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Government of India, Ministry of Agriculture
Department of Agriculture and Cooperation

Framework for Supporting

Public Private Partnership for Integrated Agricultural Development (**PPPIAD**) under Rashtriya Krishi Vikas Yojana (**RKVY**)

"A Scheme for facilitating large scale integrated projects, led by private sector players in the agriculture and allied sectors, with a view to aggregating farmers, and integrating the agricultural supply chain, with financial assistance through RKVY, under the direct supervision of State Governments, supported by National Level Agencies."

Background and Rationale

The agricultural produce landscape in India is undergoing significant and rapid change. This is primarily led by changing consumer demand preferences, as rising incomes rearrange the contents of the household food basket in both urban and rural India. Concern for food safety, traceability and assured year-round availability of quality agri produce at reasonable prices are demands which have emerged at the top of the supply chain. Organized retail (though as yet only 3% of the total retail market) is doubling its share every three years or so and is likely to play an increasingly important role in influencing the nature of agricultural markets in the coming decade. A game changer on the horizon is the proposed national food security legislation, which will require the sourcing of huge volumes of food from domestic producers. Traditional production and supply arrangements are unlikely to prove adequate in meeting the challenges posed by these two major developments.

Agriculture GDP is heavily weighted in favour of high value produce (horticulture, animal husbandry, dairy, poultry and fish products); as much as 75% of agri GDP value today is contributed by these products. Recent evidence suggests that this segment is increasingly favoured by small and marginal producers as it is labour intensive, offers quicker returns and can engage a higher proportion of women (especially dairy activities). Thus there appears to be immense potential to leverage high returns from non-cereal sub sectors, especially for small producers. This fits well with the XII Plan's vision for "faster and more inclusive growth" and creative and collaborative effort can result in this vision being translated into reality.

However, several hurdles need to be overcome to reach these highly desirable goals. For one, 83% of land holdings in the country are now marginal or small and unless there is urgent intervention in aggregating producers through farmer's institutions, we are unlikely to achieve scale in production and leverage it to the advantage of all stakeholders, especially primary producers. The fragmented agricultural marketing value chain and the large number of intermediaries is another major constraint, leading to wastage, low returns to producers and volatility in availability and prices at the consumer end. Estimates of the wastage of perishable such as fruits and vegetables range from 18-40% but they are undeniably too high and penalize both producers and consumers. The example of AMUL in milk demonstrates the benefits of value chain integration in agricultural produce. Yet, an efficient supply chain for cereals, perishables and other high value agricultural produce is unlikely to materialize unless there is parallel investment in aggregating farmers and farm produce at the bottom end, and strong and direct linkages are created between producers and market players, both for retailing raw produce and processed food.

Finally, the growing demand for quality agricultural products creates an opportunity to reduce risk in agriculture through the integration of producers on the one hand and retailers and processors on the other. While production and price risks are the most obvious areas of attention, the potential to create partnerships between farmer's groups and market players also opens up better links with input suppliers, financial institutions and research bodies. This convergence can lead to better targeting of government expenditures on agricultural subsidies and achieve better outcomes for public policy. Overall, a collaborative effort between the government, farmers and corporates in agriculture is likely to raise the rate of agricultural GDP growth, thereby directly impacting rural poverty.

In the above scenario, RKVY is likely to be a major window of funding during the XII Plan to support integrated agriculture and allied sector projects. However, there are challenges of limitation of technical, administrative and financial capacity at the state level to absorb the growing level of funding support under RKVY. Project monitoring and assessing project outcomes are also areas requiring strengthening. Lastly, the short term nature of most RKVY interventions in the XI Plan raises questions about the long term impact and sustainability of these investments. PPPIAD has been conceived of as an alternative mode of implementation under RKVY, using the technical and managerial capabilities of the private sector in combination with public funding, to achieve integrated and sustainable outcomes, as also to achieve value chain integration and additional private investment in agriculture.

Main features of PPPIAD

- Corporates to propose integrated agricultural development projects across the spectrum of agriculture and allied sectors, taking responsibility for delivering all the interventions through a single window. Each project to target at least 5000 farmers, spread over the project life.

- Complete flexibility in design, but ensuring an integrated value chain approach, covering all aspects from production to marketing. Projects can span 3-5 years.

- Average investment per farmer during project must be quantified, though an average of Rs. 1.00 lakh per farmer will be a desirable benchmark. Government support will be restricted to 50% of the overall per farmer investment proposed, with a ceiling of Rs. 50,000 per farmer through the project cycle. The remaining investment will be arranged by the corporate through institutional financing and its own and farmer contributions. All subsidies will be directly routed to farmers or reimbursed to project leaders after verification of asset distribution to farmers.

- Key interventions which must feature in each project are: a) mobilizing farmers into producer groups and registering them in an appropriate legal form or creating informal groups as may be appropriate to the area and Project (joint stock or producer companies, cooperatives, self-help group federations etc.); b) technology infusion; c) value addition; d) marketing solutions; e) project management.

- Financial assistance will be provided by State Governments directly to corporates through the RKVY window after the project has been approved by SLSC, subject to a ceiling of Rs. 50,000 per farmer or 50% of the proposed investment per farmer, whichever is lower. Subsidy to farmer for availing drip/sprinkler irrigation/mechanization/grading/shade nets etc. could be considered separately as it is a large investment. Therefore, subsidy availed by farmers for drip/sprinkler/mechanization/grading/shade nets, etc. under NMMI would not be considered as a part of this Rs. 50,000 ceiling.

- Projects can also be proposed by corporates to State Governments through Small Farmers' Agri-business Consortium (SFAC). This institution has been designated as a National Level Agency for this purpose by Dept. of Agriculture and Cooperation, Govt. of India. SFAC will act as a facilitator to link the project promoter to the concerned State Government. The role of SFAC will be to examine the proposal from a technical viewpoint and thereafter propose it for funding to the concerned State. SFAC will be restricted to being a support agency to facilitate the process of technical appraisal, coordination and facilitation; it will not be involved in implementation directly or handling funds.

- An independent monitoring agency (like NABARD or other a suitably qualified consultancy firm with no conflict of interest with the particular project it is to monitor) will be appointed by the State Government to closely track the performance of the project and report to all relevant stakeholders in the State and Central government.

Coverage and Scope

PPPIAD is proposed as a pilot scheme to be launched during 2012-13 itself, with about 6-8 projects in the first tranche which interested States are willing to sponsor immediately. Its expansion during the XII Plan will be decided based on the experience of the first lot of pilot projects.

Objectives

Main objectives of scheme are:

Augmenting the current government efforts in agricultural development by leveraging the capabilities of the private sector by:

- Addressing all concerns related to production and post-harvest management in agriculture/horticulture and agriculture allied sectors.
- Enhancing production and productivity, improve nutritional security and income support to farmers.
- Promote, developing and disseminating technologies for enhancing production and productivity.
- Assisting states in addressing the entire value chain, right from the stage of pre-production to the consumers table through appropriate interventions.
- Creating employment generation opportunities for skilled and unskilled persons, especially unemployed youth.
- Improving value addition and ensuring farmer's profitability increases.
- Making farming a viable business proposition.
- Improving the delivery and monitoring mechanism under RKVY funded projects.

Strategy

To achieve the above objectives, the scheme will adopt the following strategies:

- Companies to submit a Detailed Project Report (DPR), to States directly or SFAC for consideration of SLSC.
- Organize growers into Farmers Association/Groups in every project.
- Identify/select aggregators and enable tie-up with farmers/associations/groups.
- Coordinate with ICAR/SAUs/Private Sector to provide improved varieties of seeds/seedlings and to introduce innovative technologies as required.
- Addressing issues in the credit supply chain with support from NABARD.
- Measures for production and productivity enhancement by adopting improved cultivars, production technologies using precision farming techniques, protected cultivation, micro irrigation etc.
- Primary processing, sorting, grading, washing, packaging and value addition clusters.
- Logistics from farm to market including:
  - Post Harvest Management, Storage and Transport infrastructure.
  - Aggregators for suitable tie ups in the supply-chain.
- Support to these groups to develop warehouses, cold chains, Controlled Atmosphere (CA).

Procedure for Approval and Implementation

Strategy and Roadmap

Companies will identify the regions they wish to take up in 2012-13 and develop the project for integrated agriculture development. The strategy & road map formulated by companies should invariably contain information on geography & climate, potential of agriculture development, availability of land, SWOT analysis, and strategy for development and plan of action proposed to be taken to achieve goals in the identified region. The document should focus on adoption of cluster approach for production and linking with available infrastructure, or to be created, for post harvest management, processing, marketing and export. Growers/farmers would also be entitled for assistance under all schemes of DAC/other departments of Government of India so that these schemes can ensure appropriate synergy and convergence for maximum benefit in the field. Each DPR will also provide a Results Framework Document (RFD), giving clearly verifiable indicators for tracking the progress of the project during its life cycle.

Implementing Agencies

1. Small Farmers Agri-Business Consortium (SFAC).
2. State Government (Agriculture Department)/State level agencies.
3. Private sector partner.

Proposals can be either submitted directly to States or to SFAC at the national level. In either case, the NLA or State Government will examine the project proposal from the viewpoint of suitability to priorities and objectives of the State and the general framework of RKVY. If found suitable, the proposal will be forwarded to the SLSC chaired by Chief Secretary for consideration. Based on the approval of the SLSC, the project will be rolled out after an agreement has been signed between the State Government and Project Promoter. A standard format of agreement for PPPIAD under RKVY will be circulated for the guidance of States. They will be free to adapt this format to their specific needs.

All fund releases will be made directly by the State Government to the concerned private sector Project Promoter, based on satisfactory progress reports. Funding will be in the form of reimbursement of expenditures incurred by the Project Promoter on various approved budget heads, after these have been duly verified by the independent monitoring agency.

A baseline survey to determine the entry level situation and end-of-project survey will also be conducted by the independent monitoring agency to assess the impact of the project intervention. It will further furnish monthly, quarterly and annual progress reports to DAC and the State and operationalize Information Communication Technology (ICT) enabled Management Information System (MIS) up to grass root level and if need be develop and host its own website.

Scheme Components and Pattern of Assistance

The Scheme will cover all project components in all agriculture and allied sector areas. All farmer related services (i.e. not inputs or hardware) and other interventions leading to productivity enhancement will be supported fully. There will be a 50% limit on items (like farm machinery and irrigation infrastructure) which are to be provided on subsidy to farmers. However, there will be flexibility as far as the community based projects are concerned. For instance, 100 per cent subsidy can obtained by FPOs for developing warehousing infrastructure under Rural Godown Scheme.

The scheme will be demand and need based in each segment. Technology will play an important role in different interventions. The interventions envisaged for achieving desired goals would be varied and regionally differentiated with focus on potential vegetable crops to be developed in clusters by deploying modern and hi-tech interventions and duly ensuring backward and forward linkages.

Performance based overhead costs will be given to the companies for meeting administrative expenses for executing the projects. The companies would have to submit Results Framework Document (RFD) for getting the project approved. If the company's performance if excellent, it can be entitled to maximum overheads of 8 per cent, similarly, if it is average, it would be entitled to overheads of 5 per cent. If the company's performance is poor, it would be only entitled to overheads of 2 per cent.

The release of funds would be done in a phased manner as per the approved project proposal. The entire project would be divided into five phases with a specific financial allocation for each phase. Amount pertaining each phase would be released during the beginning of each phase. For availing funds of the subsequent phase, the company would have to submit a detailed utilization certificate from the company auditor and interim project report of that phase.

Dispute Redress Mechanism

A standing mechanism to review projects sanctioned under PPPIAD and resolve disputes will be activated at the State level with the following composition:

(a) Agriculture Production Commissioner or Principal Secretary, Agriculture – Chair
(b) Commissioner/Director, Agriculture – Member Secretary
(c) Representative of Private Sector Implementing Partner – Member
(d) Representative of independent monitoring agency – Member

This DRM will be the forum to resolve any disputes which arise during the implementation of PPPIAD projects. If this committee is unable to resolve an issue, it will be referred to the SLSC chaired by Chief Secretary, in which all members of the DRM will be invited to participate. The decision of the SLSC in any matter will be final.

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