

Executive Summary

Rashtriya Krishi Vikas Yojana (RKVY) was launched in the XIth Five Year Plan against a backdrop of faltering agriculture growth in the previous decades as the growth rate of agriculture and allied sectors decreased from 4.8 *per cent* in the Eighth Five Year Plan to 2.5 and 2.4 *per cent* in Ninth Five Year Plan and Tenth Five Year Plan respectively. Concerned by the declining growth rate of agriculture and allied sectors, the National Development Council (NDC) resolved to achieve a growth rate of four *per cent* per annum during the Eleventh Five Year Plan. RKVY was designed as a State Plan Scheme with complete flexibility to the States to choose projects specifically tailored to their conditions for generating growth in agriculture and allied sectors. The RKVY was to act as a catalyst in incentivizing the States so that four *per cent* annual growth in the agriculture sector could be achieved. Against an allocation of ₹ 32,460.45 crore during 2007-08 to 2012-13, an amount of ₹ 30,873.38 crore was released to 28 States and seven Union Territories.

In the background of above factors, we decided to conduct this performance audit with a view to assess whether the implementation of RKVY by States was in accordance with the scheme guidelines, and the Ministry discharged its role in administering the Scheme effectively at the national level. The period of coverage of this performance audit is from inception of the RKVY i.e. 2007-08 to 2012-13. Apart from auditing the role of the Ministry with regard to overall supervision of the RKVY, implementation of the RKVY was checked in 27 States, excluding Mizoram.

Chapters 1 and 2 of this report provide background information on RKVY and our audit approach. Chapters 3 and 4 provide audit findings with respect to planning and convergence/coordination, and financial management respectively. Chapter 5 focuses on the implementation of the RKVY. Chapter 6 provides audit findings on monitoring and evaluation of the RKVY. Chapter 7 summarizes the audit findings of the previous chapters.

The important findings of the performance audit are given below:

A) Planning process

- Out of 27 States covered in the review, Audit observed that the planning process was deficient in 24 States in various aspects such as non-involvement/participation of the grassroot level agencies like Gram Panchayat/Gram Sabhas/Block Agriculture Planning Unit/Village Agriculture Planning Unit, absence of grassroot inputs in the preparation of District Agriculture Plan (DAP), deficiencies in

the preparation of State Agriculture Plan (SAP) such as absence of agro-climatic study/convergence with other programmes, shelf of projects not prepared, etc.

- In five States, 143 projects with approved cost of ₹ 1962.29 crore were included in SAP without these being reflected in DAP which indicate that requirements at the grassroot level were not assessed.
- Ministry was not able to properly scrutinize the project proposals put up by the States due to stated paucity of time. Despite the deficiencies pointed out by the Subject Matter Divisions in the Ministry such as risk of duplication with other CSS/State plan schemes, project proposals were approved by State Level Sanctioning Committee (SLSC) without addressing them.
- Deficiencies pointed out by the Ministry in respect of 73 project proposals of nine States costing ₹ 367.99 crore were overlooked by SLSC and these projects were sanctioned without addressing the deficiencies.
- Ten projects costing ₹ 64.60 crore in four States which were directly not related to Agriculture and allied sectors were approved by SLSCs and received funds under RKVY.
- Test check of records in States revealed instances of non-convergence of RKVY projects with existing Government of India schemes or existing State Plan schemes. Audit examination also brought out non-coordination between the nodal department and implementing departments/agencies in 14 Sectors and eight sub-schemes.

B) Financial management

- As per Ministry's records, during the years 2007-08 to 2012-13, out of an allocation of ₹ 31732.06 crore, an amount of ₹ 30494.50 crore was released and expenditure of ₹ 27938.52 crore was incurred.
- A comparison of the figures of release and expenditure reported by the Ministry and those reported by the States revealed that the States reported excess receipt of grant by ₹ 4289.20 crore during the review period. Similarly, the States reported expenditure of ₹ 31916.53 crore whereas the Ministry reported expenditure of ₹ 27938.52 crore during 2007-08 to 2012-13 resulting in a difference of ₹ 3978.01 crore. The Ministry did not take any steps to reconcile the figures.

- Figures obtained by Audit from the Ministry indicated that UCs for an amount of ₹ 2610.07 crore were wanting for the period 2008-09 to 2012-13 from 26 States (except Nagaland) as of September 2013.
- In 12 States, instances of submission of incorrect utilization certificates by the nodal department/ agency to the Ministry and by the implementing departments/ agencies to the nodal department/ agency were noticed. The current practice of projecting releases as expenditure by the implementing agencies and the nodal departments inflated the actual expenditure and distorted the position of financial performance.
- In 12 States, the allocation for agriculture and allied sectors did not increase in proportion to the total allocation during the period under review. Thus, in these States, the objective of RKVY to incentivize in order to increase investment in agriculture and allied sectors could not be achieved.
- In 20 States, the funds were released by States to nodal departments/ agencies with delay ranging from one to 23 months. In 17 States, funds were released by nodal departments/agencies to implementing departments/agencies with delay ranging between one to 34 months.
- In seven States, expenditure of ₹ 106.13 crore on 50 projects was incurred in excess of sanction without approval of SLSC.
- Out of allocation of ₹ 195.45 crore as one *per cent* of RKVY funds for administrative expenditure by the Ministry, only an amount of ₹ 75.96 crore (39 *per cent*) was incurred. An amount of ₹ 50.27 crore out of the total expenditure of ₹ 75.96 crore was not incurred exclusively for RKVY. In nine States, various instances of unauthorised expenditure totalling ₹ 7.65 crore were noticed out of allocation of one *per cent* share.
- Grants of ₹ 759.03 crore were found parked in Personal Ledger Accounts/Personal Deposit Accounts/Savings Bank Account/etc. in 11 States.
- In four States, diversion of RKVY grants of ₹ 114.45 crore for other purposes was noticed in audit.

C) Implementation of projects

Stream-I projects

- Out of 4061 projects sanctioned in 19 selected sectors during the period 2007-08 to 2012-13, 2506 projects were completed, 1279 under progress, 85 not yet implemented, 100 abandoned and 90 dropped. An amount of ₹ 134.95 crore was incurred on 28 abandoned projects.
- Out of 393 projects selected in 19 Sectors of the RKVY for audit examination, cases of under-performance and irregularities were noticed in 150 projects (38 per cent).
- Shortfalls in achievement of the targeted outputs were noticed in 62 projects costing ₹ 1404.94 crore in 19 States.
- RKVY funds amounting ₹ 91.24 crore were diverted for other schemes/purposes in nine projects costing ₹ 244.74 crore in five States.
- RKVY funds of ₹ 21.58 crore remained blocked/parked at various levels in five projects costing ₹ 55.65 crore in four States,
- Unfruitful expenditure of ₹ 12.21 crore was noticed in five projects costing ₹ 24.07 crore in five States.
- Infructuous expenditure of ₹ 8.15 crore was noticed in six projects costing ₹ 24.12 crore in five States.

Stream II Projects:

- Out of 40 projects selected under Stream-II for audit, cases of under-performance and irregularities were noticed in 11 projects (27 per cent).

Sub-Schemes of RKVY

- During 2010-11 to 2012-13, ₹ 5109.46 crore were released and expenditure was ₹ 4485.52 crore leaving utilised balance of ₹ 623.94 crore.
- Scrutiny of records in 11 States of Arunachal Pradesh, Bihar, Chhattisgarh, Gujarat, Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Uttar Pradesh, Uttarakhand and West Bengal

revealed various deficiencies in the implementation of six sub-schemes.

Monitoring and Evaluation

- Effectiveness of monitoring through visits of Ministry's officers/officials to States could not be assessed as details were not documented.
- Monitoring through NIRD was also incomplete as out of 32 tasks, NIRD could complete 16 tasks. The follow up action by the Ministry on recommendations given by NIRD in its evaluation report of December 2010 was also not documented.
- Shortfall of more than 50 *per cent* and upto 70 *per cent* was noticed in the meetings of SLSC in 16 States. Shortfall of more than 70 *per cent* was noticed in four States.
- In 15 States, discrepancies in the data fed into the RKVY system were noticed.

Recommendations:

1. *The Ministry should ensure that plans are prepared after taking into account the agriculture needs of the area and agro-climatic conditions.*
2. *The Ministry should ensure that States take up only those projects which are consistent with DAPs and SAP.*
3. *Ministry may ask States to submit clear and concise proposals for ease of scrutiny and decision making. Ministry may give itself realistic time limits for inter/intra ministry consultation and approval process.*
4. *The design of the scheme may be reviewed to remove complexity and multiplicity of schemes in agriculture sector.*
5. *Reconciliation of expenditure figures is an important internal control exercise and must be carried out every year.*
6. *The Ministry must ensure that the States increase their budgetary allocation for agriculture and allied sectors in proportion to their total allocation so that the main objective of RKVY to incentivize the States is achieved.*

7. *To vouch that the funds have been utilised for the intended purpose, Ministry must link the funding with project based Utilisation Certificates in the format prescribed by the Ministry.*
8. *Instead of having three baskets of Stream-I, Stream-II and sub-schemes to choose from, the Ministry should give States autonomy in inputs while retaining control and ownership of the scheme.*
9. *The Ministry should coordinate with State Governments to rectify the deficiencies in the implementation of projects as pointed out by Audit.*
10. *The Ministry should focus on outputs by way of measurable targets such as increase in production and productivity, which are also verifiable.*