SECOND REPORT

PUBLIC ACCOUNTS COMMITTEE
(1999-2000)

(THIRTEENTH LOK SABHA)

INTEGRATED RURAL DEVELOPMENT PROGRAMME

MINISTRY OF RURAL DEVELOPMENT

[Action Taken on 95th Report of Public Accounts Committee (10th Lok Sabha)]

सत्यमेव जयते

Presented to Lok Sabha on 20, *April,* 2000
Laid in Rajya Sabha on 20 *April,* 2000

LOK SABHA SECRETARIAT
NEW DELHI
April, 2000/*Chaitra* 1922

CORRIGENDA TO SECOND REPORT OF PAC (13TH LOK SABHA) on IRDP

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COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE
(1999-2000)

Shri Narayan Datt Tiwari—*Chairman*

Lok Sabha

2. Shrimati Bhavna Chikhaliya
3. Shri Vijay Goel
4. Dr. Madan Prasad Jaiswal
5. Shri C. Kuppusami
6. Shri S. Murugesan
7. Shri Rupchand Pal
8. Shri Prakash Paranjpe
9. Shri Chandresh Patel
10. Shri Annasaheb M.K. Patil
11. Shri Rajesh Pilot
12. Shri N. Janardhana Reddy
13. Shri Chhatra Pal Singh
14. Shri Prabhunath Singh
15. Shri K. Yerrannaidu

Rajya Sabha

16. Shri Vayalar Ravi
17. Shri K. Rahman Khan**
18. Shri K.R. Malkani*
19. Shri Satishchandra Sitaram Pradhan
20. Shri Md. Salim
21. Shri J. Chitharanjan
22. Shri Jayant Kumar Malhoutra**

SECRETARIAT

1. Dr. A.K. Pandey — *Additional Secretary*
2. Shri P.D.T. Achary — *Joint Secretary*
3. Shri Devender Singh — *Deputy Secretary*
4. Shri Rajeev Sharma — *Under Secretary*

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* Ceased to be Member of the Committee on completion of his tenure in Rajya Sabha w.e.f. 27 January, 2000.

* Ceased to be Member of the Committee on completion of their tenure in Rajya Sabha w.e.f. 2 April, 2000.

INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee to present the Report on their behalf, do present this Second Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 95th Report (10th Lok Sabha) on Integrated Rural Development Programme.

2. This Report was considered and adopted by the Public Accounts Committee at their sitting held on 7 April, 2000. Minutes of the sitting from Part II of the Report.

3. For facility of reference and convenience, the recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix to the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
10 *April*, 2000

21 *Chaitra*, 1922 *(Saka)*

NARAYAN DATT TIWARI,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report deals with the action taken by Government on the recommendations/observations of the Committee contained in their Ninety-Fifth Report (Tenth Lok Sabha) on Paragraph 6.1 of the Report of the Comptroller & Auditor General of India for the year ended 31 March, 1993 (No. 2 of 1994), Union Government (Civil) relating to Integrated Rural Development Programme.

2. The Ninety-Fifth Report which was presented to Lok Sabha on 25 April, 1995, contained 42 recommendations/observations. Action taken notes in respect of all the recommendations/observations have been received from the Ministry of Rural Development. The action taken notes have been broadly categorised as follows:

(i) Recommendations/observations which have been accepted by the Government:

Sl. Nos. 1—4, 6—10, 12-13, 15—17, 19—22, 24—27, 29, 31—34, 36—42

(ii) Recommendations/observations which the Committee do not desire to pursue in the light of the replies received from the Government:

Sl. Nos. 5, 11, 14, 18, 28 and 35

(iii) Recommendations/observations replies to which have not been accepted by the Committee and which require reiteration:

Sl. Nos. 23 and 30

(iv) Recommendations/observations in respect of which Government have furnished interim replies:

-Nil-

Implementation of IRDP

3. The Integrated Rural Development Programme (IRDP) was introduced by the Government of India in 1978 as an important anti-poverty programme aimed at the upliftment of the rural poor in the country. From 1979-80, IRDP has been a centrally sponsored scheme and expenditure is shared equally by the Centre and the States. The implementation of IRDP covering the period 1978-79 to 1983-84 was examined by the Public Accounts Committee (8th Lok Sabha) and their findings reported in the 91st Report (1986-87) was presented to Parliament on 27 April 1987. The action taken by Government on the

recommendations was reviewed by the Committee in their 37th Report (1992-93) which was presented to Parliament on 21 December 1992. The 95th Report (1994-95) of the Public Accounts Committee (Tenth Lok Sabha) was based on the Audit review of the implementation of the Programme during the period 1985—1993. In this Report, the Committee found that the design and implementation of IRDP continued to be afflicted by serious shortcomings resulting in its failure to achieve the enshrined objectives. Briefly, these included *inter-alia,* lack of synchronisation of the level of investment and fixation of targets, decline in percentage of families crossing the poverty line, inadequacies in the preparation of prescribed perspective/annual plan by States, coverage of ineligible families under the programme, misutilisation of funds and non-verification of physical assets, inadequate infrastructural development for Projects of IRDP beneficiaries, deficiencies in the administration of subsidy, diversion of funds, financial deficiencies, inadequate monitoring etc.

4. The action taken notes furnished by the Ministry on the various observations/recommendations of the Committee contained in the Report have been reproduced in the relevant Chapters of this Report. In the succeeding paragraphs, the Committee however, deals with the action taken by Government on some of their recommendations/observations.

Low per capita investment

(Sl. Nos. 3 & 4, Paragraphs 112 & 113)

5. The objective of IRDP is to progressively raise rural families above the poverty line by creating assets which can generate recurring income. The quantum of investment made for undertaking varied economic activities under the Programme plays a crucial role in achieving the envisaged objectives. While pointing out significant shortfall in the per capita investment made down the years as against the set targets, the Committee, in their earlier Report had emphasised the need for proper synchronisation of investment to be made and fixation of targets for better achievement of the objectives. In this connection the Committee in paragraphs 112 & 113 of the Report had recommended as follows:

Paragraph 112

> "The level of income generation from any economic activity *inter-alia* depends on the quantum of investment made. Emphasising the need for enabling the beneficiaries to go above the poverty line once and for all, the Committee in 1986-87, in their 91st Report had recommended for credible outlays under IRDP. The Ministry of Rural Development had on the basis of the incremental capital output ratio assumed during the Seventh Plan, in the year 1986-87 assessed that a per capita investment of Rs. 13000-14000 was required to generate additional income for a family to enable it to cross the poverty line at one go. The Committee note that as against this, the actual annual all India average per capita investment was Rs. 4569

during the Seventh Plan and Rs. 7151 during 1990—93. In fact, in none of the years did the investment touch the level assumed in 1986. The Ministry of Rural Development on the contrary laid more stress on wider coverage in terms of number of beneficiaries and had all along over achieved the targets. Besides, the allocation of IRDP came down since 1990-91 and was sharply reduced during 1991—93. The credit mobilised under IRDP also behaved in similar pattern showing a downward trend during the said period. Various State Governments are also stated to have continued to assist beneficiaries with inadequate funds with the result that a large number of IRDP beneficiaries could not cross the poverty line. The Committee are extremely unhappy to note that, yet, no efforts were made by the Ministry to readjust the targets so as to make them compatible with the level of investment to achieving better results. Clearly, this made IRDP an expenditure oriented programme rather than result oriented through thin distribution of funds."

Paragraph 113

"While admitting over-emphasis on physical targets as a major area of concern, the Ministry of Rural Development stated that the physical targets were reduced from a peak level of 39.64 lakh families in 1987-88 to 18.75 lakh families in 1992-93. This has resulted in the level of investment rising from Rs. 4,470 to Rs. 7,889. Further, according to the Ministry during the current financial year, not only the physical targets have further been reduced but instructions have also been issued by the Ministry to all State Governments to raise the average level of investment to Rs. 12,000 per family. Also, additional measures like extension of the family credit plan to 213 districts, upward revision of norms for security, raising the limit of security free loan etc. were stated to have been taken by the Ministry to ensure that the sharp increase in investment levels actually fructifies at the field level. The Ministry also stated that while there was a sharp reduction in allocation during the first two years of economic reform, *i.e.* 1991-92 and 1992-93, it was stepped up substantially to Rs. 1093 crores in 1993-94 and Rs. 1098 crores in 1994-95 in order to further strengthen the programme and ensure increased flow of benefits to the rural poor. The Committee welcome the steps taken to increase the level of investment and would await their impact on the effectiveness of the programme. They are however, constrained to point out that the Ministry had delayed considerably in acting upon the earlier recommendations of the Committee and thereby allowed serious distortions to be crept into this vital poverty alleviation programme. The Committee would like the Ministry to remain in constant consultation with the Reserve Bank of India and the Ministry of Finance in order to monitor and ensure proper synchronisation of investment to be made and fixation of targets for better achievement of the objectives. They would also like to be informed of the latest position in respect of the level of per capita investment made."

6. In their action taken note furnished to the Committee in respect of paragraph 112, the Ministry stated:

"The level of investment necessary to enable a family to cross the poverty line depends on a number of factors besides the capital output ratio of investment. The threshold level of income at the time of assistance the productivity of investment and the participation of banks in the scheme are equally important in determining the investment level. The Ministry of Rural Development had projected Rs. 13,000-14,000 as the appropriate level of investment for the nineties for enabling families to cross the poverty line. This was based on incremental capital output ratio estimated during the Seventh Plan since no similar estimate was available for the Eighth Plan. The physical target which had reached a peak during the mid-eighties was deliberately reduced. As a result, the average investment level which was Rs. 4445 during the Seventh Plan rose to more than 10,241 by 1994-95. The Ministry further stated that several initiatives have been taken during the 8th Plan by them to increase the efficacy/ productivity of IRDP assets, plug the loopholes and strengthen the monitoring of the programme. Some of these policy measures were stated to have been taken on the basis of the recommendations made in the Mehta Committee Report. The major initiative taken during the Eighth Plan period include:

(i) Raising the ceiling limit on subsidy by Rs. 1000. The current ceiling limits range between Rs. 4000-6000 instead of Rs. 3000-5000 earlier. This measure is expected to have a positive effect on the credit mobilisation as well as the average level of investment.

(ii) For the first time in 1995-96, the Ministry gave specified credit targets to ensure that banks did not lag behind in making appropriate levels of finance available to IRDP beneficiaries. The credit target for 1995-96 was Rs. 1930 crores. This was considered necessary to ensure a level of investment of Rs. 13,500.

(iii) The assistance under IRDP was formerly restricted to only those families who had income below a pre-determined cut-off line. With effect from April 1994, the cut off line has been abolished and now any family having income below the poverty line is eligible to receive assistance under the programme. This is expected to raise the threshold level of income before assistance and enable a larger number of beneficiaries to cross the poverty line.

(iv) Targeting of the level of investment per family with the objective of sustaining the level of investment per family. The average level of investment per family was targeted at Rs. 12,000 in 1994-95, Rs. 13,500 in 1995-96, Rs. 15,000 in 1996-97, Rs. 17,500 in 1997-98 and Rs. 20,000 in 1998-99.

(v) The scheme of Family Credit Plan (FCP) was extended to 316 districts in 1997-98 from 216 in 1994-95. Under this scheme more than a single member of the family can be given assistance, subject to the normal subsidy limits for the family. The banks mobilize higher credit for families selected under this scheme. During 1998-99 levels of investment under FCP have been around Rs. 27,000/- at the all-India level.

(vi) The ceiling limit for collateral free loans has been enhanced to Rs. 50,000/- (from the earlier Rs. 25,000) with a view to easing the constraints faced by poor beneficiaries while taking loans from banks.

(vii) In order to give the beneficiary greater freedom to select the asset of his choice, the Cash Disbursement Scheme has been extended to 50% of the blocks of the country. Under this scheme the entire assistance is given directly to the beneficiary as opposed to being given to the Purchase Committee which in turn would purchase the asset for the beneficiary. It is expected that the leakage and malpractice associated with the earlier system would be minimized as a result of this scheme.

(viii) Recognizing that infrastructural gaps often lead to difficulties in sustaining IRDP projects, the sanctioning powers for infrastructural projects were considerably decentralised with effect from 1994-95. Currently, projects up to Rs. 10 lakhs can be sanctioned with the approval of the Governing Body of the DRDA and up to Rs. 25 lakhs with the approval of the Divisional Commissioner or Secretary, Rural Development at the State level. Only infrastructural projects beyond Rs. 25 lakhs need to be approved by the State Level Sanctioning Committee. Similarly, the ceiling on permissible expenditure on infrastructure has been raised to 20% from the present level of 10%. For States in the NE region, including, Sikkim, this has been enhanced to 25%.

(ix) In order to enable IRDP beneficiaries to reap the economies of scale and given the better performance and sustainability of activities sanctioned in clusters, group activities are to be given greater encouragement. Detailed instructions were issued to State Government as well as banks regarding this. The subsidy for group activities has been enhanced to Rs. 25 lakh or 50% of the project cost whichever is less.

(x) Under the system of front-end capital subsidy, there were several complaints regarding leakage of funds. In order to plug this loophole, the administration of subsidy has been made back ended with effect from 1996-97. This is also expected to make lending more attractive to the bankers as it would enable them to reappropriate the entire subsidy amount towards outstanding dues if the repayment has not been effected.

(xi) There has been a shift in emphasis from mere coverage of families to financial targets and qualitative parameters. Physical targets have been abolished though the programme continues to be monitored in terms of coverage of families. Financial targets in the form of average level of investment per family and credit targets have been introduced to make the programme more effective in terms of sustainable investment levels.

(xii) Increase in the ceiling limit on subsidy to Rs. 7500/- for a special category of beneficiaries *viz.*, literate unemployed youth."

7. The action taken note furnished by the Ministry in respect of Paragraph 113 reads as follows:

"The Ministry is in constant touch with the Banking Division of Ministry of Finance, the Reserve Bank of India and various financial institutions sanctioning IRDP loans. A High Level Committee on Credit (HLCC) is convened at least once every year to ensure proper synchronisation of investment and to discuss problems, if any. The important decisions taken in the last HLCC meeting held on 29.12.95 is enclosed at Annexure I (Copy not enclosed). Through these efforts, credit mobilisation over the years has registered an uptrend, although it is conceded that these have failed short of the targeted figures."

The Ministry further added that the per family investment under IRDP from 1995-96 onwards has been as follows:

Year	Per family Investment
	(Rs. in Crore)
1995-96	12310
1996-97	14943
1997-98	16753
1998-99	18359*(*Provisional)

8. Based on the incremental capital output ratio (ICOR) assumed during the Seventh Five Year Plan, the Ministry had projected that a per capita investment of Rs. 13000-14000 was required to generate additional income for a family to enable it to cross the poverty line at one go. In their earlier Report, the Committee were extremely unhappy to point out that in none of the years during Seventh Plan and also during the period 1990—93, the actual per capita investment touched the projected level. On the other hand,

physical targets were over-achieved resulting in thin distribution of funds. In their action taken note, the Ministry have stated that several initiatives were taken during the 8th Plan to increase the efficacy/productivity of IRDP assets, plug the loopholes and strengthen the monitoring of the programme. Some of these measures were stated to have been taken in pursuance of the recommendations made in the Mehta Committee Report which was submitted to the Government in October 1994. The Committee welcome the measures taken by the Ministry in the direction of alleviating rural poverty. However, they are concerned that despite the measures taken by the Ministry, the actual per capita investment during the period 1993—99 is nowhere near the projected level. As far as credit mobilisation is concerned the Government had for the first time set a specific credit target of Rs. 1930 crores during 1995-96, which was considered necessary to ensure a level of per capita investment of Rs. 13500 during that year. However, the Committee found that credit mobilisation was Rs. 441 crore only upto October 1995. Further details and steps taken in this direction have not been intimated to the Committee. In the aforesaid background, the Committee trust that concerted efforts will be made in consultation with all the agencies involved to radically improve credit mobilisation so as to further raise per capita investment in the pursuit of reducing incidence of poverty in the country. They desire that the policy measures floated by the Government like Family Credit Plan, Cash Disbursement Scheme, theme of decentralisation, back-ending of subsidy, raising the ceiling limit of subsidy etc. be administered prudently and monitored properly with suitable institutional arrangements.

Irregularities in implementation of IRDP

(Sl. Nos. 23, 30, 40—Paragraphs 132, 139 & 149)

9. Deploring the failure of the Ministry to obtain the requisite comments from most of the States/Union Territories in respect of various irregularities/shortcomings brought out in the C&AG Report, the Committee in paragraph 149 of the 95th Report (10th Lok Sabha) had *inter-alia* recommended:

> "The Committee deplore the failure of the Ministry on this score and would like to be furnished with a detailed status report in respect of the remedial/corrective action taken by the States/Union Territories concerned on each of the individual irregularities mentioned therein and also the action taken against officers concerned for the various omissions and commissions."

10. In their action taken notes, the Ministry have enumerated replies of some of the State Governments/Union Territories. As regards obtaining explanation from the defaulting States, the Ministry in a note stated:

> "The Ministry has been issuing constant reminders from time to time to State Governments to furnish their comments on the Audit paras relevant to them. A meeting of the State Secretaries in

charge of Rural Development was convened on December 14, 1996 and again on February 11-12, 1997 to discuss *inter-alia* the pendency with regard to Audit paras. While expressing grave concern and dissatisfaction over the matter the Secretary (RE&-PA) has requested the concerned State Chief Secretaries to furnish replies within a week. Several States have already sent their replies and others have been reminded."

11. Commenting further on the diversion of funds involving Rs. 66.21 crores earmarked for IRDP, the Committee in paragraph 132 of the 95th Report (Tenth Lok Sabha) had recommended:

"The Committee are deeply distressed to note that funds involving Rs. 66.21 crores earmarked for IRDP had been spent on other schemes, kept as civil deposits, treasury deposit accounts, deposit in post offices savings account, or used for purchase of household luxury items and construction of office buildings etc. The fact that a mere test audit has unearthed such large scale diversion would seem to indicate that the actual dimension of this malady is manifold. During evidence, the Secretary, Rural Development stated "this diversion of funds" will not be tolerated. To their dismay, the Committee, however, find that the Ministry of Rural Development are yet to obtain explanation from the States concerned.The Committee strongly deprecate the failure of the Ministry to act sternly against such gross financial irregularities. They desire that the matter should be vigorously pursued for investigation, fixation of responsibility and necessary follow-up action. The Ministry should also ensure that the accounts of DRDAs are maintained properly, reconciled periodically with banks and got audited regularly."

12. In their action taken note furnished to the Committee, the Ministry stated that the State Governments were asked to explain the above irregularities. Replies of some of the State Governments on the specific irregularities have been furnished to the Committee. In addition, the Ministry are stated to have taken steps to ensure that accounts of District Rural Development Agencies (DRDAs) are properly maintained and accounts with banks are properly reconciled. Instructions in this regard were issued to all the State Governments by the Ministry on 12 July 1994. According to the Ministry, Certain Certificates have also been prescribed to be furnished by the Chartered Accountants while auditing the accounts of DRDAs to ensure proper accounting and audit of the funds.

13. Pointing out some glaring irregularities in the administration of IRDP loan granted to two States i.e. Orissa and West Bengal, the

Committee in Paragraph 139 of 95th Report (10th Lok Sabha) had recommended:

> "The Committee were astonished from the Audit Paragraph that IRDP loans granted to certain beneficiaries in a State (West Bengal) amounting to Rs. 3.34 lakhs in respect of 92 projects were stated to have been repaid on the same day. Similarly, in another State (Orissa) the loans were repaid after just four days. The intention behind the early repayment appeared to be to take the subsidies instead. The Committee desire that these specific cases should be enquired into with a view to checking such undesirable practices."

14. In their action taken note furnished to the Committee in respect of the aforesaid recommendation, the Ministry stated:

> "In so far as specific instances cited by the Committee are concerned, comments have been called for from the State Governments of West Bengal and Orissa. Despite repeated reminders their response is still awaited. However, it may be stated that with a view to eliminating such malpractices, the Expert Committee on IRDP had recommended backending of subsidy under which the subsidy will be deposited in the name of the beneficiary in the Bank with the stipulation that the money so deposited will be adjusted towards the last few instalments of repayment. The recommendation has been accepted by the Ministry and instructions have already been issued for its implmentation. With the introduction of back ending system of subsidy and specific 'lock-in' period for loan repayment such malpractices are expected to be eliminated."

15. The Committee are extremely unhappy to note that the Ministry are yet to obtain comments of all the implementing States/UTs in respect of various irregularities/shortcomings highlighted in the Audit Parapraph despite lapse of more than three and half a year since the presentation of the Original Report to Parliament. They cannot remain satisfied with the explanation offered in this regard and the steps contemplated so far. While pointing out diversion of funds amounting to Rs. 66.21 crore earmarked for IRDP in respect of 13 States, the Committee, in their earlier Report had recommended that the matter should be vigorously pursued for investigation, fixation of responsibility and necessary follow-up action. Distressingly, in respect of various cases of diversion of funds, the Ministry have so far obtained explanation from 6 States only. Further, they have merely enumerated the explanations received from the individual states without indicating whether those explanations were accepted/acceptable to them and if not, the action taken or proposed to be taken on the various acts of omission and commission. Obviously, the matter has not been

addressed seriously and the failure of the Ministry to act upon the specific recommendation of the Committee is quite evident in this case. Pointing out further certain cases of glaring irregularities pertaining to misuse of IRDP loan in the States of West Bengal and Orissa where loans sanctioned to the beneficiaries were hurriedly repaid without utilising those just to take undue advantage of subsidy, the Committee desired the Ministry to enquire into those cases to check such undesirable practices. Unfortunately, the Ministry have not yet obtained clarification in respect of those specific cases also. This speaks volumes of the manner in which follow-up action is being taken by the Administrative Ministry to streamline and improve the implementation of IRDP in the pursuit of alleviating poverty in the country. The Committee however, take note of the corrective steps stated to have been taken in the form of introduction of back-ending subsidy with a view to eliminating the type of malpractices reported in the States of West Bengal and Orissa. They welcome the steps taken to curb such irregularities and will await the efficacy of the new system of disbursement of subsidy. The Committee desire that the specific cases pertaining to diversion of funds and misuse of IRDP loan be enquired into and the Committee informed about the outcome and the action taken thereon. Besides, the Committee are of the firm belief that with a view to effecting further improvement in the implementation of IRDP, it becomes imperative on the part of the Ministry to earnestly enquire into various other loopholes reported in the Audit Paragraph. The Committee therefore urge the Ministry to vigorously pursue the matter with the defaulting States and apprise the Committee of the remedial/corrective action taken on the various irregularities reported upon in the form of a status report within a period of three months.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

Integrated Rural Development Programme (IRDP) is a countrywide programme for the upliftment of the rural poor. The programme was initially launched in 20 selected districts of the country in 1978. Subseqnently it has been extended to the whole of rural India and taken under its umbrella other related programmes for Small/Marginal Farmers, Training of Rural Youth for Self Employment, Development of Women and Children in Rural Areas etc. The objective of IRDP is to progressively raise rural families above the poverty line by creating assets which can generate recurring income. The target group of IRDP consists of families of small and marginal farmers, agricultural labourers and rural artisans whose income is below the pre-determined poverty line, which at present in set at Rs. 11,000 per annum. Under the Programme, acquisition of assests by the poor in the primary, secondary and tertiary sectors is enable through financial assistance in the form of credit advanced by banks and subsidy provided by the Government. From 1979-80 IRDP has been a centrally sponsored scheme and expenditure is shared equally by the Centre and the States. The Programme is being implemented through the District Rural Development Agency (DRDA).

[Sl. No. 1, Appendix-I, Para 110 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

Observation contained in para 110 is of general nature and does not contain any specific query requiring action to be taken by the Ministry.

[Min./Deptt. of Rural Areas and Employment/Rural Employment and Poverty Alleviation, (O.M. No. 17011/2/96-IRD(A)-II/ dated 18.12.96.)

Recommendation

The implementation of IRDP covering the period 1978-79 to 1983-84 was examined by the Public Accounts Committee (Eighth Lok Sabha) and their findings reported in the 91st Report (1986-87) which was presented to Parliament on 27 April, 1987. The Audit paragraph under examination seeks a review of the implementation of the programme on the basis of test checks conducted by C&AG in 21 States and four Union Territories with particulars of reference to the transaction during 1985—93. A total disbursement of Rs. 13360.29 crores (subsidy Rs. 4,613.59 crores; loan Rs. 8,746 crores) was made to 256.81 lakhs beneficiaries under IRDP during the period 1985-86 to 1992-93. The Ministry of Rural Development were unable to furnish the comments of the States/Union Territories on the Specific points raised by Audit relating to them. However, the committee's examination of the Audit paragraph has revealed that the Design and implementation of IRDP continues to be afflicted by serious shortcomings which are summed up in the succeeding paragraphs.

[Sl. No. 2, Appendix-III, Para 111 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

Observation contained in para 111 is of general nature and does not contain any specific query requiring action to be taken by the Ministry.

[Min./Deptt. of Rural Areas and Employment/Rural Employment and Poverty Alleviation, O.M. No. R-17011/2/96-IRD(A)-II/ dated 18.12.96.]

Recommendation

The level of income generation from any economic activity *inter alia* depends on the quantum of investment made. Emphasising the need for enabling the beneficiaries to go above the poverty line once and for all, the committee in 1986-87, in their 91st Report had recommended for credible outlays under IRDP. The Ministry of Rural Development had on the basis of the incremental capital output ratio assumed during the Seventh Plan, in the year 1986-87 assessed that a per capita investment of Rs. 13,000-14,000 was required to generate additional income for a family to enable it to cross the poverty line at one go. The Committee note that as against this, the actual annual all India average per capita investment was Rs. 4569 during the Seventh Plan and Rs. 7151 during 1990—93. In fact, in none of the years did the investment touch the level assumed in 1986. The Ministry of Rural Development on the contrary laid more stress on wider coverage in terms of number of beneficiaries and had all along over achieved the targets. Besides, the allocation of IRDP came down since 1990-91 and was sharply reduced during 1991—93. The credit mobilised under IRDP also behaved in a similar pattern showing a downward trend during the said period. Various State Governments are also stated to have continued to assist beneficiaries with inadequate funds with the result that a large number of IRDP beneficiaries could not cross the poverty line. The Committee are extremely unhappy to note that, yet, no efforts were made by the Ministry to readjust the targets so as to make them compatible with the level of investment for achieving better results. Clearly, this made IRDP an expenditure oriented programmes rather than result oriented through thin distribution of funds.

[Sl. No. 3, Appendix-I, Para 112 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

The level of investment necessary to enable a family cross the poverty line depends on a number of factors besides the capital output ratio of investment. The threshold level of income at the time of assistance, the productivity of investment and the participation of banks in the scheme are equally important in determining the investment level. The Ministry of Rural Development had projected Rs. 13,000-14,000 as the appropriate level of investment for the nineties for enabling families to cross the poverty line. This was based on incremental capital output ratio estimated during the Seventh Plan since no similar estimate was available for the Eighth Plan. The physical target which had reached a peak during the mid-eighties was deliberately reduced. As a result, the average investment level which was Rs. 4445 during the Seventh Plan rose to more than 10,241 by 1994-95. The Ministry has taken several steps in recent years and proposes to take additional measures in the coming months to sustain the increase in investment levels and reach a target of Rs. 13000-14000 by the end of the Eighth Five Year Plan. Measures taken in the recent past to improve the efficacy of the programme include:

(i) Raising the ceiling limit on subsidy by Rs. 1000. The current ceiling limits range between Rs. 4000-6000 instead of Rs. 3000-5000 earlier. This measure is expected to have a positive effect on the credit mobilisation as well as the average level of investment.

(ii) The Ministry specified targets for investment at Rs. 12,000 in 1994-95 and Rs. 13,500 in 1995-96. The desired level of investment is projected at Rs. 15,000 for 1996-97.

(iii) For the first time in 1995-96, the Ministry gave specific credit targets to ensure that banks did not lag behind in making appropriate levels of finance available to IRDP beneficiaries. The credit target for 1995-96 was Rs. 1930 crores. This was considered necessary to ensure a level of investment of Rs. 13,500.

(iv) The assistance under IRDP was formerly restricted to only those families who had income below a pre-determined cut-off line. With effect from April 1994, the cut-off line has been abolished and now any family having income below the poverty line is eligible to receive assistance under the programme. This is expected to raise the threshold level of income before assistance and enable a larger number of beneficiaries to cross the poverty line.

(v) The scheme of Family Credit Plan under which multiple assets can be given to one family has now been extended to 213 districts of the country with a view to further raising investment levels. It has been found out that the average level of investment under the Family Credit Plan Scheme is currently around Rs. 20,000.

The limit for guarantee free loans has been raised successively to enable level of investment to rise further.

In addition to the above some fresh initiatives were taken with effect from 1.1.96 based on recommendations of the Mehta Committee which are expected to further enhance the assistance/investment beyond the existing levels. These include:

(i) Increase in the ceiling limit on subsidy to Rs. 7,500 for a special category of beneficiaries, *viz.*, the literate unemployed youth;

(ii) Encouragement to group activities following cluster approach by giving subsidy upto Rs. 1.25 lakh or 50 per cent of the project cost, whichever is less;

(iii) Back-ending of subsidy to prevent misutilisation of funds and to act as a counterpoise to the banks' traditional reticence to advance loans to the rural poor.

Latest Position

Several initiatives have been taken during the 8th Plan by the Ministry to increase the efficacy/productivity of IRDP assets, plug the loopholes and strengthen the monitoring of the programme. Some of these policy measures have been taken on the basis of the recommendations made in the Mehta Committee Report. The major initiative taken during the Eighth Plan period include:

(1) Targeting of the level of investment per family with the objective of sustaining the level of investment per family: The average level of investment per family was targeted at Rs. 12,000 in 1994-95, Rs. 13,500 in 1995-96, Rs. 15,000 in 1996-97, Rs. 17,500 in 1997-98 and Rs. 20,000 in 1998-99.

(2) The scheme of Family Credit Plan (FCP) was extended to 316 districts in 1997-98 from 216 in 1994-95. Under this scheme more than a single member of the family can be given assistance, subject to the normal subsidy limits for the family. The banks mobilize higher credit for families selected under this scheme. During 1998-99 levels of investment under FCP have been around Rs. 27,000 at the all-India level.

(3) The ceiling limit for collateral free loans has been enhanced to Rs. 50,000 (from the earlier Rs. 25,000) with a view to easing the constraints faced by poor beneficiaries while taking loans from banks.

(4) In order to give the beneficiary greater freedom to select the asset of his choice, the Cash Disbursement Scheme has been extended to 50% of the blocks of the country. Under this Scheme the entire assistance is given directly to the beneficiary as opposed to being

given to the Purchase Committee which in turn would purchase the asset forthe beneficiary. It is expected that the leakage and malpractice associated with the earlier system would be minimized as a result of this scheme.

(5) Recognizing that infrastructural gaps often lead to difficulties in sustaining IRDP projects' the sanctioning powers for infrastructural projects were considerably decentralised with effect from 1994-95. Currently, projects up to Rs. 10 lakhs can be sanctioned with the approval of the Governing Body of the DRDA and up to Rs. 25 lakhs with the approval of the Divisional Commissioner or Secretary, Rural Development at the State level. Only infrastructural projects beyond Rs. 25 lakhs need to be approved by the State Level Sanctioning Committee. Similarly, the ceiling on permissible expenditure on infrastructure has been raised to 20% from the present level of 10%. For States in the NE region, including, Sikkim, this has been enhanced to 25%.

(6) In order to enable IRDP beneficiaries to reap the economies of scale and given the better performance and sustainability of activities sanctioned in clusters, group activities are to be given greater encouragement. Detailed instructions were issued to State Government as well as banks regarding this. The subsidy for group activities has been enhanced to Rs. 1.25 lakh or 50% of the project cost whichever is less.

(7) Under the system of front-end capital subsidy, there were several complaints regarding leakage of funds. In order to plug this loophole, the administration of subsidy has been made back ended with effect from 1996-97. This is also expected to make lending more attractive to the bankers as it would enable them to re-appropriate the entire subsidy amount towards outstanding dues if the repayment has not been effected.

(8) There has been a shift in emphasis from mere coverage of families to financial targets and qualitative parameters. Physical targets have been abolished though the programme continues to be monitored in terms of coverage of families. Financial targets in the form of average level of investment per family and credit targets have been introduced to make the programme more effective in terms of sustainable investment levels.

(9) Increase in the ceiling limit on subsidy to Rs. 7500 for a special category of beneficiaries *viz.*, literate unemployed youth.

[Ministry of Rural Development, OM No. R-17011/2/96-IRD (A.II) dated 8.10.1999]

Recommendation

While admitting over-emphasis on physical targets as a major area of concern, the Ministry of Rural Development stated that the physical targets were reduced from a peak level of 39.64 lakh families in 1987-88 to

18.75 lakh families in 1992-93. This has resulted in the level of investment rising from Rs. 4,470 to Rs. 7889. Further, according to the Ministry during the current financial year, not only the physical targets have further been reduced but instructions have also been issued by the Ministry to all State Governments to raise the average lavel of investment to Rs. 12,000 per family. Also, additional measures like extension of the family credit plan to 213 districts, upward revision of norms for security, raising the limit of security free loan etc. were stated to have been taken by the Ministry to ensure that the sharp increase in investment levels actually fructifies at the field level. The Ministry also stated that while there was a sharp reduction in allocation during the first two years of economic reform, *i.e.* 1991-92 and 1992-93, it was stepped up substantially to Rs. 1093 crores in 1993-94 and Rs. 1098 crores in 1994-95 in order to further strengthen the programme and ensure increased flow of benefits to the rural poor. The Committee welcome the steps taken to increase the level of investment and would await their impact on the effectiveness of the programme. They are, however, constrained to point out that the Ministry had delayed considerably in acting upon the earlier recommendations of the Committee and thereby allowed serious distortions to be crept into this vital poverty alleviation programme. The Committee would like the Ministry to remain in constant consultation with the Reserve Bank of India and the Ministry of Finance in order to monitor and ensure proper synchronization of investment to be made and fixation of targets for better achievement of the objectives. They would also like to be informed of the lastest position in respect of the level of per capita investment made.

[Sl.No. 4, Appendix-I, Para 113 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

The Ministry is in constant touch with the Banking Division of Ministry of Finance, the Reserve Bank of India and various financial institutions sanctioning IRDP loans. A High Level Committee on Credit (HLCC) is convened at least once every year to ensure proper synchronization of investment and to discuss problems, if any. The important decisions taken in the last HLCC meeting held on 29.12.95. Through these efforts, credit mobilisation over the years has registered an uptrend, although it is conceded that these have fallen short of the targeted figures. The latest figure on level of per captia investment is Rs. 12361 for 1995-96 (prov.) marking a significant increase from the investment level of Rs. 7889 recorded in the initial year of the Eighth Plan. The target of investment per family during the financial year 1995-96 was Rs. 13,500. In the terminal year of the Eighth Plan, *i.e.*, 1996-97 the level of investment per family is targeted at Rs. 15,000. Details of level of investment are given in Table-I.

Latest Position

Full details of level of investment for the period 1980-81 to 1998-99 are given in Table-II.

The per family investment under IRDP 1995-96 orwards has been as follows:

Year	Per family Investment (Rs. in Crore)
1995-96	12310
1996-97	14943
1997-98	16753*
1998-99	18359*

*(Provisional)

There has been a significant improvement in the per family investment level.

[Ministry of Rural Development, OM. No R-17011/2/96-IRD (A—II), dated 8.10.1999]

TABLE-I

Physical and Financial Progress under IRDP (1980-81 to 1995-96)

	Year	Families Benefitted (Lakh No.)	SC/ST %	Women %	Total Utilisation (Rs. Crore)	Total Subsidy (Rs. Crore)	Total Credit (Rs. Crore)	Per Family Investment Subsidy (Rs.)	Per Family Investment Credit (Rs.)	Per Family Investment Total (Rs.)
Sixth Plan										
	1980-81	27.27	28.64		159	159	289	582	1060	1642
	1981-82	27.13	26.90		265	265	468	975	1723	2698
	1982-83	34.55	40.72		360	360	714	1041	2066	3107
	1983-84	36.85	41.71		406	406	774	1102	2099	3201
	1984-85	39.82	43.65		472	427	857	1186	2153	3339
Total / Avg.	1980-85	165.62	36.32		1661	1616	3102	977	1820	2797
Seventh Plan										
	1985-86	30.60	43.24	9.90	441	355	730	1172	2403	3575
	1986-87	37.47	44.84	15.13	613	511	1015	1478	3033	4511
	1987-88	42.47	44.71	19.54	727	604	1175	1526	2944	4470
	1988-89	37.72	46.39	23.17	768	624	1232	1718	3350	5068
	1989-90	33.51	46.11	25.63	765	615	1221	1845	3663	5508
Total / Avg.	1985-90	181.77	45.06	18.67	3316	2708	5373	1548	3079	4626
Annual Plan										
	1990-91	28.98	49.90	30.88	809	668	1190	2289	4233	6422
	1991-92	25.37	51.08	33.15	773	658	1147	2613	4528	7141
Total / Avg.	1990-92	54.35	50.49	32.02	1583	1326	2337	2451	4381	6782
Eighth Plan										
	1992-93	20.69	51.41	33.39	693	580	1037	2808	5081	7889
	1993-94	25.39	53.02	33.64	957	801	1408	3170	5575	8745
	1994-95	22.14	49.77	33.71	1020	816	1450	3686	6549	10235
	1995-96	20.32	48.26	33.07	1048	8444	1662	4130	8187	12361
Total / Avg.	1992-96	88.52	50.62	33.45	3718	3035	5557	3448	6348	9757
Grand Total Average	1980-96	490.26	44.40	26.47	10277	8685	16369	1958	3665	5617

Table II

Financial and physical progress under IRDP Since inception As on 5-8-99

Physical (Lakh Families)						Financial Progress (Rs. in Crore)				
Year	Total Families	SC/ST Families	% of SC / ST	Women	% of Women	Total Allocation	Central Share	Central Release	Total Expenditure	% of Expenditure
1	2	3	4	5	6	7	8	9	10	11
1980-81	27.27	7.81	28.64	N.A		250.55	127.80	82.58	158.64	63.32
1981-82	27.13	10.01	36.90	N.A		300.66	153.36	128.45	264.65	88.02
1982-83	34.55	14.07	40.72	N.A		400.88	204.48	176.18	359.59	89.70
1983-84	36.85	15.37	41.71	N.A		407.36	207.72	194.23	406.09	99.69
1984-85	39.82	17.38	43.65	N.A		407.36	207.72	206.96	472.09	115.92
Total	165.62	64.64	39.03	0.00	0.00	1766.81	901.08	788.40	1661.17	94.02
1985-86	30.60	13.23	43.24	3.03	9.90	407.36	205.93	207.10	441.10	108.28
1986-87	37.47	16.80	44.84	5.67	15.13	543.83	277.31	279.67	613.38	112.79
1987-88	42.47	18.99	44.71	8.30	19.54	613.38	310.60	299.72	727.44	118.60
1988-89	37.72	17.50	46.39	8.74	23.17	687.95	345.00	330.84	768.47	111.70
1989-90	33.51	15.45	46.11	8.59	25.63	747.75	375.00	347.92	765.43	102.36
Total	181.77	81.97	45.10	34.33	18.89	3000.27	1513.84	1465.25	3315.82	110.52
1990-91	28.98	14.46	49.90	8.95	30.88	747.31	374.56	346.59	809.49	108.32
1991-92	25.37	12.96	51.08	8.41	33.15	703.61	352.66	321.31	773.09	109.87
1992-93	20.69	10.64	51.43	6.91	33.40	662.22	331.65	336.69	693.08	104.66
1993-94	25.39	13.46	53.01	8.54	33.64	1093.43	547.61	537.70	956.65	87.49
1994-95	22.15	11.03	49.80	7.51	33.91	1098.22	550.00	546.10	1008.32	91.81
1995-96	20.89	10.14	48.54	6.99	33.46	1097.21	549.50	514.22	1077.16	98.17
1996-97*	19.24	8.95	46.52	6.44	33.47	1097.21	549.50	512.40	1139.55	103.86
Total	108.36	54.22	50.40	36.39	33.58	5048.29	2528.26	2447.11	4874.76	96.56
1997-98*	17.07	7.92	46.40	5.86	34.33	1133.51	567.68	545.02	1109.54	97.89
1998-99*	16.64	7.74	46.51	5.77	34.68	1456.28	729.15	625.63	1160.89	79.72
Total All	543.81	243.91	44.85	99.71	18.34	13856.08	6967.23	6539.31	13704.76	98.91

*Provisional

Credit Target	Subsidy Disbursed	Credit Disbursed	Total Investment	Per Family Investment				Subsidy Sector-wise Coverage (%)		
				Subsidy	Credit	Total	Credit Ratio	Primary	Secondary	Tertiary
12	13	14	15	16	17	18	19	20	21	22
400.88	158.64	289.05	447.69	582	1060	1642	1.82	93.56	2.32	
481.06	264.65	467.59	732.24	975	1724	2699	1.77	83.02	4.92	
641.41	359.59	713.98	1073.57	1041	2067	3107	1.99	67.70	16.70	
651.78	406.09	773.51	1179.60	1102	2099	3201	1.90	59.89	13.02	
651.78	472.20	857.48	1329.68	1186	2153	3339	1.82	54.50	15.70	
2826.91	1661.17	3101.61	4762.78	1003	1873	2876	1.87	71.73	10.53	
651.78	355.02	730.15	1085.17	1172	2403	3575	2.06	48.62	17.18	
870.12	510.73	1014.88	1525.61	1478	3033	4511	1.99	45.30	18.55	
981.41	603.78	1175.35	1779.13	1526	2944	4470	1.95	41.16	18.54	
1076.72	623.65	1231.62	1855.27	1718	3350	5068	1.97	41.81	19.32	
1164.40	614.85	1220.53	1835.38	1845	3663	5508	1.99	43.05	19.39	
4744.43	2708.03	5372.53	8080.56	1590	2979	4569	1.98	43.68	18.66	
1195.70	668.15	1190.03	1858.18	2289	4133	6422	1.78	47.76	18.91	
1125.78	657.73	1147.34	1805.07	2613	4528	7141	1.74	49.97	18.67	
1059.50	579.68	1036.80	1616.48	2808	5081	7889	1.79	50.65	18.41	
1530.80	800.82	1408.44	2209.26	3171	5575	8746	1.76	53.22	16.56	
1757.15	818.30	1450.58	2268.88	3719	6594	10313	1.77	53.53	17.04	
1930.00	870.20	1701.33	2571.53	4166	8144	12310	1.96	52.98	17.20	
2142.20	905.94	1969.16	2875.10	4709	10235	14943	2.17	53.99	15.78	
8419.65	3974.94	7566.31	11541.25	3668	6983	10651	1.90	52.87	17.00	
2700.00	863.11	1996.64	2859.75	5056	11697	16753	2.31	52.26	16.30	
3200.00	881.61	2173.27	3054.88	5298	13061	18359	2.47			
24212.47	11414.74	22547.73	33962.47							

Recommendation

The one yardstick for evaluating the efficacy of IRDP in alleviation of rural poverty is to assess it in terms of the number of beneficiaries who are able to cross the poverty line. The poverty line is constantly updated on the basis of consumer price index to derive it at current prices. The poverty line at 1991-92 prices has been estimated at Rs. 11,000 per annum per family of five. One sorry fall out of the inadequate per capita investment and ineffective implementation of IRDP was that the number of families crossing the poverty line actually, declined from 28% in 1989 to 14.81% in 1992-93. The Committee are, however, astonished at the contention of the Ministry that the performance of the programme should be judged in the context of enabling assisted families to enhance their income levels and improve their living standards and not necessarily by their ability to cross the poverty line. Since the IRDP contemplated enabling the families below the poverty-line with loans and subsidies to cross the line at one go, the committee consider the above views of the Ministry of Rural Development as not acceptable.

[S.No. 6 Appendix-III Para 115 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

The lower reduction in poverty in 1992-93 as compared to 1989 should be viewed in the context of sharp increase in inflation rate and marked reduction in public expenditure following fiscal compression and stabilisation policies undertaken in the initial years of economic reforms. The total outlay on IRDP was substantially reduced as a result of these policies in the initial years of the Eighth Plan. Furthermore, rising prices, especially those of essential commodities, further contributed to eroding the incomes of the rural poor. The Government subsequently stepped up its allocations on poverty alleviation programmes including IRDP. It also laid stress on qualitative aspects of the programme through several policy interventions. Earlier, the emphasis was on helping only the poorest of the poor below the cut-off line and meeting physical targets. Now the emphasis has shifted to assisting all those below the poverty line and laying down of financial targets to achieve the desired level of investment per family. These steps should enable a higher percentage of rural poor families to rise above poverty line.

Audit's Comments

Reply is not specific as it does not meet the requirement of PAC to the extent that ATN has not spelt out how the families below poverty line with loan and subsidies would cross the line at one go. The latest position in this regard needs to be incorporated in the reply.

Reply

It is percieved that one of the major reasons why families cannot cross the poverty line at one go is because of sub-optimal levels of investment per family. Preoccupation with meeting physical targets without considering the qualitative aspects of implementing the programme has been another weakness of the programme. Furthermore, infrastructural development which is crucial to the success of IRDP projects was a neglected area with less than 5 per cent of allocations being spent on this. In order to remove these constraints and enable the family to bring about more significant increases in income to cross the poverty line, the Ministry (i) abolished physical targets w.e.f. April 1994, (ii) laid down target for investment per family at Rs. 12,000 in 1994-95, Rs. 13,500 in 1995-96 and Rs. 15,000 in 1996-97 (iii) increased the ceiling limit on expenditure for infrastructural development from 10 per cent to 20 per cent of allocations, (iv) extended the Family Credit Plan to 213 districts of the country and (v) introduced higher levels of subsidy for group activities and educated unemployed youth with effect from 1-1-96. The level of subsidy and loan per family has registered a notable growth since 1994-95. As a result of the above policy measures it is expected that the productivity of IRDP investments will improve further in the future giving the beneficiary a better chance to rise above the poverty line in one go.

Results of the Concurrent Evaluation Survey (Fourth Round) show that against 28 per cent of the IRDP beneficiaries who could cross the poverty line of Rs. 64.00 in 1989 as many as 50.4 per cent of the beneficiaries were able to cross this poverty line in 1992-93. However, in terms of the revised poverty line of Rs. 11,000, only 14.81 per cent of the beneficiaries were able to cross the poverty line in 1992-93. Since most of the above initiatives have been taken during the last three years or so, it is expected that the full impact of these measures would be discernible only in the Fifth Round which has commenced during 1996-97 and a higher percentage of beneficiaries would be able to cross the poverty line in one go in the future.

[Minister of Rural Development No. 25011/3/94- IRD-III dt. 25.6.1996]

Recommendation

The Committee are also surprised to note that, presently, there is no mechanism available with the Ministry to concurrently monitor the figures of the assisted beneficiaries crossing the poverty line. During evidence, the Secretary, Rural Development stated that even the Concurrent Evaluation rounds do not generate data pertaining to the number of beneficiaries who are able to sustain after crossing the poverty line. This is not a satisfactory situation and requires suitable rectification.

[S.No. 7 Appendix-III Para 116 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

The primary concern of this Ministry is people below poverty line. However, in order to improve the evaluation process, the Ministry set up an Expert Group consisting of eminent economists and statisticians to suggest ways of improving the Concurrent Evaluation Surveys. The Group has suggested a revised monitoring format which includes indicators of vulnerability for those assisted under IRDP. This should throw some light on the socio-economic conditions of old beneficiaries and give valuable clues on how beneficiaries are able or unable to sustain income levels after corssing the poverty line.

Audit's Comment

The question is not whether beneficiaries are able to sustain income levels after crossing the poverty line. PAC want specific assurance from the Ministry that there should be some mechanism to monitor the IRDP beneficiaries crossing the poverty line and hence require suitable elucidation. The actual figure of the assisted beneficiaries crossing the poverty line needs to be incorporated in the reply.

Further Action Taken

The Ministry has endeavoured to improve monitoring of IRDP beneficiaries based on suggestions from various quarters including the PAC. An Expert Group was set up by the Ministry consisting of renowned economists and statisticians to improve the monitoring and evaluation of IRDP for the Concurrent Evaluation Survey.

Based on the recommendations of the Expert Group and as desired by the PAC an attempt has been made to monitor IRDP beneficiaries crossing this poverty line in the 5th Round of the Concurrent Evaluation Survey commencing in 1996-97. It is proposed to monitor "old" beneficiaries who have been assisted under the programme with the objective of finding out the constraints encountered, status of the assets and other sustainability issues.

The actual proportion of beneficiaries who have been able to cross the poverty line as a result of IRDP is already given in response to observation at para 115.

[Ministry of Rural Development No. 25011/3/94-1RD-III dt. 25-6-1996].

Recommendation

For the success of IRDP, proper planning, project identification and selection of beneficiaries are considered very essential. The IRDP guidelines envisaged preparation of a comprehensive five year perspective plan containing an inventory of local resource after identifying the development potential and major potential thrust areas which could be tapped and evolving of suitable programmes for assisting the rural poor. Further, Annual Plans were also to be prepared and were to follow the Five-Year Plans and the identification of beneficiaries, as these plans were to match the resource profiles and needs of the beneficiaries to provide them income generating activities. The Committee are concerned to note that in several States the Five-Year perspective/Annual Plans were either not prepared or prepared with inadequate data. They are surprised as to how funds were released to the DRDAs without ensuring that the plans were drawn in time. Considering the crucial importance of planning and project formulation in the implementation of IRDP, the committee desire that the Ministry should look into this vital area and take effective steps for ensuring that the prescribed perspective/annual plans are prepared in time and any aberration on this score should be viewed seriously.

[S. No. 8 Appendix-III Para 117 of 95th Report of PAC (10th Lok Sabha)].

Action Taken

The Ministry has been emphasising in various fora the importance of planning process for IRDP. In the National Workshops of Project Directors held annually, the importance of this matter has been repeatedly stressed. In addition, the Ministry in its guidelines has made the release of second instalment of programme funds conditional on completion of the Annual Plan. This way it is ensured that all DRDAs who approach the Ministry for release of funds have formulated the Annual Action Plan.

Audit's Comment

The number of States that have not prepared the Five Year Plan/Actual plan may be specified in the reply. The mechanism for Ministry to ensure that funds are not released without preparation of the District plan may be elaborated. Steps taken for ensuring that the prescribed plans are prepared in time and its compliance needs elucidiation.

Further Action Taken

The preparation of the Annual Plans of DRDAs is an annual excercise which commences in December of the previous year. Based on these Plans the State Government allocates funds for IRDP and other rural development schemes in its budget which is passed in the Assembly around the same time as the Central Budget. According to information available with the Ministry, all DRDAs engage in the excercise of preparing Annual Plans.

However, the Ministry does recognise that the mechanism for planning needs to be further strengthened at the district and the sectoral level. In recognition of this, a Working Group has been constituted by the Planning Commission for the Ninth Plan to recommend steps for improving the district level and micro planning at the sub-district level.

[Ministry of Rural Development No. 25011/3/94-IRD-III dt. 25.6.1996.]

Recommendation

In this connection the Committee find that one of the major conclusions of the National Workshop of Project Directors in June-July, 1993 was that the Project Directors, DRDAs and their APOs and BDOs were not trained and equipped to formulate meaningful plans with teachnically feasible and economically viable projects for IRDP beneficiaries. Although the documents called Annual Action Plan were being prepared each year by the DRDAs this was nothing more than putting together of the plans prepared by the blocks. Moreover, these were not consistent with the District Credit Plans prepared by the lead bank officers. The Committee would, therefore, recommend that the Ministry should consider the feasibility of making use of the services of renowned professional agencies like Indian Institute for Management, Institute of Rural Management etc. to draw up a single Action Credit Plan for Five year periods for each district.

[S.No. 9-Appendix-III Para 118 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

This recommendation is under consideration of the Ministry.

Audit's Comment

As and when a decision is taken in the Ministry, the PAC may be apprised.

Further Action Taken

Instructions have since been issued by the Ministry and the RBI that DRDAs should be reorganised into a compact team of professional and technical experts with full time professionals as Project Officers and Assistant Project Officers. The work relating to identification of investment opportunities and preparation of project profiles is to be undertaken by district level Technical Group to be set up by DRDAs. The Technical Group is to consist of the Lead District Officer of the Reserve Bank of India, District Development Manager of the National Bank for Agriculture and Rural Development (NABARD), lead bank manager and concerned technical officials of State Governments. Besides, non-governmental consultants in the relevant field may also be engaged for getting such projects prepared.

[Ministry of Rural Development No. 25011/3/94-IRD-III dt. 25-6-1996]

Recommendation

The Committee note that the guidelines issued for the implementation of IRDP envisaged a comprehensive household survey for ascertaining the economic status and income of the selected target groups. The survey was to cover every family seemingly poor in the village. Though the household survey was a pre-requisite for the proper implementation of Integrated Rural Devleopment Programme and identification of the poorest amongst the poor, in most of the States the same was not conducted and the Ministry continued to release financial assistance without ensuring such household surveys. Further in many States, the Antyodaya approach for covering the poorest among the poor first was also not followed. The Ministry of Rural Development stated that the below poverty line (BPL) surveys initiated at the beginning of the Eighth Plan was completed by all States (excepting Maharashtra and U.P.) by 1993-94 and the surveys were expected to have been completed by Maharashtra and U.P. before the close of the financial year 1994-95. The Committee cannot help expressing their serious concern over the manner in which the Ministry released financial assistance without satisfying themselves that the eligible beneficiaries have been correctly identified on the basis of the prescribed income criteria. The Committee are of the considered view that appropriate identification of beneficiaries is the foundation of the IRDP and any flaw in this process will gravely vititate its very objective. They, therefore, desire the Ministry of Rural Development to approach the issue with more seriousness and take appropriate correcttive action. The Ministry should also consider withholding of assistance to the defaulters pending completion of the requisite surveys.

[S.No. 10-Appendix-III Para 119 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

The Ministry lays great stress on proper identification and selection of beneficiaries for IRDP. As a result of actively pursuing the matter of timely completion of the BPL survey at the level of the Governor/Chief Minister/Chief Secretary, the Ministry has now been informed that such a survey for the Eighth Plan has been conducted in all States and UTs.

On the recommendation of the High Powered Committee set up by the Reserve Bank of the India under the Chairmanship of Shri D.R. Mehta, the cut-off line for IRDP has now been abolished. As a result assistance under IRDP is now available to all those below poverty line and not only to the poorest of the poor.

(Ministry of Rural Development No. 25011/3/94-IRD-III dt. 25-6-1996]

Recommendation

The Committee are concerned to note from a limited test check by Audit that in certain States assistance of Rs. 3.38 crores was given to 11082 ineligible families having either annual income in excess of precribed limits or whose names were not appearing in the approved list of identified beneficiaries. While the Ministry of Rural Development were unable to apprise the Committee of the precise position in respect of those cases, they admitted that coverage of ineligible families introduced a distortion in the programme and should be earnestly avoided. According to the Ministry the increased public participation and democratisation of the process of selection of beneficiaries would help in checking coverage of ineligible families and, therefore, detailed instructions are being issued to the State Governments spelling out the procedure of selection of beneficiaries through Gram Panchayats and Gram Sabhas. The Committee are of the view that the democratic character of the IRDP should not only be put into practice in reality but also strengthened by ensuring greater involvement of village population and by imparting to the process of indentification a greater degree of transparency. They would also recommend that the Ministry should evolve a suitable administrative mechanism to check coverage of ineligible families.

[S.No. 12-Appendix-III Para 121 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

The Ministry fully agrees with the Committee's recommendation that coverage of ineligible families should be checked and has been taking measures from time to time to improve the identification and selection procedure of beneficiaries. In are recent circular issued by the RBI, it has been emphasised that there should be greater involvement of the village population in the selection of beneficiaries. School teachers, village postmasters, representatives of grassroot NGOs and prominent village elders are to be invited to Panchayat meetings for selection of beneficiaries. In a recent circular of the Ministry dated 23-11-95, participation of the Gram Sabha in the implementatio of the IRDP and its allied programmes has been further emphasised to ensure total transparency. It may however be noted that given a programme of the size of IRDP where more than 20 lakh families are being assisted annually in all the blocks of the country it is not always feasible to ensure that not a single ineligible family is assisted. The Ministry is of the view that democratic processes and imparting greater transparency to the procedure of selection are effective mechanisms in checking coverage of ineligible families. In fact over the years the number of ineligible families assisted has been declining. Results of the Concurrent Evaluation Survey show that as against 16 per cent ineligible families assisted in 1989 only 4 per cent ineligible families were assisted in 1992-93.

[Ministry of Rural Development O.M. No. 25011/3/94-IRD-III dt. 25-6-1996]

Recommendation

The guidelines issued by the Ministry of Rural Development envisaged grant of subsidy to purchase milch animals should be supplied in succession to the same beneficiary. In response to the observation of Public Accounts Committee in their earlier report that the provision for second milch animal was not followed, the Ministry of Rural Development had assured that this item was a check point for concurrent evaluation. The Committee are however, concerned to note that despite the above, assistance for the second milch animal was not given to 1.66.727 beneficiaries. Offering their explanation for the non-compliance of the assurance to the Committee, the Ministry stated that the second milch animal was not given as repayment was not done in the large number of cases. They also stated that steps have been taken recently to provide two milch animals initially itself. The Committee cannot accept the explanation of non-repayment since it contradicted with the findings of the third round of the concurrent evaluation that the proportion of repayment of loan in general was very high. While expressing their displeasure over the lack of promptitude on the part of the Ministry in acting upon their recommendations, the Committee desire that the steps taken recently in this direction should be properly monitored considering the importance of the matter to the IRDP beneficiaries who have opted for animal husbandry activities.

[Sl. No. 13-Appendix-III Para 122 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

The Ministry took up in right ernest the matter with the State Governments and the banks. As a result of these endeavours a number of States have confirmed having issued instructions to the implementating agencies to strictly comply with the instructions in the matter. The banks have also been instructed to strictly avoid under financing of loans so that the beneficiary can avail of full assistance due to him. In addition to the instructions already issued and as incorporated in NABARD unit cost norms for supply of no less than two milch animals to IRDP beneficiaries, the Ministry has rased the target level of investment to Rs. 15,000/- during 1996-97. This, *inter-alia,* is expected to facilitate financing of at least two milch animals.

In view of PAC's observations, the 5th Round of the Concurrent Evaluation Survey has been designed to monitor, *inter-alia,* the number of animals that the IRDP beneficiary has purchased. Based on the findings of the Concurrent Evaluation Survey, appropriate instructions will be issued to the State Governments.

[Min./Deptt. of Rural Areas and Employment/Rural Employment and Poverty Alleviation. O.M. No. R-17011/2/96 IRD(A)-II/ dt. 10-4-1997]

Recommendation

The Committee are also surprised to note that details regarding provision of second milch animal etc. are presently not monitored by the Ministry at their level. According to the information made available to the Committee, the proportion of farms related and animal husbandry activities under IRDP has gone up to from 41.16 per cent in 1987-88 to 53.27 per cent in 1993-94. This clearly indicates that in the perception of the beneficiaries, the importance of animal husbandry activities has gone up. The Committee would, therefore, like the Ministry to evolve suitable procedures for effectively monitoring the matter.

[S.No. 15-Appendix-III Para 124 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

In view of the importance of the milch animal sector under IRDP and provision of a second milch animal for success of dairy projects, this is being made an item of monitoring in the fifth round of the Concurrent Evaluation Survey as suggested by PAC.

[Ministry of Rural Development O.M. No. 25011/3/94-IRD-III dt. 25-6-1996]

Recommendation

The Committee are concerned to note that DRDAs/Financial Institutions had not conducted physical verification of assets of many States and in some States only partial verification of assets was done. 1,44,266 cases involving misutilisation of assistance amounting to Rs. 14.53 crores were noticed in test audit. While admitting this deficiency, the Secretary, Rural Development described the sickness or misutilisation of assets as 'alarming' and stated that 'it is more than the tolerable limit in IRDP.' Surprisingly no mechanism exists in the Ministry and the States for verifying proper utilisation of the assistance. Although the Ministry were stated to have been getting quarterly reports from the States and the officers of the Ministry were visiting the beneficiaries under the Area Officers Scheme and inspecting the status of their assets, the Committee are yet to be apprised of the Ministry's assessment of the extent of misutilisation of the assistance emerging from those reports. While taking a serious view of these shortcomings/deficiencies, they desire that the situation has to be remedied forthwith.

[Sl. No. 16 Appendix-III Para 125 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

In order to ensure that DRDAs/Financial institutions take follow-up action on projects given to IRDP beneficiaries, it is stipulated in the IRDP guidelines that every beneficiary be distributed Vikas Patrikas. Two copies of this document are to be prepared of which one copy is given to the beneficiary family and the other is kept at the Block headquarters. Both the copies are to be kept continuously updated regarding the progress of the project by the inspecting DRDAs/Block officials and bankers.

In addition to this mechanism for verifying that the assistance given under IRDP has been properly utilised, the Department also has various other checks. The accounts of the DRDAs are to be duly audited by Chartered Accountants and based on the observations of the latter regarding misutilisation of funds, releases of this Department are withheld. Furthermore, as already stated in the reply furnished, the Area Officers are also to bring to the notice of State Governments for corrective action, cases of misutilisation of funds noticed during their field visits. Instructions have also been issued for constitution of Vigilance and Monitoring Committees at the State, District and Block levels for further ensuring that funds for various programmes of this Ministry are used in accordance with the programme guidelines.

It is heartening to note that as result of these measures, there has been an improvement in the percentage of assets reported intact in the Concurrent Evaluation Surveys. According to the Third Round of this Survey in 1989, 71 percent of assets were reported intact against 79 percent in 1992-93 (Fourth Round). The position is expected to improve further in the future as a result of the steps described above.

[Min./Deptt. of Rural Areas and Employment/Rural Employment and Poverty Alleviation O.M. No. R-17011/2/96-IRD (A)-II/dated-10-4-97]

Recommendation

Availability of adequate infrastructural support is a *sine qua non* for the successful implementation of projects under IRDP. The Committee, however, note with concern several shortcomings on this score. The deficiencies included delay in creation of infrastructural support, non-functioning of created assets, non-existence of infrastructure, non-obtaining of utilisation certificates for the amounts advanced to various executing agencies etc. What has further concerned them is that in several States, a portion of funds earmarked for infrastructure was irregularly spent on Projects which were either to be met from the State budget or for augmenting resources of the State Govenment. The Ministry of Rural Development admitted that not all the funds earmarked for infrastructural development are necessarily spent according to the prescribed guidelines. The Committee deplore the failure on the part of the Ministry in ensuring that the IRDP funds are spent judiciously as per the stipulated pattern. They are convinced that the shortcomings in developing the infrastructure for projects of IRDP beneficiaries should be looked into further with a view to minimizing delays, introducing greater responsibility and accountability and also ensuring effective implementation.

[Sl. No. 17 Appendix-III Para 126 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

With a view to minimizing delays, introducing greater responsibility and accountability and also ensuring effective implementation. The Ministry had issued detailed guidelines on decentralization of infrastructural norms. In order to avoid unnecessary delays, investments in infrastructural projects can be made in the district up to a limit of Rs. 25 lakh without the formal approval of the State Level Co-ordination Committee. Investment up to Rs. 10 lakh can be made with the approval of the Governing Body of the DRDAs while investment exceeding Rs. 10 lakh up to Rs. 25 lakh can be made with the approval of the Divisional Commissioner or Secretary (RD) if no post of Divisional Commissioner exists in a State. Only proposals beyond Rs. 25 lakh are to be approved by the SLCC. The decentralization of procedure is also expected to ensure better assessment of infrastructural requirements at the local level. The projects can also be monitored better and problems cropping up at the stage of implementation can be attended to. This would hopefully inject greater responsibility and accountability in the execution of infrastructural projects where officers taking the investment decisions are directly approachable by the people. The ceiling on expenditure for infrastructural development has been enhanced to 20% of the allocation (25% for North Eastern State and Sikkim) and expenditure on this item would be monitored more rigorously according to a format prescribed from 1997-98 onwards, However, States attention would be drawn to the shortcomings observed by the Committee for adherence to guidelines, minimizing delays and more rigorous scrutiny of the proposals before sanction.

[Min./Deptt. of Rural Areas and Employment/Rural Employment and Poverty Alleviation O.M. No. R-17011/2/96-IRD(A)-II/dated 10.4.97]

Recommendation

Another major area which has caused considerable concern to the Committee related to the administration of subsidy. A test check of records by Audit in various States revealed several cases of excess payment of subsidy, incorrect application of prescribed pecentage of subsidy and non-application of maximum monetary ceiling, payment of money to voluntary agency and not directly to the beneficiary for purchase and distribution of raw material/assets, release of subsidy without obtaining bonds, large amount of unutilised subsidy laying with banks, sanction of money without project proposals etc. During evidence, the Secretary, Ministry of Rural Development admitted that subsidy had "given rise to all sorts of touts, middlemen and also populism". He also conceded that several instances had come to the notice of the Ministry where middlemen had exploited the assistance sought to be given to the beneficiaries under IRDP. The Committee take a serious view of the aberration in the administration of subsidy under IRDP and desire that all the cases of irregularities should be thoroughly investigated and responsibility of the erring officials fixed for the lapses.

[S. No. 19 Appendix-III Para 128 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

The Ministry is deeply concerned about the problem of leakage of subsidy under IRDP and other irregularities mentioned in the C&AG Report. Several interventions have been made to check the extent of malpractices. The Ministry has extended the Cash Disbursement Scheme to 50 per cent of the blocks in the country with the intention of eliminating middlemen and giving the beneficiary full freedom to purchase asset of his choice himself. The Ministry also issued very strict instructions to all DRDAs to reconcile their accounts with banks so that the extent of unutilised subsidy can be assessed and expended under the programme. Wherever cases of irregularities have been brought to the notice of the Ministry, the State Government has been instructed to hold an enquiry and take disciplinary action against erring officials. The Ministry also follows a very rigorous procedure for release of second instalment to DRDAs. The Audit Reports are carefully scrutinised and in cases of irregularities funds are held up till clarifications are furnished. A High Powered Committee was constituted under RBI at the behest of the Ministry to address, among other things, the question of improving the administration of subsidy. The Committee has recommended a system of back-end subsidy under which the entire subsidy amount, instead of being disbursed to the beneficiary at the beginning, would accrue to him, with interest, after he has met his repayment obligations. This is expected to further reduce leakages and irregularities occuring in the present system of front-end subsidy. The Ministry would be implementing this new system of subsidy shortly.

Audit's Comment

(i) PAC had desired that all the cases or irregularities should be thoroughly investigated and responsibility of the erring officials fixed for lapses. The Ministry has not specifically replied to this point.

(ii) Please indicate whether any action has been taken against the erring officials of State Government.

Further Action Taken

Whenever the Ministry has received complaints on irregularities by officials it has asked the State Government to conduct enquiries and furnish action-taken reports. According to these reports, strict action has been taken in the past against erringofficials. Besides being suspended, some officials have been sent to jail as can be seen from the communication placed at Annexure-I

[Ministry of Rural Development O.M. No. 25011/3/94-IRD-III dt. 25-6-1996.]

ANNEXURE I

D.O.No. F. 13(57) SSO/2/90/I
Dated the 12th June, 1990
Jaipur, Rajasthan.

B.S. Minhas,
Secretary to Government,
Spl. Schemes & IRD Department

SUB: *Suspected embezzlement of Rs 1.05 crore in DRDA, Jaipur under TRYSEM/SCYTE Schemes.*

My dear Shri Khanna,

Please refer to your letter No. R. 17011/4/90/IRD-I dated the 16th May, 1990 on the above subject which for some unknown reasons was received here only on 6.6.90.

2. As desired by you a copy of the Audit Report done by the Chief Accounts Officer, SS & IRD Department, Rajasthan, Jaipur was sent to you over FAX through Shri S.K. Balooja, our Liaison Officer in Delhi, the same day you talked to me over phone *i.e.* 14th May, 1990. A copy of the same is again enclosed for ready reference.

3. A copy of the F.I.R. lodged by Addl. Collector (Dev.), DRDA, Jaipur with the SHO, Police Station, Bani Park is enclosed with this letter.

4. The Police has so far recovered about Rs. 38.00 lacs in cash/kind from the accused persons. Following 8 persons have so far been arrested by the Police:-

(i) Shri Dhanvantri
(ii) Shri Jhabar Mal
(iii) Shri Vishnu
(iv) Shri Kailash
(v) Shri Devki Nandan, RAS
(vi) Shri B.L. Verma, RAS
(vii) Shri Ram Pal Meena, Accounts Officer
(viii) Shri Ram Kumar Swami, Jr. Accountant

5. Smt. Manjula had been released on anticipatory bail by the Rajasthan High Court. Shri B.K. Meena, IAS former Addl. Collector (Dev.), DRDA, Jaipur has not yet been arrested by the Police. His application for anticipatory bail has already been rejected by the District Court and the Rajasthan High Court.

6. So far as the preliminary enquiry being conducted by Shri Vijai Shanker Singh, Collector, Jaipur formerly Special Secretary, Agriculture

is concerned, it is likely to be completed by the end of June, 1990. As soon as it is completed, a copy of the same will be sent to you.

7. The following Government servants who are involved in the case have been placed under suspension by the Government:—

1. Shri B.K. Meena, IAS, formerly Addl. Collector (Dev.) DRDA, Jaipur.
2. Shri B.L. Verma, RAS formerly Project Manager, SCYTE Scheme, DRDA, Jaipur.
3. Shri A.K. Gupta, formerly Officer Incharge, TRYSEM Scheme, DRDA, Jaipur
4. Shri Ram Pal Meena, Accounts Officer, DRDA, Jaipur.
5. Shri Ram Kumar Swami, Jr. Accountant, DRDA, Jaipur.
6. Shri Pep Singh, Cashier, DRDA, Jaipur.

With regards,

Yours Sincerely,
Sd/-
(B.S. Minhas)

Encl:—As above.

Shri Inderjit Khanna,
Jt. Secretary (IRD),
Government of India,
Deptt. of Rural Development,
Krishi Bhawan,
New Delhi.

CONFIDENTIAL

D.O. No. IDB: 1092—8086—KH. 1
GOVERNMENT OF GUJARAT
AGRICULTURE, CO-OPERATION & RURAL
DEVELOPMENT DEPARTMENT
Block No. 5, Sardar Bhavan
Sachivalaya, Gandhinagar-382 010.
Date 17.12.1994

J.M. JOSHI
DEPUTY SECRETARY

Dear Shri Joshi,

I am directed to invite a reference to the correspondence resting with you D.O. letter No. 17014/3/93-RD-3 dated 20.5.1993 addressed to Shri A.W.P. David, Additional Chief Secretary, Rural Development Department regarding embezzlement of Rs. 29,00,500/ in the District Rural Development Agency, Junagadh.

As regards 16 cheques which have been stolen, 7 cheques have been encashed amounting to Rs. 29,00,500/-. For the remaining 9 cheques, the Bankers were informed not to pay and instructions for stopping payment for all these cheques had been issued by the Director, DRDA, Junagadh. As such, the other cheques could not be encashed.

As per the accounting procedure for DRDAs, cheques for a sum exceeding Rs. 50,000/-requires to be signed both by Director, DRDA and DDO, Chairman of the DRDA. But in this case, the Director has signed all the cheques. Out of the 7 cheques which were encashed, 6 cheques were of more than Rs. 50,000/-. The Commissioner, Rural Development has issued a Circular dated 7.9.1993 to all Directors, DRDAs ordering them to take signatures of Director as well as Chairman in case of payment of more than Rs. 50,000/- and that is being now scrupulously followed by all the DRDAs of the State.

In view of the seriousness of the case the Chairman, DRDA have suspended Shri Vitlani, Accountant and Shri Khanderia, Deputy Accountant of DRDA, Junagadh. Considering the gravity of this case, and the negligence of official duty by the Director, the State Government has also suspended him *i.e.* Shri G.J. Dal, DRDA, Junagadh.

With reference to the complaint filed with the Police at Junagadh, we have received information from Police Inspector, Junagadh City vide his letter dated 22nd September, 1993 that Rs. 1,06,275/- (including goods) have been attached by them with reference to the forged signature, a report of Assistant Test Examiner, Ahmedabad, has been received and the same is produced in the Court along with the charge-sheet filed in the Court.

All concerned officers in this inquiry are requested to do investigations quickly.

Yours sincerely,
Sd/-
(J.M. JOSHI)

Dr. S.V. Joshi,
Joint Secretary to Government of India (IRD),
Ministry of Rural Development,
Krishi Bhavan,
New Delhi-110001

Recommendation

Presently, subsidy is disbursed alongwith the loan to enable the IRDP beneficiary to meet the full project cost. Thus, the present system of subsidy disbursement is front-end based. In the perception of the Ministry of Rural Development based on their experience and as per the findings of certain expert committees, the present front-end subsidy system has caused leakages and malpractices besides encouraging beneficiaries to clandestinely dispose of assets. The Ministry, therefore, propose to shift to a system of back-end subsidy whereby the subsidy would not be disbursed directly to the beneficiary but would remain deposited in the bank and adjusted against the loan portion in the final instalment of the payment. According to the Ministry, after the introduction of the back-end subsidy, the extent of leakages are expected to be reduced. Any move that seek to check malpractices in the subsidy disbursement would be welcome from the Committee's point of view. However they would like to be assured that with the introduction of the proposed system of back-end system, the beneficiaries would in no manner be subjected to avoidable bureaucratic and or other harassments.

[S.No. 20 Appendix-III para 129 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

It would be the endeavour of the Ministry that the beneficiaries are not subject to any kind of harassment at the time of availing of benefits under the programme. Guidelines for this will be issued at the time of operationalising the back-end subsidy.

Audit Comment

Ministry in their reply has stated that guidelines for this will be issued at the time of operationalising the back ended subsidy. Please specify when the back ended subsidy would be operational.

Further Action Taken

The Ministry issued instructions to all State Governments/UTs regarding operationalisation of the system of back ending subsidy with effect from

1-1-96. The Reserve Bank of India has also issued detailed instructions to the banks in this regard after consultations with the Ministry.

[Ministry of Rural Development O.M.No. 25011/3/94-IRD-III dt. 25-6-1996]

Recommendation

The Ministry of Rural Development further stated that with a view to minimising the role of middlemen they had initiated a scheme of direct cash disbursement to beneficiaries. Under that scheme, instead of a purchase Committee being involved in the acquisition of an asset, the beneficiary is given the entire assistance in cash to purchase the asset of his choice. According to the Ministry, the scheme which is in operation in almost 50 per cent of the blocks in the country will be extended to all the blocks of the country by 1995-96. The Committee would like to be informed of the progress made.

[S.No. 21 Appendix-III Para 130 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

The findings of the Fifth Round of the Concurrent Evaluation Survey of IRDP are yet to be received by the Ministry. However, the issue of extension of the Cash Disbursement Scheme had been engaging the attention of the Ministry following the recommendation of the Expert Committee on IRDP in favour of such extension to cover all the blocks of the country. The matter was accordingly posed before the meeting of the High Level Committee on Credit (HLCC), held on 29.12.1995 and again before the joint meetings of the Central Level Coordination Committee (CLCC) and High Level Committee on Credit (HLCC) held on 30.12.96. The views of the R.B.I., NABARD, other nationalised banks and Secretaries in charge of RD from States were sought in the matter. After discussions, it has been decided to extend the operation of the scheme to all the blocks in the country with effect from the financial year 1997-98.

[Min./Deptt. of Rural Areas and Employment/Rural Employment and Poverty Alleviation, O.M. No. R-17011/2/96-IRD(A)-II, dated 30.1.1997]

Recommendation

The Committee in this context, also feel that there is a pronounced need to create an awareness among the beneficiaries of their rights and responsibilities through an effective communication strategy with a view to ensuring that they are not exploited by unscrupulous middlemen and facilitating better implementation of the programme.

[S.No. 22 Appendix-III Para 131 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

The Ministry is currently giving great emphasis on evolving an appropriate communication strategy for rural development programmes. The expenditure on publicity leading to awareness generation among beneficiaries has been stepped up considerably. Representatives of the Panchayati Raj bodies are being trained with the aim of spreading greater awareness about the programmes for the rural poor and the responsibilities of the local government in bringing about rural development with social justice. With the evolution of strong and vibrant Panchayati Raj institutions responsive to the needs of the rural poor, it is expected that problems such as exploitation by middlemen, etc. would diminish facilitating better implementation of rural development programmes.

[Ministry of Rural Development OM No. 25011/3/94-IRD-III dt. 25.6.1996]

Recommendation

The assistance to beneficiaries under IRDP comprised of loan and subsidy. The major part of the investment in the form of loan was to come through institutional credit. The Committee note with concern from the Audit paragraph that the flow of credit and institutional financial assistance under IRDP were beset with certain serious shortcomings. It was revealed that in a number of cases applications were rejected without assigning reasons or for wrongly recommended cases or on the grounds that the beneficiary already had a loan liability or the scheme was not viable or target of banks had already been achieved or the applicant was ineligible on the grounds of having income higher than poverty-line etc. While responding to these shortcomings the Ministry of Rural Development stated that they were aware and concerned that there was gap between the number of cases forwarded by DRDAs and the number of cases actually accepted by bank for sanction of assistance. According to them the main reason for rejection of loan applications was, difference in perception/opinion of bankers and DRDA staff regarding choice of bank, selection of activity to be sponsored and paucity of funds in certain banks. Enumerating the remedial steps taken, the Ministry stated that is has now been decided to plan IRDP activities on credit based targets from 1995-96 onwards and this should not leave any scope for mis-match between targets given to bankers and those available with DRDAs. Furthermore in view of the resource crunch faced by some banks, RBI has allowed other banks to fulfil the target of the lead banks which are not able to do so because of paucity of funds. The Committee cannot remain contented merely with

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this. They would like to emphasise that IRDP has been described as a credit based self-employment programme with an element of subsidy rather than a programme based on subsidy supplemented by bank credit. Therefore, mobilisation and flow of credit is vital for the successful implementation of the programme. The Committee, therefore, desire the authorities concerned to ensure that the loan appraisals are made more effective and that the applications are not rejected in a rather routine manner or on flimsical grounds and also to check malpracticers on this score, if any.

[S.No. 24 Appendix-III Para 133 of 95th Report of PAC (10th Lok Sabha)]

Action taken

Given the fact that credit is a crucial component of IRDP, the Ministry is in constant dialogue with RBI, NABARD and the bankers to sort out various difficulties at the ground level. These problems are also discussed in the National Workshop of Project Directors where representatives of banks are invited to give their views and recommend steps to overcome difficulties such as large scale rejection of loan applications, delayed response to these, underfinancing of projects, etc. the HLCC meeting is also convened to discuss problems relating to credit. In order to ensure that credit flows in adequate measure to IRDP beneficiaries, the Ministry had fixed a credit target of Rs. 1930 crores during the financial year 1995-96. It has also been emphasised that bank representatives should be present in Gram Sabha meetings at the time of selection of beneficiaries and should assist them in the proper choice of projects.

[Ministry of Rural Development O.M. No. 25011/3/94-IRD-III dt. 25.6.1996]

Recommendation

The Reserve Bank has enjoined upon all the banks that the applications for IRDP loans must be disposed of within a fortnight. However, it has been reported by Audit that there had been inordinate delays in sanctioning/disbursal of loans (in certain cases the delays had gone upto 36 months). There had been several cases where IRDP loans sanctioned were not disbursed at all actually or where such sanctioned loans were pending disbursement for more than five years. During evidence the representative of the Ministry of Finance (Banking Division) admitted the delays. The Committee desire that the specific case reported in the Audit paragraph should be enquired into further and concrete steps taken to ensure that IRDP loans are sanctioned and disbursed in time.

[Sl. No. 25 Appendix-III Para 134 of 95th Report of PAC (10th Lok Sabha)]

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Action Taken

The delay in sanction and disbursal of IRDP loans have been brought to the notice of R.B.I., Head office of the concerned Bank and the Banking Division of Ministry of Finance for remedial actions. In the recent Joint meeting of the Central Level Coordination Committee (CLCC) and High Level Committee on credit (HLCC) support for IRDP held on 30.12.96 this issue was discussed indepth with Senior Executives of Banks and State Secretaries. It was decided that all proposals sponsored by the DRDAs will be sanctioned within a period of 30 days from the date of receipt of the applications. If not, reasons for rejection will be communicated to the DRDAs. Similarly, disbursal of loan shall take place in all cases of sanction within a period of 60 days from the date of sanction. It was further decided to monitor through the NICNET the dates of sponsorship by DRDAs, the dates of sanction and disbursal by the Banks so that responsibility for bunching of applications/delayed sanction and disbursal could be fixed on the DRDAs/Banks as the case may be.

[Min./Deptt. of Rural Areas and Employment/Rural Employment and Poverty Alleviation. O.M.No.R-17011/2/96-IRD(A)-II dated: 13.2.97.]

Recommendation

Loans under IRDP are treated as mid-term loans. The repayment period of loan should atleast be three years. According to RBI instructions the repayment period of loans should be fixed in a realistic manner having regard to all relevant factors such as the type of activity, quantum of loan, income generating capacity of the assets, life of assets, repaying capacity of the borrowers and also taking into account NABARD norms regarding disbursal/repayment period for similar activities. However, it has been observed that in actual practice some banks do not adhere to these guidelines and instances where the period of repayment prescribed by banks was less than three years had been noticed. The Light repayment schedule was stated as one of the main reasons for non-viability of the projects. Further, some of the banks have been found to have fixed number of instalments of repayment of loans in relation to the total amount including the subsidy receivable from Government which resulted in the instalment being high and disproportionate to the income generated. The Committee recommend that these deficiencies in the credited delivery system needs to be remodled. In this connection, the Committee note the recommendation of the Expert Committee on IRDP appointed by RBI that the repayment period for the IRDP loans may be fixed at five years as against the present stipulated period of three years. Similarly, in their findings, the Fourth Round of concurrent Evaluation has found that 41%

of loan are repaid after five years. The Ministry should, therefore, consider the question of enhancing the minimum re-payment period from the existing stipulated period of three years.

[Sl. No. 26 Appendix-III para 135 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

In pursuance to the recommendations of the Expert Committee on IRDP (D.R. Mehta Committee) the Reserve Bank of India has issued instructions to the Banks that the repayment period under IRDP should be fixed at 5 years or above depending upon the nature of projects. Since back-end subsidy system has been introduced under IRDP, while working out the 'lock-in' period, NABARD has stipulated 5,7 and 10 years for loan repayment under IRDP dpending upon the nature of the activity. The requisite instructions have already been issued by RBI to all the Banks for implementation.

[Min./Deptt. of Rural Areas and Employment/Rural Employment and Poverty Alleviation. O.M.No. R-17011/2/96-IRD(A)-II dated 13.2.97]

Recommendation

Enumerating the steps taken to prevent delays in sanction/ disbursement of loan and also to ensure that the period of re-payment of IRDP loans was not fixed unrealistically, the Ministry of Finance state that RBI as on 21.12.1994 directed all the Regional Offices to undertake a sample study in a few blocks to find out the total number of applications out of this disposed of within the prescribed period of time. The sample study will also examine the cases of fixation of re-payment period less than the prescribed three years. The Committee would like to be apprised of the results of the sample study.

[Sl.No. 27 Appendix-III Para 136 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

The Report is being obtained from RBI.

Audit's Comment

The results of the sample Survey may be rejected in the reply if the Report has since been obtained from RBI.

Further Action Taken

The RBI has since completed the sample study. The banks have been advised to take suitable remedial action/improvement in the performance in this regard.

[Ministry of Rural Development OM No. 25011/3/94-IRD-III dt. 25.6.1996]

Recommendation

Another disquieting feature observed by the Committee related to the recovery performance of the advances granted towards IRDP by the public sector banks. The recovery performance in respect of IRDP loans granted by public sector banks as a percentage to demand declined from 41.34% as at the end of June, 1991 to 30.87% as at the end of June, 1993. The main reasons for shortfall/non-recovery of loans were waiver of loans which had become due upto October, 1989 under loan waiver schemes etc., mis-utilisation of assistance, poor income generation, fixation of low unit cost, sale of assets and weak financial position of the borrowers etc. The Ministries of Rural Development and Finance attributed the non-recovery primarily to the loan waiver scheme. The Committee are not inclined to agree fully with the said contention as the loan recovery effected during the year 1992 and 1993 were almost of the same level as that of 1990. They however, recognise that poor recovery of loans hinders effective re-cycling of funds by banks and consequently they would remain unenthused about enhancing their rural lending. The Committee would, therefore, suggest that for improving the recovery performance a strategy involving a suitable blend of firm line of action against wilful defaulters and provision of suitable incentives for prompt re-payment/recovery may be drawn up. In this connection, they note that the expert committee appointed by the RBI has in their recently submitted report recommended several steps for the consideration of Government for improving the recovery position of banks. The Committee trust that those recommendations will be examined expeditiously and suitable action taken to improve the recovery performance.

[Sl. No. 29, Appendix-III, Para 138 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

The Expert Committee of RBI had suggested several steps to improve the recovery performance of banks. As a follow-up of these recommendations the RBI in its circular has taken the following action:

(i) One recovery officer is to be appointed in every district together with the required complement of staff.

(ii) Services of utilisation-cum-Recovery Facilitators are to be commissioned on contract basis. The latter are to report maintenance of assets.

Repayment is also to be improved through encouragement of group loans, rescheduling of loans wherever necessary, better appraisal of loan applications, provision of adequate moratorium, reduction in the size of instalment in the initial period, etc.

Audit Comments

For improvement of the recovery performance, a strategy involving a suitable blend of firm line of action against the wilful defaulters and provision of suitable incentives for prompt repayment was to be drawn up by the Ministry. The specific action taken in this regard may be spelt out in the reply.

Further Action Taken

The RBI has constituted a Committee under the Chairmanship of Chief General Manager, Rural Planning and Credit Department to monitor the recovery position under IRDP on a continual basis at half yearly intervals. Joint Secretary (IRD) of this Ministry is also a member of this Committee. The Ministry has asked the bankers to provide a list of chronic wilful defaulters to the district officials for taking legal action under the R.R. Act. Instructions have also been issued by the RBI that repayment schedule should be fixed for a longer period of five years. The Ministry has issued instructions for raising the level of investment per family. This is to be facilitated through the Family Credit Plan and Group Activities. It is expected that these measures would improve the repayment capacity of the borrower and provide necessary incentive for loan repayment.

[Ministry of Rural Development O.M. No. 25011/3/94/IRD-III dt. 25.6.1996]

Recommendation

The Committee regret to note that the implementation of IRDP was also considerably hampered due to widespread financial deficiencies. These included non-reconciliation of expenditure with banks, incurrence of administrative expenditure beyond the prescribed limits, wasteful/excess expenditure on construction of training centres, infrastructure, cash awards etc. The Ministry of Rural Development admitted that they were aware of these shortcomings. The Committee were informed that several DRDAs were yet to reconcile their accounts. The Committee would emphasise that the Ministry should take a strong action against those DRDAs who are yet to do the reconciliation and ensure that the task is completed within a specified time frame. They would like to be informed of the number of DRDAs whose accounts are yet to be reconciled and also the assessment of the Ministry over the position emerging from reconciliation.

[Sl.No. 31 Appendix-III Para 140 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

The Ministry has stipulated that funds would be released to DRDAs only if the bank reconciliation certificates have been completed. As a result most DRDAs have now reconciled their accounts with banks.

The Ministry is satisfied over the position emerging from such reconciliation since several lakhs of rupees lying unutilised in banks have now been accounted for and are being used to assist the beneficiaries under the programme.

Audit Comments

Please indicate number of DRDAs whose accounts are yet to be reconciled and further action taken against the erring DRDAs.

Further Action Taken

Out of about 500 DRDAs in the country, only 14 DRDAs remain whose accounts are yet to be reconciled. The Ministry has written to these DRDAs that funds will not be released until the accounts are reconciled.

[Ministry of Rural Development O.M. No. 25011/3/94-IRD-III dt. 25.6.1996]

Recommendation

The Committee desire that the Ministry of Rural Development should tighten their control and take effective steps to check incurrence of wasteful expenditure. They further recommend that all cases of wasteful expenditure reported in the Audit Paragraph should be thoroughly investigated and action taken against those found guilty. The Committee would like to be informed of the action taken in the matter.

[Sl.No. 32 Appendix-III Para 141 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

As already mentioned, the Ministry thoroughly examines the Audit Reports of DRDAs and instances of wasteful expenditure are viewed very strictly. The DRDAs are asked to explain how such expenditure has been incurred. Release of funds is suspended till suitable corrective action is taken. Circular of this Ministry dated 12.7.94 at *Annexure*-II may please be seen in this regard where it has been stated that the Chairman and the Project Director of DRDAs *would be held personally* responsible for ensuring that no unauthorised and unrelated expenditure on equipment, vehicle and on maintenance is incurred by DRDAs. Expenditure unrelated to reasonable requirements would be recovered from the abovementioned officials in addition to initiating action on them for such lapses.

Audit Comments

Specific reply indicating whether action against those found guilty have been taken or not may be incorporated in the reply.

Further Action Taken

Strict action has been taken against those found guilty.

[Ministry of Rural Development O.M. No. 25011/3/94-IRD-III dt. 25.6.1996]

ANNEXURE II

No. R-19012/2/93-IRD(AI)
Government of India
MINISTRY OF RURAL DEVELOPMENT

Krishi Bhavan: New Delhi
Dated 12.07.1994

CIRCULAR

Several instances have come to the notice of the Ministry of Rural Development, Govt. of India regarding misapplication, temporary diversion and interference of the funds with DRDA meant for important Poverty Alleviation Programmes under the Centrally Sponsored Schemes. Such misapplication and misdirection of funds has taken place, either at the local level or sometimes under the oral or written instructions from the State Government. It has also been noticed that informed instructions have been given to DRDA to park their funds in the Treasury. Such diversion of funds is highly irregular and have adversely impeded the main objectives and functions of DRDAs thereby seriously affecting the implementation of Anti Poverty Programmes during lean seasons and according to prescribed time schedules.

2. There have also been some instances where DRDA funds are utilised for expenditure unconnected with permitted programme activities and for purposes unrelated to DRDAs objectives and functions such as meeting of other contingency expenditure, purchase of vehicles or equipment quite out of tune with programme activities of DRDA.

3. It is, therefore, directed that under no circumstances, State Government should ask DRDAs to deposit the DRDA funds in Treasury and the Chairman and Project Director, DRDA will not deposit these funds anywhere, except in the authorised banks. They should not utilise these funds even very temporarily for any other purpose, than for the programmes for which these funds have been place at their disposal.

4. Similarly, the Chairman and the Project Director, DRDA shall not incur any expenditure or purchase any vehicle or equipment unrelated to the reasonable requirements, scope and activities of DRDA.

5. In order to ensure that these instructions are observed strictly, the Chairman and the Project Director of DRDAs will be personally held responsible for observance of these directions. If any instance

of temporary diversion of funds is noticed, they would be surcharged with the amount lost by the DRDA on this account and stern action will also be taken against them. Similarly, they will be held personally responsible to ensure that no unauthorised and unrelated expenditure on equipment, vehicle and on maintenance is incurred by DRDAs and such expenditure would also be recovered from them, if such instances are noticed, in addition to initiating action on them for such lapses.

Sd/-
(S.V. JOSHI)
JT. SECTY. TO THE GOVT. OF INDIA

To:

1. Secretaries (Rural Dev.) of all States/UTs.
2. Secretaries (Finance) of all States/UTs.
3. Chairman (DRDAs) of all States/UTs.

Recommendation

As regards excess incurrence of administrative expenditure, the Ministry stated that presently there is a ceiling on administrative expenditure ranging between 10-15 per cent of allocation to the DRDA. The Ministry were however, considering to revise the ceiling limit to take account of the problem encountered by smaller DRDAs which normally incur administrative expenditure in excess of the norms. The Committee desire that the cases of excess expenditure reported by Audit should be probed and action taken reported to them. Since disproportionate administrative expenditure will further reduce the actual availability of the scarce funds for IRDP projects and distort the entire programme, the Committee recommend that the cases pointed out by Audit should be analysed further and ways and means found out for restricting the administrative expenditure within reasonable limits.

[S.No. 33, Appendix-III Para 142 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

The Ministry set up a Committee under Shri Ashok Jaitley, Additional Secretary, to review the norms of administrative expenditure so that some DRDAs do not face financial difficulties as mentioned above. Based on the recommendations of this Committee, ceilings on administrative expenditure have been suitably revised.

Audit Comment

The PAC had desired that the case of excess expenditure reported by Audit should be probed and action taken reported to them. Specific action taken by the Ministry in compliance of this may be incorporated in the reply.

Further Action Taken

State Governments have been asked to furnish action taken reports on excess expenditure. Replies recieved from State Governments of Haryana, Kerala, Rajasthan, Gujarat, Pubjab, Himachal Pradesh, Arunachal Pradesh, Mizoram, and Bihar. In their replies State Governments have mentioned that excessive expenditure is on account of a host of factors such as revision of grades, increase in DA rate, travelling allowance, POL and other contingencies whereas allocations remained constant. It is true that since the permissible expenditure on administration is linked to allocations, some DRDAs having smaller allocations find it difficult to adhere to the prescribed ceiling norms laid down by the Ministry. As already mentioned in the earlier reply, the Ministry set up a Committee under Additional Secretary Shri Ashok Jaitley to rationalise the norms for administrative expenditure so that some of the DRDAs receiving small allocations are able to maintain the basic overhead expenditure necessary for implementing the schemes of this Ministry.

[Ministry of Rural Development OM No. 25011/3/94-IRD.III dt. 25.6.1996]

Recommendation

The Committee note that apart from IRDP a number of other allied programmes such as Minimum Needs Programme, Jawahar Rozgar Yojana, Integrated Tribal Development Programme, Special Component Programme, DWCRA, Drought Prone Area Programme etc. aimed at improving the lot of rural masses were also being implemented in the country. All these programmes were aimed at overlapping target groups. Emphasising the need for integrating effective implementation of these programmes and avoiding over-lapping, the Committee in their 91st Report (Eighth Lok Sabha) had recommended that there must be an integrated post of a single development authority and for whose effective implementation, a single authority was responsible and accountable. The Committee regret to observe that adequate steps have not been taken so far on the lines desired by them and that the different programmes continued to be implemented in parallel. The Ministry of Rural Development stated that they fully agreed that rural development programmes should not be implemented in an isolated manner and there should be proper integration and co-ordination at all levels among allied departments and among the programme activity and infrastructure available. According to them attempts were being made to integrate programmes and to bring them under a single umbrella for implementation. However, they were of the view that the ultimate responsibility of dovetailing schemes can best be fulfilled only at the district level. They added that with the election of responsible and responsive Zila Parishad, strengthening of district block/village level planning committees and greater participation of the people in implementation of rural development schemes it could further be possible to integrate and co-ordinate all rural development schemes in a better way. While the Committee would welcome and await the implementation of these measures, they are constrained to point out that the Ministry have not put forth any concrete proposal for implementation so far. The Committee therefor, desire that the Ministry should address this issue with more promptitude and seriousness in order to ensure that the different poverty alleviation programmes are dealt with an effective and co-ordinated manner.

[Sl. No. 34, Appendix-III Para 143 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

An attempt has been made by the Ministry to restructure some of its programmes to achieve greater integration and to prevent overlap. A Committee was set up to restructure employment programmes by the Ministry and on the basis of the recommendations of this Committee following changes have been made:—

1. Second Stream of JRY has been merged with Employment Assurance Scheme.
2. Indira Awas Yojana & Million Wells Scheme have been delinked from JRY and have become independent schemes.
3. Rural Housing Scheme has been merged with IAY.

Consequent on the 73rd Amendment of the Constitution and with a view to forging a closer linkage and more effective cordination between Zilla Parishad and the DRDAs. State have been advised to restructure DRDAs whereby DRDAs are to function under the overall supervision, control and guidance of the Zilla Parishad, with the Chairman of the Zilla Parishad being the ex-officio Chairman of the DRDA governing Body. It is expected that with this kind of integration between the DRDAs and the Zilla Parishads better integration and coordination among various rural development schemes would be achieved. A copy of the circular letter issued to the State Governments in this regard is enclosed.

Similarly, common guidelines have been framed and circulated to the States for implementation of the DPAP/DDP and the Integrated Wasteland Development Programme through the watershed approach.

[Min./Deptt. of Rural Areas and Employment/Rural Employment and Poverty Alleviation. O.M. No. R-17011/2/96-IRD(A)-II/dated 30.1.1997.]

Recommendation

The Committee note that Development of Women and Children in Rural Areas (DWCRA) was started in 1982-83 as a sub-scheme of IRDP with the primarry objective of focussing attention on the women members of rural families below the poverty line with a view to providing them with opportunities of self employment on a sustained basis. A distinguishing feature of DWCRA was group strategy and against family as a unit of assistance under IRDP. Under DWCRA, women formed groups of 10—15 women's each for taking up economic activities suited to their skills, aptitude and local conditions. The groups strategy under DWCRA was adopted to motivate the rural women to come together and to break social bonds which had denied them income generating and self fulfilling opportunities. The Committee are deeply concerned to note that a large number of women groups formed in several States under DWCRA were either defunct/dormant or had not taken up any income generating commercial activities. Significantly, the Eighth Plan document mentioned that results under DWCRA had not been satisfactory on account of inadequate investment and selecting of unviable activities. Clearly, the Ministry had not adequaterly monitored the scheme so as to ensure timely action before the groups getting defunct. The Ministry stated that they were aware that in some of the states, the women groups fromed under DWCRA had become defunct. Accordingly in 1994-95 the revolving fund for the groups had been enhanced from Rs. 15000/- to Rs. 25000/- in all cases of groups which have taken an active interest in their activity which would permit the groups to go in for non-traditional activities with higher level of investment and also provides additional working capital. The Committee cannot remain satisfied with this. Concrete steps should be taken to revitalise the defunct groups. There is also an imperative need to constantly monitor the functioning of DWCRA groups so that corrective steps are taken at the very initial signals of groups getting defunct.

[Sl. No. 36 Appendix-III Para 145 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

The DWCRA programme is being regularly monitored on a month to month basis to assess the progress made under the scheme. It should be recongnised that the process of bringing rural poor women into the mainstream of economic activities is an extremely difficult and challenging task. The target group under the programme is often illiterate and has been in the background for several centuries. The process of bringing rural poor women in the forefront of social and economic life is a time consuming process which cannot be accomplished in the matter of a decade of so. The problem of defunct groups is basically a reflection of the fact that the rural poor women are sometimes not ready for income generating activities in several parts of the country. The Ministry has been quick to respond to the situation and change the strategy in recent years from one of more economic empowerment to social mobilisation as well. The Community Based Convergent Services (CBCS) was started in 1992-93 with the objective of strengthening existing organisations of rural poor women, encouraging them to articulate their felt needs and raising the level of social conciousness. The programme is already being implemented in 81 districts of the country and will be extended to another 60 districts during the current financial year. In addition the Ministry has also made separate allocations for promotion of Child Care Activities for DWCRA groups as well as evolution of an appropriate Information, Education and Communication (IEC) strategy at the district level. With these recent initiatives the DWCRA programme would become more broad based and complement income generation activities. It is expected that as rural poor women become more self aware and confident and as their social needs are also addressed to by the programme, they will become better equipped to handle economic activities and the number of defunct groups will reduce with time.

Audit Comments

Concrete steps taken to revitalise the defunct groups may be added in the reply as desired by the PAC. Corrective steps taken at the very initial signals of the group getting defunct needs to be incorporated in the reply.

Further Action Taken

The following steps have been taken by the Ministry to revive defunct DWCRA groups:

— The Revolving Fund given to each DWCRA group has been raised from Rs. 15,000 to Rs. 25,000 from 1995-96 so that the economic activity undertaken by the groups becomes viable;

— The group is permitted to induct fresh members in the event of certain members leaving the group;

—The group members are now permitted to be re-trained under TRYSEM in case further training is required to revive the activity; and

—The group is free to change the activity in case the original activity was not viable.

The Ministry recongises that preventive measures are more important than corrective measures at a later stage. To a large extent, the main reasons why DWCRA groups become defunct can be related to lack of awareness, training facilities and forward and backward linkages for economic activities. In order to prevent DWCRA groups from becoming defunct in the first place, the Ministry has enhanced its allocation on Information, Education and Communication (IEC) strategies and the permissible expenditure limits for infrastructural development under IRDP which would strengthen linkages for supply of raw materials and marketing of finished products for DWCRA groups as well.

[Ministry of Rural Development O.M. No. 25011/3/94 IRD-III dt. 25.6.1996.]

Recommendation

The Committee note that Training of Rural youth for Self-Employment (TRYSEM) was launched by the Government in 1979 as a Centrally sponsored scheme to provide technical and entrepreneurial skills to rural youth from families below poverty line to enable them to take up self-employment in the fields of Agriculture and allied activities, industries, services and business activities. The objective was enlarged to include wage employment. Financial assistance during training under TRYSEM was stipend, suitable tool kits to trainers, honorarium to training institutions, payment towards purchase of raw materials required for training etc. The Committee regret to note that a large number of trained persons under TRYSEM could not secure gainful employment. The Ministry of Rural Development while admitting that a large number of trainees under TRYSEM had not succeeded in getting self-employment on wage employment have stated that instructions have been issued on 26 March, 1994 to the States to improve the quality of training and increase the involvement of ITIs, Polytechniques and Krishi Vigyan Kendras etc. In view of the failure of the programme to secure gainful employment to the trainees, the Committee desire that the Ministry should thoroughly look into the reasons therefore and revamp TRYSEM with a view to making it more integrated with the job opportunities available in the area. The need for revitalising the training infrastructure has also to be looked into in greater depth. The Ministry should also consider the feasibility of involving Non Governmental organisations (NGOs) in certain selected training activities.

[S. No. 37 Appendix-III Para 146 of 95th Report of PAC 10th Lok Sabha)]

Action Taken

The Ministry shares the concern of the Committee with regard to inability of TRYSEM trainees to procure jobs in some cases. To increase the credibility of the programme in the job market the Ministry gave instructions to bring about reduction in stereotype training/training given by mastercraftsmen which in some parts had reached a point of saturation and which offered dim job prospects/less lucrative opportunities. The Ministry has emphasised training in recognised institutes such as ITIs, Govt. Polytechnics, Krishi Vigyan Kendras so that the trainees pick up those professions which have better job prospects and which are attractive in terms of income generation. In pursuance of the recommendations of the Expert Committee on IRDP, the Ministry has evolved a scheme of setting up of mini-ITIs in those blocks of the country where no organised training facility exists at present. These mini-ITIs are to concentrate on 3-4 selected trade including traditional vocations for imparting training under TRYSEM. The State Governments are being given non-recurring assistance towards setting up of such mini-ITIs. NGOs are also to be involved wherever they have the expertise in training at the grassroot level.

[Ministry of Rural Development OM No. 25011/3/94/I RD-III dt. 25.6.1996.]

Recommendation

Another deficiency in the implementation of IRDP observed related to the quality of monitoring done at Central/State/District/Block levels. At the Central Level, despite being aware that the per capita investment was too low and the recommendation of the Public Accounts Committee for increasing the per capita investment so as to help the beneficiary to cross the poverty line in one go, the Ministry continued to act as before, to distribute funds thinly and was neither able to increase the investment nor reduce the numerical coverage of the beneficiaries under the programme. The State Level Co-ordination Committee which was to review the findings emerging out of qualitative monitoring of the programme as standing agenda for quarterly or half yearly meeting, had not met regularly at the prescribed intervals in many States. An annual physical verification of assets required to be undertaken at Block/DRDA levels, was not carried out in several States. Distribution of "Vikas Patrika" to the beneficiaries envisaged under IRDP to enable the implementing agencies to watch the progress of assistance was neither done nor properly administered in several States. Establishment of forward and backward linkages also required much more attention. Evidently, the system of monitoring under IRDP was inadequate and leaves a lot to be desired. The Committee, therefore, desire that the Ministry of Rural Development should ensure regular and effective monitoring of the programme at all levels. Steps should also be taken to improve the quality of monitoring.

[S.No. 38, Appendix-III Para 147 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

The Ministry is in full agreement with the Committee that monitoring should be effective and should reflect the qualitative aspects of the programme. Recently, the Ministry has introduced two essential parameters of monitoring to reflect the qualitative aspects of the IRDP programme. Since 1994-95, the level of per capita investment has been introduced as a target to be achieved. This is to enable a shift in emphasis from mere coverage of families to the quality of investment and to ensure that IRDP beneficiaries have credible levels of investment which would enable them to bring about significant increase in income levels and ultimately rise above the poverty line. Though number of families covered will continue to be monitored, physical target has been abolished from the current financial year onwards. Another significant change in the monitoring format is laying down of specific target for credit mobilisation. One of the crucial difficulties faced by the programme was that it was not able to mobilise sufficient credit. The subsidy credit ratio has been declining during the nineties mainly as a result of resource contraints faced by banks. With introduction of credit targets, the banks are expected to make credit available in adequate amounts to IRDP beneficiaries. Other types of monitoring such as physical verification of assets, distribution of Vikas Patrikas, etc. is conducted and reported on by officials of the Ministry during ther field visits as part of the Area officers' Scheme.

[Ministry of Rural Development OM No. 25011/3/94-IRD. III dt. 25.6.1996.]

Recommendation

Yet another area of IRDP implementation which required improvement is the system of evaluation and its follow up action. Presently, evaluation of IRDP is undertaken by the Ministry through the Concurrent Evaluation Surveys got conducted through independent research institutions. Concurrent Evaluation Surveys conducted in 1985-86, 1987 and 1989 have been officially published so far. The findings of the fourth survey conducted in 1992 are yet to be formally made public. The State Governments are also required to take evaluation studies from time to time to ascertain the impact of the programme and to measure the extent to which beneficiaries had derived additional income and employment directly attributable to the investment made under IRDP. The Committee, however, regret to note that while the evaluation studies were not conducted in many States in several others, the follow-up action taken were either inadequate or deficient. Considering the long time consumed in collecting data and in the ultimate publication of the findings in the present survery process and also its resultant delay in taking follow-up action, the Committee would like the Ministry to examine the question of involving a more reliable and effective system of evaluation in the form of a permanent mechanism for assessing the overall performance and impact of the IRDP. This is also necessary in view of the contradictions subsequently made by the Ministry on certain findings of the Concurrent Evaluation.

[S. No. 39 Appendix-III para 148 of 95th Report of PAC (10th Lok Sabha).]

Action Taken

The Ministry accepts the above suggestion and will endeavour to minimise the time taken in publication and follow-up action for the Fourth and the Fifth Rounds of the Concurrent Evaluation Surveys.

Audit Comments

Concrete steps taken by the Ministry to ensure that in all the States the evaluation studies are conducted timely and the follow up action taken thereon may be incorporated in the reply.

Further Action Taken

In order to have a more reliable and effective system of evaluation, the Ministry constituted an Expert Group in July 1994 consisting of academics and Government officials to advise the Ministry from time to time on matters relating to conduct of Concurrent Evaluation of Rural Development Programme. The Ministry has launched the 5th Round of the Concurrent Evaluation of IRDP and it is proposed that with the association of selected survey institutions/organisations, it would be possible to bring out State level reports besides all-India reports. All efforts will also be made to cut short the time-lag in their publication. As regards follow-up action on the findings of the Concurrent Evaluation surveys, the Ministry would like to inform the PAC that the Report of the 4th Round conducted in 1992-93 has already been released and State Governments have been specifically requested to take follow up action on the findings of the survey.

[Ministry of Rural Development OM No. 25011/3/94-IRD. III dt. 25.6.1996.]

Recommendation

The Audit Paragraph under examination revealed several irregularities/shortcomings in various States/Union Territories in the implementation of IRDP. The Committee regret to note that the relevant extracts were however, circulated to the States/Union Territories concerned for their comments in August, 1994 only *i.e.* after the Committee had decided to take up the subject for detailed examination. Even after that, the Ministry have not been able to obtain the requisite comments from most of the States. The Committee deplore the failure of the Ministry on this score and would like to be furnished with a detailed status report in respect of the remedial/ corrective action taken by the States/Union Territories concerned on each of the individual irregularities mentioned therein and also the action taken against officers concerned for the various omissions and commissions.

[Sl. No. 40 Appendix-III Para 149 of 95th Report of PAC (10th Lok Sabha).]

Action Taken

The Ministry has been issuing constant reminders from time to time to State Governments to furnish their comments on the Audit paras relevant to them. A meeting of the State Secretaries in charge of Rural Development was convened on December 14, 1996 and again on

February, 11-12, 1997 to discuss *inter alia* the pendency with regard to Audit paras.

While expressing grave concern and dissatisfaction over the matter the Secretary (RE&PA) has requested the concerned State Chief Secretaries to furnish replies within a week. Several States have already sent their replies and others have been reminded.

[Min./Deptt. of Rural Areas and Employment/Rural Employment and Poverty Alleviation. O.M. No. R-17011/2/96-IRD(A)-II/ dated 08.04.97.]

During the course of examination the Committee were informed that the Reserve Bank of India had on 29.9.1993 constituted an expert committee under the chairmanship of Shri D.R. Mehta the then Deputy Governer to review the Integrated Rural Development Programme and to recommend suitable measures for strengthening it with a view to making it more effective for alleviation of poverty. Later, the Committee were provided with a copy of the interim report of the expert committee. The highlights of the recommendations of the expert committee have been given elsewhere in that report. The Committee have been informed that the recommendations were being processed and also that the final report will be submitted by the expert committee shortly. The Committee desire that the recommendations of the expert committee should be examined and appropriate follow up action taken expeditiously. They would also like to be apprised of the action taken in the matter as also the fate of the final report of the expert committee.

[Sl. No. 41 Appendix-III Para 150 of 95th Report of PAC (10th Lok Sabha).]

Action Taken

After obtaining the approval of the Cabinet on major recommendations of the Expert Committee on IRDP as contained in the interim report in December, 1995, this Ministry has issued instructions to all State Govt./ UTs. for implementing the recommendations. Similarly, Reserve Bank of India and NABARD have also issued instructions to the Banks in regard to implementation of the recommendations concerning them.

Final Report has not yet been received from RBI. They have been remined in the matter.

[Min./Deptt. of Rural Areas and Employment/Rural Employment and Poverty Alleviation. O.M. No. R-17011/2/96-IRD(A)-II/ dated 13.2.97.]

Recommendation

The facts stated in the foregoing paragraphs clearly identify certain major areas of concern under IRDP requiring immediate governmental attention. Evidently, despite the general acceptance of the objectives and the extensive organisational apparatus built to translate them into reality, the IRDP has, not achieved the desired results. Significantly the Fourth Round of the Concurrent Evaluation of IRDP conducted by the Government has revealed that only 14.81% of the beneficiaries had been able to cross the existing poverty line of Rs. 11,000 per annum. This glaring indicator clearly bespeaks of the failure of the programme in achieving the objectives. The Ministry of Rural Development while admitting the deficiencies identified in the major areas of concern as: shortcomings in proper selection of beneficiaries, lack of proper planning of IRDP activities, inadequate and poor technical staff in DRDAs, over-emphasis on physical targets, low level of per capita investment, leakages in administration of subsidy, gaps in infrastructural development, poor recovery and inadequate credit etc. The Committee express their serious concern over the failure of IRDP in act as a major instrument in the alleviation of rural poverty. They desire that the Ministry of Rural Development in the light of the facts contained in this report and the findings of the Fourth Round of Concurrent Evaluation, the interim report of the Mehta Committee and other similar documents should take adequate steps and revamp the programme with a view to making it an effective instrument in the alleviation of India's rural poverty.

[Sl. No. 42 Appendix-III Para 151 of 95th Report of PAC (10th Lok Sabha).]

Action Taken

The decline in the number of beneficiaries crossing the poverty line as revealed in the Fourth Round of the Concurrent Evaluation has been explained in reply to para 115. In addition, the income generating capacity of a beneficiary can be affected by a number of factors which are beyond the capability of the project implementing agencies to anticipate and provide for within the ambit of the project. These could be shortage of raw materials or a sudden spurt in their prices, drop or change in pattern of demand of a product or service, unanticipated competition from other producers, sudden spread of epidemic in respect of livestock projects, etc. However, the Ministry has been engaged in making needed interventions policy changes aimed at improving the efficacy of the programme. Some of the important steps taken in recent months are outlined below.

The Expert Committee on IRDP in its Interim Report submitted in October, 1994 made several recommendations based on which the Government has taken the following new initiatives:

— The ceiling on subsidy for group activities has been enhanced to Rs. 1.25 lakhs or 50% of the project cost (whichever is less).

— A new category of trained educated unemployed youth has been introduced which will be eligible for receiving Rs. 7,500 as subsidy on 50% of project cost, whichever is less.

— The expenditure ceiling for infrastructural development has been enhanced to 20% of allocation in all States excepting those in the North East where this has been raised to 25% of allocation.

— Subsidy has been back-ended to prevent its misutilisation.

— Physical targets have been abolished and financial targets for investment per family and credit mobilisation have been introduced.

In addition to the above, the Family Credit Plan has been extended to 213 districts of the country and the banks have been allowed to select IRDP beneficiaries directly on pilot basis in 41 districts.

[Min./Deptt. of Rural Areas and Employment, Rural Employment and Poverty Alleviation. O.M. No. R-17011/2/96-IRD(A)-II dated 13.2.1997.]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT

Recommendation

In this connection, the Committee would also like to point out that the basis for arriving at the present per capita investment requirement of Rs. 12000 also does not seem to be reasonable. On the basis of an incremental capital out put ratio of 2.7 assumed during the Seventh Plan the Ministry had earlier stated that the per capita investment required was Rs. 13000—14000. Obviously, the level of present assumption is less than those figures despite the inflationary trends and also the findings of the Concurrent Evaluation on incremental capital out put ratio in different activities, sometimes even as low as one. The Committee therefore, have their own doubts whether the assumption of present level of per capita investment requirement has been made after taking into account those factors as also the experience gained by the Ministry over the years.

[Sl. No. 5—Appendix-I, Para 114 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

The earlier PAC for the Seventh Plan had recommended an investment level of Rs. 8000—9000 to enable families to cross the poverty line. With the present rate of inflation, this level has been revised to Rs. 13000—14000 for the Eighth Plan. The investment level required to enable a family to cross the poverty line depends on a number of factors as indicated in reply to para 112 above. The productivity of investment is reflected in the ICOR. According to estimates made during the Seventh Plan, the ICOR for IRDP activities is 2.7. The Concurrent Evaluation Report has estimated a much lower ICOR. This implies that with higher productivity of investment, or lower ICOR, the same amount of investment can generate a higher income. The assumption of the present level of per capita investment requirement takes into account factors such as trend in inflation rate, the current poverty gap, resources available in the Plan, number of families to be covered for a meaningful impact of the programme, etc.

[Ministry of Rural Development No. 25011/3/94-IRD-III dated 25.6.1996.]

Recommendation

As regards the failure of the different states to follow the Antyodaya approach, the Ministry have stated that with the considerable step up in allocation for wage employment programme like Jawahar Rozgar Yojana (JRY), Employment Assurance Scheme (EAS) etc., the employment needs of the poorest of the poor could prehaps be better met through these schemes rather than self-employment projects like IRDP requiring a minimum of skills, enterpreneurial drive and risk taking ability. Consequently, a decision was taken by the Ministry of Rural Development in May, 1994 to abolish the "cut-off" line under IRDP and to make assistance available to any family having income below the poverty line of Rs. 11,000 and not necessarily to the poorest of the poor as under the Antyodaya approach. Since the Antyodaya approach was followed under IRDP right from the very beginning of the programme, in the opinion of the Committee, this significant shift in approach of the Ministry would tantamount to a self admission of the fact that the poorest of the poor have not hitherto been benefited from IRDP. They desire that this, however, should not exclude the poorest of the poor from the purview of IRDP. The committee also do not view this change in policy as promising since the employment generated under JRY as per the Annual Report of the Ministry of Rural Development for the year 1993-94 has been just 13.31 days per year per person during preceding three years. They would, however, await the impact of this change in the focus of IRDP.

[Sl. No. 11- Appendix-III Para 120 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

The poorest of the poor are the main target group of both self-employment and wage employment programmes. In its guidelines, the Ministry has built in several safeguards to ensure that benefits of IRDP mainly accrue to the more vulnerable sections of the population. Since SC/STs in most states constitute the poorest of the poor, it is stipulated that at least 50 per cent of families assisted under the programme should belong to this category. The flow of assistance is also to be commensurate with this level of coverage. Overriding priority is also to be given to released bonded labourers who also generally belong to the category of the poorest of the poor. It is not true that the poorest of the poor have not hitherto been benefited under IRDP. According to the latest published Round of IRDP for 1989, 84 per cent of families assisted belonged to destitute groups, very very poor groups and very poor groups having pre-assistance income below Rs. 4800. Only 16 per cent of assisted families had income above Rs. 4800.

[Ministry of Rural Development No. 25011/3/94-IRD-III dt. 25.6.1999]

Recommendation

In this context, the Ministry of Rural Development also stated that emphasis should be given more on supply of high quality animals instead of local and traditional breeds. Since such better breeds also require higher fodder and other provisions, the Committee wonder whether the Ministry's approach on the issue is realistic keeping in view the fact that the IRDP beneficiaries are those who are below the poverty line.

[Sl.No. 14—Appendix-III Para 123 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

At the time of giving assistance the district and block level officials along with bankers are told to assess the capability of the beneficiary in maintaining the asset. It is generally found that among the poor mostly those having some land assets and access to feed opt for milch animal projects. Sometimes, as in the case of cooperatives in Gujarat the beneficiaries are provided feed fortifications in milk collection centres at low cost to improve productivity of the animal.

Audit Comments

The contention of the Ministry that the IRDP beneficiaries who live below the poverty line have been generally found to have some land and access to higher fodder and other provisions does not appear plausible and needs further elaboration with facts and figures from latest NSS data.

Further Action Taken

The Ministry's statement given above finds support in NSS data which shows that those possessing less than 0.01 hectares of land own the least number of cows and buffaloes under IRDP. The maximum concentration of IRDP milch animals is on marginal holdings less than 1.0 hectares and small holdings between 1.0—2.0 hectares. In order to ensure that poor farmers are able to support better breeds of animals through improved feed, veterinary care, etc., the Ministry has increased the allocation on infrastructure development from 10 per cent to 20 per cent to support important forward and backward linkages in IRDP activities including dairying.

[Ministry of Rural Development OM No. 25011/3/94-IRD-III dt. 25.6.1996]

Recommendation

The Ministry of Rural Development have, in this connection stated that they have recently enhanced the limits for infrastructural investment and delegated powers at the district level of making these investments. It was stated that the ceiling limit has been raised from 10 per cent of allocation to 25 per cent in deserving cases. Similarly, powers have been delegated to DRDAs to spend upto Rs. 10 lakhs for creation of infrastructural facilities without waiting for the approval of the State Level Co-ordination Committee and the Divisional Commissioner has been empowered to approve schemes upto Rs. 25 lakhs. It was however, seen that most of the activities related to the infrastructure development are by way of civil construction. If construction is undertaken in a labour intensive manner it is likely to generate wage employment rather than self-employment and, therefore, the Committee would like the Ministry of Rural Development to consider shifting of 25 per cent of allocation from IRDP to JRY.

[Sl. No. 18—Appendix-III Para 127 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

The infrastructure requirements under IRDP and JRY are vastly dissimilar. Whereas infrastructural projects required under IRDP are generally capital intensive and meant for production sector activities those under JRY are for community development/social sector activities. Most of IRDP infrastructural projects such as those relating to provision of balancing equipment for chilling plant for dairy activity or setting up of hatchery/nursery for provision of seedlings/fingerlings for pisciculture, etc. are activities requiring greater capital and technological inputs than labour inputs. However, the IRDP guidelines do provide for dovetailing of IRDP and JRY funds wherever this is feasible and cost effective. For instance, infrastructural projects under IRDP such as construction of worksheds or retail outlets or platform and sheds for local haats could be undertaken under JRY thus creating wage employment as well. This can be done without shifting the entire allocation for infrastructural requirements from IRDP to JRY.

[Ministry of Rural Development OM No. 25011/3/94-IRD-III dt. 25.6.1996]

Recommendation

The size of the IRDP loan to beneficiary should be determined by the requirements of the Project. To avoid under-financing of the IRDP Project and purchase of sub-standard asset and consequent low incremental income, unit cost Committees for the farm sector have been constituted in the various Regional Offices of NABARD. The project profiles so compiled are to be adopted by all the Financing Banks in each district. The Committee however, found that there had been wide variations in the unit cost approved by the Technical Committee of NABARD and the amount actually sanctioned by the Banks. The Committee desire that these cases should be looked into with a view to finding out whether they had exceeded the prescribed flexibility limits and taking necessary corrective steps.

[Sl. No. 28—Appendix-III Para 137 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

The reply from the Banking Division has not been received. However, the issue was discussed in the recent Joint Meeting of CLCC and HLCC for IRDP held on 30.12.96. The NABARD has clarified to all the Banks that the Unit Costs worked out by the Regional Offices of NABARD are only indicative and the Banks have been empowered to sanction higher amounts of loan keeping in view the prevailing market prices for various activities under IRDP.

[Min./Deptt. of Rural Areas and Employment/Rural Employment and Poverty Alleviation. O.M. No. R-17011/2/96-IRD(A)-II/dated 18.2.97.]

Recommendation

In this connection, the Committee find that a high level Committee set up by the Planning Commission had recommended the concept of integrated district planning and creation of a post of District Development Commissioner to look after and co-ordinate all the developmental activities in the district. Considering the fact that a Collector/Deputy Commissioner who is presently heading DRDA is himself pre-occupied with law and order, revenue collection and protocol functions, the Committee feel that the above mentioned concept needs detailed examination for suitable implementation.

[Sl. No. 35—Appendix-III Para 144 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

According to the Eleventh Schedule of the 73rd and 74th Amendment to the Constitution, developmental activities will be the responsibility of the Zilla Parishads. With decentralisation of powers and formation of local government, district level planning and coordination of various developmental activities will have to be attempted by the Zilla Parishads having the Sabhapati/Zilla Adhyaksha as the elected representative of the people and the Chief Executive officer/Deputy Commissioner as the executive head. Under the present decentralised structure, the Ministry has given full freedom to state governments to evolve their own administrative system under the respective Panchayati Raj Act for planning and integrating various developmental activities under the Zilla Parishads. The Ministry has effected the following changes in the administrative structure at the district level in order to have a more integrated approach for planning and implementing Rural Development Schemes.

(i) DRDAs are to function under the overall supervision, control and guidance of Zilla Parishad and provide technical support to them in discharging its functions. Chairman/President/Pramukh of ZP would be the ex-officio Chairman of the Governing Body of DRDA.

(ii) CEO of ZP where the posts are not held by DMs/Collectors/DCs in an ex-officio capacity shall be Member Secretary of the Governing Body of the DRDA.

The above changes in the administrative structure at the district level should result in a more coordinated implementation of RD projects.

[Ministry of Rural Development OM No. 25011/3/94-IRD-III dt. 25-6-1996]

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

The Committee are deeply distressed to note that funds involving Rs. 66.21 crores earmarked for IRDP had been spent on other schemes, kept as civil deposits, treasury deposit accounts, deposit in post offices savings account, or used for purchase of household luxury items and construction of office buildings etc. The fact that a mere test audit has unearthed such large scale diversion would seem to indicate that the actual dimension of this malady is manifold. During evidence, the Secretary, Rural Development stated "this diversion of funds" will not be "tolerated". To their dismay, the Committee, however, find that the Ministry of Rural Development are yet to obtain explanation from the States concerned. The Committee strongly deprecate the failure of the Ministry to act sternly against such gross financial irregularities. They desire that the matter should be vigorously pursued for investigation, fixation of responsibility and necessary follow-up action. The Ministry should ensure that the accounts of DRDAs are maintained properly, reconciled periodically with banks and got audited regularly.

[Sl. No. 23 Appendix-III Para 132 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

In order to ensure that funds are not even temporarily diverted and not utilised for expenditure unconnected with permitted programme activities and for purposes unrelated to DRDAs objectives and functions and that the same are invariably kept in Saving Bank Accounts, suitable instructions were issued to all concerned for strict compliance. Moreover certain certificates have also been prescribed to be furnished by the Chartered Accountants while auditing the accounts of the DRDAs to ensure proper accounting and audit of the funds.

[Ministry of Rural Development No. 17011/2/96-IRD (A.II) dated 8.10.1999.]

Recommendation

The Committee were astonished from the Audit Paragraph that IRDP loans granted to certain beneficiaries in a State (West Bengal) amounting to Rs. 3.34 lakhs in respect of 92 projects were stated to have been repaid on the same day. Similarly, in another State (Orissa) the loans were repaid after just four days. The intention behind the early repayment appeared to be to take the subsidies instead. The Committee desire that these specific cases should be enquired into with a view to checking such undesirable practices.

[Sl. No. 30 Appendix-III Para 139 of 95th Report of PAC (10th Lok Sabha)]

Action Taken

In so far as specific instances cited by the Committee are concerned, comments have been called for from the State Governments of West Bengal and Orissa. Despite repeated reminders, their response is still awaited. However, it may be stated that with a view to eliminating such malpractices, the Expert Committee on IRDP had recommended back-ending of subsidy under which the subsidy will be deposited in the name of the beneficiary in the Bank, with the stipulation that the money so deposited will be adjusted towards the last few instalments of repayment. The recommendation has been accepted by the Ministry and instructions have already been issued for its implementation. With the introduction of back ending system of subsidy and specific 'lock-in' period for loan repayment, such malpractices are expected to be eliminated.

[Min./Deptt. of Rural Areas and Employment/Rural Employment and Poverty Alleviation. O.M. No. R-17011/2/96-IRD(A)-II dated 30.1.1997]

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

—NIL—

NEW DELHI;
10 *April*, 2000
21 *Chaitra*, 1922 *(Saka)*

NARAYAN DATT TIWARI,
Chairman,
Public Accounts Committee.

PART II

MINUTES OF THE TWELFTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 07 APRIL, 2000

The Committee sat from 1500 hrs. to 1800 hrs. on 07 April, 2000 in Room No. 62, Parliament House.

PRESENT

Shri Narayan Datt Tiwari—*Chairman*

MEMBERS

Lok Sabha

2. Smt. Bhavna Chikhaliya
3. Shri Prakash Paranjpe
4. Shri Annasaheb M.K. Patil
5. Shri Chhatrapal Singh
6. Shri Prabhunath Singh

Rajya Sabha

7. Shri Vayalar Ravi
8. Shri Satishchandra Sitaram Pradhan
9. Shri J. Chitharanjan

SECRETARIAT

1. Shri Devender Singh — *Deputy Secretary*
2. Shri Rajeev Sharma — *Under Secretary*
3. Shri B.S. Dahiya — *Assistant Director*

OFFICERS OF THE OFFICE OF C&AG OF INDIA

1. Shri R. Ramanathan — *Addl. Dy. C&AG*
2. Shri H.P. Das — *DGACR*
3. Shri A.K. Thakur — *Pr. Director (R.C)*

2. **** **** ****

3. **** **** ****

4. **** **** ****

The Committee took up for consideration the following draft Reports on:—

(i) Action taken on 95th Report of PAC (10th Lok Sabha) relating to "Integrated Rural Development Programme".

(ii) **** **** ****

(iii) **** **** ****

The Committee adopted the draft Report mentioned at Serial No. (i) without any amendment. They authorised the Chairman to finalise these draft Reports in the light of verbal and consequential changes arising out of factual verification by Audit and present the same to Parliament.

The Committee then adjourned.

APPENDIX

CONCLUSIONS/RECOMMENDATIONS

Sl. No.	Para No.	Ministry/ Department	Conclusions/Recommendations
1	2	3	4
1.	8	Rural Develop- ment	Based on the incremental capital output ratio (ICOR) assumed during the Seventh Five Year Plan, the Ministry had projected that a per capita investment of Rs. 13000-14000 was required to generate additional income for a family to enable it to cross the poverty line at one go. In their earlier Report, the Committee were extremely unhappy to point out that in none of the years during Seventh Plan and also during the period 1990—93, the actual per capita investment touched the projected level. On the other hand, physical targets were over-achieved resulting in thin distribution of funds. In their action taken note, the Ministry have stated that several initiatives were taken during the 8th Plan to increase the efficacy/ productivity of IRDP assets, plug the loopholes and strengthen the monitoring of the programme. Some of these measures were stated to have been taken in pursuance of the recommendations made in the Mehta Committee Report which was submitted to the Government in October 1994. The Committee welcome the measures taken by the Ministry in the direction of alleviating rural poverty. However, they are concerned that despite the measures taken by the Ministry, the actual per capita investment during the period 1993—99 is nowhere near the projected level. As far as credit mobilisation is concerned the Government had for the first time set a specific credit target of Rs. 1930 crores during 1995-96,

1	2	3	4
			which was considered necessary to ensure a level of per capita investment of Rs. 13500 during that year. However, the Committee found that credit mobilisation was Rs. 441 crore only upto October 1995. Further details and steps taken in this direction have not been intimated to the Committee. In the aforesaid background, the Committee trust that concerted efforts will be made in consultation with all the agencies involved to radically improve credit mobilisation so as to further raise per capita investment in the pursuit of reducing incidence of poverty in the country. They desire that the policy measures floated by the Government like Family Credit Plan, Cash Disbursement Scheme, theme of decentralisation, back-ending of subsidy, raising the ceiling limit of subsidy etc. be administered prudently and monitored properly with suitable institutional arrangements.
2.	15	Rural Development	The Committee are extremely unhappy to note that the Ministry are yet to obtain comments of all the implementing States/UTs in respect of various irregularities/shortcomings highlighted in the Audit Paragraph despite lapse of more than three and half a year since the presentation of the Original Report to Parliament. They cannot remain satisfied with the explanation offered in this regard and the steps contemplated so far. While pointing out diversion of funds amounting to Rs. 66.21 crore earmarked for IRDP in respect of 13 States, the Committee, in their earlier Report had recommended that the matter should be vigorously pursued for investigation, fixation of responsibility and necessary follow-up action. Distressingly, in respect of various cases of diversion of funds, the Ministry have so far obtained explanation from 6 States only. Further, they have merely enumerated the explanations received from the individual States without indicating whether those explanations were accepted/acceptable to them and if not, the action taken or proposed to be taken on the various acts of omission and

1	2	3	4
			commission. Obviously, the matter has not been addressed seriously and the failure of the Ministry to act upon the specific recommendation of the Committees is quite evident in this case. Pointing out further certain cases of glaring irregularities pertaining to misuse of IRDP loan in the States of West Bengal and Orissa where loans sanctioned to the beneficiaries were hurriedly repaid without utilising those just to take undue advantage of subsidy, the Committee desired the Ministry to enquire into those cases to check such undesirable practices. Unfortunately, the Ministry have not yet obtained clarification in respect of those specific cases also. This speaks volumes of the manner in which follow-up action is being taken by the Administrative Ministry to streamline and improve the implementation of IRDP in the pursuit of alleviating poverty in the country. The Committee however, take note of the corrective steps stated to have been taken in the form of introduction of back-ending subsidy with a view to eliminating the type of malpractices reported in the States of West Bengal and Orissa. They welcome the steps taken to curb such irregularities and will await the efficacy of the new system of disbursement of subsidy. The Committee desire that the specific cases pertaining to diversion of funds and misuse of IRDP loan be enquired into and the Committee informed about the outcome and the action taken thereon. Besides, the Committee are of the firm belief that with a view to effecting further improvement in the implementation of IRDP, it becomes imperative on the part of the Ministry to earnestly enquire into various other loopholes reported in the Audit Paragraph. The Committee therefore urge upon the Ministry to vigorously pursue the matter with the defaulting States and apprise the Committee of the remedial/corrective action taken on the various irregularities reported upon in the form of a status report within a period of three months.

MGIP(PLU)MRND—2026/LS—10-10-2000.