SEVENTY-SECOND REPORT

PUBLIC ACCOUNTS COMMITTEE
(2007-2008

(FOURTEENTH LOK SABHA)

PRADHAN MANTRI GRAM
SADAK YOJANA

MINISTRY OF RURAL DEVELOPMENT

सत्यमेव जयते

(Presented to Lok ....)

Laid in Rajya Sabha on...............................)

LOK SABHA SECRETARIAT
NEW DELHI

April, 2008/*Vaisakha*, 1930 (*Saka*)

PAC No. 1873

Price: Rs. 106.00

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Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Twelfth Edition) and Printed by the General Manager, Government of India Press, Minto Road, New Delhi-110 002.

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(2007-2008)

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* Shri Suresh Bhardwaj resigned from membership of Rajya Sabha *w.e.f.* 9th January, 2008.

\# Shri Prasanta Chatterjee ceased to be a Member on expiry of his term of Rajya Sabha *w.e.f.* 2nd April, 2008.

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4. Dr. Yumnam Arun Kumar	—	*Committee Officer*

INTRODUCTION

I, the Chairman, Public Accounts Committee, as authorised by the Committee, do present this Seventy-second Report relating to "Pradhan Mantri Gram Sadak Yojana (PMGSY)" on C&AG's Report No. 13 of 2006, Union Government (Civil—Performance Audit).

2. The Report of the C&AG of India for the year ended 31st March, 2005 (No. 13 of 2006), Union Government (Civil—Performance Audit) was laid on the Table of the House on 19th May, 2006.

3. The Committee took the evidence of the representatives of the Ministry of Rural Development on the subject at their sittings held on 29th May, 2007 and 12th June, 2007. The Committee considered and finalised this Report at their sitting held on 21st April, 2008. Minutes of the sittings form Annexures to the Report.

4. For facility of reference and convenience, the Recommendations and Observations of the Committee have been printed in thick type in the body of the Report.

5. The Committee would like to express their thanks to the Officers of the Ministry of Rural Development for the cooperation extended by them in furnishing information and tendering evidence before the Committee.

6. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

7. The Committee also place on record their appreciation for the invaluable assistance rendered to them by the officials of Lok Sabha Secretariat attached with the Committee.

NEW DELHI;
22 *April*, 2008
2 *Vaisakha*, 1930 (*Saka*)

PROF. VIJAY KUMAR MALHOTRA,
Chairman,
Public Accounts Committee.

REPORT ON

PRADHAN MANTRI GRAM SADAK YOJANA

PART – I

Background Analysis

I. INTRODUCTORY

1. In 1927, for the first time, the Government of India appointed the Jayakar Committee to plan road building at the National level. It was on the recommendation of this Committee that the role of the Central Government in regard to development of road system was recognized. As a follow up to a recommendation of the Jayakar Committee, in the year 1934 the Central Government after consulting the State Governments, convened the first meeting of highway engineers in New Delhi. This event marked the birth of the India Road Congress (IRC). The IRC have been preparing long term 20 years plans for construction of rural roads. Some such plans were the Nagpur Plan (1943-60) involving construction of 3.32 lakh km. of rural roads, the Bombay Plan (1961-80) that targeted rural road length of 6.51 lakh km. the Lucknow Plan (1981-2001) which envisaged construction of 21.9 lakh km. of rural roads for providing connectivity to all villages with population of more than 500 by all weather roads and the Kolkata Plan (2001-21) that propose to target basic access to all villages by 2010.

2. A major thrust to the development of rural roads was given in the Fifth Five Year Plan (1974-79) when it was made a part of erstwhile Minimum Needs Programme (MNP). As per the Report of the Working Group for the Tenth Five Year Plan, 65,000 villages having a population of 1500 and above were connected during the Fifth and the Sixth Plan period. The Group recorded that from the Seventh Plan onwards, connectivity of villages having a population of 1000 and above was targeted. In the terminal year of the Eighth Plan, MNP was merged with the Basic Minimum Services (BMS) programme funded by the Government of India under the State Plan adopting the Census of 1991 for categorization of the eligible villages instead of the 1981 Census used for MNP.

3. Rural Road sector in the country suffered greatly due to lack of systematic planning. This has led to the construction of rural roads with more than one connection for the same village resulting in redundancy and development of a large network, which was difficult to maintain. Further, since the targets for length of different categories of road were set at the macro level the issues of regional imbalances were not specifically addressed in the plan. Added to this, quality assurance and quality control were never taken seriously resulting in poor quality and ultimately resulting in premature loss of the assets created. Multiplicity of organizations involved in the rural roads development also led to uncoordinated efforts and adhoc decisions. Moreover, in the past construction of rural roads was mostly taken up under the wage employment programmes (like the food for work, National Rural Employment Programme, Jawahar Rojgar Yojana). In these Programmes, the technical standards for asset quality were

not insisted upon and construction was often restricted to earthen tracks with no provision even for cross drainage or side drainage. Since water is the main enemy of the sustainability of roads, such roads constructed under the employment generation schemes were often not durable.

4. In order to give a boost to rural connectivity the Government of India launched a rural roads programme known as the Pradhan Mantri Gram Sadak Yojana (PMGSY) on 25th December, 2000. This programee shifted the focus from village to the habitation since it was realised that a village may consist of several clusters separated by considerable distance, often mirroring socio-economic stratification. The Government of India had envisaged that in the first phase, habitations (hamlets) of population of 1000 (500 in case of hill States, tribal and desert areas) and above will be covered to provide all weather roads connectivity by the year 2003. As per the current Guidelines, the PMGSY covers all habitations above 500 population for providing with all-weather rural roads by the year 2007 (end of Tenth Plan). In case of hills, deserts and tribal areas, the threshold is relaxed and covers all habitations above 250 population.

5. As a departure from the earlier programmes, the PMGSY is being implemented as a 100 per cent Centrally funded Scheme. When PMGSY was launched, it was estimated that about 347,000 habitation out of a total of 825,000 habitations were without any all weather access. Thus, 40 per cent of the habitations were cut off from the country's mainstream of the development. Upto the end of December, 2006, a total of about 83,000 habitations have been covered and rural road works for an amount of Rs. 38,387 crore have been sanctioned.

II. SALIENT FEATURES OF PMGSY

6. The salient features of the programme are as follows:—

- Focus on construction of new roads but upgradation of the existing roads to the prescribed standards was permitted.
- The States were to implement the programme through the identified State Level Agencies (SLAs) and at the District level through District Programme Implementation Units (DPIUs) to be manned by technical personnel.
- District Program Implementation Units (DPIUs) had to formulate Block Level Master Plan and District Rural Road Plan (DRRP) at the Block and the District Levels identifying the habitations on the basis of the existing status of connectivity, roads under construction with aid/assistance from external agencies, Rural Infrastructure Development Fund and Basic Minimum Services.
- An empowered Committee headed by the Secretary of the Ministry was to clear the project proposals.
- Tenders were to be packaged in appropriate size and a well established procedure for tendering through competitive bidding was to be followed.

III. ORGANISATIONAL ARRANGEMENTS

7. In order to achieve the objectives of the programme at the Central Level, the Ministry of Rural Development have been entrusted with responsibility for formulating policy, planning and coordination. Besides sanctioning the projects and release of funds the Ministry also monitor and review the progress of the implementation of the programme. There is also a National Rural Road Development Agency (NRRDA) who gives secretarial assistance to the Ministry of Rural Development by providing them inputs for monitoring and reviewing the progress of implementation of the programme. They also help the Ministry in scrutinizing the proposals and at the same time coordinate various activities of State Technical Agencies for ensuring quality of works. They also monitor the progress of implementation of on-line monitoring and management system.

8. At the State level, there is State Level Standing Committee whose main function is to vet the District Rural Road Plan. They also scrutinize the proposals as well as look after the overall supervision for timely and proper execution of works and monitoring. Besides the State Level Standing Committee, there is a State Level Agency whose main function is to scrutinize the project proposals submitted by Technical Institutes. They also vet the project proposals, fund management, implementation of programme and coordinate the quality control activities at the State level.

9. For the quality control there is also a Second Tier quality control at the State level. They are entrusted with the job of carrying out random test and also for collecting samples of materials tested as per the norms fixed through the State Quality Monitors.

10. At the third level of the orgnaisational set-up of the scheme there is District Level Agency/District Programme Implementation Unit whose main function is to prepare a Master Plan at the Block Level and also develop District Level Road Plan, Core Network, Detailed Project Reports, finalisation of tender, award of work, execution of works/projects through contractors as per approved design and specification, supervision for timely completion, checking the quality of material and workmanship.

IV. AUDIT REVIEW

11. A Performance review of Pradhan Mantri Gram Sadak Yojana (PMGSY)[1] was taken up by Audit with the overall objective of assessing whether the programme launched for providing connectivity through all weather roads to unconnected habitations and upgradation of existing roads in the rural areas was planned, implemented and monitored effectively, efficiently and economically. The period covered by Audit was 2000-2005. The broad objectives of the Audit were to assess whether:

- an appropriate mechanism for identification and prioritisation of eligible habitations had been instituted and followed in the programme;

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[1] For details please refer to C&AG's Report No. 13 of 2006 for the year ended March, 2005, Union Government (Civil) Performance Audit relating to '**Pradhan Mantri Gram Sadak Yojana**'.

- the funds were adequate, provided in time and utilised efficiently;
- the quality control system was effective to secure construction of good quality roads and the roads constructed were being maintained satisfactorily; and
- the programme was being effectively monitored.

12. Audit examined the records of the Ministry and NRRDA as well as the State and District Level implementing authorities for selection of the sample. Proposals amounting to Rs. 17,393.64 crore involving 2,365 packages[2] were approved against which Rs. 11,871.32 crore was released by the Government of India and an expenditure of Rs. 9,421.39 crore incurred under the programme between 2000-01 and 2004-05. Out of this a total of 1,298 packages (54 per cent) costing Rs 2,231.78 crore, against which an expenditure of Rs. 1,594.98 crore was incurred in 167 districts across the country, were selected for detailed examination by the Audit.

13. Audit examination of the functions of the Programme revealed several deficiencies, the important of which are enumerated as under:—

(i) Though five out of seven years of the life of the programme were completed, only 33,875 or 24 per cent of the initially targeted 1.41 lakh habitations (revised to 1.73 lakh in March 2005) were provided connectivity upto March, 2005.

(ii) The funds mobilized between 2000 and 2005 were Rs. 12,293 crore, which was only around 30 per cent of the proportionate estimated requirement of Rs 41,571 crore upto March 2005, going by the initial estimate of Rs. 58,200 crore for seven years.

(iii) Programme funds amounting to Rs. 312.34 crore or 19.58 per cent of the test checked expenditure were diverted or parked in unauthorised deposits or spent on unapproved or inadmissible items of works or used in making undue payments to contractors.

(iv) Works were executed by the States without conforming to the standard design and specifications prescribed in the Rural Roads Manual. This involved additional expenditure of Rs. 167.66 crore. 143 works were abandoned midway or remained incomplete after incurring expenditure of Rs. 43.85 crore as the land required was not made available by the States. Seven per cent or 1653 completed works took more than the stipulated time of nine months with delays ranging up to a maximum of thirty nine months.

(v) The three tier quality control mechanism was not adequately operationalised which led to the roads constructed deviating from the prescribed specifications. The findings of the technical inspection of the roads by CRRI in four States corroborated the flaws in the quality assurance system.

(vi) An Online Management and Monitoring System (OMMS) introduced in November 2002 on which Rs. 20.67 crore was spent till March 2005 was beset

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[2]Packages represent groups of works put to tender in one lot.

with deficiencies and problems of software, absence of validation checks, defective data entry, weak security features and lack of utilisation of the accounting module.

(vii) The programme was taken up without assessing the magnitude of the work involved and without any realistic assessment of the funds that could be mobilised. The Guidelines had to be revised more than once till November 2004 and the Ministry did not have clear targets to monitor the progress and achievements.

These along with other issues have been discussed in detail by the Committee in the succeeding paragraphs.

V. PHYSICAL PLANNING

A. Programme formulated without reliable data

14. The Ministry of Rural Development had reported that as of May 2001 there were 1.41 lakh unconnected habitations eligible for assistance under the programme. However, Audit review revealed that the data for eligible unconnected habitations under the programme kept changing frequently after its launch as highlighted in the following Table :

Status of eligible unconnected habitations

Period	Number of eligible unconnected habitations			Total
	Above 1000	500-999	250-499	
May 2001	50,728	75,646	14,711	1,41,085
December 2003	58,789	80,590	21,414	1,60,791
May 2004	59,844	81,054	29,782	1,70,680
December 2004	59,890	81,510	29,710	1,71,110
March 2005	59,855	81,466	31,451	1,72,772

According to the Audit the figure of May 2001 was adopted by the Ministry as a measure of the magnitude of the problem to be addressed. The source or the basis of this data was, however, not on the records of the Ministry. The figures of March 2005 made available by the States after identification of the Core Network (CNW) indicated that about 1.73 lakh unconnected eligible habitations needed to be considered for coverage under the programme which represented 22.7 per cent increase over the magnitude projected while launching the programme. Frequent upward revision of the number of eligible unconnected habitations was necessitated even during the course of execution on the basis of the Reports from the States. It was noted that under the new strategy called “Bharat Nirman” announced in February 2005, the Ministry had proposed implementation of the programme in two phases and accordingly set a revised goal for providing connectivity to all the villages with population above 1000 persons by the end of 2009.

15. The examination of the records in the States revealed that the data furnished by them was not always reliable, which is substaintedfrom the following Audit findings:—

- In Tamil Nadu, the data on habitation-wise population adopted by District Programmee Implementation Units (DPIUs) against the roads proposed under the programme were not supported by any documents and were not verifiable in Audit.
- In West Bengal, no survey was conducted for assessing the number of unconnected habitations and the road length to be constructed under the programme prior to its launch. There was no documentary evidence in support of the data used while launching the programme.
- In Chhattisgarh, 12,561 eligible unconnected habitations were reported to the Ministry which figure was revised to 13,761 habitations while implementing the programme after including 1,200 habitations with population ranging between 250 and 499 in the tribal and hilly areas without survey or any other evidence in support.

16. As per the Audit, the exact quantum of work involved in terms of the number and length of the roads and approximate cost were not available when the Ministry fixed the targets for connectivity.

17. In their reply to the Audit observation the Ministry stated (November 2005) that they launched the programme without reliable data as they preferred to avoid delay. The Audit were of the opinion that the reply only underscored the unreliability of the data of habitations eligible for assistance under the programme, which rendered fixation of targets and purposeful monitoring of the progress of the programme extremely difficult.

18. On being enquired whether the Ministry were aware that the programme was being implemented without proper assessment of reliable data, the Ministry in a written note stated as under:—

> "While launching the programme, Ministry relied on the data available in the NRRDC Report. After launching the programme, States were requested to prepare their District Rural Road Plans, carry out field investigations and validate/update the data. This is an ongoing process. Planning for rural roads was carried out for the first time, under this programme. Detailed Guidelines were formulated for preparation of priority list, both for new connectivity as well as upgradation. For preparation of annual proposals, for preparation of detailed project reports, for tendering and road works, for monitoring and quality control. However, annual/phase-wise plans were based on annual allocations provided for this programme."

19. The Ministry have further stated that whenever they feel that the data relating of any aspect of the programme furnished by the States need verification/validation,

they send out National Quality Monitors (NQM's) for verification. They also get ground verification of the data done through State Technical Agencies (STAs) / Principal Technical Agencies (PTAs) wherever required.

20. With regard to the inflated estimate for rural connectivity, the Secretary, Ministry of Rural Development during evidence deposed as under:—

> "There was a concern expressed about the inflated estimates. The overall trend has been that the estimate has been rising, and that the initial estimate was not realistic. I want to place on record that the initial estimate was on some parametric basis, and it was not really based on DPR or on the basis of the actual Bill of Quantity. Nowadays, when the estimate for a particular road is given to us, it is based on the Bill of Quantity and DPR including some testing of the soil conditions, etc. The rates are varying from State to State, but by and large the trend is that the cost is escalating. If we find that it is something unusual or it is not normal or it is beyond the normal increase that is expected on account of inflation, cost of material, etc., then we sometimes send a team to go to the field and verify whether such higher estimates are reasonable. Nevertheless, on the basis of the concern expressed by the hon. Members, we will try to further improve on it. The broad suggestion given was to improve the system at the estimate stage itself and see whether there is any inflation or padding taking place in it. We will try to streamline that system, and we will certainly see that it is improved further."

21. Explaining the present status of the eligible habitations and estimated total cost of new connectivity, the Secretary, Ministry of Rural Development stated:—

> "The present status of the PMGSY is that about 1.79 lakh habitations are eligible. This is a revision of the original estimate of 1.41 lakh habitations. This is based on the detailed surveys. This requires construction of about 3.70 lakh kilometres of new link roads at an average cost of about Rs. 21 lakh per kilometre at 2003-2004 prices. The total cost of new connectivity component of this programme has, thus, been estimated at Rs. 69,450 crore and for upgradation the estimate is for Rs. 46,400 crore. Thus, the total cost of the programme as on the 2003-2004 prices has been estimated at Rs. 1.32 lakh crore as against the initial projection of the rounded figure of Rs. 60,000 crore with which the Department went to the Cabinet in August, 2001. The Cabinet has, however, been apprised of the revised cost of the programme in September, 2006. The progress is that we have, by now, cleared projects worth Rs. 44,662 crore by end of March, 2007 for construction of 2.21 lakh kilometres of roads for providing new connectivity to 67,885 habitations. Typically, we try to provide a bank of projects to the States so that the tendering process and other activities are initiated and the actual flow of funds to the States is about half of that so that there is always some work in the pipeline. But I can assure you that at present the progress which is happening, there is no dearth of funds insofar as the continuation of the existing works and the sanctioned works are concerned."

22. On being asked whether the Government are now in a position to ensure that the PMGSY will be completed by 2009, the Ministry submitted in a written note as under:—

> "……………… Given the current status of progress it has been recognized that the PMGSY scheme will not be completed by 2009. Accordingly, the Government has revised the time frame for its implementation and a sub-set of PMGSY objectives is now targeted to be completed under Bharat Nirman by 2009. As per the revised time frame, habitation having 1000 or more in plain areas and habitation having 500 or more in hill States, desert and tribal areas are targeted to be provided all weather connectivity by 2009."

23. To a specific query of the Committee about the time period by which the target under the scheme would be completed, the Ministry replied in a written note as under:—

> "As regards completion of PMGSY scheme, the working group constituted for rural roads in the 11th Five Year Plan has estimated that by the end of 11th Five Year Plan, 1.21 lakh habitations are expected to be covered under the Scheme and the remaining 58,000 habitations are to be covered during the 12th Five Year Plan."

24. Enumerating the reasons for huge time over-run in respect of coverage of habitations under the Scheme the projection stretching to the end of 11th Five Year Plan, the Ministry explained in a written note as under:—

> "……………………. Upto the end of the 10th Five Year Plan (upto end of March 2007) Rs. 22,402 crore has been invested under the Scheme which is around one-sixth of the total funds required. 37305 eligible habitations had been provided all weather connectivity under the Scheme upto the end of the 10th Five Year Plan which is around 21 per cent of the total number of habitations eligible to be covered. The working group constituted for rural roads in the 11th Five Year Plan has taken into consideration the progress achieved under this Scheme upto to the end of the 10th Five Year Plan as well as the programme implementation capacity of the State Governments. On that basis the working group has estimated that by the end of the 11th Five Year Plan it may be feasible to provide new connectivity to 1.21 lakh habitations. The remaining 58000 eligible habitations would be covered during the 12th Five Year Plan. This projection of the working group is based on pragmatic assessment of the progress achieved under the Scheme so far as well as the absorption capacity of the State Governments."

B. Non-assessment of the capacity of the States to handle works

25. The PMGSY initially aimed at providing connectivity to 50,728 habitations within three years (2000-2003) and the remaining 90,357 habitations by March 2007. To achieve this time bound objective, the annual target of coverage for each State needed to be fixed while planning the programme, after taking into account resource availability with the States. Audit examination however, revealed that the procedures and systems

were revised repeatedly indicating that the initial formulation of the Guideline was inadequate. Though the Ministry gradually refined and standardized the procedures after the first three years, implementation and planning went on simultaneously leading to lack of clarity and inadequate controls. The Ministry did not assess the absorbing capacity of the States to handle the work load of such a magnitude within a definite time frame and did not fix annual targets for each State for new connectivity in the absence of which, it was difficult to ensure the successful implementation of the programme.

26. The following deficiencies in the capacities of the States to successfully execute the programme were noticed by Audit:—

- In Andhra Pradesh, the State Government did not have adequate staff to cope with the increased work load and no separate staff were provided exclusively to handle PMGSY works which adversely affected the progress of implementation.
- In Chhattisgarh and West Bengal, there was large scale shortage of technical staff at the district level/DPIU which resulted in shortfall in the prescribed supervision of quality and led to delay in completion of the roads.
- In Uttaranchal, a consultant firm was appointed for technical and managerial assistance in the execution of works in Phase I and II due to shortage of engineers in the Public Works Department. The consultant had covered only 42 works against 99 works awarded for which he was paid Rs. 186.28 lakh, of which Rs. 64.83 lakh was met from PMGSY funds and Rs. 121.45 lakh from the State funds.

27. Audit examination revealed that there were no appreciable efforts from the Ministry or the State Governments till 2003-04 for training the staff in the DPIUs, so as to ensure that the implementation of the programme did not suffer from lack of capacity. Audit noticed that special training programmes were organized only from 2003-04 onwards by NRRDA for project implementation staff in the DPIUs and the contractors/ engineers in various aspects of design, construction and quality control in the execution of road works under the technical assistance loan from the World Bank for PMGSY at a total cost of Rs. 42 crore approx. (USD 8.5 million).

28. The Ministry in their reply (November 2005) accepted that consideration of constraints such as the absorption capacity of the States at the initial stages would have delayed the launch of the programme by three to four years.

29. In a subsequent reply, the Ministry have informed that an assessment of the capacity of the States is now been done and they are being regularly reviewed. Funds are now provided to the States depending on the progress of works already sanctioned. The absorption capacity of the States is invariably reviewed and kept in view while considering fresh proposals.

VI. FINANCIAL PLANNING

A. Funding of the Programme

30. At the time of launching PMGSY, the Ministry had estimated (December 2000) that Rs. 58,200 crore would be required for providing new connectivity to 1.41 lakh habitations and upgrading existing rural roads. The funding requirement of Rs. 34,200 crore for new connectivity was worked out based on the average lead distance per habitation of 1.5 km. and the average cost of construction per km. of Rs. 14.25 lakh. However, during examination of the records Audit did not come across any basis for estimating the cost of upgradation at Rs. 24,000 crore.

31. When asked about the basis on which the cost estimates were calculated, the Ministry in a written note replied:—

> "The cost estimates of PMGSY at the time of launching in December, 2000 was based on the estimates provided by NRRDC. While estimating the length required for new connectivity, the average length required for connecting one habitation was assumed as 1.26 km. On the basis of the data provided by the States, after preparing the DRRP and Core Network, the average length per habitation is found to be 2.1 km. The DRRP and the Core Network also showed that 1.73 lakh habitations are eligible under the programme as against 1.41 lakh habitations assumed by the NRRDC. Therefore, there is a difference not only in the number of habitations to be connected, but also in the total length for new connectivity. While estimating the cost, NRRDC assumed Rs. 8 Lakh per km. including Cost Drainage works. However, the average cost for new connectivity at National level, during the Phase-III, based on the DPRs, is found to be around Rs. 21 lakh per km. For Upgradation, the cost considered for the revised estimation is Rs. 15 lakh per km. as against the assumption made by NRRDC for black topping of existing Water Bound Macadam roads including strengthening at Rs. 5 lakh per km. The changes in the number of habitations, length required for new connectivity and the realistic estimation of cost, with necessary provisions for sustainable rural roads, are the causes for large scale deviation in the revised cost of the programme, but not the cost escalation alone."

32. To a query whether the Ministry have allowed flexibility in estimation of cost of construction of rural roads, the Ministry in their note submitted as under:—

> "It is not possible to prescribe a unit cost norm for the roads under PMGSY across the country, since the rural roads constructed are expected to provide service under varying conditions with respect to terrain, soil type, expected traffic and drainage and protection requirements. Therefore, an objective methodology has been prescribed for arriving at the cost of each road taken up under PMGSY. For each project to be taken up under the Scheme, a detailed project report (DPR) is prepared on the basis of detailed field investigations, following the provisions of Rural Roads Manual and the Book of Specifications of the Indian Roads Congress. Per kilometer cost of roads varies across States and even within a State, across the districts, depending, *inter-alia*, on

> the site conditions, projected traffic volumes, lead distance for construction materials, cross drainage and protection works. The DPRs prepared by the executing agencies are vetted by the designated State Technical Agencies (reputed technical institutions like NITs, IITs and established Government Engineering Colleges) to ensure that the estimates are optimal, having regard to the field investigations and the prescribed specifications. Thus, there is flexibility in the estimation of the cost per km. based on the site specific requirements for each road."

33. The Committee pointed out that cement roads have better longevity than the bitumen roads. Asked whether the Ministry have conducted any comparative study to examine the durability/longevity as well as cost of construction of concrete cement roads *vis-à-vis* asphalt roads, the Ministry in a written note stated as under:—

> "Cement Concrete Pavements are referred to as rigid pavements, while those constructed with bituminous pavements are known as flexible pavements. The load transfer mechanism is different in the two cases. Literature review indicates that cement concrete pavements perform better where drainage problem is acute and continuous and it has been established that the design life is much higher for rigid pavements, if properly designed and constructed with high degree of quality control. It has been underscored that any short comings in the quality control will result in drastic reduction in the designed life as well as longevity and performance. Therefore, it calls for stringent quality control measures by the Executing Agency, which should have proper background knowledge about rigid pavement and necessary training in construction and quality control. Realizing the fact that there are likely problems of drainage in the built up areas (road passing through the village portions), PMGSY Programme Guidelines provide for the construction of cement concrete road or with paved stone in the village portion and 50 m on either side, with appropriate side drains."

The Ministry added:

> "As early as in August 2002, initiative was taken under PMGSY for construction of Cement Concrete pavements under pilot project which was perused later in collaboration with National Council for Cement and Building Materials (NCCBM). 52 road works were selected across 11 States and Detailed Project Reports (DPRs) were prepared with cost estimation both for Cement Concrete roads and conventional bituminous surfacing for each of the roads. The summary of State Level Cost comparison indicates the variation of the cost ranging from about 14 per cent to 35 per cent in different States. This variation is attributed to soil and other associated design parameters. NCCBM has agreed to coordinate the construction, supervision, quality control and post construction performance monitoring. However, due to operational difficulties at NCCBM the project could not be commissioned. Again the construction of Cement Concrete Roads was initiated during July, 2005, after Cement Manufacturers' Association (CMA) made a presentation to Secretary, Rural Development. As per CMA's presentation, the life cycle cost is in

favour of Cement Concrete Roads, though the initial cost of construction is higher than the conventional flexible pavements. The presentation further established the fact that there will be ample reduction in routine maintenance cost, periodic maintenance cost and upgradation cost of flexible pavements, if cement concreter roads are constructed. CMA expressed its willingness to associate with the project giving the technical help to the state executing agencies and also providing training in the design, construction and maintenance of Cement Concrete Roads to the Personnel of Executing Agency and the Contractors. Since, the States are expected to benefit due to reduced maintenance costs which is to be borne by the State as a routine, Ministry of Rural Development has agreed to permit the construction of Cement Concrete Roads, if 50 per cent of the differential cost between the Cement Concrete Pavement and that of the flexible pavement is borne by the State under normal PMGSY. All State Secretaries were accordingly informed *vide* letter No. P.12014/7/2005-RC dated 26.8.2005 to prepare projects upto 10 per cent of the total road works taken under this dispensation. As on date Governments of Gujarat, Karnataka and Andhra Pradesh have accepted this condition and have already submitted projects for construction of Cement Concrete roads. After completing the construction of such roads, performance will be monitored and further scaling up of the construction of Cement Concrete Roads will be taken up."

B. Mobilisation of Resources

34. As against the total requirement of Rs. 58,200 crore for the Programme,the only source of funding identified was 50 per cent of the cess collected on High Speed Diesel (HSD) which was earmarked for the programme that was estimated to yield Rs. 2500 crore annually aggregating Rs. 17,500 crore over the seven year period upto March, 2007 for the completion of the programme. The gap in funding was proposed to be mobilized through external lending agencies like the World Bank and the Asian Development Bank.

35. In order to over come the aforementioned gap, the Ministry, in co-ordination with the Ministry of Finance signed agreements for generation of additional resources to the extent of USD 400 million (Rs. 2000 crore) each with the World Bank and the Asian Development Bank in October and November 2004 for funding the projects in six States (Chhattisgarh, Himachal Pradesh, Jharkhand, Madhya Pradesh, Rajasthan and Uttar Pradesh). The demand for grants of the Ministry of Rural Development for 2004-05 reflected Rs. 220 crore and Rs. 100 crore as the resources mobilized from World Bank and the Asian Development Bank respectively.

36. When asked about the reasons for insufficient mobilization of funds for the Scheme, the Ministry in a note stated as under:—

"The initial timeframe approved by the Cabinet in August 2001 for completing the PMGSY Scheme was the end of 10th Five Year Plan (2007) with an estimated investment of Rs.60000 crore. …………………… Adequacy of mobilisation of funds for the Scheme has to be assessed against the programme targets, timeframe as well as the absorption capacity of the implementing agencies. At the time of launching of the programme, dedicated agencies for planning, construction, supervision and quality control, were not in position either at the Central Level or at the State Level and District Level. Since large scale rural road construction programme had not been undertaken prior to the launching of the PMGSY, there were also serious constraints on the contracting capacity available in the States. After launching PMGSY, the Ministry has, however, made earnest efforts to evolve appropriate systems, institutions and procedures, both at the Central Level as well as at the State Level to build up the institutional capacity as well as the contracting capacity in the States for effective programme implementation. Mobilisation of funds for the Scheme has thus, been calibrated to keep pace with the build up of the absorption capacity of the State Implementing Agencies. Upto the end of the 10th Five Year Plan (March 2007) Rs. 22,786.62 crore has been allocated under the Scheme out of which Rs.19,508.12 crore has been mobilized from Cess and Rs.2480.50 crore from external aided projects of the World Bank and Asian Development Bank. While Cess on HSD was the only source of funding of the programme at the time of its launching, now resources are being mobilized from external funding agencies (the World Bank, Asian Development Bank). Arrangements have also been made for mobilizing Rs.16,500 crore from NABARD under a special window of Rural Infrastructure Development Fund (RIDF). Further, the rate of Cess on HSD was hiked by Rs. 0.50 per litre in the budget of 2003-04 as a measure of additional resource mobilisation for the scheme. As regards external funding, two loan agreements have been signed with the Asian Development Bank for US $400 million and US $750 million. Another agreement has been signed with the World Bank for mobilizing US $400 million for the scheme. In addition, the proposal for a second World Bank loan amounting to US $500 million is under preparation."

37. The year-wise allocation of fund under the programme was stated to be as under:—

(Rupees in crore)

Year	Total allocation	Cess (Rs.)	World Bank (Rs.)	ADB (Rs.)	Budgetary support (Rs.)	NABARD RIDF Window (Rs.)
1	2	3	4	5	6	7
2000-01	2500	2500	-	-	-	-
2001-02	2500	2500	-	-	-	-
2002-03	2500	2500	-	-	-	-
2003-04	2325	2325	-	-	-	-
2004-05	2468	2148	220	100	-	-
2005-06	4220	3809.5	210.5	200	-	-

1	2	3	4	5	6	7
2006-07	6273.62	3725.62	750	1000+	798++	-
2007-08	6500	3825	1000	1600	75	4500*

\+ Increased from Rs. 750 crore to Rs.1000 crore at RE Stage.

++ Funds provided from overall savings of the Ministry of Rural Development on 29-30/3/2007.

* In addition to Rs. 6500 crore, there is a provision for drawal of Rs. 4500 crore from special RIDF Window of NABARD."

38. The Committee desired to know about the latest position with regard to mobilization of funds from various sources and agencies *viz.* World Bank /ADB / NABARD/NGO's /MPLAD etc. for the programme. In response, the Ministry in a note submitted as under:—

"The Ministry has been constantly working towards mobilization of funds. In the case of loans from the World Bank and Asian Development Bank, the following Table illustrates the efforts made since April 2002 for raising mobilizing additional resources:

	World Bank	RRSP-I(ADB)	RRSP-II (ADB)
States	Jharkhand, Rajasthan, Himachal Pradesh, Uttar Pradesh	Madhya Pradesh, Chhattisgarh	West Bengal, Assam, Orissa
Appraisal Process Start date	April 2002	May 2002	November, 2004
Negotiation date	August 2004	September 2003	November, 2005
Loan Agreement	Oct. 2004	November 2004	
Loan Amount	US$ 400 million (Rs. 1760 crore)	US$ 400 million (Rs. 1760 crore)	US$ 750 million

Department of Economic Affairs has also informed that proposals of Ministry of Rural Development have been accepted in principle for World Bank-II loan of $500 million. The States to be covered are Arunachal Pradesh, Bihar, Jammu & Kashmir, Mizoram and Uttaranchal. In addition, mobilization of Rs. 16,500 crore for construction of rural roads under Bharat Nirman through NABARD has been approved. During the year 2006-07, a separate window of Rs. 4000 crore under Rural Infrastructure Development Fund (RIDF) has been opened in NABARD. In the current Financial Year, Rs. 4500 crore is available.

For facilitating borrowing of funds from Rural Infrastructure Development Fund (RIDF) Window of NABARD, the Central Road Fund Act 2000 has been amended. As soon as the Act is notified, funds will be available from this RIDF window also. There is no mobilization of funds either from NGOs or from MPLAD funds."

39. According to Audit as the number of habitations eligible for connectivity had gone upto 1.73 lakh in March 2005, the revised requirement of funds was estimated as under:—

(Rs. in crore)

Revised estimated fund requirement

For new connectivity	69, 450
For upgradation	56, 400
For capacity development	6,300
TOTAL:	1,32,150

40. The requirement of funds for the programme was estimated (December 2000) at Rs. 58,200 crore for a period of seven years ending March 2007 while launching the programme. The number of habitations targeted to be covered was 1.41 lakh. However, unreliability of data and subsequent reports from States made the Ministry revise (March 2005) the funding requirement to Rs. 1,32,150 crore (representing an increase of 127 per cent) to cover the revised number of 1.73 lakh habitations (22.7 per cent increase).

41. However, the funds mobilised between 2000 and 2005 were only Rs. 12,293 crore, which was only 30 per cent of the proportionate estimated requirement of Rs. 41,571 crore up to March 2005, going by the initial estimate of Rs. 58,200 crore for seven years. However, the amount actually released was only Rs.11,871.32 crore (29 per cent).

42. The Committee pointed out that the estimated fund requirement of Rs. 58,200 crore at the launch of the Scheme in December 2000 had gone up to Rs. 1,32,150 crore which was more than 127 per cent whereas the corresponding target of work had increased by only by 23 percent. Asked to explain the reasons for huge variations between funds estimates and physical targets fixed, the Ministry in a note submitted as under:—

"At the beginning of the programme, …………………… The average road length required for connecting an unconnected habitation, was computed as 2.14 km. based on which, the total road length required for providing new connectivity to the eligible unconnected habitations came to 3,69,732 km. As per this, the percentage increase in the physical target of road length comes to 74.7 per cent for new connectivity. The average cost of construction per km for new connectivity assumed in the beginning of the programme was Rs. 14.75 lakhs, while the same at 2003 price level came to Rs. 21.5 lakhs, resulting in an increase of 45.76 per cent in the average cost per km. From the above, it could be seen that the overall increase in the financial estimate of the programme is a cumulative effect of both increase in the length and cost per km."

43. When asked about the reasons for the cost escalation in Phase II as well as about the latest position with regard to cost of construction of road per kilometre, the Ministry in a written note stated as under:—

"Rs. 8 Lakhs per km was the average cost per km. considered by National Rural Roads Development Committee (NRRDC) in their estimates for new connectivity. However, during 2001, while estimating the cost of the project by the Ministry, the cost per km. was taken as Rs. 14.75 lakhs for new connectivity. It is submitted here that in the absence of experience in the construction of Rural Roads as Engineered structures, adequate provisions, as per requirement, were not provided consistent with soil strength, expected traffic and drainage requirements in the initial phases. However, for the projects of Phase–III onwards, necessary guidance was given in providing need based requirements in the DPRs and the cost were computed based on Bill of Quantities (BoQs) in the Detailed Project Reports (DPRs). The increase of cost to Rs. 21 lakhs is mainly due to the need based provisions for sustainability and normal increase in the cost of labour, material and machinery. The present average cost per km. over the country based on the Ministry of Rural Development Book of Specification for Rural Roads brought out by IRC is working out to be Rs. 31.5 Lakhs per km for new connectivity."

44. Explaining the financial implication of the Scheme, the Secretary, Ministry of Rural Development during evidence deposed as under:—

"Against the total estimated requirement of Rs. 1.32 lakh crore, Rs. 22,402 crore have been released up to the end of the Tenth Five Year Plan. We have projected our outlay of Rs. 81,800 crore for the Eleventh Five Year Plan—the Planning Commission is yet to finalise the size of the Eleventh Five Year Plan —including Rs. 20,575 crore from Cess, Rs. 10,000 crore from the externally aided projects, Rs. 16,500 crore from NABARD and Rs. 34,726 crore as budgetary support. The residual amount for completion of the target of the programme is proposed to be financed from these sources during the Twelfth Five Year Plan. Bharat Nirman, as you know, is a subset of PMGSY in which on priority, villages having population of 1,000 or more in plain areas and habitations having 500 or more of population in hill States, deserts and tribal areas are targeted to be connected by 2009. Accordingly, 66,802 habitations will be covered with 1.46 lakh kilometres of new link roads under rural road component of Bharat Nirman. Besides, 1.94 lakh kilometres of existing through routes will be upgraded and renewed under Bharat Nirman. The total investment under Bharat Nirman has been estimated at Rs. 48,000 crore which will be financed as follows. Rs. 16,000 crore are expected to be available from Cess, Rs. 9,000 crore from external aid, Rs. 16,500 crore from a special window of NABARD under Rural Infrastructure Development Fund and the balance Rs. 6,500 crore would be made available through budgetary support. ”

45. The Secretary, Ministry of Rural Development added:—

“During the first two years, 2005—07, of Bharat Nirman, Rs. 10,464 crore have been provided, which constitute around 22 per cent of the total investment envisaged under Bharat Nirman and 12,841 habitations have been provided new connectivity with 39,477 kilometres of new link roads and 50,056 kilometres of existing through routes have been upgraded or renewed during 2005-07 under Bharat Nirman. Progress achieved so far under Bharat Nirman has been proportionate to the investment made under Bharat Nirman. Major States with large connectivity deficits have demonstrated a substantial increase in absorption capacity during 2006-07. However, the implementation capacity still needs to be further scaled up in some of the key States which account for the large portion of the unconnected villages in the country.”

VII. PROGRAMME PERFORMANCE

A. Physical Performance

46. As against the initial target set under the programme, 50,782 habitations of population above 1000 were to be connected by 2003 and 1.41 lakh habitations, in all, by 2007. The details of connectivity achieved upto March 2003 and March 2005 are given as follows:—

Details of target and connectivity status of habitations

Habitation Type	Unconnected at the time of launch	Unconnected habitations as reassessed in March 2005	Connected upto March 2003	Connected upto March 2005	Percentage of connectivity with reference to targets assessed at the time of launch (col. 5 to col. 2)	Percentage of connectivity with reference to targets reassessed in March 2005 (col. 5 to col. 3)
Above 1000	50,782	59,855	11,509	20,245	39.87	33.82
500-999	75,646	81,466	4,774	10,345	13.68	12.70
250-499	14,711	31,451	1,563	3,285	22.33	10.44
TOTAL:	1,41,085	1,72,772	17,846	33,875	24.01	19.61

Audit noticed that only 11,509 habitations (22.66 per cent) of population above 1000 were connected upto March 2003 and the progress in establishing connectivity under all the categories upto March 2005 was only 33,875 habitations which was 24 per cent of the unconnected habitations eligible for coverage at the time of launching the programme and 19.61 per cent of the reassessed number of eligible habitations of 1.73 lakh (March 2005).

B. Financial Performance

47. The following Table indicates the position of proposals sanctioned, amount released, expenditure incurred and the number of works approved and completed up to March 2005:—

(Rs. in crore)

Funds released and actual expenditure

Year	Phase	Value of proposals approved	Amount released	Expenditure	No. of works approved	No. of works completed
2000-01	I	2,502.09	2,452.25	2,311.27	13,217	12,599
2001-03	II	5,104.55	4,934.43	4,244.56	11,131	9,060
2003-04	III	5,110.81	4,031.68	2,335.18	8,371	2,634
2004-05	IV	4,676.19	452.96	530.38	6,049	341
TOTAL:		17,393.64	11,871.32	9,421.39	38,768	24,634

48. Audit examination revealed that though out of the total amount of assistance of Rs. 11,871.32 crore released upto 2004-05 under the programme, the expenditure reported during this period was Rs. 9,421.39 crore (79.36 per cent), the reported figures would not reflect the actual expenditure on the programme. A test check of the expenditure of Rs. 1,594.98 crore in Audit revealed that funds amounting to Rs. 312.34 crore (19.58 per cent) were diverted, parked in unauthorised accounts or not utilized for the intended purpose.

49. Accepting the aforesaid Audit observation, the Ministry in their written reply stated as under:—

> "The Ministry would like to clarify that though the initial Guidelines (December 2000) provided that ORDAs should keep the PMGSY funds in separate bank account, some ORDAs/States kept the funds in certain forms of deposits etc. Regarding the Audit observations on diverted amounts and utilization against the Guidelines, the Ministry accepts the comments."

(i) Diversion or Parking of Programme funds in unauthorized accounts

50. The Guidelines under the programme provided that agency charges and expenditure of administrative nature such as purchase of vehicles and office equipment were not admissible and not debitable to the programme account. Further, the funds released were to be kept in a single savings account maintained by the State Level Agency. Test check of records by Audit disclosed diversion of Rs. 19.39 crore during

2000-01 to 2004-05 to the activities not connected with the programme**.** Significant instances of diversion of funds as noticed by Audit were as under:

- In Arunachal Pradesh, Himachal Pradesh, Kerala and Nagaland an amount of Rs. 7.20 crore was spent on the construction of office building, maintenance of buildings, annual repairs and maintenance work, maintenance of the rural roads constructed under the State plan schemes, water supply lines and so on.
- In Arunachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Orissa, Tamil Nadu and West Bengal an amount of Rs. 5.85 crore was spent on administrative charges, purchase of printer, fax, office automation, shifting charges of electricity poles, installation of computer, contingency expenses, disbursement of temporary loan, repayment of earnest money deposit, etc. which were not permitted under the programme.
- In Arunachal Pradesh, Haryana, Himachal Pradesh, Karnataka and Nagaland an amount of Rs. 1.34 crore was diverted to the construction of roads not included in the project proposal, execution of other schemes like watershed and social forestry and construction of roads under the State Plan scheme which were not admissible under the programme.
- In Uttaranchal, Rs. 5 crore was diverted to fund land compensation, which was not admissible under the programme.

51. Test check of the records by Audit in the States revealed that an amount of Rs. 208.73 crore was parked in civil deposits, fixed deposits and term deposits and not kept in a separate savings bank account as required under the programme guidelines. The details are given in the following Table:

Unauthorised Parking of Funds

Sl. No.	Type of unauthorised accounts	Period	DPIU (State)	Amount (Rs. in crore)
1	2	3	4	5
1.	Post Office Savings Accounts	30 March 2002 to 10 April 2002 30 March 2002 to 17 April 2002	Madurai (Tamil Nadu) Virudhunagar (Tamil Nadu)	2.00 1.00
2.	Term Deposits	5 September 2003 to 30 April 2004	State Level Agency (Andhra Pradesh)	113.71
3.	Zila Parishad Account	March 2004 to March 2005	ZPED Haveri (Karnataka)	0.18
4.	(i) Civil Deposit	15 March 2002 to February 2003	Panchayat and Rural Development Department. (Assam)	80.47 (loss of interest Rs. 1.73)
	(ii) Current Account	February 2002 to October 2002	Project Director (DRDA) N.C. Hills (Assam)	2.50 (loss of interest Rs. 5.26 lakh)

1	2	3	4	5
	(iii) Outside Government Account	9 February 2002 to 21 February 2002	DRDA Bongaigaon (Assam)	0.69
5.	Lying unspent with State government	27 March 2001 to February 2005	Manipur	8.18
		GRAND TOTAL:		208.73

52. Explaining the reasons for diversion of funds by keeping in unauthorized accounts of 19.58 per cent of the funds, the Ministry in a note stated as under:—

> "The 19.58 per cent (Rs. 312. 34 crores) of the funds as mentioned in Audit as diverted /kept in unauthorized accounts and not utilized for the intended purpose includes the following— (i) Diverted—Rs. 19.39 crores (ii) Funds lying unutilized— Rs. 21.15 crores (iii) Overlapping of works —Rs. 7.84 crores (iv) Execution of works not covered under core network Rs. 11.90 crores (v) Execution of inadmissible works— Rs. 110.60 crores (vi) Irregular charge of tender premium to programme fund— Rs. 44.91 crores (viii) In admissible lead charges—Rs. 13.76 crores (viii) Execution of unapproved items of works— Rs. 48.80 crores (ix) Undue benefit to contractor— Rs. 33.99 crores.
>
> The reasons for the above are as follows: The initial Guidelines (December 2000) stated that Ministry of Rural Development would allow certain costs incidental to the execution of road works such as telephones and other office expenses, cost of travel and those could be booked to the project costs. Thus the expenditure incurred by the States on these accounts was permissible and thus cannot be treated as diverted. Further, incomplete Basic Minimum Services (BMS) works were also allowed to be taken up under PMGSY during 2000-01. It was only in the second Guidelines (January 2003) that expenditure on purchase of vehicles and office equipment was clearly not permitted. The States did not clearly understand the Guidelines, leading to the diversions. Out of the Rs. 19.39 crores mentioned in Audit as diverted Rs. 8.78 crores have been recovered. Some expenditure (Rs. 2.24 crores) is permissible in view of the Guidelines in force during that point of time. An expenditure of Rs. 0.43 crores was incurred by a State from receipts of Sale of tender forms which is permissible. Recovery action in four States amounting to Rs. 1.11 crore has been initiated. In the balance case recovery is being pursued.
>
> During the first two phases the funds were released to the State Governments/DRDA's. It was only after January 2003 *i.e.* phase-III onwards that the creation of SRRDA's was insisted upon and funds were released to the single bank accounts of the SRRDA. The transfer of funds from the DRDA's/DPIU's to the single bank account has taken time in some States. Out of the Rs. 21.15 crores included by Audit, Rs. 16.87 crores have been transferred to the SRRDA account. Recovery of Rs. 17.86 lakhs is under

progress. In the case of one State, the amount (Rs. 4.32 lakhs) is notional loss of interest as the funds were kept in the Treasury. In the remaining State, recovery of the balance amount is being pursued."

53. As regards the execution of unapproved items of works, the Ministry in their note clarified as under:—

"Execution of unapproved items of works – Rs. 48.80 crores. After the estimates are approved by the Ministry, the work is started after technical sanction is given by the competent authority. There may be difference in the estimates approved by the Ministry and the technical sanction due to deviations which may have arisen due to certain ground realities which may have been missed at the time of preparation of DPR or due to change in bill of quantities. In the first two phases of PMGSY DPR's were not prepared. CRRI examined and approved the line estimates. The deviations occurred as additional items were required to be carried out. Technical sanction is to be given by the competent authority in the State. Revised sanction from the Ministry is not required in such cases."

54. In so far as giving undue benefits to contractors, the Ministry explained their position as under:—

"Undue benefit to contractor Rs. 33.99 crores. These cases are of contracts entered into by the State Governments, they will have to be examined by them with reference to the contractual provisions. The matter is being pursued with the States. However, there are instances of payments not in conformity with the contract and in those cases recoveries have to be made. Rs. 20.04 lakhs have been recovered, Rs. 65.16 lakhs are under recovery."

55. On being enquired whether responsibility has been fixed on concerned persons for diversions of funds/keeping in unauthorized accounts, etc. the Ministry stated that they have not fixed any responsibility in this regard, however, they are reviewing and pursuing with the States regularly and if required, deemed action will be taken after giving fair opportunity to the State.

56. When asked whether the internal Audit of the Ministry detected cases of financial irregularities apart from those pointed out by Audit, the Ministry in a note stated as under:—

"The Internal Audit of the Ministry has carried out a study of PMGSY in Rajasthan and Uttaranchal. No major financial irregularity was found in the two States by Internal Audit except improper maintenance of cash book in case of Rajasthan and unspent balances of Rs. 1.60 crores lying with the DRDA's in Uttaranchal. Monitoring mechanism is built in the fund-flow and accounting system put in place in 2003- 04. Funds are released by the Ministry to specific accounts, *i.e* Programme funds and Administrative Expenses funds separately. PIU's cannot incur any expenditure directly, unless the authorizations have been issued by the empowered officer of the SRRDA who is generally of the level of CE. Provision has been made for Internal

> Audit although it has not been made mandatory so far. It is also proposed that as a part of systemic improvements, the States authorities will have to give a certificate that there has been no diversion as a part of the Utilisation Certificate."

57. Asked about the remedial measures taken by the Ministry to rectify the lapses in respect of diversion of fund under the Scheme, the Ministry stated in a note as under:—

> "The Audit observations mainly pertain to the initial phases. The fund flow system of PMGSY was set up (January 2003) so that such diversions do not take place. The system provides for direct transfer of funds from the Ministry to the State Rural Road Development Agencies in separate accounts for Programme fund and Administrative expenses. The programme Guidelines (November 2004) clearly lay down as to what expenditure can be incurred from the funds so provided. Wherever the diversions have taken place, the SRRDAs have been asked to get the amount cleared from State Governments and remit the same to programme fund."

(ii) Retention of unutilized funds

58. Under the Scheme, the District Rural Development Agencies (DRDAs) were required to transfer the unutilized funds to the bank account maintained by the State Level Agency (SLA). However, a test check of the records by Audit in the States revealed the following shortcomings:

- In Assam, Rs. 9.99 crore received against phase-I works was lying unutilized with DRDAs/DPIUs.
- In Goa, Rs. 5 crore released during 2001-02 was lying with DRDA as of March 2005.
- In Himachal Pradesh, an amount of Rs. 0.28 crore representing the interest earned on funds released between 2000-01 and 2002-03 was retained by 4 DPIUs (Chamba, Kangra, Kinnaur and Shimla).
- In Rajasthan an amount of Rs. 0.11 crore of the funds released during phase-I (March 2001) was lying with DRDA, Alwar as of March 2005.
- In Tamil Nadu, savings of Rs. 3.60 crore from the funds released for phase-I work remained unutilized with the State Government/DRDA.
- In Uttaranchal, the Executive Engineer, Temporary Division, PWD, Sahiya (Kalsi) Dehradun, kept Rs. 4.32 crore received from DRDA, Dehradun in a non interest bearing account which led to a loss of Rs. 5.33 lakh towards interest.
- In Uttar Pradesh, an amount of Rs. 7.94 crore was retained by 3 DPIUs (Saharanpur, Allahabad and Chandauli) for 30 months, 33 months and 22 months, respectively.
- In West Bengal, Rs. 4.08 crore was required to be transferred to the bank account of WBSRDA by March 2004 but was lying in the State accounts

in four districts (Uttar Dinajpur, Bankura, Bardhaman and Malda), as of March 2005.

59. Asked whether the Ministry were aware about the cases where the Scheme funds were kept outside the programme and lying unutilized with DRDAs/DPIUs, the Ministry in their reply submitted as under:—

> "The Ministry is aware of funds lying with States which have not been transferred to the SRRDAs. This is monitored through the Annual Accounts of the SRRDAs and the Utilisation Certificates submitted by them. This is also reviewed at the time of the Regional Reviews and the Empowered Committee Meetings. During the review of the balance sheets of States it has come to notice of the Ministry that 3 more States had some balances lying with DRDAs."

60. In a subsequent note the Ministry have explained the position in the matter as under:—

> "……………………….. the cases started coming to light when the new fund flow system was put in place and the States were asked to transfer the funds to the SRRDA account. The Ministry has been pursuing regularly with the concerned States for the transfer of these funds. In those cases where the State is not refunding the amount, the same is being adjusted against the subsequent releases. Regarding the transfer of funds (Rs. 31.5 crores) from DRDAs/DPIU's to the SRRDA account, after the issue of Guidelines in January 2003, Rs. 26.96 crores have been transferred. In the case of one State, the amount is (Rs. 4.32 lakhs) is notional loss of interest as the funds were kept in the Treasury."

61. Explaining about the mechanism available in the Ministry to detect such cases, the Ministry stated that they have a system of monitoring at the time of release of funds and the receipt of audited accounts. In addition to the cases mentioned by Audit, the Ministry have noticed some more cases in 5 States.

(iii) Incorrect financial reporting

62. Audit examination have revealed the following instances of incorrect financial reporting:

- In Arunachal Pradesh, the expenditure incurred on the works taken up during the phases-I and II, was reported short by Rs. 0.82 crore, while in Meghalaya, Rs. 34.95 crore released in 2000-01 for 208 works under Basic Minimum Services was shown as utilized in the utilization certificate submitted to the Ministry but the works were yet to be completed (March 2005).
- In three districts of Jammu and Kashmir, there was variation of Rs. 12.67 lakh between the figures of expenditure reported from the districts to the State Government and the Ministry.
- In two districts (Saiha and Serchhip) of Mizoram, Rs. 2.34 crore released for incomplete BMS work during 2000-01 was booked as expenditure in the accounts for 2001-02 but the work was yet to be executed (March 2005).

63. The Committee referred to the statement made by the Prime Minister during his address at National Conference on Rural Roads on 23rd May 2007, wherein he had pointed out that corruption in the rural road construction projects was spreading like cancer. On being asked to give their comments on the Prime Minister's statements, the Ministry in a written note stated as under:—

> "Hon'ble Prime Minister in his speech during the inaugural session of National Conference on Rural Roads on 23rd May, 2007 expressed his concern over the quality of roads and maintenance, however, he mentioned that Ministry of Rural Development has taken initiative to address this vital concern. He mentioned that corruption in the road construction projects and lack of quality assurance is major reason for poor quality and he hoped that PMGSY and Bharat Nirman can be implemented without this affliction and in a transparent and accountable manner. As it is clear from the address of the Hon'ble Prime Minister, he has not indicated that road construction projects under Pradhan Mantri Gram Sadak Yojana are suffering corruption. The excerpts of the speech of Hon'ble Prime Minister are reproduced below.
>
> I would like to draw your attention to certain aspects of the road programme. We need quality benchmarks and quality assurance to rural roads, as we have for national highways. I am concerned about the fact that we invest crores of rupees every year on road construction and maintenance, and yet with every monsoon our roads get worn. I am happy to learn that the Rural Development Ministry under the distinguished leadership of Shri Raghuvansh Prasad Singh has taken the initiative to address this vital concern. A major reason for poor quality roads is corruption and the lack of quality assurance. Corruption in road construction projects has spread like cancer to every corner of our vast country. I sincerely hope we can implement both PMGSY and Bharat Nirman without this affliction, and in a transparent manner.
>
> The Ministry of Rural Development, while launching the programme itself recognized the potential for corruption leading to poor quality of construction works in Rural Roads. Programme Management Systems centered on quality were developed under the programme and implemented in such a manner that incidents of corruption leading to poor quality have successfully been minimized………. In addition, detailed information about the programme is available on website *www.pmgsyonline.nic.in.*"

64. Asked whether any responsibility has been fixed and charges framed against the concerned officials involved in corruption, the Ministry in a written note replied as under:—

> "As per the available records, 136 complaints pertaining to irregularities including corruption in programme implementation have been received. As per Guidelines of the programme, 80 cases were referred to the State Governments for action at their end. In 45 cases, independent monitors were deputed out of which in 14 cases, irregularities were found in programme implementation. These cases have been taken up with the States for

rectification of works and action against the responsible persons. Another 14 cases are either under enquiry or action for enquiry is being initiated. The programme is being implemented by the concerned State Governments as the Rural Roads is a State subject. States have taken action in cases of irregularities in programme implementation. As per the information received from some State Governments, following action have been taken against the officials concerned with the implementation of PMGSY:

a. Officers put under suspension: Class I or equivalent – 9, Class II or equivalent – 8, Class III or equivalent – 8. Total 25.

b. Departmental Proceedings started against the Officers: Class I or equivalent – 20, Class II or equivalent – 14, Class III or equivalent – 22. Total 56.

c. Minor punishment imposed: Class I or equivalent – 9, Class II or equivalent – 5, Class III or equivalent – 5. Total 19."

(iv) Short release of funds by the State Government/DRDA to implementing agencies

65. The Programme Guidelines *inter-alia* stipulated that the State Government/ DRDA to whom the funds were transferred by the Ministry during 2000-01 were required to place the amount at the disposal of the DRDA within 15 days of receipt. During Phase-I and II of the Programme, Audit noticed that there were instances of short release of funds to the Implementing Agencies which adversely affected the execution of works**.**

66. In this regard, the Ministry have informed that although they have not ascertained the reasons for short releases of funds by the States Government/ DRDA to the implementing agencies , the concerned States have been advised to release the balance due without delay and credit such amounts to the SRRDA's account. The Ministry also informed that they are considering of deducting of the amount of such short releases from future releases to the concerned States.

67. To a specific query whether the Ministry have ascertained /analysed the reasons for short release of funds by State Governments to District Rural Development Agencies, the Ministry in a written note stated as under:

> "Yes. The Ministry has ascertained with the States the reason for short releases of the funds to DRDA's. Jharkhand has stated that the short release was on account of inadequate budget provision in the State Government budget. As per the information available in Rajasthan there is no short release. As on date, all funds stand transferred from the State Government to the SRRDA in Tripura and Jharkhand. In Arunachal Pradesh, the transfer is being pursued. As the funds are no longer released to the States, but to the SRRDA's the delay in release is avoided. All PIUs draw upon the single bank account of the SRRDA upto the limit authorized."

(v) Delayed release of fund to the executing agencies

68. The funds released during 2000-01 and 2001-03 by the Ministry aggregating to Rs. 1457.76 crore covering the States of Andhra Pradesh (Rs. 638.94 crore), Assam

(Rs. 70.35 crore), Bihar (Rs. 149.90 crore), Jammu and Kashmir (Rs. 55 crore), Jharkhand (Rs. 110 crore), Maharashtra (Rs. 2.56 crore), Manipur (Rs. 71.80 crore), Orissa (Rs. 179.70 crore), Rajasthan (Rs. 135.52 crore) and Tripura (Rs. 43.99 crore), were released by the State Governments/DRDAs to the implementing/executing agencies with delays ranging between one and 48 months. Accumulation of substantial unspent balances with the DRDAs / DPIUs, incorrect financial reporting and short release or non-release of funds reflected the unrealistic assessment of fund requirement and the weaknesses in monitoring.

69. When enquired whether the Ministry have ascertained the reasons for the significant delays in releasing the programme funds (2000-01, 2002-03) by the State Governments/DRDAs, the Ministry submitted in a written note as under:

> "The Ministry has ascertained the reasons for delay in releasing the programme funds by State Governments/DRDAs. Such delays are mainly due to non-existence of budget line in State budget and delay in getting necessary clearances etc. It is for this reason that the fund flow system has been devised wherein the funds from the Ministry are transferred directly to the SRRDAs (January 2003)."

VIII. IMPLEMENTATION

A. Preparation of District Rural Road Plan and Core Network

70. Under the programme the States were required to prepare a master plan for the rural roads, first at the block level in accordance with the Manual for preparation of District Rural Road Plan (DRRP), which was circulated to the States by the Ministry of Rural Development in June 2001. The plans of all the blocks in a district were to be integrated into a district level master plan called the District Rural Road Plan after approval of the intermediate and district Panchayats. The plan indicated the position of connectivity of habitations with the existing roads and the proposed road network in the district which should, *inter-alia*, contain a comprehensive inventory of all rural roads, link route, through route, other district roads, major district roads, State and National Highways. Based on the position of connectivity of habitations in the DRRP, the Core Network (CNW) indicating the shortest single connectivity was required to be prepared. The copy of the CNW approved by the district Panchayat was required to be sent to the State Level Agency (SLA) and NRRDA for verification. The State Level Standing Committee was also required to vet the CNW. Audit review revealed that no procedure was prescribed for its vetting and approval at the Central level. However, NRRDA requested all the States (October 2004) to prepare the CNW on the basis of the Census of 2001 as provided in the revised Guidelines (January 2003). The State Agencies were instructed (October 2004) to verify and attest the CNW for correctness during the scrutiny of Detailed Project Reports. The Guidelines, however, did not prescribe that the CNW should be periodically reviewed and updated due to factors such as change or shift in the location of the market centre or socio-economic services and after taking into account the road works already covered under PMGSY or other State plan programmes.

71. When enquired whether the Ministry have now evolved any system for periodical review and updation of Core Network, the Ministry submitted in a written note as under:

> "At the time of preparing the Core Network, the Guidelines suggested that, for identifying the Core Network, the State should consider the existing as well as potential market centres. Except in extreme conditions, the location of markets will not get shifted. However, in case of such contingencies, the State can prepare a modified Core Network for any single block and send the same for review to the Ministry for its consideration and acceptance. When the Core Network data is entered in Online Management and Monitoring System (OMMAS), the status of connectivity with roads built to connect the unconnected habitations will be readily available, as and when the roads get completed. Even before the roads are completed, the data regarding the roads sanctioned are also available for cross checking the proposals in the subsequent phases. OMMAS has also a provision for entering the roads taken under other programmes of the States, which will also provide an opportunity for cross checking whether the States enter the relevant data."

B. Delay and deficiencies in preparation of DRRP and CNW

72. Examination of records of NRRDA showed that all the States had prepared or submitted (October 2004) the CNW except Bihar**.** Audit examination of the records in the selected districts in the States indicated instances where DRRPs were delayed or prepared without proper survey which led to incorrect data of the existing road network and unconnected habitations in the CNW, as discussed below:

- In Arunachal Pradesh, the CNW was prepared and sent to NRRDA in January 2005. As per the Government instructions (September 2002), the proposals for Phase-III should include only the road works based on the CNW. The delayed preparation of the CNW resulted in delay in submission of proposals for Phase-III as well as delay in providing connectivity to 104 villages. In Jammu and Kashmir, the CNW was not prepared in three districts (Jammu, Kathua and Rajouri).
- In Karnataka, the DRRP was prepared and approved between January and July 2003. In four out of the seven test checked districts, the data relating to the unconnected habitations available with the districts and the State headquarters differed *inter se*.
- In Kerala, as per the State level consolidated DRRP prepared between November 2000 and August 2001, there were 441 identified unconnected habitations, whereas the district road plan prepared by the National Transportation Planning and Research Centre (NTPRC), an autonomous body under the State Government, had identified 5677 unconnected habitations during 2000-01. The Ministry adopted the lower figure in the programme.
- In Nagaland, as per the DRRP prepared in June-August 2001, out of 95 unconnected habitations, 84 habitations were eligible for coverage under the programme. But the CNW prepared in December 2002 indicated that there were

215 unconnected habitations, of which 189 fell under the eligibility criteria of the programme.

- In Sikkim, 92 habitations each with population less than 250 persons were included in the CNW.
- In West Bengal, the data on the number of habitations in the DRRP and the CNW differed significantly between the reports submitted to the Ministry in October 2004 and March 2005. No engineering survey was conducted at the time of preparation of the CNW for demarcating the alignment of roads. As a result, the length of 11 roads in 2 districts (Darjeeling and Bankura) increased by 4.44 km. and length of 19 roads in 3 districts (Uttar Dinajpur, Bardhaman and Malda) was reduced by 21.28 km. during execution.

73. Enquired whether the Ministry were aware of the fact that there were inordinate delays in preparation of District Rural Road Plans and in some cases they were prepared without proper survey, the Ministry in a written reply stated as under:

> "Yes, in some cases inordinate delays in the preparation of DRRP were noticed mainly due to the institutional arrangements in the State. In this connection, it is submitted that separate Guidelines were circulated to all the States for the preparation of District Rural Roads Plan (DRRP) and identification of Core Network (CNW). Ministry of Rural Development has arranged a workshop with State Nodal Officers while issuing such instructions. Further, during September, 2002 Senior Retired Officers from the States were deployed for guiding the field engineers in the preparation of DRRP, who were given orientation by Ministry of Rural Development/ NRRDA in the preparation of DRRP and CNW. Based on the institutional arrangements and manpower available, different States prepared DRRPs at different points of time in 2003. However, there were further delays in finalizing the DRRP and Core Networks in the light of the deficiencies pointed out at NRRDA. It may be stated here that Detailed Engineering Surveys were not prescribed at the time of preparing the Core Network and States were required to get them prepared based on inventorization of the existing roads and the roads proposed along the existing tracks. Detailed Engineering Surveys are normally carried out at the time of preparing the DPRs and therefore, there could be marginal variations in the lengths given in the Core Network and the actual length of the road taken up under PMGSY, based on the finalized alignment. The proposals for Phase-III were cleared only after the provisional Core Network data was submitted by the States. This has affected some States like Arunachal Pradesh, Bihar, Manipur etc. who could not get their projects cleared in time due to the absence of finalized Core Network."

74. As regards the difference in data in respect of number of unconnected habitations shown in the DRPP and CNW in three States *i.e*. Karnataka, Nagaland and West Bengal, the Ministry explained that according to the PMGSY Guidelines, the States, after preparing the DRRP and identifying the Core Network, are expected to get them approved through a system, the details of which were communicated in the

Guidelines and further elaborated in the Operations Manual. Elaborating further the Ministry apprised the Committee that when the State freezes its figures and enters the data, it is assumed that the States have carried out cross checking and final data are correct.

75. Enumerating the steps that have been taken to ensure correctness and authenticity of data provided by States, the Ministry in a written note submitted:

> "It is admitted that therse were discrepancies in the data shown in the DRRP and Core Network in some States when they were first prepared. However, when the discrepancies in the connectivity status and incompatibility of DRRP and Core Network Data were noticed with respect to ground reality, all the States were asked to check the ground reality and finalize the Core Network for freezing the data. Instructions given by NRRDA in this regard have been duly taken note of in the Audit Report (Para 4.4.1). Further, National Quality Monitors (NQMs) were deployed for random verification of the Core Network data with ground reality and the discrepancies noted were shared with the States during Regional Review Meetings with a request to correct the data. Opportunity was also given to the States to make necessary changes in the Core Network with proper inventory of the existing roads/tracks for taking care of the omissions, if any, before finalizing, freezing the data and getting the same approved through appropriate channels, as per the Guidelines."

76. The Ministry added:

> "When the States take the proposals for the scrutiny, the STAs were instructed to further check the data for the blocks from which the proposals were made and requested to attest the maps for their correctness after satisfying with the finalized maps. With the above arrangements, the correctness of the data given by the States is accepted. However, it may be indicated here that it would be possible to make it foolproof only if a comprehensive GIS data base of rural roads is created for each State, which can be shared at different levels and by different agencies involved in construction and management of rural roads."

77. When asked about the initiatives taken to prepare a comprehensive Geographical Information System (GIS) data base of rural roads in respect of each State/UTs, the Ministry submitted in a written note as under:

> "The Ministry has taken up pilot projects for development of GIS database of rural roads in Rajasthan and Himachal Pradesh. Technical support for this pilot projects is being provided by C-DAC, Pune. Under this initiative the network of rural roads have been mapped block-wise in each district. These GIS databases are also linked to the OMMAS database of the corresponding block so that any change effected in the OMMAS database is automatically reflected in the GIS database. However, the system developed so far does not capture the details of agency-wise ownership of roads and legacy data relating to fund sanctioned and expenditure incurred on each road in the preceding years. The utility of the pilot projects developed with the technical

support of C-DAC are now being field tested in the project States, namely Rajasthan and Himachal Pradesh."

(i) Overlapping/duplication in the works executed

78. Audit scrutiny of records in the States disclosed overlap or duplication in the roads constructed as discussed below:

- In two districts (West Siang and Upper Siang) of Arunachal Pradesh, 3 packages (AR1204 PWD, AR 1203 PWD and AR 1301 PWD) together estimated to cost Rs. 2.92 crore were sanctioned under PMGSY during 2001-02 on which expenditure of Rs. 1.14 crore was already incurred by the executing divisions from the State Plan budget and the amount was subsequently debited to PMGSY.
- In West Siang district of Arunachal Pradesh, the length of the road from Ringi to Paimori as per the CNW was 7.60 km. The formation cutting for a length of 5 km was already covered under the State Plan in two phases leaving out 2.60 km. The work was again taken up under PMGSY (AR1204 RWD) during Phase-II which included formation cutting for length of 5 km at an estimated cost of Rs. 62.92 lakh. This indicated that the work for 2.40 km (5 km minus 2.60 km) which was already completed under the State Plan, was again taken up under PMGSY involving an expenditure of Rs. 30.20 lakh, the need for which was itself questionable.
- In Bilaspur district of Chhattisgarh, a six km. long road already sanctioned under the State Plan was got approved under PMGSY during 2001-02 and expenditure of Rs. 0.62 crore was incurred.
- In Churachandpur district of Manipur, Rs. 0.72 crore released during 2000-01 was spent to clear the liabilities of 15 completed works, which were shown as incomplete works in project proposals.
- In Phek district of Nagaland, the link road between Phugui-Metsale-Ketsapo-Ruzozho of 51 km. length was already constructed under BMS while Rs. 35 lakh was spent from PMGSY funds during 2000-01 (Phase-I) released as additional Central assistance for the incomplete works under BMS. The road work connecting Ketsapo-Metsale of 15 km. length was taken up again as new connectivity under PMGSY with a sanctioned amount of Rs. 2.04 crore during 2003-04 (Phase-III) against which payment of Rs. 0.79 crore was made to the contractor as of March 2005.
- In 3 districts (Khurda, Rayagada and Koraput) of Orissa, 9 all weather roads already existing were shown as executed under the programme at a cost of Rs. 4.27 crore.

79. When asked as to how the Ministry could not notice that the road works already sanctioned/covered under the State Plan or the road already constructed were again sanctioned or taken up under PMGSY in respect, of the aforesaid States, the Ministry submitted in a written note as under:

> "Selection of the roads and its approval by competent authority (State Level Standing Committee chaired by the Chief Secretary) is the responsibility of

State Nodal Agency, since the State Governments have full information on the construction of rural roads in several programmes. The Ministry normally does not check the proposals with a special reference to roads sanctioned by the States under different programmes, since the proposals have been vetted and approved at the highest level of State Government."

80. Elaborating on the issue, the Ministry in a subsequent note stated as under:

"As regarding the works relating to overlapping and duplication, it can be stated that the works were partly completed from State funds and the balance taken up under PMGSY in Phase-I or *vice versa*. The same work was not carried out again. The Guidelines of PMGSY were revised in January 2003 and the concept of Core Network was introduced for the first time as also accepted by Audit in their comment at para 1.2.3. The roads sanctioned during the first two phases and to a certain extent even Phase-III could therefore not find a place in the Core network prepared subsequently as the selection process was not based on CNW then. However, the roads so constructed also serve a purpose of rural connectivity. In the case of Hazaribagh in Jharkhand, alignment selected was changed to tackle the Naxalite problem and was approved by the competent authority. While in Palamau the alignment was changed to avoid the process of acquisition of Riati land. The revised alignments find place in the Core Network. In Punjab out of the 8 roads mentioned by Audit, only 3 roads do not find a mention in the Core Network. All the other roads are included in the CNW. Thus the expenditure of Rs. 11.90 crore is within the overall scope of the programme."

81. Asked whether the Ministry have developed any mechanism to avoid overlap or/and duplication in the road works undertaken by States, the Ministry in a written note stated as under:

"In order to develop an effective mechanism to verify whether a road proposed for construction under PMGSY has already been approved/ covered by any other programme, and to avoid such duplication, it would be necessary to develop a comprehensive GIS database of rural roads with complete inventorisation of all rural roads, block-wise and district-wise, with details of their agency-wise ownership and legacy data relating to funds sanctioned and expenditure incurred on each road in the preceding years. Such a database could provide a unique identity for each road in the DRRP and Core Network for enabling appropriate checks to be exercised while considering a proposal for funding as to whether it has been or being funded under any other scheme. However, development of such a system would be a long term measure. In the interim, an appropriate method of certification by the State Government will be prescribed in order to ensure that roads proposed for coverage under PMGSY are not covered or funded by any other scheme. With the above arrangement it is hoped to eliminate and avoid duplication of works already approved/taken in other schemes by the respective State Governments."

82. In this regard, the Secretary, Ministry of Rural Development during evidence deposed as under:

> "……………the initial problem came in the period 2002-03 which is part of the scope of the report which has been presented to us. At that time, the Core Network was not ready. So, there was no reference point with which this duplication etc. could be found. These were aberrations and we are not defending aberrations, but more carefully some method should have been found to check that. We have given two or three suggestions. I would like to refer to them briefly and this is also an area for improvement of the monitoring system, which many Members have referred …………………. Though we have started the database and database is there to monitor this programme, we have not yet been able to develop complete geographical information system that will give all the maps. ………………………. We would now like to add the extra module of the geographic information system which will further improve this.
>
> The second thing is that, as you are aware, the funds are flowing under different programmes, not only from the Government of India but also from the State Plans. Sometimes, money is also coming from the MPLADS and the …………………………….. We need to have unique identity of the assets. By assets, I mean road assets in the present context. If we have unique identity of the assets, then the unique identity is referred whenever money is spent by either the Central Government or the State Government under any programme. Many Members mentioned about a fool-proof system for it. We cannot have a fool-proof system unless we do this. We do take the suggestions of the Hon'ble Members very seriously, and we will try to put this system in place. We will start with PMGSY, but this will be required perhaps by other programmes also and it will no doubt require considerable funds."

83. The Secretary, Ministry of Rural Development added:

> "We will quickly start with a pilot project in one or two States, and within a period of two years or three years we will be able to say that the entire road network is available on a GIS system and unique ID is available. I am saying this because this is a very great concern of many MPs, namely, duplication. We hope that it will be done, but it has been minimized today. What immediate action can we take against them? We are receiving the Detailed Project Reports (DPRs) from the States, and it comes to the Project Approval Committee where we sit along with the State Government representatives. We will obtain a certificate from them stating that money is not being sanctioned at least in the current Budget year on this particular stretch of road. If there is any stretch whether they are going to spend that money or if they are going to spend that money, then from what point that work will be done so that it will be like this. The moment the work on the PMGSY starts, no money from any other source should be spent on this. We will put this system in place also by taking into account the very important suggestions given by the Hon'ble Members."

(ii) Execution of works not covered under Core Network

84. As per the Guidelines each road work taken up under the programme should form part of the CNW. Test check of records in the States by Audit revealed that several works were taken up which were either not included in the CNW or the roads constructed covered additional length beyond the scope of the CNW on which an expenditure of Rs. 11.90 crore was incurred.

- In three districts of Assam (Barpeta, Kamrup and Karbi Anglong) 10 road works costing Rs. 4.19 crore were executed during 2000-01 to 2003-04 , but were not included in CNW and the Comprehensive New Connectivity Priority List (CNCPL).
- In Andhra Pradesh, 17 road works in five districts (Kurnool, Medak, Nellore, Prakasam and Nizamabad) were executed at a cost of Rs. 4.98 crore which were not included in CNW.
- In Hazaribagh district of Jharkhand, the road (length of 2 km) for connecting the habitation Belhara to Reo was included in the CNW. But the road connecting Reo to Belhara *via* Bundu of length 6.95 km. was selected for construction which involved extra length of 4.95 km. and extra cost of Rs. 0.96 crore. Similarly in Palamu district, the road connecting Marwa village to Nawadih *via* Jalalkhap with 2 km. in length was to be constructed but the road selected for construction was from Nawadih to Marwa *via* Mohipatta with a length of 4 km which involved extra cost of Rs. 0.34 crore.
- In Punjab, 8 road works (length 10.84 km) were constructed at a cost of Rs. 1.43 crore during 2000-01 and 2001-03 though they were not included in the CNW prepared in December 2000.

85. In their response to aforesaid Audit observations, the Ministry informed the Committee that when the project proposals were cleared by the Ministry in Phase I & II, the Core Network had not been prepared and, therefore, many cases of sanctioned roads being not a part of the Core Network. The Ministry also informed that from Phase-III onwards, specific check on whether the proposed road is a part of the Core Network or not, both for new connectivity as well as upgradation, is imposed with specific instructions to the Executing Agencies and State Technical Agencies to certify the fact.

(iii) Execution of inadmissible works

86. According to the Guidelines an unconnected habitation is defined as one which was located at a distance of atleast 500 metres or more in the plains (1.5 km of path distance in the case of hills) from an all weather road or a connected habitation with population size of 500 persons and above (250 and above in case of hills). In 17 States *i.e* Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Gujarat, Himachal Pradesh, Kerala, Madhya Pradesh, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu and Tripura Rs. 47.36 crore was spent on providing connectivity to ineligible habitations. The Guidelines also provided for only single road connectivity. If a habitation was already connected to another connected habitation by way of an all weather road, then no

further work was to be taken up under the programme in that habitation. In 6 States i.e. Andhra Pradesh, Karnataka, Kerala, Punjab and Tamil Nadu Rs. 28.92 crore were spent on providing multi-connectivity. Repairs to black topped or cement roads and construction of district roads were not permitted under the programme. In 9 States *i.e*. Andhra Pradesh, Chhattisgarh, Haryana, Karnataka, Kerala, Maharashtra, Orissa, Uttranchal and West Bengal an expenditure of Rs. 34.32 crore was incurred on repair works and construction of district roads.

87. The Ministry in their response have stated that the comments of Audit mainly pertain to the period upto 2003 when the Core Network had not been prepared and detailed Guidelines had not been issued leading to some deviations.

88. Regarding execution of inadmissible works under the programme by several States, the Ministry in a written note explained their position as under:

> "Execution of inadmissible works—Rs 110.60 crores. The observations in this para can be divided into three categories; *i.e* cases of multi-connectivity, inadmissible connectivity (habitations below 250 population/500 mtrs) and repairs to BT roads. The revised Guidelines issued in January 2003 clearly laid down procedure for selection of roads and definition of unconnectivity of habitation was firmed up. Prior to that some habitation could have been provided multi-connectivity. The concept of single connectivity was not clear at this stage. The instances of multi-connectivity mentioned in the Audit Report all pertain to phase I and II except one. In the case of repairs (Rs. 34.31 crores), all the cases pertain to the first two phases except one and the works are upgradation. In one case (Maharashtra) it was a BMS work taken up as per Guidelines and in the others they were old BT roads which were in a poor condition and were providing connectivity to market, educational institution etc. and were brought up to the level of BT road. In the cases of inadmissible connectivity, some habitations quoted as connected, having a lower population were 'incidental habitations', while in some the roads were BMS works allowed in Phase-I. No doubt the priority has not been observed in these cases but the roads have provided the necessary connectivity. These cases are deviations in the initial phases. Now the selection procedure is being strictly followed.
>
> If the value of tender is more than the approved estimate, the difference is to be borne by the State. Generally the system being followed in the majority of the States is that payment are made out of the programme fund initially as clearances from State Governments may take time. Once the funds are received, the programme funds are recouped. When the figures/reports of the States are compiled, then also the sanctioned/released amounts are taken into account. Out of the Rs. 44.91 crores mentioned in Audit, Rs. 10.07 crores. (Madhya Pradesh and Tripura) have been received from the States. In case of West Bengal and Chhattisgarh, permission has been given to bear the additional expenditure from savings in Phase-I and II and interest accrued, respectively. In three States, the excess may have been for a particular package or district, but since it is within the overall limit of the approved cost for that

phase, it is permissible. In admissible lead charges Rs. 13.76 crores. Though the initial Guidelines provided that no lead charges would be payable for transportation of soil except in certain circumstances like earth required for construction of embankment construction near habitation areas, school, hospital etc. Para 9.3 of PMGSY Guidelines brought out in Nov. 2004 recognises these facts by including lead charges for each requirement in village portion."

C. Non-prioritization of works

89. Audit review revealed that details of the habitations, which were connected with seasonal roads and were to be included under the programme for upgradation to all weather roads were neither available nor considered for determining the extent of upgradation required. Absence of this data led to the inclusion of upgradation work without providing any weightage for new connectivity in the programme Guidelines. As a result, more upgradation works were taken up by all the States during the first three years of implementation representing the first two phases. Test check of records by Audit in the States revealed that Rs. 365.44 crore was spent on upgradation works in 12 States as indicated in the following Table:

Upgradation works executed

Name of the State	No. of works	Amount (Rs. in crore)
Bihar	114	58.05
Chhattisgarh	112	1.07
Goa	70	5.00
Gujarat	NA	6.76
Himachal Pradesh	76	36.61
Kerala	18	8.66
Madhya Pradesh	427	191.24
Maharashtra	87	16.95
Manipur	1	1.99
Nagaland	16	18.96
Rajasthan	16	2.07
West Bengal	16	18.08
Total	953	365.44

90. Examination of the records of the Ministry by Audit also revealed that Rs. 1220.13 crore and Rs. 875.77 crore were spent on upgradation works while Rs. 597.35 crore and Rs. 4151.10 crore were spent on new connectivity during the Phase-I and II (2000-01 and 2001-03) of the programme respectively. According to Audit, prioritization of new connectivity would have helped in achieving the envisaged

mid-term objective of providing connectivity to all habitations with population above 1000 by 2003 by more focussed use of resources. The norms for prioritization of new connectivity and the limit on upgradation works were specified only in the revised Guidelines issued in January 2003. The Ministry stated (November 2005) that they had made provision for restricting the upgradation works in January 2003. However, the delay in incorporating the said provision had hampered the programme objective in the initial years and had led to diversion of financial resources to upgradation which deprived unconnected habitations from being connected.

91. In response to the above revelations, the Ministry in a written note submitted to the Audit stated that the initial Guidelines issued by the Government of India, the primary focus of the Programme was for construction of new roads. However, upgradation of existing roads were permitted to be taken under the Programme so as to achieve connectivity through good all weather roads and there was no limitation of the upgradation upto 20 per cent. Keeping this in view the upgradation of roads were mainly included in Phase-I.

D. Non-compliance of priority norms for coverage by the States

92. The programme Guidelines (January 2003) specified that priority was to be accorded to providing new connectivity to all unconnected habitations in the following order:

- Providing new connectivity to unconnected habitations with a population of 1000 or more (500 or more in the case of hilly areas),
- Providing new connectivity to unconnected habitations with a population between 500 – 999 (250 to 499 in the case of hilly areas),
- Upgradation of through routes in the CNW, and
- Upgradation of link routes.

93. Audit examination revealed that seven States had incurred an expenditure of Rs. 51.48 crore on works for providing connectivity to habitations with lower population though habitations with higher population were yet to be provided connectivity. While Bihar had spent Rs. 0.35 crore on such works, Jharkhand had spent Rs. 17.27 crore, Maharashtra Rs. 23.09 crore, Mizoram Rs. 3.97 crore, Orissa Rs. 1.08 crore, Punjab Rs. 2.05 crore and West Bengal Rs. 3.67 crore. Though these works were not altogether precluded from being taken up under the programme, construction of these roads in the initial phase itself had diluted the primary focus of the programme in achieving the desired mid-term objective of covering as many of habitations with higher population as possible. According to Audit these instances of irregularities and deficiencies in implementation of the programme were indicative of inadequate appreciation of the monitoring requirements while initially preparing the Guidelines, slackness in monitoring in the States and absence of effective supervision or review mechanism in the Ministry.

94. When asked the Committee whether the Ministry have evolved any mechanism to monitor adherence to priority norms in the selection of the roads by the States, the Ministry in a note stated as under:

> "A systematic mechanism for adhering to the priority in the selection of roads in each phase is now in place. Detailed Guidelines have been given to the States for the preparation of Comprehensive New Connectivity Priority List (CNCPL) and Comprehensive Upgradation Priority List (CUPL) from which the roads for New Connectivity and Upgradation (respectively) are to be selected. The selection criteria have also been detailed out in the Operations Manual circulated to all the PIUs of the State Executing Agencies."

95. Asked whether the Ministry have examined the irregularities and deficiencies in the implementation of scheme, the Ministry in a note submitted as under:

> "The Ministry is making constant efforts to improve the implementation of the Scheme with necessary instructions to the States, refined and re-issued. The irregularities/deficiencies identified are brought to the notice of the States in Regional Review Meetings, where the State Officials, SRRDA representatives, PIUs, NQMs, STAs are normally present for taking appropriate actions by each concerned. The deficiencies identified include the deficiencies in planning, deficiencies in DPR preparation and scrutiny, deficiencies in procurement of works and quality as well as those related to progress. Special meeting with the concerned State Officials are being taken to discuss State specific issues. The highest authorities such as Chief Ministers and Chief Secretaries of the States are being appraised about the programme implementation deficiencies with a request to take appropriate actions to overcome such irregularities/deficiencies. Clear instructions are now available for prioritization of projects as per Comprehensive New Connectivity Priority List (CNCPL) and Comprehensive Upgradation Priority List (CUPL). The project proposals received at NRRDA are being checked with respect to prioritization of proposals with CNCPL and CUPL data already available. Whenever any deviation is noticed, the State is asked to explain the reasons for deviating from the priority list. Some of the valid reasons given by the States in such cases include non-availability of land, location of habitations in islands and pending cases of forest clearance etc. Inclusion of such proposals is examined case by case and roads are being permitted to be included in the proposals based on the merit of the case."

96. As regards inspection of the rural roads at the Ministry level, the Ministry have informed the Committee that a three tier quality management structure is in place and National Quality Monitors are deployed for independent quality monitoring of works at the Central Level. Based on the observations of the National Quality Monitors, the quality grading of works is carried out.

97. When enquired about the measures taken or proposed to be taken to speed up the process of implementation of the programme, the Ministry in a written note stated as under:

> "Progress of implementation of PMGSY primarily depends on two critical factors—the institutional capacity of the State Governments for programme

management and availability of contracting capacity in the States concerned. Accordingly, the Ministry has been making consistent efforts to persuade the State Governments to take measures for augmenting their programme implementation capacity as well as the contracting capacity. In order to augment programme implementation capacity, the State Governments have been advised to strengthen their State Rural Roads Development Agency (SRRDA) and to set up adequate number of dedicated Programme Implementation Units (PIUs) at the district level. The details of action taken by the State Governments for augmenting their institutional capacity are indicated below:

State	State Level Institution	PIU Level
Arunachal Pradesh	SRRDA adequately staffed	1 new PIU added
Assam	SRRDA adequately staffed	16 new PIUs added
Bihar	5 Central agencies deployed	
Chhattisgarh	2 CEs, 5SEs added	16 new PIUs, 84 AEs, 236 JEs
Himachal Pradesh	1 CE added	26 new sub-divisions for PMGSY
Karnataka	SRRDA adequately staffed	26 new sub-divisions for PMGSY
Maharashtra	SRRDA added with 1 CE & 1 SQC	66 new sub-divisions for PMGSY
Manipur		6 PIUs dedicated for PMGSY
Madhya Pradesh	3 CEs, 2 SEs added	37 new PIUs added
Orissa	1 CE, 1 Add. Secretary added	8 new PIUs added
Sikkim	SRRDA adequately staffed	2 new PIUs & 4 new sub-divs.
Tripura	SRRDA adequately staffed	NBCC & HSCL deployed
Uttar Pradesh	1 CE added	21 new PIUs added
West Bengal	2 SEs, 1 SQC added	7 new PIUs, 35 AEs & 100 JEs

In addition, the Ministry has allowed the States to outsource project preparation with effect from April 2006. Furthermore, project implementation consultants have been engaged in Madhya Pradesh and Chhattisgarh under the ADB assisted projects. Support has also been provided to the State Governments of West Bengal, Assam and Orissa to engage project implementation consultants in ADB projects."

98. On being suggested by the Committee that Members of Parliament in the implementation of PMGSY, the Ministry in a note stated as under:

"The programme is implemented in accordance with the programme guidelines. Following are the main provisions in the PMGSY Guidelines for consultation with Members of Parliament. The Core Network and District Rural Roads Plan is finalized by District Panchayat after giving full consideration to suggestions of MPs. The Comprehensive New Connectivity Priority List (CNCPL) and Comprehensive Upgradation Priority List (CUPL) will be prepared after consultation with MPs and taking their suggestions. Lok Sabha Members will be consulted in respect of their constituencies and Rajya Sabha Members in respect of that district of the State they represent for which they have been nominated as Vice-Chairman of the District Vigilance & Monitoring Committee of the Ministry of Rural Development."

In preparing annual proposals for road works, the proposals of MPs will be given full consideration as follows:

- The Block or District CNCPL/CUPL should be sent to each MP with the request that their proposals on the selection of works out of the CNCPL/CUPL should be sent to the District Panchayat. At least 15 clear days may be given for the purpose.
- In order to ensure that the prioritisation has some reference to the funding available, the size of proposals expected may also be indicated to the Members of Parliament while forwarding them the CNCP/CUPL list. District / Block-wise allocation may be indicated to enable choice with the requisite geographical spread. It is expected that such proposals of Members of Parliament which adhere to the Order of Priority would be invariably accepted subject to considerations of equitable allocation of funds.
- The proposals received from the Members of Parliament by the stipulated date should be given full consideration in the District Panchayat which should record the reason in each case of non-inclusion, and the Members of Parliament should be informed of the inclusion/non-inclusion of their proposals along with the reasons in each case in the event of non-inclusion. It would be preferable if the communication is issued from the Nodal Department at a senior level.

The District Vigilance and Monitoring Committee which is headed by Member of Parliament also monitors the PMGSY."

IX. TENDERING PROCESS

99. According to Audit although the programme Guidelines (December 2000) stipulated that a well established procedure for tendering through competitive bidding would be followed no standard procedure was laid down either in the Guidelines or separately. The revised Guidelines of January 2003 envisaged that all the States would follow the standard bidding procedure prescribed/introduced by the Ministry or NRRDA which was done only in 2003-04.

100. Audit examination disclosed that in the absence of a uniform procedure, each State adopted the procedure followed in the respective State during the Phase I and II of the programme. Further scrutiny of records in the States revealed that even after the introduction of the standard bidding procedure from 2003-04, the requirements of the

procedure were not complied with while finalizing the tenders in various States. Some illustrated cases are discussed below:

- In Prakasam district of Andhra Pradesh, the work of construction of additional road length of 3.6 km costing Rs. 51.50 lakh was awarded to the same contractor without calling for fresh tenders while in one case of Nizamabad district, an offer, higher by Rs. 14.08 lakh, was accepted in preference to the lower offer.
- In Arunachal Pradesh, all works in respect of the packages approved during Phase-II were executed departmentally without inviting tenders and there was time overrun as the executing agencies did not maintain the time schedule for completion of works.
- In Gujarat, two works were awarded (2003-04) to a single bidder without competition, at 14.4 and 22 per cent respectively, above the estimated cost.
- In 14 districts of Madhya Pradesh, the lowest offer was rejected in finalizing the tender for award of works during 2003-04 and 2004-05 on which extra expenditure of Rs. 2.09 crore was incurred.
- In Manipur, out of 33 work orders under Phase-II valuing Rs. 80.67 crore issued by the State Government between January 2003 and December 2003, test check of two districts (Churachandpur and Bishnupur) revealed that work orders valuing Rs. 17.30 crore were given to contractors who were selected in an irregular manner without competitive bidding. In Churachandpur district, the State Government awarded six packages of work valuing Rs. 8.33 crore to six contractors who were recommended by the District Level Tender Committee (DLTC) out of 58 pre-qualified contractors. This was done in pursuance of directions from the State Government but these directions were in contravention of the provision of the financial rules, the CPWD manuals and the PMGSY Guidelines issued by the Government of India. This meant award of work without competitive bidding. Similarly in Bishnupur district, DLTC recommended four contractors for four packages valuing Rs. 8.97 crore out of 25 pre-qualified contractors for the district. The DLTC did not record any reason or criteria for selecting the four contractors and rejecting others except that the specific contractors were recommended in the wake of directions from State Government.
- In Orissa, the works for three packages were awarded in March and April 2002 to a contractor who had defaulted in construction of a high level bridge work which was abandoned due to execution of substandard work. The works so awarded remained incomplete as of March 2005.
- In Rajasthan, the Chief Engineer, PWD, Churu, awarded the work sanctioned in 10 packages during 2003-04 to the Rajasthan State Road Development Construction Corporation without following the process of competitive bidding and allowed agency charges @ 7.5 per cent amounting to Rs. 56.98 lakh in contravention of the Guidelines.
- In Tamil Nadu, wide publicity was not given which resulted in poor participation of contractors in the tenders.

- In Uttar Pradesh. 12 DPIUs awarded contracts worth Rs. 51.44 crore without giving sufficient publicity with the result that only a single bidder participated.
- In West Bengal, competition could not be ensured as only two contractors participated in the bidding procedure for seven packages proposed in Bardhaman, Malda and Darjeeling districts in 2003-04.

101. Enquired whether the Ministry were aware of the fact that the standard bidding procedure prescribed by them in 2003-04 was not followed by various States, the Ministry in a written reply submitted as under:

> "Para 11.1 of the programme Guidelines issued in January, 2003 prescribed that the States will follow the Standard Bidding Document prescribed by the Ministry of Rural Development for all tenders. Subsequently, the programme Guidelines issued in November, 2004 prescribed that the States will follow the Standard Bidding Document prescribed by NRRDA, for all the tenders. The Standard Bidding Document was developed by NRRDA and, with the approval of the Ministry in March, 2003, the Standard Bidding Document was prescribed to all the States for all tendering works under the programme *vide* letter dated 27th March, 2003. The Standard Bidding Document was a general template document. The document provided for inclusion of some State specific issues which differ because of the conditions of the State. As such, States were requested to prepare State specific bidding document of PMGSY after addressing the issues contained in 36 point checklist. The States, after taking decision on State specific issues, proposed some changes for their State specific document. The suggestions of the States were examined and after response of NRRDA, Standard Bidding Document was adopted by the States at different points of time. Majority of the States adopted Standard Bidding Document during first six months of its prescription and the time taken for deciding State specific issues, by and large, was not much."

102. On being asked about the action taken by the State Governments with regard to adhering to the standard bidding procedure, the Ministry informed that the primary responsibility of execution of work is of the State Governments and as such micron management of the tendering process is not envisaged at the level of the Ministry of Rural Development. However, the monitoring of delays is carried out during regional review meetings as a systemic issue and detailed record of action taken by State Governments is not maintained.

103. In a subsequent note submitted to the Committee, the Ministry elaborated on the matter as under:

> "In order to augment contracting capacity of States, the Ministry has revised the Standard Bidding Document with effect from December, 2006. The major changes introduced in the revised SBD are as follows:
>
> - Standard Bidding Document amended & package sizes from Rs 50 lakh-Rs. 2 crore & Rs. 2 crore -Rs. 10 crore allowed with differential qualification criteria to enable more contractors to participate.
> - Flexibility given to States to float packages above Rs. 10 crore to induce participation by big contractors.

- Joint ventures between big and small contractors permitted.
- Interaction between contractors, equipment manufacturers, equipment leasing firms and financial institutions held in MP, Orissa & West Bengal.
- Performance incentive for timely completion introduced in September 2006 through higher weightage in qualification assessment in future contracts.

Contracting capacity available in the States is also sought to be increased by facilitating acquisition of equipments and machineries by the contractors. For this purpose, the Ministry has, in collaboration with the Construction Industry Development Council (CIDC) facilitated stakeholders consultation in three States namely, Madhya Pradesh, Orissa and West Bengal, by bringing together the equipment suppliers, the financing agencies, and the contractors on a common platform."

A. Delay in tender finalisation

104. As envisaged under the programme, the stipulated time limit for completion of formalities such as issue of tender notice, finalisation of tender and award of works was 120 days from the date of clearance of the project proposals by the Ministry failing which the works in question were to be deemed cancelled. Scrutiny of records by Audit in the States revealed that 1623 tenders were finalized with delay extending upto 25 months in respect of works costing Rs. 1607.08 crore. The reasons advanced for the delay by Ministry to Audit were non response to tender calls, rejection of tenders due to higher rates, Parliamentary election and so on.

105. Asked about the reasons for delay in finalisation of tenders, the Ministry in a note stated as under :

> "The Standard Bidding Document prescribed that ordinarily, time beyond 85 days should not be taken for finalization of tenders. However, it came to the notice of Ministry of Rural Development that the time overruns are taking place in respect of finalization of tenders in some of the States. As such, *vide* letter No.P-17017/3/2002-RC dated 10th September, 2003, process of monitoring delays in respect of finalization of tenders was communicated to States. This aspect of delay is being monitored during the regional reviews "

B. Execution of works deviating from prescribed design and specifications

106. Under the programme, the rural roads constructed were required to meet the technical specification and geometric design standards given in the Rural Roads Manual of the Indian Roads Congress (IRC). Test check of records by Audit in the States revealed that road works were executed with higher specifications such as providing higher carriageway width of 3.75 metres even when the traffic density was less than 100 vehicles per day, use of costlier and richer specification and excess use of bitumen in 3941 works in 18 States which involved an additional expenditure of Rs. 167.66 crore.

107. Contesting the aforesaid Audit observation, the Ministry in note furnished to the Committee have stated that the performance Audit was carried out during the year 2004-2005. It appears that the Guidelines which were in vogue (04-05) have been

applied while examining projects taken up in Phase I & II. The first programme Guidelines were issued in December, 2000. The Para 4.3 of the Guideline provided that the works will be executed as per the technical specifications provided by Ministry of Surface Transport Indian Roads Congress (IRC). Ministry of Rural Development was to issue further Guidelines in due course. With this background, at the start of the Phase I and II, many of the States have followed either Ministry of Surface Transport specifications which are primarily applicable for National Highways or the State specifications which are being used by the executing agencies for road works other than National Highways. During initial stages of the programme, a separate Book of Specifications for Rural Roads was not available. The Guidelines issued by the Ministry in December 2000 (para 4.3) prescribed that the road works including Cross Drainage (CD) works will be executed as per the technical specifications prescribed by Ministry of Surface Transport/ IRC. The designs precede the specifications. At the initial stages, some of the States have adopted the specifications being used for roads other than National Highways. Since the State specifications, based on their practices being followed was also found acceptable by the CRRI who scrutinized the project proposals prepared for Phase-I, the deviations can be said to be acceptable. These specifications meet the technical requirement relating to the durability and serviceability of the roads.

108. Elaborating the reasons for deviations from the prescribed design specifications in 18 States which involved an additional expenditure of Rs.167.66 crore, the Ministry in a note stated as under:

> "………..The position in respect of the specific issues highlighted in the Audit Report are:

(a) Provision of seal coat over premix carpet:

> The surface coat for rural roads provides for either (i) surface dressing or, (ii) open graded premix coated with seal coat or, (iii) Closely graded premix carpet or mix seal surface. Accordingly, provision of seal coat for premix carpet is in accordance with the specification.

(b) Excess expenditure on use of bitumen:

> The concept of use of prime coat and application of tack coat thereafter is comparatively of recent origin in road construction. All agencies involved in the road construction were not aware of this method in the initial stages. Prime coat is used primarily for filling up the voids within the aggregate. The total quantity of prime coat and tack coat is broadly 11-16 kg per 10 sqm. Higher rate of prime coat is required where the aggregates have more porosity. Also in Schedule of Rates (SoR) of some, the item of tack coat is separate while in others, the item of tack coat is provided for in the premix carpet item itself. Accordingly, the application of tack coat, prime coat and premix carpet and the seal coat have to be seen in totality rather than in isolated item-wise manner. Use of emulsion is currently prescribed primarily to avoid heating of bitumen at the site by burning of wood as part of environmental protection measure. As per earlier practices, the tack coat was heated at site and applied using normal run bitumen. Accordingly, use of normal bitumen instead of emulsion bitumen

in tack coat by the States like Gujarat and the perceived deviation of the specification and extra cost are notional. Availability of emulsion for tack coat, few years back was not that common in all the rural areas. The rate of application of prime coat/tack coat is also under going modifications in last few years.

(c) Use of Hume pipe in C.D. Works:

It is a general practice to provide hume pipe of NP3 classification as NP1 and NP2 are structurally weaker and considered not suitable. Use of NP4 pipe is not prohibited from use as the next Para of IRC SP 20 indicates that it has to be designed on the actual loads coming on to it and site conditions. Para 11.3 of Book of Specifications for Rural Roads brought out by the Ministry in 2004 also provides for use of NP3 or NP4 pipes. As such, the extra expenditure reported by the Audit appears to be due to incomplete information.

(d) Inadmissible lead charges for transportation of soil:

Though Guidelines provide that no lead charges would be payable for transportation of soil except in certain circumstances, these are unavoidable in case where earth is required for embankment construction near habitation areas, near school, dispensary premises etc. Para 9.3 of PMGSY Guidelines brought out it in November, 2004 recognizes these facts by including lead charges for earth requirement in village portions.

(e) Execution of the unapproved works as for the Phase I and Phase II:

The estimates and DPR in the first two phases were approved after vetting by the Central Road Research Institute, New Delhi. Certain items which came to the notice during its execution are required to be carried out for which the approval of the state level empowered committee was obtained. The excess, over the sanctioned cost of the project after adjustments are made by the State Government due to change in specifications etc. is to be borne by the State Government. There is no excess liability to the programme fund. For example the State Government of M.P. has already credited programme funds with Rs. 93.5 crores from the State budget towards tender premium and the excess cost etc.

(f) Undue benefit to the contractor:

Payment of higher rate for additional work within 25% of deviation limit. The MPRRDA have refuted the findings of the audit. The payment of additional work executed has been made strictly in terms of the contract provision. The recovery of cost of excavated rock, payment for executed quantity of work have also been primarily made in terms of the contract provisions and recoveries for excavated rock have been made for concerned PIUs.

(g) Width of carriage way 3.05 metres instead of 3.0 metres:

The PMGSY Guidelines 2000 provide that the construction should be as per MOST specifications or IRC codes. Detailed Guidelines were issued subsequently. IRC SP: 20 (para 2.6.4) lays down standard width of carriageway as 3.75 m which may be restricted to 3.0 m. The MOST specifications do not specify the carriage way and road way widths. Accordingly, Himachal Pradesh PWD, based on the standard practices being followed in the State (based on exact conversion of 10' into meters) have provided a carriage way width of 3.05 meters instead of 3.0 meters as was being used in the State for other single lane roads. As such, excess expenditure brought out by the audit is notional.

(h) Undue benefit to the contractor:

Reimbursement of AGST (Para 4.5.10) (Assam): Taxes levied by State or Central Govt. have to be paid. In the contract agreement at the time of tendering, this tax was not included as a cost. Subsequently, as the taxes are to be paid they have to be included in the costing also. This tax was added to the gross payment to the contractor and recovered from their bills and deposited with the concerned authority in the State Govt. There is no irregularity in payment of taxes.

(i) Higher rates allowed as per SoR 03-04 (Assam):

The work pertains to Phase I. During execution, certain items like turfing etc. were required for protection of the embankment against the rain cuts. Since this additional item cropped up during 03-04, rates for these items were decided based on the current SoR in terms of the State Govt. practice and decision of the competent authority. There has been additional cost of Rs. 3 lakhs which the State has adjusted against savings in other works of the district as per PMGSY Guidelines.

(j) Use of superior specification—Chhattisgarh:

The road length is 7.5 km and in the vicinity many query operations for time stone and dolomite has taken place. During the project preparation of Phase I, details could not be captioned in full. During the construction phase, the possibility of movement of heavier truck movement in larger number was foreseen and detailed traffic survey and CBR survey was carried out for this road. Since the projected volume of traffic was not covered under IRC SP: 20, the design of road as applicable in IRC 37 was followed. This was also got vetted by the STA after the field evaluation and modified estimate submitted to the MoRD bringing out the exact position. The revised sanction has been issued by the Ministry in January 2007.

(k) Superior crust thickness in disregard to traffic —Chhattisgarh:

The length of 3 road of Phase I are 43.2, 28.5 and 14.7 km respectively. These also are heavy traffic checked roads falling under the rural road core network and the design has been redone after ascertaining the traffic data and CBR values provided for. Accordingly sanction of these roads has also been revised by the Ministry in January 2007. As such there is no question of over design or extra expenditure on these roads as the road have to serve the expected growth of traffic coming on to during its design life of 10 years. The details on the traffic volume and the CBR values are available with the State PIUs for verifications.

(l) Non use of local material—West Bengal:

Rural Roads Specifications do permit use of locally available material such as brick bats, laterite etc. When use of brick bats or Jhama bricks was not being made in PMGSY roads, the rates were competitive and economical than compared to the stone materials. As soon as use of these materials started in PMGSY projects, the market rate have shot up because of extra demand and limited availability in some of the districts. Malda district is in proximity of major source of aggregate (Pakur). Procurement of stone was found economical from this source than bricks. As such stone aggregate has been used in these works.

(m) Erroneous composition of base course—West Bengal:

In Burdhaman district, the quality of brick bats available did not meet the strength requirements laid down in BoS. This was substituted by stone dust & stone materials for use of meeting their requirements of specification for GSB. However no extra cost was paid to the contractors as he failed to procure the bricks with required specification. There is no financial liability to the Government of India.

(n) Use of Low quality of coarse aggregates and non provision of screening as per MoRTH specification—Gujarat:

The para pertain to Ph-I and II, when all the standards were not in place. The States own specifications for road other than National Highways have been adopted. As such, the quality of the coarse aggregate is in accordance with the State's specifications and hence way not be termed as sub standard work.

(o) Use of low quality bitumen macadam—Gujarat:

The audit finding in this case does not appear to be correct. The IRC specifications, IRC code of practices have no where any prescribed any density test for BM. It is a recipe mix and the grading of the materials used and the bitumen content are required to be tested. Testing of the density is not prescribed for BM works. However, the State has followed the State specific requirements which may be considered to be in order.

(p) Less density for mix seal surfacing work—Gujarat:

The findings of the audit does not appear to be based on correct understanding of the specifications. For the purpose of estimation certain quantity of aggregate and bitumen is assumed and work carried out accordingly which has been done in this case.

(q) Expenditure incurred on additional BBM layer—Maharashtra:

It has been confirmed from State that the BBM layer is not provided at all. Instead as per the technical specifications followed in the area Built Up Spray Grout (BUSG) layer has been provided which has also been cleared by STA. This layer is in lieu of G3 layer. Accordingly, there is no extra expenditure.

(r) Use of 30/40 penetration grade bitumen—Maharashtra:

The MOST as well as IRC specifications permit use of 30/40 penetration grade bitumen also and as per Maharashtra Govt.'s Circular No.1000 issued on 6th June, 2000 specifically instructs the field staff to use 30/40 grade of bitumen in the works. Accordingly, the extra expenditure of Rs.180 lakhs is notional.

(s) Expenditure incurred on tack coat —Maharashtra:

The tack coat @ 5-5.5kg per 10sq.mts. is permitted in MORTH specifications of 1988 Edition. As mentioned earlier also in the Phase I programme was started with the existing practices being followed in the State. Though the quantity of tack coat used is different from what has come into the later revision of MORTH specifications which may not be considered as additional or in-fructuous expenditure. Particularly when the work has been carried out with the designated and approved specifications of the State.

(t) Irregular charge of Tender Premium to Programme fund—Sikkim:

The tender premium on the project cost will be totally borne by the State Government. A circular to the effect that the payment on account of work to be met from the PMGSY fund (Centre's fund) will be reckoned and paid after deducting tender premium has been issued. The payment of tender premiums from the Centre's fund has totally been dispensed with. In advertently some payments on account of tender premium have been debited to PMGSY Centre's Fund by mistake which will be adjusted on receipt of fund from the State Government immediately and the intimation will be sent to the office of Accountant General.

(u) Rates allowed in SOR 2001—Sikkim:

The record is being verified and if at all there has been duplication of 10% for the contractor's profit for the item stone soiling the excess amount that has been paid to the contractor would be recovered from the Security deposits of the contractor lying with the Department by 30th June 2007 and the Action Taken Report for the same will be submitted to the office of Accountant General accordingly.

(v) Extra cost of tack coat—Rajasthan

It has been reported that for the second tack coat, the recoveries has been made from the respective Contractors amounting to Rs. 6,74,693.

(w) Non recovery of funds from the Contractors —Himachal Pradesh:

It has been reported that an amount of Rs. 22.36 lakhs has been recovered from the contractors for the useful stone as per terms of contract. Some of this has been used for the works itself and remaining has been taken up in to the Books of Department."

109. As regards the mechanism that has been put in place to ensure that the rural roads constructed under PMGSY strictly adhere to the specified norms that were laid

down under the scheme, the Ministry have informed that to bring in uniformity, the Rural Roads Book of Specifications was prepared by them and brought into effect for DPRs prepared after September 2004 only. As specifications were not of uniform nature, necessary steps have been taken by the Ministry to bring in the uniformity and consistency in the design methodology as well as use of specifications for items of works to be adopted. Due consideration has also been given while framing the rural roads BOS in permitting use of locally available materials and local practices which are found to be suitable for the specific areas depending upon the availability of materials, availability of skill and expertise in use of such materials and the State specific site conditions. Such provisions meet the objectives of providing the rural roads with requisite technical inputs and standards.The State Technical Agencies (STAs) who, *prima facie* examine the DPRs, also examine the specific items and in case of requirement as per site conditions or the local practices permitting use of change. Prior to launching of the Rural Roads BOS workshop and training courses have also been organized to familiarize the stake holders with the provisions of rural roads BOS. The PIUs & STA have been sensitized on the provision of the rural roads BOS are following the same as scrutinized by STAs.

C. Works executed without providing full connectivity

110. Test check of records by Audit in the States revealed that 152 works executed in 5 States did not provide full connectivity to eligible habitations as the roads were constructed with reduced length, additional items of work were executed or estimates prepared were not realistic or the required road length was not assessed or estimates were prepared for reduced road length on account of inadequate funds rendering the expenditure unfruitful as detailed in the following Table :

State/ District	Year	No. of works	Amount (Rs. in lakh)	Remarks
Andhra Pradesh				
Guntur, Nellore, Kurnool	2000-01, 2001-03	31	845.17	Expenditure was incurred on road works which did not connect the habitations. As against the actual length of 116.79 km. proposed in the estimate, only 73.20 km. was constructed.
Arunachal Pradesh				
Papumpare	2001-02	1	122.00	Road length constructed was reduced to 4.90 km. from 6.89 km. originally mentioned in the approved proposals due to addition of cross drainage (CD) works without obtaining the concurrence of District Panchayat, STA, SLSC.

State/ District	Year	No. of works	Amount (Rs. in lakh)	Remarks
Karnataka				
Belgaum, Chamaraja Nagar, Gadag, Koppal, Raichur , Mysore	2000-01 2001-03	45	1152.00	Estimates were prepared without providing for required cross drainage works or actual length of roads due to fund constraints. As against the actual length of 263.92 km. required for providing connectivity, estimates prepared and sanctioned were for 149.84 km.
Orissa				
(i) Khurda, Puri	-	4	168.28	Roads constructed did not connect habitations to all weather roads .
(ii) Koraput, Kendrapada, Nayagarh, Rayagada, Jajpur	2000-01, 2001-03	30	1512.00	The actual length required to establish full connectivity was not assessed at the time of preparation of estimates. As against the length requirement of 199 km. for connecting the habitations, only 82 km. road was constructed resulting in missing links of 117 km.
Uttar Pradesh				
Allahabad, Bulandshahr, Kanpur Dehat, Mirzapur, Rai Bareli, Saharanpur, Deoria		41	NA	Length of 41 roads executed was 152.16 km. only as against sanctioned length of 166.68 km.
Total		152	3799.45	

The Ministry of Rural Development informed the Committee that the Core Network has brought to light these 'missing links' and the State Governments have been advised to prepare proposals for covering such missing links of Phase I & II.

D. Abandoned/ incomplete works

111. As per the programme guidelines, a certificate to the effect that land was available was to accompany the proposal for each road work. Audit examination revealed

that 68 works were abandoned midway after incurring an expenditure of Rs 18.66 crore in Himachal Pradesh, Gujarat, Madhya Pradesh, Maharashtra, Manipur, Mizoram, Orissa and Rajasthan. Apart from the above, 75 works remained incomplete on which an expenditure of Rs 25.19 crore had been incurred in Andhra Pradesh, Bihar, Himachal Pradesh, Jammu and Kashmir, Orissa, Punjab, Tamil Nadu and Uttaranchal. The reasons given by the Ministry for abandonment or the work remaining incomplete were non-availability of land, pending forest clearance, incomplete major bridges and so on. Similarly, 42 works costing Rs. 26.18 crore, though sanctioned, were not taken up in 7 States (Bihar, Gujarat, Himachal Pradesh, Karnataka, Manipur, Rajasthan and Tamil Nadu) of which Rs. 0.57 crore sanctioned for 3 works in Karnataka was utilized in other works. A total of 32 sanctioned works costing Rs. 8.93 crore were not started and were dropped or abandoned in 4 States (Andhra Pradesh, Maharashtra, Punjab and Tripura), of which Rs. 0.52 crore sanctioned for two works in Maharashtra was utilized in other works. The reasons for abandonment were land dispute or absence of railway permission. In Uttar Pradesh 75 works costing Rs. 19.60 crore were not taken up as the roads were either already constructed by other agencies or connectivity was already there.

112. Enquired whether the Ministry have identified and analysed/investigated independently the works which were left midway/abandoned, dropped, the Ministry in a written note stated as under:

> “The Ministry regularly monitors the performance of the States and has analysed that reasons for the works being left incomplete etc. Such works can be classified in two categories namely; works approved but not taken up at all due to non-feasibility, non availability of forest clearances, non-availability of required land or works taken up under other schemes. The other category are those works where work were started but not completed. Such cases occur due to abandoning of works by the contractor, resistance by the land owner in giving land, and natural calamities. The works mentioned in the Audit Report pertain mainly to the first two phases except 7 cases of third phase and 4 cases of the fourth phase. In the initial phases, the clearances from the respective authorities were not obtained before the proposals were cleared.”

113. When asked about the steps taken to get the incomplete works completed on a priority basis, the Ministry in a written note stated as under:

> “In those cases where works are not take up at all due to valid reasons are permitted to be dropped from the approved list and where expenditure has been incurred, the State Government is required to bear the costs. The adjustment of the costs is done by subsequent reduction in the release of funds to the concerned State. However, before the above action is accepted, the case is fully examined to see that the incomplete/abandoned work cannot be completed. In case there is a possibility of the work being completed, the Ministry provides all support. Regarding the problems being faced in getting forest clearances, the issue has been taken up by the Ministry with the Ministry of Forest and Environment. Some progress has been made in this

direction. Out of the 292 cases mentioned in the Audit Report, 43 have since been completed, in 55 works action has been started to complete the road work under PMGSY. 105 works have been completed under some other schemes of the States."

114. During the study visit of the Committee to Jammu and Kashmir, the Committee inquired about the reasons for abandoned/incomplete works in the States. The Chief Secretary in response to the query stated that land disputes is one of the major reason, however, the problem has now been remedified with the interventions of the Court. The disputes are now being resolved and land are being made available for the construction of roads under PMGSY. Further, the Committee were apprised that now land under the Scheme can be purchased by the Government in Jammu and Kashmir contrary to other States where it has to be donated by Gram Sabha/ Panchayat etc.

115. On being enquired as to how the Ministry propose to verify the capacity building of States and obtain necessary clearances for completing the works sanctioned, the Ministry stated that an Empowered Committee of the Ministry invariably assess the capacity of the States while considering any fresh proposal from a State. The availability of engineering officers, the process of obtaining clearances, availability of contractors etc. are assessed by the Committee. The capacity of the States are also reviewed during various review meetings held with the States at different levels.

E. Delay in completion of works

116. The programme Guidelines envisage that the projects sanctioned had to be executed by DPIUs and completed within a period of nine months from the date of approval which were later revised (January 2003) to nine months from the date of issue of the work order. Audit examination revealed delays in completion of projects ranging between one and 39 months in 1653 works. The reasons for the delay in completion of works were stated to be non availability of site, material and late commencement of work, etc.

117. Explaining the performance incentive introduced for completion of works by the contractors within the stipulated contract period, the Ministry in a written note stated as under:

"As an incentive to good performance by contractors under Pradhan Mantri Gram Sadak Yojana, the following provisions have been made in the Standard Bidding Document:

If the contractor has executed PMGSY work in stipulated completion period:

(a) The financial turnover achieved on account of execution of road works under PMGSY shall be counted as 120 per cent for the purpose of assessment of turnover in tendering for subsequent works.

(b) The value of road work completed by the bidder shall be treated as 120 per cent for fulfilment of requirement regarding experience completion of similar work in tendering for subsequent works."

118. When enquired whether any penalties are imposed for delay in completion of roads/works, the Ministry submitted in a note as under:

"As per provisions in the Standard Bidding Document, liquidated damages are required to be recovered at the rate of 1 per cent of initial contract price per week subject to maximum of 10 per cent of contract price if the following milestones are not achieved:

(i) $^1/_8$th of work not completed upto $^1/_4$th of time period.

(ii) $^3/_8$ th of works not completed upto ½ of time period.

(iii) ¾th of entire work not completed upto ¾th of time period.

The responsibility of contract management is of Programme Implementation Unit under the supervision of the State and the data regarding levy of liquidated damages is not maintained at Central Level."

119. Asked as to how the Ministry propose to ensure completion of the sanctioned projects within the stipulated cost and time schedules, the Ministry in a note stated as under:

"The Ministry is insisting with the States to have a better contract management which is essential for timely completion of projects. In addition, the States are also being advised to strengthen their implementing capacity. The delay in some States is also on account of limited contracting capacity. Efforts are also on to increase the contracting capacity. A system of performance incentive has been introduced in the Standard Bidding Document in December 2006 for completion of works by the contractors within the contracted time period."

F. Non-recovery of Liquidated Damages

120. The programme Guidelines envisaged that suitable penalty clause be incorporated in the agreement and the same imposed on the contractor for time over-run. Test check of records by Audit disclosed that the recovery of liquidated damages aggregating Rs. 35.28 crore was not effected in Bihar (Rs. 4.77 crore), Gujarat (Rs. 1.56 crore), Himachal Pradesh (Rs. 1.23 crore), Madhya Pradesh (Rs. 2.58 crore), Maharashtra (Rs. 5.24 crore), Orissa (Rs. 19.42 crore) and Rajasthan (Rs. 0.48 crore).

121. When asked whether the matter has been taken up with the concerned implementing agencies for recovery of liquidated damages from the contractors for incompletion/abandoned works, the Ministry in a written note stated as under:

"Yes, the Ministry has taken up the matter with the concerned agencies for recovery of the liquidated damages.However, the contractor is liable to pay liquidated damages in case where extension of time without levy of compensation has been granted by the competent authority in the State. The extension of time without levy of compensation could be granted for case where delay is not attributable to the contractor including Force Majure conditions. The non-recovery of the liquidated damage could be watched through a third party audit like being carried out by C&AG. The Ministry is advising all the State Governments to take appropriate action against the officers who have not recovered liquidated damages where levied. The liquidated damages is a contractual liability and unless it is determined at the competent level, it is not due to be recovered. Out of the Rs. 35.28 crores mentioned in the report, Rs. 5.24 crores has been recovered. In works valuing Rs. 25.25 crores time extension has been given by the States as the delays were not the attributable to the contractor and thus no liquidated damages are recoverable. The other cases are being pursued with the States."

122. The Committee desired to know whether the Ministry propose to incorporate a penalty clause in the contract whereunder the contractor can be penalized and even debarred for poor/non-performance of works allotted to him. In response, the Ministry in a note stated as under:

"………Standard Bidding Document has been prescribed under the programme, wherein, the time and quality of work is essence of the contract. As per provisions in the Standard Bidding Document, the contractor is liable for payment of liquidated damages in case the work is not completed within intended completion date or progress of work is not as per the milestones fixed by the employer. Further, the contract is liable for termination on account of time over-run and poor quality of execution. As per provisions of Instructions to bidder, a bid is liable for disqualification if the bidder has record of poor performance such as abandoning the works, not properly completing the contract, inordinate delays in completion etc. Thus, if a contractor has poor record of performance in executing previous contracts under PMGSY, then he is liable to be debarred from award of contracts under the scheme in future."

G. Execution of unapproved items of works

123. As per the programme Guidelines all the works included in the DPR should be approved and cleared by the Ministry. Sample check of the records in the States disclosed that various items of works such as extra road length and earthwork, not included in the approved project proposals were either executed or substituted without the approval of the Ministry in 207 works taken up between 2000-01 and 2003-04. The expenditure incurred on such unapproved works was Rs. 48.80 crore in Andhra Pradesh (23 works costing Rs. 1.72 crore), Arunachal Pradesh (5 works costing Rs. 0.97 crore), Himachal Pradesh (24 works costing Rs. 2.33 crore), Jammu and Kashmir (5 works costing Rs. 0.21 crore), Jharkhand (47 works costing Rs. 3.45 crore), Karnataka (3 works costing Rs. 1.02 crore), Madhya Pradesh (Rs. 23.74 crore), Maharashtra (Rs. 0.33 crore) Manipur (19 works costing Rs. 0.89 crore), Meghalaya (2 works costing Rs. 0.38 crore), Nagaland (3 works costing Rs. 0.65 crore), Punjab (Rs. 0.44 crore), Rajasthan (6 works costing Rs. 0.64 crore), Tripura (9 works costing Rs. 0.37 crore), Uttaranchal (Rs. 0.08 crore), Uttar Pradesh (16 works costing Rs. 3.55 crore) and West Bengal (35 works costing Rs. 8.03 crore).

124. Enquired whether the Ministry were aware of the aforesaid discrepancies pointed out by Audit, the Ministry in a note replied as under:

"As stated earlier, the responsibility of execution is of the State Governments. Therefore, it is the responsibility of the States to ensure that the works are executed in accordance with the estimates cleared by Ministry of Rural Development. Competent authorities, empowered by the State Governments, are also required to thoroughly check the estimates and the bill of quantities before according technical sanction. Technical Officers in charge of execution and supervision are required to ensure that unapproved items of work are not executed without due approval of the competent authority. Action against the officials who have allowed execution of such unapproved items of works, is therefore, required to be taken by the State Governments concerned."

X. QUALITY ASSURANCE

125. The programme laid special emphasis on ensuring good quality of roads for which a detailed procedure was prescribed in the Guidelines. Starting from specification for road works, subjecting the process of preparation of DPR and estimates to robust technical scrutiny, setting up a technical agency – NRRDA at the Central level and insisting on a similar agency at the State level, the Ministry intended to provide high quality technical inputs for ensuring good quality all-weather roads. A three tier quality control monitoring mechanism was established as indicated in the following Table:

Three tier Quality Control System

DPIU level	State level	National level
Quality Control Registers (QCR) (Prescribed by the NRRDA) Quality Control Laboratories (QCL) (to be set-up by contractor) Methodology: Contractually stipulated tests to be carried out mandatorily and recorded in QCR.	Independent Quality Control Unit (To conduct second stage quality monitoring) Methodology: Random tests of material and workmanship.	National Quality Monitors (NQM) Methodology: Compliance reporting to NRRDA on the first and second tier quality check mechanism and reporting on quality on visual basis

126. Under the programme, the DPIU should ensure that various tests prescribed in the specification were carried out at the specified time. However, Audit examination revealed the following:

- Quality Control Laboratories were not established /set up at DPIU level inspite of the lapse of 5 years from the launch of the programme in Jharkhand, Karnataka, Kerala, Nagaland, Orissa, Tamil Nadu, and West Bengal. In Karnataka, Kerala and West Bengal, even the contractors had not established quality control laboratories at the sites.

- NRRDA released Rs. 1.50 crore to Chief Engineer (Panchayati Raj), Andhra Pradesh in March 2004 for setting up the laboratory and purchase of survey equipment out of the technical assistance loan received by it from World Bank under the institutional development and capacity building programme. The amount was kept in fixed deposit by the Chief Engineer (PR) without its utilisation as of April 2005 even though the quality control equipment was an essential need. However, NRRDA treated the same as utilized while seeking further funds from the Ministry.

- Similarly, Rs.1.20 lakh remitted to two DPIUs by the Jammu and Kashmir Government remained unutilized as on 31 March 2005 without establishing any laboratory for testing the material. It was thus not clear as to how the State Governments as well as the Ministry were ensuring conformity of the material consumed in road construction, with the specification prescribed, as required in the first tier of the quality assurance mechanism.

127. State Quality Monitors (SQM) were required to be appointed by the State Government to undertake independent tests for the quality of roads. However, they remained non operational in Arunachal Pradesh, Chhattisgarh, Jammu and Kashmir and Jharkhand as there were no laboratory facilities. In Kerala, SQMs were not appointed by the State Government. Where SQMs were appointed, the institution remained mostly non functional as evident from the reports of NQM. Besides, the Ministry also admitted the fact during its review of the progress of programme as of March 2005.

128. A National Rural Road Development Agency (NRRDA) was created to extend technical support to the programme, which, *inter alia*, involved reinforcement of quality assurance of the works at the Central level. Accordingly, the NRRDA introduced the system of monitoring the quality of roads through National Quality Monitors (NQMs), comprising retired Executive Engineers/Superintending Engineers since 2002-03 for carrying out inspection of roads constructed under PMGSY. The mechanism involved compliance reporting on the functioning of the first and second tier of the quality control mechanism apart from reporting on the quality of roads based on perception through visual inspection and hand feel method.

129. However, Audit examination of the quality control revealed the following deficiencies in the system:

- The system lacked accountability for incorrect reporting as the terms of appointment of NQMs did not prescribe their accountability where findings were subsequently found incorrect and the certified work was found not conforming to the specifications.

- Although the IRC specifications (February 2002) adopted by the Ministry, prescribed that frequent tests needed to be carried out for seeking additional assurance on the quality of road material and adequacy of the construction methods and procedures, the NRRDA prescribed and followed a system of quality assurance through visual inspection of roads. This methodology followed by NQM for judging the quality of roads needed to be viewed in the light of the fact that the roads were designed considering long term traffic growth of 15-20 years and thus were not susceptible to immediate distress after construction, and

- NQM relied on the quality tests undertaken by the DPIUs, who were responsible for the supervision of the contractor's work and payment to the contractors and could not therefore provide an independent and rigorous assurance.

130. During a review of the progress of the works under the programme upto 2004-05, the Ministry itself observed that the first and second tier quality control structures were not operationalised or were not effective and the quality of works executed during the first two phases (upto 2002-03) in the States was a matter of serious concern. Despite the absence of adequate quality control at these two tiers, the Ministry did not specifically provide for laboratory testing by NQM for quality assessment.

131. To a specific query whether the Ministry agree that the three tier mechanism set up for monitoring the quality of roads constructed was largely insufficient, the Ministry replied as under:

> "When the programme was started, States were made responsible for execution of works under the programme. Therefore, there was no option available to the Ministry but to accept the quality mechanism of respective States. Except for the experience of implementation of some rural development programmes or some State sector rural roads schemes, no experience of methodical quality management system under rural roads was available. Quality is an integral and a very important part of PMGSY and thus a separate system for monitoring the quality of road works was developed in addition to the check mechanism already available in the States for ensuring the quality of road works executed by them."

132. Elaborating on the issue, the Ministry further stated:

> "For operationalising any of the quality mechanism, it is the first and foremost requirement to prescribe the standards. The standards were first prescribed under the publication of Indian Roads Congress, IRC SP:20 2002. The publication was issued by IRC on the special intervention of Ministry of Rural Development. Subsequently, it was found that the provisions of the manual cannot form part of the agreement with contractors, therefore, IRC developed specifications for rural roads as a document of Ministry of Rural Development. It was felt that the enforcement of standards is not possible unless the contract document provides for adequate enforcement mechanism. During the implementation of first and second phase of the programme, the State Governments were allowed to use their own State specific procurement process and bidding documents. It was observed that the bidding documents in some cases did not adequately provide for provisions of enforcement of quality standards. Therefore, the decision to develop a template standard bidding document was taken specific provisions for enforcement of quality standards have been made in the standard bidding document. It was also found that standards were prescribed for mandatory quality control tests for

process and product control but adequate provision for recording the test results was lacking. PMGSY envisaged the first tier of quality control; as an in-house quality mechanism, which prescribes method of quality control at PIU level. Under this tier, it is prescribed that the contractor must setup a field laboratory and conduct the mandatory quality control tests under the supervision of officers of PIU. Quality Control Handbook and Quality Control Registers Part I and II have been prescribed under this tier of QM to facilitate recording and monitoring of test results. To ensure the operationalization of quality mechanism in the first tier and to see that the road works constructed under the programme are of adequate quality, the States were advised to develop independent monitoring mechanism at State level, which constitutes the second tier of quality control. To ensure that the quality mechanism prescribed in the first and second tier is working, a mechanism to check the quality at random by the independent monitors appointed by NRRDA was developed. This is the third tier of quality control under the scheme. The third tier of quality mechanism was first operationalised during August, 2002 and retired senior engineers were sent to various districts for monitoring of the quality. Based on the feedback received from the retired senior engineers as well as State level executing agency, the modalities for operationalization of first and second tier were developed. During the execution of first and second phase works, the quality control mechanism had not been fully operationalised. However, the basic Guidelines for all the tiers of quality mechanism were developed on the basis of feedback on execution of first and second phase. In the initial phases, the inspection of NQMs has helped not only in monitoring of quality, but the senior officers also provided on the spot guidance to the officers of PIU. The rural road construction was a field where time tested and fully developed quality mechanism was not available at the time of commencement of the programme. While it took some time to develop an effective quality control system, the Ministry is of the view that the present system adopted under PMGSY provides adequate safeguards."

133. According to Audit, NQMs had carried out 21,550 inspections between March 2002 and June 2004. In 3086 inspections (14 per cent) roads were classified as average/ poor requiring rectification and in 18,464 inspections (86 per cent) roads were classified as good/very good. Thereafter, the standard classification of roads in terms of quality was changed (July 2004) to satisfactory and unsatisfactory. Against 6064 inspections carried out between July 2004 and March 2005, 3134 inspections (52 per cent) roads were graded as unsatisfactory.

134. Audit examination revealed that the specific technical parameters for grading the roads as good, very good, average, poor, and satisfactory were not defined so as to enable the NQMs to judge the quality objectively in technical terms and make them accountable for any discrepancies. The NRRDA entrusted (July 2004) the work of quality grading to National Quality Graders (NQGs), who were nominated from amongst the NQMs, for grading the roads based on information furnished by NQMs in the prescribed proforma. As NRRDA pursued only the cases of adverse grading by

2 Indian Roads Congress NQG, the adverse remarks of NQM in cases where the road was graded satisfactory by NQG were not pursued by NRRDA.

135. Further, the examination of 120 NQM reports in respect of Andhra Pradesh, Orissa, Rajasthan and Uttar Pradesh for the period 2002-03 to 2004-05 by Audit revealed the following :

- In 2 reports, NQM had pointed out deficiency due to extra widening at curves and had recommended rolling with watering but the report was graded by NQG as satisfactory and the matter was not pursued further by the Ministry.
- Similarly in 3 reports, NQM had pointed out that Brick on Edge (BoE) be dismantled to raise the formation level, but the same were graded satisfactory by NQG and no further action was taken.
- In 3 other reports, NQM had pointed out deficiencies like damaged pavement, overlap with a village cement concrete (CC) road upto 350 meters but the road was graded satisfactory by NQG and rectificatory action was not initiated.
- In 4 reports, the work was reported as satisfactory by NQM in all respects, but these were graded as unsatisfactory by the NQG without recording any reasons.

136. In their reply the Ministry stated (November 2005) that because of their experience, NQMs would be able to make observations on quality based on hand feel method and visual inspection and that independent quality check could only be exercised by experienced personnel with actual field experience rather than institutions/ educational institutions who might otherwise have excellent testing facilities.

137. When asked whether any concrete steps are being taken for strict adherence to quality control requirements at all levels and also fixed responsibility for the lapses in the quality control, the Ministry in a note submitted as under:

> "The quality control mechanism envisaged under PMGSY is being periodically reviewed based on the experience gained and feedback received. The following actions for strict adherence to the quality control requirements and improvement in the second and third tier have been taken.
>
> (a) **First Tier of QM:** Feedback receive revealed that the first tier of quality mechanism has not been effective, because of two basic reasons — that the requirement of mandatory tests in the specification is too large and impracticable and that the senior officers of the executing machinery in many States are not regularly inspecting the works. The above two issues are being addressed. The Indian Roads Congress has been requested to rationalize the frequency of tests. The Quality Control Hand Book and Quality Control Registers are being revised by Indian Roads Congress. The Quality Control Hand Book is also being added with clear provisions about independent quality monitoring. To ensure more accountability about the field tests and quality of various components of road, the concept of stage passing is being considered and Expert Committee of IRC has been requested

to recommend the process and methodology of stage passing. Prescribing the Guidelines and frequency of inspections of the senior officers of the executing agency is under consideration of NRRDA. The work on the revision of the provisions of first tier is in advance stage.

(b) **Second Tier of QM:** Under the second tier of quality mechanism, the States were advised to develop their own mechanism of independent quality monitoring at the State level and some Guidelines were provided to States. But, the feedback received indicate that this tier of QM has not been fully operationalised in many States. Accordingly, a mechanism is being developed to regularly monitoring operation of the second tier in the States.

(c) **Third Tier of QM:** The Third tier of quality monitoring is an independent monitoring mechanism at the Central level. In this mechanism, the National Quality Monitors are engaged for inspections of road works under the programme, at random. The basic objective of this tier is to identify systemic issues and bring it to the notice of the executing agency to enable them to take appropriate steps so that the issues raised in inspected works are not only attended for that particular work, but the systemic improvement should also be brought in the working of PIU. The reports of NQMs are handed over to PIU just after inspection and a copy is sent to the State Quality Coordinator and NRRDA. The State is required to take action on the observation of NQM and report to NRRDA. The prescription of carrying out detailed tests at every level of work by NQM has not been made because it is expected that detailed inspection and testing of material and workmanship etc. could be effectively done by the second tier of quality mechanism. Based on further feedback and observations by the Audit, the following action is being taken:—

(i) The process of selection and performance review has been made independent and an independent committee headed by Secretary General, IRC and represented by Director CRRI, PTA Warangal and Roorkee and one subject matter specialist nominated by IRC has been constituted. The Committee is performing the work of selection of new NQMs and performance review of existing NQMs.

(ii) It has been felt that the performance of existing NQMs deserves to be reviewed. Therefore, mechanism for performance evaluation has been developed. A Committee consisting of officers of PTA and STA has been constituted to review the performance of NQMs on the basis of reporting. The Committee has already completed review of performance of 50 NQMs.

(iii) In addition to review of performance by examining the reports, it has been felt that the field check of works inspected by NQMs may also be carried out, as such, five agencies having experience of quality monitoring of road works have been identified and detailed Guidelines and modalities for field check are being worked out.

(iv) It has been felt that NQM should be made more accountable and their assessment of quality of works should be on the basis of prescribed field tests rather than on the basis of usual inspection alone. Accordingly, the inspection and reporting format for the NQMs is being revised. It was also been decided to provide orientation to the NQMs in reputed institutions for carrying out the prescribed field tests under the revised format.

(v) Process of detailed quality audit through the State Technical Agencies also being developed. It is envisaged that the STAs/ PTAs would be deployed to carry out quality audit of the works under PMGSY.

138. In this regard, the Secretary, Ministry of Rural Development during evidence deposed as under:

> "Incidentally, every time we have a thorough discussion with the State Government officer during our Project Sanction Committee Meetings, and one of the issues that we address is the deficiencies noticed by the State-level Quality Monitors or the National-level Quality Monitors and whether rectification work has been done or not. We continue to pursue it till the complete rectification work is done. This has resulted in internalizing of the Quality Management process by most of the SRRDAs. I would say that there is room for improvement, but over a period of time the country as a whole has witnessed a substantial improvement in the delivery of quality road infrastructure in the rural areas through this programme primarily with the help of the three-tier Quality Management System and regular monitoring. I would now like to mention about the individual officers who are responsible for these irregularities. Nine class I, eight class II and eight class III officers have been put under suspension by the respective State Governments. Departmental proceedings have been started in respect of 56 officers. In seven cases punishment has been imposed by the concerned State Government. We have received about 32 suggestions and reports from the Hon'ble Members of Parliament. Out of this, about 20 cases were sent to the State Government for enquiry and necessary action. In nine cases, officers from the National-level Quality Monitors were sent for enquiry through which irregularities have been found in four cases, which have been intimated to the State Government for initiating necessary action against persons responsible. In the remaining three cases action for enquiry is being undertaken."

XI. MAINTENANCE OF ROADS

139. Under the programme, the rural roads constructed or upgraded were to be maintained by the concerned Panchayati Raj Institutions (PRIs). The Guidelines

provided that each State Government, while submitting the project proposal for approval, should identify a suitable PRI (District Panchayat/ Intermediate Panchayat) for undertaking the maintenance of the entire CNW and particularly the roads constructed/ upgraded under the programme, besides furnishing an undertaking for necessary budget provision and the release of maintenance costs. The roads constructed under the programme were not required to undergo major repairs for at least five years after their completion. For this purpose, the State Government was required to obtain a bank guarantee for 10 per cent of the value of the work from the contractor which was to be valid for 5 years. The rural roads were required to be handed over by the PIUs on completion of the guarantee period of 5 years to the designated PRIs for regular maintenance.

140. Test check of records by Audit in the States revealed that budget allocation was not made for maintenance works in Arunachal Pradesh and Jharkhand. PRIs were not identified for undertaking the maintenance work in Assam, Jharkhand, Karnataka and Kerala. Funds were not released or deposited into the maintenance accounts by the Governments of Chhattisgarh and West Bengal. Neither had the fund requirement been assessed for maintenance nor provision of funds made in the budget on lumpsum basis by the Government of West Bengal. Audit examination also revealed that in test checked districts of Jharkhand, Kerala (Ernakulam and Wayanad), Mizoram and Uttar Pradesh, the performance bank guarantee was not obtained from the contractors. In Karnataka, the undertaking as stipulated in the Guidelines was not given in the project proposals of the test checked districts. In Bihar, Haryana, Punjab (6 packages) and Tamil Nadu, the performance guarantee clause was not included in the Notice Inviting Tender (NIT) issued and agreements executed with the contractors under Phase I and II as this clause was not provided in the Guidelines issued while launching the programme. Similarly, bank guarantees were not obtained from the contractors of Phase I and II in Bihar and Tripura whereas in Kerala (Malapuram and Kannur) and Punjab (4 packages) bank guarantee submitted was for an amount less than that prescribed.

141. Audit was of the view that due to non-provision of funds in the State Governments' budget and the absence of the clause for bank guarantee for works under Phases I and II, no normal maintenance was possible for roads constructed for ensuring their optimum life. The State Governments could not also legally force the contractor to undertake repairs of the works executed during the first two phases. This inadequacy in the system of maintenance which was possible to anticipate and non-assessment of the provision of funds for maintenance by the State Governments carried the risk of wastage of huge capital investment made in the programme defeating the very objective of the programme to create and maintain good quality all-weather roads.

142. Asked whether the Ministry have taken up the matter with the States to analyse the reasons for the shortcomings as pointed out by the Audit, the Ministry in a written note stated as under:

> "Considering that all States are finding great difficulty to provide the maintenance funding, the need for the same was presented to the Twelfth Finance Commission (TFC) by the Ministry and as a result, some relief is

available to the State for meeting the cost of maintenance of roads. The Government has accepted the recommendation of the TFC for award of Rs. 15000 crore to States for maintenance of roads and bridges. This award is to flow in four years starting from 2006-07."

143. In a subsequent note furnished to the Committee, the Ministry have explained their position in the matter as under:

"The Programme recognizes the necessity of maintenance of the assets created under the Programme. The starting point was to put in place institutional measures of inclusion of the 5 years paid maintenance in the construction contract. While adopting the new bidding document and its contents for phase – III onwards by the State Governments through their Cabinet/Administrative decisions have agreed to provide funding for the 5 years maintenance after construction. At the time of project clearance by the Empowered Committee and the Ministry, the estimated cost of such maintenance is required to be made available and becomes a contractual liability between State Government and the contractor for providing requisite funds for the same. The follow up action is taken through the review meeting and at the time of clearance of next batch of proposals. The programme Guidelines also provides that till such time as district Panchayats take over maintenance functions, the PIU will continue to be responsible for administration of post construction, zonal maintenance contracts of PMGSY roads. The prioritization criteria for taking up the renewal works under maintenance has also been brought out in operations manual which is based on pavement condition (PCI) survey to be carried out every two years. The transfer of post construction of maintenance activities to the Panchayat Raj Institutions is to be taken up at the State level and they have been requested to take suitable steps to build up the capacity in the District Panchayats not only by devolution of funds but also of functionaries with respect to the technical, managerial and financial capabilities. The States are also moving in line with making effort to create dedicated source of funding for maintenance of rural roads in addition to the additional funds which has been made available through the 12th Finance Commission to the respective State."

144. Explaining the measures taken to persuade the States to make suitable allocation under their budgets for maintenance of roads completed under phase I and II, the Ministry submitted in a note as under:

"In majority of the agreements of Phase – I & II provision for 5 years maintenance was made and performance security has been retained for these. In others an undertaking was obtained from the contractors at the State level for assuring maintenance. In the State like Arunachal Pradesh, the problem has arisen because of huge quantity of hilly slips, which is common in hilly areas, has occurred and this huge quantum of work cannot possibly be made responsibility of contractor under routine maintenance. In such cases, State Government is constantly persuaded to provide funds from their own resources and clear the slips so that contractor can attend normal maintenance activities.

In the State like Himachal Pradesh another, other such hilly/North Eastern States removal of slips is the responsibility of the State Government. The 5 years maintenance is not part of the agreement when the stage I construction only has been carried out."

XII. MONITORING MECHANISM

145. The Ministry conducted regional review meetings with the State authorities to discuss the progress of works, quality management, capacity development, CNWs and quality control assurance relating to the implementation of the programme. It was observed during a review by the Ministry of the progress under PMGSY upto the end of 2004- 05 that the quality control mechanism, progress of work, contract management and the institutional arrangement/trained manpower at the State/PIU level involved in the process of implementation of programme were either inadequate or ineffective and needed to be addressed by the States to ensure effective and successful implementation. Results, if any, of earlier reviews and the specific interventions or solutions formulated by the Ministry in coordination with the State Governments, were not ascertainable in Audit. The Ministry need to improve its monitoring especially at the State and District levels through periodic review of the progress of the programme. While the State Level Standing Committee (SLSC) was responsible for close and effective monitoring of the programme at the State level by overseeing the timely and proper execution of road works, the DPIU was responsible for all aspects of operational level monitoring. The Online Management and Monitoring System (OMMS) introduced in November 2002 was the chief mechanism for monitoring the programme. To this end, State and District Agencies were required to furnish online all the data and information as prescribed by the Ministry from time to time.

146. When asked about the remedial action taken by the Ministry in respect of the shortcomings/irregularities in the physical and financial progress reports received from the States, the Ministry informed the Committee that the States have been advised through DO letter No. E-17026/2/2000 dated 11th March 2004 to re-constitute the State Level Standing Committee (SLSC) and to include periodic monitoring of the progress, Second Tier Quality among other activities. The Ministry also informed that on various occasions they have reminded the States to send agenda as well as minutes of the Meeting of SLSC to know whether the issues are receiving due attention. Further, the Ministry informed that the States have also been apprised of shortcomings in the physical and financial progress.

A. State level monitoring

147. Audit examination revealed that while State Level Standing Committees (SLSCs) were formed in Bihar, Goa, Manipur, Orissa and West Bengal their meetings were not held at regular intervals. In West Bengal, SLSC met once in six months while the governing body meeting of the West Bengal State Road Development Agency (WBSRDA) was held only in 2003-04 and thereafter no meeting was held as against the requirement of two meetings in a year. Similarly, the executive Committee of WBSRDA met once in 2003-04 and twice in 2004-05 as against the requirement of once in every three months as per the memorandum of association. In Jammu and Kashmir, the State

Government constituted a monitoring and quality control committee in each district for ensuring effective monitoring but there was no monitoring. In Orissa, the SLA did not monitor the project preparation, verification of correctness of survey and other requirements. Audit also noticed inflated reporting of physical achievement to the Ministry in five States *i.e* in Andhra Pradesh (147 works), Meghalaya (9 works), Punjab (9 works), Rajasthan (65 works) and West Bengal (9 works). Audit further noticed that in Manipur, incorrect progress reports were prepared by PIUs and physical and financial progress reports for Phase I works was not submitted to the Ministry as of March 2005, while in Arunachal Pradesh submission of monthly and quarterly progress reports by PIUs was irregular till February 2003. In Haryana, the periodical progress reports received from PIUs were neither scrutinised properly nor did the Engineer-in-Chief (EIC) take effective follow-up action.

148. When enquired whether the Ministry have analysed the reasons for deficient and inadequate monitoring of the Scheme at the State and District levels, the Ministry in a written note stated as under:

> "The Performance Audit was carried out for the works related to Phase I and II of the programme. The gaps in monitoring at State and district level were identified and Guidelines for effective monitoring at these levels were issued. These Guidelines have been compiled in Operations Manual which was published in February, 2005. Salient features on monitoring at the State and district level are given below:
>
> Detailed process of monitoring at district/DPIU level has been laid down in Operations Manual, which includes monitoring in respect of following items (i) Survey and DPR preparation; (ii) Preparation of proposals; (iii) Monitoring of procurement; (iv) Physical and financial progress; (v) Monitoring of contract in respect of time control, quality control, payment of works and recoveries, final accounting of contract; (vi) Monitoring of routine maintenance; (vii) Monitoring of handing over of work after completion of routine maintenance.
>
> Detailed process of monitoring at State level has been laid down in Operations Manual which includes monitoring in respect of the following items (i) Preparation of proposals, survey and DPR preparation and clearance; (ii) Monitoring of dropped proposals;(iii) Monitoring of procurement ; (iv) Monitoring of Physical and financial progress; (v) Monitoring of contract in respect of time control, quality control, payment of works and recoveries.
>
> For monitoring the test results on material and workmanship, format for return by AE to district level was prescribed and format for return from district level to State level was prescribed. Formats for State level monitoring about complaints on quality have been prescribed. For monitoring the visits of NQM and receipt of inspection note format for State level monitoring has been prescribed."

149. Asked about the steps taken by the Ministry to ensure that States do not inflate the figures relating to number of works undertaken by them under PMGSY, the Ministry in a written note submitted as under:

> **"**In order to obviate the problem of inflated reporting of physical achievements by States, the Ministry has issued a Circular dated 08/07/2005 to all the Nodal Secretaries clearly defining the stage at which a road taken up under the programme would be considered as complete. In initial stages, in some States when the carriage way was complete, the roads were declared completed even though items of road furniture like PMGSY logo, kilometers stones etc. which were not directly affecting the service of the road were declared as complete. Now the road is treated as completed only after meeting the requirements of Ministry's Circular dated 08/07/2005 including road furniture."

B. District Vigilance and Monitoring Committee

150. The Ministry have informed the Committee that the District Level Vigilance and Monitoring Committees (DL -V&MCs) have been constituted to monitor all the rural development programmes including PMGSY. Generally, no separate meeting of DL -V&MC is held only to monitor PMGSY. The Vigilance & Monitoring Committees were reconstituted in October, 2004. During the years 2004-05, 2005-06 and 2006-07, number of meetings held by these Committees were 127, 503 and 685 respectively. Details of number of sittings held by DL -V&MCs during October 2004 to March 2005 are shown as under:

District Level Vigilance & Monitoring Committees Meetings
(October 2004— March 2005)

Sl. No.	States	No. of Districts in the State	No. of Districts where meetings held	No. of Meetings held
1	2	3	4	5
1.	Andhra Pradesh	23	3	4
2.	Arunachal Pradesh	16	0	0
3.	Assam	27	3	4
4.	Bihar	38	0	0
5.	Chhattisgarh	16	3	3
6.	Goa	2	0	0
7.	Gujarat	25	8	8
8.	Haryana	20	3	3
9.	Himachal Pradesh	12	1	1
10.	Jammu & Kashmir	14	0	0

1	2	3	4	5
11.	Jharkhand	22	0	0
12.	Karnataka	27	8	8
13.	Kerala	14	0	0
14.	Madhya Pradesh	48	15	17
15.	Maharashtra	35	6	8
16.	Manipur	9	2	2
17.	Meghalaya	7	4	4
18.	Mizoram	8	7	8
19.	Nagaland	11	0	0
20.	Orissa	30	19	19
21.	Punjab	17	7	7
22.	Rajasthan	32	2	2
23.	Sikkim	1	0	0
24.	Tamil Nadu	30	12	12
25.	Tripura	4	0	0
26.	Uttaranchal	13	5	5
27.	Uttar Pradesh	70	11	11
28.	West Bengal	18	0	0
29.	Lakshadweep	1	0	0
30.	Pondicherry	1	0	0
31.	A&N Islands	2	0	0
32.	Daman & Diu	1	0	0
33.	Dadra & Nagar Haveli	2	0	0
	Total	596	119	126

Note: In Delhi & Chandigarh, Vigilance & Monitoring Committees for Rural Development Programmes are not functioning. Prior to reconstitution of these Committees *i.e.* during the year 2003-04, DL-V&MC meetings were held in 203 districts.

151. When enquired whether the Ministry have prescribed any periodicity at which meetings should be held by Vigilance & Monitoring Committees during a year, the Ministry in a written note stated as under:

> "The Guidelines for Vigilance and Monitoring Committees for Rural Development Programmes provide that the meetings of the Vigilance and Monitoring Committees at State and District Levels are to be held at least once every quarter. Thus at least four meetings of the V&MCs are to be held at State and District Levels."

152. On being asked whether the Ministry have sought explanation from the States/UTs for holding less number of meetings by the Vigilance & Monitoring Committee during 2004-2005 and 2005-2006, the Ministry in a written note stated as under:

"The number of meetings of the State and District Level Vigilance & Monitoring Committees (V&MCs) held during 2004-05, 2005-06 and 2006-07 are as given in the following Table:—

District Level Vigilance & Monitoring Committees

Sl.No.	Year	No. of District where Distt. V&MCs meetings held	Total No. of District Level V&MCs meetings held
1.	2004-05	119	126
2.	2005-06	341	503
3.	2006-07 (P)	464	685

P-Provisional

State Level Vigilance & Monitoring Committees

Sl.. No.	Year	No. of States where State V&MCs meetings held	Total No. of State Level V&MCs meetings held
1.	2004-05	8	8
2.	2005-06	15	19
3.	2006-07 (P)	20	31

P-Provisional

In the year 2004-05, the Vigilance & Monitoring Committees were reconstituted only in October, 2004. Further, initially many representations were received from Members of Parliament about their claim for nominating as Chairman of the District Level V&MCs. In some States/Districts nomination of some members the Committees had not been completed. Therefore, due to some teething problems, initially there was slow progress in holding the meetings of the District Level V&MCs. The number of meetings of the State Level V&MCs was also low in the beginning.

153. Elaborating on the issue, the Ministry added:

"The Ministry of Rural Development had been closely monitoring the progress made in holding of V&MC meetings and regularly reminding the States/ Districts for the same. The Union Minister for Rural Development has also written a number of letters in this connection to the Chief Ministers of States and Chairmen of DL-V&MCs. In January 2005, Minister (RD) wrote to all

Co-Chairmen of the DL-V&MCs about their active participation in all the meetings. Further on 31st March, 2005, he again wrote to the Chairmen/Co-Chairmen of the District Level V&MCs about holding of regular meetings. Union Minister for Rural Development also wrote on 11th August, 2005 to all Ministers of the Union Council of Ministers to hold these meetings regularly and if they are pre-occupied, they may authorize the Co-chairman to hold these meetings. The Union Minister for Rural Development had also held meetings with the MPs/Chairmen of DL-V&MCs of 200 NREGA districts in Delhi in the year 2006 to emphasize their active participation in monitoring and supervision of Rural Development Programmes. The Union Minister for Rural Development had also written to all the Chief Ministers again on 30th Octobr, 2006, pointing out that DL-V&MC meetings not held in some of the Districts up to October 2006 and requested to direct the concerned District to organize these meetings at the earliest. In August, 2006, the Ministry of Rural Development had also taken a decision not to release 2nd installment of funds to the DRDAs if they have not conducted at least one meeting during the year 2006-07. After issue of this circular dated 10th August, 2006, some of the districts brought to the notice of this Ministry that some Chairmen of DL-V&MCs do not give convenient date and time for holding these meetings in spite of repeated requests or they postpone the meetings after fixing the same. Thereafter, the Ministry further amended Guidelines. Now it has been advised that the States/Districts may organize Special Meeting, in case the regular quarterly meetings could not be held during the first quarter due to some or other reason. The Special Meeting will not be postponed or cancelled at all. If the Chairman or Co-Chairman are not present in the meeting, in that case the Members present shall decide one of them by consensus as Chairman for that meeting. In view of above efforts, there has been improvement in holding of SL-V&MCs and DL-V&MC meetings during 2006-07 as compared to earlier years."

154. Asked whether the Ministry have circulated Guidelines relating to quality and standard parameters that were to be followed in construction of rural roads to all Vigilance & Monitoring Committees, the Ministry in a written note stated as under:

"The Guidelines regarding the implementation of the programme including the provisions about quality mechanism and standards have been codified in Operations Manual of Pradhan Mantri Gram Sadak Yojana and this publication has been made available to all the districts, States and related implementing agencies. So far, these have not been circulated specifically to all the Vigilance and Monitoring Committees. However, in light of the suggestions received, the action for circulation of these Guidelines to Vigilance & Monitoring Committees is being taken.

C. Monitoring through online Management and Monitoring System (OMMS)

155. The Online Management and Monitoring System (OMMS) developed for PMGSY was a web-enabled application software for computerized monitoring and management of the programme. The main objectives of OMMS were to create a database of rural roads; to track annual proposals from preparation of projects to completion of works; to make available a simple and transparent accounting system, and to assist in ensuring maintenance management. The software was designed to generate outputs useful for monitoring and management at the District Programme Implementation Unit (DPIU), the State Rural Roads Development Agency (SRRDA), the National Rural Roads Development Agency (NRRDA) and the Ministry. The information on the progress /status of PMGSY was also to be made accessible to the public through the PMGSY website. The data would reside in the State and Central servers while network connectivity among the District, State and Central Servers was provided. An amount of Rs. 20.67 crore out of an outlay of Rs. 43.90 crore had been spent till March 2005 on OMMS.

156. Audit examined the adequacy of internal controls in OMMS using the Control Objectives of Information and Related Technologies (COBIT) framework to the extent relevant. The data pertaining to OMMS was analysed using SQL5 Server and Microsoft Access. The Audit findings revealed that there was difference between the figures of total habitations depicted by the database and those reported by NRRDA to the Ministry. The database depicted 8,24,395 habitations while NRRDA reported 8,49,341 habitations to the Ministry. The maximum difference between the number of habitations depicted by the database and the monthly reports sent manually by NRRDA to the Ministry was in Bihar, Haryana, Himachal Pradesh and Uttar Pradesh. In 6982 cases, the names of the habitations were invalid. Invalid data in Master Table would cause unreliable MIS being generated by the Application.

157. In terms of para 3.1.6 of Operations Manual for PMGSY, for the purpose of preparation of DRRP all habitations with population of 100 or more persons (as per Census 2001 data) and which were more than 500 metres away from each other was to be identified and listed. The population of all habitations within a radius of 500 metres was to be clubbed together for the purpose of determining the population size of unconnected habitations. However, analysis of the data containing details of habitation revealed that there were 79,758 cases where total population of the habitation was less than 100. Moreover, due to the absence of the provision in the system for incorporating the distance between two adjacent habitations it was not possible to ascertain whether the roads constructed served only the designated habitations.

158. Test check of the records by Audit in States revealed that in Punjab, computers were not installed in 6 PIUs and wherever installed, these were not put to use due to

non-availability of trained staff. In Uttaranchal, computers were installed in the office of the Chief Development Officer not related to PMGSY and in Uttar Pradesh, OMMS was not adopted (October 2005) so far. In Arunachal Pradesh, Bihar, Jammu and Kashmir, Karnataka, Kerala, Maharashtra, Manipur and Meghalaya though computers were installed, OMMS was not functional as the data/information of PMGSY works and their progress were not updated/uploaded due to lack of network connectivity and non-availability of internet facilities. In West Bengal, data had not been updated beyond December 2004, while in Bihar data available with PIU was not fed into computers as of March 2005. In Rajasthan, preparation of reports/information regarding quality control and accounting had not started as the internet system installed in banks having PMGSY accounts was not yet functional. It was only in Assam and Tamil Nadu, that OMMS was operational and the data updation was carried out at the district level.

159. Audit pointed out that the Ministry did not furnish specific replies to the deficiencies pointed out by them in OMMS. However, in a general reply furnished in December 2005, the Ministry accepted that they did not have a formal IT strategy and IT group and that they depended on NIC and C-DAC for co-ordinating the functioning of the Application. The Ministry also accepted that changes were made in the database and the SRS after implementing the Application. However, Audit contended that the Ministry's reply that the software was tested by C-DAC before hosting the website was not tenable as C-DAC was the developer of the software and the main responsibility of ensuring that the Application was developed as per the requirements was that of the Ministry. While accepting the fact that the States had not yet filled the data in important fields even after using the software for more than 3 years, the Ministry stated that the database was designed with proper indices and keys but the States were not prepared to make data entry and therefore nulls were allowed in many fields. Audit contended that the reply of the Ministry was not tenable in view of the fact that adequate preparation was lacking while introducing the OMMS and non-feeding of data in important fields had primarily contributed to the unreliability of the database rendering it unsuitable for informed decision-making.

160. When asked whether the Ministry agree that the Online Management and Monitoring System has not proved to be useful, the Ministry in a written note stated as under:

> "The Ministry endorses the views that in the absence of regular updating up of data by the State Governments, the potential of OMMS as a monitoring tool has not been fully realized. The Ministry is, however, making continuous efforts to motivate the State to ensure regular data entry and also to ensure the reliability of the data entered in the OMMS."

161. To a specific query about the reasons due to which the Online Management and Monitoring System could not be utilized effectively, the Ministry in a written note stated as under:

> "The audit findings have brought out a number of deficiencies in the implementation and Operationalisation of the OMMAS. As an apparatus for monitoring, OMMAS relies substantially on regular and accurate data entry by the PIUs. Earlier the Guidelines envisaged a State Level IT nodal officer to be made responsible for ensuring the regularity and accuracy of data furnished by the PIUs. However, recognizing the necessity of fixing responsibility and accountability of data entered at the PIU level, the Ministry has advised all States to identify IT nodal officers in each PIU who would be responsible for regular updation of data and for authenticating the data entered. Besides, the State Technical Agencies (STAs) have also been directed to scrutinize the annual proposals of States only if the relevant data has been fully uploaded in the proposal module of the OMMAS. Inconsistencies between the data furnished through the monthly progress reports by the States and the data uploaded in the OMMAS are being analysed by the Ministry every month and the extent of mismatch is being intimated to the State Governments. This exercise is being regularly conducted at the central level for cross checking the accuracy of the data entered by the States through the OMMAS. Full scale operationalisation of OMMAS, which is a complex system, across more than 600 Programme Implementing Units (PIUs) has necessitated considerate efforts in creation of necessary physical infrastructure, provision of reliable data connectivity and capacity building of the personnel of PIUs and SRRDAs. With continuous development/ modification of the software (wherever necessary), training of personnel at the district and State Level, and the mechanism which has been put in place to cross check the data furnished by the States, the reliability and the dependability of OMMAS is being improved upon."

162. As regards the steps taken to improve the performance of the software and its implementation at the State Level for generating information which can be relied upon, the Ministry in a written note stated as under:

> "Ministry has taken steps to improve the implementation of the package. All States have been advised to identify IT nodal officers in each PIU (earlier it was in the State) who would be responsible to ensure that the data are correct and up-to-date. Further, the STAs have also been directed to scrutinize the proposals only if all the data regarding the proposals have been entered in the system. The data gaps in the system are also reviewed in the Ministry and the performance of each State reviewed at the time of review meetings and empowered Committee meetings."

PART - II

RECOMMENDATIONS/OBSERVATIONS

163. Rural connectivity assumes critical importance in rural development as it promotes access to economic and social services and facilitates the growth of rural economy. Improved connectivity reduces the cost of transportation of farm input and output, promotes diversification of crops and creation of non-farm employment opportunities in rural areas. With a view to give much needed fillip to rural development, the Government of India based on the recommendation of National Rural Roads Development Committee decided to undertake a massive Scheme for construction of rural roads known as the "Pradhan Mantri Gram Sadak Yojana (PMGSY)" on 25th December, 2000 under the Ministry of Rural Development. As a departure from the earlier rural road Schemes, PMGSY is a landmark project as it is being implemented as a 100 per cent Centrally Funded Scheme. The primary objective of the Pradhan Mantri Gram Sadak Yojana is to provide connectivity by way of all weather roads (with necessary culverts and cross-drainage structures operable throughout the year) to the unconnected habitations in the rural areas, in such a way that habitations with a population of 1000 persons and above were initially aimed to be covered in three years (2000-2003) and all unconnected habitations with a population of 500 persons and above by the end of the Tenth Five Year Plan Period (2007). For the Hill States (North-East, Sikkim, Himachal Pradesh, Jammu & Kashmir, Uttaranchal) and the Desert Areas (as identified in the Desert Development Programme) as well as the Tribal Areas (Schedule V), the objective was to connect habitations with a population of 250 persons and above. The Scheme not only focused on construction of new roads but also on upgradation of the existing roads to the prescribed standards. Detailed Guidelines were issued to all the States for the implementation of PMGSY and also for identifying State Nodal Agencies, Executing Agencies and Programme Implementation Units. Further, the Guidelines of the Scheme envisaged the setting up of State Level Standing Committees for monitoring and coordinating programme implementation. It also provides details for project preparation, scrutiny, tendering, execution, quality management, monitoring of the project, maintenance as well as procedures for fund flows.

(*Recommendation Sl. No. 1*)

164. Examination of the Scheme by the Committee has revealed several deficiencies in its implementation. It was found that only 33,875 (24 per cent) of the initially targeted 1.41 lakh habitations (revised to 1.73 lakh in March 2005) under the Scheme were provided connectivity upto March, 2005. The funds mobilized between 2000 and 2005 were Rs. 12,293 crore, which was only around 30 per cent of the estimated requirement of Rs. 41,571 crore up to March 2005, going by the initial estimate of Rs. 58,200 crore for seven years. Funds amounting to Rs. 312.34 crore or 19.58 per cent of the test checked expenditure were diverted or parked in unauthorised deposits or spent on unapproved/inadmissible items of works. Works were executed by the States without conforming to the standard design and specifications prescribed in the Rural Roads Manual. The quality control mechanism was not adequately operationalised which led to the roads constructed deviating from

the prescribed specifications. An Online Management and Monitoring System (OMMS) introduced in November 2002 was beset with deficiencies and problems of software, absence of validation checks, defective data entry, etc. The Committee's findings are dealt with at length in the succeeding paragraphs.

(*Recommendation Sl. No. 2*)

165. The Committee have noted the concern expressed by the Prime Minister regarding corruption in Rural Development Programmes and are not convinced by the plea of the Ministry that Prime Minister's comments did not include the roads constructed under PMGSY. The Committee are unable to appreciate the sophistry in the interpretation imputed by the Ministry to the Prime Minister's comments which on a plain reading clearly indicates that roads constructed under PMGSY was also included in the ambit of his public statement. The Committee, therefore, urge upon the Ministry to heed to the concern expressed by the Prime Minister and introduce methods and techniques to curb corruption in PMGSY. In this context, the Committee would also like to refer to the modalities of social audit incorporated in the Guidelines issued by the Ministry of Rural Development in the context of implementation of NREGA Scheme. The methodology of social audit envisages in the Guidelines of NREGA, if replicated in respect of PMGSY, the Committee feel, would act as an important safeguard against corruption by the implementing agencies at the village and block level.

(*Recommendation Sl. No. 3*)

166. The Committee note with concern that as of May 2001 the number of unconnected habitations eligible for assistance under the Scheme was 1.41 lakh. However, the data kept changing frequently after the launching of the Scheme. In December 2003, the number of eligible unconnected habitations was projected as 1.60 lakh and in the following year *i.e.* during December 2004, it was estimated to be 1.71 lakh. Later the figure went up to around 1.73 lakh in March 2005. According to Audit, the figure of May 2001 was adopted by the Ministry as a measure of the magnitude of the problem to be addressed and the source or the basis of this data was not on the records of the Ministry. A State-wise analysis indicates that in Tamil Nadu, the data adopted by District Programme Implementation Units (DPIUs) against the roads proposed under the Scheme were neither supported by any documents nor they were verifiable. In West Bengal, no survey was conducted for assessing the number of unconnected habitations as well as the road length to be constructed under the Scheme. In Chhattisgarh initially, 12,561 eligible unconnected habitations were reported to the Ministry; however, the figure was again revised to 13,761 habitations in the tribal and hilly areas without survey or any other evidence in support of the revised estimation. The Committee further note that the exact quantum of work involved in terms of the number and length of the roads and approximate cost were not available when the Ministry fixed the targets for connectivity. The Ministry were candid in their admission before the Committee that they had launched the Scheme without reliable data so as to avoid delay in its implementation.They stated that the initial estimate was on some parametric basis and it was not really based on Detailed Project Report (DPR) or on the basis of actual Bill of Quantity. The Committee are

appalled that such a massive and well conceived Scheme involving huge financial outlays was launched without reliable data. The Committee are unable to accept the plea of the Ministry that this happened in order to avoid delay in implementation. In fact, there were inordinate delays in the initial phase of implementation. The Committee regret to find that fixing of targets, allocation of funds as well as proper monitoring of the Scheme was sluggish. What perturb the Committee more is the fact that the Ministry have conveniently ignored the recommendation made by the Standing Committee of Urban and Rural Development in their Report presented to the Parliament in February, 2001 that a District Rural Road Plan should be prepared before launching the Scheme so as to ensure proper utilization of resources. The Committee expect that by now Government has diligently identified the roads laid under other Schemes and number of unconnected habitations eligible for assistance before taking up the Scheme and that there will be no subsequent revision in the database so as to enable fixation of realistic targets for connectivity to unconnected habitations. The Committee recommend that responsibility be fixed for past negligence and a timeframe be fixed for preparation and implementation of District/ State-wise Plans with a view to avoid duplication of expenditure on existing roads and enable proper utilization of the scarce resources to achieve the objectives of the Scheme.

(*Recommendation Sl. No.4*)

167. The Committee are of the considered view that for the completion of the Scheme within time bound period, the annual target of coverage of eligible habitations under each State needed to be fixed while planning the Scheme. However, the Committee find that procedures and systems were revised repeatedly. Though the Ministry gradually refined and standardized the procedures after the first three years, implementation and planning went on simultaneously leading to lack of clarity and inadequate controls. The Committee regret to note that the Ministry did not fix the annual targets for each State for new connectivity. As a result there were several hindrances in the successful implementation of the Scheme. While it is true that in Andhra Pradesh, neither the State Government had adequate staff to cope with the increased work load nor there were separate staff provided exclusively to handle the work and similarly, in Chhattisgarh and West Bengal, there was large scale shortage of technical staff at the District Level/Programme Implementation Unit resulting in non-ensuring of quality and delay in completion of the roads, the fact remains that no appreciable efforts were made by the Ministry till 2003-04 for training the staff in the District Programme Implementation Units. The Committee are unable to understand the Ministry's explanation that constraints such as absorption capacity of the States at the initial stage might have delayed the launch of the Scheme by three to four years which smacks of casualness and lackadaisical approach of the Ministry to such an important Scheme. Obviously, the Ministry was slack in making efforts to help the States to benefit from a fully Centrally funded Scheme. This resulted in revision of completion of target from 2003 to 2009, besides leading to unplanned and ineffective execution of the Scheme. The Ministry have now stated that the main reason for such highly discouraging performance, was inadequate funding and steps are now being taken to mobilize additional resources and augment funding for the

Scheme. This clearly indicates that it was the Ministry rather than the States that lacked the will for implementation. Besides, assessment of the capacity of the States have been done and funds to the States are now being provided depending on the progress of works already sanctioned while considering fresh proposals. Though the Ministry have claimed to have enhanced funding for the Scheme, nevertheless the targets set under the Scheme have not been accomplished as per the schedule. The Committee recommend that Ministry should gear up its machinery for granting approval required to the level of the Ministry that are impeding the proper implementation of Scheme.

(*Recommendation Sl. No.5*)

168. At the time of launching of PMGSY, the Ministry of Rural Development had estimated that Rs. 58,200 crore would be required for providing new connectivity to 1.41 lakh habitations and also for the upgradation of the existing rural roads. The funding requirements of Rs. 34,200 crore for new connectivity were worked out based on the average lead distance per habitation of 1.5 km and the average cost of construction as Rs. 14.25 lakh per km. However, the Committee note that the Audit did not come across any basis for estimating the cost for upgradation of the existing roads at Rs. 24,000 crore. In this regard, the Ministry have informed the Committee that the cost of estimates of the Scheme at the time of launching was based on the estimates provided by National Rural Road Development Committee (NRRDC) which estimated the average length required for connecting a new habitation as 1.26 km, whereas on the basis of the data provided by the States, after preparing the District Rural Road Plan (DRRP) and Core Network (CNW) the average length was found to be 2.1 km per habitation. In addition to it the DRRP and the Core Network showed that 1.73 lakh habitations are eligible under the Scheme as against 1.41 lakh habitations assessed by the NRRDC. Hence, there was a difference not only in the number of habitations to be connected, but also in the total length for new connectivity. As regards cost estimates, NRRDC had assumed Rs. 8 lakh per km including Cross Drainage Works, however, the average cost for new connectivity at National level during Phase–III, based on District Project Reports (DPRs) was around Rs. 21 lakh per km. For upgradation of roads the revised estimation was Rs. 15 lakh per km as against NRRDC assumption of Rs. 5 lakh per km. The Ministry have informed the Committee that the changes in the number of habitations, length required for new connectivity and the realistic estimation of cost with necessary provisions for sustainable rural roads, are the causes for large scale deviations in the revised cost of the Scheme. It was also stated that it is not possible to prescribe a uniform unit cost norm across the country, since the rural roads constructed are expected to cater to varying conditions with respect to terrain, soil type, expected traffic and drainage and protection requirements. The Committee are of the considered view that these facts about variability of parameters of roads is a well known fact and norms for estimates are always arrived at after taking these into consideration. The Committee would like to emphasise that appropriate identification of habitations, realistic estimation of the length and cost of new connectivity as well as correct estimation of the work load involved for upgradation of the existing roads are the pre-requisites for success of the Scheme and any flaw in this process will only defeat the very objective of the

Scheme. This requires energetic supervision of work done by engineer along a hierarchical chain of command. At this stage the Committee cannot but emphasise the need to identify the correct number of habitations that are awaiting rural connectivity and also proper measurement of the length of road required for new connectivity as well as upgradation of existing roads, so that adequate funds are tied up and requisite targets set for completion of the Scheme within the stipulated time period.

(Recommendation Sl. No. 6)

169. The Committee note that the only source of funding for financing the Scheme identified was 50 per cent of the Cess collected on High Speed Diesel (HSD) which was earmarked for the Scheme that was estimated to yield Rs. 2500 crore annually aggregating to Rs. 17,500 crore over the seven year period upto March 2007. The gap in funding was proposed to be bridged through borrowing from external lending agencies like the World Bank and the Asian Development Bank. However, firm proposals or commitments were available only to the extent of Rs. 4000 crore till March 2005. The Ministry of Rural Development in co-ordination with the Ministry of Finance signed agreements for generation of additional resources to the extent of USD 400 million (Rs. 2000 crore) each with the World Bank and the Asian Development Bank in October and November 2004 respectively for funding the projects in six States *viz.* in Chhattisgarh, Himachal Pradesh, Jharkhand, Madhya Pradesh, Rajasthan and Uttar Pradesh. The Committee note that unreliability of data and subsequent reports from States made the Ministry revise in March 2005 the funding requirement to Rs. 1,32,150 crore (an increase of 127 per cent over December 2000 estimate) to cover the revised number of 1.73 lakh habitations (22.7 per cent increase). However, the funds mobilised between 2000 and 2005 were only Rs. 12,293 crore, which was only 30 per cent of the proportionate estimated requirement of Rs. 41,571 crore up to March 2005, going by the initial estimate of Rs. 58,200 crore for seven years. The amount actually released was only Rs.11, 871.32 crore (29 per cent). Thus the resources that could to be generated were grossly inadequate to meet the estimated funding requirement. The Committee do not accept the Ministry's explanation that at the time of launching of the Scheme, dedicated agencies for planning, construction, supervision and quality control, were not available either at the Central, State or District Levels and there were also serious constraints on the contracting capacity available in the States. The Committee are of the considered opinion that before taking up a Scheme like PMGSY, the funding requirements as well as contracting and absorption capacity of States to implement the Scheme ought to have assessed realistically in order to give the Scheme a realistic chance of succeeding and delivering the expected outcome. The Ministry have informed that the Committee that they have made earnest efforts to evolve appropriate systems, institutions and procedures, both at the Central and State Level to build up the institutional capacity as well as the contracting capacity in the States. Upto the end of the 10th Five Year Plan (March 2007) Rs. 22,786.62 crore has been allocated under the Scheme, out of which Rs. 19,508.12 crore has been mobilized from Cess and Rs. 2480.50 crore from external aided projects of the World Bank and Asian Development Bank. The Ministry of Finance have also accepted in principle for

World Bank loan of $500 million. In addition, mobilization of Rs. 16,500 crore for construction of rural roads under Bharat Nirman through NABARD has been approved. The Committee while taking note of the steps taken by the Ministry for the mobilisation of resources, desire that there is no let up in the efforts for mobilization of funds. The funds so mobilized should be fully utilised for the remaining years under the Scheme so that the targets are achieved within the stipulated time period.

(Recommendation Sl. No. 7)

170. The Committee have noted that as against the total estimated requirement of Rs. 1.32 lakh crore, Rs. 22,402 crore have been released up to the end of the Tenth Five Year Plan and they have projected an outlay of Rs. 81,800 crore (including Rs. 20,575 crore from Cess, Rs. 10,000 crore from the externally aided projects, Rs. 16,500 crore from NABARD and Rs. 34,726 crore as budgetary support) for the Eleventh Five Year Plan for the Scheme. However, the Planning Commission is yet to finalise the size of the Eleventh Five Year Plan. The Committee also note that Bharat Nirman is a subset of PMGSY in which on priority, villages having population of 1,000 or more in plain areas and habitations having 500 or more of population in hill States, deserts and tribal areas are targeted to be connected by 2009. Accordingly, 66,802 habitations have been planned out to be covered with 1.46 lakh kilometres of new link roads under rural road component. Besides, 1.94 lakh kilometres of existing through routes will be upgraded and renewed. The total investment under Bharat Nirman has been estimated at Rs. 48,000 crore. The Committee further note that during the first two years, 2005-07, of Bharat Nirman, Rs. 10,464 crore have been provided, which constitute around 22 per cent of the total investment and 12,841 habitations have been provided new connectivity with 39,477 kilometres of new link roads and 50,056 kilometres of existing through routes have been upgraded or renewed during 2005-07. In this regard, the Ministry have informed the Committee that major States with large connectivity deficits have demonstrated a substantial increase in absorption capacity during 2006-07. However, the implementation capacity still needs to be further scaled up in some of the key States which account for the large portion of the unconnected villages in the country. The Committee are not satisfied with the progress under the Scheme which requires corrective measures for its speedy implementation. The Committee strongly feel that there is an imperative need for full participation by all States in the implementation of the Scheme and also setting of realistic targets in alignment with realistic funding requirements so that the Scheme is completed within the stipulated time-period, otherwise PMGSY will remain expenditure oriented rather than result-oriented Scheme.

(Recommendation Sl. No. 8)

171. The Committee note that out of the total funds of Rs. 11,871.32 crore released upto 2004-05 under the Scheme, the expenditure reported during the said period was Rs. 9,421.39 crore (79.36 per cent). A test check of expenditure of Rs. 1,594.98 crore by Audit revealed that funds amounting to Rs. 312.34 crore (19.58 per cent) were diverted, parked in unauthorised accounts or not utilized for the intended purpose. The Committee have noted that in Arunachal Pradesh, Himachal Pradesh, Kerala and Nagaland an amount of Rs. 7.20 crore was spent on the construction/maintenance of

buildings, annual repairs and maintenance work, maintenance of the rural roads, which were constructed under the State Plan Schemes and water supply lines etc. In Arunachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Orissa, Tamil Nadu and West Bengal an amount of Rs. 5.85 crore was spent on administrative charges etc. which was not permitted under the Scheme. The Ministry have informed the Committee that out of Rs. 119.39 crore that was stated to be diverted, Rs. 8.78 crore which was not permissible had been recovered. The Committee further note that an amount of Rs. 208.73 crore was placed in Civil deposits, fixed deposits and term deposits and not kept in single bank account as required under the Programme Guidelines. In this regard the Ministry have informed the Committee that during the first two phases of the Scheme, the funds were released to the State Governments/ DRDAs and it was only after January 2003 *i.e.* Phase-III onwards that the creation of State Rural Road Development Agency (SRRDA) was insisted upon and funds were released to its single bank account and that the transfer of funds from the DRDAs/ DPIUs to the single bank account took time in some States. It was also stated that out of the Rs. 21.15 crore pointed out by Audit, Rs. 16.87 crore have been transferred to the SRRDA account and recovery of Rs. 17.86 lakhs is under progress. From the facts stated above it is evident that there was failure on the part of Ministry of Rural Development in the initial phases to properly monitor the utilization of funds under the Scheme. The Committee are distressed to note that even though the Scheme was introduced way back in 2000, the Ministry have not yet been able to evolve any mechanism for ensuring proper utilization of the funds. The Ministry were blissfully unaware of the diversion of funds until they were pointed out by Audit and the subject was taken up for detailed examination by the Committee. Even now, the Ministry have not been able to fully recover the diverted amounts as pointed out by Audit. This indicates a callous and apathetic attitude of the Ministry in exercising financial accountability in the utilization of funds. The Committee while deprecating the laxity shown by the Ministry in this regard recommend that all the cases of financial irregulations should be thoroughly probed into and appropriate action taken against the persons concerned for their acts of omission and commission.

(Recommendation Sl. No. 9)

172. As per the Programme Guidelines, District Rural Development Agencies (DRDAs) are required to transfer the unutilized funds to the bank account maintained by the State Level Agency (SLA). However, the Committee note that in Assam, Rs. 9.99 crore received against Phase-I works was lying unutilized with the respective DRDAs/DPIUs. In Goa, Rs. 5 crore released during 2001-02 was lying with DRDA as of March 2005. In Tamil Nadu, savings of Rs. 3.60 crore from the funds released for Phase-I work remained with the State Government/DRDA. In Uttaranchal, the Executive Engineer, Temporary Division, PWD, Sahiya (Kalsi) Dehradun, kept Rs. 4.32 crore received from DRDA, Dehradun in a non-interest bearing account which led to a loss of Rs. 5.33 lakh towards interest. Similarly, an amount of Rs. 7.94 crore was retained by 3 DPIUs (Saharanpur, Allahabad and Chandauli) for 30 months, 33 months and 22 months respectively in Uttar Pradesh. In West Bengal, Rs. 4.08 crore was lying in the State accounts in four districts (Uttar Dinajpur, Bankura, Bardhaman and Malda) as of March 2005. The Ministry have admitted that they are

aware of funds lying with DRDAs/DPIUs which have not been transferred to the State Rural Road Development Agencies. The Committee have also been apprised that out of Rs. 31.5 crore lying with DRDAs/DPIU's Rs. 26.96 crore had been transferred to the SRRDA account. The Committee are deeply concerned over the poor utilization of the funds allotted for PMGSY over the years and unauthorized retention of unutilized funds by DRDAs/DPIUs. The Committee are unable to understand why DRDAs, which were to be merged with Zilla Parishad as per orders of the Ministry in 2001, still continue to exist as separate entities. This clearly indicate the failure of Ministry of Rural Development as the nodal authority in rationalizing the system for implementation of Rural Development Programmes in conforming with Constitutional provisions regarding all implementation to be done by Panchayats. The Committee observe that non-utilisation of funds by the DRDA/DPIUs/States would lead to slippage in the targets fixed and as a consequence PMGSY may suffer to a great extent in achieving its avowed objectives of increasing rural connectivity. The Committee, therefore, recommend that the specific cases as reported by Audit should be further enquired into and concrete steps taken to ensure that the amount sanctioned for PMGSY are disbursed and utilized for the intended purpose. They also recommend that the Ministry should seek an explanation from the defaulting States for the unauthorized retention of unutilized fund by their respective DRDAs/DPIUs and if necessary withhold funds to ensure that action to fix responsibilities on the concerned authorities responsible for such gross financial mismanagement/ irregularities is taken by defaulting States . The Ministry should take all possible measures to ensure that the accounts of DPIUs are maintained properly and reconciled periodically with respective banks and got audited regularly.

(Recommendation Sl. No. 10)

173. The Committee are perturbed to note the instances of incorrect financial reporting in respect of the expenditure incurred under the Scheme in some States. For instance in Meghalaya, Rs. 34.95 crore released in 2000-01 for 208 works under Basic Minimum Services (BMS) was shown as utilized in the utilization certificate submitted to the Ministry. However, the works were yet to be completed as of March 2005. The Ministry have informed the Committee that as per the available records, 136 complaints pertaining to irregularities including corruption in programme implementation have been received and 80 cases were referred to the State Governments for action at their end and in 45 cases, independent monitors were deputed to investigate, out of which irregularities were found in 14 cases. These cases have been taken up with the States for rectification and the States have been asked to initiate action against the concerned persons. Another 14 cases are either under enquiry or initiated for enquiry. The Committee while taking note of these steps desire that in future Ministry should ensure suitable penal measures are taken to check misappropriation/ misutilisation of funds by State Governments under report to the nodal Ministry. The Committee would await a detailed report indicating the precise action taken on each of the specific cases mentioned by the Audit.

(Recommendation Sl. No. 11)

174. With a view to achieve the objective of the Scheme, the States were required to prepare a master plan for the rural roads, first at the block level in accordance with the Manual for the preparation of DRRP. The plans of all the blocks in a district were to be integrated into a district level master plan called the District Rural Road Plan (DRRP) after approval of the intermediate and district panchayats. The plan indicated the position of connectivity of habitations with the existing roads and the proposed road network in the district which should, *inter alia,* contain a comprehensive inventory of all rural roads, link route, through route, other district roads, major district roads, State and national highways. Based on the position of connectivity of habitations in the DRRP, the core network (CNW) indicating the shortest single connectivity was required to be prepared. The Committee are constrained to note that there were several instances where District Rural Road Plans were delayed or prepared without proper survey which led to incorrect data of the existing road network and unconnected habitations in the Core Network (CNW). The Committee note that, in Arunachal Pradesh, the CNW was prepared and sent to National Rural Road Development Agency only in January, 2005 resulting in delay in submission of proposals for Phase-III as well as delay in providing connectivity to 104 villages. In Jammu and Kashmir, the CNW was not prepared in three districts (Jammu, Kathua and Rajouri) and in Karnataka; the DRRP was prepared and approved only between January and July 2003. In Kerala, as per the State level consolidated DRRP prepared between November 2000 and August 2001, there were 441 identified unconnected habitations, whereas the District Road Plan prepared by the National Transportation Planning and Research Centre (NTPRC), had identified 5677 unconnected habitations during 2000-01. In respect of Nagaland, as per the DRRP prepared in June-August 2001, out of 95 unconnected habitations, only 84 habitations were eligible for coverage under the Scheme. However, the CNW prepared in December 2002 indicated that there were 215 unconnected habitations, of which 189 fell under the eligibility criteria of the Scheme. In Sikkim, 92 habitations each with population less than 250 persons were included in the CNW whereas in West Bengal, the data on the number of habitations in the DRRP and the CNW differed significantly between the reports submitted to the Ministry in October 2004 and March 2005. The Ministry have admitted that in some cases the inordinate delays in the preparation of DRRP were mainly due to the institutional arrangements available in the State. However, separate Guidelines were circulated to all the States for the preparation of District Rural Roads Plan (DRRP) and identification of Core Network (CNW). It was further stated the Minsitry also apprised the Committee that Detailed Engineering Surveys were not prescribed at the time of preparing the Core Network and States were required to get them prepared based on inventorization of the existing roads and the roads proposed along the existing tracks. Further, the proposals for Phase-III were cleared only after the submission of provisional Core Network data and this has affected States like Arunachal Pradesh, Bihar, Manipur etc. who could not get their projects cleared in time owing to the absence of finalized Core Network. The Committee while expressing their dissatisfaction over the failure of the Ministry to monitor the delays and deficiencies in preparation of DRRP and Core Network by several States recommend that necessary steps should be taken for cutting delays and reconciling the data prepared at various levels and rectifying other deficiencies so as to ensure that

appropriate action is taken for arriving at an accurate and reliable data of unconnected habitations. The Committee also recommend that a comprehensive GIS data base of rural roads Information System should be created for each State which can be shared at different levels and by different agencies involved in construction and maintenance of rural roads. This will help in proper planning and allocation of resources and location of various socio-economic facilities for an integrated rural development. Further, using the information available at the road network layer, it will be easy to estimate the construction of cost of selected links and funds required for providing all-weather road access to all villages. A Road Maintenance Management System may also be developed using the GIS database, which will enable sustaining the road for a longer time with minimal efforts.

(Recommendation Sl. No. 12)

175. The Committee regret to find on scrutiny of records that there were several cases of overlapping or duplication in the construction of rural roads in the States of Arunachal Pradesh, Chhattisgarh and Nagaland. In this regard, Ministry have informed that the selection of the roads and its approval by competent authority (State Level Standing Committee chaired by the Chief Secretary) is the responsibility of State Nodal Agency, and the Ministry of Rural Development normally does not check the proposals with a special reference to roads sanctioned by the States under different programmes, since the proposals have been vetted and approved at the highest level of State Government. Though the Committee appreciate the fact that the matter pertains to States, nevertheless, the Ministry cannot absolve itself totally from its responsibility as the nodal agency for implementation of the Scheme and pass the blame entirely on the State Governments. The Committee desire that Ministry of Rural Development should devise ways and means to verify and cross check the works sanctioned under the Scheme with that of State PWD Departments before embarking on the execution of the projects, so that there is no duplicity/ overlapping.

(Recommendation Sl. NRo. 13)

176. As per the guidelines of PMGSY each road work taken up under the Scheme should form part of the Core Net Work (CNW). However, scrutiny of records in the States revealed that several works that were taken up under the Scheme were either not included in the CNW or the roads constructed covered additional length beyond the scope of the CNW on which an expenditure of Rs. 11.90 crore was incurred. The Ministry have informed the Committee that when the project proposals were cleared by the Ministry in Phase-I & II, the Core Network had not been prepared and, therefore, many cases of sanctioned roads were not a part of the Core Network. From Phase -III onwards, a specific check whether the proposed road is a part of the Core Network or not, both for new connectivity as well as upgradation has been imposed with specific instructions to the Executing Agencies and State Technical Agencies to certify the authenticity. Keeping in view the crucial importance of Core Network, the Committee urge upon the Government to take up the matter with all seriousness and take appropriate steps to ensure that all the works taken up under the Scheme invariably

form part of the Core Network given the fact that CNW is considered as the cornerstone in planning and construction of rural road network.

(Recommendation Sl. No. 14)

177. As per the Guidelines of the Scheme an unconnected habitation is defined as one which was located at a distance of at least 500 metres or more in the plains (1.5 km. of path distance in the case of hills) from an all weather road or a connected habitation with population size of 500 persons and above (250 and above in case of hills). However, the Committee are surprised to note that in 17 States *i.e.* Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Gujarat, Himachal Pradesh, Kerala, Madhya Pradesh, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu & Tripura Rs. 47.36 crore were spent on providing connectivity to ineligible habitations. Further, the Guidelines provide for a single road connectivity and in case the habitation was already connected to another connected habitation by way of an all weather road, no further work was to be taken up under the Scheme. However, to the surprise of the Committee it was found that in 6 States *i.e.* Andhra Pradesh, Karnataka, Kerala, Punjab and Tamil Nadu, Rs. 28.92 crore were spent for providing multi-connectivity. The Guidelines also state that repairs to black topped or cement roads and construction of district roads were not permitted under the Scheme, however, in 9 States *i.e.* Andhra Pradesh, Chhattisgarh, Haryana, Karnataka, Kerala, Maharashtra, Orissa, Uttranchal and West Bengal an expenditure of Rs. 34.32 crore were incurred on repair works and construction of district roads. The Committee do not accept the Ministry's contention that the issue mainly pertained to the period upto 2003 when the Core Network had not been prepared and detailed Guidelines had not been issued leading to some deviations. Instead of accepting their abject failure in matching the progress of work for giving connectivity to the potential habitations, the Ministry have chosen to pass the buck on the non-existence of Core Network during the period preceding 2003 which is anything but regrettable. The Committee find that even after CNW is put in place, there have been instances of inadmissible works undertaken by States. The Committee recommend that the Ministry should probe into all the cases, where inadmissible works have been undertaken by States so as to fix responsibility on the concerned authorities for omissions and commissions. The Committee expect the Ministry to take suitable steps to ensure that works undertaken in the Phase-III strictly conform with the Guidelines and no inadmissible work is undertaken.

(Recommendation Sl. No. 15)

178. The Committee note that the data giving the details of the habitations, which were connected with seasonal roads were to be included under the Scheme for upgradation to all weather roads were neither available nor considered for determining the extent of upgradation required. The absence of this data led to the inclusion of upgradation work without providing any weightage for new connectivity in the Scheme Guidelines. As a result, more upgradation works were taken up by all the States during the first three years of implementation for which Rs. 365.44 crore were spent in 12 States, namely Bihar, Chhattisgarh, Goa, Gujarat, Himachal Pradesh, Kerala, Madhya Pradesh, Maharashtra, Manipur, Nagaland, Rajasthan and West Bengal.

Examination of the records of the Ministry revealed that Rs. 1220.13 crore and Rs. 875.77 crore were spent on upgradation works while Rs. 597.35 crore and Rs. 4151.10 crore were spent on new connectivity during the phase- I and II (2000-01 and 2001-03) of the Scheme respectively. The Committee feel that prioritization of new connectivity would have helped in achieving the envisaged mid-term objective of providing connectivity to all habitations with population above 1000 by 2003. However, the Committee regret to note that prioritization of new connectivity and the limit on upgradation works were specified only in the revised Guidelines issued in January 2003. As a result of this delay in incorporating the said provision the objective of the Scheme got hampered in the initial years leading to diversion of financial resources to upgradation thereby depriving unconnected habitations from being connected to that extent. In this regard, the Ministry have informed the Committee that a systematic mechanism in the selection of roads in each phase have now been put into place and detailed Guidelines have been given to the States for the preparation of Comprehensive New Connectivity Priority List (CNCPL) and Comprehensive Upgradation Priority List (CUPL) from which the roads for new connectivity and upgradation (respectively) are being selected. The selection criteria have also been detailed out in the Operations Manual circulated to all the Project Implementation Units of the State Executing Agencies. The Committee are further concerned to note that in seven States *i.e.* Bihar, Jharkhand, Maharashtra, Mizoram, Orissa, Punjab and West Bengal an expenditure of Rs. 51.48 crore had been incurred on works for providing connectivity to habitations with lower population inspite of the habitations with higher population were yet to be provided connectivity. Though these were not altogether precluded from being taken up under the Scheme, construction of these roads in the initial phase itself had diluted the primary focus of the Scheme in achieving the desired mid-term objective of covering as many habitations with higher population as possible. The Committee are of the view that these instances of deviations and deficiencies and violation of norms in implementation of the Scheme are indicative of ineffectiveness or lack of monitoring on the part of the nodal Ministry. At this stage, the Committee recommend that concrete steps should be taken to give priority for providing the new connectivity to the unconnected habitations and limit the upgradation work so as to achieve the primary and basic objective of providing connectivity to unconnected habitations

(Recommendation Sl. No. 16)

179. The Committee are disheartened to note that though the Guidelines (December 2000) stipulate that a well established procedure for tendering through competitive bidding would be followed, no standard procedure was laid down either in the Guidelines or separately. Under the revised Guidelines of January 2003, it was envisaged that all the States would follow the standard bidding procedure prescribed/ introduced by the Ministry of Rural Development or NRRDA, but, this was done only in 2003-04. The Committee also note that due to the absence of a uniform procedure, each State adopted the procedure which was followed in their respective State during the Phase-I and II of the Scheme. Further, even after the introduction of the standard bidding procedure from 2003-04 onwards, the requirements of the procedure were not complied while finalizing the tenders in various States. In Arunachal Pradesh,

all works in respect of the packages approved during Phase-II were executed departmentally without inviting tenders and there was time overrun as the executing agencies did not maintain the time schedule for completion of works. In Gujarat, two works were awarded (2003-04) to a single bidder without competition, at 14.4 and 22 per cent respectively which was above the estimated cost. In 14 districts of Madhya Pradesh, the lowest offer was rejected in finalizing the tender for award of works during 2003-04 and 2004-05 on which extra expenditure of Rs. 2.09 crore was incurred. In Manipur, out of 33 work orders under Phase-II valuing Rs. 80.67 crore issued by the State Government between January and December 2003, test check of two districts (Churachandpur and Bishnupur) revealed that work orders valuing Rs. 17.30 crore were given to contractors who were selected in an irregular manner without competitive bidding. In Orissa, the works for three packages were awarded in March and April 2002 to a contractor who had defaulted in construction of a high level bridge work which was abandoned due to execution of substandard work and therefore, the works so awarded remained incomplete as of March 2005. In Rajasthan, the Chief Engineer, PWD, Churu, awarded the work without following the process of competitive bidding and allowed agency charges @ 7.5 per cent amounting to Rs. 56.98 lakh in contravention of the Guidelines. In Tamil Nadu, wide publicity was not given which resulted in poor participation of contractors in the tenders. In Uttar Pradesh 12 DPIUs awarded contracts worth Rs. 51.44 crore without giving sufficient publicity with the result that only a single bidder participated. It was also noticed that in West Bengal, competition could not be ensured as only two contractors participated in the bidding procedure for seven packages proposed in Bardhaman, Malda and Darjeeling districts in 2003-04. The Ministry in their reply have stated that the primary responsibility of execution of work lies with the State Governments and as such micro management of the tendering process is not envisaged at the level of the Ministry. They have also apprised the Committee that the standard bidding document is a general template document which provides for inclusion of State specific issues and therefore, States have been requested to prepare State specific bidding documents after addressing the issues contained in 36 check list points given for the same. Further, the suggestions given by the States are examined and after the response of National Rural Road Development Agency, they are adopted at different point of time and majority of the States adopted Standard Bidding Document during first six months of its prescription and not much time was taken by States for deciding State specific issues. The Committee regret to point out this is yet another instance of casual and lackadaisical attitude displayed by the Ministry with regard to such an important area relating to tendering process under PMGSY. Though the Committee appreciate the fact that tendering process is not done at the Ministry level, nevertheless, the Ministry cannot shirk from its responsibility as to whether the tender bidding documents prepared by respective States broadly conform and align with the standard bidding documents prepared and circulated by them to States for compliance. The instances as pointed out by Audit only reinforces the belief that no such exercise has been done at the Ministry, which is but regrettable. In the light of the foregoing shortcomings/deficiencies in the tendering process as pointed out, the Committee recommend that the Ministry should evolve a mechanism whereunder the tender documents/process of the States be examined afresh and monitored periodically so as

to ensure that they broadly conform to the standard bidding document and that the tendering process of States is fair and uniform across the country.

(*Recommendation Sl. No. 17*)

180. As per the Programme Guidelines, the stipulated time limit for completion of formalities such as issue of tender notice, finalisation of tender and award of works was 120 days from the date of clearance of the project proposals by the Ministry, failing which the works in question were deemed to be cancelled. However, Audit scrutiny of records in States revealed that 1623 tenders were finalized with delays extending upto 25 months in respect of works costing Rs. 1607.08 crore. The reasons attributed by the Ministry for delays were non-response to tender calls, rejection of tenders due to higher rates, Parliamentary election etc. It was also stated that inspite of the Standard Bidding Document stipulating that ordinarily, time beyond 85 days should not be taken for finalization of tenders, there were still time overruns taking place in respect of finalization of tenders in some of the States. The Committee once again regret to point out that this is yet another case where lack of ineffective monitoring on the part of the Ministry contributing to poor performance of PMGSY. The so called reasons attributed for the delays are just routine in nature. Obviously, concerted and sincere efforts were not made to finalise the tenders expeditiously. The Committee cannot but deplore the Ministry of Rural Development and the concerned State Governments for not making serious attempts for timely completion of the bidding process. At this stage, the Committee can only urge upon the Ministry to take up the matter with all seriousness it deserves and make concerted efforts in consultation and cooperation with the concerned State Governments for expeditious completion of the bidding process so that works are awarded and completed within the stipulated time period. The Ministry of Rural Development should also take up the matter with concerned States so as to fix responsibility on the concerned authorities for inordinate delay in finalisation of tenders. The Committee would like to be apprised of the present status of finalisation of tenders, within 3 months from the presentation of the Report.

(*Recommendation Sl. No. 18*)

181. The rural roads constructed under the Scheme are required to meet the technical specification and geometric design standards given in the Rural Roads Manual of the Indian Roads Congress (IRC). However, the Committee are perturbed to note that road works were executed with higher specifications such as providing higher carriageway width of 3.75 metres even when the traffic density was less than 100 vehicles per day. Use of costlier and richer specification and excess use of bitumen in 3941 works in 18 States was also noticed which resulted in an additional expenditure of Rs. 167.66 crore. While contesting the Audit observation, the Ministry have informed the Committee that the Guidelines which were in vogue (2004-2005) have been applied by Audit while examining projects taken up in Phase-I & II. They contended that Para 4.3 of the programme Guidelines issued in December, 2000

provided that the works are to be executed as per the technical specifications provided by Ministry of Surface Transport and Indian Roads Congress (IRC) and with this background, at the start of the Phase-I and II, many of the States have followed these specifications which are primarily applicable for National Highways or the State specifications. The Ministry further stated that since the State specifications was found to be acceptable by the Central Road Research Institute who scrutinized the project proposals prepared for Phase-I, the deviations can be said to be acceptable as they also meet the technical requirements relating to the durability and serviceability of the roads. The Committee accepts this explanation of the Ministry, however, the Committee would like a detailed report to be furnished indicating the precise action taken for fixing responsibility for the use of costlier and richer specification and excess use of bitumen in 3941 works in 18 States which had resulted in an additional expenditure of Rs 167.66 crore.

(Recommendation Sl. No. 19)

182. As per the programme Guidelines, a certificate indicating that land was available was to accompany the proposal for each road work. However, the Committee are constrained to note that 68 works were abandoned midway after incurring an expenditure of Rs 18.66 crore in Himachal Pradesh, Gujarat, Madhya Pradesh, Maharashtra, Manipur, Mizoram, Orissa and Rajasthan. Apart from this, 75 works remained incomplete on which an expenditure of Rs 25.19 crore had been incurred in the States of Andhra Pradesh, Bihar, Himachal Pradesh, Jammu and Kashmir, Orissa, Punjab, Tamil Nadu and Uttaranchal. The reasons cited for abandonment or the work remaining incomplete were non-availability of land, pending forest clearance, incomplete major bridges and so on. Similarly, 42 works costing Rs 26.18 crore, though sanctioned, were not taken up in 7 States *viz.* Bihar, Gujarat, Himachal Pradesh, Karnataka, Manipur, Rajasthan and Tamil Nadu. Further, 32 works which were sanctioned at a cost of Rs. 8.93 crore were not started and were dropped or abandoned in 4 States namely Andhra Pradesh, Maharashtra, Punjab and Tripura. The reasons for abandonment of work were stated to be land dispute or absence of railway permission. In Uttar Pradesh 75 works costing Rs. 19.60 crore were not taken up as the roads were either already constructed by other agencies or connectivity was already there. In this regard the Ministry have informed the Committee that the works pointed out by the Audit mainly pertain to the first two phases, except 7 cases of third phase and 4 cases of the fourth phase. In the initial phases, the clearances from the respective authorities were not obtained before the proposals were cleared. The Committee have now been informed that in those cases where works are not taken up due to valid reasons they are permitted to be dropped from the approved list and where expenditure has already been incurred, the State Government is required to bear the cost. The adjustment of the cost is done by subsequent reduction in the release of funds to the concerned State. In case if there is a possibility of the work being completed, the Ministry provide all support. In respect of forest clearances, the issue has now been taken up with the Ministry of Forest and Environment and

some progress have been made in this direction. Out of the 292 cases mentioned by the Audit, 43 have been completed and in 55 works action have been initiated for completion of work and another 105 works have already been completed under some other schemes of the States. The Committee recommend that the Ministry should take up all the pending cases with the concerned State Governments so as to ensure that clearance from concerned authorities are obtained expeditiously and works are taken up and completed. The Committee further recommend that henceforth the Ministry should ensure that States strictly sponsor only those project proposals where there is clear availability of land and necessary clearances from the forest and other authorities are obtained so that the works are not abandoned or incompleted mid way.

(Recommendation Sl. No. 20)

183. The Committee note that as per the Guidelines of the Scheme, projects sanctioned had to be executed by District Programme Implementation Units (DPIUs) and completed within a period of nine months from the date of approval. This was later revised (January 2003) to nine months from the date of issue of the work order. However, the Committee are concerned to note that there were delays in completion of projects ranging between one and 39 months in 1653 works. The reasons attributed by the Ministry for the same were non-availability of site, material, late commencement of work, etc. The Ministry have now informed the Committee that they are insisting upon the States to have a better contract management for timely completion of projects. In addition, the States have been advised to strengthen their implementing capacity. It was also stated that delay in some of the States is on account of limited contracting capacity, however, efforts to overcome the limitation have been made by increasing the contracting capacity of the States. Besides, a system of performance incentive has been introduced in the Standard Bidding Document from December 2006 for completion of works by the contractors within the contracted time period. The Committee hope that the steps taken by the Ministry though belated would enable completion of the sanctioned projects within time schedule and to avoid time and cost overruns. They also expect the Ministry to constantly monitor the works undertaken by States and also review the contracting capacity of the States and strengthen the same so that timely corrective steps are taken wherever necessary. The Committee would like to be apprised of the impact of the steps taken by the Ministry in timely completion of the projects.

(Recommendation Sl. No. 21)

184. The Guidelines under the Scheme also envisage that suitable penalty clause be incorporated in the agreement and the same is invoked and penalty imposed on the contractor for the time over-run in completion of project. However, the Committee find that the recovery of liquidated damages aggregating to Rs. 35.28 crore was not effected in Bihar (Rs. 4.77 crore), Gujarat (Rs. 1.56 crore), Himachal Pradesh (Rs. 1.23 crore), Madhya Pradesh (Rs. 2.58 crore), Maharashtra (Rs. 5.24 crore),

Orissa (Rs. 19.42 crore) and Rajasthan (Rs. 0.48 crore). In this regard, the Ministry have informed the Committee that they have taken up the matter with the concerned agencies for recovery of the same and now the contractor is liable to pay liquidated damages in case where extension of time without levy of compensation has been granted by the competent authority in the State. However, the extension of time without levy of compensation could be granted for a case where delay is not attributable to the contractor including Force Majure conditions. It was also stated that the non-recovery of the liquidated damage could also be watched through a third party Audit and all the State Governments have been advised to take appropriate action against the officers who have failed to recover the liquidated damages. The Ministry have also informed the Committee that out of the Rs. 35.28 crore liquidated damages mentioned in the Audit Report, Rs. 5.24 crore has been recovered and in works valuing Rs. 25.25 crore, time extension have been given by the States as the delays were not attributable to the contractors and the other cases are being pursued with the States. While expressing their dissatisfaction over the poor rate of recovery of damages from the contractors, the Committee urge upon the Ministry to closely monitor all the cases in coordination with States so that damages are fully recovered within a definite time period. They also recommend that in future Ministry should impose penalties on the States concerned who fail to take prompt action against the contractors where the work was behind schedule. The Committee would like to be apprised about the progress made in this regard and also the impact of setting up a third party Audit on recovery of damages from the contractors.

(Recommendation Sl. No. 22)

185. Under the Scheme, a special emphasis was laid on ensuring good quality of roads for which a detailed procedure was prescribed in the Guidelines. A three tier quality control monitoring mechanism was established at DPIU, State and National level. As regards functioning of first tier quality control, the Committee find that Quality Control Laboratories were not established / set up at District Programme Implementation Unit (DPIU) level since the launch of the Scheme in Jharkhand, Karnataka, Kerala, Nagaland, Orissa, Tamil Nadu, and West Bengal. The Committee also find that National Rural Road Development Agency (NRRDA) released Rs. 1.50 crore to Chief Engineer (Panchayati Raj), Andhra Pradesh in March 2004 for setting up the laboratory and purchase of survey equipment out of the technical assistance loan received by it from the World Bank. However, the amount was kept in fixed deposit by the Chief Engineer (PR) without being utilized as of April, 2005. What is surprising to the Committee is the fact that NRRDA treated the same as utilized while seeking further funds from the Ministry of Rural Development. The Committee are not sure as to how the State Governments as well as the Ministry are ensuring conformity of the material consumed in road construction, with the specification prescribed, as required in the first tier of the quality assurance mechanism. The Ministry have admitted that the first tier of quality mechanism has not been effective as the requirement of mandatory tests in the specification was too large and

impracticable and the senior officers of the executing machinery in many States were not regularly inspecting the works. However, the Ministry stated that the Indian Roads Congress (IRC) has been requested to rationalize the frequency of tests. To ensure more accountability about the field tests and quality of various components of road, the expert Committee of IRC had been requested to recommend the process and methodology of stage passing. The Committee recommend that the Ministry should get the deficiencies/lapses as pointed out by Audit examined with a view to take corrective measures for ensuring conformity of the material consumed in road construction with specification prescribed as per first tier of the quality assurance mechanism. The Committee would also like to be informed about the latest status of the setting up of Quality Control Laboratories in the defaulting States as mentioned in the Audit Report. The Committee also recommend that the Ministry should explore all possibilities for setting up and maintenance of Quality Control Laboratories in all States for the periodical test of raw materials used at difference stages of road construction by the contractors so as to ensure that quality of the roads constructed conform to the specified standards.

(Recommendation Sl. No. 23)

186. The National Rural Road Development Agency (NRRDA) was created to extend technical support to the Scheme, which, *inter alia*, involved reinforcement of quality assurance of the works at the Central level. Accordingly, the NRRDA introduced the system of monitoring the quality of roads through National Quality Monitors (NQMs). The mechanism involved compliance reporting on the functioning of the first and second tier of the quality control mechanism apart from reporting on the quality of roads based on perception through visual inspection and hand feel method. However, the Committee are disheartened to note that the system lacked accountability for incorrect reporting as the terms of appointment of NQMs did not prescribe their accountability where finding were subsequently found incorrect and the certified work was found not conforming to the specifications. Although the IRC specifications (February 2002) adopted by the Ministry of Rural Development prescribed that frequent tests needed to be carried out for seeking additional assurance on the quality of road material and adequacy of the construction methods and procedures however, the NRRDA prescribed and followed a system of quality assurance through visual inspection of roads. The Committee are of the opinion that this methodology followed by NQM for judging the quality of roads needs to be viewed in the light of the fact that the roads were designed considering long term traffic growth of 15-20 years and thus were not susceptible to immediate distress after construction.

The Committee are also surprised that NQMs relied on the quality tests undertaken by the DPIUs, who were responsible for the supervision of the contractor's work and payment to the contractors and could not therefore provide an independent and rigorous quality assurance. The Ministry have informed the Committee that the process of selection and performance review has been made independent and for this purpose, an independent Committee headed by Secretary General, IRC has been constituted and

the Committee is entrusted with the work for selection of new NQMs and performance review of existing NQMs. The Committee while welcoming the steps taken by the Ministry for streamlining selection of NQMs, however recommend that the Ministry should ensure that Quality Control is exercised more vigorously so as to adhere to all technical specifications relating to construction of rural roads as given in the Guidelines. The Committee desire that the Ministry should plan for quality control right from the stage of surveys, investigations, design and preparation of Detailed Project Report. Further, some percentage of the cost of the project should be set apart for implementation of quality measures system. The Committee further desire that the tender documents must be revised clearly specifying that contractor should establish field laboratories with the specific minimum testing equipments and facilities.

(Recommendation Sl. No. 24)

187. The rural roads constructed or upgraded under the Scheme were to be maintained by the concerned Panchayati Raj Institutions (PRIs). The Guidelines provided that each State Government, while submitting the project proposal for approval, should identify a suitable PRI (District Panchayat/ Intermediate Panchayat) for undertaking the maintenance of the entire Core Net Work and particularly the roads constructed/upgraded under the Scheme, besides furnishing an undertaking for necessary budget provision and the release of maintenance costs. The roads constructed under the Scheme are not required to undergo major repairs for at least five years after their completion. For this purpose, the State Governments are required to obtain a bank guarantee for 10 per cent of the value of the work from the contractor which was to be valid for 5 years. The rural roads are required to be handed over by the PIUs on completion of the guarantee period of 5 years to the designated PRIs for regular maintenance. However, budget allocation was not made for maintenance works in Arunachal Pradesh and Jharkhand. The Committee are however, concerned to note that PRIs were not identified for undertaking the maintenance work in the States of Assam, Jharkhand, Karnataka and Kerala. Funds were not released or deposited into the maintenance accounts by the Governments of Chhattisgarh and West Bengal. It was found that the Government of West Bengal neither had the fund requirement assessed for maintenance nor provision of funds made in the budget. The Committee regret to observe that the role and importance of PRIs in the maintenance of rural roads has not been adequately recognized by the States. A responsive grass-root level organisation with a high degree of commitment, motivation, professional competence and above all integrity is the *sine qua non* for the success of achieving the avowed objectives of rural connectivity as well as maintenance of the roads constructed. The Committee therefore, recommend that Ministry of Rural Development in cooperation with Ministry of Panchayati Raj should fund capacity building of District and Block Level Panchayats so that they take over the functions like construction management, maintenance management and road safety. They therefore, recommend that State Government should identify the PRIs without any loss of time.

The Committee understand that sometimes road works are held up at the time of preparation of District Road Proposal, either due to actual availability of land not being investigated properly or the local panchayat is not taken into confidence about the proposed alignment, which result in dispute subsequently. Therefore, the Committee recommend that all States should held informal consultation with Panchayati Raj Institutions along the proposed alignment to sort out issues of land availability and environmental impact well in advance.

(Recommendation Sl. No. 25)

188. The Committee note that while according approval to the PMGSY and the Guidelines framed thereunder, the Government envisaged that Online Management and Monitoring System (OMMS) should be the core component for monitoring the progress of the Scheme. The Committee have noted that the main objectives of OMMS are to create a database of rural roads; to track annual proposals from preparation of projects to completion of works; to make available a simple and transparent accounting system, and to assist in ensuring maintenance management. The software is designed to generate outputs useful for monitoring and management at the District Programme Implementation Unit (DPIU), the State Rural Roads Development Agency (SRRDA), the National Rural Roads Development Agency (NRRDA) and the Ministry of Rural Development. However, the Committee are surprised to find that although the PMGSY was started in December 2000, the OMMS was formally launched only in November 2002 and the accounting module of OMMS was developed as late as in 2004. What is more disturbing to the Committee was the fact that till 2004, the System was implemented in only two States.

The Committee further note that there was weaknesses in the design and internal control mechanism of the OMMS and the database generated was incomplete and unreliable. Thus even after five years of launching of PMGSY and incurring an expenditure of Rs. 20.67 crore, the OMMS was not found to be fit for decision making and monitoring. The Ministry admitted that they did not have a formal IT strategy and IT group and they depended on NIC and C-DAC for co-coordinating the functioning of the Application. The Committee find that the software was tested by C-DAC before hosting the website as C-DAC was the developer of the software and the main responsibility of ensuring that the Application was developed as per the requirements was the responsibility of the Ministry. While accepting the fact that the States had not yet filled the data in important fields even after using the software for more than 3 years since its launch in 2002, the Ministry stated that the database was designed with proper indices and keys but the States were not prepared to make data entry and therefore nulls were allowed in many fields. It was further stated that they have taken steps to improve the implementation of the package and all States have been advised to identify IT nodal officers in each Programme Implementation Unit who are responsible to ensure that the data are correct and up-to-date. Further, the State Technical Agencies have also been asked to scrutinize the proposals whether all the data regarding the proposals have been entered in the system. Gaps in the data are also being reviewed and the performance of each State have been reviewed at the time of

review meetings and empowered Committee meetings. The Committee, however, feel that a lot needs to be done for the removal of deficiencies pointed out in the functioning of Online Monitoring and Management System. They therefore, recommend that Ministry should review the functioning of OMSS with a view to remove the deficiencies pointed out by evolving a practicable action plan. The Committee are of the opinion that adequate training should be imparted to the personnel handling the OMMS in the States. Further, the accounting module of OMMS should be urgently implemented so that it would be an additional tool for the Ministry and the States to strengthen the financial management of the Scheme. The Committee also recommend that the States should take necessary steps to update the online information and wherever OMMS have not been installed, the Ministry should take necessary steps to install the System immediately.

(Recommendation Sl. No. 26)

NEW DELHI;
22 *April*, 2008
2 *Vaisakha*, 1930 (*Saka*)

PROF. VIJAY KUMAR MALHOTRA,
Chairman,
Public Accounts Committee.

ANNEXURE—I

MINUTES OF THE THIRD SITTING OF PUBLIC ACCOUNTS COMMITTEE (2007-2008) HELD ON 29th MAY 2007

The Committee sat from 1100 hrs. to 1250 hrs. on 29th May, 2007 in Committee Room 'B' Parliament House Annexe, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

Lok Sabha

2. Shri Kirip Chaliha
3. Shri Khagen Das
4. Shri P.S. Gadhavi
5. Shri Bhartruhari Mahtab
6. Shri Brajesh Pathak
7. Shri Mohan Singh
8. Shri Rajiv Ranjan 'Lalan' Singh

Rajya Sabha

9. Prof. P.J. Kurien
10. Shri Prasanta Chatterjee
11. Dr. K. Malaisamy

SECRETARIAT

1. Shri S.K. Sharma	—	*Additional Secretary (SK)*
2. Shri A. Mukhopadhyay	—	*Joint Secretary (MK)*
3. Shri Brahm Dutt	—	*Director (PC&S)*
4. Shri M.K. Madhusudhan	—	*Deputy Secretary-II*

Representatives of the Office of the Comptroller and Auditor General of India

1. Shri N.R. Rayalu	—	ADAI (RC)
2. Shri A.N. Chatterji	—	DG (PA)
3. Shri K.R. Sriram	—	PD(ESM)

Representatives of the Ministry of Rural Development

1. Shri Atul Chaturvedi	—	Additional Secretary and Financial Advisor
2. Shri J.K. Mohapatra	—	Joint Secretary
3. Shri V.J. Menon	—	Director (Finance)

4. Smt. Gargi Kaul	—	Director (F&A)
5. Prof. B.P. Chandrasekhar	—	Director (Technical), NRRDA
6. Shri H.K. Srivastava	—	Director (Projects I), NRRDA
7. Shri A.D. Kapale	—	Director (Pojects II), NRRDA
8. Shri P.K. Katare	—	Director (Projects III) NRRDA

2. At the outset, the Chairman, PAC welcomed the Members and Audit Officers to the sitting of the Committee. The Chairman informed the Members that the sitting has been convened to take oral evidence of the representatives of Ministry of Rural Development (Department of Rural Development) on C&AG's Report No. 13 of 2006 relating to "Pradhan Mantri Gram Sadak Yojana".

3. Thereafter, the Officers of the C&AG of India briefed the Committee on specific points arising out of the aforesaid Audit Report. Then the representatives of the Ministry of Rural Development (Department of Rural Development) were called in and the Committee commenced the oral evidence on the subject.

4. The Additional Secretary & Financial Advisor, Ministry of Rural Development after introducing the Officers of the Ministry to the Committee explained the various points arising out of the Audit Report and the queries raised by the Members. To certain queries, for which the witnesses could not give satisfactory replies, the Hon'ble Chairman directed the representatives of the Ministry to furnish the requisite information in writing at the earliest particularly on the issues relating to :

(i) Poor progress in implementation of the scheme;

(ii) Source of funds for the Scheme *viz.* ADB/World Bank/ Central Government/ NABARD/NGO's/MPLAD etc.;

(iii) Non-adherence to specification for rural roads and irregularities in selection and payments to contractors;

(iv) Meetings of Local monitoring Committees, participation of MPs etc.;

(v) Corruption related complaints and follow-up action thereon;

(vi) Delay in release of funds for the approved work; and

(vii) Diversion of Funds.

5. The evidence on the subject remained inconclusive and the Committee decided to hold another sitting on the subject on a subsequent date after the receipt of written information from the Ministry on the points raised by Members during the meeting,

6. A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

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ANNEXURE—II

MINUTES OF THE FIFTH SITTING OF PUBLIC ACCOUNTS COMMITTEE (2007-2008) HELD ON 12th JUNE 2007

The Committee sat from 1100 hrs. to 1330 hrs. on 12th June, 2007 in Committee Room 'B' Parliament House Annexe, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

Lok Sabha

2. Shri Kirip Chaliha
3. Shri Khagen Das
4. Shri R.L. Jalappa
5. Shri Bhartruhari Mahtab
6. Shri K.S. Rao
7. Shri Rajiv Ranjan 'Lalan' Singh
8. Shri Kharabela Swain

Rajya Sabha

9. Shri V. Narayanasamy
10. Prof. P.J. Kurien
11. Shri Janardhana Poojary

SECRETARIAT

1. Shri A. Mukhopadhyay	—	*Joint Secretary (AM)*
2. Shri Brahm Dutt	—	*Director (PC&S)*
3. Shri M.K. Madhusudhan	—	*Deputy Secretary - II*

Representatives of the Office of the Comptroller and Auditor General of India

1. Shri B.K. Chattopadhyay	—	ADAI (Reports Central)
2. Shri A.N. Chatterji	—	DG (Performance Audit)
3. Shri P.S. Das	—	Director (PA)

Representatives of the Ministry of Rural Development

1. Dr. Subas Pani	—	Secretary
2. Shri Atul Chaturvedi	—	Additional Secretary and Financial Advisor
3. Shri J.K. Mohapatra	—	Joint Secretary

4. Shri V.J. Menon	—	Director (Finance)
5. Smt. Gargi Kaul	—	Director (F&A)
6. Prof. B.P. Chandrasekhar	—	Director (Technical), NRRDA
7. Shri H.K. Srivastava	—	Director (Projects I), NRRDA
8. Shri A.D. Kapale	—	Director (Pojects II), NRRDA
9. Shri P.K. Katare	—	Director (Projects III) NRRDA

2. At the outset, the Chairman, PAC welcomed the Members, Audit Officers to the sitting of the Committee. The Chairman recalled that the evidence on the subject relating to "Pradhan Mantri Gram Sadak Yojana" which was held on 29th May, 2007 remain inconclusive due to unsatisfactory replies given by the Ministry on some queries raised by the Members. He informed the Members that the sitting has been convened to resume the discussion on the aforesaid subject. Thereafter, the Officers of the C&AG of India briefed the Committee on the important points arising out of Audit Report.

3. Then, the representatives of the Ministry of Rural Development were called in. The Chairman read out the contents of the Direction 58 by the Speaker regarding secret nature of the proceedings of the Committee.

4. The Secretary, Ministry of Rural Development after introducing the officers of the Ministry to the Committee made a brief presentation on the corrective action taken by the Ministry on the Audit findings. The Secretary also responded to the various queries raised by the Members. To certain queries, for which the witnesses could not give satisfactory replies, the Hon'ble Chairman directed the representatives of the Ministry to furnish the information as desired by the Members in writing at the earliest, particularly in regard to:

(i) selection of representative sample of group of Rural Roads to check quality and maintenance of standards;

(ii) durability/cost-effectiveness of concrete cement road compared to asphalt road;

(iii) inclusion of penalty clause in the contract for poor/ non- performance;

(iv) means to improve mobilisation of funds;

(v) ways to curb inflated estimates;

(vi) involvement of Panchyati Raj Institution in implementation of the programme;

(vii) fool-proof mechanism/standardised parameters to monitor the implementation of the scheme; and

(viii) entrusting of implementation of Pradhan Mantri Gram Sadak Yojana to the State Government of Bihar as in case of other States.

6. A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

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ANNEXURE—III

MINUTES OF THE TWENTY-FIRST SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2007-2008) HELD ON 21st APRIL 2008

The Committee sat from 1600 hrs. to 1645 hrs. on 21st April, 2008 in Room No. "51" (Chairman's Chamber), Parliament House New Delhi.

PRESENT

Dr. K.S. Rao — *In the Chairman*

MEMBERS

Lok Sabha

2. Shri Kirip Chaliha
3. Shri Khagen Das
4. Shri P.S. Gadhavi
5. Shri Bhartruhari Mahtab
6. Shri Brajesh Pathak
7. Prof. M. Ramadass
8. Shri Mohan Singh
9. Shri Rajiv Ranjan 'Lalan' Singh

SECRETARIAT

1. Shri S.K. Sharma	—	*Additional Secretary*
2. Shri Gopal Singh	—	*Director*
3. Shri M.K. Madhusudhan	—	*Deputy Secretary-II*
4. Shri Ramkumar Suryanarayanan	—	*Under Secretary*

Officers of the office of the Comptroller and Auditor General of India

1. Shri Nand Kishore	—	Pr. Director (PA)
2. Shri K.R. Sriram	—	Pr. Director

2. In the absence of Prof. Vijay Kumar Malhotra, Chairman, PAC Dr. K.S. Rao, M.P. presided over the sitting of the Committee. At the outset, he welcomed the Members to the sitting. Thereafter, the Committee took up for consideration the following draft Reports:—

(i) Draft Report on C&AG's Report No. 13 of 2006, Union Government (Civil-Performance Audit) relating to **"Pradhan Mantri Gram Sadak Yojana";**

(ii) Draft Report on C&AG's Report No. 16 of 2006, Union Government (Civil-Performance Audit) relating to **"Management of Foodgrains"** and

(iii) Draft Action Taken Report on 33rd Report of PAC (14th Lok Sabha) relating to **"Injudicious Waiver of Demurrage Charges".**

3. The acting Chairman invited suggestions of the Members on the Draft Reports. After some deliberations, the Committee adopted the draft Reports with some verbal changes and authorised the Chairman to finalise these Reports in the light of factual verification done by the Audit and present the same to both the Houses.

The Committee then adjourned.

ANNEXURE—IV

Glossary of Words

BG	—	Bank Guarantee
BLMP	—	Block Level Master Plan
BMS	—	Basic Minimum Services
BOE	—	Brick on Edge
C C	—	Cement Concrete
CD	—	Cross Drainage
C-DAC	—	Centre for Development of Advanced Computing
CNCPL	—	Comprehensive New Connectivity Priority List
CNW	—	Core Network
COBIT	—	Control Objectives of Information and Related Technologies
CRRI	—	Central Road Research Institute
CSS	—	Centrally Sponsored Scheme
CUPL	—	Comprehensive Upgradation Priority List
DPIU	—	District Programme Implementation Unit
DPR	—	Detailed Project Report
DRDA	—	District Rural Development Agency
DRRP	—	District Rural Road Plan
EFC	—	Expenditure Finance Committee
GSB	—	Granular Sub Base
HSD	—	High Speed Diesel
IDEA	—	Interactive Data Extraction and Analysis
IRC	—	Indian Roads Congress
JE	—	Junior Engineer
MDR	—	Major District Road
MIS	—	Management Information System
MNP	—	Minimum Needs Programme
NIC	—	National Informatics Centre
NICSI	—	National Informatics Centre Services Inc.
NIT	—	Notice Inviting Tender
N M	—	National Quality Monitor
NQG	—	National Quality Grader
NRRDA	—	National Rural Road Development Agency
NRRDC	—	National Rural Roads Development Committee

OMMS	—	Online Management and Monitoring System
PCI	—	Pavement Condition Index
PMGSY	—	Pradhan Mantri Gram Sadak Yojana
PPSWR	—	Probability Proportional to Size With Replacement
PRI	—	Panchayati Raj Institution
PWD	—	Public Works Department
RIDF	—	Rural Infrastructure Development Fund
SLA	—	State Level Agency
SLSC	—	State Level Standing Committee
SQL	—	Structured Query Language
SQM	—	State Quality Monitor
SRRDA	—	State Rural Road Development Agency
SRS	—	Software Requirement Specification
SRSWOR	—	Simple Random Sampling Without Replacement
STA	—	State Technical Agency
URS	—	User Requirement Specification
USD	—	United States Dollar
WBM	—	Water Bound Macadam

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