

The Operational Guidelines permitted the dovetailing of MGNREGA funds with funds from other sources for creation of durable community assets. As such funds available with PRIs from other sources like Finance Commission, State Finance Commission or other Central or Centrally sponsored schemes could be dovetailed with MGNREGA funds.

Audit findings

7.1 Lack of a bottom up approach

The Act visualised that the *Panchayats* would be the principal authorities in implementation/monitoring of MGNREGS. In this, MGNREGS differed from other Schemes as release of funds from GoI was based on State (District/Block/GP) proposals rather than on predetermined allocations. The State was to submit demands received from the districts to GoI. The districts in turn were to consolidate the demands raised by the implementing agencies (*GPs, KPs, and Line departments*) and an approved district plan incorporating all the works against the demands raised was to be prepared before submitting to the State Government. The entire process (planning and demand for funds) started from *GPs* (bottom) was envisaged to go upwards to arrive at the State/GoI (top) level.

Audit observed that the State Government fixed¹ financial targets for various MGNREGS works for the State Government departments during 2009-12. It further directed the Commissioners, REGS and DPCs to sanction funds against the project proposals submitted by the line departments from the MGNREGS allocations. Thus, the bottom up and demand driven Scheme got modified into a top down allocation based one, vitiating the very essence of the scheme. Further, the proposals submitted by line departments were not included in the district plans. In gross violation of the guidelines the status of financial targets fixed by the State Government for its various line departments during 2009-12² is given below:

Table 7.1: Financial target for various departments

(₹ in crore)				
Year	No. of department	Financial target fixed	Funds released	Actual expenditure
2010-11	10	3,181.61	852.81	652.89
2011-12	10	3,256.51	822.44	779.25
Total	20	6,438.12	1,675.25	1,432.14

Thus, for executing works under MGNREGS, the State Government fixed financial targets for ₹ 6,438.12 crore to its different line departments during 2009-12. These departments incurred expenditure ₹ 1,432.14 crore out of ₹ 1,675.25 crore released (2010-12) to them. The targets fixed for 36 test

¹In one case Joint Administrator, Ramganga Command Project warned (September 2011) all the BSAs to face adverse entry in case of failure in submission of proposals as per target fixed by the Government.

² Figures of 2009-10 not made available.

checked units of line departments, funds released and actual expenditure incurred is annexed (*Appendix-XVI*). These line departments incurred expenditure of ₹ 125.22 crore against the financial target of ₹ 452.04 crore and ₹ 160.04 crore released to them. The target based proposals prepared by the departments were not based on actual/realistic demands emerging from the districts and the works undertaken were also not included in the DPPs/annual plan. This was completely in violation of the bottom up approach of the scheme, converting it into a top driven one.

The State Government stated (January 2013) that the objective of fixing target was to accommodate various type of demands made by *GPs/KPs* and, therefore, bottoms-up approach was followed indirectly. Principal Secretary expressed his views in exit conference that presently the works recommended by the *Panchayats* are being taken up under convergence.

Reply was not convincing as the works executed by line departments in the review period were neither recommended nor approved by *GPs/KPs*.

7.2 Dovetailing of MGNREGS' funds for departmental plan works

As per paragraph 14.1.2 of the Guidelines, funds from other programmes for the works permissible under MGNREGS could be dovetailed with the MGNREGS funds but not vice versa. Audit, however, observed reverse dovetailing in the State. Instead of dovetailing funds from other programmes into MGNREGS works, MGNREGS' funds were dovetailed on a large scale for execution of departmental works/schemes. Test checked of 16 line departments in 10 districts revealed that departments executed/implemented their departmental works/schemes during 2008-12 and incurred expenditure ₹ 46.09 crore by utilising amount from the MGNREGS funds (*Appendix- XVII*).

The State Government stated (January 2013) that the objective of taking up of works under convergence was to accommodate various types of demands made by *GPs/KPs*.

Reply was not in accordance with the guidelines as the works carried out by line departments were neither proposed nor approved by the *GPs/KPs*. Principal Secretary during the exit meeting added that the matter would be looked into while taking up the works under convergence in future.

7.3 Creation of departmental assets from MGNREGS funds

As per paragraph 14.1.1 of the Guidelines, dovetailing of MGNREGS' fund with funds from other sources for creation of durable assets was permissible. However, care was to be taken to ensure that the MGNREGS' funds do not substitute for departmental plan funds of different departments. MGNREGS funds were intended to create additional employment. However, Audit observed large scale utilisation of MGNREGS funds for execution of different kinds of works viz silt clearance, strengthening of canals/damaged bridges, plantation, construction and maintenance of roads etc. by many line departments. They utilised MGNREGS funds as a substitute to departmental

plan funds and created/maintained durable assets of their own department at the instance of the State Government³. The description of works, unit/department wise, in test checked districts are annexed (*Appendix-XVIII*). From the appendix it is clear that these departments created durable assets of their own involving MGNREGS funds to the extent of ₹ 132.60 crore during 2007-12. The creation of departmental assets from MGNREGS funds was contrary to the principles of MGNREGA.

The Government stated (January 2013) that the assets created were durable community assets. Reply was not convincing as assets thus created/maintained remained with the concerned line departments.

7.4 Incomplete works

As per paragraph 1.2 of the Guidelines, funds from MGNREGS' were to be utilised for creation of productive assets and to enhance the natural resource base of the rural community so that the objective of MGNREGA to change the geography of poverty could be realised. However, Audit observed that different departments in 20 divisions of 12 test checked districts left the works incomplete after incurring an expenditure of ₹ 41.95 crore during 2007-12. The details of incomplete works are annexed (*Appendix-XIX*). Thus due to low priority for incomplete works in subsequent years, the natural resource base created was not put to use and the funds remained blocked.

The Government stated (January 2013) that non-receipt of dovetailed funds, emergence of dispute on selected works and lack of coordination between departmental authorities were mainly responsible for incomplete works. Reply indicates lapses in selection, finalization and execution of works under convergence.

7.5 Conclusion

A bottom up demand driven scheme was modified into a top down allocation based one. Besides, work proposals submitted by line departments, even where they did not feature in the district plans, resulted in allocation of funds as per government directions. Instead of dovetailing funds from other programmes into MGNREGS works, MGNREGS funds were dovetailed on large scale for execution of departmental works and schemes. Moreover, funds remained blocked in incomplete works due to low priority given to them in subsequent years.

7.6 Recommendations

- The Government should ensure that MGNREGS should be implemented, in letter and spirit, as per the bottom up approach and only projects in the Annual Plans are taken up.
- The Government should ensure that funds of other programmes are dovetailed to MGNREGS and not *vice versa*.

³ Principal Secretary GoUP, directed (23.04.2009), Engineer-in-Chief (Irrigation Department) to carry out more and more works using MGNREGS funds and the savings in departmental budgets were to be utilized in other schemes.