

ANDHRA PRADESH IMPACT AND EXPENDITURE REVIEW
PANCHAYATI RAJ AND RURAL DEVELOPMENT

Abbreviations and Acronyms

AP	Andhra Pradesh
APARD	Andhra Pradesh Academy of Rural Development
APERP	Andhra Pradesh Economic Restructuring Project
APL	Above Poverty Line
APWESSD	Andhra Pradesh Water and Environment Sanitation Sector Development
ARWSP	Accelerated Rural Water Supply Programme
B.E.	Budget Estimate
BC	Backward Class
BPL	Below Poverty Line
CIF	Community Investment Fund
CM	Chief Minister
COM	Community Ownership and Management
CRSP	Central Rural Sanitation Programme
CSC	Cabinet Sub-Committee
CSS	Centrally Sponsored Schemes
DDP	Desert Development Programme
DFIDI	Department for International Development, India (U.K. Government)
DPAP	Drought Prone Area Programme
DRDA	District Rural Development Agency
DWCRA	Development of Women and Children in Rural Areas
DWSM	District Water & Sanitation Mission
EAS	Employment Assurance System
EGS	Employment Guarantee Scheme in Maharashtra
EIC	Engineer-in-Chief
FD	Forest Department
GKY	Ganga Kalyan Yojana
GOAP	Government of Andhra Pradesh
GOI	Government of India
GP	Gram Panchayat
GPWSC	Gram Panchayat Water & Sanitation Committee
GRP	Gram Resource Person
GSPD	Gross State Domestic Product
HDI	Human Development Index
IA&AS	Indian Accounting & Auditing Service
IAY	Indira Awas Yojana
ICDS	Integrated Child Development Scheme
IEC	Information, Education, Communication
IER	Impact and Expenditure Review
IGA	Income Generating Activities
IMR	Infant Mortality Rates
IPAI	Institute of Public Auditing of India
IRDP	Integrated Rural Development Programme
ITDP	Integrated Tribal Development Programme
IWDP	Integrated Wasteland Development Programme
IWDP	Integrated Watershed Development Programme
JB	Janmabhoomi
JFM	Joint Forest Management
JRY	Jawahar Rozgar Yojana
JSGY	Jawahar Gram Samridhi Yojana
MCH	Mother and Child Health
MLA	Member of Legislative Assembly
MNP	Minimum Needs Programme

- uitgever?
- plaats uitgever?
- ministry of Panchayati
Raj and Rural Develop-
ment!

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MP	Mandal Parishad
MP	Member of Parliament
MPP	Mandal Praja Parishad
MRP	Mandal Resource Person
MWS	Micro Watershed
MWS	Million Wells' Scheme
NABARD	National Bank for Agriculture and Rural Development
NFBS	National Family Benefit Scheme
NGDO	Non-Government Development Organization
NGO	Non Governmental Organization
NMBS	National Maternity Benefit Scheme
NOAP	National Old Age Pension
NWDB	National Wasteland Development Board
NWDPR	National Watershed Development Programme in Rainfed Areas
OBC	Other Backward Class
OC	Other Caste
OVS	Ooru Vikasana Samithi
PAP	Poverty Alleviation Programme
PDS	Public Distribution System
PLA	Participatory Learning and Action
PPP	Purchasing Power Parity
PQLI	Physical Quality of Life Index
PRA	Participatory Rural (Rapid) Appraisal
PRED	Panchayati Raj Engineering Department
PRI	Panchayat Raj Institution
PR&RD	Panchayat Raj & Rural Development
PR&RDD	Panchayat Raj & Rural Development Department
RD	Rural Development
R.E.	Revised Estimate
RGNDWM	Rajiv Gandhi National Drinking Water Mission
RIDF	Rural Infrastructure Development Fund
RRM	Rural Roads Maintenance
SC	Soil Conservation
SC	Scheduled Caste
SCA	Special Central Assistance
SFC	State Finance Commission
SGSY	Swarnjyanti Gram Swarozgar Yojana
SHG	Self Help Group
SITRA	Supply of Improved kits in Rural Areas
SNP	Supplementary Nutrition Programme
SRTRI	Sri Ramananda Tirtha Rural Institute
SSI	Small-Scale Industry
ST	Scheduled Tribe
SWCM	State Water Conservation Mission
SWSM	State Water & Sanitation Mission
SWOT	strengths, weaknesses, opportunities, threats
TFR	Total Fertility Rate
TNA	Training Needs Assessment
TOR	Terms of Reference
TPDS	Targeted Public Distribution System
TRYSEM	Training of Rural Youth for Self-Employment
TSP	Tribal Sub-Plan
TTDC	Training and Technology Development Centre
UA	User Association
VSS	Vana Samrakshana Samiti

VWSC	Village Water & Sanitation Committee
WSP-SA	Water and Sanitation Programme – South Asia
WSS	Water Supply and Sanitation
WUA	Water User Association
ZP	Zilla Parishad
ZPP	Zilla Praja Parishad

Measures:

acre	1 acre = 100 cents = 0.40 ha
are	1/100 of a hectar
cents	1 cent = 1/100 of an acre
Crone	1 crore = 100 lakhs = 10,000,000
ha	1 hectar = 2.5 acres
Lakh	1 lakh = 100,000
Rs.	1 Rupee
Sq.km	1 square kilometre = 1,000,000 sq.m
t	1 tonne = 1,000 kg

Unit of Currency:

1 Rupee = 100 Paises

\$ means US\$ if not otherwise designated

Exchange Rate (01/2001):

1 Rupee equivalent to 0.02381 US\$

1 US\$ equivalent to: 45.35 Rupees (selling)

47.10 Rupees (buying)

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PREFACE

This is the Final Report (FR) of Phase 1 of the Impact and Expenditure Review (IER) of Panchayati Raj and Rural Development (PR&RD), Government of Andhra Pradesh (GOAP).

Comments received by DFIDI and OPML have been incorporated to the extent possible, and most chapters of the previous Interim Report (IR) have been improved and restructured.

This FR is not to be regarded as a perfect product which will be placed on the shelves, but as a product limited in scope and depth by the limited time and resources available but which is aimed at inciting a process of re-thinking of expenditure priorities and their impact on sustainable poverty reduction.

It is to be mentioned here that several factors adversely affected the outcome of this review, notably

- provision of extensive guidelines of Oxford Policy Management Ltd. (OPML) and revised guidelines after the arrival of experts in India in addition to the original terms of reference received by DFID coupled with additional OPML comments following DFID wind-up meeting
- lack of planning for the review exercise in terms of proposing a clear-cut methodology how to obtain the data to be generated within the given timeframe and resources
- lack of availability of the reports of the other sectoral review teams commissioned by DFID in parallel with this study (for example on irrigation, tribal welfare) and which are also relating to development in rural areas
- the obvious lack of useful data at the departmental level (inconsistent classification of budgetary data, varying data on the same unit of measurement, lack of achievement data)
- limited degree of cooperation¹ at the departmental level (due to lack of time and unfortunate timing, in parallel with World Bank missions and during budgeting exercises, resulting in inavailability of staff²)
- fluctuations and varying degree of quality of local consultants who had to be recruited for the review after the arrival of the international lead consultant, particularly in regard to public expenditure expertise.

It is also felt that the area under review comprises too many separate sub-sectors, such as rural water supply, rural roads, rural sanitation, rural anti-poverty, social welfare and area development schemes etc., each of which constitutes a complex study area involving complicated institutional settings and a magnitude of data and would demand a review of its own in order to adequately answer all the questions that are of interest.

¹ Although the IER was meant to be a collaborative exercise between GOAP and DFIDI, the PR&RDD gave more the impression of being reviewed rather than being an active partner in the exercise what is reflected in the fact also that GOAP/ PR&RDD did not appoint any staff to form a member of the review team and also no liaison officer or resource person was designated who could have guided the consultants through the "jungle" of state bureaucracy.

² For example, upon the arrival of consultants at Hyderabad, the Panchayat Raj and Rural Development Department (PR&RDD) was not aware of the review and had to be given the TOR for the mission by the consultants; and after an initial short meeting of the international lead consultant with the Permanent Secretary of Finance Department (who is the focal point for the AP-IER), during the entire last week of the mission it was not possible for the team to obtain a date for a debriefing with him.

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Nevertheless, an effort was made to produce a reasonable report using whatever data were available and to come up with as many findings and conclusions as possible in regard to the manifold issues to be dealt with. However, it can be asked whether the effort used in analysing and synthesising statistical data was proportional to the results which could be obtained as sometimes no clear trends could be discerned.

Information Notes:

- The data provided in the Technical Appendices are new and have been produced mostly by the team. The Annexes provided in the Interi Report earlier (and which have been mostly reproduced GOAP tables), therefore have not been provided again here as they are available in the earlier document and as they were found to be no more appropriate.
- As agreed in the DFID wind-up meeting, no TOR and specific estimates of resources and timeframe needed for another team of local consultants for a possible phase 2 review were elaborated in this report. Also, the likelihood of organising such a phase 2 review exercise from the side of DFIDI reportedly has decreased.
- Following discussions among the experts and as practiced in the Interim Report before, expenditure figures are provided in Indian Rupees (Rs.) using the usual breakdown into lakhs (100,000) and crores (10 million). This would also enhance ownership of the study by the GOAP who is the client.

The consultants wish to express their gratefulness for the support received by DFIDI during the entire review process and the co-operation from GOAP departments and GOI institutions involved. They take, however full responsibility for any omission and incompleteness that might still exist in the report which is aimed at encouraging a process for the continued search for improved ways of poverty reduction.

The Consultants:

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28 February 2001

3. Sector Overview

3.1 The Sector as a whole, public/ private institutions and their performance

Andhra Pradesh had a population of 66.5 million as per 1991 census, and is the **fifth most populous state** in the country. According to the mid-year population estimates worked out by the Central Statistical Organisation, the state's population for 2000 was projected at 76.04 millions.

The geographical area of the state, the fifth largest in the country, is 875,000 sq.kms. The state has the longest coast line of 972 kms. About **73 percent of the state's population live in rural areas** which underscores the particular relevance of the sector of rural development under review for the governmental objectives of sustained economic growth with equity and poverty reduction of substantial parts of the population, the majority of which are reached by rural development programmes. AP consists of three main regions – coastal, Rayalaseema and Telengana with the tribally dominated hilly areas spreading across Telengana and coastal AP forming a fourth zone with the highest concentration of underdevelopment and poverty.

Poverty in AP is reported to be about 21% with a rural poverty line defined by the Planning Commission as a monthly per capita expenditure of Rs. 49 (at October 1973 to June 1974 all India prices) corresponding to the norm of a per capita intake of 2,400 calories per day. AP's scheduled castes (SCs) made up 10.93% of the total state population in 1991 and the proportion of scheduled tribes (STs) was 6%.

As per the consultants' terms of reference, the sector of rural development under review is defined as the entire field of operations of the Department of Panchayat Raj and Rural Development (PR&RD), with its three wings (Panchayat Raj, Rural Development and Engineering), being responsible for planning and execution of the programmes for rural development and poverty alleviation, including provision of drinking water, rural sanitation, rural roads and some parts of minor irrigation¹.

"Rural development" in the wider and widest sense, however would also encompass the activities of other GOAP departments (grouped into four clusters) active in the rural areas, such as:

Natural resources and production related

- agriculture and cooperation
- irrigation and command area development [subject of separate IER review]
- animal husbandry and fisheries
- environment, forest, science and technology

Public and private operations related

- food, civil supplies and consumer affairs
- public enterprises
- industries and commerce [subject of separate IER review]

¹ It needs to be clarified whether rural communications and renewable energy projects in rural areas also would come under PR&RD department's operations.

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Infrastructure related

- energy
- transport, roads and buildings [subject of separate IER review]
- information technology and communications

Promotion of social groups oriented

- social welfare² [subject of separate IER review]
- backward classes
- minorities welfare
- women development, child and disabled welfare
- youth advancement, tourism and culture

Social services related

- education [subject of separate IER review]
- health, medical and family welfare [subject of separate IER review]

While it would be highly desirable to inter-relate the review of rural development sector with reviews of the neighbouring sectors operational in the rural areas, this approach was not chosen within the current scope of this phase 1 review but would be possibly considered by DFID for an enlarged phase 2 review. However, DFID could circulate to the team the interim and final phase 1 reports of these parallel reviews.

Institutional Set-up

The Panchayati Raj & Rural Development Department comprises of the : (a) Panchayati Raj wing; (b) Rural Development Wing and (c) Panchayati Raj Engineering Wing. The Panchayati Raj Institutions (PRIs) were constituted under the policy of democratic decentralisation to implement Government's developmental and other functions in rural areas. The Department is responsible for planning and execution of the programmes for rural development including communications, provision of drinking water, minor irrigation and poverty alleviation programmes.

The main schemes undertaken by the department can be classified under the following heads: (1) Rural water supply; (2) Rural sanitation; (3) Jawahar Gram Samrudhi Yojana; (4) Community Development; (5) Construction of Mandal buildings; (6) Construction and maintenance of rural roads; (7) Swarna Jayanth Swarojgar Yojana (SGSY); (8) Assured Employment Schemes.

In addition to the above, maintenance of secondary, upper primary and primary schools in rural areas, maintenance of minor irrigation tanks with an ayacut upto 40 hectares and construction of school buildings from the grants released by other departments are attended to by Zilla Parishads and Mandal Parishads. The Gram Panchayats provide civic amenities to the people living in the respective villages and also maintain the Panchayat Roads.

Thus the sector as a whole deals with employment programmes, infrastructure like roads, water and sanitation and decentralised democratic institutions like Panchayats. Both public and private institutions

² Comprising separate departments for scheduled castes (SCs) and scheduled tribes (STs)

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Promotion of social groups oriented

- social welfare² [subject of separate IER review]
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are involved in this sector. Most of the programmes under this sector are Centrally Sponsored Schemes (CSS). Thus the role of central government is very important for this sector. At the state level, Grants-in-aid are released to the Panchayat Raj Institutions (PRIs) and District Rural Development Agencies (DRDAs) for development activities, maintenance of roads, buildings, assets and salaries of establishment.

There are 22 Zilla Parishads, 1,093 Mandal Parishads and 21,943 Gram Panchayats in the state. There are 22 District Rural Development Agencies (DRDAs). The DRDAs are autonomous bodies registered under the Public Societies Registration Act. The organizational structure of the Panchayati Raj and Rural Development Department is given in Table 1, and an oranigram is provided in Appendix T-1.

At the village level Gram Sabha is constituted for every village and it consists of all the electorate of the gram panchayat as its members. The gram sabha meets at least twice in a year. The gram panchayat is the body constituted for the village administration for a revenue village. It consists of elected members³. The mandal parishad is constituted for a revenue mandal. It consists of elected and non-elected members. Similarly, Zilla Parishad which is constituted for a district also consists of elected and non-elected members.

Table 3-1: The Organisation¹ Structure of Panchayati Raj and Rural Development Department

	Minister for PR & RD	
Principal Secretary (RD)	Principal Secretary (PR)	
Commissioner (RD)	Commissioner (PR)	Engineer-in-Chief (ENC-PRED)
Project Officer (DRDA)	District Collector	
Chief Executive officer	District Planning Officer	Superintendent Eng.
District Panchayat Officer	Chairman - Zilla Parishad	Executive Engineer
Divisional Panchayat Officer		
Mandal Parishad Development Officer	President-Mandal Parishad	Deputy Executive/ Asst. (Exec.) Eng.
Village Development Officer	Sarpanch -Gram Panchayat	
	Gram Sabha	

Source: Choudhury and Jain (2000)

Engineering Wing: The office of the Engineer-in-Chief (EINC) with six chief engineers heads the two main branches of water supply and sanitation (WSS) and rural development (RD). At district level, WSS has 22 Superintendent engineers and four junior geologists, and RD has fourteen Superintendents (SEs); also at district level, but in different offices, WSS has 52 and RD has 79 executive engineers in place; at Mandal level (combined office for several mandals), WSS has 329 and RD 365 deputy executive engineers; at

³ The sarpanch of the gram panchayat is directly elected by the method of secret ballot on non-party basis. Out of the total strength of the elected members, seats are reserved for the members of scheduled castes and scheduled tribes on the basis of their population. One-third of the seats are reserved for women which includes those belonging to scheduled castes and scheduled tribes based on their population ratio.

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individual mandal level, WSS has 1,863 and RD has 2,013 assistant engineers (or assistant executive engineers at higher level), and there are another 2,500 work supervisors working for both WSS and RD at this level.

As RD wing (DRDA) draws upon the EINC/PR wing's engineers frequently for programmes involving construction of structures such as for soil and water conservation, watershed development, the EINC/PR would welcome an improved organizational set-up in which its engineers stationed at Zilla Parishad level would integrate DRDA operations.

In addition, *Panchayat Raj Institutions* (PRIs), namely the 1,093 Mandal and 22 Zilla Parishads, attend to further activities, such as maintenance of schools in rural areas, construction of school buildings, maintenance of minor irrigation tanks, from the grants released by other departments, while Gram Panchayats provide civic amenities and maintain Panchayat roads. The PRIs have as sources of revenue

- taxes and fees levied by Gram Panchayats
- assigned revenues collected by Government
- various grants by government (statutory per capita grants; grants for specific development works like SGSY, JGSY, rural water supply, sanitation, minor irrigation; grants for maintenance of roads; grants for salaries of provincialised staff; tenth finance commission grants).

By the same time, the 22 *District Rural Development Agencies* (DRDAs) effect developmental activities, maintenance of roads, buildings, assets and salaries of establishment funded by grants-in-aid. DRDAs have as sources of income

- grants by central government
- matching grants and other grants by state government
- grants for salaries and staff.

Though Panchayati Raj has been in existence in the country in various forms at various levels, these institutions had not been assigned specific roles, responsibilities, powers and resources to carry out development activities. To overcome these and other limitations, it was decided to confer constitutional status to these institutions. In 1993 with the 73rd Constitutional Amendment, a mandatory three/two tier set up of Panchayati Raj, legal status to *gram sabha*, regular elections, reservations for weaker sections and women, an independent Finance Commission and an independent Election Commission were provided. In line with the 73rd Amendment, several State Governments have also modified or replaced their existing Panchayati Raj Acts, with a view that these institutions would be included in the development planning and implementation of the programmes aimed at economic development and social justice.

The Andhra Pradesh Gram Panchayat Act 1964 was the first statewide Panchayati Raj Act, where a three tier system of Panchayati Raj institutions was introduced. After the 73rd Amendment, the Andhra Pradesh Panchayati Raj Act was passed in 1994 wherein the three tier system constituting Gram Panchayats at village level, Mandal Parishads at the intermediary level and Zilla Parishads at the district level were introduced as per the principles of the 73rd Constitutional Amendment. Both the State Finance Commission and the State Election Commission were constituted in the same year (1994).⁴

⁴ Source: Patterns of Decentralised Governance in Rural India, Volume I, eds. R S Choudhury and S P Jain, NIRD, Hyderabad, India, 2000

It is to be noted, however that the devolution of power to local bodies (PRIs) in AP has taken place at a slower pace than in some other states like Karnataka and MP what has implications (not necessarily always negative ones) for the way in which decisions on RD spending are made.

Private institutions like NGOs are also involved in rural development programmes. There are also several self help groups like womens' thrift groups, watershed development committees, education committees, vanasamrakshana samitis (VSS), mother's committees, farmers' clubs etc. which are involved in the rural development activities.

3.2 Development objectives and key policy issues and priorities

Development objectives

The documents prepared by the Department do not explicitly talk about the development objectives⁵. The programmes listed under the Department, however, indicate that the main development objectives of this department are rural development and poverty alleviation.. **The programmes under the division of Rural Development are mainly geared towards poverty alleviation in rural areas.** As such all the programmes under Rural Development assume significance as they are not only to help the small and marginal farmers in improving their standards of living but also to help the rural unemployed youth to eke out their livelihood through various training and infrastructure facilities.

The main development objectives for the rural development sector are described in the State Government's *Ninth Five Year Plan, 1997-2002*⁶ and are mainly oriented towards poverty alleviation in rural areas through creating livelihoods, infrastructure and by using an integrated approach to employment generation programmes for targeted groups.

The reduction of the percentage of below poverty line (BPL) population⁷ to less than 10% remains the main objective taking into account the disparities among and within districts. The Plan is well aware of the need to create effective linkages between various developmental activities in the rural areas and for simultaneous involvement of various departments using a decentralised framework.

More specifically, the following main programme goals have been set in the IXth Plan:

- assignment of government land and surplus land distribution
- preference of group schemes over individual assistance, at least for loans

⁵ For example, some of the documents from and on the Department are: White paper on rural development schemes, performance budget, Statement of the Minister on the Demand for grants for rural Development.

⁶ Ninth Five Year Plan (1997-2002) Andhra Pradesh, Vol. II Sectoral Programmes, 2. Rural Development, Special Area Development Programmes, Finance and Planning (Plg. Wing) Department, Government of Andhra Pradesh, October 1997

⁷ Defined as an income up to Rs. 11,000 per annum per family (of five persons). Regarding the numbers, NABARD ("Banking with the poor: Financing of Self Help Groups") provides the following numbers. The provisional findings of Below Poverty Line (BPL) survey for IXth Five Year Plan (1997-2002) carried by GOAP reveals that out of 104.40 lakh rural households in Andhra Pradesh 39.91% are BPL. Nearly 42% of rural poor households belong to Scheduled castes (31%) and Scheduled Tribes (11%). About 6.87% of poor households are headed by women and another 2.9% by physically handicapped.

- IRDP (recently merged into SGSY) comprising agriculture, minor irrigation animal husbandry, fisheries, social forestry, sericulture, industries/services/businesses, infrastructure development: During the eighth plan Rs. 22042.04 lakhs were spent for this component benefiting 9,02 lakh families (ratio of Rs. 2,444 per family over five years or Rs. 488 per year per family). For 9th plan, 795,000 families are targeted at a cost of Rs. 20,500 lakhs (ratio of Rs. 2,578 per family over five years or Rs. 516 per family per year) with a proposed state share of Rs. 32,500 lakhs
- TRYSEM: Rs. 1987.69 lakhs were spent during eighth plan to train 60,000 rural youth (ratio of Rs. 3,313 per youth over five years or Rs. 662.5 Rs. per youth per year). For 9th plan, Rs. 1,800 lakhs target 500,000 trainees (per capita cost of Rs. 360 per year five years or Rs. 72 per year) with state share of Rs. 12,500 lakhs (per capita of Rs. 500 over five years or Rs. 100 per year)
- DWCRA (women groups of 10-15 each receiving revolving loan fund of Rs. 25,200 as grants-in-aid equally shared between GOI and state): Rs. 3430.08 lakhs were spent during 8th plan for 2,000 women groups (Rs. 171,500 per group over five years or Rs. 34,300 per group per year or Rs. 13,720 per group member over five years or Rs. 2,744 per group member per year by average assuming an average group size of 12.5 members). For 9th plan, it was proposed to target 125,000 women groups at a cost of Rs. 6,300 lakhs plus state share of Rs. 15,750 lakhs (total of Rs. 2,205,000,000). This meant a planned expenditure of Rs. 17,640 per group over five years/ per group member of Rs. 1,411 or of Rs. 3,528 per group per year or Rs. 282 per capita per year).
- DPAP (macro-watersheds of 1,000 to 2,000 ha): During 8th plan, Rs. 7518.01 lakhs were spent (Rs. 1,503 lakhs per year). For 9th plan, Rs. 8250 lakhs were planned for (Rs. 1,650 lakhs per year) plus sanctioning of 1,100 additional watersheds for 1997/98 amounting to a total of Rs. 16,410 lakhs for 9th plan period (2,114 watersheds at Rs. 3,282 lakh per year, ratio per watershed per year being Rs. 155,250)
- Jawahar Rozgar Yojana (JRY) employment generation, to be intensified in the nine districts of Adilabad, Mahabubnagar, Warangal, Khammam, East Godavari, Nalgonda, Prakasam, Ananthapur, and Kurnool for pockets of unemployment using works in road construction, minor irrigation, soil and water conservation, water harvesting, wasteland development, and farm forestry – and in combination with EAS in 120 blocks covered by the revamped PDS (80:20 sharing with GOI). For 9th plan, Rs. 77,700 lakhs were proposed (Rs. 15,540 lakhs per year)
- Janmabhoomi (people centred development process aimed at comprehensive rebuilding of villages and towns "establishing an ideal society", since 1997) estimated for 9th plan Rs. 153.60 crores (Rs. 1,536,000,000 being Rs. 307,200,000 Rs. per year)

Consolidated requirement for these plus some other, smaller programmes, was Rs. lakh 16,410, proposed outlay for the entire rural development sub-sector was Rs. 192,249 lakhs, plus Rs. 94,622 lakhs for area development schemes.

Further analysis of some of these expenditure goals from the 9th Plan as compared to the actual expenditure trends and plans over the last five years and their relevance for the achievement of the stated development objectives (in terms of physical target achievements), not only of the IXth Plan but also for Vision 2020, will be attempted in the following chapter 4.

Policy issues and priority options for rural development

International experience shows that it is rural and agricultural growth that brings sharp decline in poverty. Datt and Ravallion (1997) comparing the effects of urban and rural growth on poverty show that growth in urban incomes has no effect on rural poverty, but also only modest effect on urban poverty. On the other hand, rural growth reduces rural poverty and reduces urban poverty more than does urban growth. Pro-poor growth requires rapid growth in employment. Since so much of employment is initially in rural areas including small towns, it is agricultural growth that can provide the effective demand for creating jobs. Internationally, it is also shown that the investment in rural infrastructure reduces poverty. The vision 2020 document says that presently around 70 per cent of the workers are dependent on agriculture. By the year 2020, only 35-40% of the workers are expected to be dependent on agriculture. In other words, lot of rural non-farm employment is needed to reduce the burden of population on agriculture.

Thus, the expenditures under the Department of Panchayati Raj and Rural Development seem to be useful in raising the living standards of the rural population and in turn reducing poverty in A.P. Rural development is also needed to reduce rural-urban migration. Although the programmes of the Department do not cover the agriculture sector explicitly, most of the schemes help in agricultural growth. For example, the wage employment programmes not only generate employment but also create assets. Similarly, watershed and minor irrigation programmes increase agricultural productivity. Even the development of roads would improve the agricultural marketing and help the farmers. Water and sanitation programmes under rural development increase health status of the rural population.

Infrastructure vs. Direct poverty alleviation programmes: However, due to limitations of finance, some times dilemmas may occur regarding the priorities. One dilemma is whether government should spend more on rural infrastructure programmes like roads, irrigation etc. or on direct poverty alleviation programmes like employment schemes for reducing poverty.

A balance needs to be struck between these two fundamental objectives. Vision 2020 also seeks to reach these two prime objectives by the same time: sustained economic growth with equity and poverty reduction by focusing on high growth potential areas and sectors ("growth engines" like agro-business, services, industry) and focusing on the development of the most backward areas inhabited by the poorest population lacking infrastructure, education, health, literacy etc. and where per capita returns of investment would be lowest. **A certain amount of public expenditure will need to be fixed for poverty reduction and infrastructure investments in these poorest regions, while by the same time sufficient expenditure would need to be directed towards areas and sectors with the highest growth potential.**

Summing up, it is to be emphasised that, when it comes to strategic decisions on where to allocate scarce resources across departments (competing for shrinking resources even), the poverty reducing effect of rural development investments need to be born in mind calling not for a cut in spending but rather for an increase in expenditure. By the same time, the effectiveness of rural development programmes could be enhanced by better targeting, and further convergence of existing schemes. If larger parts of the poor, however are to be reached and rural poverty is to be redressed, then stepping up of targeted rural development programmes in absolute terms would be unavoidable.

3.3 The sectoral components and their implementation

The main expenditure heads of the PR&RDD and their key features will be presented briefly in the following⁸ on the basis of which main expenditure trends over the last five years and plans for the coming

⁸ GOAP (Jan. 1999) is giving the following alternative overview of the major RD programmes which is given here as an additional background:

The following rural development programme are being implemented in this State through DRDAs Centrally sponsored Schemes:

1. IRDP
2. TRYSEM
3. TRYSEM INFRA STRUCTURE
4. DWCRA
5. DPAP
6. NSAP
7. Supply of tools to rural artisans and
8. Integrated waste Land Development Programme.

IRDP is a beneficiary oriented Programme, helping the target groups below the income line of Rs.11,000/- per annum by providing income generating assets. As against the total releases of Rs. 82.29 crs during the year 1995-96, an amount of about of Rs.70.90 crores has been released upto end of Dec-96 (1996-97). Against the target of beneficiaries of 1,00,000 persons during the year 1996-97, the achievement was 1,22,863 persons against the target of 1,00,000 persons.

TRYSEM is a training Programme for Rural Youth to enable them to get self or wage employment. Stipend to the trainees @ Rs.250 to Rs.500 per month during training period. Under the Scheme the targets and achievements recorded were as follows.

Under TRYSEM INFRASTRUCTURE as against the total release of Rs.161.53 lakh during the year 1995-96, the release were Rs.206 lakhs upto Dec-96.

For judging the effectiveness of the scheme, the following figure is available: In 1998-99 the number of trainees under TRYSEM was 23,587.

Development of Women and Children in rural areas(DWCRA) is a sub-scheme of IRDP which envisages provision of revolving fund to support income generation activity for group of 10-15 members. It also providing facilities to look after their children in respect of their health, nutrition, immunisation etc. The scheme is implemented through out the state. As against the expenditure of Rs.2423.90 lakhs has been spent upto Dec-96. The coverage of the groups was 17165 during 1995-96 and upto dec-96 the coverage was 14886.

Under DPAP the expenditure recorded during 1995-96 was Rs.2928.16 lakhs while this year upto Dec-96 is was Rs.1602.45 lakhs. The scheme envisages constituting multi-disciplinary watershed teams for providing micro watersheds.

The Programme for providing tool kits to rural artisans is implemented in 22 Districts of the state. An amount of Rs.367.67 lakhs was spent on this programme during 1995-96 against which the expenditure this year upto Dec-96 was Rs.300.87 lakhs. Tool kits numbering 30511 were supplied to rural artisan during the year 1995-96, while this year upto Dec-96 16704 kits were supplied.

The scheme for integrated waste land development is being implemented in 14 districts and fully funded by Government of India.

National Social Assistance Programme Envisages Old age Pension Rs. 75/- to rural poor aged above 65 years and targeted to cover about 8.95 lakhs persons. Another part of the scheme is to provide assistance of Rs.5000/- to the bereaved families of those poor persons living below the poverty line who are the bread winners within 64

years (making up 80% of expenditure or more) will be analysed in the subsequent chapter 4. For most of the schemes, existing GOAP monitoring systems were found to be highly underdeveloped. It proved to be impossible, for the majority of the schemes, to obtain figures on the actual impact of these schemes on the livelihoods of the poor. This implies that when crucial decisions about spending priorities are to be made, GOAP need urgently to improve its knowledge base. On the other hand, the team found, that at district level (information by District Collector, Ranga Reddy District which is rural Hyderabad district), reportedly detailed data on the achievement indicators of major schemes exist. A phase 2 review would need to verify this information which could be a valuable tool for GOAP in determining the anti-poverty effects of its schemes in order to prioritise their expansion⁹.

The classification used is more or less in conformity with the official classification under the standard headings (heads of account) but differs slightly by taking into account the difference between employment generation and social welfare (as poverty alleviation) schemes and area development programmes.

3.3.1 Poverty alleviation and area development programmes

(a) Special rural programmes: SGSY, DPAP, DDP, IWDP

Introductory Note

years of age if it is a natural death and Rs. 10,000/- if the death is due to accident. Under the scheme the target for 1996-97 is 39,300 families.

National Maternity Benefit Scheme is the third component of the National Social Assistance Scheme. Under this scheme Pregnant women above 19 years of age and living below the poverty line are eligible to the assistance of Rs. 300/- from Government of India and Rs. 200/- from the State Government. The target for the current year is 3,88,200 beneficiaries.

⁹ **Monitoring of the schemes** may be done by the bureaucrats. But impact evaluation is generally [supposed to be] done by independent agencies like researchers, NGOs, survey agencies like ORG-MARG. At the national level, PEO (programme evaluation organisation) conducts concurrent evaluations for each state using research institutes and other agencies. These are mainly for self and wage employment programmes.

However, SGSY and Janmabhoomi guidelines provide some monitoring mechanism. These are given below.
SGSY Guidelines on monitoring: The performance of the implementation of SGSY is to be monitored continuously at all levels. At the block and district levels this is [to be] done through reports and physical verification of the assets. At the central govt level, the programme would be continuously monitored on the basis of monthly progress reports. The states would send monthly and annual district wise information received from the DRDAs to centre. The guidelines also say that (a) the states should conduct periodical evaluation studies on the implementation of the programmes; and (b) evaluation studies may be given to the reputed institutions and organisations, on issues thrown up by the concurrent evaluation meriting detailed studies.

Janmabhoomi Operation Guidelines on monitoring and evaluation: The Janmabhoomi information system (JIS) developed by the planning department would be used at all levels for monitoring the implementation of the core area activities under Janmabhoomi (Monitoring at the habitation, mandal and state level).

Process evaluation: Process evaluation will be taken up by independent agencies and NGOs as selected by the state govt. from time to time, to evaluate the process of Janmabhoomi, particularly the social mobilisation and community participation.

Impact evaluation: Evaluation of impact of Janmabhoomi in different core areas will be undertaken by the state govt. involving the NGOs and reputed research institutions.

It is however not known at present to which extent these guidelines are being followed in practice.

The state has the highest proportion of agricultural labour households next only to Tamil Nadu. A large proportion of these households are providing casual labour and this phenomenon has been growing over time¹⁰.

The high incidence of agricultural labourers as well as a greater degree of casualisation among agricultural labour results in a major portion of the labour force in Andhra Pradesh being exposed to uncertainties in the labour market. **Therefore, it is important to have employment programmes for the poor. Also, major part of the state's agriculture depends on rainfall and needs watershed development programmes.**

Economic growth is important and creates more resources and has the potential of creating opportunities in the form of productive employment for the poor. It is, however, recognized that **along with growth promoting policies, direct poverty alleviation programmes are also needed** to raise the incomes and purchasing power of the poor particularly in the short and medium runs. The programmes which are aimed at directly helping the poor instead of the entire population are termed as targeted poverty alleviation programmes.

The main objective of these programmes is to directly help the poor to improve their economic, physical (nutrition, health) and social conditions. Note that these are programmes that directly target the poor and the benefits from them would be in addition to those that would accrue to the poor in the normal economic activities in the economy. These schemes are supposed to protect a person or household in the case of both *chronic* as well as *transient* poverty.

It is being recognized that universal provision is too costly and fails to have much impact on poverty. Targeting is regarded as an attractive way of intervention for poverty alleviation because of the necessity both of reducing the poor and of limiting the public spending. The rationale for targeting is that the benefits or social returns are higher for the population at the lower end of the income distribution than at the upper end.

The employment programmes of the PR & RDD of GoAP are targeted poverty alleviation programmes. They can be divided into two categories: Self Employment programmes and wage employment programmes. The details of these programmes are given below:

Self Employment Schemes

- The major self employment programme is the Swarna Jayanti Gram Swarozgar Yojana (SGSY). This is a centrally sponsored scheme (CSC) funded by Government of India and the state on 75:25 basis. The earlier schemes of IRDP (Integrated Rural Development Programme), TRYSEM (Training for Rural Youth for Self Employment), Tool kits, DWCRA (Development of Women and Children in Rural Areas), and MWS (Million Wells Scheme) have been merged in a new scheme called Swarna Jayanti Gram Swarozgar Yojana (SGSY).

¹⁰ Andhra Pradesh records the second highest proportion of agricultural labour households (41.5%) next only to Tamil Nadu (42.1%) while all India proportion is much lower (30.3%) in rural areas in 1993-94. Similarly A.P records the second highest proportion of casual labourers (47.3%) next only to Tamil Nadu (49.1%). All India proportion was 35.3 per cent.

The objective of the SGSY is to bring poor families above the poverty line by providing them income generating assets through a mix of bank credit and Government subsidy. The key element in this programme is the choice of activity based on local resources, aptitude as well as the skill of people.

● **Self Employment of Self Help Groups (SHGs) of Women** belonging to poor families in rural areas: It is a 100% state plan scheme introduced during 1998-99. Its objective is to provide the women belonging to families below the poverty line in rural areas with more opportunities of self employment on a sustained basis.

Area Development Programmes

● Regarding **watershed development**, Government has planned a massive effort for development of watersheds. A 10 year action plan for development of 100 lakh hectares of wastelands as well as degraded lands has already been launched. Andhra Pradesh is the fore runner in the campaign for Integrated Watershed Development with 5.160 Micro Watersheds covering an area of about 25.8 lakh hectares under various schemes like Drought Prone Areas Programme (DPAP), Desert Development Programme (DDP), Employment Assurance Scheme (EAS) & Integrated Waste Lands Development Project (IWDP).

(i) **Drought Prone Area Programme (DPAP)**: This is a centrally sponsored scheme funded by center and state governments on 75:25 basis. The scheme aims at developing the drought prone areas with an objective of drought proofing by taking up of soil and moisture conservation works, Minor Irrigation Works, water harvesting structures, afforestation and horticulture programmes on a comprehensive micro watershed basis.

(ii) **Desert Development Programme (DDP)**: There are 2,806 watersheds taken up under DPAP & DDP.

(iii) **Integrated Wasteland Development (IWDP)**: Rapid depletion of green cover, and vast stretches of marginal lands lying fallow, found to be causing enormous ecological imbalance. To arrest this, Integrated Waste Land Development Projects are taken up with 100% assistance from Government of India.

(b) **Rural employment programmes: EAS, JRY**

Wage Employment Schemes

● **Jawahar Grameena Samruddhi Yojana (JGSY) and Employment Assurance Scheme (EAS)** are the two wage employment schemes implemented in the state as centrally sponsored scheme with the sharing pattern of the Central and State Government (75:25 basis). The main objective of the programme is to generate additional gainful employment for the unemployed. The secondary objective is to create rural assets.

(c) **Social security and welfare schemes: NOAPS, NFBS, NMBS**

● **National Social Assistance Schemes**: Government of India has announced 3 schemes under NSAS for implementation from August, 1995 onwards.

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(i) **National Old Age Pension Scheme (NOAPS):** Under this scheme Government of India is giving Rs.75/- per person to all the people above 65 years of age and who are destitutes having little or no means of subsistence. The state government which is implementing similar programme has integrated this scheme with Government of India scheme.

(ii) **National Family Benefit Scheme (NFBS):** Under this scheme the Government of India will give a financial assistance of Rs.10,000/- on the death of any primary bread earner within the age group of 64+ years. The household should be below the poverty line.

(iii) **National Maternity Benefit Scheme (NMBS):** Any pregnant women of the age 19 years and above, belonging to the below poverty line is eligible for this benefit upto first two live births at the rate of Rs.500/- by Government of India.

(d) Other rural development programmes (ORDP): Janmabhoomi

Janmabhoomi is a people centered development process launched in the State of Andhra Pradesh in January 1997. This process has evolved out of the experience gained through the implementation of Prajala Vaddaku Paalana (taking administration to the door steps of people) launched in November 1995 and Sramadanam (contribution of labour) launched in January, 1996.

It aims at establishing an ideal society, which embodies and cherishes the principles of people's participation, equality, transparency and accountability leading to sustained economic development and excellence in all walks of life. The goal is an enhanced quality of life for every man, woman and child in the State.

Nine rounds of Janmabhoomi have been held in the State in the months of January, May, August, October of 1997 and January, May, August, October of 1998 and January, 1999. The following are the five core areas of Janmabhoomi:

- Community Works
- Primary Education
- Primary Health and Family Welfare
- Environment Conservation
- Responsive Governance (Source: GOAP, Jan. 1999)

While it is regarded a great success of JB to be able to harness funds across sectors for campaign like massive public awareness building, sustainability of actions started is unclear as well as reliable data on actual impact are lacking.

(e) Aspects of Micro-Finance

General

The centrally sponsored programme **SGSY** and state sponsored **self employment self help group (SHG) of women** are the major micro-finance schemes under PR&RD department.

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The micro finance programmes are interventions in the rural credit markets to provide safer place for thrift accumulation and thrift-linked-credit at the prevailing market interest rates and lower transaction costs with social collateral. In other words, the micro finance programmes help members to obtain thrift-linked credit for their economic empowerment.

The Government of Andhra Pradesh has taken initiative to facilitate formation of several women's thrift and credit societies in the form of self help groups (SHGs). The SHGs are small economically homogeneous and affinity groups of rural poor, voluntarily formed to save and mutually agree to contribute to a common fund to be lent to its members as per group decision. These groups are usually formed by Governmental or non-governmental organisations with emphasis on both thrift and credit activities. All financial decisions are taken by the group through a consensual approach.

The former DWCRA groups with a maximum membership of 15 women were formed by Department of Rural Development under Development of Women and Children in Rural Areas (DWCRA) programme (which is continued under the SGSY since 1999/2000). Here again thrift is used as an entry point to weave women groups. Based on the thrift record, Government through District Rural Development Agencies (DRDAs) release maximum matching grant of Rs.25,000 per group for enabling women groups to take up income generating activities. Under the programme, banks also extend credit facilities to such groups for meeting incremental fund requirements.

The extent of group mobilization in A.P. under various thrift and credit programmes is estimated to be in the order of 2.84 lakh groups involving nearly 4.25 million households by March 2000. Large number of groups originated under the DWCRA programme. The groups formed in 1999-2000 were 95,000. New groups proposed to be formed in 2000-2001 are 75,000. The savings and corpus available under DWCRA/SHG in March 2000 was Rs. 600 crores. By the end of 2000-2001, the corpus and savings are expected to be around Rs.1,000 crores.

Status of DWCRA/SHG during 2000-2005 are given below¹¹.

- During the current year (2000-2001): At least one women member of all the BPL families will become a member of a SHG
- In the next 2-3 years: All the eligible women in the BPL families will become a member of a SHG
- By 2005: 80 lakh women will become members of SHG.

Loan recovery

Traditional poverty alleviation paradigm in banking sector manifested in project lending approach placed particular emphasis on technical feasibility and economic viability aspects of investments. The economic returns from such investments were expected to propel low income households above poverty line. It further presumed that poor prefer self employment and have necessary managerial ability to readily accept the challenge of occupational mobility. Further that the new production and marketing skills can be acquired by them with relative ease. Another important aspect which misses the attention of development planners is complete information asymmetry between banks and borrowers. In other words, both banker and borrower have little information about each other to develop mutual empathy, so necessary for initiating banking relationship based on trust confidence. The inability of the banking sector to provide appropriate

¹¹ This is based on the Report of the GoAP on Women's Empowerment Action Plan.

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saving products for poor and channelise them to mainstream of rural economy coupled with the history of deviant credit behaviour of rural clients under government programmes only sapped the mutual confidence and trust between the banks and the rural poor.

The above type of paradigm was practiced till recently under IRDP (also merged into SGSY). Under this, individuals were provided subsidy and credit for self employment. The recovery of loans under IRDP was less than 30 per cent in many years. Rural banks got affected financially due to low recoveries.

With the introduction of group approach, there came significant improvement in loan recovery. According to NABARD, the loan recovery under self help groups in Andhra Pradesh is more than 95 per cent. The default rate is minimum among all the micro finance programmes. Then it is the institutional arrangement rather than socio-economic characteristics of the participants and the level of development of the region that is contributing for the peer pressure to minimize the risk of default. It is interesting to note that the micro finance schemes are not monitoring the ultimate use of the credit taken by the members. Thus, the issues, viz. adverse selection, adverse incentives, contract design and enforcement of the contract, and building peer pressure have been tackled in formulating the institutional arrangements for controlling the risk of default.

Evaluation of Self Help Groups

The Report of the GoAP on Women's Empowerment Action Plan provides ranking of groups at the district level. At the aggregate level the percentages are given in the following table.

	Good	Average	Poor
Total of All Districts	42.65%	39.87%	17.48%

NABARD's study findings on SHGs

The findings of the studies conducted by NABARD regional office on the implementation of SHG bank linkage programme in Andhra Pradesh revealed several positive as well as critical features.

Positive features

- Strength of SHGs is reflected in group cohesion and vibrant behaviour
- SHGs inculcate thrift habits and increase in level of savings among rural poor
- Improvement in access to credit
- Fungibility of savings and credit cycles in SHGs help consolidate the group behaviour
- Definite shift in loaning pattern of the members from consumption to productive activities
- Improvement in loan volumes of SHGs through internal capitalisation
- Near 100 per cent recovery of loans at SHG level
- Creation of common and community assets
- Reduction in transaction cost for banks and borrower alike
- SHGs are used to exert peer and social pressure to rehabilitate defaulters
- Participation in socio-economic development programmes like literacy, health, nutrition, housing, primary education, sanitation etc. by matured SHGs have contributed to overall empowerment of poor

Some features which need improvement

- Irregular group meetings
- Irregularity in savings
- Lumpsum contribution in the form of savings to attain eligibility for higher loans
- Large loans only to few members
- Absence of proper up-to-date record keeping
- Absence of regular system of weekly/monthly repayment of loans by the members to SHGs
- Lack of confidence among bank branches to extend loans to SHGs in the absence of NGOs.

Sustainable asset creation through micro finance depends on several factors like productivity and marketing. Under the state sponsored scheme, each group of 10-15 members will be given Rs.10,000/- as revolving fund on a matching basis. To maintain cohesion, members will be encouraged to utilise such savings for the felt needs of members.

Some evidence of the success of these savings/credit group schemes and existing ways of M+E and in how much these are focused on funds disbursed/targets only and on impacts is available from existing studies/reports.

The GoAP does not seem to have evaluation studies. But, there are quite a number of studies done by other agencies (e.g. BASIX, ORG MARG, NABARD). The general findings are that the recovery rates are above 90 per cent. Our discussions with NABARD people also revealed this finding. These studies also showed that these micro finance to groups have improved their livelihoods.

3.3.2 Rural Infrastructure

(a) Water Supply and Sanitation (WSS)

Provision of drinking water supply has been a primary consideration in all the successive five year plans and substantial amounts were spent for this purpose. The plans had the objective of providing adequate drinking water facilities in a phased programme to all habitations giving priority to acuteness of the water supply situation.

The problem of drinking water provision in habitations can be classified into three types, viz. (1) Lack of any nearby source of drinking water; (2) inadequacy of the available sources of drinking water; (3) quality problems such as excess fluoride, salinity, iron, etc.

At the end of year 1997-98, all the habitations in the State were covered either partially or fully and at present there is no habitation in the State, which falls under the first category.

And by the end of year 1997-98, 41,649 habitations out of total 69,732 habitations are provided with adequate drinking water and for the remaining 28,083 habitations augmentation of schemes are in progress for provision of adequate drinking water. The problem of quality is being tackled by formulating projects and so far 58 sub-mission projects are sanctioned for providing safe drinking water to 4,216 habitations.

During 1996-97 a total population of 27.80 lakhs was covered under Rural Water Supply in the State. In 1997-98 the coverage has been increased to 32.26 lakhs. The objective of Rural Water Supply Programme is to provide adequate drinking water to all the habitations by the end of Ninth Five-Year Plan (Source: Commissioner of Rural Development Report)¹².

Panchayati Raj Engineering Department (PRED) is one of the largest and most influential departments in the state in terms of influence over the population with regards to water supply & sanitation. PRED continues to share the responsibility of both the installation as well as operations & maintenance of water supply services. PRED's role is to act as contractor/ constructor besides operator for the rural bodies. Its principal functions consist of undertaking surveys, planning, designing and contracting out/ constructing the water and other related assets for local bodies. The next expected step is handing over the assets to local bodies. In reality it rarely happens and PRED carries out O & M and quality control on a continuous basis.

The programmes under rural water supply and rural sanitation are the following:

● **Rural Water Supply:** The minimum needs programme (MNP) and the accelerated rural water supply programme (ARWSP). These two are centrally sponsored schemes. The GOI has initiated a new scheme Prime Minister's Gramodaya Yojana (water supply) as additional central assistance from 2000-01. State government also allocates funds under SFC. There are also sub-mission projects to control fluorosis, brackishness and iron deficiency (communication from: Engineer-in-Chief PRED)¹³.

The standard level of service provision is determined at 40 litres per capita per day (lcd) whereby the basic standard for rural water supply has been set at public standpost provision for all three basic levels of systems

- (i) handpumps at local village level (250,000 at present)
- (ii) individual schemes (25,391 at present)
- (iii) comprehensive schemes (242 at present).

The lowest level at which service will be provided is a habitation consisting of a minimum of 50 persons or about 10 houses. For levels (ii) and (iii) some systems have been designed which have a slightly higher capacity of 60 lcd, and as the local bodies, such as Grama Panchayats are in charge of operation and maintenance, in some cases have also allowed individual house connections in order to raise income.

The task facing the EIC is to provide water for 13,822 habitations hitherto not covered at all, and to cater for the 21,583 habitations only partially covered¹⁴. Total capital required for this task over the coming five years is given as Rupees crore 4,275.

¹² The DFIDI commissioned study "Situation Analysis" (TARU 2000) provides additional figures as follows: "Of the 69,732 habitations, full coverage of 14,677 partially covered, 7,874 fluoride affected, and 2,695 brackish habitations is envisaged by 2002" (p. 29).

¹³ TARU 2000 (p. 29) gives the following account on the same aspect: "While the partially covered habitations are to be provided from the MNP funds and the ARWSP funds released by RGNDWM [Rajiv Gandhi National Drinking Water Mission], funds have been sought for the fluoride problem under the RGNDWM sub-mission".

¹⁴ Note previous footnote giving slightly different figures.

Operation and Maintenance (O&M): As O&M budgetary allocations are almost lacking¹⁵, being entrusted to the local bodies, rural water supply is virtually free. The Grama Panchayats are not in a position to contribute and water users are far from contributing at any meaningful scale. 10% user contribution to the capital costs of construction and 100% contribution to the O&M costs would be desirable. A sector reform project by GOI is underway in four districts to test such an approach¹⁶. What would be needed is also a ability and willingness to pay (ATP/WTP) study for this behalf.

In regard to private sector involvement, all construction works of the EIC/ PRED are carried out through contractors on the basis of tendering. Unlike in the past, the practice today is that heavy machinery, equipment and materials must be supplied by these contractors. For 1-2 years, contractors are responsible to repair faulty structures, but the main responsibility for any repairs after construction rests with the EIC. Stronger involvement of the private sector for rural water supply, sanitation or minor irrigation appears to be not lucrative as per capita construction costs are considerably higher than in urban areas. Given the government's obligation to care for the poor strata of population also in remote and unproductive rural areas, few private operators might be interested to operate these systems.

It is to be noted that the new guidelines for RGNDWM foresee preferential financial allocation for those states which undertake sector reform projects including 10% user contribution to capital costs and 100% O&M charges.

● **Rural sanitation:** In the area of rural sanitation, public latrines have been given up completely years back, the main focus of the EIC/ PRED are individual home latrines (only for BPL families) presently. 3,770,000 individual households have benefited and recently, 1,250,000 home latrines have been constructed.

The State Government has given top priority for the construction of Individual Latrines for the households below poverty line linked up with Clean and Green Programme in Janmabhoomi. Much awareness was created among the people during Janmabhoomi rounds on the need for Construction of House Hold Sanitary Latrines.

Construction of individual sanitary latrines and other sanitary facilities are being provided in rural areas of A.P. with the funds released by GOI under Central Rural Sanitation Programme (CRSP) and GOAP under Minimum Needs Programme (MNP). Other governmental programmes involved in rural sanitation are the State Finance Commission (SFC). Mobilisation for rural sanitation is also carried out under Janmabhoomi programme. PRED's IEC cell also carries out a project relating to sanitation in four coastal districts (East and West Godavari, Krishna and Guntur), the costs of which since 1999 are fully covered by the centre under RGNDWM.

(b) Rural Roads

¹⁵ PRED is supposed to reserve 10% of its capital outlay costs for O&M per year and Gram Panchayats are supposed to collect house tax for this purpose but both is hardly followed in practice. Further discussion of this aspect is furnished in ch. 6.

¹⁶ In Anantapur district, a benevolent scheme of rural water supply including O&M costs and other service provision is implemented by a private voluntary organization at a volume of 250 crore Rupees.

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The PR&RD department's engineering wing, through the office of the Engineer-in-Chief (EIC), implements programmes for the design, construction and repair (in co-operation with local bodies also maintenance) of rural roads. About 100,000 km out of the state's total road network (which comprises 6 categories altogether) come under this sub-sector whereby a 60% coverage of habitations is given currently. Habitations up from a minimum of 100 inhabitants are considered for earth roads, habitations from 1,000 inhabitants upwards are considered for so-called "blacktop" (asphalt, bitumen) cover.

In line with AP's Vision 2020 document, the EIC is entrusted to implement the envisaged coverage of 70% of the population with "all weather" roads. The definition of an all-weather road is that there must not be any interruption of the road connectivity for more 24 hours for a maximum of six times per year. Under Prime Minister's Gramodaya Yojana, it is envisaged to connect all the unconnected habitations of population above 200 with all weather roads in a period of seven years.

There are a total of 6,824 habitations hitherto not connected which also need to be provided with roads over the next five years, and a survey is currently being carried out to determine the exact magnitude in terms of km and costs to be covered for this purpose.

Under Minimum Needs Programme (MNP), funds are given to rural roads by GOI. At state level, the government sanctioned a new scheme by name New Roads formation under SFC. The National Bank for Agriculture and Rural Development (NABARD) has agreed to finance construction of rural roads and bridge works. The programme is being implemented in phases, RIDF-II through V. Under this project, it is proposed to connect maximum number of villages to the nearest agriculture market centres and towns by upgrading the existing roads to BT standards. The State Government has taken up two projects with the World Bank Loan/Credit; viz., the AP Hazard Mitigation Project and the AP Economic Restructuring Project for providing repairs/ reconstruction of school buildings in cyclone damaged areas, cyclone shelters and restoration and upgradation of rural roads.

The World Bank assisted Andhra Pradesh Economic Restructuring Project (APERP) includes a rural roads component aiming at preparing a master plan for rural roads in all AP districts. Core and non-core networks will be prioritised according to the cost per population served. Initially, rural roads will be upgraded in the three districts of Adilabad, Karimnagar and Warangal (total of 12,424 km). Project cost will be US\$ 70 million (Rs. crores 282.6). The project will also comprise annual maintenance plans and a training/ capacity-building element for PRED. GOAP has included Rs. lakhs 9,200 for maintenance over 4 years as part of RRM under non-plan.

3.3.3 Other programmes

● **Minor irrigation:** With the department of minor irrigation being primarily responsible for small-scale irrigation generally (a notable example is the Irrigation Command Area Development programme/ICAD), ayacuts below 40 ha technically fall under the PR&RD department. It is mostly tanks for rainwater harvesting which have been constructed under this component, numbering 76,000 with a total ayacut of 600,000 ha presently (average coverage of nearly 8 ha). The status of most of these tanks is deplorable as many of them broke following years of lacking maintenance and repeated occurrences of excess rainfall. In general, they have also operated mostly on understored basis well below their capacity. Current wet assessment levy stands at Rs. 200 per acre per year. The EIC estimates financial requirement of Rs. 9 crores

for maintenance only, and Rs. 500 crores for a comprehensive rehabilitation to full capacity of these structures. It is to be noted that DFIDI has commissioned a separate review of the irrigation sector in parallel with this review.

- **Water Re-charge (State Water Conservation Mission/ SWCM):** The EIC implements also a programme on water re-charge as part of the wider, inter-departmental water conservation mission. In phase 1, as part of the CM's "Neeru-Meeru" programme, 317 million Rs. were spent for construction of 7,057 tanks and 64,601 water recharge structures around borewells. In phase 2, the planning of which is about to be finalised, recharge should become a big operation aimed at injecting directly into wells. Departmental demand for phase 2 amounts to Rs. 14 crore in the context of 59 crore Rupees for the overall component under "minor irrigation".

- **State Watershed Programme Implementation and Review Committee:** This has been set up to coordinate activities between various departments involved such as agriculture, horticulture but also in soil and water conservation being carried out under RD schemes like DPAP, DDP, EAS.

Other programmes like construction of mandal buildings, maintenance of primary school buildings, spending on elections etc. have not been covered in this review as they fall outside the 80% of main expenditure items to be covered.

3.4 Institutional issues and decentralisation aspects

Andhra Pradesh enacted a new Panchayat Raj Act in 1994 following the 73rd constitutional amendment which called for a devolution of power of state governments. The three tier local government system was institutionalised comprising

- **Zilla Praja Parishads (ZPP):** elected territorial constituency members, members of the state legislative assembly (MLAs), local member of parliament (MP), with the chairperson directly elected by the voters; district development officer (DDO) being the chief executive officer; the ZPP is supposed to integrate Mandal level plans into district rural development plans (Planning and Development Board)
- **Mandal Praja Parishads (MPPs):** directly elected members (technical committee), member of the state legislative assembly (MLA), local member of parliament (MP), with the president directly elected by the registered voters; Mandal parishad Development officer being the chief executive officer
- **Gram panchayats:** one elected member for every 300 persons within the revenue village and the Sarpanch (headman) directly elected by the voters in the village.

For both MPPs and ZPPs, 50% of elected political positions are reserved for disadvantaged groups (eligible are only persons with a maximum of 2 children):

- BC: 20%
- SC: 15%
- ST: 6%
- Women: 9%.

The Act provides for 11 functions which local bodies are obliged to undertake, such as construction of roads, drains, drainage disposal, etc. and for 29 functions they may undertake, such as provision of drinking water, sanitation. However, the rules regarding the procedures to levy new taxes were not issued by the state so far thus depriving the local bodies of their power for financial autonomy. Most of the recommendations of the 1st State Finance Commission (SFC) in this regard also have not been implemented (compulsory levy of water tax by Panchayats and special tax on structures larger than 500 sq ft.), but a 2nd SFC was set up to elaborate such rules which are expected to come forth in the course of 2001.

Role of NGOs/ CBOs

The role of NGOs and CBOs in the state at present is supplementary to that of the Government's efforts on developmental and poverty alleviation programmes. Discussions with a couple of NGOs revealed that most of the NGOs in the state do not have any strategy of their own and are merely carrying out Government programmes. It was also pointed out that the Government's attitude towards NGOs was largely negative. Though all the NGOs agreed that formation of CBOs like Women's Self Help Groups and Water Users Association, were quite effective and was a positive direction that the Government had adopted, some lacunae like SHGs being formed only on papers to get freebies/benefits, etc. still exist. This meant that proper accountability was still missing as there was no formal monitoring process in place. The NGOs feel that Government's emphasis is merely on targets – as this was the sole criteria for evaluation of Government Officers' performance.

NABARD

NABARD is the national level lending and re-financing institution having presence in all states of the country. As the name suggests, this bank focuses mainly on agricultural and rural development related projects. In AP, NABARD also finances the Government for its infrastructure projects at 13% rate of interest, with a payback of 3 to 12 years. Typically these projects have been creation of rural roads, watershed development programmes, joint forest management programmes, etc.

From 1992, NABARD started re-financing the loans provided to SHGs through local and rural banks. The practice that is adopted at present is that the SHGs can approach for loans only after six months of formation and the quantum of lending is four times that of the savings of the group. NABARD lends money to the local banks at 7% interest rate which these banks on-lend to the SHGs at 12% rate of interest. The minimum period of lending is for two years. The recovery rate in Andhra Pradesh is a high 98.5% and it is reported that the balance 1.5% is delayed payments.

It has been observed in the loan patterns of the SHGs is that the first round of loans is used mostly for consumption, the second round is used for trading while the third round of loans is utilized for investments. Currently, there are about 3,20,000 groups in the state and their cumulative savings is to the tune of Rs. 700 crores. At present about Rs. 450 crores is with these groups as loans. It was felt by NABARD officials that these groups want additional support in terms of identification of project opportunities (for income generation/ business), marketing tie-ups, training for additional skills development, etc.

In addition to providing loans and re-financing local banks, NABARD also undertakes sensitization and training of GoAP officials and bankers.

3.5 Human resources management, training and capacity-building aspects

Training and capacity-building schemes and institutions

Some major rural development schemes with in-built training and capacity-building components and departmental institutions involved comprise the following.

- **Swarnajayanti Gram Swarozgar Yozana (SGSY)** is a holistic programme covering all aspects of self employment such as organisation of the poor into self-help groups, training, credit, technology, infrastructure and marketing. It has a specific training component. Around 10 per cent of the SGSY is allocated to training. The objective of this programme is to upgrade the capacity of Self employed both individuals as well as group oriented activities from those between 18-35 years from the families below the poverty line. Two types of training are completed under SGSY: Basic orientation programme and skill development training.

- **Institutional Support for Training of Self help groups (SHGs) and individuals:** Sri Ramananda Tirtha Rural Institute (SRTRI) will act as a nodal agency for training on rural technologies. The district level Training and Technology Development Centres (TTDCs) are the training centres, along with some select technical institutions like well-run ITI and Polytechnics. These TTDCs will engage themselves in technology demonstration, dissemination and training. SRTRI will develop training courses for all these centres so as to ensure uniformity. The institute will encourage skill oriented training on a continuing basis by encouraging its alumni to expose themselves to successively higher levels of training.

- **Andhra Pradesh Academy of Rural Development (APARD)** conducts various training programmes for the PR & RD functionaries as well as for other government organisations and NGOs. The APARD aims at equipping functionaries of PR & RD department with pro-poor attitude, management skills, participatory approaches in planning and implementation of development programmes. It also undertakes action research with a view to offer solutions to field problems. APARD aims to play a strategic role in networking with other institutions and NGOs in matters related to *training and capacity building*.

The GoAP proposed to have TTDCs (Training and Technology Development Centres) at district level. The objectives of TTDCs are: (a) training for skill upgradation/formation; (b) technology transfer to rural areas through adoption/absorption/ development and dissemination; (c) technology display & demonstration; (d) interface platform for technologists/ master craftsman/artisans/SHGs

The nature of training programmes are : (a) basic orientation for SHGs; (b) skill up gradation; (c) modernization and diversification of traditional methods of production technologies; (d) marketing; (e) Technology dissemination taking into consideration local resources, skills & demand.

- **Dr MCRHRDI, AP:** Dr MCR HRD Institute at Hyderabad is the premier training Institute in Andhra Pradesh and is involved in training of Government Functionaries at various levels. This Institute serves as a nodal agency for entire training activities in the State Government. The Institute has categorised public functionaries into four specific categories according to their job responsibilities, viz., policy, administrative, implementation, and support levels, and has been organizing training programmes for these categories.

Currently, the Institute is involved in helping various Departments prepare their own Departmental Manual and Functionary Manual. These would inter-alia include roles and responsibilities of the department, various levels of employees and what they want to achieve with respect to Vision 2020 document. The approach in this process is that training co-ordinators are being nominated by all Departments and District Collectors. Detailed discussions are held with these nominees regarding the training requirements and they then design the training programmes for the respective Departments and its manual. It is mandatory for all Departments to have these Departmental and Functionary Manuals.

Another training programme which is currently under design is related to information technology. Satyam Infosys and IIM Ahmedabad are jointly engaged to train selected Class II and Class II officers from various departments and Districts as Chief Information Officers.

Composition of PRIs

There are guidelines laid down by the State Election Commission on the number of elected representatives at each level of the Panchayati Raj institutions. Guidelines are also in place for mandatory reservation of backward classes and women in these elected bodies.

- Gram Panchayat level: For each revenue village or hamlet, a Gram Panchayat is constituted with members elected from the territorial constituencies delimited by the State Election Commission (one territorial constituency for a population of 360 persons). The head or the Sarpanch of the Panchayat is directly elected by the people. Out of the total strength of the elected members, at least 34% seats are reserved for scheduled tribes (ST) and scheduled castes (SC) on the basis of their population. In addition, one-third seats are reserved for women which include those belonging to SC and ST based on their population ratio. The term of these office bearers is five years.
- Mandal Parishad level: for each revenue mandal, a mandal parishad is constituted. It consists of persons elected from wards, MLAs, MPs, co-opted Government member from minorities, chairman of agriculture co-operatives, all divisional level officers, sub-collector, executive engineer, divisional executive engineer for Panchayati Raj, roads and water supply, and irrigation respectively, divisional engineer for roads and building, industry, mandal revenue officer, veterinary doctors, PHC doctors, and extension officers for panchayats. In addition, all Sarpanchs in the mandal are special invitees at all meetings but they do not have voting rights.
- Zilla Parishad level: The Zilla Parishads are constituted at district level and consist of members elected from the Zilla Parishad Territorial Constituency, president of agricultural marketing, MLAs, MPs, two persons co-opted from minorities and all presidents of mandal parishads.

2. Aim and Approach

2.1 Objectives of the IER (common TOR, including comments thereon)

The overall objectives of the Impact and Expenditure Review (IER) are to assist the Government of Andhra Pradesh (GOAP) in

- restructuring expenditure
- improving expenditure management, and
- generating resources for poverty reduction.

The specific objectives of the review are described in the Terms of Reference (TOR) annexed (see **Appendix A.1**), and can be summarised as providing advice to the GOAP on which public services and schemes of the budget expenditure (plan, non-plan, state, centre) could be restructured and re-allocated with a view to phasing out or replacing inefficient ones and to start new ones in order to refocus forthcoming budgeting towards resource efficient and effective policies and programmes geared at sustainable economic growth and poverty reduction.

The common TOR to be addressed during this phase 1 of the review comprise

- ❖ an identification of key plan and non-plan expenditure objectives and to examine the continued relevance of current public services and schemes, and
- ❖ an examination of the degree to which expenditure trends and practices reflect the priorities of GOAP' Vision 2020 and to identify major financial management constraints.

The Tasks defined in the TOR have been incorporated in the chapterwise structure of this report as follows:

- review of the sector and its development objectives, policy issues and options (ch. 3)
- public expenditure trends 1995/6-2000/1 and plans for 2001-03 (ch. 4)
- discussion of allocative efficiency (ch. 5)
- discussion of technical efficiency (ch. 6)
- discussion of expenditure management, institutional and cross-cutting issues (ch. 7).

Sector-specific issues as described detailedly in the Specific TOR, and including rural water supply/sanitation and rural roads, will be covered as much as possible each within the available timeframe under these respective chapters, and it is recommended that they are reviewed more detailedly during a possible phase 2 of the IER.

Comments on the TOR

It is to be noted that the rural development sector is a very large sector with numerous programmes and schemes being implemented by GOAP, and the consultants wish to stress that within the time and resource constraints set for this first mission, the review had to be focused on a manageable scope and intensity of review. Also, most of the budgetary data are classified under various heads and groupings which are neither consistent with each other nor complete or obtainable in a complete form.

Moreover, it is to be noted that major departmental programmes which are closely linked to rural development activities (such as agriculture, food subsidies, transport, industries, women, youth), are not

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included in the IER exercise so far, but which are highly relevant for the sector of rural development. It is difficult, however to separate these sectoral programmes from an examination of rural development, as many RD programmes are linked to the sustainable management of natural resources, such as in wasteland and watershed development schemes, to the agriculture and irrigation sub-sectors (only the latter one being also under review in parallel with this study) as well as to a number of other departmental activities (see introduction to ch. 3.1 below).

Also, the TOR were extended when the consultants received the additional OPML guidelines for reporting, and an effort was made to integrate this format and guidance notes into the original TOR provided by DFID. The results produced by the consultants within this very tight schedule, however would and can reasonably not be expected to fulfil in total these very extensive guidelines as all consultants and also DFID agreed in the wind-up meeting of phase 1 interim report.

Another limiting factor to the scope of the review is the fact that most of the local consultants needed to carry out the work had to be identified, interviewed, contracted and assigned to the team only after the arrival of the international consultant what in some cases lead to delays and inability to recruit the desired local consultant and with the required expertise within short notice. Also, it would have facilitated the review considerably, if GOAP had contributed staff as members of the review teams or designated resource persons acting as "guides" through the respective administrations which are large and where the desired data are not always easily available.

Furthermore, the fact that the World Bank undertook some comprehensive review missions and consultations with GOAP departments simultaneously with this review even further decreased the chance for more intensive meetings with the GOAP staff concerned (finance department but also PR&RD and others which all were expected to provide financial information by that time). Even some of the specialised national consultants desired (such as on public expenditure) were found to be tied up with commitments for the World Bank already. The team, therefore had to improvise and choose shortcuts sometimes in order to overcome these difficulties and to be able to generate a sufficient degree of the required data and quality of work to fulfil expectations.

2.2 Phasing and Methodology

The phase 1 review *interim report* which was produced between 9 to 25 January 2001, has summarised key issues arising from the common TOR and lead to this *final report*. Taking into account the recommendations of phase 1 final report, GOAP/ DFIDI will decide upon the timing and contents of a planned phase 2 of the review which would go into more detail in regard to the specific TOR and cross-cutting issues identified.

The main methods used for phase 1 review comprise

- a selected review of GOAP documentation
- interviews and discussions with GOAP officials, and
- a selected review of secondary data sources and discussions outside government as appropriate.

While primary data collection and field study is not included during phase 1, it will be recommended to use such methodology as required during a proposed phase 2 of the review.

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The following consultants were included in the phase 1 review team from the start:

- ▶ Hans A. Von Zedlitz, Ph.D./ International Lead Consultant
- ▶ Dilip Singh Adhikari/ National Consultant Rural Development Management.

In addition, the following consultants were included in the team during phase 1:

- ▶ Mahendra Dev, Ph.D./ State Consultant Rural Poverty and Economy
- ▶ T.C. Krishnan, IA&AS (Retd.)/ State Consultant Public Expenditure (initially)
- ▶ Dr. O.P. Bohra/ National Consultant Public Expenditure (additional days).

4. Expenditure Trends and Plans and their Relevance

4.1 Expenditure Trends

In this section, the expenditure patterns and trends under various programmes and budget heads are examined. An analysis of the sources of funds and the manner in which they have been utilized would help in giving a clear understanding of the expenditure patterns of these sectors, and make decisions whether a particular programme needs (a) modification in approach and/or implementation, (b) additional funds (through various means like user charges, redirection of subsidies already existing, etc.), or (c) abandoning the programme for another better and more meaningful programme. Unfortunately, such information about actual expenditure and impact are hardly available and would need intensive studies focused on some key exemplary sub-sectors in selected locations to work out the actual impact and expenditure pattern.

Within the available time and given the limited availability of GOAP officials, and with the limited access to existing data as well as the limited quality and consistency of the data available, only selected data could be obtained which would have been needed for a full analysis of all the items listed in the TOR. As far as possible, and assisted by the local consultants available, a limited analysis could be done for actual expenditure incurred under main programme components for the last five years and projected budgetary allocations for the coming years.

The following is an overview of the items which realistically could be undertaken and which could be undertaken during a possible phase 2:

- **budget and actual expenditure over time (in actual and real rupees)**
This analysis is provided to the extent possible, but without re-calculating Rupees into actual (1995 constant prices). Also, different classifications under various documents made it impossible to clearly isolate identical budgetary units across different schedules provided by various GOAP sources (what is symptomatic of the obscure Indian budgetary classification and budgeting systems as discussed in ch. 7.1). Given these facts, it would involve intensive efforts and inputs, if such a thorough and complete analysis would be attempted during a possible phase 2 review.
- **budget and actual expenditure over time by non-plan and plan expenditure and by source (GOI, GOAP, donors)**
Analysis of these data by non-plan and plan allocations could be undertaken with the limitations cited above, but identification by source of funding was impossible in this phase. For some schemes, such as rural employment and area development, the fixed ratios for GOI funding shares are provided, as most of these schemes comprise centrally sponsored schemes (CSS).
- **budget and actual expenditure over time by line item**
While sub-heads of budgets are available under various schedules, these do not correspond with each other and clear identification of identical units of measurement becomes almost impossible (see first comment on classification system inconsistency above). Also, exact allocations of sub-heads are not available in all cases. Such detailed analysis in a complete way for a possible phase 2 would again involve great efforts in terms of time and staff to be assigned.

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- **budget and actual expenditure over time by region and level**

The consultants doubt whether disaggregation of data at the broad level of the three regions of AP would be a meaningful undertaking. Most poverty studies stress the need for analysing data at the level of districts and mandals to cover the prevailing large discrepancies in poverty levels (NSS, NIRD). As needed, it would be possible and meaningful to conduct field case studies focusing on the actual expenditure management and budgetary mechanisms and looking at the physical achievement indicators in *a few selected rural development schemes at mandal and Gram Panchayat level during a phase 2 of the review*. Also, further analysis of existing research studies on RD schemes could be looked at during a phase 2 review.

Regarding financial analysis of three tier local government levels, such an analysis also could probably not be undertaken in any systematic and comprehensive manner without major time and resources inputs during a possible phase 2 review. Again, what appears to be feasible, however would be a limited case study approach focusing on a more in-depth analysis of a few selected yet significant Zilla, Mandal and Gram Panchayat locations.

- **which programmes appear under-resourced? What would be the cost of fully-funded programmes – as a % of current expenditure?**

In order to answer this question adequately, one would not only need to determine the budget's overall priorities and their conformity with policy objectives but also to assess the impact a particular funding level can or has achieved. Again, such examination calls for focusing on one or two concrete RD schemes and their actual operation and effects at field level using at least some case studies. However, it is attempted in this review to identify some key areas of spending where re-allocations or increased expenditure appear to be justified.

Analysis of General Expenditure Trends

Within the limitations described above, the following analysis of expenditure trends has been conducted. The following tables show overall budgetary trends, trends in rural development expenditure and composition of RD expenditure for the years 1995-96 to 1999-2000 (and up to 2004/05 in some cases).

(a) Overall budgetary trends (Macro level)

The overall trends in the budgetary expenditure in absolute amount and percent terms has been placed in the Tables 4.1 and 4.2. The proportion of revenue expenditure in the total expenditure has increased from 81.42 percent to 89.29 percent during the period 1995-96 to 1999-2000 (Revised estimate). On the other hand the share of capital expenditure in the total expenditure has declined from 18.58 percent to 10.71 percent for the same period. In the revenue expenditure, the expenditure on social services accounted most (44.01 percent) followed by the General services with the share of 33.79 percent. The proportion of expenditure on economic services placed at the lowest level with 21.47 percent. In the capital account the expenditure on the economic services accounted for 97.47 percent in 1995-96, but went down to 76.80 percent in 1999-2000 (RE). It was followed by social services and general services having a share of 1.87 percent and 0.66 percent in 1995-96 respectively. Over the period the proportion of both the services has increased to 21.73 percent and 1.48 percent in 1999-2000 (RE).

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Table 4.1 : Trends in Overall Budgetary Expenditure (Rs. in lakhs)					
A. Revenue expenditure	1995-96	1996-97	1997-98	1998-99	1999-2000
I. General Services	358607.10	413221.50	473143.64	561853.80	720398.20
II. Social Services	467147.28	521597.65	547391.76	705571.41	781882.26
III. Economic Services	227850.19	494744.41	421076.33	411907.83	496377.97
IV. Grants-in-aid/Contributions	7763.26	9671.98	12816.98	15022.95	18672.71
Total -A	1061367.83	1439235.54	1454428.71	1694355.99	2017331.14
A as % to Total	81.42	99.10	93.05	92.44	89.29
B- Capital expenditure					
I. General Services	1588.65	1807.16	2168.51	2541.21	3570.91
II. Social Services	4537.17	7405.81	7658.86	12362.26	52595.42
III. Economic Services	236093.78	3924.77	98773.12	123619.73	185896.46
IV. Grants-in-aid/Contributions					
Total-B	242219.60	13137.74	108600.49	138523.20	242062.79
B as % to total	18.58	0.90	6.95	7.56	10.71
Total (Rev+Cap) Expenditure					
I. General Services	360195.75	415028.66	475312.15	564395.01	723969.11
II. Social Services	471684.45	529003.46	555050.62	717933.67	834477.68
III. Economic Services	463943.97	498669.18	519849.45	535527.56	682274.43
IV. Grants-in-aid/Contributions	7763.26	9671.98	12816.98	15022.95	18672.71
Grand Total (A+B)	1303587.43	1452373.28	1563029.20	1832879.19	2259393.93

Source: Andhra Pradesh Budget in Brief 2000-01, Volume-IV

Table 4.2 : Percentage Trends in Overall Budgetary Expenditure (per cent)					
A. Revenue expenditure	1995-96	1996-97	1997-98	1998-99	1999-2000
I. General Services	33.79	28.71	32.53	33.16	35.71
II. Social Services	44.01	36.24	37.64	41.64	38.76
III. Economic Services	21.47	34.38	28.95	24.31	24.61
IV. Grants-in-aid/Contributions	0.73	0.67	0.88	0.89	0.93
Total -A	100.00	100.00	100.00	100.00	100.00
B- Capital expenditure					
I. General Services	0.66	13.76	2.00	1.83	1.48
II. Social Services	1.87	56.37	7.05	8.92	21.73
III. Economic Services	97.47	29.87	90.95	89.24	76.80
IV. Grants-in-aid/Contributions	0.00	0.00	0.00	0.00	0.00
Total-B	100.00	100.00	100.00	100.00	100.00
Total (Rev+Cap) Expenditure					
I. General Services	27.63	28.58	30.41	30.79	32.04
II. Social Services	36.18	36.42	35.51	39.17	36.93
III. Economic Services	35.59	34.33	33.26	29.22	30.20
IV. Grants-in-aid/Contributions	0.60	0.67	0.82	0.82	0.83
Grand Total (A+B)	100.00	100.00	100.00	100.00	100.00

Source: Percentage computed on the basis of data available in Andhra Pradesh Budget in Brief 2000-01, Volume-IV

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Total public expenditure as share of the state's Gross State Domestic Product (GSDP) at current prices has been decreasing in the past. During the period (1995-96 to 1998-99) the share of total expenditure in the (GSDP) has declined, marginally, from 16.32 percent to 16.06 per cent (Table 4.3). The share of revenue expenditure has increased from 13.29 percent to 15.86 percent, but declined to 14.84 percent for the years 1995-96 to 1996-97 and to 1998-99. On the other hand the share of capital expenditure has gone down from 3.03 percent to 0.14 percent and to 1.21 percent for the same years. It indicates a decline in expenditure on investment. The inadequate expenditure on infrastructure has become also cause of concern.

	1995-96	1996-97	1997-98(P)	1998-99(Q)	1999-2000
Gross State Domestic Product	7987824.00	9076622.00	9591771.00	11415441.00	na
Revenue Expenditure	1061367.83	1439235.54	1454428.71	1694355.99	2017331.14
% of GSDP	13.29	15.86	15.16	14.84	
Capital Expenditure	242219.6	13137.74	108600.49	138523.2	242062.79
% of GSDP	3.03	0.14	1.13	1.21	
Total Expenditure	1303587.43	1452373.28	1563029.20	1832879.19	2259393.93
% of GSDP	16.32	16.00	16.30	16.06	nc

Sources : For GSDP, Economic Survey (1999-2000), Government of Andhra Pradesh For Expenditure, Andhra Pradesh Budget in Brief, 2000-01
P= Provisional estimate, Q= Quick estimate, na= not available, nc= not computed.

(b) Significance and Trends in Expenditure on Rural Development

The significance and the trends in expenditure on rural development is shown in the Table 4.4. It indicates that the significance of expenditure on rural development activities has enhanced over the period. Its share in total expenditure was 5.92 percent in 1995-96, has increased to a little less than 10 percent (9.82 percent) in 1999-2000 (RE). Though the share of rural development in the GSDP has accounted for less than one percent in 1995-96 but its significance has improved over the period. The expenditure on rural development as proportion to GSDP has increased from 0.97 percent in 1995-96 to 1.79 percent in 1998-99.

	1995-96	1996-97	1997-98(P)	1998-99(Q)	1999-2000
Rural Development Expenditure	77178.61	103054.29	136625.95	204268.63	221769.3
Total Expenditure	1303587.43	1452373.28	1563029.20	1832879.19	2259393.93
RDE as % to Total Expenditure	5.92	7.10	8.74	11.14	9.82
GSDP	7987824.00	9076622.00	9591771.00	11415441.00	na
RDE as % to GSDP	0.97	1.14	1.42	1.79	nc

Sources : For GSDP, Economic Survey (1999-2000), Government of Andhra Pradesh For Expenditure, Andhra Pradesh Budget in Brief, 2000-01.
P= Provisional estimate, Q= Quick estimate, na= not available, nc= not computed.

(c) Composition of Expenditure on Rural Development and Its Trends

The details of expenditure incurred on different rural development activities along with plan and non-plan break-up for the years 1995-96 to 1999-2000 has been given in the Table 4.5. The percent share of each component in the total expenditure on rural development is indicated in Table 4.6.), see Appendix T-2.

Non-Plan expenditure: The important head under the non-plan is the expenditure on **Other rural development programmes**. The expenditure incurred on minor heads under this includes expenses on Head quarter office, Panchayati Raj establishment, Chief engineer PR, PR engineering establishment, training, Panchayati Raj, etc. In the total Rural development expenditure (RDE) it accounted for **97.59 percent**. The other items are water supply and sanitation (3.70 percent) and special programme for rural development (includes Integrated Rural development-IRDP) 0.19 percent. Over the period the share of expenditure on these heads shown some decline. The proportion has decreased to 60.54 percent, 2.87 percent and 0.11 percent respectively. The share of expenditure on **social security and welfare** has also gone down from 11.27 percent in 1996-97 to 5.23 percent in 1999-2000.

Plan Expenditure: In the plan expenditure, the expenditure on **water supply and sanitation** accounted for **more than 30 percent** for years considered under the study. However, its share has decreased from 38.25 percent in 1995-96 to 34.60 percent in 1998-99. In 1999-2000 (RE) it has registered a steep decline and reduced to 8.73 percent. The next important head is "**Other rural development programmes**". Its share has increased substantially from **26 percent** in 1995-96 to **53.86 percent** in 1999-2000 (RE). The other heads under Plan are: **Special programme for rural development and rural employment**. The respective proportion of these heads have also **declined** over the period. The share of special programme for rural development has gone down from 13.38 percent to 8.48 percent, and for rural employment it has fallen from 21.44 percent to 9.45 percent for the same period.

(d) Target and Achievement – Difference in Budget Estimates and Actual Expenditure

For the period of three years (1996-97, 1997-98 and 1998-99) an exercise is conducted to find out the difference between determined the Budget estimate and the actual expenditure incurred on different heads on rural development expenditure. The results are given in Table 4.7., see Appendix T-2. **There is no pattern indicated by these estimates.**

4.1.1 Poverty alleviation and area development programmes

Introduction

There are several employment generation programmes being implemented under the Panchayati Raj and Rural Development Department of the GoAP. The share of financial commitment from the State and Central Governments vary for each of them. The Swarna Jayanti Gram Swarozgar Yojana (SGSY), which is an amalgamation of the erstwhile IRDP, TRYSEM, Tool kits, DWCRA, GKY and MWS programmes, is funded by Government of India and the State Government on 75:25 sharing basis, the Self Help Groups of Women belonging to poor families in rural areas is 100% State funded. The Jawahar Grameena Samruddhi

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Yojana (JGSY) and Employment Assurance Scheme (EAS), on the other hand are the two wage employment schemes implemented in the state as centrally sponsored scheme with the sharing pattern of the Central and State Government on 75:25 basis.

Similarly the watershed development and related programmes being implemented under the Panchayati Raj and Rural Development Department are also funded either jointly or independently by the State and Central Governments. The Drought Prone Areas Programme (DPAP) is funded 50:50 by GoI and GoAP, while the resources for Desert Development Programme (DDP) and Employment Assurance Scheme (EAS) are provided by the GoI and GoAP on 75:25 basis. The Integrated Waste Lands Development Project (IWDP) is a 100% GoI funded programme.

The expenditure patterns under each of the above mentioned programmes in the past five years is summarised below while details are provided in the tables of **Appendix T-3**.

Table below shows the summary of per capita and group benefits for the major rural development schemes programmes (for details see **Appendix 4.1**). IRDP, TRYSEM and SITRA trends show quite steady per capita levels with some exceptional large fluctuations during single years which could not be explained. In the case of **DWCRA**, the per group benefit increased significantly. Also, for the social security and welfare schemes (NOAP, NMBS and NFBS), per capita benefits have increased substantially over the last years.

Table 4.5: Group and Per capita Benefits Under Various Rural Development Schemes

Year	IRDP (per capita)	TRYSEM (per capita)	SITRA (per capita)	DWCRA (Group benefit)	SGSY (per capita)	NOAP (per capita)	NMBS (per capita)	NFBS (per family)
1994-95	7058	2963	2000	17177	--	--	--	--
1995-96	7019	6645	2000	15937	--	646	313	6594
1996-97	6306	1314	2862	19986	--	776	531	5705
1997-98	7094	2563	2000	13020	--	1013	637	7013
1998-99	6322	2441	2431	24506	--	785	563	10468
1999- 2000	---	---	---	--	3958	945	521	9779

General Finding on IRDP, DWCRA, TRYSEM, SITRA, merged into SGSY (since 1999/2000): Between 1995/96 and 1999/2000, the expenditure patterns of the formerly independent components was roughly as follows: about Rs. 10,000 lakhs per year for IRDP with quite constant levels; about Rs. 900 lakhs annually for TRYSEM (declining considerably since 1997-99); about Rs. 2,500 lakhs by annual average for DWCRA with sharp declines from 1997-99; about Rs. 650 per year for SITRA (with a steady increase over the last five years due to higher releases than allocated); overall, about Rs. 14,000 lakhs a year were expended for the four combined schemes. After merging them into SGSY (from 1999-2000) onwards, the subsidy was Rs 6,332.18 lakhs and credit was Rs.9380.15 lakhs for groups and individuals together. The total of credit and subsidy under SGSY was Rs. 15,712.33 lakhs.

Apart from expenditures, a look at the number of beneficiaries show that under SGSY 1.65 lakh people benefited whereas the four year average (1995-96 to 1998-99) for IRDP, TRYSEM, SITRA and DWCRA together was around 4.45 lakhs.

As further shown in above Table, the per capita subsidy for SGSY was Rs.3958 in 1999-2000. This was much lower than that for IRDP but higher than TRYSEM and SITRA.

Conclusions

- The general conclusion is that the restructuring of self employment programmes into one scheme SGSY reduced the expenditures and the number of beneficiaries.
- However, the numbers given by the Department does not give any clue about the impact of these programmes on the poor.
- Only indication is that the recovery rates of micro credit provision are much better under SGSY as compared to IRDP, TRYSEM and SITRA.

Future work

We have not been able to examine the trends under watershed programmes like DPAP, DDP and IWDP due to lack of adequate data from the side of the PR&RDD. We hope to get proper year-wise expenditures and benefits under these programmes (see ch. 6 for some indications of performance of watershed programmes).

(a) **Special rural programmes: SGSY, DPAP, DDP, IWDP**

Insert specific para from ch. 3 above!

Self Employment Schemes/ JGSY: In 1999-2000, allocation was Rs. 82.93 crores while the actual expenditure was Rs. 90.36 crores. Around 2.91 lakhs benefited from the scheme. Rs.ten per cent of allocation under SGSY each is training and revolving fund. An amount of Rs. 61.20 crores was utilised towards subsidy component, Rs.10.8 for revolving fund, Rs. 11.55 lakhs on infrastructure development and Rs.2.33 crores for training during the year 1999-2000

DPAP: Out of allocated Rs.116.93 lakhs, the expenditure was 57.40 crores.

Under DDP, Rs.14.97 crores were allocated and Rs.5.44 crores were spent covering 302 watersheds in 1999-2000.

IWDP: Out of the allocation of Rs.23.72 crores, 12.50 crores were spent and 48, 137 ha. Were covered in 1999-2000.

(b) **Rural employment programmes: EAS, JRY**

On EAS, an expenditure of Rs.162.72 crores were spent as against the allocation of 210.24 crores including EAS watersheds in 1999-2000. It generated employment of 195.31 lakh mandays under EAS. The expenditure incurred under JGSY in the same year was 1.08 crores.

(c) **Social security and welfare schemes: NOAPS, NFBS, NMBS**

NOAPS: In 1999-2000, an amount of Rs. 122.28 crores were spent on 12.94 lakh beneficiaries.

NFBS: 31,000 persons were assisted and Rs.30.32 crores were spent under the scheme in 1999-2000.

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NMBS: Around 3.48 lakh persons were assisted by spending Rs.18.09 crores on the scheme in the year 1999-2000.

Conclusion of chapter 4.1

Most of the rural development schemes are centrally sponsored schemes and the percentage shares of central government and state government are given in Table 4.1

Schemes	Central Share (%)	State Share (%)
IRDP	50	50
TRYSEM	50	50
SITRA	90*	--
DWCRA	50	50
SGSY	75	25
DPAP	75	25
DDP	75	25
IWDP	100	--
EAS	75	25
NOAP	**	**
NFBS	100	--
NMBS	100	--

*10% is contributed by the beneficiaries

**There is no fixed share for NOAP. The central shares in the years 1995-96, 1996-97, 1997-98, 1998-99, respectively were 97.2%, 62.4%, 47%, 51% 49% and 42.4%. The state share in the same years respectively were 2.8% 37.6%, 53%, 49%, 61% and 67.6%

A preliminary look at the schemes in 1999-2000 showed that maximum expenditure was on rural water supply (under MNP, ARWS and SFC) at around Rs. 333.03 crores. This was followed by EAS at Rs. 162.72 crores. The next one was around Rs. 100 crores under SGSY.

A detailed analysis of the rural development schemes discussed above is provided in APPENDIX X.

(d) Other rural development programmes (ORDP): Janmabhoomi, SHGs, Micro-credit

Janmabhoomi: The question of the transparency of the Janmabhoomi allocations has been raised and the following could be found. Some information on the funds of Janmabhoomi is available in the Agenda notes of Collectors conferene (April 1999). This is available upto 9th round.

The notes say : So far 1,01,633 community works were identified in the Gram Sabhas held during the last 9 rounds of Janmabhoomi costing Rs.1439.77 crores. 1,00,986 community works have been grounded costing Rs.1427.54 crores out of which the govt. share comes to Rs.1019.57 crores. Rs. 869.89 crores have been released so far as the govt. share. Schemewise funds release are given below:

	(In Rs. Lakhs)
JBF(Janmabhoomi Fund)	63118.38
EAS (Employment Assurance Scheme)	13202.49
RRM (Rural Roads maintenance)	6600.00
RWS (Rural water supply)	1392.56

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PRMI (Minor Irrigation, PanchayatiRaj)	475.89
IRMI (Irrigation, minor)	330.00
IRMD (Irrigation medium)	25.43
IRMJ (Irrigation, major)	1.00
RBRD (R&B Roads)	244.17
RBLD (R&B buildings)	213.72
Others	1385.59
Total	86989.23

Expenditure is not readily available for recent roads. Some kind of secrecy is there regarding expenditure on Janmabhoomi. The guidelines show that it deals with 43 Departments of the Government. Only few of the schemes directly come under PR & RD department.

SHGs of women: As against the budget provision of Rs.44 crores, Rs.23.60 crores has been utilised during 1999-2000 including the unspent balance at the beginning of the year. During the same year, 4.47 women benefited under this programme.

Micro-credit: The extent of group mobilization in A.P. under various thrift and credit programmes is estimated to be in the order of 2.84 lakh groups involving nearly 4.25 million households by March 2000. Large number of groups originated under the DWCRA programme. The groups formed in 1999-2000 were 95,000. New groups proposed to be formed in 2000-2001 are 75,000. The savings and corpus available under DWCRA/SHG in March 2000 was Rs. 600 crores. By the end of 2000-2001, the corpus and savings are expected to be around Rs.1,000 crores.

Training:

Funds for training are the following:

	Rs.crores
• SGSY	4.35
• Special projects submitted to GOI	30.00
• Special projects under GOI	15.00
• Funds available with other development departments are to be pooled at the district level.	

4.1.2 Rural Infrastructure

(a) Water Supply and Sanitation (WSS)

The water supply and sanitation works are undertaken by the Panchayati Raj Engineering Department (PRED). Most of the Rural Water Supply and Sanitation schemes (MNP, ARWSP, Gramodaya Yojana, etc.) are jointly funded by the Central and State Governments. The budgetary allocations and expenditure patterns under these schemes have been looked at as follows.

Water Supply: It may be observed that the proportion of funding under the head Water Supply and Sanitation is almost at the same level from 95-96 till 98-99, it has suddenly been curtailed drastically in the estimated budget of 99-2000. It may also be noted that during the similar frame of time, the budget on Capital outlay towards Water and Sanitation has been increased in 99-2000, which was at very low levels in the previous years. Under bud. these heads it may also be noted that the proportion of spending on Plan activities has decreased over years with a proportionate increase in Non-Plan activities. A more closer study of similar trends and their reasons is being attempted (However, compare to 4.1.4 below).

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The following data were obtained from the EIC/ PRED (see Appendix X):

Year	Expenditure (in Rs. Lakhs)
1995-96	n.a.
1996-97	17,372.14
1997-98	34,037.63
1998-99	50,332.11
1999-00	52,136.40

What can be seen is that annual expenditure has increased steadily and particularly during the last two years what is in line with the high priority to be accorded to fulfilling the basic need of drinking water supply in rural areas.

Sanitation: During the year 1997-98 the State has taken up a massive programme of construction of Individual Sanitary Latrines. The Government has approved construction of 4,40,000 individual latrines (20,000 for each district) in addition to the spill over commitment of 1,93,689. An amount of Rs.126.74 Crores is allocated to take up the construction of 6,33,689 individual latrines during 1998-99. So far an amount of Rs.62.78 Crores released. By the end of December 1998, some 1,76,564 individual latrines were constructed covering a population of 8,82,820 (Source: Commissioner of Rural Development Report).

There exist different schemes with various subsidy elements, for example 2,000 Rs. subsidy and 500 Rs. beneficiary contribution as a typical example. Local masons are involved in production of sanplats etc. UNICEF has developed one of the improved standard types recently (twin soak pit latrine for flush). Capital requirement over the next five years have been estimated at Rs. crore 654.

Under MNP, ARWS and SFC Rs. 333.03 crores were spent and 3,100 partially covered habitations were the beneficiaries in 1999-2000. Rs. 130.27 crores were spent on sub-mission projects.

(b) Rural Roads

Under MNP Rs.11.58 crores were spent and covered 45 villages with a road length of 135 km in 1999-2000. Rs. 19.44 were spent under the scheme New Roads and Rural Roads and 215 works were done with a road length of 135 km. Under NABARD assisted project Rs.58 crores were spent and 450 kms. of black topping roads were built benefiting 53 villages.

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The state Government is also providing funds under SFC. Under Minimum Needs Programme (MNP), funds are given to rural roads by GOI. At state level, the government sanctioned a new scheme by name New Roads formation under SFC. NABARD is also to finance construction of rural roads and bridge works. The support from World Bank in the form of loan/ credit (US\$ 70 million) would also be utilized for restoration and upgradation of rural roads (in three districts).

The following data on actual expenditure could be obtained:

Year	Expenditure
1995-96	6,931.38
1996-97	8,429.12
1997-98	16,768.81
1998-99	23,104.12
1999-00	29,806.80

What can be seen is that actual expenditure increased considerably, particularly during the last two years what is commensurate with the policy priority to be accorded to this sub-sector.

Another analysis undertaken on the capital outlay on roads and bridges (see Appendix X) gives additional figures on actual expenditure incurred under Rural Infrastructure Development Fund (RIDF) roads and bridges for the years 1996/97 to 1999/00.

Year	Expenditure
1996-97	34,597,821
1997-98	451,194,042
1998-99	678,021,608
1999-00	476,148,000

These data are not so consistent what is due to the cumbersome budget classification system which covers part of rural roads under capital outlay rural roads sub head and part under public works department.

4.1.3 Other programmes

Minor irrigation: The EIC estimates financial requirement of Rs. 9 crores for maintenance only, and Rs. 500 crores for a comprehensive rehabilitation to full capacity of these structures.

Water Re-charge: In phase 1, as part of the CM's "Neeru Mehru" programme, 317 million Rs. were spent for construction of 7,057 tanks and 64,601 water recharge structures around borewells. In phase 2, the planning of which is about to be finalised, recharge should become a big operation aimed at injecting

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directly into wells. Departmental demand for phase 2 amounts to Rs. 14 crore in the context of 59 crore Rupees for the overall component under "minor irrigation".

4.1.4 Some Conclusions

There are different calculations of the actual expenditure incurred by the rural development department as there are different classifications used both by and within the department, and by the CAG (Comptroller and Auditor General) who only gives sanctioned figures on actual expenditures after 2 or 3 years.

A table provided by PR&RDD showing major expenditure items (see Appendix T-3) reveals that for 1998/99 to 1999/00 actual expenditure was roughly as follows:

- **water: by far the largest item with about 40%**
- **roads: 2nd largest item with about 20%**
- PRIs, elections and rural development schemes with about 7-12%, overall slightly decreasing
- NOAPS and sanitation with about 5% together (decreasing).

What is interesting is that these shares are drastically to change with the budget estimates, revised estimates and projections for the years 2000/01 to 2002/03 as follows:

- **water decreasing to about 24% (from 40% in previous two years) first for 2000/01 budget estimate, then increasing considerably to about 62% in the revised estimate for 2000/01, and then decreasing to its previous annual average of around 40% for 2001 to 2003**
- roads, in the revised estimate for 2000/01, considerably decreasing to about 16%, sanitation decreasing considerably to about 2%, rural development decreasing to about 5%, as well as PRIs, buildings and elections decreasing correspondingly.
- **Water and roads will fall back to their previous levels of around 40% and around 20% with a slight decrease for roads/ increase for water over 2001/02 to 2002/03, while buildings PRIs and elections will double or triple over this period (upcoming elections?)**
- Sanitation and NOAPS will further shrink to very low levels.

Other calculations undertaken using various budgetary information sources came up with the following overall volume of expenditure.

The total budget provided to the PRIs and the DRDAs (under plan and non-plan) by all departments concerned amounts to Rs. 4,498.34 crores for 2000-01 (as compared to Rs. 3,876.71 crores in 1999-2000) what exceeds the PR&RD departmental budget of Rs. 2,641,56.85 lakhs (Rs. 2,155,11.36 in 1999-2000) by 41.3% (2000-01) and 44.4% (1999-00) respectively (see Appendix I-I, Interim Report).

2000-01 overall rural development including other departments:	Rs. 44,983,400,000
1999-00 overall rural development including other departments:	Rs. 38,767,100,000
Annual Increase =	13.8%
2000-01 rural development departmental budget:	Rs. 26,415,685,000
1999-00 rural development departmental budget:	Rs. 21,551,136,000
Annual increase =	18.4%

Trend over 1999/00 to 2000/01: The rural development department's budget grows faster than the budgets of the other departments investing in rural development and by the same time the share of other departments active in rural development is decreasing.

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General observations on Expenditure Trends (by PE Expert)

Panchayat Raj and Rural Development

Rural employment generation programme in the districts test checked by audit, the following points were found.

Provision 1994 to 1999	Rs. 625.91 crores
Expenditure on programme	Rs. 570.26 crores

Balance Rs. 79.25 crores held in Personal Deposit or Current Accounts (Rs.32.46 crores), diverted to other purposes (Rs. 11.13 crores), other expenditure not linked to programme (Rs. 35.66 crores).
(CAG's Audit Report for 1998-99)

SJGSY launched in April 1999

	Rs./lakhs	
Provision 1999-2000	(State share)	3682.00
Releases (GOI)		6219.57
State		2061.77

In 1999-2000, 3,61,495 Swarnajyotis were assisted. Of them, 2,06,574 were trained and 10781 self help groups funded as revolving grants. 2000-01, budget allocation is rs.200 lakhs.

Self Employment of Self Help Groups of Women in Rural Areas

100% state Plan introduced in 1999-2000.

In 22 districts Rs.1100 lakhs was released at Rs.50 lakhs each against provision of Rs.4400 lakhs have been used benefiting 1,14,930 women of the provision of Rs.4400 lakhs Rs.3300 lakhs have been released so far.

Jawahar Gram Smudhi Yojana

1999-2000	Release Rs.109.73
Expenditure incurred	107.82

Rural Water Supply

1999-2000 Rs.257.76 crores released with an opening balance of Rs.70.12 crores Rs.333.03 crores was spent. Targeted 3100 partially covered habitations were covered.

2000-01 Accelerated Water Supply

Allocation	Rs.155.82 Crores
Minimum needs programme	35.44 crores

There are 14260 quality affected habitations as on 1/4/2000. This projection showed 75:25 GOI AP to give protected water at estimate of 602.97 crores.

By end of March, 2000 Rs.484.65 released and Rs.525.06 crores spent covering 1786 habitation.
2000-01 Rs.101.24 crores allotted by Government of India.

4.2 Expenditure Plans and their Relevance/ Conformity with Vision 2020:
Sector expenditure plans 2001-03

As discussed above, the broad expenditure trends could be determined (see Appendix T-3 for some details).

GOAP Department of Finance confirmed that elaboration of the *Medium Term Fiscal Framework* and corresponding medium-term planning of financial requirements of individual departments, including PR&RD, would be forthcoming soon (including White Papers by various departments). The PR&RD's financial request for 2001-02, at the time of writing this report, was still under preparation, and hence could not be included in our analysis.

As published in the media, all departments have been requested by the Chief Minister (CM) to cut their forthcoming budgets for the new financial year (2001-02) starting by April by at least 5%. The same source¹ gives the budget's plan estimate for the current year (2000-01) as Rs. 8228.12 crore while the revised estimate based on actual expenditure is expected to be around 7,800 crore. GOAP's main thrust would be to reduce revenue expenditure from plan standing at nearly 40%. Also, non-plan expenditure which includes salaries and establishment expenses, has reportedly already been reduced by GOAP in 2000 by such measures as banning fresh recruitment.

PR&RD Department has furnished the consultants with information on planned expenditure (ahead of forthcoming official plans) for (i) key schemes proposed for funding by rural development wing for 2001/02 to 2005/06, and (ii) key expenditure plans over the next five years of the engineering wing, both of which are summarised in the following.

● **key schemes proposed for funding by rural development wing for 2001/02 to 2005/06**

- (a) centrally sponsored schemes: SGSY under self-employment, EAS and JGSY aimed at creating wage employment, and DPAP/DDP and IWDP for watershed development
- (b) AP District Poverty Initiative Project: World Bank assisted project for 180 backward mandals in six districts
- (c) AP Rural Livelihoods Project: DFID assisted project
- (d) AP Poverty alleviation project: newly to be proposed project for World Bank funding aimed at development of backward mandals.

¹ The Hindu, 19 Jan. 2001 (see Appendix X for details)

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Table 4-10: Expected fund flow (total or allocation) of main schemes and projects in Rural Development, 1999/00 to 2005/06 (in crore Rs.)

Financial Year/ Scheme or Project + impact indicator	1999- 2000	2000- 2001	2001- 2002	2002- 2003	2003- 2004	2004- 2005	2005- 2006	Total cost/ total benefit
Centrally sponsored schemes, allocations	-	263.31	289.65	318.61	350.47	385.52	?	?
<i>72,000 beneficiaries and 4,200 SHGs per annum</i>	-							360,000 benef. 21,000 SHGs
District Poverty Initiative Project (2000-05), total cost	-	38.72	118.8	150.04	139.48	146.08	-	584.60
<i>n.a.</i>								
Rural Livelihoods Project (1999-2005), total cost	45.7	45.7	45.7	45.7	45.7	45.7	45.7	320.00
<i>2000 ongoing watersheds/ 1 million ha. + 500 new watersheds/ 250,000 ha.</i>								
Poverty Alleviation Project (2001-05), total cost	-	-	446.23	446.23	446.23	446.23	446.23	2231.15
<i>n.a.</i>								

Source: PR&RD, RD Wing 22-01-2001

● **key expenditure plans over the next five years of the engineering wing**

The PR&RD department's engineering wing (Engineer-in-Chief/ E-in-C) provided the consultants with oral information on its major expenditure plans for the next five years (2001/02 to 2005/06) as follows.

Table 4-11: Capital requirements in major rural development infrastructure of the PR EIC Wing, 2001/02 to 2005/06 (in Rs. crore)

Component/ Financial detail	Rural Roads	Water Supply	Sanitation	Minor Irrigation	Water Recharge
Capital requirement 2001/02-2005/06	3,800	4,275	654	500	14*

Source: PR&RD, EINC Office, 23-01-2001

* Total required by Water Conservation Mission = 59 crore Rs.

In addition, under Prime Minister's Gramodaya Yojana, it is envisaged to connect all the unconnected habitations of population above 200 with all weather roads in a period of seven years.

PR&RD, in the meantime has provided the consultants with some additional information on the expected flow of funds and their medium term planning (demand) for 2001-2003 (see Appendix IV + V for details).

4.3 Major Vision 2020 objectives

Poverty eradication

Vision 2020 assumes a 30-35% poverty rate today which is to be reduced to virtually 0% by the year 2020. As poverty in AP is predominantly (80%) rural, a much higher poverty reduction is to be effected in rural areas even.

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With current poverty alleviation/ social welfare programmes being weakly targeted, overlapping and duplicative in part, Vision 2020 aims at replacing them with well-defined, flexible safety net programmes comprising mainly

- *rural public employment programme*: rural works as principal method to provide food security for the poor, predominantly in the rural areas
- *re-focused public distribution system* clearly targeted towards the genuinely needy (issue not covered by current sectoral IER teams)
- *targeted safety net interventions* and reformed pensions schemes during the economic transition period to be followed by comprehensive social security systems for the anticipated growing economy (this issue overlapping with the parallel review of social welfare sector)

It is to be noted that the corresponding sectors of *education* (including agricultural skill-building programmes) and *health* (in the rural areas) are not included in this review but are covered by parallel IER sectoral teams.

Other cross-cutting areas relevant in rural development listed in Vision 2020 relate to

- *ensuring livelihoods* (artisans' assistance scheme, various programmes aimed at involvement of local community groups recently amalgamated under SGSY, watershed development, WUAs etc.)
- *developing backward areas* (scheduled areas, predominantly inhabited by STs), a sub-sector which is linked to Tribal Development Department which again is not subject of the IER so far)
- *empowerment of women*/ addressing gender inequalities.

Dynamic, self-reliant rural communities

"By 2020, Andhra Pradesh will have self-reliant and dynamic village communities capable of optimal and sustainable production. Every village in Andhra Pradesh will have the infrastructure and services required to allow its people to actively participate in the economy and live healthy, productive and fulfilled lives. Thanks to sustained economic growth, there will be substantial non-farm, off-farm, and value-added employment. Enjoying the benefits of education, technology and development, rural communities will promote social values, encourage hard work and dignity of labour, and continually strive for a better life" (Vision 2020, ch.6, p. 132).

"By empowering and enabling rural people to become the architects of their own development, Andhra Pradesh will be the first state in India to make its villages the vanguard of progress" (Vision 2020, ch. 6, p. 145).

The way to achieve these ambitious goals comprises several policies to be pursued simultaneously in the areas of literacy, health, agriculture and allied sector, infrastructure, industries and services, using an integrated approach aimed at empowerment and decentralisation. While literacy and health will be spared out here, the priorities in the remaining three areas will be briefly looked at.

Transforming Agriculture

Vision 2020 aims at increasing the agricultural sector to more than four times its current GSDP (total investment given in Vision 2020 is Rs. 1,60,000 crore or 1.6 trillion Rs.²) with an annual growth rate of

² This figure, however would include irrigation facilities, roads and transportation, marketing and distribution infrastructure, agricultural quality inputs, modern technology, extension services and credit (Vision 2020, p. 177), and a large part would need to come from the agricultural private sector (corporations, co-operatives, farmer entrepreneurs)

almost 6% (5.7% CAGR) in real terms until 2020, while by the same time aiming to reduce the sector's share of employment from current 70% to 40-45%, and comprises five areas:

- *harnessing water resources*: realising the maximum irrigation potential viz. construction and completion of all feasible major and medium irrigation projects; increase of the ayacut, improvement of irrigation efficiency, higher O&M budget allocations for maintaining surface irrigation networks; strengthening of Water Users' Associations (WUAs) under Andhra Pradesh Farmers' Management of Irrigation Systems Act of 1997; shift to high value crops, establishment of water markets; maximising storage and utilisation of floodwaters (check dams, perlocation tanks, contour bunding, floodbanks and drainage systems)
- *integrated development of rainfed areas*: shift to development of backward, drought prone areas, rain-fed/ dryland areas with high poverty levels, malnutrition and illiteracy; soil conservation, dryland technology, improved irrigation
- *productive use of waste and marginal lands*: set-up of a business entity with GOAP equity share for distribution to landless labourers
- *promotion of high growth sectors* ("growth engines"): rice, poultry (Telangana region), dairy (coastal AP, Rayalaseema, Telangana), horticulture (East and West Godavari, Krishna district, area around Hyderabad, and Anantpur, Chittoor districts); fisheries, development of agro-industry; land reform to regularise land titles for share-croppers and unregistered tenants
- *policy reform*: rationalisation of legislature relating to agriculture

Industries, Infrastructure and services

Vision 2020 expects that focused *development around the "growth engines"* described under Agriculture to generate large numbers of rural-based jobs in this area (creation of 1 million jobs annually until 2020 to absorb the large number of under-employed people in agriculture).

Infrastructure aims: Irrigation, roads, bridges, transportation, telecommunication, processing and storage facilities; investment cost of Rs. 16,00,000 crore (Rs. 16 trillion or 53% of the total investment of 30 trillion Rs./ \$ 750 billion required for Vision 2020)

- *Roads*: linked to growth corridor concept (Telangana, Rayalaseema, Andhra regions); 70% of all roads to be paved, good quality roads; connection of interior areas to main roads and development of all rural roads (for all villages) as all-weather roads; priority coverage of 11,733 inhabitations by 2005 at a total investment cost of 438 crore Rs. (4.38 billion Rs.).
- *Drinking water*: coverage of 36,285 habitations at a total investment cost of Rs. 5,418 crore (54.180 billion Rs.)
- *Housing*, including weaker sections housing programme

Building capabilities, empowerment and decentralisation – integrated approach

Apart from education and health, and basic services such as sanitation, priorities in *capacity-building* are:

- *securing livelihoods*: assistance to disadvantaged groups, such as through Artisans Assistance Programme "Adarana"
- *food security and poverty eradication* through: increased agricultural production, better targeted public distribution system, employment generation schemes, and supplementary social security for vulnerable groups such as aged and disabled persons

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To reach at *decentralisation*, the principle of subsidiarity is advocated by:

- implementing the 73rd and 74th constitutional amendments for the devolution of power
- strengthening of self-help groups and programmes (Janmabhoomi, WUAs; SGSY etc.)

The *integrated approach* to service provision is to be reached through:

- *local involvement* in planning: decentralised, demand-driven, "village level plans to be integrated at the mandal and district levels" (p. 143); Panchayat Raj Department to undertake all infrastructure planning
- *empowered PRIs* and local community associations (modeled after Janmabhoomi) for operating local infrastructure and services (including raising of user charges and other self-financing mechanisms, and ground rules for projects and cost-sharing); increase of State funding "by at least 50%" (p. 144).

Refocused spending priorities and raising of resources

Vision 2020 states: Resources for creating trunk and rural infrastructure have shrunk to 2.2% of GSDP (1999?) as compared to 3.2% in other Indian states. Establishment costs absorb over 35% of state revenue resources (excessive redundancy in staffing, some departments employ 50% more staff than required). There is a strong need, therefore to *re-focus public spending towards achievement of development objectives* (pp. 322ff.). GOAP's expenditure priorities, while focusing on sustained economic growth will also not neglect to ensure social equity (including safety nets to cushion hardship during the transition and development of disadvantaged groups and backward areas).

Expenditure for basic education, primary health care, food security and rural development are planned to be raised from currently (1999?) 17% to 30-35% of the budget striking a "balance between social welfare and development" (p.325). However, a Vision 2020 Implementation Plan ("time-bound programme") for implementing the Vision has not yet come forth.

Implementation of Vision 2020 calls for a "responsible management by Panchayati Raj Institutions (PRIs) and community organisations", including a true *devolution of power* (following the 73rd/74th constitutional amendments). Also, public service will need to become performance oriented (including appraisal and award system) with Dr. M. Channa Reddy Human Resources Development Institute of Andhra Pradesh (HRDIAP) playing a strong role in imparting the required capacity-building to GOAP cadres.

The envisaged *shifts in spending priorities* and corresponding re-allocation of budgetary resources require changes in the funding and programme design of centrally sponsored schemes as "for much of this reform, the State Government will need the co-operation of the Centre" (p. 332). Public employment schemes like JRY and EAS are decided by the centre and the state government needs to become involved at least in their re-design. A way for AP to shape GOI policy in this regard would be "to request that Andhra Pradesh be made a test bed for such reform [of centrally sponsored schemes]..." (p.332).

Overall *financial needs* for implementing Vision 2020 are estimated at Rs. 30,00,000 crores (30 trillion Rs. or \$ 750 billion (44% of AP's GSDP until 2020) a significant portion of which (70-80%) would need to come from private investment (domestic and foreign). Fiscal reform (White Paper on State Finances 1996) would be another requirement for Vision 2020 to become real (increases in power tariffs, water rates for irrigation, price of subsidised rice etc.) (pp. 334f.).

Restructuring public expenditure would need a strong shift towards developmental spending (over establishment costs), O&M budgets, capital investment (the share of which in total expenditure has

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declined 1989-99 from 17 to 13%), increasing revenue to GSDP ratio, phasing out/ privatisation of public enterprises, more sharply focused anti-poverty programmes for the genuinely needy consolidation the large number of subsidiary and welfare programmes (p. 336) or in the words of the World Bank a "...rationalization and consolidation of GOAP welfare, rural development and anti-poverty programs ... (APPs)"³.

Improved expenditure management is needed to achieve these goals through

- evaluation of all programmes with a view to complete ongoing projects, maintain existing assets, to phase out ineffective schemes, and to start new ones only on strict cost-benefit criteria (using also impact and performance indicators).

As provided in chapter 4.1 above, the expenditure trends among the main departmental programmes/ schemes related to poverty alleviation and to infrastructure have been analysed.

Compared to the Vision 2020 objectives set out above, the present priorities followed by the department are far from meeting any of these objectives, but the broad lines should be clear.

In the area of rural roads, in order to cover 70% of the rural population with all-weather roads, 25,896 villages, in this way need to be provided with such roads over the next five years at a projected cost of Rs. 3,800 crore Rupees. Correspondingly, the PRED has requested this amount for the period from 2001/02 to 2005/06 as described above. The departmental planning, in this regard therefore is in line with the Vision 2020 objective to be reached.

³ World Bank Project Appraisal for the AP District Poverty Initiatives Project, March 2000, p. 5

6. Technical efficiency

6.1 Poverty alleviation and area development programmes

(a) Special rural programmes: SGSY, DPAP, DDP, IWDP

Previous evaluations found some weaknesses (based on the planning commission's mid-term appraisal) as follows:

IRDP: sub-critical investment, unviable projects, illiterate and unskilled beneficiaries with no experience in managing an enterprise, indifferent delivery of credit by banks, overcrowding of lending in certain projects such as dairy, under emphasis on activities like trading, service and even simple processing, poor targeting, selection of non-poor, rising indebtedness, scale of IRDP outstripped capacity of government and banks to absorb.

TRYSEM: It is not dovetailed with IRDP. Non-existing training centres, non-payment of stipend.

DWCRA: According to Planning Commission, DWCRA did well in Andhra Pradesh.

Evaluation of DWCRA

Information of thrift societies, credit groups and in providing second revolving fund to the groups, A.P. is, perhaps, ahead of many states in the country. A study by Raju and Firdausi (1996) examined DWCRA performance in Adilabad district. This district progressed in the implementation of DWCRA programme as part of IRDP from modest targets in the initial years of 1983-84 to quantum jumps in 1994-95. In the aggregate, there were 635 groups covering 9,466 women till the year 1993-94 since its inception. Scheduled castes, Scheduled tribes and backward castes together constitute nearly 98 per cent coverage among the beneficiaries although 12 per cent of the groups became defunct over a period of ten years. The sample covered five Revenue divisions, 16 mandals and 19 villages. 21 groups covering 14 major activities out of 21 activities have been interviewed to assess the impact. Some of the conclusions of the study are the following:

- Income status of women beneficiaries had graduated upwards from pre-DWCRA to Post-DWCRA period and about 96 per cent of the beneficiaries had monthly incomes ranging from Rs. 300-500 in the post-DWCRA era.
- More than 92 per cent of the beneficiaries have been found to be regularly repaying their loans.
- The group meetings generally discussed issues relating to children's education and health (27.4%), family planning (22.5%) and about their savings business and domestic expenditure.
- The DRDA (District Rural Development Authority) helped them locate new markets for their products to some degree.
- What makes Adilabad different from other districts is perhaps the inter-departmental coordination between Forests, ITDA, DRDA and Women Welfare departments/projects.

It can be asked whether this is a 'success story' just in one district while the overall, state-wide picture is much less impressive?

This question can be answered in the following way: The example given related to just a micro study in one district. **In general the evaluations have shown that DWCRA groups have done well.** One should not mix up the impact and the coverage. It is true as shown in the tables of DWCRA, the coverage was low up to 1998-99. However, where the DWCRA groups existed the impact on the poor was positive.

Another aspect to be considered under DWCRA discussion is the following:

Right now, there are more than 3 lakh self help groups (may be cumulative over time) in A.P. Out of these 2.5 lakh groups are DWCRA groups. In other words, **DWCRA groups are covering more than 3 million** (2.5 lakh groups times 12.5 members by average). The poverty population in the age group is around 4 to 8 million depending on whether we take 15.9% poverty or 27% poverty ratio. In other words, **40 to 90 per cent of the poor are covered under DWCRA groups over time**. The increase in groups seem to be significant particularly in the last two years.

In addition, NABARD's findings are the following:

- Strength of SHGs is reflected in group cohesion and vibrant behaviour
- Fungibility of savings and credit cycles in SHGs help consolidate the group behaviour
- Definite shift in loaning pattern of the members from consumption to productive activities
- Improvement in loan volumes of SHGs through internal capitalisation
- Near 100 per cent recovery of loans at SHG level
- Creation of common and community assets
- Reduction in transaction cost for banks and borrower alike
- SHGs are used to exert peer and social pressure to rehabilitate defaulters
- Participation in socio-economic development programmes like literacy, health, nutrition, housing, primary education, sanitation etc. by matured SHGs have contributed to overall empowerment of poor.

(b) Rural employment programmes: EAS, JRY

EAS: Initially demand driven. Scheme is being executed through contractors. The norm of 60:40 for wage and material is not maintained; the genuine muster rolls are not being maintained. 40 per cent of funds for watershed development and 20 per cent for minor irrigation have not been followed.

Evaluation of Employment Assurance Scheme (EAS) and Jowahar Rozgar Yojna (JRY)

EAS in its present limited scope can only cover a small fraction of the enormous need for rural employment. In 1998-99, about Rs. 228.32 crores were spent on EAS¹. 61 % of this expenditure (Rs 138.84 crores) are spent on wages and the rest on non-wage expenditures like materials etc. In the year 1998/99, around 334.62 lakh working days were created under the scheme. If we consider only wage expenditure, around Rs.41.5 are spent on EAS to create one working day. There are about 300 lakh rural workers in Andhra Pradesh. **In other words, EAS creates about 1.1 person days per rural worker.** If we assume 100 days are created per each person, 3.35 lakh persons benefit from the scheme out of around 300 lakh workers in the state. With this assumption, therefore, EAS helps around 1% of the total rural workers in the state.

EAS seems reasonably well targeted. Data show that the socially deprived sections like SCs and STs are well represented under the scheme compared to their shares in the population². Women account for about

¹ The numbers on EAS are cumulative up to February 1999

² The percentages of SCs and STs in the total population are around 15.9 per cent and 6.31 per cent respectively.

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30 % of person days created under EAS. However, the percentage of landless (30 %) seems to be low in EAS. The employment may be going more to small and marginal farmers.

In terms of employment creation, the impact of JRY is also minimal. In 1998-99, about Rs.154.15 crores were spent on JRY. 62 % of this expenditure (Rs. 94.89 crores) are spent on wages and the rest on non-wage expenditures like materials etc. In the year 1998/99, around 231.2 lakh working days were created under the scheme. On average, JRY could not create more than one working day per potential rural worker. This might be caused by the modest budget attributed to this component by PR&RDD compared to the magnitude of overall needs.

JRY seems also well targeted. Data show that the socially deprived sections like SCs and STs are well represented under the scheme compared to their shares in the total population. Women constitute around 30 % of person days created under JRY. Unlike EAS, landless in JRY seem well represented (66 %).

These positive experiences in AP with wage employment schemes are in line with such positive experiences in other Indian states, such as Maharashtra's Employment Guarantee Scheme and call for stepping up such programmes in order to (a) contribute more towards poverty reduction through the creation of temporary employment through self-targeted public works; and (b) contribute more for the creation of infrastructure assets for the poor through public works wage employment schemes such as in roads, water supply and sanitation.

(c) **Social security and welfare schemes: NOAPS, NFBS, NMBS**

NOAP, NFBS, NMBS: These schemes reach a large number of beneficiaries as the eligibility is well defined. Studies suggest that they are reasonably well targeted and have relatively few leakages. There is certainly also room for improved targeting, and some schemes like NMBS can be questioned on the ground that early pregnancy (from 19 years) is rewarded with benefits while by the same time the country needs a concerted effort for family planning and reproductive health. However, total fertility rate and early pregnancy of women will be reduced considerably by providing not only universal primary education for girls but also by secondary education for girls. Programmes like NMBS, thus show the clear need for linkage with the education and health departmental activities in the rural areas.

(d) **Other rural development programmes (ORDP): Women SHGs, Micro-finance, Janmabhoomi, Watershed Programmes**

Evaluation of women SHGs

Women's Self-help Groups (SHGs) can be regarded as a success story in Andhra Pradesh and have formed a central element in the State's mobilization and community empowerment exercise. Majority of these are former DWCRA groups.

The following details on self-help groups (SHGs) is provided by NABARD. The extent of group mobilisation in A.P. under various thrift and credit programme is estimated to be in the order of 2,84,000 groups involving 4.25 million households. The composition of the various group formations are as under:

- Development of Women & Children in Rural Areas : 2,35,000
- Non Governmental Sector : 25,000
- Indira Mahila Yojana : 2,000

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- South Asia Poverty Alleviation Programme (UNDP) : 4,500
- Integrated Tribal Development Agency (ITDA) : 500
- Joint Forest Management : 3,000
- Watershed Development Projects : 3,000
- Mutually aided cooperative societies : 10,000
- anker promoted self help groups : 1,000.

The self help groups (SHGs) can be regarded as the source from which at later stages other (sectoral) oriented groups at village-level have been set up. At present there are some 100,000 groups registered in the state.³ As impressive as these figures are, as impressive are the amounts of money saved by these groups. The action plan for 1999-2000 of the GoAP, for instance, states that total savings reached Rs. 2 billion (or an average of some Rs. 20,000 per group). Regular socio-economic surveys of these women groups are conducted and they provide for important indicators of the success but also of some of the problems connected to the programme.

These surveys, for instance, indicated that 'DWCRA' scheme helped the women to earn additional incomes ranging from Rs. 250/- - Rs. 2000/- depending on the Micro Enterprise Activities taken up by them (GoAP 1999a:1).⁴ A main strength of the program lies in the fact that these women groups have managed to receive credit from banks. For the year 1999/2000, NABARD has guaranteed to provide credit to 40,000 SHGs to the tune of Rs. 1,500 crores.

The latest evaluation, on the basis of a SWOT-analysis performed in 7 districts (East Godavari, Kurnool, Mahabubnagar, Nalgonda, Nellore, Prakasam, and Ranga Reddy) provides for some interesting material.⁵ Some key findings are that loan recovery rates are 89% on group loans, future security is becoming a more important purpose for the women to be active within the group, that dependency on moneylenders seems to be declining and, particularly, that there is a gradual shift from consumption loans to productive loans. On the other hand, anecdotal evidence suggests that most of the loans and savings are being used for consumptive purposes (i.e., health, education and marriages).⁶ This needs to be further investigated. However, consumptive use of loans not necessarily always needs to be seen negatively as such consumption also can help to build social and human capital.

It is not clear whether members of SHGs indeed belong to the poorer sections of the community. The fact that Scheduled Castes make out some 22% of the members in the six districts surveyed and Scheduled

³ This number seems to exclude such groups set up under different NGDO-projects and programs. This means that of the total number of such groups in India, some 40% are found in Andhra Pradesh. According to the Planning Department (interview), 80% of the SHGs in the state are government-initiated whereas 20% are NGDO-initiated.

⁴ The information available does not show for how many of these groups this additional income is reached nor what the specific Micro Enterprise Activities are.

⁵ There are, of course, differences between the districts taken up in the SWOT-analysis. In East Godavari, for instance, saving as such is not the main purpose of group formation but security for the future is, whereas the percentage of defaulters can be substantially lower (e.g., 2% in East Godavari) or higher (e.g., 10% in Rangareddy).

⁶ It should be clear that utilization of loans for education of children and for health should not be regarded as only consumption despite the fact that returns on these investments will not always be visible in the short run.

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Tribes only 4% does give some indication of this, however.⁷ Another 49% of the members belong to Backward Castes and the remaining 25% to other castes. The same holds for the fact that 75% of the members are illiterate.

Moreover, a GOAP socio-economic survey for the period up to March 1998, showed that some 83% of the women [using GOAP poverty line] in the SHGs are below the poverty line (GoAP 1998: 4). At the same time, it is interesting to note in this regard that the percentage of SC and ST members has come down in recent years. Whereas up to March 1998, nearly 33% of the women members belonged to the SC-community and over 9% to the ST-community, these figures have come down 2 years later to respectively 22% and 4%. At the same time, the involvement of BCs and OBCs has increased from 39% to 49% and from 15% to 25% respectively. There thus seems to be some substance to critical remarks made with regard to coverage of the poor, but data to substantiate this is not readily available. Further work is necessary.

As many questions remain to be answered in regard to these percentage changes: It could be that ST/SC joined SHGs more rapidly - so in early years their proportion of all SHGs members was higher; it could be that there is a marginalisation process going on, excluding ST/SCs; it could be something else, and we do not have evidence to suggest any particular explanation. And, also the implications for GOAP are to be considered.

What can be said is that while it is true that SCs and STs were more initially, later their numbers declined. The SGSY guidelines show that 50 per cent of the beneficiaries should be from SCs and STs. In that way, the guidelines are being followed and they are being marginalised. GoAP should try to improve the situation.

Evaluation of the SHGs suggests that the threat of limited training and of training of mainly the leaders to the functioning of the SHGs has to be taken very seriously. The SWOT analysis found a strong dependence on the leader. At present, the training capacity is insufficient. At the same time, the ability of the government system to handle the large number of groups established in other ways is equally insufficient. Linked to this is the critique that groups are formed too quick and are expected to function properly within a relatively short time-span.

⁷ It should be noted that these SC-percentage is still above the share of the SC population in the total state's population. Information from the 1991-census showed that 16% of the state's population belongs to Scheduled Castes. For Scheduled Tribes it is the other way around: 6% of the total population belongs to the ST-community, whereas only 4% of the women group members are STs (figures taken from: M. Seetharam & P.S. Rani 199.: 8).

Box 6-1: SWOT analysis of Women Self Help Groups in 7 districts

Strengths	<ul style="list-style-type: none"> • Groups are homogenous and cohesive (i.e., based on income, caste and neighborhood) • 22% of the members belong to SC, 4% to ST, 49% to BC and the remaining 25% to others • The average age of members is 35 (i.e., high percentage of women in the fertility group) • Flexibility in group management (i.e., independent decision-making on interest rates, prioritizing loans) • For 56% of the groups saving is the main purpose of group formation • Majority (92%) of groups showed no defaulters in last 3 months • There is a high regularity in saving. In previous 3 months 8% defaulted • Most (68%) are saving for future security, 16% for self help and 15% to avail loans • The issues discussed in the groups center around health/sanitation (50%), Janmabhoomi (29%), village problems (22%), household problems/needs (14%), and family planning (12%) • 75% of the loan applications were appraised by the group as a whole • Assessment of creditworthiness showed that 49% are creditworthy on the basis of income and occupation, 30% on basis of past repayment record, 27% on the basis of property owned and the remaining 17% on the basis of faith in the members • There is a high rotation of group corpus (78% internal loans) • An active participation in pulse polio immunization (73%) and Janmabhoomi (84%) • Gradual shift from consumption loans (18%) to productive loans (82%) • 61% would have gone to moneylenders had there been no WSHG), whereas 7.5% of the members would not have started the activity had there been no WSHG • Loan recovery rates are 100% for bank loans and 89% for group loans
Weaknesses	<ul style="list-style-type: none"> • Low participation of widows and destitutes (9%) • Groups are strongly dependent on the leader regarding accounts, loans, attendance, etc. • The development of leadership is lacking (only 13% of the groups have leadership rotation) • There is a poor growth of leadership as 84% of the leaders and 93% of the members are not part of other institutions including local bodies • As 75% of the women is illiterate, bookkeeping and maintaining records is poor • Only in 25% mobilization of savings happens (also) outside group meetings • 37% of the leaders and 60% of the members are not aware of DWCRA Bazars • Marketing efforts need strengthening
Threats	<ul style="list-style-type: none"> • Overburdening of Additional Gram Sevikas (AGS) and animators • Members feel that there is a lack of transparency in selecting groups for providing loans/aid which could possibly lead to inter group conflicts • Training and capacity building too limited and that too only of leaders • Limited interlinkages between various organizations involved in group formation • Inadequate external support for identification of micro enterprises • Resistance of men folk in group formation
Opportunities	<ul style="list-style-type: none"> • Convergence of development activities (particularly relating to women and children) • Networking amongst the groups (Mahila Banks) • Provides a platform for women to discuss common problems • Improve awareness level of rural women (e.g., on various development schemes and government agencies implementing them) • Improve socio-economic wellbeing of rural women through micro credit • Marginalizing the role of money lenders • Instill a sense of self-confidence among rural women

Source: Org-Marg Research Ltd. 2000

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Micro finance

The micro finance programmes are interventions in the rural credit markets to provide safer place for thrift accumulation and thrift-linked-credit at the prevailing market interest rates and lower transaction costs with social collateral. In other words, the micro finance programmes help members to obtain thrift-linked credit for their economic empowerment.

The Government of Andhra Pradesh has taken initiative to facilitate formation of several women's thrift and credit societies in the form of self help groups (SHGs).

The SHGs are small economically homogeneous and affinity groups of rural poor, voluntarily formed to save and mutually agree to contribute to a common fund to be lent to its members as per group decision. These groups are usually formed by Governmental or non-governmental organisations with emphasis on both thrift and credit activities. All financial decisions are taken by the group through a consensual approach.

The DWCRA groups with a maximum membership of 15 women are formed by Department of Rural Development under Development of Women and Children in Rural Areas (DWCRA) programme. Here again thrift is used as an entry point to weave women groups. Based on the thrift record, Government through District Rural Development Agencies release maximum matching grant of Rs.25,000 per group for enabling women groups to take up income generating activities. Under the programme, banks also extend credit facilities to such groups for meeting incremental fund requirements.

The extent of group mobilization in A.P. under various thrift and credit programme is estimated to be in the order of 2.84 lakh groups involving nearly 4.25 million households by March 2000. Large number of groups are under DWCRA programme. The groups formed in 1999-2000 were 95,000. New groups proposed to be formed in 2000-2001 are 75,000. The savings and corpus available under DWCRA/SHG in March 2000 was Rs.600 crores. By the end of 2000-2001, the corpus and savings are expected to be around Rs.1,000 crores.

Status of DWCRA/SHG during 2000-2005 are given below⁸.

- During the current year (2000-2001): At least one women member of all the BPL families will become a member of a SHG
- In the next 2-3 years: All the eligible women in the BPL families will become a member of a SHG
- By 2005: 80 lakh women will become members of SHG.

Training and Capacity building for SHGs

The GoAP proposed to have TTDCs (Training and Technology Development Centres at district level. The objectives of TTDCs are: (a) training for skill upgradation/formation; (b) technology transfer to rural areas through adoption/absorption/ development and dissemination; (c) technology display & demonstration; (d) interface platform for technologists/ master craftsman/artisans/SHGs

⁸ This is based on the Report of the GoAP on Women's Empowerment Action Plan.

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The nature of training programmes are : (a) basic orientation for SHGs; (b) skill up gradation; (c) modernization and diversification of traditional methods of production technologies(d) marketing; (e) Technology dissemination taking into consideration local resources, skills & demand.

Funds for training are the following:

	Rs.crores
• SGSY	4.35
• Special projects submitted to GOI	30.00
• Special projects under GOI	15.00
• Funds available with other development departments are to be pooled at the district level.	

Loan recovery

Traditional poverty alleviation paradigm in banking sector manifested in project lending approach placed particular emphasis on technical feasibility and economic viability aspects of investments. The economic returns from such investments were expected to propel low income households above poverty line. It further presumed that poor prefer self employment and have necessary managerial ability to readily accept the challenge of occupational mobility. Further that the new production and marketing skills can be acquired by them with relative ease.

Another important aspect which misses the attention of development planners is complete information assymetry between banks and borrowers. In other words, both banker and borrower have little information about each other to develop mutual empathy, so necessary for initiating banking relationship based on trust confidence. The inability of the banking sector to provide appropriate saving products for poor and channelise them to mainstream of rural economy coupled with the history of deviant credit behaviour of rural clients under government programmes only sapped the mutual confidence and trust between the banks and the rural poor.

The above type of paradigm was practiced till recently under IRDP. Under this individuals are provided subsidy and credit for self employment. The recovery of loans under IRDP was less than 30 per cent in many years. Rural banks got affected financially due to low recoveries.

With the introduction of group approach there has significant improvement in loan recoveries. According to NABARD, the loan recovery under self help groups in Andhra Pradesh is more than 95 per cent. The default rate is minimum among all the micro finance programmes. Then it is the institutional arrangement rather than socio-economic characteristics of the participant and the level of development of the region that is contributing for the peer pressure to minimize the risk of default.

It is interesting to note that the micro finance schemes are not monitoring the ultimate use of the credit taken by the members. Thus, the issues, viz. adverse selection, adverse incentives, contract design and enforcement of the contract, and building peer pressure have been tackled in formulations the institutional arrangements for controlling the risk of default.

Evaluation of Micro-finance self help groups

The Report of the GoAP on Women's Empowerment Action Plan provides ranking of groups at the district level. At the aggregate level the percentages are given in the following table

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	Good	Average	Poor
Total of All Districts	42.65%	39.87%	17.48%

NABARD's study findings on SHGs

The findings of the studies conducted by NABARD regional office on the implementation of SHG bank linkage programme in Andhra Pradesh reveal several positive as well as several critical features.

Positive features

- Strength of SHGs is reflected in group cohesion and vibrant behaviour
- SHGs inculcate thrift habits and increase in level of savings among rural poor
- Improvement in access to credit
- Fungibility of savings and credit cycles in SHGs help consolidate the group behaviour
- Definite shift in loaning pattern of the members from consumption to productive activities
- Improvement in loan volumes of SHGs through internal capitalisation
- Near cent per cent recovery of loans at SHG level
- Creation of common and community assets
- Reduction in transaction cost for banks and borrower alike
- SHGs are used to exert peer and social pressure to rehabilitate defaulters
- Participation in socio-economic development programmes like literacy, health, nutrition, housing, primary education, sanitation etc. by matured SHGs have contributed to overall empowerment of poor.

Some features which need improvement

- Irregular group meetings
- Irregularity in savings
- Lumpsum contribution in the form of savings to attain eligibility for higher loans
- Large loans only to few members
- Absence of proper up-to-date record keeping
- Absence of regular system of weekly/monthly repayment of loans by the members to SHGs
- Lack of confidence among bank branches to extend loans to SHGs in the absence of NGOs.

Evaluation of Janmabhoomi Programme

The Janmabhoomi program in Andhra Pradesh is unique as a people-centered development process. This process was initiated in 1997 and to date 12 rounds (each lasting 1 week and held every 3 months) have been held. Financing of community works (as also for the individual oriented programs and schemes) come from the normal and already existing development programs under different departments. Janmabhoomi is geared at increasing the participation of the villagers in the decision-making around these departmental programs and in providing a forum for checks and balances to influence the different departments to live up to their tasks. As such, the Janmabhoomi process indeed can be regarded as an innovative approach towards good governance.

There seems to be a consensus that the Janmabhoomi process has to be regarded positively mainly because it provides an opportunity for direct interaction between government officials and the people. Simultaneously, there is wide acceptance of the ideas behind the process (i.e., it is regarded as good

in theory). At the same time, however, the implementation of the process has been criticized. Partly this criticism refers to the lack of true empowerment through training and education and the still top-down manner (and thus not truly participatory manner) in which decisions are finally taken. Another issue is the dependence on individual officials. The argument is that one 'good' official makes the difference and thus that there is still a lack of an overall change in mindsets of all government officials.

An official evaluation of the Janmabhoomi program by an independent agency program is necessary. A recent study by the National Institute for Rural Development in Hyderabad, however, came up with some interesting notions based on a comparative analysis of Gram Sabhas conducted under Janma Bhoomi in Andhra Pradesh and the People's Campaign Program (PCP) in Kerala. In this analysis the Gram Sabhas conducted under JB are characterized by high official presence, bad timing of meetings, high participation of women, and people attending the meetings mainly because they hope to get some scheme/benefit from the government. Furthermore, the analysis shows that micro planning was taken up in a very top-down manner without much training imparted at village level.

In future studies, it should be tried to have a closer look at money flows (and their impact on livelihoods of beneficiaries esp. the poor); whilst some of criticisms raised are valid, some are design/ operational issues which possibly could be resolved, not necessarily at great cost; what is more important is to look at transparency of funds flowing through the system but it was not possible during this study to obtain a realistic feeling for the efficiency of delivering funds under JB. One should see the transparency of funds and the efficiency of delivery of funds. Unfortunately we do not have much data on these two aspects leaving Janmabhoomi as one of the still rather mysterious RD programmes in AP.

The table on next page provides an overview of the main issues raised with regard to Gram Sabhas and micro planning under Janmabhoomi.

Table 6.1.: Main issues with regard to Gram Sabhas and micro planning under Janmabhoomi

Gram Sabhas	Micro Planning
<ul style="list-style-type: none"> • Chaired and conducted by Nodal Officer • Conducted mainly at working days • Conducted during office hours • All officers at mandal level are present • Applications for schemes are received but beneficiary selection is not done in Gram Sabha • Record of attendance not available in Gram Panchayat, hence actual participation rate is not available • Women's participation as a percentage of people attending is estimated to be around 40% (for 11th round of JB) • Review of performance of officials is done in Gram Sabha • Reason for people attending the Gram Sabha is generally to get some scheme/benefit from the govt. • Distribution of old age pension/disability and certain other schemes/benefits are distributed in Gram Sabhas • Discussion of the problems raised in writing is normally not done in Gram Sabha • During the 11th JB programme, which was specially designed for preparing micro plans, no discussions relating to planning have taken place in the Gram Sabhas. 	<ul style="list-style-type: none"> • No (meager) devolution of funds to Panchayats • No clear idea of funds available prior to planning either at Gram Panchayat or Mandal level • No clear demarcation of funds for SC/ST • Data analysis and decision making mostly at the District level • Decision making process is official oriented • Only for few works were the contribution of the public is there, the work is taken up by the beneficiary committee <p>Officially, the Mandal Resource Persons (MRPs) trained in Hyderabad. MRPs in turn train Gram Resource Person (GRP), Gram Panchayat President and Habitation Officer. MRP and GRP train students who are to conduct micro planning survey. However, there were</p> <ul style="list-style-type: none"> • Major delays in training schedule of GRPs and students • Limited time available for organizing training • No handout distributed to GRP/students for guidance • Gram Panchayat Presidents and habitation officers were not trained at all.

Source: J. George 2000: 20-25.

Evaluation of Watershed Programs

In Andhra Pradesh, the area where watershed development work has been done for five years accounts for about 10% of the problem area designated for DPAP. According to an evaluation by the state Water Conservation Mission, between October-November 1998 and October-November 1999, out of nearly 2000 watershed evaluated, in as many as 90% of the watersheds, water levels are increased to varying levels despite a decline in rainfall by 28%; nearly 1.7 lakh hectares of additional area has been brought under irrigation; and, as a result, migration of labour declined from 10% to 40% in different watersheds. Another evaluation made by the State's Ground Water Department for 51 watersheds in 10 districts in 1999 shows an increase of over 70% in irrigated area in the post-project period..

The two highly drought prone districts of Kurnool and Mahbubnagar, which are on the top in the state in respect of the number of watershed projects launched, show some encouraging picture in the three year period, i.e. 1995-98, when the new guidelines have been implemented, as compared to the period 1992-95. District wise aggregate data show that there was a significant increase in gross irrigated area (11% in Kurnool and 34% in Mabubnagar) between these two periods - mostly from tanks and wells - which has been allocated mainly to rice. As a result, the yields of rice have improved by around 15%. (Rao, 2000). However, there was an increase in rainfall between the two periods in both the districts. But, close observers of the scene attribute a good part of the improvement in irrigation and crop yields in these districts to watershed development. This is substantiated by the latest evaluation by the State Water

Conservation Mission: within one year, i.e. between October-November 1999 and August-September 2000. The number of watershed rated as 'A', on the basis of various indicators of performance, doubled in Mahabubnagar while the number of such watersheds rose by 60% in Kurnool.

Watershed programs can be successful in harmonizing the use of water, soil, forest and pasture resources, particularly in the rain-fed areas of the state to raise agricultural productivity. Consequently, they offer an opportunity to increase growth and reduce poverty in a sustainable way. Some experience from World Bank financed projects suggest that these projects have had: (i) Positive environmental impacts include more regulated discharge of water after the rains, groundwater recharge, reduction in soil loss, and rehabilitation of existing and construction of new village ponds and storage tanks; (ii) income and consumption benefits include increased availability of water and increased output of agricultural, horticultural, and livestock products; and (iii) positive institutional impacts include enhanced cooperation among line departments of state governments, the formation of village development committees at the local level, and effective collaborative working relationships among the two groups.

The continuing challenge for rural poverty reduction is to ensure that the benefits from ground water recharge are not dissipated by over exploitation by well owners and that benefits are evenly distributed to landless people, women and scheduled castes and tribes. This is particularly true as watershed projects by their very nature are very much 'land-based' and hence do not necessarily serve the interest of the poorest people who have no or very marginal lands only.

The newly introduced Watershed Development Fund (WDF) under GOI/ NABARD and state co-financing (GOI loans to states at 9.5% interest rate with six years repayment period and 3 years grace period; and grants for micro-credit, women SHGs, landless and SC/STs) is an innovative scheme targeting 100 districts in three years. Andhra Pradesh is one of the initial focus 6 states. WDF operational guidelines provide for a proofing period including intensive beneficiary consultation and NGO involvement (following the tested Maharashtra Indo-German watershed model) and which would contribute towards enhanced technical efficiency of the scheme including monitoring the poverty impact.

Below Poverty Line (BPL) population

In this area, a lead question should always be in how far BPL Census practices, surveys conducted in all districts, do really identify and target the BPL population.

The BPL poverty line is fixed at central Government of India (GOI) level for all Indian states. The revised level of 1998 of Rs. 11,000 as an annual family income reportedly is still valid in AP. In addition, the limitation of land ownership below 5 acres is still valid.

Such poverty level fixed at national scale is also to reflect the minimum calorie-intake of 2,400 calories per person per day for rural areas, and this consumption expenditure is converted into a monetary equivalent using price indices for urban and rural areas in a uniform way all over India.

Kerala State, for example was ranked as better off with some 25% BPL in 1993-94 as compared to the national average of 37.27% of rural poor. Changes of the price factor used for calculating the consumption-expenditure required to meet the calorie-intake can not be taken into account in such a uniform system of fixed overall poverty line. Recently, the Planning Commission has suggested to use state-specific price-indices instead (Agrawal 1999, p. 193).

In each district, BPL census is supposed to be carried out among the entire mandal households using extensive survey questionnaires in order to determine the exact level of income of the rural population to come under BPL or APL (Above Poverty Line). Obviously, in the more remote rural areas, and particularly among STs and SCs (and BCs), in drought-prone and dryland areas the proportion of BPL population will be highest.

As there is a strong tendency for as many families as possible to be registered as BPL, and in order to target the public expenditure programmes aimed at the true BPL population, it is also important to **define the hard-core poor and other strata within the overall BPL population.**

As definition of BPL population has significant meaning for eligible target beneficiaries under the PR&RD programme schemes and APPs, GOAP could decide on which poverty line is to be applied for the purpose of targeting project benefits to those most in need, including tribal population in its search for sharpening the focus of public expenditure on the most needy.

In order to assess the actual impact on beneficiaries, some case field studies would be needed during a possible phase 2 of the IER.

6.2 Rural Infrastructure

(a) Water Supply and Sanitation (WSS)

Water Supply

Overall coverage of rural households with common drinking water (standpipes) was given as 89% in 1993. As discussed in ch. 5 above, it is difficult to calculate the exact number of beneficiaries to be covered under RD programmes as the size of habitations used as basis of calculation is not known.

Sanitation

As discussed in ch. 5. Above, the data obtained for this sub-sector did not allow an exact analysis if the allocative efficiency, and hence are also insufficient to establish technical efficiency of service delivery.

It appeared quite clearly, however that despite massive programmes of construction of individual latrines (between 1 and 2 million) in recent years, still only about 15% of households have latrines (only 3% with flush toilets) today what would be still an extremely low coverage compared to the number of rural population of some 55.8 million, of about 11.2 million rural families, and between 1.8 and 3.7 million rural poor families in AP.

It is, thus quite clear that with such prevailing low coverage rate of sanitation in AP rural areas, any discussion of technical efficiency of how beneficiaries were reached is quite meaningless unless coverage would first be increased substantially what, however is not in sight given the low level of expenditure planned for rural sanitation.

Sector Reforms in Rural Water and Sanitation

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GOI has initiated sector reforms in rural water supply and sanitation which aim at moving from supply driven to demand responsive programmes with the government's role shifting from that of a provider to that of a facilitator. Greater community involvement and user participation are to become institutionalised with the ultimate aim to introduce 10% sharing of capital cost by users and to meet 100% of O&M costs by users. GOAP has introduced the reform in the 4 pilot districts of Chittoor, Prakasam, Nalgonda and Khammam, and GOI has provided funds for 1999-2000 (estimated costs of pilot projects: Rs. crores 157.53, funding 90% by GOI - 10% by users; 65% for hardware - 35% for software, awareness raising, capacity-building etc.⁹).

These reforms constitute an important step forward towards introducing enhanced technical efficiency and effectiveness of service delivery through forming village/ habitation level and district water and sanitation committees, District and State Water and Sanitation Missions (DWSM/ SWSM) as independent registered societies and Gram Panchayat level Water and Sanitation Committees (GPWSC) giving the communities a choice in the technology and service level desired. However, priority is to be given to completing on-going schemes before taking up more new systems.

APARD is to provide the necessary training for District Training Institutes, support organisations and village water & sanitation committees/ VWSCs (30% women, 20% for SCs/STs). The assumptions of the reform programme are that people are willing to own and run schemes if they can decide for themselves and are willing to pay for water if they get the services they want. Also, the envisaged new system hinges on adequate training and capacity building for the engineers of PRED to become sensitised in participatory and COM (community ownership and management) approaches as well as intensive IEC and training of local users and committees the effectiveness of which remains to be seen as the pilot projects evolve. Experiences gained with maintenance of 125 drinking water supply systems in Khammam district so far give no reason for overly optimism (e.g. negligence of repair of pump and motor, collection of monthly tap fee only from 7 out of 125 systems for public taps and of 49 out of 125 systems for private taps, no collection in 54% of cases¹⁰).

However, the ability to pay, particularly of poorer rural segments of the population needs to be taken into account. For example, it is recommended that half of the 10% contribution to the capital cost of construction expected by the users should be paid in cash but the question of how BPL people would be able to meet this requirement or whether they could contribute fully in kind remains unresolved; also, whether all households would be required to contribute 10% in a uniform way or whether better-off households could contribute more¹¹; also, the relationship between VWSC and GP and ZP remains unclear regarding the collection of water tariffs (as collection of water tax by PRIs is stipulated in PR Act¹²); also, question of who would pay for major repairs.

⁹ So far, GOI has is realising projects in 58 districts in 22 Indian states with AP, Maharashtra and Kerala being pilot states. DFID is involved focusing on the 4 states of AP, MP, Orissa and West Bengal.

¹⁰ State level workshop, PR&RDD/GOAP, GOI/RGNDWM, RWS-SA (World Bank) 2000, p.106

¹¹ "question of differential contribution as per the ability to pay...practice of cross-subsidization...", op.cit. p.117

¹² "While electricity charges are free for the minor Gram Panchayats, the major Panchayats pay...from the collection of water taxes...the statutory responsibility of the Gram Panchayats in maintaining drinking water sources cannot be diluted. Hence, the Gram Panchayats may supplement the efforts of the VWSC out of their own funds in case there is a shortfall of funds with the latter". Op. cit. , p. 119

Apart from these still to be resolved equity considerations (and the question of rentability of such systems which by their very nature of being rural systems have a much higher per capita investment and O&M cost as compared to urban systems), the sector reform programme contains elements of an improved service delivery mode which increased technical efficiency dividends to be drawn. The exact nature and scope of such benefits, however again would need to be studied in a concrete field operation situation (during a possible phase 2 review).

(b) Rural Roads

As rural roads will benefit all people living in the respective rural areas it is generally difficult to disaggregate the exact number of rural poor to benefit. Taking the figure of 70% of rural population hitherto unconnected, their number would amount to some 39.1 million people at present.

As discussed in ch. 5 above, the allocative efficiency of expenditure for rural roads could not be established sufficiently with the data provided by the department and further analysis would be needed during a possible phase 2 review in this regard. Therefore, it is also not possible to say much about the efficiency of service delivery in regard to rural roads. It is, however quite clear from our general knowledge of the rural roads sub-sector that there remains a high rate of villages without any adequate connectivity at present and what constitutes an unacceptable situation to millions of rural poor cut off from access to social service centres, markets and job opportunities at present calling for correction before a discussion of the efficiency of limited service delivery.

There is a rural roads component under the World Bank assisted Andhra Pradesh Economic Restructuring Programme/APERP (total project cost 1997/98-2003/04 Rs. crores 415.50 out of which GOAP share 120.17 in three districts) aiming at improving the quality of rural life through improved and well maintained rural roads, including preparation of annual maintenance plans, road inventories and continuous monitoring of road conditions.

However, the community or village access roads outside the defined core network shall be kept under the responsibility of the local community which has to take the initiative for their upgrading and maintenance. Blacktopping of other roads than core network for basic accessibility would only be taken up as a secondary priority and if the economic rate of return would be at least 12%. The component includes also an overall modernization, capacity-building and skill development programme for PRED.

GOAP has also assured to take up Rs. 9,200 lakhs of maintenance of rural roads over four years (as part of RRM under non-plan). It is expected that the project would introduce sustainable policies for the construction and maintenance of rural roads in AP, including adequate supervision of works and quality control using modern road management tools.

6.3 Other programmes

In regard to IRDP (and also EAS), it could be asked - What are the budgetary implications of trying to address these identified weaknesses - (1) estimated costs of improvements needed (2) cost of 'do nothing' i.e. % of current funds effectively wasted ?

This question can be answered as follows: IRDP anyway is merged with SGSY. The basic problem of IRDP was that the subsidy and credit was given to individuals. Many non-poor also benefited from the scheme. Now the group approach is supposed to reduce some of the previous problems. Regarding EAS, it is a matter of implementation (taking care of corruption, delivery systems etc.). For higher coverage more expenditure would be needed, and for improvements of technical efficiency good governance would be required in this regard.

Focusing rural development schemes more sharply on Below Poverty Line (BPL) population

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In order to assess the actual impact on beneficiaries, some case field studies would be needed during a possible phase 2 of the IER.

6.4 Institutional issues and decentralisation aspects/ Some conclusions

Aspects of Good Governance

As the Taskforce on good governance has recommended, criteria for the selection of beneficiaries, including lists of workers engaged in public wage employment schemes such as JRY and EAS, are to be published on the local level governmental notice board and by communication to the media and NGOs in order to provide for transparency and accountability of these RD schemes aimed at the poorest. And while sanctioning a scheme, the criteria for selection of each category of beneficiaries under each scheme should be spelled out clearly by the local government and be publicised as widely as possible. Another recommendation which can be endorsed by the consultants is that if the number of persons fulfilling the criteria are more than the beneficiaries to be selected, persons should be selected by drawing lots in an open forum. Also lists of families receiving multiple benefits should be published prominently, and the GOAP could consider to restructure the benefits only to those following the small family norm. These measures would not only contribute towards enhanced transparency and accountability but also towards increased cost effectiveness by phasing out of duplication and better targeting of RD and other neighbouring departmental programmes and schemes implemented at the local levels.

The general question remains why some programmes are apparently doing well while others appear to have minimal impact and whether this could be attributed more to problems lying in the design or in the implementation side.

In the consultants' view the impact of the programmes on the poor is mixed. Earlier approaches like IRDP were not very successful, and the impact of wage employment programmes like EAS on the poor was negligible. But **recent new approaches taken like self help groups (SHGs) and micro watersheds (MWS) appear to be in the right direction.** However, the performance across districts and mandals is certainly varied. In some regions they are doing well while in some other areas, the performance seems not to be satisfactory.

Also, factors of good governance and more or less effective decentralisation play a role.

The question of what the department is doing or not doing about some perceived deficiencies. Some inefficient and ineffective RD schemes like IRDP (which was also the largest RD scheme) have been discontinued by the department by integrating it with other schemes and by using the more effective group approach. More convergence of schemes along these lines is the way forward.

7. Expenditure management, institutional and cross-cutting issues

7.1 Financial management issues

Funding procedures and their Timing

(1) Usually, spending departments begin **work on the budget** as soon as the half years figures for the current fiscal year are available say, by October at the earliest. Then revised figures for the current year, and estimates for the next year are prepared. The administrative departments consolidate these figures and the revised estimates for the current fiscal and estimates for the next are sent to the Finance Department to consolidate for the State. Sourcing is kept confidential till the budget is presented to the Legislature and the Minister announces his sourcing. After approval by the Legislature (normally this takes 2 months) it goes to the Head of State for approval. When that is over, Finance Department releases intimation of approval to the various departments, who in their turn communicate the data down the line to the spending units.

(2) On receipt of this, the units prepare **estimates for works to be taken up** etc. or details of schemes, and these go up again to appropriate levels for sanction. After this, where bids have to be called, in the bigger cases approvals have to be taken at higher levels. All this is work can begin only by August or so restricting the working season to say, 6 months (less in the case of heavy monsoon areas). This leads to what is called "**March Rush**" i.e., a rush of expenditure in the last quarter. Quite often, the spending units keep their books open even after 31st March to avoid showing savings. There are also instances where some units withdraw the money in a bank etc.

DATA REGARDING MARCH RUSH 1998-99 (CAG's Audit Report 1998-99)

Quarter	Expenditure	% to total expenditure
To end of 6/98	3423.43	17
To end of 9/98	4119.11	20
To end of 12/98	3433.11	17
To end of 3/99	9385.43	46
	<u>20361.05</u> Crore Rupees	
Expenditure in 3/99	6707.01	33

Above described procedure of communication / allocation has to be speeded up. Further, allocation in the budget does not mean that the department has the funds ready for drawal. Against this, the Finance Department issues letters of credit to the spending department, based on **actual cash flow**. Thus, there is an element of uncertainty and possible delay to work on the ground.

To make it clear: The procedure for budgeting might have been dealt with; but even after the budget is approved and allocations are made, it is not as if the departments can draw funds. Depending on cash flow, the Finance Department issues letters of credit and drawals are limited to those levels. To this extent the freedom to begin action or its rate is inhibited.

(3) Also, the **procedures leading to start of work** are cumbersome. These have been developed over the years and are a vestige of the British rule. These were intended to protect against malafides but it ties up

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forward movement. Thus easing of procedures, a review of delegation of powers, and a feeling of trust seem to be the key to faster forward movement. An analysis of the cash flow to some specified project would reveal the true position.

The following points have been made by GOAP Finance Ministers in 1974 and 1986 when major reforms of the finance and budget system were attempted. It is astonishing to see how relevant these points are still today even for the current review exercise and how little has been achieved in implementing these recommendations in the last 25 to 15 years.

KEY POINTS - GOAP FINANCE MINISTER'S BUDGET SPEECHES 1974 & 1987

Streamlining financial management

- It is also necessary to study the schemes across the board to see if **there is duplication, overlapping** which strains physical and financial resources. It may also be worthwhile studying whether the schemes are announced and grounded after a proper study. For example, in a state, tools were issued to artisans at very subsidized rates to enable them to improve work and earn more. But this foundered as the artisans had no means of marketing their product, and they sold the tools. This problem faces SSI and cooperatives also, leading to a clamour for protection, subsidies etc.
- Instead of depending on routine departmental assessments it may even be advisable to **get outside experts to monitor progress**, especially in the larger and more important projects, this review being done on a continuous yet periodic basis.
- Even now with Govt. computerizing in all sectors the data should be available fast, but these have to be studied by professionals or those trained to review problems that may arise such as the **capacity of the user to absorb the funds** and complete the objectives in the time intended.
- One of the recent innovations is for the **GOI to fund local bodies directly** in order to save time and to ensure that the funds go directly to the user. Are we sure that these bodies have the infrastructure to handle these with the essential controls, by departments? This also takes the allotted funds out of the normal controls and they are not subject to audit by the CAG.

General lack of transparency, accountability, planning and management efficiency in the existing budget and accounting system

- While the functional approach to classification is now well established **the divergence between plan programmes and accounting classification has increased** over the years.
- A certain rationalisation of the heads of accounts of the existing accounting classification was reached following the recommendations of a review committee by GOI and the present system came into effect as **new accounting classification from 1st April, 1987**.
- The **code numbers allotted to major heads have been changed from three digits to four digits** to provide room for accommodating new functions, as and when they are evolved. The sub-major heads have been given two digit numerical code numbers against alphabetical code numbers while the minor heads have been given three digit code numbers against two digit code numbers.
- But this system in use since 1987 is still far from being adequate for modern financial management purposes. **The need for some far reaching reforms in the budgetary procedures has been felt for a very long time. The existing heads of account and rules of classification are not easily understood. Moreover they do not correspond to the heads of development adopted by the Planning Commission for Plan purposes with the result that a meaningful comparison of the plan and the budget becomes well highly impossible.**

- **Since Independence and with the launching of Plans, public expenditure have been mounting on a scale which has few parallels in the whole world. Government is increasingly assuming new functions and undertaking a wide variety of activities designed to respond to emerging social and economic needs. As a result, public expenditures have been raising year after year and Plan after Plan.**
- **This explosion in public expenditures has brought in its wake certain basic problems. First, the resources available to Government can be stretched only a certain extent and are not unlimited, while the demand for their use always exceeds supply. Since few demands for Government funds are clearly and completely without merit, Government is in dire need of techniques for defining objectives and priorities and ensuring that public funds are used most effectively in achieving them.**
- **The problems of co-ordination and evaluation of Governmental programmes are large and intractable. A large number of agencies and persons are involved in any given policy area and the difficulties of communicating, agreeing to and implementing policy changes are immense. Unless scientific techniques to measure the outputs are incorporated in Government decision making proces there is no sure way of knowing whether the multitude of programmes has really achieved what they were intended to achieve.**
- **The existing budget structure falls far short of these requirements. The present budget design is largely the product of historical response to the need to safeguard the integrity of appropriations. The accent is on accountability to the Legislature by the Executive and to the higher executive organs of the Government by their subordinate agencies. Budget and accounts have accordingly been conceived of as instruments for the control of spending and were not particularly designed to assist in planning and decision making. The Budget has tended to become a book keeper's budget rather than a manager's budget, presenting requirements for funds in terms of organisations direct objects of expenditure such as salaries, travel expenses, machinery and equipment etc., to ensure accountability.**
- **Even those within Government who take a professional view of management responsibility are now concerned about the absence of the kind of information that would enable a manager to asses the progress and quality of his own performance and , where necessary, initiate corrective action without waiting for criticism from outside and before it is too late.**
- **This is what is precisely lacking at present. The classifications adopted in the Budget, accounts and the Plan are different. One can even say that they are on different wave lengths and this basic weakness has impaired the usefulness of accounts as an aid to management and affected the efficiency of budget as the instrument for watching plan performance. As a first step to remedy the situation, it has been decided to completely overhaul the century old accounting structure so that it could provide the base for further steps in the direction of improving the financial administration.**
- **The proposed reforms should not be regarded merely as a matter of change in the format or change in numbers. This should be considered as an integral part of the new reorientation that is sought to be given to the administrative structure of Government. The Ninth Plan has rightly placed increased emphasis on growth with social justice and has earmarked large outlays for both economic growth and social welfare schemes. The shift in emphasis also makes it imperative that governmental procedures and machinery are geared to fulfil the purposes of this new orientation.**

- It is, therefore, all the more important that techniques are evolved for identifying the schemes that would produce the desired objectives, calculating accurately their costs and developing less costly and more effective alternatives of implementation. Information and reporting systems for a purposeful analysis of the impact of the programmes are all the more necessary in these areas to ensure that the benefits have actually percolated to the intended beneficiaries and the durable assets intended to be created from employment schemes have really been created.
- Government has accepted such far reaching changes suggested in the existing system mainly because Government hope that with the proposed changes the budgeting structures and planning processes will become much more relevant to the needs of the people and will provide an effective management aid. This will be possible only with the continued commitment on the part of all concerned.

Obscure classification system and new performance-based/ Zero-Based Budgeting

By source of financing, the PR&RD department comprises eight budget head of accounts (both plan and non-plan). In terms of function-wise programme activities, the departmental budget comprises 22 items. And Object-wise, there are 29 items figuring in the departmental budget giving the financial requirements. This usage of different brackets to classify the same expenditure items under varying heads makes the task of comparing and analysing expenditure extremely difficult.

The purpose of the department's performance budget is "a technique of presenting the operations in terms of functions, programmes and activities/projects (of capital nature)".¹ The main part III, "Explanatory Notes for Financial Requirements - Physical Achievements for 1999-2000 and Targets for 2000-2001" lists the department's important programmes again under 18 different headings.

With the recent introduction of "zero-based budgeting" at GOAP top departmental level, an effort is made to enhance the planning process, particularly in regard to impact-orientation. It gives departments the freedom to set their own targets within an overall untied budget allocation using their sectoral planning competence ("planning from scratch") instead of having to get the approval for each sub-head from the Department of Finance².

Some points for discussion would be whether such global funds allocated to departments (the amount of which would be based more or less on the basis of past performance, salaries and other fixed costs) would actually be reflected in the cash flow received as an allocation alone does not mean that automatically the required letters of credit issued by Finance Department would come forth. This aspect and some other aspects relating to the existing cumbersome classification system and the need for streamlined budgeting and planning procedures are the main findings in this chapter.

¹ Note on Performance Budget of Panchayat Raj and Rural Development Department 2000-2001, p. 1

² A White Paper by Finance Department appeared one day before the departure of the international consultant from Delhi. Within 3 weeks thereafter, despite its promised forwarding to the lead consultant, this was not done, so that the wider implications of zero-based budgeting could not be further discussed on this basis. The same applies to a white paper on "good governance" containing a section on the newly envisaged decentralised governance system (Panchayati Raj).

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Taking the latest available Performance Budget of the PR&RD Department for 2000-2001, the following observations could be made in regard to the highly complicated structuring of the various budget presentations. Performance budget is defined as a budget presenting

- the purposes and objectives for which funds are requested
- the cost of the programmes proposed to achieve the objectives, and
- the quantitative data measuring the accomplishments (of the previous financial year).

Cases of drawal of funds and keeping out of Govt accounts Panchayat Raj & Rural devel.depts.

The following information was provided by the initial PE expert who is a retired Accountant General of AP.

1994/95	Rs/Lacs
Rural Road maintenance	533.00
Share of state to form 5000 addl grps DWCRA	275.00
Road works	117.50

1995/96	Rs/lacs
II nd install. of matching grant, state share for 8 DRDO's	380.124
I st install. Of matching state share-recurring expenditure under TRYSEM to 8 DRDO's	57.06
State share of 5000 addl DWCRA grps	500.00
II nd matching state grant to 11 DRDO's for DPAP scheme	527.00
II nd install. Matching grant state share IRDP	504.19

(1 & 3 were done govt orders)

1996/97- NIL

1997-98 - n.a.

CAG commented that in the depts. test checked large amounts of govt. funds were being routinely transferred to personal deposit accounts of different corporations. Of Rs. 177,446 lakhs so deposited in the period 1995-98 Rest. 9,720 lakhs were deposited in March of these years.

The transfer of funds to PD accounts is being resorted to not only to avoid lapse of appropriations but also for unrestricted use over indefinite periods without treasury controls.

In CAG's Report on the accounts for 1998-9 it was reported that there was **abnormal delay in release of funds under Rural Employment Generation Programme**, such delays ranging from 19 to 229 days. In the period 1994-9 implementing agencies diverted Rs. 11,131 lakhs to items not related to the relevant projects.

7.2 Training and Capacity-Building/ Human Resources Development (HRD) and Monitoring and Evaluation (M&E) issues

The development of human resources is clearly one of the weakest link in the whole structure of PR& RD department. Some of the facets of HRM/ HRD as well as of monitoring and evaluation (M&E) in the rural development sector in the state are discussed below.

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Training and capacity building

Though there are no separate funds earmarked for capacity building of staff and that of the beneficiaries, several officials/staff of the Department at all levels have attended the training/capacity building programmes carried out by various institutes, noticeably the National Institute of Rural Development (NIRD), the AP Academy of Rural Development (APARD) and its affiliates (extension training centers) at various locations in the state.

APARD. During 1999-2000, 95 training programmes were conducted by APARD covering 3751 participants over 631 training days, and it is planned to conduct another 129 training programmes in 2000-2001 covering 4392 participants over 897 training days.

NIRD. As one of the leading national centers for rural development training, the Institute in 1998-99, conducted 132 training programmes covering 3197 participants, of which about 60% were Government officials and elected representatives of PRIs. The Institute, covers several topics ranging such as Management of financial systems in DRDAs, Orientation programme on JGSY, Rural employment and Rural development, etc.

Information about the quality of both APARD and NIRD training programmes could not be obtained during the review period.

Janmabhoomi Programme. Under the recently launched Janmabhoomi programme, there is specific provision for training and capacity building of functionaries of the programme at various levels. Training programmes will be organized for the government functionaries, elected representatives, social animators, NGO personnel, habitation/ward level volunteers, etc. Suitable training modules would be prepared for each set of stakeholder. District Resource Persons (DRPs) at the rate of 5 per district will be trained at the state headquarters every quarter who in turn will train the Nodal Officers and District Level Officers at the district headquarters. They will also train the Social Animators at the mandal level. This cycle of continuous training will be linked to each round of Janmabhoomi. Because of the very recent nature of the training programme, it is too early to judge about the impact of this training on skill-building of the participants.

Following the State Training Initiative (STI) of 1997, the GOAP has developed a new Apex training institution named the Dr. MCH Human Resource Development Institute of Andhra Pradesh which is to be developed as a centre of excellence for management in government, notably the envisaged SMART governance – i.e. government which is Simple, Moral, Accountable, Responsive and Transparent. Placed under the State Training Council chaired by the Chief Minister (CM), the institute has extended its mandate not only towards training of all GOAP staff also at regional and district levels but also towards training of all elected, nominated leaders and members of various categories of self-help groups, water user associations, joint forest management, youth groups etc. all of whom have access to public funds. Annual Training Action Plans based on Training Needs Identification (TNI) are to be developed covering 5 lakh plus public functionaries of state government annually, and in each GOAP department, 1.5% of the salary budget would be earmarked for training purposes. Departmental training Manuals are to include also the tentative plan for achieving the Vision 2020 objectives, and each level of functionaries is to develop Functionary training Manuals. 12 committees to formulate sectorwise action plans with time frame for implementing Vision 2020 have also been hosted by the institute which has also been designated to develop a Centre for Good Governance assisted by DFID and the World Bank.

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Monitoring and evaluation

The standard procedure for monitoring and evaluation of PR & RD programmes implemented at various levels is through the submission of 'Utilization Certificates' and 'Audit Reports', which in most instances is prepared by the same agency that has implemented the programme/project. On the basis of the audit reports and utilization certificates, further funds are released to these implementing agencies/ departments. At the utmost, this kind of monitoring system can see the inputs delivered by the responsible agency but impacts or outcomes of measures can not be established at this level.

In the 'Performance Budget' of PR & RD department in 2000-2001, the Government has mentioned that a separate Internal Audit Cell (IAC) would be established in the Commissionerate of Rural Development for conducting internal audit of DRDAs, and has approved an outlay of Rs 100 crores towards meeting the cost of staff working in the IAC³.

The evaluation of officials under the PR& RD department is undertaken by the administrative head at each level. For example, the CEO (Zilla Parishad), who is the Chairman of the ZP, writes the Annual confidential Report (ACR) of all the staff of ZP including the staff from other line departments like Executive Engineer (RWS).

The system appears to be more input than really impact oriented. Again, as these developments are rather new or just in the process of being implemented it is too early to judge about their effectiveness both in terms of improving the performance and as aids facilitating strategic decisions of the department as to where scarce resources should be allocated.

Janmabhoomi Programme. Under the Janmabhoomi Programme, there are specific guidelines for carrying out monitoring and evaluation at various levels. These guidelines specify the person/official who would be responsible for the monitoring activities and also specifies the manner and periodicity of these exercises. The reporting structure – right from the habitation level to the state level – has also been clearly defined under these guidelines. A special Janmabhoomi Information System (JIS) has been developed by the Planning Department which would be used at all levels under the programme.

In addition to the regular monitoring exercises, the State Level Monitoring Cell in the Planning Department would carry out concurrent evaluation of programmes, for mid-course corrections during the implementation. Apart from the monitoring guidelines, emphasis is also given to the evaluation of the processes/ programmes and their impacts, to be carried out by independent agencies and NGOs. This would be a good start for a truly impact and outcome oriented evaluation system but at the moment, the independent evaluations spelled out in the documents have not yet been translated sufficiently into practice.

Additional data required for further analysis comprise:

- recruitment policy in the department and its relation to job requirements
- performance indicators for officers in the department and existence of a formal system of appraisals
- existence of a formal system of setting targets for officials.

³ Source: Note on Performance Budget of PR & RD department 2000-2001, GoAP

7.3 Institutional and Decentralisation issues

Realizing that to reduce/ eradicate poverty, all socially weak and disadvantageous groups need to be brought into the mainstream of developmental activities, the 73rd Constitutional Amendment was affected. This was an important means of devolution of roles and powers and introduce a bottom up approach to developmental planning and implementation of programmes. In Andhra Pradesh, a three tier system of Panchayati Raj was constituted in 1994. Though some powers and responsibilities related to the developmental programmes aimed at reducing poverty have been passed on to these local level institutions, several lacunae in the system still exist which need to be addressed subsequently. In the following subsections, some important facets of the current practices in the PR & RD department have been discussed, some of which are positive while others can be termed as shortcomings:

- **Participation of local people.** In most of these programmes like the SGSY, the beneficiaries are identified in a village level meeting attended by the prospective beneficiaries, representatives of the bank, DRDA, Mandal officials, non-officials and village elders. The list of BPL families and Self Help Groups eligible for assistance under SGSY is approved by the Gram Sabha. Similarly, under the DPAP and DDP programmes, involvement of community is ensured by the formation of Watershed Association (which is registered under the Societies Act) and Watershed Committees. Further involvement of people is given by the need for conducting PRA exercises for preparation of implementation plans⁴.
- **Powers at local level.** In some Central Govt. assisted programmes the sanctioning powers have been assigned to local authorities viz. District Collector sanctions the National Social Assistance Programme, RDO or Sub-Collector sanctions the National Old Age Pension Scheme, the Mandal Revenue Officer sanctions the National Family Benefit Scheme and National Maternity Benefit Scheme is sanctioned by the Mandal Panchayat Development Officer. Similarly the District Collector is the implementation authority for Employment Assurance Scheme and Project Director, DRDA is the nodal agency.
- **Planning process.** Though under the Constitutional provisions, the planning process has to be decentralized and the local bodies like gram panchayats and mandal parishads are supposed to be involved, **the majority of the planning** (with exceptions to some programmes as already mentioned above) **is done at the district level** and that, too only by the DRDAs. The budget is given to the Zilla Parishads for distribution of funds to the lower bodies. The District Planning Committee has not yet been constituted in the state. The PRIs have no role in planning for the expenditure of the budget allocated to them. The State provides earmarked budgetary allocations for the activities in which they have to be spent.
- **Resource allocation.** While Zilla Parishads are financially autonomous, the lower two bodies, mandal parishads and gram panchayats are not, and they are subordinates to the ZPs. The Government however, provides some grants in-aid directly to the PRIs and DRDAs separately.
- **Devolution of powers.** In addition to the Panchayati Raj institutions, there are several departments like DRDA, SC & ST welfare corporations, BC welfare corporations, etc. involved in poverty alleviation programmes. To initiate steps for devolution of more powers to the local bodies, a committee has been constituted comprising Principal Secretary, PR & RD Department, MLAs, and heads of the departments.
- **Janmabhoomi programme.** In principle, the Janmabhoomi programme embodies what the Vision 2020 document proposes regarding people's participation and empowering people. Promotion of grassroots organizations and strengthening of local bodies are two of the operationalising principles of Janmabhoomi programme. It is proposed that the people centred developmental process will be consolidated by participation of all people at the local level. At the lowest level (a habitation), the Habitation Level

⁴ Source: Note on Rural Development Programmes, PR & RD Department (undated)

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Committee with the approval of Gram Sabha (general body of the villagers) would prepare the Community Development Plans. The funds related to Janmabhoomi programme are also at the District level. The technical and administrative sanctions for activities under Janmabhoomi programme are to be sanctioned at different levels of officials, varying according to the expenditure involved.

Aspects of Good Governance

As the Taskforce on good governance has recommended, criteria for the selection of beneficiaries, including **lists of workers engaged in public wage employment schemes** such as JRY and EAS, are to be published on the local level governmental notice board and by communication to the media and NGOs in order to provide for transparency and accountability of these RD schemes aimed at the poorest. And while sanctioning a scheme, the criteria for **selection of each category of beneficiaries under each scheme** should be spelled out clearly by the local government and be publicised as widely as possible. Another recommendation which can be endorsed by the consultants is that if the number of persons fulfilling the criteria are more than the beneficiaries to be selected, persons should be selected by drawing lots in an open forum. Also **lists of families receiving multiple benefits** should be published prominently, and the GOAP could consider to restructure the benefits only to those following the small family norm. These measures would not only contribute towards enhanced transparency and accountability but also towards increased cost effectiveness by phasing out of duplication and better targeting of RD and other neighbouring departmental programmes and schemes implemented at the local levels.

Strengthening of Local Bodies

Many constructive and far-reaching recommendations (and some less so) covering all aspects of strengthening the system of local government in AP have been made by the respective Cabinet Sub-Committee⁵ recently which only need to be implemented by issuing government orders on their behalf. Some of these recommendations which are highly pertinent to our review will be summarised in the following:

Institutional (non-financial)

- DRDA will be merged with Zilla Parishads in the medium term; Panchayat Raj engineering wing at district level to be brought under Zilla Parishad
- Identification of all beneficiaries for all schemes by Gram Sabhas and publication of list of beneficiaries; set up of beneficiary committees at GS level
- Conduct of technical feasibility studies for important projects
- Development functions which Gram Sabhas are able to meaningfully implement should be entrusted to them wherever feasible (subsidiarity principle), however concerned departments and Mandal parishads should still identify schemes and implement them (?)
- Village Development Officers (VDO) Training Centres be re-designated as extension training centres for Panchayat Raj and Rural Development
- Extension officers for co-operation, panchayats, social welfare, women & child welfare, industries, education to be brought under mandal Parishad (?); all officers at village or group of village level will be pooled with at least (only?) one officer posted at each Gram Panchayat as GP Development Officer

⁵ See: A. Madhava Reddy, Committee Report on Local Bodies, Vision 2020, n.d. GOAP Hyderabad

- Certain services in Gram Panchayats including sanitation (?) to be privatised to minimise permanent establishment liability

Financial

- Provisions in the budget for departmental schemes to be transferred to PRIs "as and when the schemes under 29 subjects in schedule XI to the Constitution are transferred to them" (?)
- 40% of total tax and non-tax revenue of state government may be devolved to local bodies; backwardness is proposed as criterion (?) as follows: 15% for advanced areas, 20% for ordinary areas, 25% for backward areas, and 40% for tribal areas; global sharing is preferred by the state, i.e. giving a share of total revenues (tax and non-tax) instead of giving a percentage of individual taxes and non-tax revenue
- system of approval of government to be done away with and state should issue extensive guidelines for preparation of local budgets and fix indicative range of allocation for priority items of work (?)
- all habitations with a population of more than 1,000 should be provided with black-topped rural roads and the RRM, MNP, NABARD and World Bank rural roads programmes should be reoriented in this direction, while the financial gap thus created would be filled by matching funds taken from Janmabhoomi and JGSY funds (?)

Discussion: Only Kerala and Madhya Pradesh have issued orders to transfer some of the departments to PRI level so far as the central state level normally wishes to keep control. One of the greatest deficiencies in the present system lies in the fact that under current practice, planning is done only at district level leaving out the involvement of Gram Sabha and Gram Panchayat mostly, and even at district level mostly only by DRDA leaving out mostly the electorate and elected representatives. Another deficiency is that in the scheduled areas of AP, no Panchayati Raj system was set up so far. Basically, PRIs also have no role to play in planning or preparation of budgets what is in the hands of DRDA and district collector. And Gram Panchayats and Mandal Parishads are treated much as subordinates of Zilla Parishads which in turn are politically dominated by a state minister appointed as the minister for the district and thus bringing in the influence of the respective political party. Some of the other problems (organic linkage of the three tier system, avoidance of duplication of representation etc.⁶) will be resolved through the recommendations of the CSC cited above.

7.4 Social policy and poverty reduction

Unlike some of the other departments, the Panchayati Raj and Rural Development Department has an explicit focus on social policy and poverty reduction. As pointed out earlier, however the sector of RD can not be expected to reduce rural poverty alone as it is intricately linked to so many other departments involved in developing rural areas. The following trends in poverty reduction and social sector development, nevertheless, show that Andhra Pradesh has a long way to go in reducing poverty and improving the social sector⁷. This section covers issues relating to social policy and poverty reduction and cross cutting issues.

In terms of *income poverty*, using the headcount ratio (percentage of population below the poverty line) as a measure of rural poverty, Andhra Pradesh compares relatively well with India as a whole, and with other selected states. The estimates of poverty ratios based on the Expert Group (Lakadawala Committee) shows that there has been significant reduction in rural poverty in Andhra Pradesh, from 48.4 % in 1973-74 to 15.9 in

⁶ See Jain et al. NIRD 2000

⁷ These are based on (a) Report of the Rural Poverty Reduction Task Force and (b) White paper on poverty reduction

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1993-94. The rural poverty ratio in Andhra Pradesh was less than half of that of all India in 1993-94. On the other hand, other estimates of rural income poverty incidence suggest a significantly higher head count ratio in rural Andhra Pradesh. In a study on prices and poverty in India, Deaton (1999) estimates unit prices for different states for the years 1987-88 and 1993-94. According to Deaton's estimates, rural poverty ratio for Andhra Pradesh ranges from 29 to 33 % in 1993-94. This is closer to another estimate made by Datt (1998). Datt estimated that the rural head count ratio was 29 % in Andhra Pradesh. The GoAP has also been using a higher poverty line (Rs. 187 in 1993-94). Based on this poverty line the rural head count ratio comes to around 27% in 1993-94.

Other economic indicators also suggest that rural poverty in terms of relative deprivation and under development is more prevalent in rural Andhra Pradesh than suggested by Government of India's (GoI) official numbers. There has been stagnation in the growth of non-farm employment and decline in the growth of real wages in the 1990s. While severe malnutrition in Andhra Pradesh has decreased by 10 percent points during the past 20 years, the aggregate levels of moderate malnutrition more or less remained constant. Andhra Pradesh has still one of the lowest levels of nutrition in southern Indian states

Relative deprivation and under development in rural Andhra Pradesh seems even more adverse if we consider *non-income indicators* like literacy and infant mortality. The pace of decline in infant mortality in AP has been lower than in any of the other southern states. Also, AP does not compare well in relation to India as a whole and with the other southern states when literacy and female literacy indicators are considered. In addition, in terms of school attendance rates in rural areas, AP is ranking low, particularly for the group of children aged 11 to 13. On an average only 35 percent of the State's children complete elementary education. Among SCs and STs, the drop out rate is even higher-as much as 73 percent and 82 percent respectively. Around 76% of rural females were illiterate in AP in 1991. Only 16% of SC females and 7% of the tribal female population in rural areas were literate in 1991. The poor education indicators are of concern as this cohort of the rural population will find it difficult to meet the skill requirements of jobs being created in the non-farm economy in the future.

Significant regional disparities in relative deprivation and under development can be identified in Andhra Pradesh. The rural poverty ratio varies from 13.5 % in Karimnagar to 40.8 % in Vizayanagaram. Female literacy varies from 47% in West Godavari to 18% in Mahbubnagar, while infant mortality varies from 30 in Krishna district to 99 in Vizayanagaram. The ranks for rural poverty and the other two indicators show that there is no perfect correlation among these three variables. The bottom 10 districts for these three indicators show that six districts are common. These are: Vizayanagaram, Mahbubnagar, Srikakulam, Nalgonda, Kurnool and Warangal. Apart from these Ananthapur, Adilabad and Visakhapatnam also figure in the bottom at least in two indicators.

Agriculture: Trends and Policy Issues

While the vision 2020 document envisaged agriculture growing at 6 percent per annum, the trend rate of growth in the 1990s has been very modest over the past two decades. In the 1990s, the agricultural sector grew at 2.5% per annum, well below the corresponding India average of 3.6% per annum. Faced with a population growth of about 2.2% per annum over the same period, per capita agricultural growth in the state has stagnated. Since agriculture continues to be the most important source of employment and income generation in rural areas, weak performance in the sector is a major concern for future poverty reduction in the

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state. Fostering conditions for growth in the rural areas has to be a central pillar of the overall strategy for poverty reduction.

The 1990s can be characterized as a decade of declining real investment in agriculture. During the 1990s total investment (public and private) in Andhra agriculture *decreased* at a rate of 1.9% per annum in real terms. This is contrary to the trend at the All India level where although agricultural public investment declined in real terms, increased private investment more than made up with the net result being an increase of 4.5% per annum in real terms. The decrease in investment in AP, particularly the stagnation in public capital expenditures on irrigation, is an important explanatory factor behind slow agricultural growth, and unless speedily corrected, does not augur well for future agricultural growth. **Public investments are being crowded out by the rising subsidy bill.**

Two plausible factors seem to explain the **declining rate of private investment in agriculture**. First, the structure of land holdings is undergoing dramatic changes. The average size of the holding has declined very fast, and given the rigidities of tenancy laws, investments on informal tenant holdings suffer. Uncertain tenancy relations further discourage private investment, credit availability and may adversely impact sustainability of Water User Associations (WUAs). Second, the incentives to cultivators of crops like cotton, groundnut and rice seem to be coming under increasing pressure in the wake of import liberalization (of cotton and edible oils) on the one hand and the very regulated domestic market of rice, on the other.

An important reason behind the slow agricultural growth in the state is the slowdown in the growth in rice production (from 2.6% to 1.5% per annum) and productivity (which has halved from 2.1% to 1.2% per annum) in the 1990s as compared to the 1980s. While slowdown in the growth in rice production in the 1990s is a national phenomenon, growth in Andhra is the lowest among the five major rice producing states. The incentive environment for rice marketing may be pulling down productivity growth in Andhra. Taxes imposed by the regulated markets on paddy sales further dampen producer incentives. On the positive side, considerable potential exists for improving rice productivity. The profitability of groundnuts and cotton the other two most important crops of Andhra's agriculture is under stress due to supply side and external factors. **The prospects for poultry, fisheries, dairying and horticulture remain robust** in Andhra Pradesh. These sub-sectors are growing at about 3 to 6 times the growth rates in the foodgrain sector. With rising per capita incomes in the country and increasing liberalization of world agro-commodities, there is even greater scope for the development of these components, which can help pull up the overall growth in agriculture

Service Provision and Poverty Reduction Programmes in Rural Areas

Education: Despite considerable success in increasing education coverage over the last decades, Andhra Pradesh has one of the lowest literacy rates in the country. Expenditures on education in Andhra Pradesh are low compared to national averages. Andhra Pradesh does not compare favorably with its neighboring states in its spending on education. The composition of spending on education is also not optimal. Compared with its neighboring states in Southern India, Andhra Pradesh has lower school enrollment and attendance rates, i.e. Andhra Pradesh faces a considerable problem of school drop-outs. It seems apparent that there are concerns about the quality of the education system in the state.

Health and Nutrition: Infant mortality rates in the rural areas are still high, and fertility decline in rural areas continues to be slow. Malnutrition has been high. The Integrated Child Development Services (ICDS)

Program will be universalized in all blocks in the state by the end of the implementation of the Andhra Pradesh Economic Restructuring Project (APERP)-Nutrition component.

Anti-poverty Programmes: Malnutrition is still a problem in rural Andhra Pradesh notwithstanding the existence of a comprehensive public food distribution system. The rice subsidy scheme is not targeted. GoAP recognizes 11.31 million families, equivalent to 77% of the state's population, as being below the poverty line (BPL), which is three times Gol's estimates. There are more ration cards in the state than there are families. Regarding employment schemes, The contribution of EAS to creating rural employment is minimal. However, EAS is reasonably well targeted. In terms of employment creation, the impact of JRY is also minimal.

Social Mobilization and Empowerment: Women's Self-help Groups are an undoubted success story in Andhra Pradesh and have formed a central element in the State's mobilization and community empowerment exercise. The latest evaluation, on the basis of a SWOT-analysis performed in 7 districts (East Godavari, Kurnool, Mahabubnagar, Nalgonda, Nellore, Prakasam, and Ranga Reddy) provides for some interesting material. Some key findings are that loan recovery rates are 89% on group loans, future security is becoming a more important purpose for the women to be active within the group, that dependency on moneylenders seems to be declining and, particularly, there is a gradual shift from consumption loans to productive loans. On the other hand, anecdotal evidence suggests that most of the loans and savings are being used for consumptive purposes (i.e., health, education and marriages). This needs to be further investigated.

JFM: Andhra Pradesh has taken bold steps to demonstrate that a convergence of conservation and development objectives can be achieved through Joint Forest Management (JFM). Pursuing one of the most proactive JFM programs in India the state has committed 100% of forest production to the forest user groups. Widespread implementation of JFM is leading to an increased flow (both value and volume) of forest products to communities and an increase in environmental benefits resulting from improved forest condition (principally with respect to soil and water regimes). Formation of JFM Committees in Andhra Pradesh has successfully targeted remote and under-served communities, in particular tribal populations.

The *Janmabhoomi* program in Andhra Pradesh is unique as a people-centered development process. As such, the Janmabhoomi process indeed can be regarded as an innovative approach towards good governance. There seems to be a consensus that the Janmabhoomi process has to be regarded positively mainly because it provides an opportunity for direct interaction between government officials and the people. An evaluation of the Janmabhoomi program by an independent agency programme is necessary.

Area development on a watershed basis is a key program of the Government for employment generation and poverty reduction. A 10 year action plan aimed at treating 10 million hectares using a participatory process over the next ten years (1998-2007) has been initiated in the state. So far about 2 million hectares have been treated. The Government is just embarking on a British Department For International Development (DFID) programme in five districts which will aim to address some of the shortcomings of the existing watershed programme in the areas of strengthening participatory processes and providing sustained capacity building for the community based organizations involved in watershed management. Watershed programs can be successful in harmonizing the use of water, soil, forest and pasture resources, particularly in the rain-fed areas of the state to raise agricultural productivity. Consequently, they offer an opportunity to increase growth and reduce poverty in a sustainable way.

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Expenditure Policy Issues Impacting on Poverty Reduction

Public expenditures in Andhra Pradesh emphasize welfare measures and other subsidies and neglect long-term investments in education and growth oriented measures. One of the most obvious finding is the fact that Andhra Pradesh spends considerable less than other states on education. Moreover, while expenditures on economic services are above the country's average, this is **mostly due to inefficient subsidies in the irrigation and power sectors**, which are now being reformed. **Expenditure on agriculture and rural development are below average.**

Some of the welfare and Anti-poverty Programmes (PAPs) crowd out long term investments. Although many programmes exist, the major PAPs in the state are PDS, ICDS, EAS and JRY accounting for more than 90 % of total expenditures. Around 64 % of the total expenditure on anti-poverty programs was on PDS alone.

Fiscal decentralization in Andhra Pradesh is still in an infant stage and leaves the PRIs virtually powerless. Although the state government recognizes the need for, and supports increased participation in the provision of local public goods and services, it largely neglects PRIs where fiscal transfers are concerned.

Recommendations and Future Directions Given by the Rural Poverty Reduction Task Force

Eradication of poverty is a primary aim of the Vision 2020 document and Andhra Pradesh faces a number of challenges in achieving this aim. In the following, the main recommendations of the rural poverty reduction task force are summarised from the perspective of the review team.

Self help Groups and Social Mobilization: The basic strategy for **removal of rural poverty in A.P. should revolve around women's self help groups**. There are two main reasons to start with the women-oriented activities in social mobilisation. Firstly because women groups form a very central element in the entire mobilisation exercise and secondly because the, certainly in quantitative sense, successful women groups can be regarded as the source from which at later stages other (sectoral) oriented groups at village-level have been set up (i.e., Joint Forest Management groups, Water Users Associations, Youth Groups, School Education Committees, Watershed Development Committees, and the recently introduced Mothers Committees). The Women Self Help Groups (WSHG) programme of the Andhra Pradesh government finds its origin in the central DWCRA scheme as well as in the struggle for prohibition in the state during the early 1990s.

Capacity building of self-help groups should form the main element of the strategy for reduction in rural poverty. These will be focused on:

- Formation and nurturing of new groups and strengthening of existing groups of poor through provision of capacity building support to enable them to become viable economic and social entities capable of accessing commercial credit for their activities
- Awareness campaigns to promote hygiene, sanitation, functional literacy, sensitising to social evils like child labour and child marriages and means of accessing public services
- Training and support of para professionals in the fields of choice of the poor (primary health, primary education, agriculture, animal husbandry, horticulture, forestry etc.)
- Capacity building to other self help groups in the village level i.e. the school committees, Mothers committees, watershed development committees and the vana samrakshana samiti to enable their optimal functioning and to enable the poor to have an equitable stake in these institutions

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- Training and support for all stakeholders (Gram Panchayats, Line Departments, NGOs)
- Encourage formation of federations of self help groups at village/Mandal levels to enable them to take activities of higher critical mass.

The strategy would be to adopt a flexible approach depending on the strengths of the village-based groups to handle their own affairs and take development in their own hands. The self help groups would demand services from line departments like agriculture, industry, health, education etc.

Income generation and Improvement in Services for the poor: The poor, particularly the poorest, have limited scope and opportunities to enhance their incomes within the existing customary behaviour. This is primarily due to the poor, being resource-less or resource poor. A group of activities are planned, via public and private works, to ensure that managerial and financial skills, employment opportunities, and the enhancement of members' income, are facilitated at the individual, the community and the institutional levels in a sustained manner.

Community Investment Funds (CIF) will be created under District Poverty Initiative Project and other related projects. The funds for poverty alleviation would cover economic (agriculture, allied and non-agriculture) and social needs (education, health, drinking water etc). The major objective of this intervention is to enable optimal utilisation of the natural resources under the control of the poor. This intervention will enable the poor to access commons (wastelands, forests, grazing lands, tanks, etc) and through microplanning and capacity building enable optimal returns from them.

A series of opportunities would be created as part of this intervention and they are grouped as follows:

- Improved access to public social services. Health, education, childcare, etc. To effectively implement this objective, para-professionals will be identified and trained to provide awareness, motivation and support to enable members and groups to access as well as manage public social services such as health, education, and existing government schemes that are meant for them.
- Group based income generating investments: Land and water management programmes, improved production or marketing of commodities (Crop, Horticulture, Animal Husbandry and Sericulture based farming systems of importance), access to commons and optimal management of commons, etc. Forward and backward linkages for these activities, skill training, production and marketing will be developed. Linkages with credit institutions or use of seed capital will enable the initiation and the expansion of existing activities to take place.
- Small scale community infrastructure: Multi-purpose community halls, expansion of local school facilities, drinking water supplied through individual hand-pumps, individual household latrines and community drainage systems, etc.
- Innovative schemes. It may be recognised that poverty is a multi-dimensional phenomenon. At present there is a paucity of proven models to demonstrate how the poor can effectively access, on a large scale, public services like health, education, nutrition, etc. and a mix of public and private service providers in the areas of agriculture, horticulture, forest produce, marketing, etc. The poverty alleviation projects would fund innovative initiatives, which could be based on successful small-scale initiatives of N.G.Os, which would enable the poor to access public and private services in a cost effective manner.

Geographical targeting: Given the self help group approach, geographical targeting is a possible way to allocate resources for poverty reduction, particularly in an environment of fiscal stress. One advantage of geographical targeting is that it can be used to bring about a convergence of a wide range of interventions from

investment in infrastructure, provision of public health, education services, etc. Also, by attempting to include the poorest mandals in poorer districts, geographical targeting is likely to increase the proportion of the poor who are covered by these programs.

Agricultural Growth: Accelerating agricultural growth will require major policy shifts. Firstly, the ongoing attempts to recover power and water charges must continue. Second, the incentive environment for rice marketing must be improved by reducing, the levy imposed on millers, initially by half, market taxes and eliminating movement and stocking restrictions in paddy and rice. Third, the legal framework for land leasing should be re-examined to encourage land leasing and land registration with adequate safeguards for landlord/tenants such as clearly defined and enforceable lease contracts.

Accelerating agricultural growth will require the promotion of private sector investment. Investments would be required in such areas as cold stores, cold chains, forward contracting, etc. The government role in this segment could be that of a facilitator, first by removing whatever hurdles exist in attracting large scale private investments.

The rural poverty reduction strategies should focus on natural resource management and agricultural growth in the drought-prone/rainfed areas of the state. Water scarcity should be the guiding principle in determining priority areas of targeting as water is the limiting factor influencing economic and human development in many parts of Andhra.

Micro Water-shed development with Equity: The twin objectives of natural resource management and growth in rainfed agricultural productivity in a participatory manner using the micro watershed as the basis for planning. This initiative is proposed on the following grounds:

- Protect the poor communities from adverse climatic conditions. Even though adverse climatic conditions affect everybody, the poor who have the lowest capacity to absorb the shock have to bear the brunt of it. Micro-watershed works would contribute to ecology development as well as insulate communities against climatic shock such as droughts, erratic distribution of rainfall and excess rainfall. In the long term, this intervention itself will provide for crop assurance because of the reliability of the water supply, resulting from the improvement in surface water supply and the ground water-table level.
- Water scarcity is a serious constraint for the poor and has a major impact on the productivity of their resources
- Enhance employment opportunities. This will enhance opportunities for work, for the poor and particularly the poorest. Directly, during the execution of the works and indirectly afterwards, as there will be optimum use of land and water and therefore the need for extra manpower. It would also expand the scope of employment and income by way of the engagement of people in allied agricultural activities such as dairy, fisheries, poultry and sericulture where feasible. To support these new initiatives the para-professionals will provide extension support.
- The support for micro-watershed development will be routed through the SHGs /V.Os of the poor to ensure that the works taken up are demand driven and based on their felt needs thereby ensuring better targeting of the interventions in favour of the poor.

One important concern in watershed development is the equitable distribution of the benefits of land and water resources development and the consequent biomass production. Public investment of a large magnitude is being made in both private lands and in common public property but the benefits are skewed in favour of the

landed farmers and against the landless poor. The right of each individual in the village to an equitable share of the common lands, forest and water resources of the village regardless of his individual private land holding would have to be recognised. This will need to be addressed either through legislation or effective enforceable social contract. Appropriate institutional arrangements for meeting this concern will have to be created

The discussion in this section also shows that the views of the poor are taken into account during the design and delivery of programmes although lot of improvements are needed. Some of the programmes also have good monitoring and evaluation systems. In the recent World Bank funded DPIP (District Poverty Initiative Programme) lot of emphasis is given to monitoring and evaluation.

7.5 Cross-sectoral planning/ cross-cutting issues

In the following, some cross-cutting issues will be discussed which have emerged from our analysis of the various rural development programme components.

Eradicating poverty

The Vision 20/20 document lays major emphasis on eradicating poverty and strengthening social welfare services in the state. Better targeting of the Public Distribution System (PDS) is one of the key areas in this exercise. The new initiative of Targeted PDS (TPDS) to reach the poorest of the poor would be more effective with linkages to grassroots PRI institutions, who would be most suitable to identify the right beneficiaries.

Employment generation schemes and WSD

Most of the employment generation schemes like SGSY, EAS, etc., Watershed development programmes like DPAP need to have linkages with other departments like Power/ energy, Forestry, Agriculture, Horticulture, Animal husbandry, Khadi & Village Industries Commission, etc. In the DPAP and DDP programmes, the Project Directors form a multi disciplinary team of officials from these various departments to assist in watershed development planning and implementation. Linkages would also have to be established with banks, financial institutions, etc. for credits, interest rates, selection/ approval norms, etc.

Minor irrigation, rural water supply schemes

Minor irrigation by its very nature would have linkages with the agricultural and horticultural departments, to determine the extent of coverage required and quantity of water that need to be delivered. For larger comprehensive rural water supply schemes, linkages need to be established with the power department.

Information technology

As laid out in the Vision 20/20 document, universal tele-connectivity has been planned with value-added IT facilities. Information technology would play a vital role in almost all facets of development from raising awareness to making informed choices and decisions. IT could also be used for providing education, training, health services, etc. in remote rural areas.

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Other cross-sectoral issues

Increasing agricultural production and increasing employment opportunities in rural areas by focusing on/ promoting service sector in rural areas: The Vision 20/20 document also lays emphasis on focusing on eradication of poverty and reaching the poorest of the poor. These two approaches may not be suitable in the same area. **A location specific strategy would need to be developed** and implemented accordingly.

Duplication of roles and responsibilities: DRDA and Zilla Parishads perform several similar functions and have separate funds. Similarly, the roles and responsibilities of the Project Directors of DRDA and that of DPAP/DDP are very similar. The recently launched Janmabhoomi programme, has another parallel implementation and monitoring institutional structure.

Outlook

Although it is not possible to adequately look at the complex of cross-sectoral issues here, it is important to emphasise that the cost of not doing this when attempting to make strategic resource allocation decisions across government departments could be high for GOAP. It would be **necessary to examine expenditure of RD and other departments operating in the rural areas** such as agriculture, irrigation, education and health jointly in order to identify systematically linkages and opportunities to generate synergies or in order to streamline duplications and overlapping between departmental programmes. This task, however could not be undertaken within the framework of this sectoral review. AP-IER will, however comprise a **summary and synopsis of the individual sectoral reviews into one synthesis document by OPM which could include such an analysis.**

On the positive side, it can be supported by this review what the GOAP recently embarked upon as a fruitful way to streamline, consolidate/ converge various rural and natural resource development related programmes and schemes into a **unifying concept of watershed development**, i.e. 10 year perspective development plan for development of 100 lakh hectares of wastelands through watershed development for 12 drought prone AP districts.

<u>Department</u>	<u>Area (lakh ha)</u>	<u>Outlays (Rs. crores)</u>
Agriculture	11.00	330.00
Rural Development	6.00	120.00
DPAP/ EAS/ IWDP	56.52	2260.80
40% of EAS i non DPAP blocks	22.00	440.00
Horticulture under EAS/ DPA	2.00	200.00
Externally aided wasteland development projects	3.88	388.00
World Bank hazard mitigation project	0.50	20.00
Total	100.00	3758.80

Multi Disciplinary Teams (MDTs) to be formed in each district will comprise the various departments involved such as rural development, agriculture, forestry, minor irrigation, horticulture, animal husbandry, etc.

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At local level, watershed committees and watershed associations are to be formed. A typical watershed area would comprise a minimum of 500 ha and be allocated an amount of at least Rs. 4,000.- per ha what was found to be the average cost in previous schemes. This amount, however could be upscaled to Rs. 7,000, particularly in semi-arid areas. Soil conservation works on private land would call for a 10% cost sharing by the individual farmer, 5% in case of SC, ST and BPL farmers (2 ha maximum), and 25% cost sharing for next 2 ha. And 50% for landholdings treated above 4 ha. All landholders would contribute annually Rs. 10.-, in the case of landless, leaseholders through SHGs to be formed for them. Following the example of DFID's rural livelihoods project, district capacity building centres (possibly in existing TTDCs) would be formed for training and capacity building of beneficiaries and service providers. The projects would last 4 years with the first year being used for capacity building and entry point activities.

The concept is one of **convergence**, notably between the three key departments involved, i.e. agriculture, rural development, forestry but also the other departments involved in watershed development, i.e. animal husbandry, horticulture, ground water, Panchayat Raj, engineering, etc. The Cabinet Sub-Committee on Natural Resources Development⁸ recommends not to merge the three key departments as they are vested with regulatory powers but to follow a broad based **mission approach** (like the one on drinking water) instead which would also call for a streamlining and convergence of any duplicative mechanisms in the departments concerned. In the view of this review mission, such an approach to converge existing rural development and neighbouring departmental programmes under a broader strategy such as in watershed development seems to be an excellent way to reach at the desired concentration of scarce resources if well targeted on reaching the poorer strata of the rural population.

To the extent, such an approach is already followed in previous watershed development and other RD programmes by the project directors (PD) of DPAP and DRDA.

While the DPAP PD is charged with preparing an **annual plan on land based development** programmes in each district including technical departments like agriculture, animal husbandry, sericulture, forestry, non conventional energy, horticulture, ground water, etc. in relation to the main RD schemes such as wage employment, watershed development, SHGs and the "convergence of all poverty alleviation programmes in the watershed [model] villages" (departmental job description), the PD DRDA develops a **perspective plan for poverty alleviation** for each district including the same neighbouring technical line departments involved and in relation to the same self and wage employment, women SHG and watershed RD programmes.

Vision 2020, under "Transforming Agriculture", also emphasises the need to *productive use of waste and marginal lands* and proposes to set up a business entity with GOAP equity share for **land distribution to landless labourers**. AP records 80.7 % of small and marginal farmers while there are large extents of cultivable fallow lands (total of 5.25 million ha wastelands, 4.61 million ha degraded dry lands and 1.3 million ha degraded forest reserve area) belonging to large farmers (mostly absentee landlords calling for land reforms⁹ including leasing of these lands to SHGs.

⁸ Swarna Andhra Pradesh, Recommendations of Cabinet Sub Committee on Natural Resources Development, GOAP Hyderabad May 2000, pp. 18-24

⁹ Cabinet Sub-Committee on Employment Generation and Manpower Planning, Draft Status Report, GOAP n.d., p. 6, p. 21

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The challenge to bring large masses of rural poor into employment and out of poverty remains the overriding concern of both GOAP and the international donor community. Based on 1993-94 figures, it is estimated that 27.9 lakh BPL families reside in rural areas (average of low estimate by NSS and high estimate by RDD). The same estimate would lead to a population increase of +9% until 1999 what would amount to 30.41 lakh rural BPL families in 1999, 63% of which are calculated as working population amounting to 19.15 lakh families or 95.79 lakh BPL working population (assuming a household size of 5). It is estimated that 29% of population or 195.16 lakh depend on agriculture out of government sponsored programmes and that current employment generation is 12.49 lakh mandays and 5,332 lakh mandays for the farmers sector. Assuming that the agriculture sector would generate 944 lakh mandays by 2020 at the rate of 200 mandays per person, 4.72 lakh persons could be employed in the agriculture sector by 2020¹⁰.

Projections are also made as to how many lakh mandays would need to be generated in various natural resource development sectors, including integrated watershed development (increase from 300.00 to 1,605.00 needed), forestry (increase from 100.00 to 3,700.00 needed) in order to meet the Vision 2020 goals. Similar projections are made for self-employment needs, infrastructure etc. By all standards, the needs are huge, and in the area of RD, large investments in stepped up watershed development, wasteland development, SHGs, and improved coverage of existing schemes like EAS, SGSY, JRY, plus an increase in labour intensive rural infrastructure through public works/ wage employment are needed. All of these need to be planned and implemented on an inter-departmental basis through mission like undertakings across sectors and existing line departments in order to tackle the problems and to reach at synergy effects.

¹⁰ op.cit. p. 24, p. 29

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8. Conclusions and Recommendations

8.1 Conclusions

The subject of rural development encompasses a very broad canvas and as such the activities/ programmes of Panchayati Raj and Rural Development Department cannot be studied in isolation to their cross-linking implications with programmes being implemented under the purview of other departments.

Under the PR and RD department, itself there is duplicity in roles and responsibilities, e.g. DRDA, Zilla Parishads and DPAP/DDP.

With the amalgamation of several schemes like IRDP, TRYSEM, DWCRA, etc. into one single scheme SGSY has been a positive step in reducing duplicity of programmes and targeting the appropriate beneficiaries.

Programmes with the PR & RD department like rural roads, water supply, employment generation, watershed development, etc. have helped in reducing the poverty level, by creating assets, increasing productivity levels and better access to markets.

Various populist schemes started by the Government, noticeably subsidized rice scheme have resulted in huge drain on financial resources of the state, without addressing the core issue of reducing/ removing poverty. This also brings us to the larger (and more serious) issue of political compulsions overriding the economics of welfare.

In order to achieve the mammoth targets set out in the Vision 20/20 document, the Government would have to clearly outline the short term, medium term and long term policies and strategies, clearly indicating the milestones, responsible departments, evaluation/ monitoring standards, etc.

The Report of the Rural Poverty Reduction Task Force covers wider areas than the programmes under PR& RD department. The report covers agriculture, health and education apart from the poverty alleviation programmes. The report provides three recommendations: (a) Increase in agricultural growth ; (b) geographical targeting and (c) holistic approach like convergence of programmes across sectors. It also recommends **better targeting of public distribution system (PDS)**.

There is some evidence at least that the Rural Poverty Task Force recommendations are emerging in practice, such as in the case of the on reform of PDS, **geographical targeting**, agricultural marketing and removal of grain storage and transport restrictions. At least the bureaucracy could be sensitized regarding human development (health and education) and poverty. Also, **convergence of departments regarding poverty** was recommended, and there seems to be some move regarding this in the recent strategy papers.

The fact that this study was initiated by the GoAP, itself signifies the importance that the Government accords to improving the situation in rural areas, eradicating poverty and introducing reforms in expenditure management and improving fiscal position. The programmes under the PR & RD department

are focused towards achieving the goals of Vision 20/20, viz, eradicating poverty, providing infrastructural support for better livelihoods, etc. However, there is need to streamline the delivery mechanism of these programmes and increased participation of various stakeholders in the processes of planning and implementation.

There is a need to introduce mechanisms for evaluation and monitoring of both officials and programmes for assessing the efficiency/ impact and taking corrective measures. The study also concludes that a more detailed and in-depth field base study is required for more concrete suggestions regarding cost-cutting measures and improving efficiency of delivery mechanism and institutions.

8.2 Recommendations

8.2.1 Follow-up on Specific TOR

While most of the specific issues to be studied as listed in the TOR will need to be explored detailedly during phase 2 of the review, some of these issues could already be covered (at least to some extent) during phase 1. In the following, the status of achievement during phase 1 and/ or recommended activity for phase 2 are outlined. However, recently some doubt was cast on the possibility of a phase 2 by DFIDI.

Specific ToR

- Evaluation of the ongoing public services and programmes, particularly the employment generation programmes under Jawahar Gram Samridhi Yojna, Employment Assurance Scheme, Swarnajayanti Gram Swarazgor Yojna, and watershed programmes under DPAP, DDP, IWDP
This analysis was carried out at some depth, see chapter 3.3
- Examine the reports of four task forces (rural poverty, urban poverty, women's empowerment, governance), Vision 2020, and the IBRD Report on poverty and consolidate in one document the recommendations made in these documents for improving the impact of programmes within a financially sustainable framework
This analysis was carried out at some depth, see chapter 7.4
- Analyse policies and mechanisms for recovery of loans
Needs detailed analysis of NABARD procedures and other financial service providers in micro-credit
- Examine the feasibility of replacing the current loan-based asset creation with sustainable self-financing micro finance programme
Needs detailed analysis of NABARD procedures and other financial service providers in micro-credit
- Identify need for skill up gradation of rural artisans, micro-credit agencies, micro enterprises, and in the area of marketing for the different target groups, especially the women Self Help Groups
Needs detailed analysis of operations of training institutions, NGOs and financial service providers in micro-credit
- Study the time lag between resource allocation and its disbursement and determine whether the projects get funds in time and when required
Needs in-depth interaction with departments and best also field studies of actual performance
- Manpower planning at the level of gram panchayats and zilla parishads with a focus on "training in financial prudence, building administrative skills and increasing IT literacy."⁶

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Needs in-depth interaction with departments, training institutions and best also field studies of actual performance.

Issues could be covered during phase 2 review which would include field case studies.

Further recommendations for Phase 2

- A detailed study the cross-cutting issues and inter-linkages between various Departments' programmes, and suggest measures to streamline these programmes in consonance with the overall objectives of Vision 20/20. The emphasis would be on co-ordinated planning and implmentation, so as to reduce duplicity of prgrammes addressing similar issues, resulting in cost savings without affecting the overall objective.
- Detailed study of expenditure management issues like tendering, sanctions, approvals, reduction in time lag of release of funds, etc.
- To study the impacts of the programmes implemented by PR & RD Department, a field level study is required where sample projects implemented under some important programmes like SGSY and watershed development programmes (DPAP) would be evaluated in detail to assess their impacts on rural poverty and livelihoods, and also to ascertain to what extent are these services demand driven.
- This study would also look into the policies and mechanisms for loan recovery – role of agencies like NGOs, CBOs, etc.
- A detailed study of the NGO/ CBO sector in Andhra Pradesh to suggest measures for strengthening them and increasing their participation in delivery mechanisms of rural development programmes.
- Perceptions of officials at all levels is required to make concrete suggestions regarding more effective implementation procedures and roles & responsibilities at respective levels of PRI institutions (micro level manpower planning).
- Issues related to privatization of some programmes like rural roads, provision of drinking water, with increasing users' stakes and their implications would be studied in detail.

Water and sanitation programmes

- Review of system for recovery of capital costs
Needs in-depth interaction with departmental engineering wing and private sector (contractors association), best also field study of concrete performance
- Examination of the operations and maintenance system and suggest ways to make this self-sustaining
General facts based on departmental meetings and analysis of document were obtained but more in-depth study is needed (see previous comment)
- Suggestions for mechanisms for streamlining expenditure processes, for example, tender, sanctions, approvals etc. to facilitate timely expenditure and reduce time lag between resource allocation and resource use
Needs in-depth interaction with departmental engineering wing and private sector (contractors association), best also field study of concrete performance
- Examination of reasons for cost and time over-runs and suggest ways to address these to ensure timely project and financial closures
Needs in-depth interaction with departmental engineering wing and private sector (contractors association), best also field study of concrete performance.
A separate review for this sub-sector is recommended.

Rural roads programmes

- Examination of the Government's Rural Roads Policy (December 1998) as covenant of APERP (emphasis on the provision of basic access, focus on maintenance, and development of district master plans) and the actual expenditure incurred in implementation of this policy
- Examination resource allocation system for rural roads from multiple sources and develop mechanisms to promote convergence and synergy among different resource allocation centres so that those investments become reinforcing in character with high payoffs
- Review of the current programme implementation system and suggest ways to make those efficient and self sustaining through public-private partnerships, for example, the basic survey work for rural roads programmes can be assigned to the private sector
- Examination of the feasibility of privatizing designing and implementation
- Study of the feasibility of a central system of planning for roads around growth centres
- Examination of the expenditure pattern on roads construction
- Study of the working of the Engineering Department in relation to design implementation, cost control planning, and equipment maintenance
- Study of the expenditure deficit patterns related to roads programmes

Comments on all of the above: Intensive interaction with departmental engineering wing, collection and analysis of actual expenditures etc. needed. Also, data already analysed by the parallel review of transport sector as part of AP-IER. For some of the aspects, field studies would be needed. A separate review of this sub-sector is recommended.

It is to be noted that priority should be accorded to pursuing

- ▶ proper follow-up on the specific TOR as outlined above
- ▶ commissioning a separate review each for the sub-sectors of rural water supply and sanitation and rural roads.

8.2.2 Cross-cutting issues

Some of the main crosscutting and cross-sectoral issues have already been discussed in ch. 7.5. but some of them shall be discussed here again briefly although it is not possible to adequately look at the complex of cross-sectoral issues in this phase 1 report. Even at high cost, such an analysis is recommended for a phase 2 review as it is important to emphasise that the cost of not doing this when attempting to make strategic resource allocation decisions across government departments could be high for GOAP. It would be **necessary to examine expenditure of RD and other departments operating in the rural areas** such as agriculture, irrigation, education and health **jointly** in order to identify systematically linkages and opportunities to generate synergies or in order to streamline duplications and overlapping between departmental programmes. This task, however could not be undertaken within the framework of this sectoral review. AP-IER will, however comprise a **summary and synopsis of the individual sectoral reviews into one synthesis document by OPM which could include such an analysis.**

It is positive achievement that the GOAP recently embarked upon a way to streamline, consolidate/ converge various rural and natural resource development related programmes and schemes into a **unifying concept of watershed development.**

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Likewise, the concept of convergence, notably between the three key departments involved, i.e. agriculture, rural development, forestry but also the other departments involved in watershed development, i.e. animal husbandry, horticulture, ground water, Panchayat Raj, engineering, etc. is to be followed up. In the view of this review mission, such an approach to converge existing rural development and neighbouring departmental programmes under a broader strategy such as in watershed development seems to be an excellent way to reach at the desired concentration of scarce resources if well targeted on reaching the poorer strata of the rural population.

Vision 2020, under "Transforming Agriculture", also emphasises the need to *productive use of waste and marginal lands* and proposes to set up a business entity with GOAP equity share for **land distribution to landless labourers**. This proposal for a land reform also deserves top priority in considering the future of the RD sector.

The challenge to bring large masses of rural poor into employment and out of poverty remains the overriding concern of both GOAP and the international donor community.

Projections are needed as to how many lakh mandays would need to be generated in various natural resource development sectors, including integrated watershed development, forestry etc. in order to meet the Vision 2020 goals. Similar projections are to be made for self-employment needs, infrastructure etc. By all standards, the needs are huge, and in the area of RD, **large investments in stepped up watershed development, wasteland development, SHGs, and improved coverage of existing schemes like EAS, SGSY, JRY, plus an increase in labour intensive rural infrastructure through public works/ wage employment are needed**. All of these need to be planned and implemented on an inter-departmental basis through mission like undertakings across sectors and existing line departments in order to tackle the problems and to reach at synergy effects.

These are considered the main recommendations, and in the following detailed recommendations as spelled out by the individual consultants are given but it is not expected that all of them could be covered under a phase 2 review.

Detailed Recommendations for Phase 2

- A detailed study the cross-cutting issues and inter-linkages between various Departments' programmes, and suggest measures to streamline these programmes in consonance with the overall objectives of Vision 20/20. The emphasis would be on co-ordinated planning and implementation, so as to reduce duplicity of programmes addressing similar issues, resulting in cost savings without affecting the overall objective.
- Detailed study of expenditure management issues like tendering, sanctions, approvals, reduction in time lag of release of funds, etc.
- To study the impacts of the programmes implemented by PR & RD Department, a field level study is required where sample projects implemented under some important programmes like SGSY and watershed development programmes (DPAP) would be evaluated in detail to assess their impacts on rural poverty and livelihoods, and also to ascertain to what extent are these services demand driven.
- This study would also look into the policies and mechanisms for loan recovery – role of agencies like NGOs, CBOs, etc.

Partial Analysis

It may be observed that the proportion of funding under the head Water Supply and Sanitation is almost at the same level from 95-96 till 98-99, it has suddenly been curtailed drastically in the estimated budget of 99-2000. It may also be noted that during the similar frame of time, the budget on Capital outlay towards Water and Sanitation has been increased in 99-2000, which was at very low levels in the previous years. Under both these heads it may also be noted that the proportion of spending on Plan activities has decreased over years with a proportionate increase in Non-Plan activities. A more closer study of similar trends and their reasons is being attempted.

Table 5.15. Coverage of Rural Poor Families by DWCRA, NFBS, NMBS (15.9% poverty ratio)

Year	No. of Rural	% of poor	1% of poor	1% of poor families covered under NMBS (%)
1995-96	16.77	1.03	0.27	12.16
1996-97	16.98	1.04	1.72	14.61
1997-98	17.17	0.41	2.87	27.13
1998-99	17.36	0.22	2.22	23.28
1999-2000	17.57 --		1.76	19.78

Table 5.16. Coverage of Rural Poor Families by DWCRA, NFBS, NMBS (27% poverty ratio)

Year	No. of Rural	% of poor	1% of poor	1% of poor families covered under NMBS (%)
1995-96	28.48	0.6	0.16	7.16
1996-97	28.83	0.61	1.01	8.6
1997-98	29.16	0.24	1.69	16
1998-99	29.49	0.13	1.31	13.7
1999-2000	29.83 --		1.04	11.65

Table 5.17. Coverage of Rural Poor Families by DWCRA, NFBS, NMBS (33% poverty ratio)

Year	No. of Rural	% of poor	1% of poor	1% of poor families covered under NMBS (%)
1995-96	34.81	0.49	0.13	5.86
1996-97	35.24	0.5	0.83	6.81
1997-98	35.63	0.2	0.55	13.1
1998-99	36.04	0.11	0.29	11.2
1999-2000	36.46 --		0.85	9.53

Table 5.18 Poor families covered under DWCRA (%) and under NFBS (%)

	15.90%	27%	33%	15.90%	27%	33%
1995-96	1.03	0.6	0.49	0.27	0.16	0.13
1996-97	1.04	0.61	0.5	1.72	1.01	0.83
1997-98	0.41	0.24	0.2	2.87	1.69	0.55
1998-99	0.22	0.13	0.11	2.22	1.31	0.29
1999-2000				1.76	1.04	0.85

Table 5.12. Coverage of the Rural Poor (age-group 60+) under NOAP Using 15.7% Poverty Ra

Year	Rural Poor Beneficiari	% of poor cum	
1995-96	6.36	4.69	73.79
1996-97	6.44	8.94	138.9
1997-98	6.51	8.94	137.39
1998-99	6.58	10.94	166.32
199-2000	6.66	12.94	194.35

Table 5.13. Coverage of the Rural Poor (age-group 60+) under NOAP Using 27% poverty ratio

Year	Rural Poor Beneficiari	% of poor covered under NOAP (%)	
1995-96	10.79	4.693	43.5
1996-97	10.93	8.944	81.83
1997-98	11.05	8.944	80.94
1998-99	11.18	10.944	97.89
199-2000	11.31	12.944	114.44

Table 5.14. Coverage of the Rural Poor (age-group 60+) under NOAP Using 33% poverty ratio

Year	Rural Poor Beneficiari	% of poor covered under NOAP (%)	
1995-96	13.19	4.693	35.58
1996-97	13.36	8.944	66.95
1997-98	13.5	8.944	66.25
1998-99	13.66	10.944	80.12
199-2000	13.82	12.944	93.66

Year	% of poor covered under NOAP (%)		
	15.90%	27%	33%
1995-96	73.79	43.5	35.58
1996-97	138.9	81.83	66.95
1997-98	137.39	80.94	66.25
1998-99	166.32	97.89	80.12
199-2000	194.35	114.44	93.66

Table 5.8 Coverage of the Rural Poor (age-group 20-35) under TRYSEM using 15.7%
(in Lakhs)

Year	Rural Poor Beneficiari	% of poor	cumulative		
1995-96	19.78	0.198	1	0.198	1.00
1996-97	20.02	0.01	0.05	0.208	1.04
1997-98	20.24	0.271	1.34	0.281	1.39
1998-99	20.47	0.236	1.15	0.507	2.48

Table 5.9. Coverage of the Rural Poor (age-group 20-35) under TRYSEM using 27%
(in Lakhs)

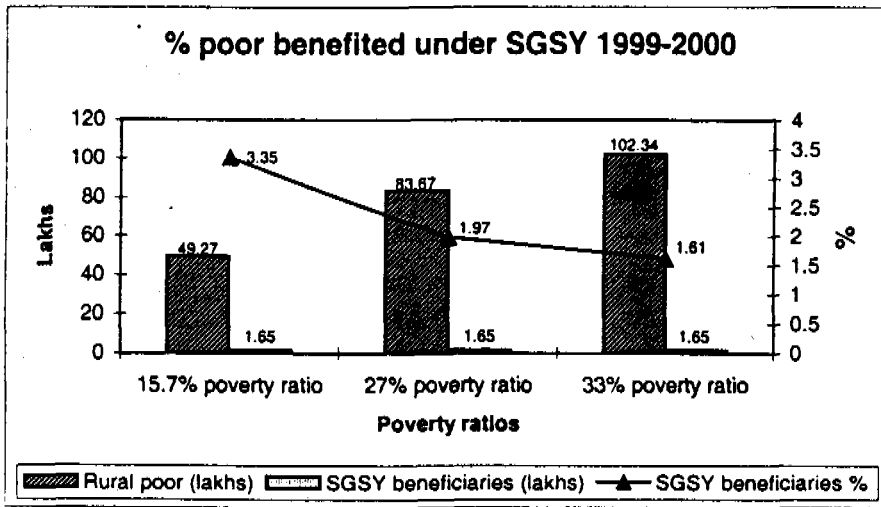
Year	Rural Poor Beneficiari	% of poor	cumulative		
1995-96	33.58	0.198	0.59	0.198	0.59
1996-97	33.99	0.01	0.03	0.208	0.61
1997-98	34.37	0.271	0.79	0.281	0.82
1998-99	34.76	0.236	0.68	0.507	1.46

Table 5.10. Coverage of the Rural Poor (age-group 20-35) under TRYSEM using 33%
(in Lakhs)

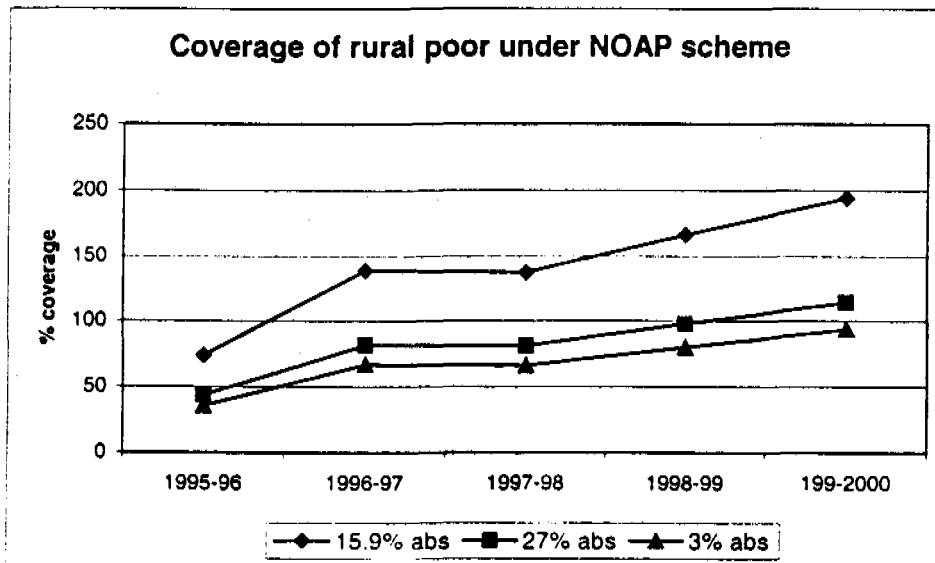
Year	Rural Poor Beneficiaries under TRYSEM				
1995-96	41.04	0.198	0.48	0.198	0.48
1996-97	41.55	0.01	2.43	0.208	0.50
1997-98	42.01	0.271	0.65	0.281	0.67
1998-99	42.49	0.236	0.56	0.507	1.19

Year	% of poor covered under TRYSEM			cumulative		
	15.90%	27%	33%	15.90%	27%	33%
1995-96	1.00	0.59	0.48	1.00	0.59	0.48
1996-97	0.05	0.03	2.43	1.04	0.61	0.50
1997-98	1.34	0.79	0.65	1.39	0.82	0.67
1998-99	1.15	0.68	0.56	2.48	1.46	1.19

SGSY

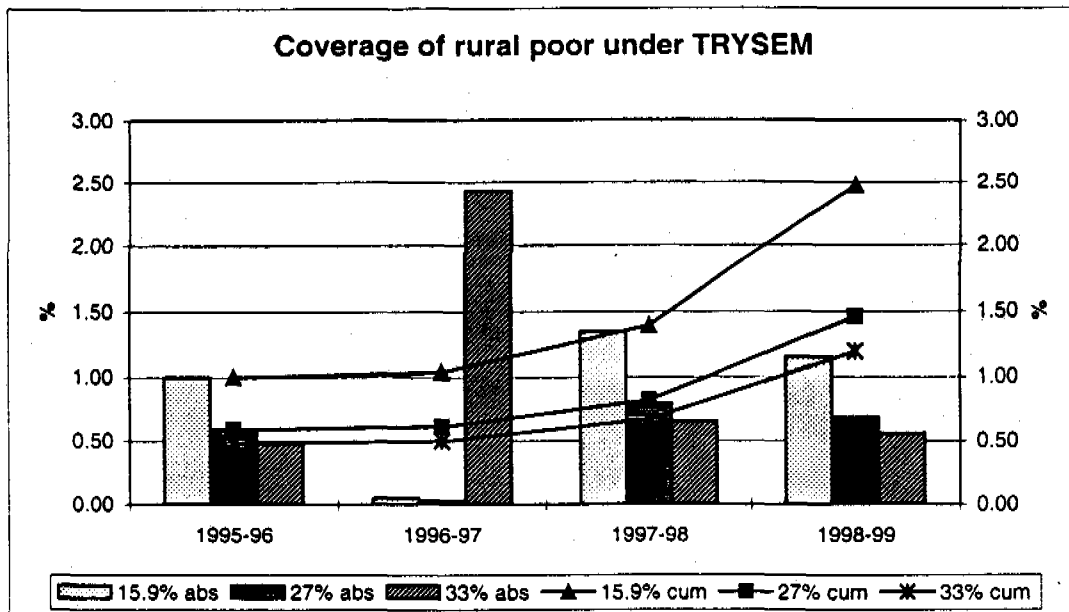


NOAPS

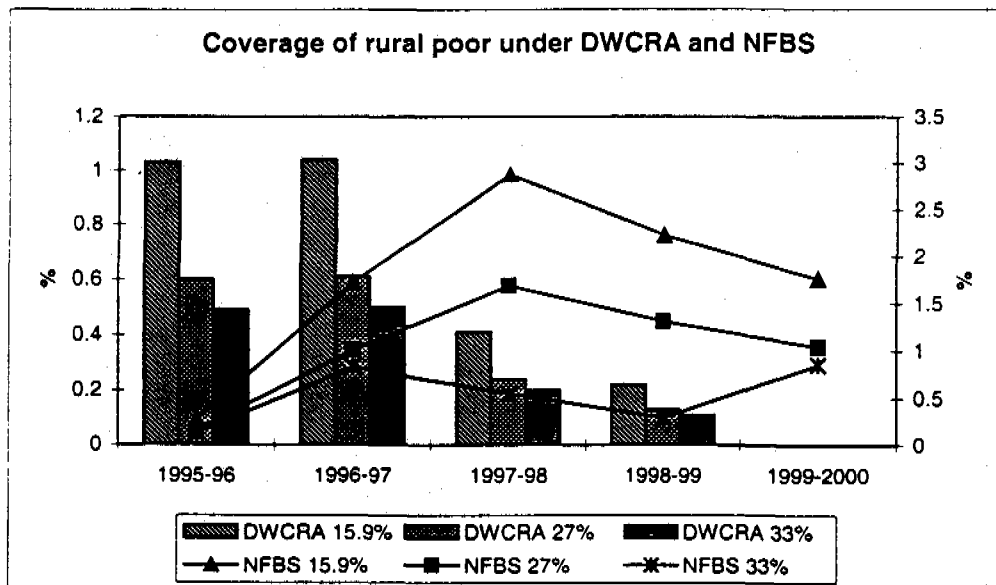


Coverage of Poor under RD schemes

TRYSEM



DWCRA and NFBS



APPENDICES

Administrative Appendices

- A. TERMS OF REFERENCE
- A.1 Terms of Reference/ Scope of Work for Andhra Pradesh Impact and Expenditure Review, Phase 1 Terms of Reference for Panchajati Raj and Rural Development, DFIDI
- A.2 TOR for National and State Consultants (Economist/ Rural Poverty Expert, PE Expert)

- B. ITINERARY/ WORK SCHEDULE OF CONSULTANTS
- B.1 Itinerary and Tasks Performed by International Consultant
- B.2 List of Organizations/ Persons Met
- B.3 List of Organizations/ Persons (Contact List)

Technical Appendices

- T-1 Organisational Structure of PR&RDD

- T-2 Composition and Share of Expenditure on RD
 - (1) Tables 4.5 – 4.8 (in abs. numbers and %), 1995/96-1999/00 (plan/non-plan)
 - (2) Tables 4.5 – 4.8 (in abs. numbers and %), 1995/96-1999/00, by expenditure heads
 - (3) Table 4.8 and Graphs on major heads in RD/ Difference between actual/ budgeted expenditure
 - (4) Expenditure patterns for PR&RDD 1995-2000
 - (5) RD Flow of Funds 2000/01-2003/04

- T-3 Actual and Projected Expenditure for Major RD Heads (hardcopies by PR&RDD/ PRED)
 - (1) % Allocation sectorwise and PR&RDD allocation trends (2 graphics)
 - (2) Expenditure incurred in Rural Water Supply (1990/91-1999/00)
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 - (4) Expenditure incurred in Rural Roads (1990/91-1999/00)
 - (5) Grant XLIV Roads and Bridges

- T-4 Allocative Efficiency of RD area development and anti-poverty schemes
 - (1) Coverage of Poor under RD schemes (Tables 5.1-5.17)
 - (2) Graphs showing proportion of rural poor under 3 schemes
 - (3) Graphs on coverage of rural poor under RD schemes
 - (4) Expenditure analysis of main RD schemes (A)
 - (5) Expenditure analysis of main RD schemes (B)

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APPENDIX T-2

T-2 Composition and Share of Expenditure on RD

- (1) Tables 4.5 – 4.8 (in abs. numbers and %), 1995/96-1999/00 (plan/non-plan)**
- (2) Tables 4.4 – 4.8 (in abs. numbers and %), 1995/96-1999/00, by expenditure heads**
- (3) Table 4.8 and Graphs on major heads in RD/ Difference between actual/ budgeted expenditure**
- (4) Expenditure patterns for PR&RDD 1995-2000**
- (5) RD Flow of Funds 2000/01-2003/04**

APPENDIX T-3

T-3 Actual and Projected Expenditure for Major RD Heads (hardcopies by PR&RDD/ PRED)

- (1) % Allocation sectorwise and PR&RDD allocation trends (2 graphics)**
- (2) Expenditure incurred in Rural Water Supply (1990/91-1999/00)**
- (3) Heads of account 2215-2515**
- (4) Expenditure incurred in Rural Roads (1990/91-1999/00)**
- (5) Grant XLIV Roads and Bridges**

APPENDIX T-4

T-4 Allocative Efficiency of RD area development and anti-poverty schemes

- (1) Coverage of Poor under RD schemes (Tables 5.1-5.17)**
- (2) Graphs showing proportion of rural poor under 3 schemes**
- (3) Graphs on coverage of rural poor under RD schemes**
- (4) Expenditure analysis of main RD schemes (A)**
- (5) Expenditure analysis of main RD schemes (B)**

Table: Expenditure patterns for the RD & PR department for the past five years (Rs in thousands)

	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
2215 Water supply and sanitation	2271811	211898	2483709	2848381	220560	3068941	3693062	316390	4009452	5069630	1692124	6761754	995744	476971	1472715
Proportion	91.47	8.53	24.44	92.81	7.19	23.98	92.11	7.89	23.59	74.98	25.02	26.82	67.61	32.39	6.30
Capital outlay of															
4215 Water supply and sanitation	6927		6927	7860		7860	4634		4634	8824		8824	205878	1660000	1865878
Proportion	100.00	0.00	0.07	100.00	0.00	0.06	100.00	0.00	0.03	100.00	0.00	0.03	11.03	88.97	7.98
2235 Social security and welfare	512081	586422	1098503	633649	855947	1489596	914820	958569	1873389	1126250	994750	2121000	1947313	1217463	3164776
Proportion	46.62	53.38	10.81	42.54	57.46	11.64	48.83	51.17	11.02	53.10	46.90	8.41	61.53	38.47	13.53
2505 Rural Employment	1019520		1019520	1115861		1115861	1210734	1	1210735	1092728		1092728	1082353		1082353
Proportion	100.00	0.00	10.03	100.00	0.00	8.72	100.00	0.00	7.12	100.00	0.00	4.33	100.00	0.00	4.63
Special															
2501 programmes for Rural Development	687452	5618	693070	1356056	17689	1373745	921389	6911	928300	1469700	7851	1477551	973050	12586	985636
Proportion	99.19	0.81	6.82	98.71	1.29	10.73	99.26	0.74	5.46	99.47	0.53	5.86	98.72	1.28	4.21
Other Rural															
2515 Development programmes	1238467	2847848	4086315	1315106	3461838	4776944	3335500	4351898	7687398	5833435	6413948	1.2E+07	6103320	6848080	1.3E+07
Proportion	30.31	69.69	40.20	27.53	72.47	37.32	43.39	56.61	45.23	47.63	52.37	48.58	47.12	52.88	55.37
Compensation and assignments to local bodies and PFI institutions		776326	776326		967198	967198		1281698	1281698		1502295	1502295		1867271	1867271
Proportion	0.00	100.00	7.64	0.00	100.00	7.56	0.00	100.00	7.54	0.00	100.00	5.96	0.00	100.00	7.98
Capital outlay on other rural development programmes															
4515	DATA CURRENTLY NOT AVAILABLE														

TOTALS

10164370

12800145

16995606

25211535

23390029

Source: Budget data, Govt of AP (available in CD format)

Explanatory notes on reading the table:

The rows 'Proportion' may be read as follows: Under Plan and Non-Plan columns, the figures denote their respective proportion in that years total amount. Under the 'Total' column, the proportion is of the budget head amount to that of the years' total amount.

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- A detailed study of the NGO/ CBO sector in Andhra Pradesh to suggest measures for strengthening them and increasing their participation in delivery mechanisms of rural development programmes.
- Perceptions of officials at all levels is required to make concrete suggestions regarding more effective implementation procedures and roles & responsibilities at respective levels of PRI institutions (micro level manpower planning).
- Issues related to privatization of some programmes like rural roads, provision of drinking water, with increasing users' stakes and their implications would be studied in detail.

- A reorientation of expenditure is needed. Unproductive expenditure, which support overstaffing and subsidies should be reduced and infrastructure needs to be improved.
- Effectiveness of poverty alleviation programmes have to be improved
- Watershed development guidelines are not being followed. Effectiveness has to be increased from both farmers' and government side.
- Computerisation of the sector Panchayati Raj and Rural Development
- Phase 2: Include agriculture and public distribution system of foodgrains for impact and expenditure review
- Convergence of departments for rural development. We were told that 10 or more departments relate to rural development in the government of A.P.

- Integrate with sectors like agriculture and civil supplies department (covering Public distribution system)
- Field studies on poverty alleviation schemes like SGSY, EAS, DPAP, IWSD, National Social Assisance schemes like NOAP, NFBS, NMBS
- More detailed analysis of the budget
- Client orientation studies. For the success of the schemes, it is better to know the views of the stakeholders. PPA (participatory poverty assessment) and PRA can be used to know the views of the poor on poverty alleviation programmes.

- Strengthening of people's organizations, by giving them more powers and responsibilities
- In addition to powers, these bodies need to be strengthened to be able to use these powers (capacity building and training)
- The focus of the rural development programmes should be on providing opportunities for income/ wealth creation at the local level rather than providing subsidies, which make them more dependent on the state. If implemented in a right fashion, this would also help in checking the migration of rural people to urban centers.
- Improving the efficiency and impact of delivery mechanism by instituting proper evaluation and monitoring by independent organisations
- Instituting a transparent appraisal process for the officials instead of Annual Confidential Report (a 360 degree appraisal?). Proper counseling mechanisms need to be adopted.

- The Study for phase 2 should focus on impact also apart from expenditure review
- Over time, the focus of the rural development schemes to be more on fulfilling the targets rather than the quality.
- Most of the programmes are centrally sponsored schemes. One has to examine the flexibility of restructuring the state government expenditure in this context.