

3.1 Introduction

The obligation to provide employment within 15 days of receipt of application necessitates advance planning. The basic aim of the planning process is to ensure that the district is prepared well in advance to offer productive employment on demand (para 4.1.1 of Operational Guidelines). To adequately match the demand for work, prior assessment of the quantum of work likely to be demanded as well the timing of this demand is required. The Act and the Operational Guidelines require the implementing agencies to draw up two types of plans – the development plan {section 16(3)}, which is an annual work plan, and the perspective plan (para 4.5.1 of Operational Guidelines), which attempts to integrate work priorities with the long term strategy of poverty alleviation through employment generation and sustained development.

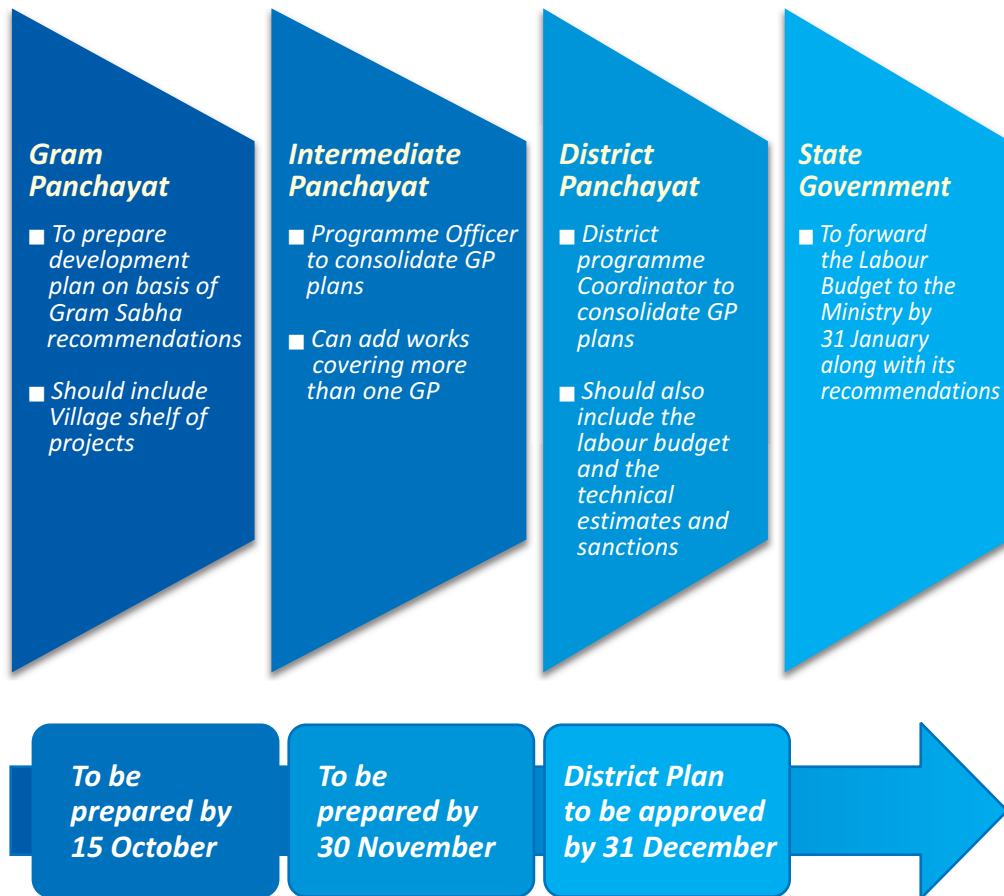
3.2 Annual Work Plan /Development Plan

The annual work plan/development plan identifies the activities to be taken up in a year. The development plan is supposed to comprise four components:

- Assessment of labour demand;
- Identification of works to meet the estimated labour demand for work;
- Estimated cost of works and wages; and
- Benefits expected in terms of employment generation and assets creation.

As the primary responsibility of implementation of the Scheme is with the gram panchayat, it is also the primary unit in the process of planning. An intermediate consolidation of all the plans prepared by the gram panchayat is to be carried out at block level; these were to be then consolidated into the district plan/labour budget and sent to the Ministry through the respective state government. The labour budget submitted by the states/UTs is a vital tool for assessing the employment generation and forms the basis for fund allocation to the states/UTs during the ensuing financial year. The Operational Guidelines prescribe a detailed schedule for preparation of the annual plan, which is summarised below:

Chart-7: Process of Preparation of Annual Plans



3.2.1 Gram Sabha Meeting

As indicated in **Chart-7** above, the first step in the planning process pertains to the gram sabhas. As per para 4.4.5 of the Operational Guidelines, meeting of gram sabhas should be held on 2 October each year for identification of implementable works during the following financial year, in order of priority. The responsibility for ensuring timely schedule of meetings vests with the Programme Officer. Audit observed that the meetings of gram sabha were not held in 231 GPs (six *per cent* of all test checked GPs) in three states and one UT viz. Karnataka, Punjab, West Bengal and Lakshadweep for identification and recommendations of works at the GP level (**Annex-3A**). This indicated that in these cases the plans prepared did not incorporate the needs of the local community.

3.2.2 Non-Preparation of Plan at GP Level

Under section 16(3) of the Act, gram panchayat is required to prepare the development plan on the basis of recommendations of the gram sabha. Audit observed that in 1,201 GPs (31 *per cent*) in 11 states and one UT out of 3,848 test checked GPs of 28 states and four UTs, annual plans were either not prepared, or were prepared in an incomplete manner. The shortcomings were noticed in Andhra Pradesh, Arunachal Pradesh, Goa, Gujarat, Jharkhand, Maharashtra, Meghalaya, Nagaland, Punjab, Sikkim, Tamil Nadu and Puducherry. The details are given in **Annex-3A**.

Further, plans were not prepared in any of the test checked GPs of three of the above mentioned states viz. Andhra Pradesh, Goa and Gujarat. The absence of the annual work plan would make it difficult to meet the demand for employment within the legally mandated 15 days. Besides, it could also result in execution of non-priority works for local community.

The Ministry in its reply stated (November 2012) that states were being asked to submit comments on the audit observation.

3.2.3 District Annual Plan/Labour Budget

District panchayat is required to consolidate the block level plan and prepare labour budget for forwarding it to the state government for approval. It was observed that the district annual plans were not prepared in 49 districts (26 per cent of all test checked districts) in nine states and one UT viz. Andhra Pradesh, Arunachal Pradesh, Assam, Goa, Gujarat, Sikkim, Tamil Nadu, Uttar Pradesh, West Bengal and Dadra & Nagar Haveli. These cases are detailed in **Annex-3A**.

3.2.4 Shelf of Projects

Shelf of projects is an important component of the development plan (para 4.2.1 of Operational Guidelines), as an adequate number of such planned works were necessary to ensure that works could be taken up as soon as any demand for work was placed before the GP. It was observed that the development plan in 41 districts (22 per cent of all test checked districts) in eight states and two UTs viz. Arunachal Pradesh, Goa, Gujarat, Kerala, Punjab, Tamil Nadu, Uttar Pradesh, West Bengal, Dadra & Nagar Haveli and Puducherry did not contain the block-wise shelf of projects. The absence of the shelf of projects is fraught with the risk of selection of works under the Scheme in an ad-hoc manner or the risk of delays in commencement of works. An associated problem due to the absence of the shelf of projects was observed in Punjab where 52 GPs in blocks Bhunga and Talwara (Hoshiarpur district) returned ₹ 36.42 lakh during April 2008 to October 2010 as they could not utilize the grant released in 2007-08 to 2010-11 for want of shelf of projects. The state-wise details are given in **Annex-3A**.

3.2.5 Non-inclusion of the Projected Employment Generation in the Annual Plan

Under para 4.3(iii) of the Operational Guidelines, the estimated benefits in terms of employment generated measurable in persondays was to be the guiding principle for preparing the annual plan. This was necessary to ensure that the plan was able to meet the estimated labour demand.

Audit observed that in 58 districts (31 per cent of all test checked districts) in nine states and one UT viz. Arunachal Pradesh, Assam, Bihar, Haryana, Jharkhand, Karnataka, Madhya Pradesh, Odisha, Tamil Nadu and Puducherry, the projected employment generation was not included in the plan. Further, the district plans in 12 districts (6.5 per cent of all test checked districts) in five states viz. Assam, Haryana, Nagaland, Punjab and Tamil Nadu did not indicate the total cost for each project in violation of para 4.2.2(iii) of the Operational Guidelines. The details are given in **Annex-3A**.

3.2.6 Fifty per cent of Works by GPs

A minimum of 50 per cent of the works in terms of cost were to be executed by the GP (section 16(5) of the Act). It was observed that the district plans in 10 districts of four states viz. Bihar, Haryana, Maharashtra and Punjab did not envisage execution of 50 per cent of works by the GPs. This lapse at the planning stage itself would be difficult to control at the execution stage. The state-wise details are given in **Annex-3B**.

3.2.7 Other Discrepancies in the Planning Process

Enduring outcomes like area irrigated, village connectivity, etc. were to be part of the district plans (para 4.3(iii c) of the Operational Guidelines). These were not incorporated in case of 87 districts (48 per cent of all test checked districts) in 13 states viz. Arunachal Pradesh, Assam, Bihar, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Nagaland, Odisha, Rajasthan, Uttar Pradesh and Uttarakhand (**Annex-3B**). Further, unique work codes were to be allotted to each planned work. In 58 districts (32 per cent of all test checked districts) in 10 states and one UT viz. Assam, Bihar, Jharkhand, Kerala, Maharashtra, Mizoram, Nagaland, Rajasthan, Tamil Nadu, Uttarakhand and Lakshadweep, these were not allotted. Further, in 67 districts (37 per cent of all test checked districts) of nine states i.e. Assam, Bihar, Jharkhand, Kerala, Maharashtra, Nagaland, Rajasthan, Uttar Pradesh and West Bengal, crop pattern data was not used in plans. These cases are detailed in **Annex-3B**.

3.2.8 Delay in Preparation of Plan

The Operational Guidelines note that the sequence of approvals laid down under the Act necessitates time bound coordination between different levels, so that the spirit and intent of the Act was maintained. It further notes that it is legally imperative that there are no delays in the approval of plan at any level. It also prescribes the time schedule as shown in **Chart 7** above. However, there were persistent delays in submission of the annual plans as shown in the **Table-4** below:

Table 4: Delay in submission of Annual Plans/Labour Budgets

Annual Plan submission	Target date (every year)	Delay noticed in	Delay range (in months)	States where records/dates not produced to Audit
Gram Panchayat to Block	15 October	197 GPs in 5 states	1 to 21	9 ¹
Block to District Programme Co-ordinator	30 November	47 blocks in 8 states	1 to 12	9 ²
District to State Government	31 December	36 districts in 9 states	10 days to 11 months	4 ³
State to the MoRD	31 January	8 states	23 days to 10 months	2 ⁴

¹ Bihar, Chhattisgarh, Himachal Pradesh, Jharkhand, Karnataka, Maharashtra, Odisha, Uttar Pradesh, Uttarakhand.

² Bihar, Chhattisgarh, Karnataka, Goa, Himachal Pradesh, Kerala, Maharashtra, Odisha, Uttar Pradesh.

³ Chhattisgarh, Himachal Pradesh, Karnataka, Odisha.

⁴ Gujarat, Karnataka.

The details of the delay are given in the **Annex-3C (i-iv)**. The delays were of 187 days (average) by 197 gram panchayats in five states where records were provided. In the remaining states/UTs also, where records were not produced to Audit or undated plan was submitted, no assurance could be derived regarding timely submission of plan.

3.2.9 Other Irregularities in Labour Budget

Audit noticed state specific irregularities relating to preparation and submission of the labour budget as detailed below:

- Arunachal Pradesh did not submit labour budget for the year 2008-09.
- Three states *viz.* Arunachal Pradesh, Goa and West Bengal did not submit labour budget in the prescribed format.
- Nine districts⁵ in three states *viz.* Arunachal Pradesh, Nagaland and West Bengal did not submit the annual plans to the State Employment Guarantee Council within the scheduled date i.e., by 31 December of each year.
- Three districts⁶ of Madhya Pradesh did not submit their labour budgets to the state government.
- In Odisha, GPs were not involved in preparation of labour budget.
- In Andhra Pradesh, labour budget was finalised at the state level based on MIS data and was not prepared at district level.
- In Puducherry, the projected number of MGNREGS households was more than the total households in the UT, thus indicating that the labour budget was prepared on unrealistic basis.

The Ministry stated that states were being asked to submit comments on these issues. The Ministry also stated that it had repeatedly emphasized the need to follow the prescribed procedure for preparation of shelf of projects and labour budget at the panchayat level. This was to be kept ready in advance for the next financial year. On 24 August 2012, the Ministry issued a frame work for planning of works under MGNREGS to enable completion of the consolidation process of labour budgets for all GPs in a state and submission of the same to the Central Government by 31 December.

3.3 Shortfall in Actual Execution of the Labour Budget

The effectiveness of the planning process has to be measured against the actual execution of the planned labour budgets. Audit observed large shortfall/variations between the planned employment generation, as shown in the labour budgets of states/UTs and actual generation of

⁵ Anjaw, Lower Dibang Valley, Papumpare, West Siang, Dimapur, Mon, Tuensang, South 24 Pargana, Vardhman

⁶ Ashoknagar, Balaghat, Datiya

employment. In 13 states and one UT viz. Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttarakhand and Dadra & Nagar Haveli, the shortfall in actual employment generation *vis-a-vis* the projected employment ranged from 2 to 100 *per cent* in respect of annual plans for the period covered in audit. The details are given in the table below:

Table-5: Variations in actual execution of the planned Labour Budgets of States/ UTs

<i>Shortfall in actual employment generation against the planned employment</i>		
Sl. No.	State/UT	Range of shortfall in <i>per cent</i>
1	Bihar	27 to 98
2	Chhattisgarh	9 to 31
3	Gujarat	2 to 62
4	Haryana	55 to 62
5	Himachal Pradesh	13 to 41
6	Jharkhand	40 to 59
7	Madhya Pradesh	27 to 94
8	Maharashtra	30 to 100
9	Rajasthan	13 to 50
10	Sikkim	46 to 65
11	Tamil Nadu	17 to 59
12	Tripura	2 to 37
13	Uttarakhand	23 to 61
14	Dadra & Nagar Haveli	42 to 96

The Ministry replied that MGNREGS was a demand based Scheme and the labour budget was prepared on the basis of projection of labour demand in a given period which could change due to various reasons like rainfall, other employment opportunities in rural areas, etc. The basic objective of the Act was to provide employment to rural people whenever there was a demand. The shortfall in demand and actual projection was inevitable in rural India where demand of employment varies due to monsoon and other reasons.

The reasons for shortfall in employment generation are not justifiable as monsoon is a regular phenomenon and plans could have been prepared accordingly. In those states where the quantum of shortfall was large, it indicated a systemic weakness in the planning process.

3.4 Works Executed Outside the Annual Plan

Audit observed that in 25 test checked districts in eight states 4,907 works amounting ₹ 158.83 crore were executed outside the annual plans. The details of these works are given in **Annex-3D**. The selection of works beyond those mentioned in the annual plans indicated deficiencies in the planning process.

3.5 Shortfall in Execution of Works in Annual Plans

Audit observed that in 14 states and one UT 129.22 lakh works amounting to ₹ 1,26,961.11 crore were approved in annual plans but only 38.65 lakh works (30 *per cent* of planned works) amounting to ₹ 27,792.13 crore were completed during the audit period. The details are shown in the **Annex-3E**.

Case Study: Deviations from approved works

Jammu & Kashmir:

In seven blocks of three districts (Poonch, Rajouri and Udhampur) there was wide variation between the planned works and the actual works undertaken. 2,950 works with an estimated cost of ₹ 2,779.32 lakh included in the annual action plans (AAP) for the years 2007-12 were not taken up for execution. The reason for not taking up these approved works was attributed to non-allotment of sufficient funds. The reasons put forth by the Block Development Officers (BDOs) were not substantiated by records as significant closing balances were available with the BDOs at the close of the respective years. The BDOs had taken up 785 works which were not a part of AAP.

Nagaland:

- It was observed that 810 works amounting to ₹ 114.56 crore were reported as completed against the 772 projects planned for ₹ 130.59 crore. However, none of the seven test checked blocks executed the planned works.
- Out of 99 afforestation and plantation works planned at a cost of ₹ 8.17 crore to be executed during 2007-12, only 32 works (32 *per cent*) worth ₹ 7.15 crore could be completed in 54 test checked Gps.
- Only 25 projects (21 *per cent*) were executed at a cost of ₹ 3.45 crore out of 119 projects planned for land development worth ₹ 15.70 crore.

The Ministry stated that the annual plan was prepared based on the projection of demand, which may be on the higher side, to take into account all potential employment seekers. The shelf of projects prepared on the basis of annual plan does not suggest that all the projects need to be either taken up or completed in a financial year. Demand for MGNREGS work was dependent upon several factors including availability of alternative employment opportunities. Therefore (a) not all work included in the annual plan were commenced, and (b) not all the works that were started got completed in a financial year. Ministry had issued guidelines to improve the work completion rate. Work completion rate was reviewed regularly in the Performance Review Committee Meetings and in regional review meetings with the states. Area Officers visiting the GPs and blocks were requested to focus on incomplete works and take up this issue with executing authorities.

The fact that only 30 *per cent* of the planned works taken up under the Scheme were completed indicates deficient planning.

3.6 Preparation of District Perspective Plan

The Operational Guidelines stipulated preparation of a five year district perspective plan (DPP) to facilitate advance planning and provide a development perspective for the district (para 4.5.2 of Operational Guidelines). The aim was to identify the types of MGNREGS works that should be encouraged in the district, and the potential linkages between these works and long-term employment generation. State Employment Guarantee Councils (SEGCs) were to decide on the 'preferred works' to be implemented under MGNREGS, and recommend works for submission to the Central Government.

Audit observed that the DPP was not prepared in 84 districts (46 *per cent* of all test checked districts) in 17 states and three UTs. Non-preparation of DPP adversely affected the continuity of the planning process at the district level. Further, the Ministry released ₹ 7.60 crore to these 84 districts for the preparation of DPPs, but only ₹ 94.59 lakh was utilised. Details are given in **Annex-3F**.

The Ministry stated that it had requested the state government to provide reasons for not preparing DPP in a timely manner.

Further, in 42 districts (23 *per cent* of all test checked districts) in 13 states *viz.* Assam, Bihar, Gujarat, Haryana, Kerala, Madhya Pradesh, Maharashtra, Manipur, Punjab, Rajasthan, Tripura, Uttarakhand and West Bengal the DPPs were prepared but the required approvals of the SEGC were not obtained. Further, the Ministry released ₹ 3.40 crore to these districts out of which only ₹ 2.14 crore was spent for the preparation of DPP. The details are given in the **Annex-3G**.

The Ministry stated that the Act did not prescribe any approval from the SEGC for district perspective plan.

The reply did not recognise the fact that the SEGC was given a central role in the implementation of the Act, at the state level. SEGC was also responsible for monitoring the implementation of Scheme as per section 12 of the Act and all important activities relating to Scheme implementation were to be done through SEGC at the state level.

Case Study: District Perspective Plan in Nagaland

In three districts (Dimapur, Mon and Tuensang) of Nagaland, the agency involved in preparation of district perspective plan did not conduct any survey of the villages to identify the local needs. The district perspective plan therefore did not include all relevant data pertaining to local needs. In Mon district, a sum of ₹ 23.02 lakh was paid to the contracted agency without approval of the district authority. The perspective plans were also not uploaded in the state website. The agency completed the process of perspective plan by March 2009.