

PUBLIC ACCOUNTS COMMITTEE
(2002-2003)

THIRTY-EIGHTH REPORT

(THIRTEENTH LOK SABHA)

**COUNCIL FOR ADVANCEMENT OF PEOPLE'S ACTION AND
RURAL TECHNOLOGY (CAPART)**

MINISTRY OF RURAL DEVELOPMENT

Presented to Lok Sabha on : 16.12.2002

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**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2002 / Agrahayana, 1924 (Saka)

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COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE
(2002 - 2003)

Sardar Buta Singh

- **Chairman**

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2. Shri K.V.Rao - Joint Secretary
3. Shri Devender Singh - Deputy Secretary
4. Shri B.S.Dahiya - Under Secretary
5. Shri Krishendra Kumar - Reporting Officer

INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee, do present on their behalf, this Thirty-Eighth Report on Paragraph 25 of the Report of C&AG of India for the year ended 31 March 1997, (No. 4 of 1998), Union Government (Civil – Other Autonomous Bodies) relating to “Council for Advancement of People’s Action and Rural Technology (CAPART)”.

2. The Report of the C&AG for the year ended 31 March, 1997 (No. 4 of 1998), Union Government (Civil – Other Autonomous Bodies) was laid on the Table of the House on 11 June, 1998.

3. The Committee took the evidence of the representatives of the Ministry of Rural Development on the subject at their sitting held on 3rd October, 2000. The Committee considered and finalised this Report at their sitting held on 11 December, 2002. (*) Minutes of the sitting form Part II of the Report.

4. For facility of reference and convenience, the observations and 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.

5. The Committee would like to express their thanks to the Public Accounts Committee (2000-2001) for recording oral evidence of the representatives of the Ministry of Rural Development on Paragraph 25 and obtaining information for this Report.

6. The Committee would like to express their thanks to the officers of the Ministry of Rural Development for the cooperation extended by them in furnishing information and tendering evidence before the Committee.

7. 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;
11 December, 2002
20 Agrahayana 1924 (Saka)**

**SARDAR BUTA SINGH,
Chairman,
Public Accounts Committee**

REPORT
COUNCIL FOR ADVANCEMENT OF PEOPLE'S ACTION
AND RURAL TECHNOLOGY

Introductory

In order to integrate and hasten the process of socio-economic and technological empowerment of the rural poor, the Council for Advancement of People's Action and Rural Technology (CAPART) was set up in September 1986 by merging the Council for Advancement of Rural Technology (CART) and Peoples Action for Development (India) (PADI). CAPART is an autonomous body, registered under the Society Registration Act, 1860, under the aegis of the Ministry of Rural Development. It aims at promoting and assisting Voluntary Organisations (VOs) in implementing rural development schemes and in their research efforts to develop rural technology and its dissemination. CAPART provides assistance to VOs under eight main schemes, five of which are Centrally sponsored schemes namely Jawahar Rozgar Yojana, Accelerated rural Water Supply Programme, Central Rural Sanitation Programme, Integrated Rural Development Programme, Development of Women and Children in Rural Areas, Promotion of Voluntary Action in Rural Development, Organisation of Beneficiaries of Anti-poverty Programme and Advancement of Rural Technology Scheme. Six regional Committees have been constituted at Chandigarh, Jaipur, Lucknow, Patna, Guwahati, Bhubaneswar and Hyderabad with powers to sanction project costs upto Rs. 20 lakh. CAPART has nine National Standing Committees that are empowered to sanction projects upto Rs.1 crore. CAPART is managed by a three tier structure comprising the General Body, which is the apex body, providing policy guidance and directions, the Executive Committee which exercises all executive and financial powers and the Director General, who is the Chief Executive Officer responsible for the administration of the affairs and the funds of the council.

2. Audit Paragraph

2.1 This Report is based on paragraph 25 of the Report of the Comptroller and Auditor General of India for the year ended March 1997, No.4 of 1998, Union Government (Civil – Other Autonomous Bodies) relating to “Council for Advancement of People's Action and Rural Technology (CAPART)”.

2.2 The present review is based on a test check of records of the Council for the period 1991-92 to 1996-97. Three major schemes viz. Accelerated Rural Water Supply Programme (ARWSP), Central Rural Sanitation Programme (CRSP) and Advancement of Rural Technology Scheme (ARTS) which accounted for 47% of the assistance received during 1991-97 were selected by Audit for test check.

2.3 The various aspects arising out of examination of the audit Paragraph by the Committee are dealt with in the succeeding sections.

3. Financial Management

3.1 The Committee note that 15 to 47 per cent of the grants remained unspent at the end of each year during the period 1991-92 to 1996-97 as shown in the Table given below:

(Rs. in crore)

		1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
A.	Opening Balance	15.6	5.6	10.5	11.2	35.1	26.4

B.	Grants Received	21.8	44.8	63.9	74.6	51.1	51.1
C.	Interest and other receipts	1.1	1.1	1.7	2.3	2.8	4.7
	Total receipts	38.5	51.5	76.1	88.1	89.0	82.2
D.	No. of Proposals sanctioned	2656	2482	2402	1875	975	1015
E.	Amount disbursed on projects	29.4	37.6	55.9	45.4	54.6	38.5
F.	Establishment and Project Expenses	3.5	3.4	9.0	7.6	8.0	5.2
	Total spent	32.9	41.0	64.9	53.0	62.6	43.7
G.	Unspent Balance	5.6 (15%)	10.5 (20%)	11.2 (15%)	35.1 (40%)	26.4 (30%)	38.5 (47%)

3.2 As would be seen from the above table, the grants remained unspent as the number of projects sanctioned decreased from 1875 in 1994-95 to 975 in 1995-96 representing 46 per cent reduction in last two years, the Ministry, on an average, released 41 per cent of the funds in the month of March during the years 1994 to 1997, non exercise of control in the release of funds – that is to say, funds were released without supporting details such as number of ongoing projects, number of projects expected to be sanctioned during the year, unspent previous year’s grants etc.

3.3 Admitting the reasons given by Audit, the Ministry stated in their remedial action taken notes, that the examination of the schemes became more critical in the year 1995-96 leading to dropping of a large number of projects than in any year before due to de-centralisation of the work and introduction of approval by the National Standing Committees and Regional Committees.

3.4 The Committee enquired whether the Ministry gather details regarding the number of ongoing projects, number of projects to be sanctioned during the year, previous year’s unspent grant etc. The Ministry, in their reply, stated **inter alia** as follows:

“Details regarding number of ongoing projects and number of expected projects are not gathered before release of grants”.

3.5 The Ministry clarified the position, in their action taken replies, as under:
“A revised procedure for release of funds to CAPART under PC, OB and Assistance to CAPART (ARTS) schemes has been prescribed vide Ministry’s letter No. Y-18015/1/99-PC dated 26.7.1999. As per the revised procedure, release will be made on receipt of a quarterly report giving details of on-going projects, projects awaiting clearance, projects expected during the next quarter and the details of fund position.”

3.6 The Committee wanted to know the reasons due to which funds were released in lump sum at the end of the each year instead of releasing them in instalments. The Ministry in their reply stated:

“During the financial year, normally funds are released to CAPART in two instalments only on receipt of requisition from them. In some cases the number of instalments may be more than two. In the first instalment generally funds not exceeding 50% of the Budget allocation are released at the beginning of the financial year. The second or subsequent instalment is normally released after 75% of the earlier instalment is utilized. However, only in some cases balances of allocated budget are released at the end of the year so that efforts are made to encourage, higher utilisation for implementation of the schemes which are meant for development of rural poor and weaker sections of the society.”

3.7 Elaborating the position, the representative of the Ministry deposed:-

“The Institute of Public Auditors, a body created by C&AG of India are looking into the matter and they have to suggest us what action we should take to improve our system of release of funds.”

3.8 One of the objectives of CAPART was to encourage, promote and assist voluntary action in the implementation of rural development schemes. However, the analysis of state-wise distribution of funds revealed that seven states (Andhra Pradesh, Bihar, Gujarat, Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal) with 64 per cent of rural population accounted for 73 per cent of the total funds released while the remaining States/Union Territories with rural population of 36 per cent received 27 per cent of the funds. Madhya Pradesh which had the third highest rural population received a meagre 1.7 per cent of the total funds. The North-Eastern states (except Manipur) received only nominal assistance.

3.9 Regarding the provisions relating to the state-wise allocation of funds and the mechanism evolved for even distribution of funds the Ministry, in their remedial action taken notes, stated:-

“CAPART is seized of the situation and action was initiated right in 1994-95 to correct the imbalance. Some of the initiatives taken by CAPART in this regard are:

- (a) Nine Regional Committee were set up – including one exclusively for North Eastern States – These Committees are required to promote and develop small informal groups, maintain liaison and coordinate with the State Governments and District Authorities, identify the institutions for training of functionaries to VOs and monitor the projects sanctioned within the zone with the assistance of panel of experts/monitors.
- (b) The Regional Centres and Headquarters have been conducting workshops at various places to create awareness in the Voluntary Sector and to motivate the Voluntary Organisations for going alongwith the CAPART to fulfil objectives. More than 170 workshops have been organised all over India for the purpose out of which 20 have been organised in the North Eastern States and 14 in the Western Zone which covers M.P.
- (c) In order to motivate the Voluntary Organisations to work in remote, difficult, inaccessible and Hilly areas and **also to rehabilitate the bonded labour**, in the

under-developed States, CAPART has made a provision to relax its eligibility norms for support to such VOs.”

4. Sanctioning of the Projects

4.1 According to the guidelines of CAPART, prior to sanction of the projects, the following requirements are mandatory:

- (i) Project holder should have completed three years’ of registration;
- (ii) Pre-funding appraisal in case of new entrants to determine the credibility and capacity of the voluntary organisation;
- (iii) Performance of projects sanctioned in the past should be satisfactory ;and
- (iv) Proposal should have with it one/three years’ annual accounts, project report with targets and Voluntary Organisations’s strategy in achieving it and requisite certificates from district authorities.

4.2 As per Audit, pre-funding appraisal was not conducted in 49 out of 50 cases under Central Rural Sanitation Programme (CRSP) Scheme and it was not conducted in any of the 110 cases test checked under Accelerated Rural Water Supply Programme (ARWSP) Scheme. Of the cases test checked under ARWSP scheme, problem village certificates were not submitted in 38 cases, cost estimates, duly approved by the prescribed authorities of the State Government, were not submitted in 88 cases, geo-hydrological reports were not submitted by the VOs with the proposals in 81 cases, no evaluation was done at any stage in 22 cases and post evaluation was done in 5 cases. In 22 cases, no progress reports were received at all while in 51 cases, there was no follow up. In 76 cases pumps installed were not handed over. Under CRSP scheme, no evaluation was done in 18 cases and in 13 cases, no progress reports were received out of 50 cases test checked. Post evaluation was done only in 2 cases.

4.3 In reply to a question of the Committee, as to why the pre-funding appraisal of new entrants was not undertaken, the Ministry in their reply stated that the pre-funding appraisal was not mandatory in the past. It was made mandatory since April, 1997 only.

4.4 In their remedial Action Taken Notes, the Ministry have stated that CAPART did not consider it a mandatory requirement for all projects and did pre-funding appraisal where it was so considered necessary during desk appraisal.

4.5 Regarding the cases under CRSP and ARWSP scheme referred to by the Audit, the Ministry in their Action Taken Replies have stated that they are under constant review and follow-up action on each and every case is being taken to make it final.

A. Projects Sanctioned by Deputy Director General

4.6 Audit has further pointed out that the Deputy Director General of the Council sanctioned 323 projects involving assistance of Rs.11.47 crore in October 1994, of which 111 projects worth Rs.4.31 crore were sanctioned on the last working day (31 October, 1994) of his tenure in the Council. Of the projects sanctioned by him, the Council released grants against 165 projects only as of July 1997. While accepting the facts, the Council stated in January 1998 that consequent upon

review of these cases, some of the sanctions were cancelled and releases stopped as the sanctions deviated from the guidelines.

4.7 On being inquired as to under whose instance and under what authority the matter for review of the cases came up, CAPART, in their reply, stated that the matter for review of these cases had come up under the orders of the Ministry.

4.8 During the course of evidence, the Committee asked the rationale behind sanctioning of a large number of projects by Deputy Director

General on the last day of his tenure. The representative of the Ministry replied:

“We had ordered an inquiry by a former DG into the whole matter. He gave his report and he had also found out that there was a mix up with the computer. The computer did not show that the dates were covered. So, we had full details. It showed that only 18 projects were sanctioned on the last day of that officer’s tenure”.

4.9 The Ministry in their remedial Action Taken Notes have stated that in the light of Audit observations and CAPART’s own experience, remedial measures have been taken to streamline/improve/strengthen the procedure, which are as follows:

- “(a) The system of approval of the projects by the individual officer has been dispensed with and Committees consisting of eminent persons from Voluntary Sector and Government are now sanctioning the projects thereby introducing transparency in the approval of projects. Regional Committees (RCs) and National Standing Committees (NSCs) have been set up to consider projects. RCs are empowered to consider projects upto Rupees 20.00 lakhs and NSCs to consider projects above 20 lakhs.**
- (b) CAPART has introduced a system of obtaining comprehensive organisational profile which contains complete details of the organisation with documentary evidence which throws light on all aspects of the VO including the capability, credibility and experience of the organisation.**
- (c) Scheme-wise checklists for processing the cases are introduced.**
- (d) Pre-funding, midterm and post evaluation have been made compulsory.**
- (e) The entire project sanctioning system, right from the receipt of the proposal till its completion and closure, has been computerised which gives transparency.**
- (f) No proposals are sanctioned unless the earlier projects have been satisfactorily implemented.**
- (g) No organisation can have more than three ongoing projects at any given point of time.**
- (h) Status of the projects sanctioned by Regional Committees to VOs is made verifiable while processing the case in the Headquarters and vice-versa by introducing the online connection with RCs.**

- (i) **Contrary to the earlier practice of sending evaluators for any type of projects, CAPART is now sending only the experts in the field for evaluation of the specific projects.**
- (j) **Evaluators who fail to submit reports within the stipulated time are delisted from the panel.”**

B. Projects sanctioned to the Members of CAPART

4.10 Audit has revealed that 75 VOs which were members of various Committees of the Councils such as General Body, National Standing Committee and Executive Committees were sanctioned a number of projects involving assistance of Rs.40.3 crore. Of these, 19 VOs received 506 projects involving Rs.33 crore. One VO in Bihar was sanctioned 5 projects in 3 months and other seven projects were sanctioned to the same organisation after a gap of two months. Another VO in Gujarat was sanctioned seven projects worth Rs.52 lakh in one month.

4.11 The Committee desired to know why such a large number of projects were sanctioned to VOs without considering their past performance. In their reply, the Ministry stated:-

“Although there is general rule of limiting the number of sanctioned projects to a VO to three, exceptions are made in case of VOs with proven track record which in this case is positive. The issue of sanctioning of projects to members of various committees of CAPART was taken up before the Executive Committee meeting held on 16.11.1998. In spite of CAPART’s recommendations that members should be debarred from CAPART funds, the Executive Committee took the opposite view stating that it is not correct to put a blanket ban on sanction of projects to members of various committees of CAPART and decided that mechanism be evolved with transparency and accountability at the time of considering the projects of this nature.”

4.12 The Ministry further clarified, *ibid*, that as per the existing practice proposals received from Organisations with which Members belonging to Regional Committees/National Standing Committees are associated, the concerned members do not participate in the discussions at the time of approval of the proposals by the Committee. It is also the practice that in cases where the proposals are from Voluntary Organisations in which Regional Committee members are associated, monitoring and evaluation will be done by CAPART Headquarters.

4.13 CAPART has further stated that a Sub-Committee constituted by the Executive Committee (EC) has gone into the whole policy of CAPART and the Sub-Committee’s Report has been considered by the EC in its meeting held on 05.08.2000. The final mechanism in this regard would be decided on the finalisation of the entire policy.

4.14 The Secretary to the Ministry conceded during the evidence:

”We acknowledge that proper scrutiny or proper evaluation should be done on these problems. But they have their own system through which they are functioning. Therefore, subsequent to the issue of instructions the list of project evaluations have been reviewed and revised. It is being made sure that same vested interests are not allowed to remain”

5. Projects awaiting completion

5.1 According to the Audit, the terms and conditions governing sanction of the projects required the VOs to submit half yearly progress reports but such reports were not submitted by many VOs nor were these obtained by the Council, resulting in a large number of projects remaining incomplete. The table given below reflects the year-wise position of incomplete projects vis-à-vis sanctioned up to 1995-96:

(Rs. in crore)

Year	Details of Projects Sanctioned		Details of on-going Projects		
	No	Amount	No	Amount Sanctioned	Amount Released
Upto 1990-91	4909	104.24	4411	92.99	55.82
1991-92	2656	44.71	2286	40.13	26.19
1992-93	2482	49.18	2284	45.17	26.63
1993-94	2402	60.26	2306	58.53	66.83
1994-95	1875	56.11	1834	54.94	20.51
1995-96	975	65.90	961	65.58	28.09
Total	15299	380.40	14082	357.34	224.07

5.2 It is seen from the table that only 8% of the projects were completed as on July 1997 although 95% of the projects sanctioned by the Council were of short duration of six months to one year. 14082 projects involving Rs.224.07 crore were incomplete and 64% of the incomplete projects pertained to a period of over four years.

5.3 On being asked the reasons for non- completion of such a large number of projects, the representative of the Ministry testified:-

“The point that these projects were incomplete was not because the projects were physically incomplete. They might have been physically completed but because of other formalities, for example, the account not having been submitted, a physical report on the basis of evaluation not being available, they were found to be incomplete so the process of rectifications of this technical defect was carried on.”

5.4 Subsequently, in their remedial action taken notes, CAPART stated:-

“The Council has sanctioned 18,841 projects upto March 1997 and 7180 cases have been formally closed after completing all the above mentioned formalities. About 1000 files cannot be immediately closed as the organisations relating to these cases are under funding restrictions and action to settle the matters is in progress. The remaining cases are under different stages of closure”.

5.5. The Committee further inquired about the number of projects which have been completed on ground and only accounting has been left out. The representative of CAPART stated:

“Nine thousand and three hundred fourteen projects were completed”

5.6. On being further asked regarding the action taken against the Organisations for not completing the job, the representative disclosed:-

“The voluntary organisation did not submit the progress report of the accounts. We have been pursuing with the Voluntary Organisation”.

5.7 Inquired about the steps taken by CAPART to ensure timely completion of projects and submission of progress reports, the Ministry replied:

“Steps have been taken to improve monitoring mechanism so as to ensure timely receipt of progress reports/completion reports/utilisation certificate and audited accounts. Special efforts have been made to review all the cases requiring closure. Several instructions have been issued in this regard recently which inter alia include:-

- (i) Where the completion report/utilisation certificate/Audited accounts, after the project period is over, have not been received, HODs at Headquarters and Member convenors at Regional Centres shall immediately write to the concerned VOs for sending the reports making it very clear to the VO that in case such reports have not been received within one month, the VO will be placed under FAS.
- (ii) Where project duration is between one to two years and the duration is over, such projects will be terminated and refund of unspent balance, if any obtained from the VO and the file closed.
- (iii) For all projects sanctioned prior to 31.03.1995 in which full grants have been released and CAPART has also received progress report/completion report, audited statement of accounts and utilisation certificate, these are examined as per norms and the cases are closed after examination including the accounts by the Finance & Accounts wing.
- (iv) For the incomplete cases after 31.03.1995, the reports are called for within 30 days and after receipt and examination of these documents the project is post evaluated and normal procedure for closure is followed.
- (v) No new project should be sanctioned to any VO without getting the completion status of the projects already sanctioned to the VO entered in the computer. The project divisions and Regional Committees have been suitably instructed to take up this work on priority basis and complete the task by initiating special drive with instructions to the HODs and MCs that they are responsible for compliance of these instructions.”

5.8 On being asked whether review has been conducted of the completed projects, the CAPART stated that they have already initiated a special drive and issued guidelines to all the project divisions and regional Committees to review all the completed projects for closure.

6. Misutilisation of funds

6.1 The Audit has highlighted that as of December, 1997, the Council had blacklisted 248 VOs in 16 States. Out of an assistance of Rs.4.05 crore given to these VOs, Rs.2.42 crore or 60% were misutilised. The Council furnished the reasons for blacklisting 209 VOs only as shown in the Table given below:

(Rs. in lakh)

Sl. NO.	Reasons for blacklisting	No. of VOs	No. of Projects sanctioned	Amount sanctioned	Amount released
1.	Voluntary Organizations did not exist	67	127	199	143
2.	Non-implementation, sub-standard execution and unsatisfactory progress in Projects	53	199	334	202
3.	Misrepresentation of facts and adopting foul means etc.	31	47	112	78
4.	Production of forged bank letters	10	23	37	19
5.	Misappropriation/ utilization of funds, etc.	18	32	59	33
6.	Monitors'/Department's Adverse report on the Project	15	38	51	31
7.	Other reasons	15	16	13	11
	Total	209	482	805	517

6.2 Non-existence of VOs was found in a special investigation carried out by a panel of Monitors who inspected VOs in Bihar, Karnataka and Andhra Pradesh from July, 1994 to January 1996. 23 % of the VOs inspected in Bihar were found non-existent. **Of the 248 blacklisted VOs the Council referred 62 cases to Central Bureau of Investigation and instituted Departmental inquiry in 58 cases.**

6.3 While referring 34 cases of blacklisted VOs in May 1995 to CBI, the Council conceded the nexus between officials of the Council including Monitors in cheating, forgery, criminal conspiracy and mis-appropriation of Government funds. The Council also admitted that the documents submitted by VOs, were forged which were not scrutinized in the Council and the prescribed mode of sending the demand drafts by registered post to VOs was not followed. The demand drafts were encashed in connivance with the officials of the Council and those of the banks. According to Audit, because of laxity in sanctioning and monitoring, **fake VOs managed to get funds regularly for 5 to 8 years before the forgery came to light.**

6.4 On being asked to state the mechanism put in place to identify the NGOs, the representative of CAPART stated:-

“Once a voluntary organisation applies, we ask it to give certain documents. This is called ‘Organisation Profile’ of the voluntary organisation. The Organisation Profile

is very detailed and on examination, if we find that it seems to be an ongoing organisation, then, we send a monitor to carry out a pre-funding appraisal on the spot to see whether the NGOs exists, to see whether the office-bearers are doing good work, and to see whether the organisation has an outreach. This is the examination which is being done.”

6.5 The Committee further enquired whether this system was there prior to 1986, the Secretary, Rural Development stated during evidence that sort of a drill was not there prior to 1986.

6.6 Asked to state the action taken against the officials involved in forgery, criminal conspiracy, misappropriation and so on, the Secretary revealed during evidence:

“The system which has been followed prior to the formulation and issuing of instructions and guidelines was basically an adhoc system. It has led to wrong identification of voluntary organisations. The regulations and the instructions have been issued much later and we feel that after that there is tighter control, tighter security, tighter supervisor. I am not trying to forget the past, I am telling you what was actually happened. It is a fact that while the CAPART, tried to take action on recoveries and so on, some of these may be very difficult cases. Now, because the Organisations have either not been there or have wound up and left and whilst the matters are being pursued it is difficult to say how much of this money has been recovered. Therefore, one cannot express any kind of satisfaction of the Government with this kind of system which has worked in the past.”

6.7 When asked as to what steps have been initiated to recover the misutilised amount from the blacklisted VOs and to break the nexus between officials of the Council, the Ministry replied:

“Show cause notices are issued to all the blacklisted Organisations. Representations/explanations have been received from 58 VOs. These have been examined and will be placed before the National Standing Committee on Monitoring and Evaluation. In cases where prime-facie case is established for misutilisation and the VO failed to refund the money, FIRs are being lodged against the VOs and legal action is also being initiated.”

6.8 Responding to the pointed query of the Committee, whether the amount sanctioned to the blacklisted Voluntary Organisations would be recovered or it is going to be written off, the representative of the Ministry assured:-

“We are determined to recover the money”.

6.9 The Committee further inquired regarding the action initiated to recover these amounts. The representative of the Ministry stated:

“To deal with this problem, we have recently assigned a task to the Institute of Public Auditors, a body created by the Comptroller and Auditor General of India. They have to suggest us what action we should take to recover the money”

6.10 Representative of the Ministry further reassured:-

“We are serious about these cases and we are taking all steps not only to recover money but also to take appropriate disciplinary action against those who are responsible”.

6.11 As regards Audit observations regarding inflow of huge number of proposals, lack of transparency in the process and sanction of the proposals, release of proposals, sanction of grants without pre-funding appraisal and release of funds without mid term appraisal in some cases, limited number of Monitors and their nomination/appointment etc. and the nexus that flourished between VO – Monitor- officials, the Ministry stated that the following measure have been initiated by the Council:-

- “Organisational profile of the VO to be submitted with the proposal has been restructured which provides minute details of the organization.
- The entire project cycle right from its receipt to the closure is monitored through computer. Computer does not accept any proposal for registration unless required documents are available with the proposal as per guidelines. No proposal is taken up for processing unless it is registered in the computer. Sanction letter, pay order, letter forwarding cheque, names of the Monitors, competent authority to appoint the Monitor, Monitor letter, completion closing, etc. are fully computerized.
- Sanction of the projects by the individual officer is replaced by the National Standing Committee/Regional Committees comprising Officials of CAPART / Government of India / State Government, representatives of VOs and experts in the subject. Every proposal either for sanction or rejection is placed before the Committee. The concerned committee takes decision after taking into consideration all the relevant facts including the pre-funding appraisal report of the PE, viability of the project and credibility of the VO, the Monitor and the proposal etc. The credibility and capability of the organization and viability of the projects are ascertained through desk-appraisal, pre-funding appraisal (including field visits), and the personal knowledge of the Members of RCs / NSCs.
- The pre-funding, midterm and post evaluation are made compulsory.
- All the sanctions are published in the CAPART bi-monthly newsletter.
- No officer who deals with the project at desk appraisal is permitted to evaluate the project in the field.
- Monitors’ performance is reviewed regularly. Monitors whose performance is found to be not satisfactory and who are generally more than 65 years of age are dropped from the Panel. Action to switch over to Institutional Monitors is also under examination.
- Systems have been introduced for regular vigil to take action to put VOs responsible for irregularities under funding restrictions and to take criminal and civil actions against them. A Vigilance Cell headed by a Senior Officer I.A.S./ Central Services ‘A’ Cadre has been set up to take disciplinary action against the officials responsible for irregularities.”

6.12 The Ministry also stated that 226 cases reported by Audit, 78 cases have been reviewed out of which in 49 cases show-cause notices for blacklisting have been issued and in 8 cases the VOs

have been delisted from Further Assistance Stopped(FAS) category and 21 are under examination at various stages. In the remaining 148 cases investigation is in hand.

7. Other Irregularities

7.1 The Audit test checked some of the projects where the proposals received were sanctioned without verifying the eligibility, credibility, professional competence of the VO, without verifying the genuineness of the documents submitted and sanctioning of projects before completion of mandatory period of three years of registration etc.

7.2 Enquired about the action taken on the cases of irregularities pointed in Audit, the Ministry stated that FIRs have been filed, show cause notices have been served for recovery of the amounts misappropriated and disciplinary actions initiated against the officers involved.

7.3 The Table given below is indicative of CAPART inaction on the disciplinary cases:-

(Rs. in Lakh)

Sl. No	Project Particular	Cost of Project	Nature of charge leveled	No. of Officers involved	Date of initiating disciplinary action	Status
1.	713-6/92-ARWSP 612 – 12/92-JRY	13.96	Release of funds without verifying the status of the voluntary organisation which was earlier put under FAS category	7	Dec 96 Jan 98	Explanation s of some of the officials involved awaited
2.	704-57/93-ARWSP	7.37	Funds released to the blacklisted voluntary organisation, fact which was suppressed in the official notes	2	Feb 97	Explanation of one official awaited
3.	1325-2/94-95/4.07 TMM/MDNPRE /TS	4.07	Favours shown to voluntary organisation	1	Jul 95	Five increments stopped
4.	501-34/92-PC	2.46	Release of second and final instalment without calling for documents	1	Aug 96	Let off after warning
5.	1224-312/94-SAT	1.13	Issue of sanction without approval of	4	Jul 95	Minor penalty

			DG			imposed/ censured
6.	401-213/94-95	NA	-do-	2	Aug 96	Let off after warning
7.	724-401/93-94 CRSP	NA	Deficiencies pointed out by the monitor not brought out in the official notes and funds recommended for release	2	Jun 96 Dec 97	Reply to chargesheet of one of the two officials was under examination . Another officer was charge- sheeted only in December 1997

8. Other points of interest

A. Overhead Expenses

8.1 The Audit para has revealed that overhead charges of CAPART, administrative as well as project linked expenses, increased from 5.9% in 1993-94 to 12.45% of disbursement in 1995-96. The project linked expenses also showed an increase of 152% during the period although the number of projects sanctioned reduced significantly. Yearwise details of the disbursement made together with overheads incurred thereagainst during the period 1993-96 is given in the Table below:-

(Rs. in crore)

<u>Year</u>	Disbursement made	Overheads		Total	Percentage of overhead (col 5 to 2)
		Admn. Expenses	Project linked Expenses		
(1)	(2)	(3)	(4)	(5)	(6)
1993-94	55.92	1.74	1.57	3.31	5.90
1994-95	45.42	2.50	2.03	4.53	9.97
1995-96	54.60	2.85	3.95	6.80	12.45

8.2 Explaining the reasons for the increase in expenditure, the Ministry in their remedial Action Taken Notes stated:-

“The increase in administrative expenditure was mainly on account of the maintenance charges payable to India Habitat Centre (IHC) for the area acquired for

CAPART Headquarters. This is an expense consequent to the decision for locating the CAPART Headquarters in IHC premises.

Major areas which contributed to the increase of project-related expenses to Rs.3.95 crores in 1995-96 as compared to Rs.2.03 crores in 1994-95 are given in the table below:

Sl. No	Particulars	Expenditure (Rs. in lakhs) 1994-95 1995-96	Variance (Rs. in lakhs)	Remarks
1.	Communication Resource Network	Nil 75.00	+ 75.00	The Scheme was introduced in 1995-96 to strengthen the networking of the Vos.
2.	Disability Scheme	Nil +18.00	+18.00	The scheme was introduced in 1995-96 and the expenditure booked under this head. From 1996-97, the expenditure is distributed among the various schemes as per Government order.
3.	Monitoring expenses	31.00 56.00	+25.00	Increase due to concentrated efforts of the Council to evaluate projects sanctioned in the past.
4.	Computers	19.00 46.00	+27.00	Increase due to expansion programme undertaken.
5.	Workshops, training etc.	29.00 80.00	+51.00	Increase in the workshops consequent on decentralisation,
	Total:	79.00 275.00	196.00	

8.3 The Committee desired to know the norms about the expenditure. In his reply the Secretary, Rural Development stated during evidence:-

“There are no such norms, there is nothing in the guidelines.”

8.4 Further clarifying the position, in this regard, representative of the CAPART stated:-

“The administrative expenditure is the expenditure of CAPART’s establishment not only at the Head Office but also in nine Regional Centres. We have nine Regional Centres in the country. So, this expenditure includes all of them”.

8.5 The Ministry in their remedial action taken notes stated the action taken to check the rise in overhead expenses particularly the project linked expenses in view of the fact that CAPART is fully financed by the Government:-

“.....the increase in the overhead expenses during 1995-96 was mainly due to inclusion of expenses on new scheme like disability, communication resources network, workshops for specific schemes etc.”

B. Non utilisation of office building

8.6 Audit paragraph reveals that prior to shifting to the existing premises at India Habitat Centre (IHC), Lodhi Road, in May, 1995, the Council was housed in its own building at Janakpuri, New Delhi, acquired at a cost of Rs.80 lakhs. The Council acquired the existing office space at a provisional cost of Rs.6.75 crores without obtaining the approval of the Ministry of Rural Development. The building at Janakpuri had been lying vacant since May, 1995 on which the Council was spending Rs.3.70 lakhs annually on statutory taxes, maintenance etc. Besides, assets viz. furniture and fixtures worth Rs.63.30 lakhs which were installed in the building were also lying unutilised.

8.7 On being asked by the Committee why the approval of the Ministry was not obtained before shifting to the new premises, the Ministry stated:

“CAPART was allotted office accommodation in January, 1994 at IHC through the efforts of the Ministry. Approval of the Executive Committee of CAPART was obtained when the acquisition took place.”

8.8 The Ministry further clarified in their Remedial Action Taken Note that the matter regarding shifting of office of CAPART from their building in Janakpuri to India Habitat Centre was in fact processed in the Ministry. The Ministry first approached the Ministry of Urban Development for allotting some space in the central area. The Ministry of Urban Development replied that the CAPART was not an eligible office for allotment of accommodation. The matter was then taken up to find alternative accommodation and India Habitate Centre was approached. The India Habitat Centre agreed to allot accommodation for CAPART. The Financial Adviser of the Ministry also apprised the Secretary (Expenditure), Ministry of Finance, about this acquisition of premises for CAPART in the India Habitat Centre through a detailed note. Thereafter, CAPART processed the matter and obtained approval of its Executive Committee.

8.9 With regard to the utilization of building at Janakpuri lying vacant, the Ministry vide their remedial Action Taken Notes informed the Committee:

“The building at Janakpuri where CAPART’s office was located earlier has been vacant since the office shifted to the IHC. Efforts with the DDA to permit sale of this building had not been successful. The Ministry of Rural Areas & Employment has decided in September, 1998 that the building may be utilized for the following purposes:

1. To run training courses to be organized in collaboration with National Institute of Rural Development (NIRD) and Lal Bahadur Shastri National Academy of Administration (LBSNAA), Mussorie.
2. To set up a Monitoring Cell in collaboration with Department of International Development (DFID).

8.10 The Ministry informed the Committee that CAPART has signed a MOU with the Institute of Applied Manpower Research, New Delhi working under Planning Commission and the building has been handed over to them to start Training Centre which is expected to be operationalised by April, 2002.

8.11 As regards the furniture items, furniture items worth about Rs.9.70 lakhs were sent to the Ministry of Rural Areas & Employment and Regional Committees at Lucknow and Chandigarh. The depreciated value of the remaining furniture items is Rs.20 lakhs (approximately). It has been decided to utilize some of these items for the training centre and to dispose of the remaining as per Rules.

9. Monitoring

9.1 According to Audit, monitors were appointed to assess the projects and were expected to submit their reports within 45 days of their appointment. The scrutiny by Audit revealed that the Council ordered evaluation in 22 cases involving assistance of Rs.1.56 crore which was either not conducted or there were delays of upto 14 months in the submission of the reports.

9.2 As regards the norms followed for the appointment of Monitors and the time frame fixed for submission of report by them, the Ministry stated as under:

“CAPART has fixed norms for appointment of monitors and time limit for submission of Reports by them. As per these norms, monitors are appointed for prefunding appraisal after the proposal is found to be worth consideration on desk appraisal. Monitor is appointed for mid-term evaluation after the amount released in first instalment is utilised. Monitors are appointed for post evaluation after the project is completed. In all the cases, 45 days time is given to the monitor for submission of his Report”.

9.3 The Committee further inquired about the steps taken to ensure adequate and timely action on the submission of monitor's reports. The Ministry stated:

“Presently where a monitor does not submit his report within the stipulated period, he is recommended to expedite the submission of the report and the matter is pursued with him. In case of further delay, action for delisting the monitor and appointing a fresh monitor is taken.”

9.4 The Committee desired to know the steps initiated to streamline the monitoring and evaluation mechanism and progress achieved in revamping of monitoring and evaluation division. The Ministry stated:

(a) National Standing Committee on empanelment of monitors has been constituted to review the working of the monitors, delist the monitors whose reports are not satisfactory, empanel of new monitors, devise norms for empanelling monitors etc.

(b) National Standing Committee on monitoring and evaluation has been constituted to lay down policy relating to monitoring and evaluation aspects of CAPART assisted projects, to decide on representation of VOs against blacklisting status etc.

(c) Checklists for use of monitors have been drawn for each scheme and are sent to monitors for use during evaluation

- (d) **A monitors manual has been brought out.**
- (e) **It is also proposed to institutionalise the system of monitoring by taking into CAPART's panel, reputed management/ professional institutions and allotting a geographical area for continuous monitoring of the CAPART projects in that area using their multi-disciplinary academic services."**

9.5 Ministry while clarifying the current status stated, in their remedial action taken notes that there are 505 monitors on the panel as on September, 2000. The Ministry further stated that out of these 505 existing monitors, 253 have been reviewed and 103 of these have been dropped from the panel for reasons like not giving the evaluation reports in time, not giving the reports in the required format, old age, poor reporting etc. The Ministry also assured that the remaining old PEs will be reviewed shortly.

Tata consultancy Services Report

9.6 As per Audit, a study conducted by Tata Consultancy Services in November 1996 observed the following:

- (i) Monitoring criteria for pre-funding appraisal were not well defined and were largely dependent on monitors discretion;
- (ii) There was little emphasis on obtaining references from previous donors which had funded the Voluntary Organisation in the recent past, as regard its credibility and professional competence;
- (iii) The system of collecting information on ongoing projects and Voluntary agencies was ad hoc;
- (iv) No definite empanelment policies for appointment of monitors had been laid down and applicants were screened on the basis of information submitted by them without verifying their credentials;
- (v) Parameters for Voluntary Organisation evaluation and monitoring were not specific leaving a lot of room for subjective assessments; and
- (vi) Projects were entrusted for monitoring on the basis of availability of monitors rather than their suitability.

9.7 On being inquired by the Committee whether the CAPART is satisfied with the study and also about the outcome, the Ministry, in their reply, stated:-

"The Executive Committee of CAPART has constituted a high powered Committee to look into the matter dealt within the report of the Tata Consultancy Services. The Committee has examined the report and has given its recommendations in October, 1998 which are under process for further action."

9.8 The Ministry, in their remedial action taken notes on the points brought out by Audit from the report of the Tata Consultancy Report, have stated, as follows:

- “(i) Check list for monitors has been drawn for each scheme and are sent to the Members for use during evaluation.
- (ii) According to the new guidelines being issued by the Ministry of Rural Areas & Employment, there is emphasis on obtaining references from previous donors which had funded the voluntary organisation. In the meanwhile wherever need is felt, the funding agencies are being contacted to know about the past performance of the Voluntary Organisation.
- (iii) The Project Information Management System (PIMS) software has been operationalised and the data gaps have been minimised both in the Headquarters and Regional Committees. In the meanwhile, data linkage of Regional Committees and Headquarters is underway. RC, Guwahati, Lucknow and Bhubaneswar have already have been linked to Headquarters.
- (iv) All Monitors are now empanelled only after their applications are screened in the empanelment Committee and their credentials checked.
- (v) Check lists have now been made for each scheme according to the requirement for the report of the Project Evaluator to be accepted.
- (vi) Monitors suited to different requirements have now been entrusted based on schemes, skills, region-wise, age-wise.”

10. Evaluation

10.1 The Accelerated Rural Water Supply Programme (ARWSP) was taken up by the Council in 1986 for providing sustainable safe drinking water to the uncovered rural population through digging of wells, installation of handpumps etc. to be implemented through voluntary organisations. 1537 projects involving assistance of Rs.45.39 crore were sanctioned by the Council during 1991-97. The Central Rural Sanitation Programme (CRSP) mainly provided for construction of low cost individual latrines for households below the poverty line, conversion of dry latrines to low cost sanitary latrines and total village sanitation. 1868 projects involving assistance of Rs.46.10 crore were sanctioned during the period 1991-97. The Advancement of Rural Technology Scheme (ARTS) was taken up by the Council to further the development of innovative technology and its dissemination. 548 projects involving assistance of Rs.13.80 crore were sanctioned during 1991-97.

10.2 A sample study conducted by the Council through Socio Economic Research Centre, New Delhi in February 1996 in respect of Accelerated Rural Water Supply Programme (ARWSP) and sample evaluation studies got conducted by the Council in July/August 1994 and December 1995 in respect of Central Rural Sanitation Programme (CRSP) reveals the shortcomings like inadequate discharge of water in 33% of handpumps, installed in U.P., locations of the handpumps favourable to a few households, no arrangements for maintenance of handpumps, provision of individual latrines in U.P. to ineligible households, poor quality construction of latrines, use of latrines for other purposes etc.

10.3 On being inquired by the Committee regarding the follow up action initiated by the Ministry on the studies conducted by the Council through the Social Economic Research Centre, New Delhi, the Ministry stated:-

“A sub-Committee of NSC has studied the various aspects and gave its recommendations to modify the guidelines. Their recommendations are placed before the NSC which have approved. The guidelines are being revised to take care of the deficiencies brought out in the study report. It has been decided that similar studies be conducted in other districts in the country.”

10.4 Queried by the Committee on the steps taken by CAPART to ensure improved quality evaluation, the Ministry stated:-

“Monitors manual is revised. Experts in the respective fields are only deputed for evaluation of the projects. National Standing Committee on Monitoring and Evaluation has been set up to give advise for improvements in the evaluation system from time to time. Another NSC has been constituted for selection and empanelment of right monitors. Institutional monitors are also being included so that their expertise could be utilised in the field”.

10.5 Subsequently the Ministry in their remedial Action Taken Notes furnished to the Committee stated that the finding of study and recommendations made in report were examined in detail and it was decided by CAPART to change the guidelines of the ARWSP scheme to take care of the deficiencies and to take remedial measures. The process to change the guidelines was on and in the meantime both the schemes have been discontinued from 1st April, 1999.

10. Observations/Recommendations

10.1 The Council for Advancement of People’s Action and Rural Technology (CAPART) was set up in September 1986 by merging the Council for Advancement of Rural Technology (CART) and People’s Action for Development (India) [PADI] with a view to integrate and hasten the process of socio-economic and technological empowerment of the rural poor. CAPART provides financial assistance to Voluntary Organisations and aims at promoting and assisting voluntary organisations in implementing rural development schemes in their research efforts to develop rural technology and its dissemination. The Audit test checked the records of the CAPART for the period 1991-92 to 1996-97, relating to three main schemes, namely, the Accelerated Rural Water Supply Programme (ARWSP), Central Rural Sanitation Programme (CRSP) and Advancement of Rural Technology Scheme (ARTS) accounting for 47% of the total assistance received by the CAPART during the period. On examination of material evidence, the Committee found some glaring shortcomings/irregularities in the implementation of the schemes which are discussed in the succeeding paragraphs.

10.2 The Committee note that 15 to 47% of the grants received during the years 1991-92 to 1996-97 remained unspent at the end of each year. The Audit has attributed the reasons for unspent grants as the decrease in the number of projects sanctioned, release of, on an average, 41% of the funds in the month of March and non exercise of control in the release of funds. On enquiry, the Ministry, while admitting the decrease in the number of projects sanctioned stated that examination of the schemes during 1995-96 became more critical leading to dropping of a large number of projects due to decentralisation of the work and introduction of

approval by the National Standing Committees and Regional Committees of CAPART. Asked about the release of funds without supporting details, the Ministry stated that the details of ongoing projects and the number of expected projects were not gathered by them before the release of grants. The Ministry subsequently stated that the procedure for release of fund was revised in 1999 stipulating that release would be made on receipt of quarterly report giving details of the on-going projects, projects awaiting clearance, projects expected during the next quarter and the details of funds position. With regard to release of funds in lump sum in the month of March, the witness deposed that the Institute of Public Auditors were looking into the matter and they would suggest the action to be taken to improve the system of release of funds. The Committee are convinced that the schemes were introduced in haste, without proper planning and without framing of guidelines for their implementation. The Committee further note that prior to 1999, the grants were released without asking for details of ongoing projects, projects awaiting completion and expected projects during the year. The Committee expect the Ministry/CAPART to ensure that the revised procedure is adhered to scrupulously and any deviation from the procedure/guidelines be dealt with sternly. The Committee would also like to be apprised of the recommendations of the Institute of Public Auditors and the action taken thereon to avoid rush of sanctions of grants in the Month of March.

10.3 The Committee note that the objective behind the setting up of CAPART was to encourage, promote and assist voluntary action in the implementation of rural development schemes. The analysis of state-wise distribution of funds revealed that seven states constituting 64% of rural population accounted for 73% of the total funds released and the remaining States/Union Territories having rural population of 36% received only 27% of the funds. Strangely, Madhya Pradesh with the third highest rural population in the country received 1.7% grants while the north eastern states (except Manipur) received only nominal assistance. On being enquired, the Ministry while conceding unequal distribution stated that CAPART was seized of the situation and action was initiated in 1994-95 to correct the imbalance. The Committee feel that the emphasis of the Ministry should be to assist the VOs to develop rural technology and, so far as practicable, the states should receive assistance in proportion to their rural population. The Committee also recommend that the VOs should be given proper incentives to work in hilly, difficult and remote areas.

10.4 The guidelines of CAPART stipulate that prior to sanction of the projects, the conditions like completion of three years of registration, pre-funding appraisal and satisfactory performance of the past projects were mandatory. Test check in audit revealed that pre-funding was not conducted in 49 out of 50 cases under the Central Rural Sanitation Programme (CRSP) Scheme and it was not conducted at all in 110 cases test checked under the Accelerated Rural Water Supply Programme (ARWSP) Scheme. Under ARWSP Scheme no evaluation was done at any stage in 22 cases and post evaluation was done in 5 cases only. In 22 cases, no progress reports were received at all while in 51 cases there was no follow up. Under CRSP Scheme no evaluation was done in 18 cases and in 13 cases no progress reports were received out of 50 cases. Post evaluation was done only in 2 cases. According to the Ministry, pre-funding appraisal was made mandatory since April 1997 only but they did not consider it a mandatory requirement for all projects as pre-funding appraisal was done where it was so considered necessary. Taking note of the apparently contradictory guidelines, the Committee recommend that the guidelines may be suitably revised to avoid ambivalence and to ensure that adequate prefunding appraisal and post-sanction evaluation is done of VOs for the successful implementation of the schemes.

10.5 According to Audit, the Deputy Director General, CAPART sanctioned 323 projects involving assistance of Rs.11.47 crore in October 1994 of which 111 projects worth Rs.4.31 crore were sanctioned on the last working day of his tenure. Of the projects sanctioned by him, CAPART released grants against 165 projects only as of July 1997. The Ministry stated that consequent upon review of these cases some of the sanctions were cancelled and releases stopped as the sanctions deviated from the guidelines. The Ministry have also stated that in view of audit observations and their own experience remedial measures have been taken and the system of approval of the projects by the individual officer has been dispensed with and Committees consisting of eminent persons from voluntary sector and Government are now sanctioning the projects. In the opinion of the Committee, such a course constitutes a clear and wilful deviation from the guidelines and they, therefore, desire that appropriate action be taken against the official concerned for such a deviant action. The Committee would like to be apprised of the impact of the new grant-sanctioning system vis-à-vis complaints of irregularities received subsequently as also the punitive/deterrent action taken against the guilty officer(s).

10.6 Yet another glaring irregularity brought to the notice of Committee was that 75 VOs who were members of various Committees of CAPART set up for screening and approval of projects, were sanctioned a number of projects involving assistance of Rs. 40.3 crore. Of these, 19 VOs received 506 projects involving Rs.33 crore. One VO in Bihar was sanctioned five projects in three months and other seven projects after a gap of two months. Another VO in Gujarat was sanctioned seven projects worth Rs.52 lakh in one month. The Ministry, while conceding that there is a general rule of limiting the number of sanctioned projects to a VO to three, stated that certain exceptions were made. According to them, the Sub-Committee constituted by the Executive Committee (EC) went into the whole policy of CAPART and the report of Sub-Committee was considered by the EC in its meeting held on 05.08.2000. Subsequently, in a post-evidence note the Ministry stated that the final mechanism in this regard would be decided on the finalisation of the entire policy. The Committee are saddened to observe that a number of projects were sanctioned indiscriminately and in contravention of guidelines to VOs who were members of grant sanctioning Committees. Obviously, such VOs, being judges of their own cases, took advantage of their membership to secure grants for their organisations. While considering such a practice far from edifying, the Committee recommend that the grants given to such VOs be stringently monitored so as to ensure that the grants given are being used for the intended purposes effectively. In order to maintain sanctity of grants approval procedure, and to avoid recurrence of such irregularities, the Committee would like the Government to expedite finalisation of new guidelines.

10.7 The terms and conditions governing the sanction of projects required the VOs to submit half yearly progress reports. Audit has pointed out that such reports were neither submitted by many VOs nor were these obtained by CAPART resulting in large number of projects remaining incomplete. Only 8% of the projects were completed as on July 1997 although 95% of the projects were of short duration of six months to one year, 14082 projects involving Rs.224.07 crore were incomplete and 64% of the incomplete projects pertained to a period of over four years. According to Ministry, CAPART sanctioned 18841 projects upto March 1997 out of which 7180 cases have since been closed. Further, about 1000 files could not be immediately closed as the organizations relating to these cases were under funding restrictions and action to settle the matter was in progress while the remaining cases are

under different stages of closure. Though the Committee was assured by the Ministry that steps have been taken to improve monitoring mechanism so as to ensure timely receipt of progress reports/completion reports etc. and that special efforts have been made to review all the cases requiring closure, the fact remains that the terms and conditions were not followed and no effort was made by the Ministry to obtain the progress reports. The Committee, therefore, recommend that a thorough review of all the completed projects requiring closure be made expeditiously and a suitable mechanism evolved to ensure that the progress report of every project is obtained by CAPART and stern action taken against the defaulting VOs.

10.8 The Committee note that CAPART had blacklisted 248 VOs in 16 States upto December 1997 and out of an assistance of Rs.4.05 crore provided to these VOs, Rs.2.42 crore or 60% were misutilised. CAPART could furnish reasons for blacklisting 209 VOs only. Audit has also highlighted that 23% of the VOs inspected in Bihar were found non-existent and out of 248 blacklisted VOs, CAPART referred 62 cases to CBI and instituted departmental enquiry in 58 cases. While referring 34 cases to CBI CAPART admitted the connivance of some of its officials including monitors with respect to cases of cheating, forgery, criminal conspiracy and misappropriation of funds. The Ministry also admitted that the documents submitted by VOs were forged which were not scrutinised in CAPART. The Ministry in their action taken notes stated that the 226 cases reported by Audit, 78 cases have been reviewed, show-cause notices issued in 49 cases for blacklisting, and in 8 cases the VOs have been delisted from "further assistance stopped" (FAS) category and 21 were under examination at various stages. In the remaining 148 cases, investigation was said to be in hand. Undoubtedly, owing to laxity on the part of grant sanctioning and monitoring authorities, fake VOs manoeuvred to get funds regularly for five to eight years. Test check in Audit also revealed that proposals were sanctioned without verifying the eligibility, credibility, professional competence of the VO and without verifying the genuineness of the documents submitted. In certain cases projects were sanctioned before completion of mandatory period of three years of registration by the VOs. The Ministry have stated that FIRs have been filed, show cause notices have been served for recovery of the amounts misappropriated and disciplinary actions initiated against the officers involved. The Committee are not at all happy with the pace at which CAPART is pursuing the cases. The Committee, therefore, desire that all cases of irregularities pointed out in audit be examined thoroughly without further loss of time and swift action taken to recover the amount misappropriated by the said VOs. They would also like to be apprised of the findings of the Institute of Public Auditors and action taken thereon to recover the amount. The Committee further desire that the list of blacklisted VOs be compiled and furnished to them alongwith the reasons for such blacklisting. The status of departmental proceedings against the officials found guilty of cheating, forgery and conspiracy etc. be also placed before the Committee expeditiously.

10.9 Another case of considerable anxiety is the increase in overhead expenses. The Committee note that the administrative as well as project linked expenses increased from 5.9% in 1993-94 to 12.45% of disbursements in 1995-96. The Ministry stated that the increase in administrative expenditure was mainly on account of the maintenance charges payable to India Habitat Centre (IHC) for the area acquired for CAPART headquarters. The Committee have been informed that CAPART acquired the existing space at a provisional cost of Rs.6.75 crore in May 1995 without obtaining the approval of the Ministry of Rural Development while the old building at Janakpuri continued to be vacant since 1995 on which Rs.3.70 lakh are being spent annually on statutory taxes and maintenance etc. CAPART

stated that they were allotted office accommodation in January 1994 at IHC through the efforts of the Ministry and the approval of the Executive Committee of CAPART was obtained when the acquisition took place. In the considered opinion of the Committee, had CAPART acted with prudence, the shifting of office of CAPART could have been so coordinated as to avoid payment of Statutory taxes and maintenance charges of a vacant building. The Committee would like to be apprised of the remedial action taken in this behalf by the Ministry at the earliest.

10.10 The Committee hardly need to reiterate that monitoring is an essential pre-requisite for the successful implementation of a scheme. The audit scrutiny of the schemes revealed that the monitors appointed to assess the projects were expected to submit their reports within 45 days of their appointment. In 22 cases, however, involving assistance of Rs. 1.56 crore CAPART ordered evaluation which was either not conducted or there were delays of upto 14 months in the submission of the reports. The Ministry in their replies stated that out of 505 monitors on the panel, 253 have been reviewed and 103 monitors have been dropped from the Panel. The Committee desire that all the remaining monitors be reviewed and the results of the review furnished to them.

10.11 The Committee note that the Tata Consultancy Services, engaged by CAPART to suggest improvements in its monitoring mechanism, commented adversely, among other things, on the monitoring criteria for pre-funding appraisal, system of collection of information, empanelment policies for appointment of monitors, parameters for voluntary organization evaluation and monitoring, suitability of monitors etc. The Ministry stated that the Executive Committee of CAPART has constituted a high powered Committee to look into the report of the Tata Consultancy Services and the recommendations of the Committee are under process for further action. The Committee deplore the delay in taking action on the recommendations of the high powered Committee and desire the Ministry to expedite action thereon without any further loss of time. They would like to be apprised of the action taken in the matter.

10.12 The Accelerated Rural Water Supply Programme (ARWSP) Scheme was taken up by CAPART in 1986 for providing sustainable safe drinking water to the uncovered rural population. Similarly, the Central Rural Sanitation Programme (CRSP) Scheme and the Advancement of Rural Technology Scheme (ARTS) were launched for construction of low cost individual latrines for household below poverty line and to further the development of innovative technology and its dissemination respectively. According to audit, a sample study conducted by CAPART through Socio-Economic Research Centre, New Delhi in February 1996 of ARWSP and sample evaluation study got conducted in July/August 1994 and December 1995 of CRSP revealed various shortcomings/irregularities like inadequate discharge of water in 33% of handpumps installed in U.P., location of handpumps favourable to a few households, provision of poor quality construction of latrines and use of latrines for other purposes etc. The Ministry stated that the guidelines were being revised to take care of the deficiencies brought out in the sample study report. The Ministry also stated that they have decided to conduct similar studies in other districts of the country. Apparently, such glaring shortcoming/irregularities speak volumes about the deficient and lackadaisical implementation of the scheme. The Committee, therefore, desire that the evaluation system be suitably revised and strengthened and the decision to conduct the sample studies in each district of the country be implemented expeditiously.

NEW DELHI;
11 December, 2002
20 Agrahayana 1924 (Saka)

SARDAR BUTA SINGH,
Chairman,
Public Accounts Committee

APPENDIX

STATEMENT OF CONCLUSIONS AND RECOMMENDATIONS

Sl. No.	Para No.	Ministry/ Department	Conclusions and Recommendations
1.	10.1	Ministry of Rural Development	<p>The Council for Advancement of People's Action and Rural Technology (CAPART) was set up in September 1986 by merging the Council for Advancement of Rural Technology (CART) and People's Action for Development (India) [PADI] with a view to integrate and hasten the process of socio-economic and technological empowerment of the rural poor. CAPART provides financial assistance to Voluntary Organisations and aims at promoting and assisting voluntary organisations in implementing rural development schemes in their research efforts to develop rural technology and its dissemination. The Audit test checked the records of the CAPART for the period 1991-92 to 1996-97, relating to three main schemes, namely, the Accelerated Rural Water Supply Programme (ARWSP), Central Rural Sanitation Programme (CRSP) and Advancement of Rural Technology Scheme (ARTS) accounting for 47% of the total assistance received by the CAPART during the period. On examination of material evidence, the Committee found some glaring shortcomings/irregularities in the implementation of the schemes which are discussed in the succeeding paragraphs.</p>
2.	10.2	-do-	<p>The Committee note that 15 to 47% of the grants received during the years 1991-92 to 1996-97 remained unspent at the end of each year. The Audit has attributed the reasons for unspent grants as the decrease in the number of projects sanctioned, release of, on an average, 41% of the funds in the month of March and non exercise of control in the release of funds. On enquiry, the Ministry, while admitting the decrease in the number of projects sanctioned stated that examination of the schemes during 1995-96 became more critical leading to dropping of a large number of projects due to decentralisation of the work and introduction of approval by the National Standing Committees and Regional Committees of CAPART. Asked about the release of funds without supporting details, the Ministry stated that the details of ongoing projects and the number of expected projects were not gathered by them before the release of grants. The Ministry subsequently stated that the procedure for release of fund was revised in 1999 stipulating that release would be made on receipt of quarterly report giving details of the ongoing projects, projects awaiting clearance, projects expected</p>

			<p>during the next quarter and the details of funds position. With regard to release of funds in lump sum in the month of March, the witness deposed that the Institute of Public Auditors were looking into the matter and they would suggest the action to be taken to improve the system of release of funds. The Committee are convinced that the schemes were introduced in haste, without proper planning and without framing of guidelines for their implementation. The Committee further note that prior to 1999, the grants were released without asking for details of ongoing projects, projects awaiting completion and expected projects during the year. The Committee expect the Ministry/CAPART to ensure that the revised procedure is adhered to scrupulously and any deviation from the procedure/guidelines be dealt with sternly. The Committee would also like to be apprised of the recommendations of the Institute of Public Auditors and the action taken thereon to avoid rush of sanctions of grants in the Month of March.</p> <p>The Committee note that the objective behind the setting up of CAPART was to encourage, promote and assist voluntary action in the implementation of rural development schemes. The analysis of state-wise distribution of funds revealed that seven states constituting 64% of rural population accounted for 73% of the total funds released and the remaining States/Union Territories having rural population of 36% received only 27% of the funds. Strangely, Madhya Pradesh with the third highest rural population in the country received 1.7% grants while the north eastern states (except Manipur) received only nominal assistance. On being enquired, the Ministry while conceding unequal distribution stated that CAPART was seized of the situation and action was initiated in 1994-95 to correct the imbalance. The Committee feel that the emphasis of the Ministry should be to assist the VOs to develop rural technology and, so far as practicable, the states should receive assistance in proportion to their rural population. The Committee also recommend that the VOs should be given proper incentives to work in hilly, difficult and remote areas.</p>
3.	10.3	M/o Rural Development	
4.	10.4	-do-	<p>The guidelines of CAPART stipulate that prior to sanction of the projects, the conditions like completion of three years of registration, pre-funding appraisal and satisfactory performance of the past projects were mandatory. Test check in audit revealed that pre-funding was not conducted in 49 out of 50 cases under the Central Rural Sanitation Programme</p>

			<p>(CRSP) Scheme and it was not conducted at all in 110 cases test checked under the Accelerated Rural Water Supply Programme (ARWSP) Scheme. Under ARWSP Scheme no evaluation was done at any stage in 22 cases and post evaluation was done in 5 cases only. In 22 cases, no progress reports were received at all while in 51 cases there was no follow up. Under CRSP Scheme no evaluation was done in 18 cases and in 13 cases no progress reports were received out of 50 cases. Post evaluation was done only in 2 cases. According to the Ministry, pre-funding appraisal was made mandatory since April 1997 only but they did not consider it a mandatory requirement for all projects as pre-funding appraisal was done where it was so considered necessary. Taking note of the apparently contradictory guidelines, the Committee recommend that the guidelines may be suitably revised to avoid ambivalence and to ensure that adequate prefunding appraisal and post-sanction evaluation is done of VOs for the successful implementation of the schemes.</p>
5.	10.5	M/o of Rural Development	<p>According to Audit, the Deputy Director General, CAPART sanctioned 323 projects involving assistance of Rs.11.47 crore in October 1994 of which 111 projects worth Rs.4.31 crore were sanctioned on the last working day of his tenure. Of the projects sanctioned by him, CAPART released grants against 165 projects only as of July 1997. The Ministry stated that consequent upon review of these cases some of the sanctions were cancelled and releases stopped as the sanctions deviated from the guidelines. The Ministry have also stated that in view of audit observations and their own experience remedial measures have been taken and the system of approval of the projects by the individual officer has been dispensed with and Committees consisting of eminent persons from voluntary sector and Government are now sanctioning the projects. In the opinion of the Committee, such a course constitutes a clear and wilful deviation from the guidelines and they, therefore, desire that appropriate action be taken against the official concerned for such a deviant action. The Committee would like to be apprised of the impact of the new grant-sanctioning system vis-à-vis complaints of irregularities received subsequently as also the punitive/deterrent action taken against the guilty officer(s).</p>
6.	10.6	M/o Rural Development	<p>Yet another glaring irregularity brought to the notice of Committee was that 75 VOs who were members of various Committees of CAPART set up for screening and approval of projects, were sanctioned a number of projects involving assistance of Rs. 40.3 crore. Of these, 19 VOs received 506 projects involving Rs.33 crore. One VO in Bihar was sanctioned five projects in three months and other seven projects after a gap of two months. Another VO in Gujarat</p>

			<p>was sanctioned seven projects worth Rs.52 lakh in one month. The Ministry, while conceding that there is a general rule of limiting the number of sanctioned projects to a VO to three, stated that certain exceptions were made. According to them, the Sub-Committee constituted by the Executive Committee (EC) went into the whole policy of CAPART and the report of Sub-Committee was considered by the EC in its meeting held on 05.08.2000. Subsequently, in a post-evidence note the Ministry stated that the final mechanism in this regard would be decided on the finalisation of the entire policy. The Committee are saddened to observe that a number of projects were sanctioned indiscriminately and in contravention of guidelines to VOs who were members of grant sanctioning Committees. Obviously, such VOs, being judges of their own cases, took advantage of their membership to secure grants for their organisations. While considering such a practice far from edifying, the Committee recommend that the grants given to such VOs be stringently monitored so as to ensure that the grants given are being used for the intended purposes effectively. In order to maintain sanctity of grants approval procedure, and to avoid recurrence of such irregularities, the Committee would like the Government to expedite finalisation of new guidelines.</p>
7.	10.7	M/o Rural Development	<p>The terms and conditions governing the sanction of projects required the VOs to submit half yearly progress reports. Audit has pointed out that such reports were neither submitted by many VOs nor were these obtained by CAPART resulting in large number of projects remaining incomplete. Only 8% of the projects were completed as on July 1997 although 95% of the projects were of short duration of six months to one year, 14082 projects involving Rs.224.07 crore were incomplete and 64% of the incomplete projects pertained to a period of over four years. According to Ministry, CAPART sanctioned 18841 projects upto March 1997 out of which 7180 cases have since been closed. Further, about 1000 files could not be immediately closed as the organizations relating to these cases were under funding restrictions and action to settle the matter was in progress while the remaining cases are under different stages of closure. Though the Committee was assured by the Ministry that steps have been taken to improve monitoring mechanism so as to ensure timely receipt of progress reports/completion reports etc. and that special efforts have been made to review all the cases requiring closure, the fact remains that the terms and conditions were not followed and no effort was made by the Ministry to obtain the progress reports. The Committee, therefore, recommend that a thorough review of all the completed projects requiring closure be made</p>

			expeditiously and a suitable mechanism evolved to ensure that the progress report of every project is obtained by CAPART and stern action taken against the defaulting VOs.
8.	10.8	-do-	<p>The Committee note that CAPART had blacklisted 248 VOs in 16 States upto December 1997 and out of an assistance of Rs.4.05 crore provided to these VOs, Rs.2.42 crore or 60% were misutilised. CAPART could furnish reasons for blacklisting 209 VOs only. Audit has also highlighted that 23% of the VOs inspected in Bihar were found non-existent and out of 248 blacklisted VOs, CAPART referred 62 cases to CBI and instituted departmental enquiry in 58 cases. While referring 34 cases to CBI CAPART admitted the connivance of some of its officials including monitors with respect to cases of cheating, forgery, criminal conspiracy and misappropriation of funds. The Ministry also admitted that the documents submitted by VOs were forged which were not scrutinised in CAPART. The Ministry in their action taken notes stated that the 226 cases reported by Audit, 78 cases have been reviewed, show-cause notices issued in 49 cases for blacklisting, and in 8 cases the VOs have been delisted from “further assistance stopped” (FAS) category and 21 were under examination at various stages. In the remaining 148 cases, investigation was said to be in hand. Undoubtedly, owing to laxity on the part of grant sanctioning and monitoring authorities, fake VOs manoeuvred to get funds regularly for five to eight years. Test check in Audit also revealed that proposals were sanctioned without verifying the eligibility, credibility, professional competence of the VO and without verifying the genuineness of the documents submitted. In certain cases projects were sanctioned before completion of mandatory period of three years of registration by the VOs. The Ministry have stated that FIRs have been filed, show cause notices have been served for recovery of the amounts misappropriated and disciplinary actions initiated against the officers involved. The Committee are not at all happy with the pace at which CAPART is pursuing the cases. The Committee, therefore, desire that all cases of irregularities pointed out in audit be examined thoroughly without further loss of time and swift action taken to recover the amount misappropriated by the said VOs. They would also like to be apprised of the findings of the Institute of Public Auditors and action taken thereon to recover the amount. The Committee further desire that the list of blacklisted VOs be compiled and furnished to them alongwith the reasons for such blacklisting. The status of departmental proceedings against the officials found guilty of cheating, forgery and conspiracy etc. be also placed before the Committee expeditiously.</p>

9.	10.9	M/o Rural Development	<p>Another case of considerable anxiety is the increase in overhead expenses. The Committee note that the administrative as well as project linked expenses increased from 5.9% in 1993-94 to 12.45% of disbursements in 1995-96. The Ministry stated that the increase in administrative expenditure was mainly on account of the maintenance charges payable to India Habitat Centre (IHC) for the area acquired for CAPART headquarters. The Committee have been informed that CAPART acquired the existing space at a provisional cost of Rs.6.75 crore in May 1995 without obtaining the approval of the Ministry of Rural Development while the old building at Janakpuri continued to be vacant since 1995 on which Rs.3.70 lakh are being spent annually on statutory taxes and maintenance etc. CAPART stated that they were allotted office accommodation in January 1994 at IHC through the efforts of the Ministry and the approval of the Executive Committee of CAPART was obtained when the acquisition took place. In the considered opinion of the Committee, had CAPART acted with prudence, the shifting of office of CAPART could have been so coordinated as to avoid payment of Statutory taxes and maintenance charges of a vacant building. The Committee would like to be apprised of the remedial action taken in this behalf by the Ministry at the earliest.</p>
10.	10.10	M/o Rural Development	<p>The Committee hardly need to reiterate that monitoring is an essential pre-requisite for the successful implementation of a scheme. The audit scrutiny of the schemes revealed that the monitors appointed to assess the projects were expected to submit their reports within 45 days of their appointment. In 22 cases, however, involving assistance of Rs. 1.56 crore CAPART ordered evaluation which was either not conducted or there were delays of upto 14 months in the submission of the reports. The Ministry in their replies stated that out of 505 monitors on the panel, 253 have been reviewed and 103 monitors have been dropped from the Panel. The Committee desire that all the remaining monitors be reviewed and the results of the review furnished to them.</p>
11.	10.11	-do-	<p>The Committee note that the Tata Consultancy Services, engaged by CAPART to suggest improvements in its monitoring mechanism, commented adversely, among other things, on the monitoring criteria for pre-funding appraisal, system of collection of information, empanelment policies for appointment of monitors, parameters for voluntary organization evaluation and monitoring, suitability of monitors etc. The Ministry stated that the Executive Committee of CAPART has constituted a high powered Committee to look into the report of the Tata Consultancy Services and the recommendations of the Committee are</p>

			<p>under process for further action. The Committee deplore the delay in taking action on the recommendations of the high powered Committee and desire the Ministry to expedite action thereon without any further loss of time. They would like to be apprised of the action taken in the matter.</p>
12.	10.1 2	-do-	<p>The Accelerated Rural Water Supply Programme (ARWSP) Scheme was taken up by CAPART in 1986 for providing sustainable safe drinking water to the uncovered rural population. Similarly, the Central Rural Sanitation Programme (CRSP) Scheme and the Advancement of Rural Technology Scheme (ARTS) were launched for construction of low cost individual latrines for household below poverty line and to further the development of innovative technology and its dissemination respectively. According to audit, a sample study conducted by CAPART through Socio-Economic Research Centre, New Delhi in February 1996 of ARWSP and sample evaluation study got conducted in July/August 1994 and December 1995 of CRSP revealed various shortcomings/irregularities like inadequate discharge of water in 33% of handpumps installed in U.P., location of handpumps favourable to a few households, provision of poor quality construction of latrines and use of latrines for other purposes etc. The Ministry stated that the guidelines were being revised to take care of the deficiencies brought out in the sample study report. The Ministry also stated that they have decided to conduct similar studies in other districts of the country. Apparently, such glaring shortcoming/irregularities speak volumes about the deficient and lackadaisical implementation of the scheme. The Committee, therefore, desire that the evaluation system be suitably revised and strengthened and the decision to conduct the sample studies in each district of the country be implemented expeditiously.</p>