

## CHAPTER III: PLANNING AND EXECUTION

### 3.1 PLANNING

#### 3.1.1 Creation of NLCPR reserve fund in Public Account

In terms of the Cabinet decision taken in November 1997, the Ministry of Finance (Department of Expenditure) was required to create a fund titled the “Central Resource Pool for development of North Eastern Region” in the Public Account. However, no such reserve fund had been created in the Public Account and the funding of the NLCPR scheme was being effected through the annual budget exercise. Details of accruals in the pool since inception are given in Table 4:

**Table- 4: Details of accruals to the Pool since 1998-99**

*(Rupees in crore)*

Sl. No.	Year	Opening Balance	Amount of accruals	Releases during the year	Closing Balance
1	1998-99 to 2001-02	N/A	<b>5806.07</b>	1605.38 (NEC) 1346.72 (NLCPR) <hr/> 2952.10	2853.97
2	2002-03	2853.97	<b>1339.70</b>	550.00	3643.67
3	2003-04	3643.67	<b>657.24</b>	550.00	3750.91
4	2004-05	3750.91	<b>663.35</b>	650.00	3764.26
5	2005-06	3764.26	<b>1960.12</b>	679.17	5045.21
6	2006-07	5045.21	<b>1311.08</b>	689.83	5666.46
7	2007-08	5666.46	<b>1933.33*</b>	636.00	6963.79

\*The figure is provisional and is yet to be certified by Department of Expenditure, Ministry of Finance

The Ministry of DONER stated (February 2010) that ‘the non-lapsable pool exists in notional form and the creation of non-lapsable pool in Public Account would be beneficial for deciding the nature and quantum of projects to be funded. Instead of getting budgetary support for the scheme, the Ministry should be allowed to draw the funds directly from the pool as per need’. The Ministry also stated that it had raised the issue of creating a non-lapsable pool in Public Account at various fora. However, it may be appropriate to assess the overall functioning and role played by NLCPR at this stage, before taking a definitive view on the funding of the NLCPR. Thus even after 11 years of the Cabinet decision the issue of opening the NLCPR Fund in the Public Account of India could not be resolved.

Government must comprehensively examine this issue on priority and should either open a fund for NLCPR in the Public Account of India as per the Cabinet decision of 1997 or suitably amend the programme guidelines for maintenance of NLCPR accounts on proforma basis only.

### **3.1.2 Gap analysis before setting up of NLCPR**

Gap analysis for the Basic Minimum Services (BMS) and infrastructural development was done sector and State-wise for all the NE States in the Shukla Commission Report submitted in March 1997. These gaps were to be filled by way of funding from all sources viz. Central Sector/sponsored schemes, State plan schemes, North Eastern Council etc. The Report did not specifically identify the source of funding for the sector-wise gaps in BMS and infrastructure development. In respect of infrastructure development, only a broad overview of the indicative requirement of funds for various infrastructure development programmes was done in November 1997. The Ministry of DONER did not devise any mechanism to ascertain the gaps to be filled through their funding.

### **3.1.3 Annual Project Profiles**

In terms of the scheme guidelines, the “Annual Profile of Projects<sup>2</sup>” was to be submitted by each State before 31 December of the previous year, with a comprehensive proposal containing ‘gap analysis’ (included in revised guidelines of 2004) of all major sectors and justification for the listed projects for filling these gaps. This was required to be in consonance with the overall planning process within the States covering Annual and Five year Plans.

Audit conducted a review of 24 Annual priority lists of the eight States for three years viz. from 2005-06 to 2007-08 and observed that in 19 annual profiles of projects, gap analysis was not carried out by the respective States. The project profiles did not contain detailed analysis of existing facilities in the sector, complete justification along with the cost benefit analysis for the particular project. The Ministry approved NLCPR projects without assigning priority with reference to gap analysis as envisaged in the guidelines. No record/data was available to monitor the existing gaps and those filled under various schemes.

The Ministry stated (February 2010) that the State Governments had to submit prioritized lists of infrastructure projects, annually, after analysing the gaps in infrastructure. It had issued a District Infrastructure Index (DII) in September 2009 which would be of help in better targeting of schemes and projects within NER, in order to reduce intra-regional disparities. Since funds for the scheme are released by

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<sup>2</sup> Annual profile of projects should be a comprehensive proposal containing ‘gap analysis’ of all major sectors and justification of the list of projects in fulfilling these gaps. This should be in consonance with the overall planning process within the State, covering Annual Plans and Five Year Plans. The State should also indicate that the project has not been proposed or taken up with other funding mechanism. The list should include write ups as concept papers on all individual projects denoting approximate financial outlay, identification of beneficiaries etc.

the Ministry, it must be ensured by the Ministry that the basic requirements of the scheme are fulfilled before it decides to release funds to the States.

### 3.2 PROJECT EXECUTION

#### 3.2.1 Status of completed/incomplete projects

##### (a) Analysis of completed projects

The status of completed projects funded under the NLCPR is depicted in Table 5.

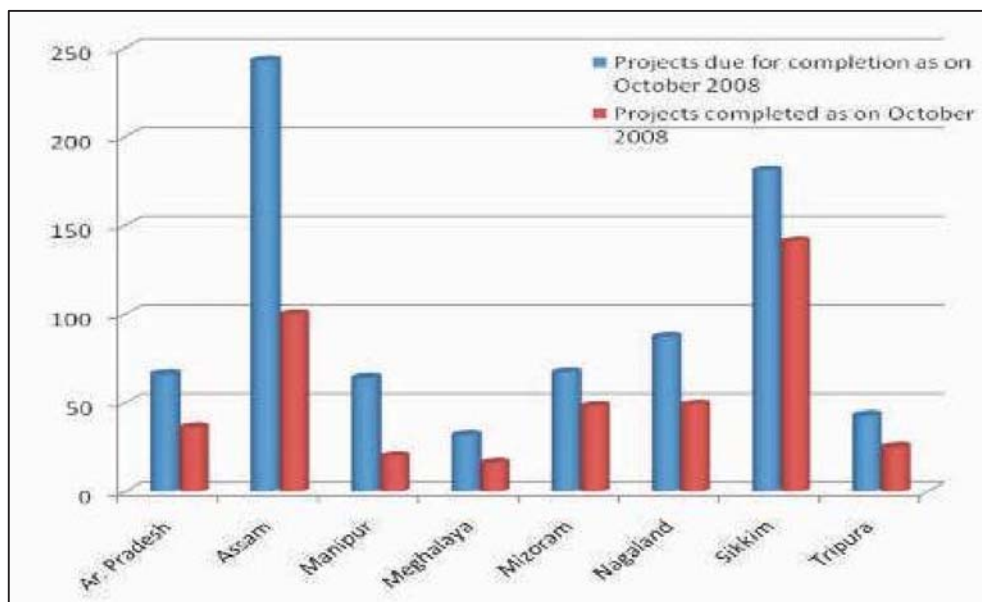
**Table-5: Completed projects**

Name of State	Projects Sanctioned since 1998 to September 2008	Projects due for completion as on October 2008	Projects completed as on October 2008	Percentage of completed projects
1	2	3	4	5
Arunachal Pradesh	101	66	36	54.55
Assam	295	243	100	41.15
Manipur	92	64	20	31.25
Meghalaya	58	32	16	50.00
Mizoram	79	67	48	71.64
Nagaland	94	87	49	56.32
Sikkim	187	181	141	77.90
Tripura	53	43	25	58.14
<b>Total</b>	<b>959</b>	<b>783</b>	<b>435</b>	<b>55.56</b>

Our analysis of completed projects indicated that:

- As of 30 September 2008, 959 projects with an approved cost of Rs. 7070.38 crore had been sanctioned from the NLCPR. 783 of these projects should have been completed by October 2008 or earlier. However, only 435 projects (56 *per cent*) involving an expenditure of Rs. 1934.49 crore had been completed.
- The performance of Assam and Manipur was far from satisfactory as these States could not complete even half of the projects that had fallen due for completion as of October 2008. The States of Sikkim and Mizoram performed relatively better achieving an overall completion level of 78 *per cent* and 72 *per cent* respectively.

**Chart 1- State-wise details of projects due and completed under NLCPR**



- Of 435 projects completed upto October 2008, only 210 projects (48.27 per cent) were completed timely as per schedule and remaining 225 projects were delayed with time overruns ranging from 1 month to 69 months as per details given in the Table 6 below:

**Table-6: State-wise detail of projects completed with time overrun**

Name of State	Projects completed as on October 2008	Projects completed in time	Projects completed with time overrun	Range of delay (in months)
Arunachal Pradesh	36	5	31	7-50
Assam	100	23	77	1-39
Manipur	20	7	13	2-69
Meghalaya	16	3	13	1-38
Mizoram	48	29	19	1-57
Nagaland	49	45	4	3-18
Sikkim	141	95	46	5-26
Tripura	25	3	22	1-60
<b>Total</b>	<b>435</b>	<b>210</b>	<b>225</b>	

**(b) Analysis of incomplete projects**

The position of incomplete projects is given in Table 7.

**Table-7: State-wise details of incomplete projects**

Name of State	Projects sanctioned since 1998 to September 2008	Incomplete projects as of October 2008	Projects due for completion as on October 2008	Incomplete projects with time overrun	Percentage of incomplete projects	Dropped / closed
Arunachal Pradesh	101	65	66	30	45.45	0
Assam	295	185	243	143	58.85	10
Manipur	92	72	64	44	68.75	0
Meghalaya	58	42	32	16	50.00	0
Mizoram	79	31	67	19	28.36	0
Nagaland	94	44	87	38	43.68	1
Sikkim	187	29	181	40	22.10	17
Tripura	53	28	43	18	41.86	0
<b>Total</b>	<b>959</b>	<b>496</b>	<b>783</b>	<b>348</b>	<b>44.44</b>	<b>28</b>

Our analysis indicated that:

- Of the **524<sup>3</sup>** incomplete projects including 28 dropped projects, 348 projects (44.44 *per cent* of 783 projects) were due for completion as of October 2008 or earlier. There were serious slippage s in completion of a large number of projects under the scheme. In fact, in **106 incomplete** projects (20 *per cent*) the entire approved cost of **Rs. 1107.99** crore had been released to the State Governments concerned. Some important projects which were yet to be completed despite complete release of funds by the Ministry were 132 KV Ziro-Daporijo-Along transmission line, Arunachal Pradesh (Rs. 52.81 crore), Champamati Irrigation Project, Assam (Rs. 39.47 crore), Electrification of Tribal villages, Manipur (Rs. 11.28 crore), Primary School building, Meghalaya (Rs. 14.40 crore), Tang junction to Chenmoho road in Nagaland (Rs. 15.13 crore), Augmentation of Gyalshing water supply scheme in Sikkim (Rs. 7.08 crore) and Tribal development project in Tripura (Rs. 28.04 crore). The delay in completion of these projects was more than eight months.
- **28 projects** had been closed/dropped by the States/Ministry. The reasons attributed for closure of these projects were withdrawal of project by the State government for considering them under other Centrally Sponsored Schemes, executing agency reluctant to start the project due to low approved cost and in some cases reasons of closure were not available on records.

<sup>3</sup> Total projects (959) – Completed projects (435)=Incomplete projects 524 (496+28)

**(c) Status of test checked projects:**

Audit reviewed 91 projects with approved cost of Rs. 1399.89 crore. Only 36 projects involving expenditure of Rs. 380.46 crore were completed as of November 2009. Of 36 projects, 21 projects were completed with time overrun ranging 4 months to 47 months. State-wise details of incomplete projects and reasons for delay in completing the projects are discussed below in Table-8.

<b>Table-8: State-wise status of reviewed projects</b>				
<b>State</b>	<b>No. of reviewed projects</b>	<b>Completed projects</b>	<b>Incomplete projects</b>	<b>Reasons for delay in completion of projects</b>
Arunachal Pradesh	10	02	08	<ul style="list-style-type: none"> <li>➤ Delay by the State Government in submission of UCs, progress reports etc. resulted in delay in release of funds by the Ministry, which further delayed the implementation of the projects.</li> <li>➤ Delay in transmission of funds to the executing agencies by the State Government</li> <li>➤ Excessive time taken in the process of tendering, obtaining of statutory clearances, litigation problems etc.</li> </ul>
Assam	25	08	17 [In one case completion certificate (CC) awaited]	<ul style="list-style-type: none"> <li>➤ Short release of State share against its 10 <i>per cent</i> share due during 2005-06 to 2007-08.</li> <li>➤ Delay in release/non release of funds to executing agencies by the State Government</li> <li>➤ Non receipt of material in time and forest clearance.</li> <li>➤ Delay due to law and order problems in the State.</li> </ul>
Manipur	10	04	06	<ul style="list-style-type: none"> <li>➤ Short release of state share and delay in release of central funds to implementing agencies by the State government.</li> <li>➤ Delay in timely utilization of funds due to law and order problem.</li> </ul>
Meghalaya	10	03	07	<ul style="list-style-type: none"> <li>➤ Delay in transmission of funds to the executing agencies by State Government</li> </ul>
Mizoram	09	06	03	<ul style="list-style-type: none"> <li>➤ Diversion of funds.</li> <li>➤ Improper planning relating to finalisation of site, frequent revision of estimates.</li> <li>➤ Slow progress of execution by the executing agency/contractor</li> <li>➤ Improper planning by the Department</li> <li>➤ Short release of State share.</li> </ul>
Nagaland	10	02	08 (one project abandoned, in one case CC awaited)	<ul style="list-style-type: none"> <li>➤ Delay in transmission of funds to the executing agencies by State Government</li> <li>➤ Short release of State share.</li> </ul>
Sikkim	08	06	02	<ul style="list-style-type: none"> <li>➤ Delay by the contractor.</li> <li>➤ Delay in issue of work order.</li> <li>➤ Paucity of funds due to higher tender rates.</li> </ul>
Tripura	09	05	04	<ul style="list-style-type: none"> <li>➤ Non release of State share.</li> <li>➤ Delay in transmission of funds to executing agencies by the State government.</li> </ul>
<b>Total</b>	<b>91</b>	<b>36</b>	<b>55</b>	

### 3.2.2 Sector wise analysis of project implementation of reviewed projects

#### 3.2.2.1 Education Sector

A major project being executed under NLCPR in the Education sector is the Sarva Shiksha Abhiyan (SSA), which is a Central scheme implemented by Ministry of Human Resource Development (HRD). The funding pattern under SSA during the Tenth Plan was 75 *per cent* to be borne by the Centre and 25 *per cent* by the State. Since North Eastern States are Special Category States, they were required to bear only 10% of the State share and the balance 15 *per cent* was to be met by Ministry of DONER. The Ministry, while issuing the sanction orders, specified that the related grant was being given as a special dispensation for the SSA scheme viz., to meet 15 *per cent* of the State share. During 2005-06 and 2006-07, Ministry of DONER supplemented the 15 *per cent* out of 25 *per cent* State share amounting to Rs. 170.78 crore from NLCPR. It was observed that in two States, Arunachal Pradesh (Rs. 14.29 crore) and Assam (Rs. 102.93 crore), a sum of Rs. 117.22 crore was released in 2006-07 for which utilization certificate was awaited as of January 2010.

The other major projects taken up under the Education sector were on account of development/upgradation of infrastructure and facilities at universities, colleges and schools. Audit scrutiny of these projects revealed the following position:

**Table-9: Summary of Education projects (other than SSA)**

State	Name of reviewed project	Status <sup>4</sup> as of November 2009	Audit findings
Arunachal Pradesh	Construction of 200 seated Girls Hostel at J.N. College, Pasighat  Project Year: 2005-06 Approved cost: Rs. 5.15 crore Total releases <sup>5</sup> : Rs. 4.50 crore Due date for completion: 31.10.07 Implementing Agency : PWD, Pasighat PW Division	Incomplete	i) Physical progress <sup>6</sup> 61.36 <i>per cent</i> (as of November 2009). ii) Delay in completion by 25 months from the due date (as on November 2009).
Assam	Infrastructure Development of Assam Textile Institute at Guwahati  Project Year: 2005-06 Approved cost: Rs. 7.41 crore Total releases: Rs. 2.34 crore Due date for completion: 30.09.09 Implementing Agency : PWD(R), Assam	Incomplete	i) Physical progress 0 <i>per cent</i> (as of November 2009). ii) Project not taken up in spite of release of Rs. 2.34 crore in September 2006 resulting in idling of funds with the State government. iii) Reason for non start of the

<sup>4</sup> Projects are treated as complete by the Ministry only after receipt of Completion Certificate from the State Government

<sup>5</sup> Total releases in all cases are the amount given by the Ministry to the State Government

<sup>6</sup> Physical progress as intimated by States through Quarterly Progress Reports to the Ministry as of November 2009.



State	Name of reviewed project	Status <sup>4</sup> as of November 2009	Audit findings
			work is non finalization of agreement.
Manipur	Infrastructure Development of Manipur University Phase II  Project Year: 2004-05 Approved cost: Rs. 3.88 crore Total releases: Rs. 3.17 crore Due date for completion: 31.10.06 Implementing Agency : Manipur University: MU Engineering Cell	Incomplete	i) Physical progress 90 <i>per cent</i> (as of November 2009). ii) Project completion already delayed by 37 months from the due date (as on November 2009).
Meghalaya	Campus Development Project of Building Infrastructure of Thomas Jones Synod College, Jowai  Project Year: 2005-06 Approved cost: Rs. 3.37 crore Total releases: Rs. 2.06 crore Due date for completion: 2.04.09 Implementing Agency : Governing Body of the College and Director of Higher Education	Incomplete	i) Physical progress 80 <i>per cent</i> (as of November 2009). ii) Project completion already delayed by 7 months from the due date (as on November 2009). iii) Non-deduction of security deposit from contractor to the tune of Rs. 4.60 lakh.
	Construction of Tikrikilla College Complex, West Garo Hills District  Project Year: 2006-07 Approved cost: Rs. 5.43 crore Total releases : Rs. 1.71 crore Due date for completion: 31.12.09 Implementing Agency : Department of Education	Incomplete	Position of physical progress yet to be received by the Ministry from the State.
Mizoram	Infrastructure Development of Mizoram University (additional)  Project Year: 2003-04 Approved cost: Rs. 23.26 crore Total releases: Rs. 21.39 crore Due date for completion: 30.06.07 Implementing Agency : CPWD	Incomplete	i) Physical progress 100 <i>per cent</i> but Completion Certificate is still awaited from the State/nodal department (as of November 2009). ii) Completion of the project already delayed by over two years from the due date of completion resulted in cost over run to the tune of Rs. 2.68 crore. iii) Delay in completion was also due to short-releases of fund to executing agency by the State Government.
Nagaland	Sainik School at Punglwa, Kohima  Project Year: 2003-04 Approved cost: Rs. 14.07 crore Total releases: Rs. 12.58 crore Due date for completion: 19.03.06 Implementing Agency: National Buildings Construction Corporation (A Government of India Enterprise)	Incomplete	i) Physical progress 67 <i>per cent</i> (as of November 2009). ii) Delay in completion - three years and eight months from the due date (as on November 2009).



State	Name of reviewed project	Status <sup>4</sup> as of November 2009	Audit findings
Sikkim	Construction of School Buildings and Rain Water Harvesting for various Schools  Project Year: 2006-07 Approved cost: Rs. 11.47 crore Total releases: Rs. 10.04 crore Due date for completion: 7.12.08 Implementing Agency : Human Resources Development Department, Government of Sikkim	Incomplete	i) Physical progress 95 <i>per cent</i> (as of November 2009). ii) Delay in completion by 11 months from the due date (as on November 2009). iii) Delay due to slow progress of works by the contractor.

Most of these projects were delayed and the physical progress in execution of work was extremely slow. There were inordinate delays in release of funds to executing agencies by the State government. For instance, there was a delay of 347 days in release of funds in the project 'Infrastructure Development of Mizoram University', Mizoram, a delay of 335 days in the project 'Infrastructure Development of Manipur University', and a delay of 278 days in the project 'Construction of 200 seats girls hostel, auditorium, etc at Pasighat' in Arunachal Pradesh.

The Ministry stated (February 2010) that the irregularities noticed by Audit in implementation at the State level were being taken up with the respective State Governments.

### 3.2.2.2 Roads and Bridges

During 2002-03 to 2007-08, 126 road projects were sanctioned in NE region under NLCPR. Of these, 79 projects (1213.94 km) were scheduled to be completed as of October 2008. However, only 34 projects covering 588.62 km were reported completed as of October 2008.

A total of 224 projects, construction of roads (126), bridges (95), porter tracks (3), were sanctioned during the period 2002-03 to 2007-08. Audit studied the execution of 32 projects viz., 14 bridges, 17 roads (construction and improvement of 414.03 km length road) and a porter track (of 95 km length). Only 11 projects had been completed viz., four bridges, six road projects (68.77 km) and the porter track (95 km). 21 projects were yet to be completed.

#### (i) Delay in completion

In most of these cases, progress of execution was very slow and the projects have been inordinately delayed for periods ranging from one to five years or more. Some of the cases of inordinate delay are discussed below:

- In Assam the ‘Improvement of Bhowraguri Kachugaon Road in Kokrajhar’ project in Bodoland Territorial Council (BTC) was approved at a cost of Rs. 23.73 crore in 2004-05 and was to be completed in December 2007. The project was not completed even after a delay of 23 months and inspite of full release of funds by the Government of India. The physical progress achieved so far was reported to be only *72 per cent*.
- In Assam the ‘Metalling and back-topping of Gossaigaon to Saraibil Road including improvement of existing hard crust and conversion of STP bridge to RCC bridges)’ project was sanctioned in 2004-05 at a cost of Rs. 19.39 crore and was to be completed in March 2007. Though the Government of India had released full amount of Rs. 19.39 crore to the State Government, the project was not completed. Physical progress was *83 per cent* and there was a time overrun of more than 32 months.
- In Meghalaya the ‘Improvement, widening, Strengthening including Reconstruction of Bridges and Culverts of Rymbai-Iapmala-Suchen Road (1-17 km)’ project was approved in 2005-06 at a cost of Rs. 18.77 crore and was to be completed in December 2007. Completion of the project is delayed by more than two years.
- In Mizoram the ‘Lungtian-Mamte Road via Vartek Kai within Lai ADC’ project was approved in 2003-04 at a cost of Rs. 26.65 crore and was to be completed in October 2006. Completion of the project is delayed by more than three years despite release of Rs. 24.77 crore by the Ministry. There were frequent revision of estimates and lack of adequate monitoring and supervision in the execution of the project.

**(ii) Delay in release of funds to the executing agencies**

In many cases, non-completion of the projects was attributable to delay on the part of authorities concerned in release of funds to the executing agencies. In the State of Assam, delay in release of fund by the State Government to executing agencies was alarming. For instance, there was a delay of 1461 days in the project ‘Construction of RCC Bridge No 20/1 Nalbari Palla road’, delay of 1255 days in ‘Construction of RCC Bridge No.156/2, 159/1, 163/2, 165/3, 172/2, 174/2, 177/1 & 182/2 on Dhodar Ali’, delay of 1058 days in the project ‘Construction of RCC bridge no.2/2 on Haripur Sansarghat Road’, delay of 1020 days in the project ‘Improvement of Bhowraguri Kachugaon road’ and a delay of 1020 days in the project ‘Improvement of Dhamdhama Tupali Subankhata (DTS) Road’.

### (iii) Other irregularities

The other irregularities noticed in execution of roads and bridges in NE region were diversion of funds, cost overrun, undue benefit to contractor, idling of material, improper planning, change in specifications, delay in finalization of tenders, contractors' lackadaisical attitude, law and order problems etc. Project-wise details of delays and irregularities noticed are given in **Annex. 2**. Due to non completion of the projects, the inhabitants of the surrounding area were deprived of the intended benefit of the project.

### (iv) Case studies

The short comings and irregularities noticed in the implementation of the reviewed projects are discussed in succeeding paragraphs by way of three case studies:

#### **Case study-1: 'Construction of road from Purana Bazar (NH 39 By pass) to Kohima-Bokajan' project in Nagaland**



**A photograph of incomplete bridge on "Road from Purana Bazar (NH 39 By pass) to Kohima-Bokajan" (October 2008).**

PWD awarded the works to three local contractors from 0-20 km against 22 km of road as per approved (November 2004) DPR at a cost of Rs. 18.22 crore (against the total receipt of funds of Rs. 20.43 crore for the work). The PWD Division paid Rs. 16.06 crore in running account bills to the contractors till February 2007. Scrutiny revealed that the department, instead of constructing the balance 2 km road diverted an amount of Rs. 2.56 crore for construction of three different roads, not included in this project. It was observed that even if the 2 km road had been constructed, the road could not have been fully utilized, as the road passes over a river and construction of bridge over the river taken up under another project had not progressed much (October 2008) as can be seen from the photograph given alongside. Thus lack of planning and coordination resulted in idle expenditure of Rs. 16.06 crore for a period ranging almost four years.

#### **Case study-2: 'Upgradation of Dimapur Khopanwala Jalukie-Peren Road (52 km)' project in Nagaland**

The project "Construction of Dimapur-Khopanalla-Jalukie-Peren Road" was approved by the Ministry in February 2006. The approved cost of the project was Rs. 36.73 crore and the targeted date of completion of the work was February 2008.

**Table-10: Details of award of work from 48 km to 52 km to two contractors**

Name of contractor	Name of work	Work order No.	Estimated Value of work order	Upto date payment made
			(Rupees in crore)	
M/s Paneshwar & Sons	34 km to 52 km (18 km)	CE/R&B/NLCPR/05-06 Dated 20.03.2006	15.00	14.29
Shri Charlie Sekhose	48 km to 58.200 km (10.200 km)	CE/R&B/NLCPR/05-06 Dated 20.03.2006	6.21	4.59
Total			21.21	18.88

The stretch from 48 km to 52 km was awarded to both the contractors. The contractors carried out the work and measurements were taken by Executive Engineer, Public Works Division (Roads & Bridges), Peren Division. Payments of Rs. 18.88 crore were made through running account bills to the contractors between November 2007 and March 2008. Thus, awarding of work orders and release of payment for the same stretch of road to two different contractors resulted in over payment of Rs. 3.17 crore\*. The Public Works Department stated (November 2008) that the work allotted to the contractors had since been corrected as 32 km to 50 km and 50 km to 60 km in all the relevant records. However, the fact remains that payment for 4 km had already been made to both the contractors.

\* Payment made to M/s Panesar & Sons for construction of 18 km road (34 km – 52 km) = Rs. 142936495 (Vr.No.1 dated 20.3.2008)  
Amount for construction of 4 km (overlapping) road = Rs. 142936495 x 4 ÷ 18 km  
= Rs. 3,17,63,665

### **Case study-3: Construction of eight RCC bridges on Dhodar Ali road in Sibsagar district in Assam**

The project was approved at a cost of Rs. 3.53 crore by the Government of India in September 2004 and the work was administratively approved (July 2005) by the State Government for Rs. 3.51 crore. The Chief Engineer PWD Roads awarded (March 2005) the entire work (bridges and approaches) to a contractor at tender value of Rs. 3.94 crore to be completed in 24 months (by March 2007).

Though the bridge was completed in February 2008, after a delay of 25 months it could not be put to use because the approaches of the bridge remained incomplete as administrative approval was not accorded for the same.

The Ministry stated (February 2010) that the irregularities noticed by Audit in implementation at the State level were being taken up with the respective State Governments. This shows lackadaisical attitude of the Ministry which did not monitor implementation of the schemes properly and also did not initiate prompt action when the matter was pointed out to it in September 2009.

### 3.2.2.3 Water supply sector

NLCPR projects under this sector involved both rural and urban water supply schemes. Out of 64 projects sanctioned during 2002-03 to 2007-08, 47 projects were due for completion by October 2008 or earlier. However, only 20 projects could be completed by the said date. Audit selected 13 projects for detailed scrutiny and observed that only four projects were completed that too with time overrun of over one year and more. The remaining nine projects are yet to be completed.

#### (i) Delay in execution of projects and other irregularities

There were inordinate delays in execution of almost all the projects and the pace of execution was very slow. Delays in some of the important projects are discussed below:

- In Meghalaya the 'Jowai Water Supply Project' was approved in 2002-03 at a cost of Rs. 15.41 crore and was to be completed in March 2005. This project has already suffered a time overrun of more than four years and the physical progress achieved in the execution of the project so far is only about 50 *per cent*. The Government of India has already released Rs. 12.30 crore for the project.
- In Manipur the 'Waithou Pat Water Supply Scheme' project was approved in 2004-05 at a cost of Rs. 59.71 crore and an aggregate amount of Rs. 38.54 crore has been released by the Government of India to the State Government for the execution of this project. The project was to be completed in March 2008 but has fallen behind schedule. Completion of the project is already delayed by one year and eight months. The physical progress of the project is reported to be 80 *per cent*.
- In Sikkim the 'Augmentation of water supply scheme for Greater Gangtok Phase-II' project was sanctioned in 2004-05 at a cost of Rs. 24.34 crore. Project was completed in October 2009 after a delay of three years and six months due to delay in execution by the contractor.

Inordinate delays in execution of projects are bound to result in substantial cost overrun apart from depriving the people access to safe drinking water.

Audit also observed inordinate delay in release of funds to executing agencies by the State Governments. For instance, there was delay of 480 days in the project 'Water supply at Dharmanagar' and 510 days in the project 'Water supply at Teliamura' in Tripura. In Nagaland, the State Government delayed release of funds by 246 days in the project 'Water supply scheme for Mon & Chui villages'.

Audit scrutiny also revealed instances of excess expenditure, expenditure on inadmissible components, project completed but not commissioned, parking of funds, non adjustment of advances etc. Project-wise details of delays and irregularities noticed in execution of reviewed projects under water supply sector are given in **Annex. 3.**

**(ii) Case studies**

Irregularities and short comings noticed in the implementation of some of the reviewed projects are discussed as case studies in succeeding paragraphs:

**Case study-1: ‘Augmentation of Water Supply scheme’ at Mao in Manipur**

In March 2005, Public Health Engineering Department (PHED) placed five supply orders with M/S Electro Steel Castings Limited, Kolkata for supply of 74,806 metre of Ductile Iron (DI) pipes of various diameters for implementation of the scheme and some other water supply schemes\*.

The supplier submitted five proforma invoices amounting to Rs. 5.58 crore in March 2005 for supply of entire quantity of pipes. However, the Department paid the supplier Rs. 5.88 crore (Rs. 4.50 crore as advance in July 2005 and Rs. 1.38 crore as final payment in August 2006) leading to an excess payment of Rs. 30 lakh.

The Department admitted the excess payment and stated that it would take steps to get the refund of the excess payment from the supplier.

\* Saikul, Kangpokpi, Maram, Tadubi of Senapati district

**Case study-2: ‘Water supply scheme for Mon and Chui villages’ in Nagaland**

The project was approved by the Ministry in November 2003 at a cost of Rs. 3.92 crore with the objective of supplying 40 litre per capita per day potable water to Mon and Chui villages. The scheduled date of completion of the project was March 2005.

Scrutiny revealed that though the project was 97 *per cent* completed it could not be commissioned due to a dispute between the water source donor and the beneficiary villages but the Department had not taken effective action to settle the dispute and commission the project.

The guidelines stipulated that all regulatory and statutory clearances like forest and environment, land acquisition etc., should be indicated in the proposal. The Department could not furnish to audit any document in support of having conducted a



survey and interaction with the beneficiaries, land owners etc. The project was included in the priority list for selection under NLCPR without preparation of perspective plan. The State Government also did not prepare a concept paper, which was to be mandatorily furnished with the project report, to the Ministry. Laboratory test check of the quality of the water available at source was also not carried out at any stage. Social impact studies pertaining to the implementation of the project was also not conducted.

Thus, non-settlement of the land dispute between water source donor and the beneficiary villages resulted in non-commissioning of a completed project valuing Rs. 3.66 crore (October 2008) apart from objectives of the scheme remaining unachieved.

### **Case study-3: Great Silchar Water supply scheme, Assam**

The project, which was initially under the State Plan, was approved in 2003 at a cost of Rs. 12.30 crore, and slated for completion by March 2005. The amount released by GOI was Rs. 11.59 crore. Despite funds being available, the work was incomplete. The approved DPR provided for construction of 4 RCC Elevated Service Reservoirs (ESR) of total 2600 cum capacity at different locations, at a height of 14 metre each including inlet and outlet piping, lighting arrester etc at Rs. 2.60 crore. Tender for only one ESR was floated and work was awarded to a contractor in August 2002 (prior to inclusion of the project under NLCPR) while tenders for the other three reservoirs were not invited till July 2008 even after a lapse of six years of administrative approval. The work of one ESR awarded to a contractor was withdrawn in March 2005 as he could not execute the work. The work was not re-tendered till July 2008. None of the four ESRs were constructed resulting in non-provision of adequate water supply from the project. The project was incomplete as of November 2009.

The Ministry stated (February 2010) that the irregularities noticed by Audit in implementation at the State level were being taken up with the respective State Governments.

#### **3.2.2.4 Flood Control and Irrigation Sector**

Scrutiny of three out of 13 projects sanctioned during 2002-03 to 2007-08 revealed that two projects had been completed and one project remained incomplete. A summary of these projects is given in Table 11.



Table-11: Summary of Flood and Irrigation projects

Project	Status as of November 2009	Audit findings
<b>Arunachal Pradesh</b>		
Anti Erosion works in Kley river  Approved cost Rs. 7.31 crore Amount released Rs. 6.93 crore Due date for completion 31.3.2004 Implementing Agency : Irrigation and Flood Control Department/Water Resources Department	Complete	<ul style="list-style-type: none"> <li>Delay in completion 3 years and 11 months.</li> <li>Inadmissible expenditure on purchase of vehicle and slab making machine of Rs. 9 lakh.</li> </ul>
<b>Assam</b>		
Amreng Minor Irrigation Scheme  Approved cost: 12.00 crore Amount released: 12.00 crore Due date for completion: 31.3.2005 Implementing Agency : Irrigation Department	Complete	<ul style="list-style-type: none"> <li>Delay in completion by one year and two months.</li> <li>Delay in release of funds to the executing agency by 866 days.</li> </ul>
Champamati Irrigation Project  Approved cost: 43.85 crore Amount released: 43.85 crore Due date for completion: 31.12.2007 Implementing Agency : Irrigation department, Government of Assam	Incomplete	<ul style="list-style-type: none"> <li>Physical progress 90 <i>per cent</i> (as of November 2009)</li> <li>Delay of 22 months in completion of the project inspite of full release of Ministry's share.</li> <li>Non-acquisition of required land out of State Government resources.</li> <li>Delay in release of funds by Bodoland Territorial Council (BTC) to executing agency (374 days).</li> <li>Cost escalation of Rs. 29.02 lakh paid towards enhanced rates of 20 items.</li> <li>Against receipt of Rs. 39.47 crore from GOI, Rs. 22.80 crore remained unutilized with the State Government.</li> </ul>

The Ministry stated (February 2010) that the irregularities noticed by Audit in implementation at the State level were being taken up with the respective State Governments.

### 3.2.2.5 Power Sector

The power projects being executed under NLCPR broadly fell into two categories:

- Construction/ upgradation of transmission, sub-transmission (33 KV/11KV) and distribution systems; and
- Setting up of small power thermal plants.

An analysis of 13 out of 80 projects sanctioned during 2002-03 to 2007-08 revealed that all the 13 projects were due for completion prior to October 2008. Out of these, 10 projects were completed with time overruns of nine months to three years, two

projects were awaiting completion and one project “22.92 MW Heavy Fuel Oil (HFO) based thermal Power Plant at Dimapur” in Nagaland was abandoned.

Scrutiny of Power projects revealed inadmissible expenditure, cost escalation, diversion of funds, idling of machinery and equipment, non-adjustment of advances, undue benefit to contractor etc. An analysis of irregularities noticed in execution of reviewed projects under power sector is given in **Annex. 4**.

The Ministry stated (February 2010) that the irregularities noticed by Audit in implementation at the State level were being taken up with the respective State Governments.

### **Case studies**

#### **Case study-1: ‘Thermal Power Plant at Dimapur’ in Nagaland**

The Union Ministry of Power had approved “22.92 MW HFO based Thermal Power Plant at Dimapur” at a cost of Rs. 105.57 crore in September 2003. The Prime Minister, during his visit to the State (October 2003), announced the inclusion of the project in the special economic package for the State. The Ministry of DONER was asked to meet requirements for this project and in case of non availability of funds, Ministry of Finance/Planning Commission was to be requested for the same. The project was scheduled to be completed by May 2005. Construction of the plant was awarded (March 2004) to M/s Bharat Heavy Electrical Limited (BHEL), Bhopal on turnkey basis. The Ministry of DONER released Rs. 18.86 crore (March 2004) and Rs. 13.14 crore (August 2004). It, however, refused to give the balance funding of Rs. 73.57 crore and requested the State Government to include the project again in the priority list of NLCPR in order to release a fresh sanction. The State Government refused on the ground that since the project was part of the special economic package for the State, the Government of India should be responsible for the funding of the project. If the project was again included in the priority list to be funded under NLCPR, the State would have to compromise on some fresh projects which otherwise might be sanctioned for the State.

Scrutiny of records of the Electrical Transmission Division, Dimapur revealed that the project was foreclosed in May 2005 after incurring Rs. 32 crore towards construction of building and procurement of machinery and equipment. M/s. BHEL handed over the project on ‘as is where is basis’ to the State Government in July 2006. The building constructed and machinery and equipment procured were lying unutilised at site for the last two years as can be seen from the photographs given below.



Idle machinery, equipment (two alternator machines) and building (Type III residential three storied block) of the abandoned project “22.92 MW HFO based thermal Power Plant at Dimapur” (June 2008).

**Case study-2: ‘Remodelling of transmission and distribution network of Gangtok Town’ in Sikkim**

Guidelines do not permit financing the cost escalation, except where these arise out of change in scope of works not envisaged at the initial stage. Financing of such increased cost upto a limit of 20 *per cent* of the originally approved cost was to be shared equally between the Ministry of DONER and the State Government.

Scrutiny of records of the project revealed that the original approved cost of the project was Rs. 22.44 crore and the revised cost of the project was Rs. 29.88 crore. This indicates that the cost of the project escalated by Rs. 7.44 crore. The cost escalation of the project was due to subsequent revision of the scope of work. The changes in scope of work were necessitated due to conversion of LT overhead line into underground cable system from Birahu Dwar to Convoy Ground, insertion of 11 kv grade cables at Deorali Government quarters sub station and 11 kv 6- pole gang operated structure for spur line at Animal Husbandry & Veterinary Science complex, Deorali etc. Thus, failure of the implementing department to prepare project estimates duly considering the scope of works in their entirety and workability led to unanticipated additional burden of Rs. 7.44 crore on the State exchequer towards cost escalation.

Scrutiny of works execution files also revealed that the work was put to tender (June 2004) by Energy and Power department (E&PD). On receipt of bids (June 2004), post tender negotiation (November 2004) was held with lowest bidder to reduce the rates and thereafter work order was issued to the contractor. Audit noticed that although the contractor agreed (November 2004) to lower rates for four items (viz. (i) Cable trench, (ii) Heat shrink lit suitable for 3x50 sq. mm XLPE cable, (iii) 11 kv Cross Linked Polyethene (XLPE) cable 3x150 sq mm and (iv) 11 kv XLPE cable 3x50 sq m), the E&PD while releasing payment to the contractor was paid at the original offered rates leading to undue benefit of Rs. 21.60 lakh as computed in the Table-12.

Table 12						
Item	Name of work	Rate quoted and actually paid (Rs.)	Rate agreed after negotiation (Rs.)	Excess payment per unit (Rs.)	Quantity	Excess payment (Rs.)
(1)	(2)	(3)	(4)	(5=3-4)	(6)	(7=5x6)
Cable trench	Conversion work along 31 A NH way from MP Golai to below Tadong School	1950	954	996	700	697200
Heat shrink lit suitable for 3x50 sq mm XLPE cable	Conversion of 11 KV HT and OH to UG at Upper Syari	33108	30719	2389	2	4778
11 kv XLPE cable 3x150 sq mm	Realignment of double circuit 11 kv line	3265	1484	1781	450	801450
11 kv XLPE cable 3x50 sq m	Realignment of double circuit KV line	2148	689	1459	450	656550
Total						2159978

**Case study 3: ‘Installation of 2X3.15 MVA, 33/11KV substation at Maram’ in Manipur**

**(i) Purchase of excess line material:** As per agreement, the work of stringing line consisted of two items viz. supply of line material and erection of lines. The cost of erection was payable at the rate of 20 *per cent* of the cost of line material. The work was completed (January 2006) at a cost of Rs. 21.17 lakh. However, the Department purchased material in excess of the requirement.

The excess quantity purchased exceeded 50 *per cent* of the requirement, except in the case of bolts and nuts and amounted to Rs. 11.12 lakh. Purchase of such huge material beyond requirement may invite risk of pilferage. There was also no reason on record as to why the material was purchased in excess of requirement.

The Department stated (November 2008) that the material purchased in excess would be utilized in operation and maintenance of lines strung under NLCPR scheme. The reply is not acceptable as funds from NLCPR are meant for creation of infrastructure and not for their maintenance.

**(ii) Purchase of equipment:** The work consisted of three components viz.(i) construction of sub-station (ii) stringing of lines and (iii) civil works. The work was awarded (September 2003) to M/s Shyama Power (India), Haryana at its tendered amount of Rs. 3.85 crore on turnkey basis.

Scrutiny of the records revealed that in respect of construction of the sub-station component the following items of equipment were procured by the firm from different manufacturing companies at a lower price than what was paid to the firm by the Department. The details are shown below:

Table-13

(Rupees in lakh)

Sl. No.	Particulars of equipment (Name of the manufacturer)	Manufacturer's price*	Amount paid to the firm by the Department	Avoidable expenditure
1	3.15 MVA power transformers (M/s East India Udyog Ltd. Ghaziabad)	18.25	61.15	42.90
2	36 KV isolated with earth blade (M/s Power Line Accessories Ltd. Raipur)	2.20	7.84	5.64
3	36 KV isolated without earth blade (M/sPoer line Accessories Ltd. Raipur)	0.99	3.36	2.37
4	36 KV SF6 circuit breakers (M/s Crompton Greaves Ltd Nasik)	14.41	39.20	24.79
5	30 KV lightening arresters (M/s Crompton Greaves Ltd, Nasik)	2.00	16.13	14.13
<b>Total</b>		<b>37.85</b>	<b>127.68</b>	<b>89.83</b>

\* Price including Central Excise duty of 16 per cent, educational cess of 2 per cent, Central sales tax of 4 per cent plus freight charges (taken as 10 per cent of basic cost for Sl. Nos. 2,3,4 & 5 and amount actually paid for Sl. No. 1)

There was nothing on record to establish that the Department made any effort to ascertain the rates of manufacturers to establish the reasonability of these rates and also no negotiations were held with the firm to reduce the rates of these equipments. Thus, an extra expenditure of Rs. 80.85 lakh (Rs. 89.83 lakh minus 10 per cent commission as contractor's profit) could have been avoided, had the Department finalized the tender after ascertaining the manufacturer's price of these equipment.

### 3.2.2.6 Health Sector

The health sector projects being executed under NLCPR essentially involved construction/upgradation of hospitals or units, medical colleges and training institutions. These projects were mainly sanctioned for improvement in efficiency in delivery and quality of health care services not in a particular State but in the region

as a whole; addition of more specialist services in response to referral needs of the community and other health institutions in the region; putting in place innovative community health programmes; aid in addressing acute shortage of medical personnel in the present and future; improvement in the dropout of students intending to pursue medical education but being compelled to drop out/migrate to other State in absence of medical colleges and provision of higher technical education. An analysis of nine out of 31 projects sanctioned during 2002-03 to 2007-08 revealed that only one project was completed.

**(i) Delay in completion of projects**

There were inordinate delays in execution of almost all the projects. Some of the important cases are discussed below:

- ‘Assam Medical College (HOPE)’ project was approved in 2002-03 at a cost of Rs. 20.00 crore and was to be completed in December 2005. Completion of the project is delayed by four years depriving medical education and health care facilities to the targeted population of the area.
- In Nagaland the ‘Vitalization of State Referral Hospital’ project was approved in 2003-04 at a cost of Rs. 35.62 crore. The Ministry of DONER has already released Rs. 31.69 crore to the State Government for the implementation of the project. The project was to be completed in March 2005. However, the project has fallen far behind schedule and its completion is already delayed by four years and eight months.
- In Tripura the ‘State Level Para Medical Institute at Agartala’ project was approved in 2005-04 at a cost of Rs. 14.07 crore and was to be completed in March 2008. Completion of the project is already delayed by one year and eight months inspite of release of Rs. 12.85 crore by the Ministry. The delay in completion is attributed to delay in handing over of site by the Directorate of Health and Family Welfare, Tripura to Tripura Housing Board.

Broadly, the reasons for delay in completion were non availability of free site and repeated bandhs (Assam), delay in handing over of site by Health Directorate (Tripura), slow progress of execution by the executing agency (Mizoram), delay in transmission of funds to the executing agencies (Manipur) etc. Non completion of the health projects deprived the people of NE region from receiving efficient and quality health care services as also medical education.



**(ii) Delay in release of funds**

Inordinate delay in release of funds to executing agencies by the State Government was observed in most of the States. For instance, in Nagaland there was a delay of 549 days in releasing funds for project 'Upgradation of District hospitals'; in Mizoram release of funds was delayed by 737 days in the project 'Six bedded ICU at Civil hospital, Aizawl' and 510 days in the project 'Construction of OPD building at Civil hospital, Aizawl'; in Manipur 424 days delay was noticed in release of funds for two projects namely 'Construction and equipping of 50 bedded hospital at Tamenglong and Senapati districts'; and in Assam a delay of 402 days was observed in release of funds in the project 'Assam Medical College, Dibrugarh'.

**(iii) Other irregularities**

Scrutiny of health projects also revealed undue benefit to contractor, diversion of funds, inadmissible expenditure on work charged establishment, departmental charges, sales tax and agency charges, loss of interest etc. An analysis of irregularities noticed in execution of reviewed projects under health sector is given in **Annex. 5**.

**(iv) Case study: Implementation of Health projects**

**Manipur: Construction and equipping of 50 bedded hospital at Tamenlong and Senapati district**

The NLCPR Committee sanctioned (November 2006) construction of a 50 bedded hospital at each of the hill districts of Senapati, Chandel, Ukhrul and Tamenglong at a total approved cost of Rs. 55.76 crore. Although the Government of India released an amount of Rs. 17.56 crore in November 2006, the State Government released the amount to the implementing agency only in March 2008, after a delay of nearly one and half years. As of November 2008, these works could not be started. The delay would amount to significant set back in enhancing health care to the 5.26 lakh population\* of these districts, who would be compelled to travel a distance ranging from 61 km (Senapati district) to 158 km (Tamenglong district) in hilly terrain to come to the State capital for better medical care. The projects were incomplete (November 2009) with physical progress of 7 *per cent* and 30 *per cent* respectively.

\* Senapati: 1.56 lakh, Chandel: 1.18 lakh, Ukhrul: 1.41 lakh and Tamenglong: 1.14 lakh as per 2001 census.



The Ministry stated (February 2010) that the irregularities noticed by Audit in implementation at the State level were being taken up with the respective State Governments.

### 3.2.2.7 Sports Sector

The objective of developing a sports academy in the State of Manipur was to promote sports to an international standard. The Ministry released Rs. 5.81 crore in November 2006 for construction of the National Sports Academy building at Khuman Lampak, Manipur. The amount was drawn in March 2007 and deposited in “8449- Other Deposits”. The amount was withdrawn in June 2007 and Rs. 4.68 crore was deposited with the State Public Works Department (after deducting Rs. 68.22 lakh as departmental charges, Rs. 11.61 lakh as income tax and Rs. 32.51 lakh as local sales tax). Since State PWD had not taken up the work as of March 2008, the State Government asked State PWD (April 2008) to refund the amount deposited with them and decided (May 2008) to entrust the construction work to Manipur Development Society. Thus, despite release of funds, the State Government could not ensure timely execution of work by the executing agency due to lack of inter departmental coordination. As of November 2009, the project was still incomplete registering physical progress of only 50 *per cent*. The delay in completion of the academy led to sportsmen being deprived of training facilities in six disciplines<sup>7</sup>, as envisaged in the DPR.

The Ministry stated (February 2010) that the irregularities noticed by Audit in implementation of the project were being taken up with the State Government of Manipur. The reply of the Ministry indicates that it has not been monitoring progress of execution of projects under NLCPR.

### 3.2.3 Inadequate transparency and publicity of information about projects

After the approval of a project by the Ministry of DONER, the State Government was required to put up display boards at the project site indicating the date of sanction of project, duration and due date of completion, estimated cost, source of funding, name of contractor and physical targets to be achieved. All the schemes/projects being supported from the Central Pool were to be given wide publicity in local media. Even after completion of the projects, State Governments were required to put a permanent display on sites. In the following projects, the above guidelines were not adhered to by the States.

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<sup>7</sup> Archery, Boxing, Judo, Taekwando, Weightlifting and Wrestling

**Table-14: Shortfall in transparency and publicity of information**

Name of the State	No. of projects reviewed by Audit	Display board not placed at project site after project approval (No. of projects)	Publicity in local media not given (No. of projects)	Permanent display at site not put after completion of the project (No. of projects)
Arunachal Pradesh	10	2	4	2 out of 4 completed projects
Assam	25	9	17	5 out of 9 completed projects
Manipur	10	7	9	1 out of 4 completed projects
Nagaland	10	7	0	3 out of 3 completed projects
Sikkim	15	8	15	1 out of 2 completed projects
<b>Total</b>	<b>70</b>	<b>33 (47.1 per cent)</b>	<b>45 (64.3 per cent)</b>	<b>12 (54.5 per cent)</b>

This indicates that the implementing and nodal departments had not ensured adequate dissemination of information to the general public and also failed to ensure transparency, as envisaged in the guidelines.

Ministry stated (February 2010) that it was mandatory for the States to place display boards at the project site and also publicize them widely in local media. The matter was being taken up with the States to ensure compliance of the mandatory provisions in respect of cases where these had not been followed.