

# INDIRA AWAAS YOJANA (IAY)

2009-10

SCHEME BRIEF

**Indira Awaas Yojana** was initiated a part of employment generation programme in 1985 and was made an independent scheme in 1996. Since then the scheme has spent 33,000 crore providing funding for poor rural residents to build pucca houses in an effort to eliminate rural shelterlessness. This brief looks at the scheme's functioning evaluating its performance as well as efficacy in reaching stated objectives.

## BACKGROUND

The goal of the **Indira Awaas Yojana (IAY)** is to reduce rural shelterlessness by providing grants for the construction of housing to Below Poverty Line (BPL) rural households, prioritising those who belong to the Scheduled Castes (SC) and Scheduled Tribes (ST), or who are disabled, freed bonded labourers, minorities, or families of military personnel killed in action (irrespective of their income category). Families are given ₹35,000 per unit for construction of new house in plain areas, ₹38,500 for hilly/difficult areas, and ₹15,000 is given for upgrading an unserviceable kutcha<sup>1</sup> house to a pucca<sup>2</sup> one.

IAY originated as a sub-scheme within the Rural Landless Employment Guarantee Programme (RLEGP) in 1985, and was later made a part of the Jawahar Rojgar Yojana (JRY)<sup>3</sup> in 1989. As a sub-scheme of JRY, IAY was allocated six percent of total JRY funds. This was raised to 10% in 1993-94 when the scope of IAY was extended to non-SC/ST households, provided that not more than four percent of the total JRY allocation was used for non-SC/ST beneficiaries. In 1996, IAY

was delinked from JRY and made an independent scheme in recognition of the need to tackle the growing housing problem. It is currently part of a suite of rural housing schemes that were launched in 1999 and 2000 that collectively aimed to eliminate shelterlessness by the end of the Ninth Five Year Plan ending in 2002. The other schemes that form this suite of rural housing schemes includes the Samagra Awaas Yojana, Credit-cum-subsidy Scheme for Rural Housing, Rural Building Centres, Innovative Stream for Rural Housing and Habitat Development, and Pradhan Mantri Gramodya Yojana-Gramin Awas.

**Funding IAY:** Funding for IAY is shared between the central and state governments in a ratio of 75:25, except for Union Territories (UTs), which are fully centrally funded. At least 60% of total IAY allocation should be utilised for construction or up-gradation of dwellings of SC/ST households. A maximum of 40% can be utilised for non-SC/ST households, and three percent of the above categories are earmarked for physically and mentally challenged persons. A maximum of 20% of the IAY allocation can be used for up-gradation of houses and/

<b>Ministry</b>	Ministry of Rural Development
<b>Department</b>	Rural Development
<b>Sector</b>	Housing
<b>Goal</b>	to eliminate or reduce shelterlessness
<b>Output Indicators</b>	Number of houses constructed by target rural population -SC and ST, freed bonded labourers, and other BPL rural residents
<b>Funding</b>	Shared by centre and states in the ratio 75:25
<b>Year of Inception</b>	1996
<b>Expiration date</b>	None
<b>2009-2010 Budget outlay</b>	₹7,918 crore

or credit-cum-subsidy schemes, which provide partial credit and partial subsidy for households that make up to double the annual poverty line income.

**How does it work?** States are allocated funding based on their poverty ratio and housing shortage. Inter-district allocation is based on the proportion of rural SC/ST population and hous-

a government servant who would be a nominee of the Collector. Selection by the Gram Sabha is final. No design is specified, and beneficiaries have complete freedom in the construction of houses, procurement of materials and in employing labour, including family labour. The DRDA can provide assistance in procurement if the beneficiary desires but the use of contractors by the ZP and DRDA is banned. The

₹3,773 crore in the Eighth Plan. With the National Housing and Habitat Policy in 1998, which had the goal of providing shelter for all, the allocation for IAY increased nearly three-fold to ₹9,734 crore in the Ninth Plan period, and to ₹15,495 crore in the Tenth Plan period (2002-07).

**Meeting targets for house construction, but not reducing rural shelter-**

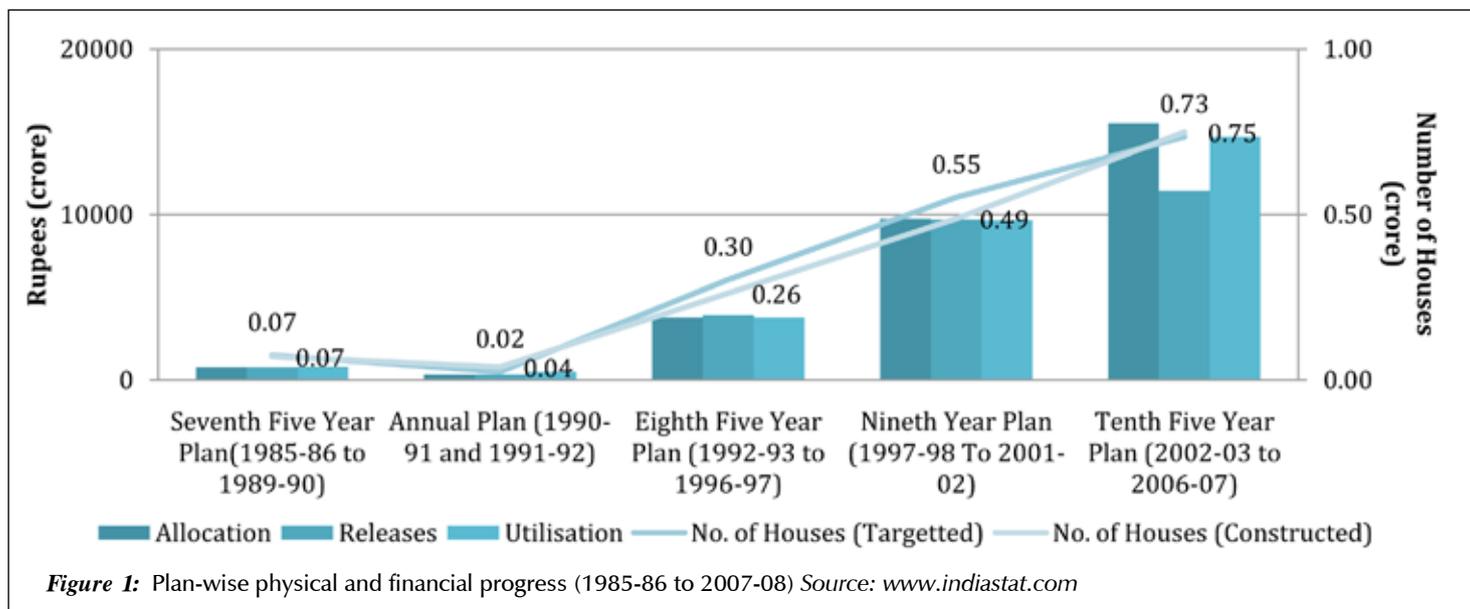


Figure 1: Plan-wise physical and financial progress (1985-86 to 2007-08) Source: www.indiastat.com

ing shortage in each district relative to the state totals of each. The Ministry of Rural Development (MoRD) is responsible for policy formulation, planning, financing, and monitoring of the scheme. District Rural Development Agencies (DRDAs) or *Zilla Panchayats* (ZP) decide the number of houses to be constructed or upgraded for each panchayat during a financial year. They receive funds from MoRD and transfer it to individual beneficiaries. *Gram panchayats* (GP) originally identified beneficiaries, but this process was susceptible to favouritism and preferential treatment. Now beneficiaries are identified through a permanent IAY waiting list culled from the 2002 BPL list. On the basis of annual allocations, targets are fixed by DRDAs and this number is intimated to GPs. Every GP maintains two lists of shelterless individuals and families, one for SC/ST and the other non-SC/ST. Permanent IAY waitlists are prepared on the basis of age and beneficiaries are selected from these lists to meet annual targets. Once the lists are prepared, they need to be approved by the Gram Sabha which is attended by

feature that the house must be constructed by the beneficiary, with assistance from voluntary organisations if needed, can be traced to the time when IAY was a part of self-employment generation schemes.

## PROGRESS

According to the 1991 Census, 3.4 million households were houseless and the Government of India adjusted this for population growth to arrive at a housing shortage of 18.8 million houses for the Ninth Five Year Plan period. This figure was 15 million houses by the 2001 Census, with an estimated one million being added annually.

### How much funding is being spent?

The scheme has been allocated approximately ₹35,450 crore as of allocations from the Seventh to the Eleventh Plan periods, a total of 27 years. Increasingly larger amounts have been committed to IAY over the years (Figure 1), especially since the Eighth Plan period (1992-97). From an allocation of ₹759 crore in the Seventh Plan (1985-09), the outlay jumped nearly 400% to

₹3,773 crore in the Eighth Plan. With the National Housing and Habitat Policy in 1998, which had the goal of providing shelter for all, the allocation for IAY increased nearly three-fold to ₹9,734 crore in the Ninth Plan period, and to ₹15,495 crore in the Tenth Plan period (2002-07).

**Meeting targets for house construction, but not reducing rural shelter-**

**lessness** IAY may have been effective in utilising its allocations, even meeting and exceeding house construction targets in some instances, but most states failed to meet their objective to eliminate rural shelterlessness (Figure 2). Only five states (Himachal Pradesh, Jharkhand, Madhya Pradesh, Sikkim and Uttarakhand) were able to eliminate the estimated shortfalls in shelterlessness. The scheme has faced steep hurdles in effectively targeting the poorest households, preventing corruption in allocation of houses and leakage of funds, and increasing access to electricity, sanitation, and infrastructure. While many BPL families have been able to acquire pucca houses, the hurdles the scheme faces have significantly limited its ability to correct rural shelterlessness. Most importantly, it has made little progress in preventing housing-related indebtedness among poor houseless households. States with large numbers of rural houseless get proportionally larger amounts of IAY assistance but do not always have the capacity to spend money. For example, Bihar, which had 28% of the rural house-

less population according to the 2001 census, received a special package in 2004 that increased IAY allocations from ₹488 crore to ₹915 crore, with the entire money released in 2004-05 but the state was left with ₹808 crore remaining unspent in 2005-06.

**High levels of user satisfaction** The scheme consistently reported high levels (more than 80%) of satisfac-

have sanitary latrines under the Total Sanitation Scheme, be provided with a smokeless *chulha*<sup>4</sup> for cleaner cooking and access electricity under the Rajiv Gandhi Gramin Vidyut Yojana. Houses were to be built in clusters in order to improve access to infrastructure under the Samagra Awas Yojana. None of these other allied schemes have been nearly as successful as IAY. Only about 50% of IAY houses have

been flawed, and that it has failed to reach the poorest because of both extensive corruption and scheme design.

### Very poor targeting of beneficiaries

The biggest blind spot in the scheme's design is the issue of land: some eight million of the 15 million estimated rural houseless actually have no access to land, or live on land belonging to others (landlords, *poramboke* or

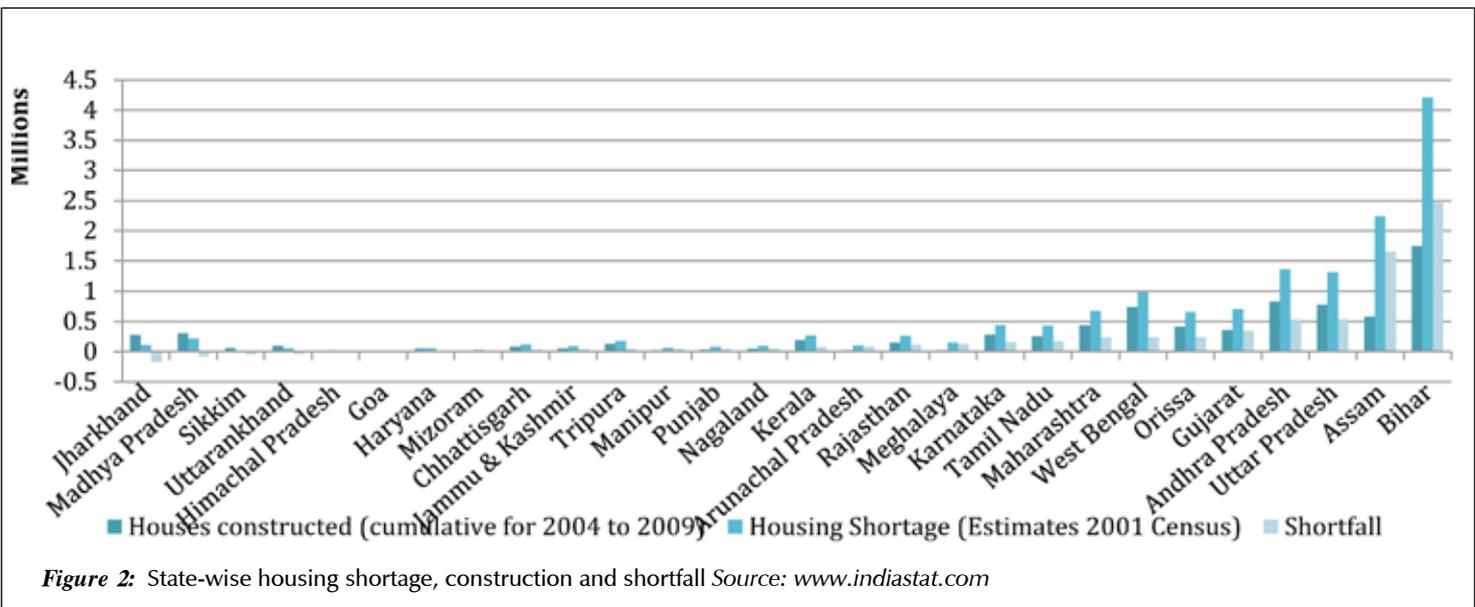


Figure 2: State-wise housing shortage, construction and shortfall Source: [www.indiastat.com](http://www.indiastat.com)

tion among households that were given grants under the IAY and high levels of occupancy in constructed IAY houses. High satisfaction rates are attributed to two aspects of the scheme's design. First, there are no architectural, material or layout requirements for the houses, and beneficiaries are free to construct the kind of houses that they want. Second, the programme is a full subsidy scheme with no credit component, and funds are given directly to beneficiaries in instalments. Unlike other rural housing programmes, IAY has managed to utilise almost all of the money it was allocated, although some of the funds were actually misused, including state governments depositing funds in to current accounts or treasuries outside the government account, and officials engaging contractors to construct houses (CAG 2003).

**Houses constructed but not meeting other goals** IAY has not been able to meet allied goals relating to improving living conditions for the rural poor. For example, houses built with IAY funds were also supposed to

sanitary latrines, and those built are not always used. An even lower percentage of houses have smokeless *chulhas*, and three years after it was launched only 30 infrastructure projects had been sanctioned under the Samagra Awas Yojana.

**Subsidy crowding out other rural housing schemes** The availability of IAY's full subsidy funds reduced the attractiveness of other rural credit-based housing programmes like the parallel credit-cum-subsidy scheme or Housing and Urban Development Corporation's (HUDCO) programmes. Additionally, because house construction often cost more than the allotment under the IAY, many households took out loans to complete construction, meaning that the programme did not eliminate rural housing-related indebtedness among the poor.

## PROBLEMS

Evaluations of the IAY have been undertaken infrequently but both evaluations and news reports<sup>5</sup> reveal that the implementation of the scheme has

<sup>1</sup> Houses made of mud

<sup>2</sup> Houses made of bricks and /or cement

<sup>3</sup> Jawahar Rozgar Yojana (JRY) was started with effect from April, 1, 1989 by merging the two erstwhile wage employment programmes - National Rural Employment programme (NREP) and Rural Landless Employment Guarantee Programme (RLEGP). The main objectives were to provide additional gainful employment for the unemployed and under-employed persons in rural areas, and for strengthening rural economic infrastructure and assets in favour of rural poor for their direct and continuing benefits.

<sup>4</sup> Cook Stove

<sup>5</sup> Government of India Press Release. *Irregularities in Allotment of Houses Under IAY*. May 24, 2010. <http://www.pib.nic.in/release/release.asp?relid=61329> Retrieved June 17, 2010

<sup>6</sup> The Times of India *Misuse of IAY fund: Corrupt to be booked* December 1, 2009 <http://timesofindia.indiatimes.com/city/patna/Misuse-of-IAY-fund-Corrupt-to-be-booked/articleshow/5286539.cms> Retrieved June 17, 2010

<sup>7</sup> Community Child Development centre

government land, etc.). The scheme, nor any of the other centrally sponsored housing-related schemes, makes no provision for providing houses for the rural landless, and in the absence of systematic land distribution measures, the most vulnerable are effectively left out. Targeting of benefits to poor rural households was stymied further by corruption. Although beneficiaries were originally supposed to be selected by the *gram panchayats*, evaluations revealed that at least a quarter of the beneficiaries were not. *Panchayats* and Members of Legislative Assemblies also reportedly influenced selection, resulting in the poorest often being left out of the programme, and non-BPL households instead included. The process was changed to select beneficiaries from a permanent list and most states have adopted this procedure. While there are concerns about the permanent BPL list as well, it is less susceptible to favouritism and preferential treatment than selection by *panchayats*.

**Extensive corruption** Nearly 32% of the funds spent for IAY were actually illegally diverted, such as ₹800 crore between 1997 and 2002 found in personal deposit and current accounts. Individual officers in multiple offices were accused or found guilty of stealing funds. There was extensive misreporting of houses constructed suggesting extensive leakage of IAY funds. Funds were reported as spent on over 20,000 houses which were found to be non-existent or half-completed between 1997 and 2002, with more than 14,000 of these in Orissa and West Bengal. Funding was provided to ineligible beneficiaries, sometimes on the recommendation of powerful political leaders (CAG 2003). News reports suggest even more extensive corruption in certain places, such as Bihar<sup>6</sup>, where allegedly less than 8% of the 64,000 reported houses in Araria district were actually built, even though the entire allotment was disbursed.

**Poor implementation** Many aspects of the scheme were also extremely poorly implemented. For instance, funds were often not released to states or delayed for up to 29 months. Nearly ₹200 crore of IAY funds were spent on non-programme expenditure like office expenses, furniture, constructing *anganwadi* centres<sup>7</sup>, etc. or diverted for use in other schemes. Many positive aspects of scheme design were simply not adopted. The scheme banned the use of contractors to keep costs down, and to ensure beneficiaries had control over and involvement in house design and construction. However, between 1997 and 2002, nearly ₹200 crore of funds were given to contractors in 16 states as a result of government officials mandating construction by contractors. The cluster approach for house construction was not adopted in most states, reducing the ability of the scheme to improve access to infrastructure among beneficiaries. Regardless of scheme stipulations that houses be allotted in favour of the women or jointly between husband and wife, 38% of allotments, or nearly 9.5 lakh homes, were allotted only to the males, reducing the scheme's impact on women's empowerment. Over 1 lakh homes were left incomplete even after beneficiaries had received one or two instalments of IAY assistance, often because households did not receive further instalments (CAG 2003).

**Ineffective monitoring and evaluation** The IAY prescribes a multi-level monitoring system but the mechanisms at both the state and central level are inadequately implemented. Progress reports sent by the state to the centre resulted in no follow-up action, and field visits by officials responsible for monitoring were inadequate or simply did not take place. Inventories of constructed or upgraded houses were not maintained in 26 states and two Union Territories, implying that verification of the construction is nearly impossible. Only one state, Assam,

had implemented any kind of evaluation study of the scheme (CAG 2003).

## RECOMMENDATIONS

IAY's biggest shortcoming is that it does not target, and to an extent excludes, the rural landless who are the most vulnerable. It could do more to directly benefit the landless poor, who are the most vulnerable of the rural poor, such as by acquiring and distributing homestead plots to these households. This scheme has not been able to achieve its allied goals of improving living conditions. Perhaps all the overlapping rural housing schemes should instead be incorporated into one to strengthen objectives and monitoring.

Despite households reporting a high level of satisfaction with the scheme, there is scope to improve delivery to reach more beneficiaries. In particular, weak monitoring and reporting across all states should be improved to prevent further leakage and corruption. Important features like banning contractors and imposing a ceiling on use of funds for offices were violated, as was the stipulation that houses were to be registered in the names of female member of the household or jointly between male and female members. Many lessons can be learnt from the NREGA, such as the use of transparency tools like social audits and public posting of beneficiary names to increase local accountability. The list of IAY beneficiaries also should be made available online to improve transparency. Implementing recommendations to IAY delivery and oversight would greatly enhance the ability to meet its stated objectives and ensure housing for all.

*This scheme brief was prepared by Nithya V. Raman with support from Satyarupa Shekhar and Bree Bacon as part of CDF's Centrally Sponsored Schemes initiative, which is supported by the IFMR Foundation.*

### FOR ADDITIONAL INFORMATION

<a href="http://www.rural.nic.in">www.rural.nic.in</a>	Website for the Ministry of Rural Development which oversees the IAY scheme
<a href="http://www.cag.gov.in">www.cag.gov.in</a>	The Comptroller and Auditor General of India audits schemes and undertakings at the behest of the principal authority. The CAG Audit Report (Civil) for the year ended 2003 summarises the audit of the IAY scheme.