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Special Areas Programmes

13.1 The Eleventh Plan recognized that inclusive growth necessitates a sharper focus on slower growing states, especially the backward regions within these states. Higher levels of public investment are required to redress the imbalance in the development of physical and social infrastructure, which in turn, would provide the basis for overall faster rates of growth in the economy in subsequent Plan periods. In order to supplement the efforts of state governments for development of areas with special problems, the Central Government provides additional central assistance under programmes, such as the Backward Regions Grant Fund, the Border Area Development Programme, and the Hill Areas Development Programme/Western Ghats Development Programme.

BACKWARD REGIONS GRANT FUND

13.2 The Backward Regions Grant Fund (BRGF) was launched in 2006–07. Implemented by the Ministry of Panchayati Raj and the Planning Commission, it subsumes the Rashtriya Sam Vikas Yojana (RSVY), which was launched in 2003–04 and was being administered by the Planning Commission. BRGF covers 250 districts in 27 states, of which 232 districts fall under the purview of Part IX and Part IX-A of the Constitution dealing with panchayats and the municipalities respectively. The remaining 18 districts are covered by other local government structures, such as Autonomous District and Regional Councils under the Sixth Schedule of the Constitution and

state-specific arrangements as in the case of Nagaland and the hill areas of Manipur. The Fund has two components:

- The districts component covering 250 districts (including 147 RSVY districts), implemented by the Ministry of Panchayati Raj
- Special plans for Bihar and the Kalahandi, Bolangir, and Koraput (KBK) districts of Orissa, implemented by the Planning Commission

13.3 The districts component of BRGF has the following objectives:

- Fill critical infrastructure gaps and other development needs not adequately met through existing programmes
- Capacity building and professional support for promoting participatory planning, decision making, implementation, and monitoring at panchayat and municipality levels that reflect local felt needs
- Converge through supplementary infrastructure and capacity building, the substantial existing developmental inflows into these districts

The districts component of the BRGF has two funding windows:

- The Capability Building Fund
- A substantial Untied Grant

13.4 The Capability Building Fund of Rs 250 crore per annum (at Rs 1 crore per district) is to be used primarily to build capacity in planning, implementation, monitoring, accounting, and improving accountability and transparency, which would include arrangements for contracting and outsourcing.

13.5 The Untied Grant is to be used by panchayats and Urban Local Bodies (ULBs) guided by transparent norms for filling critical gaps which are vital for development and which remain even after other major interventions, identified through the participative planning processes have been implemented. The Plan prepared by panchayats and ULBs and consolidated by District Planning Committees (DPCs) is to be considered and approved by a high powered committee headed by the State Chief Secretary and consisting of, inter-alia, the Development Commissioner, Planning Secretary, State Secretary of Panchayati Raj, State Urban Development Secretary, state secretaries in-charge of sectors concerned, a representative of the Ministry of Panchayati Raj, and State Plan Adviser of the Planning Commission as well as other Government of India nominees.

13.6 The allocation criteria of the Untied Grant across districts are as follows:

- Every district receives a minimum of Rs 10 crore per annum as Untied Grants.
- Fifty per cent of the balance allocation under the scheme is allocated on the basis of the share of the population of the district in the total population of all the backward districts.
- The remaining 50 per cent is distributed on the basis of the share of the area of the district in the total area of backward districts.
- RSVY districts continue to receive funds as per RSVY norms till the entire amount of Rs 45 crore (plus the existing monitoring fee) is released to each district. However, by 31 December 2009, all the 147 RSVY districts had received their total entitlement of Rs 45 crore each.

13.7 Each state is to indicate the normative formula that will be used for the allocation of BRGF funds to each panchayat and ULB (excluding capital cities/cities

with a population of 1 million). The components that go into the formula may include the following:

- Any index prepared by the states to include backwardness
- Addressing specific district-wise priorities identified as described by the guidelines of the Planning Commission on district planning
- A reasonable percentage of funds may be earmarked as performance-based incentives

13.8 The President in her address to Parliament on 4 June 2009 spoke of ‘restructuring the Backward Regions Grant Fund, which overlaps with other development investment, to focus on decentralised planning and capacity building of elected panchayat representatives.’ The government is currently engaged in this exercise. Meanwhile, a World Bank study on BRGF across eight states has just been completed.

13.9 Drawing on these sources and based on the short experience of the implementation of BRGF across the country, certain issues need to be highlighted:

- a. The volume of funds provided under BRGF is insufficient to bridge development gaps and address backwardness. Most gram panchayats (GPs) get Rs 2–6 lakh per annum. Increasing the BRGF allocation is desirable because the distribution of the amount allocated leads to very small amounts for each unit and these amounts lead to ‘disinterest’ and lack of attention to the other two objectives of improving district planning and capacity building.
- b. BRGF districts with large populations are at a disadvantage since they get very low per capita funding. This is primarily a result of the large proportion of the development grant, which is allocated equally to all districts regardless of their size.
- c. The best way to improve the targeting of BRGF is to move the focus of intervention downwards towards the block. There are many instances of relatively advanced districts with pockets of backwardness within. This is especially the case with tribal blocks.

- d. The BRGF guidelines speak of a performance-based funding system but this has rarely been followed as a result of which there are few incentives for improved performance. What appears to have happened is that in a quest for flexibility, outputs have been compromised badly. The ideal approach would be to lay down nationally, in consultation with states, the outcomes of a given number of parameters in each district, provide the funds as untied, and periodically monitor and later evaluate the implementation.
- e. In many states, PRIs have become ‘petitioners’ to the DPCs, which carry ultimate discretion. Most of the time, the DPC technical secretariat is very weak or non-existent. Most examples of convergence are of PRIs using BRGF funds as bandages to fix deficiencies of other schemes, rather than as a relationship of positive synergy. PRIs/ULBs are unlikely to play a leading role in integrated planning when the discretionary budget is dwarfed by other players. DPCs should focus on technical support and not control PRI/ULB priorities. The best way would be to specify a list of non-eligible expenditures (negative list) prior to the start of planning and then allow PRIs/ULBs full discretion to allocate BRGF funds within the provided menu (positive list). It may be prudent to specify that investments should be in public services and infrastructure, rather than in private projects, which benefit only a few individuals. It would be better

to undertake an *ex-post* monitoring of compliance and audit, rather than an *ex-ante* approval in each instance, which undermines PRI/ULB autonomy. An earlier start to the planning process with a clear budget envelope and planning calendar would be of great help to PRIs/ULBs.

13.10 While these issues are important, a major bottleneck in the planning and budgeting processes is the flow of funds, which is impeding utilization of BRGF funds. There is backlog of one financial year (in some places two years) in releases from the Centre to the states due to the layers of ‘approval or review/veto’ of development plans. Subsequent disbursements are further delayed by the current requirement of submission of Utilization Certificates (UCs) (100 per cent for year T-2 and 75 per cent for year T-1). A major complication is created by the fact that well-functioning PRIs/ULBs, which utilize and account for funds speedily, have to wait for full compliance by their slower peers. Requiring 100 per cent UC for any year means that even one laggard can affect the release for the entire district. Table 13.1 shows significant delays in some states, while others show that timely disbursements are indeed possible down the line.

13.11 The current disbursement system based on UC submission could be changed to a replenishment system, involving front-loading of funds with regular replenishments and allowing a higher level of unspent

TABLE 13.1
Timing of Funds Release from Centre to State and State to PRIs/ULBs, 2007–08

State	From Centre to state	From State to PRIs/ULBs
Andhra Pradesh	7 January 2008	March 2008 (1st release); March 2009 (2nd release)
Assam	Release only for one district (Morigaon) only during 2009–10	No release yet
Bihar	January 2008	Madhubani: March 2008; Samastipur: May 2008 (1st instalment)
Chhattisgarh	12 December 2008	16 February 2009 and 7 March 2009
Madhya Pradesh	31 October 2007	7 December 2007
Orissa	Ganjam: 27 December 2007; Dhenkanal: 8 May 2009	Ganjam: 29 January 2008 Dhenkanal: 3 July 2009
Rajasthan	March 2008 (90%) + March 2009 (10%)	27 May 2008 (90%) + July 2009 (10%)
West Bengal	February 2008 (90%)	Bankura: 21 February 2008; Purulia: 28 February 2008

Source: The First Independent Review of BRGF, World Bank, (2009).

funds. It would be best to directly transfer funds from the state to PRIs/ULBs using electronic bank transfers.

13.12 Resources and mandates should be allocated to the different tiers as per the principle of subsidiarity and not retained at the district level. Given resource constraints and the presence of relative backwardness even within a district, the focus should be on the block level.

RESTRUCTURING BRGF

13.13 In the light of the experience gained, BRGF is proposed to be restructured so that it has the following components:

13.14 Development grant to 250 districts or identified blocks based on the following non-negotiable principles:

- Preparation of participatory district plans as per the guidelines issued in the Planning Commission Manual for Integrated District Planning
- Consolidation of the plans of lower tiers by District Planning Committees
- Priority to backward blocks within the districts

13.15 Giving a Capability Building Grant to all the districts in the country with a view to building the capabilities of local governments in terms of basic core staff and infrastructure, including ICT and panchayat ghars, and providing adequate training to PRI functionaries to enable them to discharge their responsibilities effectively and efficiently.

13.16 Strengthening PRIs to make them effective institutions of local government. This component would include infrastructure, training and capacity building and e-enablement. Each panchayat would first make an effort to get funds for infrastructure from other sources and use this component only as a last resort since the outlay per panchayat is likely to be relatively modest.

13.17 Incentivizing states to transfer functions, functionaries, and funds as per the Eleventh Schedule and other matters related to panchayats/PESA. The states

may also be asked to sign MoUs on the reforms that they would undertake within a specified timeframe. This may not necessarily be a separate component but fund release under the first two components could be made conditional upon states undertaking reforms as per the MoUs signed.

SPECIAL PLAN FOR BIHAR AND KBK DISTRICTS OF ORISSA

13.18 These are the other two components of the BRGF. The Special Plan for Bihar (SPB) has been formulated to bring about improvement in sectors like power, road connectivity, irrigation, forestry, and watershed development. Some of the programmes taken up under SPB are restoration of the Eastern Gandak Canal, development of state highways, strengthening the sub-transmission system in south Bihar, and renovation and modernization of Barauni and Muzaffarpur thermal power stations.

13.19 The KBK programme covering Koraput, Bolangir, and Kalahandi districts of Orissa is also being given funds as part of the process for developing backward areas. These districts have since been reorganized into eight districts. The state government had started preparing a special plan from 2002–03. An allocation of Rs 250 crore per year has been made during the Eleventh Plan for these districts, which includes Rs 120 crore under the district component of BRGF and Rs 130 crore as special plan for KBK districts.

BORDER AREA DEVELOPMENT PROGRAMME (BADP)

13.20 As part of the comprehensive approach for border management, a programme covering 363 blocks of 96 border districts across 17 states which have international borders is being implemented. Funds are allocated to these annually, taking into account: (i) the length of the international border, (ii) population of the border block, and (iii) area of the border block (sq. km.). Weightage of 15 per cent over and above the total allocation is also given to states having hilly/desert/Kutch areas.

13.21 While the Government of India lays down the broad guidelines, the schemes/works under

BADP are to be finalized and approved by the state government in consultation with PRIs/district-level councils/traditional councils/local people/voluntary agencies. BADP funds are to be used for meeting critical gaps and for meeting the immediate needs of the border population. Planning and implementation of BADP schemes should be on a participatory and decentralized basis thorough the PRIs/Autonomous Councils/other local bodies/councils.

13.22 In 2007–08, Rs 580 crore was allotted for BADP. The entire amount was disbursed to the states during the year. A task force was set up during the Eleventh Plan period to suggest comprehensive development of border areas. Based on its recommendations and the experience of BADP so far, the following suggestions may be implemented to improve BADP's performance:

- The task force has suggested that the allocation for the programme needs to be increased to at least Rs 1,000 crore per annum. However, this can only be considered if a comprehensive set of reforms (as specified below) are put in place first to make BADP a more effective instrument for border areas development.
- The central ministries/departments should modify the guidelines of their schemes relaxing the norms for border areas so that all border villages are covered irrespective of their area and population. While modifying the guidelines, the departments will also revise the cost norms for border areas and provide necessary flexibility in order to accommodate accessibility issues. The Planning Commission has asked the Department of Border Management to draft specific changes in these guidelines which can then be shared with concerned departments.
- The baseline expenditure by the states in these blocks must be specified as there is a tendency to replace state funds with central funds.
- Plans for border villages/blocks must show convergence of the flow of funds from all central and state schemes and identify gaps in the physical and social infrastructure and livelihood options, which can then be filled through funds available under BADP.

- In order to enhance the effectiveness of the programme, institutional arrangements and staffing of the planning and implementing departments in border areas need to be strengthened. The staff should be specifically trained and given 'border orientation'. The staff may also be given a special border package as an incentive.
- A proper MIS, including an inventory of assets created under BADP needs to be developed.
- Monitoring and review of the programme needs to be tightened and a system of monitoring by senior officers of the state should be institutionalized. Third party evaluation and social audit also need to be built into the programme.
- An evaluation study would be undertaken to gauge the impact of the programme, analyse whether efforts have been made for convergence of other schemes with the programme, and put forward an agenda for reform.

HILL AREA DEVELOPMENT PROGRAMME (HADP)/WESTERN GHATS DEVELOPMENT PROGRAMME (WGDP)

13.23 The HADP/WGDP have been formulated to deal with special problems faced by identified regions due to their distinct geo-physical structure and poor socio-economic development. These programmes have been in operation since the Fifth Five Year Plan (1974–79) to supplement the efforts of state governments in the development of ecologically fragile designated hill areas/Western Ghats. The designated hill areas/Western Ghats talukas covered under HADP/WGDP include the following:

- i. Two hill districts of Assam—North Cachar and Karbi Anglong
- ii. A major part of Darjeeling district in West Bengal
- iii. Nilgiris district in Tamil Nadu
- iv. 175 talukas of Western Ghats—Maharashtra (63), Karnataka (40), Kerala (36), Tamil Nadu (33), and Goa (3)

13.24 The main objectives of the programme are eco-preservation and eco-restoration with a focus on sustainable use of biodiversity. The programme also focuses on the needs and aspirations of local

communities, ensuring community participation in the design and implementation of strategies for conservation of biodiversity and sustainable livelihoods. Watershed-based development is the thrust area of the programme based on a participatory approach for ensuring efficiency, transparency, and accountability.

13.25 The programme has been in operation for four decades. There is need for a comprehensive evaluation of its impact and the future directions it needs to take to make it more effective.

13.26 The Central Government has been funding HADP/WGDP as Special Central Assistance (SCA) for Hill Areas Development. The SCA under these programmes is to be utilized as an addition to normal state plan flows. The SCA is presently being apportioned between HADP and WGDP in a ratio of 60:40. Under HADP, funds are distributed among the states implementing the programme by giving equal weightage to the area and population, whereas under WGDP 75 per cent weightage is given to the area and 25 per cent to the population. Ninety per cent of the total approved outlay of SCA is a central grant while 10 per cent is the state's share.

13.27 During the Eleventh Plan, Rs 854 crore has been allocated for HADP/WGDP till now. Clearly, this is too meagre an amount. To improve the functioning of HADP/WGDP the following suggestions may prove useful:

- The objective of bringing about greater regional balance through eco-preservation and eco-restoration with a focus on sustainable use of biodiversity and meeting the aspirations of the local community must be the overriding consideration for determining the use of SCA that flows to state plans.
- In 2008, common guidelines for watershed development projects were issued by the National Rainfed Areas Authority (NRAA). These must be strictly followed. Plans should be prepared with local participation and priorities must be decided locally.
- Efforts should be made to keep aside 5 per cent of the allocation for action research on livelihood

options suited to hill areas/Western Ghats areas. In addition, up to 15 per cent of the funds can be used for ecological programmes of urban infrastructure in the urban-centric hill areas of Darjeeling and the Nilgiris.

- Efforts should be made to ensure convergence of resources for each area and preparation of a five-year plan on a participatory basis, drawing upon a long-term vision.
- Basic data and satellite imageries should be maintained for future evaluation. Expected outcomes, along with physical and financial targets for each project, should be in the public domain, with a view to maintaining transparency. These can be displayed through boards at worksites, in panchayat offices, and through state/district websites.
- Concurrent third party monitoring should be made an integral part of the programme.

BUNDELKHAND DEVELOPMENT PACKAGE

13.28 The rainfed farming area in the country, which account for 60 per cent of the cultivated area and are home to a majority of the rural poor and marginal farmers have not received the required differentiated technological, institutional, infrastructural, and investment support in the past. These areas are characterized by high incidence of poverty, low education and health status, high distress in the farming sector, distress migration, low employment opportunities, and vulnerability to a variety of high risks. Repeated water scarcity and drought have severely affected the livelihood of these rural poor. Low incomes and poor growth of this region over the years has led to large intra-state disparities. One such area which has faced deficient rainfall consecutively over several years since 2004–05 is the Bundelkhand region in Uttar Pradesh and Madhya Pradesh. Successive rain failures have further impoverished the economy of Bundelkhand. The region comprises of seven districts of Uttar Pradesh (Banda, Chitrakoot, Hamirpur, Jalaun, Jhansi, Lalitpur, and Mahoba) and six districts of Madhya Pradesh (Chhatarpur, Damoh, Datia, Panna, Sagar, and Tikamgarh).

13.29 Considering the hardships faced by the people of the region due to poor agriculture growth caused by low productivity and severe deficiency in rainfall, an Inter-

Ministerial Central Team led by the Chief Executive Officer, NRAA studied the issue extensively and held consultations with farmers' representatives in January-February 2008. On the basis of the study, a Drought Mitigation Package was approved by the Central Government at a cost of Rs 7,266 crore. A part of the cost of the package will be met by converging resources from ongoing central programmes and schemes. To meet the gaps in availability of financial resources and provide a thrust to the drought mitigation package an additional Central Assistance Plan to the tune of Rs 3,450 crore will be provided to Madhya Pradesh and Uttar Pradesh over a period of three years commencing from 2009-10.

13.30 The prime mover of the package is optimization of water resources through rainwater harvesting and through proper utilization of the river systems. Intensive and diversified agriculture is to be promoted for productivity gains in crops along with promoting higher sown area in the kharif season. Animal husbandry and dairy activities will be expanded as ancillary activities to enhance farmers' incomes to cope with the drought conditions. Some of the important components of this scheme are as follows:

- To develop 7 lakh ha of land in Uttar Pradesh and four 4 lakh ha in Madhya Pradesh with watershed development measures
- An additional 60,000 ha of forest areas in Uttar Pradesh and 2 lakh ha of forest areas in Madhya Pradesh will be taken up for integrated conservation and management of rainfall, soil, and biomass in the natural sequence of watershed treatment from ridge to valley
- 20,000 new dug wells in each state and 30,000 farm ponds will be constructed to store rain water for providing irrigation at critical stages
- To raise and diversify farmers' incomes, extension activities on agriculture technology will be inten-

sively promoted to improve crop productivity in the region along with animal husbandry and arid horticulture

- Irrigation facilities, marketing infrastructure, and agricultural risk management will be important areas of focus

13.31 The two state governments will identify the respective agencies, which will draw project proposals for implementation in their respective areas ensuring convergence with the centrally sponsored/funded programmes. In order to enhance the benefits to the region, NRAA will examine and approve these projects ensuring synergy of the proposals of the state governments with ongoing central programmes. To monitor the progress of implementation of the special package for Bundelkhand, a monitoring group will be constituted at the Centre with the Members, Planning Commission in-charge of Uttar Pradesh and Madhya Pradesh as chairperson and co-chairperson, the secretaries of the concerned line departments, CEO of NRAA and the Chief Secretaries of Uttar Pradesh and Madhya Pradesh as members of the Monitoring Group; and the Principal Adviser/Senior Adviser/Adviser-in-charge of these states in the State Plan Division in the Planning Commission as the Member-Secretary. NRAA will undertake visits to the area, and periodically submit the progress of implementation to the monitoring group.

13.32 While these initiatives will strengthen the conservation of water and increase agriculture productivity, supplementary measures will also have to be taken to develop support infrastructure to ensure optimum results. This may include development of agriculture universities, new power plants, and strengthening of power distribution networks, provision of seeds, fertilizers, and other agriculture inputs, full utilization of the irrigation potential, and credit to farmers.