

# **CHAPTER-III**

## **FUNCTIONING OF THE BOARD**



## CHAPTER III

### Functioning of the Board

*The core functions of the Board towards redressal of regional disparities and ensuring balanced regional development was not discharged by the Board during the entire nine years of its existence. The specified tasks of ascertaining the relative levels of development in different sectors with reference to appropriate indicators, determination of backlogs and to suggest budgetary allocations for its removal and providing policy inputs to the Government, providing recommendations on the creation of posts, establishment of institutions in the region etc., were not carried out resulting in non-realisation of the objectives of the 98<sup>th</sup> Constitutional Amendment Act.*

*The various Apex Level Committees specified in the Board Order 2013 for assisting the Board was not functional. The Board did not constitute the Advisory Council to prepare Annual Draft Development Plan prescribed in the Board order 2013. Absence of Advisory Council at the Board level resulted in non-preparation of perspective plan, non-assessment of economic potential of the region, etc. The implementation committee, expert committee was not constituted as per the Board order 2013 which impacted the effective implementation of development works undertaken by the Board. As a result, the works implemented by the Board was inordinately delayed and could not realise the intended objective of redressal of regional disparities.*

### 3.1 Constitution of the Board

In exercise of the powers conferred under Article 371-J of the Constitution, Governor of Karnataka issued (November 2013) Hyderabad Karnataka Region Development Board Order, 2013 (Board Order 2013) establishing the Hyderabad Karnataka Region Development Board and specifying its functions. The matters related to the constitution of the Board are discussed in the succeeding paragraphs:

#### **3.1.1 Non-appointment of Board members**

The Board make overall policy decisions, formulate plans, set strategic direction, and provide oversight to an Organisation. The Board exercises these tasks through its members and appointment of the Board members, therefore, was important for the effective functioning of the Board.

As per clause 3(a) of the Board Order 2013, Board is to be constituted with 28 members with all the district in-charge ministers of the KK Region as members of the Board. The other members of the Board are members of Karnataka Legislative Assembly (8), members of the Karnataka Legislative Council (2), Member of the Parliament (1), Adhyakshas of the Zilla Panchayats (1), President/Mayor of the Urban Local Body (1), one member each who are expert in planning process of State (5), The Government also nominated Regional

Commissioner of Kalaburagi Revenue Region (Ex-officio Member), Secretary to Government in-charge of Planning Department (Ex-officio Member), Secretary to Government in-charge of Finance (Ex-officio Member) and Secretary of the Board (Member Secretary). One of the Ministers in-charge of districts in the region to be nominated by the State Government as the Chairman and shall hold office for a period of two years. The Chairman shall preside over the meetings of the Board. The details of Chairmen of the Board and their tenure are shown in **Table 3.1**.

**Table 3.1: The details of Chairman of the Board and their tenure**

Name of the Chairman	Constituency	Period	
		From	To
Shri Kamarul Islam, MLA	Kalaburagi	27.01.2014	27.01.2016
Shri Dr. Sharana Prakasha Patil, MLA	Raichur	28.01.2016	22.01.2018
Shri Basavaraj Rayareddy, MLA	Koppal	09.03.2018	31.03.2018
Shri Rajashekar Patil, MLA	Yadagiri	01.04.2018	15.05.2018
Shri Dattatreya Chandrashekar Patil, MLA	Kalaburagi	03.08.2020	Till date

The members to the Board were first appointed during January 2014 and were nominated from time to time till 2018-19. No members were appointed to the Board during the years 2019-20, 2020-21 and three quarters of 2021-22. Vacancies of Board Members prevailed for 2 years and 11 months thus affecting the discharge of functions of the Board during the period. The State Government nominated the members to the Board again in March 2022.

The absence of a nominated Board in several spells impacted various functions of the Board such as its ability to frame policies, periodic assessment of the level of development of the region, advise on creation of various posts and sanction of institutions like PHCs, Veterinary dispensaries, primary and secondary schools *etc.*, resulting in staggered growth of development in the Region.

### 3.1.2 Non-constitution of Advisory Council

The Board Order 2013, specifies (Clause 4) constitution of an Advisory Council<sup>7</sup> with the Secretary of the KKRDB as the Member Secretary. The primary responsibility of the Advisory Council was to prepare the Annual Draft Development Plan (ADDP) for the region and submit it to the Board before September of every year in respect of succeeding financial year. The envisaged Advisory Council was not constituted since inception of the Board. Further, the District Advisory Councils were constituted in each districts in May 2020.

<sup>7</sup> Consisting of District in-charge Minister, in-charge of Revenue Districts in the Region, all members of the Parliament representing the region, all members of the Karnataka State Legislative Assembly representing the region, all members of the Karnataka State Legislative Council whose name has been registered as voter in that region, all Adhyakshas of Zilla Panchayats representing the region, Regional Commissioner of Kalaburagi Division, all Deputy Commissioners of the Revenue Districts in the region, Mayors of the Municipal Corporations and Adhyakshas of city Municipal Councils in the region and all the Chief Executive Officers of the Zilla Panchayats of the Revenue Districts in the region as members.

The Government replied (July 2022) that District Advisory Councils (DACs) were constituted at the District level.

The reply is not acceptable as the Board did not consider the fact that the Advisory Council were not constituted till May 2020 and the Board Order 2013 was amended to constitute District Advisory Councils only in May 2020. Further, Audit is of the view that planning the regional level interventions and works to be taken up under Regional Fund and other discretionary funds require Board level advisory council to consider and approve the proposals.

### **3.1.3 Non-formation of Implementation Committee**

As provided under Clause 17 and 18 of the Board Order 2013, the State Government was to constitute an Implementation Committee at district, taluk and gram panchayats level and the committees was to exercise powers as delegated to it by the Board.

It was observed that the implementation committees were not formed at any level since inception of the Board. Non-establishment of implementation committees had an impact on the execution and oversight of interventions and resulted in delay in implementation, execution of substandard works, non-utilisation of completed projects, excess expenditure *etc.*, as discussed in paragraphs 4.4, 4.5 and 4.6.

The Board replied (July 2022) that, it had been conducting monthly and annual review of the progress of works through meetings held by the Chairman and Secretary of the Board. In case of default by the implementing agencies, action was taken by the Board from time to time against such defaulting agencies. Audit is of the view that the institutional mechanism as envisaged in the Governor's Order at various levels would facilitate the effective implementation and oversight of the works.

### **3.1.4 Non-constitution of Expert Committee**

Clause 22(2)(c) of the Board Order 2013 envisaged constituting a Standing or Adhoc Expert Committee/s to study regional imbalance and quantify backlogs and resources required to correct such backlogs and advise on devolution of funds from the State plan or Non-plan or both for the region, in consultation with the Chief Minister of the State. Audit observed that Standing/Expert Committee was not formed.

Government did not offer any remarks on this aspect.

## **3.2 Responsibilities of the Board**

Clause 12 of the Board Order 2013 entrusted the Board with specific functions and responsibilities. The discharge of these important functions assigned under the Board Order 2013 would act as the yardstick on the performance of the Board. Audit observed deficiencies in discharge of the specified core functions by the Board as mentioned below:

Sub Clause	Function	Audit observation
b	To ascertain relative levels of development in different sectors in relation to its Region, the basis of appropriate indicators having regard to the levels of development, State as a whole.	The Board had to ascertain the levels of the development in different sectors in relation to its region on the basis of appropriate indicators. The planning in Board was expected to be sector specific by setting out long-term priority goals for each sector and the programs to achieve them. Each programme would detail key outcomes and long term targets. The sector specific plans for targeting the priority areas were not prepared by the Board.
c	To assess the impact of various development efforts in removing backlog and in achieving overall development within its region.	The backlog was not identified and the impact assessment was not undertaken.
d	To suggest the levels of development expenditure over the area of development board during a plan period including the annual plan.	No suggestions on the quantum of development expenditure was given by the Board.
e	To suggest the Governor the ‘policies’ for the region which may have financial implications like incentives to be given to industries, private educational institutions investing in the region like tax holidays <i>etc.</i> , and who also provide reservation in employment and in admission to educational institutions to the persons belonging to that region; within their financial limits.	No such policies were suggested to the Governor.
f	Prepare an annual report on its working and send it within three months after the end of every financial year to the Governor for placing it before the legislature.	Reports were not submitted to the Governor to be placed before the legislature.

The Board stated (July 2022) that an impact assessment study was undertaken with the help of a consultancy firm and placed before the Board in March 2022. The reply of the Board, however, did not address the action expected from the Board on providing policy inputs, assessing the relative levels of development using appropriate indicators, computation of backlogs in development, suggestions on the levels of development expenditure, advice on creation of posts and institutions in the region *etc.*, which are central functions of the Board towards achieving the objectives of Article 371-J of the Constitution.

### 3.2.1 Rules and regulations for functioning of the Board

As per the Clause 30 of the Board Order 2013, the Governor of Karnataka may, by order, from time to time make such rules; including the rules for proper transaction of the business in relation to his function under Clause (1) of Article 371-J of the Constitution and for the effective implementation of the provisions of the Board Order 2013. The rules were yet to be framed by the Government.

Further, the Clause 31 of the Board Order 2013 specify that the Board may make regulations to provide for the procedure regarding the transaction of business, its meetings, and meetings of the implementation committees and for such other matters required for effective implementation of Board Order, 2013. However, the Board did not make any regulations since its inception.

The Board replied (July 2022) that the draft regulations were submitted (May 2016) to Government and approval was awaited. The Government endorsed the Boards reply without explaining the reasons for delay in approval of rules and regulations. The Budget, Audit and Accounts Regulations, the Hyderabad Karnataka Region Development Board Transaction of Business Regulations, Accounts Manual *etc.*, proposed by the Board were awaiting approval of the Government. Thus, the Board is functioning without any regulations since its inception.

### 3.2.2 Creation of posts

Article 371-J provided for equitable opportunities and facilities for the people belonging to the Kalyana Karnataka Region, in matters of public employment, education and vocational training, subject to the requirements of the State as a whole. Clause 12(g) of Board order 2013, empower the Board to advise on creation of posts and sanction of institutions in the Kalyana Karnataka Region to the Government.

Audit analysed the distribution of public employees in different regions in the State by obtaining data from HRMS<sup>8</sup>. It was observed that the ratio ‘public employees per lakh population’ was lower in the Kalyana Karnataka Region compared to the rest of the regions in the State. The graphs indicating the district-wise distribution of State Government posts across the groups are shown in **Appendix-3.1**.

Further, from the information made available by the Hyderabad Karnataka Special Cell, Audit observed that 44 Departments of the State Government identified 34,962 posts for direct recruitment under the Region to local cadre. Out of this, 16,037 positions were filled up leaving 18,925 posts vacant (54 *per cent*). Similarly, out of 24,401 posts identified for filling through promotion, 14,155 were filled up leaving 9,156 posts vacant (38 *per cent*) as of March 2022.

Audit observed that the Board did not advice on creation of posts to the Government since its inception. The Board did not have any data with regard to the sanctioned strength, working strength and vacancy position in various Government departments and bodies for enabling it to advice on the creation of

<sup>8</sup> Human Resource Management System-It is a web-based portal launched by Government of Karnataka in 2005 to keep a record of service details of every employee from the date of joining till the end of their service.

posts or filling up of the vacancies. The Board's interventions to ensure sufficient posts in the Region for accelerating the development was inadequate. Audit analysis showed that the region was under-represented with respect to the employees per lakh population and also large number of vacancies were present in the sanctioned posts in the Region.

### **3.2.3 Equitable allocation**

Article 371-J provided for equitable allocation of funds for development over the Region. The term 'equitable allocation'<sup>9</sup> was to consider the two aspects, namely:

- Problem of backlog accumulated over the last several years, and;
- Equity in making allocation keeping in view the requirement of the State as a whole.

Thus, the Board was required to work out the backlog in terms of investment required for ensuring the development of the region at par with other parts of the State, plan and prepare the budget accordingly. The backlogs in development in different sectors were not determined.

Further, as per Clause 22(2)(a) of the Board order, recommendations of the Board were to be considered by the State Government in ensuring the equitable allocation of funds for development of the region. However, no recommendations were made by the Board to the Government. The Board did not offer any remarks on this aspect.

## **3.3 Policies and Plans**

### **3.3.1 Policy formulation for the region**

The Board Order, 2013 required the State Government to bring out an industrial, infrastructural, and other investment policies to promote and encourage private investment besides a special grant-in-aid policy for the educational (technical and vocational) institutions for the region within six months of the notification (November 2013) of the Order. Further, it is stipulated that the Board should suggest to the Governor the policies for the region which may have financial implications like incentives to be given to industries, private educational institutions in the region. The Board did not initiate any action in this regard and the departments, except Department of Industries and Commerce, did not incorporate measures for overall development of the region in their policies.

The Board accepted (July 2022) the audit observation and stated that the Board was not involved in the provision of inputs while formulating State level policies or any specific interventions in various sectors. As policies are instruments influencing the development of a region, Board's participation in policy making was important for objectives of Article 371-J. The Government did not elaborate on the actions proposed for ensuring the involvement of the Board in future policy formulations.

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<sup>9</sup> According to the explanation given by the Ministry of Home Affairs to the Standing Committee which considered the Constitution Amendment Bill 2012.



### 3.3.2 *Non-implementation of Infrastructure policy*

In the wake of the special status granted to the region under Article 371-J of the Constitution, the Department of Infrastructure Development incorporated (October 2015) the following specific measures in the Karnataka Infrastructure Policy to improve the infrastructure facilities on priority basis in the Kalyana Karnataka Region.

- (a) Prepare an Infrastructure Strategic Action Plan for the region that would address key social and economic infrastructure such as roads and bridges, health care, educational, drinking water supply, minor irrigation, animal husbandry, sericulture, forestry and urban development.
- (b) Create a Public Private Partnership (PPP) cell in the Kalyana Karnataka Region Development Board (KKRDB) which would be equipped to:
  - (i) Identify potential PPP projects that could be undertaken in the region
  - (ii) Facilitate selection of private developers for implementation of various projects
  - (iii) Oversee performance of these projects
- (c) The Policy proposed that a committee under the Chairmanship of the Principal Secretary, Infrastructure Development would be formed to monitor the progress of PPP projects on a quarterly basis. All projects being implemented on PPP mode would be fast tracked to ensure faster delivery of services.
- (d) Undertake specific capacity building programs for the officers in the region to understand the need and benefits of PPP.

These activities envisaged in the Policy were not implemented. The Board did not have any information on the PPP projects taken up by other departments in the region. Thus the Board was not in a position to synergize the activities of the departments in the creation of infrastructure in the region. As a result, the region lost the opportunity to benefit from the PPP mode infrastructure projects. Audit observed instances of abandoned works as discussed in Chapter IV.

## 3.4 **Planning by the Board**

### 3.4.1 *Non-preparation of Perspective Plan*

A perspective plan is a long term written and approved document detailing the goals, policies, strategies, and general programmes of the Board regarding socio-economic development of the region under its jurisdiction. The perspective plan was to act as a framework for further detailing and was to serve as a guide for preparation of the annual development plans. The Board, however, did not prepare a perspective plan since inception. Thus the funding pattern adopted by the Board for its action plans was under continuous change every year without any long term framework as shown in **Appendix 3.2**.

The Government accepted (July 2022) the audit observation and stated that a perspective plan was not prepared. However, no timelines were fixed by the Government to prepare the perspective plan due to which the overall development in the region was affected as detailed in Chapter II.

### 3.4.2 *Non-assessment of the economic potential of the region*

Each region has a different natural endowment and hence different material growth potential. Planning for attaining regional development without reference to the regional potentials can lead to both inappropriate development strategies. Clause 5(ii) and (iii) of Board order 2013 envisages that the development plans prepared by the Board shall have regard to overall priorities set by the Government of India (GOI) and the State Government, the extent and nature of investment likely to be made in the region by agencies of GOI and State Government and other financial resources whether financial or otherwise.

OECD<sup>10</sup> approaches on regional development recognizes the following key features in development planning:

- a development strategy that covers a wide range of direct and indirect factors that focus on the performance of local institutions/firms and companies,
- a focus on regional specific assets, and less on top-down investments and transfers, and
- an emphasis on opportunity rather than on disadvantage.

Such an approach requires the assessment of the economic potential<sup>11</sup> of the Region. It was observed that the Board had not assessed the economic potential of the region. In the absence of any such assessment, the ability of the Board to formulate and implement interventions, leveraging the potential of the region, was limited.

Government accepted the audit observation and replied (July 2022) that a Strategic Development Plan was being finalized which would be considered in preparation of annual action plans in future.

### 3.4.3 *Absence of Road Connectivity plan*

Government of Karnataka (July 2014) approved the Core Road Network to meet the economic and Social needs of the State keeping in view the connectivity of the population which would assist in establishing connectivity to major towns. The Board made significant investments in road sector to improve connectivity in the region. The Board, however, did not prepare a road development plan for the region to support its investment priorities. The Board did not have information about the number of unconnected habitations in the Region. Audit observed instances where road works were executed based on the availability of funds, without focusing on the connectivity to habitations. The indicative list of works noticed during joint physical verification at Yadagiri District is shown in **Appendix 3.3**. Such instances point to the needs to have a comprehensive road development plan.

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<sup>10</sup> Organisation for Economic Co-operation and Development- an Inter-Governmental Organisation to develop regional policies for promoting regional development.

<sup>11</sup> The economic potential is referred to as the extent to which a region possesses factors which are important determinants capable of achieving higher productivity.

**Illustration**

*Construction of a road from Chatnalli village to Khanapur village in Shahapur Taluk in Yadagiri District was taken up by the Board during 2017-18. The distance between two villages is around three Kms. However, only two Kms road was planned and laid. The remaining one Km was not motorable. Thus, the village was not connected by an all-weather road.*

The Study report of the ISRO showed that the road network in the KK Region districts improved more during the period 2015 to 2020 compared to the non-KK Region district. Though study pointed to improvements in the road network, unconnected habitations are still in existence in the Region as pointed out in the **Appendix 3.3** and also in the illustration above. Thus, in the absence of a comprehensive road connectivity plan the Board was not in a position to assess these gaps in the connectivity in region.

**3.5 Preparation of Annual Action Plans**

As per Clause 13 of the Board order 2013, the Board after taking into the considerations of draft development plan prepared by the Advisory Council every year shall prepare an annual plan for the development of the Kalyana Karnataka Region and forward it to Governor for its approval.

**3.5.1 Delays in submission of Annual Action Plans**

The Board Order 2013 require the Board to complete the planning process well before September of the previous year. It is expected that Board submit its plan to Government along with budgetary requirements for consideration by the Government during the preparation of the State Budget.

Audit observed that the Board initiated the preparation of Annual Action Plans (AAP) only after the announcement of the State Budget every year. The Board submits a statement to the Government indicating the apportioning of the earmarked budget amount amongst the Board, districts, and taluks. This Statement showing the apportioning of funds were treated as AAP of the Board.

Dates of the submission of AAPs by the Board in the last five years are given below in **Table 3.2**.

**Table 3.2: Year wise date of submission of action plans to Government**

Sl. No.	Year	Due date of Submission	Date of Submission	Delay
1	2016-17	30/09/2015	23/03/2016	5 Months
2	2017-18	30/09/2016	23/01/2017	3 Months
3	2018-19	30/09/2017	07/08/2018	10 months
4	2019-20	30/09/2018	30/04/2019	6 months
5	2020-21	30/09/2019	13/07/2020	9 months

Source: Information provided by KKRDB

Audit observed delay ranging from three to ten months in submission of AAPs by the Board to State Government. Audit observed that the Board initiated the preparation of AAP only after the announcement of the State Budget every year before the list of interventions were finalised by the District and Taluks and

without undertaking any taluk wise assessment of interventions. The Government stated (July 2022) that Board had issued timelines for preparation of Action Plans while communicating budgets to districts every year. The reply did not consider the fact that as per the Board Order 2013, the Board were to prepare the Draft Annual Action Plans before September every year and Board slipped the specified timeline every year. The timely receipt of inputs from the districts would facilitate the Board to assess the plans of the lower levels and prepare the Draft Action Plan of the Board in time.

### ***3.5.2 Outcome based planning absent***

The key feature of an outcome-based planning is deciding the expected outcome in terms of improvement in development indicators. Hence, planning was to be closely linked to outcomes expected out of the interventions of the Board.

Audit scrutiny of AAPs submitted by the Board to Government showed that the AAPs did not specify the expected outcomes of its interventions in measurable terms. Due to lack of measurable outcome targets, the Board was not in a position to periodically ascertain the impacts of the developmental works undertaken in the region as required by the Board order 2013. In the absence of the measurable outcomes the Audit could not undertake the impact assessment study on the interventions made by the Board.

### ***3.5.3 Deficiencies in the submission of list of works***

After the announcement of the Budget every year, the Board issues a circular to all the Deputy Commissioners seeking their proposals for utilisation of the budgeted amount and accordingly, the districts submitted a list of works for consideration of the Board. The Board used Nanjundappa Committee Index for determining the quantum of allocation of funds to the taluks and Districts. Once the quantum of allocation was decided, the district level authorities proposed a list of works for utilising the amount allocated. The list of works submitted was deficient in the following aspects:

- The list of works was submitted without mention of timelines for work execution.
- Works were not supported by any preliminary estimates except the mention of gross amount required.
- The list of works was not accompanied by any draft project reports
- The list of works did not indicate the total investment required for completion and the schedule of investment spread over the years.
- The list of works did not indicate the plans for future maintenance of the asset created.
- There was no evidence on record as to indicate that the list of works was prepared after due consideration of the plans of the individual Department.

### ***Illustration***

*Board took up construction of four additional class rooms for a Government High school in Naganatige in Shahapur taluk in Yadagiri district during the year 2018-19. During the joint physical verification, it was observed that the school lacked other infrastructure facilities including toilets, drinking water facility, compound wall and playground. There is no other high school surrounding it in a radius of 15 KMs. While the student strength of the school was high, the facilities were inadequate. Lack of a comprehensive taluk level plan resulted in the non-provision of basic facilities in the school except the four additional class rooms.*

The Sectors identified by the Nanjundappa Committee were not considered while proposing the list of works. The list was prepared based on an allocation pattern approved by the Board in terms of Micro, Macro, Social, Non-Social.

The Government stated (July 2022) that taluk was considered as a unit under micro action plan. Reply is not acceptable as audit observed that Board considered the taluk as a unit, only for determining the allocation of available funds and for preparing a list of works for utilizing the allocation. As the Nanjundappa Committee Report identified taluk as the unit for planning, a taluk level comprehensive plan with specific outcome targets were to be prepared to bridge the gaps amongst the taluks and bring them up towards the State level benchmarks. The list of works prepared was not comprehensive as it did not address the deprivation indices in the Nanjundappa Committee Report in measurable terms.

#### ***3.5.4 Non submission of detailed list of works to the Government***

As per Clause 13 of the Board Order 2013 the Board shall prepare action plan every year and forward it to the Governor for approval. The Board, as a practice, submit the action plans to the Governor for approval before finalising the list of works. The action plans submitted contained only the funds earmarked to taluks and districts. After the approval of the action plan, the State Government direct the Board to submit and obtain their approval for the list of works for utilizing the allotted amount during the year.

Audit observed that, the Board had not submitted the list of works to the Government from 2013-14 to 2020-21. Due to this, the action plan submitted by the Board without finalising the details of works was thus incomplete. Thus, Government had no details about the works undertaken by the Board. The Government was not in a position to assess whether the works was conforming to the overall objective of redressing the regional imbalances.

For the year 2021-22, the Board submitted the detailed list of works for approval. Audit observed that the list of works was submitted in parts up to February 2022 and even as of March 2022, details of works for ₹55 crore were pending from the Board.

#### ***3.5.5 Convergence with the Department plans***

Article 371-J envisaged overall development of the Kalyana Karnataka Region and hence, it was of necessity for all the line departments implementing various

development programmes of Government of India (GOI) and Government of Karnataka (GOK) to execute works in co-ordination and the Board was required to ensure convergence of works/programmes implemented through different departments/agencies.

The Board, however, did not have a mechanism to ensure convergence of works taken up by implementing agencies with the schemes/programmes implemented by various other departments. The Board did not collect the action plans of other Departments for ascertaining the works undertaken by them.

***Illustration***

***Overlapping/duplication of purchase worth ₹1.33 crore***

*The Board released ₹49.28 crore during 2018-19 and 2019-20 to the Director, Sarva Shiksha Abhyan (SSA), Bengaluru for implementation of Technology Assisted Learning Programme (TALP) in 5,517 Government Higher Primary and Government High Schools in the districts under its jurisdiction. The Director, SSA procured items like Mathematics and Science Kits, All-in-one Computers, Laptops, LCD Projector, UPS Battery, etc., at a total cost of ₹37.96 crore and supplied (2020-21) to 718 Government Higher Primary and Government High schools in the region.*

*Kalyana Karnataka Human Resources, Agriculture and Cultural Society (KKHRACS), Kalaburagi, a registered society functioning in the region and receiving grants from the Department also procured items like computers, UPS, Laptops and LCD Projectors with a unit cost of ₹0.025 crore and supplied to 600 Government Higher Primary and Government High schools in the region. Verification of records showed that both the agencies had supplied similar items to 53 schools resulting in overlapping/duplication of items on which an expenditure of ₹1.32 crore (₹2,50,000 x 53 schools) was incurred. The joint inspection conducted by Audit team with society officials in two such schools showed that the schools were using only supplies from one agency and the supplies from the second agency were kept idle.*

Government replied that there was no duplication of purchases. Reply is not acceptable as audit noticed that 53 schools had purchased the same items which revealed lack of co-ordination by the Board with the departments.

***3.5.6 Convergence with Panchayat Raj Institutions' Plans***

Section 309 of the Karnataka Panchayat Raj Act 1993 provides for the preparation of Development Plans by the Panchayat Raj Institutions (PRIs). Section 310 of the Act makes it mandatory for the State to constitute District Planning Committees in each district which are required to consolidate the plans prepared by PRIs and urban local bodies (ULBs) and prepare the draft district development plans of the district taking into consideration the needs of the spatial planning, physical and natural resources and the level of infrastructure development. Article 243 (ZD) of the Constitution provided for the establishment of a District Planning Committee at the district level to consolidate the plans prepared by the PRIs and ULBs in the district and to prepare draft development plan for the district as a whole. The draft plans were to be finalised considering matters of common interest between the rural and

the urban local bodies like spatial planning, environmental conservation, integrated development of infrastructure etc.

The Board did not conduct any appraisal of the District Development Plans of the districts under its jurisdiction to ensure synergy amongst the plans of the Board, development departments and the Panchayat Raj Institutions.

### **Illustration**

#### **Overlapping/duplication of road work of ₹1.28 crore**

*The KKRDB entrusted the work of 'formation of road from Udanoor village to Minajagi village in Kalaburagi taluk (0.000 Km to 8.815 Km)' to Panchayat Raj Engineering Division as per the approved Action Plan under Macro Project for the year 2015-16. However, audit observed that the same work for a stretch of 0.000 Km to 2.870 Km was already executed by PRED, Project Division under 'Namma Grama Namma Rasthe Yojane'. The Consultant, who prepared the Draft Project Report, and the Executive Engineer had not verified this aspect before inviting tender. The KKRDB also did not verify this aspect. The Chief Engineer who accorded technical sanction to the estimate has also not directed the Executive Engineer to check whether the same work was executed in any other Government scheme. The PRED, Kalaburagi was required to execute only the balance work and accordingly the payment should be restricted to ₹2.66 crore (₹0.45 crore for one KM x 5.945 balance stretch of work) instead of paying ₹3.94 crore for the entire stretch of 8.815 Km. to the contractor. Payment for the entire stretch resulted in excess payment of ₹1.28 crore to the contractor.*

The Government stated (July 2022) that the Annual Action plan was approved by the Board after getting proposals from the districts. Reply is not acceptable as audit observed that the Board did not establish a mechanism to gather requirements of various development departments. No records were available to indicate that the action plans of other departments or panchayat raj institutions were discussed and taken into consideration during the preparation of District Action Plans. Thus, Audit is of the view that process of ensuring convergence of plans needs strengthening to avoid overlapping of works.

### **3.6 Allocation of funds by the Board**

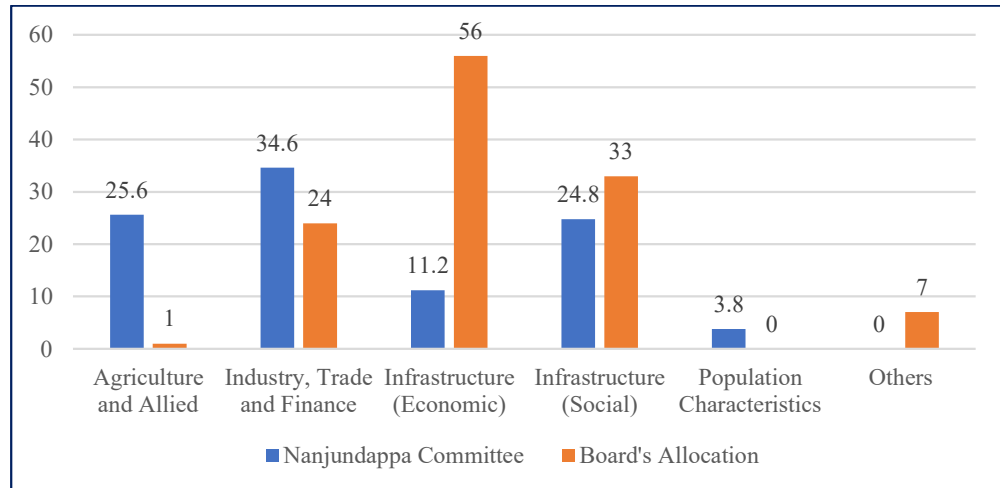
The Board allocates funds to districts and taluks mainly under two categories- Social Sector, Non-Social Sector. A portion of funds are earmarked towards specific quotas such as Chairman Discretionary Quota, Chief Ministers Discretionary Quota, Government Quota and Regional Fund.

The Nanjundappa Committee considered 35 indicators under five<sup>12</sup> major sectors for determining the backwardness of the taluks. The 35 indicators adopted by the Committee are provided in the **Appendix 3.4**.

<sup>12</sup> Agriculture and Allied Activities, Industry, Trade and Finance, Infrastructure (Economic), Infrastructure (Social) and Population Characteristics.

Further, the indicator framework adopted (2017-18) by the NITI Aayog for aspirational districts identified 49 action areas under five<sup>13</sup> broad socio-economic themes. These indicator frameworks emphasize the need for focused actions on multiple areas of socio-economic development for achieving overall progress. However, the allocation of funds among different sectors by the Board was not in compliance either with Nanjundappa Committee indicators or NITI Aayog. The comparison of sectoral weightage according to Nanjundappa Committee and the Board's allocation is shown in **Chart 3.1** below:

**Chart 3.1: Percentage comparison of fund allocation of the Board with Nanjundappa Committee's sectoral weightage**



Source: Hykasoft database provided by the Board

The detailed allocation and expenditure of fund by the Board under different sectors during the years 2013-14 to 2021-22 are given in **Appendix 3.5**. It was observed that the works pertaining to the road connectivity were prioritised by the Board, compromising the requirements of other sectors. Allocation to other sectors identified by the Nanjudappa Committee such as Agriculture and allied sector, Industry Trade and Finance *etc.*, were not significant compared to the allocation to the road sector and buildings.

The Board replied (July 2022) that the indicator framework adopted by the NITI Aayog is broad based and does not give the basis for financial allocation. The Nanjundappa Committee Index used by the Board for allocation are driven by local needs and priorities, therefore more comprehensive and it has also been adopted by the State Government for resource allocation. The reply however, did not consider the fact that the expenditure pattern of the Board on the works were not in synchronisation with the Nanjundappa Committee Indicators and the interventions were focused on roads, bridges and buildings.

<sup>13</sup> Health & Nutrition, Education, Agriculture & Water Resources, Financial Inclusion & Skill Development and Infrastructure.



Audit observed that taluka wise assessment/planning /interventions were not undertaken as per development parameters as illustrated below :

**Illustration**

*The Devdurg Taluk of Raichur District was in the category of Most Backward Taluk as per the Nanjundappa Committee report in 2002. Analysis of the indicator data for the period 2019-20 showed that the Taluk remains in the class of Most Backward Category. The total allocation of the funds by the Board during the years from 2013-14 to 2020-21 to the taluk was as follows-*

<i>Sector Name</i>	<i>Total Allocation</i>	<i>Percentage of Allocation</i>
<i>Roads &amp; Bridges</i>	<i>13,138.79</i>	<i>40.46</i>
<i>Education</i>	<i>8,578.16</i>	<i>26.41</i>
<i>Road &amp; Connectivity</i>	<i>5,102.37</i>	<i>15.71</i>
<i>Others</i>	<i>1,350.00</i>	<i>4.16</i>
<i>Water Supply</i>	<i>1,266.53</i>	<i>3.90</i>
<i>Sanitation</i>	<i>735.00</i>	<i>2.26</i>
<i>BCM</i>	<i>654.51</i>	<i>2.02</i>
<i>Health</i>	<i>551.28</i>	<i>1.70</i>
<i>Women &amp; Child</i>	<i>299.45</i>	<i>0.92</i>
<i>Social</i>	<i>232.82</i>	<i>0.72</i>
<i>SW</i>	<i>229.00</i>	<i>0.71</i>
<i>MIN</i>	<i>150.00</i>	<i>0.46</i>
<i>Library</i>	<i>106.59</i>	<i>0.33</i>
<i>Irrigation</i>	<i>81.00</i>	<i>0.25</i>

*It was observed that the following indicators of Nanjundappa Committee were contributing to the backwardness of the Taluk –*

<i>A7: Number of tractors per lakh rural population</i>
<i>A9: per capita bank credit (commercial and regional rural banks) to agriculture (in rupees)</i>
<i>I1: Number of industrial units per lakh population</i>
<i>I2: Percentage of industrial workers to total workers</i>
<i>I3: Per capita development credit by banks.</i>
<i>I4: Number of bank branches per lakh population</i>
<i>E2: Number of telephones per lakh population</i>
<i>E6: Number of motor vehicles per lakh population</i>
<i>E7: No of co-operative credit societies (agriculture &amp; non-agriculture) per lakh population</i>
<i>S1: Number of doctors (Government &amp; private) per 10,000 population</i>
<i>S5: Percentage of children out of school in the age group 6 - 14 years</i>
<i>P4: Percentage of non-agricultural workers to total workers</i>

*Though the indicators related to agriculture and industrial sectors are contributing to the backwardness of the Taluk, the Board did not make any allocation to those sectors in the Taluk.*

### ***3.6.1 Use of outdated data for allocation***

The Board allocated funds to taluks and districts based on the Cumulative Deprivation Index (CDI)<sup>14</sup> prepared by the Nanjundappa Committee. Audit observed that even as of 2021, the Board was relying on the CDI values used by the Nanjundappa Committee in the year 2002, as a measure of deprivation and for determining the eligible quantum of allocation for districts and taluks. No efforts were made to update the CDI index to reflect the changes in the socio-economic conditions in the region in two decades.

Further audit also observed that, the Board while relying on the CDI values of 2002 allocated funds to two<sup>15</sup> taluks by adopting a higher deprivation index than the CDI calculated by the Committee which facilitated allocation of higher amounts to these taluks.

The Board replied (July 2022) and Government endorsed the reply stating that as it did not recalculate the new CDI index, the Board continued the use of old CDI of 2002. Further, the Government stated (July 2022) that it adopted a different CDI for Kalaburagi and Raichur owing to their fast-growing status. However, Audit is of the view that such selective modification of weightage only for two taluks impacts the allocation to other taluks.

Reply is not acceptable as audit observed that the Planning Department was collecting the data related to the indicators of Nanjundappa Committee through which CDI can be constructed every year. The Board could not factor in the improvements achieved through its interventions and could not determine the existing deprived areas for targeted interventions. Further, the adoption of higher CDI index for two taluks impacted the allocation of other taluks.

Audit is of the view that Board could explore possibility of planning interventions on the basis of indicator scores making use of current data which would help determine the existing deprived areas and sectors in the Region and assist in implementing targeted interventions.

### ***3.6.2 Non-allocation of funds distinctly to newly formed taluks***

In the year 2002 when the Nanjundappa Committee Report was presented, the Kalyana Karnataka Region comprised of 31 taluks. The Report contained deprivation index (CDI values) only in respect of these 31 taluks in the region. As a result of restructuring of administrative areas from time to time, the number of taluks in the region increased to 50 as of March 2022. The Nanjundappa Committee determined deprivation index was not available for the newly formed taluks.

Audit observed that, as the indices were not available, the Board was not separately allocating funds to the newly established taluks. The new taluks were considered as part of the old taluks for the purpose of allocation. However, this type of arrangement does not consider the relative backwardness of the newly

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<sup>14</sup> CDI Index developed by Nanjundappa Committee based on the 35 socio-economic development indicators.

<sup>15</sup> Kalaburagi and Raichur.

formed taluk and deprives them of the eligible additional allocation as illustrated below:

***Illustration***

*Yadagiri taluk was under Most Backward Category according to 2002 CDI of Nanjundappa Committee. The Board allocated funds to Yadagiri taluk based on this CDI. During 2017-18, Gurmithkal taluk was carved out of Yadagiri taluk. Based on the CDI values for 2019-20, Yadagiri Taluk is under Relatively Developed Category and Gurmithkal falls under More Backward Category. CDI of Gurmithkal is higher than that of the Yadagiri taluk, hence Gurmithkal should receive more allocation than Yadagiri taluk. By allocating funds to combined Yadagiri taluk, Gurmithkal taluk lost the opportunity of receiving funds commensurate with its deprivation.*

The Government stated (July 2022) that as it did not recalculate the CDI for the new taluks, the Board continued the use of CDI of old taluks. The reply was not acceptable, as the Board should have utilised the data available with the Planning Department and recalculated the CDI periodically and allocated funds accordingly.

### ***3.6.3 Allocation of funds under Regional Fund***

The Board introduced a Regional Fund (RF) for financing major interventions which have an impact across multiple districts in the KK Region. The Board earmarked six *per cent* of its fund towards RF during 2019-20 and 2020-21.

Out of the total funds of ₹217.15 crore an amount of ₹68.10 crore was allocated towards RF which could impact the whole region and this constituted only 31.36 *per cent* of the total allocation under RF. Remaining fund was allocated to the works of individual districts. Out of the funds allocated to the districts, majority of funds were allocated to Kalaburagi district alone. Audit observed that works which are not of regional nature were taken up under RF.

It was also observed that, Board had not issued any guidelines for the selection of the works to be taken up under Regional Fund.

The Government replied (July 2022) that as Kalaburagi acts as regional headquarters, most of the works under RF were taken up in the District of Kalaburagi. The reply is not acceptable as it did not consider the fact that works which were not of regional nature were also undertaken in the district of Kalaburagi.

### ***3.6.4 Allocation of funds under Chairman Discretionary Quota***

The Board earmarked one *per cent* of funds every year towards Chairman Discretionary Quota (CDQ). The district wise allocation of CDQ funds is provided in **Table 3.3**.

**Table 3.3: CDQ allocation**

<b>District</b>	<b>No. of Works</b>	<b>Allocation (In Crore)</b>	<b>Percentage of allocation</b>
Ballari	2	0.98	0.84
Bidar	18	19.31	16.56
Kalaburagi	174	86.27	73.97
Koppal	6	7.20	6.17
Raichur	3	1.45	1.25
Yadagiri	4	1.42	1.21
<b>Total</b>	<b>207</b>	<b>116.63</b>	<b>100.00</b>

Source: Hykasoft database provided by KKRDB

It was observed that 73.97 per cent of funds under CDQ were allocated to Kalaburagi district alone. Such unbalanced allocation deprived the other districts their share of funds.

The Government replied that (July 2022) that as Kalaburagi acts as regional headquarters, most of the works under CDQ were taken up in the district of Kalaburagi. The reply is not acceptable as it did not consider the fact that works which were not of regional nature were also undertaken in the district of Kalaburagi.

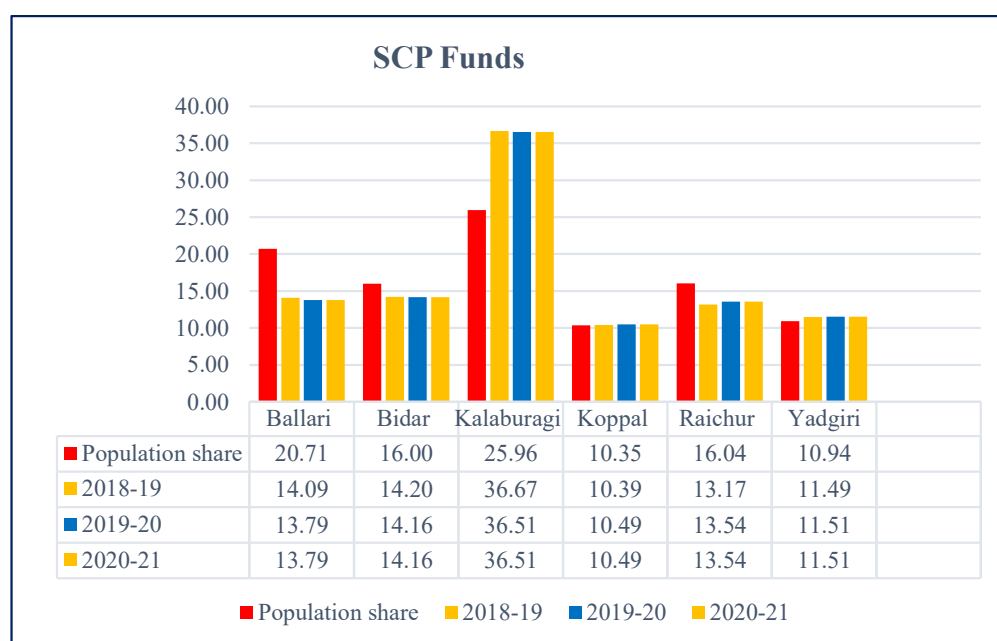
### ***3.6.5 Allocation of funds under Scheduled Caste and Scheduled Tribes Sub plans***

According to section 17 of the Karnataka Scheduled Castes Sub-plan and tribal Sub-plan (Planning, Allocation and Utilisation of Financial Resources) Act, 2013, each Department, shall after estimating the gaps in the development of the Scheduled Castes and the Scheduled Tribes, prioritise the development needs of the Scheduled Castes and Scheduled Tribes through a consultative process, as may be prescribed, and shall formulate the Scheduled Castes Sub-Allocation/Tribal Sub-Allocation schemes. Audit observed that allocation of funds under SC/ST plans were not based on any assessment of development gaps and targeted interventions formulated based on a consultation process.

Audit observed that, share of SCP funds and TSP funds for districts are not in accordance with the share of their population. In both sub-plans, more funds were allotted to Kalaburagi district and allocation to Ballari was not commensurate with the population.

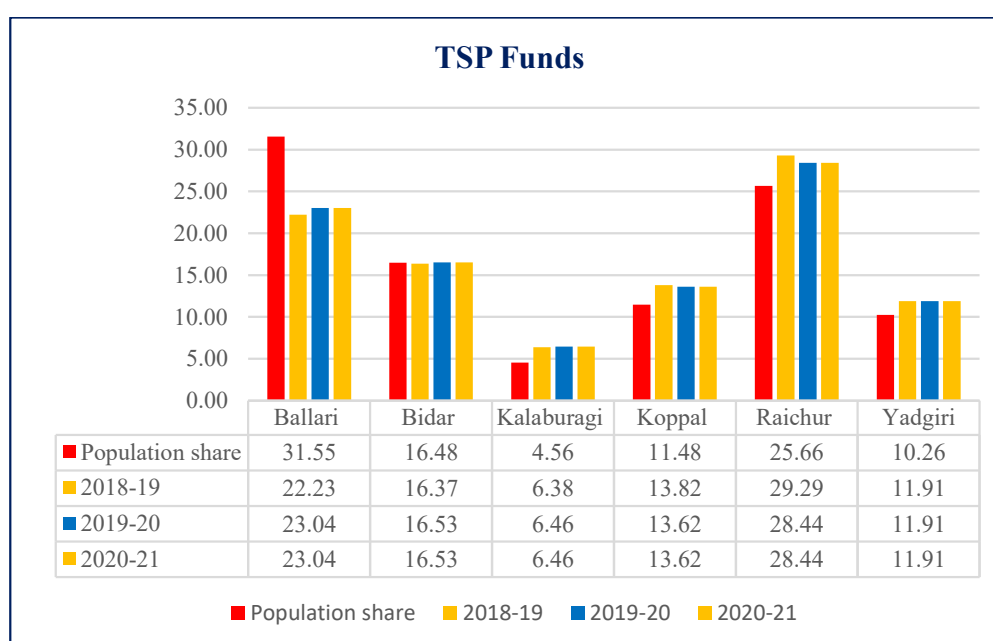
The details of allocation against the share of population are shown in **Chart 3.2** and **Chart 3.3** below:

**Chart 3.2: District wise Allocation of Funds under SCP**



Source: Hykasoft database provided by KKRDB

**Chart 3.3: District wise Allocation of Funds under TSP**



Source: Hykasoft database provided by KKRDB

### 3.7 Community Mobilisation

Community mobilisation and close involvement of community members in implementation is extremely critical as it fosters ‘bottom-up approach’ not only in effective planning and implementation of interventions but also in effective monitoring, evaluation and ownership of the Board programmes by the community. Active participation of the community also ensures transparency,

accountability and helps in leveraging the cumulative knowledge of the community for better functioning.

However, it was observed that the Board did not institutionalise a mechanism for ensuring community participation in the planning process. Board did not adopt a bottom-up approach in planning. It did not obtain the District Level/Taluk Level/Habitation level plans before finalising its Action Plan every year.

The Government stated (July 2022) that the taluk level proposals in the region accounts for the perspectives, aspirations and needs of various communities belonging to the individual districts/taluks. However, the reply was not supported by the particulars regarding the participation of the community members and Non-Governmental Organizations *etc.*, in the preparation of taluk level and district level plans.

***Recommendation 1: The Board should undertake an independent assessment of the backwardness of the region, a comparative analysis to identify the imbalances and its causes and propose remedial measures and strategies required by adopting an appropriate composite indicator framework and integrate them into its long term and short term plans for monitoring the incremental progress in upliftment of the region.***

***Recommendation 2: The Board should perform its functions under the Clause 12 of Board Order 2013 with respect to ascertaining the relative levels of development in different sectors with reference to suggesting the level of development expenditure required for the region, giving advice on the sanctioning of institutions for the region, providing policy inputs to the Government with respect to industrial development etc.***