transactions.
Absence of mechanism to ensure end-utilisation	There was no mechanism to check end-utility of the high cost machinery procured with huge government subsidy. In cases where CRHs were allowed to be procured without a bank loan and without consequential hypothecation of machines to the banks, end use of the subsidy granted was suspect.

Clearly, C&DA released subsidy amounting to ₹ 8.58 crore to ineligible/dubious groups of farmers (RMGs) under the component of supply of high cost farm machinery in contravention of the guidelines of RKVY.

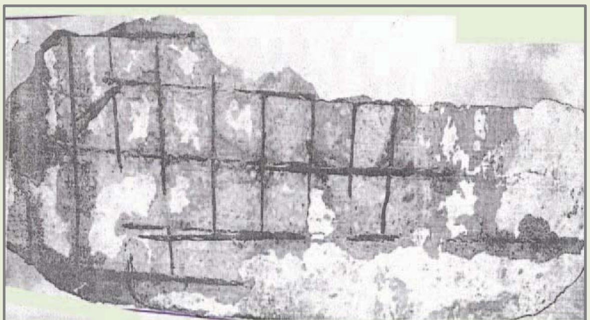
Government stated (November 2011) that (i) harvesters were sanctioned to all applicants in view of less demand; (ii) RMGs had submitted letters of local public representatives along with the applications; (iii) Groups formed in 2003-04 in Krishna district had discontinued for their own self-centric reasons and the groups of 2009-10 were sanctioned harvesters though they were denied loans by banks and the loan component was met by the groups from other individual sources. Government's response confirmed that the harvesters were sanctioned in violation of eligibility conditions.

2.5 Infrastructure to extension functionaries

State Government accorded (May 2005) permission to construct 286 buildings-cum-godowns-cum-information centres for AOs to cater to the needs of farmers and also to guide them in all crop-related matters including utilisation of inputs for better yields. The estimated cost of each building was ₹ 5 lakh and 50 *per cent* of the cost was to be released by District Collectors under Food-for-Work/other schemes.

Despite release of ₹ 4.38 crore (up to July 2009) by the Government, works were not completed. Only 37 out of the sanctioned 107 buildings (35 *per cent*) were completed in the sampled[39] districts. As of March 2011, 65 *per cent* works were yet to be completed, entailing a delay of more than five years. No date was fixed by the Government for completion of buildings. As a result, AOs had been working from rented premises and structures which were not fit for occupation. C&DA did not have the details of completed buildings and JDs were requested in March 2011 to furnish the same to Audit. Photographs given below depict the stage of construction of the existing buildings at Shivampet and Paderu.

Incomplete AO building at Shivampet in Medak district (29 April 2011)



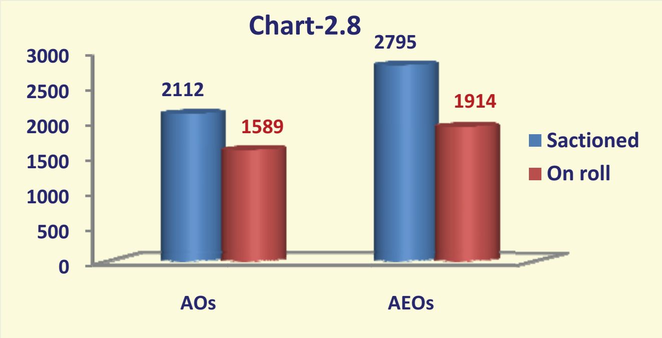
Damaged ceiling (September 2008) of the AD building at Paderu in Visakhapatnam district remained unattended as of February 2011

Government admitted (November 2011) that no time limit was prescribed for completion of buildings due to involvement of multiple agencies and stated that the programme was facing constraints like escalation of rates, non-release of matching share by the district authorities, etc. The reply indicated that the scheme was launched without ensuring requisite funds.

[39] Anantapur (28), East Godavari (1) Krishna (15), Medak (21), Nizamabad (19) and Visakhapatnam (23)

2.6 Manpower Management

About 29 *per cent* of key posts were lying vacant in the DoA as of March 2011 as can be seen from the chart below.



Vacancies up to 32 *per cent* in the crucial cadre of AEOs had a severe impact on the extension services envisaged by the DoA. Government admitted huge vacancies and assured (October 2011) that appropriate action would be taken for filling up the vacant posts.

Pensionary benefits were not sanctioned to the retired employees on time as the DoA failed to forward the pension papers on time to the office of the Principal Accountant General as can be seen from the details given below.

Table-2.11

Year	No. of pension cases received	Cases received					
		6 months before retirement	after retirement	within six months of retirement	between 06 and 12 months	between one to two years	after two years
2008-09	397	0	257	196	38	15	08
2009-10	355	0	250	173	48	17	12
2010-11	408	0	331	271	39	13	08
Total	1160	0	838	640	125	45	28

Source: Principal Accountant General (A&E)

Government stated (November 2011) that there were delays due to non-furnishing of the requisite information by JDAs and non-submission of the relevant pension papers by the retiring employees. These reflect lapses in internal control, which require close monitoring at appropriate level in the DoA.

2.6.1 Training to farmers and agricultural functionaries

2.6.1.1 Training to farmers

There are 22 Farmers' Training Centres (FTCs) located in all the 22 rural districts[40] of the State with the mandate to impart training to farmers up to village level on seed village scheme, organic farming. An exclusive training to farm women under Gender Cell, etc. was also envisaged. Funds to these FTCs were provided under the Plan Scheme 'Work-plan Macro Management' and also under the normal State Plan.

During 2008-11, only ₹ 1.64 crore was spent on FTCs against the budget allotment of ₹ 2.43 crore. The short utilisation of funds was 33 *per cent*. Against the target of 4,288

[40] Hyderabad is an urban district and no JDA office was opened as such in Hyderabad district

programmes, 3,362 training programmes were reportedly organised during the period 2008-11, resulting in a shortfall of 22 *per cent*. The goal of transfer of latest technology to farmers was thus not achieved to the optimum. Targets were systematically reduced over the years and met by FTCs.

We observed that funds were not released as per requirement, targets were communicated without allocation of funds and Heads of FTCs were not empowered, which impacted adversely the stated goal of transfer of knowledge to the farming community. This also curtailed the exposure of farmers to modern farm implements, which were procured exclusively for the purpose.

2.6.1.2 Training to functionaries

Scrutiny of training records in State Agricultural Management Extension and Training Institute (SAMETI) revealed that more than 20 *per cent* of agricultural functionaries did not attend the training courses. The shortfall was 46 *per cent* in respect of the four orientation courses organised for the newly recruited AOs. The officers who attended the training in 2010-11 were nominated to courses which did not fall in their area of operation/ specialisation. Specific eligibility criteria was indicated only in two out of 32 courses organised annually, which indicated that DoA has been nominating officers in a routine manner. Further, 37 *per cent* slots under the GoI sponsored Gender sensitization module remained unutilised during 2009-11 indicating partial sensitization of the staff particularly when sizeable number of female employees work in the DoA. There was no mechanism to obtain from trainees at SAMETI, post training feedback in regard to application of knowledge acquired at field level. Thus, a useful tool in customising future trainings was foregone.

Director, SAMETI attributed (August 2011) shortfall in achievement due to involvement of the staff in seed distribution, Loan melas, Rythu Sadassus, RCY, Seed Village Programme, etc. The reply is not acceptable as the training courses commence from June whereas RCY, Rythu Sadassus, etc. were completed in the month of June itself.

2.6.1.3 Unproductive expenditure on farm implements banked in FTCs

The main strategy of National Food Security Mission (NFSM) was to promote and extend improved technologies for building capacity among farmers. C&DA proposed (March 2009) to establish a Farm Implements Bank (FIB) in 18 FTCs[41] as part of the 'Local Initiatives' at an estimated cost of ₹ 1.82 crore. Each FIB was to cost ₹ 7.19 lakh for implements[42] and ₹ 2.92 lakh for publicity material[43]. These implements were to be exhibited in FTCs for introduction and

Farm implements lying idle at FTC, Nizamabad (30 April 2011)

[41] Except Chittoor, Karimnagar, Ranga Reddy and West Godavari districts
[42] Puddlers, plow, paddy seeder, power tiller, sprayers, paddy and groundnut threshers
[43] Flip charts, slides, television, reading material, etc.

demonstration to farmers to guide them towards farm mechanisation. However, specific guidelines regarding the use of implements were not issued and no provision for diesel, servicing, etc. for the implements was made by the C&DA. Also FTCs did not plan separate programmes for creating awareness among the farming community about the utility of the equipment.

Scrutiny of records in the sampled FTCs in Anantapur, East Godavari, Medak, Nizamabad and Visakhapatnam districts revealed that farm implements were procured from APSAIDC[44] at a cost of ₹ 34.14 lakh[45]. There was however, no arrangement for housing these implements. In Visakhapatnam district, the FTC kept the equipment in a car garage for about one year. No provision was made for purchase of diesel either for the FIBs. These implements were demonstrated only on a few occasions like Independence Day, Republic Day and in Rythu Sadassus during the year.

Non-utilisation of FIB did not help achieve the objective of creating the much required awareness among the farming community to opt for farm mechanisation. Thus, the expenditure of ₹ 1.29 crore[46] failed to give the intended results.

Government stated that instructions were issued to all JDAs in October 2011 to organise a one day exhibition of farm machinery and equipment at all the Mandal headquarters for wide publicity. This reply confirmed the observation that the machinery did not give the intended results.

Extension services are a critical factor that impact the delivery of various schemes of the Government. Huge vacancies in the cadre of AO and AEO are adversely affecting the effective functioning of DoA besides increased dependence of the farmers on input dealers and others for their information needs.

2.7 Financial Management

2.7.1 Budgeting

Budget formulation and its effective utilisation is central to the entire gamut of activities of the DoA. As per the AP Budget Manual, budgetary processes should follow a bottom-up approach, with the Assistant Directors providing inputs to the Joint Directors at the district level. The latter is to consolidate the requirement for the entire district and submit proposals to the C&DA by 1 October of the year budget proposals for the ensuing year.

Our scrutiny of the relevant records at all levels in the sampled districts revealed that the Department did not follow a bottom-up approach in any of the three years. It had not also considered the proposals of the District Planning Committee[47] with regard to the agriculture-related activities. Instead, budget estimates were prepared by the Planning Wing of the DoA based on the information obtained from the Technical Officers dealing with Plan Schemes. Absence of inputs from the field level resulted in a mismatch between the actual

[44] The nodal agency of the DoA for procurement and supply of farm implements in the State
[45] Anantapur: ₹ 7.19 lakh; East Godavari: ₹ 5.53 lakh; Medak: ₹ 7.19 lakh; Nizamabad: ₹ 7.37 lakh and Visakhapatnam: ₹ 6.86 lakh
[46] Cost of farm implements in all 18 FTCs (18 X ₹ 7,19,000)
[47] Constituted as per the instructions of the Planning Commission

requirement and allocation, leading to non-utilisation of substantial quantum of funds as can be seen from the details given in Table-2.12 below.

Table-2.12

(₹ in crore)

Year	Plan			Non-plan			Aggregate saving (Plan + Non-plan)
	Allocation	Expenditure	Saving	Allocation	Expenditure	Saving	
2008-09	3401	2358	1043	207	169	38	1081
2009-10	1508	1196	312	238	203	35	347
2010-11	1864	1437	427	271	251	20	447
Total	6773	4991	1782	716	623	93	1875

Source: Finance Accounts

Considering that the savings were essentially from Plan funds, clearly, the Department could not utilise the funds received from GoI under various Central sector and Centrally sponsored schemes for implementation of developmental programmes relating to agriculture in the State. Overestimation of budgetary requirement, inadequate releases to implementing agencies and dishonouring of bills by treasuries impeded the progress of implementation of plan schemes.

C&DA stated (May 2011) that savings in respect of Plan schemes were due to fixation of high targets for distribution of seeds, inability of the seed supplying agencies to supply the targeted seed, poor utilisation of funds by JDs and non-release of fourth quarter budget. Principal Secretary stated in October 2011 that savings were due to decision of the Finance department to freeze fund flow during the third and fourth quarters of the respective years.

2.7.2 Expenditure Control

2.7.2.1 Lack of expenditure monitoring

There were delays ranging from two to twelve months in submission of monthly and quarterly statements of expenditure by the DDOs to the C&DA which rendered the monitoring mechanism over use of funds inefficient and ineffective. Consequently, the Department could not utilise its funds efficiently and effectively for the purpose for which these were sanctioned, as can be seen from the extent of savings year after year.

2.7.2.2 Drawal of funds on AC bills

C&DA has been drawing funds on AC bills for disbursement of relief assistance to farmers affected by natural disasters, without adjusting them to the final head of account in a timely manner. As of October 2011, 130 AC bills amounting to ₹ 413 crore drawn during 2008-11 were outstanding for adjustment. In fact, about 76 *per cent* of all the pending AC bills of the State Government (₹ 1,107 crore) pertain to the Agriculture department (₹ 692 crore[48]). In the sampled districts, DC bills in respect of 55 AC bills for an amount of ₹ 149.47 crore were pending adjustment by JDs as of March 2011.

[48] AC bills accumulated up to March 2011

2.7.3 Incorrect utilisation certificates

General Financial Rules require that, utilisation of funds received are certified to the grantor, which, in the case of Central Plan Schemes, is the Government of India. In the Agriculture Department, the C&DA received Central Grants and disbursed these to district JDAs and Sectoral Officers for end use purposes. A random review of utilisation certificates submitted by the officials for an aggregated value of ₹ 71.97 crore during the period 2008-11 indicated that these were submitted on the same date on which, such funds were received. Besides, these certificates were also misleading for the following reasons:

- While mentioning that funds were being utilised for the purposes sanctioned, it was simultaneously certified that expenditure details have been recorded in cash book.
- UCs regarding supply of implements under ISOPOM did not contain the date of receipt of the implement/machinery. The relevant column in the format was left blank in all cases reviewed, which was a serious lapse.
- In supply of farm implements under farm mechanisation, the UCs did not contain the date of receipt of the implement by farmer. This precluded verification of the actual receipt.
- UCs were not counter-signed by ADAs before forwarding them to JDA to give assurance about the actual receipt of the equipment by the farmers and verification by AO/JDA.

It is thus evident that the entire control procedure for utilisation of funds through truthful utilisation certificates was vitiated. This tantamounted to misreporting actual expenditure.

2.7.4 Non-maintenance of Records

Record maintenance at various levels in DoA was quite inadequate. Important control registers such as Register of Advances, Register of Valuables, Register of AC bills, Register of Cadre Control strength, etc. were not maintained by the ADs. Maintenance of other control registers was also inadequate in the sampled districts/divisions. Due to this, details of amounts drawn on AC bills, receipt of valuables, position of vacancies, etc. were not susceptible for verification. Important observations relating to record maintenance are given below:

- ***AOs have been collecting insurance premium from non-loanee farmers and cost of non-subsidy component of seeds from farmers. However, receipts were not being issued and cash books were also not being maintained. This has created potential for misappropriation of public funds.***
- There were multiple bank accounts at the divisional level and the balances in these accounts were not reconciled with cash books at regular intervals. There were also a number of inoperative bank accounts with JDAs[49] with a combined balance of ₹ 18.52 lakh. Bank accounts in respect of closed schemes continued to be operated by JDAs of East Godavari, Krishna, Medak and Visakhapatnam districts for depositing the funds of other schemes. This evades scrutiny of the transactions by the designated authorities and

[49] Anantapur (10), East Godavari (3) Krishna (4), Medak (6) and Visakhapatnam (6)

leads to misreporting. The inoperative accounts need to be closed and the balances transferred to the respective scheme accounts.

- C&DA authorised district JDAs to open and operate Personal Deposit (PD) accounts. Details of these accounts and the balances lying in these accounts were not available with the C&DA as of November 2011. Our scrutiny of PD accounts in sampled districts revealed that JDAs of East Godavari and Krishna districts continued to hold unspent balance of ₹ 2.67 crore[50] of various schemes in Personal Deposit accounts. JDA, East Godavari did not reconcile the balance after June 1984. There were no transactions in subsequent years. Contrary to Government's instructions, the unspent amounts as on 31 March 2000 were not remitted to Government account till March 2011 under 'Category-C Lapsed Deposits', which amounted to financial misreporting on the volume and value of transactions.

2.7.5 Internal Audit

Agriculture contributes about 21.5 *per cent* of the GSDP of Andhra Pradesh (2010-11) and provides sustenance to a vast majority of people at the grass root level. Consequently, during 2008-11 the State had allocated an aggregate amount of ₹ 7,489 crore in the Budget for the agriculture sector. This made a robust internal audit of the Agriculture Department and its operations necessary to ensure effective functioning of the department. However, as of October 2011, the Bureau of Internal Audit and Surveillance (BIAS) in the Department of Finance, the designated agency for conducting Internal Audit of all the State Government Departments, had not conducted the audit of DoA even once. The Government thus, could not derive any assurance about financial discipline and adequacy of internal controls in the Department. C&DA also in turn had not conducted inspection of any subordinate offices during April 2008 to March 2011.

Overall financial management in the DoA was marked by weak budgetary practices, ineffective financial reporting and poor monitoring. Budget formulation was deficient as bottom-up approach was not followed by the C&DA as corroborated by the overestimations of budgetary requirement and substantial savings during 2008-11. Slack reporting of expenditure, belated submission of detailed contingent bills and poor record maintenance characterise poor internal controls in financial management of the department. This was compounded by absence of internal audit, leaving scope for financial irregularities going undetected.

2.8 Conclusion

As brought out in the foregoing paragraphs, the performance of DoA with regard to interventions for increasing the productivity and income of farmers was not effective and did not achieve the envisaged objectives. Implementation of schemes was marked by inefficiencies in utilisation of funds, inadequate production of foundation and certified seed, failure in strengthening seed testing laboratories and inability to spend funds for improving seed farms. Lack of transparency in disbursement of relief assistance for the

[50] East Godavari: ₹ 2.60 crore and Krishna: ₹ 0.07 crore

calamity-affected farmers and absence of adequate proof of disbursement to farmers underlined strong likelihood of vested interests indulging in corrupt practices in passing such benefits to the intended beneficiaries. Implementation of National Agricultural Insurance Scheme was characterised by poor coverage of non-loanee farmers, delayed disbursement of claims and their credit to loan accounts held by banks and PACS, providing no relief to calamity stricken farmers. Abnormal delays were noticed in implementation of Pavalavaddi scheme as it reached only 8 per cent of the eligible farmers as of March 2011.

Extension services, which are a critical factor that impact the delivery of various schemes of the Government, received inadequate attention. Coverage of female farmers in Rythu Chaitanya Yatras remained stagnant at 16-17 per cent while the coverage of habitations declined from a maximum of 70 per cent in 2008-09 to 51 per cent in 2010-11. Impact assessment of the RCY was neither carried out nor guidelines were in place for their conduct. Adarsha Rythu scheme could not deliver the assigned tasks and failed to bridge the gap between the farmers and the Government. The objective of strengthening research and extension linkages was not achieved due to non-functional Rythu Mitra and other farmers groups and lack of control mechanism in formulating and implementing schemes of similar nature. Subsidy released by the Government for procurement of combine rice harvesters was captured by ineligible/dubious groups of farmers. Huge vacancies in the cadre of Agricultural Officer and Agricultural Extension Officer are adversely affecting the effective functioning of the DoA besides increasing the dependence of the farmers on input dealers and others for their information needs and procurement of inputs. Internal controls within the DoA were inadequate in most cases and where adequate, were not functioning as envisaged. The performance of the DoA in terms of achieving its Mission of 5 per cent growth rate as well as increasing returns on agricultural investment and developing farmers as seed entrepreneurs is far from satisfactory.

2.9 Recommendations

- Robust budget formulation and management system should be instituted in the Department to assess requirement of funds in a realistic manner and to ensure optimum utilisation of allocated funds.
- Government should ensure procurement and supply of adequate quantity of seeds to farmers based on annual assessment and address the concerns of farmers with regard to inputs and information.
- Management of seed farms, seed and soil testing laboratories should be toned up by providing the requisite staff and infrastructure to achieve the targeted production level of foundation and certified seeds.
- Relief assistance should be disbursed in the Gram Sabhas so as to ensure that beneficiaries are identified correctly and the benefit reaches all the affected farmers including the tenant farmers. Complete documentation with regard to the details of eligible beneficiaries should be prepared and adequate records should be maintained in support of disbursement of relief assistance.

- Implementation of National Agricultural Insurance Scheme should be streamlined and delays in disbursement of claims should be plugged, so as to help the farmers in distress. There should be greater monitoring and supervision by the Agricultural Officers to ensure that claim amounts are genuine.
- Considering the importance of RCY, Government may consider organising the Yatras in a staggered manner throughout the year after assessing the impact of previous editions. Adequate budget should be provided to achieve the objective of reaching out to all the farmers, including female farmers in the State.
- Infrastructural support at the field level in terms of providing appropriate office space for Agricultural Officers needs to be addressed.
- Considering that extension services are critical for delivery of various schemes of the Government, adequate steps should be taken to fill the vacant posts in the cadre of AO and AEO and to ensure that farmers don't depend on input dealers and others for their information needs.
- Internal Audit Wing of the Department needs to be strengthened and field inspections should be carried out at regular intervals so as to derive assurance about the working of the field level functionaries.
- Control mechanism in formulating and implementing schemes in the DoA needs to be streamlined and research and extension linkages should be strengthened to avoid overlaps.
- Government should evolve a system for identifying eligible beneficiaries for various developmental initiatives and ensure that only eligible farmers get the benefits such as farm implements and high cost machinery.
- Government should also devise an appropriate control mechanism to obtain assurance about end-utilisation of funds through truthful utilisation certificates, avoid misreporting of expenditure to the Government of India, fulfill accountability obligations including timely submission of detailed contingent bills for the moneys drawn on AC bills and maintenance of control registers at all levels. Greater use of Information and Communication Technology should be made to strengthen the internal control mechanism in this regard.