Rural Development Fund

Why in news?

There is a tussle between the Central government and the Punjab government over the Rural Development Fund (RDF).

Why is there a tussle?

- The Union government has decided to withhold rural development fee from Punjab.
- It has asked the Punjab Government to explain its utilisation of the RDF.
- These actions had enraged the Punjab Government.

What is Rural Development Fund (RDF)?

- RDF is the 3% cess levied on the purchase or sale of agricultural produce under the Rural Development Fund Act, 1987.
- This is executed by Punjab Rural Development Board (PRDB) with the Chief Minister as its chairman.

What is Rural Development Board (RDB)?

- The RDB was incorporated in 1987 under Rural Development Act, 1987.
- It is mandated with the promotion of better agriculture, and granting relief for the loss and damage to agricultural produce.
- It also provides the facility of streets lights, dharamshalas, panchayat ghars, canals, health infrastructure, sanitation, and government educational institutions in rural areas.

From where does Punjab get this fund and what is it used for?

- It comes mainly from central government's purchase agency, Food Corporation of India (FCI).
- FCI buys around 13 million tonnes of wheat and 16 million tonnes of paddy every year.
- Usually Punjab gets Rs 1,750 crore every year — Rs 1,000 crore as 3% RDF for procuring paddy and the rest for wheat.
- This year, some estimates had put the total at Rs 1,850 crore.
- This fund is supposed to be used for the creation and maintenance of rural

infrastructure in and outside mandis.
- But there have been charges in the past that it was diverted by the state for other purposes.

Why has the central government suspended this fund?

- The central government has observed that the fund is being diverted.
- It has asked the state government to explain how it is utilising the fund.
- It has also not made any provision for this fund in the cost sheet that it has sent to the state.

Why is the Punjab government fuming?

- The Punjab government was to give the earnings from RDF to pay interest on a loan of Rs 4,500 crore it has taken from various banks to pay for debt waiver to farmers.
- If this fund is not received by the state, it will have to dip into its depleting coffers to pay for this interest.

Source: The Indian Express

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