

Overview

This volume of Audit Report consists of performance audit of four Centrally Sponsored/Funded programmes of **(i) Public Distribution System (ii) Rural Employment Generation Programme (iii) Integrated Child Development Services Scheme and (iv) National Programme of Nutritional Support to Primary Education.**

While the Integrated Child Development Services aimed at providing a package of services for healthcare and nutritional support to the expectant mothers and children up to the age of six years through the institution of Anganwadis, nutritional support with the help of free distribution of food to the school going children was continued up to the age of 11 years under the programme of Nutritional Support to Primary Education. Through the Public Distribution System, Government aimed at providing assured availability of food grains to the public in general, supply of subsidised food grains to the households below the poverty line. Under another programme of rural employment generation, consisting mainly of Jawahar Rozgar Yojana and Employment Assurance Scheme, it was intended to provide incremental purchasing power through income transfer to the people below the poverty line and to those who seek daily wage employment. Through these programmes, government intended to provide food security and nutritional support to the poor right from the time of their birth. However, as would be seen from the following, the lofty objectives of the programmes remained largely unrealised due to various systemic and individual shortcomings and failures.

Similar performance audits of Centrally Sponsored/Funded programmes have been carried out in the past on all India basis and the Reports have been laid on the table of the Parliament and respective State Legislatures. The programmes on which performance audit has been carried out in the recent years included, among others Calamity Relief Fund, National Malaria Eradication Programme, Drought Prone Areas Programme, Special Central Assistance to Tribal Sub-Plan and Scheduled Castes, Command Area Development Programme, National Drinking Water Mission, Member of Parliament Local Area Development Scheme, Total Literacy Campaign, etc. All previous performance audits have disclosed a similar pattern of failures of the programmes like design defects, unconcern for value for money, programmes run with predominant objective of spending the money rather than for achieving their objectives, programmes run without co-relating inputs to the outputs and outcome, absence of criteria for evaluation of the programmes, benefits either not reaching the target population or unsubstantiated claims of benefits, complex programme management/execution structure, false reporting of financial and physical performance by the state governments and failure of the ministries in verification of their correctness, persistence of the ministries with centrally run and controlled programmes despite proven improbability of central control and monitoring by them and almost total absence of accountability procedures. These deficiencies have resulted in very poor value for money spent on the social sector programmes, which are executed for general social development or are specially targeted for social and economic development of the weaker/poorer sections of the society.

The performance audits of the four Centrally Sponsored/Funded schemes included in this report disclosed, yet again, similar set of shortcomings leading to sub optimal benefits to the beneficiaries and consequent significantly low value for money.

- All four programmes suffered from serious targeting problems. The coverage in each of them was substantially less than the targeted output.
- The execution of the programmes by the state governments betrayed lack of sense of ownership by them. The manner of implementation of the programme by the state governments provided an impression that mostly these were run essentially with the objective of spending the money rather than on ensuring the benefits to the target population.
- There was no attempt either by the executing agencies/state governments or by the Central Government to co-relate the actual output of these programmes with either the targets set by Union/state governments or with reference to any acceptable/established criteria.
- There were wide spread diversions and misuse of the resources provided under different programmes for the weaker sections.
- The inaccuracy in reporting the physical and financial performance by the state governments and their failure to substantiate the claimed performance continued, despite similar acts of omissions and commissions having

been pointed out through earlier Audit Reports. The Ministries were unable to either verify the correctness of the reports or ensure their correctness, leave alone taking any measures for establishing accountability for deliberate error in reporting or failure to substantiate them.

- Despite questionable execution of the programmes and poor or unsubstantiated outputs and misuse/diversion of funds, no accountability procedures/systems have been formally established under any of the programmes. This depressed the standard of responsibility/accountability of individuals and agencies towards faithful implementation of the programme and, in fact, encouraged poor performance.
- The resources deployed by the Government on these programmes, though large in absolute terms, were uniformly inadequate to fulfil the ambitious objectives. The budget provisions and infrastructure never matched the total requirement for achieving the stated objectives.
- The most significant cause of failure of the programmes was the complex executing mechanism and reporting system, which did not provide specific accountability of the individuals running the programme on one hand and on the other, made it extremely difficult, rather impossible, to monitor their execution centrally.
- The net result was that while Government spent an amount of the order of Rs 13790 crore annually on these four programmes, the benefits either did not reach the target in the intended manner or the benefits claimed to have been provided remained unsubstantiated. The trickle benefits were too meagre to make a difference to the institutional support and food security to target population.

Unless the Government wakes up to the ground reality and takes effective remedial measures, the situation of extremely poor quality of expenditure leading to low value for money, total absence of accountability and non-existent relationship between the input and the output is likely to continue in programmes run by the Union Government.

**Ministry of Food and Consumer Affairs
(Department of Food and Civil Supplies)**

Public Distribution System

The review of management and implementation of Public Distribution System including the Revamped Public Distribution System and the Targeted Public Distribution System disclosed several deficiencies in respect of targeting of the beneficiaries, adequacy of food and nutritional security, meagre income transfer to the targeted groups, high cost of operations, higher prices charged from consumers, poor quality and absence of proper vigilance system, which impacted the fulfilment of objective of availability, affordability, accessibility and acceptability of food grains.

The total food subsidy gradually increased to Rs 8700 crore during 1998-99 from only Rs 2800 crore in 1992-93. Besides, some state governments spent large amounts on their own schemes on food subsidy. Yet, while, the guaranteed procurement at Minimum Support Price benefited the farmers, the system did not benefit the general public and much less the people below poverty line.

Buffer stock of food grains with Food Corporation of India was far in excess of norms resulting in excessive carrying cost, which ranged between Rs 450 crore and Rs 1853 crore during the same period. This was a consequence of assured procurement at Minimum Support Price by Food Corporation of India. The carrying cost of buffer stock of sugar increased from only Rs 1.46 crore in 1994-95 to Rs 177.49 crore in 1997-98.

Public Distribution System was not the preferred source of the food grains by general public. The prices of food grains from Fair Price Shop for the general public were higher than the market price, especially during harvesting season. The general public and also below poverty line households depended on Public Distribution System only for a very small portion of their total requirement.

The distribution of Kerosene Oil under the Public Distribution System was skewed. It did not bear any relationship to the population or to any other criteria. Per capita annual allocation of kerosene oil to backward states of Orissa, Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh during 1998-99 was lower than for more affluent states of Punjab, Maharashtra, Gujarat, Delhi, Chandigarh and Goa. This impacted seriously on the objective of providing Kerosene Oil to the poor at a subsidised price.

Revamped Public Distribution System under which the government intended to reach the food grains to the remote areas without additional burden on the consumers was also a failure.

The income transfer to the households due to Public Distribution System intervention was so meagre that it could not make significant difference to the households.

Identification of below poverty line families was not completed in 18 out of 31 states and union territories. Even where identification was completed, ration cards were not provided to a significant population of below poverty line families.

The households below poverty line did not get the specialised ration in the absence of ration card, others got less than the prescribed quantity.

The performance of most of the state governments for construction of godowns and purchasing of mobile vans against the grants provided by the Union Government was poor.

Monitoring of Public Distribution System was lax. The Vigilance Committees for supervision of Public Distribution System were not formed in many states.

The Public Distribution System was highly vulnerable to misuse and diversion of food grains, leakages, misappropriation, loss in transit/storage and bogus ration cards, etc.

The services of ORG-MARG commissioned by Audit for conducting a survey to assess the perception of the beneficiaries revealed that problems of obtaining ration cards, charging of higher prices, infrequent opening of Fair Price Shops, frequent stock out situations, under weighing by Fair Price Shop owners, supply of inferior quality of food grains through Public Distribution System, lack of awareness for their entitlement, etc.

There is, thus, a need to reconstruct this scheme with a view to restricting it to maintenance of buffer stock alone and transferring the responsibility of transportation and retail sale to the respective state governments, who should be encouraged to stock their own requirement of food grains.

(Chapter-1)

**Ministry of Rural Development
(Department of Rural Development)**

Rural Employment Generation Programme

The performance review of Jawahar Rozgar Yojana and Employment Assurance Scheme disclosed serious shortcomings in the critical areas of targeting, adequacy of resource leading to insignificant employment generation, absence of evidence of employment actually generated and assets stated to have been created.

Even the insufficient amount released for the rural employment programme was misused for unauthorised purposes. Of the total expenditure of Rs 33380 crore, Rs 9436.10 crore were test checked in Audit. Of this, the state governments/ executing agencies diverted Rs 3250 crore, which constituted about 30 *per cent* of the total expenditure. This deprived the rural poor of the employment opportunities.

The financial resources provided for the programme could give employment on an average of only 16 days to the employment seekers in a year.

These schemes were reviewed in the past by Audit and Audit Reports were presented to the Parliament during 1990, 1995 and 1997. The Public Accounts Committee and Estimates Committee have also recommended in the past to strengthen the systems of implementation and controls. Despite this, the programmes are run without any remedial measures. The shortcomings in critical areas pointed out earlier have persisted affecting the objective of the programme adversely.

The tendency of theoretical reporting of employment by the implementing agencies and state governments has been continuing. The reported employment generation is based on theoretical calculations of wage component of the stated expenditure divided by the minimum wage rather than on the basis of actual count of the validated muster rolls. Far from taking stern measures for false reporting, the Ministry has, in a way, compounded the mismanagement by accepting such reports, which borders on misrepresentation/fraud.

The intentional wrong reporting is substantiated by the fact that in the large number of cases, the implementing agencies were unable to substantiate their reports on the basis of muster rolls and inventory of assets on which the daily wage workers were supposed to have worked. Thus, both the primary evidence i.e. muster rolls and secondary evidence i.e. inventory of assets were suspect. Consequently, the claims for employment generation were questionable.

Other serious shortcomings pointed out earlier i.e. non-adherence to wage-material ratio, delay in payment of wages, wages paid at lower than the minimum wage rates, incomplete and abandoned works, non-maintenance of the works, etc. persisted.

The perception of beneficiaries obtained through survey conducted by ORG-MARG disclosed several of the above shortcomings and more from the point of view of those for whom the programme was run. Some of them were lack of awareness about the general features of the schemes among the beneficiaries, non-participation of the beneficiaries in the Gram Sabha meetings for a decision on development works, large presence of contractors in the execution of work, creation of assets on private lands of influential people and employment of above poverty line persons.

(Chapter-III)

**Ministry of Human Resource Development
(Department of Women and Child Development)**

Integrated Child Development Services Scheme

The Integrated Child Development Services Scheme aimed for comprehensive development of children below the age of six years by integrating efforts at improving child health, child nutrition, maternal health, health education into a single scheme, failed to improve the health status of the children, and maternal care due to poor quality of expenditure and execution and failure of the government to provide adequate resources needed for expansion of the programme. Only 4200 projects out of 5618 required to cover the entire country were made operational. 25 *per cent* of the target group remained uncovered despite the programme being in operation for 25 years.

The supplementary nutrition programme did not work due to failure of the state governments to identify beneficiaries, insufficient coverage of beneficiaries, significant interruptions in feeding, deficiency in nutritive value of food, inadequate budgetary support by state governments, etc.

The implementation of referral health services for children and expectant mothers suffered due to lack of baseline surveys for their identification, non-maintenance of records, etc.,

The adolescent girls were the most neglected beneficiaries as no attempts were made to monitor the performance of this component.

Even the assistance provided by World Bank and other international agencies was either not optimally utilised or was diverted to non-programmes. Many cases of mismanagement at the state level in lifting and utilising the food material under World Food Programme also came to notice.

In majority of states, there was no supply of Vitamin 'A' solution. The supply of medicine kits to Anganwadi Centres was dismal due to defects in the purchase and delivery systems and insistence of the Ministry to procure them centrally.

Non-availability of films/slides, lack of trained personnel, non-receipt of projectors, defective equipment, etc. seriously

affected the nutrition and health education component.

(Chapter-II)

**Ministry of Human Resource Development
(Department of Education)**

National Programme of Nutritional Support to Primary Education

National Programme of Nutritional Support to Primary Education introduced in August 1995 to encourage the enrolment and retention of primary school children and to improve their nutritional status with a view to universalising the primary education was almost a total failure due to serious shortcomings in the conception of the project, execution, insufficient funds and in monitoring of the scheme, etc.,

The targets fixed by the government were uniformly lower than necessary to achieve the goal of the programme. The actual coverage was even lower. In terms of actual delivery of food material at least 58 *per cent* were deprived of the benefit. The allocation of food grains under the scheme to the states fell short of the requirement. Despite this, the lifting by the states was quite poor.

The state governments could not assure the nutritional level as the quantity of food grains dropped to 1.17 Kg. per student per month over 1995-99. Besides, no serious attempt to monitor the nutritional status of the students was made.

The arrangement for providing cooked food within two years of commencement of the programme by local arrangement did not take off. Out of 11.50 crore children, only about 20 *per cent* were stated to have been provided with the cooked food.

Other shortcomings noticed during audit were large-scale losses, misappropriation of food grains, unauthorised retention of profit margin by utilisation of sale proceeds of food grains meant for children for parties and picnics.

(Chapter-II)