# Report of the
# Comptroller and Auditor General
# of India

for the year ended March 2002

## Union Government
### Performance Appraisals
## No.3 of 2003

# CONTENTS

# PREFACE

This Report for the year ended March 2002 has been prepared for submission to the President under Article 151 of the Constitution.

The audit observations on Finance Accounts and Appropriation Accounts (excluding Railways) of the Union Government for the financial year 2001-02 and the matters arising from test audit of the financial transactions of Central Ministries and Union Territories have been included in Comptroller and Auditor General's Reports No. 1 and 2 of 2003.

The present Report includes matters arising from performance appraisals of the following Centrally Sponsored/Funded Schemes. These All India Reviews incorporate the results of test check of documents conducted in various States and Union Territories as well as in the controlling ministries of the Union Government.

| | | |
|---|---|---|
| 1. | National Scheme of Liberation and Rehabilitation of Scavengers and their Dependents | Ministry of Social Justice and Empowerment |
| 2. | Swarnjayanti Gram Swarozgar Yojana | Ministry of Rural Development |
| 3. | Rural Housing | Ministry of Rural Development |

Separate Reports are also presented to Parliament for Union Government: Autonomous Bodies (No.4), Scientific Departments (No.5), Defence-Army and Ordnance Factories (No. 6), Air Force and Navy (No. 7), Railways (No.8 and 9), Indirect Taxes-Customs (No.10), Central Excise and Service Tax (No.11) and Direct Taxes (No.12 and 13).

# OVERVIEW

This Report contains performance appraisals of three Centrally Sponsored/Funded Programmes: (i) National Scheme of Liberation and Rehabilitation of Scavengers and their Dependents; (ii) Swarnjayanti Gram Swarozgar Yojana and (iii) Rural Housing.

## Ministry of Social Justice and Empowerment

**National Scheme of Liberation and Rehabilitation of Scavengers and their dependents**

The Scheme aimed at putting an end to the de-humanising practice of manual scavenging by providing alternative, dignified and viable occupations to scavengers and their dependents by the end of the Eight Plan period (1992-97). However, even after a decade of its implementation (1992-2002), the Scheme failed to deliver its social vision and more than 40 *per cent* of the estimated beneficiaries remained un-rehabilitated.

- The Scheme was not calibrated to relate its parameters to the legal framework provided by the Employment of Manual Scavengers and Construction of Dry Latrines (Prohibition Act), 1993.
- The base line surveys conducted in the States, which were intended to locate, specify and particularise the beneficiaries and their needs for training and rehabilitation, suffered from various infirmities. Even after the lapse of ten years since initiating action in this regard (June 1992), the Ministry/implementing agencies did not have a reliable database of targeted beneficiaries.
- Contrary to the Scheme stipulations, no special curriculum was developed for training of scavengers. As against 3.50 lakh eligible scavengers and their dependents targeted for training during 1992-97, only 2.02 lakh scavengers could be imparted training by March 2002. Shortfall in training during the Ninth Plan period (1997-2002) was as high as 77 *per cent*.
- Of the 4.00 lakh scavengers and their dependents targeted by the Eight Plan period (1992-97), only 2.68 lakh beneficiaries could be rehabilitated by 1997. The Ninth Plan period showed quantitatively even a lesser achievement (2.02 lakh) than the Eight Plan period. Audit review of occupational rehabilitation revealed misapplication of resources, preponderance of unviable low cost projects and, rehabilitation of untrained scavengers, while trained scavengers remained un-rehabilitated, mismatches between skills acquired and occupations provided, etc.
- The implementing agencies were casual in project formulation and estimation of its viability, as was evident from the rejection of a large number of loan applications by banks.

- During 1992-2002, the Government of India adopted a new thrust area of establishment of Sanitary Marts and released Rs.130.05 crore for the purpose. However, the implementing agencies could set up only 636 such Marts rehabilitating 4,107 scavengers against a target of 4,606 Marts for rehabilitation of 1,15,150 scavengers.
- The Scheme did not provide the necessary linkage between the implementing agencies and the Ministries administering the "liberation" schemes for scavengers aimed at erasing the need for scavenging by converting dry latrines into wet latrines. Lack of interface between "liberation" and "rehabilitation" was reflected by the fact that as compared to 4.71 lakh scavengers stated to have been rehabilitated during 1992-2002, only 0.37 lakh urban scavengers were liberated. There was no evidence to suggest if those liberated were in fact rehabilitated.

There was hardly any evidence of monitoring by the agencies responsible for the delivery of the programme. The district level focus was largely lost.

**Ministry of Rural Development**
**Department of Rural Development**

### Swarnjayanti Gram Swarozgar Yojana

The Swarnjayanti Gram Swarozgar Yojana was launched in April 1999 in place of the earlier Integrated Rural Development Programme and other complementary self-employment schemes. The programme envisaged development of micro enterprises in rural areas through social mobilization of the rural poor and coverage of all aspects of self-employment and through the integration of various agencies – DRDAs, banks, line departments, Panchayati Raj Institutions, Non-Government Organisations and other semi-government organisations. The success of the programme largely depended on proper execution of the complex design and net working envisaged in the guidelines of the scheme. The mid-term audit review revealed that the various assumptions underlying the scheme, particularly in regard to co-ordination amongst the different agencies involved, were not grounded in reality. The implementation of the programme was deficient in certain critical areas.

- Achievement of the objective of covering 30 *per cent* of the BPL families in a time frame of 5 years would appear to be difficult because only 4.59 *per cent* of the population had been covered in the initial three years.
- The shift of focus from the individual beneficiary to Self Help Groups (SHGs) was not evident at the field level. The evolution of SHGs could not also be ensured by the implementing agencies as only 32.21 *per cent* of the total SHGs formed had reached the income generation stage.
- In most States, there was no evidence of proper planning and survey. Identification of key activities, preparation of project reports, and identification of infrastructure, technology and marketing support, which

were essential processes for sustainable income generation, were not pursued as envisaged and effectively.

- There were large-scale diversions, misutilisation and retention of funds in deposits, restricting the availability of resources for the programme.
- The forward and backward linkages at the operational level were largely not established owing to lack of coordination amongst the multiple agencies involved in programme implementation.
- Instances of delay in disbursement of loans and subsidy by the banks and under-financing of the projects were prevalent as in the case of the earlier programme.
- Implementation of Special Projects was also deficient. 15 Special Projects sanctioned during 1999-2000 in 8 States, scheduled for completion by March 2002, remained incomplete as of June 2002.
- The restructured programme does not appear to have emerged as yet, as an improvement over the earlier programmes.

**Ministry of Rural Development**
**Department of Rural Development**

### Rural Housing

The objective of the National Housing Policy was to provide "Housing for all" and that of the Special Action Plan was to end all shelterlessness by the Ninth Five Year Plan. This review summarises the significant findings of audit in regard to the implementation of various components of the Rural Housing Schemes with special emphasis on Indira Awaas Yojana.

- Against the target of 109.53 lakh housing units, only 50.34 lakh houses could be constructed/upgraded, as of March 2002, under various Rural Housing Schemes.
- Multiplicity of schemes rendered the rural housing programme largely ineffective. The Ministry failed to take any action to integrate various schemes to avoid overlapping and to ensure effective coordination.
- Selection of 34,542 ineligible beneficiaries indicated inadequacies in survey and selection procedure, besides depriving the eligible beneficiaries of assistance of Rs 58.56 crore.
- System of fund transfer to the beneficiaries was not followed uniformly and Rs 7.38 crore were paid in excess of prescribed norms.
- The tendency to build houses through contractors was widely prevalent and Rs 198.55 crore were spent without the involvement of beneficiaries in construction of houses as prescribed in the scheme guidelines.

- Expenditure of Rs 22.78 crore remained unfruitful due to the houses remaining incomplete for periods ranging between one and 12 years or having been abandoned.
- Provision of basic amenities like smokeless chullah and construction of sanitary latrines could not be ensured in 24 States/Union Territories.
- In 17 States and 2 Union Territories, 37.75 *per cent* of the allotments were made in favour of males, defeating the objective of empowerment of rural women.
- Non-maintenance of inventories of houses in almost all the States rendered difficult verification of their status, occupation by beneficiaries and their actual existence.
- Funds amounting to Rs 1162 crore, though released, were not spent on the programme. Financial shortcomings relating to diversion of funds to unauthorised activities, execution of unapproved works, unauthorised retention of funds in various deposits, misappropriation of funds, inflated reporting of expenditure and advances treated as final expenditure were noticed during audit.
- Monitoring of the programme at both the Ministry and State level was ineffective and inadequate. No proper evaluation had been carried out in the States.

# MINISTRY OF SOCIAL JUSTICE AND EMPOWERMENT

# NATIONAL SCHEME OF LIBERATION AND REHABILITATION OF SCAVENGERS AND THEIR DEPENDENTS

# 1. The Scheme

## 1.1 Background

The 'National Scheme of Liberation and Rehabilitation of Scavengers and their Dependents' marks the convergence of several public initiatives over a period of four decades preceding its introduction in 1992. The first initiative taken by the erstwhile State of Bombay resulted in the submission of a report on the living conditions of scavengers in 1952. The major recommendations contained in the report were circulated by the Government of India to the State Governments for wider application in 1955. In its report submitted in 1955, the first Backward Classes Commission also recommended measures for the alleviation of the sub-human living conditions of scavengers. These recommendations were again brought to the notice of the State Governments in 1956. The Government of India also constituted a Central Advisory Board of Harijan Welfare in 1956, which had reviewed the working and living conditions of scavengers in the country and had recommended that the Government introduce a Centrally Sponsored Scheme for the alleviation of their condition. A Centrally Sponsored Scheme was accordingly introduced in the Third Five Year Plan in pursuance of various recommendations. This scheme, however, failed primarily because it merely sought to shift the mode of carrying night soil from the head to a wheel-barrow and the handling of the wheel-barrow proved impractical. The scheme was discontinued during the Fifth Five Year Plan following the realisation that the practice of scavenging was inextricably linked with the evils of a stratified social structure.

A Committee was then appointed in 1965 by the Government of India to examine the question of abolition of customary rights of the scavengers. In its report, the Committee recommended the dismantling of the customary rights structure under which non-municipalized cleaning of private latrines was passed on from generation to generation of scavengers in the form of a hereditary right. The recommendations of the Committee though circulated to the State Governments failed to evoke any response.

Thereafter, the National Commission on Labour recommended in 1968-69 a comprehensive legislation for regulating the working, service and living conditions of scavengers. During the Gandhi Centenary Year (1969), a special programme for converting dry latrines to water-borne flush latrines was undertaken. A pilot project with the same objective was undertaken during the Fifth Five Year Plan. The conversion scheme failed principally because it had no element of subsidy and the State Governments failed to generate the necessary internal resources. The scheme was, therefore, deleted from the Sixth Five Year Plan.

The first major initiative in the direction of consolidating and spearheading a concrete proposal was taken in 1980 with the Ministry of Home Affairs introducing a scheme for conversion of dry latrines into sanitary latrines and rehabilitation of liberated scavengers and their dependents in dignified occupations in selected towns. The scheme was dovetailed into the then existing Centrally Sponsored "Implementation of the Protection of Civil Rights Act" Scheme as one of the measures for the removal of untouchability. The thrust was urban and the central grant was dependent on a matching grant being provided by the State Governments.

The scheme was taken up in two towns of **Bihar** initially and was subsequently extended to **Andhra Pradesh, Assam, Kerala, Maharashtra, Rajasthan, Tamil Nadu, Tripura** and **Uttar Pradesh**. The scheme was operational in sixteen States by the end of the Sixth Five Year Plan period. The scheme succeeded in converting about one lakh dry latrines into water-borne flush latrines and rehabilitated 5,000 scavengers in alternative employment in seventy towns. The scheme was thereafter transferred from the Ministry of Home Affairs to the Ministry of Welfare in 1985. A task force constituted by the Planning Commission in July 1989 estimated that there were 76 lakh dry latrines in the country. By 1991, Rs 82.00 crore had been released as central assistance for implementing the scheme in 490 towns. The efforts resulted in the conversion of 10 lakh dry latrines into water borne sanitary latrines and around 17,000 unemployed scavengers were rehabilitated in alternative trades and occupations. Following a review of the working of the scheme in 1991, the Planning Commission decided to bifurcate the scheme: the Ministries of Urban Development and Rural Development being made responsible for conversion of dry latrines and the Ministry of Welfare being made responsible for the rehabilitation of scavengers. The Employment of Manual Scavengers and Construction of Dry Latrines (Prohibition) Act was introduced in 1993. Under the Act, the States could formulate schemes to further the objectives of the law, but no reference to the national scheme was made.

The 'National Scheme of Liberation and Rehabilitation of Scavengers and their Dependents' presently under review, was introduced by the Ministry of Welfare on 22 March 1992 after the bifurcation, but before the enactment of the law. In May 1999, the Ministry of Welfare was renamed the Ministry of Social Justice and Empowerment.

## 1.2 Main components of the Scheme

The National Scheme of Liberation and Rehabilitation of Scavengers and their Dependents has the following main components:

- Formulation of a time-bound programme for identification of scavengers and their dependents and their aptitude for alternative trades through a survey.
- Provision of training in the identified trades for scavengers and their dependents at the nearest local training institutes of various departments of State Governments, Central Government and other semi-Government and non–Government organisations.
- Rehabilitation of scavengers in various trades and occupations by providing subsidy, margin money loan and bank loan.

It would be observed that the Liberation Component, despite the title, was not directly addressed in the Scheme. Liberation, as discussed later constituted the lateral support provided by removing the condition conducive to the employment of manual scavengers.

### 1.3 Objective of the scheme

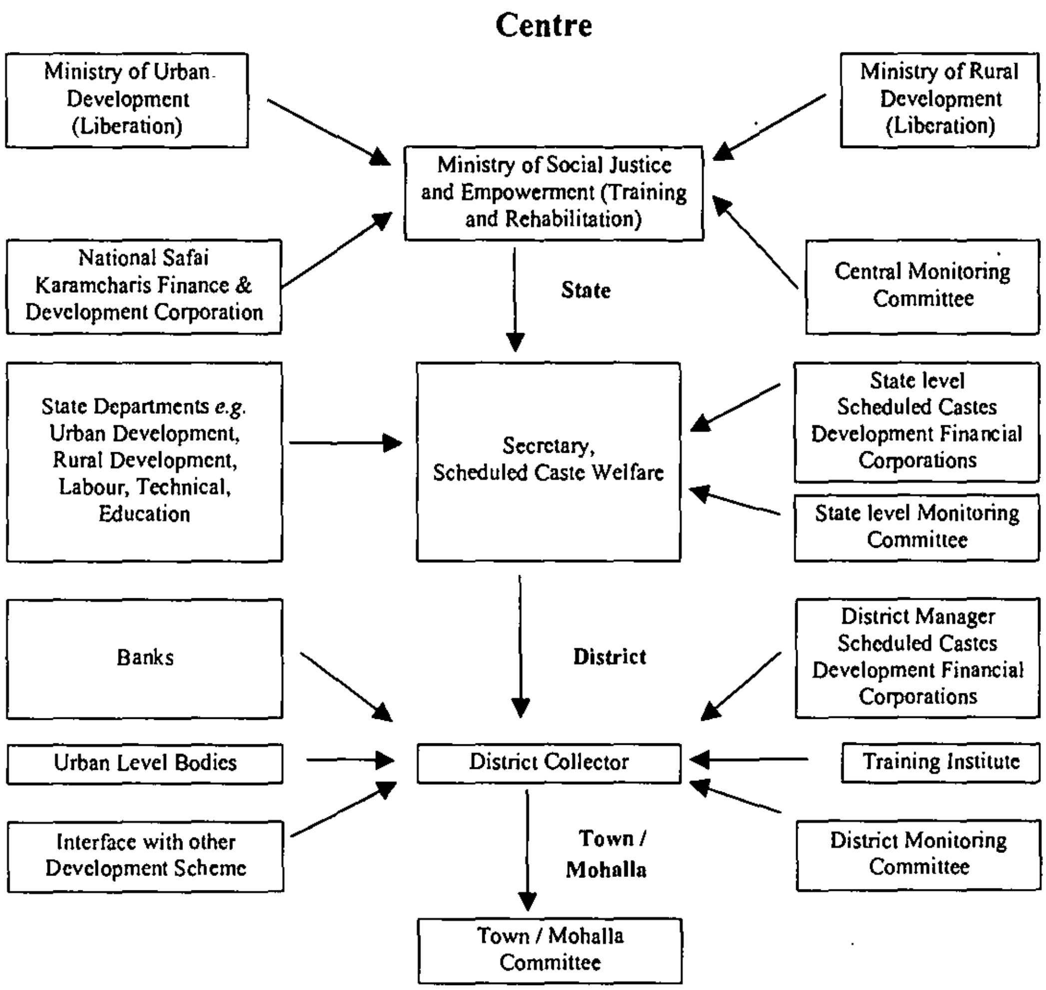
The principal objective of the scheme was to provide an alternative, dignified and viable occupation to scavengers and their dependents in a time span of five years (1992-97). It envisaged the rehabilitation of all the identified scavengers during the Eighth Plan period.

### 1.4 Organisation of the scheme

The accompanying legend provides an overview idea of the organisational structure and the linkages.

## LEGEND

### Organisation of the Scheme



## 2. Scope of review

### 2.1 Coverage

The implementation of the Scheme during the period from 1992-93 to 2001-02 was reviewed in audit with particular reference to its implementation during the period 1997-98 to 2001-2002.

### 2.2 Sample size

Records, data and information relating to the Eighth and Ninth Plan periods (1992-93 to 2001-2002) were generally examined in the Ministry. A test check was also carried out in 19 States/Union Territories covering 128 districts for the period from 1997-98 to 2001-02. Relevant details are contained in **Annex-I**.

### 2.3 Audit Objectives

The Scheme is in many ways a very sensitive and vulnerable one as it addresses the lowest occupational class mired in the vicious cycle of a hereditary system unmitigated by economic change or social reform. If it is the hereditary system that consigns the scavengers to a damning occupation, it is poverty combined with lack of skills and opportunities that force them to continue in it. The primary objective of Audit has been to seek out the areas of "disconnect" between the rehabilitation efforts expected to be made under the Scheme and the efforts actually made, goals sought to be achieved and the extent to which these were met. The Audit review seeks to examine a host of related factors that could impinge critically on the implementation of the Scheme, like the enforcement of the law prohibiting employment of manual scavengers, adequacy of liberation measures, training efforts, success of special targeting exercises, the effect of the role played by spearhead agencies, viability of self-employment projects and the quality of monitoring standards.

## 3. Results of review

The results of the review are set out in the five sub-sections that follow. The findings of Audit in the sample units test-checked have been calibrated along the Scheme parameters to arrive at certain conclusions which are indicative of broad trends, and State-level features of implementation have been highlighted to substantiate the conclusions. It will be relevant to mention that sub-sections 3.1 and 3.2 which deal with matters relating to the enforcement of the Employment of Manual Scavengers and Construction of Dry Latrines (Prohibition) Act and liberation of scavengers through conversion of dry latrines and construction of water-borne flush latrines, as well as community latrines, structurally do not fall within the ambit of the Scheme. These issues have nevertheless been highlighted in order to show how the scheme missed out on vital coordinates and support structures which could have contributed to greater strength and comprehensiveness. The treatment of the theme of 'rehabilitation' in the review, which is also the central focus of the Scheme, includes all matters incidental to rehabilitation.

### 3.1 The law

**The Employment of Manual Scavengers and Construction of Dry Latrines (Prohibition) Act, 1993 was adopted by 16 States by April 2002; it was however, not enforced in any State.**

The Employment of Manual Scavengers and Construction of Dry Latrines (Prohibition) Act, 1993 could not have been enacted at a more opportune time. The Scheme had just begun and it had to target a hereditary occupational structure where the user of the service was the perpetrator of the evil practice. While the provider of the service could not be uprooted from the deeply embedded customary practice without an alternative occupation, the user could be prevented from allowing the service in his own premises, thereby eliminating the occupation itself. The law that prohibited the engagement of manual scavengers, thus, could have provided a powerful instrument to the implementers of the Scheme. By adopting this Central Law, and enforcing it in right earnest, the States could have paved the way for the Scheme and liberation of scavengers would have progressed in tandem with rehabilitation measures. However, by April 2002, only sixteen States (**Andhra Pradesh, Assam, Bihar, Goa, Gujarat, Haryana, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Punjab, Tamilnadu, Tripura, Uttar Pradesh** and **West Bengal**) had adopted the Act. **Rajasthan** and **Delhi** are yet to adopt the Act: the matter is currently under legislative processing in **Rajasthan** and it is pending Cabinet approval in **Delhi**. A close scrutiny of the provisions of the Act showed that enforcement of the Act could have an impact on the Scheme in the following areas:

- By appointing executive authorities for the implementation of the law, which also includes administration of schemes created under it, the States and Union Territories could have created a network of legal authorities for the implementation of the Central Scheme.

- Under the Act, the States and Union Territories could have formulated their own schemes to supplement the Central Scheme.

- By appointing inspectors to oversee the implementation of the Scheme, the States and Union Territories could have created an effective administrative machinery for supervision.

- The Central Government itself could have created Project Committees and Monitoring Committees under the Act which would have provided the much needed impetus to the implementation of the Scheme.

- The State Government could have established coordination committees for the strict enforcement of the Act which would have facilitated the implementation of the Scheme.

- Had the Act been enforced strictly, registration of the manual scavengers and their rehabilitation would have been legally enforceable instead of leaving it to the initiatives under the Scheme.

- Had the penal provisions been invoked, all persisting cases of employment of scavengers could have been brought to book, thereby assisting the Scheme in its rehabilitation endeavour.

**The Scheme suffered due to absence of linkage with the law.**

The Scheme, by failing to relate itself to the law, continued to operate in a persuasive mode without the legal means to penalize violations. Ideally, it should have been reviewed after the promulgation of the Act to correlate the legal framework to the Scheme's parameters.

### 3.2 Lateral support through liberation

**Though the rehabilitation of scavengers was to go in tandem with their liberation, the Scheme failed to provide necessary networking amongst agencies responsible for Liberation and Rehabilitation Schemes.**

Without employing the expression 'liberation', the Scheme envisaged that the obnoxious occupation would come to an end if all those who were engaged in this occupation and their dependents were rehabilitated in alternative and dignified occupations. Going by the declarations of this Scheme as well as the schemes implemented by the Ministries of Urban and Rural Development, such liberation would become possible only when the practice of using dry latrines itself is eliminated, thereby eliminating the very need for employing manual scavengers. An appropriate scheme of rehabilitation would provide the liberated scavengers with trades and occupations that would enable them to earn their livelihood honourably thereby preventing them from relapsing into the scavenging occupation. Thus 'Liberation' and 'Rehabilitation' are mutually intertwined, without which the Scheme would not be complete. The Scheme, however, failed to provide the necessary linkages amongst the implementing agencies and the Ministries administering the Scheme encompassing the whole range of operations. Instead, it confined itself only to the aspects of identification, training and rehabilitation leaving the liberation issues to the Ministries of Urban Development and Rural Development who, separately and independently, implement their own schemes for liberation under the 'Low Cost Sanitation Scheme' and the 'Rural Sanitation Programme' respectively. There was no coordination amongst the three Ministries, nor had the Scheme interfaces been mapped in any of the Scheme documents to avoid overlaps and asymmetries. This "disconnect" resulted in insulating the Scheme within the Ministry of Social Justice and Empowerment. This aspect was also not taken into account while bifurcating the integrated scheme of Liberation and Rehabilitation of Scavengers in1991, as a result of which the liberation component was entrusted to the Ministries of Urban and Rural Development and the rehabilitation component was entrusted to the then Ministry of Welfare (now Ministry of Social Justice and Empowerment) along with the nodal responsibility for the Scheme. While accepting the deficiency, the Ministry stated (July 2002) that it had initiated a proposal to set up a unified authority in the Mission Mode.

**'Low cost sanitation Scheme' for liberation of urban scavengers proved to be a failure.**

Audit reviewed the performance of the two liberation schemes ('Low Cost Sanitation Scheme' implemented by the Ministry of Urban Development and Poverty Alleviation and the 'Rural Sanitation Programme' implemented by the Ministry of Rural Development) during the period from 1991-92 to 2001-02. Examination of records in the Ministries and the replies furnished by them revealed that both the schemes had no credible links with the Scheme implemented by the Ministry of Social Justice and Empowerment. The Urban Development Ministry admitted that the scheme had not produced the desired results. On the other hand, the Rural Development Ministry contended that 20 States and Union Territories had no dry latrines and no manual scavenging was prevalent in rural areas. The Ministry contended that only **Karnataka, Madhya Pradesh, Manipur, Rajasthan** and **Sikkim** had reported the practice of manual scavenging in rural areas. The Ministry did not fix any targets for conversion of dry latrines into water-borne flush latrines, nor were separate allocations for the purpose made. The State Governments were directed by the Ministry to utilise the funds allocated under the Central Rural Sanitation Scheme for conversion of dry latrines into flush latrines. No separate data could be obtained from field audits in the States as the allocation-based approach had been replaced by a 'demand driven approach' and alternate delivery mechanism with beneficiary participation had apparently taken away the initiative from the Government to the beneficiaries themselves. Further, the 'Rural Sanitation Programme' had got dovetailed into the 'Total Sanitation Campaign' launched in 1999. At the time of initiation of the Scheme in 1992, 17 *per cent* of all scavengers estimated by a Task Force constituted by the Planning Commission were in rural areas. By 1998, a baseline survey carried out by the Indian Institute of Mass Communication placed the number at 8 *per cent* of the service units. The figures were neither comparable, nor were the baselines adopted in 1992 and in 1999 in any manner susceptible of verification. The fact remains that liberation of scavengers through conversion of dry latrines into flush latrines in rural areas has not been adequately calibrated in the comprehensive sanitation format and the obnoxious practice continues.

The failure of the 'Low Cost Sanitation Scheme' which contained the prime element of conversion of dry latrines into flush latrines in urban areas is however, a different proposition. The Scheme had estimated in 1992, that of a total population of 4 lakh scavengers, 3.34 lakh (83 *per cent*) were in urban areas. In 1997, the total number of scavengers was raised to 7.87 lakh based on a rapid survey but the rural-urban configuration was unavailable. Based on the 1992 ratio, the number of urban scavengers could be placed at 6.5 lakh. Audit examination of the scheme in the Urban Development Ministry revealed the following:

- The Ministry did not fix any physical or financial targets. The scheme was operated through Housing and Urban Development Corporation as a demand driven scheme and no initiatives were in the hands of the sponsoring Ministry.

- The Ministry did not directly monitor the implementation or progress of the scheme. It was monitored by Housing and Urban Development Corporation, which sent its reports to the Ministry. Audit scrutiny of the reports brought out that these reports were neither current nor followed any schedule prescribed for the purpose. For instance, the status of conversion of dry latrines and construction of flush latrines under the Low Cost Sanitation Scheme as at the end of March 2002 was based on reports of 2000 in a majority of the States. On the other hand, in **Karnataka** and **Haryana**, the reports pertained to the position as on 31 December 1996 and 30 June 1998 respectively. Evidently, the Ministry continued to accept reports that were not current and no attempt was also ever made to verify the progress reported by Housing and Urban Development Corporation. The Ministry stated that the liberation and rehabilitation components of the Scheme were being looked after by the Ministry of Social Justice and Empowerment. However, it was the Ministry of Urban Development which was responsible for the liberation component of the scheme in urban areas.

- Of the subsidy aggregating to Rs 480.22 crore sanctioned by the Ministry, only Rs 246.68 crore had been released up to 31 December 2001. Similarly, of loans aggregating to Rs 583.51 crore sanctioned, only Rs 278.60 crore were released up to 31 December 2001. The Ministry cited in this context a report of Housing and Urban Development Corporation, which attributed the time lag between the sanction and release of subsidy and loans to delays in documentation, non-availability of government guarantees, belated submission of utilization certificates and slow physical progress. There was, however, no evidence of the Ministry having initiated any remedial measures aimed at removing these hurdles to enable the successful implementation of the scheme.

- As against 6 lakh scavengers identified in the urban areas, the Ministry reported having liberated only 37,340 (6.2 *per cent*). While admitting that the scheme had not achieved the desired results, the Ministry cited the following reasons for its poor progress:

  - Slow generation of schemes by the States and Local Bodies.
  - Lack of awareness among the people about the benefits of the Low Cost Sanitation Scheme.
  - Unwillingness of the beneficiaries to bear the burden of their contribution and subsequent repayment of loans.
  - Absence of a proper monitoring system for effective implementation of the programme at the State level.
  - Delay in providing guarantees by the State Governments to Housing and Urban Development Corporation Limited in respect of the loan assistance to be provided.

The following table presents details of the status of the scheme in different States in relation to the units sanctioned for conversion of dry latrines into water-borne ones, construction of flush latrines and provision of community toilets as of March 2002:

| S.No. | State | Conversion of dry latrines | | | Construction of flush latrines | | | Community Toilets | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | No. of units sanctioned | No. of units completed | No. of units in Progress | No. of units sanctioned | No. of units completed | No. of units in Progress | No. of units sanctioned | No. of units completed | No. of units in Progress |
| 1 | Andhra Pradesh | 54706 | 26657 | 1491 | 568742 | 320310 | 46888 | 158 | 40 | 50 |
| 2 | Assam | 87014 | 3904 | 747 | 3826 | 807 | 280 | Nil | Nil | Nil |
| 3 | Bihar | 4165 | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| 4 | Haryana | 91648 | Nil | Nil | 108576 | Nil | Nil | Nil | Nil | Nil |
| 5 | Jammu & Kashmir | Nil | Nil | Nil | 16927 | Nil | Nil | Nil | Nil | Nil |
| 6 | Jharkhand | 779 | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| 7 | Karnataka | 30652 | 12293 | Nil | 147037 | 57358 | Nil | 117 | Nil | Nil |
| 8 | Kerala | Nil | Nil | Nil | 14540 | 13325 | 1087 | Nil | Nil | Nil |
| 9 | Madhya Pradesh | 291377 | 71592 | 23184 | Nil | Nil | Nil | Nil | Nil | Nil |
| 10 | Maharashtra | 75133 | 71724 | 1161 | 124333 | 22698 | Nil | 2809 | 2663 | 120 |
| 11 | Orissa | 11788 | 8228 | Nil | 39809 | 14084 | Nil | 10 | 10 | Nil |
| 12 | Punjab | 149350 | 121576 | 741 | 72772 | 55012 | 354 | Nil | Nil | Nil |
| 13 | Rajasthan | 166385 | 97992 | 64608 | 257562 | 93542 | 159606 | Nil | Nil | Nil |
| 14 | Tamilnadu | 72850 | 47980 | Nil | 82711 | 47459 | 68 | 372 | 269 | 15 |
| 15 | Uttar Pradesh | 491042 | 66546 | Nil | 284071 | 46732 | 195 | 100 | Nil | Nil |
| 16 | West Bengal | 218925 | 118226 | 9526 | 75743 | 13589 | 2571 | 400 | Nil | Nil |
| | **Total** | **1745814** | **646718** | **101458** | **1796649** | **684916** | **211049** | **3966** | **2982** | **185** |

- As against 17,45,814 units sanctioned for conversion, only 37 *per cent* could be converted as of March 2002. While in **Jammu & Kashmir** and **Kerala,** conversion of dry latrines was not sanctioned, in **Bihar, Haryana** and **Jharkhand**, no conversion had taken place at all though this had been sanctioned. The pace of conversion was slow in **Assam** (5 *per cent*), **Uttar Pradesh** (14 *per cent*), **Madhya Pradesh** (33 *per cent*) and **Karnataka** (40 *per cent*). It will be relevant to mention in this context that 50 *per cent* of the total number of scavengers were concentrated in those States in which no dry latrines were converted or where the pace of conversion was tardy.

- As against the sanction for construction of 17,96,649 units of flush latrines, only 38 *per cent* were constructed as of March 2002. While construction of flush latrines was not sanctioned in **Bihar, Jharkhand** and **Madhya Pradesh,** none was constructed in **Haryana** and **Jammu & Kashmir** though construction of 1,08,576 units and 16,927 units respectively was sanctioned in these two States.

- The construction of community toilets was not undertaken by the majority of the States. Though 117, 100 and 400 units respectively were sanctioned in the States of **Karnataka, Uttar Pradesh** and **West Bengal,** no community toilets were constructed.

## 3.3 Rehabilitation Measures

### 3.3.1 Survey and Identification

Identification of scavengers and their dependents and their aptitude for alternative trades was one of the most important components of the Scheme. The Task Force constituted by the Planning Commission having estimated in its report of March 1991 that there were 4,00,999 scavengers and their dependents, the survey and identification exercise was intended to locate, specify and particularize the beneficiaries and their needs.

The Scheme envisaged identification of scavengers through a survey which was to be completed well before June 1992. The District Officers/District Magistrates/District Collectors were responsible for carrying out these surveys. The survey in urban local bodies was to be carried out through their officers and employees, District Social Welfare Officers, District level Scheduled Castes and Scheduled Tribe Development Corporations, etc. The Scheme envisaged that the survey would be based on a proforma prescribed for the purpose, which was to include details such as heads of families, name and age of each member of the family, educational qualification, annual income, aptitude for specific alternative occupation, etc. None of the States, however, completed and communicated results of the surveys to the Ministry in accordance with the schedule stipulated. Four States (**Bihar, Madhya Pradesh, Jammu & Kashmir** and **Pondicherry**) communicated the number of identified scavengers after delays ranging from one to four years. Fourteen other States (**Andhra Pradesh, Assam, Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, West Bengal** and **Delhi**) did so after delays ranging from six to ten years. A comparison of the State-wise number of scavengers estimated by the Task Force of the Planning Commission and identified in the surveys conducted in four States (**Bihar, Delhi, Madhya Pradesh** and **Uttar Pradesh**) revealed significant variations as indicated in the following table:

| State | No. of scavengers estimated by the Task Force | No. of scavengers identified in surveys by State Government |
|---|---|---|
| Bihar | 22,398 (5.59) | 12,226 (1.81) |
| Delhi | 34,022 (8.48) | 17,420 (2.57) |
| Madhya Pradesh | 36,894 (9.20) | 80,072 (11.84) |
| Uttar Pradesh | 62,029 (15.47) | 1,49,202 (22.07) |

*Note: Figures within parentheses represent percentage of total scavenger population in the country.*

Further, according to the records of the Ministry, the number of scavengers identified was 8,01,839. In its Ninth Five Year Plan proposals submitted to the Planning Commission in 1996-97, the Ministry indicated that 7.87 lakh scavengers had been identified. However, during examination of its grants for the year 1997-98, the Ministry had informed the Parliamentary Standing Committee that 8,25,572 scavengers had been identified. Consequently, as many as five different sets of figures were in the Ministry's possession. While explaining the reasons for the variations the Ministry informed the Standing

Committee that the State Governments had reported a higher number of scavengers in certain cases. Subsequently, the Ministry had requested the Chief Secretaries of State Governments and the Administrators of Union Territories in June 2001 to conduct a month-long survey in July 2001 to identify scavengers and their dependents. While the results of this survey were awaited as of May 2002, scrutiny in audit of the survey and identification processes in the States brought out certain significant findings having a bearing on the very assumptions underlying the Scheme. These are discussed in the following paragraphs:

**Ministry suspected the reliability of survey results**

**Andhra Pradesh:**

Whereas the survey conducted in 1992 identified 7,938 beneficiaries of whom 5,537 were rehabilitated by 1995-96 leaving a balance of 2,401, the 1996 survey identified 7,448 beneficiaries representing an increase of 5,047. According to the records of the State Government, 6,493 of the 7,448 identified beneficiaries were rehabilitated during 1996-2000, thus leaving only 955 beneficiaries to be rehabilitated. Surprisingly, the survey of August 2000 identified 30,921 beneficiaries (scavengers: 8,402; dependents: 22,519). This appeared to indicate that none of the surveys could provide reliable baseline data and that the methodology adopted not credible.

**Methodology adopted for survey/re-surveys was not credible.**

**Assam:**

Three surveys were conducted between January 1994 and March 1997. While that conducted in January 1994 identified 11,873 beneficiaries, the January 1995 survey projected the number as 16,877 and the March 1997 survey as 40,413. During this period, only 574 beneficiaries were rehabilitated.

**Identified scavengers increased three-fold between January 1994 and March 1997 in Assam.**

**Delhi:**

Between September 1992 and May 1993, four independent agencies (the Delhi Scheduled Castes Finance and Development Corporation, the Marketing and Research Group, the Bureau of Economics and Statistics and the Delhi School of Social Work) were commissioned by the State Government to conduct surveys without clearly spelling out the areas to be covered by them. While the Delhi Scheduled Castes Finance and Development Corporation identified 505 scavengers, the Marketing and Research Group placed the number at 500. On the other hand, the number of scavengers identified by the Bureau of Economics and Statistics and the Delhi School of Social Work was 7,988 and 8,427 respectively. Instead of ascertaining the reasons for these variations, the State Government adopted the number as 17,420, representing the sum of the results of these four surveys. It would appear *prima facie* that the same area was covered by more than one agency, resulting in overlap and duplication.

## Gujarat:

**Number of beneficiaries identified in Gujarat bore no relation to the number of dry latrines in the State.**

A survey conducted in Gujarat in 1994 had identified 32,402 scavengers and 31,793 dependents. Scrutiny byAudit of the data separately available with the State Government in this regard, however, revealed that only 974 dry latrines were stated to exist in the State as against the 32,402 scavengers identified. It would, therefore, appear that the survey results were not reliable.

## Haryana:

The survey was completed by June 1992 as stipulated but its results were communicated to the Central Government only in March 1993. This placed the number of beneficiaries at 18,438. Another survey conducted by the Scheduled Castes Development Financial Corporation in 1995 at the instance of the State Level Monitoring Committee showed that there were 6,841 more beneficiaries to be included in the list. Thus, there were 25,279 beneficiaries to be targeted by the Scheme by 1995. At the instance of the National Commission for Safai Karamcharis, yet another survey was taken up in January 1997, which showed that 11,083 more beneficiaries were required to be catered to raising the total number of beneficiaries to 36,362.

## Karnataka:

The survey report of the Government placed the number of beneficiaries at 14,555. This was, however, not supported by district-wise and location-wise lists of beneficiaries. The State Government could not produce either the survey report or the relevant file to Audit. Examination of the records of Scheduled Castes Scheduled Tribes Development Corporation revealed that survey data in regard to the existence of dry latrines in the State were not available. The State Government stated (July 2002) that the survey was in progress.

## Madhya Pradesh:

The survey was completed in September 1993 and it placed the number of beneficiaries as 80,072. Another survey carried out in 1996 raised this number to 93,394. Nevertheless, the records of the Government of India continued to rely only on the results of the 1993 survey.

## Maharashtra:

The Government of India had stipulated that the survey should be conducted through the personnel of implementing agencies, State Government, local bodies, etc. However, the services of two private agencies were employed by the State Government on grounds of urgency. The survey conducted during 1992-93 estimated that 42,563 beneficiaries would require to be covered by the Scheme notwithstanding the fact that only 5,102 of these were scavengers and their dependents. A second survey was conducted during 1996-97 by engaging Government officials and the beneficiary population was placed at

2,32,527. The steep increase was attributed by the State Government to the inclusion of sewage sweepers in the list. The department stated (June 2002) that the complete list of potential beneficiaries was under compilation.

**Punjab:**

The survey in Punjab conducted in June 1992 identified 33,232 beneficiaries. A subsequent survey conducted in September 2001 placed the figure at 531 thereby giving the impression that 32,701 beneficiaries had been rehabilitated. Audit scrutiny of the details of rehabilitation revealed that only 2,904 beneficiaries had been rehabilitated between June 1992 and September 2001.

**Tamil Nadu:**

The State Government conducted the survey in September–November 1992 in all districts other than Chennai through Non-Government Organisations and identified 35,561 beneficiaries. On the State Government expressing the view in November 1995 that certain eligible beneficiaries had been excluded, the Government of India directed the State Government in October 1995 that a rapid survey may be undertaken within the next two months. It could not be ascertained if this was ever completed.

**Uttar Pradesh:**

**Though all scavengers were stated to have been rehabilitated by State Government in 2001, a survey conducted thereafter revealed that 38,253 scavengers were still to be rehabilitated.**

Surveys in the State were conducted in 1992, 1996 and 2001. While the first survey identified 2,46,116 scavengers, the number identified in second survey was only 48,588. The State Government attributed the decrease in 1996 to the exclusion of sanitary workers from the category of scavengers based on a clarification of the Government of India.

Further, all the 48,588 scavengers were shown as having been rehabilitated by the State Government by 2001. However, the third survey conducted in 2001 identified 38,253 more scavengers as still having to be rehabilitated as the fresh number due for rehabilitation. In response to an audit query, Uttar Pradesh Scheduled Castes Finance and Development Corporation, replied that it was not possible to liberate and rehabilitate all scavengers without conversion of all dry latrines.

**West Bengal:**

Municipalities had undertaken a survey of the dry latrines in the state earlier during 1992-93. Survey results finalized as of March 2002 by the West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation placed the number of beneficiaries at 21,189. The survey had, however, been restricted to only 81 of the 122 urban local bodies and 17 of the 341 blocks. Consequently, the survey was incomplete. Besides, 11,449 prospective beneficiaries had also been excluded from the survey results on account of failure to treat each dependent as a separate unit.

Thus, the baseline surveys conducted in the States suffered from a number of infirmities. This resulted in non-availability of any reliable data with the Ministry even after a decade on the number of scavengers and their dependents, which was essential to estimate the resource requirements to facilitate the preparation of a well considered Action Plan. In an appraisal undertaken in June 2001, the Project Appraisal and Management Division of the Planning Commission had also maintained that the Scheme had suffered because of incorrect and incomplete identification of beneficiaries besides other factors.

### 3.3.2 Training

**Lack of systematic efforts**

Training to identified scavengers and their dependents, in the age group of 15 to 50 years, was expected to equip them with the requisite skills and expertise to successfully implement self-employment projects. The duration of training could vary from one to six months for 85 trades under the Scheme classified broadly under agriculture and allied sectors, small industries sector, service sector and business sector. The implementing agencies at the District and State levels were required to utilize for the purpose the training centres, facilities and infrastructure set up by the Central Government and State Governments as well as by other semi-government and non-governmental organizations and organise special training programmes for scavengers. No systematic effort in this direction was, however, made in any State.

**No Special Curriculum Developed**

**No special curriculum was designed.**

Special training schemes were required to be designed for scavengers keeping in view their low skill level, the focus being on the creation and upgradation of skills for self-employment. The Ministry was required to issue guidelines in this regard to the departments of the Central Government and State Governments concerned. However, no special curriculum was designed or developed nor were any instructions issued by the Central Government. A serious consequence of this lapse was that the identified training modules in the training institutions that were based on pre-determined levels of skill requirements could hardly accommodate the totally unskilled and illiterate scavengers without diluting the rigour of the training programme. The Ministry admitted the shortcoming in June 2002

**Shortfall in achievement of targets**

**Training target envisaged for the Eighth Plan could not be achieved even in the Ninth Plan.**

The Scheme visualized that the training programmes in respect of 3.50 lakh eligible scavengers and their dependents, estimated on the basis of the Report of the Planning Commission Task Force Report, would be completed by the year 1995-96 to facilitate rehabilitation of all the identified scavengers by the end of the Eighth Plan period (1992-97). However, according to the information furnished by the Ministry in May 2002, training was imparted only to 1.11 lakh scavengers (32 *per cent*) up to 1996-97.

**Non-communication of targets for training resulted in their being fixed on ad hoc basis by the States.**

On receipt of the survey results from the States, the Ministry fixed the targets for training during the Ninth Plan period (1997-2002). These targets were not communicated to the States and, as a result, the States either did not fix any targets or fixed only *ad hoc* targets unrelated to the targets of the Government of India. The following table presents the overall picture:

| Year | Scavengers targeted to be trained | No of scavengers trained | Shortfall | |
|---|---|---|---|---|
| | | | Number | percentage |
| 1997-1998 | 1,00,000 | 15,493 | 84,507 | 85 |
| 1998-1999 | 1,00,000 | 7,981 | 92,019 | 92 |
| 1999-2000 | 1,00,000 | 7,539 | 92,461 | 92 |
| 2000-2001 | 50,000 | 10,252 | 39,748 | 80 |
| 2001-2002 | 50,000 | 49,766 | 234 | - |

During the Eighth and Ninth Plan periods (1992-2002), only 2.02 lakh beneficiaries were trained with the result that the target set for the Eighth Plan could not be achieved even by the end of the Ninth Plan period. The Ministry neither made any special efforts to accelerate the pace of training nor revised its target for the succeeding year to make good the shortfall in achievement during the previous year. If the performance during the Ninth Plan period is any indication, the target of training of all eligible scavengers and their dependents is unlikely to be met early. The following table contains the comprehensive picture in respect of 14 States during 1997-2002:

| State | No of scavengers identified for training | Target fixed | Trained | Shortfall in training with reference to target | |
|---|---|---|---|---|---|
| | | | | Number | Percentage |
| Assam | 40,413 | N.F. | 2397 | - | - |
| Delhi | N.F. | 1000 | 671 | 329 | 33 |
| Bihar | 4,508 | 462 | NIL | 462 | 100 |
| Gujarat | 16,731 | N.F. | NIL | NIL | - |
| Haryana | 32,227 | 8250 | 1589 | 6661 | 81 |
| Jammu & Kashmir | 3,517 | N.F. | 60 | - | - |
| Kerala | 777 | 777 | NIL | 777 | 100 |
| Madhya Pradesh | 50,485 | 45,721 | 5632 | 40,089 | 88 |
| Maharashtra | N.A. | 10,000 | 3194 | 6,806 | 68 |
| Orissa | N.A. | 15,000 | 2782 | 12,218 | 81 |
| Punjab | 9760 | 6000 | NIL | 6000 | 100 |
| Rajasthan | N.A. | N.F. | 2290 | - | - |
| Uttar Pradesh | N.A. | 44,703 | 14,641 | 30,062 | 67 |
| West Bengal | 11,809 | 3300 | 82 | 3218 | 98 |

*NF: Not fixed*

No training was conducted in the States of **Bihar, Gujarat, Kerala** and **Punjab** and no targets were fixed in **Assam, Gujarat, Jammu & Kashmir** and **Rajasthan**.

## Absence of inter-face

The Scheme sought to use the existing training facilities available with both the Central and the State Governments as well as the autonomous bodies. This entailed the development of a series of positive interfaces between the institutions, the government departments and the scheme administrators. It was noticed in audit that these interfaces did not materialize principally due to a lack of initiative on the part of the parties concerned and the unbridged gaps between the assessed needs and area-specific resource configuration. Audit could not locate any worthwhile evidence of either skill-level assessment or meaningful contacts with training institutions with a view to utilizing the available training facilities. The list of trades was lifted from the Handbook of small scale industries compiled for an entirely different set of objectives. No survey of location of or slots available with training institutions was carried out.

Even a pre-determined interface with the familiar scheme of Training of Rural Youth for Self-employment (TRYSEM) could not be successfully worked out. Toolkits required to be provided under TRYSEM were not provided to the scavenger trainees in **Assam, Haryana, Karnataka, Madhya Pradesh, Pondicherry, Tamil Nadu** and **West Bengal**. In **Delhi,** only 10 of the 131 trainees received the tool kits. The main cause of failure of the TRYSEM linkage continues to remain uninvestigated, but it is apparent that the isolation of a separate target group for separate focus within TRYSEM was unworkable.

The picture that emerges is one of uncoordinated efforts, which were unrelated to the specific low skill requirement of the beneficiaries. Absence of any systematic assessment of the quality of infrastructure, desired linkages and half hearted measures resulted in the beneficiaries being deprived of the intended benefits of the training effort.

### 3.3.3 Occupational rehabilitation

The Rehabilitation Programme under the Scheme contemplated (i) a time bound survey to identify scavengers and their dependents and their aptitudes for alternative trades; (ii) identification of trades and preparation of a shelf of projects; and (iii) the imparting of training with stipend to identified beneficiaries in the identified trades. The programme sought to adopt the strategy of phased coverage. Funding under the programme combined elements of subsidy, margin money loan and bank loan aimed at generating self-employment. The success of the programme rested upon the availability of complete information in regard to the number employed in the scavenging occupation, their aptitudes for alternative occupations and the availability of resources. However, as brought out, resources were neither released nor applied judiciously, thereby leading to accumulated unspent funds and hasty release at the end of the financial year. The absence of reliable baseline data which could form the basis of target setting, led to incorrect projections and even more incorrect conclusions in regard to the outcome of the rehabilitation measures. Review by Audit of the rehabilitation programmes disclosed the following: -

(a) In March 1992, the Scheme had set a target of rehabilitating four lakh scavengers and their dependents by the end of the Eighth Plan period (1992-97). However, only 2.68 lakh beneficiaries were rehabilitated by 1997. While formulating the proposals for the Ninth Plan period, the Ministry projected coverage of 7.87 lakh beneficiaries based on subsequent surveys. Interestingly, this included 2.68 lakh beneficiaries claimed to have been rehabilitated already. The year-wise targets fixed, thus, added up to 5.2 lakh beneficiaries. Evidently, this was an arithmetical exercise unrelated to ground realities. By the end of the Ninth Plan period, the number rehabilitated was 2.03 lakh, leaving a backlog of around 3 lakh beneficiaries. This analysis establishes that (i) the results of the rehabilitation efforts in the Ninth Plan period were poorer numerically than those achieved in the Eighth Plan period; and (ii) the clearance being less than the backlog there was a progressive acceleration, in net terms, of numbers. In other words, when there were 1.32 lakh beneficiaries still awaiting rehabilitation at the end of the Eighth Plan period, the number of such potential beneficiaries increased to 3.17 lakh at the end of the Ninth Plan period.

**Results of rehabilitation efforts in the Ninth Plan Period were poorer numerically than those achieved in Eighth Plan.**

(b) The targets set for each of the years of the Ninth Plan period and the achievements there against are tabulated below:

| Year | Target for rehabilitation as fixed by Ministry | Number of scavengers rehabilitated during the year | Shortfall in achieving the target | |
|---|---|---|---|---|
| | | | Numbers | *Per cent* |
| 1997-98 | 1,50,000 | 32,540 | 1,17,460 | 78.31 |
| 1998-99 | 1,50,000 | 36,559 | 1,13,441 | 75.63 |
| 1999-2000 | 1,50,000 | 26,538 | 1,23,462 | 82.31 |
| 2000-2001 | 50,000 | 30,312 | 19,688 | 39.38 |
| 2001-2002 | 20,000 | 76,840 | - | - |

It will, therefore, be seen that the five-year targeting exercise was largely hypothetical because it did not take into account the year-wise progress. An adverse consequence of such targeting was that the poor performance in a particular year was not taken into account in suitably increasing the target for the subsequent year. While the shortfalls ranged from 75 *per cent* to 82 *per cent* in the first three years of the Scheme during the Ninth Plan period, it improved to 39.38 *per cent* in the fourth year and close to four times the target set for the fifth year. This improvement was, however, not attributable to the outcome of the rehabilitation measures being higher but to the whittling down of the target to one third or less of the previous years in 2000-01. The overall targeting exercise was, thus, deficient and inaccurate. Despite receiving periodic information in this regard from the States and obtaining evaluations at its own level the Ministry did not revise the targets upwards. These targets not having been communicated to the implementing agencies in the States, the States fixed their own targets, which varied widely from those set by the Ministry.

**Despite receiving periodic information from the States, the Ministry never revised its targets upwards.**

(c) Details of the rehabilitation targets fixed year-wise by the States and by the Ministry are contained in the following table:

| Sl No. | State | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 |
|---|---|---|---|---|---|---|
| 1. | Andhra Pradesh | 1,027 | 1,346 | 1,350 | 1,438 | 20,000 |
| 2. | Assam | No Year-wise target was fixed by State Government | | | | |
| 3. | Bihar | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 |
| 4. | Delhi | 3,000 | 2,200 | 2,000 | 2,000 | 2,000 |
| 5. | Gujarat | 10,000 | 10,000 | 10,000 | 5,000 | 5,000 |
| 6. | Haryana | 6,000 | 2,500 | 3,000 | 2,000 | 2,000 |
| 7. | Jammu & Kashmir | No Year-wise target was fixed by State Government | | | | |
| 8. | Karnataka | No Year-wise target was fixed by State Government | | | | |
| 9. | Kerala | Not Available | | | | |
| 10. | Madhya Pradesh | 15,000 | 9,085 | 15,000 | 5,296 | 5,525 |
| 11. | Maharashtra | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| 12. | Orissa | 5,000 | 5,312 | 6,646 | 6,815 | 6,740 |
| 13. | Punjab | 2,000 | 2,000 | 2,000 | 531 | Not fixed |
| 14. | Rajasthan | 4,559 | 3,705 | 6,700 | 3,741 | 1,810 |
| 15. | Tamil Nadu | 4,079 | 4,850 | 4,850 | 4,850 | 4,850 |
| 16. | Uttar Pradesh | 14,000 | 15,500 | 19,088 | 19,905 | 9,000 |
| 17. | West Bengal | 1,700 | 800 | 900 | 1,000 | 1,500 |
| 18. | Pondicherry | No Year-wise target was fixed by State Government | | | | |
| | **Total** | **73,365** | **64,298** | **78,534** | **59,576** | **65,425** |
| | **Ministry** | **1,50,000** | **1,50,000** | **1,50,000** | **50,000** | **20,000** |

It will be seen that no annual targets were fixed in **Assam, Jammu & Kashmir, Karnataka** and **Pondicherry. Kerala** could not furnish any evidence of having fixed targets. The targets fixed by the State Governments were about 50 *per cent* of those set by the Ministry. Further, while the Ministry had scaled down the targets substantially, the States had more or less retained those adopted earlier.

The following table sums up the achievement of the Scheme in terms of number rehabilitated with reference to the targets set and backlog.

| Period | Targeted beneficiaries | Number awaiting Rehabilitation | Number rehabilitated | Backlog |
|---|---|---|---|---|
| 1992-93 to 1996-97 8th Plan Period | 400,000 | 1,32,000 | 2,68,000 | 1,32,000 |
| 1997-98 | 1,50,000 | 1,32,000 + 3,87,000@ | 32,540 | 4,86,460 |
| 1998-99 | 1,50,000 | 4,86,460 | 36,559 | 4,49,901 |
| 1999-2000 | 1,50,000 | 4,49,901 | 26,538 | 423,363 |
| 2000-01 | 50,000 | 4,23,363 | 30,312 | 3,93,051 |
| 2001-02 | 20,000 | 3,93,051 | 76,840 | 3,16,211 |
| 1997-98 to 2001-02 9th Plan Period | 5,20,000 | 3,16,211 | 2,02,789 | 3,16,211 |

*@ 3,87,000 added to the total number as per Ninth Plan Proposals.*

It will be observed that:

- the number awaiting rehabilitation at the end of the Ninth Plan period was more than twice the number at the close of the Eighth Plan period;

- barely 39 *per cent* of the target could be met during the Ninth Plan period; and

- more than 40 *per cent* of the estimated beneficiaries remained un-rehabilitated even after a decade of the implementation of the Scheme.

(d) Apart from the unreliable surveys and the consequential non-availability of baseline data, some of the basic postulates of the Scheme suffered because of unimaginative management. These basic postulates were as follows:

- Assistance would be delivered only to eligible beneficiaries.

- Beneficiaries would be encouraged to avail of a higher financial package up to Rs 50,000 in the project mode, so as to avoid the low cost occupational trap. This was based on the experience that smaller financial packages failed to generate sustainable income.

- Training and employment would be so matched as to ensure vocational or occupational rehabilitation.

- Banks would play a crucial role in providing the required assistance in the form of loans, supplementing the efforts of the Government.

- Women, being the most oppressed segment in this class of beneficiaries, would be specially targeted.

- The cluster approach would be adopted as a strategy to generate economic bonding amongst beneficiaries in groups.

- Sanitary Marts in the cooperative format would attract beneficiaries.

**Misapplication of resources**

In **Andhra Pradesh, Assam, Madhya Pradesh, Maharashtra** and **West Bengal**, instances of misapplication of resources were noticed. In **Andhra Pradesh**, a joint inspection by Audit with the **Enforcement Directorate of District Societies** revealed that 24 of the 28 rehabilitation units in Cuddapah district, which were financed during 1997-98 at a unit cost of Rs 80,000 to Rs 1 lakh, were non-existent. Similarly, in Kurnool district, 3 of the 4 shops set up under the rehabilitation package were non-existent. In **Assam, Madhya Pradesh** and **West Bengal**, the beneficiaries who were assisted under the Scheme were not listed in the survey records.

### Higher Project package not availed of

Instead of encouraging beneficiaries to avail of higher financial packages, Scheduled Castes Development Financial Corporations preferred to sanction low cost projects.

The Scheduled Castes Development Financial Corporations entrusted with the responsibility of sanctioning projects generally continued to sanction low cost projects. There was hardly any evidence of evaluation of the commercial viability of a project. The Scheme envisaged a maximum assistance of Rs 50,000 per project per beneficiary. In **Haryana** the average financial assistance for the rehabilitation of 6,327 beneficiaries during 1997-2002 was Rs 21,279, while it was Rs 16,279 in **Orissa** and barely Rs 2,000 in **Pondicherry**. In six districts of **Tamil Nadu**, the project cost in respect of 1,431 projects ranged between Rs 3,500 and Rs 20,000. In **West Bengal**, 353 of the 373 beneficiaries in 20 municipalities and 9 blocks got assistance of less than Rs 20,000. In **Uttar Pradesh**, only 970 of the 18,674 projects were provided assistance of more than Rs 20,000. While no recorded reasons for the Scheduled Castes Development Financial Corporations' preference for low cost projects were available, the basic hurdle appeared to be the complexity of project formulation and estimation of its viability. The level of education of the beneficiaries, their indigent circumstances and the lack of initiative on the part of the implementing agencies could have contributed to the low cost mode of financing projects being accepted as an easier alternative.

### Training and employment mismatches

Untrained scavengers were rehabilitated while trained scavengers were not rehabilitated. Trades for rehabilitation were not in consonance with those in which beneficiaries were trained.

Training, which was a pre-requisite for successful rehabilitation, remained the weakest link in the entire programme. Test check of records revealed that adequate attention was not paid towards this aspect even in the Ninth Five Year Plan period (1997-2002) and this hampered the rehabilitation process, as would be evident from the instances of mismatch between training and rehabilitation mentioned below: -

In **Andhra Pradesh** and **Gujarat,** 19,521 and 7,317 scavengers respectively were stated to have been rehabilitated without any training. In **Andhra Pradesh,** the failure of Corporations and district societies to impart any training resulted in most of the scavengers rehabilitated not continuing their new trades rendering the expenditure on their rehabilitation largely unfruitful.

In four districts of **Assam,** 53 scavengers who were rehabilitated were either untrained or rehabilitated in trades other than those in which they were trained.

In **Madhya Pradesh,** 12,966 scavengers were rehabilitated without any training. On the other hand, 3,647 scavengers, who had been trained, were not rehabilitated. Of the 3,783 scavengers trained at a cost of Rs 139.58 lakh during 1997-2002, only 136 were rehabilitated.

In **Maharashtra**, mismatches were noticed between the training imparted to 50 beneficiaries and the trades in which they were rehabilitated in the districts of Pune and Dhulia.

In **Punjab**, only 66 of the 114 scavengers had taken to the trades in which they were imparted training.

In **Rajasthan**, of the 620 scavengers who received training up to March 2002 in two districts (Ajmer: 269; Jaipur: 351), only 382 could be rehabilitated. While 1,398 scavengers received training in other districts, 4,649 scavengers were rehabilitated, resulting in 3,251 scavengers being rehabilitated without training.

In five districts of **Tamil Nadu** (Coimbatore, Cuddalore, Kancheepuram, Madurai and Thanjavur), of the 293 trained scavengers, only 16 were rehabilitated in two districts.

In eight districts of **West Bengal**, 763 scavengers were rehabilitated; of these, only 36 scavengers were trained before their rehabilitation.

Apart from the necessity of training for development of skills in alternate trades and occupations, it is equally important to promote awareness amongst the identified scavengers about various avenues available to them for rehabilitation. Thus, rehabilitation of untrained scavengers or rehabilitation of trained scavengers in trades other than those in which they were trained is suggestive of a casual approach of the implementing agencies towards the rehabilitation process.

**Role of Banks**

Banks have a crucial role to play in providing financial assistance for rehabilitation of beneficiaries under the Scheme. Scheduled Castes Development Financial Corporations recommend the applications of beneficiaries for sanction of loans by banks. However, banks were cautious in providing loans to the recommended scavengers resulting in a large number of applications being rejected. The position in some of the States is mentioned in the following paragraphs: -

In **Maharashtra**, the Scheduled Castes Development Financial Corporation received 12,726 applications for rehabilitation projects during 1998-2002. Of these, 12,666 proposals were recommended to the banks. However, the banks rejected 3,806 proposals and 4,530 proposals were pending with them as of March 2002. Thus, the rate of rejection of proposals for loan by banks was as high as 47 *per cent*. Scheduled Castes Development Financial Corporation attributed the rejection to the non-viability of the projects and poor record of past recoveries.

In **Orissa**, Scheduled Castes Development Financial Corporation attributed the shortfall in achieving rehabilitation targets to the banks not sanctioning loans (a) to other members in the event of default by one of the members of a family; (b) on the ground that the beneficiaries were non-existent following the conversion of dry latrines into water-borne ones; and (c) poor rate of recovery.

In **Pondicherry**, the banks had rejected 22 of the 109 applications forwarded to them by the Adi Dravidar Development Corporation. In October 1997, the Corporation reported to the Government of Pondicherry that these applicants would be contacted in person and necessary action taken to recommend alternative viable projects to the banks. Further action was, however, not taken to resubmit their cases to the banks for sanction of loans.

**Rate of rejection of loan applications by banks was as high as 74 per cent.**

In **Rajasthan**, Scheduled Castes Development Financial Corporation attributed the shortfall in achieving the rehabilitation targets to the non-cooperation of banks.

Of the 3,870 proposals recommended in four districts of **Tamil Nadu** during 1997-2000, 2,862 applications (74 *per cent*) were rejected.

Instances of banks rejecting a large number of applications or adopting a cautious approach was also indicative of the fact that the implementing agencies Scheduled Castes Development Financial Corporations did not exercise sufficient care in the formulation of viable projects that could be financed by the banks.

**Women not specially targeted**

Women of the scavenging community constitute the most oppressed section. Even after men of the family shift to more dignified professions, women continue to remain engaged in manual scavenging. The revised guidelines of the Scheme, issued in 1996, stressed the special targeting of women scavengers in rehabilitation programmes, besides formulation of specific women-oriented schemes. Special attention was to be given to women beneficiaries in providing post-assistance support. Awareness camps focussing attention on women were also required to be regularly organized in the scavenger colonies. This was not done. Review by Audit brought out the following:

- No women-oriented scheme was formulated by the Ministry.
- Implementing agencies in **Andhra Pradesh, Gujarat, Madhya Pradesh, Punjab, Rajasthan, Tamil Nadu** and **West Bengal** did not formulate any specific women oriented schemes.
- Of the 6,244 scavengers rehabilitated in seven districts of **Andhra Pradesh,** women constituted only 39 *per cent.* In six districts of **Assam,** women constituted 49 *per cent* of 1,266 scavengers rehabilitated. In **Delhi**, separate details of the women scavengers were not maintained. Of the 14,674 women scavengers identified for training in **Punjab** 8,212 opted to receive training; of these, only 1,396 women (17 *per cent*) could be rehabilitated as of March 2002. In the East Godavari district of **Andhra Pradesh**, 181 women scavengers were provided financial assistance of Rs 8,000 each for establishing kirana, cloth business, etc. However, the units failed very soon. According to the District Society,

these women scavengers did not also give up their earlier profession of scavenging. This is illustrative of the lack of post-assistance support to rehabilitated women scavengers, which was contemplated in the revised guidelines of the Scheme.

- In six districts of **Tamil Nadu**, however, of the 2,754 scavengers rehabilitated, 1,750 (64 *per cent*) were women.

- In **Karnataka**, the SC/ST Development Corporation did not provide any information on the male and female scavengers rehabilitated. However, in the test checked districts other than Gulbarga, 2,502 female scavengers were rehabilitated as against 2,384 male scavengers.

- In **Gujarat**, the Gujarat Scheduled Castes Development Corporation had no information on the organization of awareness camps for women; on the other hand, in **Madhya Pradesh** awareness camps were organized only in Bhopal district.

- In **Rajasthan**, the implementing agency was not aware of the guidelines relating to the rehabilitation of women scavengers through specially focused activities.

Thus, the directives in regard to special focus on women contained in the revised guidelines did not receive much attention from the Ministry or the State-level implementing agencies. **Tamil Nadu** and **Karnataka** showed impressive results without specially focused schemes, which, however, were exogenous to the Scheme.

**Cluster approach not adopted**

The revised guidelines of 1996 envisaged that the Scheduled Castes Development Financial Corporation should adopt a cluster approach in training and rehabilitation programmes. All scavengers eligible for benefits under the Scheme in a *basti* were to be rehabilitated together. Scheduled Castes Development Financial Corporation was to encourage formation of group projects so as to pool together subsidy and margin money loans.

Scrutiny of records revealed that the cluster approach was not adopted in any State. Though in **Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Tamil Nadu, Uttar Pradesh** and **West Bengal** group projects in the form of Sanitary Marts were adopted for rehabilitating scavengers, no other project following the cluster approach was formulated or implemented. In States like **Assam, Haryana** and **Punjab**, the cluster approach was not implemented at all. Keeping in view the limited success of the Sanitary Mart project and the absence of any other project for training and rehabilitation of scavengers in the cluster approach, the revised guidelines in this regard remained unimplemented.

### Failure of Sanitary Mart Scheme

The concept of rehabilitation of scavengers through the establishment of Sanitary Marts was included in the Scheme in January 2000. A Sanitary Mart is a shopping place where the sanitary needs of the common man could be met and materials and equipment such as pans, traps etc. would be produced at its production centre. Under the scheme, the implementing agencies had to steer the formation of co-operatives, ideally of 20-30 scavengers, and these co-operatives would run the sanitary marts. The main goal of the scheme was to erase the need for scavenging by converting dry latrines to wet latrines and subsequently, the need of engaging the scavengers.

The success of this scheme was largely dependent on the commitment of the implementing agencies in (a) motivating scavengers to set up sanitary marts; and (b) planning for information, education, and communication so as to generate demand for items and services available with the sanitary marts. Test-check of records, however, revealed that the scheme failed at the initial stage itself, despite release of Rs 130.05 crore, representing 93 *per cent* of the total funds released, by the Ministry during 1999-2002. As against a target of setting up of 4,606 Sanitary Marts for rehabilitation of 1,15,150 scavengers in fourteen States, the implementing agencies could set up only 636 Sanitary Marts rehabilitating 4,107 scavengers.

**Sanitary Mart Scheme proved to be a failure, despite release of Rs 130.05 crore.**

In **Delhi, Haryana, Jammu & Kashmir, Punjab, Kerala,** the scheme was not implemented. It is also interesting to note that the Sanitary Mart Scheme under the National Scheme could be implemented only with limited success in **West Bengal** though it was a complete success as a State Scheme. The failure was attributed mainly to the absence of the subsidy element to the customers of these marts, which was provided in the **West Bengal** Government's scheme. **Haryana** and **Punjab** did not implement the scheme as it was not viable.

### 3.4 Organisational Mismatches

**Organisational mismatches were noticed at implementational level of the Scheme.**

The Scheme was organised with a four-tier structure going down vertically from the programme implementing Ministry of the Central Government to the town or mohalla level. Organisationally, the Scheme did not contemplate a network at the rural level presumably on the assumption that the practice of scavenging was not predominately a rural phenomenon. The 'Rural Sanitation Programme', however, addressed itself to the liberation of scavengers. Thus, it was necessary to have a rural link down the line below the district level, which was not available in the Scheme. The District became the control unit with the towns and mohallas integrated to the structure of implementation and the District Collector the key functionary in the structure. It was through the Collector that interaction with banks, urban local bodies, Scheduled Castes

Development Financial Corporation, training institutes and the monitoring committees was sought to be achieved. It is also through the district authority that the interfaces with other development schemes can be worked out. It was, however, seen in audit that the role of the district administrative head was confined largely to survey and identification and that too not in all cases. Day to day implementation of the Scheme was transferred to the Scheduled Castes Development Financial Corporations. It is for this reason that consolidated figures were often not available with the District Collectors and information had to be collected from Scheduled Castes Development Financial Corporations. This resulted in a lack of coordination in the operation of the Scheme. There was no evidence in the test checked districts of any initiative taken by the District Authorities in identification of training institutes and development of a portfolio of vocations. The State Governments passed on funds directly to the Scheduled Castes Development Financial Corporations and the District Collector had no role to play.

Coordination between the District Collector and the nodal department of the State was insignificant except that periodic reports were generated at the Collectorates on the basis of information obtained from Scheduled Castes Development Financial Corporations. In many cases, the district level monitoring committees under the Chairmanship of Collectors were not formed. There was no coordination between the Secretary of the implementing department at the State level with the State departments handling Urban Development, Rural Development, Labour and Technical Education, as required. The Central Ministry of Social Justice and Empowerment also had no coordination with the Ministries of Urban Development and Rural Development. Its relationship with the National Safai Karamcharies Finance Development Corporation was only visible in the area of Sanitary Marts.

These organisational mismatches and failure in coordination adversely affected the implementation of the Scheme.

## 3.5 Deficiencies in Financial Management

### 3.5.1 Flow of Funds

During the Eighth Plan period, funds required for training and rehabilitation under the Scheme were estimated at Rs 563.80 crore, whereas only Rs 386.20 crore were provided and expenditure of Rs 384.67 crore incurred. Though the Scheme was to be completed by the end of the Eighth Plan period, it continued during the Ninth Plan period. Details of the fund allocations vis-à-vis the actual expenditure during the Eighth and Ninth Plan periods are tabulated below: -

*(Rupees in crore)*

| Year | Budget Estimates | Revised Estimates | Reduction at Revised Estimates stage | Actual Expenditure |
|---|---|---|---|---|
| ***VIII Plan Period (1992-97)*** | ***386.20*** | ***386.20*** | **–** | ***384.67*** |
| 1997-1998 | 120.00 | 90.00 | 30.00 | 90.00 |
| 1998-1999 | 90.00 | 20.00 | 70.00 | 5.90 |
| 1999-2000 | 70.00 | 70.00 | -- | 70.00 |
| 2000-2001 | 67.50 | 60.94 | 6.56 | 60.92 |
| 2001-2002 | 74.00 | 8.21 | 65.79 | 9.20 |
| ***IX Plan Period (1997-02)*** | ***421.50*** | ***249.15*** | ***172.35*** | ***236.02*** |
| **Grand Total** | **807.70** | **635.35** | **172.35** | **620.69** |

During the Ninth Plan period (1997-2002), the initial budgetary commitment of Rs 421.50 crore was scaled down to Rs 249.15 crore which amounts to an overall reduction of almost 41 *per cent.*

The Ministry attributed the reduction in budgetary support to the Scheme in the Revised Estimates to the amounts lying unspent with State Scheduled Castes Development Financial Corporations and the disinclination of the Planning Commission to revise the Scheme in 2001-02.

### 3.5.2 Release of grant despite retention of heavy unspent balances

**Funds were released to Scheduled Caste Development Financial Corporations despite huge unspent balances.**

Scrutiny of the records in the Ministry revealed that grant-in-aid was released to such Scheduled Castes Development Financial Corporations which had heavy unspent balances. The utilization of funds by them had been poor as would be evident from the details contained in **Annex-II**.

The Ministry stated (May 2002) that the State Governments/Scheduled Castes Development Financial Corporations were regularly pursued for timely utilization of funds under the Scheme.

### 3.5.3 Rush of disbursements in March

A significant portion of the disbursements during the year was made in the last quarter of the financial year as well as in the month of March as shown below:-

*(Rupees in crore)*

| Year | Total disbursement during the year | Disbursement during last quarter | Percentage of disbursement during last quarter | Disbursement during March | Percentage of disbursement during March |
|---|---|---|---|---|---|
| 1997-1998 | 90.00 | 20.56 | 23 | 11.46 | 13 |
| 1998-1999 | 5.90 | 5.90 | 100 | 5.90 | 100 |
| 1999-2000 | 70.00 | 70.00 | 100 | 70.00 | 100 |
| 2000-2001 | 60.92 | 60.92 | 100 | 60.92 | 100 |
| 2001-2002 | 9.20 | 2.25 | 24 | 2.25 | 24 |

In the years 2000-01 and 2001-02, demand drafts for release of grants were despatched to the implementing agencies in the subsequent financial years. Release of funds at the fag end of the financial year was indicative of poor financial management and was aimed to avoid lapse of budgetary grants.

The Ministry stated (May 2002) that the approach paper on the concept of Sanitary Marts inviting proposals from States/Scheduled Castes Development Financial Corporations was circulated on 30 January 2000 and proposals were received in the month of March for the year 1999-2000 and that sanction for 2000-2001 was delayed due to delay in obtaining the approval of the Ministry of Finance as some Scheduled Castes Development Financial Corporations had huge unspent balances. The reply furnished by the Ministry only reinforces the audit observation.

### 3.5.4 Utilisation of funds by State Governments/Scheduled Castes Development Financial Corporations

State-wise position of funds released during 1997-2002 and expenditure incurred there against is presented below:-

*(Rupees in crore)*

| Sl. No. | State/ Union Territory | Opening Balance | Central release | State contribution/ Bank loan/ NSKFDC loan | Total funds available | Funds spent (1997-2002) | Unutilised Funds as on 31.3.2002 | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | Amount | Percentage |
| 1. | Andhra Pradesh | 3.42 | 14.10 | 13.25 | 30.77 | 53.60 | - | Nil |
| 2. | Assam | 1.65 | 3.72 | 1.93 | 7.30 | 1.70 | 5.60 | 77 |
| 3. | Bihar | 6.13 | 4.64 | Nil | 10.77 | 1.56 | 9.21 | 86 |
| 4. | Delhi | 4.70 | Nil | 0.33 | 5.03 | 1.80 | 3.23 | 64 |
| 5. | Gujarat | 0.42 | 20.51 | Nil | 20.93 | 3.28 | 17.65 | 84 |
| 6. | Haryana | 11.49 | Nil | 7.51 | 19.00 | 13.72 | 5.28 | 28 |
| 7. | Jammu & Kashmir | 1.51 | 0.35 | 1.96 | 3.82 | 1.88 | 1.94 | 51 |
| 8. | Jharkhand | Nil | 10.85 | Nil | 10.85 | - | 10.85 | 100 |
| 9. | Karnataka | 3.09 | 10.63 | Nil | 13.72 | 8.12 | 5.60 | 41 |
| 10. | Kerala | 0.42 | Nil | Nil | 0.42 | * | 0.42 | 100 |
| 11. | Madhya Pradesh | 4.63 | 33.34 | 47.79 | 85.76 | 67.40 | 18.36 | 21 |
| 12. | Maharashtra | 7.89 | 21.35 | 7.33 | 36.57 | 9.20 | 27.37 | 75 |
| 13. | Orissa | 6.98 | 6.96 | Nil | 13.94 | 9.92 | 4.02 | 29 |
| 14. | Pondicherry | 0.05 | Nil | Nil | 0.05 | 0.01 | 0.04 | 80 |
| 15. | Punjab | 1.58 | Nil | Nil | 1.58 | 0.61 | 0.97 | 61 |
| 16. | Rajasthan | 17.81 | 19.35 | Nil | 37.16 | 3.73 | 33.43 | 90 |
| 17. | Tamil Nadu | 23.55 | 22.53 | 7.82 | 53.90 | 18.38 | 35.52 | 66 |
| 18. | Uttar Pradesh | 36.89 | 44.46 | 3.06 | 84.41 | 65.46 | 18.95 | 23 |
| 19. | West Bengal | 4.51 | Nil | 0.37 | 4.88 | 1.50 | 3.38 | 69 |
| | **Total** | **136.72** | **212.79** | **91.35** | **440.86** | **261.87** | **201.82** | |

* *The expenditure in Kerala being negligible (Rs 13,000) has been rounded off to zero.*

**In 14 States more than 40 per cent of funds were not utilised.**

As against funds aggregating to Rs 440.86 crore available during 1997-2002, actual expenditure was only Rs 261.87 crore. This constituted 59 *per cent* of the total funds available. Analysis of the State-wise position revealed that more than 40 *per cent* of the funds remained unutilised in 14 States. The entire amount released to **Kerala** and **Jharkhand** remained unutilised. The percentage of unutilised funds in **Bihar, Gujarat, Pondicherry** and **Rajasthan** varied between 80 to 90 *per cent.* The position of utilisation of funds was also dismal in **Assam, Delhi, Jammu & Kashmir, Karnataka, Maharashtra, Punjab, Tamil Nadu** and **West Bengal** as the percentage of unutilised funds in these States varied between 41 and 77. Under-utilisation of funds was generally attributed to the indifferent attitude of banks in sanctioning loans to scavengers, non-availability of technical manpower, delay in finalisation of projects, rejection of applications at the district level and non-viability of projects.

Scheduled Castes Development Financial Corporations in the States of **Assam, Bihar, Delhi, Haryana, Jharkhand, Madhya Pradesh, Orissa, Punjab** and **West Bengal** utilised interest earnings of Rs 16.43 crore to meet expenditure on pay and allowances and establishment as detailed below:-

*(Rupees in crore)*

| State | Amount |
|---|---|
| Assam | 0.22 |
| Bihar | 3.45 |
| Delhi | 3.56 |
| Haryana | 4.03 |
| Jharkhand | 0.71 |
| Madhya Pradesh | 1.23 |
| Orissa | 0.26 |
| Punjab | 0.65 |
| West Bengal | 2.32 |
| **Total** | **16.43** |

### 3.5.5 Retention of Central assistance by State Governments

Central assistance of Rs 11.84 crore was retained by the State Governments without being disbursed as under:

In **Madhya Pradesh**, the State Government retained Central assistance of Rs 9.29 crore during 1992-96 and the amount had not been transferred to the implementing agency till March 2002. During 1997-2002, Madhya Pradesh Scheduled Castes Development Corporation received Central assistance of Rs 33.34 crore under the Scheme. Had the State Government not retained

Central assistance of Rs 9.29 crore, the requirement of funds by the Corporation would have been lesser by an equal amount.

In **Punjab**, the State Government retained Central assistance of Rs 2.55 crore released during 1995-96 even as of March 2002. The Ministry had also not pursued the matter with the State Government to obtain refund of the amount as of August 2002.

### 3.5.6 Shortfall in Matching Contribution by State Governments

The margin money loan component of the financial package for rehabilitation was to be funded in the ratio of 49:51 between the Centre and States/Union Territories. The States' share of margin money loan was either not contributed or contributed short in seven States as indicated below:

| Sl. No. | State | Shortfall in contribution *(Rupees in lakh)* |
|---|---|---|
| 1 | Assam | 42.07 |
| 2. | Madhya Pradesh | 141.39 |
| 3. | Maharashtra | 313.08 |
| 4. | West Bengal | 27.64 |
| 5. | Andhra Pradesh | Not Contributed |
| 6. | Bihar | Not Contributed |
| 7. | Karnataka | Not Contributed |

### 3.5.7 Outstanding Utilisation Certificates

**Utilisation Certificates in respect of 91 per cent of total releases were still pending.**

The Ministry released grants-in-aid for the implementation of the Scheme to the agencies concerned through the State Governments up to 1996-97, and thereafter grants were released directly to the agencies themselves. State Governments and the Scheduled Castes Development Financial Corporations were required to submit utilisation certificates in respect of grants-in-aid released to them. However, it was observed that as against release of grants-in-aid of Rs 642.43 crore during 1991-2002, the Ministry had received utilisation certificates for Rs 60.77 crore only (9 *per cent* of the total funds released). State-wise details of pending utilisation certificates are contained in **Annex-III**. These certificates were due in some cases since 1991-92.

### 3.6 Inadequate Monitoring

The Scheme provides for the setting up of a network of Monitoring Committees: Central Monitoring Committee at the apex level, State-level Monitoring Committees, supported by District-level Monitoring Committees and the Town Committees or Mohalla Committees at the ground level. While the Central and State-level Committees were required to meet quarterly, no periodicity was prescribed for District and Town Committees. Audit scrutiny

**Non-constitution of monitoring committees/ non-functioning of these committees affected the periodic evaluation of implementation of the Scheme.**

revealed that the Central Committee met only once in February 1993 during 1992-2002, while it should have met at least forty times. The State-level Monitoring Committees in some States (**Assam, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu** and **West Bengal**) met less than half the number of times required; they did not meet even once in other States where these Committees were constituted (**Jammu & Kashmir** and **Orissa**). In **Bihar, Jharkhand, Kerala,** and **Pondicherry**, no State-level Committees were set up. District-level Committees were not set up in the States of **Jammu & Kashmir, Kerala, Maharashtra** and **Pondicherry**. In **Haryana, Kerala, Madhya Pradesh, Pondicherry** and **Tamil Nadu** no Town or Mohalla Committees were set up. Records of the proceedings of Committee meetings were not maintained in most cases.

The District-level, State-level and Central-level Monitoring Committees depended on reports generated at the operational level for evaluating the Scheme. The linkage theoretically was such that reports generated at the town-level would feed the district-level reports, the district-level reports would feed the State reports and finally the State reports would feed the Central reports. Any breach in the channel would automatically impair the information chain. This is exactly what happened: many of these committees were not constituted. Even when these were constituted, they did not meet to review progress and details of progress made could not be compiled even when some of these Committees met. Sporadic efforts were made to evaluate the Scheme at the post-implementation stage, as in **Orissa, Uttar Pradesh, Rajasthan** and **Delhi,** and the findings, despite the absence of a comprehensive reporting standard, highlighted the failure of the Scheme on many fronts: incorrect/incomplete identification of beneficiaries, non-identification of skill requirements, lack of monitoring mechanism, lack of awareness among beneficiaries, lack of motivation for self-help, and misutilisation of cash assistance by the beneficiaries. There was no evidence on record to suggest that any of these evaluation findings were considered at the appropriate levels to provide corrective and remedial measures.

## 4. Conclusion:

➤ The Scheme began, and continues to remain until now, a prisoner of its own statistics. Absence of credible baseline census of targetted beneficiaries has robbed the Scheme of its objectivity. Different sources have estimated the number differently employing *ad hoc* yardsticks and methods. The Scheme visualised the rehabilitation of all the 4 lakh scavengers and their dependents estimated by the Task Force in March 1991 by the end of the Eighth Plan period (1992-97). Against this, the Scheme claimed to have rehabilitated only 2.68 lakh. This did not, however, result in a reduction in the total number, as subsequent surveys conducted between 1994-95 and 2001-02 estimated the number as 7.87 lakh necessitating upward revision of the targets.

- Loss of link between 'liberation' and 'rehabilitation' defocused the scheme. Liberation, interpreted to mean removal of the very cause and basis of manual scavenging, thereby allowing the beneficiary release from the stigmatised occupation, should have been the cornerstone of the Scheme as there could be no rehabilitation without liberation. Lack of correspondence between 'liberation' and 'rehabilitation' was vividly demonstrated by the fact that the Ministry of Social Justice and Empowerment, the nodal Ministry for the scheme claimed to have rehabilitated 4.71 lakh scavengers during 1992-2002 while the Ministries of Urban and Rural Development projected that only 0.37 lakh scavengers were liberated during the period. There was no evidence to suggest if those liberated were in fact rehabilitated.

- The most serious lapse in the conceptualization and operationalisation of the scheme was its failure to employ the law that prohibited the occupation. The law could have been invoked to ensure that the condition and circumstance of occupational entrapment were not created. As a matter of fact, the law itself expected that the schemes implemented by the both the State and Central Governments would draw their strength from it. The law was rarely used.

- The Scheduled Castes Development Financial Corporations and banks which were responsible for the implementation of income-generating rehabilitation schemes failed to deliver as there was no clear definition of the path of occupational change. Training in low skill alternative occupation was inadequate, impractical and disoriented. Factors of habitation, cluster, aptitude, gender and motivation were ignored for the statistically visible loan-projects. There too the rejection percentage was as high as 47 *per cent* in **Maharashtra** and 74 *per cent* in **Tamil Nadu**. To expect an illiterate and poor scavenger to comply with the rigours of project-financing by commercial banks, was to say the least, unimaginative.

The matter was referred to the Ministry in October 2002, their reply was awaited as of January 2003.

## Annex-I
(Refers to Paragraph 2.2)

### State-wise details of sample districts selected for audit

| Sl. No. | State/ Union Territories | No of districts covered | District test-checked | Name of districts test-checked |
|---|---|---|---|---|
| 1. | Andhra Pradesh | 23 | 7 | Cuddapah, East Godavari, Karimnagar, Krishna, Kurnool, Nizamabad and Warangal |
| 2. | Assam | 23 | 6 | Kamrup, Sonitpur, Dhubri, Nagaon, Dibrugarh, Tinsukia |
| 3. | Bihar | 37 | 10 | Bhagalpur, Gaya, Jehanabad, katihar, Motihari, Munger, Muzaffarpur, Nalanda, Nawada, Rohtas |
| 4. | Delhi | 9 | 9 | Central, South, South-West, West, North-West, North, North-East, East, New Delhi |
| 5. | Gujarat | 25 | 7 | Ahmadabad, Godhra, Himatnagar, Jamnagar, Junagadh, Rajkot and Vadodara |
| 6. | Haryana | 19 | 5 | Gurgaon, Hissar, Jind, Karnal, Yamuna Nagar |
| 7. | Jammu & Kashmir | 6 | 4 | Jammu, Kathua, Udhampur, Srinagar |
| 8. | Jharkhand | 18 | 5 | Bokaro, Dhanbad, Hazaribag, Jamshedpur, Ranchi |
| 9. | Karnataka | 20 | 7 | Bangalore (Rural), Gulbarga, Raichur, Bellary, Shimoga, Mysore and Mandya |
| 10. | Kerala | 14 | 3 | Tiruvananthapuram, Kollam, Thrissur |
| 11. | Madhya Pradesh | 45 | 11 | Bhopal, Chhattarpur, Gwalior, Indore, Jabalpur, Khargone, Morena, Rewa, Satna, Shahdol, Ujjain |
| 12. | Maharashtra | 31 | 6 | Mumbai, Thane, Nasik, Dhule, Pune, Aurangabad |
| 13. | Orissa | 30 | 8 | Khurda, Berhampur, Cuttack, Koraput, Puri, Balasore, Keonjhar, Dhenkanal |
| 14. | Punjab | 17 | 7 | Amritsar, Ferozepur, Gurdaspur, Hoshiarpur, Jalandhar, Kapurthala, Ludhiana |
| 15. | Rajasthan | 32 | 8 | Ajmer, Bhilwara, Churu, Jaipur, Jodhpur, Nagaur, Pali, Sawai Madhopur |
| 16. | Tamil Nadu | 30 | 6 | Coimbatore, Cuddalore, Kancheepuram, Madurai, Thanjavur and Vellore |
| 17. | Uttar Pradesh | 63 | 10 | Agra, Beroilly, Bijnor, Ghaziabad, Kanpur Nagar, Lucknow, Mathura, Meerut, Moradabad, Saharanpur |
| 18. | West Bengal | 17 | 8 | Howrah, Hooghly, 24-Paraganas (South), 24-Paraganas (North), Malda, Uttar Dinajpur, Jalapaiguri, Darjeeling |
| 19. | Pondicherry | 1 | 1 | Pondicherry |
| **Total** | | **460** | **128** | |

## Annex- II

(Refers to Paragraph 3.5.2)

*(Rupees in crore)*

| Year | Central assistance released | Total expenditure | Unspent grant |
|---|---|---|---|
| **Gujarat** | | | |
| Opening Balance | 0.42 | | |
| 1997-1998 | 8.90 | 0.65 | 8.67 |
| 1998-1999 | - | 0.57 | 8.10 |
| 1999-2000 | 11.61 | 0.84 | 18.87 |
| 2000-2001 | - | 0.79 | 18.08 |
| 2001-2002 | - | 0.43 | 17.65 |
| **Madhya Pradesh** | | | |
| Opening Balance | 4.63 | | |
| 1997-1998 | 24.51 | 4.44 | 24.70 |
| 1998-1999 | - | 5.48 | 19.22 |
| 1999-2000 | 8.83 | 4.01 | 24.04 |
| 2000-2001 | - | 3.65 | 20.39 |
| 2001-2002 | - | 4.31 | 16.08 |
| **Orissa** | | | |
| Opening Balance | 6.98 | | |
| 1997-1998 | 1.07 | 1.37 | 6.68 |
| 1998-1999 | 5.90 | 1.68 | 10.90 |
| 1999-2000 | - | 2.46 | 8.44 |
| 2000-2001 | - | 2.54 | 5.90 |
| 2001-2002 | - | 1.87 | 4.03 |
| **Rajasthan** | | | |
| Opening Balance | 17.81 | | |
| 1997-1998 | 2.73 | 1.66 | 18.88 |
| 1998-1999 | - | 0.66 | 18.22 |
| 1999-2000 | 16.62 | 0.36 | 34.48 |
| 2000-2001 | - | 0.36 | 34.12 |
| 2001-2002 | - | 0.70 | 33.42 |
| **Tamil Nadu** | | | |
| Opening Balance | 23.55 | | |
| 1997-1998 | - | 3.08 | 20.47 |
| 1998-1999 | - | 3.20 | 17.27 |
| 1999-2000 | - | 2.00 | 15.27 |
| 2000-2001 | 22.53 | 3.61 | 34.19 |
| 2001-2002 | | 0.71 | 33.48 |
| **Uttar Pradesh** | | | |
| Opening Balance | 36.89 | | |
| 1997-1998 | 44.46 | 19.22 | 62.13 |
| 1998-1999 | - | 15.07 | 47.06 |
| 1999-2000 | - | 16.12 | 30.94 |
| 2000-2001 | - | 11.33 | 19.61 |
| 2001-2002 | -- | 00.66 | 18.95 |

## Annex- III
(Refers to Paragraph 3.5.7)

### State-wise position of outstanding UCs

| Sl. No. | State/ Union Territories | Total release to State/ SCDCs since 1991-92 *(Rs in crore)* | Amount of pending UCs *(Rs in crore)* | Years for which UCs pending |
|---|---|---|---|---|
| 1. | Andhra Pradesh | 25.87 | 4.24 | 1992-93, 2001-02 |
| 2. | Assam | 5.87 | 5.87 | 1991-92, 1992-93, 2000-01 |
| 3. | Bihar | 11.26 | 11.26 | 1991-92, 1992-93, 1997-98 |
| 4. | Delhi | 5.28 | 4.31 | 1991-92, 1992-93, 1996-97 |
| 5. | Gujarat | 26.86 | 26.86 | 1991-92, 1992-93, 1993-94, 1997-98, 1999-2000 |
| 6. | Haryana | 18.37 | 18.37 | 1991-92, 1992-93, 1993-94, 1996-97 |
| 7. | Jammu & Kashmir | 1.03 | 1.03 | 1991-92, 1992-93 |
| 8. | Karnataka | 20.24 | 6.95 | 2001-02 |
| 9. | Kerala | 0.55 | 0.55 | 1991-92, 1992-93 |
| 10. | Madhya Pradesh | 116.52 | 116.52 | 1991-92, 1992-93, 1993-94, 1994-95, 1995-96, 1996-97, 1997-98, 1999-2000 |
| 11. | Maharashtra | 46.23 | 21.35 | 2000-01 |
| 12. | Orissa | 16.76 | 16.76 | 1991-92, 1992-93, 1993-94, 1995-96, 1996-97, 1997-98, 1998-99 |
| 13. | Punjab | 6.63 | 6.63 | 1991-92, 1992-93, 1995-96 |
| 14. | Rajasthan | 44.48 | 44.48 | 1991-92, 1992-93, 1993-94, 1995-96, 1996-97, 1997-98, 1999-2000 |
| 15. | Tamil Nadu | 57.80 | 57.80 | 1991-92, 1992-93, 1994-95, 1995-96, 1996-97, 1999-2000 |
| 16. | Uttar Pradesh | 222.14 | 222.14 | 1991-92, 1992-93, 1993-94, 1994-95, 1995-96, 1996-97, 1997-98 |
| 17. | West Bengal | 5.62 | 5.62 | 1991-92, 1992-93 |
| 18. | Pondicherry | 0.07 | 0.07 | 1991-92, 1992-93 |
| 19. | Jharkhand | 10.85 | 10.85 | 2000-2001 |
| | **Total** | **642.43** | **581.66** | |

# MINISTRY OF RURAL DEVELOPMENT

# SWARNJAYANTI GRAM SWAROZGAR YOJANA

# CHAPTER II: MINISTRY OF RURAL DEVELOPMENT
## DEPARTMENT OF RURAL DEVELOPMENT

### Swarnjayanti Gram Swarozgar Yojana

*Despite sustained interventions by Government, nearly 260 million people continue to live below the poverty line of which 75 per cent were in rural areas. As a multiplicity of self employment programmes launched by the Government had resulted in a lack of proper social intermediation and absence of desired linkages among these programmes, Swarnjayanti Gram Swarozgar Yojana (SGSY) was launched by the Government of India from 1 April 1999 as a single holistic programme to cover all aspects of self employment for the rural poor. The funding pattern of the programme was to be shared by the Centre and the State in the ratio 75:25. This was not strictly followed and there was a significant shortfall in the release of matching State share particularly by the special category States. There were large scale diversions, misutilisation and parking of funds curtailing the actual funding for the programme. Resultantly, coverage of at least 30 per cent of the BPL families under the scheme in 5 years also appears difficult as only 4.59 per cent of the total BPL families were covered during 1999-2002. Per family investment of Rs 19,678 against the contemplated level of Rs 25,000 was inadequate and had largely failed to generate the desired level of income. The focus did not shift from individual beneficiaries to Self- Help Groups as emphasized in the Scheme guidelines. Conceived as a process-oriented programme, the complex design and net working could not establish the identified processes. There were several deficiencies at all stages of implementation. None of the special projects due for completion by March 2002 could be completed as of June 2002, depriving the beneficiaries of the intended benefits. Monitoring was also deficient. The programme has not emerged as an improvement over the earlier IRDP and other complementary schemes, which it had replaced.*

***Highlights***

A Central allocation of Rs 2,668.24 crore was provided for SGSY during 1999-2002, of which only Rs 1,723.62 crore (64.60 *per cent*) was released. Of the total funds of Rs 3,326.16 crore available, Rs 3,061.33 crore (92.04 *per cent*), were reported as having been spent, leaving an unspent balance of Rs 264.83 crore.

Out of the expenditure totalling Rs 988.41 crore, subjected to test check, Rs 529.18 crore (53.54 *per cent*) were diverted, misutilized, misreported, etc.

Key performance parameters indicated that even though it was projected as a holistic programme, integrating all components of the erstwhile rural employment and poverty eradication programmes, it failed to make the desired impact.

As against the targeted coverage of 30 *per cent* (167 lakh) of the BPL families, to be covered in a period of five years, only 25.60 lakh (4.59 *per cent*) could be covered in the initial three years of implementation. There was no acceleration in the pace of implementation as the number of BPL families assisted under the erstwhile IRDP was 17 *per cent* higher in the last two years of its implementation in relation to the first three years of implementation of SGSY.

In most of the States, there was no evidence of proper planning which was crucial for setting in motion the processes identified for implementation.

Selection of key activities was carried out without involving the agencies concerned, including banks, as conceived in the scheme. Project reports for the selected key activities were either not prepared or were deficient. This led to delay in disbursement or non-disbursement of funds to the Swarozgaries by the banks.

Identification of Swarozgaries and formation of Self Help Groups (SHGs) was not in accordance with the guidelines as there was little evidence of involvement of line departments and banks.

There was no evidence of overall shift of focus from individuals to SHGs. Proper evolution of SHGs could not be ensured by the implementing agencies.

Releases from the Revolving Fund to sustain evolution of SHGs were irregular and deficient.

There were delays in disbursement of loans and subsidy by the banks and under financing of the projects taken up by the Swarozgaries to the extent of Rs 25.94 crore.

Systematic identification of infrastructure needs, for completing forward and backward linkages, was lacking in most of the States.

Implementation of Special Projects was deficient as the guidelines lacked clarity. 15 Special Projects targeted for completion by 2002 remained incomplete. Utilisation of funds on most of the Special Projects was negligible and unproductive.

Monitoring of the programme was deficient and ineffective.

## 1. Introduction

Over the years, sustained interventions by Government have resulted in the proportion of population below the poverty line (BPL) declining from 54.8 *per cent* in 1973-74 to 35.9 *per cent* in 1993-94 and further to 26 *per cent* in 1999-2000. Rural poverty also declined from 56.4 *per cent* in 1973-74 to 37.2 *per* *cent* in 1993-94 and 27.1 *per cent* in 1999-2000. However, in absolute terms, nearly 260 million people continue to live below the poverty line, of whom nearly 75 *per cent* (193 million) live in rural areas. The poor are mostly concentrated in backward regions of rain-fed areas, drought-prone areas, and tribal, hill and desert areas. Poverty is significantly higher in the weaker sections of society, particularly among Scheduled Castes and Tribes and backward classes.

**Poverty alleviation programmes marked by a three-pronged strategy.**

Poverty alleviation programmes since the Fourth Five-Year Plan were marked by a three-pronged strategy:

(i) provision of assistance for creating an income generating asset base for self-employment of the rural poor;

(ii) creation of opportunities for wage employment; and

(iii) area development activities in backward regions.

This strategy was supported by other programmes to improve the basic infrastructure and quality of life in rural areas and programmes of social security for the poor and destitute. The Integrated Rural Development Programme (IRDP), the first major intervention and a mix of subsidy and institutional credit, for creating an income generating asset base was launched in 1976 in 20 selected districts on a pilot basis and was subsequently extended to all blocks in October 1980. As many as 54 million families were assisted under this programme between 1980-81 and 1998-99, before it was replaced by Swarnjayanti Gram Swarozgar Yojana (SGSY) in 1999-2000. Programmes like TRYSEM[1], DWCRA[2], SITRA[3] and GKY[4] complemented IRDP by providing for training, infrastructural development and other support areas.

**Only 14.8 per cent of assisted families under IRDP could cross the poverty line.**

A concurrent evaluation of IRDP revealed that only 14.8 *per cent* of the 54 million families assisted could cross the revised poverty line of Rs 11,000 (at 1991-92 prices). The poor recovery performance of around 41 *per cent*, under the programme led to an increasing proportion of non-performing assets and mounting loan defaults amongst financial institutions. Project appraisal was inadequate leading to unviable projects being financed resulting in loan default and misutilisation of assistance by beneficiaries. Follow up by Government agencies and banks was poor.

**SGSY launched as a single self-employment programme from 1 April 1999 with a view to addressing the deficiencies of IRDP and other complementary self-employment programmes.**

The various complementary programmes started operating as separate individual programmes without proper linkages resulting in a lack of focus.

---

1 Training of Rural Youth for Self Employment

2 Development of Women & Children in Rural Areas

3 Supply of Improved Toolkits to Rural Artisans

4 Ganga Kalyan Yojana

Following a review of these programmes in February 1997, the Hashim Committee recommended a single self-employment programme for the rural poor and adoption of a group approach instead of targeting individual beneficiaries. The Swarnjayanti Gram Swarozgar Yojana (SGSY) was accordingly launched with effect from 1 April 1999 replacing the earlier programmes. Its key features are as follows:

- SGSY aims to be a holistic programme for micro enterprise development in rural areas.
- It envisages social mobilization of the rural poor as a prerequisite for providing them assistance.
- It covers different aspects of self-employment, viz. organization of the rural poor into self-help groups (SHGs) and building of their capacity, planning of key activities and activity clusters, providing the required infrastructure, technology, credit and marketing.
- SGSY addresses deficiencies of the earlier self-employment programmes through the integration of various agencies – DRDAs[5], banks, line departments, PRIs[6], NGOs[7] and other semi-governmental organizations- which are required to work together.
- Instead of fixing annual targets, SGSY envisages a target of covering 30 *per cent* of BPL families in five years of its operation.
- The programme provides special safeguards for the vulnerable groups. Fifty *per cent* of the self help groups formed are to comprise exclusively of women and 40 *per cent* of the Swarozgaris assisted should be women. Similarly, Scheduled Castes and Tribes and the disabled should constitute 50 and 3 *per cent* respectively of the assisted Swarozgaris.
- The subsidy allowed under the programme is uniform at the rate of 30 *per cent* of the project cost subject to a maximum of Rs 7,500 per individual Swarozgari and 50 *per cent* of the project cost subject to a maximum of Rs 10,000 in the case of ST and SC Swarozgaris. Fifty *per cent* of the cost of the scheme for group projects is allowed subject to a ceiling of Rs 1.25 lakh. There is however, no ceiling on subsidy in respect of irrigation projects.

**2. Scope of Audit**

The objectives of this review are to examine the execution and overall impact of the programme in the first three years of its operation and to assess the extent to which the programme design successfully addressed the deficiencies of earlier programmes like IRDP. For this purpose, records in the Ministry of Rural Development, Rural Development Departments of State and

[5] District Rural Development Agencies
[6] Panchayati Raj Institutions
[7] Non-Government Organisations

Union Territory Governments and selected Districts and DRDAs for the period 1999-2002 were test-checked.

## 3. Audit coverage

The test-check covered 28 *per cent* of the total number of districts/DRDAs in 30 States and Union Territories and 32 *per cent* of the expenditure incurred under the programme as indicated below:

*(Rupees in crore)*

| Total no. of districts covered under the programme | No. of district s test- checked | Percentage of coverage | Expenditure reported to have been incurred under the programme | Expenditure test-checked | Percentage of coverage |
|---|---|---|---|---|---|
| 563 | 157 | 28 | 3,061.33 | 988.41 | 32 |

State-wise details of the districts/DRDAs covered are contained in **Annex-I**

In addition, 3,603 beneficiaries (3,322 individuals and 281 SHGs) were also contacted to ascertain their impressions of the programme and to validate the programme outcomes.

## 4. Organisational Structure

At the Central level, the Scheme was to be implemented by the Ministry of Rural Development, vested with the overall responsibility of policy formulation, release of the central share of funds, monitoring of implementation and evaluation of the programme. A Central Level Co-ordination Committee (CLCC) constituted by the Ministry was required to review and ensure its effective implementation.

At the State level, the Department of Rural Development was in overall charge and the State Level SGSY Committees were to monitor and evaluate performance of the programme. At the District level, guidance, implementation, and monitoring of the programme was the responsibility of DRDAs/District SGSY Committees. At the Block Level, identification of key activities in selected villages, verification of assets and review of the recovery performance were to be done by the Block level SGSY Committees. The individual Swarozgaris had to be selected in the Gram Sabha with the involvement of banks and the district administration.

The programme consequently involved a complex network involving the Central Ministry, State Governments and their line departments, local bodies, district agencies and the banks. Often, agencies had overlapping roles at various stages of implementation.

## 5. Financial Management

### 5.1 Provision and utilization of resources

**Funds to be shared between Centre and States in the ratio of 75:25.**

Funds under the programme were to be shared between the Centre and the States in the ratio of 75:25. The Central allocation earmarked for the States was related to the incidence of poverty in the States besides additional parameters like their absorption capacity (based on past trends in utilisation of SGSY funds) and their special requirements. Funds were to be released directly to the DRDAs in two instalments (except in the case of snow-bound districts where the working period was restricted to a few months and the entire Central share could be released in one instalment) and was to be followed immediately with the releases by the States. The Ministry was also to set aside 15 *per cent* of the funds under SGSY for Special Projects.

The funds available with the implementing agencies (DRDAs), therefore, had four components:

- Central Share
- State Share
- Miscellaneous receipts in the shape of accrued interest on amounts deposited with banks
- Unspent balances under erstwhile programmes

The available funds were to be utilized for subsidy on economic activities (60 *per cent* of SGSY allocation; 55 *per cent* in the case of North Eastern States), expenditure on infrastructure (20 *per cent* of the allocation; 25 *per cent* in the case of North Eastern States), training (10 *per cent*) and creation of a revolving fund (10 *per cent*). The overall position of resource availability and utilisation during 1999-2002 is depicted below: -

**Table 1: Resources and Expenditure under SGSY**

*(Rupees in crore)*

| Year | Opening Balance | Miscellaneous. Receipt | Central Release | State Release | Total funds available | Expenditure | Unspent Balance | Expenditure as percentage of Funds available |
|---|---|---|---|---|---|---|---|---|
| 1999-00 | 793.70 | 57.11 | 868.95 | 232.96 | 1952.72 | 995.74 | 956.98 | 50.99 |
| 2000-01 | 956.98 | 91.39 | 458.67 | 196.48 | 1703.52 | 1112.84 | 590.68 | 65.33 |
| 2001-02 | 590.68 | 78.57 | 396.00 | 152.33 | 1217.58 | 952.75 | 264.83 | 78.25 |
| **Total** | **793.70** | **227.07** | **1723.62** | **581.77** | **3326.16**[8] | **3061.33** | **264.83** | **92.04** |

*Note: Data on Central releases is based on the information furnished by the Ministry. Data on opening balances, State releases, miscellaneous receipts and utilisation have been compiled from the reports of State Accountants General.*

State-wise details are contained in **Annex - II**

Central releases dominated programme funding and constituted, on an average, 51.82 *per cent* during 1999-2002. The opening balances, which were the cumulative unspent balances of the erstwhile programmes, accounted for another 23.86 *per cent* of the total available funds. Releases from States constituted only 17.49 *per cent* and the remaining 6.83 *per cent* represented accrued income of the implementing agencies. The resource break-up in general and Special Category States is indicated in Table 2:

[8] This excludes opening balances in 2000-01 and 2001-02.

**Table 2: Sources of SGSY Funds (*Per cent* Share)**

| | Opening Balance | Central Release | State Release | Other Income |
|---|---|---|---|---|
| General Category States | 23.21 | 51.85 | 17.91 | 7.03 |
| Special Category States | 32.56 | 51.47 | 11.91 | 4.06 |
| All States and Union Territories | 23.86 | 51.82 | 17.49 | 6.83 |

**Ratio of Central releases to Central allocation was 64.60 per cent with significant inter-state variations.**

While the Ministry allocated Rs 2,668.24 crore during 1999-2002, actual release of the Central Share of funds amounted to Rs 1,723.62 crore (64.60 *per cent*) and the matching States' share there against was Rs 581.77 crore (33.75 *per cent*). There were significant inter-state variations in the ratio of Central releases to Central allocation. This was 49.46 *per cent* in respect of the Special Category States, compared to 66.10 *per cent* for the general category States. The ratios of Central releases to Central allocation were less than 50 *per cent* in **Bihar** (including **Jharkhand**) and **West Bengal** amongst the general category States and in **Assam, Manipur, Meghalaya** and **Nagaland** in the Special Category States. The Scheme had envisaged a more or less simultaneous release of the States' share. Central releases were, to some extent, regulated on the basis of the States' releases and the progress of expenditure. In the general category States, the ratio of State releases to the Central release varied from 28 to 48 *per cent*, but in respect of the Special Category States, particularly in **Assam** and **Manipur**, States' releases were only 7.7 and 11.3 *per cent* of the central releases respectively. Funds released in **Assam, Manipur, Meghalaya** and **West Bengal** by the States constituted less than 10 *per cent*, of the Central allocation.

**Table 3: Ratio of State Releases and Shortfall**

| | Ratio of Central Release to Central Allocation | Ratio of States' Release to Central Release | Ratio of States' Release to Central Allocation | *Percentage* Shortfall (-)/ Excess (+) in States' Release |
|---|---|---|---|---|
| General Category States | 66.10 | 34.54 | 22.83 | 3.62 |
| Special Category States | 49.46 | 23.13 | 11.44 | (-) 30.60 |
| All States and Union Territories | 64.60 | 33.75 | 21.80 | 1.26 |

**Shortfall in matching State contribution was 30.60 per cent in Special Category States.**

The shortfall in the States' contributions was 31 *per cent* on an average in the Special Category States. While this was significant in **Assam** and **Manipur,** their contributions being less than 40 *per cent* of the required releases, the shortfall of over 13 *per cent* in **Gujarat** was also significant.

In most States, Central releases, the balances available from earlier schemes and the accrued income from deposits made out of the Central releases sustained the expenditure. This reduced the urgency for State releases and the States withheld their releases. Expenditure in the Special Category States fell short of even the funds that were available, net of State releases.

**Significant inter-state variations were observed in expenditure. Overall utilization of funds was considerably lower in Special Category States.**

**Table 4: Sources of SGSY Funds as *percentages* of Expenditure.**

| | Opening Balance | Central Release | State Release | Other Income | Total as *per cent* to Expenditure |
|---|---|---|---|---|---|
| General Category States | 25.08 | 56.03 | 19.35 | 7.60 | 108.06 |
| Special Category States | 38.17 | 60.33 | 13.96 | 4.76 | 117.21 |
| All States and Union Territories | 25.93 | 56.30 | 19.00 | 7.42 | 108.65 |

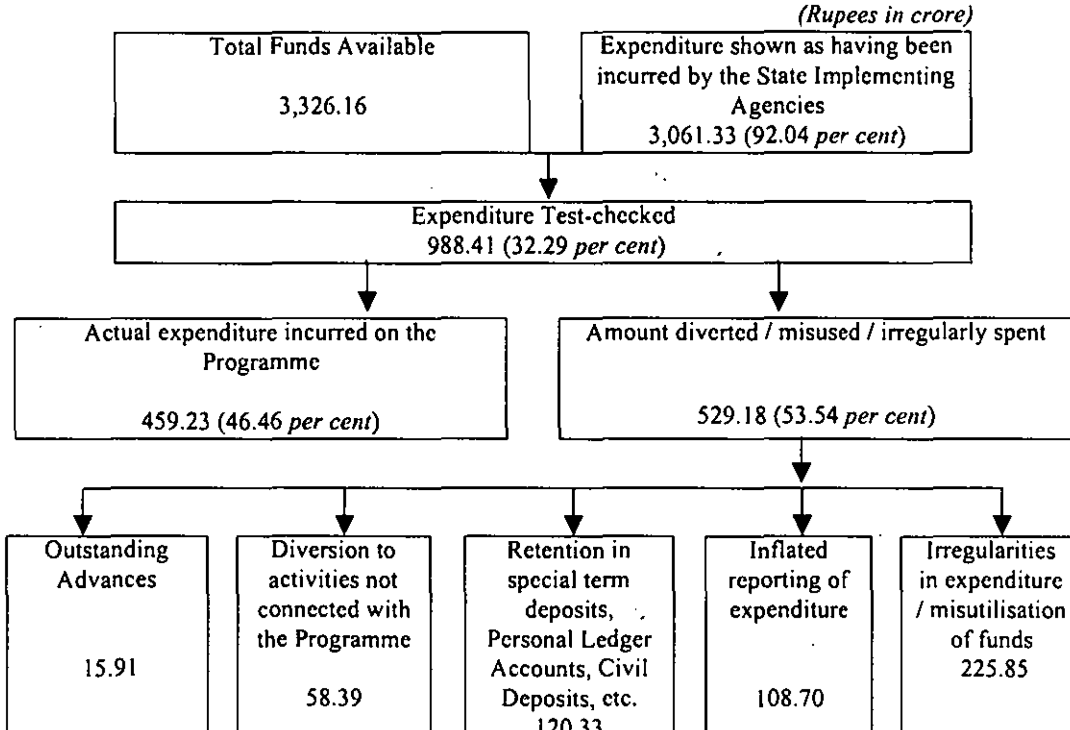
The average expenditure under SGSY during 1999-2002 was around 92.04 *per cent* of the total available funds. There were, however, significant inter-state variations. While six States, viz. **Karnataka, Kerala, Madhya Pradesh** (including **Chhattisgarh**), **Maharashtra, Orissa** and **Punjab** reported expenditure in excess of the available funds, the shortfall was significant in **Bihar** (including **Jharkhand**), **Uttar Pradesh** and **West Bengal**. Nearly 81 *per cent* of the total shortfall in expenditure in relation to the funds available was reported from these three States. Overall utilisation of funds was considerably lower in the Special Category States and averaged 85 *per cent* during 1999-2002. In the case of **Meghalaya**, the expenditure-fund availability ratio of 48.13 *per cent* was the lowest.

**Only 46.46 per cent of the test-checked expenditure was actually incurred on the programme.**

While expenditure aggregating to Rs 3,061.33 crore was reported during 1999-2002, it did not accurately reflect the actual expenditure since there were instances of large scale diversions, parking and misutilisation of funds, etc. in the test-checked districts and blocks. Of the total test-checked expenditure of Rs 988.41 crore, Rs 529.18 crore were not actually spent on the programme as indicated below:

**Finance Inverse Tree**

*(Rupees in crore)*



### 5.2 Belated release of funds to implementing agencies

Funds were released belatedly in the States.

In ten States (**Andhra Pradesh, Assam, Chhattisgarh, Gujarat, Haryana, Karnataka, Kerala, Mizoram, Rajasthan** and **Tamil Nadu**), funds totalling Rs 90.66 crore were released to implementing agencies by the respective State Governments belatedly and delays ranged up to 24 months. This affected adversely the implementation of the programme.

### 5.3 Diversion of Funds

Rs 58.39 crore were diverted to activities not connected with the schemes, in nineteen States and Union Territories.

Funds released for the programme or for individual components of the scheme were not to be diverted to other programmes or schemes. A sample check disclosed diversion of Rs 58.39 crore in 19 States and Union Territories (**Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Dadra and Nagar Haveli, Daman & Diu, Goa, Gujarat, Jammu and Kashmir, Karnataka, Madhya Pradesh, Maharashtra, Manipur, Mizoram, Orissa, Pondicherry, Tamil Nadu, and West Bengal**) to activities not connected with the programme/scheme, as brought out in **Annex-III.**

### 5.4 Retention of funds in Deposit Accounts

Rs 120.33 crore were retained in Deposit accounts in violation of guidelines.

Funds received by the DRDAs were to be kept in Savings Bank Accounts till they were disbursed to Swarozgaris. In **Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Kerala, Madhya Pradesh, Meghalaya, Mizoram, Nagaland, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh** and **West Bengal**, Rs 120.33 crore were retained in the accounts of DRDAs at Treasuries, and in Personal Ledger Accounts and Civil Deposits, as well as in the form of Deposit-at-call receipts in violation of the guidelines.

### 5.5 Inflated reporting of expenditure

Actual expenditure was inflated by Rs 108.70 crore.

Expenditure reported in 14 States (**Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, Goa, Gujarat, Jammu and Kashmir, Kerala, Madhya Pradesh, Mizoram, Nagaland, Orissa, Tamil Nadu and Tripura**) was in excess of that actually spent, to the extent of Rs 108.70 crore. In many cases, unadjusted advances were treated as final expenditure and undisbursed subsidy was also accounted for as expenditure.

### 5.6 Outstanding Advances

Advances to the extent of Rs 15.42 crore were outstanding as mentioned below:

- In **Andhra Pradesh**, advances aggregating to Rs 7.90 crore paid to the Sectoral Officers, line departments, etc. during 1998-99 to 2001-02 were awaiting adjustment in the books of DRDAs.

- In **Chhattisgarh** (Raipur), advances of Rs 0.02 crore pertaining to the erstwhile schemes paid by the DRDA to different agencies during 1992-98 were yet to be adjusted as of March 2002.

- In **Madhya Pradesh,** an amount of Rs 7.50 crore advanced for 229 incomplete works had not been adjusted or recovered since 1999-2000.

Non-settlement of the advances for prolonged periods was indicative of ineffective monitoring by the project authorities.

## 6. Programme Performance

The Ministry's records showed that nearly 29.15 lakh families were assisted under SGSY in the first three years of its implementation between 1999-2002. An investment of Rs 5,736 crore, comprising subsidy of Rs 1,902 crore and institutional credit support of Rs 3,834 crore was made to assist these families. During the first three years of implementation, the subsidy-credit ratio was 2.01 and investment per family was Rs 19,678.

**Subsidy-credit ratio during first three years of implementation was 2.01 per cent as against 2.39 per cent in the last two years (1997-99) of IRDP.**

Though the SGSY was conceived as a holistic programme integrating all components of the erstwhile independent programmes, which ran concurrently with IRDP, there was no evidence of acceleration in the pace of implementation. In fact, in the last two years of IRDP (1997-1999), 34 lakh families were assisted, nearly 17 *per cent* higher than the numbers assisted in the three years of implementation of SGSY and the credit-subsidy ratio was 2.39 as against 2.01 in SGSY. Key performance parameters of IRDP and SGSY as indicated in Table 5 below do not reflect significant improvement with the launch of SGSY.

**Table 5: Performance of IRDP and SGSY**

*(Rupees in crore)*

| Period | No. of Families Assisted (Lakh) | Total Expenditure | Subsidy Released | Credit Disbursed | Total Investment | Credit Ratio | Per Family Assistance (Rupees) |
|---|---|---|---|---|---|---|---|
| 1980-85 | 166 | 1,661 | 1,661 | 3,102 | 4,763 | 1.87 | 2,876 |
| 1985-90 | 182 | 3,316 | 2,708 | 5,373 | 8,081 | 1.98 | 4,569 |
| 1992-97 | 108 | 4,875 | 3,975 | 7,566 | 11,541 | 1.90 | 10,651 |
| **1997-99** | **34** | **2,272** | **1,745** | **4,171** | **5,916** | **2.39** | **17,482** |
| **1999-02** | **29.15** | **3,061** | **1,902** | **3,834** | **5,736** | **2.01** | **19,678** |

**Coverage was insignificant at 4.59 per cent of total BPL families and varied widely across the States.**

While no annual targets were prescribed, the scheme envisaged coverage of 30 *per cent* of the BPL families in 5 years during the period from 1999-2000 to 2003-2004, which translates to 33.4 lakh families per year. Test-check of records in the States and Union Territories, however, revealed that only 25.60 lakh families could be covered in the first three years of implementation, as against 167 lakh families planned for coverage, which constituted only 4.59 *per cent* of the total BPL families. Even assuming that programme implementation would pick up later, in order to reach the targeted coverage of 30 *per cent,* 12.71 *per cent* of the BPL families or around 71 lakh families would need to be covered annually in the next two years as indicated in the table below.

**Table 6: Coverage of BPL families necessary during 2002-04 to achieve the target of 30 *per cent* in five years**

*(Figures in lakh)*

| | No. of BPL Families | Target Coverage | Coverage in 1999-2002 | Coverage Percent | Required Annual Coverage | |
|---|---|---|---|---|---|---|
| | | | | | *Per cent* | Growth |
| General Category States | 509 | 152 | 24.1 | 4.73 | 12.64 | 800 |
| Special Category Sates | 49 | 15 | 1.5 | 3.06 | 13.47 | 1321 |
| **All States** | **558** | **167** | **25.6** | **4.59** | **12.71** | **831** |

Achievements under SGSY differed significantly across the States. In **Haryana**, the coverage of BPL families to the extent of 8.85 *per cent* was the highest amongst the general category States. In **Bihar, Gujarat, Karnataka, Orissa, Punjab, Uttar Pradesh and West Bengal**, coverage ranged between 2.55 *per cent* and 4.51 *per cent*, **which** was less than the average coverage of 4.59 *per cent* in all the States taken together. **Andhra Pradesh, Goa, Tamil Nadu and Tripura** registered coverage of 7 to 9 *per cent o*f BPL families. Amongst the Special Category States, the coverage was the lowest (0.58 *per cent)* in **Manipur**, followed by **Assam** where 2.15 *per cent* of the BPL families were covered, while **Himachal Pradesh** and **Sikkim** had covered more than 10 *per cent* of the BPL families.

During 1999-2002, 25.60 lakh Swarozgaris were covered incurring expenditure of Rs 3,061.33 crore. At the present level of per capita expenditure of Rs 11,958, the coverage of 30 *per cent* of the BPL families in five years would require an annual allocation of Rs 8,454.31 crore during 2002-2003 and 2003-2004. This would appear to be difficult to achieve both in terms of allocation of resources and the capacity of the States to absorb the augmented funding. In the circumstances, the targets as reflected in table 7, below are unlikely to be achieved.

**Table 7: Annual Allocation necessary to achieve 30 *Per cent* BPL coverage in the next two years**

| | Expenditure (1999-2002) *(Rupees in lakh)* | Per Capita Expenditure *(Rupees)* | Annual Expenditure necessary *(Rupees in lakh)* |
|---|---|---|---|
| General Category States | 286381 | 11891 | 760429 |
| Special Category States | 19752 | 12994 | 87709 |
| All States and Union Territories | 306133 | 11958 | 845431 |

Concurrent evaluation of IRDP had revealed that only 14.8 *per cent* of the assisted families could cross the poverty line. The picture in SGSY was no different. Of the 3,603 beneficiaries who were contacted by Audit, 3,280 responded to the question relating to income generation as a result of this intervention, (**Annex-IV**). An overwhelming 94 *per cent* (3,068 beneficiaries) among them mentioned their post assistance income level as being less than the targeted Rs 24,000 per annum. There were inter-state variations in the level of income generation. While in **Orissa,** none of the140 beneficiaries had achieved the desired level of income, in **Tamil Nadu** out of 127 SHGs the income generated was below Rs 2000 per month per family in respect of 126 SHGs. In **West Bengal,** only 69 of the 280 beneficiaries were able to earn only Rs 20 to Rs 700 per month, which indicated significant shortfalls in the achievements. In **Kerala,** 57 *per cent* of the beneficiaries in 36 panchayats were not able to generate the net income of Rs 2,000 per month. In **Assam** and **Daman and Diu,** the income of 61 and 21 of the 150 and 22 Swarozgaris respectively was still below Rs 2,000. Further, income generation was not monitored either by the DRDAs or by the banks in most of the cases.

**Significant shortfalls in performance indicate the need for closer scrutiny of design and implementation of the scheme.**

Significant shortfalls in performance and the absence of evidence to indicate any significant improvement over the earlier IRDP programme, point to the need for a closer scrutiny of the design and implementation of the programme.

## 7. Design and Implementation of the programme

**SGSY was to be process-oriented programme with definite identified stages of implementation.**

The SGSY was contemplated to be a process-oriented programme with definite and identified stages of implementation. As a time-bound programme, it envisaged the preparation of annual and five-year perspective plans for its effective implementation.

- The first stage in implementation involved the identification of the target population through a comprehensive survey of BPL families. The Government of India, directed all the States in April 1997, to initiate the process of a fresh survey in such a manner that the final list would be ready by 1998, well before the commencement of the programme. The BPL lists were also to incorporate the results of an aptitude survey and the preference of the families for economic activities.

- The second stage was the identification of key activities, based on local resources, aptitudes and skill levels of the beneficiaries. The programme was to match the aptitudes of the beneficiaries with an appropriate scheme. The selection of activities was to be made at the block level in consultation with National Bank for Agricultural and Rural Development, commercial banks, line departments and industrial and technical organisations and these were to be approved by the district level committees.

- Project Reports for each of the identified activities were to be prepared in the third stage, indicating the infrastructure support and institutional credit that would be required for the projects to be able to generate the envisaged level of income. These Reports were also to indicate the number of families that could be covered in any block. The group approach was considered to be more appropriate and the scheme proposed formation of Self-Help Groups (SHGs) with the involvement of NGOs and other organisations.

- The fourth stage in SGSY was to ensure economic assistance to the selected families along with institutional credit support. Since financial institutions were to be associated with identification of key activities and preparation of project reports, flow of institutional credit was expected to be facilitated.

**Scheme envisaged focus on group and cluster approaches.**

The scheme also provided for detailed monitoring of the assistance extended, status of recovery of loans and creation of assets as well as for the evaluation of the programme. Twenty *per cent* of SGSY funds were earmarked for infrastructure creation (enhanced to forty *per cent* in the initial two years) and ten *per cent* of the funds were intended to provide training where required. The shift from the individual to the group approach while identifying the beneficiaries and the cluster approach in selection of activities were expected to address the earlier problems of misuse of funds and non-viability of projects. The scheme therefore assumed the following:

- Complete dedication of a variety of functionaries from different agencies.
- Harmony amongst members of Self Help Groups so much so that the entire group would extend guarantee for the money borrowed by one member.
- Effective co-ordination amongst the line departments, district agencies and bank authorities in the identification of infrastructure, training needs, etc.
- Project proposals would be meticulously framed in accordance with the project report prepared for the key activity enabling the banks to disburse the assistance expeditiously.

Test check by audit revealed that these underlying assumptions and processes that the scheme envisaged were far removed from reality. There was a lack of evidence of any substantial improvement in terms of the delivery mechanism. The findings are discussed in the following paragraphs:

### 7.1 Preparation of Annual/Perspective Plans

**Annual/ Perspective plans were either not prepared or prepared partially/ belatedly.**

Five-year perspective plans and annual block plans were not prepared in **Arunachal Pradesh, Dadra and Nagar Haveli, Daman and Diu, Goa, Gujarat, Haryana, Kerala, Mizoram, Nagaland, Rajasthan, Sikkim** and **Tamil Nadu**. In **Andhra Pradesh, Assam, Jammu and Kashmir, Pondicherry** and **Uttar Pradesh,** perspective plans were not prepared, while in **Manipur** annual action plans were not prepared. While no action plan was also prepared for the year 1999-2000 in **West Bengal**, only two of the five DRDAs test-checked had prepared these plans for 2000-01 and four out of these DRDAs had prepared the annual action plans for 2001-02 only after the commencement of the financial year.

It is, therefore, evident that the detailed planning exercise envisaged under the scheme had not been followed in many States and Union Territories. Given the complexities of the scheme and involvement of multifarious agencies, effective planning was crucial for its successful implementation.

### 7.2 Identification of Key Activities

**Identification of key activities was done without effective involvement of the agencies concerned.**

In **Assam, Himachal Pradesh, Karnataka, Kerala** and **Nagaland,** selection of key activities was done without the effective involvement of either all or some of the line departments concerned, banks, BDOs, DRDAs or Block level SGSY Committees. In **Assam, Chhattisgarh, Daman and Diu, Goa, Haryana, Karnataka, Madhya Pradesh** and three of the four districts test-checked in **Rajasthan,** the cluster approach was not adopted. In **Manipur, Orissa** and **West Bengal** there was no evidence to show that the process of selection of key activities had been undertaken. In **Dadra and Nagar Haveli, Gujarat, Manipur, Orissa** and **Rajasthan** up to 25 activities had been identified against only 4-5 activities envisaged in the guidelines. In **Himachal Pradesh and Sikkim,** a period of six months and fifteen months respectively was taken for identification of the key activities instead of the prescribed period of three months.

### 7.3 Preparation of Project Reports

**Project Reports were either not prepared or were deficient.**

Project Reports as envisaged were not prepared in 42 of 132 districts in **Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, Dadra and Nagar Haveli, Daman and Diu, Goa, Gujarat, Himachal Pradesh, Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Pondicherry, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh** and **West Bengal.** Though prepared in 70 of these districts, they were deficient because essential elements, such as training, credit, infrastructure, technology, marketing, number of BPL families to be covered, net monthly income and surplus income expected, were not included therein.

### 7.4 Identification of Swarozgaris

Under the Scheme, the beneficiaries are known as Swarozgaris who could be either individuals or groups. In either case, the list of BPL households identified through the BPL census, duly approved by the Gram Sabha, had to form the basis for identification of families for assistance.

**The process of identification of BPL families was either delayed or was unreliable.**

However, the comprehensive survey of BPL families, which was to be completed by March 1998, was not completed even till June, 2002 in **Goa, Gujarat, Kerala, Mizoram, Nagaland, Tripura** and **West Bengal.** In **Andhra Pradesh, Himachal Pradesh, Punjab** and **Manipur** there were delays ranging between one to two years in completing the surveys. While the official list of the BPL families was not available in **Sikkim**, a list of possible BPL households was made available by State SGSY cell to the banks for implementation of the scheme. BPL surveys conducted in **Rajasthan** during 1992 and 1997 showed a static ratio (31 *per cent*) of BPL families with reference to the total rural families. In **Karnataka**, the figures adopted in the

State-level BPL list were less than those reported by the three Zilla Parishads, the records of which were test-checked.

The three-member team consisting of the BDO or his representative, a banker and the Pradhan of the Panchayat concerned was not constituted, as envisaged, to identify the potential Swarozgaris in the States and Union Territory of **Andhra Pradesh, Dadra and Nagar Haveli, Himachal Pradesh, Jammu and Kashmir and Karnataka.**

**Prescribed procedure was not followed in identification of Swarozgaris / formation of SHGs.**

The final list of selected Swarozgaris was not printed and made available to the Gram Sabhas for approval in **Himachal Pradesh, Jammu and Kashmir** and **Madhya Pradesh** and in 6 of the 28 Blocks/Gram Panchayats in **West Bengal**. Further, 65 SHGs in **West Bengal** included more than one member of the same family and one person was also a member of other groups in six cases.

Amongst the vulnerable groups, the coverage of disabled persons was less than one *per cent* in 15 States and Union Territories against the three *per cent* envisaged in the scheme.

### 7.5 Formation and Evolution of SHGs

The scheme emphasized the focus on the formation of Self-Help Groups (SHGs), rather than on the individual beneficiaries. SHGs were to evolve through three stages, the third and final stage being the income-generating stage. The purpose of the stage-wise evolution of the SHGs was to ensure their development into groups for which a grading exercise was to be conducted twice by an independent agency at an interval of six months.

**Focus on individual Swarozgaris was more than on SHGs.**

In **Daman and Diu**, no SHG was formed. Further, in **Assam, Gujarat, Haryana, Himachal Pradesh, Kerala, Maharashtra, Pondicherry, Rajasthan** and **Sikkim,** 2,38,729 (83 *per cent)* of the 2,87,594 Swarozgaris had received assistance as individuals and only the remaining 48,865 Swarozgaris (17 *per cent)* as members of SHGs. The focus on individual beneficiaries rather than on the group was in contravention of the spirit of the scheme. Focus on the group approach was absent in **Daman and Diu, Goa, Haryana, Kerala, Orissa** and **Uttar Pradesh.** Relevant details are contained in **Annex-V**

The extent to which DRDAs, banks, line departments and NGOs were involved in the formation of groups was not ascertainable from the records in **Gujarat, Jammu & Kashmir, Kerala** and **Nagaland.** Involvement of NGOs in the task of initiating the group development process was also absent in **Assam, Haryana, Jammu & Kashmir, Karnataka, Mizoram, Pondicherry** and in three selected districts of **Rajasthan.**

In all, 8,17,717 SHGs had been formed in 29 States and Union Territories. Of these, only 2,63,350 Groups (32.21 *per cent*) had reached the third stage of evolution. However, the grading exercise had not been conducted by an

Shortfalls in evolution of SHGs and deficiencies in their grading.

independent agency in five States (**Assam, Himachal Pradesh, Meghalaya, Nagaland** and **Orissa**). In two States (**Assam: 48** and **Karnataka: 1,743**), 1791 SHGs were elevated to the second or the third stage without conducting any grading tests. In six States and Union Territories (**Arunachal Pradesh, Dadra and Nagar Haveli, Goa, Nagaland, Pondicherry and Tripura**), none of the SHGs had reached the third stage of income-generating activity. Though all the SHGs in **Maharashtra** were stated to have reached the third stage, they had not successfully negotiated the first and second stage tests stipulated. The percentage of SHGs, which had reached the third stage, varied widely in the remaining States and Union Territories. Details in this regard are contained in **Annex-VI**.

Groups formed in the past under the DWCRA Scheme and provided assistance not brought over to SGSY.

In 19 blocks of three districts of **Himachal Pradesh** 729 DWCRA groups existed as on 1 April 1999, which had received assistance of Rs 1.40 crore in the past for creation of revolving funds. However, only 107 of these groups were converted into SHGs during 1999-2002. The remaining 622 groups, that had been provided assistance of Rs 1.20 crore on this account in the past were neither strengthened nor activated. The entire amount remained either with the members of the DWCRA groups or with banks. The failure of the BDOs to reorganise them as SHGs after proper identification deprived the eligible beneficiaries of the assistance under the scheme.

### 7.6 Assistance to Swarozgaris:

#### 7.6.1 Revolving Fund

Assistance for Revolving Fund either not released at all or provided in excess of or less than prescribed.

As mentioned earlier, of the assistance to be provided under the scheme, 10 *per cent* was meant for creation of a Revolving Fund. This was payable to the SHGs on their entering the second stage of evolution. Eligible SHGs were entitled to assistance of Rs 25,000 on this account from the banks in the form of Cash Credit Facility. Of this, a sum of Rs 10,000 was to be given to the bank by the DRDA and the former was to levy interest only on sums exceeding Rs 10,000. Groups that had received assistance in the past on this account under the DWCRA scheme or any other programme, were however, not eligible to this assistance under SGSY. Audit findings arising out of test-check of the records are mentioned in the following paragraphs:

#### (a) Non-release of assistance

Even after reaching the second stage, 115 SHGs in **Himachal Pradesh** and 652 SHGs in **Karnataka** were not provided with the Revolving Fund, while in two DRDAs (Imphal East and Ukhrul) in **Manipur**, no Revolving Fund was provided to SHGs. In **Andhra Pradesh and Kerala**, as against 1,59,000 and 16,256 SHGs eligible for the Revolving Fund, 1,30,000 (82 *per cent*) and 10,974 (68 *per cent*) SHGs respectively were not provided the necessary assistance to establish the Revolving Fund. In **Rajasthan**, 2,473 SHGs after clearing stage I, were not provided the Revolving Fund as of March 2002. In five selected districts of **West Bengal**, 6,499 SHGs had passed stage I, of which only 4,242 SHGs were provided with Revolving Fund. In

**Chhattisgarh** and **Madhya Pradesh,** 2,921 and 17,622 SHGs had passed stage I, of which only 2,075 and 14,226 SHGs respectively were provided with the Revolving Fund.

**(b) Short release of assistance**

In **Nagaland** (208 SHGs), **Maharashtra** (20,276 SHGs) were provided Rs 6.38 lakh and Rs 284.05 lakh respectively less than their entitlement. In **Kerala,** against the envisaged assistance of ten *per cent,* for the purpose, expenditure on the Revolving Fund was only seven *per cent* of the total expenditure. In **Tripura,** Rs 27.55 lakh only were paid to 429 SHGs during 1999-2002 to form their Revolving Fund, when the admissible amount was Rs 107.25 lakh. In **Orissa,** against Rs 707.11 lakh earmarked for Revolving Fund, Rs 439.01 lakh (62 *per cent*) were not released. In **Gujarat,** only 176 of the 1,460 SHGs that had been provided the assistance took up economic activities. While Rs 146.00 lakh had been paid for forming the Revolving Fund during 1999-2002, no records to monitor its actual utilisation by the SHGs were maintained in the blocks or DRDAs.

**(c) Excess/ irregular release of assistance**

Instances of excess releases of assistance aggregating to Rs 156.01 lakh were observed in **Arunachal Pradesh** (Rs 7.19 lakh), **Gujarat** (Rs 89.01 lakh), **Haryana** (Rs 10.00 lakh) and **West Bengal** (Rs 49.81 lakh). In **Tamil Nadu,** Revolving Fund was provided to 216 SHGs though information of their passing grade I was not available. Revolving Fund of Rs 57.50 lakh was also irregularly provided in advance in **West Bengal** before the grading exercise was undertaken.

**(d) Participation by and involvement of banks**

In Imphal West district of **Manipur,** the DRDA had deposited Rs 0.40 lakh with banks in respect of 4 SHGs during 2000-01. However, the bank did not provide its share of cash credit of Rs 0.60 lakh to them. As a result, the funds provided by the DRDA could not be optimally used for capital formation.

In **Pondicherry,** banks did not release their share of Revolving Fund to 50 of the 69 SHGs for which the DRDA had released funds. The banks did not pass on the amount of Rs 10,000 in the case of 36 other SHGs as of March 2002 though the DRDA had released the amount to the banks during 1999-02. The DRDA accepted (May 2002) that participation by banks was not very encouraging.

In **Chhattisgarh,** as against 452 Swarozgaris for whom assistance for the Revolving Fund was released by the DRDAs to the banks, only 235 Swarozgaris were paid their share by the banks.

In **Goa,** the Rural Development Agency (RDA) could spend only Rs 4.90 lakh from the Revolving Fund leaving an unspent balance of Rs 20.22 lakh at the end of March 2002. The RDA stated that since the SGSY was started only in 1999, people were not yet aware of the scheme.

In **Meghalaya**, no bank loans were extended to any SHG under DRDA, West Garo Hills, though Rs 8.80 lakh were deposited in the Revolving Fund to promote 114 SHGs.

In **Mizoram**, expenditure of Rs 16.40 lakh was incurred during 2000-02 on account of the Revolving Fund in respect of 164 SHGs. However, there was no evidence to show that any assets were created by the beneficiaries utilising the Revolving Fund.

In Sangrur and Ferozepur districts of **Punjab**, a sum of Rs 26.40 lakh was disbursed in 1999-01 to various banks for formation of the Revolving Fund by 264 SHGs. However, the banks released only Rs 3 lakh to 30 of these SHGs in the two districts. The banks did not also disburse their share of Rs 15,000 to each SHG. The DRDAs stated that the matter would be taken up with the banks concerned.

### 7.6.2 Disbursement of loans and subsidy

While sanctioning the projects, the bank managers were to ensure that the unit costs, terms of loan and repayment schedule were as indicated in the project profiles for the concerned key activity. Part financing and under financing were not to be resorted to under any circumstances. However, where the nature of the activity was such that the loan was to be released in stages, it was to be disbursed accordingly.

It was, however, observed in 6 States (**Chhattisgarh, Karnataka, Madhya Pradesh, Manipur, Pondicherry** and **West Bengal**) that the instructions were not fully complied with and loan and subsidy, as mentioned in the approved project, were not fully disbursed by the banks. This led to under-financing, resulting consequently in accrual of less than the projected income. Relevant details are contained in **Annex – VII**.

**Assistance extended only partially resulting in project costs not being financed fully.**

In 10 States (**Chhattisgarh, Karnataka, Madhya Pradesh, Manipur, Mizoram, Nagaland, Orissa, Tamil Nadu, Tripura and West Bengal**), it was observed that the banks were not disbursing the entire amount of the sanctioned project cost (**Annex – VIII**). Instead, a part of the amount was retained in Fixed Deposit Receipts or Savings Bank accounts of the Swarozgaris. Certain banks had released only the subsidy element, whereas in certain cases the loan was released and subsidy withheld as security. This led to under financing of projects to the extent of Rs 25.94 crore due to which asset creation by beneficiaries was hampered, adversely affecting the income generation.

**Release of loans and subsidy were delayed by banks.**

In **Assam, Haryana, Madhya Pradesh, Nagaland, Orissa, Punjab** and **West Bengal,** loans and subsidies were disbursed only belatedly by the banks, the extent of delay ranging from one month to 2 years. This was attributed to the selection of unviable projects and activities, default in repayment of earlier loans, etc.

In 10 States and Union Territories (**Dadra and Nagar Haveli, Gujarat, Haryana, Himachal Pradesh, Kerala, Madhya Pradesh, Pondicherry, Punjab, Tamil Nadu and Uttar Pradesh**), 14 to 54 *per cent* of the loan applications were pending. Delays in sanctioning loans ranged from 1 month to more than 2 years. This had an inevitable adverse impact on the successful implementation of the scheme.

**Assistance aggregating to Rs 5.58 crore was released to ineligible persons, in excess of prescribed ceilings, etc.**

Instances of release of subsidy/loan to ineligible persons, release in excess of the prescribed ceilings and repayment of loan before the expiry of the lock-in period, involving assistance of Rs 5.58 crore, details of which have been mentioned in **Annex-IX**, were noticed in **Chhattisgarh, Daman and Diu, Gujarat, Himachal Pradesh, Karnataka, Madhya Pradesh and Maharashtra.**

In 5 States (**Andhra Pradesh, Bihar, Madhya Pradesh, Maharashtra and Tamil Nadu**), instructions relating to payment of loan/subsidy to the SHGs were not followed and irregular payments totalling Rs 6.88 crore were made to SHGs, as indicated in **Annex-X.**

In two districts of **Andhra Pradesh,** Rs 2.01 crore were released to cooperative societies on account of payment of subsidy to SC Swarozgaris. During 1996-2001 the societies purchased dry lands and distributed them to 3,436 SC beneficiaries, in addition to the loan assistance obtained by the beneficiaries themselves. Irrigation facilities were to be provided by the societies in respect of lands purchased for Scheduled Castes in terms of the guidelines relating to the Land Purchase Scheme. This was not done. The DRDA, East Godavari had released Rs 0.52 crore to Integrated Tribal Development Agency, Rampachodavaram (Rs 0.27 crore) and the District Scheduled Castes Service Cooperative Society, Kakinada (Rs 0.25 crore) towards subsidy to be released to Swarozgaris. The amounts had not been utilized for the intended purpose and had been kept in their Savings Bank Accounts, Nevertheless, the two agencies had submitted the related Utilization Certificates.

In **Maharashtra,** in 9 districts subsidy of Rs 53.91 crore (1999-02) was released without ensuring the disbursement of loan by the banks. The banks refunded Rs 2.08 crore to DRDAs at the end of financial year. In **Rajasthan,** while only 30 SHGs had cleared grade II during 1999-01, 99 SHGs were provided with economic assistance.

### 7.6.3 Creation of assets by Swarozgaris

**Assets were either not created or were non-existent. Their physical verification was not undertaken.**

The Swarozgaris were required to inform the authorities concerned, i.e. BDO, banks, etc., about the procurement of assets which was not done. There was also no follow-up by the agencies involved to verify that the assets stated to have been created existed in actual fact. In **Arunachal Pradesh,** neither was any intimation in regard to the procurement of assets received from Swarozgaris nor had the DRDA verified the assets created by them. In **Chhattisgarh**, during physical verification of assets procured by Swarozgaris, assets worth Rs 8.98 lakh pertaining to 33 Swarozgaris were not found at Swarozgaris' working places. In **Orissa**, assets valued at Rs 177.14 lakh, involving 961 Swarozgaris in 15 blocks, were either not created or were only partially in existence. In one block of **Orissa,** 113 assets created at a cost of Rs 21 lakh were either damaged or were in a useless condition.

### 7.6.4 Recovery of loans

**There were defaults in repayment of loans. Arrangement to monitor recoveries were also deficient.**

Recovery of loans from beneficiaries is an important aspect as it would reflect not only financial discipline but also measure the success of the programme. In **Orissa**, 18 banks in four districts indicated that 576 beneficiaries had defaulted in repayment of loans to the extent of Rs 195.99 lakh. In **Tripura**, as of September 2001, against the total demand of Rs 64.28 crore, only Rs 4.38 crore had been recovered. In **Assam and Jammu and Kashmir,** neither had the banks furnished a recovery report to the DRDAs nor had the latter made any assessment of the loans recoverable. There was no system to monitor the recovery of loans in **Arunachal Pradesh and Daman and Diu**. The poor recovery of loans inhibited the banks in extending further loans to the Swarozgaris. In four out of eleven districts of **Madhya Pradesh,** loans totalling Rs 223.54 lakh had been recovered during 1999-2002, but the Zilla Panchayat stated that the banks had not furnished the list of defaulters.

Defaults in repayment of loans ranged from 28 to 62 *per cent* in **Chhattisgarh, Gujarat** and **Kerala**. In **Dadra and Nagar Haveli, Haryana, Himachal Pradesh, Karnataka and Tamil Nadu** neither was any record maintained nor had any system been devised to monitor recovery of loans. No loan recovery had been effected in **Meghalaya** as of March 2002.

### 7.7 Infrastructure Creation

**Deficiencies in creation of Infrastructure and irregularities in utilisation of Infrastructure Fund.**

The scheme envisaged the identification and creation of appropriate infrastructure for building the necessary forward and backward linkages. However, a systematic approach to this issue was lacking in most States as will be evident from the following instances:

### 7.7.1 Irregular expenditure from infrastructure funds.

In 23 States and Union Territories, Rs 96.95 crore provided for infrastructure creation were not utilised in accordance with the provisions of the scheme. Funds were not used to bridge the existing gaps in infrastructure but on the creation of new infrastructure such as construction of new buildings, repairs to existing buildings, government quarters and roads, purchase of assets/equipment, administrative expenses, salaries, etc. having no direct nexus with the scheme. Funds were also provided to cooperative societies without ensuring that at least 50 *per cent* of the members were identified Swarozgaris. Details are contained in **Annex -XI**.

### 7.7.2 Excess utilisation of Infrastructure funds

As mentioned earlier, 20 *per cent* (25 *per cent* in the case of North Eastern States) of the SGSY allocation for each district was to be set apart for infrastructure development. In the States of **Assam, Bihar, Gujarat, Karnataka, Madhya Pradesh, Maharashtra and Orissa,** an amount of Rs 29.78 crore was spent in excess of the provision made in this regard.

### 7.7.3 Non utilisation of infrastructure funds.

Funds aggregating to Rs 26.20 crore provided for creation of infrastructure were not utilised in **Andhra Pradesh** (Rs 17.45 lakh), **Goa** (Rs 42.56 lakh), **Manipur** (Rs 3.42 lakh) and **Uttar Pradesh** (Rs 2556.80 lakh).

The Ministry had also not prescribed a suitable mechanism for monitoring the expenditure on infrastructure development even three years after the launch of the scheme. In the result, the holistic approach emphasized in the guidelines, was diluted.

### 7.8 Training

Test-check of records in the selected districts/blocks of the States and Union Territories revealed the following:

**While no systematic approach was adopted for providing training to swarozgaris, excess expenditure over the norms was incurred on training as well.**

(a) In 26 States and Union Territories, adequate attention was not given to imparting training to beneficiaries by organizing Basic Orientation Programmes and Skill Development Training Programmes as envisaged, though the scheme recognised that for the success and sustainability of self-employment, the required skill to successfully run the enterprise was a pre-requisite.

(b) In **Arunachal Pradesh, Assam, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Nagaland, Orissa, Pondicherry, Rajasthan and West Bengal,** the per trainee expenditure exceeded the prescribed norms by Rs 35 to as much as Rs 2,240 per day. This resulted in excess expenditure aggregating to Rs 2.25 crore being incurred on training activities during 1999-2002.

### 7.9 Technology management

**Little attention was paid to improve the technology for the selected key activities.**

Recognizing the need for appropriate technologies for the sustainable development of micro-enterprises, the scheme sought to ensure technology upgradation for the identified activity clusters. This included identification of appropriate institutions, use of local resources, etc.

In 17 States and Union Territories **(Arunachal Pradesh, Assam, Chhattisgarh, Dadra and Nagar Haveli, Gujarat, Himachal Pradesh, Jammu and Kashmir, Karnataka, Madhya Pradesh, Maharashtra,**

**Manipur, Meghalaya, Mizoram, Orissa, Rajasthan, Sikkim** and **West Bengal**), no efforts were made to identify and upgrade technologies required for key activities selected for the Swarozgaris. Since adequate attention was not paid to this important component, the swarozgaris mostly failed to generate additional income.

### 7.10 Market Support

**Neither was market survey carried out nor was market support extended.**

In 18 States and Union Territories (**Arunachal Pradesh, Assam, Chhattisgarh, Dadra and Nagar Haveli, Daman and Diu, Goa, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Karnataka, Manipur, Meghalaya, Mizoram, Orissa, Rajasthan, Uttar Pradesh** and **West Bengal**), no market survey was carried out or market support extended to the beneficiaries. In **Kerala**, market support was confined to the organizing of annual district melas and the District Supply and Marketing Society. In **Pondicherry**, out of Rs 6.50 lakh released to five blocks by the DRDA in December, 2001 for establishing / developing marketing support, Rs 2.30 lakh were diverted for the release of subsidy and Rs 3.49 lakh had not been utilized by the Blocks. In **Sikkim**, Rs 45.98 lakh were advanced for the construction of 12 marketing centres, which were taken up departmentally during 2000-02 and were yet to be completed as of June 2002, the delays ranging from nine to twelve months with reference to the schedule of their completion.

## 8. Special Projects

Special Projects under SGSY were in the nature of pioneer projects, capable of triggering the much needed growth impulses, through planned and co-ordinated action by different departments. Such projects were intended to ensure different strategies through self-employment programmes to provide long-term sustainable self-employment opportunities in terms of organisation of the rural poor, provision of support infrastructure, technology, marketing, training, etc. to bring a specific number of BPL families above the poverty line within three years. Fifteen *per cent* of the funds under the SGSY were to be set apart for this purpose at the national level by the Ministry. Besides examining the project proposal, the Screening Committee in the Ministry was also responsible for periodical review and monitoring of the projects sanctioned.

**15 Special Projects scheduled for completion by March 2002 remained incomplete as of June 2002.**

**(a)** During 1999-2002, the Ministry had sanctioned 72 Special Projects at a cost of Rs 580.47 crore in 18 States. Financing of 68 of these in 17 states (cost: Rs 530.77 crore) were shared between the Centre and the States in the ratio of 75:25 and the remaining 4 were fully financed by the Central Government. Central assistance to the extent of Rs 234.20 crore (40.35 *per cent*) was released to the implementing agencies as of March 2002.

Test-check of records relating to 49 Special Projects sanctioned during 1999-2002 at a cost of Rs 412.13 crore (Central share: Rs 309.10 crore and States Share: Rs 103.03 crore) in 12 States (**Andhra Pradesh, Assam, Chhattisgarh, Gujarat, Himachal Pradesh, Madhya Pradesh, Manipur, Orissa, Punjab, Rajasthan, Tamil Nadu and Uttar Pradesh**) revealed that as against the Central assistance of Rs 309.10 crore due, the Ministry had released Rs 175.17.crore (56.67 *per cent*) to implementing agencies in the States. The release of their share by the States amounted to only Rs 39.96 crore (38.78 *per cent*) against Rs 103.03 crore due. Of the aggregate funds of Rs 217.22 crore available during 1999-2002 after taking into account miscellaneous receipts of Rs 2.09 crore, only Rs 59.51 crore (27.39 *per cent*) were utilized. State-wise details are contained in **Annex-XII**. 15 Special Projects sanctioned during 1999-2000 in 8 States, scheduled for completion by March 2002, remained incomplete as of June 2002.

(b) The scheme envisaged the organization of the rural poor, provision of support infrastructure, technology, marketing, training, etc. either individually or in combination through special projects as well as within the normal funding to the districts. On account, however, of lack of clarity in regard to the manner in which this was to be done, a number of activities which would normally have been undertaken, a part of the district plans were instead taken up as Special Projects.

(c) Certain points noticed in the course of test-check are mentioned below:

**There were unproductive releases and minimal utilization of funds as the Special Projects did not provide support to SGSY beneficiaries.**

(i) In **Gujarat**, 2 special projects of comprehensive marketing intervention and dissemination / transfer of appropriate technology were sanctioned, which aimed at strengthening the market and technology support. The project did not, however, conform strictly to the description of special projects. No bench-mark survey was carried out before taking up the projects and their project cost (Rs 15 crore) included Rs 6.55 crore in respect of inadmissible items of recurring nature. Of the total release of Rs 8.43 crore, only Rs 2.67 crore were spent till March 2002 without any evidence of benefits flowing to the SGSY beneficiaries.

(ii) Of the four special projects sanctioned in **Andhra Pradesh**, one was funded for construction of permanent marketing centres (DWCRA Bazaars) and another for the setting up of Training and Technology Development Centres in 22 districts of the State. While Rs 87.87 lakh received for the former project could not be utilized in 2 districts because suitable land was not available, the marketing center constructed at a cost of Rs 1.53 crore in another district was not commissioned for more than a year. Similarly, an amount of Rs 4.19 crore released for establishment of the Training and Technology Development Centres was diverted to a Rural Institute, of which Rs 2.68 crore were utilized for the construction of administrative blocks, hostels, and internal roads and fencing, the remaining funds lying unspent. The Institute performed no role in training the SGSY beneficiaries.

(iii) In **Tamil Nadu**, Rs 14.64 crore were sanctioned for strengthening marketing infrastructure and establishment of a nodal centre for rural technology. It included several components to be executed through different institutions, including the DRDAs. The component-wise position of utilization of funds and progress as brought out below indicates that no benefit could be derived from the project by the SGSY beneficiaries till March 2002.

*(Rupees in lakh)*

| Sl. No. | Components | Amount Released | Amount Spent | Remarks |
|---|---|---|---|---|
| 1. | Construction of State Level Marketing Complex | 125.00 | 2.12 | On survey and preliminary work. |
| 2. | Brand Equity Fund. | 50.00 | 4.76 | |
| 3. | Marketing Consultant | 15.00 | | |
| 4. | Marketing Intelligence Cell | 4.90 | | |
| 5. | Establishment of Rural Technology Resources Limit and preparation of project profiles | 100.00 | 0.87 | Expenditure of Rs 60.13 lakh reported but amount kept in Fixed Deposits. |
| 6. | Construction of district level marketing complexes | 392.00 | 159 | Out of 28 works only 14 reported to be completed. |
| 7. | Marketing intelligence cells for districts | 45.00 | N/A | At different stages of implementation. |

(iv) In **Uttar Pradesh**, establishment of Saras marketing centres and Training and Technology Development Centres was approved as Special Project. Against the sanctioned cost of Rs 9.50 crore for the establishment of marketing centres, Rs 4.75 crore were released, of which only Rs 70.49 lakh were spent on purchase of land, shop, etc.. However, possession thereof could not actually be obtained. There was also no progress in the establishment of Training and Technology Development Centres and the entire amount of Rs 180.00 lakh released for the purpose in the districts test-checked remained unutilized.

In these cases Special Projects were sanctioned for marketing and training purposes without appropriate surveys or analysis of local requirements or facilities already available. Projects were also yet to be completed as of June 2002.

**(d)** The following two Special Projects failed to yield the intended benefits which was attributable to the absence of proper surveys before undertaken.

(i) A Special Project for installation of 400 hydrams[9] to harness the irrigation potential of fast flowing perennial streams, was sanctioned at the cost of Rs 10.47 crore in **Himachal Pradesh**, in March 2000. This was to benefit 3000 BPL farmers in a period of 2 years. Of the 151 hydrams purchased during 2000-01, 130 hydrams costing Rs 1.25 crore could not, however be installed due to improper survey and the overlapping of two similar schemes in the area.

(ii) In **Andhra Pradesh**, a Special Project for improved Agriculture Technology in Chittoor district was sanctioned in March 2001, it envisaged the development of 10000 acres for the benefit of 8000 farmers and was targeted to be completed by March 2002. However, of the amount of Rs 14.25 crore received from the Government of India, Rs 6 crore only were spent as of

[9] It is a mechanical device which operates hydraulically using initial water pressure to lift water to a great height based on the concept of hydraulic ram.

May 2002 and the balance was lying in Fixed Deposits. Achievement in terms of areas development and beneficiaries was reported to be 10 *per cent* and 17 *per cent* respectively, but no evidence to this effect was available. Failure to carry out surveys for proper identification and motivation of the beneficiaries led to the intended benefits not being derived.

**(e)** In number of cases, funds made available for sanctioned Special Projects were either not spent at all or were utilized only to a negligible extent. Some instances are utilized in the following paragraphs:

(i) In **Gujarat**, Rs 5.04 crore released in March 2001 for drought proofing villages in Katchch district remained unspent as of March 2002.

(ii) In **Madhya Pradesh**, two Lift Irrigation Schemes were sanctioned as special projects during 2000-01. No expenditure was, however, incurred as of March 2002.

(iii) In **Himachal Pradesh**, two Special Projects namely "Gold Mines for economic upliftment of rural poor through adoption of mushroom cultivation, floriculture and sericulture in Bilaspur" and "Marketing of rural goods" were sanctioned in September 2000 and May 2001 respectively. An amount of Rs 0.75 crore only could be spent up to March 2002, as against Rs 5.49 crore sanctioned.

(iv) In **Orissa**, only 3 *per cent* (Rs 0.15 crore) of the funds available (Rs 9.40 crore) for a Special Project for "Creation of integrated network for marketing of rural products", sanctioned in March 2001, could be utilized. One of the components of this project, marketing of turmeric products in Phulbani, sanctioned in May 2001, was discontinued in February 2002 rendering expenditure of Rs 2.30 lakh incurred thereon unfruitful.

(v) In **Uttar Pradesh**, a special project for raising Green Banana Plantations was sanctioned in March 2000 for the benefit of 12,000 Swarozgaris in four districts identified for the purpose. The entire amount of Rs 5.75 crore, including the State's share of Rs 143.75 lakh remained unutilized in these districts.

**Ministry was unaware of physical and financial performance of Special Projects.**

While the Ministry was to monitor the Programme every month, in the absence of progress reports from the States, it remained unaware of the physical and financial performance of these projects.

## 9. Monitoring

The Ministry was responsible for planning, financing, implementation and monitoring overall performance of the programme. The guidelines also envisaged the submission of periodical physical and financial reports by the State Governments/DRDAs.

The State level SGSY Committee was responsible for monitoring the programme at the State level. It had to provide a forum for a meaningful dialogue between the policy makers at the State-level and the implementers at the field level as well as the bankers apart from reviewing the district-wise progress and suggesting remedial action. A representative of the Ministry was invariably to be invited to participate in the meetings of the Committee. Officers dealing with SGSY at the State headquarters were required to visit districts regularly to ascertain the extent to which the programme had been satisfactorily implemented. Similarly, the officers at the District, Sub-division and Block levels were to closely monitor all aspects of the programme through a schedule of visits and physical verification of assets and income generation.

**Monitoring ineffective and inadequate at all levels.**

Test check of records in the Ministry and various States revealed that, despite the elaborate monitoring mechanism that was envisaged, monitoring and periodical review of the programme were ineffective and inadequate, both at the Central and State levels. The Ministry was only compiling data on physical and financial achievements based on the progress reports sent by the States / DRDAs.

At the Central level, the scheme as a whole was to be reviewed half yearly in the CLCC meetings. The CLCC, however, met only twice in three years instead of six times as envisaged. At the State level, the SGSY Committee was not formed in **Mizoram**. State level SGSY Committees did not meet even once in **Himachal Pradesh and Kerala.** In **Chhattisgarh, Dadra and Nagar Haveli, Daman and Diu, Gujarat, Haryana, Jammu and Kashmir, Karnataka, Madhya Pradesh, Maharashtra, Pondicherry** and **Rajasthan,** the requirement of monthly meetings was not adhered to during 1999-2002 and the number of the meetings of the committees ranged from 1 to 4. Meetings at District and Block level were not held according to the prescribed schedule in any of the States and Union Territories. Though it was stated that the meetings were held at all levels regularly in **Sikkim**, no records in this regard were made available.

Follow-up of the projects undertaken by the Swarozgaris was to be done by the DRDAs/Block officials and bankers to ensure that the Swarozgaris were properly managing their assets and were able to generate the projected / targeted income. Every Swarozgari was to be given a "Vikas Patrika" containing details of the health of the project, income generated, etc., a copy of which was to be kept at the Block headquarter and updated periodically. In **Dadra and Nagar Haveli, Himachal Pradesh, Tamil Nadu and Uttar Pradesh,** no such records were maintained. In **Bihar, Haryana, Madhya Pradesh, Maharashtra, Pondicherry** and **Tripura,** the Vikas Patrikas were either not prepared or were not issued to the Swarozgaris. In a few blocks/talukas of **Andhra Pradesh and Gujarat,** the Vikas Patrikas issued to Swarozgaris were incomplete. Visits to units and verification of assets were not undertaken as per the prescribed schedule in any of the States/Union Territories.

## 10. Conclusion

**Implementation of scheme was deficient and there was no significant improvement in relation to similar schemes implemented in the past.**

The scheme, launched in April 1999, aimed to be a holistic programme for addressing the deficiencies of the earlier Integrated Rural Development Programme and other complementary schemes. The scheme conceived was a complex one involving considerable networking and coordination amongst different agencies and functionaries at the field level. Sustainable self-employment amongst the rural poor was to be fostered by focusing on the group approach rather than on individuals. Findings of a mid-term review by Audit of implementation of the scheme were briefly as follows:

- SGSY failed to perform better than the earlier programme.
- Given the current rate of progress of implementation, coverage of 30 *per cent* of the BPL population within the envisaged time-frame of 5 years would appear difficult to achieve.
- Perspective plans, identification of key activities and preparation of project reports against the background of local resources and requirements did not materialize at the field level as envisaged.
- The development of Self-Help Groups, through a complex grading process, is yet to evolve to the desired level.
- Operational aspects of the scheme such as marketing support, infrastructure development and skill upgradation need to be strengthened.

It will therefore be necessary for the Ministry to review the working of the scheme at the operational level to identify areas that require greater attention. It may also be desirable to assess whether certain complexities in the scheme design are in fact capable of being translated into reality at the field level. Such a review may provide an impetus to the implementation of the scheme.

# Annex - I

(Refers to Paragraph 3)

## Details of Districts/DRDAs test-checked

| Sl. No. | State | Total No. of Districts/ DRDAs | Number of Districts Test-Checked | Percentage of Test- Check | Name of Test- Checked Districts |
|---|---|---|---|---|---|
| 1. | Andhra Pradesh | 22 | 6 | 27.27 | Adilabad, Anantapur, Chittoor, East Godavari, Karimnagar, Prakasam |
| 2. | Arunachal Pradesh | 13 | 4 | 30.77 | Along, Pasighat, Ziro, Tezu |
| 3. | Assam | 23 | 6 | 26.09 | Sivasagar, North Lakhimpur, Dhubri, Karimganj, N.C.Hills, Nalbari |
| 4. | Bihar and Jharkhand | 37 +22 | 9 + 6 | 25.42 | Bhagalpur, Bhojpur, East Champaran, Katihar, Muzaffarpur, Nalanda, Nwada, Patna, Vaishali (Bihar) Deoghar,Dhanbad,Dumka,Gumla, Ranchi East Singhbhum, (Jharkhand) |
| 5. | Dadra and Nagar Haveli | 1 | 1 | 100.00 | Dadar & Nagar Haveli |
| 6. | Daman and Diu | 2 | 1 | 50.00 | Daman |
| 7. | Goa | 2 | 2 | 100.00 | North Goa, South Goa |
| 8. | Gujarat | 25 | 8 | 32.00 | Ahmedabad, Amreli, Gandhinagar, Himatnagar, Jamnagar, Junagadh, surat, Surendranagar |
| 9. | Haryana | 19 | 5 | 26.31 | Bhiwani, Gurgaon, Kaithal, Panipat, Sirsa |
| 10. | Himachal Pradesh | 12 | 3 | 25.00 | Kangra, Solan, Una |
| 11. | Jammu & Kashmir | 14 | 4 | 28.57 | Jammu, Kathna, Udhampur, Srinagar |
| 12. | Karnataka | 27 | 7 | 25.92 | Bangalore(Rural), Belgaum, Bellary, Dakshina Kannada, Kolar, Raichur, Tumkur |
| 13. | Kerala | 14 | 5 | 35.71 | Kollam, Allappuzha, Kottayam, Ernakulam, Kozhikkode |
| 14. | Madhya Pradesh and Chhattisgarh | 45 +16 | 11 + 4 | 24.59 | Bhopal, Chhindwara, Dhar, Gwalior, Khargone, Mandla, Mandsaur, Morena, Sehore, Shahdol, Tikamgarh (MP) Durg,Bastar,Raigarh,Raipur (Chhattisgarh) |
| 15. | Maharashtra | 33 | 9 | 27.27 | Amravati, Bhandara, Dhule Jalna, Latur, Nagpur, Osmanabad, Sangli, Sindhudurg |
| 16. | Manipur | 9 | 3 | 33.33 | Imphal East, Imphal West, Ukhrul |
| 17. | Meghalaya | 7 | 3 | 42.85 | East Khasi Hills, West Garo Hills, Jaintia Hills |
| 18. | Mizoram | 8 | 3 | 37.50 | Aizawal, Lunglei, Saiha |
| 19. | Nagaland | 8 | 4 | 50.00 | Kohima, Wokha, Mokokchung, Tuensang |
| 20. | Orissa | 30 | 8 | 26.67 | Bolangire, Balasore, Dhenkanal, Ganjam, Jajpur, Kalahandi, Khurda, Mayurbhanj |
| 21. | Pondicherry | 1 | 1 | 100.00 | Pondicherry |
| 22. | Punjab | 17 | 5 | 29.41 | Amritsar, Fatehgarh Sahib, Ferozepur, Kapurthala, Sangrur |
| 23. | Rajasthan | 32 | 8 | 25.00 | Alwar, Baratpur, Bhilwara, Bikaner, Jaipur, Jodhpur, Nagaur, Udaipur |
| 24. | Sikkim | 4 | 4 | 100.00 | East Sikkim, South Sikkim, North Sikkim ,West Sikkim |
| 25. | Tamil Nadu | 28 | 6 | 21.42 | Coimbatore, Cudallore, Dharmapuri, Kancheepuram, Madurai, Thiruvannamalai |
| 26. | Tripura | 4 | 4 | 100.00 | West Tripura, North Tripura, South Tripura,Dhalai |
| 27. | Uttar Pradesh | 70 | 12 | 17.14 | Allahabad, Aligarh, Azamgarh, chitrakoot, Gonda, Gorakhpur, Hardoi, Jaunpur, Kushinagar, Sitapur, Sultanpur, Fatehpur |
| 28. | West Bengal | 18 | 5 | 27.77 | Cooch Behar, Purba Midnapore, Paschim Midnapore, Purulia, South 24 Parganas |
| Total | | 563 | 157 | 27.89 | |

## Annex – II

(Refers to Paragraph 5.1)

## Financial Performance under SGSY for the period 1999-2002

*(Rupees in lakh)*

| Sl No | State | Central Allocation | Opening Balance as on 1-4-1999 | Central Release | State Release | Misc/ Other Receipts | Total Funds available | Total Expenditure | Unspent balance as on 31.3.2002 |
|---|---|---|---|---|---|---|---|---|---|
| **(A) GENERAL CATEGORY STATES** | | | | | | | | | |
| 1. | Andhra Pradesh | 14590.89 | 2734.00 | 14571.86 | 4846.00 | 1629.00 | 23780.86 | 22683.00 | 1097.86 |
| 2. | Bihar & Jharkhand | 47798.06 | 16279.00 | 20250.07 | 9539.00 | 989.00 | 47057.07 | 39721.00 | 7336.07 |
| 3. | Dadra and Nagar Haveli | 159.78 | 12.47 | 29.89 | 0.00 | 1.06 | 43.42 | 35.25 | 8.17 |
| 4. | Daman and Diu | 159.78 | 19.41 | 29.89 | 0.00 | 13.29 | 62.59 | 3.91 | 58.68 |
| 5. | Goa | 159.78 | 72.13 | 109.78 | 39.03 | 45.81 | 266.75 | 167.54 | 99.21 |
| 6. | Gujarat | 5492.26 | 1684.00 | 4442.72 | 1283.00 | 767.00 | 8176.72 | 7955.00 | 221.72 |
| 7. | Haryana | 3231.21 | 317.83 | 3552.27 | 1428.96 | 584.18 | 5883.24 | 5850.20 | 33.04 |
| 8. | Karnataka | 11018.18 | 4809.00 | 5608.22 | 1870.00 | 478.00 | 12765.22 | 13329.00 | (-) 563.78 |
| 9. | Kerala | 4943.82 | 1537.63 | 4042.52 | 1347.49 | 750.32 | 7677.96 | 7994.85 | (-) 316.89 |
| 10. | M.P. and Chhattisgarh | 24227.59 | 4181.78 | 19464.79 | 6220.61 | 4507.74 | 34374.92 | 35536.57 | (-) 1161.65 |
| 11. | Maharashtra | 21780.24 | 4017.58 | 18896.92 | 6024.08 | 2577.91 | 31516.49 | 31873.33 | (-) 356.84 |
| 12. | Orissa | 16688.96 | 2780.08 | 14320.79 | 4538.60 | 730.96 | 22370.43 | 23377.01 | (-) 1006.58 |
| 13. | Punjab | 1570.33 | 353.00 | 1444.84 | 590.00 | 435.00 | 2822.84 | 2856.00 | (-) 33.16 |
| 14. | Rajasthan | 8366.49 | 4244.01 | 7920.22 | 2640.07 | 527..92 | 15332.22 | 14945.34 | 386.88 |
| 15. | Tamil Nadu | 12901.53 | 1620.97 | 14338.82 | 4699.10 | 3974.67 | 24633.56 | 24260.32 | 373.24 |
| 16. | Uttar Pradesh | 51095.35 | 16001.62 | 27391.40 | 8966.27 | 1957.18 | 54316.47 | 45598.86 | 8717.61 |
| 17. | West Bengal | 18546.45 | 11167.21 | 4031.10 | 1388.03 | 1798.39 | 18384.73 | 10194.04 | 8190.69 |
| **Total** | | **242730.70** | **71831.72** | **160446.10** | **55420.24** | **21767.43** | **309465.49** | **286381.22** | **23084.27** |
| **(B) SPECIAL CATEGORY STATES** | | | | | | | | | |
| 1. | Arunachal Pradesh | 578.41 | 512.86 | 297.74 | 97.23 | 22.48 | 930.31 | 773.48 | 156.83 |
| 2. | Assam | 15029.40 | 4690.05 | 6390.84 | 492.21 | 80.64 | 11653.74 | 9570.34 | 2083.40 |
| 3. | Himachal Pradesh | 1360.89 | 726.00 | 1008.06 | 313.00 | 215.00 | 2262.06 | 2203.00 | 59.06 |
| 4. | Jammu & Kashmir | 1684.16 | 466.48 | 949.73 | 494.36 | 165.43 | 2076.00 | 1755.91 | 320.09 |
| 5. | Manipur | 1007.55 | 164.74 | 157.06 | 17.80 | 152.35 | 491.95 | 359.69 | 132.26 |
| 6. | Meghalaya | 1128.84 | 305.63 | 238.79 | 87.03 | 0.00 | 631.45 | 303.90 | 327.55 |
| 7. | Mizoram | 261.22 | 9.98 | 184.88 | 62.81 | 4.26 | 261.93 | 253.51 | 8.42 |
| 8. | Nagaland | 774.33 | 206.08 | 347.01 | 224.23 | 31.45 | 808.77 | 707.57 | 101.20 |
| 9. | Pondicherry | 159.78 | 96.74 | 83.82 | 0.00 | 26.23 | 206.79 | 150.56 | 56.23 |
| 10. | Sikkim | 289.21 | 36.49 | 287.59 | 122.80 | 38.11 | 484.99 | 478.55 | 6.44 |
| 11. | Tripura | 1819.20 | 323.30 | 1970.64 | 844.97 | 203.84 | 3342.75 | 3195.30 | 147.45 |
| **Total** | | **24092.99** | **7538.35** | **11916.16** | **2756.44** | **939.79** | **23150.74** | **19751.81** | **3398.93** |
| **Grand Total** | | **266823.69** | **79370.07** | **172362.26** | **58176.68** | **22707.22** | **332616.23** | **306133.03** | **26483.20** |

## Annex - III
(Refers to Paragraph 5.3)

### Diversion/misutilisation of funds to other Schemes/activities not connected with programme

| Sl. No. | State | Year | Amount (Rupees in lakh) | Remarks |
|---|---|---|---|---|
| 1. | Andhra Pradesh | 1999-2002 | 1282.00 | |
| 2. | Arunachal Pradesh | 1999-2000 | 136.87 | DRDA Administration |
| | | | 16.75 | Employment Assurance Scheme |
| 3. | Assam | 1999-2002 | 552.28 | SGSY fund of 6 test checked DRDAs diverted towards administrative expenditure in three phases, remaining unrecouped. |
| | | | 112.73 | SGSY fund of 6 test checked DRDA diverted to other scheme in four phases, remaining unrecouped. |
| 4. | Bihar | 1999-2002 | 375.00 | Against diversion of Rs 8.05 crore, Rs 4.30 crore was recouped to SGSY. |
| | | 1999-2002 | 117.69 | Amount misutilised on purchase of cars, payment of telephone bills, electricity bills, POL A/c, lunch & dinners, wages, fuel & maintenance of records, etc. beyond the scope of scheme. |
| 5. | Chhattisgarh | 1999-2002 | 88.90 | Administrative expenditure of DRDA |
| | | | 4.00 | Irregular expenditure on unapproved items. |
| 6. | Dadra and Nagar Haveli | 1999-2000 | 5.58 | DRDA Administration |
| 7. | Daman and Diu | 1999-2000 | 8.45 | Expenditure on salaries and contingencies booked under SGSY. |
| 8. | Goa | 2001-2002 | 32.00 | DRDA Administration |
| 9. | Gujarat | 1999-2002 | 86.00 | DRDA Administration |
| | | | 15.00 | Water shed- Rs 14 lakh and JGSYS – Rs 1 lakh |
| 10. | Jammu & Kashmir | 1999-2002 | 27.50 | Expenditure on salary/wages, purchase of furniture, TV, Geysers, etc. and clearance of past liabilities. |
| 11. | Karnataka | 1999-2002 | 1178.00 | Other purposes |
| | | 1999-2002 | 154.54 | Expenditure incurred on Technical and Consultancy Services for preparation of project reports, purchase of Ambassador car, computer, etc. |
| | | 1999-2002 | 107.75 | Unauthorised expenditure on training (Rs 47.60 lakh) and Revolving Fund (Rs 60.15 lakh) released to Department of Women and Child Welfare for Stree Shakti Yojana (State Sector Scheme). |
| 12. | Madhya Pradesh | 1999-2001 | 243.69 | Expenditure on pay and allowances of staff, payment of loans and advances, foreign travel, purchase of vehicle, audit fee, etc. and other old schemes. |
| 13. | Maharashtra | 1999-2002 | 214.01 | Administrative expenses |
| 14. | Manipur | 1999-2002 | 87.64 | DRDA Administration |

| Sl. No. | State | Year | Amount *(Rupees in lakh)* | Remarks |
|---|---|---|---|---|
| 15. | Mizoram | 1999-2002 | 69.60 | SGSY funds temporarily diverted for a period ranging from one to eleven months were recouped at the end of every financial year. |
| | | | 9.97 | Abandoned other schemes instead of utilisation under SGSY programme. |
| 16. | Orissa | 1999-2001 | 391.43 | SGSY fund of 8 test-checked districts diverted towards cost of printing of BPL cards and preparation of list of BPL families, etc. |
| | | 1999-2000 | 9.46 | SGSY fund was diverted to DRDA computer account in 4 test- checked districts. |
| | | 1999-2001 | 6.42 | In respect of SB account No. 4998 with BGB Barpida, bank debited a sum of Rs 203.20 lakh towards subsidy disbursed during March 2000 to May 2000 which exceeded the balance in the account by Rs 116.44 lakh. As over draft of the excess fund was not paid back to the bank till 31.8.2000, bank charged interest @ 18.5 *per cent* amounting to Rs 6.42 lakh. |
| 17. | Pondicherry | 1999-2002 | 18.05 | Utilised for sanction of subsidy etc to the urban poor living in the areas of Oulgaret and Yanam Blocks. |
| 18. | Tamil Nadu | 1999-2002 | 188.47 | (i) As against temporary diversion of Rs 594.94 lakh, funds to the extent of Rs 140.95 lakh remained unrecouped resulting in loss of interest of Rs 13.12 lakh.<br>(ii) Unauthorised expenditure of Rs 47.52 lakh incurred. |
| 19. | West Bengal | 1999-2002 | 299.52 | Used for ineligible items like administrative expenses, refund of security deposit, printing & stationery, study tours, mela, etc. |
| | **Total** | | **5839.30** | |

# Annex - IV
(Refers to Paragraph 6)

## Impact assessment of SGSY programme on the basis of interview of beneficiaries conducted by State AsG

| State | No. of Gram Panchyat | No. of Blocks | No. of beneficiaries visited/ selected | No. of beneficiaries having Income | | Beneficiaries | | Training provided | Marketing support provided | No of visits made by beneficiaries | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Below 2000 | Above 2000 | Satisfied with assistance | Not satisfied | | | Gram Panchyat | Blocks | Banks |
| Andhra Pradesh | | 89 | 647 (553 Individuals & 94 SHGs) | 617(528+89) | 30 (25+5) | | | Yes 647 (553 + 94) | Not provided to 94 SHGs & 553 individuals. | | | |
| Assam | | | 150 | 61 | | | | Mostly not provided | Mostly not provided | Had to pay more visits to Bank in comparison to GP/ Block | | |
| Daman & Diu | | | 22 | 21 | 1 | 10 | 12 | Nil | Nil | 1-7 | 1-3 | 1-9 |
| Himachal Pradesh | 38 | 19 | 190 | 187 | 3 | 159 | 31 | Nil | Nil | 1-16 times | 1-12 times | 1-100 times |
| Jammu & Kashmir | | 8 | 60 | NA | | 52 | 8 | Nil | Nil | NA | 1-6 | 2-14 |
| Karnataka | 30 | | 149 | 136 | 13 | 89 | 79 | To 80 only | | | | |
| Kerala | 36 | 18 | 171 (134 individual, 37 SHGs) | 98 (70 + 28) | 73 (64+9) | | | Nil | Nil | | | |
| Madhya Pradesh | 50 | 25 | 250 | 215 | 35 | | | | | | 1-2 | 2-5 |
| Maharashtra | | | 174 (151 individuals & 23 SHGs) | | | | | 109 (89 + 20) | 48 (37 + 11) | | | |
| Manipur | | | 10 | 9 | 1 | | | | | 1-8 | 3-7 | 0-8 |
| Orissa | | | 140 | 140 | | 135 | 5 | | | | | |
| Pondicherry | | | 30 | 30 | | | | | | | | |

| State | No. of Gram Panchyat | No. of Blocks | No. of beneficiaries visited/ selected | No. of beneficiaries having income | | Beneficiaries | | Training provided | Marketing support provided | No of visits made by beneficiaries | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Below 2000 | Above 2000 | Satisfied with assistance | Not satis-fied | | | Gram Panchyat | Blocks | Banks |
| Punjab | | | | All below | | On the whole | | | | 2-3 | 2-3 | 5-7 |
| Rajasthan | 42 | 21 | 521 | 488 | 33 | | | | | | | |
| Tamil Nadu | - | - | 127 SHGs | 126 SHGs | 1 SHG | | | | | | | |
| Uttar Pradesh | 140 | | 682 | 660 | 22 | | | | | | | |
| West Bengal | 56 | | 280 | 280 | | | | | | 3-12 | 4-12 | 3-5 |
| **Total** | | | **3,603 (3322 individuals and 281 SHGs)** | **3,068 (2825 individuals and 243 SHGs)** | **212 (197 individuals and 15 SHGs)** | **445** | **135** | **836** | **48** | **1-16** | **1-12** | **1-100** |

## Annex - V

(Refers to Paragraph 7.5)

## Individual Swarozgaris and SHGs provided assistance during 1999-2002

| Sl. No. | State | Total number of Swarozgaris | No. of individual Swarozgaris *(percentage)* | No. of Swarozgaris covered under SHGs *(percentage)* |
|---|---|---|---|---|
| 1. | Assam | 7,297 | 5,616 (77) | 1,681 (23) |
| 2. | Gujarat | 26,246 | 19,426 (74) | 6,820 (26) |
| 3. | Haryana | 18,891 | 17,748 (94) | 1,143 (6) |
| 4. | Himachal Pradesh | 6,644 | 3,917 (59) | 2,727 (41) |
| 5. | Kerala | 50,342 | 30,747 (61) | 19,595 (39) |
| 6. | Maharashtra | 56,372 | 43,618 (77) | 12,754 (23) |
| 7. | Pondicherry | 1,007 | 555 (55) | 452 (45) |
| 8. | Rajasthan | 1,14,677 | 1,12,685 (98) | 1,992 (2) |
| 9. | Sikkim | 6,118 | 4,417 (72) | 1,701 (28) |
| **Total** | | **2,87,594** | **2,38,729 (83)** | **48,865 (17)** |

## Annex – VI
(Refers to Paragraph 7.5)

### Evolution of SHGs

| Sl. No. | State | SHGs formed (Group formation Stage) | Cleared Stage - I | Cleared Stage - II | Reached 3rd stage of Income generation (*per cent*) |
|---|---|---|---|---|---|
| 1. | Andhra Pradesh | 4,27,948 | 2,68,598 | 1,58,794 | 2,46,098 (57.51) |
| 2. | Arunachal Pradesh | 14 | 0 | 0 | 0 (0) |
| 3. | Assam | 3,748 | 1,976 | 1,066 | 706 (18.84) |
| 4. | Bihar | NA | NA | NA | NA |
| 5. | Chhattisgarh | 10,229 | 2,921 | 448 | 297 (2.90) |
| 6. | D & N Haveli | 35 | 0 | 0 | 0 (0) |
| 7. | Daman & Diu | 0 | 0 | 0 | 0 (0) |
| 8. | Goa | 65 | 0 | 0 | 0 (0) |
| 9. | Gujarat | 16,369 | 1,538 | 190 | 176 (1.08) |
| 10. | Haryana | 4,044 | 1,707 | 660 | 583 (14.42) |
| 11. | Himachal Pradesh | 605 | 281 | 263 | 263 (43.47) |
| 12. | Jammu and Kashmir | 95 | 0 | 0 | 5 (5.26) |
| 13. | Karnataka | 18,995 | 6,328 | 4,752 | 4,625 (24.35) |
| 14. | Kerala | 19,595 | 7,314 | 1,776 | 695 (3.55) |
| 15. | Madhya Pradesh | 1,21,643 | 17,622 | 4,802 | 3,476 (2.86) |
| 16. | Maharashtra | 1,214 | 0 | 0 | 1,214 (100) |
| 17. | Manipur | 31 | 0 | 0 | 0 (0) |
| 18. | Meghalaya | 339 | 51 | 56 | 56 (16.52) |
| 19. | Mizoram | NA | NA | NA | NA |
| 20. | Nagaland | 208 | 0 | 0 | 0 (0) |
| 21. | Orissa | 27,461 | 7,993 | 2,818 | 1,485 (5.41) |
| 22. | Pondicherry | 542 | 278 | 0 | 0 (0) |
| 23. | Punjab | 1,445 | 359 | 729 | 357 (24.71) |
| 24. | Rajasthan | 17,901 | 3,909 | 332 | 207 (1.16) |
| 25. | Sikkim | 235 (5 from erstwhile DWCRA programme) | 87 | 132 | 16 (6.81) |
| 26. | Tamil Nadu | 1,182 | 857 | 269 | NA |
| 27. | Tripura | 429 | 0 | 0 | 0 (0) |
| 28. | Uttar Pradesh | 1,18,457 | 32,960 | 5,744 | 3,087 (2.61) |
| 29. | West Bengal | 24,888 | 6,499 | 153 | 4 (0.02) |
| **Total** | | **8,17,717** | **3,61,278** | **1,82,984** | **2,63,350 (32.21)** |

# Annex - VII

(Refers to Paragraph 7.6.2)

## Under Financing of Loan/Subsidy

| Sl. No. | State | Remarks |
|---|---|---|
| 1. | Chhattisgarh | 205 Swarozgaris of 9 blocks of test checked districts were disbursed subsidy of Rs 43. 60 lakh during 1999-02 as against the approved project cost of Rs 82.22 lakh, resulting in under financing of Rs 38.62 lakh. |
| 2. | Karnataka | In 19 SHGs test-checked, though subsidy of Rs 23.50 lakh was released (3/2000 to 3/2002) loan amount was not released by the bank. The Taluka Panchayat agreed to take up the matter with bank. |
| 3. | Madhya Pradesh | 1) In two districts, against Rs 333.14 (approved Project cost of milch cattle), the bank sanctioned Rs 245.77 lakh resulting in under-financing of Rs 87.37 lakh.<br>2) In seven districts, loan & subsidy of Rs 1,514.45 lakh sanctioned to 2,993 swrozgaris and 12 SHGs (1999-02), only first instalment of Rs 945 lakh was paid while balance amount of Rs 569.45 lakh was not paid.<br>3) In three districts (Shahdol, Chhindwara & Gwalior) during 1999-02 Bank provided loan of Rs 79.65 lakh after adjustment of subsidy of Rs 27.55 to 176 Swarozgaris, was stated to have been made. On actual verification of record of Zila/Janpad Panchayat (April 2002), no amount of loan and subsidy was paid.<br>4) In Zila Panchayat Mandla, the Bank in its return indicated disbursement of loan of Rs 32.20 lakh to 68 Swarozgaris for the purchase of 3 milk animals in each unit. Whereas the bank actually disbursed loan for two animals in each unit and claimed full subsidy of Rs 5.90 lakh from the department, on the basis of fictitious informations. |
| 4. | Manipur | Against the project cost of Rs 2.55 lakh to one SHG comprising 15 BPL members, only a part of loan of Rs 1.00 lakh was provided. |
| 5. | Pondicherry | 1) As per approved project report for 'Dairy farming' Swarozgaris were to be provided with 3 animals costing Rs 12,000 each at an interval of four months from the supply of first animal. In case of 5 SHGs/46 beneficiaries, loan for second animal was not provided although period of 5 to 10 months had expired (3/2002). Similarly, third instalment in respect of 3 SHGs/34 beneficiaries was not released although previous instalments had been released in Jan 2001.<br>2) Subsidy of Rs 18.10 lakh to 20 SHGs (253 members) was provided by adopting the project cost as Rs 24,000 instead of approved project-cost of Rs 36,000. |
| 6. | West Bengal | In test-checked districts, the position in respect of group financing was that neither any loan/subsidy was sanctioned nor released during 1999-01 while during 2001-02 against the loan and subsidy of Rs 4.34 lakh and Rs 4.19 lakh relating to group financing, an amount of Rs 4.00 lakh and Rs 3.75 lakh was disbursed. |

# Annex – VIII

(Refers to Paragraph 7.6.2)

## Under financing/ Part financing of Loan/Subsidy

*(Rupees in lakh)*

| Sl. No. | State | Amount involved | Period | Remarks |
|---|---|---|---|---|
| 1. | Chhattisgarh | 38.62 | 1999-02 | There was under financing of Rs 38.62 lakh as against the total project cost of Rs 82.22 lakh in respect of 205 Swarozgaris. Only Rs 43.60 lakh was released in 9 blocks of 4 districts. |
| 2. | Karnataka | 638.60 | 1999-02 | In 11 T.Ps, against the total cost of projects of Rs 934.47 lakh, loan of Rs 295.85 lakh was sanctioned including subsidy element. |
| 3. | Madhya Pradesh | 297.82 | 1999-02 | Subsidy of Rs 297.82 lakh against the loan of Rs 1,027.31 lakh paid in respect of 2,943 Swarozgaris in four districts (Morena, Sehore, Bhopal & Khargaon) was adjusted by banks on the date of payment of loan itself or subsequently after a few months only. Thus grant of financial assistance of reduced project cost defeated the purpose of scheme. |
| | | 1.12 | 1999-02 | Subsidy to 38 Swarozgaris was paid less than admissible under the scheme |
| | | 29.75 | 1999-01 | Against total loan of Rs 84 lakh sanctioned to 183 Swarozgaris, loan of Rs 54.25 lakh was paid |
| | | 5.47 | 1999-01 | In the above case, subsidy of Rs 9.94 lakh was admissible and paid on loan of Rs 54.25 lakh and balance subsidy of Rs 5.47 lakh was lying unutilised with Bank. |
| 4. | Manipur | 15.38 | 2000-01 | Subsidy of Rs 15.38 lakh was disbursed to 441 Swarozgaris without any credit from Bank. |
| 5. | Mizoram | 2.80 | 2000-02 | In one block, subsidy of Rs 2.80 lakh was released by DRDA directly to Swarozgaris without routing through Bank or any bank assistance. |
| 6. | Nagaland | 251.68 | 1999-02 | The Rural Development Department had released subsidy of Rs 332.80 lakh to 7037 beneficiaries, whereas SBI (RO) Dimapur released Rs 81.12 lakh related to 3,119 beneficiaries, without showing the pending disbursement up to December 2001. The Bank could not furnish district/Bank wise position of disbursement. |
| | | 45.92 | 1999-02 | Study material collected from Banks indicated that subsidy of Rs 45.92 lakh was lying unutilized as the banks were releasing only subsidy portion and in some cases loan was being released and subsidy kept as security. |
| 7. | Orissa | 15.43 | 10/2000-6/2001 | Rs 36.02 lakh was disbursed to 231 Swarozgaris against the sanctioned loan of Rs 51.45 lakh. |
| | | 46.32 | 1999-02 | In 8 blocks, loan of Rs 46.32 lakh related to 438 Swarozgaris was credited to FDR/STDR and saving bank account of Swarozgaris, or their relatives to adjust the same against loan at a later stage by adopting fraudulent means. In 64 cases, Swarozgaris were not permitted to withdraw the loan amount from S.B. account / loan account. |
| 8. | Tamil Nadu | 173.82 | 1999-02 | In respect of 195 SHGs, banks disbursed only Rs 171.27 lakh (Subsidy Rs 136.16 lakh, loan Rs 35.11 lakh) as against the project cost of Rs 345.09 lakh (Subsidy Rs 157.22 lakh, loan Rs 187.87 lakh). |
| 9. | Tripura | 1026.00 | 1999-02 | In November 2001, all BDOs of Dhalai district reported that full amount of loan and subsidy was never disbursed by banks. As a result, Rs 10.26 crore (Rs 5.99 crore loan and Rs 4.27 crore subsidy) to 5134 Swarozgaris remained doubtful. |
| 10. | West Bengal | 5.52 | 2001-02 | In two blocks, against the loan of Rs 8.86 lakh, only Rs 3.34 lakh was disbursed and Rs 5.52 lakh was kept in term deposit/saving bank. |
| **Total** | | **2594.25** | | |

## Annex - IX

(Refers to Paragraph 7.6.2)

## Misutilisation of Loan/Subsidy

*(Rupees in lakh)*

| Sl. No. | State | Amount | Remarks |
|---|---|---|---|
| 1. | Chhattisgarh | 12.87 | In 10 blocks, subsidy of Rs 12.87 lakh was paid to 155 Swarozgaris of general category without fixing limit of 30 *per cent*. |
| 2. | Daman and Diu | 0.20 | Physical verification done by Audit in 22 cases revealed that in two cases assistance of Rs 25000/- each was given for purchasing milch animal. However, milch animals were not purchased and loan of Rs 15,000 was returned after three months and subsidy of Rs 10,000 each. |
| 3. | Gujarat | 200.00 | Against the admissible subsidy of Rs 15.78 crore in the cases of Swarozgaris other than SC/ST, the actual expenditure on subsidy in the State as a whole was made at Rs 17.78 crore resulting in excess payment of subsidy to Rs 2 crore. The quantum of excess payment in test-checked districts ranged between Rs 0.03 crore (DRDA Gandinagar) to Rs 0.18 crore (DRDA Himatnagar). |
| 4. | Himachal Pradesh | 41.86 | i) Assistance of Rs 41.86 was released to 123 non BPL families, whose name did not figure in approved list of BPL families. |
| | | 15.10 | ii) Subsidy of Rs 15.10 lakh was released in excess of the admissibility to 215 Swarozgaris belonging to non - SC/ST. |
| | | 1.25 | iii) An amount of subsidy of Rs 1.25 lakh was released (Jan.2000) to non-BPL family (5 member group) for purchase of private car at a cost of Rs 3.10 lakh. The whole amount of loan plus interest was deposited by the beneficiary in August 2000 and subsidy of Rs 1.25 lakh release to them on the same day. The Swarozgaris were not entitled to benefit, if the loan was repaid before the prescribed lock-in period of minimum 3 years. |
| 5. | Karnataka | 18.03 | Subsidy of Rs 18.03 released to 236 beneficiaries, whose names were not available in the BPL list approved by the Gram Sabha. |
| | | 9.30 | Excess subsidy released to 185 individual Swarozgaris and 18 SHGs in 10 Taluka Panchayat. |
| | | 8.04 | Excess payment of Insurance premium |
| 6. | Madhya Pradesh | 10.47 | Subsidy of Rs 10.47 lakh was paid to 253 Swarozgaris of General Category without fixing limit of 30 *per cent* in eight districts. |
| | | 14.73 | Subsidy was released for one or two components only, which did not form a complete project. |
| | | 1.80 | Subsidy of Rs 1.80 lakh in 10 cases was paid twice to the banks against the same single loan. |
| | | 201.88 | CEO, Zila Panchayat Shahdol, got 64 minor irrigation works executed through a contractor in contravention of SGSY guidelines |
| | | 4.70 | CEO, Zila Panchayat Mandla and Chhindwara paid Rs 1.46 lakh (1999-2000) and Rs 3.24 lakh (2000-01) as Risk Fund to the banks without payment of any consumption loan to the swarozgaris. |
| 7. | Maharashtra | 17.00 | i) In 6 out of 9 districts test-checked, subsidy of Rs 17 lakh (1276 cases) was paid in excess of prescribed limit. The Project Directors accepted the facts and agreed to recover. |
| | | 0.32 | ii) In one block, the project cost of borewell was estimated to be Rs 0.82 lakh. However, the subsidy of Rs 0.57 lakh was sanctioned by taking the cost of project at Rs 1.99 lakh. This resulted in excess payment of Rs 0.32 lakh. |
| **Total** | | **557.55** | |

## Annex - X
(Refers to Paragraph 7.6.2)

## Cases of irregular release of loan/subsidy

*(Rupees in lakh)*

| Sl. No. | Name of state | Amount | Remarks |
|---|---|---|---|
| 1. | Andhra Pradesh | 77.78 | In one district, subsidy of Rs 52.51 lakh was released to 69 groups who were having more than one family in one group in violation of the guidelines and Rs 25.27 lakh subsidy was released to 40 groups, who were having less than 10 members in one group. |
| 2. | Bihar | 331.32 | Financial assistance of Rs 331.32 lakh to 44 SHGs and 464 individual Swarozgaris who were not identified as BPL families as per BPL Survey Report. |
| | | 110.05 | Provided to 121 SHGs without fulfilling pre-conditions for grant of assistance ( loan Rs 59.53 lakh and subsidy Rs 50.52 lakh |
| 3. | Madhya Pradesh | 27.88 | Subsidy of Rs 27.88 lakh (1999-01) to 26 SHGs having less than 10 members (other than minor irrigation and disabled persons). |
| 4. | Maharashtra | 5.75 | Excess payment of subsidy to 8 SHGs for 'community farming' by treating them as irrigation activities. Subsidy paid at 50 *per cent* of the project cost without limiting to Rs 1.25 lakh was released to these SHGs. |
| 5. | Tamil Nadu | 124.33 | Subsidy of Rs 124.33 lakh paid to 370 SHGs though the activities carried out by them could not be termed as group activity. |
| | | 11.25 | Subsidy of Rs 11.25 lakh in two districts (Kancheepuram and Dhampuri) was paid to 16 SHGs (8+8 SHGs) which could be converted into 7 SHGs (2+5 SHGs) the members under each group were made 10 members or less to get higher subsidy. The groups were not covered under irrigation projects/were functioning jointly. |
| **Total** | | **688.36** | |

## Annex - XI
(Refers to Paragraph 7.7.1)

### Statement showing irregular expenditure from Infrastructure Development Fund.

*(Rupees in lakh)*

| Sl. No. | State | Period/ Year | Amount | Remarks |
|---|---|---|---|---|
| 1. | Andhra Pradesh | 1999-02 | 9.43 | DRDA, Chittoor incurred expenditure on purchase of air conditioners, Jeeps, Tata Sumos, Cycles, etc. |
| 2. | Arunachal Pradesh | 1999-02 | 43.41 | Expenditure incurred by 4 DRDAs towards creation of infrastructure like market sheds, transit godowns etc. without assessing the actual requirement. Date of construction/completion, present status were not on record. |
| 3. | Assam | 1999-01 | 15.64 | DRDA, Karim Ganj purchased 5 Tractors for providing infrastructure support to Swarozgaris on hire basis. The tractors could not be used (4/2002) for want of drivers. |
| | | 1999-02 | 518.53 | 5 DRDAs purchased various agricultural implements, material for pisciculture, weaving sets, sewing machines, etc. worth Rs 492.09 lakh. Out of which material worth Rs 370.98 lakh was distributed free of cost to non- Swarozgaris, either on the recommendation of MLA/local public representative or on the basis of applications received from individuals. Balance material of Rs 121.11 lakh remained in stock as of April 2002. Rs 15.96 lakh was incurred on creation of infrastructure/assets of societies without providing loan/subsidy. The members of the societies were neither BPL nor were these infrastructure for the benefit of Swarozgaris. Similarly, Rs 10.48 lakh was expended on construction of piggry sheds/weaving sheds for non –Swarozgaris. |
| 4. | Bihar | 1999-02 | 472.64 | Advance of Rs 115.00 lakh was provided to COMPFED without administrative approval /technical sanction as well as without having land for the project. Rs 79.64 lakh advanced to a society belonged to members of non-BPL families. Rs 278.00 lakh was spent on building not being utilised by Swarozgaris. |
| 5. | Chhattisgarh | 2000-02 | 171.08 | Funds were utilised for saplings of fruit trees, digging of tube wells, construction of pacca platforms, distribution of vegetable mini-kits, etc. (Rs 32.32 lakh); treatment of cattle and castration of bulls (Rs 5.00 lakh); construction of new fish ponds, veterinary dispensaries and training centres (Rs 126.87 lakh); and plantation of fruit trees (Rs 6.89 lakh) contrary to scheme guidelines. |
| 6. | Gujarat | 2000-01 | 145.00 | Against a project costing Rs 238 lakh for development of new infrastructure, release of Rs 145 lakh paid in March 2000 to one NGO included cost of items of recurring nature, administrative/managerial expenses, mobile vans and documentation, etc. |
| | | 1999-02 | 605.00 | Expenditure by 8 DRDAs on infrastructure like construction of training centres, purchase of medicines without critically reviewing existing and needed infrastructure and exploring possibilities of utilisation of Rs 9,060 lakh available under other Centrally Sponsored/State Plan Schemes. |
| | | 1999-02 | 1998.00 | State Government had unutilised balance of Rs 71.18 crore to 237.37 crore under various Centrally Sponsored Schemes and State Plan Schemes during 1999-02, even then Rs 1,998 lakh was spent out of SGSY funds in violation of provisions under the scheme. |

| Sl. No. | State | Period/ Year | Amount | Remarks |
|---|---|---|---|---|
| 7. | Haryana | 1999-02 | 131.72 | In four DRDAs (Panipat, Bhiwani, Sirsa and Kaithal) fund were incurred on purchase of furniture, vehicle, construction of building, expenditure on salaries, staff quarters etc.. |
| | | 1999-01 | 19.69 | SGSY infrastructure funds were incurred for purchase of computers in DRDA Kaithal & Gurgaon, |
| 8. | Himachal Pradesh | 1999-02 | 37.74 | Expenditure incurred on construction of 14 Nos. veterinary centres and procurement of 50 Nos Cryocans for Animal Husbandry Department at Kangra and construction of District Training Centre(Building) at Una. |
| 9. | Jammu & Kashmir | 1999-01 | 22.10 | Funds were utilised for construction of 5 veternary buildings, 2 sheep extension centres, Seed store including purchase of 7 refrigerator, microscope and some laboratory equipment, which had no direct bearing with beneficiary activities. |
| 10. | Karnataka | 1999-02 | 106.00 | In six districts, funds were released to 106 Milk Producers Coop. Societies (MPCS) and 3 other societies for infrastructure development without ascertaining whether 50 *per cent* of the members were SGSY Swarozgaris. |
| | | 1999-02 | 142.50 | Expenditure on construction of 39 Primary Veterinary centre in T.P.of Belthangadi and Puttur & ZP Tumkur. |
| | | 2000-01 | 1575.38 | Chief Secretary & Development Commissioner accorded sanction of Rs 1957.75 lakh to six institutions for creation of training infrastructure under SGSY and Rs 1575.38 lakh was released during 2000-01. In July 2001, the work being in preliminary stage except in one institution, it was decided to take back the unspent balance of Rs 1100.79 lakh along with interest from 5 institutions. During October 2001, only Rs 197.67 lakh was refunded by 3 institutes and was kept in the Saving Bank A/c at State level and not transferred to SGSY. None of the Swarozgaris were trained in any of the six institutions. |
| | | 1999-02 | 211.00 | In ZP, Belgaum construction of 110 Shopping Complexes to be rented out to public other than Swarozgaris on auction basis. |
| 11. | Kerala | 1999-02 | 37.67 | Infrastructure created was not covered under SGSY. |
| 12. | Madhya Pradesh | | 601.90 | In 11 districts, expenditure met out of infrastructure funds on administrative infrastructure ( Rs 226.15 lakh), creation of assets of general nature ( Rs 218.07 lakh), purchase of equipment and medicines for cattles ( Rs 103.47 lakh), maintenance of adopted nurseries (Rs 54.21 lakh) which were neither for exclusive benefit of BPLs nor identified in the project reports. |
| 13. | Manipur | 2000-01 | 9.24 | Funds were incurred on construction of Rest House, Community hall and repair of quarters, office, etc. |
| 14. | Mizoram | 2000-01 | 13.53 | DRDA, Aizwal incurred expenditure on construction of two Market sheds inspite of existed building for the purpose. There was only one group of Swarozgaris with key activity of petty-trade. Rs 4.53 lakh was incurred towards purchase of power tiller and sugarcane crusher without assessing the scope of related key activity. |
| | | 1999-00 | 0.94 | Funds were utilised for construction of office of Farmers Union of Mizoram. The expenditure was not covered under the scheme. |
| 15. | Nagaland | 1999-02 | 72.48 | Expenditure was incurred mainly on construction of Marketing sheds, approach road, resting sheds and water tanks, construction of marketing shed had already undertaken by Agriculture Department. The existing sheds could have been utilised for sale of products. |

| Sl. No. | State | Period/ Year | Amount | Remarks |
|---|---|---|---|---|
| 16. | Orissa | 1999-02 | 206.63 | In DRDA, Khurda expenditure incurred on installation of 12 Nos Lift irrigation projects , construction of training centre and godown in DRDA Mayurbhanj & Balasore, purchase of 6 computers by DRDA, Balasore and creation of infrastructure for other than selected key activities. |
| | | 1999-02 | 41.56 | Infrastructure expenditure was incurred for Milk Chilling Plants at Karanjia and Rairangpur up to 11/2001. Milk Chilling Plant was non operational the very purpose of its procurement was defeated . Asset procured had not been verified/certified (March 2002). |
| 17 | Punjab | 1999-01 | 36.00 | In Sangrur District, funds were released for construction of working sheds to various agencies. As no SHG entered 3rd stage and no loan/subsidy had been given as economic assistance, expenditure incurred proved unproductive. |
| 18. | Rajasthan | 1999-01 | 17.80 | Funds were incurred on repair/renovation of existing chilling plants by the Paschim Dugdh Utpadak Sahkari Sangh Ltd. Jodhpur and adjusted in the accounts of DRDA, Nagaur without passing accompanying benefits to the Swarozgaris. |
| | | 2000-01 | 10.78 | Out of Rs 34.70 lakh provided to Animal Husbandry Department by DRDA Udaipur, Rs 10.78 lakh were incurred on purchase of equipment including Sonography and X-Ray machines. All the equipment were lying idle due to non-opening of new Veterinary Hospitals/Sub-centres and vacant post of doctors. |
| | | 2000-01 | 7.67 | Of Rs 10.70 lakh, Rs 6.00 lakh were incurred on construction of training hall in the urban area of Bikaner where no training after March 2001 was held. Expenditure on computer and other items of Rs 1.67 lakh were lying in store unutilised. Expenditure was incurred without assessing existing infrastructure. Balance of Rs 3.03 was returned. |
| | | 1999-00 | 48.50 | DRDA, Baran released Rs 48.50 lakh to one Milk Union for establishment of Milk Chilling Centre. Rs 36.64 lakh was incurred by the Union including assets worth Rs 17.85 lakh which were not installed and Rs 1.84 lakh incurred on rent, conveyance, security guard etc. Balance amount was lying with the Union. Milk Union did not identify BPL Swarozgaris up to 2001. |
| | | 2000-02 | 121.46 | 6 DRDAs adjusted in their accounts Rs 121.46 lakh incurred by Milk Unions where membership of BPL families was less than 50 *per cent*. |
| | | 1999-01 | 62.34 | Incurred on construction of 27 gravel roads, temporary works and one WBM road without linkage of passing direct benefits to BPL families. |
| | | 2000-01 | 15.30 | State Government permitted transfer of 153 shops involving Rs 15.30 lakh spent out of SGSY funds for auctioning them to general public. Cost of 119 shops (Rs 11.9 lakh) were not deposited to SGSY funds by the concerned Gram Panchayat (6/2002). |
| | | 1999-02 | 52.05 | It was to be insured for assistance to cooperative societies for development of infrastructure that at least 50 *per cent* members are SGSY Swarozgaris. This was mis-interpreted as 5 DRDAs sanctioned subsidy at 50 *per cent* of the project cost, whereas another 4 DRDAs sanctioned subsidy at 100 *per cent* of the project cost, involving excess cost of Rs 52.05 lakh. |
| 19 | Sikkim | 1999-02 | 11.82 | Rs 10.95 lakh was spent on repairs and renovation of existing infrastructure and Rs 0.87 lakh on printing charges, POL, etc. in violation of the guidelines. |

| Sl. No. | State | Period/ Year | Amount | Remarks |
|---|---|---|---|---|
| 20. | Tamil Nadu | 1999-02 | 414.40 | In selected districts, funds utilised for creating facilities such as veterinary dispensaries, Centres, AC Plants from SGSY funds. |
| | | 1999-02 | 10.00 | Funds were diverted from infrastructure funds to a "Special Project" without getting approval of Government of India for the revised project cost of Rs 40.70 lakh and for meeting the increased project cost from Infrastructure Fund, though it has been proposed to meet the excess over Government of India sanction from out of Namakku Name Thittam (NNT), a State scheme. |
| 21. | Tripura | 1999-02 | 225.00 | Four DRDAs paid Rs 352 lakh as advance to the different line departments for construction of infrastructure without assessing the actual need. Out of Rs 352 lakh, Rs 225 lakh related to construction of non-existing assets. Status of completion, expenditure was not available with DRDAs. |
| 22. | Uttar Pradesh | | 1125.38 | Paid to Bhartiya Agro Industrial Foundation (BAIF) (Rs 235.25 lakh) for meeting expenditure of recurring nature, Rs 833.58 lakh was provided to Animal Husbandary Department, Shakari Dugdha Sangh and other departments to meet expenses relating to their normal activities and recurring nature. Rs 56.55 lakh was spent by DRDA, Gorakhpur on construction of roads. |
| 23. | West-Bengal | 1999-02 | 327.76 | Out of Rs 614.28 lakh incurred by 5 DRDAs, funds of Rs 327.76 lakh incurred on construction of building, cold storage office building, etc. |
| **Total** | | | **9695.07** | |

## Annex - XII
(Refers to Paragraph 8)

## Status of releases and utilisation of fund on Special Project on SGSY in Sample Checked districts in States

*(Rupees in lakh)*

| Sl. No. | State | No. of Project | Month of sanction | Stipulated Period of implementation | Sanctioned cost | Funds released and available | | | | Funds utilised | Percentage of utilisation |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Central | State | Misc | Total | | |
| 1. | Andhra Pradesh | 4 | March 1999 to March 2000 | 2 years | 5,742.00 | 4,098.40 | 1,640.00 | 176.00 | 5,914.40 | 1,580.00 | 26.71 |
| 2. | Assam | 5 | April 1999 to March 2001 | 2 to 3 years | 2,942.88 | 2,022.38 | 442.45 | 0.00 | 2,464.83 | 1,221.63 | 49.56 |
| 3. | Chhattisgarh | 1 | March 2000 | N/A | 750.00 | 281.25 | 0.00 | 0.00 | 281.25 | 66.62 | 23.69 |
| 4. | Gujarat | 3 | March 2000 to March 2001 | 2 years | 2,508.00 | 1,031.00 | 313.67 | 2.72 | 1,347.39 | 267.00 | 19.82 |
| 5. | Himachal Pradesh | 6 | March 2000 to March 2002 | 2 to 5 years | 4,903.94 | 1,525.40 | 410.00 | 0.00 | 1,935.40 | 246.00 | 12.71 |
| 6. | Madhya Pradesh | 9 | April 1999 to March 2002 | N/A | 9,153.49 | 3,437.59 | 0.00 | 0.00 | 3,437.59 | 1,553.82 | 45.20 |
| 7. | Manipur | 2 | April 2001 to March 2002 | N/A | 700.00 | 135.00 | 0.00 | 0.00 | 135.00 | 0.00 | 0.00 |
| 8. | Orissa | 2 | March 2001 to March 2002 | 2 years | 1,883.00 | 638.63 | 100.60 | 20.91 | 760.14 | 15.02 | 1.98 |
| 9. | Punjab | 5 | April 2000 to March 2002 | N/A | 2,223.15 | 787.44 | 209.66 | 9.56 | 1,006.66 | 286.04 | 28.41 |
| 10. | Rajasthan | 9 | April 2000 to March 2002 | 2 years | 6,842.92 | 2,223.34 | 434.11 | 0.00 | 2,657.45 | 477.47 | 17.97 |
| 11. | Tamil Nadu | 1 | March 2000 | 2 years | 1,464.00 | 549.00 | 183.00 | 0.00 | 732.00 | 166.75 | 22.78 |
| 12. | Uttar Pradesh | 2 | April 1999 to March 2000 | 2 years | 2,100.00 | 787.50 | 262.50 | 0.00 | 1,050.00 | 70.49 | 6.71 |
| **Total** | | **49** | **April 1999 to March 2002** | **2 to 5 years** | **41,213.38** | **17,516.93** | **3,995.99** | **209.19** | **21,722.11** | **5,950.84** | **27.39** |

# MINISTRY OF RURAL DEVELOPMENT

## RURAL HOUSING

# CHAPTER III: MINISTRY OF RURAL DEVELOPMENT
# DEPARTMENT OF RURAL DEVELOPMENT

## Rural Housing

*Rural Housing Schemes, which aimed to remove shelterlessness by the end of the Ninth Five Year Plan failed to achieve the desired success. As against the target of 109.53 lakh housing units, only 50.34 lakh houses were constructed / upgraded as of March 2002. The multiplicity of schemes without proper linkages led to overlapping of objectives and failed to ensure convergence of various interrelated activities for providing cost effective and hygienic rural houses. Misdirected targeting resulted in expenditure of Rs 58.56 crore on ineligible beneficiaries. There were instances of excess payment of Rs 7.38 crore to the beneficiaries depriving the eligible beneficiaries to that extent. Payment to the beneficiaries less than the prescribed norms led to underpayment of Rs 42.11 crore in 10 States and one Union Territory. Contrary to the guidelines of the scheme Rs 198.55 crore were spent through contractors depriving the beneficiaries of their involvement in construction of houses. Basic amenities like smokeless chulah and sanitary latrine intended to promote healthy environment and hygienic habitations in rural areas were not provided in almost fifty per cent of the houses. Rs 1162 crore released for rural housing was not spent on the programme. Poor fund management led to large amounts being diverted or retained in deposits, misappropriation of funds and expenditure in excess of the approved norms. Inadequate and inefficient monitoring of the programme, both at the Ministry and state levels failed to enhance the quality of the delivery mechanism thus raising questions on the willingness and efforts of the agencies involved in accomplishing the objective of ending shelterlessness by the end of Ninth Plan Period.*

### *Highlights*

The objectives of the National Housing Policy to provide 'Housing for all' and that of the Special Action Plan to end all shelterlessness by the Ninth Five Year Plan were largely defeated. Against the target of 109.53 lakh housing units, only 50.34 lakh houses were constructed or upgraded as of March 2002 under various Rural Housing Schemes.

Overlapping objectives of multiple Rural Housing Schemes blurred the focus on providing cost-effective, hygienic rural houses. No genuine effort appeared to have been made for convergence of the activities of various schemes to achieve the desired objectives.

Targeting of beneficiaries was misdirected resulting in selection of 34,542 ineligible beneficiaries utilising funds to the extent of Rs 58.56 crore in 19 States and one Union Territory. In seven States, beneficiaries were allotted houses on the recommendations of MPs/MLAs, District authorities, Sarpanches, etc.

The system of fund transfer to beneficiaries was not uniform. In 10 States and one Union Territory, Rs 7.38 crore were paid in excess of the prescribed norms whereas short payment of Rs 42.11 crore was made in 10 States and one Union Territory

In 16 States, Rs 198.55 crore were spent on construction of houses through contractors, defeating the objective of involvement of beneficiaries in the construction with the objective of ensuring cost-effectiveness and quality.

Rs 171.56 crore were diverted to activities and schemes beyond the scope of the programme in 21 States and one Union Territory. In 20 States, Rs 682.97 crore were drawn and retained in civil deposits, fixed deposits, and in treasuries outside Government account. Advances of Rs 222.81 crore paid to implementing agencies were pending adjustment. Suspected misappropriation amounted to Rs 1.83 crore in five States and Rs 4.04 crore were spent on unapproved works. Such leakages, besides reducing the actual expenditure on the programme by 31.55 *per cent,* adversely affected its implementation.

In 20 States and 2 Union Territories, smokeless chulahs and sanitary latrines were provided in only 50 *per cent* and 57 *per cent* respectively of the houses constructed, thus depriving a large section of the beneficiaries of a clean, pollution-free environment and hygienic habitations.

In 17 States and 2 Union Territories, 37.75 *per cent* of the allotments were made in favour of male members, defeating the objective of empowerment of rural women.

In 26 States and 2 Union Territories, inventories of constructed/upgraded houses were not maintained in the absence of which verification of actual construction of the houses and the extent to which the benefits reached the target group was rendered difficult.

Monitoring of the implementation and execution of the programme was inadequate and ineffective both at Central and State levels.

Evaluation of impact of the programme was not conducted in almost all the states.

## 1. Background

Housing, one of the basic requirements for human survival, is among the most serious challenges facing India's socio-political economy. Shelter remains beyond the reach of millions even after 50 years of independence. The problem of rural housing did not receive much attention from the Government during the first 25 years of planning. In its 37$^{th}$ Report (1972-73), the Estimates Committee (Fifth Lok Sabha) expressed distress at the unsatisfactory conditions of *kutcha* houses in rural areas and the apathy of the Government. In response to this assessment, the Housing-sites-cum-Construction Assistance Scheme was launched as a Central Scheme in the Fourth Five Year Plan. The scheme was later transferred to the State Sector in April 1974. Construction of houses was a major activity under the National Rural Employment Programme (NREP), which began in 1980 and the Rural

Landless Employment Guarantee Programme (RLEGP), which began in 1983. However, there was no uniform policy in regard to rural housing in the States. For the first time in June 1985, a specific proportion of RLEGP funds was earmarked for construction of houses for Scheduled Castes (SCs) and Scheduled Tribes (STs) and freed bonded labour. This was the origin of the Indira Awaas Yojana (IAY), which continued as a sub-scheme of the Jawahar Rozgar Yojana (JRY).

After the JRY was restructured in January 1996, the IAY became an independent Centrally Sponsored Scheme for providing shelter in rural areas. To supplement the efforts of IAY and to address various issues of rural housing, five new Centrally Sponsored Schemes were launched from April 1999, viz. Samagra Awaas Yojana (SAY), Credit -Cum- Subsidy Scheme for Rural Housing (CCSS), Rural Building Centres (RBCs), Innovative Stream for Rural Housing and Habitat Development (ISRHHD) and Pradhan Mantri Gramodya Yojana-Gramin Awaas (PMGY-GA) which was funded under the State Plans from 1 April 2000.

According to the 1991 census, the shortage of rural housing was estimated to be 137.20 lakh units. Of these, 34.10 lakh households were without shelter and 103.10 lakh households were living in "kutcha unserviceable" houses. It had been estimated that another 107.50 lakh houses would be required to cover the population growth between 1991 to 2002, thus projecting a total requirement of 244.70 lakh houses in rural areas. However, between 1991 and 1997, only 57 lakh houses were constructed through the Indira Awaas Yojana (IAY), State Governments, HUDCO and self-help systems. Thus, the net housing shortage projected between 1997-2002 was 187.70 lakh, of which 84.60 lakh new houses were to be constructed and 103.10 lakh kutcha/unserviceable houses required upgradation.

## 2. National Housing Policy/Rural Housing Policy

The Global Shelter Strategy adopted by the United Nations in November 1988 called upon all Governments to formulate national housing policies. A Draft National Housing Policy prepared by the Ministry of Urban Development and tabled in Parliament in 1988 recognised the importance of rural housing in the overall development of rural people. This was further elaborated and restated in 1994.

With the formulation of the Ninth Five-Year Plan (1997-2002), the National Housing Policy was once again articulated recognizing and placing special emphasis on the need for forging partnerships with the private sector, community, voluntary sector and co-operative societies encouraging cost sharing. Keeping in view the growing recognition and sensitivity of the expanded needs and meaning of shelter to include the habitat, provision of adequate sites and services, local sources of energy needs and a wholesome and healthy environment, the National Housing and Habitat Policy was adopted in 1998. This aimed at:

- Progressive shift from a subsidy-based housing scheme to cost sharing or cost recovery-cum-subsidy schemes for rural housing;
- Progressive shift of rural housing strategies from target orientation to a demand- driven approach;

- Empowering the Panchayati Raj Institutions and village cooperatives to mobilise credit for adding to the housing stock as well as the basic amenities in rural areas;
- Using technology for modernising the housing sector to increase efficiency, productivity, energy efficiency and quality;
- Forging strong partnerships between the private, public and cooperative sectors to enhance the capacity of the construction industry to participate in every sphere of housing and habitat;
- Involving women at all levels of decision making and in the formulation and implementation of the housing policies and programmes;
- Development of villages in a manner which provides for a healthy environment, increased use of renewable sources and pollution-free atmosphere with a concern for solid waste disposal.

## 3. Goal

The new Housing Policy aimed at providing 'Housing for All' and, towards this end, proposed to facilitate construction of 13 lakh units annually, in addition to the existing target of 12.3 lakh units constructed per year (taking 1997-98 as the base year), with emphasis on extending benefits to the poor and deprived in rural areas. In terms of the Special Action Plan for Rural Housing, it was anticipated that by the end of the Ninth Plan, of the total projected shortage of 187.70 lakh units, 109.53 lakh housing units would be constructed/upgraded under IAY and other schemes. The residual gap of 78.17 lakh unserviceable/kutcha units would be upgraded under the Tenth Plan. It was also envisaged that further housing shortages surfacing due to population growth would be taken care of during the Tenth Plan. There was, however, a considerable shortfall in achievement by the end of the Ninth Plan period. Instead of 109.53 lakh units, only 50.34 lakh units could be constructed between 1997-2002 under IAY and other schemes implemented with Central contribution.

The Ministry stated (November 2002) that against the estimated requirement of Rs 25,700 crore to tackle the total rural housing shortage, projected to the Planning Commission, only Rs 8,103.75 crore were provided during the Ninth Plan period, which had resulted in a wide gap between the requirement and availability of funds. This reflects the dichotomy between policy formulation and resource allocation.

## 4. Scope and Objectives of Review

The audit review aims at examining the effectiveness of the implementation of various components of the Rural Housing Schemes with special emphasis on IAY and in dealing with the problem of shelterlessness and upgrading of all unserviceable kutcha houses. The implementation of the programme during the period from 1997-98 to 2001-02 was reviewed based on a test-check of documents in the Ministry and 171 districts of 28 States and 3 Union Territories between November 2001 and July 2002.

## 5. Sample Size

Details of the districts/blocks covered in the review were as follows:

| Total no. of districts | | Percentage of coverage | Total no. of blocks | | Percentage of coverage | Total Expenditure *(Rupees in crore)* | | Percentage coverage |
|---|---|---|---|---|---|---|---|---|
| Covered under the programme | Test checked | | Covered under the programme | Test checked | | Covered under the programme | Test checked | |
| 575 | 171 | 29.74 | 1,756 | 541 | 30.81 | 9,927.62 | 3,685.67 | 37.13 |

*Note : Sample size was based on number of Below Poverty Line families/proportion of rural Scheduled Castes/Scheduled Tribes, quantum of expenditure, geographical representation, budget allotment, etc. The details of test checked districts are contained in* ***Annex – I.***

## 6. Organisational Structure

At the Central level, the Ministry of Rural Development was responsible for policy formulation, planning, financing, overall guidance, monitoring and evaluation of the programme.

At the State level, the responsibility of overall supervision, guidance, monitoring and evaluation of the programme devolved upon the State Level Co-ordination Committee (SLCC).

The District Rural Development Agencies (DRDAs) and Zilla Panchayats (ZPs) were entrusted with the responsibility of implementation, co-ordination, review, supervision, monitoring and evaluation of the programme at the district level. Block Development Officers and Panchayat Samitis were responsible for implementation of the programme at the block level. At the village level, the Gram Panchayat was responsible for identification of beneficiaries.

## 7. Programme Components

7.1 **Indira Awaas Yojana,** a Centrally Sponsored Scheme was launched with the objective of providing dwelling units free of cost to the rural population living below the poverty line (BPL). The scheme specifically targeted BPL households belonging to SCs/STs, freed bonded labourers and specified categories under non-SCs/STs. 60 *per cent* of the total IAY allocations during a financial year could be utilised for construction/upgradation of dwelling units for SCs/STs and freed bonded labourers and 3 *per cent* of the funds for BPL physically handicapped and mentally challenged persons. A maximum assistance of Rs 20,000 in the plains and Rs 22,000 in hilly/difficult areas was to be provided for construction of dwelling units including a smokeless chulah, sanitary latrine and other common facilities. The expenditure under the programme was shared between the Centre and the States in the ratio of 80:20 (75:25 from 1 April 1999). The IAY funds were allocated on the basis of the proportion of rural poor in a State/Union Territory in comparison to the total poor in the country. Within the State/Union Territory, allocations were determined with reference to the percentage of SC/ST population in the districts in comparison to the total SC/ST population in the State/Union Territory. From April 1999, the allocation criteria to the States/Union Territories were to be equally based on the poverty ratio and the overall housing shortage. Similar criteria were to be adopted for inter-district allocations. From April 1999, 20 *per cent* of the total allocation was earmarked for conversion of unserviceable kutcha houses into semi-pucca or pucca houses at a cost of Rs 10,000 per unit.

7.2 **The Credit-cum-Subsidy Scheme,** launched from 1 April 1999, aimed at covering all rural households (both below poverty line and above poverty line) with annual income up to Rs 32,000 only, who were not covered under IAY. 50 *per cent* of the assistance was to be provided as a loan and 50 *per cent* as subsidy, to be shared in the ratio of 75:25 between the Centre and the States. The total subsidy ceiling was pegged at Rs 10,000 and the maximum loan admissible was Rs 40,000 per household. The introduction of this scheme was intended to redefine the role of Government from that of a 'provider' to a 'facilitator', as envisaged in the National Housing and Habitat Policy, 1998.

7.3 **The Innovative Stream for Rural Housing and Habitat Development** commenced from 1 April 1999 and encouraged the use of cost effective, environment friendly, scientifically tested and appropriate indigenous and modern designs, technologies and materials, which are the basic requirements for a cost-effective, good quality rural house. The intention was to assist the IAY beneficiaries by making available to them quality infrastructure support services. Project-based assistance, up to Rs 20 lakh to Non-Government Organisations and up to Rs 50 lakh to educational/ research institutions and Government agencies, was provided.

7.4 **The Samagra Awaas Yojana,** was introduced from 1 April 1999 to ensure the development of sustainable and wholesome rural human settlements with people's participation and to facilitate the convergence of existing rural housing, sanitation and water supply schemes. The Government of India provided special assistance of Rs 25 lakh for each block (Rs 5 lakh for Information, Education and Communication (IEC) and Rs 20 lakh for habitat development). The funds were released to the implementing agency through DRDAs. The scheme was to be implemented on pilot basis in one block each of 25 districts in 24 states and one Union Territory in the first phase and was to be continued throughout the country after evaluation of the pilot projects.

7.5 A scheme for setting up **Rural Building Centres (RBCs)** was also launched from 1 April 1999 to facilitate technology transfer, information dissemination, skill upgradation through training and production of cost effective and environment friendly materials. The RBCs were intended to be located within the close reach of the rural population. The Central Government provided grant-in-aid of Rs 15 lakh for setting up of each RBC, disbursed through the Housing and Urban Development Corporation (HUDCO) for onward transmission to the executing agencies viz. Government institutions and non-Government organisations who would set up the Building Centres. The scheme was taken up in 60 districts of 17 States on a pilot basis.

7.6 **The Pradhan Mantri Gramodya Yojana** of which **Gramin Awaas** (rural housing) was one of the components was launched during 2000-01 in replacement of an existing scheme of providing Additional Central Assistance (ACA) for Basic Minimum Services under State Plans. The Ministry of Rural Development was the nodal Ministry for implementation of the scheme and funds were to be released by the Ministry of Finance on its recommendations. The fund transfer was in the form of 30 *per cent* grant and 70 *per cent* loan to the States other than the Special Category States, which were entitled to 90 *per cent* grant and 10 *per cent* loan.

The above strategy of the Government attempted to give priority to the housing sector and to address various issues of rural housing through isolated schemes. The strategy was marked by a multiplicity of schemes with similar components instead of improving upon critical aspects of IAY. In its Thirteenth Report (1999-2000) the Standing Committee on Urban and Rural Development failed to understand the reasons behind the launching of new Centrally Sponsored Schemes, i.e. SAY and CCS, in a situation where a comprehensive scheme of IAY already existed for the same purpose. The Committee further observed in 2001 in its Twenty-fifth Report that though the Government had recognised the need for rationalization and convergence of multiple schemes for effective implementation and noticeable impact, they had introduced yet another scheme, i.e. PMGY (Gramin Awaas), in October 2000. The Committee deplored the planning of the Government and stressed on the convergence of various housing schemes. The Tenth Plan Working Group on the Rural Poverty Alleviation Programme (2001) also called for the merger of the existing rural housing programmes into a single integrated programme to be implemented in the country on a uniform basis. The Ministry is yet to act on the recommendations of the Standing Committee and the Working Group.

## 8. Financial Management

During 1997-2002, Rs 9,734.67 crore were allocated for IAY and Rs 1,165.85 crore for the other Centrally sponsored rural housing schemes launched from April 1999, thus providing an aggregate of Rs 10,900.52 crore for rural housing. The details are given below:

### (A) Indira Awaas Yojana

*(Rupees in crore)*

| Year | Allocation | | | Funds Released | | | Expenditure |
|---|---|---|---|---|---|---|---|
| | Centre | State | Total | Centre | State | Total | |
| 1997-98 | 1153.00 | 287.85 | 1440.85 | 1117.11 | 278.88 | 1395.99 | 1591.48 |
| 1998-99 | 1484.00 | 370.62 | 1854.62 | 1477.94 | 369.25 | 1847.19 | 1803.88 |
| 1999-00 | 1599.99 | 532.35 | 2132.34 | 1438.39 | 479.23 | 1917.62 | 1907.64 |
| 2000-01 | 1613.69 | 536.91 | 2150.60 | 1521.94 | 506.72 | 2028.66 | 2185.81 |
| 2001-02 | 1618.00 | 538.26 | 2156.26 | 1869.74 | 622.38 | 2492.12 | 2149.56 |
| **Total :** | **7468.68** | **2265.99** | **9734.67** | **7425.12** | **2256.46** | **9681.58** | **9638.37** |

*Note :- The State/Union Territory wise details of funds released and expenditure incurred under IAY during 1997-2002 are contained in Annex – II*

## (B) Other Centrally Sponsored Schemes

*(Rupees in crore)*

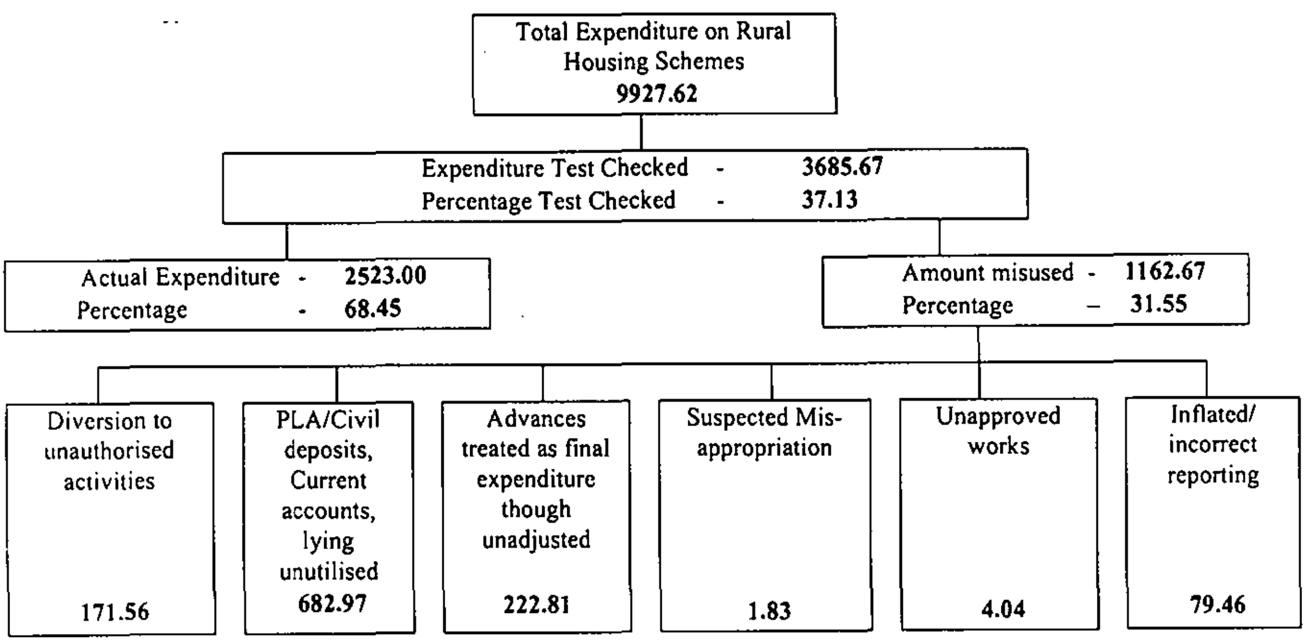
| Schemes | 1999-2000 | | | 2000-2001 | | | 2001-2002 | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | A | R | E | A | R | E | A | R | E | A | R | E |
| CCS | 133.33 | 80.91 | 20.19 | 200.00 | 35.99 | 38.51 | 50.67 | 10.80 | 18.51 | 384.00 | 127.71 | 77.21 |
| PMGY | -- | -- | -- | 375.00 | 291.93 | 68.14 | 406.85 | 291.51 | 141.40 | 781.85 | 583.44 | 209.54 |
| SAY | -- | 2.67 | 2.18 | -- | 1.35 | 0.32 | -- | 3.05 | -- | -- | 7.07 | 2.50 |
| ISRHHD | -- | 2.41 | -- | -- | 8.65 | -- | -- | 9.64 | -- | -- | 20.70 | -- |
| RBC | -- | 0.54 | -- | -- | 1.62 | -- | -- | 0.78 | -- | -- | 2.94 | -- |
| **Total :** | **133.33** | **86.53** | **22.37** | **575.00** | **339.54** | **106.97** | **457.52** | **315.78** | **159.91** | **1165.85** | **741.86** | **289.25** |

*A: Allocation* *R: Release* *E: Expenditure*

Utilisation of funds against releases under IAY during 1997-2002 was 99 *per cent* whereas other rural housing schemes during 1999-2002 could absorb only 39 *per cent.* However, the actual utilisation during the period was lower since the test-check by Audit revealed that a substantial portion of the available funds were either diverted or misutilised and wrongly booked as actual expenditure. The diagrammatic representation given below would show that at least 31.55 *per cent* of the expenditure test checked by Audit was not incurred on the programme.

**Finance Inverse Tree**

*(Rupees in crore)*




### 8.1 Non-release/Short release of Central/State share to implementing agencies

**Non-release / short release of Rs 707.41 crore was noticed in 8 states.**

Test-check of records in various States revealed short/non-release of Rs 707.41 crore to the implementing agencies during 1997-2002 in **Andhra Pradesh** (Rs 20.25 crore), **Assam** (Rs 117.64 crore), **Goa** (Rs 0.08 crore),

**Gujarat** (Rs 8.43 crore), **Maharashtra** (Rs 53.77 crore), **Meghalaya** (Rs 0.42 crore), **Nagaland** (Rs 1.95 crore) and **Orissa** (Rs 504.87 crore). Relevant details are contained in **Annex - III.** The implementation of the programme would have been adversely affected by funds not being released or being only partially released.

### 8.2 Belated release of funds

**There was delay in release of funds up to 29 months in 17 States.**

In **Andhra Pradesh, Assam, Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala, Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Punjab, Rajasthan, Uttaranchal** and **West Bengal,** State departments / DRDAs released Rs 772.58 crore to the implementing agencies between 1997-98 and 2001-02 after delays ranging up to 29 months. **(Annex - IV).**

### 8.3 Diversion of funds

**Rs 854.53 crore were diverted to other activities / retained in deposit accounts.**

Test-check of records in the States disclosed the following instances of diversion of funds aggregating to Rs 854.53 crore during 1997-2002 to activities not connected with the programme apart from the retention of funds in Personal Ledger Accounts, Personal Deposits, Current Accounts, etc.

#### (i) Diversion to activities not connected with programme

In 21 States and one Union Territory, Rs 171.56 crore were spent on purchase of vehicles, typewriters, stationery, furniture, solar cookers, mosquito nets, cattle kits, water containers, office expenses, construction of chabutras, community hall, anganwadi center, and diverted to other schemes like Employment Assurance Scheme (EAS) Jawahar Rojgar Yojana (JRY), Swaranjayanti Gram Swarojgar Yojana (SGSY), Integrated Rural Development Programme (IRDP), State sector schemes, etc. **(Annex - VA)**

#### (ii) Parking of funds

In 20 States, Rs 682.97 crore were retained in Personal Ledger Accounts, Civil Deposits, fixed deposits, non-interest bearing current accounts, treasury accounts, etc. This not only resulted in blocking of funds but also affected the implementation of programmes adversely. **(Annex - VB)**

### 8.4 Advances lying unadjusted treated as final expenditure

**Rs 222.81 crore lying unadjusted were treated as final expenditure though actually not spent.**

In nine States and one Union Territory **(Assam, Haryana, Jharkhand, Madhya Pradesh, Orissa, Pondicherry, Rajasthan, Sikkim, Tripura** and **West Bengal)** funds aggregating to Rs 222.81 crore were treated as final expenditure though these were neither actually spent nor were utilisation certificates received. The relevant details are contained in **Annex – VI.** This resulted in reporting of inflated and incorrect financial achievements.

The Ministry stated (November 2002) that the matter had been taken up with the concerned DRDAs/ZPs to show only the figures of utilisation reported by the implementing agencies as expenditure in the income and expenditure account as well as utilisation certificates.

### 8.5 Inflated reporting of expenditure

Expenditure of Rs 79.46 crore was reported in excess of that actually incurred in 17 States and one Union Territory, details of which are contained in **Annex - VII**.

### 8.6 Misappropriation/misutilisation of funds

**Deficient control resulted in misappropriation /misutilisation of funds of Rs 1.83 crore.**

In **Andhra Pradesh, Karnataka, Manipur, Mizoram** and **West Bengal**, misappropriation/misutilisation of funds amounting to Rs 1.83 crore was observed, indicating the absence of effective controls. The details are given below:

**Andhra Pradesh** -(i) In Chittoor district, two Deputy Executive Engineers, 9 Assistant Engineers and 11 Work Inspectors misappropriated Rs 44.33 lakh in the construction of 934 IAY houses. Existing houses were shown as having being newly constructed under IAY. The officers were suspended and criminal cases filed against one Assistant Engineer. Prosecution was ordered against 2 other Assistant Engineers and 3 Work Inspectors.

(ii) In Bhadrachalam of Khammam district, seven Primitive Tribal Group Housing colonies were taken up during 1999-2000 departmentally. During inspection in July 2001, the Project Officer, ITDA, Bhadrachalam, noticed that excess subsidy of Rs 11.85 lakh on the material component in respect of 182 houses was released over and above the actual project cost and the houses were not completed. The delinquent officials were suspended in August 2001. A criminal case filed against them was pending as of February 2002.

**Manipur** - In Ukhrul and Chandel districts, 4 Block Development Officers (BDOs) received Rs 55.16 lakh during 1999-2002 but accounted for only Rs 16.42 lakh in their cashbooks. They could not produce any evidence in support of having disbursed the balance amount of Rs 38.74 lakh.

**Mizoram**- (i) In Aizawal district, BDO, Thingdawl, received a cheque for Rs 4.79 lakh in March 1999 for payment of assistance to 32 beneficiaries for construction/ upgradation of houses. The amount was neither disbursed to the beneficiaries nor shown as unspent in the cashbook.

(ii) The cashier of DRDA *Saiha* misappropriated Rs 19.81 lakh by depositing the IAY funds in her personal account. She presented a false passbook of IAY accounts for official exhibition. The Deputy Commissioner suspended the cashier in August 2000.

**West Bengal** -(i) In Marnai Gram Panchayat under Uttar Dinajpur Zilla Parishad, the Gram Pradhan reported that a sum of Rs 2.80 lakh was snatched on the way from the bank to the Gram Panchayat office in October 2000. Neither was the matter intimated to the local police nor to the ZP/State Government. Similarly, Rs 0.34 lakh were stolen from the office of Dakshin Laximikantpur GP under South 24-Parganas ZP, in December 2001. No enquiry was conducted to fix responsibility or to effect recovery.

(ii) Keshpur Panchayat Samiti (PS) under Midnapore ZP drew Rs 57.52 lakh through self-cheques during 1996-2000. No registers/records/papers in support of the utilisation/disbursement of the funds were made available to audit.

**Karnataka**- In Srinivasapura and Gauribidanur taluks of Kolar district, assistance of Rs 2.60 lakh was provided during 1993-02 for construction of 16 houses. The Village Secretaries found, on verification during 2001-02, that these houses were not in existence.

### 8.7 Rush of Expenditure

**There was a rush of expenditure up to 77 per cent at the fag end of the year in six States.**

According to the provisions of the General Financial Rules, rush of expenditure, particularly in the closing months of the financial year, is a breach of financial regularity and is to be avoided. However, in six States, Rs 623.94 crore (24 to 77 *per cent* of the total expenditure) were spent in the last quarter, of which Rs 382.45 crore were spent in the month of March.

The Ministry stated (November 2002) that instructions had been issued to the State Governments in order to streamline the expenditure on the scheme.

### 8.8 Excess expenditure over the approved cost

**Rs 4.04 crore were spent without the approval of competent authority.**

Excess expenditure aggregating to Rs 4.04 crore was incurred on construction/ upgradation of houses without the approval of competent authority in **Assam** (Rs 1.36 crore), **Chhattisgarh** (Rs 0.97 crore), **Gujarat** (Rs 0.70 crore), **Himachal Pradesh** (Rs 0.18 crore), **Orissa** (Rs 0.23 crore), **Tamil Nadu** (Rs 0.19 crore), **Tripura** (Rs 0.22 crore) and **West Bengal** (Rs 0.19 crore). The excess expenditure was mainly attributable to expenditure being incurred beyond norms on construction of new houses/upgradation of kutcha houses, procurement of costly materials, payment of excess subsidy on the material component, expenditure being incurred on works not included in the approved project, etc.

**The objective envisaged in the Special Action Plan of the Ministry to end shelterlessness by the end of Ninth Five Year Plan was largely defeated as only 50.34 lakh units were constructed / upgraded against the target of 109.53 lakh units.**

## 9. Physical Progress

The Special Action Plan of the Ministry envisaged the construction/ upgradation of 109.53 lakh housing units during the Ninth Plan period under various rural housing schemes, including State schemes. A composite profile of the total houses to be constructed in each of the five years of the Ninth Plan is given below:

*(in lakh)*

| Year | Houses to be constructed under | | | |
|---|---|---|---|---|
| | IAY | other schemes* with Central assistance | Additional houses to be constructed under State Government housing schemes, including BMS | Total houses to be constructed |
| 1997-98 | 7.00 | - | 5.30 | 12.30 |
| 1998-99 | 10.87 | 2.41 | 7.50 | 20.78 |
| 1999-00 | 12.99 | 4.84 | 7.50 | 25.33 |
| 2000-01 | 12.62 | 5.44 | 7.50 | 25.56 |
| 2001-02 | 12.62 | 5.44 | 7.50 | 25.56 |
| **Total** | **56.10** | **18.13** | **35.30** | **109.53** |

* *CCS, ISRHHD and HUDCO*

Against the above goal, the targets fixed by the Ministry for IAY and other rural housing schemes and achievements there against during 1997-2002 are detailed below:

| Year | IAY | | CCS | | PMGY | |
|---|---|---|---|---|---|---|
| | Target | Achievement | Target | Achievement | Target | Achievement |
| 1997-98 | 718326 | 770936 | | | | |
| 1998-99 | 987466 | 835770 | | | | |
| 1999-00 | 1271619 | 925679 | 133333 | 23242 | | |
| 2000-01 | 1244320 | 1170926 | 109333 | 45346 | 61277 | 14914 |
| 2001-02 | 1293753 | 1171081 | 50667 | 16455 | 178691 | 59644 |
| **Total** | **5515484** | **4874392** | **293333** | **85043** | **239968** | **74558** |

Against the targeted construction of 55.15 lakh houses, 48.74 lakh houses (88.38 *per cent*) were completed under IAY. The percentage achievement under CCS and PMGY was very low and ranged between 17 *per cent* and 41 *per cent* (CCS) and 24 *per cent* and 33 *per cent* (PMGY) only during the period 1999-02. Other Centrally Sponsored Schemes, viz. SAY, RBCs and ISRHHD, were project-based and no targets were fixed for these schemes. The achievements under these schemes during 1999-2002 were also inadequate as indicated below:

**Multiple schemes launched without convergence of complementary activities like rural housing, sanitation, etc. did not create the desired impact.**

| Scheme | No. of projects taken up | No. of States | Amount released (Rs in lakh) | Remarks |
|---|---|---|---|---|
| SAY | 30 | 20 | 707.00 | Rs 250 lakh were spent during 1999-2002 but the Ministry did not have evidence of completion of any of the projects. The envisaged evaluation of the pilot projects for extension of the scheme throughout the country was not conducted. |
| ISRHHD | 88 | 19 | 20.70 | Of the 88 projects taken up during 1999-02, the implementing agencies had not claimed 2nd instalment for 32 projects and 39 projects pertaining to the years 2000-01 and 2001-02 respectively, showing the poor progress of the scheme. |
| RBCs | 60 | 17 | 294.00 | The implementing agencies had received Rs 288 lakh as Ist instalment and 2nd and subsequent instalment was not released to any of the agencies except in one project (Rs 6 lakh) indicating poor progress. |

The Ministry did not have data on the total number of houses constructed under all Centrally Sponsored/State Schemes to assess the achievement of goals set under the Action Plan for Rural Housing. Further, it did not also have separate details of new constructions and upgradation of kutcha/ unserviceable houses for all the years. The physical performance of the programme is discussed in detail in the subsequent paragraphs.

### 9.1 Misreporting of performance

The system of reporting the figures of houses constructed/upgraded was unsatisfactory and unreliable because houses not taken up at all or taken up for construction or upgradation but remaining incomplete were reported as having been completed. Test-check revealed inflation of the achievement by 23,827 houses due to incorrect reporting in **Assam** (766), **Bihar** (2,393), **Haryana** (253), **Kerala** (42), **Nagaland** (2,444), **Orissa** (7,628), **Tripura** (669), **Uttaranchal** (1,834) and **West Bengal** (7,798).

### 9.2 Beneficiary Identification

The Scheme envisaged that the DRDAs/ ZPs, would decide, on the basis of allocations made and targets fixed, the number of houses to be constructed/upgraded Panchayat-wise during each financial year and accordingly inform the Gram Panchayats concerned. Thereafter, the Gram Sabha was to select the beneficiaries from the list of eligible BPL households. Based on an evaluation undertaken by it, the Programme Evaluation Organisation of the Planning Commission reported in July 1999 the involvement of official agencies in the selection of beneficiaries in 13 States. In its Mid-Term Appraisal of the Ninth Plan (2000-01), the Planning Commission had also observed that despite the instructions issued by the Ministry in March 1998, the Gram Sabhas were not active in deciding beneficiaries.

Contrary to the Government of India guidelines, surveys for identification of beneficiaries were not conducted in **Assam, Haryana, Sikkim,** and **West Bengal**. In **Andhra Pradesh, Arunachal Pradesh, Assam, Manipur, Nagaland** and **Punjab** the lists of eligible beneficiaries were also not prepared or updated. This raises doubts about the proper identification of eligible beneficiaries. Various other shortcomings observed in selection of beneficiaries are mentioned below.

**Misdirected targeting led to financial assistance of Rs 58.56 crore provided to ineligible beneficiaries in 19 States and One Union Territory.**

- In 19 States and One Union Territory, 34,542 ineligible beneficiaries, to whom financial assistance of Rs 58.56 crore was provided, were selected.

**2,169 beneficiaries were provided assistance of Rs 4.01 crore in 5 States on the recommendations of Ministers/MPs /MLAs, district authorities, etc.**

- In **Gujarat, Jammu & Kashmir, Jharkhand, Nagaland** and **Punjab**, 2,169 beneficiaries who were provided assistance aggregating to Rs 400.54 lakh, were allotted houses on the recommendations of Ministers/MPs/MLAs, district authorities, Sarpanches, etc. Similarly, 1,284 beneficiaries in **Andhra Pradesh** and **Assam** were provided assistance under the scheme, details of which were not readily available, based only on the recommendations of persons other than representatives of Gram Sabhas. In Birbhum Zilla Parishad of **West Bengal,** selection of beneficiaries was made through a Beneficiary Committee instead of Gram Sabha. Further, 13,676 beneficiaries in Cooch Behar (9,271), Uttar Dinajpur (3,585), Hoogly (62), Burdwan (609) and North 24-Parganas (149) were not selected through the Gram Sabha. In Purulia, selection of beneficiaries was made at the Panchayat Samiti level instead of the Gram Panchayat through the Gram Sabha.

- In 3 districts in **Punjab**, ZPs released Rs 295 lakh to BDPOs without prior selection of beneficiaries. In **Haryana,** beneficiaries were selected only after funds were released.

- In Ariyankuppam block of **Pondicherry,** 4 beneficiaries were selected or provided assistance under IAY notwithstanding the fact that they already possessed land valued between Rs 26,000 and Rs 90,000.

- In **Rajasthan,** beneficiaries were selected without ensuring that they were in fact eligible.

- In **Mizoram,** DRDAs provided assistance to beneficiaries on the basis of applications received from them without ascertaining whether they actually belonged to BPL families based on the criteria prescribed by the Government of India. Survey of BPL families in the State was also not undertaken.

### 9.3 Payment to beneficiaries

Payment to the beneficiaries was to be made on a staggered basis as prescribed depending on the progress of work to be decided by the State Government or at the district level. The assistance of Rs 20,000 in the plains and Rs 22,000 in hilly/difficult areas included Rs 2,500 towards the cost of providing infrastructure and common facilities, which was to be paid to the beneficiaries only if the houses were not built in clusters or a micro-habitat. Certain shortcomings noticed in the disbursement of the assistance are mentioned in the following paragraphs:

**7.38 crore paid to the beneficiaries in excess of the prescribed norms in 10 States and one Union Territory.**

(a) The officers responsible for implementation of the scheme in **Assam, Gujarat, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, Maharashtra, Nagaland, Orissa, Pondicherry** and **West Bengal,** paid Rs 7.38 crore (both in the form of cash and materials) to the beneficiaries in excess of the prescribed norms for construction/upgradation. The prescribed deductions on account of infrastructure and common facilities were also not made where the houses were built in clusters or micro-habitats.

**Payment to beneficiaries less than the prescribed norms led to under payment of Rs 42.11 crore in 10 States and one Union Territory.**

(b) The implementing agencies in **Assam, Dadra & Nagar Haveli, Gujarat, Jharkhand, Maharashtra, Manipur, Nagaland, Orissa, Punjab, Rajasthan** and **West Bengal,** under paid assistance of Rs 42.11 crore to beneficiaries. This was attributable to the payment being made at rates lower than those prescribed, deductions being made for not providing the basic amenities or infrastructure facilities etc.

(c) Beneficiaries were to be involved in the construction including the procurement of materials. However, implementing agencies either purchased materials without the consent of the beneficiaries or there was no evidence of any demand for them from the beneficiaries in 5 districts of **Haryana** (Rs 2880.15 lakh) and 1 ZP and 15 taluks of 5 districts in **Karnataka** (Rs 1174.78 lakh). Three ZPs in **Punjab** released Rs 700 lakh to Sarpanches of Gram Panchayats instead of to the BDPOs. Similarly, DRDA, Cuddalore in **Tamil Nadu** released Rs 365 lakh to 13 Panchayat Unions instead of Village Panchayats. In 3 districts in **Maharashtra,** 173 beneficiaries were paid subsidies amounting to Rs 43.13 lakh during 1998-2002 after the beneficiaries had constructed the houses.

The Ministry stated (November 2002) that they were issuing instructions clarifying various aspects of the guidelines in regard to payments to beneficiaries, for their use in the DRDAs/ZPs.

### 9.4 Purchase of materials

**Materials worth Rs 14.29 crore were purchased without adherence to financial propriety and rules.**

Following shortcomings in the purchase and management of materials involving expenditure of Rs 14.29 crore were noticed:

- In **Assam,** materials costing Rs 374.47 lakh were purchased either in excess of requirements or without provision in the approved estimate and were lying unutilized.
- In **Andhra Pradesh, Arunachal Pradesh, Assam** and **Orissa,** avoidable expenditure of Rs 237.04 lakh was incurred on purchases of materials at higher rates and excess payments of excise duty to suppliers and transportation charges.
- In **Nagaland**, materials costing Rs 620.46 lakh were purchased from local suppliers at prices higher than what would have been payable had these been procured instead from the Steel Authority of India Limited.
- In **Assam,** sub-standard materials were purchased at a cost of Rs 71.19 lakh.
- In **Assam** and **Nagaland**, materials costing Rs 118.37 lakh were received short.
- In **Orissa**, cement valued at Rs 7.29 lakh could not be utilised due to clodding.

## 10. Location of houses

The guidelines envisaged that dwelling units should normally be built on individual plots in the main habitation of the village. The houses could also be built in a cluster within a habitation so as to facilitate the development of infrastructure and other common facilities. The cluster approach was not adopted in **Arunachal Pradesh, Assam, Daman and Diu, Haryana, Jammu and Kashmir, Kerala, Madhya Pradesh, Meghalaya, Mizoram** (3 districts), **Orissa, Sikkim, Tripura** and **Uttaranchal.** Failure to adopt the cluster approach defeated the objective of the scheme of providing these facilities to the beneficiaries.

## 11. Construction of houses

### 11.1 Failure to survey

Field surveys to assess the requirement of houses to be constructed / upgraded were not conducted in **Arunachal Pradesh, Daman & Diu, Himachal Pradesh, Madhya Pradesh, Meghalaya, Orissa, Rajasthan, Sikkim** and **Tripura**.

### 11.2 Involvement of beneficiaries

**Rs 198.55 crore were spent on construction of houses through contractors than by involvement of beneficiaries in 16 States.**

Beneficiaries were to be involved in the construction of the houses and were to make their own arrangements for procurement of construction materials and engagement of skilled workmen in order to ensure economies in cost and the quality of work. No contractors or middlemen were to be involved in the construction of houses under the programme. However, houses at a total cost of Rs 198.55 crore were constructed by contractors or departmentally in **Andhra Pradesh** (Rs 0.06 crore), **Assam** (Rs 85.39 crore), **Chhattisgarh** (Rs 6.15 crore), **Gujarat** (Rs 13.07 crore), **Haryana** (Rs 0.52 crore), **Karnataka** (Rs 16.31 crore), **Madhya Pradesh** (Rs 1.73 crore), **Maharashtra** (Rs 70.19 crore), **Jharkhand** (Rs 0.11 crore), **Meghalaya** (Rs 0.38 crore), **Mizoram** (Rs 0.24 crore), **Orissa** (Rs 0.19 crore), **Punjab** (Rs 0.19 crore), **Tamil Nadu** (Rs 0.29 crore), **Uttar Pradesh** (Rs 0.40 crore), and **West Bengal** (Rs 3.33 crore).

The Ministry stated (November 2002) that instances of involvement of contractors and Departments in the construction of IAY houses had been noticed and the State Governments would again be advised to avoid their involvement since this was contrary to the guidelines of the scheme.

### 11.3 Incomplete houses

**Abandoned / incomplete houses rendered Rs 22.78 crore unfruitful in 13 States and 2 Union Territories.**

In **Andhra Pradesh, Dadra & Nagar Haveli, Daman & Diu, Goa, Gujarat, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Orissa, Rajasthan, Sikkim, Uttaranchal** and **West Bengal**, 1,11,284 houses taken up for construction had either not been completed even after the lapse of one to 12 years or construction of which had been abandoned by the beneficiaries after receiving one or two instalments of assistance. There were also instances of construction not having commenced. The main reasons were lack of interest on the part of beneficiaries, non-release of subsequent instalments of assistance because of unsatisfactory progress, disputes over land, etc. Consequently, expenditure aggregating to Rs 22.78 crore incurred in these cases had been rendered unfruitful, if not infructuous.

## 12. Design deficiencies

The layout, size and type design of the IAY dwelling units were to depend on local conditions, the desired preference of the beneficiaries, the climatic conditions and the need to provide ample space, ventilation, sanitary facilities, smokeless chulahs, etc. Certain deficiencies noticed are mentioned in the following paragraphs:

### (a) Inadequate plinth area

In **Assam** (2 districts), **Daman and Diu**, **Meghalaya** (2 blocks), **Orissa, Rajasthan** (Six Panchayat Samities), and **West Bengal** (1 ZP and 227 GPs of 5 ZPs), houses were constructed with a plinth area of less than 20 square meters, which was not adequate to meet the minimum requirements of the beneficiaries since it was not possible to provide appropriate kitchen and sanitary facilities.

### (b) Installation of smokeless chulahs

**Basic amenities like smokeless chulah and sanitary latrine were not provided in nearly 50 per cent of houses in 20 States and 2 Union Territories.**

In 20 States and 2 Union Territories, smokeless chulahs were provided in only 14,57,066 (50 *per cent*) of the 28,96,347 houses constructed during 1997-2002. Provision of smokeless chulahs was insignificant and ranged between zero *per cent* and 25 *per cent* in **Arunachal Pradesh, Assam, Daman and Diu, Tripura** (zero *per cent*), **Dadra and Nagar Haveli, Manipur, Meghalaya, Orissa, Rajasthan,** and **Sikkim.** In **Gujarat, Himachal Pradesh, Kerala, Madhya Pradesh,** and **Uttar Pradesh,** it ranged between 30 *per cent* and 60 *per cent.* In **Orissa,** in 1,021 houses in 43 blocks, portable chulahs were provided which were not smoke-free.

### (c) Construction of sanitary latrines

Construction of sanitary latrines was an integral part of the dwelling units of Indira Awaas Yojana. In 20 States and 2 Union Territories, sanitary latrines were provided in only 16,51,773 (57 *per cent*) of the 28,96,347 houses constructed during 1997-2002. These were not constructed in **Assam, Arunachal Pradesh** and **Tripura.**

## 13. Allotment of houses

**The objective of empowering the female members of households was partially achieved.**

The guidelines contemplated that dwelling units be allotted in favour of the female member of the beneficiary household or in favour of both the husband and wife. However, in 17 States and 2 Union Territories, 9,44,788 (37.75 *per cent*) of the 25,02,826 houses constructed during 1997-2002 were allotted only to the male members of the households. The envisaged objective of empowering the female members of the households was therefore only partially achieved.

## 14. Inventory of Houses

The implementing agencies were required to maintain a complete inventory of houses constructed/upgraded under the programme, indicating the date of commencement, the date of completion of construction of the dwelling unit, name of the village and block in which the house was located, occupation and category of beneficiaries, etc. Maintenance of inventories was a crucial input for evaluating the progress and success of the programme. In their Fifth Report (1998-99), the Standing Committee on Urban and Rural Development (Twelfth Lok Sabha) noted that the Government had not conducted physical verification of houses reported to have been constructed by the end of 1997-98. They recommended that this be done at least on the basis of test-check. This was, however, not done.

**Inventory of houses not maintained in almost all the States.**

Test-check of records also revealed that inventories of houses were not maintained in **Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Dadra & Nagar Haveli, Daman & Diu, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, Uttaranchal** and **West Bengal.** In the absence of an inventory, it was difficult to verify whether the houses had actually been constructed or to assess whether the intended persons had, in fact, benefited from the scheme.

The Ministry stated (November 2002) that the matter was being taken up with all the State Governments to ensure the maintenance of inventory of houses and its regular updating so that physical verification could be conducted smoothly.

### 14.1 Display of IAY Board and Logo

On completion of the dwelling units, the DRDAs concerned were to ensure that a display board indicating the Government of India rural housing logo, year of construction, name of the beneficiaries, etc. was fixed. This was not done in **Bihar, Haryana** (5 districts), **Himachal Pradesh** (19 blocks), **Karnataka, Mizoram, Nagaland, Orissa** (41 blocks), **Pondicherry, Punjab, Sikkim, Tripura, Uttar Pradesh, Uttaranchal** and **West Bengal.**

## 15. Monitoring

**The monitoring control, inspecting and review mechanism both by the Ministry and State Governments was inadequate to ensure effective implementation.**

The Ministry is responsible for planning, implementation, financing and monitoring the overall performance of the programme. The success of the programme was to be monitored through intensive field visits by Area Officers, who were to visit allotted States/Union Territories where the programme was being implemented. The guidelines also envisaged submission of periodical physical and financial reports by State Governments/DRDAs. The Ministry was also responsible for monitoring the progress of coverage of BPL households.

The State Level Coordination Committee (SLCC) was responsible for monitoring the programme at the State level. A representative of the Ministry was invariably to be invited to participate in the meetings of the Committee. For this purpose, a schedule of inspection duly approved by the SLCC for each supervisory functionary from the State to the block level was to be drawn up and strictly adhered to. Similarly, officers at district, sub-division and block levels were expected to closely monitor all aspects of the programme through visits to work sites.

While an adequate mechanism was envisaged for monitoring the implementation of the programme, instances of inadequate monitoring, review and inspection of the programme, both at the Central and State levels, were noticed. The Ministry was compiling data on physical and financial achievements based on the progress reports sent by the State Governments/DRDAs, but there was no evidence of follow-up-action on the irregularities/shortcomings highlighted in these reports. The field visits/inspections carried out by the Area Officers during 1997-02 were inadequate, as not all the Area Officers visited the allocated States in each quarter. In its Fifth Report (1998-99), the Standing Committee on Urban and Rural Development (Twelfth Lok Sabha) noted with concern that the Government was not adhering to various provisions of the Area Officers Scheme, which had resulted in poor utilisation of funds and serious lapses in the proper implementation of the programmes.

The SLCC was not formed in **Jharkhand** and **Nagaland.** In **Haryana, Maharashtra** and **Sikkim,** the SLCC met only once or twice during 1997-2002. In **Orissa,** the SLCC met only thrice during 1997-2000 and no meeting was held during 2000-02. The SLCC did not meet at all or details of meetings held were not available in **Rajasthan** and **Tripura**. No Committee at the State/District/Block level was formed in **Chhattisgarh** and **Uttaranchal.** In **Andhra Pradesh,** the programme was not monitored by the SLCC as **Andhra Pradesh State Housing Corporation** was executing the programme. Schedules of inspection were not drawn up or the inspections were not carried out in **Arunachal Pradesh, Daman & Diu, Madhya Pradesh, Nagaland, Orissa, Rajasthan, Sikkim, Tripura** and **West Bengal** (3 districts). Records of inspections carried out were not maintained or furnished in **Assam** and **Madhya Pradesh**. The prescribed physical and financial progress reports were not submitted or were irregularly submitted in **Dadra and Nagar Haveli, Haryana, Madhya Pradesh, Rajasthan** and **Uttar Pradesh.** But for collection and compilation of reports and returns, no comprehensive system of monitoring was evolved in **Mizoram.**

### 16. Evaluation/Impact Assessment

**Overall evaluation studies were not got conducted in all the States except Assam.**

The Ministry and State Governments were to undertake evaluation studies from time to time to assess the extent to which the programme had been successful in combating the rural housing problem and whether the achievements were commensurate with the investments made. However, evaluation studies were not got conducted by almost all the States other than **Assam** where the Planning and Development Department conducted evaluation studies from time to time and pointed out various deficiencies.

The Ministry of Rural Development had also entrusted a concurrent evaluation of IAY scheme in all the States to Research Organisations during 1998-99, the reports of which were submitted to the Ministry in the year 2000. This evaluation brought out involvement of MPs/MLAs in the selection process, involvement of contractors and departmental agencies in the construction work, non-provision of basic amenities like smokeless chulahs and sanitary latrines, instances of cost of construction exceeding the sanctioned cost, allotment in the name of male members, etc.

### 17. Conclusion

The rural housing schemes which aimed to remove shelterlessness by the end of the Ninth Five Year Plan failed to achieve the desired level of success owing to the operational deficiencies discussed earlier.

In brief:

- Launching of a multiplicity of housing schemes without proper linkages led to overlapping of objectives and poor coordination. No action was taken to promote convergence of activities into a single comprehensive scheme.

- Targeting of the scheme required improvement in as much as Rs 58.56 crore were spent on ineligible beneficiaries.

- Widespread involvement of contractors in construction activities, in violation of the guidelines of the scheme, defeated the intention of involving the beneficiaries in the activity.

- Monitoring of implementation was conducted mechanically and did not help in enhancing the quality and efficiency of the delivery system.

- Deficiencies noticed in earlier evaluations continued to persist, raising questions on the willingness and ability of the agencies concerned to address the issues involved.

**New Delhi**
**Date: 7 March 2003**

**(H.P.DAS)**
**Director General of Audit**
**Central Revenues**

**Countersigned**

**New Delhi**
**Date: 7 March 2003**

**(VIJAYENDRA N. KAUL)**
**Comptroller and Auditor General of India**

## Annex – I
(Refers to Paragraph 5)

## Scope of Audit

| Sl. No. | State/Union Territory | Total No. of Districts | Number of Districts Test checked | Name of Test checked Districts |
|---|---|---|---|---|
| 1. | Andhra Pradesh | 22 | 6 | East Godavari, West Godavari, Kurnool, Chittoor, Khammam, Adilabad |
| 2. | Arunachal Pradesh | 13 | 4 | Lohit, East Siang, West Siang, Lower Subansiri |
| 3. | Assam | 23 | 6 | Bongaigaon, Sonitpur, Dibrugarh, Cachar, Karbi Anglong, Jorhat |
| 4. | Bihar | 37 | 9 | Bhagalpur, Bhojpur, Katihar, East Champaran, Muzaffarpur, Nawada, Patna, Vaishali, Nalanda |
| 5. | Chhattisgarh | 16 | 4 | Surguja, Bilaspur, Kanker, Rajnandgaon |
| 6. | Dadra & Nagar Haveli | 1 | 1 | Dadra & Nagar Haveli |
| 7. | Daman & Diu | 2 | 1 | Daman |
| 8. | Goa | 2 | 2 | South Goa, North Goa |
| 9. | Gujarat | 25 | 7 | Surat, Panchmalal, Rajkot, Valsad, Bharuch, Banaskantha, Jamnagar, |
| 10. | Haryana | 19 | 5 | Faridabad, Hisar, Kurukshetra, Sonipat, Yamunanagar |
| 11. | Himachal Pradesh | 12 | 5 | Bilaspur, Mandi, Sirmour, Hamirpur, Shimla |
| 12. | Jammu & Kashmir | 14 | 4 | Jammu, Rajouri, Poonch, Srinagar |
| 13. | Jharkhand | 22 | 6 | Deoghar, Dhanbad, Dumka, East Singhbhum, Gumla and Ranchi |
| 14. | Karnataka | 27 | 8 | Belgaum, Bellary, Bijapur, Gulbarga, Hassan, Kolar, Mysore, Shimoga |
| 15. | Kerala | 14 | 4 | Thiruvananthapuram, Ernakulam, Thrissur, Palakkad |
| 16. | Madhya Pradesh | 45 | 11 | Bhind, Dewas, Guna, Hoshangabad, Jhabua, Jabalpur, Khandwa, Rewa, Shivpuri, Ujjain, Vidisha |
| 17. | Maharashtra | 33 | 10 | Ahmednagar, Beed, Dhule, Nashik, Nagpur, Pune, Raigad, Solapur, Thane, Yavatmal, |
| 18. | Manipur | 9 | 4 | Imphal West, Chandel, Churachandpur, Ukhrul |
| 19. | Meghalaya | 7 | 2 | East Khasi Hills, West Garo Hills |
| 20. | Mizoram | 8 | 3 | Aizawl, Saiha, Lunglei, |
| 21. | Nagaland | 8 | 4 | Kohima, Phek, Dimapur, Mon |
| 22. | Orissa | 30 | 9 | Puri, Cuttack, Ganjam, Jagatsinghpur, Mayurbhanj, Sundergarh, Keonjhar, Kalahandi, Koraput. |
| 23. | Pondicherry | 1 | 1 | Pondicherry |
| 24. | Punjab | 17 | 4 | Amritsar, Ropar, Ferozepur, Patiala |
| 25. | Rajasthan | 32 | 7 | Alwar, Banswara, Bikaner, Kota, Churu, Nagaur, Udaipur |
| 26. | Sikkim | 4 | 4 | East Sikkim, West Sikkim, North Sikkim, South Sikkim |

| Sl. No. | State/Union Territory | Total No. of Districts | Number of Districts Test checked | Name of Test checked Districts |
|---|---|---|---|---|
| 27. | Tamil Nadu | 28 | 7 | Nagapattinam, Cuddalore, Coimbatore, Salem, Madurai, Theni, Villupuram |
| 28. | Tripura | 4 | 4 | West Tripura, South Tripura, North Tripura, Dhalai |
| 29. | Uttar Pradesh | 70 | 14 | Agra, Allahabad, Azamgarh, Basti, Bulandshahar, Deoria, Gonda, Jaunpur, Jhansi, Kanpur Dehat, Lakhimpur Kheeri, Meerut, Raibareilly, Sultanpur |
| 30. | Uttaranchal | 13 | 4 | Pauri, Dehradun, Nainital and Udhamsingh Nagar |
| 31. | West Bengal | 17 | 11 | Birbum, Burdwan, Cooch Behar, Hooghly, Midnapore, Murshidabad, Nadia, North 24 Parganas, Purulia, South 24 Parganas, Uttar Dinajpur |
| **Total** | | **575** | **171** | |

## Annex - II
(Refers to Paragraph 8)

## Financial Performance under IAY for the period 1997-02

*(Rupees in lakh)*

| Sl No | State/ Union Territory | Opening balance | Allocation | Central Release | State Release | Total Release | Utilisation Reported |
|---|---|---|---|---|---|---|---|
| 1. | Andaman & Nicobar | -- | 493.14 | 347.82 | -- | 347.82 | 245.56 |
| 2. | Andhra Pradesh | 6424.43 | 66831.22 | 59302.89 | 18174.37 | 77477.26 | 74665.31 |
| 3. | Arunachal Pradesh | 201.74 | 3045.49 | 2110.62 | 685.06 | 2795.68 | 2767.64 |
| 4. | Assam | 366.52 | 69004.19 | 38553.92 | 12190.03 | 50743.95 | 38091.66 |
| 5. | Bihar | 3441.83 | 190231.42 | 105975.80 | 32107.87 | 138083.67 | 142448.67 |
| 6. | Chhattisgarh | -- | 5416.31 | 3942.20 | 1314.07 | 5256.27 | 5971.11 |
| 7. | Dadra & Nagar Haveli | 19.54 | 282.46 | 126.49 | -- | 126.49 | 101.02 |
| 8. | Daman & Diu | 8.27 | 101.97 | 34.22 | -- | 34.22 | 23.05 |
| 9. | Goa | 100.59 | 416.48 | 223.16 | 67.67 | 290.83 | 328.30 |
| 10. | Gujarat | 0.00 | 21222.19 | 24423.96 | 7564.02 | 31987.98 | 22021.20 |
| 11. | Haryana | 0.00 | 7956.63 | 6785.95 | 2029.17 | 8815.12 | 8840.53 |
| 12. | Himachal Pradesh | 19.67 | 3371.11 | 2927.07 | 877.31 | 3804.38 | 3534.28 |
| 13. | Jammu & Kashmir | 721.97 | 4367.76 | 2967.15 | 848.48 | 3815.63 | 4104.62 |
| 14. | Jharkhand | -- | 24237.93 | 8055.67 | 2685.22 | 10740.89 | 16220.57 |
| 15. | Karnataka | 2072.92 | 39294.11 | 25297.23 | 7475.94 | 32773.17 | 39776.31 |
| 16. | Kerala | 322.89 | 20797.83 | 14705.29 | 4455.15 | 19160.44 | 18671.92 |
| 17. | Lakshadweep | 28.05 | 36.30 | 6.12 | -- | 6.12 | 43.57 |
| 18. | Madhya Pradesh | 5536.51 | 62729.55 | 49396.05 | 14291.41 | 63687.46 | 69717.81 |
| 19. | Maharashtra | 0.00 | 70502.86 | 54695.06 | 16263.89 | 70958.95 | 93960.71 |
| 20. | Manipur | 285.78 | 3492.36 | 1058.03 | 334.36 | 1392.39 | 963.87 |
| 21. | Meghalaya | 0.00 | 4717.29 | 1797.48 | 582.00 | 2379.48 | 1906.71 |
| 22. | Mizoram | 0.00 | 1163.98 | 863.58 | 276.18 | 1139.76 | 1137.88 |
| 23. | Nagaland | 344.14 | 3087.96 | 2907.36 | 894.95 | 3802.31 | 3014.32 |
| 24. | Orissa | 2373.47 | 58135.34 | 108637.46 | 34740.09 | 143377.55 | 98653.85 |
| 25. | Pondicherry | 76.29 | 309.06 | 248.17 | 0 | 248.17 | 404.72 |
| 26. | Punjab | 377.75 | 4828.39 | 3677.96 | 1106.94 | 4785.00 | 4884.92 |
| 27. | Rajasthan | 2129.72 | 24790.05 | 19056.29 | 5592.94 | 24649.23 | 27566.43 |
| 28. | Sikkim | 0.00 | 805.40 | 602.34 | 188.67 | 791.01 | 938.70 |
| 29. | Tamil Nadu | 1012.60 | 42875.87 | 36245.54 | 10658.25 | 46903.79 | 75693.35 |
| 30. | Tripura | 0.00 | 6756.24 | 5605.32 | 1801.80 | 7407.12 | 6996.88 |
| 31. | Uttar Pradesh | 4900.16 | 153726.69 | 119413.29 | 35174.70 | 154587.99 | 142240.82 |
| 32. | Uttaranchal | 0 | 5947.09 | 2792.17 | 930.73 | 3722.90 | 4764.55 |
| 33. | West Bengal | 5458.65 | 72492.46 | 39730.79 | 12334.42 | 52065.21 | 53135.69 |
| | **Total** | **36223.49** | **973467.13** | **742512.45** | **225645.69** | **968158.24** | **963836.53** |

## Annex – III
(Refers to Paragraph 8.1)

## Short/non-release of fund to implementing/executing agencies

| State | District/State | By whom short/non-released | Scheme | Year | Amount *(Rupees in lakh)* | Remarks |
|---|---|---|---|---|---|---|
| Andhra Pradesh | State level | State Government | IAY | 2001-2002 | 2025.00 | Short release of State share |
| Assam | State level | State Government | IAY | 1997-2002 | 11593.56 | State matching share short released. Fund was not drawn due to inadequate budget provision. |
| | | State Government | CCS | 1999-2000 | 170.98 | State matching share not released against Central share of Rs 512.95 lakh. |
| Goa | State level | State Government | IAY | 2001-2002 | 7.67 | Short release of State share. |
| Gujarat | State level | State Government | IAY | 2001-2002 | 843.00 | Short release of State matching share (Rs 2.46 crore) and additional assistance declared by state (Rs 5.97 crore) due to non-encashment of bills from the treasury. |
| Maharashtra | State level | State Government | IAY | 1997-2000 | 4855.84 | Short release of State share. |
| | | State Government | PMGY | Between March 2000 and January 2002 | 521.00 | Short release of Central share. |
| Meghalaya | DRDA West Garo Hills, Tura and East Khasi Hills Shillong | State Government | IAY | 2001-2002 | 42.04 | State matching share not released. |
| Nagaland | State level | State Government | IAY | 2000-2002 | 194.70 | Short release of State share. |
| Orissa | State level | Ministry | IAY | 2001-2002 | 43411.86 | Short release of Central share. |
| | | State Government | | 2001-2002 | 6095.83 | Short release of State share. |
| | | Ministry | CCS | 1999-2001 | 734.79 | Short release of Central share. |
| | | State Government | | 1999-2001 | 244.93 | Short release of State share. |
| | | | | Total | **70741.20** | |

## Annex – IV
(Refers to Paragraph 8.2)

## Delay in release of fund to implementing/executing agencies

| State | By whom released | Scheme | Year | Amount *(Rupees in lakh)* | Period of delay *(in months)* | Remarks |
|---|---|---|---|---|---|---|
| Andhra Pradesh | Chittoor, Kakinada and Khammam districts | IAY | 1997-1998 | 521.32 | 1 to 8 | Delayed release of Central funds to the implementing agency. |
| Assam | State Government | IAY | 1997-2002 | 1661.93 | 1 to 21 | State matching share was released beyond the years of allocation |
| | | PMGY | 2000-2001 | 1346.78 | 17 | Delayed release of Central fund. |
| Gujarat | State Government | IAY | 1997-2002 | 2257.00 | Up to 3 | Delayed release of State share. |
| Haryana | State Government | PMGY | 2000-01 | 125.85 | 10 | Delayed release of Central fund. |
| | | IAY | 1997-2002 | 1438.61 | Up to 8 | State matching share |
| | | IAY | As of 31 March 1997 | 68.61 | 12 | Delayed release of additional fund to DRDAs. |
| | DRDA Faridabad, Hisar, Kurukshetra, Sonipat and Yamuna Nagar. | IAY | 1997-2002 | 1208.29 | 1 to 7 | Delayed release to executing agencies. |
| Himachal Pradesh | State Government | IAY | 1997-2002 | 267.76 | 1 and about 5 | State matching share. |
| Karnataka | State Government | PMGY | 2000-2002 | 1313.47 | 4 to 7 | Delayed release of Central fund. |
| Kerala | State Government | CCS | 1999-2000 | 38.38 | 18 | State matching share |
| Maharashtra | State Government | IAY | 1997-2002 | 20749.05 | Up to 9 | State matching share. |
| Manipur | State Government | IAY | 1998-2002 | 221.00 | 3 to10 | State matching share. |
| Meghalaya | State Government | IAY | 1997-2001 | 172.84 | 4 to17 | State matching share. |
| Mizoram | State Government | IAY | 1997-2002 | 226.71 | Up to 7 | State matching share. |

| State | By whom released | Scheme | Year | Amount *(Rupees in lakh)* | Period of delay *(in months)* | Remarks |
|---|---|---|---|---|---|---|
| Nagaland | State Government | PMGY | 2000-2002 | 538.83 | 7 | Delayed release of Central fund. |
| Orissa | DRDA Cuttack, Ganjam, Jagatsinghpur, Kalahandi, keonjhar, Koraput, Mayurbhanj, Puri and Sundergarh. | IAY | 1997-2002 | 30199.78 | Up to 8 | Delayed release to Blocks. |
| | State Government | IAY | 1997-2001 | 3939.66 | -- | State share of each year released in subsequent years. |
| | | PMGY | 2000-2002 | 1478.25 | 6 | Delayed release of Central fund. |
| Punjab | State Government | IAY | 1997-2002 | 200.28 | 1to 26 | State matching share. |
| Rajasthan | State Government | IAY | 1997-2002 | 1897.00 | 3 | Delayed release of state matching share. |
| | DRDA Alwar, Churu, Nagaur and Udaipur. | | 1997-2002 | 1034.98 | Up to 12 | Delayed release to Gram Panchayats. |
| | State Government | PMGY | 2000-2002 | 2169.00 | Up to 4 | Delayed release of Central share. |
| | | CCS | 1999-2000 | 34.21 | 4 | State matching share. |
| Uttaranchal | State Government | IAY | 1997-2002 | 342.63 | 1 to 9 | State matching share. |
| West Bengal | State Government | IAY | 1997- 1999 and 2000-01 | 580.52 | Up to 2 | State matching share to six districts: Birbhum, Burdwan, Hooghly, Midnapore, Murshidabad and North 24 Parganas. |
| | (ii) ZP Cooch Behar, Hooghly, Purulia and South 24 Parganas. | | 1997-2001 | 3080.44 | Up to 5 | Delayed release to Gram Panchayats. |
| | State Government | CCS | 1999-2000 | 108.28 | Up to 29 | Delayed release of Central fund to four ZPs; Burdwan, Midnapore, Murshidabad and Nadia. |
| | | | 1999-2000 | 36.09 | Up to 28 | State matching share. |
| | | | Total | 77257.55 | | |

## Annex – VA
(Refers to Paragraph 8.3 (i))

### Diversion of funds for activities not connected with the scheme

| State/Union Territory | District | Scheme | Year | Amount *(Rupees in lakh)* | Remarks |
|---|---|---|---|---|---|
| Andhra Pradesh | (i) State Government | CCS | 1999-02 | 2048.00 | District managers diverted Central subsidy to State Sponsored Rural Permanent Housing Scheme |
| | (ii) Managing Director Andhra Pradesh State Housing Corporation | IAY | 1999-02 | 6773.00 | 1.29 lakh houses constructed under State scheme treated as constructed under IAY. |
| | (iii) ITDA Rampachodavaram, East Godavari district | IAY | 1998-99 | 18.80 | Construction of 94 Anganwadi centres |
| | (iv) State Government | PMGY | 2000-02 | 3906.00 | District managers diverted to a State Sponsored Rural Permanent Housing Scheme |
| Arunachal Pradesh | (i) DRDA Ziro | IAY | 1998-99 | 6.33 | Diverted to meet the deficit of JRY fund |
| | (ii) DRDA Pasighat | IAY | 1997-98 | 2.91 | Diverted to DRDA Yngkiong |
| | (iii) Department of Rural Development | PMGY | 2000-02 | 511.28 | Diverted to Other activities |
| Assam | (i) Sonitpur | IAY | 2000-01 | 41.78 | Material worth Rs 41.78 lakh was diverted to other schemes. |
| | (ii) PD, DRDA Sonitpur | IAY | 2000-01 | 7.93 | Material purchased and diverted to EAS. |
| | (iii) DRDA Jorhat | IAY | 1997-01 | 197.94 | Transferred to JRY, MWS, and EAS. |
| | (iv) DRDA Dibrugarh | IAY | ---- | 0.24 | Diverted to EAS, MWS, etc. |
| | (v) 6 districts | IAY | 1997-02 | 177.91 | Diverted to administrative expenditure. |
| | (vi) 6 districts | CCS | 1999-02 | 76.25 | 4 project directors diverted the scheme fund for salary, administrative expenses, contingencies, etc |
| Bihar | (i) DRDA Patna | IAY | 1997-02 | 942.00 | Diverted to Basic Minimum Services Scheme. |
| | (ii) 3 districts | IAY | 1997-02 | 17.27 | Payment of telephone bills, repair and maintenance of vehicles, wages and office expenses. |

| State/Union Territory | District | Scheme | Year | Amount *(Rupees in lakh)* | Remarks |
|---|---|---|---|---|---|
| Chhattisgarh | (i) ZPs Ambikapur, Bilaspur and Rajnandgaon | IAY | 1997-00 | 101.25 | Administrative charges |
| | (ii) Zilla Panchayat Ambikapur | IAY | 1997-01 | 143.00 | Diverted to EAS, IRDP, JRY and old age pension scheme. |
| | (iii) ZP Baster | IAY | 2000-01 | 265.50 | Diverted to ZP Kanker and ZP Dantewara. |
| Gujarat | (i) 5 DRDAs | IAY | 1997-00 | 93.91 | Administrative expenses |
| | (ii) DRDA Surat | IAY | July 1997 | 1.68 | Purchase of Jeep |
| Jammu & Kashmir | (i) Asstt.Commissioner (Development) Jammu and BDOs Purmandal, Akhnoor, Sambra and Bishnah | IAY | 1996-99 | 29.68 | Diverted to Urban areas |
| | (ii) Asstt.Commissioner (Development) Leh, Jammu and Rajouri and 13 BDOs | IAY | 1997-01 | 4.74 | Purchase of vehicles and contingent/ administrative expenditure |
| Jharkhand | (i)Dumka, Gumla and Ranchi districts | IAY | 1997-02 | 165.91 | Diverted to other schemes. Rs 92.36 lakh remained to be recouped as of March 2002. |
| | (ii)Deoghar and Dhanbad districts | IAY | 1997-02 | 8.90 | Payment of telephone bills, repairs and maintenance of vehicles and other office expenses. |
| | (iii)DRDA Ranchi | IAY | 1999-02 | 18.60 | Construction of fencing wall, boundary wall, block guard wall, etc. |
| | (iv)Baliapur block of Dhanbad district | IAY | 2000-01 | 5.39 | Purchase of diesel, petrol and repair of vehicles, etc. |
| Karnataka | (i) Taluk Sindagi and Surpur | IAY | 1998-01 | 67.47 | Other schemes. Remained unadjusted as of July 2002 |
| | (ii) Taluk Nanjumgud,Periyapatna and Sindagi | IAY | 1997-01 | 67.97 | Materials valued at Rs 67.97 lakh diverted to other schemes under State sector. Executive officers of 2 Taluk Panchayats were suspended |
| | (iii) Rajiv Gandhi Rural Housing Corporation | CCS | 1999-02 | 210.78 | State sector rural housing schemes |

| State/Union Territory | District | Scheme | Year | Amount *(Rupees in lakh)* | Remarks |
|---|---|---|---|---|---|
| Kerala | (i) DRDA Ernakulam | IAY | 1998-99 | 1.27 | Diverted to Integrated Rural Development Programme |
| | (ii) DRDA Thrissur | IAY | 1998-99 | 4.40 | Administrative expenditure like salaries, wages, travel expenses, conduct of meeting, conference, etc. |
| | (iii)BDO Ankamali | IAY | 1999-00 | 0.08 | Purchase of coir mat |
| | (iv) BDO Ankamali | IAY | 1998-99 to 2000-01 | 19.54 | Diverted to JRY, MWS, CRSP, district Panchayat fund and other accounts |
| Madhya Pradesh | (i) CEO Zilla Panchayat, Jhabua | IAY | 1998-99 to 2000-01 | 125.93 | Purchase of solar cooker, sigdi and kerosene lanterns, cattle kits, mosquito nets and water containers to the beneficiaries from the infrastructure funds. |
| | (ii) Zilla Panchayat, Khandwa | IAY | 2000-01 | 12.83 | Construction of chabutaras |
| aharashtra | (i) DRDA Nashik and 3 PS | IAY | 1997-98, 1999-01 | 94.48 | Diverted to JRY, IRDP and JGSY |
| | (ii) DRDA Thane, Nagpur, Pune and Ahmednagar | IAY | 1997-02 | 62.29 | Establishment charges |
| | (iii) DRDA Nagpur and Yavatmal | IAY | 2000-02 | 1.18 | Construction of Panchayat Samiti building. |
| | (iv) DRDA Nagpur | IAY | 1998-00 | 48.00 | Diverted to JRY. |
| Manipur | (i) State Government | IAY | 1997-98 | 31.00 | Diverted to Basic Minimum Services Scheme |
| | (ii)DRDA Chandel | IAY | 1998-99 | 1.72 | Diverted to Jawahar Rozgar Yojana |
| | (iii) DRDA Chandel | IAY | 1999-00 | 2.70 | Expenditure incurred on departmental work |
| Mizoram | (i) DRDA Aizawal and Lunglei | IAY | 1997-02 | 44.72 | Diverted to Urban areas. |
| | (ii) DRDA Aizawal and Lunglei | PMGY | 2000-02 | 49.83 | Diverted to Urban areas. |
| Nagaland | (i) DRDA Phek | PMGY | 2000-02 | 0.50 | CGI sheets issued to three schools. |
| | (ii)Block Development Officer Meluri in Phek District | PMGY | 2000-02 | 1.35 | CGI sheets issued to NGOs |
| Orissa | (i) DRDA Mayurbhanj | IAY | May 1999 | 12.61 | Diverted on drought mitigation measures. |
| | (ii) DRDA Ganjam | IAY | 2000-02 | 0.72 | Purchase of stationery. |

| State/Union Territory | District | Scheme | Year | Amount *(Rupees in lakh)* | Remarks |
|---|---|---|---|---|---|
| Pondicherry | 2 blocks | IAY | 1997-02 | 251.00 | Diverted to Urban areas. |
| Punjab | ZP, Amritsar | IAY | Dec 2000 to Feb 2001 | 13.78 | Diverted to Jawahar Gram Samridhi Yojana (JGSY) |
| Rajasthan | DRDA Banswara | IAY | 1999-00 | 0.50 | Purchase of furniture |
| Tamil Nadu | (i) DRDA Madurai, Salem and Panchayat Union Tiruparakundram | IAY | Between June 1997 and January 2000 | 184.03 | Diverted to EAS, JVVT and BMS for a period ranging between one to 17 months. Rs 169.67 lakh stands recouped as of March 2002. |
| | (ii) Panchayat Union, Tiruvennainallur | IAY | Between Nov 2000 and March 2001 | 1.95 | Diverted to PMGY, JGSY, JVVT and other works. |
| | (iii) DRDA Coimbatore | IAY | 1998-02 | 2.39 | Godown rent, repair of office jeeps and fuel charges |
| | (iv) Two Panchayat Unions | IAY | --- | 0.30 | Supervision charges to technical assistants |
| | (v) 3 Panchayat Unions | IAY | --- | 3.26 | Paid to insurance company towards house insurance and the premium deducted from the assistance due to beneficiaries. |
| | (vi) 3 Panchayat Unions | IAY | --- | 0.26 | Electricity connection deposit charges |
| | (vii) 21 Panchayat Unions | IAY | 1997-02 | 231.00 | Amount meant for infrastructure was diverted for construction of Group houses. |
| | (viii) Thanjavur | ISRHHD | 1999-02 | 20.85 | Construction of committee hall, Shopping center, Black top road, etc. |
| Tripura | (i) 3 BDOs | IAY | 1997-02 | 8.31 | Miscellaneous office expenses, cost of hiring charges of office vehicles, cost of typewriters and stationery goods, etc. |
| | (ii) BDOs Bishalgarh and Dukli | IAY | 1998-99 and 2001-02 | 5.23 | GCI sheets valued at Rs 5.23 lakh utilized for works like construction / repair of stalls, community halls, temporary sheds, etc. |
| West Bengal | (i) ZP North 24- Parganas | IAY | -- | 3.88 | Payment of electric charges, hire charges of car and wages to casual workers. |
| | (ii) ZP South 24-Parganas | IAY | -- | 1.78 | Development work. |
| Total | | | | **17156.09** | |

## Annex – VB
(Refers to Paragraph 8.3 (ii))

### Parked/Unutilised funds

*(Rupees in lakh)*

| State | District | Scheme | Year | Amount | Remarks |
|---|---|---|---|---|---|
| Andhra Pradesh | State level | IAY | 1998-02 | 24646.00 | District manager, APSHC kept the amounts meant for construction of houses, in banks in the non-interest bearing accounts. |
| Assam | 6 DRDAs | CCS | 1999-00 | 61.01 | Lying unutilised in the bank account s of respective DRD As of March 2002 |
| Bihar | (i) Block Development officer Mushahari, Muzaffarpur district | IAY | February 2002 | 3.22 | Kept in Treasury in Muzzaffarpur |
| | (ii) 2 Block Development Officers in Bhagalpur district | IAY & PMGY | 2001-02 | 146.27 | Kept with Private Cooperative society. Rs 60.61 lakh stands recouped as of May 2002. |
| | (iii) Block development Officer and Circle Officer, Nawada | IAY | 1997-02 | 92.17 | Kept in current account of SBI,PNB, Agriculture Development Bank, Nawada |
| Chhattisgarh | DRDA Bilaspur | IAY | Between July 1997 and September 1998 | 161.14 | Amount kept in fixed deposits. The balance was reduced in the cash book on the date of keeping in the deposits. However, there was no entry of encashment of fixed deposits and amount also did not form part of the closing balance in cash book. |
| Gujarat | (i) DRDA Surat and Godhra | IAY | 1997-98 | 757.00 | Kept in PL Account |
| | (ii) DRDA Palanpur | IAY | -- | 9.00 | The amount representing interest amount earned up to March 2000 kept in Deposit Account |
| Haryana | (i) 28 Implementing agencies of 5 districts | IAY | 1997-02 | 107.00 | Unspent amount lying utilized as of March 2002 |
| | State Government | IAY | March 1997 | 68.61 | Kept in the accounts of State Government. The amount was released to DRDAs in March 1998. |
| | | PMGY | March 2000 | 125.85 | Kept in the accounts of State Government. The amount was released to DRDAs in February 2002. |
| Himachal Pradesh | District Bilaspur, Mandi, Sirmour, Hamirpur and Shimla. | IAY | 1997-02 | 23.97 | Interest amount lying in various SB accounts. |
| Jharkhand | State Government | CCS | 1999-02 | 404.09 | Lying unutilised as of March 2002. |

| State | District | Scheme | Year | Amount | Remarks |
|---|---|---|---|---|---|
| Karnataka | Gulbarga District | IAY | 2001-02 | 18.00 | The amount representing the interest was not utilized but credited to separate bank account |
| Kerala | (i) Vypeen Block of Earnakulam district | IAY | As of March 2002 | 55.26 | Kept in General PD, TP account and non-interest bearing current account |
| | (ii) BDO Vamanapur ,Thiruvanthapuram | IAY | May 1998 to February 2002 | 123.41 | Amount kept in non-interest bearing saving Bank account of two Service Co-Operative Banks. |
| | (iii) BDO Malampuzha,Palakkad | IAY | 2001-02 | 13.71 | Kept in non-interest bearing Current account Up to March 2002 |
| | (iv) State level | PMGY | 2000-01 | 518.10 | Amount lying unutilised with the State Government as of March 2002 |
| | (v) DRDA Palakkad and Thiruvananthapuram | CCS | 1999-00 | 20.00 | Amount lying unutilised as of March 2002 |
| Maharashtra | (i) 4 PS and one VP of 3 districts | IAY | 1997-02 | 17.26 | Interest earned not remitted to concerned DRDAs |
| | (ii) 17 PS of 4 districts | IAY | 1997-00 | 62.76 | Panchayat Samitis retained the amount for more than two years due to cancellation of proposals, beneficiaries not in BPL list, death etc. |
| | (iii) PS Haveli, Pune District | IAY | 1996-97 | 5.77 | Lying with PS on account of incomplete houses due to transfer of area under Municipal jurisdiction since September 1997. |
| | (iv) State Government | PMGY | Between March 2000 and January 2002 | 1368.00 | Lying in treasuries and lapsed as the treasuries did not honour the bills presented by the DRDAs. |
| | (V) 13 blocks, Nagpur districts | CCS | September 2000 | 8.95 | DRDA released Rs 9.10 lakh to 13 BDOs without waiting for sanction of Bank, only two cases involving subsidy of Rs 15000 could be sanctioned. The balance amount is lying with BDOs. |
| | (vi) DRDA Thane | CCS | March 2000 and September 2000 | 50.47 (including interest) | Unspent amount lying with DRDA as of January 2002. |
| Manipur | (i) Manipur State housing Board | CCS | December 2000 | 33.38 | Amount lying unutilised in the bank as of March 2002 |
| | (ii) DRDA Imphal West | ISRHHD | 2000-02 | 31.25 | Amount lying unutilised as of March 2002 |
| | (iii) 9 DRDAs | PMGY | 2001-02 | 365.00 | Remained nutilised as of March 2002. |

| State | District | Scheme | Year | Amount | Remarks |
|---|---|---|---|---|---|
| Mizoram | (i) State Government | PMGY | 2000-01 | 606.15 | Out of Rs 606.15 lakh, Rs 492.15 lakh remained in Civil Deposits for five months and Rs 114 lakh remained for eleven months. |
| | (ii) State Government | PMGY | 2001-02 | 606.15 | Kept in Civil Deposits on the last day of the financial year. |
| Nagaland | (i) DRDA Mon | IAY | Between June 2001 and October, 2001 | 133.66 | Kept in fixed Deposits for 4 months |
| | (ii) State Government | PMGY | Between March 2001 to July 2001 | 308.45 | Kept in Civil Deposits for 4 months |
| Orissa | (i) 15 DRDAs | IAY | 1998-99 and 2000-01 | 557.35 | Retained in Civil Deposits for a period between 6 and 8 months in order to safeguard the ways and means position of State Government |
| | (ii) State Government | IAY | 1997-02 | 28659.95 | Kept in PL Account. 9 DRDAs also kept Rs 130.38 crore in PL account during that period thereby loss of interest of Rs 72.40 lakh. |
| | (iii) 14 Panchayat Samitis | IAY | 1997-02 | 578.57 | Kept in PL account,current account and DCRs |
| | (iv) 9 DRDAs | IAY | 1997-02 | 143.28 | Interest amount lying nutilised in banks as of March 2002. |
| | (v) 18 Blocks | IAY | --- | 40.11 | The amount representing the interest earned not remitted to concerned DRDAs |
| | (vi) 2 DRDAs | SAY | 2000-02 | 36.76 | Unutilized amount lying as of March 2002. |
| Punjab | (i) BDPO Fazilka, Ferozepur district and BDPO Anandpur Sahib, Ropar district | IAY | 1997-99 | 14.60 | Kept in Personal Ledger Accounts. |
| | (ii) BDPO, Ferozepur | IAY | April 2000 and October 2000 | 1.60 | Lying undisbursed for want of selection of beneficiaries as of April 2002 |
| | (iii) 4 DRDAs | CCS | 1999-2002 | 19.37 | Lying nutilised as of March 2002 |
| | (iv) 19 BDPOs of 4 disricts | IAY | 1997-01 | 313.30 | Block Development and Panchayat Officers kept funds in the current account and no separate bank accounts and cash books maintained for IAY funds |

| State | District | Scheme | Year | Amount | Remarks |
|---|---|---|---|---|---|
| Tamil Nadu | (i) 89 village panachayats | IAY | 1997-2000 | 8.65 | Amount lying nutilised. Not refunded to DRDAs as of March 2002 |
| | (ii) Six DRDAs | CCS | 1999-2002 | 55.80 | Amount lying with banks as of March 2002 |
| Tripura | (i) 4 DRDAs | IAY | April 1997 to December 2000 | 3107.00 | DRDAs deposited the amounts into treasuries in the Government Account |
| | (ii) 11 blocks of 4 districts | PMGY | 2001-02 | 76.00 | Lying unspent with BDOs in their general funds as of March 2002 |
| | (iii) West Tripura district | PMGY | 2001-02 | 108.00 | Amount advanced to District Tribal Officer for construction of 490 houses remained unutilised as of June 2002. |
| | (iv) DRDA Dhalai North, South and West Tripura | CCS | 1999-02 | 45.48 | Lying unutilised with implementing agencies as of March 2002 |
| | (v) 3 DMs | CCS | April 2000 | 12.33 | Lying unutilised as of May 2002. |
| Uttaranchal | (i) DRDA Pauri, Dehradun, Nanital and Udham Singh Nagar | IAY | 1997-02 | 21.46 | The amount lying unutilised as of March 2002. |
| | (ii) DRDA Pauri and Udham Singh Nagar | PMGY | 2000-2002 | 65.82 | Kept in PL account and was lying unutilised as of May 2002. |
| West Bengal | (i) 5 ZPs | IAY | 1997-02 | 1726.67 | Amount lying unutilised. |
| | (ii) 4 ZPs | IAY | Between January 1996 to May 1998 | 750.01 | Delayed opening of Saving Bank Account between 24 and 36 months. |
| | (iii) State Government | CCS | 1999-00 | 282.09 | Central fund lying undisbursed as of March 2002. |
| | (iv) 4 ZPs | CCS | ---- | 721.88 | Lying unutilised as of March 2002. |
| Total | | | | **68297.14** | |

## Annex – VI
(Refers to Paragraph 8.4)

### Advances lying unadjusted/unutilised/treated as final expenditure

| State/Union Territory | District | Scheme | To whom advanced | Period | Amount of Advance *(Rupees in lakh)* | Remarks |
|---|---|---|---|---|---|---|
| Assam | DRDA Karbi Anglong | IAY | Manufactures/ Suppliers | 1998-2001 | 725.73 | Advances made for procurement of material booked as final expenditure. Adjustment accounts not furnished. |
| Haryana | Faridabad, Hissar, Kurukshetra, Sonipat and Yamunanagar districts | CCS | Beneficiaries | 1999-2002 | 34.80 | Out of Rs 36.30 lakh released to 348 beneficiaries utilisation certificates were awaited from DRDAs for Rs 34.80 lakh |
| Jharkhand | DDC, Dumka | IAY | Different Blocks | 1997-2002 | 4016.00 | Advances treated as final expenditure. Rs 416 lakh remained unadjusted as of March 2002. |
| Madhya Pradesh | CEO, ZP, Jhabua and Jabalpur | IAY | Madhya Pradesh State Electricity Board | 1998-2000 | 164.71 | UC not received as of February 2002. |
| Orissa | DRDA Ganjam, Kalahandi, Keonjhar, Koraput, Mayurbhanj, Puri and Sundergarh | IAY | BDOS | 1997-2001 | 17039.97 | Advances shown as final expenditure without receiving adjustment/Ucs. |
| Pondicherry | DRDA Pondicherry | IAY | Block | 1998-2001 | 71.34 | Advances treated as final expenditure. The amount was not spent and refunded, treated as miscellaneous receipts. |
| Rajasthan | DRDA Banswara | IAY | Panchayat Samiti, Bagidora | 1998-2000 | 22.68 | Amount of Rs 26.81 lakh was adjusted against the advance of Rs 22.68 lakh without receiving UC. |
| Sikkim | JGSY Cell | IAY | State Trading Corporation | 2001-2002 | 24.07 | Advance made for procurement of GCI sheets was treated as final expenditure though remained unadjusted/supply not received. |
| Tripura | (i)BDO Bishalgarh, Matabari, Dukli, Mohanpur, Jirania, Melaghar, Kakraban | IAY | Executing officers | 2001-2002 | 80.07 | Shown as utilised as per the progress reports though remained unadjusted as of May 2002. |
| | (ii) 11 blocks | PMGY | Executing Officers | 2000-2002 | 99.00 | Advances remained unadjusted as of May 2002. |
| West Bengal | PS Kalna and Balarampur, under Burdwan and Purulia districts | IAY | West Bengal comprehensive Area Development Corporation | Between March 1998 and March 2000 | 2.73 | Out of Rs 10.22 lakh advanced, Rs 2.73 lakh remained unadjusted as of July 2002. |
| Total | | | | | **22281.10** | |

## Annex – VII
(Refers to Paragraph 8.5)

## Incorrect/Inflated financial reporting

*(Rupees in lakh)*

| State | State/District/ Block | Scheme | Year | Excess/ Inflated reporting | Remarks |
|---|---|---|---|---|---|
| Assam | 6 Districts | IAY | 1997-2001 | 1078.14 | Project Directors reported inflated expenditure through Ucs |
| Bihar | 7 blocks of 2 districts | IAY | 1997-2002 | 97.00 | Excess booking of expenditure in the cashbook. |
| Chhattisgarh | (i) DRDA Ambikapur, Bilaspur, Kanker and Rajnandgaon | IAY | 1997-2002 | 348.31 | Amount shown as spent was received back from implementing agency or beneficiaries, were taken back in the accounts and shown as other receipts. |
| | (ii) ZP Bilaspur | IAY | -- | 164.95 | The amount was lying unspent with executing agencies |
| Gujarat | DRDA Godhra | IAY | 1999-2000 | 9.00 | Inflated expenditure figures arrived at by merging the figures of Godhra and Lunawada talukas, reported to Government of India. |
| Haryana | (i) 5 Districts | IAY | 2001-2002 | 169.83 | Unspent balance at the close of the year was Rs 170.79 lakh but Rs 0.96 lakh was reported to Government of India. |
| | (ii) 5 Districts | PMGY | 2001-2002 | 27.73 | Against unspent balance of Rs 27.91 lakh, Rs 0.18 lakh was reported to Government of India. |
| Jammu & Kashmir | State level | IAY | 1997-2002 | 255.07 | The amount was lying unspent with implementing/executing agencies as of March 2002. |
| Jharkhand | 3 blocks of Deoghar district | IAY | 1997-2002 | 143.66 | Excess booking of expenditure n the cash book. |
| Karnataka | State level | IAY | 1997-2001 | 4527.51 | Inflated expenditure was reported to Government of India. |
| Kerala | (i) Ernakulam district | CCS | As of March 2001 | 6.52 | The amount was lying unspent with implementing/executing agencies. |
| | (ii) Palakkad district | CCS | As of March 2002 | 9.20 | Against the actual expenditure of Rs 2.30 lakh, the expenditure of Rs 11.50 lakh was shown. |
| Madhya Pradesh | (i) ZP Guna | IAY | 1998-1999 | 90.00 | ZP Guna showed Rs 372.86 lakh as expenditure including the payment of Rs 90 lakh to Janpad Panchayat in March 1999, which was refunded in August 1999 . |
| | (ii) CEO, ZP Jabalpur | IAY | 1999-2000 | 72.42 | Cheques were issued in March 2000 to inflate the financial performance but were cancelled in July 2000 and no further cheques in lieu there of were issued. |

| State | State/District/ Block | Scheme | Year | Excess/ Inflated reporting | Remarks |
|---|---|---|---|---|---|
| Madhya Pradesh | (iii) ZP Jhabua | IAY | 1997-2002 | -- | There was variation of Rs 285.26 lakh in the amount shown as received by ZP and amount shown as per cash book (Rs 22.75 lakh) |
| | (iv) ZP Jhabua | IAY | 1997-2002 | 174.58 | There was variation in the expenditure figure shown by Development Commissioner (Rs 2564.74 lakh), ZP in the annual progress reports (Rs 2077.67 lakh) and actual expenditure as per Cash Book (Rs 2390.16 lakh). |
| Maharashtra | Sholapur district | IAY | 1997-2001 | 71.77 | Cheques lying undisbursed for more than six months were shown as utilised during 1997-01. |
| Nagaland | 22 Blocks | PMGY | 2000-2002 | 9.02 | Unspent balance shown as utilised. |
| Pondicherry | One DRDA | IAY | 1998-1999 | 44.37 | Inflated reporting of expenditure. |
| Punjab | ZP Amritsar, Ferozepur, Patiala and Ropar | IAY | 1997-2002 | 103.12 | Inflated reporting of expenditure. |
| Tamil Nadu | 20 Panchayat Unions (Pus) under DRDA Salem | IAY | As of March 2000 | 30.00 | Amount shown as spent though not spent. Rs 21.04 lakh was refunded by 14 Pus subsequently and Rs 8.96 lakh remained to be refunded by 6 Pus. |
| Tripura | 11 BDOs | IAY | 1997-2001 | 63.51 | Lying unutilised with BDOs in their general funds as of 31 March 2002 though shown as fully utilised by 10 BDOs. |
| Uttar Pradesh | Basti District | IAY | 1997-2002 | 316.41 | Inflated expenditure figures were reported to Government of India. |
| West Bengal | (i) ZP North 24-Parganas | IAY | 1997-1998 | 133.82 | Inflated reporting of expenditure. |
| | (ii) 10 ZPs | PMGY | 2001-2002 | -- | Though no amount was released to ZPs, the State Government reported release of Rs 592.40 lakh. |
| Total | | | | 7945.94 | |