

TWELFTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2008-2011)**

ONE HUNDRED AND SIXTH REPORT

(Presented on 17th July, 2009)



SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2009

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On

**Paragraphs relating to Local Self Government Department contained
in the Report of the Comptroller and Auditor General of India
for the year ended 31 March 2004 (Civil)**

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INTRODUCTION

I, the Chairman, Committee on Public Accounts having been authorised by the Committee to present this Report on their behalf present the One Hundred and Sixth Report on paragraphs relating to Local Self Government Department contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 (Civil).

The Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 (Civil) was laid on the Table of the House on 20 July 2005.

The Committee considered and finalised this Report at the meeting held on 14th July, 2009.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General in the examination of the Audit Report.

Thiruvananthapuram,
17th July, 2009.

ARYADAN MUHAMMED,
Chairman,
Committee on Public Accounts.

Report

LOCAL SELF GOVERNMENT (RURAL DEVELOPMENT) DEPARTMENT

AUDIT PARAGRAPH

Pradhan Mantri Gram Sadak Yojana

Highlights

Government of India launched (December 2000) a cent percent Centrally Sponsored Scheme viz. Pradhan Mantri Gram Sadak Yojana (PMGSY) aimed at providing good all-weather road connectivity to the unconnected habitation in rural areas. Unconnected habitations with a population of 1000 persons and above are to be covered in three years (2000-03) and those with a population of 500 and above by the end of the Tenth Plan period (2007). Implementation of the scheme which commenced in the State from 2000-01 suffered from various shortfalls/shortcomings such as non-utilisation of funds, non-achievement of physical targets, non-adherence to GOI guidelines, extending unintended benefits to contractors, etc.

- * State failed to utilise the funds released by GOI and the unspent balance as at the end of 31 March 2004 amounted to Rs 20.68 crore, being 30 per cent of the funds allotted.
- * There was heavy shortfall in physical achievement as only 107 roads with a length of 217.22 km out of 217 roads having a length of 370.30 km taken up during (2000-02) had been completed, which constituted only 60 per cent of the works undertaken as of March 2004.
- * Core Network of roads as prescribed in the guidelines had not been prepared and got approved so far.
- * Payment of lead charges for conveyance of earth and allowing concessional rate of sales tax for procurement of bitumen resulted in extending unintended benefit of Rs. 93.98 lakh to contractors.
- * Four road works entrusted to a contractor for Rs. 3.75 crore in 2000-01 were in an abandoned stage from June 2002 after incurring Rs. 99.72 lakh. Works were retendered only in January 2004 resulting in increase in cost by Rs. 1.12 crore.

Introduction

In Kerala, 41 packages were identified in 41 Blocks of 14 Districts for implementation of the scheme. The scheme also provides for upgradation of existing roads in the districts where all the habitations have been provided with

road connectivity and using upto 20 percent of the State's allocation for upgradation where unconnected habitations still exist.

Objective of the scheme

The objective of the PMGSY is to provide connectivity by way of an all-weather road to the unconnected habitations in rural areas so that services (educational, health, marketing facilities, etc.) which are not available in the unconnected habitations become available. Accordingly a Programme Implementation Unit (PIU) constituted in each District Rural Development Agency (DRDA) with Project Officer, DRDA as Chairman and manned by competent technical staff prepares the project proposals and Detailed Project Reports (DPRs) and forwards them to the State Technical Agency (College of Engineering, Thiruvananthapuram) for scrutiny of designs and estimates. DPRs are then forwarded to the National Rural Roads Development Agency (NRRDA) which submits the same to the Ministry of Rural Development, GOI for clearance.

Organisational set up

The Commissionerate of Rural Development is the Nodal Department vested with the overall responsibility for implementation of the project in the State. At the district level, DRDA was responsible for implementation of the scheme.

Audit objectives

The objectives of the review were to see whether:

- * the selection of unconnected habitations was according to the prescribed guidelines;
- * funds were obtained and utilised for the purpose for which they were given within the time prescribed;
- * packages taken up were completed as per schedule in accordance with the prescribed guidelines.

Audit coverage

A review was conducted by test check of records of the Commissionerate of Rural Development and six* out of 14 DRDAs covering 16 out of 41 packages approved during 2000-04.

Funding Pattern

During 2000-01 funds were received through State budget. For subsequent years funds sanctioned for the scheme by GOI were credited to Savings Bank Account of the Nodal Department in State Bank of India which was in turn released to the separate bank accounts operated for PMGSY by each DRDA.

* Alappuzha, Kottayam, Kozhikode, Malappuram, Palakkad and Wayanad

The funds received, expended and unspent balance as on 31 March 2004 were as under.

<i>(Rupees in crore)</i>			
<i>Year</i>	<i>Funds received from GOI</i>	<i>Expenditure</i>	<i>Unspent balance</i>
2000-01	19.71	13.76	5.95
2001-02	27.65	22.50	5.15
2002-03*	11.43	12.23	-0.80
2003-04	10.38	Nil	10.38
Total	69.17	48.49	20.68

* The figures indicated against 2002-03 related to funds received for proposals sanctioned for 2001-02.

The proposals for the year 2003-04 were sent only in July 2003 by the Department and sanction for these was received from the Ministry in December 2003. As there was no sufficient time during the year for execution of works, no expenditure was incurred during 2003-04 despite allotment of Rs. 10.38 crore. No specific reasons were on records for the delay in submitting the proposals. Due to the delay in rendering proposals by the State Government, the targeted population were denied the benefit of road connectivity.

In the six DRDAs test checked, the progressive expenditure incurred as of March 2004 was as follows:

<i>(Rupees in lakh)</i>			
<i>District</i>	<i>Funds received</i>	<i>Expenditure</i>	<i>Balance</i>
Wayanad	499.96	488.07	11.89
Palakkad	480.13	454.73	25.40
Malappuram	696.61	711.04	-14.43
Kozhikode	452.37	410.38	41.99
Kottayam	232.30	220.58	11.72
Alappuzha	457.63	448.84	8.79
Total	2819.00	2733.64	99.79

In Malappuram district interest accrued amounting to Rs.14.43 lakh on the funds deposited (Rs. 6.97 crore) was also utilised for the scheme, which was in violation of GOI guidelines.

Programme management

The review revealed deficiencies such as non-preparation of Core Network of roads, non achievement of physical targets, provision of multi connectivity instead of single road connectivity, extending unintended benefit to contractors, diversion of funds, non-compliance with Government of India guidelines as discussed below:

Selection of roads

As per PMGSY guidelines each roadwork taken up should form a part of the Core Network, which is the minimal network of roads that is essential to provide basic access to essential social economic services to the selected habitations. However, such a Core Network had not been prepared so far. Instead, Government had authorised NATPAC* to prepare draft District Plans for selecting the rural roads under PMGSY by gathering the data including unconnected habitation from the Block Panchayats. Thereafter the draft District Rural Road Plan of all districts were finalised by the concerned Block Panchayats and District Panchayat in consultation with MPs and MLAs. Accordingly 5677 unconnected habitations were identified and the all-weather roads proposed for connectivity was to the extent of 14116.73 km. The estimated financial requirement was assessed to be Rs.1411.77 crore. Though this is a cent percent Centrally sponsored scheme, the Department/Government had made proposals only for connecting four percent of the targeted habitations and failed even in utilising the amount received from GOI. A separate benchmark indicator report giving status of key indicators of education, health, income, etc., to be attached to each DPR had also not been prepared.

Implementation of the Scheme

The Scheme was implemented in four Blocks in four districts during 2000-01 and in 37 blocks in the remaining 10 districts during 2001-02. The work in each Block was classified as a package. No Blocks were selected in 2002-03. Fourteen packages, one in each district sanctioned (December 2003) for the year 2003-04 had been tendered as of 31 March 2004. Eventhough all the habitations with a population of 1000 persons and above were to be covered by 2003, Government did not take effective action even in selecting the blocks. This would indicate that the Government/ Department was not very keen on the implementation of the scheme despite availability of funds from GOI.

* National Transportation Planning and Research Centre—an autonomous body under the control of State Government.

Physical achievement

Out of 217 new road works taken up with a total length of 370.30 km, 107 roads totalling 217.22 km were completed which constituted only 60 per cent of the works undertaken as of March 2004. Out of 14 roads undertaken for upgradation, seven roads were completed. In the DRDAs test checked, out of 64 roads taken up for construction 20 remained incomplete as of March 2004 despite spending 97 percent of the funds received. It was seen that against the stipulated time of six months for completion of works, the time taken was up to three years. The delay was mainly due to abandonment of work by contractors, non-availability of required land and non-clearance of site by removal of utilities, etc.

Providing Multi-connectivity

As per the guidelines only single road connectivity was to be provided. But multi connectivity was seen provided in two packages No. 0902 and No.1201-approved for Wayanad and Malappuram DRDAs respectively. While preparing the project proposals by PIU, two roads each were included in the package for connecting the above habitations as a result of improper investigation. The State Technical Agency also failed to observe this while scrutinising the DPRs which resulted in additional expenditure of Rs. 82.73 lakh.

Unintended benefit to contractors

As per the guidelines, no lead charges shall be paid for transportation of soil. But transportation charges of Rs. 62.92 lakh were paid for conveyance of 99470 m³ of cut earth in five DRDAs. This resulted in an unintended benefit to the contractors as detailed below:

(Rupees in lakh)

<i>Sl. No.</i>	<i>Name of DRDA</i>	<i>Package No.</i>	<i>Quantity of earth conveyed (m³)</i>	<i>Amount paid</i>
1	Kannur	KR-0401 to 0403	29550	14.89
2	Kollam	KR-0601 & KR-0602	21449	15.94
3	Malappuram	KR-1006	23303	13.63
4	Pathanamthitta	KR-1101, KR-1102 & KR-1103	13977	10.38
5	Wayand	KR-1201	11191	8.08
Total			99470	62.92

The department may investigate the reasons for extending undue benefit to the contractors and fix responsibility for the loss sustained to Government.

As per special conditions attached to contracts executed for PMGSY works, supply of departmental materials was not envisaged. This was not adhered to by four* out of six DRDAs test checked as they arranged procurement of rubberised bitumen (1022.60 MT) for the works directing the suppliers to charge sales tax at concessional rate (4 per cent + 15 per cent AST) applicable to Government purchases against normal rate (30 per cent + 15 per cent AST). This resulted in an undue benefit of Rs. 31.06 lakh to the contractors. On this being pointed out, the Department had agreed to review the matter.

Loss due to non-renewal of Bank Guarantee

In Idukki DRDA, during 2000-01 construction of 4 roads estimated to cost Rs. 4.99 crore was entrusted to a contractor at an agreed amount of Rs. 3.75 crore. The contractor abandoned the work after executing earthwork and receiving Rs. 99.72 lakh till June 2002. The work was terminated at the risk and cost of the contractor in March 2003. No action had so far (May 2004) been taken to finalise and realise the risk and cost liability.

It was noticed that Bank Guarantee of Rs. 37.48 lakh furnished by the contractor expired in July 2002. But the Superintending Engineer being the custodian of the same did not take any action to get the bank guarantee renewed in time. Therefore the bank guarantee could not be adjusted towards the risk and cost realisable from the contractor. The work was retendered in January 2004 at a revised estimate cost of Rs 5.11 crore increasing the cost by Rs 1.12 crore with reference to the original estimate.

Diversion of funds

Funds were allotted to each DRDA based on the DPRs. However, the unspent balance of Rs. 3.93 crore available with Idukki DRDA was transferred to six other DRDAs** in 2003-04. Thus, funds received for one district during 2000-01 were transferred to other DRDAs, although the works for which it was sanctioned remained incomplete. The diversion made by the department was not on any specific authority and hence irregular. The DRDAs which received the diverted funds utilised it for additional works included in the revised estimate, before getting approval from the Ministry. The diversion of funds from one district to another and utilising it to incur expenditure in excess of sanctioned estimate was highly irregular.

* Alappuzha, Kottayam, Kozhikode and Malappuram

** Ernakulam Rs.1 crore Kannur Rs.0.53 crore, Kasaragod Rs. 0.40 crore, Kozhikode Rs. 0.50 crore, Malappuram Rs. 1 crore and Pathanamthitta Rs. 0.50 crore

Non-compliance with provisions of the guidelines

3.5.20 Test check of the records in the Commissionerate and District offices revealed non-compliance with the provisions of the guidelines in the following key areas:

<i>Sl. No.</i>	<i>Provision</i>	<i>Remarks</i>
1	Each road work taken up under PMGSY should be part of Core Network	Core Network not prepared
2	Nodal department will identify and establish a State level autonomous agency with a distinct legal status for receiving funds	Established in December 2003 only
3	State will set up a State level standing committee to vet Core Network and project proposals	Not set up
4	Bench mark indicator to be attached to proposals	Not done
5	Second tier quality control structure to be set up independent of PIUs for periodical inspections to ensure quality	Not set up
6	There will not be separate Bank account of PIUs for programme expenditure	Every PIU operates a separate Bank account

In the absence of core network the selection of packages was defective. Apart from this there was no control mechanism to monitor the implementation of the selected packages resulting in non-ensuring the quality of works completed.

Lack of monitoring mechanism

A separate wing had been formed only in December 2003 at State level to supervise the PMGSY works to ensure its quality as provided for in the guidelines. The supervision was limited to the normal checks applied by the DRDA staff along with many other schemes implemented by the Project Officers. Though progress reports were prepared, no analysis or follow up on these reports was undertaken. Changes/improvements in construction of work were made only on the basis of the reports of Joint Director, National Rural Road Development Agency.

Conclusions

Eventhough PMGSY envisaged providing connectivity to all the unconnected habitations with a population of 1000 persons and above by the year 2002-03, many of the packages taken up from 2000-01 remained incomplete as of March 2004. The basic requirement viz. Core Network of roads was not prepared and got sanctioned before implementation of the scheme. In the absence of a separate Benchmark indicator report, status of key indicators of education, health, income, etc., of the habitations could not be ascertained. Inadequate investigation before commencement of works necessitated revision of estimates at later stages and increase in cost of works. Some works could not be taken up due to non-availability of land, non-clearance of site by removal of utilities, etc. Inadmissible/unintended benefits were allowed to contractors.

Effective monitoring mechanism and supervising system were not evolved. Several key provisions in the guidelines meant for effective implementation of the scheme and to ensure proper control, supervision and quality of works were not complied with.

Recommendations

- * The Core Network, the basic requirement for selection of road works under PMGSY should be prepared and got approved at the earliest
- * There should be better co-ordination between various agencies involved in road construction/maintenance to avoid arranging same works by more than one agency
- * Unauthorised transfer/diversion of funds from works not yet completed should be avoided,
- * The estimates prepared by the PIUs should be thoroughly scrutinised by field visits so that large-scale revision of estimates after receipt of sanction is avoided.

Response of the department

The report was discussed with the Commissioner for Rural development. The Commissioner agreed to-

- * Take remedial steps to avoid shortfall in utilisation of PMGSY funds
- * Obtain approval for the Core Network shortly
- * Guard against the lapses/omissions pointed out by Audit in future
- * Prepare Bench mark indicator report

3.5.26 The above points were referred to Government in August 2004; reply has not been received (November 2004).

[Paragraph 3.5 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 (Civil)]

Government notes on the above audit paragraph are included as Appendix II of the report.

1. Before delving into the details of the audit paragraph pertaining to Pradhan Mantri Gram Sadak Yojana, the Committee wanted to have a detailed State wise data regarding the implementation of this Scheme in the State. To this the Rural Development Commissioner replied that the scheme had already been implemented in all Development Blocks in Kerala. Even though the scheme was initially introduced only in some Blocks, its implementation extended to all Blocks in the State by the year 2005-06. A total of 772 road works covering about 837.042 kms were sanctioned under the scheme. Of this 837.042 kms, 424.024 kms were completed till then. Of the 772 road works, 256 works were completed. Twenty eight works were just started. Due to inadequacy of width and certain other reasons, 21 works were dropped midway. The works in 145 cases were progressing. Even though 322 road works were sanctioned in phase-VI of the scheme, the Department was able to arrange works of only 178 roads. The works of the remaining 144 roads were yet to be arranged. When enquired about the reason for not arranging these works, the Commissioner replied that even though the works were tendered thrice, there was no response. After tendering, rates were quoted above estimate rate in 49 cases and there was no participation from the contractors for 95 works.

2. The Committee pointed out that the Department could not quote above estimate rate and it was against the existing norms and PWD Manual. But the witness was of the opinion that even hiking the estimate rate could not attract sufficient tenderers and the department was in a dilemma as to how to deal with the situation. Since the intended aim of attracting the tenderers by hiking the estimate rate was not accomplished, a remedial proposal was submitted to Government. The main reason attributed for enhancing the estimate rate, as reported in the proposal was that, the price of cement, steel, bitumen etc. were considerably increased soon after tendering. The new proposal fixed the Local Self Government Institutions as the implementing agency if they agreed to meet the additional financial commitments incurred in completing the work. But the Committee was of the opinion that the Panchayats could not meet the additional expense in a situation where there was severe dearth of fund in the Panchayats and moreover the fund for the Panchayats were cut short recently from 30% to

20%. In a situation where the Panchayats were struggling to complete their own works, the assignment of PMGSY works would drown them in big trouble.

3. The Committee remarked that the works undertaken by PMGSY was maintaining good standards and if the same standards were adopted by PWD in maintenance works, annual maintenance of roads could be dispensed with in future. Delineating the problems faced in the implementation of PMGSY, the Committee mainly pointed out two things, viz, the increasing cost of materials (Cement, steel, bitumen etc.) used in the works and the unscientific allocation of lead for the works conducted. The Committee emphasized that it was irrational to give same lead for all Panchayat works. The lead given to the Panchayat was the average lead given for works in the town area. The lead given in the town area could not be matched with the lead of the hilly regions, since the transportation charge in the hilly region proved to be much higher. Actually the project itself was envisaged for connecting remote areas of the Panchayats by constructing roads. The implementing agency, the Rural Development Commissionerate had to see that the purpose of the scheme was achieved in all respects. Therefore the Committee was of the opinion that instead of giving same lead for all the Panchayats, each Panchayat should be given the lead it deserves. The Commissioner Rural Development informed that the pattern of lead would be changed from the succeeding package onwards. Regarding the takeover of works the Commissioner informed that even though tenders were invited for 144 works, no one was interested in taking over the works. He also informed that Kerala State Construction Corporation was not given any work since they had quoted higher rates. The Committee then desired to know from the Additional Chief Secretary, Finance Department as to whether the market rate of materials such as cement, bitumen and the rate of actual lead would be reimbursed by the Central Government, since the scheme being a cent percent centrally sponsored scheme. The Additional Chief Secretary, Finance Department, informed that once the Centre approved the estimate submitted by the State, they would not reimburse the excess amount spent on the market rate of items used for work and the State's argument of change of value of items in market would not stand. The only remedy he put forth for this was the timely revision of the Schedule of Rates according to the fluctuations in the prices of major items, which was to be done by PWD. The Additional Chief Secretary again informed that the Finance Department had directed the PWD several times to revise the Schedule of Rates, to which they had not responded positively. Rather, the Public Works Department and Water Resources Department were reluctant to do this.

4. The schedule of rates finally fixed in 2006 was accepted and when an order was passed by the Finance Department for effecting that revision, the PWD had brought an objection before the Government. Based on that objection, the Government stayed the order and decided to implement it by 1 April 2007. The new Schedule of Rates came into existence only on 1-4-2007. But in that schedule of rates too, the rates shown was the one prevailing at the end of the year 2005.

5. The Additional Chief Secretary also brought out another point that if there was marginal increase in the rate of a commodity, that difference in rate should be reflected with revision of the rates and future tenders be arranged accordingly, to which the Public Works department always showed a hesitant attitude.

6. The Committee also had the same view of the Finance Additional Chief Secretary and desired that Schedule of Rates should be revised every year based on the market price of commodities included in it. In such a situation, when there was sudden increase in the rate of a commodity, issuance of special order from the Finance Department for effecting revision of rate could solve the problem. The Committee condemned the negligent attitude of the PWD in effecting the order of the Finance department and suggested that the Department should take all steps to revise the SOR (Schedule of Rates) every year, and to see that it is being made effective in every tender.

7. The Committee pointed out that even in the year 2007, the rate was revised only during the middle of the year 2006-07, that too after getting Administrative Sanction and Technical Sanction. As far as Panchayats were concerned, change in allocation would not be possible and the tendered works could not be stopped on the basis of that reason alone. Therefore the Committee suggested that PWD should revise the rates either in December or in January every year based on the rates prevailing at that time. The Committee opined that Panchayats were struggling to find contractors for entrusting works. The Committee again noted that even though there was a special order to give market rate for bitumen, the same could not be implemented because of revision of estimates after obtaining administrative and technical sanctions.

8. The Committee mentioned that the percentage of funds allocated to the Panchayats were reduced from 30% to 20%. The Government was taking a stand that the Panchayats could undertake any work as per Panchayat Rules. Recently there was an order issued by Government to the effect that Telephone Posts and Electric Posts were to be shifted by the Panchayat itself. Also there was a circular which insisted that works under PMGSY should be done by

Grama Panchayat or District Panchayat. But the stark reality was that the Panchayats were struggling hard to meet even the routine expenses including the salary of employees. The Committee opined that this type of attitude of the Government was very harmful to LSG institutions. Majority of the Panchayats were short of revenue and plan fund. Eventhough the works sanctioned in the previous year was 322, the panchayats were able to tender only 178 works and 144 works were not arranged for want of contractors ready for undertaking the work. The price of raw materials were increasing every year on one side. On the other side the Panchayats faced the severity of shortage of funds. To overcome the crisis and to resume the work, the Committee suggested that the State Government should meet the additional expenses incurred over and above the tender rate in respect of the above 144 works. The Committee further directed the Panchayats to fix a local rate for all the works from the current year onwards for which there was no need of discussions with the PWD. A suggestion from the Panchayats in this regard could be finalised at the state level by the Government itself.

9. The Additional Chief Secretary, Finance Department mooted another point that the non revision of Schedule of Rates affected the LSGD rather than PWD, since tender excess was not allowable for LSGD works. If there was tender excess, that would create more financial commitment to the Government than PWD since all additional expenses incurred for the work, after the approval of the estimate, would be met by the former. Revision of Schedule of Rate in effect would prove beneficial to the Government because all the additional expenses incurred due to revision of SoR would be borne by the Central Government since PMGSY being a cent percent centrally sponsored scheme. Finance Department was of the opinion that either the PWD or Irrigation Department could think of revising the SoR. The PWD schedule of rates cover the rate of items such as marble and cement which are not needed for road works. Hence taking the average rate of 10 items would cover the rate of all items used in all PWD road works. The Finance Department had forwarded a letter to PWD for preparing a detailed statement regarding revision of SoR. But the Department had shown a cold shoulder to this letter and not responded properly. Since PWD and Irrigation Department had shown a hesitant attitude, the LSGD could think of revising it. The Finance Department would not oppose even revision of SoR on monthly basis by LSGD. When the Committee enquired about the possibility of giving market rate for materials such as cement, bitumen etc. the Additional Chief Secretary (Finance) replied that every accredited dealer would give the prevailing market rates of each item, on an enquiry by FAX; for eg. BPCL (Bharat Petroleum Company Ltd.) could give the current rate of bitumen, and Malabar cements, could do the same in the case of cement. This

procedure was followed by the CPWD for revision of SoR. The market rate of CPWD is changed every year and there is no fixed rate for any commodity for CPWD Schedule of Rates. CPWD has fixed certain norms and even a slight change in the norms was not allowed. It was informed that the PWD could also follow this method and that the Finance Department was trying to get it implemented in PWD.

10. At this juncture, the Committee pointed out that the estimate prepared by PWD was to be scrutinized by Thiruvananthapuram Engineering College, the State Technical Agency, and then to be sent to National Rural Roads Development Agency. After their verification it would be sanctioned by Ministry of Rural Development. The additional expense incurred in the work due to change in design and estimate should be borne by the State Government. To tide over this hurdle, the Committee suggested to prepare estimates based on market rates after revision of SoR.

11. Citing certain manipulations such as false billing in the purchase of tar, the Committee explored the possibility of purchase and supply of the materials by the department itself. The Additional Chief Secretary, Finance Department replied that it would be more controversial because for works up to Rs 15 lakh, the purchases used to be done by the department. But on an enquiry by the Finance Department, it was revealed that there was no control in the purchase of materials by the department. An inspection by the AG's office also revealed that gross corruption was going on in the purchase of raw materials. Sometimes before, the department had district stores and a State store, and all the materials purchased were stocked there. An Officer was vested with the control of the store. Removal of raw materials from the store could be effected only after making an entry in the Register. This system was abolished and this was the main reason for gross corruption. This store-keeping procedure had been abolished, but the PWD was supplying tar for works costing Rs.15 lakh. Later on, the purchase was effected directly by the contractors themselves from the Cochin Refineries Limited and there were no department officials to monitor such purchases. No records showing the total number of barrels of tar received, total number of barrels supplied, the volume of tar used and left unused etc. were maintained in the PWD Offices.

12. The Contractors, in turn were reselling these bitumen to some other agencies at higher prices rather than using it for the specified work and using low standard bitumen for Government works. To a query regarding the maintenance of Store, Stock Register and BINCARD, the Additional Chief Secretary, Finance Department replied that such system was stopped forthwith. The Committee reiterated that it was too bad to abolish BINCARD system in the

department. The Additional Chief Secretary further informed that, in the case of corruption in the works amounting to Rs. 15 lakh, the PWD Officers alone were responsible. The Chief Engineer had the authority to grant works with estimate amounting to Rs. 3 lakh without arranging tender. But in many cases, estimates were prepared after the completion of work. The department purchased the whole quantity of raw materials mentioned in the estimate even though that much quantity was not needed for the work. The contractor would resell the rest of the materials for a huge amount. To check all these corruption menaces, a new rule was brought out by the year 2002 according to which in the works crossing Rs. 15 lakh, the contractor ought to be a person who could supply bitumen by himself. Another order issued in 2002 stipulated that, since it was difficult to revise the rate every year, it was fixed. Whatever be the tender excess for all works above Rs. 15 lakh, bitumen could be used to any extent, but it should be bought from Cochin Refineries Limited. But corruption had crept into that area too. The second sellers began processing duplicate bills and produced them for encashment which was recently caught by the authorities.

13. The Additional Chief Secretary, Finance Department apprised the Committee that the State had the right to get 50% of the amount collected as cess on petrol and diesel from the central share under PMGSY. As per this, the centre should have released Rs. 900 crore to the State by April 2007. But the stark reality was that the States did not make use of even the released fund. This fund could be used for repairing the existing roads and also for building new roads in the internal remote regions. Since the Panchayats were deficient in funds, the department could think of using the increased fund for repairing and constructing roads in the panchayat areas. Normally Central Government schemes provide only 50% of the cost of work and the remaining 50% was to be borne by the State. But in this scheme the whole amount of the work was sponsored by the centre itself. The State's failure in properly using the released amount was a grave negligence.

14. The Committee remarked that the total unspent balance for the period from 2000-01 to 31 March 2004 was Rs. 20.68 crore. When asked about the unspent balance as on 31 March 2007, the Rural Development Commissioner replied that the total amount received till then was Rs. 136 crore as advance plus Rs. 1 crore as interest. Out of the total amount of Rs. 137 crore, Rs. 123 crore was spent. To a specific query of the Committee, the witness replied that there was no reimbursement for this fund and upto the year 2005-06, it was given in the allocation mode. The Committee made a comment that even though the interest accrued on the funds allotted under the scheme was utilized for the specified work itself, it was against the guidelines. The Commissioner, Rural

Development Department informed that subsequent concurrence was received from the Centre in this regard. The Committee suggested that in future, prior approval of the Central Government should be obtained before utilising the interest accrued on the scheme's fund.

15. While going through further details of the audit observations, the Committee noted that the guidelines of the scheme stipulated the establishment of a core network of roads, provision of multi connectivity instead of single road connectivity etc in the implementation of the scheme. But it was revealed that core network was not done as specified. The RDC admitted that though core network was created it was not scientific and he stated that selection of roads was being done by NATPAC (National Transportation Planning and Research Centre) based on the data available at Block level and a core network was prepared in consultation with the District Panchayat Presidents. Eventhough core network was prepared, it was difficult to apply it in the State as per PMGSY habitation norms. The Committee pointed out that neither the Revenue Department nor the Panchayats had an authoritative record stating geographical distribution of the population in the State. Hence it was very difficult to identify centres that were to be connected based on population norms. This meant that the habitat distributions given by the department didn't reflect the actual distribution of people in Kerala which in turn affected the selection of roads. When the already prepared core network was submitted to Government of India, they found that about 5790 habitats were unconnected. The RDC in this context informed that a team headed by the Joint Secretary of GOI along with a group of officers, inspected the habitats to know the veracity of this fact and came to the conclusion that the habitat connectivity was much more than the numbers required in the State. The central team was against giving sanction for constructing roads in all these habitats. Later on another team comprising of officers from NATPAC & CRD were invited to Delhi for revising the core network and after a long round of discussions, it was finally decided that only 476 unconnected habitats could be included under this scheme and sanction was accorded for the scheme on priority basis. Priority was fixed on the strength of population such as 1000, 500 etc. To a query regarding the approval of 5677 unconnected habitat identified and the proposed all-weather road connectivity to the extent of 1,41,116.73 km, the Commissioner informed that the proposal was not approved by Government of India.

16. The Committee was of the opinion that preparation of core network was an utopian idea, which had no connection with real facts. If the actual records were taken into consideration, this could never be achieved. But in hilly areas, a core network between unconnected habitations could be achieved. When

pleaded before Government of India for revision of core network, they accorded partial sanction to it. On that basis preliminary steps for revision of core network were taken by the department which had to be completed within 3 months.

17. The witness opined that the practical method which could be adopted for this was to verify the register of roads kept in Panchayat & PWD and after comparing both registers, roads which were not coming in either of the two had to be integrated in it and to generate a map at the block level. This should be further modified at the District level after co-ordination with District authorities. The witness made it clear that preparation of core network and upgradation of the roads which had maximum demand in the panchayat were the two basic things. If the Payment Condition Index (PCI) of five component work was below two components, that road could be taken for upgradation. The PCI survey of all the works had been completed. Based on PCI survey the works of additional roads which were not included in the project could also be taken. The witness again informed that if the core network could be revised within 3 months, additional roads might also be included. He added that NABARD roads could also be included in this scheme based on PCI surveys. But PCI data were not consolidated so far. The target for the on going year was about 890 kms.

18. Regarding a question on PCI survey, the witness informed that PCI list was prepared by Executive Engineers as part of the District wise programme implementation committee under the Commissioner of Rural Development. Regarding the selection of roads under PMGSY, the Committee made it clear that during the meetings for selection of roads, the concerned MPs and MLAs should be invited and the lists be approved with the consent of them also. But the department always neglected peoples' representatives. Though the Commissioner, Rural Development informed that the department had given strict directions in this regard, the Committee didn't agree with it and opined that normally neither MP nor MLA was used to be invited to such meetings and it viewed this as a serious lapse.

19. The Committee noted that though the scheme was implemented in 4 blocks in four districts and 37 blocks in the remaining ten districts during the years 2000-01 and 2001-02 respectively, the Government failed in selecting the Blocks for the implementation of the scheme in 2002-03. When asked about this grave lapse, the Commissioner, Rural Development replied that the department could not post dedicated Executive Engineers during that year for the implementation of the scheme which the Central Government fixed as a norm. For the implementation of the scheme in 2002-03, it was undertaken by Committees under the Chairmanship of the Project Officer, DRDA and Central

Government released Rs 40 crore for the implementation of the same after assigning the charge of implementation to Executive Engineers. Subsequently the amount was revised to Rs 57.22 crore. The reason for continuous delay of 2 years ie, 2002 and 2003 was that the designated structure was not effective. The clearance for the implementation of the scheme was received only after posting 41 Executive Engineers.

20. Audit had pointed out that, for the packages No. 0902 & 1201 approved for Wayanad and Malappuram DRDAs multiple connectivity provided by the Department was thoroughly against the norms and guidelines fixed by Central Government and this caused extra expenditure of Rs. 82.73 lakh. The witness, Commissioner, Rural Development disclosed that multiple connectivity was effected as a result of subsequent creation of roads under LSGD Schemes. But the Committee viewed this rapid change as immaterial and unwarranted and opined that liability should have been fixed on the persons responsible for the loss of Rs. 82.73 lakh. The witness deposed that no liability had been fixed till then.

21. It was understood that the guidelines of the Scheme made it clear that there was no provision for paying lead charges for transportation of soil. But it was revealed in audit that transportation charges of Rs. 62.92 lakh was paid to contractors for conveyance of 94470 m³ of cut earth in five DRDAs. This was done purposefully and this undoubtedly gave unintended benefit to the contractors. When asked about the matter of fixing liability against the officers concerned in the matter, the Superintending Engineer who assisted the Commissioner stated that at the time of rate fixation, the rate of excess earth conveyance was also taken into consideration and it was approved. When the part bill payment was effected during the course of the work, the amount for soil transportation was also paid. Actually for the cut earth which was used in the site, payment should not have been made. When the AG's objection came out, the said amount was deducted at the time of the final settlement of the bills. Hence the department didn't suffer any loss in this matter.

22. As per special conditions attached to contracts executed for PMGSY works, supply of departmental materials was not envisaged. But on a test check by AG in four out of six DRDAs revealed that rubberised bitumen was supplied by the department at government rates and this freed the contractor from paying additional Sales Tax to be paid in regular purchase. This resulted in an undue benefit of Rs. 31.06 lakh to the contractor and as much loss to the government in terms of tax. When enquired about this, the witness replied that this was done as an innovative step to use quality bitumen with good market standards. There was every chance of the contractor purchasing low quality

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artificial bitumen from the market, thus reducing the standard of the road. The quality of the roads could not be maintained if artificial rubber was used. The Committee, eventhough saw this as a good step to keep the standard of the road, remarked that the department could think of realising Sales Tax from the contractor at the rate imposed on private purchase. The witness further clarified that a supplementary agreement was executed with Government of India for using rubber purchased by the department itself. Purchase of materials by the department was subsequently stopped and thereafter it was being done directly by the contractors themselves.

23. The Committee remarked that these grave lapses were seen in a test check done by the Accountant General. The Committee was of the opinion that there might have been so many errors in all works, if audit was conducted on all works. When asked about the steps taken by the Rural Development Department to avoid such defects in the departmental works, the witness replied that the department had taken some effective steps including implementation of dedicated system for conducting works. Forty one accredited Engineers were posted exclusively for doing PMGSY works.

Those Engineers were monitoring the day to day quality aspects of the work. For assessing the quality alone three to seven Engineers were posted recently.

24. The Committee lamented on the plight of Internal Audit Wing of the department. Internal Audit Wing had turned to be a haven for officials of the department having the background of corruption and manipulation. The Committee desired that an audit wing be created under the control of the Finance Department by redeploying the existing staff who have expertise in auditing. They should be entrusted with the audit of all Government departments. The report framed by them should be sent to the Finance Department and to the Heads of the Departments of Government. The persons posted under this wing should be well versed with the nuances of auditing. The Committee was of the view that Government could think of recruiting personnel who have professional qualifications like CA, ICWA, etc for this purpose.

25. The construction of four roads under DRDA in the year 2000-01 was estimated to cost Rs. 4.99 crore and entrusted to a contractor at an agreed amount of Rs. 3.75 crore. The contractor abandoned the work after executing earth work and receiving Rs. 99.72 lakh till June 2002. The work was terminated at the risk and cost of the contractor in March 2003. The department had not taken any action to realise the risk and cost liability.

Due to the lapse on the part of the Superintending Engineer in renewing the bank guarantee which the contractor submitted during the execution of agreement at the proper time, that amount could not be reckoned for risk and cost liability. When the work was retendered the extra amount crossed Rs. 1.20 crore. The Committee enquired about the steps taken to realize the risk and cost liability from the contractor. The witness replied that RR steps were initiated against the contractor and Rs. 21,63,272 was recovered from him. RR steps were also initiated against the second contractor who had abandoned the work. The witness also added that the work was retendered within one year after termination of the second contract. The work was terminated on 19-6-2007 and retendered on 11-7-2007. The Committee observed that the main reason for the termination of the work twice was tendering of the work below the estimated cost.

26. Audit pointed out that an amount of Rs. 3.93 crore allotted to Idukki DRDA was transferred to six other DRDAs during the year 2003-04 and used for works which were not approved by the Central Government. The Committee was of the opinion that eventhough the amount was utilised for some unauthorised works, the amount did not lapse and hence this tresspass could be excused.

27. Regarding the audit objections included in paragraph 3.5.19, the witness, Commissioner Rural Development Department replied that core network of roads would be completed within 3 months and they were preparing to establish the Network in the current year itself. Regarding the setting up of State Level Standing Committee, the Commissioner informed that it was already established with Chief Secretary as the Chairman, as specified in the guidelines. Population based and connectivity based benchmark indicators were also prepared. As far as the setting up of second tier quality control structures was concerned, it was informed that this was established by inducting retired Engineers, and that they were conducting inspection of the work every month. The witness added that they were not maintaining any separate bank account of individual Programme Implementation Unit for the expenditure made for the programme. An account was maintained at Head quarters of Programme Implementation Unit and authorisation was given at district level. But the Committee noticed that this reply and the one given earlier were quite contradictory.

28. To a query regarding the pendency of works under PMGSY, the Commissioner replied that in Idukki District, four works started in the year 2000-01, fifteen works each started in the year 2001-02 and 2002-03, 2003-04 & 2004-05 and 58 works started in the year 2005-06, were pending.

29. The Committee pointed out that those works were to be completed within 6 months from the date of approval in which the department utterly failed. The witness made it clear that the period of completion was subsequently enhanced from six months to one year. He again informed that there were certain pivotal issues which forbade the department from completing the works. The department failed in placing a separate institutional mechanism for the work. Substantial time was taken for shifting of electric post, telephone post etc. from the site of road works. There was reasonable delay in the handing over of land by various other departments. None of those bottlenecks were overridden and no decision was taken to assure at the Project Report level itself that the necessary land had already been handed over to the department.

30. The Committee pointed out that as per the provisions in the Public Works Department Manual, the land should be handed over during the preparation of project itself. Tenders should be invited only after the handing over of the site. The Committee opined that the department was always doing foul play in those matters and utterly disregarding the provisions in the Manual and the guidelines of the PMGSY scheme.

31. While concluding the discussion on audit paragraph examination, the Committee once again directed the Finance Department to take steps for arranging the 144 non-tendered works approved in the scheme and the witness, Additional Chief Secretary, Finance department stated that it could be decided only after conducting the assessments on the financial commitments of those works.

Conclusions/Recommendations

32. The Committee learns that the PMGSY (Pradhan Mantri Gram Sadak Yojana), a cent percent centrally sponsored Scheme launched in December 2000 which aimed at providing good all-weather road connectivity to the unconnected habitations in rural areas, could not achieve its targets. Only 60% of the intended works were undertaken due to non-utilisation of funds and non-compliance of GOI guidelines. The Committee understands that out of the sanctioned 772 road works covering about 838 kms, only 256 works covering 424.24 kms of road could be completed. Moreover 21 works were dropped mid-way due to poor foresight and planning. Works relating to one hundred and forty four roads sanctioned in Phase VI could not even be arranged due to lack of contractors ready to do the works. The Committee notes with dismay that out of the total funds of Rs 69.17 crore received from GOI during 2000-01 to 2003-04, the DRDAs could spent only Rs. 48.49 crore leaving behind Rs. 20.68 crore as unspent amount which comes to 30% of the allotted funds.

The Committee sees that this happened mainly due to delay in submitting proposals within the stipulated time as a result of which the targeted population were denied the benefit of road connectivity.

33. It is also interesting to note that out of the total 322 road works sanctioned in phase VI of PMGSY Scheme, 144 works are yet to be arranged for want of contractors ready to undertake the work due to low rates specified in estimates. The Committee sees that a proposal had been submitted to Government for entrusting this work to Local Self Government Institutions if they agree to meet the additional financial commitment since contractors are reluctant to do PMGSY works. But the Committee is of the opinion that since the Local Self Government institutions are at present facing severe financial crisis due to considerable reduction in the funds allotted to these institutions, it will not be feasible to entrust PMGSY works to them. Therefore, the Committee recommends that the Government should meet the additional expenses incurred over and above the tender rate in respect of the 144 roads which are yet to be arranged.

34. The Committee further sees that increasing cost of materials and unscientific lead allowed for the works causes serious hindrances to completion of works. It is highly illogical to give same lead to town areas and hilly areas since transportation cost in hilly areas is very high. The Committee, therefore suggests that differential lead should be given to various areas according to geographical conditions.

35. Another obstacle which the Committee notice in the implementation of PMGSY works is lack of timely revision of Schedule of Rates of materials. Due to this lapse, there occur huge difference in the estimate and the actual expenditure. The Committee also understands that the Public Works Department and Water Resources Department are reluctant to revise Schedule of Rates.

36. The Committee recommends for the timely revision of Schedule of Rates (SoR) according to the fluctuation in the market prices of major items of construction materials included in it and that it should be effected in all estimates. The Committee blames the negligent attitude exhibited by the PWD and WRD in complying with the directions issued by the Finance Department to revise the SoR preferably in December or January based on the market price of the commodities and suggests that the directions in this order should strictly be complied with. Though the Committee opines that works undertaken by PMGSY maintains good standard, the failure to overcome the problems faced due to the varying prices of commodities by the timely revision

of SoR resulted in additional financial commitments and reluctance of tenderers to take over the works, due to non-availability of tender excess. The Committee criticises the poor and vague response given by PWD officials when enquired about the timely revision of SoR and opines that tender excess after the approval of the design and estimate will affect the Government more than the PWD since all additional expenses incurred due to non-revision of SoR should be met by the former. The Committee also infers that the revision of SoR will be beneficial to Government since all additional expenses due to revision of SoR will be met by the Central Government if the estimate is prepared accordingly, as PMGSY is a cent percent centrally sponsored scheme. The Committee also suggests that the Panchayats should fix a local rate for all the works from the current year onwards with the concurrence of Government without waiting for the revision of rates by the PWD & Water Resources Department.

37. The Committee further suggests that the method adopted by CPWD in which scheduled rate is varied on monthly basis according to the market rate of commodities, should be followed in our State also. The market rate of commodities can easily be collected from the respective producers. The Committee also stresses that the department should prepare a Schedule of Rate exclusively for the works under PMGSY and based on that the estimate should be prepared and tenders called for. The Committee strongly feels that such a system will be beneficial to the State Government since the actual expenditure towards such works can be calculated at the time of preparation of estimate itself.

38. The Committee remarks that the decision to abolish the system which kept track of the purchase, storage and distribution of materials during construction, was too appalling since that system was mainly adopted to check the corruption during the transit of raw materials by maintenance of store, stock registers and BINCARD.

39. The Committee sees serious manipulation in the purchase of raw materials and suspects deliberate nexus between the officials and contractors in this matter. Hence, the Committee strongly suggests that corruption in the purchase should be stopped by introducing an apt system and that there should be transparency in the purchase of materials.

40. The Committee points out that currently the estimates prepared by PWD are to be scrutinised by the State Technical Agency (Engineering College, Thiruvananthapuram) and to be approved by Central Agencies. Since the additional expenses incurred after the approval of the estimates are to be met by

the State Government, the Committee recommends to prepare estimates according to the prevailing market rate after revision of SoR.

41. The Committee understands that out of Rs. 136 crore allotted to the project till March 2007, Rs. 123 crore was spent and the balance amount was not refunded but given as allocation mode. The interest accrued on this amount (Rs. 1 crore) was used for the works as against GOI guidelines. The Committee suggests that in future, prior approval of Central Government should be obtained for using the interest accrued on scheme fund for the work itself. The Committee views it as a serious lapse on the part of the Rural Development Department in not inviting peoples representatives (MPs and MLAs) to the discussions on the selection of roads under PMGSY and suggests that due participation of concerned MPs and MLAs should be ensured in such meetings.

42. The Committee observes that though PMGSY guidelines demand a Core Network based on geographical conditions, habitat distributions and access to social and economic services, such a network could not be created satisfying all factors since neither the Revenue department nor the Panchayats had an authoritative data stating the above features. Hence, the Committee opines that going behind such a utopian idea is utter waste of time and resources.

43. The Committee understands that a core network should be prepared with a practical approach ie. with the help of Panchayaths, PWD and District Level Authorities, aiming at the upgradation of roads which has maximum demands, along with the suggestions and findings of PCI surveys.

44. The Committee understands that the State Government's eligible amount of PMGSY was fixed as 50% of amount collected as road cess on petrol and diesel. As per this criteria our State was eligible for getting Rs. 900 crore up to April 2007 which unfortunately did not happen due to the inability of the State to make use of even the released fund. The Committee views this as a grave negligence on the part of the department which failed to prepare the schemes in accordance with the guidelines of GOI and opines that the increased fund could have been used for repairing and constructing roads in the remote areas of our State.

45. The Committee finds that during the implementation of the scheme in various Districts, the department failed to identify and select Blocks for the year 2002-03 resulting in non-implementation of the scheme for that year. The Committee criticises the department for this lapse and also in not posting dedicated Executive Engineers during this period which was stated as a reason for the failure of the Scheme. This also resulted in a delay of around 2 years for the full implementation of the Scheme.

46. The Committee finds that the department's decision in giving multi connectivity for two packages in Wayanad and Malappuram Districts respectively was against the guidelines fixed by Central Government. The Committee views the decision for effecting multi-connectivity complying with Local Self Government Department norms as totally unnecessary and urges the Department to fix liability on those officers who were responsible for causing extra expenditure of Rs. 82.73 lakh.

47. The Committee views with great concern the factors like giving conveyance charge to contractors for transportation of cut earth from the site in 5 DRDAs, as against guidelines which caused loss of Rs. 62.92 lakh and supplying departmental materials which was not envisaged in the scheme. Though the department recouped the amount from the contractors after audit observation, the Committee view this act of the department in giving unintended benefit to the Contractors as unfair.

48. As far as the supply of materials by the department is concerned, the Committee opines that it caused heavy monetary loss to the Government in terms of tax. Even though the Committee sees the purchase of quality goods from market as a measure to keep-up the standard of the work, the department should have realised sales tax from the concerned contractor at rates imposed on private purchase, in order to avoid loss to Government in terms of tax.

49. The Committee blames the inability of the department in maintaining a strong internal audit wing and proper checking- mechanisms to curb the menaces of corruption in purchase and supply of materials, curbing defaults in departmental works and implementing a dedicated system for conducting the works. The Committee laments the pathetic condition of existing Internal Audit Wing of the Rural Development Department and opines that the audit wing does nothing but aids the corrupted officials of the Department. The Committee recommends to create a unique audit wing under the control of Finance Department by redeploying existing staff who have expertise in auditing to audit all Government departments. The Report of this Audit Wing should be sent to the Finance Department and all Heads of Department. The Committee further recommends that the Finance department should also think of recruiting professionals having qualifications like CA, ICWAI etc. for constituting the above said internal audit wing.

50. The Committee criticises the Department in not executing the works within the stipulated time, ie., six months from the date of approval of the Project. The Committee recommends the Department to strictly adhere to the PWD Manual which stipulates clauses like handing over of the required land

for the project during the preparations stage itself, inviting tenders only after handing over the site etc. The Committee warns the Department officials of any indifferent attitude shown in such matters in future and any action which disregards the guidelines of the Manual in the PMGSY Scheme.

Thiruvananthapuram,
17 July, 2009.

ARYADAN MUHAMMED,
Chairman,
Public Accounts Committee.

Summary of Main Conclusions/Recommendations

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department Concerned</i>	<i>Conclusion/Recommendation</i>
(1)	(2)	(3)	(4)
1	32	LSGD	The Committee learns that the PMGSY (Pradhan Mantri Gram Sadak Yojana), a cent percent centrally sponsored Scheme launched in December 2000 which aimed at providing good all-weather road connectivity to the unconnected habitations in rural areas, could not achieve its targets. Only 60% of the intended works were undertaken due to non-utilisation of funds and non-compliance of GOI guidelines. The Committee understands that out of the sanctioned 772 road works covering about 838 kms, only 256 works covering 424.24 kms of road could be completed. Moreover 21 works were dropped mid-way due to poor foresight and planning. Works relating to one hundred and forty four roads sanctioned in Phase VI could not even be arranged due to lack of contractors ready to do the works. The Committee notes with dismay that out of the total funds of Rs. 69.17 crore received from GOI during 2000-01 to 2003-04, the DRDAs could spend only Rs. 48.49 crore leaving behind Rs. 20.68 crore as unspent amount which comes to 30% of the allotted funds. The Committee sees that this happened mainly due to delay in submitting proposals within the stipulated time as a result of which the targeted population were denied the benefit of road connectivity.
2	33	”	It is also interesting to note that out of the total 322 road works sanctioned in phase VI of PMGSY Scheme, 144 works are yet to be arranged for want of contractors ready to undertake the work due to low rates specified in estimates. The Committee

(1)	(2)	(3)	(4)
			<p>sees that a proposal had been submitted to Government for entrusting this work to Local Self Government Institutions if they agree to meet the additional financial commitment since contractors are reluctant to do PMGSY works. But the Committee is of the opinion that since the Local Self Government institutions are at present facing severe financial crisis due to considerable reduction in the funds allotted to these institutions, it will not be feasible to entrust PMGSY works to them. Therefore, the Committee recommends that the Government should meet the additional expenses incurred over and above the tender rate in respect of the 144 roads which are yet to be arranged.</p>
3	34	LSGD	<p>The Committee further sees that increasing cost of materials and unscientific lead allowed for the works causes serious hindrances to completion of works . It is highly illogical to give same lead to town areas and hilly areas since transportation cost in hilly areas is very high. The Committee, therefore suggests that differential lead should be given to various areas according to geographical conditions.</p>
4	35	”	<p>Another obstacle which the Committee notice in the implementation of PMGSY works is lack of timely revision of Schedule of Rates of materials. Due to this lapse, there occur huge difference in the estimate and the actual expenditure. The Committee also understands that the Public Works Department and Water Resources Department are reluctant to revise Schedule of Rates.</p>
5	36	”	<p>The Committee recommends for the timely revision of Schedule of Rates (SoR) according to the fluctuation in the market prices of major items of</p>

(1)	(2)	(3)	(4)
6	37	LSGD	<p>construction materials included in it and that it should be effected in all estimates. The Committee blames the negligent attitude exhibited by the PWD and WRD in complying with the directions issued by the Finance Department to revise the SoR preferably in December or January based on the market price of the commodities and suggests that the directions in this order should strictly be complied with. Though the Committee opines that works undertaken by PMGSY maintains good standard, the failure to overcome the problems faced due to the varying prices of commodities by the timely revision of SoR resulted in additional financial commitments and reluctance of tenderers to take over the works, due to non-availability of tender excess. The Committee criticises the poor and vague response given by PWD officials when enquired about the timely revision of SoR and opines that tender excess after the approval of the design and estimate will affect the Government more than the PWD since all additional expenses incurred due to non-revision of SoR should be met by the former. The Committee also infers that the revision of SoR will be beneficial to Government since all additional expenses due to revision of SoR will be met by the Central Government if the estimate is prepared accordingly, as PMGSY is a cent percent centrally sponsored scheme. The Committee also suggests that the Panchayats should fix a local rate for all the works from the current year onwards with the concurrence of Government without waiting for the revision of rates by the PWD & Water Resources Department.</p> <p>The Committee further suggests that the method adopted by CPWD in which scheduled rate is varied on monthly basis according to the market</p>

(1)	(2)	(3)	(4)
			rate of commodities, should be followed in our State also. The market rate of commodities can easily be collected from the respective producers. The Committee also stresses that the department should prepare a Schedule of Rate exclusively for the works under PMGSY and based on that the estimate should be prepared and tenders called for. The Committee strongly feels that such a system will be beneficial to the State Government since the actual expenditure towards such works can be calculated at the time of preparation of estimate itself.
7	38	LSGD	The Committee remarks that the decision to abolish the system which kept track of the purchase, storage and distribution of materials during construction, was too appalling since that system was mainly adopted to check the corruption during the transit of raw materials by maintenance of store, stock registers and BINCARD.
8	39	”	The Committee sees serious manipulation in the purchase of raw materials and suspects deliberate nexus between the officials and contractors in this matter. Hence, the Committee strongly suggests that corruption in the purchase should be stopped by introducing an apt system and that there should be transparency in the purchase of materials.
9	40	”	The Committee points out that currently the estimates prepared by PWD are to be scrutinised by the State Technical Agency (Engineering College, Thiruvananthapuram) and to be approved by Central Agencies. Since the additional expenses incurred after the approval of the estimates are to be met by the State Government, the Committee recommends to prepare estimates according to the prevailing market rate after revision of SoR.

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10	41	LSGD	The Committee understands that out of Rs. 136 crore allotted to the project till March 2007, Rs. 123 crore was spent and the balance amount was not refunded but given as allocation mode. The interest accrued on this amount (Rs. 1 crore) was used for the works as against GOI guidelines. The Committee suggests that in future, prior approval of Central Government should be obtained for using the interest accrued on scheme fund for the work itself. The Committee views it as a serious lapse on the part of the Rural Development Department in not inviting peoples representatives (MPs and MLAs) to the discussions on the selection of roads under PMGSY and suggests that due participation of concerned MPs and MLAs should be ensured in such meetings.
11	42	”	The Committee observes that though PMGSY guidelines demand a Core Network based on geographical conditions, habitat distributions and access to social and economic services, such a network could not be created satisfying all factors since neither the Revenue department nor the Panchayats had an authoritative data stating the above features. Hence, the Committee opines that going behind such a utopian idea is utter waste of time and resources.
12	43		The Committee understands that a core network should be prepared with a practical approach ie. with the help of Panchayaths, PWD and District Level Authorities, aiming at the upgradation of roads which has maximum demands, along with the suggestions and findings of PCI surveys.
13	44		The Committee understands that the State Government's eligible amount of PMGSY was fixed as 50% of amount collected as road cess on petrol and diesel. As per this criteria our State was

(1)	(2)	(3)	(4)
			eligible for getting Rs. 900 crore up to April 2007 which unfortunately did not happen due to the inability of the State to make use of even the released fund. The Committee views this as a grave negligence on the part of the department which failed to prepare the schemes in accordance with the guidelines of GOI and opines that the increased fund could have been used for repairing and constructing roads in the remote areas of our State.
14	45	LSGD	The Committee finds that during the implementation of the scheme in various Districts, the department failed to identify and select Blocks for the year 2002-03 resulting in non-implementation of the scheme for that year. The Committee criticises the department for this lapse and also in not posting dedicated Executive Engineers during this period which was stated as a reason for the failure of the Scheme. This also resulted in a delay of around 2 years for the full implementation of the Scheme.
15	46	”	The Committee finds that the department’s decision in giving multi connectivity for two packages in Wayanad and Malappuram Districts respectively was against the guidelines fixed by Central Government. The Committee views the decision for effecting multi-connectivity complying with Local Self Government Department norms as totally unnecessary and urges the Department to fix liability on those officers who were responsible for causing extra expenditure of Rs. 82.73 lakh.
16	47	”	The Committee views with great concern the factors like giving conveyance charge to contractors for transportation of cut earth from the site in 5 DRDAs, as against guidelines which caused loss of Rs. 62.92 lakh and supplying departmental materials which was not envisaged in the scheme. Though the department recouped the

(1)	(2)	(3)	(4)
			amount from the contractors after audit observation, the Committee views this act of the department in giving unintended benefit to the Contractors, as unfair.
17	48	LSGD	As far as the supply of materials by the department is concerned, the Committee opines that it caused heavy monetary loss to the Government in terms of tax. Even though the Committee sees the purchase of quality goods from market as a measure to keep-up the standard of the work, the department should have realised sales tax from the concerned contractor at rates imposed on private purchase in order to avoid loss to Government in terms of tax.
18	49	LSGD	The Committee blames the inability of the department in maintaining a strong internal audit wing and proper checking- mechanisms to curb the menaces of corruption in purchase and supply of materials, curbing defaults in departmental works and implementing a dedicated system for conducting the works. The Committee laments the pathetic condition of existing Internal Audit Wing of the Rural Development Department and opines that the audit wing does nothing but aids the corrupted officials of the Department. The Committee recommends to create a unique audit wing under the control of Finance Department by redeploying existing staff who have expertise in auditing to audit all Government departments. The Report of this Audit Wing should be sent to the Finance Department and all Heads of Department. The Committee further recommends that the Finance department should also think of recruiting professionals having qualifications like CA, ICWAI etc. for constituting the above said internal audit wing.

(1)	(2)	(3)	(4)
19	50	LSGD	<p>The Committee criticises the Department in not executing the works within the stipulated time, ie, six months from the date of approval of the Project. The Committee recommends the Department to strictly adhere to the PWD Manual which stipulates clauses like handing over of the required land for the project during the preparations stage itself, inviting tenders only after handing over the site etc. The Committee warns the Department officials of any indifferent attitude shown in such matters in future and any action which disregards the guidelines of the Manual in the PMGSY Scheme.</p>

Replies to Report of C & AG for the year ended 31-3-2004

<i>Paras</i>	<i>Report</i>	<i>Replies</i>
(1)	(2)	(3)
3.5.1	Introduction	
	In Kerala, 41 packages were identified in 41 Blocks of 14 Districts for implementation of the scheme. The scheme also provides for upgradation of existing roads in the districts where all the habitations have been provided with road connectivity and using upto 20 per cent of the State's allocation for upgradation where unconnected habitations still exist.	Facts-No comments
3.5.2	Objective of Scheme	
	The objective of the PMGSY is to provide connectivity by way of an all-weather road to the unconnected habitations in rural areas so that services (educational, health, marketing facilities etc.) which are not available in the unconnected habitations become available. Accordingly a programme Implementation Unit (PIU) constituted in each District Rural Development Agency (DRDA) with Project Officer. DRDA as chairman and manned by competent technical staff prepares the project proposals and Detailed Project Reports (DPRs) and forwards them to the State Technical Agency (College of Engineering, Thiruvananthapuram) for scrutiny of designs and estimates. DPRs are then forwarded to the National Rural Roads Development Agency (NRRDA) which submits the same to the Ministry of Rural Development, GOI for clearance.	The Projects Implementation Units in the districts have been reconstituted with Executive Engineer, PAU as the head of PIU vide GO No. 312/2004/LSGD dated 4-11-2004.

(1)	(2)	(3)
3.5.3	Organizational set up	
	The commissionerate of Rural Development is the Nodal Department vested with the overall responsibility for implementation of the project in the State. At the district level, DRDA was responsible for implementation of the scheme.	Instead of DRDA the PIU has been responsible for the implementation of the scheme vide GO. No. 312/2004/LSGD dated 4-11-2004.
3.5.4	Audit Objectives	
	The objective of the review were to see whether	
	* The selection of unconnected habitations was according to the prescribed guidelines.	Facts-No comments
	* Funds were obtained and utilised for the purpose for which they were given with the time prescribed.	
	* Packages taken up were completed as per schedule in accordance with the prescribed guidelines.	
3.5.5	Audit Coverage	
	A review was conducted by test check of records of the commissionerate of Rural Development and six out of 14 DRDAs covering 16 out of 41 packages approved during 2000-04.	Facts-No comments
3.5.6	Funding Pattern	
	During 2000-01 funds were received through State budget. For subsequent years funds sanctioned for the scheme by GOI were credited to Saving Bank Account of the Nodal Department in State Bank of India which was in turn released to the seperate bank account operated for PMGSY by each DRDA.	Facts-No comments

(1)	(2)	(3)
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3.5.7 Funding pattern

The funds received expended and unspent balance as on 31st March 2004 were as under:

Rupees in crores

<i>Year</i>	<i>Funds received from GOI</i>	<i>Expenditure</i>	<i>Unspent balance</i>
2000-01	19.71	13.76	5.95
2001-02	27.65	22.50	5.15
2002-03	11.43	12.23	-0.80
2003-04	10.38	Nil	10.38
Total	69.17	48.49	20.68

Facts-No comments

The figures indicate against 2002-03 related too funds received for proposals sanctioned for 2001-02.

3.5.8 Funding pattern

The proposals for the year 2003-04 were sent only in July 2003 by the Department and sanction for these was received from the Ministry in December 2003. As there was not sufficient time during the year for execution of works no expenditure was incurred during 2003-04 despite allotment of Rs. 10.38 crore. No specific reasons were on record for the delay in submitting the proposal. Due to the delay in rendering proposal by the State Government, the targeted populations were denied the benefit of road connectivity.

There was no delay in submission of proposals as the allotment was received during June 2003 and proposal submitted in July 2003. However the proposals were cleared by the Government of India during December 2003. The first installment was received only in March 2004.

(1)	(2)	(3)
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3.5.9 Funding pattern

In the six DRDAs test the progressive expenditure incurred as of March 2004 was as follows:

<i>Rupees in Lakhs</i>			
<i>District</i>	<i>Funds received</i>	<i>Expenditure</i>	<i>balance</i>
Waynad	499.96	488.07	11.89
Palakkad	480.13	454.73	25.40
Malappuram	696.61	711.04	-14.43
Kozhikode	452.37	410.38	41.99
Kottayam	232.30	220.58	11.72
Alappuzha	457.63	448.84	8.79
Total	2819.00	2733.64	99.79

The interest amount accrued in the district was utilized. But the accounting does not show it as interest utilized. Interest has been separately accounted and Government of India has accorded sanction for utilizing interest upto Rs. 91.56 lakh for the Phase II works.

In Malappuram district interest accrued amounting to Rs. 14.43 lakh on the funds deposited (Rs. 6.97 crore) was also utilized for the scheme, which was in violation of GOI guidelines.

3.5.10 Programme Management

The review revealed deficiencies such as non-preparation of Core Network of roads, non-achievement physical targets, provision of multi connectivity instead of single road connectivity, extending unintended benefit to contractors diversion of funds, non-compliance with Government of India guidelines as discussed below.

The core net work been since prepared and submitted to GOI

3.5.11 Selection of Roads

As per PMGSY guidelines each roadwork taken up should form a part of the Core

(1)	(2)	(3)
<p>Network which is the minimal network of roads that is essential to provide basic access to essential social economic services to the selected habitations. However, such a Core Network had not been prepared so far. Instead, Government had authorised NATPAC to prepare draft District Plans for selecting the rural roads under PMGSY by gathering the data including unconnected habitation form the Block Panchayats. Thereafter the draft District Rural Road Plan of all districts were finalised by the concerned.</p>	<p>Lack of institutional capacity was the reason for not taking up more works in the earlier years. However in anticipation of strengthening the institutional capacity. 322 roads of 733 Km were proposed and approved by the GOI during 2006-07. Total outlay is Rs.294.21 crores. These are under various stages of arrangements and execution.</p>	
3.5.12	<p>Implementation of the Scheme</p> <p>The scheme was implemented in four Blocks in four districts during 2000-01 and in 37 Block in the remaining 10 districts during 2001-02. The work in each Block was classified as a package. No Blocks were selected in 2002-03. Fourteen packages, one in each district sanctioned (December 2003) for the year 2003-04 had been tendered as of 31st March 2004. Even though all habitations with a population of 1000 persons and above were in selecting the blocks. This would indicate that the Government/Department was not very keen on the implementation of the scheme despite availability of funds from GOI.</p>	<p>Even though there were initial set backs in implementing the scheme, they have been overcome.</p>
3.5 .13	<p>Physical Achievement</p> <p>Out of 217 new road works taken up with a total length of 370.30 km, 107 roads totalling 217.22 km were completed which constituted only 60 percent of the works undertaken as of</p>	<p>The selection process of contractors for the work was streamlined</p>

(1)	(2)	(3)
<p>March 2004 out of 14 roads undertaken for upgradation, seven roads were completed. In the DRDAs test checked out of 64 roads taken up for construction 20 remained incomplete as of March 2004 despite spending 97 percent of the funds received. It was seen that against the stipulated time of six months for completion of works, the time taken was upto three years. The delay was mainly due to abandonment of work by contractors, non-availability of required land and non-clearance of site by removal of utilities etc.</p>	<p>and necessary instructions were issued to Local Self Government Institutions for shifting the utilities. Now works are being arranged only if sufficient land is available. Better coordination with the BSNL, Water Authority and KSEB is being made to ensure speedy shifting of utilities.</p>	
3.5.14	<p>Providing Multi connectivity</p>	<p>Only single connectivity road was proposed and taken for execution. This is evident from the core network. However roads have been subsequently constructed by the local bodies under various other schemes such as people plan, flood relief scheme, MPLAD scheme etc. leading to multiple connectivity.</p>
3.5.15	<p>Unintended benefit to contractors</p>	<p>Vide letter No.OA VI/07-61/02-03/86 Dated 9-6-06 of Senior Accounts Officer OA</p>
<p>As per the guidelines, no lead charges shall be paid for transportation of soil. But transportation charges of Rs. 62.92 lakh were paid for conveyance of 99470 m² of cut</p>		

(1)	(2)	(3)
earth in five DRDAs. This resulted in an unintended benefit to the contractors as detailed below:	(Central) the audit para on conveyance charges in Pathanamthitta District has been dropped based on the reply furnished by the Department.	
3.5.16	<p>Unintended benefit to contractors</p> <p>As per special conditions attached to contracts executed the PMGSY works, supply of departmental materials was not envisaged. This was not adhered to by four out of six DRDAs test checked as they arrange procurement of rubberised bitumen (1022.60 MT) for the works directing suppliers to change sales tax at concessional rate (4 percent + 15 percent AST) applicable to Government purchases against normal rate (30 percent + 15 percent AST) This resulted in an undue benefit of Rs. 31.06 lakh to contractors. On this being pointed out the Department had agree to revise the matter.</p>	<p>Supply of bitumen was not envisaged in the agreements. On the basis of a request of the State Government, GOI has included Natural Rubber Modified Bitumen also in the IRC specifications for Rural Roads. It was decided to use NRMB in the phase II PMGSY works. But prior to this decision agreements were executed. As there was availability of Artificial Rubber Modified Bitumen in the market at cheaper rates, to ensure the usage of Natural Rubber Modified Bitumen, the Department placed supply orders for it for which tax was charged at concessional rates. For the usage of NRMB,</p>

(1)	(2)	(3)
3.5.17	<p>Loss due to non renewal of Bank Guarantee</p> <p>In Idukki DRDA. During 2000-01 construction of roads estimate to cost Rs. 4.99 crore was entrusted to a contractor at an agreed amount Rs. 3.75 crore. The contractor abandoned the work after executing earth and receiving Rs. 99.72 lakh till June 2002. The work was terminated at fist and cost of the contractor in March 2003. No action had so far been taken to finalise and realise the risk and cost liability. It is noticed that Bank Guarantee of Rs. 37.48 lakh furnished by the contractor the same did not take any action</p>	<p>instead of ordinary bitumen, supplemental agreements were got executed by the Contractors. As the NRMB was supplied by the Department its costs including tax at concessional rate were recovered from them. The rate of NRMB was included in the revised estimate on the basis of sales tax at concessional rate. This was approved by the MORD and funds were released. If the sale tax at commercial rate were charged the revised estimate would have been increased by the difference in the tax rates.</p> <p>This is a fact. It will be ensured that no such instances are recurring. The work was rearran- ged vide agreement No. 1/SE/CRD/2003-04. Dated 4-3-2004 and the loss due to rearrange- ment has been worked out provisionally as Rs. 75,41,207, For the recovery of this loss, the original contractor</p>

(1)	(2)	(3)
	<p>to get the bank guarantee renewed in time. Therefore the bank guarantee could be adjusted towards the risk and realisable form the contractor. The work was retendered in January 2004 revised estimate cost of Rs. 5.11 crore increasing the cost by Rs. 1.12 crore reference to the original estimate.</p>	<p>was moved against by Revenue Recovery and so far Rs. 21,63,272 has been recovered. The estimate was revised to Rs. 650,72,325 on 8-6-2002, during the currency of the original contract.</p>
3.5.18	<p>Diversion of funds</p> <p>Funds were allotted to each DRDA based on the DPRs. However the unspent balance of Rs. 3.93 crore available with Idukki DRDA transferred to six other DRDAs in 2003-04. Thus, funds received for district during 2000-01 were transferred to other DRDAs although for which it was sanctioned remained incomplete. The diversion made by department was not on any specific authority and hence irregular. DRDAs which received the diverted funds utilised it for additional included in the revised estimate, before getting approval from the Minister. The diversion of funds from one district to another and utilising it to incur expenditure in excess of sanctioned estimate was highly irregular.</p>	<p>District wise allotment is being made based on the actual requirements of funds subject to the project cost.</p>
3.5.19	<p>Non-compliance with provisions of the guidelines</p> <p>Test check of the records in the Commissionerate and District offices revealed non-compliance with the provisions of the guidelines in the following key areas:</p>	<p>Core Net Work has been submitted to the GOI. State level Autonomous Agency (KSRRDA) is established. One State Quality Co-ordinator and 7 State Quality Monitors are engaged to ensure quality of work. No separate bank account is being operated for PIU.</p>
3.5.20	<p>In the absence of core network the selection of packages was defective. A part from this there was no control mechanism to monitor the implementation of the selected packages resulting in non-ensuring the quality of works completed.</p>	

(1)	(2)	(3)
3.5.21	Lack of Monitoring mechanism	The SQC and SQMs are regularly watching the quality of works and remedial action taken.
	A separate wing had been formed only in December 2003 at State level to supervise the PMGSY works to ensure its quality as provided for in the guidelines. The supervisor was limited to the normal checks applied by the DRDA staff along with many other schemes implemented by the project officers. Though progress reports were prepared no analysis or follow up on these reports was undertaken. Changes improvements in construction of work were made only on the basis of the reports of Joint Director, National Rural Road Development Agency.	
3.5.22 to	Supervision and monitoring of works were very poor	The SRRDA is strengthened by appointing SQC, SQMs. Contract Management Consultant and IT Nodal Officer. At District Level the units are strengthened appointing an Executive Engineer, Accredited Engineers and Data Entry Operators. Besides, Assistant Executive Engineers of PAU is put in charge of the PMGSY.
3.5.26	Even though PMGSY envisaged providing connectivity to all the unconnected habitations with a population of 1000 persons and above by the year 2002-03, many of the packages taken up from 2000-01 remained incomplete as of March 2004. The basic requirement viz. Core Network of roads was not prepared and got sanctioned before implementation of the scheme. In the absence of a separate Benchmark indicator report status of key indicators of education, health, income, etc., of the habitations could not be ascertained. Inadequate investigation before commencement of works necessitated revision of estimates at later stages and increase in cost of works. Some works could not be taken up due to non-availability of land, non-clearance of site by removal of utilities, etc. inadmissible/unintended benefits were allowed to contractors.	

(1)	(2)	(3)
	<p>Effective monitoring mechanism and supervising system were not evolved. Several key provisions in the guidelines meant for effective implementation of the scheme and to ensure proper control, supervision and quality of works were not complied with.</p>	
	<p>Recommendations</p>	
	<p>* The core Network the basic requirement for selection of road works under PMGSY should be prepared and got approved at the earliest.</p>	
	<p>* There should be better co-ordination between various agencies involved in road construction/maintenance to avoid arranging same works by more than one agency.</p>	
	<p>* Unauthorized transfer/diversion of funds form works not yet completed should be avoided.</p>	
	<p>* The estimates prepared by the PIUs should be the roughly by field visits so that large soale revision of estimates after receipt of sanction is avoided.</p>	
	<p>The report was discussed with the commissioner for Rural Development. The commissioner agreed to-</p>	
	<p>* Take remedial steps to avoid shortfall in utilization of PMGSY funds</p>	
	<p>* Obtain approval for the Core Network shortly</p>	
	<p>* Guard against the lapses omissions pointed out by Audit in future</p>	
	<p>* Prepare Bench mark indicator report</p>	
	<p>The above points were referred to Government in August 2004 reply has not been received (November 2004).</p>	

APPENDIX III

Commissionerate of Rural Development,
LMS Compound, Thiruvananthapuram,
Dated 21-7-2007.

No. Fin. 3/20244/06/CRD.

From

The Commissioner for Rural Development.

To

The Principal Secretary to Government,
Local Self Government Department/Finance Department.

Sir,

Sub:— PAC—Regularisation of excess expenditure—Remedial measures
on draft Paras of C&AG Report—Reg.

Ref:— D. O. No. 15795/PAC1/06/Fin. Dated, 18-9-2006 from
Shri K. Jose Cyriac, Principal Secretary, Finance Department.

Kind attention is invited to the letter as per reference cited. It may be noted that the replies to the C&AG report for the year 2003-04 on the observation on the implementation of PMGSY will be furnished soon. However the replies against the audit observations of the C&AG report for the Financial Year 2004-05 are the following:—

<i>Para- graphs</i>	<i>Audit Observations</i>	<i>Reply</i>
(1)	(2)	(3)
3.2.9 to 3.2.13	Low utilization of the project funds only 30% of the project funds could be utilized by March	A loan Agreement ID-P/111 dated, 25-1-1996 was entered between the Government of India and the Overseas Economic Co-operation Fund [renamed as Japan Bank for International Co-operation (JBIC)] for the implementation of the Attappady Wasteland Comprehensive Environmental Conservation Project. The total project cost was 6338 Mil. Yen (Rs. 219 Crores at the then exchange rate of 1 Re=2.89 Yen) with a loan component of 5112 Million Yen (Rs. 176 Crores). The loan agreement had a validity period up to 26th March 2005. The project was sanctioned as per the proposal prepared by

(1)	(2)	(3)
		<p>M/s. CWRDM, Kozhikode and detailed survey and designing of the project has to be undertaken for project implementation purposes. The ecological and tribal development integrated project is the first of it's kind and no models were available for the project to learn and to develop the systems for implementation. During the initial stages therefore, there were delays in the starting up of field level implementation due to a variety of factors. Principal among them are detailed below:</p>
		<p>(1) <i>Delay in appointment of International Consultants :</i></p>
		<p>The loan agreement provides for the appointment of consultants for the implementation and loan administration. JBIC insisted that field level implementation could be undertaken only after Consultants are in position. The method and procedure are to be followed as per the terms and conditions of the funding Agency. The selection and appointment of consultants were completed only by 31-7-1999. After the approval of consultants implementation of plan, the field project activities could be started only by April 2000. The intermediate period was utilized for publicity and awareness about the project, delineation of micro watersheds and formation of Users Association etc.</p>
		<p>(2) <i>Delay in the finalization of micro plans :</i></p>
		<p>External agencies were engaged for the preparation of micro level implementation plans. The plans submitted by them could</p>

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not be directly implemented at the field level due to the participatory nature of the project. With the guidance from the International Consultants, the implementation of plans were prepared and later rescheduled. One of the conditions of the project as per the original agreement was that the local people who are beneficiaries of the area are to be formed as Users Association and to be made part of the implementation from the planning stage itself. The rescheduled project implementation was submitted by the consultants in the year 2000, after studying various aspects of available labour, etc. has estimated a project implementation was up to November 2012.

Due to the delay in the initial start up of the project, field level implementation activities could not be started as originally envisaged resulting in the surrender of entire budgetary provisions in the year 1999 and 2000. Further, the phasing of the project implementation as per the consultants schedule was also resulted in the spreading out of expenditure beyond the originally agreed project period of year 2005. The expenditure accordingly resulted in the achievement of Rs. 65.69 Crores only Considering the revised implementation schedule agreed by the consultants, the achievement of the project expenditure at 30% is reasonable.

The JBIC has agreed for the extension of the project upto year 2008 with the provision for further extension up to year 2010.

(1)	(2)	(3)
3.2.14 & 3.2.15	Enhancement of the Project Cost	<p>The project proposal by name, 'Integrated and Sustainable Development of Attappady Wastelands' was prepared by CWRDM, Kozhikode and submitted to the Government of Kerala for obtaining external assistance. The board Development Unit (DU) wise physical quantities were worked out and the unit cost were fixed at the then prevailing local rates of 1993. The conditions of the loan were negotiated between the overseas Economic Co-operation Fund (OECE) Japan, Government of India, Government of Kerala on 26th May 1995. The Estimated cost was worked out considering the escalation for the future period of implementation and a provision for physical contingency were made to meet any unforeseen future expenditure. The 'provision' of cost escalation and contingency shall be availed only as per the actual conditions of the cost of implementation.</p> <p>Due to the complex nature of the project, it was decided to engage International Consultants for the implementation of the Project. Accordingly the provision of Consultancy cost was included. The calculation of Rs. 91.05 Crores was only the cost of intervention on the field level at the then local rates of 1993. Considering all the above factors and the long term life of the project, the project cost was reworked to Rs. 219 Crores.</p>

(1)	(2)	(3)
3.2.18 to 3.2.21	Consultancy services	<p>As per the conditions of the loan agreement two consultants are to be appointed against the loan allocation.</p> <p>(1) For detailed survey and designing of the project, M/s. CWRDM, Kozhikode has to be appointed and provision was made under loan component Category-B.</p> <p>(2) An International Consultant to be appointed by the Executing Agency Viz. The Government of Kerala for the administration of the loan and provision was made under category-C.</p> <p>During the course of the development of project implementation, it was decided that the implementation level of the project should be modified from the Watershed based Development Unit level to Micro watershed based User Association level to ensure participation and sustainability. Accordingly, the report submitted by M/s. CWRDM at DU level needed to be modified, which required further external assistance. Accordingly, the eminent institutions like M/s. IRTC Mundur, M/s. KFRI Peechi and the Central Social Water Conservation Research and Training Institute, Ooty were engaged for the User Association level operational plans. Micro plans were prepared based on the recommendations of the consultants. The Role of International Consultants was obtained at the strategic level and is covered under specific Terms of Reference.</p> <p>As explained earlier, the intended change on ecology and the tribal development factors require more gestation periods.</p>

(1)	(2)	(3)
3.2.22 to Achievement with 3.2.25 respect to the reduced project area		<p>Hence, the consultants modified the revised implementation schedule for an implementation period up to November 2012. The effectiveness of the achievement was assessed from the point of view of overall objectives of the project and many additional components for the fulfillment of tribal development were included, for which the project was restructured during 2002. The project has now attained considerable qualitative achievements to consider it as a model.</p> <p>Attappady is a Block covering a geographical area of 745 Sq.km. with three Grama Panchayats namely Agali, Pudur and Sholayur. Due to the highly undulating terrain conditions, the exact measurement of the Watershed are through physical identification process across the entire region would have been very difficult at the planning stages. The CWRDM, Kozhikode in its project proposal has estimated a wasteland area of 509 sq.km. spread over 15 Development Units. The Consultants in the year 2000 presented the Implementation Programme for the project recommended a phased implementation in two parts for the 507 sq.km. area. The implementation of the project will be concentrated in an area of 368 sq.km. in the first phase, where broad land use plan is available on the satellite maps obtained from the Land Use Board and to be continued later to the remaining 139 sq.km. (Note 3.1.2. of the Consultants report).</p>

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(3)

The recommendation of the consultants restricts the use of labour for the implementation purposes only from the available manpower of Attappady. It is deduced from the past experiences that largescale destruction of natural resources of Attappady took place between 1950-1980, when large scale migration from outside Attappady took place. Accordingly, the labour requirement and available labour force of Attappady was assessed for the overall implementation programme, which was suggested by the consultants upto November 2012. To ensure ownership and responsibility of the participant public, the Project identified itself as a facilitating agency' and the local people through their registered bodies like 'Users Association', 'Ooru Vikasana Samithy' and Joint Forest Management Committee become the implementation bodies. This arrangement although delayed the project implementation, was able to bring about changes in the overall ecological perspective and social order.

The revised Final Implementation Programme (FIP) was prepared for the Financial Year ending 2010 and JBIC approved the proposal. The effectiveness of the Loan Agreement has been revised to March 2008 with provision for extension up to 2010.

The Development Unit 6&7 mostly comprises of forest area and inhabited sparsely by Kurumba tribes. The interior places have less accessibility and have taken longer gestation time to bring these

(1)	(2)	(3)
3.2.28 to 3.2.30	Activities Detrimental to Environment	<p>primitive tribes into development process. Concerned efforts are being made by a team of staff to take development activities in the region.</p> <p>DU 15 has been identified an area outside the geographical territory of Attappady Block and hence excluded from the present project scope.</p> <p>(1) <i>Activities in core zone area.</i></p> <p>Attappady during the period prior to the year 1950 has rich biodiversity and inhabited by tribals forming more than 90% of the population has lost much of its biological and natural resources between 1950-1980. The objective of the project is to resotre the ecology and to provide a sustainable livelihood to all the local people with special focus on tribals. The approach of project implementation follows the principles of ‘conservation with development’ and no activity is taken to destroy the ecological attributes of the area. As a matter of fact, the project is a regeneration activity which was already covered regeneration of 5530.30 hectors of degraded forests through protection and 3367.88 hectors have 3 been planted with fresh species. The local people are being regularly made aware of the ecological importance and sustainable livelihood options.</p> <p>Attappady Block forms part of Nilgiri Biosphere Reserve. All of Attappady Block does not fall under the classification of core zone area. No human intervention is</p>

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(3)

permitted under the core zone area covered in Silent Valley National Park. The high forests are not interfered with by the project and it targets only the degraded land.

All of DU 10 & 11 area does not lie within the core of Nilgiri Biosphere Reserve. Accordingly, the land development works were undertaken in the identified areas of wastelands in DU 10 & 11 and development activities undertaken based on the Consultants Implementation Programme. Activities undertaken in forest area are through 'Joint Forest Management Committees with the concurrence of the Forest Department.

(2) *Illegal quarrying activities*

As the Revenue and Forest Departments are authorized to grant permits for lands under their jurisdiction, AHADS an autonomous body registered for the purposes of executing the project doesn't have any control over such activities. The matter has been taken up with the authorities and large scale quarrying stopped.

(3) *Banana Cultivation*

Due to the land development activities undertaken by the project, the sub-surface as well as running water availability in the area has increased. People once abandoned lands for menial jobs outside Attappady have begun to return and started cultivating once fallow lands. Attappady lies in the border areas of Tamil Nadu and have

(1)	(2)	(3)
3.2.31 to 3.2.32	Studies/Research on Environment provided under the project not taken up	<p>settlers of Tamil origin in the Eastern side and Malayalam origin on the Western side. Their cultivation preference also differs. In the Eastern side, the settlers' prefer to cultivate banana, pulses, cotton etc. that gives immediate economical returns. AHADS does not provide any assistance for the cultivation of banana. The people are advised to undertake private land development activities, which are of sustainable in nature based on land use/land capability classification.</p> <p>An amount of Rs. 130 lakhs was provided under the restructured project under Additional Environment Components. For the promotion of the Watershed Management & Sustainable Development, it was decided to establish a centre of excellence in the name of "Centre for Participatory Resource Management (CPRM)" and for the studies in relation to the purpose of establishing the centre.</p> <p>The following agencies have been entrusted with Research Studies.</p> <ol style="list-style-type: none"> (1) Institute of Forest Genetics and Tree Breeding, Coimbatore. (2) Salim Ali Centre for Ornithology and Natural Science, Anaikkatty. (3) Kerala Agricultural University, Vellanikkara. <p>There are now seven research projects being undertaken by these institutions. The Structure, Rules, System and Procedures for developing sustainable livelihood options. The small-scale intervention undertaken</p>

(1)	(2)	(3)
3.2.36 to 3.2.46	Activities originally not contemplated but taken up	<p>during the initial phase of the project could not bring about the desired outcome. However, these activities have grown now into more than 173 numbers of Income Generating Activity (IGA) groups. The poverty level in Attappady is very low now due to activities undertaken by the project. The people institutions have been strengthened with managerial capability to handle funds and to undertake field level implementation activities.</p> <p>For promotion of Income Generating Activities (IGA), an amount of Rs. 400 lakhs was provided under the project. A separate institutional mechanism as IGA Trust Fund with guidelines for financing and implementation have been prepared and submitted to the Government for approval. The activity will be in operation once the guidelines are approved.</p> <p>AHADS was established as an autonomous body to execute the Attappady Wasteland Comprehensive Environmental Conservation Project. The project had work components like Agronomic Development, Soil Conservation, Forestry Development etc. When AHADS was formed, Attappady was a place of poverty and ecological degradation. Bureaucratic inefficiency and corruption dominated the various development works that began after independence. However, AHADS was conceived as a new approach to development in which beneficiaries themselves become vehicles of development delivery. After the beginning of</p>

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		<p>implementation upto year 2005, it could bring about confidence in the minds of local people to execute public works free of corruption, and developed a culture of community governance of local resources.</p>
		<p>AHADS has to devise a comprehensive mechanism to bring about all around development objectives. The work components forming part of the Loan Agreement focused mainly on land development measures. Though sustainable livelihood for the local people with special focus of the tribals was once primary objective, it has not been supported with work components. Hence it was felt that the social development component are to be given priority for the sustenance of the exorestoration project where human factor also relevant.</p>
		<p>Considering the reduced intervention of project area, the assessment of financial aspects was considered in the year 2000 and it was decided to utilize the surplus funds adding the social development components in the project. The Consultants, the JBIC and the Government have concurred on the above and the restructured proposals were agreed in the year 2002. While implementation of social development component would appear as if its stepping in to other line departments territory, such overlapping were avoided by method of execution work (through people themselves) and close interaction with the line departments. The AHADS Governing Body, consisting of the representatives of the local bodies and Government</p>

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departments, collectively, approve annual plans and discuss development activities and ensures that no overlapping of jurisdiction and tasks takes place. As a matter of fact, AHADS has engaged as a support agency for overall development of Attappady to all line departments.

The total Hamlet Development Programme (THDP) is the comprehensive Hamlet development package comprising of Housing, Rain Water Harvesting, Sanitation, Community Resource Centres etc. and not simply a housing exercise. The package of THDP requires the co-operation and participation of the local people of the hamlets to plan, construct, maintain and own the activities. By virtue of its expansion over 24 hamlets, in facilitating the implementation of THDP programme, it was found necessary to have additional technical help from outside AHADS for taking up complete civil works through participatory process. Accordingly, it was decided to obtain the assistance of NGOs.

Hydro Power Project

The people of DU-6 and 7 mainly minority Kurumba tribes are remotely located in far off places are without the aid of power. Hence, there was a proposal to assist them in getting power connection through developing a minor micro hydel unit. The proposed hydropower project was meant for that activity and the

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preliminary survey works were completed. However, due to technical reasons the work has not been started even now.

The construction of the bridge over Bhavani river at Chavadiyoor was the long felt need of the local people, as it was the only way to link people of Pudur Panchayat to the rest of the area. Since, this exercise required huge funds and the line agencies did not have such funds. AHADS was asked to provide for this, which was approved in the project by the JBIC. The construction work is under progress.

Out lay towards Scholarship

Payment of scholarship to SC/ST needy students shall be decided in close co-ordination with the ITDP.

Construction of Hospital and Drinking water infrastructure.

Similarly, to tackle various health issues in Attappady, AHADS was requested to support this and the component was added in the restructured proposal locally felt need. Drug addiction, sickle cell anemia, prevalence of diseases such as cholera etc. bring large number of patients in the 3 PHCs of Attappady. Due to inadequate facilities, the patients experienced difficulties and professional medical help was minimum. Hence it was decided to supplement the available facilities with the

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objective of better health development of the local people. In respect of water development work, the approach of AHADS is to bring water to develop agri-horticultural aspects over the wastelands. These activities form integral part of the micro plans.

Yours faithfully,

A. AJITH KUMAR, IAS,
Commissioner for Rural Development

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