Extra funds for states that carry out agricultural reforms

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The 15 Finance Commission incentives will be linked to two recent ordinances passed by the Narendra Modi government to liberalise agricultural markets and boost private investments.(AP file photo)

The 15th Finance Commission, the constitutional body that devolves five-yearly financial resources and taxes to states, will for the first time give out extra funds to states if they carry out agricultural reforms to boost exports.

By setting farm-sector reforms as a parameter for the award of performance-based incentives, the 15th Finance Commission seeks to spur investments to boost India’s exports of primary farm produce, finance commission and Niti Aayog member Ramesh Chand told HT.

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India is the second-largest producer of cereals, sugar, fruits, and vegetables. It is also the world’s largest producer of milk, according to official data. However, the country ranks 11th globally in terms of farm exports.

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Discussions are being held to finalise "performance-based incentives" and their guidelines in six areas based on the 15th Finance Commission's terms of reference.

These are the implementation of agricultural reforms, development of aspirational districts and blocks, power sector reforms, boosting trade including exports, incentives for education, and promotion of domestic and international tourism. The grant amounts will be provided in the final report.

A separate expert panel will come out with export-oriented reform for states. In February, the 15 Finance Commission had set up an eight-member experts' group headed by ITC chairman Sanjiv Puri to recommend measures to boost farm exports.

States will be eligible for financial incentives if they implement all features of The Farming Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020, and The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020, an official familiar with the matter said.

The Constitution, through Article 280 to 281, provides for a unique mechanism in Finance Commissions for the division of taxes and revenues vertically — between the Centre and states, and horizontally— among all states, based on their levels of development, prosperity and regional needs. Finance commissions are set up by an order of the President of India.

The final report of the 15th Finance Commission is also likely to give incentives to states that implement a reformed land leasing law.

The Union Cabinet on June 4 had passed far-reaching steps to unshackle the country's farm sector, approving amendments to the six-decade-old Essential Commodities Act and pushing two ordinances, one aimed at freeing up farm trade from all restrictions and the other guaranteeing a legal framework for pre-agreed prices to farmers.

"These are major reforms that will ultimately liberalise the farm sector and free it from dated rules. We need to corporatize agriculture and these moves are aimed at getting more investments and reducing dependencies on the government," said NR Bhanumurthy, the vice-chancellor of Bengaluru's Dr BR Ambedkar School of Economics.

Source: https://www.hindustantimes.com/india-news/extra-funds-for-states-that-carry-out-agri-reforms/story-caim6XU148JCaIWnCgySGL.html