

## CHAPTER – I : PERFORMANCE REVIEWS

### HORTICULTURE DEPARTMENT

#### 1.1. Technology Mission for Integrated Development of Horticulture

*‘Technology Mission for Integrated Development of Horticulture in North Eastern States’, a 100 per cent Centrally Funded Scheme was launched by the Government of India in the State in 2001-02. While the Performance Audit of the Mission implementation revealed some achievements like success to some extent in the introduction of Kiwi, Rose and Anthurium in terms of productivity and area under cultivation, it also revealed inadequacies in planning, implementation and monitoring of the scheme; taking up of unviable crops, uneconomical procurements, absence or ineffective monitoring mechanism, etc., adversely impacting the implementation of the scheme. The major audit findings are highlighted below:*

#### Highlights

- *Department followed a centralised planning system without involving the district level functionaries in the planning process. Neither the baseline survey was conducted nor any District Project Report/District Annual Action Plan/Work Plans were prepared for any District.*

*(Paragraph-1.1.7)*

- *Out of Rs.124.47 crore funds received during 2001-09, as of March 2009 Rs.5.09 crore (4.10 per cent) was retained by Arunachal Pradesh Small Farmers Agro-business Consortium. Further, funds aggregating to Rs.39.51 crore (33 per cent) released for implementation of the Mission remained unutilised with the Director of Horticulture/ District Horticulture Officers.*

*(Paragraph-1.1.8)*

- *2308 Drip Irrigation Systems (DISs) were installed in the State without realising the beneficiaries’ contribution of Rs.3.29 crore. No survey was conducted to ascertain the working status of DIS installed. All the 15 DISs physically verified were found non-functional and not connected to the water source.*

*(Paragraph 1.1.10.3)*

- *Against the total production capacity of 122 lakh planting materials in 10 big and 24 small nurseries in six districts, only 2.50 lakh (two per cent) were produced during the last 10 years raising doubt about their utility.*

*(Paragraph 1.1.10.4)*

- *Out of the 793 units of medicinal and aromatic farms created at a cost of Rs.68.52 lakh, 756 units (96 per cent) were defunct resulting in wasteful expenditure of Rs.65.32 lakh.*

*(Paragraph 1.1.10.7)*

- *Three newly constructed wholesale markets under the Mission were being used for running offices, schools, pig sty, slaughterhouse, etc., impacting the marketability of the horticulture produce.*

*(Paragraph 1.1.11 (ii))*

- *No food processing unit has been set up in the State and as a result the horticulture potential of the State has not been exploited to the fullest extent.*

*(Paragraph 1.1.13)*

- *The monitoring and supervision mechanism was not effective and the impact assessment of the programme has never been done.*

*(Paragraph 1.1.13)*

### **1.1.1. Introduction**

The undulating topography and varied agro-climatic condition of Arunachal Pradesh offers vast potential for horticulture development for growing varieties of tropical, sub-tropical and temperate fruits and vegetables including off-season vegetables. An estimated area of 2.61 lakh hectares (ha) is under *jhum kheti* (shifting cultivation) in the State which coupled with heavy rains has serious adverse effect on ecology and poses landslide, soil-erosion and silting problems. Keeping this in background, horticulture has the potential to be the backbone and future of the State rural economy providing not only a reliable source of income and employment but also solving the *jhum kheti* and associated environmental problems.

The scheme 'The Technology Mission for Integrated Development of Horticulture' (TM) was launched in the State in 2001-02. The scheme comprises four components, referred to as Mini Missions (MM-I to IV). Each of these components addresses different aspect of the scheme.

The specific objectives of the Technology Mission are:

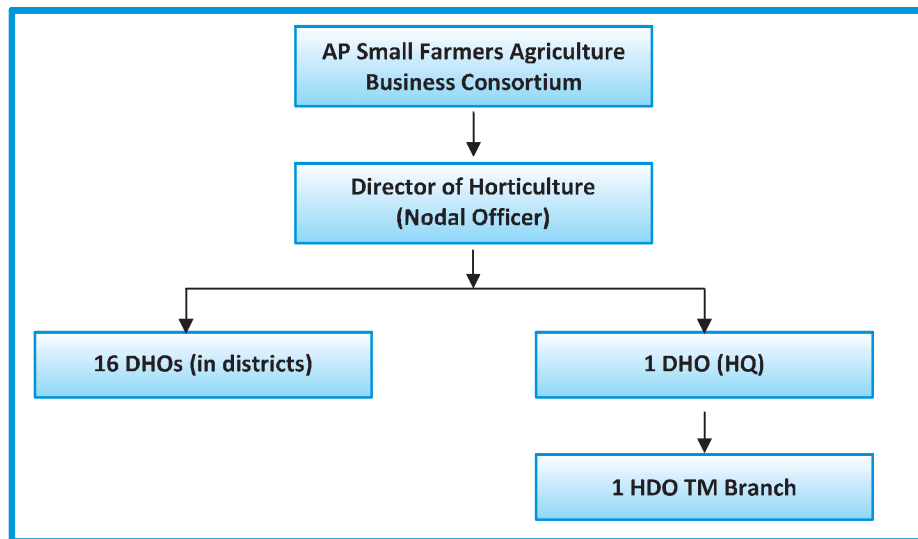
- to improve productivity and quality of horticulture crops through adoption of improved varieties/technologies and upgradation of existing production/ farming technologies.
- to reduce post harvest losses, and improve marketability of the produce and its availability to consumers.
- to promote better utilisation and increased consumption of the produce to ensure higher returns to farmers/ producers and better nutritional health to the people, to promote exports and export oriented growth; and
- to develop a strong base for transfer of technology and human resource development to support developmental activities.

### **1.1.2. Organisational Setup**

The Director of Horticulture (DOH), Arunachal Pradesh is the Nodal Officer responsible for the planning and implementation of the scheme under MM-II and IV.

He is assisted by one District Horticulture Officer (DHO) in each district and one Horticulture Development Officer (HDO) in the Directorate. The activities under the Mission in the districts are implemented through 16 DHOs. The programme under MM-III is implemented by the Director of Agriculture in association with the Agriculture Produce Marketing Committees. The organogram reflecting the prevalent arrangement for scheme coordination, implementation and reporting system in the State is as below:-

Chart.1.1. 1



### 1.1.3. Scope of Audit

Performance review of the implementation of the Technology Mission for Integrated Development of Horticulture in the State was conducted during April to July 2009 and covered the various activities of the Mission carried out during the period 2001-09. The records of the DOH and six<sup>1</sup> (38 *per cent*) out of the 16 DHOs were selected for detailed scrutiny on the basis of fund allocation and simple random sampling method without replacement. In addition, the records of the Director of Agriculture and Agricultural Products Marketing Committees (APMC) of the selected districts were also test checked. The audit covered an expenditure of Rs.51.08 crore (64 *per cent*) out of the total expenditure of Rs.79.87 crore.

### 1.1.4. Audit Methodology

The performance audit commenced with the entry conference on 18 May 2009 with the departmental officers wherein the audit objectives, audit criteria, scope of audit and process adopted for the selection of sample units for detailed scrutiny, etc. were explained. The audit findings were discussed in an exit conference held with the departmental officers on 26 October 2009 and the comments of the Department have been suitably incorporated in the report.

<sup>1</sup> Bomdila, Pasighat, Tezu, Roing, Ziro and Aalo.

#### **1.1.5. Audit objectives**

The audit objectives were to assess whether:

- the State Action Plan was based on an integrated approach consolidating the district level action plans;
- the implementation of the scheme was efficient, economic and effective and as per the approved plan;
- the objectives of the Mission to increase the production and productivity of the horticulture crops in the State were achieved;
- efforts under all MMs were adequately integrated to ensure the optimum impact of the Mission in terms of production, productivity, marketing, processing and export; and
- the monitoring system was adequate and effective.

#### **1.1.6. Audit criteria**

The following major criteria were used to assess the performance:

- Mission guidelines issued by the Union Ministry of Agriculture.
- State annual action plan and District annual action plans.
- Detailed project reports prepared by the department; and
- Prescribed monitoring mechanism.

#### **Audit Findings**

The important points noticed during the course of the performance review are discussed in the succeeding paragraphs.

#### **1.1.7. Planning**

The scheme is to be implemented in a project form which involves preparation of a project report for each district integrating all the aspects of horticulture development of the district and address the issues of production, marketing, processing and exports after carrying out a baseline survey. The Annual Action Plans (AAP) setting clear physical and financial targets for the concerned year together with the District Project Report are to be submitted by the DOH to the Director of Agriculture and Co-operation (DAC), New Delhi for release of the required funds. The scheme guidelines emphasise a bottom-up approach in planning.

It was found that:

- The AAPs were prepared without involving the district level functionaries. Neither the baseline survey was conducted nor was the District Project Report/ District AAP/ Work Plan prepared by any of the districts; and
- Consequent to the centralised planning process, certain plantation of crops which were ineffective and unviable, such as the programme of aromatic and medicinal plants and apple farming in Lower Subansiri district, continued to be implemented despite these crops being commercially unviable.

### 1.1.8. Financial Management

Funds of MM-I are released by the DAC directly to the ICAR whereas the funds for MM-II, III and IV are routed by the GOI through the Central Small Farmers Agri-Business Consortium (CSFAC) who is to further release the funds to the Arunachal Pradesh Small Farmers Agro-business Consortium (ASFAC) as per the approved activities. The ASFAC releases funds to the DOH/DHOs on the basis of the approved work plan of the respective district.

Central assistance received by the ASFAC and released further to the DOH/DHOs and expenditure incurred there against during 2001-09 are tabulated below:

Table No. 1.1.1

(Rs in crore)

	OB	Funds released by CSFAC	Total funds	Funds released to DHOs	Fund retained by ASFAC	Exp. Incurred	Unutilised fund with Dept.
2001-02	Nil	6.99	6.99	3.85	3.14	2.18	1.67
2002-03	3.14	12.20	15.34	13.20	2.14	8.75	4.44
2003-04	2.14	13.24	15.38	11.11	4.27	7.21	3.90
2004-05	4.27	15.00	19.27	16.14	3.13	11.03	5.11
2005-06	3.13	13.88	17.01	14.09	2.92	11.39	2.71
2006-07	2.92	12.00	14.92	11.42	3.50	6.19	5.23
2007-08	3.50	30.63	34.13	33.18	0.95	22.73	10.45
2008-09	0.95	20.53	21.48	16.39	5.09	10.39	6.00
Total		124.47		119.38		79.87	39.51

Source: Director of Horticulture.

It is evident from the table that during 2001-09 instead of releasing the entire funds to DOH/DHOs, ASFAC retained substantial part of the funds each year and amount retained as on March 2009 was Rs.5.09 crore. Again out of the funds released, the DOH and DHOs did not utilise significant portion ranging between Rs. 1.67 crore and Rs. 10.45 crore at the end of each year aggregating to Rs. 39.51 crore (33 per cent).

Further, DOH and five test checked districts also did not utilise their available funds ranging between Rs. 1.66 crore and Rs. 9.66 crore during 2001-09 (*Appendix-1.1.1*).

Department accepted the audit findings and also added (October 2009) that ASFAC was not able to release funds timely to the DOH/DHOs due to very late receipt of funds from CSFAC. Keeping the problem in view the State Government needs to closely interact with CSFAC to ensure that the funds earmarked for the State are released timely to ASFAC so that the Mission activities do not suffer for want of funds.

#### (i) Unauthorised utilisation of Interest

The scheme guidelines provide that the State should submit separate proposal to the Technology Mission Cell, DAC for utilisation of the interest earned on the Mission Fund. However, during 2001-09 the DOH and DHOs earned an interest of Rs.1.75 crore on the Mission funds out of which four DHOs and DOH spent Rs. 29 lakh as detailed below, without the knowledge of the Technology Mission Cell, DAC:

Table No.1.1.2

		(Rs. in lakh)
DHO	Purpose	Amount
Itanagar	a. Attending exhibition at Israel	5.00
	b. Attending exhibition at Gangtok	5.00
Lower Subansiri	a. Kiwi programme	0.40
	b. Floriculture	0.30
Lower Dibang Valley	On purchase of Generator and Computer	0.43
West Kameng	On purchase of equipment, furniture and transportation.	2.20
DOH Itanagar	On purchase of Scorpio and Bolero	15.67
Total		29.00

Source: Cash book of DOH and vouchers.

The Department stated (November 2009) that the expenditure was incurred with the approval of the Chief Minister, Managing Director, ASFAC and Chairman ASFAC. The reply of the Department is not tenable as scheme guidelines strictly prohibited the utilisation of interest amount without the approval of DAC.

### Programme implementation

The Mission comprises four components, referred to as Mini Missions (MM-I to IV). Each of these components addresses different aspect of the scheme.

#### 1.1.9. MM-I: Technological support from ICAR

MM-I aims to provide technological support by way of providing information on best horticultural practices, nucleus planting materials and skill upgradation for adoption of technology. The activities under this mission are vested with the ICAR. To make optimum use of MM-I, the DOH needs to have close liaison with the local ICAR office for obtaining regular and suitable technical support.

Though the implementation of MM-I vests with the ICAR, it was noticed that during the period from 2001-09, ICAR neither developed/recommended any nucleus/basic seeds or planting materials nor did it ever render any technical support to the Mission activities in the State. Moreover, the State had also never approached ICAR for any assistance. Further, there was no coordination between the Joint Director, ICAR stationed at Basar and the departmental authorities on any issue concerning horticulture. In the absence of any technical support from ICAR, the objectives of MM-I were not achieved in the State and also the efforts of the department for the development of aromatic and medicinal plants in some of the districts and apple orchards in Ziro did not succeed.

#### 1.1.10. MM-II: Production and Productivity

MM-II primarily aims at increasing the quantum of production and productivity of the horticulture crops in the State by supporting the activities such as creation of water resources through community water tank, development of quality planting materials of high yielding varieties through nurseries & greenhouses, training of farmers and staff, and promotion and popularisation of organic farming practices.

The major activities including area expansion, exploitation of water resources, on farm handing, etc. were carried out under MM-II. The Mission had considerable impact in some areas especially in diversification of horticulture crops. Kiwi, Rose and Anthurium were successfully introduced in the State and these three crops have shown significant progress. The area under cultivation of Kiwi fruit has increased from 55 ha to 1000 ha and the production increased from five MT to 90 MT during 2001-08. Rose and Anthurium are also doing well on account of the favourable agro-climatic conditions and infrastructural facilities created for them. The area under these two flower crops is now nearly 1000 ha. In addition to the sales locally and within the country, the export potential of these two flower crops is also being tapped by exporting these abroad.

The physical achievements in almost all of the components under MM-II (*Appendix-1.1.2*) were shown as 100 *per cent*. Audit scrutiny, however, revealed that the claims made regarding achievements were not based on the actual facts as evident from the audit findings in the subsequent paragraphs.

#### **1.1.10.1. Area Expansion:**

One of the major activities of MM-II is to increase production through area expansion under various horticultural crops. The State has an estimated potential area of 18 lakh ha for horticulture crops against this as of March 2009, the Department could achieve only 88,331 ha (4.9 *per cent*) indicating poor coverage of potential area.

The Director stated (October 2009) that the potential areas created under horticulture were dependent on the availability of funds. The reply is not factual as out of Rs.124.47 crore received by ASFAC during 2001-09, Rs.5.09 crore (4.10 *per cent*) were retained by ASFAC. Further, out of the Rs.119.38 crore released by ASFAC, Rs.39.51 crore (33 *per cent*) were not utilised by the department.

**(i) Cluster Approach:** The scheme guidelines require that area expansion should be done following cluster approach through selection of beneficiaries in contiguous areas covering the whole village to benefit from the common infrastructure such as community tank, plant protection and plasticulture and other systems. This approach, however, had not been adopted by the department and the beneficiaries were not selected from the contiguous area, thus, depriving the beneficiaries of the advantages of cluster approach.

The Director stated (October 2009) that due to the small land holdings in the State, the Cluster Approach was not possible. The contention of the department is not acceptable as multiple small holdings can be grouped to form a cluster for the implementation of the scheme.

**(ii) Area Expansion under fruit crops:** The targets and achievements for area expansion in respect of fruit crops as per the Status Report (as on March 2009), claimed almost 100 *per cent* achievement. The increase in the actual area coverage under fruit crops during 2001-09 was 27,255 ha as against the achievement of

28,117 ha reported to the GOI thereby inflating the achievement by three *per cent*. The actual and claimed area coverage details are shown in the table below:

Table No.1.1.3

Name of fruit Crops	Total area covered 2000-01 (ha)	Total area covered 2008-09 (ha)	Increase during 2001-09 (ha)
Apple	6750	12308	5558
Walnut	2299	4575	2276
Kiwi	00	2010	2010
Citrus (Orange)	19276	29680	10404
Pine apple	7356	10125	2769
Banana	3610	5275	1665
Others	3957	6530	2573
Total	43248	70503	27255

Source: Departmental Status Report

After reconciliation of figures the Department accepted (November 2009) the excess reporting by 862 ha.

**(iii) Unrealistic achievement:** Rs.32.50 lakh was sanctioned during 2004-05 for 250 units of orange (one ha area in a unit) in the districts of Lower Subansiri (50 units) and Lohit (200 units). As per the schedule furnished by the department, 75,000 planting materials were required (300 planting materials per ha). However, only 30,000 planting materials were procured by the DHOs (Lower Subansiri: 6,000 and Lohit: 24,000). As per the norms, with 30,000 planting materials only 100 units of Orange could be achieved. Thus, the achievement of 100 *per cent* (250 units) as claimed by the department was not based on the facts.

In response the Department stated (November 2009) that remaining quantity of planting materials were arranged by the beneficiaries. The contention of the Department is not acceptable as neither any supporting documents in support of their reply was furnished by the department nor any such record was found when audit was conducted.

#### 1.1.10.2. Performance of other activities:

The scheme targets fixed with respect to the other than the area expansion, and the achievements there against as per the departmental records during 2001-08, are as following:

Table No.1.1.4

Name of the asset/input/unit	Target (No)	Achievements in	
		Numbers	Percentage
Medicinal & Aromatic plant units	5945	5938	99
Drip irrigation & Community Tank	2028	2030	>100
Disease forecasting unit	8	7	88
Plant Health Clinic	3	3	100
Bio-control Lab	1	1	100
Model Floriculture centre	2	2	100
Low cost green house	28,000	28,000	100

Source: Departmental status report and action plan.

However, the achievements claimed were not based on the facts as brought out in the subsequent paragraphs.

### **1.1.10.3. Water Management:**

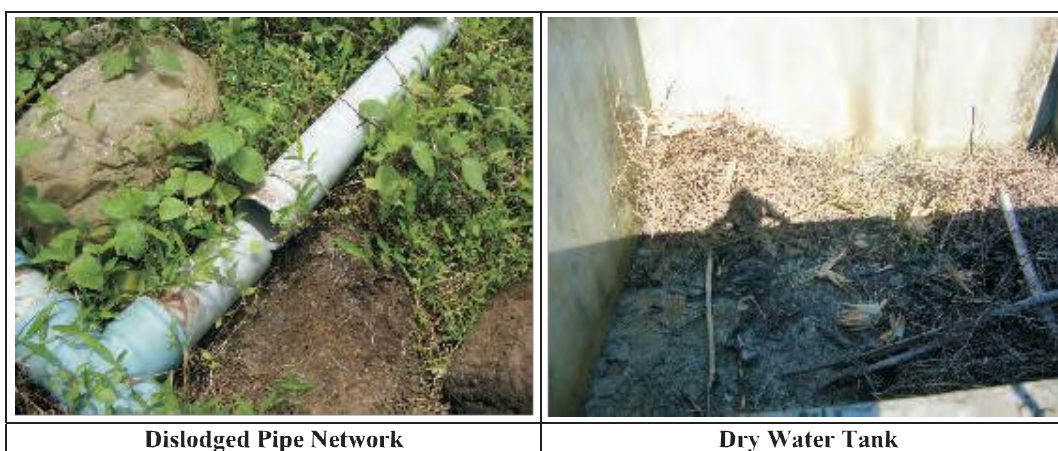
#### **(i) Drip Irrigation System**

DIS is a technology for providing irrigation to plants through a network of pipes. It includes emitting water by micro-sprinklers, mini-sprinklers, micro-jets, etc. As per the scheme guidelines, DIS allotment is to be made to the beneficiary having farming in one or more ha and assistance to the farmers is restricted to 50 *per cent* of the cost subject to a maximum limit of Rs.28,500 per ha.

- The department installed DISs only in farms with five ha or above. Thus the benefits of DIS were extended to farmers with large land holdings and the small/marginal farmers (95 *per cent*) were totally deprived of the benefits intended under the scheme.
- During 2001-09, the department installed 2308 DISs at a total cost of Rs.6.58 crore. However, the department did not realise the 50 *per cent* share (Rs.3.29 crore) from the beneficiaries towards the installation of the DISs in their farms extending undue benefit to rich farmers as brought out in paragraph *ibid*.
- The DHOs of East Siang, Lohit, Lower Dibang Valley and Lower Subansiri districts felt that system was not effective as the farmers did not use them and the systems remained non-functional after six months/one year of their installation. Further, the department had not conducted any survey to ascertain whether the DISs were in working status and also to ascertain the impact of it in achieving the intended goals.

The audit team visited 15 farms<sup>2</sup> where the DISs were installed at a cost of Rs.34 lakh and found that in none of these farms DIS was working. The networks of the pipes were found dislodged, broken and ineffectual. The *pucca* water tanks constructed in most of these farms remained dry without any connectivity to the water source (See following photographs).

2 1.Cholakso Tayang-Lohit; 2.Sohiyan Kellai-Changling;3.Batakso Tayang-Tafragam; 4.Ballong Tindiya- Changling; 5.Dature Miuli-LDV(12km); 6.Smt. Sepa Miuli- LDV(12km); 7.Smt.Simu Megga-Ziro point; 8.Matti Lingi-Injonu; 9.Ayepi Mega-Injonu; 10.Chilico Meto-Koronu 11.Miranda Male-Koronu 12.Hagehally-Hitop(LSD) 13.Takhe Babu-Duku; 14.Kalung Tatung-Kalung; 15.DHO,Ziro-Ziro.



In response, the Department stated (October 2009) that the maintenance of the DISs is the responsibility of the farmers, and also added that the targeted beneficiaries are very poor and not able to share the 50 *per cent* cost. The reply is not tenable as the benefit of DIS was extended to farmers with large land holding who cannot be termed as poor and it also violated the Mission guidelines.

**(ii) Creation of water sources**

The scheme provides for creation of suitable water sources to ensure irrigation for the horticulture crops round the year. As per the scheme guidelines, assistance to the extent of Rs.one lakh was to be given for creating community water tank with a capacity of 3.20 lakh litres for irrigating one ha area. The maximum limit of assistance was to be limited to Rs.10 lakh per tank for irrigating a command area of 10 ha. The assistance was to be provided to a group of farmers or community for creating *pucca* community water tanks so that the intended benefit is maximised.

Though the department utilised the entire allotted fund of Rs.10.19 crore during 2001-09 meant for construction of community tanks, no community-based tanks were actually constructed as all the tanks constructed were in the farmyards of the individual beneficiaries having five ha or more. Thus, similar to DIS, benefit of the community tanks was also restricted to the farmers with large land holdings ignoring the intended objective of the scheme.

In response the Department stated (October 2009) that the water tanks for community could not be created due to non-availability of community land for this purpose. The reply is not acceptable as the medium and small farmers were left uncovered by the activities in violation of the scheme objectives.

Further, as per the norms, each tank should have water storage capacity of 3.20 lakh litres for irrigating one ha of land. However, during 2001-09, in six districts 241 water tanks constructed at a cost of Rs.2.41 crore had total water storage capacity of only 31.75 lakh litres against the envisaged storage capacity of 781.20 lakh litres which works out to an average of mere four *per cent* as tabulated as following:

Table No.1.1.5

Name of district	No. of units (corresponding area)	Total Expenditure (Rs. in lakh)	Prescribed capacity (lakh litre)	Actual capacity created in lakh litres ( <i>per cent</i> )
West Siang	34No (34 ha)	34	108.80	6.80 (6)
East Siang	48No (48 ha)	48	153.60	4.80 (3)
Lohit	67No (67 ha)	67	214.40	3.35 (2)
L. Dibang valley	60No (60 ha)	60	192.00	12.00 (6)
Lower Subansiri	16No (16 ha)	16	61.20	1.60 (3)
West Kameng	16No (16 ha)	16	51.20	3.20 (6)
Total	241No (241 ha)	241	781.20	31.75 (4)

Source: DHO's records.

Despite incurring expenditure of Rs.2.41 crore on creation of 241 water storage tanks with intended capacity to store 781.20 lakh litres of waters, the actual storage capacity created was only 31.75 lakh litres (4 *per cent*).

In response the Department did not furnish specific reply and stated (October 2009) that the water storage capacity was created depending upon the availability of the funds for this purpose. The reply is not factual as out of Rs.124.47 crore received during 2001-09, Rs.5.09 crore (4.10 *per cent*) were retained by ASFAC. Further, of the fund released, Rs.39.51 crore (33 *per cent*) were not utilised by the department.

Thus, the fact remains that shortage of water storage capacity impacted the implementation of the scheme.

#### **1.1.10.4. Creation of Nurseries**

The creation of nurseries plays an important role under MM-II to increase the production and productivity of the horticulture crops. This activity is intended to provide genuine, disease free and healthy planting materials. The big nurseries should have a capacity to produce five lakh plants per year while the small nurseries should produce at least three lakh plants per year; and the State Government was to ensure the quality of the planting material produced by these nurseries through regular checks/ inspections.

During the years 2001-09, the department established 72 nurseries at a total cost of Rs.4.08 crore (nine big and 16 small nurseries in Public Sector and 12 big and 35 small nurseries in Private Sector). The outlay on the Public Sector was Rs.2.10 crore and on the Private Sector was Rs.1.98 crore.

In five test checked districts it was seen that five big and six small nurseries in the Public Sector and five big and 18 small nurseries in the Private Sector set up with an annual production capacity of 122 lakh planting materials, produced only 2.50 lakh (two *per cent*) planting materials. Further, in the five sample districts against the requirement of 199.66 lakh planting materials, only 5.30 lakh (three *per cent*) planting materials were managed from these departmental nurseries and the balance

requirement of 194.16 lakh (97 *per cent*) planting materials were procured by DHOs from other sources at a cost of Rs.6.26 crore. The purchase of 97 *per cent* of the planting materials from outside was the result of the poor performance of the department's nurseries.

The Department agreed (October 2009) to the audit findings and assured that the efforts would be made in future to improve the nursery productivity.

#### **1.1.10.5. Centre of Excellence (COE)**

Scheme guidelines provide that COE should be established in a compact area of at least 40-50 ha of land comprising the lands of farmers of the same village having suitable transportation facilities. The main purpose of such COEs was to provide necessary demonstration and training to the farmers on modern farming and horticulture practices and to work in close coordination with ICAR who would provide COE with the planting materials and technology for making these centres as resource centre.

In the State, only one COE for Temperate Orchids was established at Dirang during the year 2004-06 at a cost of Rs.236.55 lakh (2004-05: Rs.145.55 lakh, and 2005-06: Rs.91 lakh) with 21 beneficiaries in a compact area and 76 beneficiaries of other villages. Horticulturist in charge of COE reported (May'07) that 90 to 95 *per cent* plants were surviving and the COE was functioning well.

However, presently the Centre site lays deserted without any orchid plants and no activities are being carried out. Further, the Tissue Culture Laboratories (TCL) (photo below) established in October 2005 remained non-functional for want of technical staffs. An amount of Rs.7.90 lakh was spent unnecessarily on purchase of chemicals and glassware (May 2006) for TCL which was non-functional.

The Horticulturist in charge of COE (June 2009) and subsequently the Department stated (October 2009) that the COE was damaged by cyclone. The reply is not convincing as no supporting documents like report sent to the Directorate/ Government about the cyclone or any damage assessment report, etc. was made available to audit. Even the date of the cyclonic event was also not found on record.



- During 2004-05, out of Rs.145.45 lakh provided for the COE, Rs.13 lakh was meant for 'On Farm Handling'. COE utilised Rs.12.99 lakh on procurement of

2685 High Density Plastic (HDP) crates in March 2006 which were to be distributed only to the COE beneficiaries. However, only 665 crates<sup>3</sup> were issued to the four COE beneficiaries and the remaining 2020 crates (75 *per cent*) valued at Rs. 9.77 lakh were issued to 45 individuals who were not COE beneficiaries and thus ineligible.

- Further, as against the maximum limit of Rs.0.50 lakh benefit to a beneficiary, the COE extended benefit of Rs.2.86 lakh to two beneficiaries<sup>4</sup> in violation of the scheme guidelines.
- The Horticulturist in-charge of COE, procured 34,850 planting materials ‘CYMBIDUM’ variety between September 2005 and May 2006 for Rs.85.78 lakh from four suppliers at different rates ranging from Rs.100 to Rs.700 each without inviting any tender/quotation to ensure economy and quality of planting materials.

Scrutiny and cross referencing of the departmental records disclosed that the same materials were purchased in other districts (West Kameng, Lohit and East Siang) during 2005-08 from M/S. Zoper Exports Ltd. and M/s. Sheel Bio-tech Ltd. at rates varying from Rs.110 to Rs.120 each. Thus the absence of competitive pricing resulted in avoidable expenditure of Rs.46.19<sup>5</sup> lakh resulting in less quantity of procurement which would further limit the scheme benefit and coverage adversely.

The Director assured (October 2009) that he would verify the position and send his comments. But no further response was received on this from the department.

#### **1.1.10.6. Greenhouse Technology**

Greenhouse (GH) technology is used to provide optimum growth conditions i.e. light, temperature, humidity, carbon-dioxide, etc. for the best growth of the plant to achieve the maximum yield and better quality. To ensure maximum yield and best quality of horticulture produce, a maximum area of 1000 sqm should be used under greenhouse for one farm. The assistance for greenhouse was to be provided up to 50 *per cent* of the cost for covering up to 1000 sqm at the rate of Rs.325 per sqm for hi-tech greenhouse and Rs.125 per sqm for normal greenhouse.

The department constructed 535 GHs covering total area of 3.05 lakh sqm (460 of 500 sqm and 75 of 1000 sqm) after spending Rs.427.25 lakh. The following irregularities were noticed:

- In all 535 case of GHs, the department did not realise the 50 *per cent* cost from the beneficiaries as required under the scheme resulting in undue benefit to the beneficiaries to the extent of Rs.213.62 lakh.

<sup>3</sup> S/Shri Jam Tsering: 50. Budumba: 150. Chunpi: 25, and Rinchin Droma: 440

<sup>4</sup> Sh.B. Namthung: 150 crates costing Rs.0.73 lakh and Smt. R.Droma: 440 crates costing Rs.2.13 lakh

<sup>5</sup> 34850 plant costing Rs.88.01 lakh Less @ maximum Rs. 120=Rs.41.82 lakh= Rs. 46.19 lakh

- In four districts, 78 GHs were constructed with an area of 27,300 sft and assistance to the beneficiaries was given @ Rs.325 per sft instead of Rs.325 per sqm resulting into excess expenditure of Rs.69.23 lakh.
- The department had not conducted any study or analysis to ascertain the effectiveness of greenhouses as of July 2009.

The Department in exit conference stated (October 2009) that the rate of Rs.325 sqm was revised to Rs.325 sft with the approval of State Government. The rate revision was invalid as the same was not issued with the approval of GOI

#### **1.1.10.7. Unviable horticulture activities**

- (i) The department had been implementing programme of medicinal and aromatic crop during 2001-09 and 8444 units of medicinal and aromatic crops were attempted at a total cost of Rs.5.34 crore. However, these crops had not been productive and commercially viable. According to some DHOs the farmers had lost their interest in them because of inadequate profitability, and marketing problems, and thus had shifted to other crops. The field level status of the unit also corroborated to the DHOs' views.

In five test-checked districts, out of 793 units created at a cost of Rs.68.52 lakh, 756 units (96 *per cent*) were found in defunct state. This was due to the lack of technical support and marketability of the medicinal and aromatic crops; and as such expenditure of Rs.65.32 lakh incurred on their creation was wasteful.

The Department stated (October 2009) that in some cases/areas the medicinal and aromatic crops did not succeed due to the poor accessibility/market required for the outputs. The reply is not tenable as the market access is an important factor which department should have addressed before deciding to go for the new plantations. Moreover, the poor market access also reflected on department's poor performance under MM-III under which the department received substantial funding for creation of new markets and expansion of the existing markets.

- (ii) During 2001-09 the department attempted apple farming in 261 ha in Ziro under Lower Subansiri district at a cost of Rs. 55.64 lakh. As per the report (July 2009) of DHO, Ziro, the apple cultivation in this region was not commercially encouraging. In spite of discouraging results, the department continued with the apple farming without much justification. It was found that neither any feasibility study or pilot project to ascertain the economic viability of apple cultivation was done nor any efforts to get help from ICAR under MM-I were made by the department. Resultantly, the expenditure of Rs.55.64 lakh incurred on this element has been wasteful.

The Department accepted (October 2009) the audit findings and added that efforts were being made to bring these areas under Kiwi cultivation which has been a huge success in these areas.

**1.1.10.8. Idle Infrastructures**

Under MM-II, the GOI sanctioned Rs.3.30 crore between 2001-05 for construction of two Model Floriculture Centres (MFCs), one Mushroom Development Centre (MDC), three Plant Health Clinics (PHCs) which included Inoculation Centre and one Bio-Control Laboratory in different places of the State. These infrastructures were created by the department between March and September 2005 after spending Rs.3.29 crore. These are tabulated below:

Table No.1.1.6

(Rs. in Lakh)

Name of Lab/ infrastructure	Year of approval	Purpose	Total exp.	Month of completion	Idle for months
MFC, Chimpu	01-02	Multiplying planting materials	70.00	October/04	57
MFC, Roing	04-05	Production of flowers	69.97	April/06	39
Bio Control Lab, Chimpu	04-05	Control of bacteria	80.00 <sup>6</sup>	April/06	39
PHC, Chimpu	01-02	Control of plant disease	20.00	August/05	47
PHC, Dirang	04-05		20.00	September/05	46
PHC, Roing	04-05		20.00	July/05	48
MDC, Pasighat	02-03	Production of mushroom & Training of farmers	48.87	March/05 <sup>7</sup>	52
Total			328.84		

Source : DOH's Cash book and voucher

All these infrastructure remained unoperational for periods ranging from 39 to 57 months (as of July 2009) for various reasons such as lack of technically competent manpower and non-procurement of required equipments (see photos below) frustrating the Mission objectives.

**Training Hall and PHC**

In response the Department stated (October 2009) that they have identified manpower who would be imparted the required training so that the department is able to use these assets.

<sup>6</sup> Building:Rs.53.39lakh+Vehicle:Rs.7.95lakh+Equipment:Rs.18.66lakh=Rs.80 lakh

<sup>7</sup> This refers to month of procurement of equipments

**1.1.10.9. Excess/Extra expenditure on procurements**

Instances of shortcomings noticed during the scrutiny of records relating to procurements are indicated in the following paragraphs.

**(i) Excess expenditure in procurement of planting materials and seed**

From time to time the State Government fixes rates for procurement of seeds, planting materials and other inputs. The rates fixed by the Government in October 2001 remained valid up to November 2008.

The records of five districts test-checked revealed that during 2004-08, the DHOs procured 5.62 lakh kg ginger; 1.74 lakh orange plants; 10,230 walnut plants; 38,241 apple plants and 4.20 lakh banana suckers from different suppliers at comparatively higher rates instead of at the approved rates which resulted in an excess expenditure of Rs.99.80 lakh (*Appendix-1.1.3*).

In reply the Department stated (October 2009) that the rates adopted in October 2001 were very low and it was not possible for the department to procure planting material at these rates. The department added that the rates have now been revised recently in November 2008. The reply is not acceptable as the very purpose of the Government fixing rates centrally is to ensure transparency in the pricing and economy in the procurement and their violation is a serious matter. The reply is also indicative of the Government's failure to monitor the market and revise the rates periodically which cannot now be used as a reason for procurement at higher rates.

**(ii) Extra expenditure in procurement of seeds**

The records of DHOs Bomdila and Ziro districts revealed that during 2007-09, 245 kg of different variety of seeds were procured from a private party at higher rate than the rate of the authorised supplier *i.e.* National Seed Corporation of India (NSCI) which resulted in an extra expenditure of Rs.69.34 lakh. The reasons for procurement of seeds at higher rate from private party instead of NSCI were not on record.

In reply the Department stated (October 2009) that the rates of NSCI are very low in comparison to the private suppliers and thus it was not possible for them to procure seeds at NSCI rates. The reply is not acceptable as the Department could not justify the reason for not procuring from NSCI.

**(iii) Excess expenditure in procurement of protection materials and chemical**

The companies pack their product in the container/ packs of different weights and size. Unit price of any product in larger pack is less than the rate of the smaller pack and that is why the large packs are named as 'economy pack'. The financial prudence demands that one should always go, if appropriate, for the larger packs to exploit the price advantage.

The DHOs of LD Valley and West Siang procured 700 litres Tata-Fen-20 E and 15,756 Kg Bio-power in smaller packs of 100 ml and one kg respectively though the

same materials were available in larger packs of one litre and 20 kg respectively. Consequently, an excess expenditure of Rs.6.26 lakh was incurred.

In response the Department stated (October 2009) that the per unit cost of chemical is certainly low if procured in bigger packs but the smaller packs were procured purposely as the distribution of the chemicals to the beneficiaries is done only in small quantities. The reply of the department is not factual as according to the norms, quantity of Tata-Fen-20 E and Bio-Power to be distributed per ha is one litre and 60 Kg respectively whereas no farmer with less than one ha was covered in the scheme.

#### **1.1.10.10. Technology transfer through training**

MM-II also aims at educating the farmers about the modern technology of horticulture cultivation through training/ demonstration.

During 2001-09, the State spent Rs.2.81 crore on training 12,704 farmers (within the State: 8,904 and outside the State: 3,800) and 104 officials and claimed 100 *per cent* achievement. In six districts the position was, however, not found commensurate with the overall State's claimed achievement. As against the target of 3900 (for 3880 farmers and 20 officials), only 2845 (2830 farmers and 15 officials) were imparted training which constituted shortfall of 27 *per cent*. Further, in West Siang, out of Rs.3.50 lakh<sup>8</sup> meant for training of seven trainers during 2001-09, Rs.1.80 lakh was diverted to meet the travelling expenses.

The Director agreed (October 2009) to the audit finding and assured that efforts would be made to improve the training performance in future.

#### **1.1.11. MM-III: Post-harvest Management and Marketing**

MM-III is concerned with creation of infrastructural facilities for the post-harvest management, marketing and export of the horticultural products. Construction of Wholesale Markets (WSM), Rural Primary Markets (RPM), establishment of State Grading Laboratories (SGLs) and Cold Storages (CS) are taken up under this MM.

The GOI sanctioned Rs.3.88 crore for establishment of six wholesale markets, 23 rural primary markets and two state grading laboratories under the programme and released Rs.3.49 crore in two separate instalments between October 2001 and July 2008. Scrutiny of the records revealed the following:

**(i) Location disadvantage:** Most of the markets constructed under the programme have location disadvantages as no proper-survey or feasibility study was conducted by the department before their construction. In all the six wholesale markets except one at Tezu, no marketing activity had ever taken place. Further, out of 23 rural primary markets, five were abandoned purely due to their unsuitable locations. Field visits by the audit team indicated market yard 'Ezengo' constructed (August 2003) at a cost of Rs.3.75 lakh was lying in abandoned state due to wrong selection of site. Besides,

<sup>8</sup> 2001-02 Rs.0.50 lakh, 2002-03 Rs.1.00 lakh, 2003-04 Rs.1.00 lakh, 2007-08 Rs. 0.50 lakh 2008-09 Rs.0.50 lakh-Rs. 3.50 lakh

four rural primary markets (three in East Siang and one in West Kameng) constructed at cost of Rs.15 lakh were also in abandoned condition. Further scrutiny also revealed that rural primary market at Hapoli (Ziro) consisting of 27 sheds was renovated at a cost of Rs.7.50 lakh is being used by petty vendors for all kinds of provisions without any trading activities of horticulture produce.



(ii) **Unauthorized uses of the Market Yards:** The wholesale market at Sinchung constructed at a cost of Rs.10 lakh had been let out in 2006 for functioning of the office-cum-residence of the CDPO while another wholesale market at Jia (Roing), constructed at a cost of Rs.15 lakh has also been let out since 2006 for functioning of a School and its hostel. The wholesale market at Hapoli constructed at a cost of Rs.18.25 lakh is being utilised to keep pigs for the local slaughters.

Thus, the concept of creation and expansion of the horticulture markets under the Mission has not been successful in the State. Despite expenditure of Rs.3.49 crore on this account, the infrastructures created are either incomplete or partially functional or being used for other non-intended purposes, thus defeating the purpose of creation of the post-harvest marketing and management of the horticulture produces.

In response the Department stated (October 2009) that the markets established by the Agriculture Produce Marketing Committees are under the administrative control of the Agriculture Department. The reply is not acceptable as these infrastructures were created from the funds received under the Mission and thus the Department is expected to finalise the marketing strategy and to play an active role in the process to ensure that the markets are established at the appropriate places and are used for the intended purpose.

#### **1.1.12. MM-IV: Fruit Processing**

MM-IV aims at promotion of the processing industries for value addition to the horticulture produce by promoting new processing units, upgradation and modernisation of the existing units, market promotion and human resource development. The Director of Industries is the State level implementing authority for this MM.

The MM-IV is very important and has great potential for the State keeping in view the remote location of the State and inaccessibility of the markets for its horticulture produces due to unreliable road conditions and high transport cost.

Fruit processing centres neither existed nor were developed to maximize the economic benefits from the horticulture activities in the State. It was seen in audit that no fund was sanctioned by GOI under MM-IV during the period covered under the Audit nor the State Government has sent any proposal for funding. In the absence of any action on the part of the Department, the State remained completely out of MM-IV depriving the State of great potential benefits.

The Director stated (October 2009) that the proposals to establish fruit processing plant at Panging, East Siang district to cater to the orange and pineapple fruits in that region, and another plant at Chandanagar, Itanagar to extract ginger concentrate were at final stage of their approval. These processing plants once established, would improve the position. The fact is that even after implementation of Technology Mission for nine years, the State Government is yet to establish a fruit processing plant which reflects poorly on the implementation of the scheme in the State.

#### **1.1.13. Monitoring and Evaluation System**

The monitoring and evaluation mechanism was poor and ineffective as evident from the following shortcomings noticed in the audit.

- Neither was any baseline survey conducted in any of the Districts nor was any local bodies involved by the District level Co-ordination Committee for identification of beneficiaries as provided in guidelines. Also, the State Level Steering Committee had so far not evolved any system to monitor and evaluate the Mission as stipulated in the Mission guidelines.
- No six-monthly inspection has been conducted by the department and impact assessment as envisaged in the guidelines has also not been done (as of July 2009). No monthly DHO meeting with the Director of Horticulture to review the progress of the mission activities has taken place in last nine years.
- No data was available about the increase in the production or productivity attributable to the Mission activities. The projects/schemes remained largely uninspected and the programme impact remained unassessed.

In response the Horticulture Department stated (October 2009) that recently the department has issued orders constituting a Committee consisting of Director, Joint Directors and Deputy Directors, which from November 2009, onwards would monitor and supervise the horticulture activities in the State. He also stated that the Regional Directors of the Union ministry have visited the State periodically in the past but has submitted their reports to the Union Government.

Audit review also revealed several instances of internal control failures i.e. non-release and under-utilisation of financial resources, violation of scheme guidelines, absence of competitive bidding system and irregularities in procurements, doubtful

creation of assets, non-maintenance of basic records, cases of avoidable and extra expenditure, non-maintenance of records for the assets created and inflated reporting as discussed earlier in the review.

#### **1.1.14. Conclusions**

The Horticulture Department has some success in diversification of horticulture crops through successful introduction and cultivation of kiwi, rose and anthurium crops. However, the overall implementation of the Mission was unsatisfactory. Even after nine years of implementation of the Mission, mere 4.91 *per cent* (88,331 ha) of the estimated potential area of 18 lakh ha had been targeted. Some components of the Mission (programme of medicinal and aromatic crop and apple farming in Ziro) were not successful as these components were executed without carrying out the feasibility study and also due to lack of technical support and marketability. The benefits of drip irrigation system, *pucca* water tanks, etc. were extended to the farmers with large land holdings ignoring the medium/small farmers, who were to be covered under the Mission. Infrastructures created by spending huge funds were not optimally utilised, thus, rendering the expenditure incurred on its creation wasteful. Most of the marketing infrastructures created under the programme were not put to use either due to locational disadvantages or were being used for purposes other than intended. No impact evaluation study was conducted to evaluate the benefits accruing due to implementation of the Mission in terms of actual increase in production and productivity of horticultural crops. The data/information displayed on the departmental website (<http://arunachalpradesh.nic.in/departments.htm> ) is eight to 16 years old.

#### **1.1.15. Recommendations**

- District level lower functionaries should be involved in the planning process to make the planning process more participative. Further, Annual Action Plans should be based on district projects incorporating the requirements of all the Mini Missions.
- It should be ensured that cluster approach is followed in the development of horticulture crops. This would facilitate even the smaller farmers to reap the benefits of the development of horticultural crops.
- Appropriate marketing facilities to horticulture farmers should be ensured in order to raise the standards of living of the farmers.
- Proper linkages should be established to ensure value addition through food processing industries.
- The system of supervision and monitoring needs to be strengthened and enforced seriously. An independent impact evaluation should be carried out to ascertain whether the Mission has been able to meet its objectives; and also to know the systemic deficiencies in the implementation of the scheme.

## DEPARTMENT OF PLANNING

### 1.2. Member of Parliament Local Area Development scheme

*The Government of India (GOI) introduced the Member of Parliament Local Area Development Scheme (MPLADS) in December 1993 enabling each Member of Parliament (MP) to recommend works for Rs.one crore up to 1997-98 and thereafter Rs.two crore annually for creation of durable community assets and assets of national priority like drinking water, education, public health, sanitation and roads based on locally felt needs. The Performance Audit of the scheme revealed some good and beneficial works was executed under MPLADS through creation of development oriented durable community assets. However, instances of systemic and individual cases of irregularities and inadequacies in planning, budgeting, funding, execution and monitoring were also noticed, which ultimately impacted the successful implementation of the scheme.*

#### Highlights

- *The non-utilization of MPLADS funds during 2004-09 ranged between Rs.81.62 lakh (13.29 per cent) and Rs.235.55 lakh (38.15 per cent) in each year of the implementation which was abnormally high.*

*(Paragraph 1.2.8(i))*

- *Out of total 708 works recommended by the MPs, 676 works (95 per cent) involving Rs.29.04 crore were projected for completion during 2004-09 of which only 502 works (74 per cent) at a cost of Rs.21.61 crore were actually completed by March 2009 leaving 174 incomplete works involving Rs.6.43 crore.*

*(Paragraph 1.2.9)*

- *Works costing Rs.64.25 lakh which were not permissible under MPLADS, were funded and executed under the scheme in violation of the scheme guidelines.*

*(Paragraph 1.2.7)*

- *Neither any user agencies responsible for O&M of 364 assets created during 2004-2009 after spending Rs.13.97 crore were identified, nor were any budgetary support provided for maintenance of these assets.*

*(Paragraph 1.2.10)*

- *The scheme monitoring and supervision was inadequate and required to be strengthened, and internal control system needs to be revisited.*

*(Paragraph 1.2.13)*

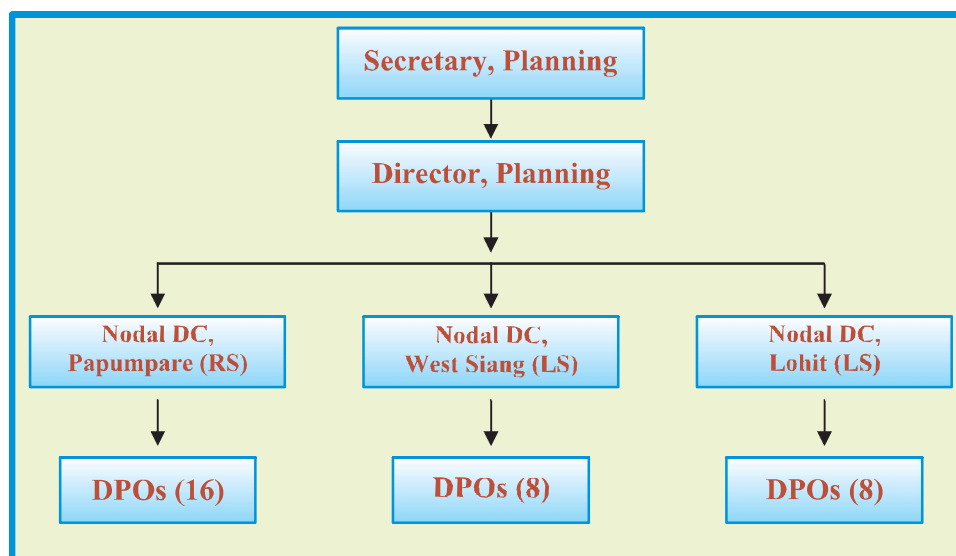
### 1.2.1. Introduction:

In Arunachal Pradesh, there are two Lok Sabha (LS) Members representing the East and West Parliamentary constituencies covering 16 districts<sup>9</sup> while the State has only one Rajya Sabha (RS) Member. The DC, West Siang at Aalo and DC Lohit district at Tezu are the Nodal District Authorities (NDAs) for implementation of the scheme for West and East LS constituencies respectively. For RS MP, NDA was DC, Papumpare till 2007-08 and thereafter it has been DC, Lower Dibang Valley. Since inception, the State has received total Rs.77.15 crore out of which Rs.29 crore were received during 2004-09.

### 1.2.2. Organizational Setup:

In the State, the scheme has been brought under the control of the Secretary and Director of Planning and Development (P&D). The overall responsibility for coordination of the scheme activities at district level was vested in the District Planning Officers (DPOs) who are under the direct administrative control of the respective DCs, the district authorities (DAs). The works are implemented by the DAs normally through the Government Implementing Agencies (IAs) like Public Works Department (PWD), Water Resource Department (WRD), District Rural Development Agency (DRDA), District Urban Development Agency (DUDA), etc. The organogram reflecting the prevalent arrangement for scheme coordination, implementation and reporting system in the State is as below:-

Chart.1.2.1



<sup>9</sup> Districts under East Parliamentary Constituency= 1) Lohit, 2) Tirap, 3) Changlang, 4) Lower Dibang Valley, 5) Dibang Valley, 6) East Siang, 7) Upper Siang and 8) Anjaw.  
Districts under West Parliamentary Constituency= 1) West Siang, 2) Upper Subansiri, 3) Papumpare, 4) Lower Subansiri, 5) Kurum Kumey, 6) East Kameng, 7) West Kameng and 8) Tawang

### **1.2.3. Scope of Performance Audit**

A mention was made in the Report of the Comptroller and Auditor General for the year ended March 2000 regarding many systemic inadequacies and recommended to initiate suitable action to make the scheme more efficient and effective. The Public Accounts Committee is yet to discuss the report. The present Performance Audit revealed that many of those irregularities were still persisting. Performance Audit of the scheme covering five years i.e. 2004-05 to 2008-09 was conducted during April-August 2009 by a test-check of the records of five DAs<sup>10</sup> including three NDAs out of the total 16 DAs in the State. These samples were selected on the basis of simple random sampling without replacement method, and covered expenditure of Rs.13.97 crore (65 *per cent*) out of the total expenditure (Rs.21.61 crore) under the scheme during the period audited.

### **1.2.4. Audit Objectives**

The Performance Audit objectives were to ascertain whether:-

- The finances were being managed economically and efficiently;
- The intended objectives achieved;
- The works were being sanctioned and executed as per the applicable guidelines; and
- The monitoring and evaluation mechanism was existing and effective.

### **1.2.5. Audit criteria**

The following criteria were used to achieve the above audit objectives:

- Guidelines issued by the GOI on MPLAD scheme;
- Details of list of works;
- Recommendation letters of MP, and
- Prescribed monitoring mechanism.

### **1.2.6. Audit Methodology**

An entry conference was held in May 2009 with the NDAs wherein the audit objectives, audit criteria, scope of audit and method used to select the sample units for detailed examination were explained. The exit conference was held with the Planning Department on 4 November 2009 and their comments and replies received have been suitably incorporated in the report wherever relevant.

### **Audit findings**

The important points noticed during the course of the performance review are discussed in the succeeding paragraphs.

<sup>10</sup> Papumpare, West Siang, East Siang, Lower Dibang Valley and Changlang.

### **1.2.7. Planning**

The lacunae noticed during audit scrutiny are discussed below.

- As per the guidelines, the scheme should be brought under the control of a Nodal Department with the overall responsibility for supervision, execution and monitoring of MPLADS implementation; and co-ordination with districts and other Line Departments. In Arunachal Pradesh, the State Planning Department is the Nodal Department and Nodal Officer is Secretary (Planning). Audit scrutiny revealed that the State Planning Department has not been playing any role in the planning and coordination of the scheme implementation as was desired under the scheme guidelines.

In response the Planning Department stated (October 2009) that there is no active role for them in the planning of the scheme but they have been playing role of a Nodal Department by issuing specific instructions on scheme implementation; passing on the instructions/circulars received from the Ministry of Statistics and Programme Implementation, GOI to the implementing agencies; collecting, consolidating and submitting the reports to the Ministry; conducting training for the district staffs; etc.

- The implementing agencies should maintain a comprehensive list of the recommendations received from the MPs and should have a system for selection and prioritization in place based on the funds availability to ensure transparency in the system. But audit scrutiny revealed that the implementing agencies are not maintaining any such database or list of works recommended.
- The objective of MPLADS is to enable MPs to recommend works of developmental nature with emphasis on the creation of durable community assets. MPLADS guidelines prohibited certain works for taking up under the scheme which included the following:
  - Office and residential building belonging to the Central and State Governments, PSUs, private organizations, co-operative and commercial organizations, etc.;
  - Maintenance works, renovation and repair works; and  
Creation of non-durable assets
  - From November 2005 onwards renovation works of any type are prohibited under the scheme.

However, many inadmissible works were executed at a total cost of Rs.64.25 lakh under MPLADS as detailed below:

- Rs.30 lakh was spent on seven renovation works (Tawang: Three, Lower Dibang Valley: Two, West Kameng and Lohit: one each) during the years 2006-07, in violation of the scheme guidelines.

- Three works (one each in West Siang, West Kameng & Seppa) pertaining to Government activities were taken up at a cost of Rs.15 lakh during the year 2007-08 in violation of the scheme guidelines.
- Two DAs (Papumpare and West Siang), however, spent Rs.18.25 lakh towards eight works of ‘Porter tracks’ which are basically of non-durable nature as these are normally washed away by the rains, and thus were beyond the purview of the scheme.
- Four maintenance works were taken up at a cost of Rupees one lakh during 2005-06 in violation of the Scheme guidelines.

In response the Planning Department admitted (November 2009) the seriousness of the audit finding. The NDA West Siang stated (October 2009) that those works were executed as per the recommendations of the MP. The contention is not acceptable in audit as those works were taken up beyond the purview of the scheme.

### 1.2.8. Financial Management

Under MPLADS guidelines, the MPs are to recommend works to the DAs and a copy of the recommendation is also sent to the respective NDAs. Ministry of Statistics and Programme Implementation releases the funds directly to the three NDAs in two equal instalments. The NDAs should further release the funds to the DAs on the basis of the works recommended by the MP for that particular district.

The funds provided under the scheme are non-lapsable and if not utilized, are automatically carried forward to the next financial year. Neither does this require any revalidation process nor has any impact on the fund allocation of the subsequent years. Funds received under the scheme by the NDAs, DAs and Implementing Agencies (IAs) are to be deposited in the nationalized banks and the interest thereon is to be utilized for the scheme activities after following the prescribed procedure for this purpose.

#### (i) Outlays and Expenditures

The year-wise receipt of funds under MPLADS and expenditure incurred there against during the years 2004-09 are as following:

Table No: 1.2.1

(Rs. in lakh)

Year	OB	Funds received	Interest earned	Total	Exp. incurred	Funds unutilized	
						Amount	Per cent
2004-05	5.86	600.00	8.30	614.16	532.54	81.62	13.29
2005-06	81.62	600.00	4.13	685.75	603.61	82.14	11.98
2006-07	82.14	600.00	2.45	684.59	553.21	131.38	19.19
2007-08	131.38	600.00	12.17	743.55	633.25	110.30	14.83
2008-09	110.30	500.00	7.10	617.40	381.85	235.55	38.15
Total	411.30	2900.00	34.15	3345.45	2704.46	640.99	

Source: NDAs records

The Nodal District-wise details of the available funds and expenditure incurred there against have been shown in *Appendix-1.2.1*. However, it would be seen that:

- In spite of the works being identified and recommended by the respective MPs, the NDAs/DAs failed to utilize funds ranging from Rs.81.62 lakh (11.98 *per cent*) to Rs.235.55 lakh (38.15 *per cent*) during the period 2004-09.
- There were huge jump in short-utilization of the available funds during 2008-09 in comparison to the previous years; and the short-utilization has consistently increased year after year from Rs.5.86 lakh in March 2004 to Rs.235.55 lakh in March 2009. Position was alarming in case of DA, Lohit where the unutilised funds ranged from 30 *per cent* in 2005-06 to 100 *per cent* in 2008-09.

In response the Planning Department stated (November 2009) that the audit findings were of serious nature and directed the concerned NDAs and DAs to furnish their comments to audit. However, their response is still awaited.

#### ***(ii) Maintenance of Separate Bank Accounts***

MPLADS guidelines provide for maintenance of separate bank account and cashbook for the scheme funds by the NDAs, DAs and the IAs. However, the two IAs i.e. WRD, Itanagar and WRD, Basar did not comply with this provision. The said violation made it difficult for the audit to vouchsafe the availability/balance of MPLADS funds, drawals, and interest earnings, etc.

In response the Planning Department stated (November 2009) that the audit finding was of serious nature. The NDA West Siang (October 2009) stated that IAs were maintaining separate accounts for MPLADS fund but no supporting records were furnished with the reply. The reply is not factual as the audit finding is based on the IAs' documents produced during the audit. For example, WRD Basar was keeping MPLADS fund and BADP fund in a combined bank account which had a balance of Rs. 5.95 lakh when audit was conducted.

#### ***(iii) Accounting of interest earned***

Guidelines provide that the interest accrued on the funds released under the scheme is to be used for permissible works recommended by the MP concerned. The savings for each work, if occurred, shall be refunded by DAs/IAs to the concerned NDA within 30 days of completion of the work. The interest is to be accounted for while arriving at the savings for each work. Audit scrutiny, however, revealed eight instances where DAs and IAs did not report or refund interest to the NDAs amounting to Rs.6.92 lakh.

In response the Planning Department accepted (November 2009) that the audit finding was of serious nature. The NDA, West Siang (October 2009) stated that interest amount was deposited with NDA concerned but no supporting records were furnished with the reply. The reply is not factual as the audit finding is based on the IAs' and DAs' documents produced during the audit.

**(iv) Utilization of interest earned on MPLADS funds**

The DUDA, Basar under West Siang District (LS) earned an interest of Rs.5.10 lakh on MPLADS fund during 2008-09. Instead of refunding the amount to DAs as required under the scheme guidelines, DUDA unauthorisedly spent the amount on unapproved works without the knowledge of the MP concerned.

**(v) Inflated reporting of expenditure**

During the period 2004-09, two NDAs (West Siang and LD Valley) had reported expenditure of Rs.10.51 crore (West Siang: 2004-09 Rs.9.13 crore and Dibang Valley: 2008-09 Rs.1.38 crore) to the GOI against the actual expenditure of Rs.6.77 crore (West Siang: Rs.6.65 crore and Lower Dibang Valley: Rs.11.99 lakh) and thereby inflating the expenditure by Rs.3.74 crore (West Siang: Rs.2.48 crore and LD Valley: Rs.1.26 crore). The reporting was made on the basis of the funds released to their DAs without ascertaining the actual utilization of funds.

The NDA West Siang stated (October 2009) that the funds released to the DAs had to be treated as expenditure since they do not receive the monthly expenditure statements regularly from DAs. The expenditure statements were generally received only after the physical completion of the works or at least after 4 to 12 months. The contention is not acceptable as mere release of funds can never be treated as expenditure. The department should revamp the existing system of reporting with the use of information technology so that they are able to get the real picture in time.

**1.2.9. Implementation of the scheme**

The scheme guidelines provide that once recommendation from an MP is received, the NDA/DA should verify the eligibility and technical feasibility of the work and, if satisfied, should issue sanction order. Further, the works taken up should generally be completed within one year. The NDA-wise position of the works recommended, works sanctioned, and works completed during the period 2004-09 is tabulated as following.

Table 1.2.2

Year	Works recommended					Works sanctioned					Works completed				
	PP	WS	LO	DV	T	PP	WS	LO	DV	T	PP	WS	LO	DV	T
2004-05	41	48	72	-	161	41	48	72	-	161	41	47	71	-	159
2005-06	43	73	55	-	171	43	55	55	-	153	43	49	48	-	140
2006-07	33	56	36	-	125	33	55	36	-	124	33	45	34	-	112
2007-08	52	63	43	-	158	52	54	43	-	149	52	23	11	-	86
2008-09	1	44	-	48	93	1	42	-	46	89	-	3	-	2	5
<b>Total</b>	<b>170</b>	<b>284</b>	<b>206</b>	<b>48</b>	<b>708</b>	<b>170</b>	<b>254</b>	<b>206</b>	<b>46</b>	<b>676</b>	<b>169</b>	<b>167</b>	<b>164</b>	<b>2</b>	<b>502</b>

Source: NDAs' records (PP-Papum Pare, WS-West Siang, LO-Lohit, DV-Dibang Valley and T - Total)

The scrutiny of the works recommended, works sanctioned, and works completed during the period 2004-09 revealed the following shortcomings:

- In cases of 86 out of the total 676 works recommended by MP for execution, there were delays ranging from 13 to 201 days beyond the prescribed time limit of 45

days by the DAs of Papumpare and West Siang districts in sanctioning the work. The reasons for delays were not intimated to the MP/State Government as envisaged in the scheme guidelines.

- Five works involving Rs.18 lakh recommended by the MP (RS) during 2004-08, were not sanctioned even as of August 2009 by the DA Papumpare. The reasons for not sanctioning the scheme were also not reported by the DA to the MP/State Government /GOI as required under the scheme guidelines
- Scrutiny of 174 incomplete works involving Rs.6.43 crore revealed delays ranging between one and three years in their completion beyond the prescribed time limit of one year, resulting in delayed creation of the community assets which further delayed the delivery of the intended benefits to the community.

***(i) Non-implementation of scheme in 2008-09***

As per scheme guidelines, the second instalment shall be released to NDAs only after the Utilization Certificate (UC) for the previous year has been received from the respective NDAs. Further, NDA should submit Audit Certificate (AC) along with the replies to each audit observation, to the GOI by 30 September of the succeeding year.

Audit scrutiny revealed that in the year 2008-09, the GOI delayed the release of Rs.two crore to the East Parliamentary Constituency (LS), due to the non-receipt of the Action Taken Report on the Audit Certificate for the year 2005-06 from NDA, Lohit. The GOI finally released only Rs.one crore in March 2009. Thus due to non-receipt of funds in time, the scheme could not be implemented during 2008-09 in the East Parliamentary Constituency (LS).

***(ii) Non-compliance with the laid down system and procedures***

The scheme guidelines provide that the DAs shall follow the established work scrutiny procedures, technical feasibility, work estimation, tendering and administrative system of the State Government concerned while scrutinizing the works recommended by MPs. Audit scrutiny revealed the following:

***(a) Execution of works without technical sanction***

As per the work procedures in the State of Arunachal Pradesh, execution of any work is to be preceded by technical sanction from the competent authority. However, 146 works involving Rs.6.01 crore were implemented by different DAs without obtaining technical sanctions from the competent authorities for their execution.

***(b) Absence of competitive bidding system***

Implementing Agencies (IAs) identified by the DAs for execution of the works routinely awarded the works to the private contractors without following any competitive bidding system to ensure possible economy in execution of the works. Scrutiny of records revealed that in all 433 cases of works involving Rs.16.71 crore examined in sample districts (Papum Pare: 163 – Rs.6.70 crore; West Siang: 75 - Rs.3.27 crore; East Siang: 90 - Rs.2.73 crore; LD Valley: 97 - Rs.3.68 crore and

Changlang: 8 - Rs. 0.33 crore) works were executed by IAs through private contractors during 2004-09 without following the competitive bidding system.

The absence of competitive bidding system not only violated the scheme guidelines but also deprived the Government of the possible economy in the execution of these works.

**(iii) *Shifting of worksite***

The work 'Construction of flood protection at Remi River under East Siang' costing Rs.7 lakh was allotted for execution to DRDA in 2007-08 which subcontracted the work to a private contractor and also paid an advance of Rs.5.23 lakh. However, the contractor on his own shifted and executed the work at another site.

In response to an audit query the DPO Pasighat stated (August 2009) that a show-cause notice was issued to the contractor from DRDA but further action was awaited.

**(iv) *Release of the 2nd and final instalment***

The MP (RS) on 20 November 2004 recommended Rs.61.46 lakh as the State matching share for the construction of District Sports Complex at Yupia under the Department of Sports and Youth Affairs, Government of Arunachal Pradesh. Out of the recommended amount, Rs.30.73 lakh being first instalment was released by the DA in December 2004 to the implementing agency. But the second instalment of an equal amount has not been released by the DA as of July 2009. Neither any reason for not releasing second instalment was available on the records produced to audit nor was any reply furnished to audit query issued to them.

**(v) *Inadmissible charges on MPLADS works***

As per the MPLADS guidelines, the DAs and IAs should not levy any administrative charges, centage, salaries, travel costs, etc. for their services in respect of the preparatory works and implementation and supervision of project/works under MPLADS. Scrutiny of records revealed instances of such expenditures being charged to the MPLADS activities.

- During the years 2005-08, the IA, WRD, Roing irregularly charged Rs.1.90 lakh i.e. Rs.1.81 lakh as contingency @ three *per cent* and Rs.0.09 lakh as Cess on the MPLADS works. The department stated (July 2009) that without the contingency provision the works could not be executed.
- Similarly the District Planning Officer (DPO), Yupia under Papumpare district paid an amount of Rs.1.24 lakh as wages and honorarium to the staffs out of the contingency expenses.

**(vi) *Maintenance of Assets Registers***

The DAs are to maintain an Assets Register in the format prescribed under scheme guidelines. However, none of the test checked DAs was maintaining Assets Register in the prescribed format. Consequently, the test checked districts could not even furnish to audit the details/ list of the works implemented during the last five years.

#### **1.2.10. Identification of user agencies/groups**

As per the scheme guidelines, the DAs should identify the user agencies/groups for the works/assets under creation either before or after sanction of the works. The DAs are to get firm commitment in advance from the user agency for the operation, upkeep and maintenance of the proposed assets.

Scrutiny of the records of five test checked districts<sup>11</sup>, however, revealed that for the proposed 364 numbers of works involving Rs.13.97 crore implemented during 2004-2009, neither user agencies were identified before or after the sanction of works nor were any arrangements made for the maintenance of these assets.

The Planning Department accepted (November 2009) the seriousness of the audit finding. The NDA, West Siang though stated (October 2009) that IAs were asked to handover the completed assets to the user agencies, but no supporting records were furnished along with the reply. The reply is not factual since the user agencies were not identified before or after sanction of the work.

#### **1.2.11. Public Awareness about the works executed**

##### **(a) Erection of Plaque at worksites:**

Scheme guidelines provide that a plaque carrying the inscription of MPLADS works indicating the cost involved, date of completion, inauguration date, name of the MP, etc. should be erected at every worksite so as to distinguish MPLADS works from the works executed under other schemes. However, in 113 works executed at the cost of Rs.3.94 crore, no plaques were erected.

In response, the NDA West Siang stated (October 2009) that while according sanction the IAs were instructed to erect plaque. Reply is not factual as such instructions were neither recorded in the sanction orders nor provided in the approved estimates.



**Work sites without the required plaques**

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<sup>11</sup> Papum Pare, West Siang, East Siang, Lower Dibang Valley & Changlang.

***(b) Displaying works details at the DA's office:***

MPLADS guidelines provide that a list of all the completed and ongoing works under MPLADS should be displayed at the DA's office and also posted on the website for the information of the general public. However, the DAs were neither displaying the information outside their offices nor were uploading the information on their website.

Admitting the audit findings NDA, West Siang assured (October 2009) that necessary efforts would be made to display the data on their website.

***1.2.12. Imparting of training to district officials***

Guidelines provided that the State Government should make arrangements for training of the district officers involved in the scheme implementation. But no records of such training imparted to the district officials within the period covered by audit were furnished to audit.

The Planning Department stated (October 2009) that they did organise training on 29 December 2008. Though the MPLDS is under implementation in the State for 14 years, the sole training conducted indicates the lack of seriousness the department has attached to the training of its officials.

***1.2.13. Monitoring, Evaluation and Reporting***

**(i) Monthly Progress Reports (MPRs)** Under MPLADS guidelines IAs are to furnish physical and financial progress of each work to the respective DAs who would pass on the same to the respective NDAs. The NDAs would consolidate and send the MPR to the GOI, State Government and MPs concerned.

However, in none of the sample units covered in audit for detailed scrutiny, IAs had prepared and submitted such reports to the DAs during the period covered under review. This also showed that the MPRs submitted by the NDAs once in a year were incomplete and prepared in absence of inputs from all the IAs.

**(ii) Inspection by District Authority:** Guidelines further provide that DC was to monitor the progress of works by inspecting at least 10 *per cent* of the works in his district every year with the senior officers of the IAs. The MPs are also to participate to the extent possible in such inspections. Likewise, the sub-divisional and block level officers were responsible to monitor the implementation of works through visit to work sites.

None of the nodal DCs could produce any record to show that such field inspections were carried out at any level. This absence of the prescribed inspection and monitoring system made possible for a private contractor to unauthorizedly shift the work site without the knowledge of DA, IA and the MP concerned as referred to in paragraph 1.2.9(iii) earlier in the report.

**(iii) Bimonthly Monitoring Reports:** The DAs concerned were also required to submit their bimonthly monitoring report to the MPs and GOI which were not furnished by any of the sample DAs reportedly due to the non-receipt of the format

for such reports.

**(iv) Formation of the Review Committee:** Scheme guidelines make the Nodal Department responsible for coordination with the Union Ministry for proper and effective supervision of the scheme implementation in the State. For this purpose, a Committee under the Chairmanship of the Chief Secretary/Development Commissioner/Additional Chief Secretary is to review the scheme implementation with the DAs and MPs at least once in a year. But no records in support of such coordination or such monitoring meetings were furnished to audit.

**(v) Audit of accounts/UCs:** MPLADS guidelines emphasized that the accounts and UCs of the DAs should be audited by the Chartered Accountants or the Local Fund Auditors. The DA is to submit annually the audited accounts, UCs, etc. to the GOI, State Government and MPs concerned. However, the accounts of West Siang District for the years 2006-07 to 2008-09 and Papumpare district for the year 2007-08 were not audited as of July 2009. Further, no UC along with the audit certificate was furnished to the GOI.

In response, the Government stated (October 2009) that the Director of Audit and Pension, Arunachal Pradesh would be asked to conduct internal audit regularly to strengthen the internal control mechanism in order to ensure that the schemes are implemented in more efficient manner and to minimize the risk of errors and irregularities and help to protect public resources against loss due to mismanagement. Further, the Government added that the audit findings on non-submission of the UC would also be looked into.

**(vi) Evaluation of scheme:** Though the MPLDS is under implementation in the State for 14 years since 1994-95, the Government has never conducted any exercise using some suitable third party to ascertain the actual performance of the scheme.

The Planning Department stated (October 2009) that the evaluation could not be done in the past due to manpower constraints. The department further added that efforts would be made in future to improve the position.

Further, performance audit of the scheme revealed several instances of violation of the scheme guidelines; short-utilization of the funds provided; inflated reporting; irregularities in maintaining scheme funds; delays in execution of works; absence of competitive bidding system; execution of ineligible works; unauthorized diversions of funds; etc. which indicated poor internal control system in the agencies involved in the implementation of the scheme.

#### ***1.2.14. Action on recommendation made in the previous Audit Report***

The Report of the Comptroller and Auditor General for the year ended March 2000 pointed out many systemic inadequacies in the implementation of MPLADS in the State, and had also made many recommendations to make the scheme more efficient and effective. The Public Accounts Committee is yet to discuss the report. The present Performance Audit revealed that many of those irregularities were still

persisting. Thus, due to the inaction of the Department on the recommendations made in the Audit Report, the scheme has been deprived of the possible systemic improvements which could have made the scheme more effective and improved its performance.

#### **1.2.16. Conclusion**

Under MPLADS some durable community assets like construction of Community Hall, *Dere*, bridges, class room and boundary wall of schools have been created. However, the implementation of scheme is plagued with problems as instances of violation of the scheme guidelines; short-utilisation of the funds; irregularities in maintaining funds; delays in execution of works and execution of ineligible works were noticed, which were attributable to inadequate supervision and monitoring, etc.

#### **1.2.17. Recommendations:**

- The system for scrutiny, approval and execution of the works recommended by the Honourable MPs, needs to be reengineered and strengthened. This would also ensure better utilization of the precious resources.
- The Executing and Implementing Agencies should strictly follow the prescribed financial rules and procedures; and the scheme guidelines in scrutiny, approval and execution of the works;
- Scheme guidelines on maintenance of MPLADS funds, interest and its utilisation, refunds, etc. need to be strictly followed;
- User agencies must be identified and assets created should be officially handed over to them. The user agencies should realize user charges which is to be used for the operation and maintenance of the community assets; and
- The supervision, monitoring and evaluation system need to be strengthened and enforced strictly so that the MPLADS is able to realize its objectives.

## WATER RESOURCES DEPARTMENT

### 1.3 Implementation of Minor Irrigation Schemes

*The Accelerated Irrigation Benefits Programme (AIBP), a Centrally Sponsored Scheme was conceived in 1996 by the Government of India (GOI) in order to provide financial assistance to the States in completion of the various ongoing irrigation projects so that the envisaged irrigation potential of the projects could be created and thereby extend the irrigation facility to more areas.*

*While conducting the performance review, Audit noticed a few MIP schemes which were functioning satisfactorily and the farmers were deriving the intended benefits from these schemes. However, the overall impact of implementation of the minor irrigation projects was far from satisfactory because of significant shortfall in achievement of target for creation of irrigation potential. The irrigation coverage of 19,775 ha as of March 2009 as claimed by the Department, is in fact only 18,554 ha, which was only 5.15 per cent of the ultimate irrigation potential (3.60 lakh ha) in the State. The department was able to fully utilise the allocation of Rs.117.92 crore received during the years 2004-08. However, the department needs to bring systemic improvement in the planning, budgeting, implementation and monitoring of the scheme implementation which have been elaborated in the subsequent part of the report.*

#### Highlights:

- *Outcome of the scheme was not encouraging as foodgrain production actually came down by 2.12 per cent annually on an average during the last five years (2004-09) i.e. from 3.27 lakh MTs in 2003-04 to 3.20 lakh MTs during the years 2004-09.*

*(Paragraph 1.3.12(ii))*

- *Out of the total diversion of Rs.9.45 crore of AIBP funds, Rs.1.49 crore and Rs.7.96 crore were diverted towards other works and for the maintenance of schemes respectively in violation of the financial rules and scheme guidelines.*

*(Paragraph 1.3.8.(iv))*

- *Delays in release of Central funds received by the department ranged from 28 to 183 days; and 110 inadmissible schemes involving Rs.10.38 crore were included under AIBP in violation of the prescribed guidelines.*

*(Paragraph 1.3.7(ii) and 1.3.8(ii))*

- *There was wasteful expenditure of Rs.2.91 crore due to the abandonment of 34 Non-AIBP schemes as a result of improper planning and lack of the required survey and investigation.*

*(Paragraph 1.3.11)*

- *The expenditure on the deployment of work charged staff exceeded by Rs.2.12 crore (194.71 per cent) in contravention to CPWD Manual provisions and approvals by the competent authorities.*

*(Paragraph 1.3.9(v))*

- *Department irregularly diverted and spent AIBP funds of Rs.13.78 crore on O&M of MIPs; and failed to avail the conversion of loan of Rs.10.81 crore into grant due to non-realisation of water charges.*

*(Paragraph 1.3.9(vii))*

### **1.3.1. Introduction**

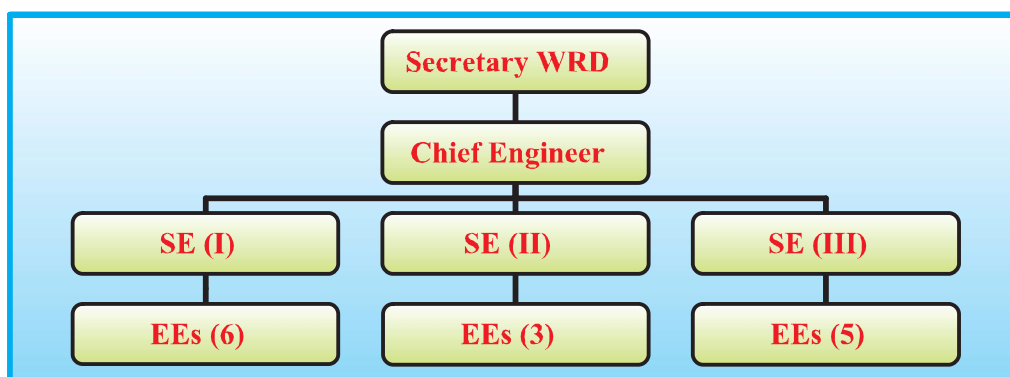
The Accelerated Irrigation Benefits Programme (AIBP) was conceived in the year 1996 by the Ministry of Water Resources, GOI in order to provide financial assistance to the States in completion of the various ongoing irrigation projects so that the envisaged irrigation potential of the projects could be created and the irrigation facility extended to more areas.

In the State, there are no major or medium but only Minor Irrigation Projects (MIPs). The total area of the State is 83.75 lakh ha comprising total cultivable land of 50.24 lakh hectare (ha) and uncultivable land of 33.50 lakh ha. However, the ultimate potential of the State was assessed at 3.60 lakh ha by the Water and Power Consultancy Services India Limited during 1994. As against this, only 0.38 lakh ha (10.55 per cent) were brought under irrigation through AIBP of which 0.32 lakh ha were being utilised by the farmers as of March 2009.

### **1.3.2. Organizational Setup**

The organogram reflecting the prevalent arrangement for scheme coordination, implementation and reporting system in the State is as follows:-

Chart. 1.3.1



### **1.3.3. Audit objectives**

The main objectives of the performance audit were to assess whether:

- the programme achieved its objectives of creating adequate and targeted irrigation potential; and the potential created was utilized;

- the planning for new projects and prioritization for funding of the ongoing projects was done in a systematic manner;
- the individual projects were executed in an economic, efficient and effective manner;
- the internal control mechanism was adequate and effective; and
- there was an adequate and effective mechanism for monitoring and evaluation of the scheme implementation.

#### **1.3.4. Audit Criteria**

Performance was benchmarked against the following audit criteria:

- Guidelines issued by the GOI, Central Water Commission (CWC) and Detailed Project Reports (DPRs);
- Investment appraisal and circulars/instructions issued by the Ministry of Water Resources and CWC;
- CPWD Account Code; and
- Prescribed Monitoring and Evaluation Mechanism.

#### **1.3.5. Audit Methodology**

The performance audit was commenced with an entry conference held on 14 May 2009 with the departmental officers wherein the audit objectives, audit criteria, audit scope, audit methodology and procedures were explained. An exit conference was held on 20 October 2009 with the Department to conclude the audit and also to discuss the major audit findings. The replies/comments of the department were recorded and incorporated in the Performance Audit report wherever relevant:

#### **1.3.6. Audit coverage**

Performance audit of the MIPs executed with funding from AIBP and non-AIBP sources during the period 2004-09 was conducted during May to August 2009 through test-check of records of the Chief Engineer (CE), WRD and five Divisions<sup>12</sup> (36 per cent) out of the total 14 Divisions which were selected for detailed scrutiny. In performance audit 170 projects (160 AIBP and 10 non-AIBP) were test checked of which 32 projects (AIBP) were physically verified.

#### **Audit Findings**

The important points noticed during the course of the performance review are discussed in the succeeding paragraphs.

#### **1.3.7. Planning:**

Planning is an integral part of any programme implementation to ensure that it succeeds and performs as intended. Under the AIBP scheme guidelines, the Detailed Project Reports (DPRs) for MIPs were to be examined by the State Technical Advisory Committee (STAC) and they, if satisfied, were to forward it to the Ministry

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<sup>12</sup> 1. Itanagar, 2. Basar, 3. Bardumsa, 4. Pasighat and 5. Tawang

of Water Resources for approval on the basis of Benefit-Cost Ratio (BCR) and Development Costs.

Scrutiny of 170 samples<sup>13</sup> of the five test checked divisions in audit revealed that the department had neither conducted any survey or investigation nor prepared any DPR for any MIP. Further, the department had neither any Perspective Plan in place nor had prepared any comprehensive Action Plan with quantified targets broken down into actionable areas and the time schedule prescribed for their implementation. As per the Annual Operating Plans (AOPs), the department fixed the targets for creation of irrigation potential of 29,778 ha during the period 2004-09 without breaking the targets fixed for the Division into individual projects.

In response the department stated (October 2009) that they do have five year Perspective plan in the department and irrigation is one of the components of the plan. In spite of audit request the department did not produce copy of the Perspective plan for the period covered in audit. However, the department furnished (November 2009) a copy of perspective plan for 2007-12.

#### **(i) Benefit Cost Ratio (BCR)**

Under the scheme guidelines for the MIPs, the DPRs should include BCR. The audit scrutiny of 170 MIP samples completed during 2005-09 revealed that in 11 (Itanagar Division) cases involving cost of Rs.1.46 crore, the BCR calculation was not done. As a result the impact of MIPs on irrigation potential created could not be assessed.

#### **(ii) Selection of Projects**

The scheme guidelines on criteria for inclusion of the projects under AIBP provided as below:

- Surface MIPs having potential of at least 20 ha each.
- For extension, renovation and modernization of the irrigation project (a) having investment clearance of Planning Commission (b) are in advance stage of construction and can be completed during the next four financial year; and (c) are not receiving any other form of financial assistance; and
- BCR to be more than one and development cost of these schemes per ha should not exceed Rs. one lakh.

The audit scrutiny revealed that in 110 cases (65 *per cent*) out of 170 samples test checked, the above selection criteria were not followed as elaborated below:

- a) During 2004-05, 63 new MIPs were taken up under AIBP in three test checked Divisions (Bordumsa: 17, Pasighat: 27 and Tawang: 19) and were completed at a cost of Rs.5.29 crore. Similarly, 33 ongoing MIPs under Basar Division were also taken up (2004-06) and completed between March 2006 and March 2009 at a cost of Rs.3.35 crore. All these MIPs were ineligible for AIBP funding since

13 Itanagar: 23, Basar: 72, Bardumsa: 15, Pasighat: 25 and Tawang: 35

their individual irrigation potential was below 20 ha as required under the selection criteria.

- b) Test-check of records of nine MIPs of three Divisions, (Bordumsa: Two, Pasighat: Five and Tawang: Two) revealed that the State Government accorded sanction for Rs.74.85 lakh in June 2004 for repair, renovation and maintenance works under AIBP which were completed by March 2006. The repair, renovation and maintenance of MIPs are not covered under the scheme.
- c) AIBP scheme does not cover funding of lift irrigation projects for exploitation of the underground water. In Bordumsa Division, it was, however, noticed that Rs.92.19 lakh were spent towards construction/improvement of four<sup>14</sup> lift irrigation projects between 2004-05 and 2007-08. Similarly, during 2006-07 Pasighat Division spent Rs.five lakh of AIBP fund for extraction of ground water towards a lift irrigation project 'C/o Lift Irrigation at Mer Village'.
- d) In all these 110 cases the required DPRs were not prepared.

Thus, in sum, fact remains that not only 110 MIPs involving Rs.10.38 crore were taken up for execution without DPR and BCR but also funded from AIBP funds violating the stipulated selection criteria of the scheme.

In response the Department stated (November 2009) that keeping the topography of the State in view, it was not possible to follow the 20 ha criteria. The contention is not acceptable as the Department neither approached GOI for relaxation of the stipulated selection criteria nor requested the GOI for their modification.

### **1.3.8. Financial Management**

According to the scheme guidelines, till the year 1998-99 the cost of MIPs was to be shared by the GOI and the State on 50:50 basis and was revised to 75:25 till November 2006. From December 2006 onwards, the GOI is providing 90 *per cent* of the cost as grant and the remaining 10 *per cent* as loan. The following deficiencies were noticed in the financial management of the scheme:

#### **(i) Financial Outlays and Expenditure**

For implementation of Non-AIBP MIPs no fund provision, though needed, was made by the State Government under the State Plan during the period 2004-09. The audit scrutiny of the budget provisions made, funds provided by GOI and the State under AIBP and expenditure incurred there against during the period from 2004-09 revealed that the funds mobilized was less by five to 44 *per cent* during 2004-08 when compared to the funds demanded which affected the scheme implementation. Further, the department could not utilise Rs. 11.52 crore during 2008-09 as indicated in the following table.

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<sup>14</sup> 1) Kherembisa (Rs.25.00 lakh), 2) Rajanagar village (Rs.7.35 lakh), 3) Agril Field of Bordumsa village (Rs.49.35 lakh) and 4) Improvement of lift irrigation project at new Khamlang village (Rs.7.35 lakh)

Table No 1.3.1

(Rs. in crore)

Year	Budget provision	GOI release	State release	Total	Shortfall in mobilisation (per cent)	Funds	
						Utilized	Saving
2004-05	23.13	10.00	3.00	13.00.	10.13 (44)	13.00	--
2005-06	29.33	18.00	4.50	22.50	6.83 (23)	22.50	--
2006-07	34.00	27.00	3.00	30.00	4.00 (12)	30.00	--
2007-08	66.70	47.18	5.24	52.42	14.28(21)	52.42	--
2008-09	39.79	33.96	3.77	37.73	2.06(5)	26.21	11.52.
<b>Total :</b>	<b>192.95</b>	<b>136.14</b>	<b>19.51</b>	<b>155.65</b>	<b>37.30(19)</b>	<b>144.13</b>	<b>11.52.</b>

Sources: (1) Appropriation ACs and AP Govt. Budget, (2) CE, WRD, AP, Itanagar (Fund)

The WRD stated (October 2009) that the variations between the budgeted figures and the funds actually made available occurred due to the fact that neither the Central nor the State Government released their full share of funds as budgeted and demanded. Notwithstanding, the gap between resources demanded and mobilized represents Government's inability to mobilise the resources required for proper implementation of the scheme.

**(ii) Delay in releases of funds:**

The funds received from GOI are supposed to be released further by the State Government to WRD within 15 days of their receipt. Audit scrutiny revealed that there were delays in releasing of funds by the State Government to WRD which ranged between 28 and 183 days beyond the prescribed time limit.

In response the department stated (October 2009) that sometimes it faced difficulties in timely receipt of funds from the Finance Department. The departmental reply necessitates that the State Finance and functional departments should thrash out the problem and put in place a system that would ensure the timely flow of funds to the implementing agencies for the developmental activities.

**(iii) Rush of expenditure**

The financial rules require that the Government departments should plan their expenditure in such a way that it is evenly distributed throughout the financial year.

Records of five sample divisions<sup>15</sup> revealed heavy rush of expenditures in the last quarter ranging from 58 to 88 *per cent* and during the month of March it ranged between 44 and 81 *per cent* of the total expenditure respectively during 2004-09 in violation of the financial rules. The rush of the expenditure at the close of the financial year puts unnecessary pressure on the executing agencies to incur expenditure and is fraught with the risk of unnecessary procurement and infructuous/ill-planned execution.

In reply the department stated (October 2009) that the year end rush were unavoidable as a major portion of the funds was received from the State Finance Department at the close of the financial year.

<sup>15</sup> Itanagar, Basar, Bordumsa, Pasighat and Tawang

**(iv) Diversion of Funds**

The cases of diversion of Rs.9.45 crore during 2004-09 noticed during the course of Performance Audit in respect of the test-checked divisions are discussed below:

- (i) The Department diverted Rs.7.96 crore expenditures incurred on wages to the casual labourers deployed on repair and maintenance of MIPs, by directly booking it under AIBP (Plan).
- (ii) During 2008-09, the WRD Basar Division, diverted Rs.1.49 crore of AIBP fund towards a Non-AIBP work i.e. 'Construction of Security Fencing of Abo Tani Phillanthropic Multipurpose Farm Hill Area at Tadin'.

The department stated (November 2009) that they had sanction from the State Government for construction of security fencing at Tadin and accordingly the expenditure was incurred. The reply is not acceptable as the said State Government sanction was in violation of AIBP guidelines.

**(v) Excess expenditure over the sanctioned amount**

According to the CPWD Manual, the expenditure can be exceeded, if so required, during the execution of the work by an officer within the following limits:

- (i) Five *per cent* in case of works costing more than Rs. five lakh; and
- (ii) 10 *per cent* in case of works costing up to Rs. five lakh.

Thus, any excess beyond these limits would necessitate revised expenditure sanction, which should be applied for as soon as such excess is foreseen. Test check of the records of 127 (75 *per cent*) out of 170 samples of MIPs under three Divisions revealed that the concerned Divisions incurred an expenditure of Rs.1.49 crore in excess of the sanctioned amount of Rs.10.81 crore, beyond their competence as shown in the following table:

Table No. 1.3.2

(Rs. in crore)

Name of Division	No.of MIPs	Year of commence ment	Estimated cost	Actual Exp.	Excess Exp. (Percentage)	Date of completion
Basar	30	1987-88	2.38	2.83	1.19 (19)	Mar-2006
	41	2004-05	3.88	4.62		
Pasighat	41	2004-05	2.97	3.13	0.16 (05)	Mar-2006
Tawang	15	2004-05	1.58	1.72	0.14 (09)	Mar-2006
<b>Total :</b>	<b>127</b>		<b>10.81</b>	<b>12.30</b>	<b>1.49 (14)</b>	

Source: Departmental records

Audit noticed that the divisional authorities concerned did not get the excess expenditure regularized by obtaining the required revised expenditure sanctions from the competent authorities.

The EEs, Basar and Tawang divisions accepted the audit findings (November 2009) and stated that the excesses pointed out by audit were inevitable but also assured that efforts would be made for their regularization.

**(vi) Unauthorised expenditure**

According to the CPWD Manual, before a work is commenced the administrative approval (AA) must be obtained; and the detailed estimate and availability of funds need to be ensured. Further, since many divisions were in the habit of incurring expenditure without the required AA and Expenditure Sanction (ES) leading to serious financial indiscipline and mismanagement besides objectionable procedural lapses, the State Government directed (October 2001) that no expenditure be incurred against any scheme without these approvals.

Audit, however, found that in contravention to the provisions of CPWD Manual and the specific instructions (October 2001) of the State Government, Itanagar Division incurred expenditure of Rs.25.99 lakh in March 2008 on extension of Kanabung MIP prior to the receipt of AA and ES. Subsequently, the Government accorded AA and ES for Rs.20 lakh only in March 2009, one year after completion of the work. The excess expenditure of Rs.5.99 lakh is yet to be regularised (August 2009).

The department accepted (October 2009) the audit finding but also added that as the AA and TS were taking time, the project was executed before their receipt keeping in view its irrigation potential. The department's reply is not acceptable as AA and ES processes are internal to the Government and the delays in their processing cannot be cited as reason to bypass the system and procedures laid down for this purpose.

**1.3.9. Project Implementation****(i) Physical Performance**

Since inception, the Department executed 1881 MIPs and reportedly completed 1730 MIPs leaving an incomplete 151 MIPs (8 *per cent*). The physical and financial performance of AIBP in the State as of March 2009 is given in the following table:

Table No.1.3.3

Year	No. of MIPs executed				Incomplete	Expenditure (Rs. in crore)
	OB	New	Total	Completed		
Till 2004	-	1262	1262	922	340	57.00
2004-05	340	-	340	340	Nil	13.00
2005-06	Nil	243	243	56	187	22.50
2006-07	187	Nil	187	155	32	30.00
2007-08	32	231	263	182	81	52.42
2008-09	81	145	226	75	151	26.21
<b>Total</b>		<b>1881</b>		<b>1730</b>	<b>151</b>	<b>201.13</b>

Source: Departmental records

Out of 619 projects taken up for execution during 2005-09, 170 (including 10 non-AIBP) were selected for detailed scrutiny. These projects were taken up during 1989-90 to 2007-08 at a sanctioned cost of Rs.18.30 crore and were completed between March 2006 and March 2009 at a cost of Rs.19.91 crore. The audit scrutiny revealed the followings:

- In none of the 170 sample projects the required DPR was prepared as the MIPs

were sanctioned on the basis of detailed estimates.

- In 11 MIPs the required calculation of BCR was not done.
- In 110 (65 *per cent*) out of 170 samples test checked, the selection criteria prescribed by the guidelines were not followed.
- In 13 out of 170 samples there were delays by 12 (2 cases) and 36 months (11 cases) in completion of MIPs.

In response the department stated (October 2009) that the shortfalls in completion of projects were due to the non-receipt of the required and demanded funds.

The reply of the department is not convincing keeping in view the abnormal delays in release of funds; unauthorised utilisation of Rs.7.96 crore on casual labourers, diversion of Rs.15.27 crore (Rs.1.49 crore to other works + Rs.13.78 crore on O&M); and loss of grant (instead of loan) of Rs.10.81 crore (10 *per cent* of grant of Rs.108.14 crore received during 2004-09) due to non collection of the water charges.

### (ii) *Inflated Reporting*

The scrutiny of records in respect of 35 samples of MIPs in three test-checked divisions revealed manipulation and inflated reporting of the irrigation potential created to the extent of 1380.57 ha as indicated in the following table.

Table No. 1.3.4

(In ha)

Division name	No. of MIPs	Irrigation potential		Achievement reported to GOI	Reporting inflated by
		Target	Achievement		
Basar	02	35.43	35.43	58.00	22.57
Pasighat	32	528.00	528.00	1873.00	1345.00
Tawang	01	5.00	5.00	18.00	13.00
<b>Total :</b>	<b>35</b>	<b>568.43</b>	<b>568.43</b>	<b>1949.00</b>	<b>1380.57</b>

Source: Departmental records

As against the 568.43 ha of irrigation potential actually created, the Department reported creation of 1949 ha leading to an inflated reporting by 1380.57 ha to the GOI.

In the exit conference, CE, WRD accepted (October 2009) that some inconsistencies in reporting were possible at the Divisional level. The EE, Basar Division accepted (November 2009) the audit finding. However, EE, Pasighat Division furnished revised MPR for the same month (March 2006) indicating the possibility of records being manipulated after it is pointed out by the audit since copy of the original set of MPR which was collected during the course of audit, depicts a different picture.

### (iii) *Unfruitful expenditure*

Following instances of unfruitful expenditures were noticed during the audit.

- The scrutiny of records of seven MIPs in test-checked Divisions viz. Itanagar (one) and Pasighat (six) which were sanctioned for Rs.70.16 lakh between

2000-01 and 2006-07 had targeted creation of 133 ha irrigation potential and were stipulated for completion within two years from the date of their sanction.

The project estimates of these schemes envisaged construction of headwork with total estimated cost of Rs.23.41 lakh. But all these seven schemes were completed between March 2005 and March 2008 at the cost of Rs.72.58 lakh without construction of the required headwork. As a result, the assets created at a total cost of Rs.72.58 lakh and with irrigation potential of 133 ha of land remained idle depriving the targeted farmers (*Appendix-1.3.1*) of the intended benefits.

- In respect of another MIP viz. ‘C/o Takme Rijo MIP at Takme Area at Nari Village’ under Pasighat Division, the work was sanctioned (February 2007) for Rs. seven lakh (Rs.3.10 lakh for headwork and Rs.3.90 lakh for earthen channel) to be completed by February 2009 for creation of 10 ha irrigation potential. According to the progress report, the work was completed in March 2007 at a cost of Rs.7.25 lakh.

Audit scrutiny disclosed that the entire expenditure was incurred on the construction of headwork without execution of the earthen channels rendering the asset idle and depriving the targeted farmers of the intended benefits.

- As per the information furnished (July 2009) by WRD, Tawang, three<sup>16</sup> MIPs were sanctioned for Rs.25 lakh between June 2004 and May 2006 for creation of 26 ha of irrigation potential and were stipulated to be completed within two years. These three schemes were stated to have been completed between March 2007 and March 2008 at a cost of Rs.26.39 lakh.

Audit scrutiny revealed that these schemes could not actually be made functional due to the damage caused to them by landslide. As of August 2009, no action was taken by the department to repair the damage and make them functional. As a result, the farmers were deprived of the intended irrigation benefits making the entire expenditure of Rs.26.39 lakh unfruitful.

In the exit conference held in October 2009, the department stated that the damage caused to the irrigation system by the landslide could not be repaired for want of funds as no funds are allocated under AIBP scheme for maintenance of the MIPs. The reply of the department is not acceptable in audit since the non-availability of the funds for maintenance of MIPs was due to department’s own failure in collecting the user charges which was as per the scheme guidelines meant to be used for the operation and maintenance of the MIPs.

With respect to work undertaken by Pasighat Division, the Division stated (November 2009) that in all the projects in question, the required headwork and canals were constructed and beneficiaries were deriving benefits. The reply is not tenable as the detailed measurement record of the Division produced to audit proves that the headwork/canals were not at all constructed.

<sup>16</sup> 1. C/O MIP from Putsupter to Shernup, 2. C/o CC lining for MIP at Khrung, 3. C/o MIP channel from Songmagupat Bomja

**(iv) Absence of competitive bidding system**

According to the GFRs and CPWD Manual, the department is required to follow the system of competitive bidding to get the best price for execution of the MIPs. In respect of 168 samples of MIPs in five test checked divisions, all the works were executed through contractors on work order basis (3504 valued Rs.17.46 crore) without going for the competitive bidding which deprived the department of the possible economy in their executions. Since no formal agreement is executed when a work is allotted on work order basis, the department was also deprived of the possible performance security which could have been obtained through the mandatory performance guarantee clause in the case of formal contracts. Moreover, these work orders were also issued by the project authorities beyond the financial power delegated to them.

The department stated (October 2009) that keeping in view the small size of MIPs it was not advisable to go for competitive bidding. The reply of the Department is not acceptable since the department could have gone for limited tendering as required under Rule.

**(v) Excessive expenditure on Work Charged establishment**

As per the CPWD Manual, every work estimate under Plan should have provision of two *per cent* of the estimated cost for meeting the expenditure on Work Charged (WC) staffs which is charged directly to the work concerned. The scrutiny of records of the test-checked divisions viz. Itanagar, Basar, Bordumsa, Pasighat and Tawang revealed that during the years 2004-09, the project authorities incurred expenditure of Rs.3.21 crore on WC staff against the permissible limit of Rs.1.09 crore (two *per cent* of Rs.54.40 crore) which resulted in excess expenditure of Rs.2.12 crore.

In response the department stated (October 2009) that the WC establishment was an essential and unavoidable component which had to be incurred to ensure that the schemes were completed. The reply is not tenable since these expenditures were in contravention to the CPWD Manual as well as the estimates approved by the competent authority.

**(vi) Deployment of Casual labourers**

The operation and maintenance of MIPs are beyond the purview of the AIBP scheme. It was seen in audit that in the five test-checked divisions the Department spent Rs.7.96 crore during 2004-09 on casual labourers (CLs) deployed on O&M of MIPs resulting in unauthorized expenditure and diversions of the AIBP funds. Moreover, the R&M is a non-plan/revenue activity and transferring of such expenditures to plan/capital is a serious violation of the financial and accounting rules.

The WRD reiterated (October 2009) that the expenditure on casual labourers for R&M had to be incurred as the water charges could not be levied & used for maintenance of MIPs in absence of State Government's Water Policy.

The reply is not tenable as the inability stated by the department was due to the Government's own failure to formulate State Water Policy. Moreover, the audit is of the view that even in absence of the formal State Water Policy, the department has all right to levy and collect the user charges for availing the irrigation facility provided by the Government.

**(vii) *Handing over of completed MIPs and realisation of water charges***

According to the revised scheme guidelines (April 2004), the reforming State in North Eastern Region were to be provided with 100 *per cent* grants instead of 90 *per cent* grants and 10 *per cent* loan by the GOI, provided they enter into MOU with the GOI for each scheme and undertook following economic reforms:

- calculation of data on anticipated collection and actual O&M cost of the schemes;
- revision of the water rates to Rs.225/ha within a period of three years;
- meeting the full O&M cost from the water charges collected; and
- to provide sufficient funds for the maintenance of the schemes and preferably hand over these schemes to the users group/ association when completed.

The scrutiny of the preliminary estimates for the schemes prepared by WRD while seeking approval for these schemes, revealed that the post-project sustainability of these MIPs was to be ensured through the participatory irrigation management; and formation and registration of water user associations who were to operate and maintain these schemes. It was noticed in audit that neither any project as assured was handed over to the users groups/associations as of March 2009 nor concept of realising water charges from the beneficiaries was adopted resulting in:

- State forfeiting the benefit of conversion of 10 *per cent* Central loan received during 2004-09 into grant which was equivalent to Rs.10.81 crore; and
- no fund availability for operation and maintenance of the MIPs and in absence of any funds for O&M it was found in audit that the five test-checked Divisions diverted Rs.13.78 crore (ranging between seven to 51 *per cent* of the total cost in each year) from AIBP funds; and spent on the O&M of 672 completed MIPs during 2004-09 as indicated in the following table.

Table No 1.3.5

(Rs. in crore)

Year	Total works expenditure	Expenditure on O& M	Percentage
2004-05	7.45	1.24	17
2005-06	19.21	1.35	7
2006-07	8.28	4.02	49
2007-08	10.55	2.59	25
2008-09	8.91	4.58	51
<b>Total</b>	<b>54.40</b>	<b>13.78</b>	<b>25</b>

Source: Departmental records

The department reiterated (October 2009) that in absence of any formal Water Policy,

it was not possible for the department to levy and collect user charges as advised in the scheme guidelines. The reply is not tenable as the inability stated by the department was due to the Government's own failure to formulate State Water Policy. Moreover, the audit is of the view that even in absence of the formal State Water Policy, the department has all right to levy and collect the user charges for availing the irrigation facility provided by the Government.

#### **(viii) Quality Control**

As per the information furnished by the project authorities, the department did not have any quality control testing laboratory of its own to ensure quality of the materials being used and work executed. Resultantly, the possibility of supplying inferior quality of materials and execution of substandard work could not be ruled out.

The WRD agreed (October 2009) to the audit finding and stated that the department was making all efforts to upgrade the quality control mechanism; and further added that the State Government was working on an ADB funded project under which laboratory and other testing facilities would be created in the State.

#### **(ix) Non-maintenance of the Assets Register**

The Assets Register is an important and permanent record of a Division wherein details of all assets including MIPs completed every year and the works-in-progress should be recorded by the Project authorities.

However, it was seen in audit that no Assets Register was being maintained by the Project authorities of the test checked divisions.

The department agreed (October 2009) that some of the divisions were not maintaining the Assets Register but assured that the corrective action would be taken.

#### **1.3.10. Status of Physically Verified Projects**

Besides scrutinizing the records pertaining to the implementation of AIBP, the audit also visited the sites of 32 projects to ascertain the status of MIPs. The site visits revealed that six MIPs were totally non-functional whereas another six MIPs were partly functional. The remaining 20 MIPs were working satisfactorily. The photographs with specific audit findings in case of a few of them are illustrated below:

<b>A. Non-functional due to damage of headwork/canals</b>	
	MIP at Kanabung Village under Itanagar Div.
	Estimated cost - Rs. 30.00 lakh
	Potential created - 75 ha
	Potential utilized: NA
	Expenditure Rs. 30.00 lakh
	No. of beneficiaries - 400
	Year of construction - 2006-07

**Specific findings:** There was no water supply in the main field canal as the retaining wall at the main head had been completely damaged, reportedly by flood in June 2008. Further, about 500 meters of the main canal was found fully buried under sand and debris.



MIP Naharlagun Model Village, Itanagar Div.

Estimated cost - Rs. 8.00 lakh

Potential created - 50 ha

Expenditure - Rs. 8.00 lakh

No. of beneficiaries: NA

Year of construction - 2006-07

**Specific findings:** The headwork and main canal in the MI Project was totally damaged, reportedly by flood in June 2008. The 300 meters main channel was fully buried under sand and rocky dunes.

### B. Non-functional due to insufficient water at source



Improvement of MIP at Songking Village, Bordumsa Division

Estimated cost - Rs. 7.52 lakh

Potential created - 50 ha

Expenditure - Rs. 7.88 lakh

Year of construction - 2004-05

**Specific findings:** Water at source was not sufficient to reach the main headwork. As a result about 200 m of channel connected with the main head had no water supply.

### C. MIPs Partly/Unsatisfactorily Functional



Headwork at Yamerijo at Basar Division.

Estimated cost - Rs. 30.00 lakh

Potential created - 80 ha

Potential utilized: NA

Expenditure - Rs. 33.23 lakh

No. of beneficiaries: NA

Year of construction: 2007-08

**Specific findings:** Headwork connected with a sluice gate and main channel in the MI Project were damaged reportedly by the flood in August 2008. As a result, there was no control over the flow of water. When interacted with the beneficiaries it was found that they were afraid that the uncontrolled flow of water could damage their crops.



Sille to Dekam MIPat Ledum, Pasighat Div.

Estimated cost Rs. 7.30 lakh

Potential created - 22 ha



Potential utilized: NA

Expenditure: Rs. 7.60 lakh

No. of beneficiaries: NA

Year of construction: 2007-08

**Specific findings:** Headwork was completely damaged, and water was being diverted using a temporary headwork created using sausage wire. 50 per cent of the water was lost in transit due to leakage. When interacted, the beneficiaries requested construction of the entire earthen embankment

of the channel in <i>pucca</i> form.	
<b>D. Projects Functioning Satisfactorily</b>	
	<p>C.C. Lining at Balapu Village in Itanagar Div.</p> <p>Estimated Cost: Rs. 20.00 lakh</p> <p>Potential Created: 78 Ha</p> <p>Potential utilised: NA</p> <p>Expenditure: Rs. 20.00 lakh</p> <p>No. of beneficiaries: NA</p> <p>Year of construction: 2008-09</p>
	<p>MIP at Nayang Village under Bordumsa Div.</p> <p>Estimated Cost: Rs. 20.00 lakh</p> <p>Potential Created: 50 Ha</p> <p>Potential utilised: 40 ha</p> <p>Expenditure: Rs. 21.00 lakh</p> <p>No. of beneficiaries: 50</p> <p>Year of construction - 2007-08</p>
<p><b>Specific findings:</b> These projects were found to be functioning satisfactorily and the desired benefits also being derived by the beneficiaries</p>	

### 1.3.11. Implementation of Non-AIBP MIPs

Besides the AIBP schemes, the State Government also tried to bring more areas under irrigation by creating more MIPs which were to be funded from its own resources and were referred to as Non-Accelerated Irrigation Benefits Programme (Non-AIBP) MIPs. It was seen in audit that 87 MIPs which were taken up for execution under Non-AIBP component between 1984 and 2001 could not be completed due to the non-allocation of State Plan fund for the last five years. So in 2004-05 the Government proposed to transfer these 87 MIPs to AIBP but could transfer only 53 MIPs which were found to be eligible for AIBP funding. Out of them, 24 MIPs taken up during 2004-05 having a total irrigation potential of 893 ha were completed (March 2009) at a total cost of Rs.3.91 crore leaving 29 MIPs still in-progress. Thus during the period covered by this review no new MIP were taken up for execution under Non-AIBP.

The remaining 34 MIPs which did not qualify for AIBP funding because of lack of proper survey & investigation and technical feasibility reports were, finally, abandoned due to funds constraint after incurring total expenditure of Rs.2.91 crore rendering the same wasteful (*Appendix-1.3.2*).

The department agreed (October 2009) to the audit finding and stated that 34 Non-AIBP schemes had to be abandoned due to the non-receipt of the required funds from the State Government. The reply is not tenable as the department should not have gone for these schemes when their funding was not certain. Besides, the closure of schemes before their completion for want of funds represents the Government's

inability to mobilize the required financial resources. Lastly, all these 34 abandoned MIPs could have been shifted to AIBP funding had they all commenced after conducting the prescribed survey and investigation and technical feasibility.

### 1.3.12. Impact assessment

#### (i) Physical Targets and Achievements

The targets set for the creation of irrigation potential under AIBP and achievements there against during the period 2004-09 are tabulated below.

Table No.1.3.6

Year	No. of MIPs				Irrigation potential (Ha)		
	Ongoing	New	Total	Completed	Target	Created	Used
2004-05	340	-	340	340	2,679	2,679	1,458
2005-06	Nil	243	243	56	8,342	8,339	8,339
2006-07	187	Nil	187	155			
2007-08	32	231	263	182	8,900	6,900	6,900
2008-09	81	145	226	75	9,857	1,857	1,857
<b>Total</b>		<b>619</b>		<b>808</b>	<b>29,778</b>	<b>19,775</b>	<b>18,554</b>
Till Mar-04	-	1,262	1,262	922	18,975	18,036	13,227
<b>Gr. Total</b>		<b>1,881</b>		<b>1,730</b>	<b>48,753</b>	<b>37,811</b>	<b>31,781</b>

Source: CE, WRD, Itanagar

It is evident from the above table that against the targeted creation of 29,778 ha of irrigation potential during 2004-09, the department was actually able to create only 19,775 ha (66 *per cent*) with shortfall of 10,003 ha (34 *per cent*). Further, out of the 19,775 ha irrigation potential created, only 18,554 ha was actually utilised for cultivation and the balance 1,221 ha (6 *per cent*) remained unutilised as of March 2009.

In response the department reiterated (October 2009) that the shortfalls in creation of the irrigation potential as planned were due to the non-receipt of the funds demanded. The department added that the shortfall was also due to the non-implementation of CADP which creates field channels required for water distribution, in proportion to the irrigation potential created.

The reply of the department is not convincing keeping in view the abnormal delays in release of funds; unauthorized utilization of Rs.7.96 crore on casual labourers on O&M; diversion of Rs.15.27 crore (Rs.1.49 crore to other works + Rs.13.78 crore on O&M); and loss of Rs.10.81 crore which could have been earned had the department collected the water charges.

#### (ii) Impact on Foodgrain Production

As the topography of the State does not permit significant increase in the area under foodgrain cultivation, increasing the productivity of the cultivated land by providing irrigation facility, is an alternative to increase the foodgrain production in the State. It was seen that as against the ultimate potential of 3.60 lakh ha in the State (assessed by

WAPCOS India Ltd.), the Department, as of March 2009, reportedly created 0.38 lakh ha of which 0.32 lakh ha is actually being utilized under AIBP scheme.

When the proposals for MIPs were prepared, creation of irrigation potential which would in turn result in increased foodgrain production was projected. However, no system or MIS capturing the crops-wise information, impact on productivity, financial effects on the farmers, etc. was in place to ascertain whether completed MIPs were actually able to deliver benefit as envisaged. On crosschecking with the records of the Agriculture Department, audit noticed that while the irrigated land increased from 191.16 thousand ha in April 2005 to 203.71 thousand ha in March 2009 an increase of 6.57 *per cent*, the actual foodgrain production decreased by 2.12 *per cent* from 3.27 lakh MT in 2003-04 to 3.20 lakh MT on an average during these five years.

The crops-wise increase in area of irrigated land and resultant increase/decrease in their production in irrigated land in the State during 2004-09 are indicated in the following table.

Table No 1.3.7

Irrigated Land (in 000'ha)				Production (in 000'MTs)		
Crop name	Irrigated land as of (Ha)		Variation in areas	Production in 2003-04	Average production in 2004-09	Production variation (%)
	April 2005	March 2009				
Paddy	119.21	126.80	7.59	237.53	226.70	(-) 10.83 (5)
Wheat	4.15	3.28	- 0.87	6.32	5.91	(-) 0.41 (7)
Mize	38.61	42.90	4.29	54.51	58.53	(+) 4.02 (7)
Millet	22.28	22.26	- 0.02	21.33	20.71	(-) 0.62 (3)
Pulses	6.91	8.47	1.56	7.46	8.36	(+) 0.90 (12)
<b>Total</b>	<b>191.16</b>	<b>203.71</b>	<b>12.55</b>	<b>327.15</b>	<b>320.21</b>	<b>(-) 6.94(2.12)</b>

Source: Director of Agriculture

Moreover, the Department has also not conducted/arranged any survey or detailed analysis to ascertain the ultimate impact, if any, these MIPs have been able to create on the benefited farmers.

In reply the WRD accepted the audit findings and stated (October 2009) that the department did not have any mechanism to ascertain the actual utilization of the irrigation potential created under the scheme but also added that it was the job of the Agriculture department to ensure that the irrigation potential created are used for increasing the production and productivity. The reply is not acceptable since the department must have some system of information collection to ascertain periodically about the actual utilization of the assets it has created and what has been their impact on the agricultural production and productivity.

### 1.3.13. Monitoring and Evaluation

To ensure that an activity performs well and is able to deliver the intended results to the targeted population, it is imperative that the activity be monitored through periodical inspections, besides the suitable management information system which

apprise the senior management about the physical and financial progress of the activity so that timely interventions, if required, can be made to keep the activity on the desired line and speed.

AIBP scheme guidelines stipulate that the progress of MIPs was to be monitored by the State Governments through agencies independent of the construction agencies. The physical and financial progress of the MIPs was to be monitored periodically by the Central Water Commission/ Ministry of Water Resources and Ministry of Programme Implementation at least twice in a year on sample basis with emphasis on quality control. Remote sensing technology was to be used to monitor projects specially to gauge the irrigation potential created and to provide relevant inputs to the GOI from time to time. The monitoring mechanism was not adequate in view of the following facts:

- No Monitoring Cell was established in WRD as envisaged.
- No remote sensing technology was being used.
- CWC (Monitoring and Appraisal Directorate) inspected only 10 MIPs in their two visits to the State during the last five years (once in 2005-06 and 2007-08).
- No periodical inspection by the departmental senior officers was prevalent in the WRD.

The Department had stated (July 2009) that in absence of any Monitoring Cell, the Monitoring was done annually within the existing manpower comprising Superintendent Engineer of respective Circle as Chairman, EE (P&D), AE (P&D), Divisional Accounts Officer and ASWs. But no inspection reports/records in support of the contention could be made available to audit. The department, however, claimed (October 2009) that the Monitoring Cell was in operation in Chief Engineer office but no formal records were being maintained by the Cell. The department further stated that keeping in view the small scale of irrigation schemes it was not advisable to use remote sensing technology.

#### ***(i) Evaluation of the scheme***

A study covering the period up to March 2008 was conducted through an independent agency i.e. Indian Institute of Management, Calcutta, by the Ministry of Statistics and Programme Implementation, for evaluation of the implementation of AIBP scheme in the State. According to the study report (October 2008), the Government had failed in proper maintenance of the existing MIPs leading to their deterioration during the last five years. The reasons quoted in the report were poor management, over reporting of the irrigation potential created, non-formulation of Water Users Associations (WUAs), non-implementation of water tax, etc.

It was seen in audit that the department has not yet (October 2009) taken any significant action on the report. Incidentally, the department accepted (October 2009) that no study to assess the scheme impact was conducted by the Government and also

added that the department was trying to engage Northeast Institute of Land & Water Management as consultant to conduct the scheme evaluation.

#### **1.3.14. Conclusions:**

The overall impact of implementation of the minor irrigation projects was far from satisfactory because of significant shortfall in achievement of target for creation of irrigation potential. Large number of minor irrigation projects was not completed in time and even the completed projects had not been fully utilised. Consequently, the irrigation coverage of 19,775 ha as of March 2009, as claimed by the Department, was in fact only 18,554, which was only 5.15 *per cent* of the ultimate irrigation potential (3.60 lakh ha) in the State. Works under the projects were executed in an unplanned manner resulting in unproductive expenditure and wastage of resources. Apart from non-adherence to financial rules, the Department failed to monitor the schemes during execution. The objective of generating additional irrigation potential to increase the production of cultivable lands, thus, remained largely unachieved. Due to non-finalisation of State Water Policy, the government could not collect any water charges; resultantly it could not benefit the conversion of the balance 10 *per cent* loan into grant.

#### **1.3.15. Recommendations**

- DPRs including BCRs as required under the scheme guidelines should invariably be prepared to ensure the project feasibility and their economic justification.
- Relevant financial rules & procedures, and scheme guidelines on selection, funding and execution of MIPs should be adhered to;
- Priority should be given for completion of the on-going schemes and their timely completion.
- User groups should be formed and schemes when completed be handed over to them for their operation and maintenance. User charges should be collected which would be used for O & M of MIPs.
- The system of supervision and monitoring using Information system/technology wherever possible, needs to be strengthened. An independent evaluation should be done to ascertain whether the scheme has met its objectives; and also to know the systemic deficiencies in the implementation of the scheme.