The Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched in 2000. The programme received a major boost in 2005 when the Government of India (GOI) integrated PMGSY into its Bharat Nirman Programme. Bharat Nirman is a flagship GOI effort to improve rural infrastructure.

Using government data, this brief reports on PMGSY progress along the following parameters:

a) Overall trends in allocation and expenditure,

b) State-wise progress on road works completed, and
c) Overall progress in ensuring rural connectivity.

Cost Share: PMGSY is a 100% Centrally Sponsored Scheme. 50% of the cess on high speed diesel is earmarked for the programme. Funds are released by GOI based on past expenditure performance and proposals submitted by the state.

Complete expenditure data is publicly available up to FY 2008-09. Data for FY 2009-10 is incomplete. Quarter-wise release and expenditure data is available in the DMU report.

| Highlights | GOI allocations for PMGSY in FY 2011-12 (in crores) | ₹18,217 |
| 1 | Percentage released out of value of proposals (plans) in FY 2008-09 | 30% |
| 2 | Percentage spent out of value of proposals (plans) in FY 2008-09 | 48% |

Summary and Analysis

1. In the last 7 years, PMGSY allocations have had an over 4-fold increase, up from ₹3,836 crores in FY 2005-06 to ₹18,217 crores in FY 2011-12.

2. Under-spending is a serious problem. In FY 2005-06, 84% of total value of proposals was spent; this decreased to 48% in FY 2008-09.

3. There are wide inter-state variations in expenditure. Karnataka, Andhra Pradesh and Gujarat are amongst the better performers.

4. Performance levels measured as roadworks completed varies across states. Gujarat spent 75% of its total value of proposals in FY 2008-09 and completed 79% of its sanctioned roads. Orissa, on the other hand spent 47% of its value of proposals and completed 19% of its sanctioned roads.

5. There are large differences in the average cost per kilometre of road built. Orissa and Bihar spent the most at ₹44 lakh and ₹42 lakh per kilometre respectively. Tamil Nadu and Rajasthan spent the least at ₹21 lakh and ₹16 lakh per kilometre respectively.

6. Despite 11 years of PMGSY, there has been a mere 7 percentage point decrease in the proportion of unconnected habitations.
Trends in Central Government Allocations and Expenditures

- The Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched in 2000 with the objective of improving rural connectivity.

- Since FY 2005-06, there has been an over 4-fold increase in allocations. In FY 2011-12, ₹18,217 crores has been allocated to PMGSY, up from ₹3,836 crores in FY 2005-06.

Over 4-fold increase in allocations for PMGSY in the last 7 years

![Graph showing allocation for PMGSY from FY 2005-06 to FY 2011-12]


- PMGSY is a demand-driven scheme. Fund availability is based on proposals submitted to the centre by state governments and past expenditure performance. 50 percent of funds for PMGSY come from a cess on high speed diesel of ₹1.50/litre.

- PMGSY is a 100 percent Centrally Sponsored Scheme. At the start of the financial year, GOI sets aside a pool of money in the annual budget for PMGSY. States prepare proposals for expenditures based on their requirement, independent of the initial GOI budget. According to programme guidelines, the planning process begins at the block level. Block plans are aggregated at the district. Every district goes on to prepare a District Rural Roads Plan which is sent to the state level implementing agency and the National Rural Roads Development Agency. Once received, these proposals are evaluated and approved by GOI.

- Expenditure Performance: Funds for approved projects are made available to the State Rural Roads Development Authority (SRRDA) in two instalments. While the first release is an ad hoc grant, the second instalment is based on expenditure performance. Since its inception in 2000, a total of ₹1,04,704 crores has been sanctioned for PMGSY, of which ₹78,338 crores (75 percent) has been released.

- As the release numbers suggest, under-spending is rampant in PMGSY. This is best demonstrated by comparing the value of proposals submitted by state governments and approved by GOI with the actual money spent. In FY 2005-06, 84 percent of total value of proposals was spent. In FY 2008-09, only 48 percent of this was spent.

- Under-spending is inextricably linked to the nature of GOI releases. As has been mentioned, GOI releases are linked to state expenditures. As expenditures slowed down, release of GOI funds also reduced. In FY 2005-06, 98 percent of funds were released. This reduced to 31 percent in FY 2008-09. In FY 2008-09, 30 percent funds were released. Delay in GOI release is a consequence of delayed state spending, which in turn affects spending capacity as a proportion of the value of proposals. The result: a vicious cycle of low release and low expenditures. This persistent gap between fund release, expenditure and value of proposals is also an indicator of planning inefficiency.
as district and state level plans do not seem to take in to account past expenditure performance when determining their annual expenditure requirement.

- These release and expenditure numbers need to be understood in the context of the overall nature of reporting for PMGSY. In the current reporting structure, expenditures are recorded on the basis of value of proposals. So if expenditure for an FY 2005-06 proposal is incurred in any year other than FY 2005-06, it still gets booked as expenditure incurred in FY 2005-06. This is the reason we see a significant decrease in release and expenditure for FY 2008-09 when compared with FY 2005-06.

Trends in Allocations and Expenditures at the State Level

- In this overall environment of under-spending, state expenditure performance shows some variations.

- Karnataka, Andhra Pradesh and Gujarat are amongst the better performers.

- In February 2011, Bihar reported spending 57 percent of its funds for FY 2005-06 and only 15 percent for FY 2008-09. The Bihar numbers are a good example of how the retrospective expenditure referred to earlier plays out in practice. Up until FY 2005-06, Bihar reported high under-spending on all social sector programmes. On gaining power in 2005, the current government placed high priority on social sector spending with a particular emphasis on rural connectivity through programmes like PMGSY. Bihar’s figures of 57 percent expenditure on its value of proposal for FY 2005-06 are a consequence of this political prioritisation. These expenditures were probably incurred recently but booked to FY 2005-06. The fact that FY 2008-09 expenditure is low suggests that despite significant progress, Bihar has a long way to go before it fills the expenditure and planning gap.

- Rajasthan and Punjab have managed to maintain a steady expenditure performance – 85 percent and 93 percent respectively in FY 2005-06 and 71 percent and 70 percent in FY 2008-09. This indicates that the planning and sequencing of works in these states has been well harmonized over the years.
Karnataka spent 82% of its value of proposals in FY 2008-09; Chhattisgarh spent 33%

Punjab completed 69% of its sanctioned roads in FY 2008-09; Maharashtra completed only 15%

Coverage

- Performance levels vary across states. Despite a consistent increase in allocations, there is a growing disparity between roads sanctioned and roads completed.

- Gujarat spent 75 percent of its total value of proposals in FY 2008-09 and completed 79 percent of its sanctioned roads. Similarly, Punjab spent 70 percent and built 69 percent of its sanctioned roads.

- Orissa spent 47 percent of its value of proposals but completed only 19 percent of its sanctioned roads.

The pace of progress, as indicated by the percentage of roadworks completed seems to have slowed down considerably between FY 2005-06 and FY 2008-09. While Maharashtra and Chhattisgarh were able to complete 95 and 94 percent of their roadworks sanctioned in FY 2005-06 respectively, this sharply dropped to 15 and 32 percent for projects sanctioned.
in FY 2008-09. Again, this could be due to back dated reporting patterns.

- There are large differences in the average cost per kilometre of road built.

Orissa and Bihar have the highest average cost per kilometre of road; Rajasthan spent only ₹16 lakh per kilometre

- Orissa and Bihar spent the most at ₹44 lakh and ₹42 lakh per kilometre respectively. Tamil Nadu and Rajasthan spent the least at ₹21 lakh and ₹16 lakh respectively.

- Despite 11 years of PMGSY, there has been a mere 7 percentage point decrease in the proportion of unconnected habitations.

- According to the scheme design, connectivity to habitations is prioritised by population size. However, according to government data, higher population areas (1,000+) have witnessed only a 9 percentage point improvement in connectivity in 11 years. Low population areas have done even worse with only a 2 percentage point improvement.

- Larger habitations are likely to be in the Core Network, and as such are easier to link through new or upgraded roads. The difficulty of connecting smaller habitations which are brought under the Core Network and the Rural Roads Plan is going to increase in the future. Scheme design and monitoring physical and financial progress will be critical for the future success of the PMGSY.
This section offers some practical leads to detailed information on the union government’s rural roads budget. However, reader patience and persistence is advised as a lot of this information tends to be dense and hidden amongst reams of data.

<table>
<thead>
<tr>
<th>Data Sources</th>
<th>Useful Tips</th>
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<tbody>
<tr>
<td>Union Budget, Expenditure Vol.2 <a href="http://www.indiabudget.nic.in">www.indiabudget.nic.in</a></td>
<td>This volume provides total ministry-wise and department-wise allocations as well as disaggregated data according to sectors and schemes from 1998-99 onwards. The data has both revised and budgeted estimates and should be calculated according to the Major-Head and Sub Major-Head. For roads and bridges the head is 3054.</td>
</tr>
<tr>
<td>RTI filed by Accountability Initiative <a href="http://www.accountabilityindia.in">www.accountabilityindia.in</a></td>
<td>Length Completed (in kilometres) and expenditure incurred (in rupees) from 2005-06 till 2009-10.</td>
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Prepared by
Avani Kapur, akapur@accountabilityindia.org & Anirvan Chowdhury achowdhury@accountabilityindia.org

Advisory Support
Anit Mukherjee, National Institute of Public Finance and Policy (NIPFP), anit@nipfp.org.in

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