

## CHAPTER II : MINISTRY OF RURAL DEVELOPMENT

### Functioning of Council for Advancement of People's Action and Rural Technology

#### Highlights

1. CAPART incurred ₹ 259.49 crore in implementation of various schemes during the period 2003-09.  
*(Paragraph 2.1.4)*
2. CAPART could not reach the unserved areas of country as most of the districts identified as backward by the Planning Commission under the Rashtriya Sam Vikas Yojana were not covered. The geographical distribution of projects was uneven with 51 per cent of funds released during 2003-09 going to the six states of Andhra Pradesh, Bihar, Haryana, Karnataka, Orissa and Uttar Pradesh.  
*(Paragraph 2.4.1)*
3. There were significant deficiencies at all stages of projects processing i.e. desk appraisal, pre-funding appraisal, submission of progress report and project monitoring leading to huge time overruns and non-delivery of intended benefits.  
*(Paragraph 2.4.2)*
4. During the field visits of audit, it was found that execution of projects was not as per sanctions. The project monitors' reports on assets created with CAPART assistance were at variance with the field audit findings.  
*(Paragraph 2.4.5)*
5. As of January 2010, CAPART filed FIRs in only 62 out of 659 blacklisted cases. Further, although Ministry of Rural Development had intimated Public Account Committee that CAPART had taken action for deregistration of some of the blacklisted voluntary organisations, it failed to provide data in this regard to audit raising doubts over claims of such action.  
*(Paragraph 2.5.2)*

#### *Summary of Recommendations*

- *The deficiencies in project appraisal and evaluation should be addressed and remedial action taken in a time bound manner*
- *CAPART should review the ongoing projects for expeditious closure*

- *CAPART should strictly avoid relaxation of prescribed policy guidelines*
- *Selection of VOs should be transparent and as per prescribed eligibility criteria*
- *CAPART should map the data on VOs and projects allotted to them along with monitors appointed there for to ensure effective follow up*
- *CAPART should devise a fool-proof mechanism for segregation of assets created out of its assistance*
- *CAPART should adhere to the assurance given to PAC and not sanction any project to VOs having in their executive committees members of NSC/RC*
- *CAPART should take decisive action in respect of blacklisted and other categories of VOs and recover the amounts due*

## 2.1 Introduction

### 2.1.1 Establishment of CAPART

The Council for Advancement of People's Action and Rural Technology (CAPART) was set up in 1986<sup>1</sup>, as a society registered under the Societies' Registration Act, 1860 and operates as an autonomous body under the aegis of the Ministry of Rural Development (MoRD), Government of India (GOI). CAPART was set up to promote voluntary action in implementation of projects for enhancement of rural prosperity, and to act as a catalyst for development of technologies appropriate for rural areas. The major goals of CAPART are listed in Box-1. It is headquartered at New Delhi, and has nine Regional Offices<sup>2</sup> throughout the country.

### 2.1.2 Organisational setup

CAPART has a three tiered organisational structure comprising:

The General Body (GB), which provides overall policy guidance and directions for functioning (this has a maximum of 100 members<sup>3</sup>);

The Executive Committee (EC), which exercises all executive and financial powers;

The Director General (DG), who acts as the Principal Executive Officer, responsible for carrying out the day-to-day functions of CAPART.

The Union Minister for Rural Development is the President of CAPART and Chairman of the EC.

#### Box 1 - Major Goals of CAPART

- To support voluntary organizations in implementing projects for sustainable development in rural areas
- To act as a national nodal point for development and promotion of appropriate rural technologies
- Facilitating community action for development
- Conservation and regeneration of the environment and natural resources
- Enabling women, persons with disabilities and other disadvantaged groups to participate in development

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<sup>1</sup>Through amalgamation of the Council for Advancement of Rural Technology (CART) and the People's Action for Development India (PADI)

<sup>2</sup>Ahmadabad, Bhubaneswar, Chandigarh, Dharwad, Guwahati, Hyderabad, Jaipur, Lucknow and Patna

<sup>3</sup>Upto 40 members from voluntary agencies, 25 from other institutions, 25 ex-officio members and 10 individuals

### 2.1.3 Powers of committees

The powers of committees are as below:

Executive Committee (EC)	<ul style="list-style-type: none"> <li>• Powers to sanction projects costing above ₹ One crore</li> </ul>
National Standing Committees (NSC)	<ul style="list-style-type: none"> <li>• Separate NSC for each scheme</li> <li>• Powers to sanction to projects costing between ₹ 25 lakh and ₹ One crore</li> </ul>
Regional Committees (RC)	<ul style="list-style-type: none"> <li>• Separate RC for each Regional Office</li> <li>• Powers to sanction projects costing up to ₹ 25 lakh (except watershed development and disability schemes which are sanctioned by NSCs)</li> </ul>

### 2.1.4 Financial Position

The majority of CAPART's funds were from MoRD. The receipt and scheme wise expenditure during 2003-09 were as depicted in Table 1 below:

**Table 1 - Details of Receipts and Expenditure during the period 2003-09.**

(₹ in crore)

Receipt				Expenditure	
Opening Balance	Grants received	Other receipts	Total	Name of Scheme	Amount
5.32	358.36	43.05	406.73	PC	116.64
				ARTS	67.09
				OB	15.91
				Disability	5.15
				WSD	37.37
				Others	17.33
				<b>Scheme Total</b>	<b>259.49</b>
				Non-scheme expenditure	128.90
				Unspent balances and refunds to the Ministry	18.34
				<b>Total</b>	<b>406.73</b>

### 2.1.5 Major Schemes of CAPART<sup>4</sup>

CAPART provides assistance to voluntary organisation (VO) for implementation of its projects under various schemes. The details of major schemes implemented by CAPART were as under:

#### 2.1.5.1 Advancement of Rural Technology Scheme (ARTS)

The objective of this scheme was development, demonstration, and dissemination of innovative rural technologies (developed by CSIR, ICAR,

<sup>4</sup>There is considerable inconsistency in classification of different sub schemes/categories under the schemes. For example the roof rain water harvesting (RRWH) projects were initially sanctioned under NRDM which itself merged in PC and subsequently moved to ARTS and RS under ARTS was initially sanctioned under PC.

DST, DBT, IIT and other research organizations) and to promote innovative rural technologies in the villages, especially for the disadvantaged sections.

#### 2.1.5.2 Disability Action (DA)

This scheme aimed at empowering and providing equal opportunities to people with disabilities by supporting community-based rehabilitation programs, and was directed at mobilizing joint action by several groups.

#### 2.1.5.3 Organisation of Beneficiaries (OB)

This scheme supported activities for organization of beneficiaries to create awareness among the rural poor about various schemes, rights and legal entitlements, and sustain the campaign of rural communities/ groups for betterment of their economic status and social power.

#### 2.1.5.4 Public Co-operation (PC)

The thrust of this scheme, which has a multi-dimensional approach, was to involve the community in designing, planning, implementation, monitoring and maintenance of assets created under the scheme.

#### 2.1.5.5 Watershed Development (WSD)

This scheme aimed at minimizing the effects of drought on production of crops, livestock and productivity of land, water and human resources. No new project was sanctioned from April 2006, as per the directives of MoRD.

#### 2.1.5.6 Other schemes

Other schemes implemented by CAPART include the Young Professional scheme, Social Forestry, Natural Resource Development and Management (NRDM), a project of United Nations Development Project (UNDP), Innovative Rural Housing (IRH), Gram Shree Mela, Swarn Jayanti Gram Swarozgar Yojana (SGSY) etc.

#### 2.1.6 Projects under major schemes

During 2003-09, 4384 projects were sanctioned by CAPART under various schemes, as detailed in Table-2 below:

**Table 2- Scheme wise details of projects sanctioned during the period 2003-09**

Scheme	No. of Projects	Sanctioned amount (₹ in crore)	Released amount (₹ in crore)
ARTS	1320	87.51	56.61
DISABILITY	202	13.84	9.23
OB	364	8.05	5.29
PC	1847	133.07	82.51
WSD	50	24.15	16.87
Others	601	26.23	20.01
Total	4384	292.85	190.52

Note: There was substantial variation in figures submitted separately by the IT Department of CAPART (which have scheme-wise and project-wise details) and the Accounts Section of

CAPART (which only have Scheme-wise details without project-wise figures). Table 1 is based on data furnished by the Accounts Section, while the figures in Table 2 are based on data supplied by the IT Department. As per Table 1 (based on Accounts Section figures) total scheme wise releases during 2003-09 was ₹ 259.49 crore, while as per Table 2 (IT department figures), the scheme wise releases amounted to ₹ 190.52 crore only. The difference of ₹ 68.97 crore could not be explained by CAPART.

### **2.1.7 Eligibility Criteria for selection of VO**

CAPART works in coordination with rural non-government organizations termed as VOs. Selection of VOs for implementing projects was based on objective assessment. The main eligibility criteria for VOs for undertaking CAPART's projects under various schemes included:

- The VO should be registered under the Societies Registration Act, 1860 or a State amendment thereof or the Indian Trust Act, 1882 or the Religious and Charitable Institutions Registration Act, 1920.
- The VO should have completed three years from the date of registration on the date of application to CAPART.
- The VO should have a bank or post office account for at least three years preceding the date of filing of application for funding with CAPART.
- Rural Development should be one of the objectives in the Memorandum of Association of the VO.
- The VO should be working with beneficiaries in rural areas, even if the VO's headquarters is located in an urban area.
- The VO should be broad based and representative in character. The members of the Executive Body/Managing Committee of the organisation should not be related to each other or belong to the same family. Subsequently, in March 2006, this criteria was modified and a maximum of two relatives/family members in the Governing/Managing/Executive Committee of the organization were allowed but only one of them should be co-signatory for operating the bank account.
- Members of the sanctioning committees of CAPART, namely, the Executive Committee, the National Standing Committee/ the Regional Committee or their family members and/or relatives should not be office bearers of the VOs seeking assistance from CAPART.
- There should not be more than three ongoing projects under implementation by the VO with funding by CAPART on the date of application filed with CAPART.

### 2.1.8 Project Approval Process

The different stages for project approval and evaluation were as depicted below:



## **2.2 Audit Approach**

### **2.2.1 Audit Jurisdiction**

The accounts of CAPART are audited under section 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

### **2.2.2 Audit Objectives**

The performance audit of CAPART, covering the period from 2003-04 to 2008-09, was carried out with the objectives of assessing:

- effectiveness of CAPART in executing approved projects;
- adequacy of, and compliance with, stipulated processes for project appraisal and approval, release of instalments, and project monitoring and review;
- extent of time overrun at different stages of project sanction and execution;
- adequacy and effectiveness of vigilance systems.

### **2.2.3 Audit Scope and Coverage**

Five major schemes of CAPART, viz. Advancement of Rural Technology Scheme (ARTS), Disability action (DA), Organisation of Beneficiaries (OB), Public Cooperation (PC) and Watershed Development (WSD)<sup>5</sup> were selected for audit examination. 182 projects were selected for detailed scrutiny under these five schemes and under earmarked schemes<sup>6</sup>, entailing releases of ₹ 21.38 crore (8.24 *per cent* of the total scheme expenditure of ₹ 259.49 crore). However, in many key issues, the area has been enlarged and cases beyond selected projects or reporting period has also been included in the report as either funds were released or the projects were closed/terminated during 2003-09 in such cases.

### **2.2.4 Audit Methodology**

The performance audit commenced with an entry conference with CAPART in April 2009, wherein the audit scope, objectives, criteria and methodology were explained. During this meeting, CAPART also made a presentation on its activities. The records of CAPART at Headquarters and three regional offices (Bhubaneswar, Ahmadabad and Jaipur) were scrutinised from April 2009 to January 2010; in addition, field visits to 11 project sites were also conducted during this period.

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<sup>5</sup> Disbursements on these five schemes during 2003-09 of ₹ 242.16 crore constituted 93 *per cent* of scheme assistance by CAPART.

<sup>6</sup> SGSY,IRH and UNDP



An exit conference was held on 1 June 2010 to discuss the main audit findings. During the exit conference, CAPART was asked to showcase any five projects, which, according to it, had been successfully implemented. In response CAPART (July 2010) sent a list of five selected projects. Field scrutiny of four of these projects was conducted by audit in July 2010, the results of which have been appropriately incorporated in this regard.

The draft report was issued in April 2010 to the Ministry with a copy to CAPART. The response of CAPART, which was received in July 2010, has been appropriately considered in this report. However, no response was received from the Ministry.

The co-operation and assistance rendered by CAPART Headquarters and Regional Offices during the course of this performance audit (in terms of complete and timely furnishing of information/ documents sought, and prompt replies to preliminary audit observations) was less forthcoming than desired.

### **2.3 Previous Audit Findings**

The functioning of CAPART was reviewed earlier in audit and reported through the Comptroller and Auditor General's Performance Audit Report No. 4 of 1998. The main findings of audit were as under:

- CAPART sanctioned projects without verifying the eligibility, credibility and professional competence of the voluntary organization and genuineness of the documents.
- Only eight *per cent* of the projects sanctioned since inception were completed as of July 1997, although 95 *per cent* of the projects assisted by CAPART were of short duration of six months to one year. 14082 projects involving ₹ 224.07 crore of CAPART funds were incomplete as of July 1997.

In its Action Taken Note of 2004-05, the MoRD provided assurances of various steps taken to redress the deficiencies pointed out by audit. However, as detailed in this report, most of the critical deficiencies in CAPART's functioning pointed out in the earlier audit report continued to persist.

### **2.4 Audit Findings - Project Management**

#### **2.4.1 Uneven distribution of projects**

Planning Commission, under Rashtriya Sam Vikas Yojana (RSVY) had identified 100 backward districts. Audit scrutiny revealed that no projects were sanctioned during 2003-09 in 28 backward districts and only 599 projects (14 *per cent* of total projects) were sanctioned in the remaining 72 backward districts.

There was uneven geographical distribution of projects. Of the 4384 projects implemented during 2003-09, 1739 projects (40 per cent) costing ₹ 117.38 crore were falling in just 57<sup>7</sup> of the total of 593 districts.

The distribution of projects to different States was also uneven, with 51 per cent of fund releases during 2003-09 going to just six States (Andhra Pradesh, Bihar, Haryana, Karnataka, Orissa and Uttar Pradesh) and North Eastern States getting less than five per cent of fund releases.

Audit scrutiny also revealed that the projects sanctioned were not relatable to the extent of rural population. A few such examples were as in Table -3 below.

**Table 3 - Uneven State-wise distribution of projects vis-a-vis rural population**

States	Percentage of total rural population of India as per 2001 census	Percentage of total projects sanctioned	Percentage of total sanctioned amount (2003-09)	Percentage of total released amount (2003-09)
Andhra Pradesh	7.46	14.37	11.50	13.35
Chhattisgarh	2.24	0.84	1.03	0.91
Uttar Pradesh	17.73	13.38	11.09	11.79
West Bengal	7.77	4.85	4.69	5.08

CAPART stated (July 2010) that VOs were unevenly distributed across the country, which affected the distribution of project proposals received by CAPART. It further stated that with limited resources in the range of ₹ 50 crore to ₹ 100 crore, CAPART alone might not be in a position to correct the uneven distribution of VOs in the country.

The response of the CAPART was not acceptable as CAPART's objective to support voluntary action and people's participation for rural development would not be achieved through such distribution of projects.

#### 2.4.2 Deficiencies in project processing

Audit scrutiny of 182 projects revealed significant deficiencies at all stages, as indicated below. Some examples are illustrated in **Annexure**.

<sup>7</sup> Andhra Pradesh – 5, Arunachal Pradesh – 1, Assam – 1, Bihar – 2, Chhattisgarh – 2, Gujarat – 2, Haryana – 3, Himachal Pradesh – 2, Jammu & Kashmir – 2, Jharkhand – 3, Karnataka – 1, Kerala – 1, Madhya Pradesh – 2, Maharashtra – 3, Manipur – 3, Meghalaya – 1, Mizoram – 1, Nagaland – 1, Orissa – 3, Punjab – 3, Rajasthan – 2, Sikkim – 1, Tamil Nadu – 3, Uttarakhand – 3, Uttar Pradesh – 5, West Bengal – 1.

### 2.4.2.1 Desk appraisal

Of the 182 projects test-checked, desk appraisal in 122 projects costing ₹ 34.79 crore and involving release of funds of ₹ 15.21 crore, was deficient, as improper scrutiny of documents led to release of funds to ineligible VOs, as summarised below in Table 4.

**Table 4: Deficient desk appraisal**

Category of Deficiencies in desk appraisal	No. of projects	Funds Released (₹ in crore)
Family-based VOs	10	0.32
Projects costing more than ₹ five lakh for first-timer VOs	44	6.77
VOs with three or more ongoing projects	11	2.59
VOs not having completed three years	8	2.63
Multiple projects of same nature from one district	2	0.13
Mandatory documents <sup>8</sup> not submitted	71	7.16

#### Box 2 – Instance of Deficient Desk Appraisal

A project costing ₹ 62 lakh on RRWH was sanctioned in February 2007 to Suvide Foundation, Maharashtra, which was a family based organization (out of seven executive members of VO, five members were of the same family with husband and wife occupying the posts of President and Secretary) which also did not have rural development as its mandate. In response CAPART (July 2010) stated that the bank account was not operated jointly by members of the same family. The reply was not tenable, as at the time of sanctioning the project both cosignatories were family members. CAPART noticed these facts only after the first release, and subsequently asked the VO to change the executive members and cosignatories, indicating that they failed to consider this important issue during desk appraisal and sanction of the project.

### 2.4.2.2 Pre-funding appraisal

Despite an assurance given by CAPART to the Public Accounts Committee(PAC) in April 2005 that no project would be sanctioned without pre funding appraisal(PFA), 112 projects were sanctioned at a cost of ₹ 31.07 crore and ₹ 11.79 crore released by waiving the requirement of PFA.

<sup>8</sup>List of beneficiaries, Registration Certificate of VO, PAN Number, Income Tax Forms 12A and 80G, Bank Pass book, certificate of non-funding of project from other sources, MoA and Bye laws of VO, recommendation of State Government, annual accounts and annual reports of VO for last three years, Land deeds

The requirement for pre-funding appraisal was waived in 112 projects out of 182 test checked. Besides this,

- in none of the projects did the pre-funding evaluator verify the registration certificate of the VO with the relevant authorities;
- in 10 cases, the pre-funding evaluator failed to mention the fact that the executive members were belonging to the same family;
- CAPART did not have a system for collecting and verifying the permanent addresses of executive members of the VOs;

#### **2.4.2.3 Approval of projects**

The majority of the test-checked 182 projects were improperly approved:

- In 82 projects, costing ₹ 24.83 crore, sanctions were subject to submission of one or the other mandatory documents, which were not obtained and scrutinised for verifying eligibility before sanction.
- In 27 projects, costing ₹ 6.79 crore, sanctions were issued to VOs with the condition that rural development would be added as one of the objectives in their Memorandum of Association.
- In 67 projects, costing ₹ 22.04 crore, sanctions were issued without identification of beneficiaries.
- In 59 projects, costing ₹ 17.36 crore, contributions from VOs/ beneficiaries were irregularly not stipulated in the sanction letters.
- In 14 Grameen Vikas Andolan projects (sub-scheme under OB) costing ₹ 1.58 crore, the terms and conditions (which were received only after the release of the first instalment) were received along with the project proposal itself, indicating that their sanction was evidently a foregone conclusion.

CAPART stated (July 2010) that these observations had been noted for future guidance.

#### **2.4.2.4 Release of first instalment**

In 77 projects (costing ₹ 14.43 crore), the first instalment was released without obtaining the mandatory documents stipulated in the conditional sanctions. This indicated that the concept of conditional sanction was meaningless as CAPART made no efforts to ensure post approval compliance.

CAPART stated (July 2010) that these observations had been noted for future guidance.

#### 2.4.2.5 Submission of progress reports/release of subsequent instalments

- In 45 projects costing ₹ 9.64 crore, progress reports were submitted by VOs with delays ranging from 1 to 60 months, which was confirmed by CAPART (July 2010).
- In two projects funds of ₹ 39 lakh were released, despite expiry of bank guarantee.
- Subsequent instalments were released in 10 projects, costing ₹ 5.59 crore, despite adverse remarks of the mid-term evaluator.
- In 23 projects, costing ₹ 5.89 crore the approved beneficiaries were subsequently changed without CAPART's approval, thus rendering the pre-funding appraisal exercise irrelevant.

#### 2.4.2.6 Project Monitoring

In order to evaluate the work of VOs and the projects implemented by them, CAPART empanelled Facilitator cum Evaluators (FCEs) and utilised their services to assess the physical progress of VOs in the implementation of CAPART supported programmes. FCEs were also required to guide the VOs in the right perspective to achieve the best possible results. Assignments entrusted to the monitors were to be performed within 45 days from the date of receipt of the assignment by them.

In response to the earlier performance review, CAPART assured in April 1997 the PAC that the performance of the monitors would be periodically reviewed and monitors would be delisted for poor and sketchy reporting, delay in submission of report, rejection of assignment and false reporting. CAPART also assured the PAC that the number of assignment to each evaluator would be strictly restricted to three at a time and eight in a year and their performance regularly reviewed.

Information relating to the timeliness of appointment of monitors, their categorization with reference to their field of expertise relevant to CAPART schemes, action on defaulting monitors i.e. giving false/incomplete/delayed report was sought for by audit, which was not provided. In the absence of the consolidated data, the assessment of quality of monitoring was done only in 182 test-checked projects which revealed the following.

- In 38 projects, costing ₹ 10.85 crore, there were delays of 1 to 52 months in appointment of monitors.
- In 54 projects, costing ₹ 12.79 crore, there were delays of 1 to 21 months in submission of reports by the monitors.
- In 31 projects, costing ₹ 9.52 crore, the monitors' evaluation reports were not scrutinized properly by CAPART.

- In five cases of Watershed Development Programme, costing ₹ 5.42 crore, evaluation was entrusted to monitors, who were not independent as they were also members of the National Standing Committee.

CAPART's reply of July 2010 was silent on the above audit observations.

### **Recommendation**

- *The deficiencies in project appraisal and evaluation should be addressed and remedial action taken in a time bound manner*

## **2.4.3 Poor project execution and completion**

### **2.4.3.1 Overall status**

The performance of CAPART in terms of project completion continued to be poor, as revealed by the current audit. Of the 4,384 projects sanctioned during 2003-09, 2514 projects (57 per cent) costing ₹ 195.50 crore were still ongoing, despite the majority of the projects being of short duration (six months to two years), 546 projects costing ₹ 37.02 crore were terminated, and only 1324 projects costing ₹ 60.33 crore were closed.

CAPART could not furnish details of the time overrun in respect of the 2514 ongoing projects. This was in addition to 6,838 projects sanctioned during 1979-2003<sup>9</sup> which were also still ongoing as detailed in Table 5.

**Table 5: Status of projects sanctioned during the period 1979-2009**

Year	Sanctioned	Ongoing	Closed	Terminated
1979-03	22316	6838	10997	4481
2003-09	4384	2514	1324	546
<b>Total</b>	<b>26700</b>	<b>9352</b>	<b>12321</b>	<b>5027</b>

The PAC Report of 2004-05, had recommended a thorough review of all the completed projects requiring closure expeditiously. Year-wise data for projects due for closure was not provided to audit, as the same was not maintained by CAPART.

CAPART stated that the delay in closure of projects and time overrun occurred mainly on three counts:

- delay in mid-term and post completion evaluation
- delay in transmission of funds to VOs due to their remote location and

<sup>9</sup> Although CAPART was established only in 1986, the database includes projects sanctioned from 1979 onwards by its predecessor organizations.

- laxity on the part of VOs in submitting final accounts and completion report.

The fact, however, remained that despite PAC's recommendations, no improvement in reviewing and closure of completed projects was registered during the period of report as the inventory of ongoing projects increased from 6838 in 2003 to 9352 in the year 2009.

CAPART stated (July 2010) that wherever releases made were less than the sanctioned amount, the VO showed inability to continue the project which led to termination without, however, elaborating on the same.

#### 2.4.3.2 Status of test-checked projects

Of the 182 projects test-checked by audit, 165 projects were ongoing, eight projects were terminated, and only nine projects were closed as detailed below in Table 6.

**Table 6: Status of test checked projects**

Status of the Projects	No. of projects	Sanctioned amount (₹ in crore)	Released amount (₹ in crore).
Ongoing	165	40.50	18.66
Completed	9	0.64	0.64
Terminated	8	4.20	2.08
<b>Total</b>	<b>182</b>	<b>45.34</b>	<b>21.38</b>

Of the test-checked 182 projects, there was time overrun ranging from 3 to 96 months in respect of 132 projects (73 per cent). Of the above, 122 projects (67 per cent) were ongoing after expiry of the stipulated project duration. Details were as in Table 7 below:

**Table 7: Range of delays in test-checked projects**

Name of the scheme/sub-scheme	Number of projects	Status of projects		Range of Delays (in months)
PC	54	Ongoing	53	3-96
		Completed	1	12
		Terminated	0	-
ARTS	33	Ongoing	30	6-58
		Completed	2	35-36
		Terminated	1	24
OB	18	Ongoing	18	12-20
		Completed	0	-
		Terminated	0	-
Disability	20	Ongoing	15	6-72
		Completed	5	24-72
		Terminated	0	-

Name of the scheme/sub-scheme	Number of projects	Status of projects		Range of Delays (in months)
WSD	5	Ongoing	4	27-60
		Completed	0	-
		Terminated	1	6
Others	2	Ongoing	2	19-22
		Completed	0	-
		Terminated	0	-
Total	132	Ongoing	122	
		Completed	8	
		Terminated	2	

### Box 3– Instances of Huge Delays

In two out of five test-checked watershed development projects in the state of Maharashtra, (SEWA Maharashtra and Narsabai Mahila Mandal), an amount of ₹ 83.55 lakh and ₹ 80.72 lakh were released as of March 2009 and March 2007 respectively. The VOs, however, took 2-4 years to complete the capacity building exercise ( baseline surveys and action plan formulation) as against the stipulated 3-6 months; further, the projects were not completed even as of March 2010. This was accepted by CAPART (July 2010).

Of the various reasons for delays cited (July 2010) by CAPART, the main reasons were (i) delay in submission of progress reports from VOs, (ii) delay of 6-8 months in project evaluation and (iii) shifting of the project files from various RCs to Headquarters.

The fact remained that time overrun occurred in 73 per cent of the sanctioned projects which reflect poorly on CAPART's project management.

#### **Recommendation**

- CAPART should review the ongoing projects for expeditious closure

#### **2.4.4 Creation of new sub-schemes**

Nodal NGO scheme(NNGO) was launched in 2006-07. Under the scheme, NNGOs were to be nominated in each state to ensure that CAPART's various programmes were followed up in a focussed manner. Mapping of NGOs and other agencies implementing various programmes was one of the important activities of NNGOs. It was envisaged that the NNGO scheme would enable CAPART to reach the most backward and unreached areas in a targeted project mode. The priority areas of NNGOs were Rural Sanitation (RS), Roof Rain Water Harvesting (RRWH), Village Knowledge Centre (VKC) under ARTS and Rural Young Profession (RYP) under PC.



The NNGO scheme and the sub-schemes above were launched in 2006-07 and 200 projects costing ₹ 57.04 crore were sanctioned<sup>10</sup> in the year 2006-07 and 2007-08 and ₹ 21.22 crore was released as detailed below in Table 8.

**Table 8: Year wise details of projects sanctioned under the sub-schemes.**

Year	Number of projects sanctioned	Sanctioned amount (₹ in crore)	Released amount (₹ in crore)
2006-07	175	50.65	20.79
2007-08	25	6.39	0.43
<b>Total</b>	<b>200</b>	<b>57.04</b>	<b>21.22</b>

These new sub-schemes also involved relaxation of norms stipulated in the CAPART guidelines relating to

- pre-funding appraisal;
- sanctioning new projects to VOs already having three or more ongoing projects

CAPART stated (July 2010) that waiver of pre-funding appraisal etc. was approved by the EC in November 2006. CAPART's response was not tenable as it did not indicate the reasons for contravention of their own policy guidelines. The waiver of pre-funding appraisal went specifically against CAPART's assurance in April 2005 to the PAC that no project would be without such appraisal.

Audit scrutiny revealed that most of these projects were terminated and none of them was closed till date. In respect of RRWH the EC observed (September 2009) that the ferro-cement technology was of 1980's vintage and the poor had hardly any roofs for roof rain water harvesting projects indicating that appropriate rural technology was not adopted. It was pertinent to note that all the NNGO scheme failed as all the projects there under were terminated. Details of the projects sanctioned, terminated and closed under these sub schemes were as in Table 9:

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<sup>10</sup> No projects were approved under these sub-schemes after February 2008, when pre-funding appraisal was again made mandatory.

**Table 9: Position of projects sanctioned under sub-schemes**

Name of Sub-Scheme	Number of Projects Sanctioned	Sanctioned Amount (₹ in crore)	Released Amount (₹ in crore)	Number of Projects Terminated	Number of Projects Closed	Number of Projects Ongoing
RYP	54	24.85	9.54	4	-	50
NNGO	74	11.39	4.62	74	-	0
RRWH	27	7.18	2.31	-	-	27
RS	29	8.64	4.71	2	-	27
VKC	16	4.98	0.05	1	-	15
<b>Total</b>	<b>200</b>	<b>57.04</b>	<b>21.23</b>	<b>81</b>	<b>-</b>	<b>119</b>

Further, these sub-schemes were intended to reach, backward and unreached areas. It was, however, noticed that none of the projects were sanctioned in the backward districts identified by the Planning Commission under the RSVY.

These sub-schemes were discontinued in September 2009 by the 50<sup>th</sup>EC, subsequent to audit pointing out serious irregularities in implementation like waiver of pre-funding appraisal and non-verification of Below Poverty Line status of the beneficiaries.

CAPART stated (July 2010) that NNGO was not a beneficiary oriented scheme. The reply of the CAPART was, however, silent on the issue of violation of guideline which stipulated that 50 *per cent* beneficiaries should be from SC/ST/BPL families applicable to other sub-schemes. The reply was also silent on the issue of non-sanction of these schemes in backward districts for which these were intended.

#### **Recommendation**

- *CAPART should strictly avoid relaxation of prescribed policy guidelines*

#### **2.4.5 Field visits by audit team**

The audit team made field visits to 11 project sites in Orissa, Gujarat and Rajasthan. Details of the results of the field visit with the supporting photographs are summarised below:

#### **Box 4- Instances of good execution**

Centre for Education Empowerment and Rehabilitation Action, Bhubaneswar, Orissa had an ongoing training programme in the tribal area of Khurda district of Orissa, for construction of low cost houses using Stabilised Mud Block. Audit made a field visit to the project in October 2009. The beneficiaries expressed satisfaction over implementation of the programme by the VO.



Society for Leprosy Amelioration and Rehabilitation, Puri, Orissa was implementing a project sanctioned in October 2008, for economic empowerment of rural women through skill up gradation. Audit made a field visit in October 2009. The beneficiaries expressed satisfaction over the programme.



**Beneficiaries undergoing training**

#### **Box 5 – Cases of irregular execution**

(i) Field visit by the audit team on 6 November 2009 to roof rain water harvesting project costing ₹ 15 lakh, implemented by Insaf Khadi Gramodhyog, Gujarat (sanctioned in December 2005) revealed that most of the built up structures were not fitted with roof rain water collection pipes/channels and could not be used for rain water harvesting.



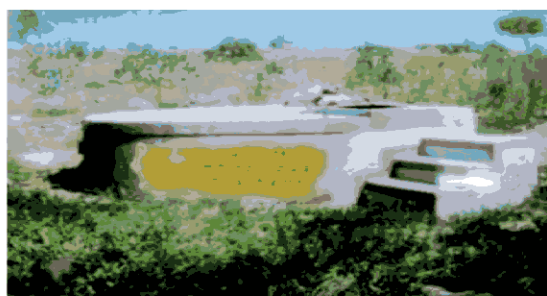
**Water tank constructed without connecting pipes (Airvada, Surendranagar, Gujarat)**

CAPART stated (July 2010) that the case stood referred to vigilance department for further investigation

(ii) A project under NRDM (Other Schemes)scheme was sanctioned for ₹ 21.71 lakh to Shilpi Sansthan, Rajasthan, in December 2006 for construction of 70 community water *tankas* and to connect them with the roof top for harvesting roof rain water. The mid-term evaluator had reported satisfactory construction of *tankas*<sup>11</sup> and had also enclosed photographs of constructed *tankas* along with the concerned beneficiaries. During its field visit in December 2009, the audit team test checked 10 *tankas* and found that four *tankas* were not connected with the roof top, due to which they could not be used for roof rain water harvesting. Further, the test-checked *tankas* did not bear the name of the beneficiaries (except in one case) and the implementing agency i.e. CAPART, which was mandatory, although the photographs submitted by the mid-term evaluator carried these details painted on the *tankas*. Since Gram Panchayats were also working on similar projects under different schemes, there was a possibility of showing the same *tankas* for getting funds from other sources like NREGA<sup>12</sup>.



**Structure of water *tanka* without roof attachment Bhanpura Village, Barmer**



**Photograph of water *tanka* submitted by FCE indicating display in Bhanpura Village, Barmer**

<sup>11</sup> Underground tanks built for storage of rain water

<sup>12</sup> National Rural Employment Guarantee Act



**Photograph of the same water *tanka* without display as verified by audit**

(iii) A project of ₹ 4.20 lakh was sanctioned under NRDM to Nehru Navyuvak Mandal, Moseri, Rajasthan for construction of 14 community water *tankas* in two villages- Kharchi and Moseri in Barmer. The audit team on its field visit in December 2009 found during test check of seven water *tankas* that the structures did not display details of the projects with the sponsoring agency's name and amount of funds released, which were mandatory as per the guidelines. There was a possibility of showing the same *tankas* for getting funds from other sources.



**Water *tanka* of Moseri Village of Barmer without display details**

(iv) A project under NRDM for ₹ 12.54 lakh was sanctioned to Nehru Navyuvak Mandal, Gourdia, Barmer district, Rajasthan for construction of 38 community water *tankas* in Harsani blocks of Barmer district. The audit team during its field visit in December 2009 to Harsani village, found that out of five structures of water *tankas* test checked, four were without any display details of funds released and name of sponsoring agency, although the photographs submitted by the FCE with the mid-term evaluation report exhibited all the mandatory information as required under CAPART's guidelines. There was a possibility of showing the same *tankas* for getting funds from other sources.



**Photograph of *tanka*, with display plate as submitted by FCE**



**Photograph of the same *tanka* without display plate during field visit of audit**

(v) A project of ₹ 5.53 lakh was sanctioned to Gangotri Sansthan, Barmer for construction of 16 community water *tankas* in two villages viz. Revali and Chenna ki Dhani. The audit team during field visit in December 2009 found that the display bearing the details of the projects were found removed, although the photographs submitted by the FCE carried all the mandatory information as required under CAPART's guidelines. There was a possibility of getting funds from other Government sources for the same *tankas*.



**Photograph of *tanka*, with display plate in Revali Village as submitted by FCE**



**Photograph of same *tanka* without display during field visit of audit team**

In response to observations at (ii) of Box 5, CAPART stated that the amount had been recovered from the VO in one case for not linking the tank with roof through pipe. The reply added further that the VO had since furnished all photographs duly displaying the details; that CAPART was also getting an undertaking from the VO regarding non-receipt of funds for the same project either completely or partially from any other agency. When the earlier report of the FCE indicated display particulars and the subsequent visit by the audit team revealed absence of such display, CAPART's response that the VO had since furnished photographs duly displaying particulars seemed not reliable.

#### **2.4.6 Field visit to projects showcased by CAPART as successful**

The audit team visited four successful showcased projects<sup>13</sup> of CAPART, referred to in exit conference, in the States of Andhra Pradesh, Tamil Nadu and West Bengal. All the four projects were found completed by the VOs and the beneficiaries expressed satisfaction over implementation of the projects.

#### ***Recommendations***

- *Selection of VOs should be transparent and as per prescribed eligibility criteria*
- CAPART should map the data on VOs and projects allotted to them along with monitors appointed therefor to ensure effective follow up

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<sup>13</sup> (i) Project for "Sustainable livelihood security through integrated and innovative approach" in West Bengal at a cost of ₹ 17.42 lakh completed in 2008 through VO – Baradrone Social Welfare Organisation, West Bengal.

(ii) Project for "Adoption of low cost eco friendly propagation technique at a cost of ₹ 19.24 lakh in West Bengal through VO – Sramik Vidya Mandir, West Bengal.

(iii) Project for "Revival of traditional chain of tanks and allied activities" in Tamil Nadu at a cost of ₹ 24.64 lakh completed in 2007 through VO – Shri Ramakrishna Sarada Trust, Tamil Nadu

(iv) Project for "Extension services for physically challenged individuals in rural areas of East Godavari" in Andhra Pradesh at a cost of ₹ 9.25 lakh completed in 2006 through VO – Uma Education and Technical Society, Andhra Pradesh.

- CAPART should devise a fool-proof mechanism for segregation of assets created out of its assistance

## **2.5 Vigilance and Internal Control**

### **2.5.1 Absence of follow up action on assurances PAC on deficiencies noticed in earlier performance audit**

As per CAPART's circular issued in October 2001 and MoRD's assurances to PAC in 2004-2005, as a policy imperative, the members of NSCs/RCs were not expected to promote proposals of VOs with which they or their Association or members of their family were involved as office bearers or patrons and proposals relating to VOs where the members of Regional Committee or their family members were office bearers would not be dealt with at the level of Regional Committees, but referred to the concerned divisions at CAPART's Headquarters, who, on examination, would place them before the concerned National Standing Committees with their comments.

During test check, it was found that in the 41<sup>st</sup> meeting of the Regional Committee of Jaipur held on 31 December 2008, a project was sanctioned to a VO who had one of the members of the RC in its Executive Committee. In another project, relating to Watershed Development Programme, the consultant (WSD) of CAPART was one of the Executive Committee members of the VO.

#### ***Recommendation***

- *CAPART should adhere to the assurance given to PAC and not sanction any project to VOs having in their executive committees members of NSC/RC*

### **2.5.2 Blacklisting of VOs and other funding restrictions**

Audit scrutiny revealed the following:

- As of January 2010, CAPART had placed 2304 VOs under different categories of funding restrictions – 659 as blacklisted, 223 as defaulters, 1226 under Further Assistance Stopped(FAS), and 196 under other categories; ₹ 135.58 crore of funds had been released to these VOs. For the blacklisted cases, CAPART filed FIRs only in 62 cases as of May 2009. During test check, it was seen that CAPART has released an amount of ₹ 36.73 lakh to a VO (Social Action for Rural and Tribal Inhabitants of India) after it was blacklisted. Further, audit noticed that in respect of Jan Jagriti, an amount of ₹ 17.95 lakh was released after it was placed under FAS category.
- CAPART's action in listing blacklisted and FAS category VOs on its website served little purpose, as the names and addresses of the chief functionaries of these VOs were not listed.



Further, although MoRD had intimated PAC that CAPART had taken action for deregistration of some of the blacklisted VOs, CAPART failed to provide data in this regard to audit, which raised doubts over claims of such action.

***Recommendation***

- *CAPART should take decisive action in respect of blacklisted and other categories of VOs and recover the amounts due*

**2.5.3 Effectiveness of Vigilance system**

CAPART failed to furnish Audit with information sought for on complaints received, investigations conducted etc. to ascertain the effectiveness of vigilance division. In response, CAPART stated (July 2010) that CVC had directed furnishing of statistical data like number of complaints received, investigation carried out, outcome, etc. However, the year wise information requested for by audit was not received.

**2.6 Evaluation studies**

An evaluation study by an expert committee under Ms. Syeda Hameed, Member, Planning Commission, had recommended (March 2007) sweeping changes to the organisational structure and functioning of CAPART including the selection process and tenures for officials, flexibility in selection of programmes to enable multi-disciplinary action etc.. In response, CAPART (July 2010) stated that the report of Syeda Hameed committee was under consideration of the Ministry.

**2.7 Conclusion**

The performance audit revealed that the process prescribed for project appraisal, approval and monitoring was not fully complied with. The time overruns continued to be huge in the majority of projects implemented and test-checked. CAPART did not attempt to cover the districts identified as backward by the Planning Commission. Field visits to project sites by the audit team revealed irregularities in the delivery of intended benefits. The selection of VOs was not strictly as per policy guidelines leading to non-completion and termination of projects. Monitoring continued to be weak and in some cases not reliable. Such large scale failures led to CAPART not fulfilling its objective to encourage, promote and assist voluntary action in implementation of rural development schemes. In the context of overlap of CAPART activities with other flagship programmes of the Government of India, the Ministry may consider restructuring of CAPART.

**Annexure**  
**(Referred to in paragraph 2.4.2)**

**Cases of significant deficiencies in processing of projects**

- i. Pradushan Niyantaran Avam Urja Vikas Samiti, Allahabad, Uttar Pradesh was sanctioned in February 2004 an IRH project for ₹ 18 lakh for constructing IRH houses with innovative technology i.e. Stabilised Mud Block. However audit noticed that instead of constructing houses with Stabilised Mud Block, red bricks were used for construction. CAPART stated in July 2010 that DG regularised the change in technology to use red bricks. Regularisation of the change of technology by the DG went against the very purpose of the project.
- ii. A project proposal for ₹ 9 lakh on empowerment of the Disabled People (providing training to Disabled people in different trade skills) was sanctioned in August 2007 to Handicapped Welfare Society, U.P. However, it was terminated in July 2008 without approval from NSC. Reasons for termination sought for by audit were not provided. CAPART confirmed in July 2010 that a show cause notice was served on the concerned officer to explain the reasons for termination of the project.
- iii. While sanctioning new projects, previous track records of VOs in respect of its earlier terminated and delayed projects were not considered by CAPART. Society for the Welfare of Weaker Section, Orissa submitted a RRWH project in 2006-07 without detailed list of beneficiaries. The VO was sanctioned (January 2007) ₹ 21 lakh, even though out of seven projects earlier sanctioned, three were terminated, two rejected, one pending, and one was ongoing since the last 16 years. This was accepted (July 2010) by CAPART.
- iv. Shivangi Education and Rural Development Society, Madhya Pradesh, submitted project proposal under Disability scheme in September 2006 with duration as two years. The CAPART intimated the VO of shortcomings in the proposal November 2006, which were replied to by VO in February 2007. However, the desk appraisal was completed only in September 2008. CAPART took four months to issue sanction of ₹ 40.60 lakh. CAPART took 24 months to process the proposal with project duration of two years. CAPART accepted (July 2010) the delay.
- v. Asmita Sanwardhan Trust, Gujarat received ₹ 5.99 lakh (May 2001 and January 2002) for construction of houses for earth quake victims in Bhuj, Gujarat. Post evaluation report (May 2004) revealed that the houses were not constructed. CAPART stated

(July 2010) that it had initiated action for recovery of the amount released along with penal interest.

- vi. For a project under Disability scheme, Social Work and Rural Development, Uttar Pradesh, was sanctioned ₹ 11 lakh in June 2005. The first monitor for mid-term evaluation appointed in February 2007 failed to submit its report for 18 months. Subsequently, another monitor was appointed in July 2008, who submitted his report in November 2008. CAPART took 21 months instead of 45 days prescribed in guidelines. This was accepted (July 2010) by CAPART.
- vii. Maharashtra Suryodya Bahuuddeshiya Samajik Sanstha was sanctioned ₹ 10 lakh in February 2005, for a project under Disability scheme. The mid-term evaluator appointed in July 2008, did not submit the report as of November 2009. CAPART stated (July 2010) that the case had been marked for fresh post evaluation.
- viii. A mid-term evaluator appointed in December 2007 to assess a Grameen Vikas Andolan project of Murari Samaj Kalyan Society, Orissa did not submit his report as of October 2009. This was accepted (July 2010) by CAPART.

Chakradhar Gramin Vikas Pratisthan (Maharashtra), was sanctioned in February 2007 ₹ 82.72 lakh for an RRWH project. The two institutional monitors who did the mid-term evaluation in December 2007 and August 2008 did not mention the names of the beneficiaries in their report. CAPART failed to take any action on the same. CAPART accepted (July 2010) the facts of the case.

**List of Abbreviations**

<b>ARTS</b>	<b>Advancement of Rural Technology Scheme</b>
<b>BLA</b>	<b>Blacklisted agencies</b>
<b>CAPART</b>	<b>Council of Advancement of Peoples Action and Rural Technologies</b>
<b>CSIR</b>	<b>Council for scientific and industrial research</b>
<b>DBT</b>	<b>Department of Bio-technology</b>
<b>DG</b>	<b>Director General</b>
<b>DSSW</b>	<b>Department of Social work</b>
<b>DST</b>	<b>Department of science and technology</b>
<b>DRDA</b>	<b>District Rural Development Agency</b>
<b>EC</b>	<b>Executive Committee</b>
<b>FAS</b>	<b>Further Assistance Stopped</b>
<b>FCE</b>	<b>Facilitator cum Evaluator</b>
<b>GB</b>	<b>General Body</b>
<b>GoI</b>	<b>Government of India</b>
<b>GVA</b>	<b>Grameen Vikas Andolan</b>
<b>ICAR</b>	<b>Indian Council of Agriculture Research</b>
<b>IIFM</b>	<b>Indian Institute of Forest Management, Bhopal</b>
<b>IIT</b>	<b>Indian Institute of Technology</b>
<b>IM</b>	<b>Institutional Monitor</b>
<b>IRH</b>	<b>Innovative Rural Housing</b>
<b>IRMA</b>	<b>Institute of Rural Management Anand</b>
<b>ISRO</b>	<b>Indian Space Research Organisation</b>
<b>IT</b>	<b>Information Technology</b>
<b>ICT</b>	<b>Information and Communication Technology</b>
<b>ITC</b>	<b>Indian Tobacco Company</b>
<b>MoA</b>	<b>Memorandum of Association</b>
<b>MoRD</b>	<b>Ministry of Rural Development</b>
<b>NGO</b>	<b>Non-Governmental Organisation</b>
<b>NNGO</b>	<b>Nodal Non-Governmental Organisation</b>
<b>NREGA</b>	<b>National Rural Employment Guarantee Act</b>
<b>NSC</b>	<b>National Standing Committee</b>
<b>OB</b>	<b>Organisation of Beneficiaries</b>
<b>PAC</b>	<b>Public Accounts Committee</b>
<b>PADI</b>	<b>People's Action for Development India</b>
<b>PAN</b>	<b>Permanent Account Number</b>
<b>PC</b>	<b>Public Cooperation</b>
<b>RC</b>	<b>Regional Committee</b>
<b>RR&amp;MC</b>	<b>Regional Representative and Member Convener</b>
<b>RRWH</b>	<b>Roof Rain Water Harvesting</b>
<b>RS</b>	<b>Rural Sanitation</b>
<b>RYP</b>	<b>Rural Young Professional</b>
<b>SGSY</b>	<b>Swarn Jayanti Gram Swarozgar Yojana</b>
<b>SHG</b>	<b>Self Help Group</b>
<b>TISS</b>	<b>Tata Institute of Social Science</b>
<b>UNDP</b>	<b>United Nations Development Programme</b>
<b>VKC</b>	<b>Village Knowledge Centre</b>
<b>VO</b>	<b>Voluntary Organisation</b>
<b>WSD</b>	<b>Watershed Development</b>