

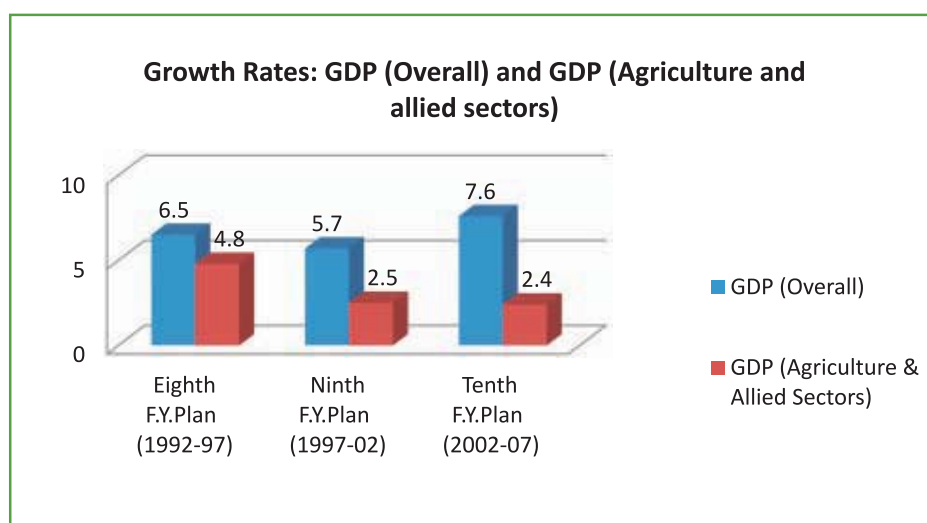
CHAPTER-1

INTRODUCTION

1.1 Background

Agriculture is a critical sector of the Indian economy and forms the backbone of the country's development. An average Indian still spends almost half of his/her total expenditure on food, while roughly half of India's work force is still engaged in agriculture for its livelihood. Being both a source of livelihood and food security for a vast majority of low income, poor and vulnerable sections of society, its performance assumes greater significance. The experience from BRICS¹ countries indicates that a one *per cent* growth in agriculture is at least two to three times more effective in reducing poverty than the same growth emanating from the non-agriculture sectors.²

The agriculture sector in India has undergone significant changes in the form of decrease in share of Gross Domestic Product (GDP) from 30 *per cent* in 1990-91 to 14.5 *per cent* in 2010-11 indicating a shift from the traditional agrarian economy towards a service dominated one. There was actually a substantial deceleration in the growth rate of agriculture and allied sectors during the Ninth and Tenth Five Year Plans when compared to the Eighth Five Year Plan, as is evident from the following chart:



Source: State of Indian Agriculture 2011-12, Department of Agriculture and Cooperation, Ministry of Agriculture

¹ Brazil, Russia, India, China and South Africa

² Source: State of Indian Agriculture 2011-12, Department of Agriculture and Cooperation, Ministry of Agriculture

A major cause behind the slow growth in agriculture was attributable to constant decrease in investments in the sector by the State Governments. While public and private investments were increasing manifold in sectors such as infrastructure, similar investments were not forthcoming in agriculture and allied sectors which led to distress in the community of farmers, especially that of the small and marginal segment.

Concerned by the slow growth in the agriculture and allied sectors, the National Development Council (NDC), in its meeting in May 2007, resolved to introduce a new Additional Central Assistance Scheme incentivising the States to draw up plans for their agricultural sector more comprehensively taking agro climactic conditions, natural resource issues and technology into account, and integrating livestock, poultry and fisheries more fully. The NDC aimed to achieve four *per cent* annual growth in the agricultural sector during the Eleventh Five Year Plan.

The Ministry of Agriculture, Department of Agriculture and Cooperation (Ministry), in compliance of the above resolution and in consultation with the Planning Commission, launched (August 2007) the Rashtriya Krishi Vikas Yojana (RKVY) in all States and UTs across the country from the year 2007-08.

1.2 Objectives of the programme

The RKVY aimed at achieving four *per cent* annual growth in the agriculture sector during the XIth Five Year Plan period (2007-08 to 2011-12) by ensuring a holistic development of agriculture and allied sectors. The main objectives of the RKVY were:

- To incentivize the States to increase public investment in agriculture and allied sectors.
- To provide flexibility and autonomy to States in the process of planning and executing agriculture and allied sector schemes.
- To ensure the preparation of agricultural plans for the districts and the States based on agro climactic conditions, availability of technology and natural resources.
- To ensure that the local needs/crops/priorities are better reflected in the agricultural plans of the States.
- To achieve the goal of reducing the yield gaps in important crops through focused interventions.

- To maximize returns to farmers in agriculture and allied sectors.
- To bring about quantifiable changes in the production and productivity of various components of agriculture and allied sectors by addressing them in a holistic manner.

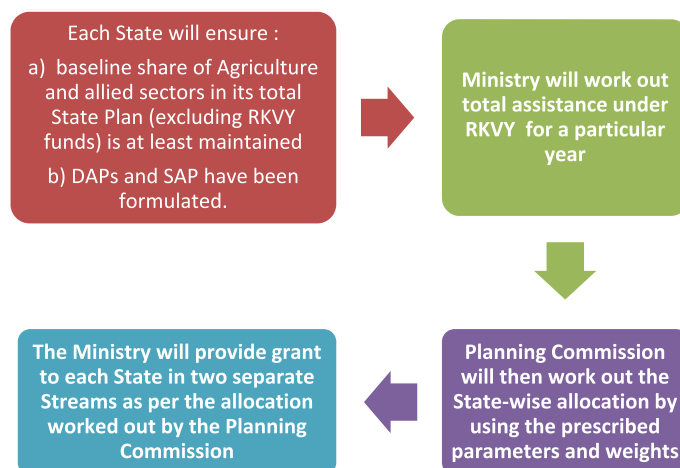
1.3 Basic features of RKVY

The RKVY is a State Plan Scheme. The eligibility for assistance under the RKVY is dependant upon the amount provided in the State Plan budgets for agriculture and allied sectors, over and above the baseline percentage expenditure incurred by the State Governments on agriculture and allied sectors. Each State is eligible to receive RKVY allocation, if and only if:

- (i) The baseline share of Agriculture and allied sectors in its total State Plan (excluding RKVY funds) expenditure is at least maintained. Baseline level of expenditure will be determined on the basis of the average percentage of expenditure³ incurred under agriculture by the State Government in the State Plan during the three years prior to the previous year (excluding RKVY funds).
- (ii) Under the RKVY, the states were required to prepare District Agricultural Plans (DAP) and for the State as a whole, a State Agricultural Plan (SAP) that comprehensively covered resources and indicated definite action plan for a period of five years from 2007-08 to 2011-12. Para 2.4 of the guidelines stipulates that since the RKVY was applicable to the entire State Plan for Agriculture and allied sectors, the Planning Commission and the Ministry will together examine each State's overall plan proposals for agriculture and allied sectors as part of the Annual Plan approval exercise.

A chart depicting the operational framework for the implementation of the RKVY Stream-I and Stream-II is given below:

³ The benchmark for baseline share of expenditure i.e. 'average percentage of expenditure' was amended by the Planning Commission to 'minimum percentage of expenditure' in March 2008.



To work out the assistance under the RKVY for 2007-08, the Ministry was to add up all such expenditure above the baseline for all eligible States (say this works out to ₹ X crore) and then decide on the total RKVY assistance in 2007-08 (say ₹ Y crore), subject to the condition that about ₹ X/2 was allocated under the RKVY. Once the amount ₹ Y crore was determined, the allocation to each State for 2007-08 was to be worked out by the Planning Commission using the parameters and weights as indicated below:

Table-1.1

Sl. No.	Parameter	Weight (in percentage)
1.	The percentage share of net un-irrigated area in a State to the net un-irrigated area of the eligible States. Eligible States are those States that become eligible to avail of the RKVY based on their baseline level of expenditure under the State Plan and preparation of District and State Agricultural Plans.	20
2.	The projected growth rates to a base year GSDP for Agriculture and allied sectors (say, 2005-06) will be applied to the GSDPs to be attained by the end of the 11 th Plan by the States. The parameter will be set in terms of inter-state proportion of these GSDPs projected to be reached by the State by the end of the 11 th Plan.	30
3.	Increase in the total Plan expenditure in Agriculture and allied sectors in the previous year over the year prior to that year.	50

1.4 Streams and Sub-schemes under the RKVY

Central assistance under the RKVY was available to the States in two distinct streams viz. **Stream-I** and **Stream-II**. At least 75 per cent of the allocated amount was to be proposed by States under **Stream-I**, for specific projects under 20 pre-existing sectors like including irrigation, seed, animal husbandry etc.

Under **Stream-II**, a maximum of 25 *per cent* of the fund allocated to a State was available for strengthening the existing state sector schemes relating to agriculture and filling the resource gap in the state plan scheme. The scheme provided flexibility to States by allowing to choose to use its entire allocated RKVY funds under Stream-I only but vice versa was not permissible.

A third category, namely, Sub-schemes under RKVY was launched as per the Budget Announcement made by the Hon'ble Finance Minister in his Budget Speech, 2010-11 and similar announcements in 2011-12 and 2012-13. These were newly announced schemes by the centre to be launched under the RKVY programme.

1.5 Funding under RKVY including sub schemes

During the period 2007-08 to 2012-13, the position of funds allocated, released and expenditure incurred was as follows:

Table-1.2

Year	Allocation	Release	(₹ in crore)
			Expenditure
2007-08	1489.70	1246.89	1246.79
2008-09	3165.67	2886.80	2880.88
2009-10	3806.74	3760.93	3756.51
2010-11	6913.08	6732.33	6718.64*
2011-12	7860.00	7838.43	7507.37*
2012-13	9225.26	8408.00	5973.70
Total	32460.45	30873.38	28083.89

(Source: Ministry)

* Excludes figures of expenditure for UTs which were not available.

1.6 Operational framework

It is clear that RKVY is a complex programme allowing States to access central funds under State Plan based on their own initiatives in the agricultural sector. Funds were also available to them under several RKVY sub-schemes launched by Government of India from 2010-11 onwards and each sub-scheme has its own guidelines for implementation. Fund allocation is made by concerned Subject Matter Division in the Ministry which is approved by Hon'ble Minister of Agriculture.