



## Bharat Nirman: Rural Roads, GOI 2009-10

**Background:** Government of India (GOI) launched Bharat Nirman in 2005 to improve rural infrastructure. Bharat Nirman has 6 components including rural roads, rural electrification, rural housing and rural drinking water amongst others. Pradhan Mantri Gram Sadak Yojana (PMGSY), GOI's flagship scheme launched in 2000 for improving rural connectivity was integrated in to Bharat Nirman in 2005.

**Cost Share and Implementation:** PMGSY is a 100% Centrally Sponsored Scheme. 50% of the cess on High Speed Diesel is earmarked for the programme. PMGSY also gets funds from external sources such as the World Bank and National Bank for Agricultural and Rural Development (NABARD). Funds are released by the GOI based on proposals submitted by the state.

Complete expenditure data is publicly available up to FY 2007-08. Data for FY 2008-09 is incomplete.

### Highlights

|  |            |
|--|------------|
| Allocations for Bharat Nirman (in crore)       | Rs. 48,000 |
| Allocations for PMGSY in FY 2010-11 (in crore) | Rs. 10,886 |
| Released for PMGSY in FY 2007-08*              | 49%        |
| Spent in FY 2007-08*                           | 49%        |

\*Complete data is available for FY 2007-08. Release and Expenditure data is calculated as a percentage of value of proposals.

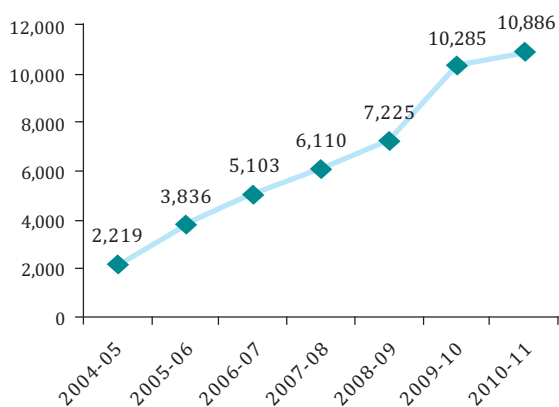
### Key Facts and Analysis

- ◆ Over **4-fold** increase in allocations for PMGSY. Rs. **10,886** crore was allocated for PMGSY in FY 2010-11.
- ◆ Wide gap between funds allocated by GOI and fund requests made by the state governments. In FY 2008-09, Rs. **7,225** was allocated and Rs. **20,036** was the total value of proposals sanctioned to the states.
- ◆ Expenditure performance under PMGSY has been improving. In FY 2004-05, only **50%** of total funds released were spent. In FY 2007-08, over **100%** of funds released were spent.
- ◆ Variation in release of funds to the states. In FY 2004-05, most states received **100%** of the value of proposals. In FY 2007-08, the number dropped significantly for some states. For instance, Andhra Pradesh received **49%** of the value of proposals, Tamil Nadu received **33%** and Jharkhand received **0** releases.
- ◆ Inter-state variation in expenditure performance. In FY 2007-08, Chhattisgarh and Karnataka reported spending **104%** and **83%** of their funds respectively, while Bihar spent only **19%**.
- ◆ Slow progress in providing connectivity. In 9 years, there has been a mere **17%** decrease in percentage of unconnected habitations.

## Trends in Central Government Allocations and Expenditures

- In 2005, GOI launched Bharat Nirman- a 4 year time bound plan to improve rural infrastructure including electrification, drinking water, rural and roads.
- The budget for Bharat Nirman in FY 2010-11 was Rs. **48,000** crores.
- Pradhan Mantri Gram Sadak Yojana (PMGSY) launched in 2000 to improve rural connectivity was integrated into Bharat Nirman in 2005. Over 4-fold increase in allocations for PMGSY in the last six years. Rs. **10,886** crore was allocated in FY 2010-11.

Over 4-fold increase in allocations for PMGSY in the last 6 years



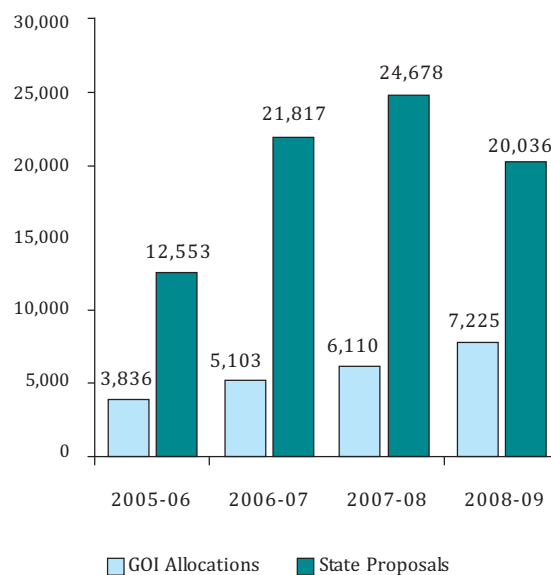
Source: Union Expenditure Budget, Vol II, Ministry of Rural Development various years. Note: Figures in crores of rupees. Does not include north-east component, which was Rs. 1,114 crore.

- PMGSY is a demand-driven scheme. Fund availability is based on proposals submitted to the centre by state governments. 50 percent of funds for PMGSY come primarily from a Rs. 1.50 per litre diesel cess.
- At the start of the financial year, GOI sets aside a sum of money in the annual budget for PMGSY. States prepare proposals for

expenditures based on their requirements, independent of the initial GOI budget. Once prepared, these proposals are evaluated and approved by GOI.

- There is a wide gap between funds earmarked by GOI at the start of the financial year and fund requests made by state governments during the financial year, indicating poor planning by GOI.

### Mismatch between GOI plans and state demands

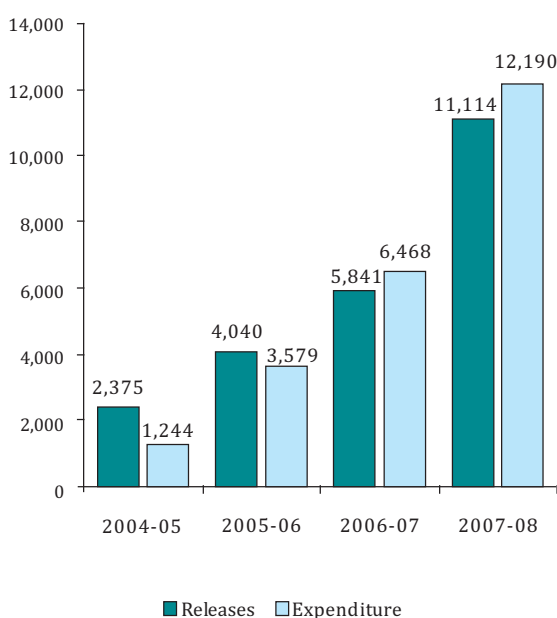


Source: Calculated from Union Expenditure Budget, Vol II, Ministry of Rural Development various years and PMGSY portal, Financial Progress of Works. Note: Figures in percentages.

- In FY 2008-09, while Rs. **7,225** crores was initially allocated for PMGSY, value of state proposals amounted to Rs. **20,036** crores.
- There are many problems in the release of funds reflecting implementation inefficiencies. For one, releases do not match sanctioned amounts.

- Funds for approved projects are made available to the State Rural Roads Development Authority (SRRDA) in two installments. Since its inception in 2000, a total of Rs. **99,714** crores have been sanctioned for PMGSY, of which Rs. **60,911 crores (61 percent)** has been released.
- Despite receiving less than what was asked for, most states are unable to spend the money.
- Over the years, expenditure performance under PMGSY has been improving.

**Improvements in expenditure performance over the years**



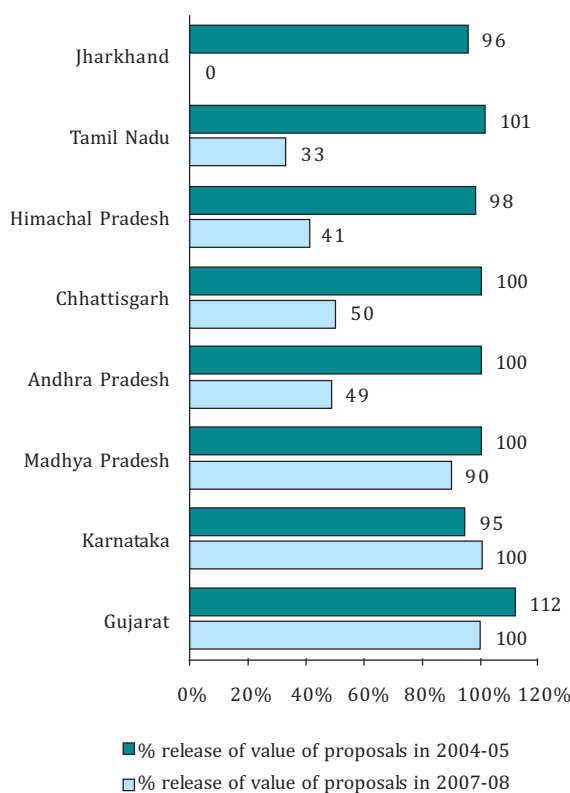
Source: PMGSY, Online Portal, Financial Progress of Works. Note: Figures in crores of rupees.

- In FY 2004-05, only **50** percent of total funds released were spent. However, in FY 2007-08, over **100** percent of funds released were spent due probably to large opening balances.

**Trends in Allocations and Expenditures at the State Level**

- **10** states account for over **85** percent of unconnected habitations.
- Release of funds is slow and there are wide inter-state variations in release and spending of funds.

**Inter-state variation in release of funds**

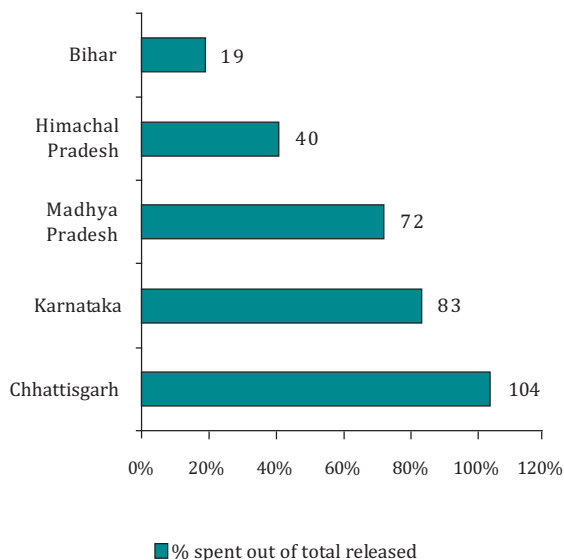


Source: PMGSY, Online Portal, Physical and Financial Progress of Works. Note: Figures in crores of percentages.

- In FY 2004-05, most states received **100** percent of the value of proposals. However, in FY 2008-09, Gujarat and Karnataka received **100** percent of their value of proposals, while Andhra Pradesh, Himachal Pradesh and Chhattisgarh received **50** percent or less.

- During the same period, Tamil Nadu, received only **33** percent of its value of proposals.
- Jharkhand is another interesting example. In FY 2004-05, it received **96** percent of its value of proposals, while it received **0** releases between FY 2005-06 and FY 2008-09. Curiously, the first instalment sanctioned for the year 2005-06 was finally made available in April 2009.
- Despite being demand-driven, there are wide inter-state differences in expenditure performance.

**Wide inter-state disparity in spending**



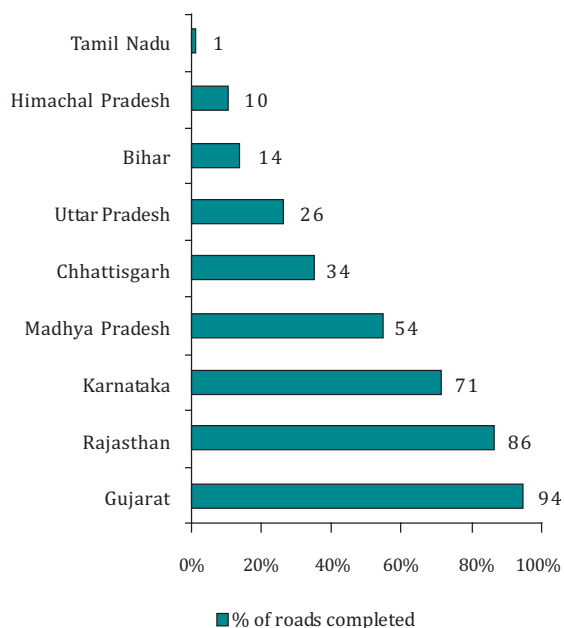
Source: PMGSY, Online Portal, Physical and Financial Progress of Works. Note: Figures in percentages.

- In FY 2007-08, Chhattisgarh and Karnataka reported spending **104** percent and **83** percent of its funds respectively. Himachal and Bihar on the other hand, spent only **40** percent and **19** percent respectively.

**Coverage**

- Across states, performance levels also vary. There is a growing disparity between roads sanctioned and roads completed.

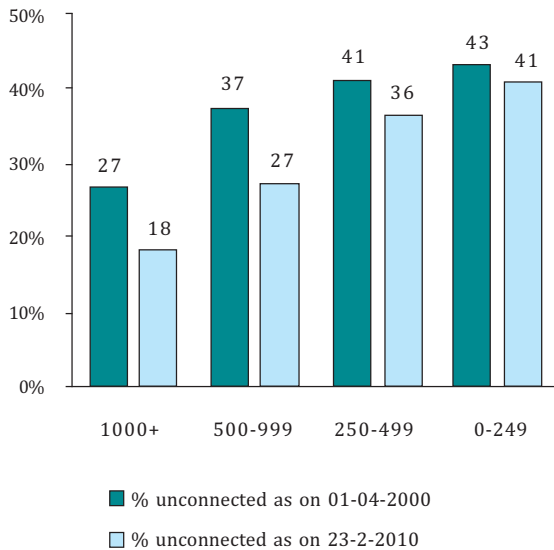
**Variations in % of roads completed**



Source: PMGSY, Online Portal, Physical and Financial Progress of Works. Note: Figures in percentages.

- In FY 2007-08, Gujarat and Rajasthan completed **94** and **86** percent of sanctioned roads, while Madhya Pradesh completed **54** percent.
- During the same period, Bihar completed only **14** percent and Tamil Nadu reports completing only **1** percent of the sanctioned roads.
- Despite its 9 year history, PMGSY has resulted in a mere **17** percent decrease in the percentage of unconnected habitations.

### Slow progress in providing connectivity to remote habitations



Source: PMGSY, Online Portal, Habitation Coverage. Note: Figures are percentages.

- According to the scheme design, connectivity to habitations is prioritised by population size. However, according to government data, higher population areas (1000+) have witnessed only a **9** percent decrease in lack of connectivity in 10 years. Low population areas have done even worse with only a **2** percent decrease in the lack of connectivity.

**This section offers some practical leads to accessing further and 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.**

| Data Sources  | Useful Tips   |
|---|---|
| Union Budget, Expenditure Vol.2<br><a href="http://www.indiabudget.nic.in">www.indiabudget.nic.in</a>   | 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. |
| PMGSY, Online Portal, Physical and Financial Progress of Works<br><a href="http://pmgsyonline.nic.in/government/security/login/dologin.asp#">http://pmgsyonline.nic.in/government/security/login/dologin.asp#</a><br><i>Accessed on February 23, 2010</i> | State-wise and year wise details on value of proposals, releases and expenditures as well as roads sanctioned and completed. Note: Data for 2008-09 is incomplete.  |
| PMGSY, Online Portal, Financial Progress of Works<br><a href="http://pmgsyonline.nic.in/government/security/login/dologin.asp#">http://pmgsyonline.nic.in/government/security/login/dologin.asp#</a><br><i>Accessed on February 23, 2010</i>              | State-wise and year wise details on sanctioned funds, released funds, expenditures.   |
| PMGSY, Online Portal, Habitation Coverage<br><a href="http://pmgsyonline.nic.in/government/security/login/dologin.asp#">http://pmgsyonline.nic.in/government/security/login/dologin.asp#</a><br><i>Accessed on February 23, 2010</i>                      | Gives state-wise details on unconnected habitations in 2000, those provided connectivity till February 2010 and those left to be connected.   |
| PMGSY, Online Portal, Bharat Nirman<br><a href="http://pmgsyonline.nic.in/government/security/login/dologin.asp#">http://pmgsyonline.nic.in/government/security/login/dologin.asp#</a><br><i>Accessed on February 23, 2010</i>                            | Details of Rural roads component of Bharat Nirman including State-wise Action Plans, Targets and Achievements, and Quarterly Financial Progress for FY 2009-10.   |

Prepared by Avani Kapur, [akapur@accountabilityindia.org](mailto:akapur@accountabilityindia.org) & Sruti Bandyopadhyay, [sbandyopadhyay@accountabilityindia.org](mailto:sbandyopadhyay@accountabilityindia.org)  
Advisory Support Dr. Anit Mukherjee, Fellow, National Institute of Public Finance and Policy, [anit@nipfp.org.in](mailto:anit@nipfp.org.in)



*Budget Briefs* is an attempt to undertake basic analysis on social sector budget data including trends in allocation and expenditure patterns and collate and make accessible budget data sources. Information from this document may be reproduced or redistributed for non-commercial purposes in part or in full with due acknowledgement to Accountability Initiative ("AI"). The opinions expressed are those of the author(s). More information on *Budget Briefs* can be found at [http://accountabilityindia.org/know\\_budget.php?menu=4](http://accountabilityindia.org/know_budget.php?menu=4)