

CHAPTER 2

PERFORMANCE AUDIT

COMMERCE AND INDUSTRIES DEPARTMENT

2.1 Role of Karnataka Industrial Areas Development Board in facilitating industrial development

Executive Summary

Karnataka Industrial Areas Development Board (KIADB) was set-up in 1966 by State Government for expeditious acquisition of land for industrial and infrastructure purposes.

The Karnataka Industries (Facilitation) Act, 2002, was enacted to make approval process for industries simpler and faster through single window clearance mechanism by setting up clearance committees for approval of projects. On obtaining clearance from these committees, the entrepreneurs approach KIADB for allotment of land.

The State Government announced Industrial Policy concessions to industries from time to time for promoting investments in the State.

Performance Audit on the Role of KIADB in Facilitating Industrial Development covering the period 2011-12 to 2016-17 was conducted during December 2016 to June 2017. Significant audit findings are:

- ❖ KIADB did not prepare Annual Action Plans. Unplanned acquisition of land led to idle inventory of 6,593 acres of developed land valued at ₹ 6,000 crore and 30,507.57 acres of undeveloped land valued at ₹ 3,172 crore.
- ❖ KIADB did not enforce the requirement of environmental clearances as a prerequisite for establishment of Industrial Areas. Both industrial and domestic discharges remained untreated. Basic facilities in Industrial Areas were not provided.
- ❖ Allotment rate in four Industrial Areas was reduced by excluding cost of basic infrastructure works. This resulted in conferring undue benefit of ₹ 91.07 crore to allottees.
- ❖ Centralised data of applications for allotment of land was not available. An area of 1,113.31 acres allotted to 467 units in four test-checked Development Offices remained unutilised beyond the timeline of four years fixed for commencement of commercial production.
- ❖ KIADB neither maintained an inventory of amenity sites nor framed Rules for allotment of sites for amenities. Sites earmarked for amenities were diverted for industrial usage.

- ❖ Monitoring was confined to occasions when KIADB was required to execute sale deeds and instances of violation of terms of allotment and lease went unnoticed.

2.1.1 Introduction

The industrial development of a State depends on creation of a favourable investment climate by providing industrial land within reasonable time, with necessary infrastructure and faster clearances for projects.

Karnataka Industrial Areas Development Board (KIADB) is a statutory body constituted (July 1966) under Section 5 of the Karnataka Industrial Areas Development Act, 1966, (KIAD Act) to aid the industrial development in the State. In terms of Section 13 of KIAD Act, the functions of KIADB are to promote and assist in the rapid and orderly establishment, growth and development of industries and to provide industrial infrastructural facilities and amenities in Industrial Areas⁶ (IAs).

2.1.2 Organisational set-up of KIADB

KIADB comes under the administrative control of the Commerce and Industries Department, headed by Additional Chief Secretary to the Government of Karnataka (GoK). KIADB is headed by a Chief Executive Officer and Executive Member (CEO & EM) who is assisted by various officers. There are 12 Development Offices (DOs) across the State. There are 162 Industrial Areas covering 30 Districts in the State.

2.1.3 Audit Objectives

A Performance Audit was conducted to assess the performance of KIADB in facilitating industrial development in Karnataka State in accordance with Section 13 of KIAD Act by examining whether:

- ❖ planning for the development of Industrial Areas was synchronised with those envisaged in the Industrial Policies and KIAD Act;
- ❖ applicable procedures were transparently and objectively followed for timely development of Industrial Areas and allotment of plots; and
- ❖ adequate monitoring mechanism was in place and effectively exercised by KIADB ensuring achievement of intended objectives.

⁶ Industrial Area means any area declared to be an industrial area by the State Government by notification, which is to be developed and where industries are to be accommodated (industrial infrastructural facilities and amenities are to be provided) and includes an industrial estate.

2.1.4 Scope of Audit and Methodology

The Performance Audit was conducted from December 2016 to June 2017 and covered the activities of KIADB related to planning, development, allotment and post allotment monitoring of Industrial Areas to evaluate performance during 2011-12 to 2016-17 against the Audit Objectives.

Four⁷ Development Offices (DOs) were selected out of a total of 12⁸ DOs for test-check of records duly ensuring equitable coverage of the least developed and most developed Districts as classified under the Industrial Policy (IP) 2009-14. Out of 162 IAs formed in the State, 66 of these (41 *per cent*) were located in these sampled DOs. The expenditure incurred by the selected DOs constituted 42.86 *per cent*⁹ of the total development expenditure during the review period.

An Entry Conference was held with Additional Chief Secretary, Commerce and Industries Department, on 25 May 2017 to discuss the Audit Objectives, Criteria and Scope. The audit findings and recommendations were discussed with Additional Chief Secretary, Commerce and Industries Department, in the Exit Conference held on 30 October 2017. The responses received are suitably incorporated in the Report.

2.1.5 Audit Criteria

The following sources of audit criteria were used for this Performance Audit:

- ❖ The Karnataka Industrial Areas Development Act, 1966;
- ❖ Karnataka Industrial Policy 2009-14 and 2014-19;
- ❖ Government Orders, Circulars, KIADB Resolutions, *etc.*;
- ❖ Budget Documents and Annual Reports of KIADB;
- ❖ Karnataka Industries (Facilitation) Act, 2002; and
- ❖ Environment Impact Assessment notification of 2006.

2.1.6 Acknowledgement

Audit acknowledges the co-operation extended by the Chief Executive Officer and Executive Member and staff of KIADB in the conduct of this Performance Audit.

⁷ DO Ballari, DO-2 Bengaluru, DO Dharwad and DO Mysuru.

⁸ DO-1 Bengaluru, DO-2 Bengaluru, DO-3 Bengaluru, DO-Belagavi, DO-Ballari, DO-Davanagere, DO-Dharwad, DO-Kalaburagi, DO-Hassan, DO-Mangaluru, DO-Mysuru and DO-Tumakuru.

⁹ ₹ 1,029.41 crore out of total development expenditure of ₹ 2,401.73 crore during 2011-12 to 2016-17.

Audit Findings

2.1.7 Planning

A Perspective Plan is a blue-print of objectives and targets of long/medium term growth coupled with facts and figures in support of the goals, policies, strategies and programmes of the organisation. It is implemented through Annual Plans. In the context of KIADB, medium term Perspective Plan of five to ten years was necessary to ensure a focused approach towards land acquisition and Industrial Area formation with due emphasis on sectoral thrust and Policy Initiatives of the Government. Audit observations on planning in KIADB are discussed in succeeding paragraphs.

2.1.7.1 Absence of Annual Action Plan for implementation of Industrial Policy

The Government brings out Industrial Policy (IP) every five years which *inter alia* sets out the extent of land to be acquired by KIADB in a policy period. Annual Action Plans allow for a structured and well thought out strategy to achieve the targets set out in the Policy guidelines.

KIADB, in their 293rd and 332nd Board meetings held on 29 May 2009 and 24 November 2014 respectively, resolved to implement the Industrial Policy (IP) 2009-14 and 2014-19. KIADB had, however, drawn up neither any Perspective Plan nor Action Plans for implementation of IPs of 2009-14 and 2014-19.

In reply, the Government stated (December 2017) that annual budget estimates were being prepared. It was further stated that action would be taken to prepare Perspective Plan and to constitute a Planning Cell.

2.1.7.2 Acquisition of land for Land Bank

KIADB acquires land for formation of Industrial Areas as well as for allotment to Single Unit Complexes (SUC). In respect of SUCs, KIADB acquires and allots undeveloped land to entrepreneurs after obtaining project approval from Investment Clearance Committees concerned. KIADB does not undertake infrastructure development in lands acquired for SUCs, unlike in IAs, which were developed and allotted with necessary infrastructure facilities.

The Government decided (2007/2008) to create a Land Bank (one lakh *acre*) so that readily available land could be made available to cater to formation of IAs as well as SUCs to promote industrial growth in the State. KIADB identified 1.15 lakh *acres* of land in various districts for the Land Bank. The IP 2009-14 set a target of acquisition of 1,000 to 2,000 *acres* of land in each District during the policy period with financial assistance of ₹ 1,000 crore from the State Government. At the end of IP 2009-14 period, out of 1.15 lakh *acres* of land identified, which included both Government and private lands,

50,887 *acres* were notified, 21,486 *acres* of land were acquired for the Land Bank by KIADB and 9,160.03 *acres* were still under preliminary notification. The amount of compensation paid towards acquisition of land was not furnished to Audit.

Audit scrutiny revealed that no Action Plan was drawn before creation of the Land Bank. The process of identification, notification and acquisition of land for creation of the Land Bank was unplanned, as evidenced from the exclusion of 20,240.97 *acres* (40 *per cent*) of land notified during 2013-2017, for which preliminary notification had been issued during 2009-2013. The reasons for the exclusion included lack of demand (9,306.06 *acres*), resistance from farmers (6,456.57 *acres*) and fertile lands/plantations (4,478.34 *acres*). Furthermore, as funds from the State Government were not received, KIADB decided (June 2011) to curtail the extent of holding in the Land Bank even more.

As the Land Bank caters to both formation of IA as well as Single Unit Complexes, it was imperative on the part of KIADB to maintain distinct accounts of land allotted and utilised for IA formation, and land allotted to SUC. However, KIADB had not maintained details of lands utilised from Land Bank for IA formation and land allotted to SUCs.

KIADB was having only inventory of allotable land available in IA but not in respect of undeveloped land in Land Bank.

The Government stated (December 2017) that the land bank was created anticipating demand for land in next 4 to 5 years. However, the extent of land to be acquired was curtailed after assessing the real requirement, which indicated that planning was not done.

2.1.7.3 Unplanned acquisition of land

Though KIADB was holding large tracts of unallotted land and decided to reduce its land holding, the IP 2014-19 set a target of further acquisition of 40,000 *acres* of land for formation of Industrial Area. In its 332nd Board Meeting (24 November 2014), KIADB, therefore, resolved in disregard of its earlier decision in June 2011, to implement the target set in the IP 2014-19. This was however without considering the following factors:

- ❖ More than 27,000 *acres* of land was already available (21,486¹⁰ *acres* under Land Bank as of December 2013 and 6,339.10¹¹ *acres* in Industrial Areas as of March 2014) before commencement of this IP period¹²; and
- ❖ Absence of any report in support of demand for industrial land in view of shortfall in actual allotment. Actual allotment of 6,287.32 *acres*

¹⁰ As per Industrial Policy 2014-19.

¹¹ As per Budget Estimates 2014-15.

¹² Land available under Land Bank as of March 2014 was not made available to Audit even after issue of Audit Enquiry.

(50 per cent) during 2009-14 was far below the target of 12,500 acres, as shown in **Table 2.1**:

Table 2.1: Details of targets and allocation

(in acres)

| Sl No. | Year | Target for allotment | Actual allotment | Shortfall |
|--------------|---------|----------------------|------------------|-----------------|
| 1 | 2009-10 | 2,500 | 1,690.19 | 809.81 |
| 2 | 2010-11 | 2,500 | 1,477.00 | 1,023.00 |
| 3 | 2011-12 | 2,500 | 1,695.56 | 804.44 |
| 4 | 2012-13 | 2,500 | 1,006.37 | 1,493.63 |
| 5 | 2013-14 | 2,500 | 418.20 | 2,081.80 |
| Total | | 12,500 | 6,287.32 | 6,212.68 |

(Source: Budget estimates of KIADB)

Despite shortfall in achievement of allotment targets during 2009-14 and availability of 6,339.10 acres of developed land in IAs for allotment as of March 2014, KIADB acquired 4,376.14 acres of land during 2014-17. Allotments during this period were 3,382.74 acres only, thus, adding to its inventory without adequate known demand for subsequent disposal.

Further, scrutiny in audit revealed that KIADB, in its 271st Board Meeting held on 31 January 2006, resolved that in future all land acquisition proposals for IAs should be accompanied by a preliminary feasibility report and also a brief project profile, indicating the financial viability of the project. Audit observed that the KIADB approved all the 42 proposals (**Appendix 2.1**) for acquisition of land for formation of IAs during 2011-12 to 2016-17 without such Techno-Feasibility Reports. In the absence of Techno-Feasibility Reports and comparative evaluation of alternatives, proposals for acquisition were based on the arbitrary proposals of the jurisdictional Special Land Acquisition Officers (SLAOs), which were not preceded by resolution of the KIADB approving commencement of acquisition.

Due to unplanned acquisition, KIADB was left with holding 6,593 acres¹³ of litigation-free developed land in various IAs (March 2017) valued at around ₹ 6,000 crore¹⁴ and 30,507.57 acres¹⁵ of undeveloped land in Land Bank (October 2016) in 28 Districts valued at approximately ₹ 3,172 crore¹⁶.

In the absence of centralised data of pending allotment applications, Audit could not link the decline of allotment with pending applications, if any.

In the Exit Conference, it was accepted that acquisitions were not supported by Techno-Feasibility Reports and the extent of land for acquisition was reduced.

¹³ Budget estimates of KIADB for the year 2017-18.

¹⁴ At prevailing allotment rates of KIADB.

¹⁵ Proceedings of Geographical Information System Review Meeting held on 21 October 2016.

¹⁶ Assessed at ₹ 10.40 lakh per acre on pro rata basis.

2.1.7.4 Inordinate delay in completion of Land Acquisition Proceedings

Once lands are notified¹⁷ for acquisition, the land owners cannot sell, lease, mortgage, change character of the land, carry out improvements, *etc.* Thus, it was of utmost importance to complete the process of acquisition or undertake review about land requirement, within a reasonable time to avoid hardship to the land owners. The KIAD Act provided for expeditious acquisition of land for industrial purposes but timelines similar to the provisions outlined in the Land Acquisition (LA) Act, 1894, (amended in 1984) were absent. The LA Act stipulated a two-year period for issue of final notification from the date of preliminary notification and failure to complete the process within that time frame would render the preliminary notification infructuous. KIAD regulations also did not specify timeline for completion of acquisition procedure. In the absence of such timeline, lands often remained in the initial stages of acquisition for an inordinately long period causing hardships to the owners on account of restrictions stated above.

As of March 2017, 28,719.29 *acres* of land was covered under preliminary notification. Two cases were outstanding for more than 15 years and about 65 *per cent* of the area was pending for more than five years. The age-wise details of land held under preliminary notification are shown in **Table 2.2** below:

Table 2.2: Details of land held under preliminary notification

| SI No. | Period | No. of cases | Extent (<i>acre-gunta</i>) |
|--------------|---------------|--------------|------------------------------|
| 1 | >10 years | 3 | 394.39 |
| 2 | 5 to 10 years | 34 | 18,234.35 |
| 3 | 2 to 5 years | 8 | 10,089.35 |
| Total | | 45 | 28,719.29 |

(Source: Compiled from details furnished by KIADB)

Audit analysis showed that land acquisition process for 25,828 *acres* was held up on account of delay in completion of Joint Measurement/acquisition proposals, while 1,365.07 *acres* of lands identified for exclusion was still covered under preliminary notification as proposals were pending with the Government. Further, decision for acquisition or otherwise, in respect of 1,001.16 *acres* was not taken in the light of protests from farmers against acquisition and the remaining 525.06 *acres* continued under preliminary notification for want of details from Special Land Acquisition Officers, KIADB, and Infrastructure Development Department of GoK.

Thus, undue delay in either completion of acquisition process/deletion put the land owners to hardships as they neither got the land compensation nor were able to convey the land since it ceased to be free hold on account of preliminary notification.

¹⁷ Issued under Section 28(1) of KIAD Act.

The inordinate delay in completing the land acquisition process was indicative of systemic lapses and the approach was aided by the absence of time limits in KIADB Act/Regulation.

In reply, the Government stated (December 2017) that action would be taken to amend the KIAD Act to stipulate timeline for completion of acquisition process. However, the reply was silent on the action proposed to be taken in respect of lands still held under preliminary notification.

Conclusion: Land acquisition by KIADB was neither demand-driven nor trend based. Acquisition was not supported by Techno-Feasibility Reports. Consequently, KIADB had significant idle inventory.

Absence of timeline for completion of acquisition process resulted in huge tracts of land remaining under preliminary stage causing hardship to land owners.

Recommendation 1: Priorities for acquisition should be decided based on trends of allotment to regulate idle inventory of land held in position.

Acquisition should be preceded by Techno-Feasibility Reports. The Government may prescribe timeline for completion of land acquisition process.

2.1.8 Development of Industrial Areas

Article 51 A(g) of the Constitution of India enjoins upon the citizens of India to protect and improve the natural environment including forests, lakes, rivers and wildlife and to have compassion for living creatures. This highlights the importance that the Constitution of India has accorded for the protection and safeguard of environment and natural resources. Thus, comprehensive development of Industrial Areas would accordingly entail precedence to environmental concerns/issues over providing basic infrastructure facilities for sustainable development. Deficiencies noticed are discussed below:

Environmental Issues

2.1.8.1 Environmental Clearance

Environment Impact Assessment (EIA) is a process used to identify the environmental impacts of a project prior to its approval. EIA systematically examines both positive as well as adverse consequences of a proposed project and ensures that the environmental impact and their mitigation measures are taken into account during the project design.

EIA exercise is to be carried out before any project is undertaken. The process of granting Environmental Clearance (EC) for the projects is defined in EIA Notification 2006.

Out of 162 Industrial Areas, KIADB had developed 62 IAs subsequent to EIA Notification, 2006. Audit observed that out of these 62 IAs, KIADB did not apply for EC in respect of 31 IAs and obtained EC for 20 IAs as of 31 March 2017; for 11 IAs, EC was yet to be obtained, though allotment was made in respect of all the 62 IAs as detailed in **Appendix 2.2**.

As would be evident from the above, as well as detailed discussion below, KIADB did not enforce the requirement/condition of environmental clearances as a prerequisite for establishment of Industrial Areas.

The Government stated (December 2017) that EC was obtained only from 2012 onwards by engaging consultants. However, the reply did not specify the reasons for not obtaining EC in respect of 31 IAs developed between 2006 and 2012.

2.1.8.2 Non-submission of Environment Statements

As per Ministry of Environment Forests and Climate Change (MoEF) Circular dated 30 June 2009, Environmental Statement for each financial year ending 31 March, in Form-V, was to be submitted to Karnataka State Pollution Control Board (KSPCB) by the Project Proponent as prescribed under the Environment (Protection) Rules, 1986. This was to be put on the website along with the status of compliance of EC conditions and the same was also to be sent to the Regional Office, MoEF.

The Environmental Statements were neither furnished to MoEF nor hosted on the website of KIADB. In the absence of Environmental Statements, compliance to various aspects of the construction/operation of the projects like probable compromise in the quality of environmental parameters, discharge of pollutants, management of hazardous as well as solid wastes, consumption of water, raw material, *etc* was not ascertainable.

Further, EIA/Environment Management Plan (EMP) reports provided for a full-fledged Environment Monitoring Cell with appropriate laboratory facility. KIADB did not have a full-fledged Environment Monitoring Cell or well laid down Environmental Policy.

KIADB in reply (July 2017) agreed to submit the Statements to MoEF and to set-up an Environment Monitoring Cell.

2.1.8.3 Non-development of parks in earmarked areas

The approved layout plan of an Industrial Area includes formation of parks. The total extent of land earmarked for parks (green areas) by the KIADB in 59 IAs developed across the State was 1,716.20 *acres* as of March 2017. Land was not earmarked for parks in the remaining 103 IAs.

Audit scrutiny of data furnished in respect of test-checked DOs revealed that:

- ❖ Land was not earmarked for development of parks in 47 IAs, out of 66 IAs; and
- ❖ Action was not taken for development of parks in 392.88 acres of earmarked land in 19 IAs as detailed in **Table 2.3** below:

Table 2.3: Development of parks

| SI No. | Name of the DO | Extent of area earmarked for parks (acres) | Status |
|--------|----------------|--|-------------------------------|
| 1 | DO-2,Bengaluru | 156.02 | Parks not developed till date |
| 2 | DO, Ballari | 17.42 | |
| 3 | DO, Dharwad | 36.68 | |
| 4 | DO, Mysuru | 182.76 | |
| | Total | 392.88 | |

(Source: Information furnished by KIADB)

The Government replied (December 2017) that action would be taken for entrusting development of parks in Industrial Areas to Zilla Panchayats and for maintenance of the parks by Forest Department. The reply was not justifiable as development of parks in Industrial Areas was the responsibility of KIADB and thus, one of the pollution mitigation measures in IAs was neglected.

2.1.8.4 Industrial Areas without basic infrastructure facilities

A typical IA formed by KIADB should have roads, electricity and water supply, storm water drains and Common Effluent Treatment Plant (CETP)/ Common Sewage Treatment Plant (CSTP). In the sampled DOs, in respect of 38 IAs out of 66 IAs, the basic facilities were not provided/completed in all respects as shown in **Table 2.4** below:

Table 2.4: Non-provision of basic infrastructure facilities in Industrial Areas

| SI No. | Particulars | DO-2 Bengaluru | DO Ballari | DO Dharwad | DO Mysuru | Total |
|--|--------------------------------|----------------|------------|------------|-----------|-------|
| 1 | Number of IAs | 05 | 13 | 08 | 12 | 38 |
| Infrastructure not provided in the above Industrial Areas | | | | | | |
| 2 | IAs without Power Sub-station | 02 | 06 | 04 | 09 | 21 |
| 3 | Bulk water supply not provided | 05 | 13 | 02 | 08 | 28 |
| 4 | Street lights not installed | 03 | 08 | 0 | 03 | 14 |
| 5 | CETP/CSTP not established | 05 | 13 | 08 | 12 | 38 |

(Source: Information furnished by KIADB)

Timely completion of development works was a prerequisite for operation of industrial units in a comprehensive manner. However, allotment assumed precedence over completion of basic facilities and a total of 4,077 units, which had commenced operation in these IAs functioned without requisite infrastructure like power sub-station, bulk water supply and CETP/CSTP. This defeated the objective of providing world class facilities/quality infrastructure as stated in the IPs.

In reply, the Government stated (December 2017) that industrial layouts could not be formed instantly as infrastructure like roads, drains and power supply were taken up in stages. Electrical sub-station would be provided only where the allotted industrial units require additional load. Provision for establishment of CETP/CSTPs were made in the recently approved layouts and would be taken up in consultation with KSPCB¹⁸.

The reply was not justifiable as the industrial units were already functioning without some of these basic facilities while KIADB treats these IAs as fully developed, which was factually incorrect.

2.1.8.5 Discharge of untreated water in IAs

Environmental Clearance is accorded under the provisions of EIA Notification of 2006 and such clearance is subject to establishment of CSTP/CETP in Industrial Areas. The provisions of Water Act, 1974, also prohibit discharge of untreated effluents into streams, sewers and wells or on land.

A study¹⁹ conducted by University of Mysuru in 2011 in three²⁰ IAs under DO, Mysuru, established concentration of heavy metals like iron, copper, nickel, etc. beyond permissible levels in the soil of these three IAs.

In the absence of allottee-wise details of volume of effluent and sewage discharged, and nature and intensity of pollutants, pre-feasibility report of six IAs in three²¹ of the four test-checked DOs developed during 2011-12 to 2016-17 were examined in audit to assess the estimated quantity of untreated surface discharge.

The details are as shown in **Table 2.5** below:

Table 2.5: Estimated quantity of untreated surface discharge

| Sl. No. | Industrial Area | Industrial waste (kilo litre per day) | Domestic waste (kilo litre per day) | Total waste generation (kilo litre per day) | Occupancy of IA in per cent | Pro rata waste generation per day (kilo litre per day) based on percentage of occupancy | | Pro rata waste generation of untreated surface discharge (million litre per annum) | |
|--------------|------------------------------------|---------------------------------------|-------------------------------------|---|-----------------------------|---|--------------|--|------------|
| | | | | | | Industrial | Domestic | Industrial | Domestic |
| 1 | Narasapura IA | 1,000 | 300 | 1,300 | 98 | 980 | 294 | 358 | 107 |
| 2 | Malur 4 th phase | 640 | 160 | 800 | 82 | 525 | 131 | 192 | 48 |
| 3 | Gowribidanur 2 nd phase | 6,000 | 1,720 | 7,720 | 35 | 2,100 | 602 | 767 | 220 |
| 4 | Gamanagatti 2 nd phase | 1,100 | 200 | 1,300 | 71 | 781 | 142 | 285 | 52 |
| 5 | Jakkasandra | 1,481 | 364 | 1,845 | 67 | 992 | 244 | 362 | 89 |
| 6 | Badanakuppe-Kellamballi | 3,480 | 678 | 4,158 | 6 | 209 | 41 | 76 | 15 |
| Total | | 13,701 | 3,422 | 17,123 | | 5,587 | 1,454 | 2,040 | 531 |

(Source: Information furnished by KIADB)

¹⁸ Karnataka State Pollution Control Board.

¹⁹ A study on 'Heavy Metal Pollution Assessment in Industrial Areas soil of Mysuru City, Karnataka, India', International Journal of Applied Sciences and Engineering Research (Volume I, Issue 4, 2012) – authored by Shivakumar D and Srikanthaswamy S.

²⁰ Metagalli IA, Hootagally IA and Hebbal IA.

²¹ DO-2 Bengaluru, DO Dharwad and DO Mysuru.

At current occupancy rate, an estimated 2,571 million litres (2,040 *plus* 531) of untreated industrial and domestic waste *per annum* was apparently let-off as surface discharge, which invariably flows along the contour to the nearest water bodies and contaminate the water bodies/groundwater. Thus, extensive pollution of water bodies in the vicinity of IAs cannot be ruled out. The reasons for non-establishment of CETP were not furnished.

The Government stated (December 2017) that action would be initiated against the erring units and directions would be issued to establish primary Effluent Treatment Plants.

2.1.8.6 Discharge of effluents into open road-side storm water drainage

Storm water drains are meant to collect excess rain water and surface discharges only. Industrial waste should be collected through separate network of pipes and treated in CETP/CSTP before discharge. However, scrutiny of documents revealed that in eight IAs in DO Mysuru and seven IAs in DO Ballari industrial effluents were being discharged into open storm water drainage system as evidenced in the following **Photograph 2.1**, which finally led to the nearest open tank in the locality.

Photograph 2.1: Industrial effluents flowing out in open drainage at Mundaragi



(Source: Photograph taken by Audit Party during field visit)

The eight IAs under DO Mysuru had 35 highly polluting industries like chemical industries, paper mills, plastic industries, engineering works, lubricant processing units, carbo-ceramic units and spinning units. These industries discharged industrial effluents in open drainages, which had been constructed along the sides of the road to handle rain water. Besides being irregular, such action was in violation of the provisions of Water (Prevention and Control of Pollution) Act²², 1974. This was further compounded since industrial effluent routed through the open drains were to be let-off to the nearest water body in an untreated form in the absence of CETP/CSTP in these Industrial Areas.

The Government stated (December 2017) that action would be initiated against the units discharging the effluents, directing them to establish primary Effluent Treatment Plants.

Conclusion: Industrial and domestic discharges were being let-off untreated in the absence of Common Effluent Treatment Plant, leading to inevitable pollution of groundwater and nearest water bodies. Comprehensive development of Industrial Areas as envisaged in Industrial Policy was not attained. KIADB was not sensitive to the critical issue of securing environmental clearance before establishment of Industrial Areas.

Recommendation 2: Comprehensive development of industrial infrastructure facilities should be made prior to allotment. Environmental clearance should be treated as a prerequisite for development of Industrial Areas. Industrial and domestic discharges should be regulated according to Water Act, 1974.

2.1.9 Price fixation of industrial plots

The provisions of KIAD Act, 1966, and the Regulations thereof do not contain cost structure to be adopted for fixation of price of industrial plots. As per the Government Order (GO) (21 March 1986), cost of plots should include land acquisition cost, development cost and service charges at 10 *per cent* on both the components. The GO also specified that an Industrial Area be treated as one unit and *pro rata* development cost should be levied on all allottees by working out cost of development per *acre* for the entire area. The corner plots and plots facing highways are to be charged at higher rates.

As per the cost structure being followed by KIADB to determine the price fixation, Government land transferred at free of cost were valued at cost of acquisition of private land. Similarly, grants received, if any, for development works were not taken into consideration to bring down the total cost.

²² Section 26 of Water Act prohibits discharge of untreated effluents into streams, sewer and well or on land.

2.1.9.1 Irregular revision of tentative allotment rate

KIADB allots land in IAs at a base/tentative rate of allotment, which was revised periodically and forms the basis for fixing the final price of land. Tentative allotment rate was fixed as allotment of industrial plots preceded completion of development of industrial infrastructure or even before commencement of development works in several cases. Tentative rate was revised when there was increase in land acquisition cost and development cost.

Audit scrutiny of allotment rates in 66 IAs revealed that in four IAs²³, KIADB fixed tentative allotment rates as per norms while making allotments to three entrepreneurs. However, in these four IAs, the Board of KIADB subsequently reduced the approved tentative rates on account of lack of demand. In order to reduce the rates, component towards water supply/electrical infrastructure, Government land, development grants received were excluded for allotments made to 76 allottees.

The reduction in approved tentative rate for the subsequent allottees was contrary to the GO and norms being followed. The initial tentative allotment rate being the base allotment rate, fixing allotment rate below the base allotment rate lacked justification and resulted in extending financial benefit of ₹ 91.07 crore to these 76 allottees as detailed in **Appendix 2.3**. Also, the subsequent reduction in tentative allotment rates was discriminatory as higher rates were paid by the initial allottees, which was improper.

In reply, the Government stated (December 2017) that the rates were reduced considering that land remained unallotted primarily due to the high rate of land. The rates were reduced taking into consideration where Government land was transferred and grants from Government were received. It was also stated that the cost of all the components excluded would be considered henceforth while fixing the final price.

The reply was not justifiable as the cost fixed for initial allottees was higher as they were charged for water supply and electrical infrastructure though these facilities were not to be provided. Also, Government land, wherever received free of cost, should be valued at par with privately acquired land, to determine its cost. Since in all IAs, there would be a component of Government land as well as grants received towards development cost, their exclusion in selective IAs would be irregular.

Conclusion: Tentative allotment rates were revised downward by excluding critical components of industrial infrastructure.

Recommendation 3: Selective reduction of tentative allotment rates should be avoided and mechanism be put in place for annual review of allotment rates.

²³Adakanahalli, Badanaguppe Kallamballi, Jakkasandra and Vemgal.

2.1.10 Allotments

The Industrial Areas consist of plots earmarked for industrial, housing and other amenities. Allotment of industrial plots to entrepreneurs was based on the approval of the projects by the competent committees. Irregularities in allotments are discussed in succeeding paragraphs.

2.1.10.1 Un-authorized clearance of project

As per the provisions of Karnataka Industries (Facilitation) Act, 2002, the responsibility for clearance of industrial projects vests with High level, State level and District level committees constituted under the Act. A District level committee chaired by the Deputy Commissioner of the District was to examine and consider proposals received for establishment of industrial projects in the respective Districts with an investment of upto ₹ 15 crore. The role of KIADB, thus, was confined to allotments of land in respect of projects approved by the committees. However, KIADB constituted (December 2005) the District Land Allotment Committees for clearance of projects and allotment of lands to industries with investment below ₹ three crore.

Project clearance and consequential allotment of land by KIADB Committee was tantamount to violation of Karnataka Industries (Facilitation) Act, 2002, and thus, unauthorised. The unauthorised allotments by KIADB in the sampled DOs aggregated to 158.79 acres of land in 152 cases, which are shown in **Table 2.6** below:

Table 2.6: Unauthorised direct allotment

| SI No. | Name of the DO | Number of allotment during 2011-12 to 2016-17 | Extent in acres |
|--------------|-----------------|---|-----------------|
| 1 | DO-2, Bengaluru | 84 | 42.07 |
| 2 | DO, Mysuru | 37 | 48.85 |
| 3 | DO, Dharwad | 16 | 40.46 |
| 4 | DO, Ballari | 15 | 27.41 |
| Total | | 152 | 158.79 |

(Source: Information furnished by KIADB)

In all the above cases, the allotment authority was the KIADB, CEO & EM, Board Allotment Committee, etc.

The Government stated (December 2017) that the Karnataka Industries (Facilitation) Act did not restrict KIADB from allotting land to entrepreneurs without approvals from the Committees. However, as powers to approve projects vest only with the Investment Committees as per Karnataka Industries (Facilitation) Act, 2002, and approval by KIADB tantamounts to violation of the said Act.

2.1.10.2 Absence of time frame for allotment of land

Timeliness in disposal of applications received for allotment of land was important to facilitate commencement of business by entrepreneurs. However,

neither the KIAD Act, 1966, nor the KIAD Regulations, 1969, governing disposal of land by KIADB, stipulated a time frame for processing of applications received for allotment of land.

Scrutiny of the Register maintained in the Allotment Section of KIADB revealed that receipt of applications was not diarised in an orderly manner to facilitate disposal on a first-in-first-out basis. Thus, no system was in place to monitor receipt of application *vis-à-vis* disposal of applications. In the absence of a system to monitor receipt, disposal and pendency of applications for allotment and timeline, the process of allotment was not susceptible to verification against sequence of disposal and priorities. Thus, the allotment process lacked transparency.

In respect of sample DOs, details of applications for allotment pending disposal as of March 2017 are shown in **Table 2.7** below:

Table 2.7: Applications for allotment pending disposal

| SI No. | Name of DO | Applications pending as of 31.3.2017 |
|--------------|-----------------|--------------------------------------|
| 1 | DO, Mysuru | 69 |
| 2 | DO, Ballari | 23 |
| 3 | DO, Dharwad | 1,081 |
| 4 | DO-2, Bengaluru | Not furnished |
| Total | | 1,173 |

(Source: Information furnished by KIADB)

Age-wise analysis of pending applications in respect of DO, Dharwad, which had highest pendency is shown in **Table 2.8**:

Table 2.8: Delay in disposal of allotment application

| SI No. | Tenure of delay | Number of pending applications |
|--------------|-------------------|--------------------------------|
| 1 | More than 6 years | 281 |
| 2 | More than 5 years | 452 |
| 3 | More than 4 years | 61 |
| 4 | More than 3 years | 24 |
| 5 | More than 2 years | 38 |
| 6 | Less than 2 years | 225 |
| Total | | 1,081 |

(Source: Information furnished by KIADB)

Scrutiny of records showed that in DO, Dharwad, 803 applications were received for allotment in Gamanagatti IA, of which, 269 applications were not disposed of for more than six years despite availability of 48.16 acres of litigation free land in the IA. The reasons for non-allotment of industrial plots to applicants whose investment proposals were cleared by the Investment Committees were not on record.

The remaining 278 pending applications in DO, Dharwad pertained to Gadag-Narasapur IA, where no land was available for allotment. It was not clear how the project proposals were being approved by the committees for establishing industrial units in this IA where no land was available. KIADB

being a member of the clearance committees should have appraised the non-availability of land to the committees. This resulted in unnecessary pendency of applications.

In reply, the Government stated (December 2017) that the services rendered by KIADB during allotment of land were brought under “*Sakala*²⁴” and applications for allotment of land were received through online mechanism.

The reply was not justifiable as centralised data was not maintained by KIADB.

2.1.10.3 Allotment of land involved in litigation

Lands under litigation should not be allotted as possession of land cannot be handed over to the allottees for commencement of business. However, the lands under litigation were allotted by the Allotment Section of KIADB without ensuring availability from the Development Officers. Details of allotted lands involved in litigation are shown in **Table 2.9**:

Table 2.9: Details of lands under litigation allotted

| SI No. | Name of DO | Number of cases | Extent in acres |
|--------|-----------------|-----------------|-----------------|
| 1 | DO, Mysuru | 27 | 114.70 |
| 2 | DO 2, Bengaluru | 14 | 86.03 |
| 3 | DO, Dharwad | 7 | 9.32 |

(Source: Information furnished by KIADB)

The allotment in these instances were made in the period intervening 1992 and 2013. The allottees had to wait indefinitely to implement their projects as alternative plots were not allotted to these allottees, as seen from the allotment details furnished by KIADB.

The Government in reply stated (December 2017) that litigations arose after allotment of land and request of allottees for allotment of alternative plots were made.

The reply was not justifiable as reply was general in nature and details of alternative plots were not furnished.

2.1.10.4 Non-enforcement of terms of allotment

When the Land Allotment Letter was issued, the land or plot was shown as allotted in KIADB records even though possession of the same was handed over later to the allottee. As per the terms of the allotment, balance amount of the tentative land cost (70 to 80²⁵ per cent of the tentative cost of allotment rate) was required to be paid within 180 days of issue of allotment letter.

²⁴ *Sakala* – a scheme by Government of Karnataka which prescribes timelines for providing citizen services.

²⁵ 70 per cent in Bengaluru, Ramanagara, Tumakuru, Mysuru, Mangaluru, Kolar and Chikkaballapura Districts and 80 per cent in other Districts.

Failure to comply with the prescribed timeline entails forfeiture of 25 per cent of the amount received on application and Earnest Money Deposit paid. Allotments, thus, standing cancelled could be allotted to other entrepreneurs.

As of March 2017, in 722 allotments in 38 IAs under 12 DOs, the initial deposits were not forfeited though stipulated period for payment of balance amount (₹ 581.20 crore) had elapsed. This included an amount of ₹ 59.57 crore in respect of 305 allotments in 17 IAs in the test-checked DOs involving 581.64 acres.

This resulted in blocking of cash flow from allotments due to non-realisation of ₹ 581.20 crore besides blocking of land as KIADB did not cancel these allotments.

Further, non-cancellation of allotment in so many deserving cases would hamper industrial growth as these plots of land were not available for further allotments.

In reply, the Government agreed (December 2017) that these allotments were to be cancelled as per the terms of lease. The reply further stated that extensions in few cases were granted after levy of applicable interest as these were small units.

2.1.11 Amenity Site

2.1.11.1 Non-formulation of regulations for Amenity Site

The general powers of KIADB as laid down in Section 14 of KIAD Act is to provide or cause to be provided amenities and common facilities in IAs. In terms of Section 2 of the KIAD Act, amenities include road, supply of water or electricity, street lighting, drainage, sewage, conservancy and such other convenience. The scope of the term 'amenity'²⁶ as used in KIAD Act was further expanded by the GoK in terms of Notification No. CI 86 SPQ 90, Bengaluru, dated 13 March 1991. However, inventory of amenities sites with details of plot numbers, extent, purpose of allotment and balance land available for allotment based on the original layout plan of the IAs was not maintained by KIADB.

Though definition of amenity was expanded in 1991, no rules were framed by the Government for regulation of allotment of amenity sites and amenity plots were treated as industrial plots, allotted on lease-cum-sale basis and eventually sold.

²⁶ Amenity includes banks, post offices, telephone and telex exchanges, canteens, fire station, STP and ETP plants, Xerox facilities, bus depots, taxi/tempo terminals, training institutes, R and D centers, power sub-stations, water generating works, diesel generating stations, automobile service centers, educational institutes, hospitals, dispensaries, weigh bridges, hotels, motels, cinema theatres, health and holiday resorts, etc.

High Court of Karnataka observed²⁷ (April 2011) that Regulation 7 of KIADB Regulation, 1969, required amendment to facilitate disposal of lands by KIADB including Civic Amenity (CA) sites, which were not meant to be sold but to be allotted on lease basis only.

Draft Karnataka Industrial Areas Development Board (Allotment of Civic Amenity Sites) Regulations, 2012, authorised CEO & EM to modify suitably the proposed draft Rules, incorporating allotment of CA sites to non-Government agencies/institutions by Public Private Partnership mode and to send it to the Government for approval.

Pending further progress in framing Allotment of Amenity Site Rules, in order to curb misuse of amenities sites, KIADB (324th Board Meeting dated 27 June 2013) resolved that approval for allotment of land in future was to be accorded on perpetual lease basis only, *i.e.* for a period of 99 years. However, KIADB sold amenity plots measuring 55.37 acres in the test-checked DOs contrary to its resolution and in violation of Court Order, which included 52.24 acres of land sold (July 2015) to Sri Sathya Sai Trust. The land was allotted (1991) to the Trust free of cost by the Government in Export Promotion Industrial Park for construction of Hospital, without prescribing terms of allotment.

Thus, absence of governing regulations led to indiscriminate disposal of 55.37 acres of amenity sites as of March 2017.

In reply, the Government stated (December 2017) that regulations for allotment of amenity sites were framed during KIADB Board Meetings on 22.05.2017 and 22.08.2017. Further, CEO & EM stated that sale deed to Sri Sathya Sai Trust was made based on land utilisation, which was approved by Board.

However, we found no such deliberation in the papers of the Board Meetings referred above. Further, the reply was not justifiable as the land utilisation condition for making sale deed was applicable to industrial land only, and not for amenity site, which should be on perpetual lease.

2.1.11.2 Diversion of amenities sites

Audit scrutiny of allotment data revealed diversion of sites reserved for amenities to industries in sample DOs as shown in **Table 2.10** below:

Table 2.10: Diversion of sites reserved for amenities to industries

| Sl No. | Name of DO | Reserved for amenity sites | | Diverted to industry | |
|--------|-----------------|----------------------------|----------------|----------------------|----------------|
| | | Number | Extent (acres) | Number | Extent (acres) |
| 1 | DO, Mysuru | 39 | 151.16 | 19 | 130 |
| 2 | DO, Ballari | 11 | 8.20 | 7 | 4.71 |
| 3 | DO, Dharwad | 1 | 6.03 | 1 | 6.03 |
| 4 | DO-2, Bengaluru | 34 | 39.73 | 1 | 1.01 |

(Source: Information furnished by KIADB)

²⁷ In Writ Petition 66896/2010.

Diversion of land reserved for amenities by Development Officers for accommodating industries reduced the extent of amenities that could have been provided by the KIADB in those IAs, depriving the IAs of essential amenities.

In the Exit Conference, the Additional Chief Secretary concurred with the audit observation by stating that diversion was a critical issue requiring attention.

Conclusion: Allotment of amenity sites was ad hoc in the absence of enabling regulations, leading to diversions affecting the profile of Industrial Areas.

Recommendation 4: Transparency in allotment should be ensured by compilation of Industrial Area-wise data on receipt, disposal and pendency of allotment. Regulations governing allotment and disposal of amenity sites should be framed to prevent indiscriminate diversion of amenity sites. Allotment of amenity sites in Industrial Areas should be on lease basis.

2.1.12 Monitoring

Monitoring is an important management tool for ensuring achievement of stated objectives and timely detection of deviations for initiating appropriate action.

2.1.12.1 Absence of monitoring the allotted land

KIADB did not devise a system for enforcing use of land for intended purpose by prescribing submission of periodical returns by the allottees to confirm commencement or continuance of industrial activity.

Post allotment monitoring was confined to occasions when the KIADB was required to execute sale deeds as envisaged in the terms of allotment. Also, the inspection reports of DOs during execution of sale deeds were being processed without cross-verification with Geographical Information System (GIS) images.

According to terms of allotment, an allottee was required to commence industrial production within two years from the date on which possession of land was handed over, which may be extended by one year without penalty and by one more year with penalty. Thus, the maximum permissible limit for commencement of commercial production was four years and lease-cum-sale agreement²⁸ shall stand automatically terminated, if industrial production was not started by then. In the absence of norms for periodic monitoring, violations of terms of allotment were not acted upon over a protracted period of time as discussed in Paragraph 2.1.12.2 below.

²⁸ The land allotted on lease basis shall be sold after satisfying the terms of allotment.

In reply, the Government stated (December 2017) that due to unavoidable situations like litigations and obstructions by locals, there were delays in implementation of the project by the entrepreneurs. The reply indicated that KIADB did not allot litigation free land to entrepreneurs.

2.1.12.2 Non-resumption of land

The Section 34(B) of the KIAD Act, empowers KIADB to resume allotted plots on grounds of non-compliance with the terms of allotment/timeline for establishment of industry. Review of delays in project implementation as compared with time schedule laid down in terms of allotment revealed that the delay in project implementation ranged upto 30 years and more. Details of DO-wise non-implementation of projects are shown in **Table 2.11** below:

Table 2.11: Non-implementation of projects

(Extent in acres)

| Sl No. | Period | DO, Mysuru | | DO, Dharwad | | DO, Ballari | | DO-2, Bengaluru | | Total | |
|--------------|--------------------|--------------|---------------|--------------|---------------|--------------|---------------|-----------------|---------------|--------------|----------------|
| | | No. of units | Extent | No. of units | Extent | No. of units | Extent | No. of units | Extent | No. of units | Extent |
| 1 | More than 30 years | 0 | 0 | 03 | 2.13 | 0 | 0 | 06 | 9.86 | 9 | 11.99 |
| 2 | 20 to 30 years | 20 | 127.14 | 09 | 17.20 | 0 | 0 | 09 | 19.62 | 38 | 163.96 |
| 3 | 10 to 20 years | 24 | 32.65 | 30 | 35.19 | 08 | 17.31 | 25 | 138.36 | 87 | 223.51 |
| 4 | 5 to 10 years | 107 | 188.67 | 66 | 64.68 | 25 | 259.50 | 26 | 57.89 | 224 | 570.74 |
| 5 | Less than 5 years | 30 | 27.83 | 47 | 82.92 | 25 | 14.37 | 07 | 17.99 | 109 | 143.11 |
| Total | | 181 | 376.29 | 155 | 202.12 | 58 | 291.18 | 73 | 243.72 | 467 | 1113.31 |

(Source: compiled in Audit on the basis of data furnished by DOs)

In the four test-checked DOs, an area of 1,113.31 *acres* allotted to 467 units remained unutilised beyond maximum period of four years stipulated for commencement of commercial production. In all these cases, possession certificates were issued prior to 2013. Due to absence of a system to monitor post allotment utilisation, omissions in complying with terms of allotment went un-noticed.

In reply, the Government accepted (December 2017) the audit observation and stated that KIADB had developed GIS mapping of industrial areas and monitoring of the activities in the plots would be carried out in a sophisticated manner.

Conclusion: Post allotment, monitoring norms were not defined. Site inspections were carried out only occasionally. Absence of periodical monitoring resulted in inordinate delay in enforcement of action for non-compliance with reference to allotment/lease terms and conditions.

Recommendation 5: KIADB should establish a system for monitoring compliance with terms of allotment/lease deed.

2.1.13 Maintenance of Industrial Areas

Maintenance of the Industrial Areas and its infrastructure are necessary not only for the effective utilisation of the assets created but also to facilitate the industrial units. Industrial Policy 2009-14, laid down that maintenance of facilities in Industrial Areas will be transferred to Local Bodies/Industry Associations. In absence of such arrangements, KIADB itself was to take up the responsibility of maintaining the basic amenities. In order to encourage self-management of Industrial Areas by the enterprises, the Government will expedite the establishment of Industrial Township Authorities in major Industrial Areas/estates.

Audit observed that in the test-checked DOs, maintenance of six Industrial Areas out of 66 were transferred to Local Bodies and only one²⁹ Township Authority was established. Also, KIADB did not have the periodical assessment of the maintenance requirements and it was only need-based. The details of funds allocated by KIADB for maintenance of Industrial Areas and actual expenditure incurred during 2011-12 to 2016-17 are shown in **Table 2.12:**

Table 2.12: Funds allocated for maintenance and actual expenditure incurred

(₹ in crore)

| Sl No. | Year | Funds allocated | Actual expenditure | Percentage of utilisation |
|--------------|---------|-----------------|--------------------|---------------------------|
| 1 | 2011-12 | * | 0.64 | - |
| 2 | 2012-13 | * | 0.48 | - |
| 3 | 2013-14 | 19.81 | 0.26 | 1.31 |
| 4 | 2014-15 | 32.95 | 0.81 | 2.45 |
| 5 | 2015-16 | 41.35 | 1.30 | 3.14 |
| 6 | 2016-17 | 33.84 | 1.24 | 3.66 |
| Total | | | 4.73 | |

* Details of funds allocated for these years were not furnished
(Source: Information furnished by KIADB)

As evident from the Table 2.12, KIADB did not utilise funds despite allocation of funds towards maintenance of infrastructural facilities on a regular basis.

To ensure upgradation and maintenance of infrastructural facilities on a sustainable basis, Industrial Policy 2009-14, proposed the creation of an Infrastructure Development Fund with a corpus of ₹ 500 crore to be operated through KIADB. As on date (September 2017), the corpus has not been created. KIADB did not prioritise comprehensive/periodic maintenance. Maintenance of Industrial Areas was situation specific and confined to urgent requirements.

²⁹ Electronic City IA Township Authority was constituted in June 2012 under Section 364 of Karnataka Municipalities Act, 1964.

In the Exit Conference, the Additional Chief Secretary accepted that maintenance of IAs was lacking and a mechanism would be worked out for maintenance of IAs either by Industries Association or Local Bodies.

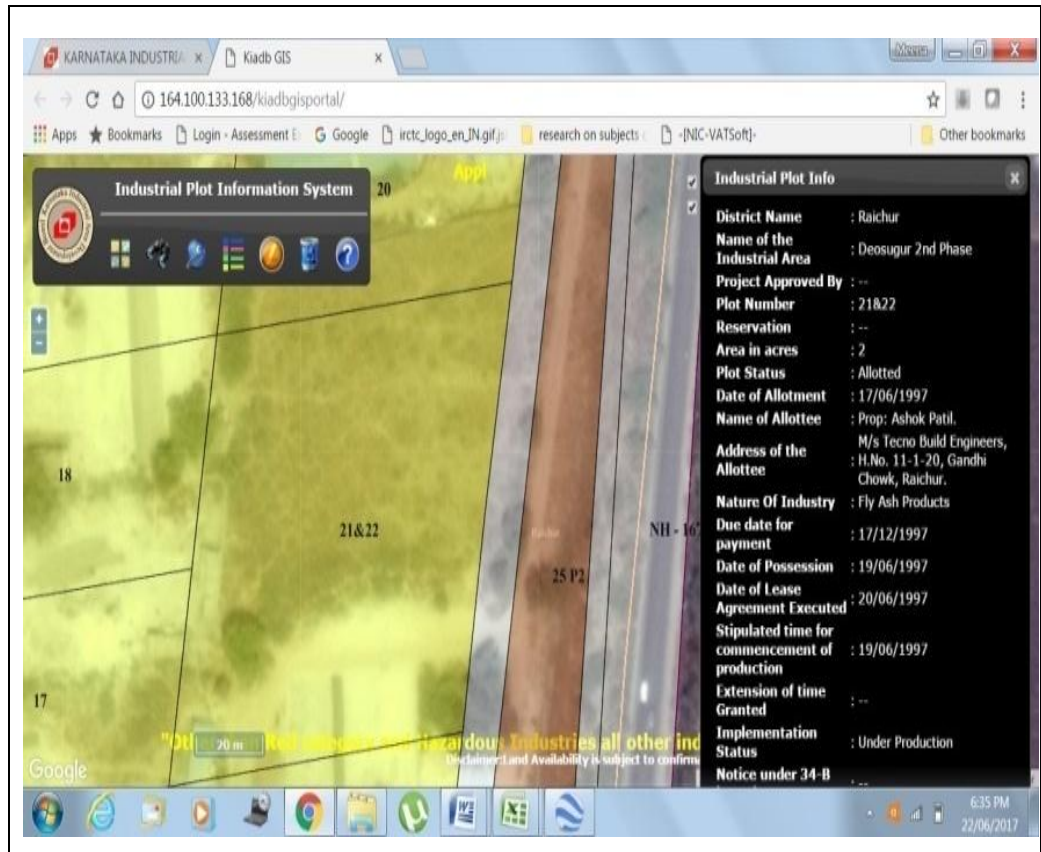
2.1.14 Internal Control

KIADB plays an important role in the development of industries by creating infrastructure in Industrial Areas and estates in the State. For such an organisation to succeed operating economically, efficiently and effectively, there should be reliable and well documented Management Information Systems to achieve its objectives.

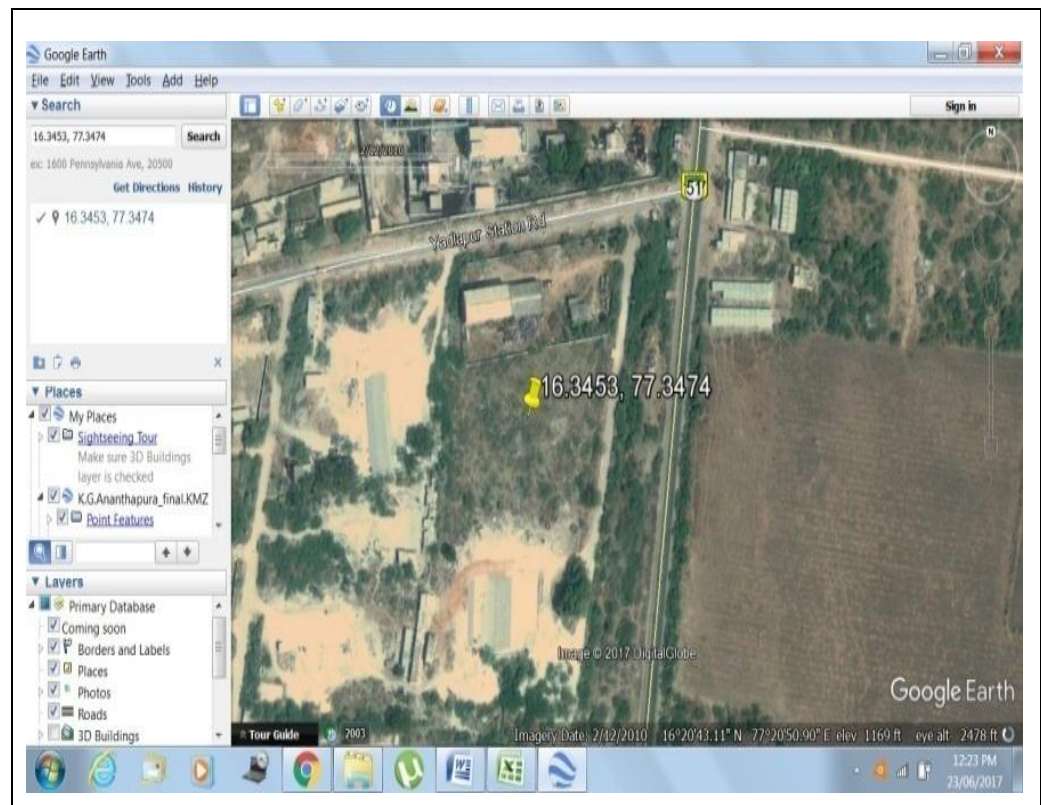
The internal control system of KIADB was deficient as accountability could not be assessed in the absence of basic returns at various level of hierarchy, as discussed below:

- ❖ Inventory of amenity sites, corner sites, parks, *etc.* were neither maintained nor updated. Consequently, diversions with reference to the original layout plan remained unreported;
- ❖ Norms for number and periodicity of inspections to be conducted by DOs were not evolved. Consequently, inspections were carried only when execution of sale deed, transfer of lease, *etc.* In the absence of norms, KIADB could neither monitor violations of terms of allotment and lease agreement, nor initiate necessary action in a time-bound manner; and
- ❖ As discussed in the Paragraph 2.1.12.1, KIADB did not devise and adopt a system to evaluate the reliability of situation specific inspections. Inspection reports were being processed without cross-verification with Geographical Information System (GIS) images. Cross-verification of inspection report of DOs with GIS imageries by Audit showed that in 21 cases involving 22.84 acres spread across 5 IAs of Ballari and DO 2, Bengaluru, execution of sale deeds were irregular because GIS images showed non-existence of structures in these plots. Sample images in respect of plot No. 21 and 22 of Deosugur Industrial Area under DO, Ballari, is given **Exhibit 2.1**:

**Exhibit 2.1: GIS map of Deosugur II phase
Plot no. 21 and 22, Sale deed executed on 05.03.2009**



GIS map as per KIADB website Image dated 02.12.2010



In reply, DO Ballari stated (July 2017) that sale deed was executed based on land utilisation but reply was not justifiable since the land was vacant as seen from the images.

Significant diversions altering the layout plan of an Industrial Area are discussed in earlier paragraphs. However, KIADB did not devise a system to document their approval or ratifying the aberrations from originally approved layout plan. Land use pattern of the current layout plan *vis-à-vis* originally approved plan could not be verified by Audit.

2.1.15 Conclusion

Karnataka Industrial Areas Development Board was functioning without a Perspective Plan and land acquisition proposals were not supported by Techno-Feasibility Reports. Proposals for acquisition of 1.15 lakh *acres* of land was later scaled down on the grounds of lack of demand. Actual allotments of industrial plots were far below the anticipated demand and KIADB was holding high inventory of 6,593 *acres* of developed land valued at ₹ 6,000 crore and 30,507.57 *acres* of undeveloped land costing ₹ 3,172 crore. All basic infrastructural facilities were not provided in 38 test-checked Industrial Areas where 4,077 units were in operation. KIADB did not enforce the condition of environmental clearances as a prerequisite for establishment of industrial areas. Both industrial and domestic discharge remained untreated. Tentative allotment rate in four Industrial Areas were reduced resulting in unintended benefit to 76 allottees. Centralised data of allotments were not maintained. The allotment process lacked transparency as the data on receipt, disposal and pendency of applications were not on the public domain. Allotments made in respect of 722 allottees were not cancelled and 25 *per cent* of the amount deposited was not forfeited as per rules even though they failed to remit balance allotment money of ₹ 581.20 crore. 1,113.31 *acres* of land allotted to 467 units was not resumed despite expiry of concession period for commencement of commercial production.
