

3.5 Implementation of RIDF Projects

3.5.1 Introduction

The Government of India announced a scheme for setting up of Rural Infrastructure Development Fund (RIDF) in the budget of 1995-96. This fund was operated by the National Bank for Agriculture and Rural Development (NABARD). The Corpus of the RIDF was made up of contribution by way of deposit from scheduled commercial banks operating in India to the extent of shortfall in their agriculture lending subject to a maximum of 1.5 *per cent* of the net bank credit. The loan from RIDF was provided to State Governments for development of rural infrastructure such as roads, markets, etc. The Finance Department of the State Government was designated as the nodal department for the implementation of the projects under RIDF. The State Government should also make adequate provision in the budget for timely repayment of principal and interest. The projects sanctioned under RIDF were to be implemented by the State Government through PRIs and line departments. Ten *per cent* of the project cost was to be borne by the PRIs till 2001-02 and 20 *per cent* thereafter.

Block Panchayats (BPs) accordingly undertook construction of rural roads alone and gave priority to roads leading to markets to facilitate transportation and marketing of farm products. As the works were to be integrated with annual plan of BP, they were identified by the grama sabhas. Out of 152 BPs in the state, 15* in five selected districts* were selected for audit and the following audit findings emerged.

Audit Findings

3.5.2 Funding

3.5.2.1 Allotment of funds by NABARD

Release of funds by NABARD was on reimbursement basis. Work bills were to be paid by BPs initially and the work bills were to be forwarded to NABARD through Commissioner of Rural Development (CRD) and Finance department. NABARD in turn was to release funds to the Finance Department wherefrom it was to be transferred to the BPs through CRD.

During the period from 2002-03 to 2006-07 the State Government received total amount of Rs.694.47 crore from NABARD towards loan for RIDF. As against this the Government paid back Rs.472.65 crore during this period as detailed below:

* Anchal, Chadayamangalam, Chengannur, Kaduthuruthy, Kilimanoor, Konni, Kottarakkara, Kulanada, Parakkode, Pathanapuram, Pandalam, Ranni, Uzhavoor, Vamanapuram and Vettikkavala.

* Alappuzha, Kollam, Kottayam, Pathanamthitta and Thiruvananthapuram.

(Rs in crore)

Sl No	Year	Opening Balance	Amount of loan received	Total	Repayments	Closing Balance
1	2002-03	317.20	114.37	431.57	44.50	387.07
2	2003-04	387.07	117.54	504.61	51.89	452.72
3	2004-05	452.72	100.84	553.56	49.64	503.92
4	2005-06	503.92	125.71	629.63	304.43	325.20
5	2006-07	325.20	236.01	561.21	22.19	539.02
	Total		694.47		472.65	

As at the end of 2006-07, the loan outstanding to be repaid was Rs.539.02 crore as against Rs.317.20 crore at the beginning of 2002-03. The amount received was to be provided to PRIs and line departments for implementation of the scheme.

3.5.2.2 Physical achievement

BPs in the state undertook, construction of 617 rural roads under the scheme during 1997-98 to 2005-06 out of which 369 roads alone (59.81 per cent) were completed as detailed below:

Sl No	Tranche No & Year	No of projects sanctioned	No of Projects not started/ cancelled	No of projects started but not completed	No of Projects completed
1	III-1997-98	140	11	5	124
2	IV-1998-99	37	Nil	4	33
3	V-1999-00	61	8	6	47
4	VI-2000-01	72	5	10	57
5	VII-2001-02	36	2	11	23
6	VIII-2002-03	92	4	33	55
7	IX-2003-04	57	4	30	23
8	X-2004-05	49	12	30	7
9	XI-2005-06	73	22	51	Nil
	Total	617	68	180	369

Of the remaining 248 road works, 68 were either cancelled or not started whereas 180 remained incomplete.

3.5.2.3 Short transfer of funds by State Government

According to the guidelines issued by NABARD the loan amount was to be utilised solely and exclusively for the purpose for which it was sanctioned and the Finance Department of the State Government was to ensure that funds drawn from NABARD were passed on to the Implementing Department. NABARD sanctioned Rs.227.46 crore to the BPs in the state for implementation of 617 projects sanctioned by NABARD upto 2005-06. Out of this, NABARD released Rs.138.66 crore to the State Government to be passed

Though NABARD released Rs.138.66 crore for payment to Block Panchayats, Govt. transferred Rs.100.59 crore.

on to the BPs. Government, however, released only an amount of Rs.100.59 crore resulting in irregular retention of Rs.38.07 crore by the Government relating to the period from 1997-98 to 2005-06 as detailed below:

(Rs in crore)

SI No	Tranche No & Year	Estimated cost (as approved by NABARD)	RIDF loan sanctioned by NABARD	Loan released to Govt.	Balance to be released by NABARD	Amount actually transferred to BPs by Govt	Balance amount retained by Govt
1	III-1997-98	35.49	31.27	27.32	3.95	27.33	(-)0.01
2	IV-1998-99	10.32	8.53	7.18	1.35	6.99	0.19
3	V-1999-00	22.90	19.93	16.77	3.16	13.86	2.91
4	VI-2000-01	45.58	31.38	27.44	3.94	20.96	6.48
5	VII-2001-02	23.30	20.16	15.84	4.32	9.48	6.36
6	VIII-2002-03	44.90	40.04	28.74	11.30	16.09	12.65
7	IX-2003-04	24.98	19.85	9.43	10.42	4.48	4.95
8	X-2004-05	28.34	18.76	3.78	14.98	1.40	2.38
9	XI-2005-06	44.00	37.54	2.16	35.38	0	2.16
	Total	279.81	227.46	138.66	88.80	100.59	38.07

This included Rs.3.09 crore relating to Tranche III to V which were closed during the period from 2003 to 2005. The irregular retention of the amount released by NABARD led to non-reimbursement of expenditure of Rs.38.07 crore to the BPs and utilisation of the amount by the Government for other purposes which was in contravention of the guidelines as discussed in the subsequent paragraphs.

3.5.2.4 Lapse of funds

As allotment of Rs.1.35 crore was sanctioned by the Govt, at the fag end of the year, selected BPs could not draw the amount.

Scrutiny of records of 15 selected BPs revealed that 110 projects estimated to cost Rs.37.80 crore were executed by them during the period from 1997-98 to 2006-07. Though the BPs incurred a total expenditure of Rs.20.86 crore on these projects, NABARD released an amount of Rs.18.20 crore to the Government. However, the Government actually transferred only Rs.14.62 crore through the CRD resulting in short transfer of Rs.3.58 crore as detailed in **Appendix X**. Out of Rs.14.62 crore transferred, the allotment in respect of Rs.1.35 crore was sanctioned at the fag end of the financial year. As a result, the BPs could not draw the amount which lapsed to Government. Apart from this, an amount of Rs.2.66 crore (20.86 – 18.20) was to be reimbursed by NABARD as of February 2008.

3.5.2.5 Short disbursement of assistance in closed Tranche

Against an amount of Rs.3.83 crore spent by nine BPs out of 15 selected BPs in respect of 13 projects, under the closed Tranche No III to V Rs.3.35 crore was due to be reimbursed. Out of this, NABARD released Rs.2.51 crore to the Government of which Government transferred Rs.2.31 crore to the BPs leading to short transfer of Rs0.20 crore as detailed below:

(Rs in lakh)

Sl No	Name of BP	Tranche No	No of projects completed	NABARD approved cost	Total expenditure (met from Plan funds)	Amount due to be reimbursed (excluding BP share)	Amount reimbursed by NABARD to Govt.	Amount transferred by Govt. to BP	Balance amount to be reimbursed by NABARD	Balance amount to be transferred to BPs by Govt.
1	Vettikavala	III	2	43.89	44.10	39.50	24.99	23.25	14.51	1.74
2	Parakkode	III	1	30.45	32.65	27.40	26.88	26.87	0.52	0.01
		V	3	56.60	42.77	38.49	34.46	33.51	4.03	0.95
3	Panadalam	V	1	50.00	49.49	44.54	42.97	42.98	1.57	(-)0.01
4	Ranni	III	1	51.78	46.84	42.16	22.73	22.73	19.43	0
5	Chengannur	IV	1	38.48	29.84	26.86	27.07	9.85	(-) 0.21	17.22
6	Kaduthuruthy	IV	1	46.34	45.77	41.19	38.69	38.69	2.50	0
7	Vamanapuram	III	1	46.80	55.31	42.12	8.36	8.36	33.76	0
8	Kulanada	III	1	21.00	17.90	16.11	11.74	11.97	4.37	(-)0.23
9	Anchal	III	1	18.50	18.50	16.65	13.45	13.27	3.20	0.18
	Total		13	403.84	383.17	335.02	251.34	231.48	83.68	19.86

3.5.2.6 Diversion of Plan funds for implementation of RIDF works

Initial diversion of plan funds for implementation of RIDF projects affected the plan implementation of BPs.

For the implementation of RIDF works, the BP share alone was to be met from plan/development fund. However, BPs test checked paid Rs.20.86 crore in respect of 110 works undertaken by them during 1997-98 to 2006-07 against which an advance of Rs.1.77 crore only was released by the CRD. Thus BPs had to divert a sum of Rs.19.09 crore from the plan funds for payment of value of works to the contractors of which Rs.12.85 crore was got reimbursed. This diversion of plan funds adversely affected the implementation of plan projects included in their annual plans.

3.5.3 Implementation of projects

3.5.3.1 Works not completed

Out of 617 works, 248 works were not completed.

Out of 110 works undertaken by the selected BPs during 1997-98 to 2005-06 only 68 (62.39 per cent) could be completed. The expenditure incurred on 41 incomplete works was Rs.3.84 crore as shown in **Appendix XI**. This amount could not be claimed from NABARD as the works could not be completed as mentioned in paragraphs 3.5.3.2 and 3.5.3.3.

At state level, 369 projects alone could be completed out of 617 taken up by the BPs. Out of the remaining 248 works 68 could not even be started whereas 180 works remained incomplete as shown in table under para 3.5.2.2. The physical achievement was less than 60 per cent.

3.5.3.2 Non-availability of land

The road works under RIDF should be taken up only if land with width of eight metre was available for the entire length of the road. Two works undertaken during 2002-03 by the following BPs were abandoned due to non-availability of land.

Two works were abandoned after spending Rs.38.64 lakh due to non-availability of land.

(Rs in lakh)

Sl No	BP	Name of road	Estimated cost	Expenditure incurred	Remarks
1	Kulanada	Thundakadavu-Thundaplavu Road	26.00	14.31	Owner of the land declined to surrender land
2	Konni	Chempikunnu-Thattakunnu-Elappara Road	33.75	24.33	Non-availability of land.
	Total		59.75	38.64	

Taking up road works without ensuring availability of land with sufficient width resulted in unfruitful expenditure of Rs.38.64 lakh incurred on the abandoned works.

3.5.3.3 Performance guarantee not obtained from contractors

Government decided (August 1997) that if the quoted rate was between 25 per cent and 50 per cent below estimate rate, the contractor had to remit performance guarantee equal to the difference between estimated PAC* and quoted PAC. However, in the following three works, even though quoted rates were below 25 per cent of the estimated rates, no performance guarantee was obtained from the contractors and the works remained incomplete.

Sl No	Name of work	Name of BP	Estimated Cost (Rs. in lakh)	Quoted Rate	Amount Spent (Rs. in lakh)	Remarks
1	Aruvachankuzhy-Edakadathy Road	Ranni	64.64	25 per cent below	10.42	Work terminated in September 2007
2	Elavattom-Vanchuvam Road	Vamanapuram	45.00	25.61 per cent below	27.81	Work to be completed on 18 January 2003. But not completed so far.
3	Paluvally-Kadumankuzhy-Vandithadam Road	Vamanapuram	60.00	27 per cent below	Nil	Work to be completed before 29 November 2006. Started only in 08/2007.

* Probable Amount of Contract

Had performance guarantee been obtained from the contractors there would have been better prospects of these works being completed within the stipulated period and benefits accrued to the rural population.

3.5.3.4 Work abandoned after receipt of start up advance

Start up advance of Rs.10.80 lakh was not recovered despite the work being abandoned.

NABARD approved a project for construction of Uliyanthara Alakkode Road at Venmany in Chengannur BP under Tranche VII during 2001-02. The estimated cost of the project was Rs.60 lakh. NABARD released a start up advance of Rs.10.80 lakh which was passed on to the BP on 29 March 2003. The BP, though credited the amount in its Personal Deposit Account on 31 March 2003, did not execute the work even after the lapse of about five years. No action was taken against the BP for not executing the work inspite of having received the initial advance or for recovering the advance.

3.5.3.5 Irregular payment of differential cost of bitumen

As per the PWD Schedule of Rates (SoR) effective from 1 December 2004, the rate for bitumen was Rs.7223 per MT whereas the actual price payable to oil companies was about Rs.13500 per MT during that period. As the rates prescribed in the SoR was reckoned in the estimates, the differential cost was to be borne by the contractor unless bitumen was supplied departmentally. However, two BPs out of 15 test checked paid the differential cost of bitumen amounting to Rs.5.93 lakh to the contractors in respect of three road works undertaken under Tranche VIII as detailed below:

(Rs in lakh)

Sl No	Name of work	Name of BP	Estimated Cost	Payment made			Date of completion
				Value of work done	Differential cost of bitumen	Total	
1	Unakthode-Anakkulam Road	Anchal	31.17	30.37	0.90	31.27	30 March 2006
2	Manalil-Erachikkal Road	Anchal	61.13	61.13	2.09	63.22	30 March 2006
3	Manthuka-Reethupally Puthankadam Road	Chengannur	31.00	30.98	2.94	33.92	7 April 2006
	Total		123.30	122.48	5.93	128.41	

Thus the payment of Rs.5.93 lakh towards differential cost of bitumen to the contractors was irregular.

3.5.4 Accounting

3.5.4.1 Receipts and payments not accounted

Rs.98.36 lakh were not accounted by the BPs.

PRIs were to maintain proper accounts to record transactions relating to the implementation of the scheme. However, the following BPs did not account for Rs.98.36 lakh received and expenditure incurred therefrom.

(Rs in lakh)

SI No	Name of BP	Tranche number	Amount
1	Anchal	III & IV	65.87
2	Kottarakkara	VIII	24.02
3	Kilimanoor	III	8.47
	Total		98.36

In the absence of accounting for the funds received and spent, the possibility of misappropriation could not be ruled out.

3.5.5 Monitoring and evaluation

According to the guidelines issued by NABARD and the Government, the project implementing authority and NABARD were to monitor the progress and quality of implementation of works. Periodical field visits were to be conducted by NABARD and the implementing authority. It was stipulated that the Secretary of Block Panchayats and district level officers should inspect 10 and 20 *per cent* of works respectively. There was nothing on record to show that the secretary and district level officers conducted inspection as stipulated. In the absence of monitoring, 40 *per cent* of the projects undertaken by BPs remained incomplete as detailed in Paragraph 3.5.2.2. Due to non-completion of works within the stipulated time, NABARD did not reimburse funds of Rs.88.80 crore as already detailed in Paragraph 3.5.2.3.

3.5.6 Conclusion

A review on NABARD assisted RIDF projects undertaken by the Block Panchayats revealed that only 60 per cent of the projects undertaken during 1997-2006 could be completed. The BPs had to incur expenditure in excess of prescribed limits from their own funds since the Government had withheld certain amounts out of the amount released by NABARD for the projects. Some of the BPs did not account the amount received for implementation of the scheme and the expenditure therefrom. Monitoring of the work was also not done as stipulated resulting in non completion of works and non reimbursement of amount by NABARD.

3.5.7 Recommendations

- RIDF fund released from NABARD to State Government should be released to CRD and from CRD to BPs promptly.
- Plan funds should not be utilised for RIDF project, except the BP share.
- Specific guidelines should be framed and issued for the maintenance of RIDF funds and keeping of accounts.
- Government should strengthen monitoring and evaluation of the implementation at all levels.