

Chapter 5

Management of agricultural subsidy

5.1 Introduction

Subsidy plays an important role in encouraging and motivating the farmers to engage themselves in active agricultural activity. The SAP 2008 laid emphasis for providing suitable production incentive and distribution of subsidy for production/distribution of quality seeds, augmentation of irrigation through *Jalanidhi* programme and promotion of farm mechanisation.

The Department had a total budgetary expenditure of ₹ 1312.19 crore during 2006-11 which included ₹ 520.30 crore (40 *per cent*) of subsidy payments on (i) seeds (₹ 65.35 crore), (ii) *Jalanidhi* scheme (₹ 164.39 crore) and (iii) farm mechanisation (₹ 290.56 crore). We reviewed subsidy management on the above elements and our findings on *Jalanidhi* and farm mechanisation are discussed in the succeeding paragraphs.

5.2 *Jalanidhi* scheme

SAP 2008 envisaged providing assured irrigation to at least 35 *per cent* of cultivable land in each block by a suitable combination of flow irrigation and lift irrigation. The Agriculture Department had been encouraging execution of private lift irrigation points with the objective of increasing irrigation potential in the State for increasing productivity. The projects were being implemented in the State under the *Jalanidhi* scheme through Agriculture Promotion and Investment Corporation of Odisha Limited (APICOL); the nodal agency. The scheme provided subsidy to the farmers for sinking shallow tube wells (STWs), bore wells (BWs), dug wells (DWs) and river lift (RL) / surface lift (SL) etc. in their own fields up to 50 *per cent* with project cost limited to ₹ 20000, ₹ 50000, ₹ 50000 and ₹ 40000 respectively. The subsidy payment was met out of loan availed from National Bank for Agriculture and Rural Development (NABARD) under Rural Infrastructure Development Fund (RIDF).

The CCO placed funds of ₹ 176.89 crore with the APICOL during 2006-11 for administration of subsidy. The APICOL paid subsidy of ₹ 164.39 crore (93 *per cent*) to 87781 beneficiaries during the period. Review of the physical achievement and grant of subsidy revealed shortfall in achievement as well as irregular distribution of subsidy as below:

5.2.1 *Shortfall in achievement*

Test check of records of APICOL and 27 out of 32 DAOs test checked revealed that during 2006-11, there was shortfall in achievement ranging from 16 *per cent* under shallow tube well to 99 *per cent* under surface lift project in these 27 DDOs as indicated in Table 5 below.

Table 5: Target and achievement of private lift irrigation point during 2006-11
(In numbers)

Particulars	Target	Achievement	Shortfall	Percentage of shortfall
STW	9224	7751	1473	16
BW	11513	4160	7353	64
DW	14288	4372	9916	69
SL	2482	15	2467	99

(Source: information furnished by test checked DDOs)

The above shortfall was attributed by the DAOs (July 2011) to non-availability of bank loan to farmers for execution of STW, BW and DW projects and lack of perennial water source in case of surface lift projects. In reply, the Director stated (August 2012) that while targets for STW/BW/DW were set basing on ground water potential, targets for surface / river lifts were set keeping in view the existence of river/ drainage in each district.

The reply was not tenable in audit since the targets fixed were not realistic in view of the wide gap between targets and achievements except in case of shallow tube wells. Actual field conditions were not taken into account by Director/CCO while framing targets as the planning was not bottom up.

5.2.2 Irregular disbursement of subsidy and lack of transparency

As per the scheme guidelines, Private Lift Irrigation projects (PLIPs) like BW, DW, STW, SL/RL projects were eligible for availing subsidy only if executed in the land belonging to the beneficiary. Besides, as per instructions (July 2009) of the Director, photographs of PLIP in the presence of beneficiary, executants and the official of the implementing agency were to be taken to maintain transparency and prevent duplication after completion of the project. In 10 out of the 32 test checked DAOs, subsidy of ₹ 21.41 lakh was paid to 72 beneficiaries who did not have land records in their names. Besides, subsidy of ₹ 49.68 lakh was paid to 129 beneficiaries without maintaining transparency as photographs of the beneficiaries along with executants and the departmental representatives were not available despite instructions (July 2009) of the Director. District wise details are given in the Table 6 below:

Table 6: District wise details of irregular execution of PLIPs involving subsidy (Amount : ₹ in lakh)

Name of the Agricultural district	Beneficiaries who did not have the land in their name		cases of non-maintenance of transparency	
	In Number	Amount paid	In Number	Amount paid
Anugul	5	2.22	9	4.11
Berhampur	1	0.50	4	2.00
Jagatsinghpur	24	3.72	25	4.02
Jharsuguda	7	2.46	0	0
Karanjia	6	2.90	0	0
Khariar	0	0	66	32.88
Kendrapada	10	1.58	15	2.25
Keonjhar	13	5.71	0	0
Sambalpur	6	2.32	0	0
Sonepur	0	0	10	4.42
Total	72	21.41	129	49.68

(Source: Collected by audit during test check of DDOs)

Thus, failure to comply with the provisions of scheme led to irregular disbursement of subsidy of ₹ 71.09 lakh to ineligible persons. This requires thorough investigation by CCO-cum-Principal Secretary.

5.2.3 Irregular execution of shallow tube-wells (STWs) in barred saline affected zones

The Director, Ground Water Survey and Investigation (GWSI), Bhubaneswar recommended against digging shallow tube wells (STW) in 242 GPs in nine districts¹⁸ due to existence of saline ground water in these areas. Accordingly, the Director issued instructions (November 2008) for non-installation of shallow tube wells in these GPs.

However, in a meeting (17 January 2009) chaired by the Minister, Agriculture, it was decided to allow execution of STWs in saline affected GPs. This was to be done under the technical supervision of the Assistant Agriculture Engineer (AAEs) with the condition that the AAEs had to follow the technical specifications and ensure yield of sweet water. Test check of records of DAO, Jagatsinghpur revealed that 3960 STWs were executed during 2009-11 in the GPs of four blocks (Balikuda, Erasama, Kujanga and Tirtol). An amount of ₹2.74 crore, being subsidy for 2013 STWs installed during 2009-10, were paid (December 2009 to May 2010) by APICOL to farmers based on the recommendation of the concerned DAOs/AAEs. However, ₹ 2.72 crore being subsidy for 1947 STWs installed in the same blocks during 2010-11, were kept pending for payment at APICOL level based on direction (May 2010) of the Minister of Agriculture on the ground of receipt of several complaints regarding misutilisation and unscientific installation of these STWs.

Audit scrutiny revealed that neither the AAEs had given any certificate in support of yield of sweet water from those wells nor was there any further inspection by any higher authority including Principal Secretary (CCO) and the Director who had all concurred with the Minister's decision during the review meeting held on 17 January 2009. Joint physical inspection of 11 STWs conducted (October 2011) by Audit and Assistant Agriculture Officers/ Assistant Agriculture Engineers in the presence of beneficiaries revealed that in all 11 cases, the yield from these wells was saline water. The beneficiaries also expressed their dissatisfaction over the quantity and quality of discharge. Thus, subsidy payment of ₹ 2.74 crore during 2009-10 without requisite certificate from the AAEs was irregular.

We are of the view that the decision taken in the review meeting (17 January 2009) was erroneous, because it was not within the human competence of AAEs to ensure yield of sweet water when the ground water in the entire area was saline as determined by Director (GWSI) after a scientific exercise.

¹⁸ Balasore, Bhadrak, Cuttack, Ganjam, Jagatsinghpur, Jajpur, Kendrapada, Khurdha and Puri.

5.2.4 Alleged misutilisation of subsidy and poor follow up action

We further noticed that based on complaints received from public regarding misutilisation of subsidy under *Jalanidhi* programme in five districts (Balasore, Cuttack, Jagatsinghpur, Jajpur, Puri) by showing old Private Lift Irrigation Points (PLIPs) works as new, the Minister of Agriculture instructed (August 2009) the CCO-cum-Secretary of the Department to conduct random physical verification of at least 10 *per cent* of PLIPs and pump sets in these districts within a month through teams consisting of concerned Project Directors of District Rural Development Agencies (DRDAs), NABARD officials, local Executive Engineer / Assistant Engineer (RWS&S) and one Joint Director of the Agriculture Directorate. Such a team was constituted (24 September 2009) by the CCO-cum-Secretary with the direction to submit the report by 31 October 2009. However, report of verification was received for only two districts (Puri in April 2010 for 172 cases and Jagatsinghpur in November 2011 for 432 cases). While no adverse findings were noticed by the team in Puri district, in 17 out of 432 cases verified in Jagatsinghpur district, irregularities like disposal of pump sets and pump sets physically available not matching with that supplied by APICOL were noticed. However, we found that no action was taken in these 17 cases despite irregularities being pointed out by the team. Verification reports from remaining three districts (Balasore, Cuttack and Jajpur) were not received as of February 2012 even after expiry of more than two years.

5.3 Farm mechanisation

As the Department perceived farm mechanisation to be crucial for improving agricultural productivity and moving from subsistence agriculture to a more commercial pattern, it promoted use of farm machinery as a vital strategy. Subsidy up to 50 *per cent* was provided on agricultural implements, sprinkler sets, tractors, power threshers etc. During 2006-11, ₹ 290.56 crore was spent on such subsidy on farm machinery sold to 232668 beneficiaries/farmers. It included subsidy payment for tractors (10527), power tillers¹⁹ (31975) and rotavators²⁰ (464).

5.3.1 We reviewed the management of subsidy in farm mechanisation and observed the following.

- **Outdated equipments** : In two (AAEs of Jeypore and Bolangir) out of 55 test checked DDOs, implements worth ₹ 6.47 lakh manufactured by departmental implement factory remained unsold since inception as these models became outdated ;
- **Unsold equipments**: Agriculture implements worth ₹ 31.45 lakh received from Implement Factory, Bhubaneswar up to March 2010 (Berhampur: ₹27.37 lakh, Sambalpur: ₹ 4.08 lakh) remained unsold in two test checked DDOs (Executive Engineers, (Agriculture), Berhampur and Sambalpur) as on March 2011;

¹⁹ Mechanised tillers used in farming

²⁰ Mechanised machinery used for sowing and harvesting

- **Damaged agriculture implements:** In three test checked offices, unused agriculture implements valued at ₹ 36.21 lakh (Berhampur: ₹ 12.06 lakh; Sambalpur: ₹4.79 lakh; and Anugul: ₹ 19.36 lakh) were lying in damaged condition due to prolonged storage. The reasons for prolonged storage without getting it repaired or replaced by Implement Factory could not be stated to Audit;
- **Misutilisation of subsidy and lack of monitoring:** The SAP 2008 provided for grant of subsidy at the rate of 50 per cent limited to ₹ 90000 per tractor with the stipulation that the same was not to be transferred within a period of three / five years from the date of purchase. Though subsidy of ₹ 27.63 crore was released by APICOL during 2006-11 on 10527 tractors, the utilisation was not monitored by the APICOL.

We feel that the concerned AAEs, as well as the MD, APICOL failed to exercise adequate monitoring over administration of this subsidy and its actual outcome in the field. Thus, Director/CCO failed to install a foolproof mechanism to oversee that the subsidised machinery were put to proper use.

5.3.2 Non-establishment of Agro Service Centres in backward districts

The SAP-2008 envisaged setting up of Agro Service Centres (ASCs) to provide doorstep services for farm mechanisation on hire basis. During 2006-11, 550 ASCs were established through the *Krishi Sahayak Kendras* of different districts and agricultural implements involving subsidy of ₹ 9.99 crore were provided to these ASCs by the Department. Director fixed the norm of at least one centre for each agriculture district. We noticed there were wide disparities in setting up of such centres since large number of centres were established in some coastal districts like Ganjam (102), Cuttack (84), Jagatsinghpur (75) and Jajpur (45) while such centres were very few in backward districts like Mayurbhanj and Gajapati (each 2), Nawarangpur (6), Sundargarh (3) Rayagada (7) and Koraput (9). No centres was established in seven agriculture districts of Phulbani and Malkangiri revenue districts.

The shortfall in the above seven agricultural districts was attributed (May 2011) by the MD, APICOL to non-receipt of proposals from these districts. As a result, the farmers of the above backward districts were deprived of proper guidance and benefits. In 15 test checked agriculture districts, 163 centres were established against the target of 468 centres. Despite instruction of the Chief Minister in a Strategy Committee meeting (28 October 2009) to establish large number of ASCs, no such centres was established in the two districts which were amongst poor districts with 16 per cent and 21 per cent of the population respectively depending on agriculture as the mainstay of their livelihood. Thus, Director/CCO failed to ensure establishment of ASCs after making assessment of requirement.

APICOL decided (26 December 2008) to conduct a study on the performance level of the ASCs. However, the same was not conducted as of January 2012. The Director of Agriculture despite being a member in the Board of Directors of APICOL failed to get the evaluation study done for over three years. Thus, the extent of effectiveness of the subsidy of ₹ 9.99 crore administered to these ASCs during 2006-11 remained unassessed.