

## **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**

