Chapter - 4

DPEP FINANCING

Finance is termed as the ‘fuel for the engine of public administration’. Everything in the Government requires finance and nothing can be done without money. Perhaps this is why Lloyd George had once remarked ‘Government is Finance’. No goals and objectives can be achieved without financial (outlays) provisions. Walter Bagehot remarked, ‘Money can not manage itself’. Financial administration in fact manages the financial affairs.

Financial administration deals with revenue and expenditure aspects of a Government administration. It consists of those operations the object of which is to make funds available for the Governmental activities as also to ensure lawful and efficient use of resources. F.A. Nigro has defined the components of financial administration as budgeting, accounting, auditing, purchase and supply management etc. Similarly, in the opinion of L.D. White, Fiscal management includes all those operations which make funds available to officials and to ensure their lawful and efficient use.

Financial administration, therefore, includes as its principal subdivisions, budget making, followed by formal act of appropriation, executive supervision of expenditure (budget execution), accounting, reporting system and audit control. To perform these numerous functions, an extensive organization is required.

2. Ibid, p.2
As regards financing of educational sector in India, the situation has never been satisfactory. This has repeatedly happened despite recognition of education as a crucial investment to national survival. The pattern of allocation of resources to education as compared to other sectors, did not receive high priority which should have been the State policy in view of explicit provisions contained both in the Directive Principles and of late in Part-IV of the Constitution – Fundamental Rights.

As per India Education Report, while the public expenditure on education as proportion of Govt. budget showed an increase in the 1990s, in proportion to national income it declined steeply from above 4% to less than 4%. Government expenditure on elementary education as the proportion of national income also declined from 1.6% in 1991 to 1.4% in 1996-97. In the last couple of years, the increased allocation to elementary education is partly due to external aid usually termed as borrowed growth. The Report has observed that education being a pure public affair, based on merit, Govt. ought to provide funds generously and if needed, additional resources can also be generated from the community.

Avoiding sufficient allocations for educational sector, a World Bank Publication has also suggested that keeping in view the trends in revenue - deficit in major States of India and the falling share of development expenditure, there was a dire need for boosting budgetary resources for education in India by making significant changes in the fiscal policy, such as increasing revenues, restructuring expenditure.

and providing schooling cost effectively. The publication, however, concluded that funding the money for meeting challenges of primary education will not be an easy task especially when education invariably consumes the largest part of the State budget and primary education in turn is the major beneficiary of the education budget.

The PROBE\textsuperscript{5} survey covering five States of Indian Union too reveals that one of the most common problems in achieving universalization of primary education with most of the States, was lack of financial resources as about 95\% of recurrent expenditure was on salaries and very little was left for other developmental schemes such as maintenance of school buildings, teaching aids or pupil incentives.

J.S. Rajput\textsuperscript{6} has observed that the external funding of elementary education has been accepted for the first time in India since community has in the recent past withdrawn from established systems of basic education and dependence on Govt. or other agencies has increased gradually. About the external aid through DPEP, India Education Report\textsuperscript{7} further reveals that approach of DPEP appears to be highly sectarian instead of being holistic to the cause of educational development. Due to different kinds of DPEP inputs being pumped into DPEP districts, inequalities might be created between DPEP and non-DPEP districts even within the State. The India Education Report further suggests that most components of DPEP could have been funded with the help of domestic resources.

\textsuperscript{5} Anuradha De & others (PROBE Team), Public Report on Basic Education in India (PROBE), (New Delhi : Oxford University Press), 1999, p.84
\textsuperscript{6} J.S. Rajput, Education in a Changing World - Fallacies and Forces, (New Delhi : Vikas Publishing House), 1999., p.52
\textsuperscript{7} R. Govinda, India Education Report - A Profile of Basic Education, (New Delhi : Oxford University Press), 2002, p.289
Inspite of various schools of thoughts about the alternative sources of funding for primary education, the DPEP, a ‘home grown’ idea and an externally funded programme, has become fait accompli and presently 15 States including Haryana are already covered under this scheme. As already discussed elsewhere, the Executive Committee of DPEP exercises necessary financial powers to implement the project under the overall supervision and control of the General Council. To facilitate its functioning, the Executive Committee has constituted a Finance Sub Committee. The Memorandum of Association (DPEP) has clearly laid down the financial powers, as under:

i) To accept or provide any grant or money, loan securities or property of any kind and to undertake and accept the management of any endowment, trust, funds or donation not inconsistent with the objects of the Parishad.

ii) To incur expenditure of the drawing up of a budget and with due regard for economy.

iii) To prepare annual reports and accounts of the Parishad.

iv) To consider the annual report prepared by the Executive Committee.

Sources of Finance

The major source of funding as per Memorandum of Association, consists of grants-in-aid made by Govt. of India and the State Government. The Central Govt. grants are being released as per prescribed norms and major part of the expenditure is met out of these grants. The State Government grants in the shape of State component

8. Source: Memorandum of Association of HPSPP, Chandigarh
are supplementing the availability of funds for DPEP activities. The other secondary sources include contributions, donations or assistance of any kind from external agencies with prior approval of Union Government.

The income and the property of the Parishad can be utilized towards promotion of the objects set forth in the Memorandum of Association. However, in respect of State Govt. grants, the expenditure can be made subject to such limitations as prescribed by the Govt. from time to time.

The Parishad is required to maintain proper accounts and other relevant records as also to prepare annual accounts. The accounts have to be audited annually by an independent Chartered Accountant in accordance with the provisions of the Societies Registration Act, 1860. The Annual Report on the working of the Parishad together with Balance Sheet and Audited Accounts duly recommended by General Council, has to be submitted to State/Central Govt. for final adoption.

Before the introduction of DPEP in Haryana, the Central Government's involvement in the financing of primary education was largely limited to the funding of special schemes like Operation Blackboard and Mid-day Meal Schemes. Since 'Education' as a subject falls in the Concurrent List, the role of the Central Govt. assumes significance for strengthening educational administration at grass root. Further, inspite of increased share of the Union Govt. in financing of elementary education over the years, it is still very low and hence the ability to expand, strengthen and improve this sub-sector largely depends upon overall financial position of the State Government.

According to the funding pattern, the programme cost resourced through World Bank assistance is shared by the Union Govt. and the State Govt. in the ratio of 85 : 15. State Government was required
to at least maintain the 1991-92 expenditure levels on elementary education in real terms, excluding funds earmarked for DPEP as State Share. Moreover, although quantum of funding would depend upon the District Plan and its appraisal, the overall investment per district would be restricted within a ceiling of Rs.30-40 crores. The construction cost was restricted to 24% (now revised to 33.33%) while management cost as 6%. Besides, the recurring liabilities at the end of programme were to be the sole responsibility of the State Government.

The expenditure is initially met by Govt. of India/State Govt. and reimbursed subsequently by the World Bank. For this purpose, the respective Governments however release their respective share of funds without indicating component-wise allocation.

Financial Health of Haryana State

The revenue surplus/deficit and the net borrowing requirements indicate the financial health of any state. Haryana witnessed a surplus in the revenue account till 1987-88 and the deficit regime started appearing thereafter. The trend continued (except 1993-94 showing a surplus) and the size of the deficit has been growing relatively on a higher scale. Despite all the odds, the State appears to be financially ‘healthier’ than most of the other States. Similarly, Haryana’s overall position is quite comparable to some other rich States as SDP has registered more than 3 fold increase during 1985-86 to 1994-95.

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*Inspite of the fact that the percentage share of total expenditure devoted to education reveals the relative fiscal priority of the State, Haryana spends a small percentage of around 16 to 17%, percent. Govt. of India, Ministry of HRD, Studies in State Finance for Education – A Synthesis, (New Delhi : Deptt. of Education), 1997.

† The SDP indicates the total size of any state’s economy, which in turn determines the size and nature of overall finances to a large extent.

See Annexure-4.1

See Annexure-4.2
Moreover, resource richer States have not been attaching high priority to education in general and elementary education in particular. In this context, Haryana is a typical example with strong economy where this sector has not received desired attention. However, in absolute terms, the size of resource allocation to education in Haryana has consistently increased during the last decade as is clear from Table 4.1.

Table 4.1
Expenditure\(^9\) on Education/Primary Education

<table>
<thead>
<tr>
<th>Year</th>
<th>Total State expenditure</th>
<th>Expenditure on Education</th>
<th>Percentage expenditure on education</th>
<th>Expenditure on primary Education</th>
<th>Percentage on Primary Education over Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-90</td>
<td>185080</td>
<td>31478.34</td>
<td>17.00%</td>
<td>8419.12</td>
<td>26.75%</td>
</tr>
<tr>
<td>1991-92</td>
<td>210459</td>
<td>35291.45</td>
<td>16.77%</td>
<td>9584.08</td>
<td>27.16%</td>
</tr>
<tr>
<td>1992-93</td>
<td>240167</td>
<td>40639.16</td>
<td>16.92%</td>
<td>11321.54</td>
<td>27.85%</td>
</tr>
<tr>
<td>1993-94</td>
<td>353058</td>
<td>49904.58</td>
<td>12.43%</td>
<td>11982.33</td>
<td>29.29%</td>
</tr>
<tr>
<td>1994-95</td>
<td>623646</td>
<td>51108.18</td>
<td>8.11%</td>
<td>13206.55</td>
<td>25.84%</td>
</tr>
<tr>
<td>1995-96</td>
<td>560120</td>
<td>61826.22</td>
<td>11.04%</td>
<td>16688.45</td>
<td>26.99%</td>
</tr>
<tr>
<td>1996-97</td>
<td>733622</td>
<td>71594.92</td>
<td>9.76%</td>
<td>20670.28</td>
<td>28.87%</td>
</tr>
<tr>
<td>1997-98</td>
<td>705261</td>
<td>81502.40</td>
<td>11.56%</td>
<td>21958.75</td>
<td>29.94%</td>
</tr>
<tr>
<td>1998-99</td>
<td>772032</td>
<td>116241.41</td>
<td>15.06%</td>
<td>25972.33</td>
<td>22.34%</td>
</tr>
<tr>
<td>1999-2000</td>
<td>746073</td>
<td>115172.40</td>
<td>15.44%</td>
<td>31537.98</td>
<td>27.38%</td>
</tr>
<tr>
<td>2000-2001</td>
<td>N.A.</td>
<td>127224.82</td>
<td>-</td>
<td>34836.28</td>
<td>27.37%</td>
</tr>
</tbody>
</table>

\(^*\) See Annexure 4.3 to 4.5

Kerala devotes the largest share of about one-fourth of total revenue expenditure to education as compared to roughly 20 percent in Maharashtra, Tamil Nadu and Karnataka though Kerala is a relatively deficient resource State. Similarly, sub-section of elementary/primary education has been receiving high share of allocation in Karnataka and Kerala. Against this, elementary education has been receiving less share in Maharashtra and Haryana as would be clear from Annexure-4.5.


\(^9\) Source : Finance Department, Govt. of Haryana, Chandigarh
The State budget figures during the last one decade reveal that although in absolute terms the allocation to education has increased consistently, in percentage terms it has been vacillating viz. from around 17% in the beginning of 1990s, to 8.11% - 12.43% during 1993-94 to 1997-98. This percentage however jumped to 15% plus during 1998-99 & 1999-2000 for the reason that State Govt. started realizing the need to step up the low level of expenditure on education which was not in consonance with the national guidelines on education. Thus, education as a whole did not receive sufficient allocations especially during the period when DPEP had been introduced in the State. However, the share of primary education vis-à-vis total allocation to education has been consistently maintained (around 27%) except during 1994-95 and 1998-99 when it was 25.84% and 22.34% respectively. In other words, while the State Govt. has more or less kept its commitment of maintaining the expenditure level of 1990-91 as per DPEP guidelines, the proportionate share of elementary/primary education to the total education sector is still less as compared to many other States. It is inferred from these findings that there is lip sympathy for the primary education in the State of Haryana. These inferences are further corroborated from the Synthesis Report as well. According to this report, plan expenditure to be spent on new activities constitutes a very small share both in educational sector and sub-sector of elementary education.

Elementary education is sub-divided into primary and upper-primary schooling where the former covers four/five years of schooling and the latter three years of schooling.

Plan expenditure : Expenditure incurred on the development and expansion of the department which is included in 5 Years Plan is treated as 'Plan Expenditure'. Plan expenditure entails expansion of activity.
In contrast, the major share belongs to non-plan expenditure like salaries and ongoing activities. Even India Education Report\textsuperscript{10} affirms that plan expenditure has been relatively small as compared to non-plan expenditure on education (including elementary education) in the country as a whole. Since plan expenditure formed only 12\% of total expenditure on elementary education and there was little scope to give new directions to educational development, elementary education, therefore, did not receive same priority and attention from the political executives as did the education sector as a whole.

The discussion on financial health of Haryana (with special reference to education) would not be complete unless some introspection is also done the way the resources allocated are actually spent. The study shows that over the years, the State has been incurring more than 90\% expenditure on salary and allowances alone\textsuperscript{11}. This trend is visible not only in Haryana, but in majority of other states as well. The expenditure on salaries etc. was 93.05\% in Kerala, 96.6\% in Haryana, 97\% in Tamil Nadu, 96\% in Maharashtra and 90\% in Assam. Apparently, other important components (including equipment, textbooks, inspections, incentives etc.) so crucial for success of elementary education received merely a fraction of allocations.

In spite of the fact that Haryana is resource rich State, it has not been attaching same priority to elementary/primary education as is being given even by resource deficient States like Kerala and Assam.

\textsuperscript{*} Non-plan expenditure : Expenditure incurred on the ordinary growth of the department which is not included in the 5 Years Plan. Non plan expenditure represents Govt. maintaining the existing level of activity.

\textsuperscript{10} R. Govinda, India Education Report – A Profile of Basic Education, (New Delhi : Oxford University Press), 2002, p.278

In fact, it has spending less than all DPEP-. States both in term of percentage share of expenditure on education and elementary education from SDP. Increase in salaries and general financial constraints with the State Govt. have not only practically led to scanty allocations for new schemes, construction of new school rooms and provision of additional school teachers also suffered to a large extent. The above discussion clearly reflects something wrong with our planners and administrators in determining the priorities and as a result, the State has failed to make progress as compared its counterparts like Kerala.

**Funding under DPEP**

In order to make primary educational sector more attractive and to increase its holding power for retention of students in schools in the State of Haryana, DPEP scheme, a World Bank assisted programme, was introduced in four districts in first phase in the year 1994 and three more districts in 2nd phase.

The programme visualized a decentralized approach and a participatory process at District, Block and Village level. DPEP planning process emphasized on development of micro plans at District and State levels. Project Plans were accordingly prepared by the districts indicating strategies and implementation plans to achieve the desired objectives. The District plans were however required to take into account the ongoing activities of both the Education Department and other social sector departments to ensure horizontal convergence.

These plans were to be drawn up for a period of 5 to 7 years and on the basis of this, detailed Annual Work Plans and Budget (AWPBs) were prepared. DPEP Phase-I consisting of Kaitha, Jind, Hisar

† See Annexure-4.7 & 4.8.
and Sirsa district was started in Haryana in 1994-95 and the duration of the project initially envisaged was for 7 years which would have expired in March, 2001. However, since the actual release of funds as well as expenditure was less than the projections of around Rs.40.00 crores per district for the total duration of project, the project period was therefore extended for another one year i.e. upto March 2002 which has now been further extended till June, 2003. Similarly 2nd phase of DPEP consisting of Gurgaon, Mohindergarh and Bhiwani was initiated in the year 1997-98 and the project would close in June, 2003. The balance release of funds and un-utilised expenditure under various heads was likely to be further utilised in the extended period.

The allocations were to be made each year based on the performance in the previous year as well as future requirements. The AWP&Bs, therefore, reflected the funds received and expenditure over the past, achievements in that year and proposed targets for the next year. Accordingly, EFC (Effective Financial Cost) approved project cost for different districts of DPEP-I and II and the funding pattern approved for two phases of DPEP in Haryana is given below:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>District covered</th>
<th>EFC approved projects cost (Rs. in lacs)</th>
<th>Quality of Education (Pedagogy) 70%</th>
<th>Civil Works 24%</th>
<th>Management 6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>DPEP-I 1994-2000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Hisar</td>
<td></td>
<td>3969.75</td>
<td>2778.82</td>
<td>952.74</td>
<td>238.19</td>
</tr>
<tr>
<td>2. Jind</td>
<td></td>
<td>3282.92</td>
<td>2298.04</td>
<td>787.90</td>
<td>196.98</td>
</tr>
<tr>
<td>3. Kaithal</td>
<td></td>
<td>3044.74</td>
<td>2131.32</td>
<td>730.74</td>
<td>182.68</td>
</tr>
<tr>
<td>4. Sirsa</td>
<td></td>
<td>3623.68</td>
<td>2536.58</td>
<td>869.68</td>
<td>217.42</td>
</tr>
<tr>
<td>State Component</td>
<td></td>
<td>891.35</td>
<td>623.95</td>
<td>213.92</td>
<td>53.48</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>14812.44</td>
<td>10368.71</td>
<td>3554.98</td>
<td>888.75</td>
</tr>
</tbody>
</table>

12. Source: Directorate of Haryana Prathmik Shiksha Pariyojana Parishad, Chandigarh
Table-4.3

DPEP funding pattern of Phase-II

<table>
<thead>
<tr>
<th>Particulars</th>
<th>District covered</th>
<th>EEC approved projects cost (Rs. in lacs)</th>
<th>Quality of Education (Pedagogy 70%)</th>
<th>Civil Works 24%</th>
<th>Management 6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>DPEP-II 1997-2003</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Bhiwani</td>
<td>2912.04</td>
<td>2101.75</td>
<td>698.40</td>
<td>111.89</td>
<td></td>
</tr>
<tr>
<td>6. Gurgaon</td>
<td>2223.31</td>
<td>2454.06</td>
<td>757.36</td>
<td>111.89</td>
<td></td>
</tr>
<tr>
<td>7. Mahendergarh</td>
<td>2716.80</td>
<td>1962.71</td>
<td>642.80</td>
<td>111.89</td>
<td></td>
</tr>
<tr>
<td>State Component</td>
<td>595.11</td>
<td>365.11</td>
<td>0.00</td>
<td>230.00</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9547.26</td>
<td>6883.03</td>
<td>2098.56</td>
<td>565.67</td>
<td></td>
</tr>
</tbody>
</table>

The above mentioned Tables depicted the total approved project cost approved for each district and quantum of allocation to be spent on three major activities of quality of education, civil works and management cost. It would be seen as large as 70% of the total approved project cost has been earmarked for quality of education i.e. pedagogical activities through which all DPEP inputs based on new educational techniques and technologies are being introduced. The second major component has been earmarked for civil works which is a permanent asset and would take care of shortage of accommodation and amenities etc. The third component of budget allocation is management cost which was restricted to only 6% so that undue expenditure was not incurred on establishment cost as is prevalent in the traditional system where more than 90% of cost is going towards salary etc.

As regards actual release of funds by Govt. of India and the State Govt. against the scheme of sanctioned budget for the different components and the expenditure incurred on project activities, the statement of payment accounts13 upto 31.03.2001 is given in Tables-4.4 & 4.5:

13. Source: Directorate of Haryana Prathmik Shiksha Parishad, Chandigarh
TABLE-4.4  
Receipt and payment accounts since inception of the project upto 31.03.2001

DPEP PHASE-I

For Pre Project Activities  50.00  (Entirely borne by Government of India)  (Rs. in lacs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total sanctioned AWP&amp;B (Fresh)</th>
<th>Govt. of India share</th>
<th>State Govt. Share</th>
<th>Funds released/received</th>
<th>Current year deficit</th>
<th>Cumulative Deficit</th>
<th>Expenditure including expenditure on Pre-project activities against Rs.50 lacs</th>
<th>% of expenditure against available grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994-95</td>
<td>917.71</td>
<td>780.05</td>
<td>137.66</td>
<td>261.74</td>
<td>46.19</td>
<td>518.31</td>
<td>91.47</td>
<td>518.31</td>
</tr>
<tr>
<td>1995-96</td>
<td>1836.39</td>
<td>1560.93</td>
<td>275.46</td>
<td>518.31</td>
<td>91.47</td>
<td>1042.62</td>
<td>183.99</td>
<td>1560.93</td>
</tr>
<tr>
<td>1996-97</td>
<td>2600.20</td>
<td>2210.17</td>
<td>390.03</td>
<td>2420.93</td>
<td>275.46</td>
<td>-210.76</td>
<td>114.57</td>
<td>1350.17</td>
</tr>
<tr>
<td>1997-98</td>
<td>2164.48</td>
<td>1839.81</td>
<td>324.67</td>
<td>813.13</td>
<td>240.00</td>
<td>1026.68</td>
<td>84.67</td>
<td>2376.85</td>
</tr>
<tr>
<td>1998-99</td>
<td>1955.49</td>
<td>1662.17</td>
<td>293.32</td>
<td>2584.00</td>
<td>-</td>
<td>-921.83</td>
<td>293.32</td>
<td>1455.02</td>
</tr>
<tr>
<td>1999-2000</td>
<td>1972.48</td>
<td>1676.61</td>
<td>295.87</td>
<td>200.00</td>
<td>511.26</td>
<td>1476.61</td>
<td>-215.39</td>
<td>2931.63</td>
</tr>
<tr>
<td>2000-2001</td>
<td>2864.05</td>
<td>2434.44</td>
<td>429.61</td>
<td>1650.00</td>
<td>308.82</td>
<td>784.44</td>
<td>120.79</td>
<td>3716.07</td>
</tr>
<tr>
<td>Total upto 31.03.2001</td>
<td>14310.80</td>
<td>12164.18</td>
<td>2146.62</td>
<td>8448.11</td>
<td>1473.20</td>
<td>3716.07</td>
<td>673.42</td>
<td>13908.98</td>
</tr>
</tbody>
</table>
### TABLE-4.5

**DPEP PHASE-II**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total sanctioned AWP&amp;B (Fresh)</th>
<th>Govt. of India share</th>
<th>State Govt. Share</th>
<th>Funds released/received</th>
<th>Current year deficit</th>
<th>Cumulative Deficit</th>
<th>Expenditure</th>
<th>% of expenditure against available grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996-97</td>
<td></td>
<td>1509.49</td>
<td>1283.07</td>
<td>226.42</td>
<td>769.84</td>
<td>75.48</td>
<td>-</td>
<td>24.82</td>
</tr>
<tr>
<td>1997-98</td>
<td></td>
<td>1509.49</td>
<td>1283.07</td>
<td>226.42</td>
<td>769.84</td>
<td>75.48</td>
<td>150.94</td>
<td>304.89</td>
</tr>
<tr>
<td>1998-99</td>
<td></td>
<td>1509.49</td>
<td>1283.07</td>
<td>226.42</td>
<td>769.84</td>
<td>75.48</td>
<td>150.94</td>
<td>304.89</td>
</tr>
<tr>
<td>1999-2000</td>
<td></td>
<td>1509.49</td>
<td>1283.07</td>
<td>226.42</td>
<td>769.84</td>
<td>75.48</td>
<td>150.94</td>
<td>304.89</td>
</tr>
<tr>
<td>2000-2001</td>
<td></td>
<td>1509.49</td>
<td>1283.07</td>
<td>226.42</td>
<td>769.84</td>
<td>75.48</td>
<td>150.94</td>
<td>304.89</td>
</tr>
<tr>
<td>Total upto 31.03.2001</td>
<td></td>
<td>7853.79</td>
<td>6675.72</td>
<td>1178.07</td>
<td>3919.84</td>
<td>621.15</td>
<td>2755.88</td>
<td>8867.20</td>
</tr>
<tr>
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(Rs. in lacs)
It will be seen from the Tables above that by the end of 
financial year 2000-2001 the expenditure in respect of DPEP-I districts was 
98.80% against available grants and in respect of DPEP-II districts it was 
93.24% against available grants. However, it would be seen from both these 
Tables that since there was some deficit every year due to delay in release of 
grants both from Govt. of India and State Govt., therefore, cumulative deficit 
in respect of release of grants both from Govt. of India and State Govt. was 
quite substantial and accordingly the actual expenditure by the end of 
financial year 2000-01 was only 68.50% and 53.90% respectively in case of 
DPEP-I and DPEP-II against approved sanctioned budget. It can be, therefore, 
concluded that due to these constraints, the actual expenditure during the 
different years of project period was quite below the sanctioned budget for 
those years. The low level of expenditure against the approved budget can be 
attributed to some extent to not so satisfactory performance of DPEP 
functionaries also.

To have a clear view of financial achievements and the physical 
progress achieved against major DPEP activities, the financial statements of 
different activities have been indicated in the succeeding paras.

**Civil Works**

Table 4.6 highlights the financial progress\textsuperscript{14} in respect of civil 
works ending March, 2001 (DPEP-I & II Districts)

<table>
<thead>
<tr>
<th></th>
<th>DPEP-I</th>
<th>DPEP-II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved estimated cost upto 2000-2001 Financial progress upto March, 2001.</td>
<td>3339.84</td>
<td>2135.21</td>
</tr>
<tr>
<td>1. Expenditure through VCC</td>
<td>831.07</td>
<td>967.37</td>
</tr>
<tr>
<td>2. Expenditure through Panchayat Department</td>
<td>900.22</td>
<td>-</td>
</tr>
<tr>
<td>3. Expenditure through NCB</td>
<td>1464.29</td>
<td>506.85</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3195.58</td>
<td>1474.22</td>
</tr>
</tbody>
</table>

\textsuperscript{14} Source: DPEP, Haryana, Annual Report 2000-2001, HPSPP, Chandigarh
The expenditure on civil works for DPEP-I and DPEP-II at the end of the financial year 2000-2001 was more than 95% and around 69% respectively. The expenditure on civil works in DPEP-II was less due to the fact that initial bottlenecks in identifying the buildings to be taken up for construction and the process of sanctioning of estimates and taking up actual construction took lot of time.

The cumulative expenditure on Civil works for DPEP-I and II has been further indicated year-wise through graphs 4.1 and 4.2 which present comparative picture of performance about civil works during the project period.

Graph-4.1
Financial Achievement Civil Works
DPEP-I
(Cumulative)

Financial progress under civil works have shown consistent increase in achievements in DPEP-I and the progress against the set-target has been quite good. However, regular efforts would be further needed to achieve the new target of 33.33% against the earlier target of 24% of the budget under this item.
Achievement under civil works in DPEP-II districts has not been very impressive against the total outlay and it was lagging behind as compared to achievement under DPEP-II. In view of further increase of target from 24% to 33.33%, concerted efforts were required to achieve the target within project period.
The expenditure on civil works through VCCs has been further indicated year-wise both in respect of DPEP-I and II through graphs 4.3 and 4.4 which present a comparative picture of performance by VCCs during the project period.

**Graph-4.3**

**Financial Achievements Civil Works (DPEP-I)**

**THROUGH VCC**

(Rs. in lacs)

![Graph showing financial achievements of DPEP-I](image)

*Fig. upto March, 2001*

**Graph-4.4**

**Financial Achievements Civil Works (DPEP-II)**

**THROUGH VCC**

(Rs. in lacs)

![Graph showing financial achievements of DPEP-II](image)

*Fig. upto March, 2001*
The expenditure on civil works in DPEP-I districts through VCCs was consistently rising and by the end of 2000-2001, it was more than 26% of the total expenditure on civil works. Apparently the community participation went on increasing slowly every year.

There has been consistent improvement in the expenditure on civil works in DPEP-II through VCCs yet the tempo has to be maintained to achieve the increased targets due to revised allocations of 33.33% under this item. It was one of the main objectives of DPEP to fully involve community in implementation of this project and as compared to community participation in DPEP-I in civil works, the achievement in DPEP-II was much more and more than 65% of the expenditure was incurred through VCCs reflecting a major achievement of community participation as compared to Phase-I.

The cumulative expenditure\(^\text{15}\) on Pedagogical activities (70%) as on 31.03.2001 in respect of DPEP-I and II is given below with reference to total outlay (70%) and total amount released for Pedagogical Activities:

|                  | Total outlay | Total amount released | Pedagogical activities | Cumulative expenditure on pedagogical activities | Percentage achievement against
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<tr>
<td></td>
<td>Centre &amp; State share</td>
<td>70% of the total outlay</td>
<td>70% of the total amount released</td>
<td>Total outlay</td>
<td>Total allocation</td>
</tr>
<tr>
<td>DPEP-I</td>
<td>14310.80</td>
<td>9921.31</td>
<td>10017.56</td>
<td>6944.92</td>
<td>56.86%</td>
</tr>
<tr>
<td>DPEP-II</td>
<td>7853.79</td>
<td>4540.99</td>
<td>5497.65</td>
<td>3178.69</td>
<td>45.04%</td>
</tr>
<tr>
<td>Total</td>
<td>22164.59</td>
<td>14462.30</td>
<td>15515.21</td>
<td>10123.61</td>
<td>52.67%</td>
</tr>
</tbody>
</table>

15. Source: Directorate of Haryana Prathmik Shiksha Pariyojana Parishad, Chandigarh
It is revealed from the table above that expenditure in DPEP-I on Pedagogical activities was 56.86% of the total allocation but 82.02% of the released funds which indicates that lot of Pedagogical activities were yet to be taken up/completed by the end of financial year 2000-01. In respect of DPEP-II, the performance was still lower. The achievement was 45.04% of the total allocation and 77.89% of the released funds. The performance in respect of DPEP-II should have been much better than DPEP-I, since meanwhile lot of experience had been gained through activities undertaken in DPEP phase-I. The performance was, therefore, not very encouraging on pedagogical front.

The yearly expenditure on pedagogical improvement activities in respect of both DPEP-I & II is given in Graphs-4.5 and 4.6

Graph-4.5

Financial Achievements
Pedagogical Improvement (70%)

DPEP-I

(Rs. in Lacs )

![Graph showing financial achievements](image)

Fig. Up to March, 2001

Though the expenditure on civil works had picked up substantially, a portion of allocation for educational activities still remained unutilized due to difficulties being faced by field agencies on one account or the other. On the basis of actual expenditure upto financial
year 2000-2001, some of the main items of expenditure both in respect of DPEP-I and II along with relevant graphs are given in the succeeding paras which indicate year-wise comparative position of actual expenditure incurred on those items:

Graph-4.6

Financial Achievements
Pedagogical Improvement (70%)

DPEP-II

(Rs. in lacs)

Above graphs in respect of pedagogical improvement (70%) both in DPEP Phase-I and II reflect manifold expenditure on this major head of expenditure during the single year 2000-01, which indicates that earlier there was not much concern for expenditure as per targeted amounts and it was only around the year 2000-2001 when DPEP Phase-I was to be wound up that suddenly the expenditure on this head was stepped up in respect of both Phase-I and II. Thus instead of spending on pedagogical activities in a consistent manner, it was around close of the project that suddenly efforts were stepped up to exhaust the balance funds which is not a healthy sign.

16. Source : Directorate of Haryana Prathamik Shiksha Pariyojana Parishad, Chandigarh
Out of allocations meant for pedagogical activities, expenditure incurred on two important components i.e. Textbooks & Teachers Training, has further been analysed and Graph-4.7 summarizes year-wise expenditure on textbooks.

Graph-4.7
Expenditure on Text Books
(Rs. In Lacs)

![Expenditure on Text Books](image_url)

Fig. Up to March, 2001

It is clear from the above data that the expenditure on textbook development in the beginning of project was a tip of the iceberg. Moreover, it picked up substantially from 1993-99 onwards. Graphs-4.8 reflects the story on expenditure incurred on teacher training during the project period.

17. Source: Directorate of Haryana Prathmik Shiksha Pariyojana Parishad, Chandigarh
Graph-4.8 summarizes expenditure on teachers' training.

Graph-4.8
Expenditure on Teacher Training
(Rs. in lacs)

It is gathered from Graph-4.8 that the expenditure on teachers’ training increased substantially during 1996-97 and 1997-98 and again came down drastically in subsequent years partly for the reasons that there was hardly any backlog of teachers to be deputed for training. However, there ought to be repeated rounds of training for further upgradation of teachers’ skills for which adequate allocations need to be provided in the budget on year to year basis.
Management Expenditure

The expenditure on management which was one of the three major components of expenditure on project activities, has been shown through Tables 4.8 to 4.9 and Graphs 4.9 to 4.10.

Table 4.8
MANAGEMENT EXPENDITURE
DPEP-I

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<tbody>
<tr>
<td>DPEP-I (Approved )</td>
<td>26.27</td>
<td>52.54</td>
<td>78.81</td>
<td>105.08</td>
<td>131.35</td>
<td>157.62</td>
<td>183.89</td>
<td>735.56</td>
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<tr>
<td>Actual Expenditure</td>
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<tr>
<td></td>
<td>191.86</td>
<td>315.56</td>
<td>348.56</td>
<td>388.92</td>
<td>542.52</td>
<td>111.15</td>
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Table 4.9
MANAGEMENT EXPENDITURE
DPEP-II

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<tr>
<td>DPEP-II (Approved )</td>
<td>595.11 lacs for five years.</td>
<td></td>
<td></td>
<td>488.09</td>
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<tr>
<td>Actual Expenditure</td>
<td>20.16</td>
<td>97.14</td>
<td>174.12</td>
<td>251.10</td>
<td>542.52</td>
<td>111.15</td>
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The data depicted both in Tables-4.8 & 4.9 and Graphs-4.9 & 4.10 indicates an alarming signal that in Phase-I the expenditure on management was more than double (203.13%) against the approved allocations. It however normalized (111.15%) during Phase-II by observing constant checks and taking corrective measures without any
delays. Even then management expenditure has yet to come down to 6% norm especially when there is incidence of financial crunch on all fronts. During interactions with senior DPEP functionaries, it has been given to understand that due to additional allocation of around Rs.50.00 crores from foreign donors on account of the exchange variation rate, the DPEP management was trying to absorb the extra expenditure on management through this additional allocation.

As already mentioned, DPEP-I & II progress are likely to be wound up by June, 2003 and consequently the ongoing DPEP activities can be undertaken only through a sustainability scheme. By presuming that last year’s recurrent expenditure during project period would constitute the annual liabilities to be carried over by the State after the project period, the estimated expenditure for sustainability of DPEP project would be around 8.30 crores for both DPEP-I and II districts. This would include maintenance of buildings constructed under DPEP, salaries of Cluster and Block Coordinators, and a small team of functionaries at the Headquarters and District Project Offices etc. Besides, some ongoing schemes like training in pedagogies, empowerment of women through girls education, alternative schooling, education to disabled children, TLM grant of Rs.500/- per teacher per year to produce instructional material etc. etc. would have to be retained to facilitate the sustainability efforts.

Thus an estimated expenditure of about Rs. 8.30 crores per annum, appears to be not only quite reasonable but within the easy reach of the State Government to provide financial backup for sustainability to the project inputs after winding up of DPEP project.

❖ See Anexure 4.9 & 4.10
Auditing of Expenditure

As per audit requirements, in addition to internal audit through Chartered Accountant or Finance Department of the Govt., every penny incurred against an approved allocation has to be spent after proper approval and has to be appropriated as per financial regulations. It is in this background that Comptroller and Accountant General of India and his agent - Accountant General (Audit) at State level, oversee expenditure of this kind.

The study depicts that the CAG in order to facilitate its test audit for the period October, 1999 and April, 2000 also engaged the services of an outside agency known as ORG-MARG. The test audit was confined to district of Hisar, Jind, Sirsa and Mahendergarh. According to audit report, as against approved outlay of Rs.174.56 (Phase-I Rs.114.95 crores & Phase-II Rs.59.61 crores), actual expenditure was merely 55% viz. Rs.95.90 crores (Phase-I Rs.75.75 crores and Phase-II Rs.20.15 crores). The funds as already explained were released by the Union/State Governments without indicating component-wise allocation. The audit pointedly observed that Management cost (Phase-I & II) consumed lion’s share (Rs.15.15 crores -16%) against the stipulated norm of 6%.

The audit also pointed out excess expenditure on construction of double rooms as well as execution of works on single bids basis alone. Further, even some VCCs failed to perform its legitimate duties i.e. rendering expenditure accounts to the appropriate agencies.

As regards monitoring of progress by the General Council and Executive Committee, the audit categorically observed that General

Council - the statutory body, had not even been constituted. Similarly, it transpired that progress of physical and financial aspects was never discussed thread-bare by the Executive Committee. On the contrary, these reports were just noted by the Committee.

The audit also felt concerned that DPEP could not achieve the desired targets. Firstly, dropout rate ranged between 12% to 38% against the target rate of less than 10%. Secondly, a number of Cluster Resource Centres were without teachers. Thirdly, supply of free books to SC students and non-SC girls could not make a headway. Fourthly, slow progress of civil works hindered students intake in the schools. The report, therefore, rightly affirmed that at a time when 1st Phase was to be wound up, the programme partly failed to achieve the goals objectives and targets.

The audit observations have also been supplemented by review reports of various Joint Review Missions\textsuperscript{19}. The 2nd Supervision Mission (1995) expressed concern over-low level of expenditure. On the contrary, the 3rd and 5th Missions (1996 & 1997) respectively appreciated that expenditure levels improved to 45% of the total budget outlay. As regards 8th (1998), 10th (1999) and 11th Review Mission (2000), these advised to maintain the tempo of different activities. The 13th Review Mission (2001) adversely commented on the delay on the part of both Union and State Governments in timely release of funds.

One of the key objectives of study was to examine the financial arrangements for implementation of DPEP activities. For this, two Hypotheses namely (i) 'Lower allocation of financial resources in

\textsuperscript{19} Source: DPEP, Haryana, Annual Reports, 1999-2000 and 2000-2001 (HPSPP)
DPEP districts vis-à-vis Non-DPEP districts has led to disparities in promotion of primary education’ and (ii) ‘Arrangement of external funding has not brought about optimum results’ were framed. The study testifies that except in the area of civil works, expenditure against all other items was not commensurate with the set targets. Since civil works constituting bulk investments and ensuring reasonable involvement of community participation had a visible gain out of all other activities, the donor agencies and Govt. of India without any reservations agreed to increase the ceiling from 24% to 33% in financial year 2001 onwards.

As regards ceiling of 6% expenditure on administrative management, it too could not be controlled and ranged up to 16%. The major part of the total budget i.e. 70% was meant for pedagogical activities and improvements and this was the area where all kinds of DPEP inputs were to be introduced but the expenditure against this has not been commensurate with the target period and consequently lot of funds have been left unspent.

B.K. Kuthiala also laments that grants were released late and teachers were always skeptical about the utility of some items and hence the utilization was affected. Similarly, release of 15% timely funds by the State Govt. were linked with release of matching grant by Govt. of India. Although this issue was being emphasized at each and every review meeting at the State level as well as by Joint Review Missions, a lot of unspent balances were being carried over to the next financial year.

However, delay in releases did not significantly affect the performance. Moreover, contributions by foreign donors to the tune of Rs.50.00 crores due to exchange variation rate has further increased the availability of funds. That is why even at the close of financial year 2000-2001, lot of funds have remained unspent to be carried over to the next financial year.

Regarding comparison of financial resources in DPEP districts vis-à-vis non-DPEP districts, the State Govt. has been maintaining expenditure level of 1991 as the base for financial allocations to DPEP districts and therefore DPEP allocations have been over and above the normal allocations. This has apparently led to some disparities in the non-DPEP districts in terms of physical infrastructure like new school buildings, additional classrooms for boys and girls, drinking water and toilet facilities, grants for school improvements etc. These anomalies are being taken care of now through the recently introduced programme known as Sarva Shiksha Abhiyan. This programme is also being funded by Govt. of India in partnership with State Govt. to bring uniformity in academic atmosphere throughout the State.

The study thus brings out that additional funding through DPEP in DPEP adopted districts has led to disparities between DPEP & non-DPEP districts. Besides, existing arrangements of external funding have not brought about optimum results as expected in the initial stage. On the contrary, lower quantum of expenditure and extending the project period frequently is a clear signal that DPEP has failed to achieve optimum results (physical and financial) and there is ample scope for bringing administrative improvements in the programme. Accordingly, both the Hypotheses No.6&7, stand proved.