

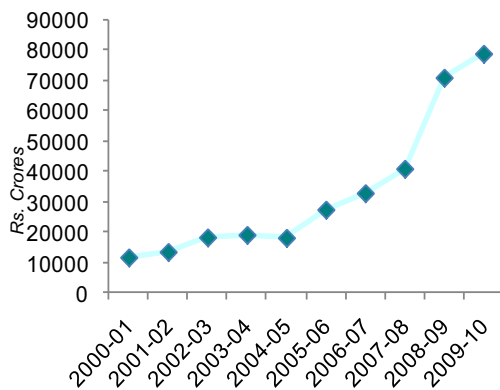


### Rural Development, GOI 2008-09

Since 2004, the Government of India's expenditure commitments to the Rural Development Sector have increased significantly. The current budgetary outlay is Rs. 79096 crore. Most of this money is committed to strengthening rural employment through the National Rural Employment Guarantee Act (NREGA). In addition, expenditure commitments to rural infrastructure through the Pradhan Mantri Gram Sadak Yojna (PMGSY) have also increased. This budget brief offers an overview of the rural development sector and highlights trends in expenditures in the sector's two flagship programmes – NREGA and PMGSY.

#### Massive increase in funds for rural development...

6-fold increase in allocation for rural development since 2000



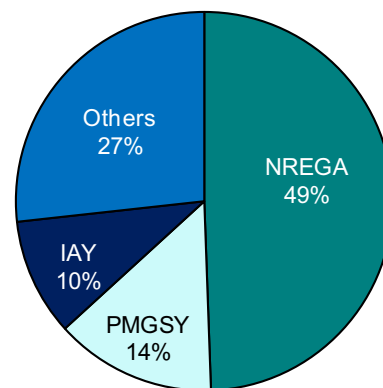
Source: Union Expenditure Budget, Vol.2, 2000-01 till 2009-10, calculated from the Ministry of Rural Development & Ministry of Panchayati Raj for 2004 onwards. Note: All figures in nominal terms. Includes both plan and non-plan.

- Rural development expenditures now constitute a significant portion of the expenditures incurred by the Government of India (GOI).

The total central expenditure on rural development has increased from, **2.89** percent in 2002-03 to **4.55** percent in 2008-09.

Rural Employment and Infrastructure are priorities. In 2009-10, the NREGA received 49 percent of the rural development budget, followed by PMGSY at 14 percent...

NREGA and PMGSY are two important schemes in rural development in 2009-10

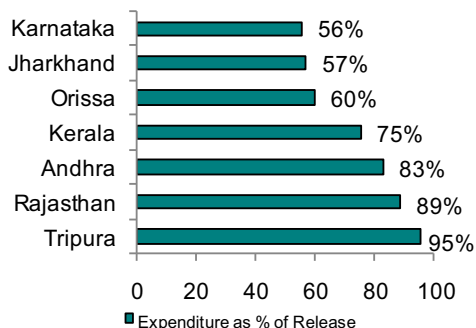


Source: Union Expenditure Budget, Vol.2, calculated from the Ministry of Rural Development & Ministry of Panchayati Raj for 2009-10.

**NREGA**

- As is well known, NREGA is a demand-driven scheme. Thus, fund availability is based on proposals submitted to the centre by state governments.

**Wide inter-state disparity in spending ability**



Source: Union Expenditure Budget, Vol.2, (2007-2009) and NREGA website: www.nrega.nic (accessed on 17.05.2009). Note: Releases here includes central release, state releases, opening balance of previous year as well as releases made last year but received in the current year and miscellaneous receipts.. Expenditure includes that on wages, materials and administrative expenses. All figures are in percentages.

- Despite being demand-driven, there are wide inter-state variations in the ability to spend funds. For instance, Tripura, Rajasthan and Andhra Pradesh spent over 80 percent of the monies available till 2008-09, while Karnataka and Jharkhand fell far behind at less than 60 percent.
- In 2008-09, GOI extended NREGA to cover all districts within India with an initial allocation based on its estimates of **Rs. 16,000** crores. In the course of the year as state requests for funds increased, this allocation nearly doubled to **Rs. 30,000** crores.

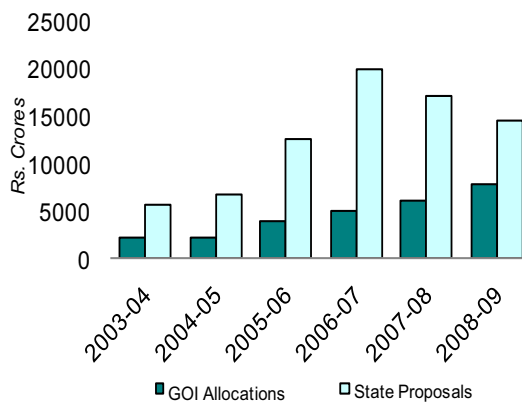
This wide gap is indicative of poor planning by the GOI at the start of the budget year and could, in the future, have serious implications on fund availability.

**PMGSY**

- PMGSY was launched in 2000. The programme is funded exclusively by GOI, and is intended to provide rural connectivity by building all-weather roads. PMGSY is largely funded through the Rs. 1.50/litre diesel cess.

**There is 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...**

**Mismatch between GOI plans and state demands**



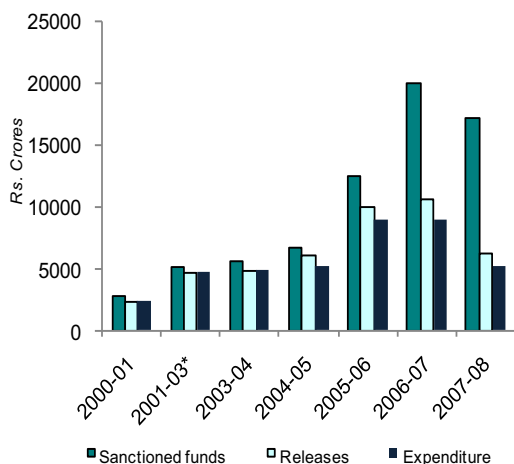
Source: www.pmgysy.org (accessed on 17.05.2009) and Union Expenditure Budget, Vol.2, (2003-2009).

- 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 initial GOI budget. Once prepared, these proposals are evaluated and approved by GOI. Funds made available have no bearing on initial allocations, indicating bad planning by GOI. In budget parlance final allocations are referred to as ‘sanctioned’ funds.

**Implementation capacity is variable...**

Releases and actual expenditures out of sync with sanctioned funds



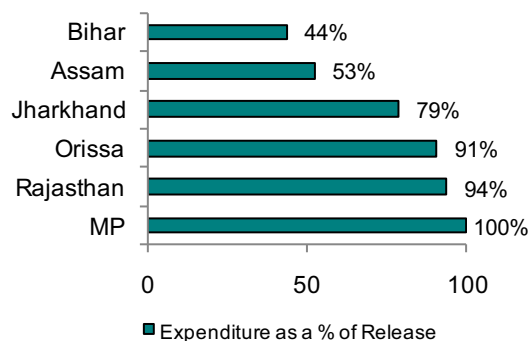
Source: PMGSY Portal. www.pmgysy.org. (accessed on 17.05.2009) Note: Sanctioned funds are the same as Value of Proposals in the data. Data is cumulative from 2000-01 till 2008-09. Data for 2001-02 and 2002-03 were accounted for together.

- There are two problems with implementation. First, releases do not match sanctioned amounts. Second, despite receiving less than what was asked for, most states are unable to spend the money.

- The funds for approved projects are made available to the State Rural Roads Development Authority (SRRDA) in two installments. Delays in releases are often caused because audit reports for projects underway are either not submitted, or are submitted late.
- Since its inception in 2000, a total of **90010 crores** have been sanctioned for PMGSY, of which a mere **47805 crores (53 percent)** has been released till 2008-09.

**10 states account for over 85 percent of unconnected habitations...**

Wide inter-state disparity in spending ability in these states



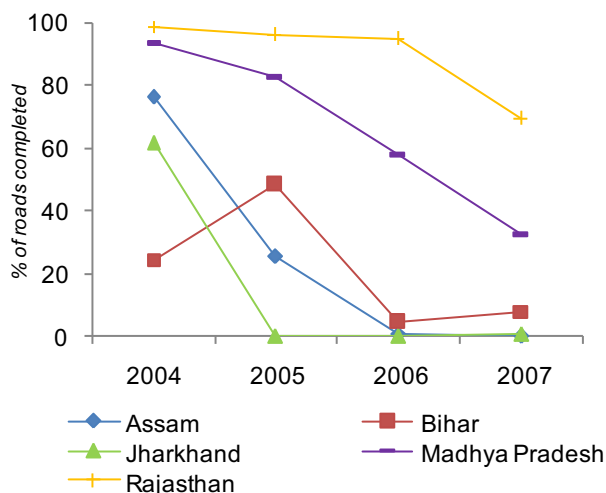
Source: PMGSY Portal. www.pmgysy.org (accessed on 17.05.2009)

- The amount of money released to states varies greatly. Since 2000, Rajasthan has received 77 percent of the funds sanctioned to it, while Orissa and Assam received only 41 and 31 percent respectively.

- Variations in release could well be connected to the fact that capacity to spend differs widely. As the graph above shows, Madhya Pradesh, Rajasthan and Orissa demonstrate a much higher capacity to successfully spend money than Assam and Bihar.
- Jharkhand is another interesting example where the first installment sanctioned for the year 2005-06 was finally made available in April 2009!

Across states, performance levels are declining. There is a growing disparity between roads sanctioned and roads completed...

Increasing number of projects left unfinished



Source: Calculated from PMGSY Portal www.pmgys.org across years. (Accessed on 16.05.2009) Note all figures in percentages.

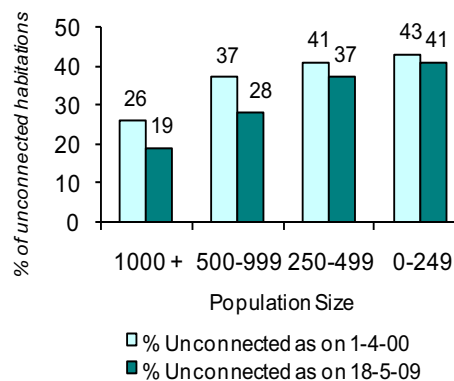
- Between 2004 and 2007, there has been a sharp fall in the completion of road works and kilometers of roads built.
- Inter-state disparities are reflected in these variations. States such as Rajasthan and Madhya Pradesh have been able to cover a greater number

of roads and kilometers, while Bihar and Assam lag behind.

- In 2008-09, Bihar and Assam built only 21 and 38 percent of the total kilometers of planned roads respectively.

Despite its 9 year history, PMGSY has resulted in a mere 6 percent decrease in the percentage of unconnected habitations...

Very little progress in providing connectivity to remote habitations



Source: Calculated from PMGSY Portal www.pmgys.org (accessed on 16.05.2009) for 2000 and 2008.

- According to the scheme design, habitations are prioritised by population size. However, according to government data, higher population areas have witnessed only a 7 percent decrease in lack of connectivity. Low population areas have done even worse with only a 4 percent decrease in the lack of connectivity. This is indicative of serious inefficiencies in funding, programme design and execution.

- The 2009 budget has announced a move to converge the NREGA with many other schemes and in particular PMGSY. Given the obvious complementarities between both NREGA and PMGSY, this can be seen as a sensible move. However, the architecture of this convergence requires careful thought. Convergence should not be a bureaucratic decision for then it will undermine the

authority of Panchayats to take decisions on the nature of infrastructure investments as articulated in the NREGA. The budget also mandates a significant increase in PMGSY allocations. However, for this increase to result in effective and efficient expenditure, serious attention needs to be paid to the institutional mechanism through which funds are being spent.

This section offers some practical leads to accessing further detailed information on the union government's rural development sector 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 <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 NREGA and PMGSY, the sub-heads are 2505 and 3054 respectively.
Ministry of Rural Development <a href="http://www.rural.nic.in">www.rural.nic.in</a>	Has yearly annual reports for the Ministry. It is important to note while using the figures that the data does not always follow an entire financial year.
NREGA Portal <a href="http://www.nrega.nic.in">www.nrega.nic.in</a>	A well-maintained and regularly updated website, it has all the details related to NREGA including details on expenditure, releases and total funds available as well as wage rates and state wise progress.
PMGSY OMBB Portal <a href="http://www.pmgcy.org">www.pmgcy.org</a>	Official government website which has up-to-date data on progress of the scheme. It also has a guidelines manual available online. The data is not always updated and thus recent figures should be cross-checked with other sources.
PMGSY website of the Department of Rural Development <a href="http://www.pmgcy.nic.in">www.pmgcy.nic.in</a>	The government scheme-specific website with overview of scheme operations and guidelines.
Lok Sabha Committee Reports <a href="http://164.100.47.134/news/depcomdetail.aspx?comcode=41">http://164.100.47.134/news/depcomdetail.aspx?comcode=41</a>	A variety of Committee Reports, according to different themes give information regarding financial targets and achievements as well as implementation and outcome-related indicators.
Planning Commission mid-term review. <a href="http://planningcommission.nic.in/reports/peoreport/peoeval/peo-pmgcy.pdf">http://planningcommission.nic.in/reports/peoreport/peoeval/peo-pmgcy.pdf</a>	Summary: A Quick Concurrent Evaluation of Pradhan Mantri Gram Sadak Yojana (2005), Planning Commission.
National Advisory Council (NAC)	Has reports and evaluations on various schemes. Some of these include: <b>NREGA:</b> <a href="http://pmindia.gov.in/nac/concept%20papers/nrega13jan.pdf">http://pmindia.gov.in/nac/concept%20papers/nrega13jan.pdf</a> <a href="http://pmindia.gov.in/nac/concept%20papers/implementing_negra_25jan07.pdf">http://pmindia.gov.in/nac/concept%20papers/implementing_negra_25jan07.pdf</a> <a href="http://pmindia.gov.in/nac/concept%20papers/negra29thaugust.pdf">http://pmindia.gov.in/nac/concept%20papers/negra29thaugust.pdf</a> <b>PMGSY:</b> <a href="http://pmindia.gov.in/nac/concept%20papers/pmgcy_17oct07.pdf">http://pmindia.gov.in/nac/concept%20papers/pmgcy_17oct07.pdf</a>
GOI, Finance Accounts, <a href="http://cga.nic.in/f_accounts/f_accounts0607/finance_accounts0607.htm">http://cga.nic.in/f_accounts/f_accounts0607/finance_accounts0607.htm</a>	Finance Accounts provide head-wise and sub-head wise expenditures audited by the Computer and Auditor General.

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