CHAPTER- III
CIVIL DEPARTMENTS
SECTION-A
(AUDIT REVIEWS)

RURAL DEVELOPMENT DEPARTMENT

3.1 Review on Rural Housing

Highlights

Implementation of the Indira Awaas Yojana (IAY) in Sikkim was flawed as a survey to determine households living below the poverty line were not conducted. The ad hoc allocation of funds every year by the Government of India and Government of Sikkim made advance programme planning a tentative exercise. Targets were curtailed or augmented depending upon flow of funds. Advances paid were incorrectly reported as final expenditure to the Government of India. Category-wise targets of beneficiaries were not fixed and ineligible applicants were extended benefits. There were considerable inter-district variations in benefits derived by the beneficiaries under IAY. Despite the high incidence of poverty in the State, none of the other housing schemes were introduced in Sikkim.

Rupees 2.20 crore paid during 1997-2002 as advance for materials were reported as final expenditure thereby incorrectly justifying the State Government's entitlement for the second instalment of Central contribution.

(Paragraph 3.1.15 & 3.1.16)

Assistance aggregating Rs.52.80 lakh was extended during 1999-2001 to 240 ineligible beneficiaries who already possessed houses.

(Paragraph 3.1.27 & 3.1.28)

Despite release of Rs.31.60 lakh plus GCI sheets worth Rs.33.58 lakh to 395 beneficiaries as first instalment, houses remained incomplete for periods ranging from 1 to 5 years.

(Paragraph 3.1.32 & 3.1.33)

Out of 466 cases test checked relating to 1998-1999 and 1999-2000, in 388 cases there were delays ranging from 2 to 33 months in construction of new dwelling houses.

(Paragraph 3.1.34)

Introduction

3.1.1 Indira Awaas Yojana (IAY), a programme for construction of houses for Scheduled Castes/Scheduled Tribes (SCs/STs) and free bonded labourers living below the poverty line (BPL) in rural areas is the oldest housing scheme of the Government. It was launched during 1985-1986 as a sub-scheme of the Rural Landless Employment Guarantee Programme (RLEGP). With the merger of the RLEGP and the National Rural Employment Programme (NREP) into Jawahar Rozgar Yojana (JRY) on 01 April 1989, it became a component of JRY. From 1993-1994 the scope of IAY was extended to cover BPL non-SC/ST families in rural areas. IAY was de-linked from JRY and made an independent scheme from 01 January 1996.

3.1.2 There were still a large number of households in the rural areas not covered under IAY, as either they did not fall within the range of eligibility or were excluded due to budgetary limitation. Drinking water and sanitation was an important related area of concern, which needed to be addressed along with housing to improve the quality of life of the rural people. Against this backdrop, Government of India announced the new National Housing and Habitat Policy 1998, which laid emphasis on easy access to basic sanitation, drinking water and solid waste disposal. Thereafter, several new schemes such as Pradhan Mantri Gramodaya Yojana, Credit-Cum-Subsidy Scheme for Rural Housing, Samagra Awaas Yojana, Innovative Stream for Rural Housing and Habitat Development and Setting up of Rural Building Centres have been launched by the Government of India. Except for IAY, none of the other schemes have been implemented in Sikkim so far.

Indira Awaas Yojana (IAY)

3.1.3 Expenditure on IAY was to be shared between the Centre and states in the ratio of 80:20 and from 01 April 1999, in the ratio of 75:25. Central assistance was released every year to District Rural Development Agency (DRDA) in two instalments, subject to the fulfillment of certain conditions.

3.1.4 In Sikkim, the IAY programme was in operation since 1985-86 and the assistance given per beneficiary was as under:

Rupees 22,000 was given in two instalments for construction of a new dwelling unit. The first instalment of Rs.8,000 plus 24 pieces of Galvanised Corrugated Iron (GCI) sheets was given to the beneficiary on his selection and the balance amount (after adjusting the cost of the GCI sheets), on receipt of completion certificate from the District Development Officer (DDO).

3.1.5 A one-time assistance of Rs.10,000 for upgradation of an existing dwelling unit was handed over to the beneficiary on his selection.

3.1.6 The beneficiaries under IAY were selected by the Gram Panchayats and the names thereafter forwarded to the Jawahar Gram Swarozgar Yojana (JGSY)

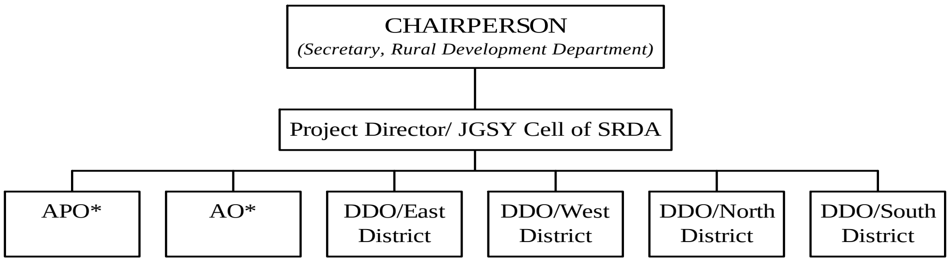
Cell through the respective DDOs for sanction. Till 1999-2000, the financial component of the assistance was disbursed to the beneficiaries by the DDOs and from 2000-2001 this was being done directly by the Jawahar Gram Swarazgar Yojana Cell at Gangtok.

Organisational set-up

3.1.7 The IAY programme in Sikkim is implemented by the JGSY Cell of the State Rural Development Agency (SRDA). The SRDA is under the administrative control of the Rural Development Department (RDD). The JGSY Cell, with headquarters at Gangtok, is headed by a Project Director (PD) assisted by APO and AO in headquarters and DDOs in each of the State's four districts.

The organisational set-up of the JGSY Cell was as under:

Chart- 3.1



* *APO – Assistant Project Officer; AO – Accounts Officer.*

Audit Coverage

3.1.8 A review of the IAY programme covering the period 1997-1998 to 2001-2002 was conducted during March to May 2002 through a test check of records maintained in the JGSY Cell, Gangtok and the DDOs' offices located at the headquarters of the State's four districts. Details of the test check (32 *per cent*) of the total expenditure of the Agency carried out is given in **Appendix-VIII,** the summary of which is as under:

Table-3.1

District	Expenditure *(Rupees in lakh)*		Number of Beneficiaries		Number of Gram *Panchayats*	
	Total	**Test checked**	**Total**	**Test checked**	**Total**	**Test checked**
East	269.06	70.48 (26)	1493	396 (27)	48	13 (27)
West	214.04	62.67 (29)	1409	431 (31)	49	17 (35)
North	90.78	30.70 (34)	601	198 (33)	20	06 (30)
South	281.20	109.89 (39)	1675	707 (42)	42	21 (50)
Total	**855.08**	**273.74 (32)**	**5178**	**1732 (33)**	**159**	**57 (36)**

Note: Figures within brackets represent percentages

Financial Arrangement

3.1.9 Central assistance under IAY was to be released every year by Government of India to JGSY Cell in two instalments. The first instalment amounting to 50 *per cent* of total allocation was to be released at the beginning of the financial year subject to the condition that the second instalment during the previous year was claimed and released. The second instalment was to be released on request from the implementing agency and after fulfillment of certain conditions regarding utilisation of previous instalments. The State Government was required to release its share within one month of release of the first instalment of Central assistance.

3.1.10 Financial outlay and expenditure under the IAY programme for the period under review was as under:

Table-3.2

(Rupees in lakh)

Year	Opening balance of funds	Receipts during the year*	Interest earned during the year	Total available funds during the year	Expenditure during the year	Closing balance of funds
1997-98	19.22	73.15	3.59	95.96	86.90	9.06
1998-99	9.06	149.13	2.19	160.38	129.62	30.76
1999-00	30.76	113.99	2.49	147.24	125.72	21.52
2000-01	21.52	312.24[$]	3.63	337.39	275.53	61.86
2001-02	61.86	189.82	5.10	256.78	237.31	19.47
Total	**142.42**	**838.33**	**17.00**	**997.75**	**855.08**	**142.67**

Source: Audited annual accounts of the IAY programme
** Actual receipts from Government of India and Government of Sikkim*
$ Includes refund of advance of Rs.2.47 lakh

Delay in release of funds by Government of India

3.1.11 The delay in release of the first instalments by Government of India during the review period ranging from 1 to 6 months as shown below, was never taken up with the Government of India for release of the funds in time, indicating a lack of monitoring.

Table-3.3

(Rupees in lakh)

Year	first instalment				Delay *(in months)*	
	Government of India		Government of Sikkim		Government of India	Government of Sikkim
	Date of release	Amount	Date of release	Amount		
1997-98	22.07.97	21.18	28.8.97 27.10.97	12.36 7.72	3	4 6
1998-99	06.05.98 12.10.98	15.76 48.65	4.8.98 9.9.98	7.72 4.64	1 6	3 4
1999-00	21.05.99	61.00	15.10.99 18.12.99	17.92 5.41	1	5 7
2000-01	09.05.00	99.64	6.6.00 21.11.00	4.06 15.00	1	1 6
2001-02	17.08.01	76.09	2.6.01	35.00	4	1

3.1.12 In reply (April 2002) the Project Director JGSY Cell stated that the first instalment of Central share was released during the first quarter of the financial year and hence there was not much of delay. The reply was incorrect as in 1997-1998 and 2001-2002, the funds were released during second quarter. In 1998-99, 76 *per cent* of the first instalment of Central assistance was received in the third quarter only. Since the scheme guidelines specifically stipulate that the first instalment be released by Government of India in the beginning of the financial year it was the Cell's responsibility to ensure timely receipt of funds from Government of India, as any delay would cause a further deferral in the release of funds by the State Government. That this indeed was the case can be seen from the fact that the delay by Government of Sikkim to release its share ranged between 1 to 7 months during 1997-98 to 2001-02. The uneven release of funds would have made it difficult for programme planners to predict with any degree of accuracy the resources available for the scheme at the start of the financial year thereby making programme planning difficult.

Short release by Government of India and excess contribution by Government of Sikkim

3.1.13 The table below shows the actual release of funds by Government of India with reference to the allocation communicated by it to the Government of Sikkim at the commencement of every financial year. There was also excess/short release of funds by Government of Sikkim, which has been worked out with reference to the actual receipts from Government of India and IAY norms.

Table-3.4

(Rupees in lakh)

Year	Allocation		Release		Shortage (-)/Excess (+)	
	Government of India	Government of Sikkim	Government of India	Government of Sikkim	Government of India	Government of Sikkim
1997-98	42.36	10.59	37.73	64.88	(-) 4.63 (11)	(+) 54.29 (513)
1998-99	92.02	23.00	92.02	24.36	-	(+) 1.36 (6)
1999-00	122.00	40.66	122.00	36.60	-	(-) 4.06 (10)
2000-01	199.28	66.43	199.28	50.06	-	(-) 16.37 (25)
2001-02	152.17	56.00	133.82	56.00	(-) 18.35 (12)	-
Additional Central Assistance (ACA)	21.58		21.58		-	
Total	**629.41**	**196.68**	**606.43**	**231.90**	**(-) 22.98**	**(+) 35.22 (18)**

Note: (i) ACA includes Rs.4.09 lakh received for 1996-97
(ii) Figures in brackets represent percentage

Advances booked as final expenditure

3.1.14 Government of India guidelines stipulate that at the time of applying for release of the second instalment, 60 *per cent* of the total available funds including the State's contribution should have been utilised. The JGSY Cell released funds as advance payment to the State Trading Corporation of Sikkim (STCS) for procurement of GCI sheets for issue to the IAY beneficiaries. These advances were reported to Government of India by the Project Director, JGSY Cell as final expenditure despite the fact that the supplies and final adjustments were made at a much later date as detailed below:

Table-3.5

(Rupees in lakh)

Year	Month/Year in which advance payment made	Amount	Period of supply
1997-98	December 1997	29.00	April to June 1998
1998-99	November 1998	51.81	February to April 2000
1999-00	November 1999	45.00	February to April 2000
2000-01	November 2000	70.00	December 2000 to May 2001
2001-02	July 2001	24.07	*Adjustment yet to be carried out*
Total		**219.88**	

3.1.15 The Cell incorrectly reported to Government of India (December of respective years) as final expenditure an amount of Rs.2.20 crore during 1997-2002 evidently with the objective of justifying its entitlement for the second instalment of Central assistance. This is evident from the following table.

Table-3.6

(Rupees in lakh)

Year	Total available fund upto November	Expenditure upto November	
		Excluding advance	Including advance
1997-98	64.57	17.09 (26)	46.09 (71)
1998-99	105.85	20.30 (19)	72.00 (68)
1999-00	127.19	68.48 (54)	113.48 (89)
2000-01	203.11	115.88 (57)	185.88 (92)
2001-02	172.94	100.92 (58)	124.99 (72)

Note: Figures in bracket represents percentage

3.1.16 It will be seen that actual expenditure (excluding advances to STCS) fell short of the stipulated minimum of sixty *per cent* by 2 to 41 *per cent* during 1997-1998 to 2001-2002, which would have made the State ineligible for the second instalment of Government of India assistance had not the project authorities resorted to incorrect reporting.

Rush of expenditure during end of the year

3.1.17 The Sikkim Financial Rules (Note 3 below rule 84) stipulate that it is contrary to the interest of Government and against sound financial principles that money be spent hastily merely because it is available. Rush of expenditure particularly in the closing months of the financial year is to be regarded as a breach of financial regularity and should be avoided. In contravention of these provisions, the bulk of expenditure incurred by the JGSY Cell was during the last quarter and last month of the financial year as detailed below:

Table-3.7

(Rupees in lakh)

Year	**Opening balance**	**Receipts from Government of India and Government of Sikkim during first and second quarters**	**Fund available at the end of the second quarter**	**Total expenditure during the year**	**Expenditure**	
					Last quarter	**Last month**
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**
1997-98	19.22	37.63	56.85	86.90	38.39 (44)	35.75 (41)
1998-99	9.06	31.60	40.66	129.62	56.90 (44)	29.66 (23)
1999-00	30.76	73.11	103.87	125.72	47.24 (38)	41.57 (33)
2000-01	21.52	125.60	147.12	275.53	136.34 (49)	53.15 (19)
2001-02	61.86	111.09	172.95	237.31	98.45 (41)	53.89 (23)

Note: Figures within brackets indicate percentages.

3.1.18 Expenditure during the last quarter of the financial year ranged from 38 to 49 *per cent* of the total outgo for the year and during the closing month, from 19 to 41 *per cent*. An amount of Rs.24.47 lakh, Rs.53.64 lakh and Rs.14.41 lakh were disbursed on the last working day of 1997-1998, 1998-1999 and 1999-2000 solely to bring the carry over balances within the permissible limit. Even considering the contingency that the second instalment may have been released by Government of India in certain years in the last quarter, funds ranging from 3 to 20 *per cent* of total expenditure during 1999-2000 to 2001-2002 were out of funds from the first instalment already available at the end of the second quarter.

Inequitable distribution of benefits - inter district variations

3.1.19 Twenty four pieces of GCI sheets formed part of the component of the first instalment of assistance given to each beneficiary for a new dwelling unit. There were no facilities for distribution of GCI sheets in two of the four districts. Beneficiaries from the North and West districts (comprising 51 *per cent* of the beneficiaries) had to make their own arrangements for lifting the GCI sheets from the nearest godowns at Gangtok and Jorethang in East and South districts respectively thereby unjustifiably imposing on them the cost of transportation of GCI sheets. This resulted in an inequitable distribution of benefits amongst beneficiaries, as the quantum of assistance under the IAY scheme was uniform across the State.

Implementation

Physical progress – achievement exceeded target

3.1.20 Year-wise physical target and achievement of assistance to beneficiaries under IAY during the period under review was as under:

Table-3.8

Year	Target			Achievement		
	New houses	Upgradation	Total	New houses	Upgradation	Total
1997-98	269	NA	269	590	NA	590 (219)
1998-99	523	NA	523	543	NA	543 (104)
1999-00	592	325	917	592	160	752 (82)
2000-01	751	413	1164	872	667	1539 (132)
2001-02	812	406	1218	1345	409	1754 (144)
Total	**2947**	**1144**	**4091**	**3942**	**1236**	**5178 (127)**

Note: Figures within brackets indicate percentage of achievement vis-a –vis targets
Source: annual progress Reports of the Cell.

3.1.21 Achievement in all the years under review exceeded the target except during 1999-2000 when achievement in upgradation of dwelling units fell short by 165 units (51 *per cent*). However, category-wise target for SCs/STs, free bonded labourers and non-SC/ST as envisaged in Government of India guidelines were never fixed.

Inconsistency between physical and financial achievement

3.1.22 JGSY Cell reported to Government of India the figures of achievement of physical target on yearly basis as reflected in Table 3.9 above. To achieve the target of construction of 3942 new houses at Rs.22,000 per dwelling and 1236 upgradation units at Rs.10,000 per dwelling, the total financial requirement would be Rs.9.91 crore. Considering that the first instalment of all 590 new houses (Rs.96.76 lakh[#]) shown against 1997-98 was paid prior to 1997-98 and taking into account expenditure incurred on incomplete houses (Rs.65.18 lakh) during 1997-2002, the total financial requirement during the review period would be Rs.9.59 crore. However, as per table 3.1, the total expenditure actually booked under the scheme during 1997-98 to 2001-2002 was Rs.8.55 crore only. The JGSY cell was approached to explain the discrepancy between the financial and physical achievements. Reply had not been received (July 2002).

Prioritisation of beneficiaries not done

3.1.23 According to Government of India guidelines, benefits to the non-SC/ST poor should not exceed 40 *per cent* of total IAY allocation. Funds to the tune of 3 *per cent* were also to be earmarked for benefit of BPL physically and mentally challenged persons belonging to SC/ST and others in their respective category. Further, prioritisation in selection of beneficiaries to free bonded labourers, SC/ST households, families of Defence services personnel, physically and mentally challenged persons, ex-servicemen and displaced persons was also to be done as per the guidelines.

3.1.24 The above requirement of prioritisation was not done as can be seen from the table below:

[#] 590x Rs.16,400 = Rs.96,76,000

Table-3.9

Year	Total beneficiaries	SC/ST households	Families/widows of Defence personnel	Disabled	Others (Non SC/ST)
1997-98	590	325 (55)	Nil	Nil	265 (45)
1998-99	543	243 (45)	Nil	Nil	300 (55)
1999-00	752	417 (56)	3	9 (1)	323 (43)
2000-01	1539	649 (42)	36 (2)	55 (4)	799 (52)
2001-02	1754	581 (33)	33 (2)	38 (2)	1102 (63)
Total	**5178**	**2215 (43)**	**72 (1)**	**102 (2)**	**2789 (54)**

Note: Figures within brackets indicate percentages vis-à-vis total beneficiaries

3.1.25 The number of SC/ST beneficiaries during the period under review ranged from 33 to 56 *per cent.* The coverage of non-SC/ST beneficiaries on the other hand ranged from 43 to 63 *per cent* during the review period.

Shortcomings in identification and selection of beneficiaries

3.1.26 Panchayat-wise targets were not fixed (except in 1998-1999 when a target of 3 new dwelling units was fixed for each *panchayat* in the State) despite a stipulation to this effect in the Government of India guidelines and further reiterated by the Government of India in March and July 1998. Non-adherence of this procedure by the implementing agency led to various shortcomings in the selection of beneficiaries as enumerated in the succeeding paragraphs.

Assistance to ineligible households

3.1.27 A test check of 463 (comprising 32 *per cent* of the total) application forms submitted by beneficiaries during 1999-2000 and 2000-2001 for assistance for new dwelling units, based on which identification of beneficiaries was done by *Panchayats* and the names forwarded to DDOs for recommendation and onward submission to JGSY Cell for final sanction, revealed that 240 beneficiaries were already possessing houses as shown below:

Table-3.10

Year	East		West		North		South	
	No. of cases test checked	Beneficiaries already possessing houses	No. of cases test checked	Beneficiaries already possessing houses	No. of cases test checked	Beneficiaries already possessing houses	No. of cases test checked	Beneficiaries already possessing houses
1999-00	52	39	41	14	30	18	44	25
2000-01	120	62	62	01	50	35	64	46
Total	**172**	**101(59)**	**103**	**15(5)**	**80**	**53(66)**	**108**	**71(66)**

Note: Figures within brackets indicate percentages

3.1.28 This figure was 66 *per cent* for North and South districts, 59 for East and 5 for West respectively. The implementing authorities overlooked the fact that some beneficiaries were already possessing houses although this was declared by the applicants in their applications. Further, of the 62 cases test checked relating to 2000-2001 in West district, it was observed that in 36 cases the applicants did not declare in their application forms whether they possessed a house or not but despite the absence of this crucial information, the applications were processed and sanctioned by the authorities. Thus, Rs.52.80 lakh were sanctioned to ineligible applicants.

Survey not conducted to identify rural BPL population

3.1.29 For implementing the IAY scheme, it was essential to carry out a survey to identify the rural BPL population. No such survey was carried out nor did the JGSY Cell have an approved BPL list. The execution of the IAY programme was therefore, flawed. However, a BPL survey was carried out in 1999 by the Swarnajayanti Gram Swarozgar Yojana (SGSY) Cell of the SRDA. The JGSY Cell did not adopt the BPL list compiled on the basis of this survey, despite the fact that it did not have one of its own. A crosscheck of IAY beneficiaries in 1999-2000 with the BPL list prepared by the SGSY Cell revealed that out of 752 cases, 351 cases (comprising 47 *per cent* of the total sample) were test checked, out of which in 139 cases (40 *per cent*) as shown below, benefits of the IAY scheme was extended to non-BPL families who were ineligible for the same.

Table-3.11

Districts	Test checked	Non-BPL families
West	50	26(52)
North	69	39(57)
South	151	25(17)
East	81	49(60)
Total	**351**	**139 (40)**

Note: Figures within brackets indicate percentages

3.1.30 The percentage of ineligible households who were given assistance under IAY was 60 *per cent* in East district and 17 *per cent* in South district. The value of the assistance worked out to Rs.30.58 lakh and thus, to that extent, the intended beneficiaries of the IAY were denied their due.

Inventory of houses not maintained

3.1.31 According to the Ministry's guidelines, the implementing agency was required to maintain a complete inventory of houses constructed/upgraded under IAY indicating commencement and completion date of dwelling unit, name of the village and Block/GPU in which house was located, occupation and category of beneficiaries and other relevant particulars. It was seen that no such inventory was maintained at district and GPU level.

Cases where only the first instalment of assistance was drawn

3.1.32 Beneficiaries were allowed two months time from the date of release of the first instalment of assistance to complete the construction. Thereafter the final instalment was to be released on submission of completion certificate through the DDO concerned. Out of a total of 3129 recipients who drew the first instalment during the 1997-1998 to 2001-2002, as many as 395 beneficiaries (13 *per cent*) had not claimed the second instalment. The figures varied from 7 *per cent* for East district to 19 *per cent* for South district as given below:

Table-3.12

Year	Districts								Total	
	East		West		North		South			
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
1997-98	145	05	109	16	35	04	82	13	371	38
1998-99	215	23	147	18	91	06	127	19	580	66
1999-00	190	12	192	23	80	05	151	20	613	60
2000-01	373	27	253	25	171	15	247	50	1044	117
2001-02	215	16	99	32	27	22	180	44	521	114
Total	**1138**	**83(7)**	**800**	**114(14)**	**404**	**52(13)**	**787**	**146(19)**	**3129**	**395(13)**

(A): Total number of cases where first instalment was disbursed. (B): Total number of cases where second instalment was not disbursed. Note: Figures within brackets indicate percentages

3.1.33 Thus, despite a pay out of Rs.31.60 lakh plus GCI sheets worth Rs.33.58 lakh as first instalments in 395 cases, houses remained incomplete for periods ranging between one to five years or there was the other possibility that the assistance was not utilised for the purpose for which it was given. Notwithstanding the considerable amount involved, the JGSY Cell did not investigate or follow up any of these cases substantiating the audit contention that administration and monitoring of the scheme was lax.

Abnormal delay in construction of houses

3.1.34 There was abnormal delay in construction of houses by the beneficiaries. 466 cases pertaining to 1998-1999 and 1999-2000 relating to construction of new dwelling units were test checked. In 388 (83 *per cent*) cases the delays ranged between 2 to 33 months as given below:

Table-3.13

Districts	No. of cases test checked		2 to 12 months Delay		13 to 33 months delay	
	1998-99	1999-00	1998-99	1999-00	1998-99	1999-00
East	76	79	42	63	11	05
West	78	88	41	49	16	36
North	23	30	17	17	02	06
South	67	25	39	23	18	03
Total	**244**	**222**	**139**	**152**	**47**	**50**

Non-allotment of houses to female beneficiaries

3.1.35 Government of India guidelines stipulate that the dwelling units should be allotted in the name of female member of the beneficiary household. Alternatively, it can be allotted in the name of both husband and wife. However, it was observed that in Sikkim the beneficiaries were predominantly male (62 *per cent*) as shown below:

Table-3.14

Year	Total beneficiaries	Disbursed in the name of			Percentage of male member
		Male	Female	Joint name	
1997-98	590	440	150	NIL	75
1998-99	543	372	171	NIL	69
1999-00	752	499	253	NIL	66
2000-01	1539	997	542	NIL	65
2001-02	1754	920	834	NIL	52
Total	**5178**	**3228**	**1950**	**---**	**62**

Partial implementation of fuel-efficient chulha/ sanitary latrine scheme

3.1.36 The scheme guidelines enjoin the implementing authority to ensure that IAY dwelling units are provided with smokeless *chulhas*, as this is a fuel-efficient alternative, more healthy and convenient to use. Further, construction of sanitary latrine was an integral part of an IAY dwelling unit.

3.1.37 Smokeless *chulhas* were provided by the JGSY Cell only in 1997-1998 and 1998-1999 to 590 and 543 beneficiaries respectively and nothing before or thereafter. Further, as per the evaluation carried out by an agency commissioned by the Ministry, these *chulhas* could not be put to use (refer para 3.1.50 below). The JGSY Cell stated (April 2002) that sanitary pans were issued to all beneficiaries only upto the year 1998-1999 for which Rs.250/- was deducted from the assistance given to each beneficiary.

3.1.38 Thus, except for just two years in the case of *chulhas* and upto 1998-1999 in the case of sanitary latrines, the implementation of these two eco-friendly measures, which were important sub-components of the scheme, was all but forgotten.

Non-incorporation of disaster resistant features in house design

3.1.39 The scheme guidelines prescribed that the plinth area of the IAY dwelling units should not be less than 20 sq. mtrs and should take into account community perceptions and preferences, climatic conditions, need to provide ample space, raw materials available locally, etc. Of particular importance to Sikkim was the stipulation that in areas frequented by natural calamities, incorporation of disaster resistant features in designs should be encouraged.

3.1.40 The JGSY Cell did not prepare any standardised plans or designs of dwelling units incorporating the above features, which could have been popularised for adoption by the beneficiaries. This was vital considering that the entire State is located in an active seismic zone with heavy rainfall and unstable soil conditions.

Monitoring and Evaluation

3.1.41 According to the Government of India guidelines, a schedule of inspection prescribing a minimum number of field visits for each supervisory level functionary from the headquarters level to the field level was required to be drawn up and strictly followed to ascertain whether the programme was being implemented satisfactorily, construction of houses was in accordance with prescribed procedure and to monitor all aspects of the IAY through visits to work sites. Further, Government of India guidelines stipulate that the State should conduct periodic evaluation studies on the implementation of the IAY through reputed institutions and organisations on issues thrown up by the concurrent evaluation and remedial action should be taken.

3.1.42 No such norms of monitoring and inspection at any level were framed. Neither was evidence available to suggest that officials at State and field level had carried out any monitoring activities of any part of the IAY programme. It was further observed that the State Level Co-ordination Committee charged with overseeing the programme, had not met even once during the years covered under review.

3.1.43 No evaluation studies were ever conducted by Government of Sikkim/ Department/JGSY Cell so far. However, at the instance of the Ministry of Rural Areas and Employment, Government of India the Institute for Resource Management and Economic Development (IRMED) conducted a concurrent evaluation of IAY in all the four districts of Sikkim. In its report submitted in September 2000, pointed out, among other things, extension of benefits to households already possessing houses and above the poverty line, inadequate coverage of SC/ST, allotment of houses predominantly in the name of males, absence of sanitary latrines and smokeless *chulhas* in most of the houses.

3.1.44 No action was taken by Government of Sikkim, Department or the Cell to take corrective action on the shortcomings pointed out in the report indicating serious weaknesses and loopholes in execution and delivery mechanism of the scheme.

Performance of other Rural Housing Schemes

3.1.45 Other housing schemes introduced by Government of India from 1 April 1999, *viz*., the Credit-cum-Subsidy Scheme for Rural Housing (CSSRH) (with 75 *per cent* funding), and Innovative Scheme for Rural Housing and Habitat Development (ISRHHD), Samagra Awaas Yojana (SAY), Setting up of Rural Building Centre (SRBD), Pradhan Mantri Gramodaya Yojana (PMGY) (with 100 *per cent* funding) have not been implemented in the State, though Sikkim has the fifth highest incidence of poverty among the states (BPL population 41.43 *per cent*[*]).

RURAL DEVELOPMENT DEPARTMENT

3.2 Review on Swarnjayanti Gram Swarozgar Yojana

Highlights

Swarnjayanti Gram Swarozgar Yojana (SGSY) is a holistic programme covering all aspects of self-employment such as organisation of the poor into self-help groups, training, credit, infrastructure, technology and marketing. Implementation of the SGSY in Sikkim was compromised as the project reports of selected activities suffered from infirmities, technology management was not given due importance and the actual implementation was heavily skewed in favour of individuals rather than groups.

Delay in the release of Central assistance affected the timely disbursement of credit and subsidy to the beneficiaries.

(Paragraph 3.2.8)

Expenditure in the last quarter of the financial years ranged from 50 to 93 *per cent* of the total outgo for the year and during the closing month from 42 to 51 *per cent*.

(Paragraph 3.2.15)

Selection of key activities was only completed by July 2001 although this should have been done by April 2000.

(Paragraph 3.2.19)

During 1999–00 to 2001-02, out of the total of 35493 families, only 4584 families were covered as against the requirement of 6388 families.

(Paragraph 3.2.40)

The construction of 12 marketing centres was behind schedule by nine to twelve months. Likely date of completion was also not on record.

(Paragraph 3.2.43)

Introduction

3.2.1 Swarnjayanti Gram Swarozgar Yojana was started in Sikkim as a Centrally sponsored scheme in April 1999 by consolidating erstwhile self-employment programmes like IRDP[1], TRYSEM[2], DWCRA[3], SITRA[4] and GKY[5].

[*] Source: Sikkim – The People's Vision, Government of Sikkim

[1] Integrated Rural Development Programme [2]Training for Rural Youth on Self Employment [3] Development of Women and Children in Rural Area,[4] Supply of Improved Tool Kits to Rural Artisan [5] Ganga Kalyan Yojana

SGSY is funded by the Central and State Government in the ratio of 75:25. It is a self-employment programme of individuals and groups of individuals subsisting below the poverty line (BPL). It covers all aspects of self-employment such as organisation of the poor into self-help groups (SHGs), training, credit, technology, infrastructure and marketing. It envisages providing income generating assets through Government subsidy and bank loan to individual and SHG BPL families for generating sustainable monthly net income of Rs.2000 per family so as to bring every assisted family above poverty line in three years and also to cover 30 *per cent* of families in each block within five years by March 2004.

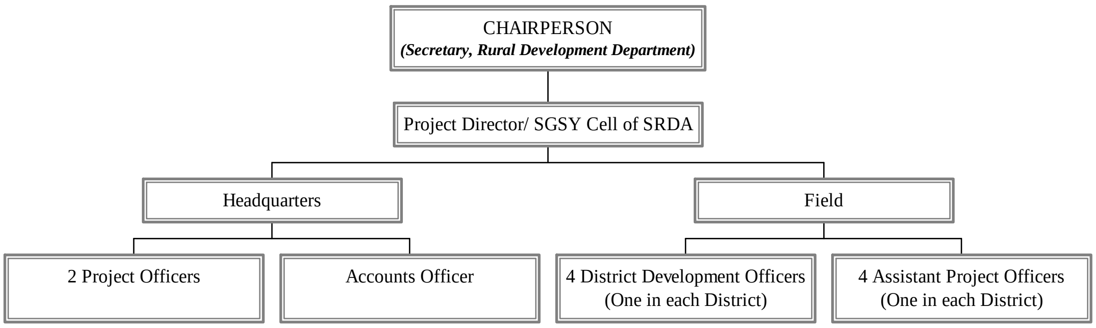
3.2.2 The subsidy under SGSY would be uniform at 30 *per cent* of the project cost, subject to a maximum of Rs.7,500/-. For Scheduled Castes/Scheduled Tribes however, this was 50 *per cent* and Rs.10,000/- respectively. For SHGs, the subsidy was 50 *per cent* of the cost of the scheme, subject to a ceiling of Rs.1.25 lakh. The SGSY was to be implemented by the District Rural Development Agencies (DRDAs) through the *Panchayat Samitis*.

Organisational set-up

3.2.3 In Sikkim, DRDAs do not exist at the district level. There is one agency for the entire State, namely, the Sikkim Rural Development Agency (SRDA) at Gangtok functioning under the administrative control of the Secretary, Rural Development Department (RDD), Government of Sikkim. For the purposes of the SGSY, the entire State was treated as one district and the programme is implemented by the Project Director (PD), SGSY Cell of SRDA (Cell). The beneficiaries are selected by *Gram Panchayat*s and the names forwarded to the PD, SGSY Cell through the respective District Development Officers (DDOs) for sanction and disbursement of credit and subsidy through banks. The organisational set-up of the SRDA/SGSY Cell was as under:

Chart-3.2

Organisational Chart



Audit coverage

3.2.4 A review of the SGSY in Sikkim covering the period 1999-00 to 2001-02 was conducted during March-April 2002 through a test check of records maintained in the SGSY cell of SRDA, Gangtok and DDOs' offices in East, West, South and North Districts. The size of the sample check was as under:

Table-3.15

(Rupees in lakh)

Year	Infrastructure Fund		Training Fund		Revolving Fund		Subsidy	
	Expen-diture	Test checked	Expen-diture	Test checked	Expen-diture	Test checked	Expen-diture	Test checked
1999-00	5.61	1.70 (30)	2.50	0.62 *(25)*	1.01	Nil	49.20	17.57 (36)
2000-01	26.79	12.02 (45)	3.75	1.67 (44)	4.06	2.70 (66)	117.09	31.27 *(27)*
2001-02	58.56	43.19 (74)	23.50	5.20 (22)	14.52	11.60 (80)	134.48	35.06 *(26)*
Total	**90.96**	**56.91 (63)**	**29.75**	**7.49 (25)**	**19.59**	**14.30(73)**	**300.77**	**83.90 (28)**

Table-3.16

Year	SHGs		*Swarozgari*s	
	Total number	Number test checked	Total number	Number test checked
1999-00	Nil*	Nil	738	244 (33)
2000-01	27	27 (100)	1873	504 (27)
2001-02	116	116 (100)	1973	514*(26)*
Total	**143**	**143 (100)**	**4584**	**1262 (28)**

Note: Figures in brackets represent percentages.
**5 groups formed earlier under DWCRA and carried forward under SGSY not considered.*

Financial outlay and expenditure

3.2.5 Financial outlay and expenditure on SGSY over the review period was as follows:

Table-3.17

(Rupees in lakh)

Year	Opening balance of funds	Receipts during the year	Interest and other receipts	Total available funds during the year	Expenditure during the year	Closing balance of funds
1999-00	36.49	56.99	9.19	102.67^	95.79#	6.88
2000-01	6.88	153.42	15.05	175.35	151.70$	23.65
2001-02	23.65	199.98	13.87	237.50	231.06	6.44
Total		**410.39**	**38.11**		**478.55**	

Source: Annual accounts of SRDA.
^ Excluding Loan of Rs.23.00 lakh from State Plan Scheme.
 # Including expenditure on DRDA Admn. Rs.37.48 lakh.
$ Excluding refund of loan Rs.23.00 lakh.

Short release by Government of India and excess contribution by Government of Sikkim

3.2.6 The table below shows the actual quantum of funds released by Government of India and Government of Sikkim for the SGSY with reference to the allocations committed by the two governments at the start of the financial year:

Table-3.18

(Rupees in lakh)

Year	Allocation		Release		Shortage (-)/Excess (+)	
	Government of India	Government of Sikkim	Government of India	Government of Sikkim	Government of India	Government of Sikkim
1999-00	68.37	22.79	68.38	22.80	--	--
2000-01	138.45	46.15	136.83	50.00	(-)1.62*(1)*	(+) 3.85 *(8)*
2001-02	82.38	27.46	82.38	50.00	--	(+) 22.54 *(82)*
Total	**289.20**	**96.40**	**287.59**	**122.80**	**(-) 1.62**	**26.39**

Note: Figures in brackets represents percentages

3.2.7 The short release by Government of India was 0.6 *per cent* during the period. The release by the Government of Sikkim was 8 and 82 *per cent* in excess of its obligation in 2000-01 and 2001-02 respectively. This wide variation from one year to the next was a pointer to the *ad hoc* manner of State Government's allocations.

Delay in release of first instalment of Central assistance

3.2.8 Central assistance under SGSY was to be released every year to the SRDA in two instalments - the first instalment by the second month of the financial year with the contribution of the Government of Sikkim to immediately follow. (The second instalment of Central assistance was to be released on a specific request from the SRDA). While the Government of Sikkim did not delay the release of its contribution which more or less immediately followed the receipt of the Central assistance, the Government of India itself released the first instalment to SRDA only on 02 June 1999, 01 August 2000 and 04 June 2001 for the years for 1999-00 to 2001-02, a delay ranging from two to three months.

3.2.9 The reply (September 2002) of the Cell that it did not pursue the matter with Government of India for release of the first instalments in time on the plea that second instalments of previous year were released without any terms and conditions and that there were no delays in release of first instalment, is not tenable as disbursements to SGSY beneficiaries during these years was delayed and started only from 01 July 1999, 31 August 2000 and 28 June 2001 respectively thus adversely impacting the programme.

Non-maintenance of separate funds

3.2.10 The programme guidelines required the SGSY Cell to open Infrastructure Fund, Training Fund and Revolving Fund by earmarking 25, 10 and 10 *per cent* of the total fund allocation each year under the SGSY. Separate bank accounts for these funds were also to be opened. It was seen that no such funds were created by the Cell and all transactions were routed through a single bank account. The expenditure booked by the Cell under the Infrastructure, Training and Revolving funds during the review period was as under:

Table –3.19

(Rupees in lakh)

Year	Government of India and Government of Sikkim allocation	Infrastructure Fund			Training Fund			Revolving Fund		
		25% share of allocation	Actual expenditure	Excess (+) / Shortage (-)	10% share of allocation	Actual expen-diture	Excess (+) / Shortage (-)	10% share of allocation	Actual expen-diture	Excess (+) / Shortage (-)
1999-00	91.16	22.79	5.61 (6)	(-)17.18(75)	9.12	2.50 (3)	(-)6.63 (73)	9.12	1.01 (1)	(-)8.11 (89)
2000-01	184.60	46.15	26.79 (51)	(-)19.36 (42)	18.46	3.75 (2)	(-)14.71 (80)	18.46	4.06 (2)	(-)14.40 (78)
2001-02	109.84	27.46	58.56 (53)	31.10 (113)	10.98	23.50 (21)	12.52 (114)	10.98	14.52 (13)	3.54 (32)
Total	**385.60**	**96.40**	**90.96 (24)**	**(-)5.44 (6)**	**38.56**	**29.75 (8)**	**(-) 8.82 (23)**	**38.56**	**19.59 (5)**	**(-)18.97 (49)**

Note: Figures in brackets represent percentages.

3.2.11 Apart from the non-creation of the funds, it would be seen from the above table that the expenditure was less than the required level by Rs.5.44 lakh (6 *per cent*), Rs.8.82 lakh (23 *per cent*) and Rs.18.97 lakh (49 *per cent*) on activities covered under the Infrastructure, Training and Revolving funds respectively. The total expenditure on infrastructure, training and capacity building from 1999-00 to 2001-02 was Rs.1.40 crore representing 36 *per cent*, as against the requirement of 45 *per cent*, of the total allocation on SGSY during the same period.

3.2.12 As the availability of resources was not a constraint, the non-creation of these funds in contravention of the programme guidelines and their under funding was unjustifiable.

3.2.13 In reply the Cell quoted the minutes of the meeting of Central Level Coordination Committee (03 June 2002) according to which states had the flexibility to utilise even 100 *per cent* of fund as subsidy with the revision of guidelines and stated that 60 *per cent* (55 *per cent* for North East and Sikkim) criteria was no more relevant.

3.2.14 However, revision of guidelines was effective only from 2002-2003 whereas audit comment pertained to the years 1999-2000 to 2001-2002.

Rush of expenditure at the end of the financial year

3.2.15 The Sikkim Financial Rules state that rush of expenditure particularly in the closing months of the financial year is to be regarded as a breach of financial regularity and should be avoided. In violation of this provision, the bulk of expenditure incurred by the SGSY Cell was during the last quarter and last month of the financial year as detailed below:

Table-3.20

(Rupees in lakh)

Year	Opening balance	Receipt during the year	Interest and other receipts	Total fund available	Expenditure during the year	Fund received during last quarter	During	
							Last quarter	Last month
1999-00	36.49	56.99	9.19	102.67	58.31	45.59	54.43 (93)	29.63 (51)
2000-01	6.88	153.42	15.05	175.35	151.70	Nil *	79.05 (52)	63.57 (42)
2001-02	23.65	199.98	13.87	237.50	231.06	41.19	115.00 (50)	100.41(43)

Source: Annual accounts

*Note : *Second instalment received on 2.12.2000 (State) and 12.4.01 (Central).*

3.2.16 Expenditure in the last quarter of the financial year ranged from 50 to 93 *per cent* of the total outgo for the year and during the closing month from 43 to 51 *per cent*. An amount of Rs.1.08 lakh, Rs.25.32 lakh and Rs.12.03 lakh were disbursed on the last working day of 1999-2000, 2000-2001 and 2001-2002 respectively solely to bring the carry over balances within the permissible limits of the scheme.

3.2.17 The reply (September 2002) of the Cell that volume of expenditure was dependent on receipt of funds both from Government of India and State Government is not correct as it did not match availability of funds.

Selection of key Activities

3.2.18 Instead of funding diverse activities, SGSY lays stress on a few select key activities based on local resources, aptitude and skill of the people so that the *Swarozgari*s can draw sustainable incomes from their investments. Since the choice of the key activities would take time, the programme guidelines permitted selection of key activities for the year 1999-00 on *ad hoc* basis from activities that have been found to be successful under IRDP so that SGSY could be started straight away.

3.2.19 It was observed that selection of key activities was only completed as late as June/July 2001 although this should have been done by around April 2000, a delay of fifteen months. The SGSY Cell argued (May 2002) that the restructuring of the programme was actually announced only during September 1999 and the guidelines were issued much later. The reply is not factually correct as Ministry of Rural Development, Government of India twice sent the approved guidelines of SGSY to Government of Sikkim in April 1999 and May 1999. Moreover, the SRDA received the first instalment of Central assistance for 1999-2000 in the month of June 1999 itself. While confirming the fact (September 2002) that selection of key activities were delayed and completed only during July 2001 the Cell failed to specify the reasons for the same.

3.2.20 Delayed identification of key activities led to disbursement of subsidy amounting to Rs.1.05 crore upto 2000-2001 on the basis of key activities selected earlier in IRDP scheme, although this concession was allowed only upto 1999-2000, which was against the spirit of the guidelines.

Deficiency in preparation of Project Reports

3.2.21 The scheme guidelines stipulate that there should be a project report for each key activity prepared in consultation with line departments indicating the various elements such as training, credit, technology, marketing and the balancing infrastructure that needs to be provided and the cost involved. The project report was to be prepared for each activity and should indicate whether the project report for the key activities selected was made for the individual or group or both, the economics clearly spelt out for each of these indicating the details of investment required, the details of returns, the repayment schedule and the net income accruable to the *Swarozgari*.

3.2.22 A check of the project reports of six[1] key activities revealed that these were prepared by the SGSY Cell without the involvement of line departments.

3.2.23 The Cell stated (September 2002) that project reports were prepared in the meeting organised by NABARD with the involvement of bankers and line departments and as such there was no deficiency. The reply is not acceptable as guidelines enjoins upon SGSY Cell to prepare the project report itself and not leave them to be prepared by NABARD and other agencies. Further, important parameters such as cost benefit ratio, skill upgradation, creating infrastructure etc crucial for success of key activities were not included in the project report.

Identification of individual beneficiaries/formation of self-help groups

3.2.24 The beneficiaries under SGSY (*Swarozgari*s and SHGs) were to be picked up from BPL households identified through a BPL census duly approved by the respective *Gram Sabhas*. The total number of BPL families as per census for SGSY scheme was 35,493. The details of total beneficiaries identified in both the categories and disbursements made to them are as shown below:

Table –3.21

(Rupees in lakh)

	Individual beneficiaries		Amount paid as Revolving Fund to SHGs			Amount released to banks by the SGSY Cell as subsidy to SHGs		
Year	**No. of *Swarozgaris***	**Subsidy paid**	**Group**	**No. of *Swarozgaris***	**Amount**	**Group**	**No. of *Swarozgaries***	**Amount**
1999-00	681	44.50	Nil	Nil	1.01	05	57	04.70
2000-01	1873	117.09	27	308	4.06	Nil	Nil	Nil
2001-02	1863	123.67	116	1336	14.52	11	110	10.78
Total	**4417**	**285.26#**	**143**	**1644**	**14.30* 5.29****	**16**	**167**	**15.48#**

** Revolving fund*
*** capacity Building of SHGs.*
 # Total expenditure on subsidy – Rs.300.74 lakh (285.26+15.48)

Self-help Groups

3.2.25 As envisaged under the scheme, SHGs were to go through three stages of evolution, namely, Group formation (Grade I), Capacity building (Grade II) and Economic activity (Grade III). The SHGs may consist of ten to twenty persons and 50 *per cent* of the groups formed were to be exclusively for the women. Within each SHG, Scheduled Castes/Scheduled Tribes beneficiaries were to account for at least 50 *per cent* of the *Swarozgari*s, women for 40 *per cent* and the disabled for 3 *per cent*. The SHGs were to be subjected to a grading exercise for evolution to the next higher second and third grades.

3.2.26 A total of 230 SHGs were formed during 1999-00 to 2001-02, details of which are given in the following table:

[1] ginger, amliso, piggery, cardamom, poultry, dairy.

Table –3.22

Year	Formed during the year	No. of SHGs from previous year	Total number of SHGs	Number of SHGs in various grades during the year		
				I	II	III
1999-00	---	5*	5	Nil	Nil	5
2000-01	107	5	112	80	27	5
2001-02	123	112	235	87	132	16

* *SHGs carried from* DWCRA programme

3.2.27 As against norms mentioned in para 3.2.25 there was inadequate coverage of SCs/STs, women and the disabled as shown below:

Table –3.23

Year+	District	Total number of SHGs	No. of members in SHGs	No. of SC/ST members in SHGs*	No. of women members in SHGs*	Exclusive women SHGs**	No. of disabled members in SHGs
2000-01	East	3	39	14 (36)	39 (100)	3 (100)	Nil
	West	7	77	3 (4)	73 (95)	4 (57)	Nil
	North	8	82	70 (85)	62 (76)	6 (75)	Nil
	South	9	110	14 (13)	67 (61)	6 (66)	Nil
	Total	**27**	**308**	**101 (33)**	**241 (78)**	**19 (70)**	**Nil**
2001-02	East	48	550	94 (17)	349 (63)	29 (60)	Nil
	West	25	339	72 (21)	325 (96)	23 (92)	Nil
	North	12	127	117 (92)	127 (100)	12 (100)	Nil
	South	31	320	53 (17)	270 (84)	26 (84)	Nil
	Total	**116**	**1336**	**336 (25)**	**1071 (80)**	**90 (78)**	**Nil**
Grand Total		**143**	**1644**	**437(27)**	**1312(80)**	**109(76)**	**Nil**

*Note: *Figures within brackets indicate SC/ST and women as a percentage of total members.*
*** Figures within brackets indicate women SHGs as a percentage of total SHGs*
+ In 1999-2000, no new SHGs were formed

3.2.28 It would be seen from above that the coverage of SCs/STs fell short by 17 to 25 *per cent* during 2000-01 and 2001-02 while there was no coverage of the disabled. The shortage in coverage of SCs/STs was more pronounced in South and West districts where it fell short by 33 to 37 *per cent* and 29 to 46 *per cent* respectively during the two years. The achievement with respect to formation of exclusive women SHGs and coverage of women members was higher than the norm during the two-year period by 26 and 40 *per cent* respectively.

3.2.29 In reply (September 2002) the Cell stated that effort has been initiated to extend maximum coverage of these special category beneficiaries.

Individual Swarozgaris

Inadequate coverage of SC/ST/Women

3.2.30 The SGSY guidelines specified that out of the total number of individual *Swarozgari*s, SCs/STs should account for at least 50 *per cent* of the beneficiaries, women 40 *per cent* and disabled for 3 *per cent*. Scrutiny of the list of individual SGSY *Swarozgari*s revealed that there was inadequate coverage for all these categories as shown below:

Table – 3.24

(Number of Swarozgaris)

Year	District	Total	women	SC/ST	disabled
1999-2000	East	192	64 (33)	102 (53)	Nil
	West	90	46 (51)	37 (41)	Nil
	North	84	38 (45)	84 (100)	Nil
	South	315	70 (22)	107 (34)	Nil
	Total	**681**	**218 (32)**	**330 (49)**	**Nil**
2000-01	East	928	290 (31)	297 (32)	Nil
	West	186	8 (4)	48 (26)	Nil
	North	276	72 (26)	260 (95)	Nil
	South	483	55 (11)	109 (23)	Nil
	Total	**1873**	**425 (23)**	**714 (38)**	**Nil**
2001-02	East	444	82 (18)	220 (50)	Nil
	West	482	58 (12)	123 (26)	Nil
	North	345	119 (34)	324 (94)	Nil
	South	592	124 (21)	251 (42)	Nil
	Total	**1863**	**383 (21)**	**918 (49)**	**Nil**
Grand Total		**4417**	**1026 (23)**	**1962 (44)**	**Nil**

Note: Figures in brackets indicate percentages with reference to total number of Swarozgaris.

Less emphasis on group approach

3.2.31 Under SGSY, the beneficiaries could be either individual *Swarozgari*s or SHGs but the emphasis was to be on the latter as the assistance reaches the poor faster and more effectively under the group approach. During the period under review it was seen that

- individual *Swarozgari*s and SHGs (Grade II and III) received a total financial assistance of Rs.2.85 crore and Rs.29.78 lakh respectively.

- financial assistance to individual *Swarozgari*s worked out to Rs.6459.00 per person as against Rs.1751.00 per person for a member of a SHG.

3.2.32 The assistance given to an individual *Swarozgari* was almost four times more than for a member belonging to a SHG. This was not the intent of the SGSY programme.

3.2.33 The Cell attributed (September 2002) the reason for above to time consuming process of formation of SHGs and to bring them to the level of attaining eligibility for assistance and that group formation activity was expected to pick up in future.

Programme implementation

3.2.34 SGSY is a credit-linked scheme and credit is the key element. Subsidy is only a minor and enabling component. The major part of the investment consists of loans from banks. The details of loans disbursed by the banks under SGSY during the review period was as below:

Table – 3.25

(Rupees in lakh)

Year	Loans disbursed to individual *Swarozgari*s	Loans disbursed to SHGs
1999-00	109.65	9.42
2000-01	304.63	Nil
2001-02	312.97	21.56
Total	**727.25**	**30.98**

Credit-subsidy ratio

3.2.35 According to the instructions issued by Government of India, the subsidy-credit ratio should be 1:3 with effect from 2000-01. Further, the minimum prescribed limit of *per capita* investment was fixed at Rs.25,000. The amount paid as subsidy, credit (loan), subsidy- credit ratio and *per capita* investment during three years ending 2001-02 was as below:

Table 3.26

(Rupees in lakh)

Sl. No.	Particulars	1999-2000	2000-01	2001-02
1	Amount paid as			
	Subsidy	49.20	117.09	134.48
	Credit	69.87	187.54	200.05
	Total amount disbursed (subsidy + credit)	119.07	304.63	334.53
2	No. of *Swarozgari*s (includes SHGs) assisted	738	1873	1973
3	Subsidy – credit ratio	1:1.42	1:1.60	1:1.49
4	Per capita investment (Rupees) (Total amount disbursed/No. of *Swarozgari*s)	Rs.16,134	Rs.16,264	Rs.16,954

3.2.36 It would be seen from above that subsidy-credit ratio for 2000-01 and 2001-02 worked out to 1:1.6 and 1:1.49 as against the norm of 1:3. *Per capita* investment also was far below the minimum requirement of Rs.25,000 ranging from Rs.16,134 to Rs.16,954 over the period of three years.

3.2.37 In reply (September 2002) the Cell accepted that due to non-revision of unit cost, credit ratio of 1:3 could not be adhered to and assured that the same would be complied from next financial year.

Recovery of loans

3.2.38 The SGSY scheme attached great importance to the prompt recovery of loans as it reflected the success of the self-employment programme. The DDOs and SGSY Cell were required to keep a close watch over the repayment position and the banks were also required to furnish every month the list of defaulters to them.

3.2.39 All loans advanced under SGSY in the State were due for repayment after a gestation period of one year. It was however observed that neither the DDOs nor the Cell had any information or were maintaining any records in this regard as a consequence of which the information could not be furnished to Audit despite two reminders and nor were the banks furnishing the required information in the absence of which Audit could not evaluate the position in this respect.

Poor achievement in terms of coverage

3.2.40 The SGSY was to cover 30 *per cent* of the BPL families over a period of 5 years (by March 2004). To achieve this, 6 *per cent* of the BPL population was to be covered each year and from 1999-00 to 2001-02, therefore, 18 *per cent* should have been covered. As against this, the actual coverage was as below:

Table –3.27

Particulars	Districts				
	East	North	South	West	Total
Total no. of rural BPL families (BPL census 1999)*	8,351 (23)	2,366 (7)	12,261 (35)	12,515 (35)	35,493(100)
Total no. of BPL families to be covered (1999-2002) at 6 *per cent* per year	1503	426	2207	2252	6388
Actually covered (1999-2002)	1674 (111)	705 (165)	1447 (66)	758 (34)	4584 (72)
Shortage/Excess of coverage	(+) 171 (11)	(+) 279 (65)	(-) 760 (34)	(-) 1494 (66)	(-) 1804 (28)

* *As per BPL census of SRDA*

** *Figures in represents per cent*

3.2.41 The reply (September 2002) of the Cell that the scheme lays emphasis on financial target and not on physical target is not acceptable as SGSY guideline specifically stipulates coverage of 30 *per cent* BPL families in five years time.

Infrastructure creation

3.2.42 The SGSY was to ensure that the infrastructure needs for the identified key activities were met in full as it was essential for the success of the micro enterprises and for the *Swarozgaris* to derive the maximum advantage from their investments. The project report of each key activity was to clearly identify the existing infrastructure and the additional infrastructure that needs to be created. In paragraph 3.2.22 it has already been pointed out that the project report of the key activities and did not define the balancing infrastructure to be provided and thus programme execution was defective to this extent.

Incomplete works

3.2.43 It was also observed that as part of infrastructure creation, the construction of seven and five marketing centres were taken up departmentally during 2000-01 and 2001-02 and for which Rs.45.98 lakh was advanced to the DDOs. All the works were still incomplete (June 2002) even nine to twelve months after the stipulated dates of completion.

3.2.44 In reply (September 2002), the Cell informed that construction of marketing centres had already begun and would be completed shortly. However, reason for delay and likely date of completion was not intimated by the Cell.

Unauthorised expenditure

3.2.45 The guidelines lay down that no recurring expenditure should be met out from Infrastructure Fund. A scrutiny of the expenditure incurred during 1999-00 to 2001-02 revealed that out of a total expenditure of Rs.90.96 lakh, Rs.10.95 lakh was spent on repairs and renovation of existing infrastructure and Rs.0.87 lakh on printing charges, POL, etc. in violation of the guidelines.

Training

3.2.46 According to the programme, where the *Swarozgaris* possess Minimum Skill Requirement (MSR), they may be put through a basic orientation programme (BOP) which would include elements of book keeping, market appraisal, product costing and pricing etc. As per norms expenditure of Rs.15 per trainee per day was admissible for imparting on basic orientation programme (BOP) and skill development training programme (SDT). The assessment regarding technical skills was to be made by the line departments while that of the managerial skills by the banker while scrutinising the loan application. Such an exercise alongwith the *Swarozgari*s will help in identifying those who have the MSR and therefore need only the basic orientation training and those who need skill training.

3.2.47 There was nothing on record to show that such a detailed assessment of skills of *Swarozgari*s was ever attempted. While the basic orientation programme training was conducted by the SGSY Cell with the technical support of line departments for 6118 *Swarozgari*s (4417 individual and 1701 SHG) at a cost of Rs.29.74 lakh, no effort was initiated to identify the need for skill training and none was organised during the review period.

Technology management

3.2.48 The SGSY envisaged that the technology identified for each key activity should be such that it can be managed comfortably by the *Swarozgari* and at the same time leads to quality products. The project report of the key activities were to clearly state the present status of technology, feasibility and potential for technology upgradation as this could lead to better economic results while introduction of certain technology may substantially alter the economics of working.

3.2.49 Though in Sikkim the identified key activities were mainly the traditional occupations of the populace, the specific technology requirements were not identified nor the feasibility and potential for technology upgradation explored. The SGSY Cell stated (May 2002) that issues relating to technology management were not required as yet as the *Swarozgari*s were still in formative years and the same would be taken care of as and when the need would be felt. The reply only serves to reinforce the point that key activities were not based on up to date technology even though an expenditure of Rs.4.79 crore has already been made on the scheme in just three years.

3.2.50 In a further reply (September 2002), the Cell acknowledged the need for technology management by stating that the consultation from various agencies for technology management have been initiated.

Marketing support

3.2.51 Marketing support was an important component envisaged under the programme. However, even after three years of operation of the SGSY no marketing network or services had been established or offered by the Cell save the 12 marketing centres mentioned in paragraph 3.2.50 taken up for construction but whose completion is nine to twelve months behind schedule.

Monitoring and Evaluation

3.2.52 The guidelines stipulated that for the success of the programme, the SGSY Cell was expected to monitor and coordinate the implementation of the programme with close involvement of different agencies such as *Panchayat Samitis*, Banks and line departments and the NGOs.

3.2.53 The Cell stated (May 2002) that for monitoring of programme, committees at block, district and State levels have been formed and that regular quarterly meetings at district and State level and field visits are undertaken regularly. It was further stated that monthly reports from block and district levels are submitted at the State level regularly and physical verification of the assets was being done as per requirement of the SGSY programme. However, the Cell could not produce any inspection reports, physical verification reports and minutes of the meeting etc. in support of its contention. The Cell also added that the periodic evaluation of the implementation of the programme was conducted by reputed institutions and organisations. These evaluation reports, if any, were not made available to Audit.

FINANCE AND HOME DEPARTMENT

3.3 Procurement and utilisation of Government vehicles

3.3.1 To review the system of procurement and maintenance of Government vehicles (excluding departmental buses and trucks) in the State, information through a questionnaire was called for from all 40 departments of the Government of Sikkim to which, twenty eight departments furnished full information, seven[π]

[π] Agriculture, Election, Education, Forest, Horticulture, Home and Land Revenue Departments.

departments furnished partial information and five[*] departments did not respond at all. The questionnaire was further supplemented by a test check of vehicle records of eight[♥] departments and information collected from the State Trading Corporation of Sikkim.

3.3.2 The review covered the period 1997-98 to 2001-02 and was conducted with reference to the Sikkim Financial Rules (SFR) and the relevant notifications and circulars issued by the Home and Finance Departments of the State from time to time.

Purchase of vehicles in violation of MOU and despite imposition of ban

3.3.3 In order to improve the fiscal position of the State, a Memorandum of Understanding (MOU) was signed between the Government of India and Finance Department on behalf of the Government of Sikkim during April 1999, in which the latter undertook to adopt various economy measures, one of which was imposition of a ban on purchase of vehicles. Based on the assurances given by the State Government in the MOU, the Government of India agreed to extend financial assistance to the State Government including deferment of the loan liability. As a follow up to the MOU, the Home Department, Government of Sikkim issued a circular (June 1999) completely banning purchase of all types of vehicles. However, despite imposition of the ban it was seen that 34 departments had procured 211 vehicles during July 1999 to March 2002 entailing an expenditure of Rs.7.78 crore (**Appendix -IX**). During this period, 55 vehicles were condemned/auctioned resulting in a net addition of 156 vehicles for which the State Government had to incur additional expenditure of around Rs.44.46[♣] lakh per year towards the salaries of drivers and cost of petrol/oil/lubricants (POL), over and above the cost of repair and maintenance.

3.3.4 Appendix 3A to Rule 55 of the SFR stipulates that procurement and replacement of all new vehicles should be made with the concurrence of Finance and Home Departments. Further, against the backdrop of the MOU entered into by the former and the circular issued by the latter, these departments accorded their concurrence for the purchase of 211 vehicles.

Avoidable expenditure on excess pool vehicles

3.3.5 In order to regulate the use of Government vehicles by officers, the Home Department through a notification of January 1997 imposed restrictions on the use of Government vehicles by officers below the rank and level of Joint Secretary to the State Government. These officers were allowed to use a departmental pool vehicle on sharing basis with one vehicle to be shared by three officers of a

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[*] Irrigation & Flood Control, Art & Culture, Power, Building & Housing and Roads & Bridges Departments

[♥] Departments of Finance, Animal Husbandry& Veterinary Services, Agriculture, Land Revenue, Horticulture, Rural Development, Urban Development & Housing and Forest located at Gangtok

[♣] Drivers' salaries + POL= (Rs.1500 X 12 X 156)+(Rs.25.00 X 35 lts X 12 X 156) = Rs 44.46 lakh department. This arrangement was applicable to the vehicles in the State headquarters only.

3.3.6 In the case of 12 departments (**Appendix –X)** it was seen that the number of pool vehicles with the departments was in far excess of the norms. The excess ranged from 50 *per cent* in case of the Food, Civil Supplies and Consumer Affairs Department (FCS & CAD) to 200 *per cent* in case of Animal Husbandry and Veterinary Services(AH&VS), Rural Development and Education Departments. It was further noticed that in violation of the notification, officers below the rank of Joint Secretary posted in the State headquarters were also allotted individual vehicles which resulted in avoidable expenditure of Rs.2.07 crore towards the cost of the vehicles in excess of requirement, repair and maintenance costs, POL and salaries of drivers.

3.3.7 The reply of the UDHD, Horticulture, Education, Sports and Youth Affairs and Tourism Departments (September 2002) that individual vehicles were required for officers undertaking extensive tours was not acceptable as the notification of January 1997 specified that the head of the concerned department would assign a vehicle out of the departmental pool to officers intending to go on tour on submission of tour programme. There was no provision for allotment of individual vehicles round the year to such officers. The reply (September 2002) of the AH&VS Department that its 6 departmental pool vehicles were shared by 13 officers and a breeding cell was not factual, as test check of paid vouchers of salary of these officers disclosed that vehicle charges at full rate was deducted from some officers indicating individual allotment of vehicles to them while no charge was deducted from other officers indicating non-allotment of vehicles to them. The FCS&CAD while accepting the audit observation stated (September 2002) that the excess vehicles have since been adjusted by allotment to newly transferred/ promoted officers within the Department. No reply was received from the other five departments.

Diversion of funds from capital outlay for purchase of vehicles

3.3.8 Scrutiny of records revealed that the Urban Development and Housing Department (UDHD) procured one vehicle during 1998-99 on the approval of the then UDHD Minister at a total cost of Rs.3.15 lakh from the contingency provision of a work relating to the construction of multi-storied car parks at Gangtok, although there was no budgetary allocation under this work and without the concurrence of Finance and Home Departments. Similarly, the Sikkim Public Works Department (SPWD) procured two vehicles costing Rs.10.00 lakh during 2000-2001 by meeting the expenditure from the budgetary provisions earmarked for the carpeting of Pelling and Rimbi roads.

3.3.9 The reply of the UDHD (September 2002) that the vehicle was purchased for VIP duty from contingency provision of the project due to non-availability of provision under office expenses was not tenable as purchase of vehicle from contingency provision was irregular and as per the records of the Department it was procured for use of a departmental officer and not for any VIP.

3.3.10 No reply was received from the SPWD.

Absence of a proper system for disposal of disused car parts

3.3.11 Government had not prescribed any system for the collection and disposal of disused and replaced parts of Government vehicles even though huge amounts ranging from Rs.1.08 crore to Rs.1.21 crore was spent during the period 1997-98 to 2001-02 on repair of vehicles.

3.3.12 Further, as per a Finance Department circular of November 1984, old tyres were required to be deposited with State Trading Corporation of Sikkim (STCS). This was to ensure actual utilisation of the new purchases. Although tyres valuing Rs.87.58 lakh were purchased during 1997-98 to 2000-01 by various departments, old tyres were not deposited with the STCS, in the absence of which utilisation of new tyres could not be vouched for in audit.

Avoidable expenditure on excess drivers

3.3.13 It was noticed that the Tourism Department and Utilisation Circle of Forest Department had 1 to 5 regular drivers in excess of the number of vehicles with them. Further, despite the availability of regular drivers, these Departments engaged 6 to 7 additional drivers on daily wage basis between 1997-98 to 2001-02. The deployment of drivers in excess of the number of vehicles during the period 1997-98 to 2001-02 resulted in an unwarranted expenditure of Rs.12 lakh[2].

3.3.14 This review had been forwarded (July 2002) to the Home and Finance departments. Response is awaited (October 2002)

[1] Calculated at average pay of Rs.4,000 for regular driver and Rs.1500 per month for daily wage driver