

BUDGET BRIEFS

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BRGF
GOI, 2015-16



ACCOUNTABILITY INITIATIVE

Research and Innovation for Governance Accountability

Launched in 2005, the **Backward Regions Grant Fund (BRGF)** is the Government of India's (GOI) flagship programme aimed at addressing infrastructure and capacity gaps in backward districts. The scheme has been discontinued in FY 2015-16.

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

- Overall trends in fund allocations and expenditures of GOI and states
- Variation in allocations and expenditures in districts
- Assets created under BRGF
- Coverage and comparison with MGNREGS

Cost share and implementation:

BRGF is a **100%** centrally funded scheme. BRGF mandates participatory planning by local government institutions. These plans are then consolidated by the District Planning Committee. Funds are largely untied and are meant to be spent on local priorities.

Complete data is available till February 2015.

HIGHLIGHTS

₹3,401^{cr}

Allocations to the Ministry of Panchayati Raj (MoPR) in FY 2014-15

₹2,837^{cr}

Allocations to BRGF (district component) in FY 2014-15

₹3,450^{cr}

Allocations to BRGF (state component) in FY 2014-15

SUMMARY & ANALYSIS

- ❖ Between FY 2006-07 and FY 2010-11, allocations for the Ministry of Panchayati Raj (MoPR) more than doubled from ₹2,000 crore to ₹5,171 crore. In FY 2015-16, GOI discontinued key schemes run by the Ministry. Consequently, allocations have fallen to ₹95 crore.
- ❖ BRGF has been discontinued in FY 2015-16. This brief reviews the performance of the scheme from its launch in FY 2006-07 to FY 2014-15.
- ❖ BRGF is made up of two components: a) district component covering **272** backward districts across **28** states administered by the MoPR, and b) state component which includes a special plan for Bihar, Odisha and West Bengal, administered by the erstwhile Planning Commission.
- ❖ Allocations for the state component have more than doubled from ₹2,130 crore in FY 2010-11 to ₹5,000 crore in FY 2013-14. In contrast, allocations for the district component decreased by **45%** during the same period.
- ❖ There are two types of grants released under the district component — a Development Fund (DF) grant and a Capacity Building (CB) grant.
- ❖ Release of funds has slowed down in the last three years. In FY 2014-15, only **49%** of total entitlements under DF and **21%** under CB had been released. In fact, **32%** districts got no DF releases in FY 2014-15.
- ❖ Utilisation of funds under BRGF is high. Between FY 2009-10 and FY 2013-14, on average, **85%** of total funds released under the scheme were spent.
- ❖ Eligible districts received more than **5** times the money through MGNREGS than through BRGF district component.

TRENDS IN GOI ALLOCATIONS AND EXPENDITURES

❖ **Allocations:** Between FY 2006-07 and FY 2010-11, allocations for MoPR more than doubled from ₹2,000 crore to ₹5,171 crore. Allocations however, decreased by 32 percent from FY 2010-11 to FY 2013-14. In FY 2014-15, ₹3,401 crore were allocated to MoPR. In FY 2015-16, GOI discontinued key schemes run by the Ministry. Consequently, allocations have fallen to ₹95 crore.

❖ Local governments have very limited revenue and expenditure powers. In FY 2007-08 (last available data), revenues collected by local governments accounted for a mere 2.5 percent of the country's total revenue pool. The bulk of resources available to local governments come through transfers from central and state governments. In FY 2007-08, local governments were responsible for 7.1 percent of all public expenditure in India. This accounted for 2.1 percent of GDP.

❖ In 2006, MoPR launched the Backward Regions Grant Fund (BRGF) with the objective of addressing regional imbalances in development and strengthening local governments. The scheme represented a major shift in decentralised planning, with untied funds provided to local bodies to be spent as per their priorities.

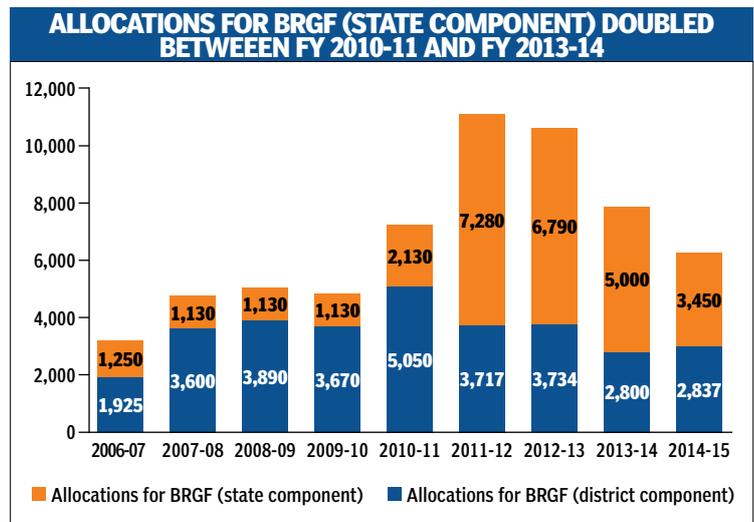
❖ Specifically, the objectives of the scheme are to: a) bridge gaps in local infrastructure, b) strengthen panchayat and municipal level governance to facilitate participatory planning, decision making and implementation, and c) provide technical support to local bodies for improving performance and delivery of critical functions assigned to panchayats.

❖ BRGF has been discontinued in FY 2015-16. This brief reviews the performance of the scheme from its launch in FY 2006-07 to FY 2014-15.

❖ BRGF is made up of two components: a) district component covering 272 backward districts across 28 states and, b) state component which includes a special plan for Bihar and West Bengal (in FY 2011-12), a special plan for the Koraput-Bolangir-Kalahandi region districts of

₹3,450^{cr}

was allocated for the state component, 22% more than that for the district component in FY 2014-15



Source: India Expenditure Budget Vol. 2, Ministry of Panchayati Raj and Ministry of Finance. Available online at: www.indiabudget.nic.in
 Figures are in crore of rupees and are revised estimates. Last accessed on February 28, 2015

Odisha, an Integrated Action Plan (IAP) for selected tribal and backward districts (covered in FY 2010-11), and a Bundelkhand Package (covered in FY 2009-10).

❖ While the district component of BRGF is administered by the MoPR, the state component is administered by the now erstwhile Planning Commission.

❖ Allocations to the state component of BRGF remained at around 30 percent of the district component from FY 2007-08 to FY 2009-10. In FY 2010-11, allocations rose marginally to 42 percent. However, with the approval of special plans for West Bengal and Bihar in FY 2011-12, allocations for the state component more than tripled from ₹2,130 crore in FY 2010-11 to ₹7,280 crore in FY 2011-12. In FY 2014-15, ₹3,450 crore has been allocated for the state component, 22 percent more than that for the district component.

❖ This brief focuses on the district component of BRGF.

BRGF: DISTRICT COMPONENT

- ❖ The district component of BRGF was first launched in **250** of the most backward districts of the country. The number of districts was expanded to **272** in FY 2012-13. BRGF is the largest programme run by the MoPR. In FY 2014-15, **₹5,900** crore were allocated for BRGF, constituting **84** percent of total MoPR allocations.
- ❖ **Expenditure Performance:** Utilisation of funds under the BRGF is high. Between FY 2009-10 and FY 2013-14, on average, **85** percent of total funds released under the scheme were spent.
- ❖ There are year-on-year variations in expenditure performance. In FY 2011-12, **92** percent of funds released were spent. This dropped to **59** percent in FY 2012-13. Expenditures picked up pace in FY 2013-14, when **81** percent of BRGF releases were spent.
- ❖ BRGF norms require states to submit utilisation certificates (UCs) one year after expenditure has been incurred. The low utilisation in FY 2012-13 and FY 2013-14 could thus be a consequence of delays in submission of UCs.

Expenditures picked up pace in FY 2013-14, when

81%

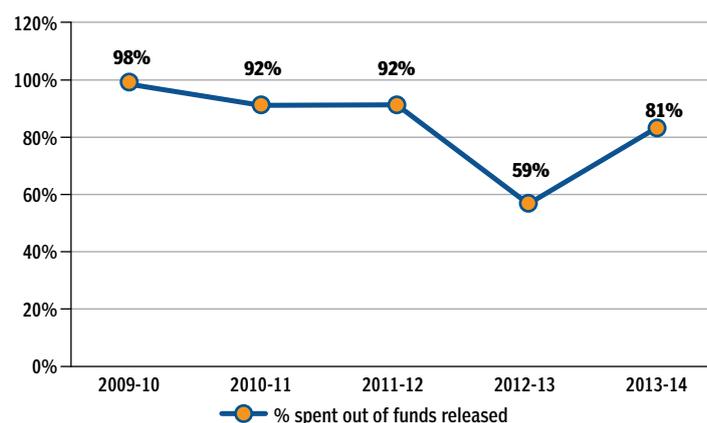
of BRGF releases were spent

- ❖ Funds for BRGF are transferred from GOI to local bodies under two major heads:
 - Development Fund grant (DF): An untied grant given to local bodies to reduce gaps in infrastructure.
 - Capacity Building grant (CB): An amount of **₹1** crore per district per annum given to local bodies for building capacity in planning, implementation, monitoring and accounting.

₹2,837cr

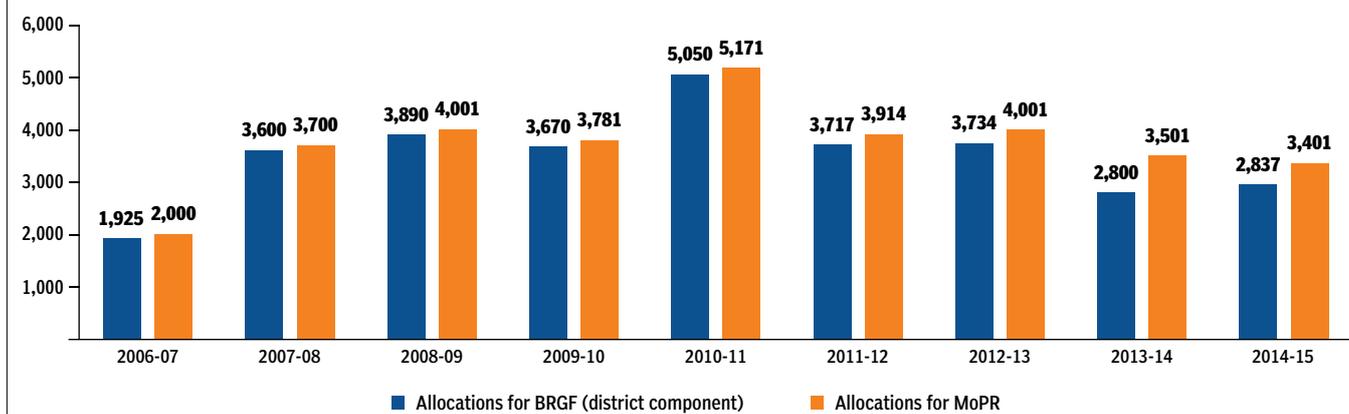
was allocated for BRGF district component, constituting **83%** of MoPR allocations in 2014-15

81% OF BRGF FUNDS UTILISED IN FY 2013-14



Source: Data for FY 2009-10 to FY 2012-13 from Ministry of Panchayati Raj, parliament questions. Available online at: <http://www.panchayat.gov.in/parliament-questions> Last accessed on February 20, 2015. Data for FY 2013-14 from Proceedings of the Regional Workshop of Ministry of Panchayati Raj at Guwahati, dated May 29, 2014. Available online at: http://www.panchayat.gov.in/documents/10198/0/Proceedings_Eastern%20Region.pdf Last accessed on February 20, 2015

ALLOCATIONS FOR BRGF DISTRICT COMPONENT IN FY 2014-15 REMAINED NEARLY UNCHANGED FROM FY 2013-14



Source: India Expenditure Budget, Vol 2, Ministry of Panchayati Raj. Available online at: <http://indiabudget.nic.in> Last accessed on February 20, 2015
Note: Figures are in crore of rupees and are revised estimates, except FY 2014-15 which are budget estimates

DEVELOPMENT FUND (DF)

❖ GOI allocations for DF are divided among districts on the basis of a formula. A uniform allocation of ₹10 crore is given to each district. The remaining allocation is calculated on the basis of the relative share of population and area of the district. The total amount a district should receive is referred to as an 'entitlement'.

❖ DF entitlements remained constant at ₹4,407 crore between FY 2007-08 and FY 2010-11. In FY 2013-14, entitlements rose by 41 percent to ₹6,228 crore. There has, however, been a 10 percent decrease in entitlements in FY 2014-15.

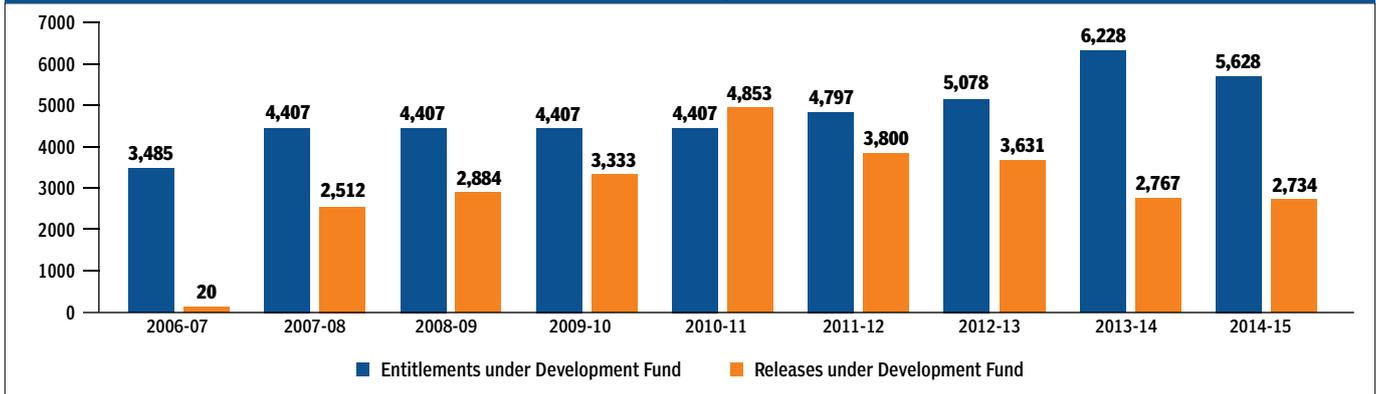
❖ **Releases:** Each local body is responsible for creating a participatory plan of action in consultation with citizens. This plan is then consolidated into a district plan by the District Planning Committee. Fund release is conditional to the preparation of this plan. Between FY 2006-07 and FY 2014-15, on average, 62 percent of total district entitlements under DF were

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₹4,407^{cr}

between FY 2007-08 and FY 2010-11

RELEASE OF FUNDS PEAKED IN FY 2010-11, ONLY 49% RELEASED IN FY 2014-15

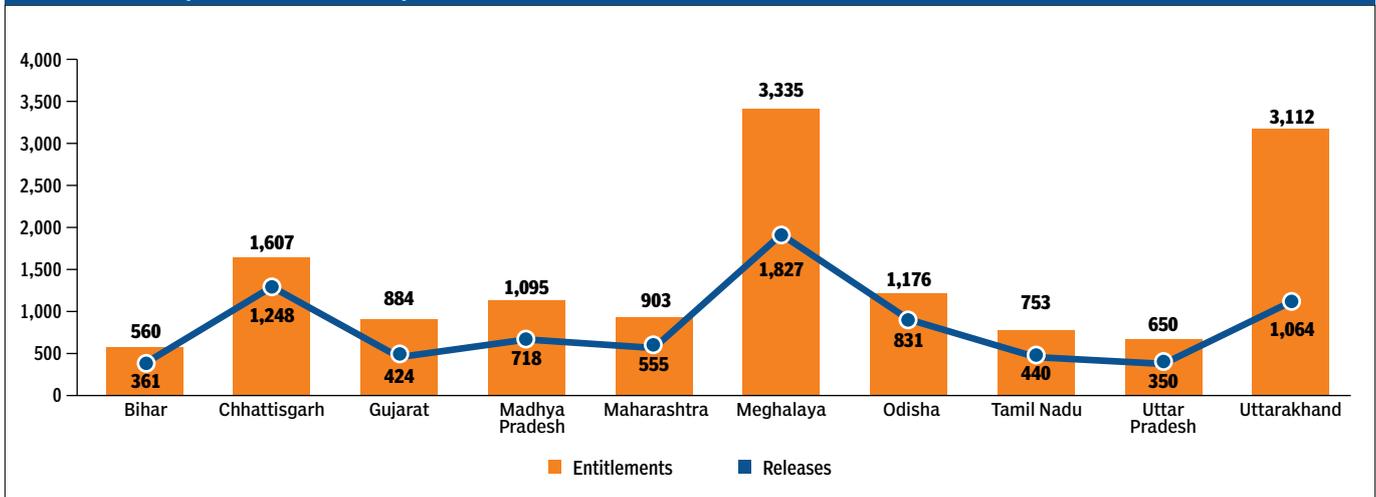


Source: Backward Regions Grant Fund, Comprehensive report on release of funds under RSVY and BRGF.

Available online at: <http://164.100.9.120/brgf/Report.do?method=getCompreData> Last accessed on February 19, 2015

Note: Figures are in crore of rupees

ON AVERAGE, SINCE FY 2006-07, MEGHALAYA'S PER-CAPITA ENTITLEMENTS WERE FIVE TIMES THAT OF BIHAR'S



Source: Backward Regions Grant Fund, Comprehensive report on release of funds under RSVY and BRGF. Available online at: <http://164.100.9.120/brgf/Report.do?method=getCompreData> Last accessed on February 19, 2015

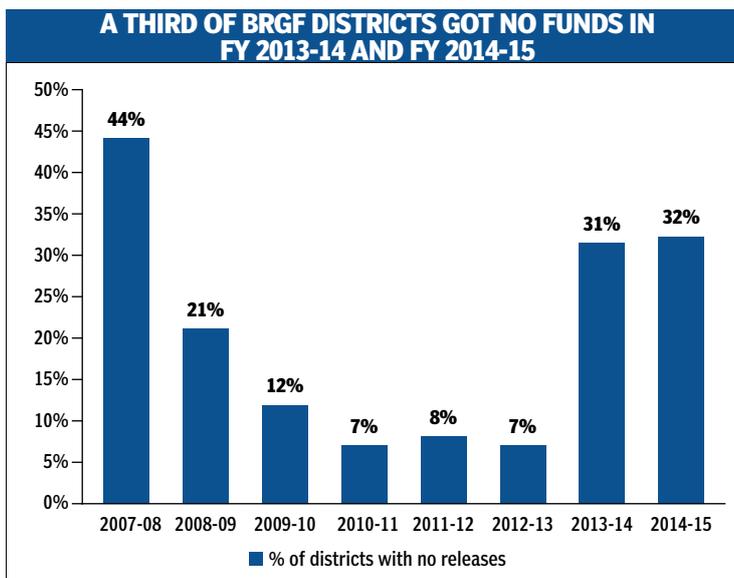
Note: Figures are in rupees

62%

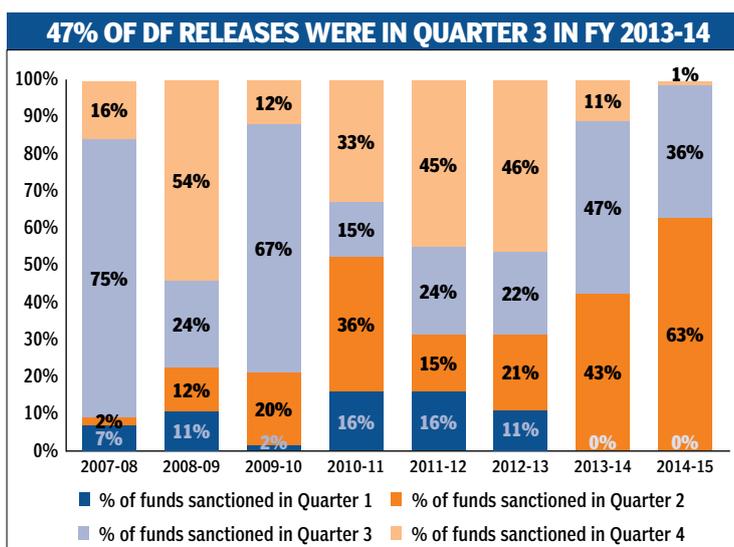
of total district entitlements under DF were released between FY 2006-07 and FY 2014-15

released. Fund releases were at their highest in FY 2010-11: **10** percent higher than the total entitlements. Since FY 2010-11, however, releases have dropped in magnitude even as entitlement allocations have risen. In FY 2013-14, only **44** percent of total entitlements were released. This improved marginally to **49** percent in FY 2014-15.

- ❖ On average, districts received ₹**524** per capita under DF between FY 2006-07 and FY 2014-15.
- ❖ However, state-level variations exist: smaller states received higher funds per capita. For instance, Sikkim and Arunachal Pradesh received ₹**13,821** and ₹**8,961** per capita, respectively. On the other hand, Bihar and West Bengal received only ₹**361** and ₹**323** per capita, respectively.
- ❖ Fund release has been very slow. Many districts did not receive any BRGF funds within a single financial year. In FY 2010-11, **7** percent of total districts under BRGF did not receive any funds under the DF head. This proportion increased significantly in FY 2013-14 and FY 2014-15 when over **30** percent of districts did not receive any funds.
- ❖ There are significant district-wise variations in the proportion of funds received. For instance, cumulatively since FY 2006-07, Doda in Jammu and Kashmir has received **122** percent of its DF entitlements. Ramgarh in Jharkhand, on the other hand, has received only **23** percent.
- ❖ There are also delays in the timing of fund release. Releases of the DF grant are usually concentrated in the last two quarters of the financial year.



Source: Backward Regions Grant Fund, Fund Release Report – Participatory Plan. Available online at: <http://164.100.9.120/brgf/Report.do?method=FundRelPP> Last accessed on February 20, 2015



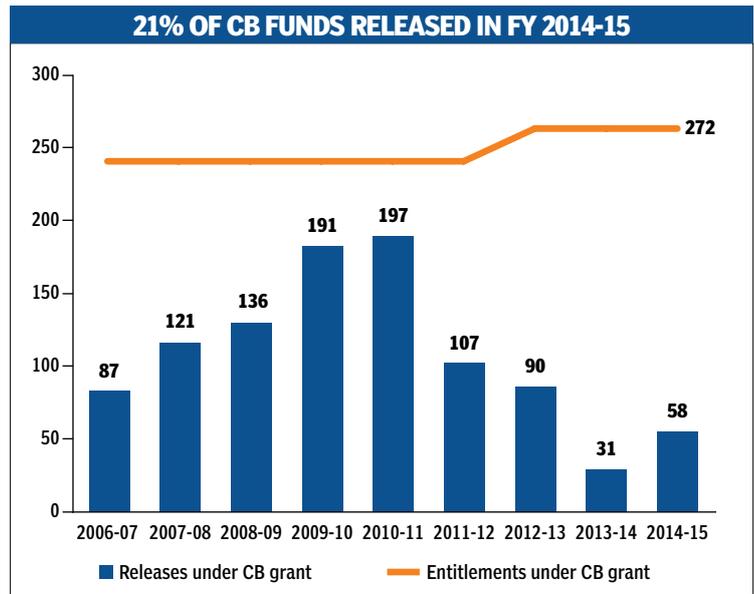
Source: Backward Regions Grant Fund, Fund Sanction Report – Participatory Plan. Available online at: <http://164.100.9.120/brgf/Report.do?method=getPP> Last accessed on February 20, 2015

- ❖ In fact, since the start of the programme, GOI has consistently released less than **20** percent of the total annual release in the first quarter of the financial year.
- ❖ Between FY 2010-11 and FY 2012-2013, more than a third of the releases were in the last quarter of the financial year.
- ❖ In FY 2014-15, no funds were released in the first quarter, **31** percent of entitlements were released in the second quarter, and **18** percent in the third quarter as of February 2015.

CAPACITY BUILDING (CB)

- ❖ Capacity Building (CB) funds account for **5.4** percent of cumulative entitlements under the BRGF.
- ❖ **Entitlements:** Every district is entitled to ₹1 crore per annum for training local bodies. States are responsible for creating a capacity building plan, guided by a National Capacity Building Framework developed by the MoPR. Monies under the CB grant are provided to states to finance these planned activities.
- ❖ **Releases:** As with the DF, releases of CB funds have been low. Since the start of the programme, less than ₹ 1 lakh per local body amounting to **42** percent of the total entitlements have been released to states.
- ❖ The proportion of funds released has varied across years. In FY 2009-10 and FY 2010-11, fund release was highest at over **70** percent of total entitlements. In FY 2013-14, however, only **11** percent of CB funds were released. This increased to **21** percent in FY 2014-15.

Fund release was highest at over **70%** of total entitlements in FY 2009-10 and FY 2010-11

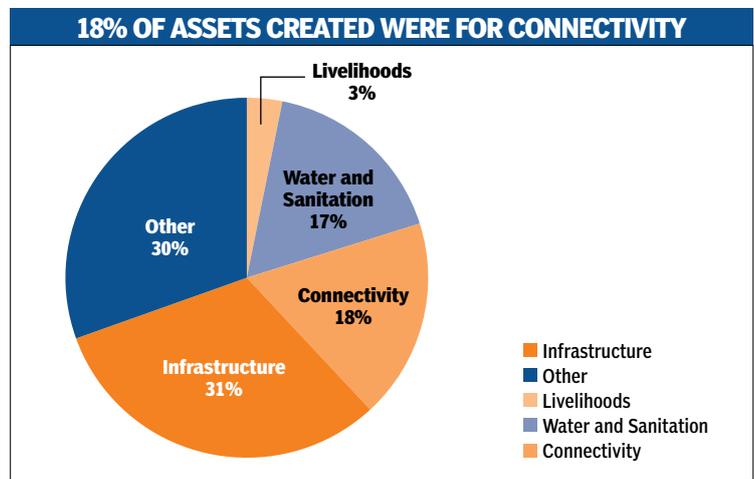


Source: Backward Regions Grant Fund, Fund Release Report – Capacity Building. Available online at <http://164.100.9.120/brgf/Report.do?method=FundRelCB> Last accessed on February 20, 2015
Note: Figures are in crore of rupees

ASSETS CREATED

- ❖ Funds under BRGF can be used in convergence with other schemes such as the MGNREGS for filling critical gaps in infrastructure. The usage of funds is based on plans submitted by local bodies.
- ❖ Between FY 2006-07 and FY 2010-11 (the latest year available), **7.12** lakh construction activities had been sanctioned under the BRGF.
- ❖ Between FY 2006-07 and FY 2010-11, **31** percent of works under BRGF were for infrastructure related activities, such as construction of panchayat bhawans, anganwadi centers, primary health centers and rural electrification. The second largest share of works were for rural connectivity (**18** percent), followed by water and sanitation facilities (**17** percent).

₹7.12 lakh works had been sanctioned under the BRGF between FY 2006-07 and FY 2010-11



Source: Planning Commission of India, Programme Evaluation Organisation, Evaluation Study of BRGF. Available online at: http://planningcommission.nic.in/reports/peoreport/peo/Ser_brgf1206.pdf Last accessed on February 19, 2015
Note: Asset data is for the period FY 2006-07 to FY 2010-11

COVERAGE

- ❖ In recent years, there has been some debate on identification of districts and criteria for determining levels of backwardness among districts. To examine whether BRGF was in fact targeted at the most backward districts in India, this brief compares BRGF districts with the Planning Commission's criteria for backwardness.
- ❖ In 2003, the Planning Commission ranked districts on an index of backwardness using the following parameters: a) proportion of Schedules Tribes (STs) and Scheduled Castes (SCs), b) agricultural wage, and c) agricultural productivity.
- ❖ In order to assess coverage under the scheme, comparisons were made between BRGF districts and those categorised as backward by the Planning Commission.
- ❖ The data points to a high degree of coverage. Of the **100** most backward districts in this index, **94** are covered under the BRGF.
- ❖ To understand the extent of impact BRGF could have on local bodies, this brief examines whether funds provided under BRGF constituted a significant portion of expenditures by local bodies.
- ❖ A major source of revenues to local bodies is the MGNREGS. During FY 2006-07 and FY 2014-15, **₹1,49,888** crore, amounting to **59** percent of total MGNREGS funds were spent in BRGF districts through the MGNREGS.
- ❖ A comparison between funds received by local bodies under MGNREGS and those received under BRGF suggests MGNREGS is the dominant source of funding in local bodies when compared with MGNREGS.
- ❖ An average BRGF district received over **5** times the money through MGNREGS as compared with BRGF from FY 2006-07 to FY 2014-15. There are, however, some district-wise variations. For instance, Anuppur in Madhya Pradesh received nearly **28** times more through MGNREGS. In contrast, funds under BRGF were substantially higher in Upper Subansiri in Arunachal Pradesh.

Allocations for the Ministry of Panchayati Raj (MoPR) more than doubled from

₹2,000^{cr}

in FY 2006-07 to

₹5,171^{cr}

in FY 2010-11. In FY 2015-16, only ₹95 crore has been allocated to MoPR



This section offers some practical leads to accessing further, more detailed information on the Union Government's rural development budget. 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 Available online at: www.indiabudget.nic.in <i>Last accessed on February 28, 2015</i>	Provides total ministry-wise and department-wise allocations as well as disaggregated data according to sectors and schemes FY 1998–99 onwards. The data has both revised estimates and budget estimates.
Backward Regions Grant Fund website Available online at: brgf.gov.in <i>Last accessed on February 20, 2014</i>	The BRGF website has a real-time MIS, which provides allocations and release details at district level since the inception of the scheme.
Census of India, 2011, Primary Census Abstract Available online at: http://www.censusindia.gov.in/pca/default.aspx <i>Last accessed on February 19, 2014</i>	The PCA data from the census provide data at district level including population, employment and literacy.
Mahatma Gandhi National Rural Employment Guarantee Scheme, Public Data Portal. Available online at: http://mnregaweb4.nic.in/netnrega/dynamic2/dynamicreport_new4.aspx <i>Last accessed on February 19, 2015</i>	The MGNREGS has a real-time MIS, which provides data at the GP level upwards about physical and financial performance indicators under the scheme.
Ministry of Panchayati Raj, parliament questions Available online at: http://www.panchayat.gov.in/parliament-questions <i>Last accessed on February 19, 2015</i>	Answers to Parliamentary questions often contain data which are otherwise unavailable on the Ministry's website.
13th Finance Commission, Chapter 10 (Local bodies) Available online at: http://fincomindia.nic.in/ShowContentOne.aspx?id=28&Section=1 <i>Last accessed on February 19, 2014</i>	The 13th Finance Commission's report on local bodies exhaustively analyses the financial status of local bodies.
Backward Regions Grant Fund website Proceedings of the Regional Workshop of Ministry of Panchayati Raj at Guwahati, dated May 29, 2014. Available online at: http://www.panchayat.gov.in/documents/10198/0/Proceedings_Eastern%20Region.pdf <i>Last accessed on February 20, 2015</i>	Has information on state-wise utilisation of BRGF funds for FY 2013-14

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