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High Level Group on Agricultural Exports : Finance Commission

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Why in News

Recently, the **High Level Group (HLEG) on Agricultural Exports** set up by the **Fifteenth Finance Commission** has submitted its report to the Commission.

The HLEG was set up to recommend **measurable performance incentives** for states **to encourage agricultural exports and to promote crops to enable high import substitution.**

Finance Commission

- The Finance Commission is a **constitutional body**, that determines the method and formula for distributing the tax proceeds between the Centre and states, and among the states as per the constitutional arrangement and present requirements.
- Under **Article 280** of the Constitution, the President of India is required to constitute a Finance Commission at an interval of five years or earlier.
- The 15th Finance Commission was constituted by the President of India in November 2017, under the **chairmanship of NK Singh**. Its recommendations will cover a period of five years from April 2020 to March 2025.

Recently, the Ministry of Finance has **released a part of grants-in-aid as a part of the Tied Grant as recommended by the 15th Finance Commission (FC)** for the Financial Year (FY) 2020-2021.

Key Points

- **Purpose to Constitute HLEG:**

- To **assess export & import substitution opportunities for Indian agricultural products** (commodities, semi-processed, and processed) in the changing international trade scenario and suggest ways to **step up exports sustainably and reduce import dependence**.
- To recommend **strategies and measures to increase farm productivity, enable higher value addition, ensure waste reduction, strengthen logistics infrastructure** etc. related to Indian agriculture, to improve the sector's global competitiveness.
- To **identify the impediments for private sector investments along the agricultural value chain** and suggest policy measures and reforms that would help attract the required investments.
- To **suggest appropriate performance-based incentives to the state governments** for the period 2021-22 to 2025-26, to accelerate reforms in the agriculture sector as well as implement other policy measures in this regard.

- **Recommendations:**
 - **Crop Value Chains:**
 - It emphasises to focus on 22 crop value chains with a **demand driven approach**.
 - The demand driven approach refers to a development strategy where the people themselves are expected to take the initiative and the responsibility for improving supply situation rather than being passive recipients of the Government services.
 - It also suggests to solve **Value Chain Clusters (VCC)** holistically with focus on value addition.
 - **State-led Export Plan:**
 - It is a business plan for a crop value chain cluster, that will lay out the opportunity, initiatives and investment required to meet the desired value chain export aspiration.
 - These plans will be **action-oriented, time-bound and outcome-focused**.
 - Such plans should be **collaboratively prepared** with private sector players and Commodity Boards presenting **participation of all stakeholders**.
 - **Participation of Private Sector:**
 - The private sector players need to play a pivotal role in ensuring demand orientation and focus on value addition.
 - It also needs to ensure project plans are feasible, robust, implementable and appropriately funded; providing funds for technology based on business cases and for creating urgency and discipline for project implementation.
 - **Central Government's Role:**
 - The Central government should act as an enabler.
 - Thus, robust institutional mechanisms need to be enforced to fund and support implementation.
- **India's Estimated Agricultural Export Potential:**
 - India's agricultural export has the potential to grow from USD 40 billion to USD 70 billion in a few years.
 - The estimated investment in agricultural export could be to the tune of USD 8-10 billion across inputs, infrastructure, processing and demand enablers.
 - Additional exports are likely to **create an estimated 7-10 million jobs**.
 - It will also lead to **higher farm productivity** and farmer income.

Source:PIB