

EIGHTY-SECOND REPORT

PUBLIC ACCOUNTS COMMITTEE (2008-2009)

(FOURTEENTH LOK SABHA)

PRADHAN MANTRI GRAM SADAK YOJANA (MINISTRY OF RURAL DEVELOPMENT)

[Action taken on 72nd Report of Public Accounts Committee (14th Lok Sabha)]

Presented to Lok Sabha on 18.02.2009

Laid in Rajya Sabha on 18.02.2009



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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2008-2009)

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* Elected *w.e.f.* 17th December, 2008 *vice* Shri Brajesh Pathak ceased to be a Member of Committee consequent upon his election to Rajya Sabha.

** Elected *w.e.f.* 17th December, 2008 *vice* Shri Rajiv Ranjan 'Lalan' Singh resigned his seat in Lok Sabha on 11th November, 2008.

*** Prof. Vijay Kumar Malhotra resigned his seat in Lok Sabha *w.e.f.* 18th December, 2008.

INTRODUCTION

I, the Chairman, Public Accounts Committee, as authorised by the Committee, do present this Eighty-second Report on action taken by Government on the Recommendations/Observations of the Public Accounts Committee contained in their 72nd Report (14th Lok Sabha) on “Pradhan Mantri Gram Sadak Yojana (PMGSY)”.

2. This Report was considered and adopted by the Public Accounts Committee at their sitting held on 19th January, 2009. Minutes of the sitting form Part II of the Report.

3. 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.

4. 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.

5. 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;
28 January, 2009
8 Magha, 1930 (Saka)

SANTOSH GANGWAR,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by the Government on the Recommendations/Observations contained in their 72nd Report (14th Lok Sabha) on the Report of the Comptroller and Auditor General of India for the year ended 31 March, 2005 (No. 13 of 2006), Union Government (Civil-Performance Appraisals) relating to "Pradhan Mantri Gram Sadak Yojana".

2. In their 72nd Report which was presented to Lok Sabha on 29th April, 2008, the Committee had dealt with the various issues relating to implementation of Pradhan Mantri Gram Sadak Yojana with a view to assess whether an appropriate mechanism for identification and prioritisation of eligible habitations had been instituted and followed in the programme; whether the funds were provided adequately in time and utilised efficiently. The Committee had also examined whether the quality control system was effective to secure construction of good quality roads and that the roads constructed were being maintained satisfactorily and monitored effectively.

3. The Action Taken Notes in respect of all the 26 Recommendations/Observations have been received from the Ministry of Rural Development and these have been categorized as follows:

- (i) Recommendations/Observations which have been accepted by Government:

Sl. Nos. 1, 2, 3, 7, 8, 9, 10, 12, 13, 14, 16, 17, 18, 19, 20, 21, 23, 24, 25 and 26

Total: 20

Chapter-II

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the replies received from Government:

Sl. Nos. 4, 15 and 22

Total: 3

Chapter-III

- (iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee and which require reiteration:

Sl. Nos. 5, 6, and 11

Total: 3

Chapter-IV

- (iv) Recommendations/Observations in respect of which Government have furnished interim replies:

Sl. No. Nil

Total: Nil
Chapter-V

Gist of Committee's Recommendations/Observations in 72nd Report (14th Lok Sabha)

4. The Committee in their 72nd Report on the subject had made the following important Recommendations/Observations:

- With a view to curb the corruption in PMGSY, the Committee had asked the Ministry of Rural Development to replicate the modalities of social audit incorporated in the Guidelines of National Rural Employment Guarantee Act (NREGA) Scheme in respect of PMGSY.
- The Ministry had been urged upon to fix a time frame for preparation and implementation of District/State-wise Plans with a view to avoid duplication of expenditure on existing roads.
- 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 are achieved within the stipulated time period.
- The Committee had called for an objective assessment of the contracting and absorption capacity of States before taking up Schemes like PMGSY so as to give the Scheme a realistic chance of succeeding and delivering the expected outcome as well as for full utilization of allocated funds.
- The Ministry had been asked to seek an explanation from the defaulting States for the unauthorised retention of unutilized fund by their respective District Rural Development Agencies/District Programme Implementation Units (DRDAs/DPIUs). They had also desired that all possible measures should be taken to ensure that the accounts of DPIUs are maintained properly and reconciled periodically with respective banks and got audited regularly.
- 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. Further, a Road Maintenance Management System may also be developed using GIS database, which will enable sustaining the road for a longer time with minimal efforts.
- Need to 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.

- The 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.
- The functioning of Online Management and Monitoring System (OMMS) should be reviewed with a view to remove the deficiencies pointed out by evolving a practicable Action Plan.

5. The Action Taken Notes furnished by the Ministry of Rural Development have been reproduced in the relevant Chapters of this Report. In the succeeding paragraphs, the Committee will deal with the action taken by the Government on some of their Recommendations/Observations made in the Original Report, which need reiteration or merit comments.

**A. Introduction of Social Audit for checking corruption in PMGSY
Recommendation (Sl. No. 3—Para No. 165)**

6. The Committee in their 72nd Report desired that the methodology of social audit as envisaged in the guidelines of NREGA, if replicated in respect of PMGSY, would act as an important safeguard against corruption by the implementing agencies at the village and block levels.

7. The Ministry in their Action Taken Note on the aforementioned recommendation have *inter-alia* stated as under:

"The Ministry has taken due note on the concerns expressed by the Hon'ble Prime Minister and has recognized the need for further strengthening the implementation of quality management mechanism. Consequent to observations by Audit and concerns expressed by Hon'ble Prime Minister, the lack of quality bench marks and gaps in quality assurance were recognized as major reasons for corruption in Rural Roads Construction and it was felt that continuous efforts to strengthen quality assurance supplemented by transparency and accountability would greatly help in curbing corruption. Accordingly, the following steps have been taken (i) Mandatory quality control tests on material and workmanship through establishment of field laboratories was already provided, however, now all the States have been directed to ensure that first running bill of the contractors is not paid unless the field laboratories are established and mandatory tests are conducted; (ii) The States have been directed to ensure inspection of all the works at least at three stages of execution by State Quality Monitors; (iii) The implementation of first and second tier of quality mechanism is now being closely monitored quarterly by the Ministry and States are being indicated of the lapses on a regular basis; and (iv) A comprehensive review of implementation of third tier of quality mechanism has been carried out and inspection of National Quality Monitors has been made more objective based on testing of material and workmanship. Process for continuous and independent review of the performance of NQM has also been put in place."

The Ministry also added:

"Having regard to the recommendations of the Committee, the modalities of Social Audit in the context of implementation of NREGA Scheme have been examinedUnder PMGSY, all the processes like planning, selection of alignment of road, topographical and material surveys, geometrical & structural design and preparation of DPRs, procurement of works, execution and management of works, quality control, accounting and monitoring involves specialized technical knowledge. The works under PMGSY are tendered through transparent bidding process generally at State level or at the district level, wherein, the process requires knowledge of civil works procurement procedures prevalent in State and Central Governments. Once the work is awarded, at every stage of execution specialized technical knowledge is required for execution, quality control and supervision of work. In spite of the above, aspects of transparency and accountability have been given due attention and the programme provides for the following: (i) Transparency: Before the work is started, full information about the work, name of executing agency and name of contractor along with date of start and stipulated date of completion is required to be displayed on every work site. With a view to provide full information about various aspects of construction and workmanship, Citizen Information Board is also required to be installed on every work site giving full information about the type of material being used in the construction giving details of quantities and requirements of workmanship in local language and in a manner which can be understood by the local villagers; (ii) Proactive Role of Public Representatives: In the interest of total transparency and with a view to ensure pro-active role of public representatives, the States have been advised to organize time bound inspection of road works with local public representatives. The Superintending Engineer, Executive Engineer and Assistant Engineer are required to coordinate the joint inspection/visit of the MP and Zilla Pramukh once in six months, the MLA and Chairperson of Intermediate panchayat once in three months and the Sarpanch once in two months duration respectively to selected road works in respective areas; and (iii) A three tier quality mechanism is in place to ensure quality of the work. While the work is in progress, the public is free to indicate issues regarding quality of works during the inspections by independent quality monitors, State Quality Monitors and National Quality Monitors (NQMs). Apart from these measures, a pilot project has been taken up in Karnataka and Orissa with the involvement of local NGOs for sample audit exercise and citizens monitoring of PMGSY projects. Based on the findings of this project, decision would be taken to formulate appropriate methodology for social audit of PMGSY projects involving institutions of Panchayati Raj and Civil Society Organisations."

8. The Committee take note of the various steps that have been taken by the Ministry of Rural Development for incorporating the Social Audit in the implementation of PMGSY on the lines of NREGA and expect that these measures are adequate and effective. They also express the hope that the Ministry would pursue the matter in the right earnest for strengthening the implementation of quality management mechanism. They would also like to be apprised about the status of progress made in respect of the pilot project regarding Social Audit which had been taken up in the States of Karnataka and Orissa with the involvement of local NGOs within one month from the date of presentation of their Report. They would also specifically like the Government to reinforce the monitoring system to ensure

transparency and accountability so as to check corruption in implementation of the scheme. The Committee also take note of the steps that have been taken by the Government with regard to prevention of corruption in implementation of PMGSY and would like to be apprised of the outcome of these measures. The Committee would also like to be apprised of the outcome of the comprehensive review of the work carried out by "National Quality Monitors".

B. Non-accomplishment of the set targets

Recommendation (Sl. No. 5—Para No. 167)

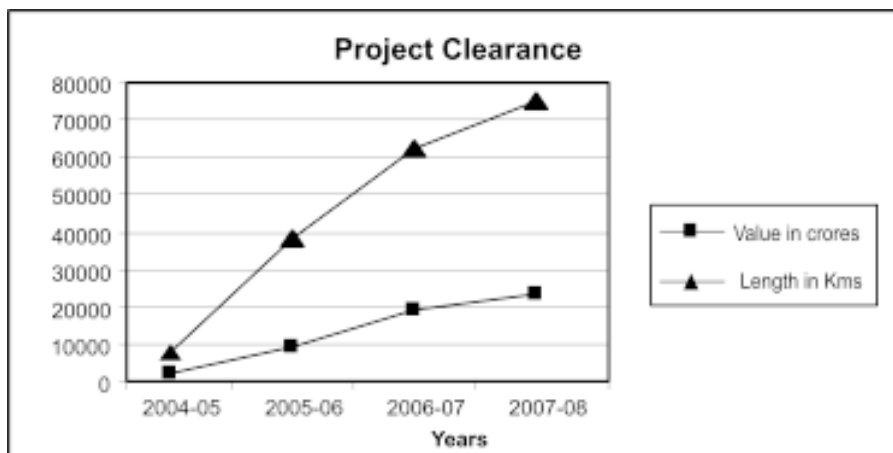
9. The Committee's examination of the subject had revealed that the Ministry did not fix the annual targets for each State for new connectivity and as a result there were several hindrances in the successful implementation of the Scheme. While concluding that it was the Ministry rather than the States that lacked the will for implementation, the Committee, had recommended that the Ministry should gear up its machinery for granting approval required to the level of the Ministry that are impeding the proper implementation of the Scheme.

10. Apprising the Committee about the measures taken by them in this regard, the Ministry in their Action Taken Note have stated as under:

"The Ministry might have erred in its judgment initially, while fixing the time limits for new connectivity of 1000+ and 500+ habitations. However, it has realized and based on the implementing capacity of the States, the funding has been enhanced and systems have been put in place to sanction projects.

Sl. No.	Financial Year	Value of proposals cleared (in Rs. Crore)	Length of proposals cleared (Kms.)
1.	2004-05	1830.29	7564.73
2.	2005-06	9108.17	38335.122
3.	2006-07	19426.19	62118.385
4.	2007-08	23020.18	74902.60
5.	2008-09 (August '08)	11256.15	29995.28

The Ministry has taken significant measures for streamlining the process project clearance, as a result of which the volume of projects cleared has substantially increased.



Project Clearance

11. The Committee note that in pursuance of their recommendation, the Ministry have enhanced the funding based on the implementing capacity of the States and steps have also been taken to streamline the process of clearing the project. The Committee, however, find that the reply of the Ministry is silent about the accomplishment of the targets as per the schedule set under the Scheme. Obviously, in the absence of information with regard to achievement of the targets, the evaluation of the ongoing projects is bound to suffer. Therefore, the Committee reiterate their earlier recommendation that the Ministry should gear up the available machinery to ensure that targets set under the Scheme are accomplished as per schedule. While fixing the targets under the Scheme care should be taken to ensure that it is not demand driven or discretion driven and is based on merit and ground realities. The Committee expect that the Ministry would look into this vital area with a view to ensure effective monitoring and evaluation of PMGSY.

C. Appropriate identification of habitations and realistic estimation of the length and cost of new connectivity

Recommendation (Sl. No. 6—Para No. 168)

12. The Committee in their 72nd Report had noted 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. Therefore, the Committee had emphasised the need to identify the correct number of habitations that are awaiting rural connectivity as well as proper measurement of the length of road required for new connectivity and also upgradation of existing roads, so as to ensure that adequate funds are tied up and requisite targets set for the Scheme are achieved within the stipulated time period.

13. The Ministry of Rural Development in their Action Taken Note have merely stated that on the basis of latest data obtained from the States, the Ministry have firmed up the figures of habitation and connectivity.

14. The Committee are constrained to note that the Ministry have not addressed the issue regarding appropriate identification of habitation, 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 as recommended by them in their 72nd Report. The Committee have been merely informed by the Ministry that on the basis of latest data obtained from the States, they have firmed up the figures of habitation and connectivity. Obviously, the Ministry have not acted with all the seriousness that is required. The Committee, therefore, reiterate their earlier recommendation and would like to be apprised of the measures/concrete action taken in this regard within one month's time from the date of presentation of their Report. The Committee also find that the Action Taken Note is completely silent on the steps taken by the Ministry regarding correct identification of the number of habitations

that are awaiting rural connectivity. The Committee, therefore, recommend that the Ministry should channelise all their energies to identify the unconnected habitations. This would enable the Ministry to have reliable database and ensure that adequate funds are made available in time for the implementation of the scheme.

**D. Checking of misappropriation/misutilisation of funds by State Governments
Recommendation (Sl. No. 11—Para No. 173)**

15. In their 72th Report, the Committee had noted instances of incorrect financial reporting in respect of the expenditure incurred under the Scheme in some States. The Committee, therefore, had recommended 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 had also desired that the Ministry submit a detailed report indicating the precise action taken on each of the specific cases mentioned by the Audit.

16. The Ministry of Rural Development in their Action Taken Note have stated as under:

"In Accordance with the recommendation of the Committee, Arunachal Pradesh, Jammu and Kashmir, Meghalaya and Mizoram have been advised to fix responsibility in the cases mentioned by Audit in its report (Para 4.3.2.4) on misreporting by the States."

17. The Committee are not satisfied with the reply of the Ministry as no conclusive action has been taken on their recommendation. The Ministry were just content with giving advice to the defaulting State Governments to fix responsibility and no concrete action on each of the specific cases appears to have been initiated to take the matter to its logical conclusion, The Committee, therefore, reiterate their earlier recommendation that the Ministry should take suitable deterrent action against the defaulting State Governments pertaining to irregularities including corruption in the implementation of the Scheme. The Committee would like to be apprised of the conclusive action taken by the Ministry in this regard within three months from the presentation of the Report.

**E. Creation of a comprehensive GIS data based on Rural Road Information System
Recommendation (Sl. No. 12—Para No. 174)**

18. Expressing their dissatisfaction over the failure of the Ministry to monitor the delays and deficiencies in preparation of District Rural Road Plan (DRRP) and Core Network by several States, the Committee had recommended that necessary steps should be take for cutting delays and reconciling the data prepared at various levels and also rectify other deficiencies to ensure that appropriate action is taken for arriving at an accurate and reliable data of unconnected habitations. The Committee had also recommended 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. They had also desired that a "Road Maintenance Management System" may also be developed using the GIS data base, which would enable in sustaining the road for a longer time with minimal efforts.

19. The Ministry of Rural Development in their Action Taken Note have *inter alia* stated as under:

"Necessary steps have been taken by the Ministry to firm up the data of unconnected habitations and freeze the same for further use. As regards the development of GIS database for rural roads, the Ministry has initiated the development of stand alone and web based GIS database for Rural Roads Information System and selected Rajasthan and Himachal Pradesh as pilot States. The system development is entrusted to CDAC and refinement is being done based on the user feedback. In the meantime, all the States have been advised to initiate steps to go in for GIS Database Management System, which can be effectively used for Maintenance Management."

20. The Committee are satisfied to note that in pursuance to their recommendation, a number of steps have been taken by the Ministry for streamlining and revamping to check the delays and deficiencies in preparation of District Rural Road Plan and Core Network by several States. The Committee also note that the Ministry have taken initiative for development of a GIS data base for "Rural Roads Information System" in Rajasthan and Himachal Pradesh as pilot States. The Committee would like to be apprised of the outcome of the implementation of the pilot project and action taken for extending the project in respect of other States.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

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 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 constructions 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.

[Sl. No. 1, Part II, Para 163 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

No Comment. Factual statement

Sd/-

Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol. III),

Dated 24.10.2008]

Recommendation (Serial No. 2)

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 up to 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 unauthorized 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.

[Sl. No. 2, Part II, Para 164 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

Detailed replies given in the subsequent paras.

Sd/-
Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol. III),
Dated 24.10.2008]

Recommendation (Serial No. 3)

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 envisaged 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.

[Sl. No. 3, Part II, Para 165 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

The Ministry has taken due note on the concerns expressed by the Hon'ble Prime Minister and has recognized the need for further strengthening the implementation

of quality management mechanism. Consequent to observations by audit and concerns expressed by Hon'ble Prime Minister, the lack of quality bench marks and gaps in quality assurance were recognized as major reasons for corruption in Rural Roads Construction and it was felt that continuous efforts to strengthen quality assurance supplemented by transparency and accountability would greatly help in curbing corruption. Accordingly, the following steps have been taken:

1. Mandatory quality control tests on material and workmanship through establishment of field laboratories was already provided, however, now all the States have been directed to ensure that first running bill of the contractors is not paid unless the field laboratories are established and mandatory tests are conducted.
2. The States have been directed to ensure inspection of all the works at least at three stages of execution by State Quality Monitors.
3. The implementation of first and second tier of quality mechanism is now being closely monitored quarterly by the Ministry and States are being indicated of the lapses on a regular basis.
4. A comprehensive review of implementation of third tier of quality mechanism has been carried out and inspection of National Quality Monitors has been made more objective based on testing of material and workmanship. Process for continuous and independent review of the performance of NQM has also been put in place.

Having regard to the recommendations of the Committee, the modalities of Social Audit in the context of implementation of NREGA Scheme have been examined. NREGA is a programme aimed at providing employment to the rural poor. Under this programme, the provisions for public disclosure of wages paid to the beneficiaries have been made to enable the citizen to know about their entitlements as per programme guidelines. With a view to have transparency, the information about the work is required to be displayed in local languages. With a view to have participation of all affected persons under process of decision making and validation, the process of consultation with affected persons has been built in the system. The Social Audit under the programme includes public vigilance and verification of various stages of implementation, *i.e.*, registration of families, distribution of Job Cards, receipt of works application, selection of public work to be taken up in a particular Gram Panchayat, development and approval of technical estimates and issuance of work order, allotment of work, implementation and supervision of work, payment of wages, payment of unemployment allowance, evaluation of completed work. To ensure accountability, elected representative and Government functionaries have been made responsible to answer questions concerning affected persons. Findings of Social Audit are reported back to the people including action taken with a view to ensure redressal.

Under PMGSY, all the processes like planning, selection of alignment of road, topographical and material surveys, geometrical & structural design and preparation of DPRs, procurement of works, execution and management of works, quality control, accounting and monitoring involves specialized technical knowledge. The works under

PMGSY are tendered through transparent bidding process generally at State level or at the district level, wherein, the process requires knowledge of civil works procurement procedures prevalent in State and Central Government. Once the work is awarded, at every stage of execution specialized technical knowledge is required for execution, quality control and supervision of work. In spite of the above, aspects of transparency and accountability have been given due attention and the programme provides for the following:

- (a) Transparency: Before the work is started, full information about the work, name of executing agency and name of contractor along with date of start and stipulated date of completion is required to be displayed on every work site. With a view to provide full information about various aspects of construction and workmanship, Citizen Information Board is also required to be installed on every work site giving full information about the type of material being used in the construction given details of quantities and requirements of workmanship in local language and in a manner which can be understood by the local villagers.
- (b) Proactive Role of Public Representatives: In the interest of total transparency and with a view to ensure pro-active role of public representatives, the States have been advised to organize time bound inspection of road works with local public representatives. The Superintending Engineer, Executive Engineer and Assistant Engineer are required to coordinate the joint inspection/visit of the MP and Zilla Pramukh once in six months, the MLA and Chairperson of Intermediate Panchayat once in three months and the Sarpanch once in two month duration respectively to selected road works in respective areas.
- (c) A three tier quality mechanism is in place to ensure quality of the work. While the work is in progress, the public is free to indicate issues regarding quality of works during the inspections by independent quality monitors State Quality Monitors and National Quality Monitors (NQMs).

Apart from these measures, a pilot project has been taken up in Karnataka and Orissa with the involvement of local NGOs for sample audit exercise and citizens monitoring of PMGSY projects. Based on the findings of this project, decision would be taken to formulate appropriate methodology for social audit of PMGSY projects involving institutions of Panchayati Raj and Civil Society Organisations.

Sd/-
Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol. III),
Dated 24.10.2008]

Recommendation (Serial No. 7)

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 up to 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 US\$ 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 mobilized 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 requirement 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. Up to 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. 2,480.50 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 mobilization of resources, desire that there is no let up in the efforts for mobilization of funds. The funds so mobilized should be fully utilized for the remaining years under the Scheme so that the targets are achieved within the stipulated time period.

[Sl. No. 7, Part II, Para 169 of Seventy-second report of PAC (Lok Sabha)]

Action Taken

As the Ministry had placed before the Committee earlier, it is continuing in its efforts for mobilization of funds. As mentioned earlier, while Cess on HSD was the only source of funding of the programme at the time of its launching, resources were mobilized from external funding agencies *i.e.* the World Bank and Asian Development Bank. Two loan agreements were signed with the Asian Development Bank for US \$400 million

and US \$750 million and with the World Bank for mobilizing SU \$400 million for the scheme. An agreement has been signed with NABARD for Rs. 16,500 crore. Out of this Rs. 4,500 crore were drawn in 2007-08 and it is proposed to draw Rs. 7,000 crore during the current year.

There has been a marked increase in the allocation and releases over the last four years as can be seen from the statement below:—

Year	Allocation (Rs. in crore)	Releases (Rs. in crore)
2004-05	2220.00	2460.71
2005-06	4235.00	4219.99
2006-07	6237.62	6237.61
2007-08	11000.00	11000.02

Sd/-
Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC(Vol. III),
Dated 24.10.2008]

Recommendation (Serial No. 8)

The Committee have noted that as against the total estimated requirement of Rs. 1.32 lakh crore, Rs. 22,404 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 finalize 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 percent 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.

[Sl. No. 8, Part II, Para 170 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

As the Ministry placed before the Committee, several measures were taken to increase the capacity of the States. As a result of the measures, the absorption capacity has increased in financial and physical terms as can be seen from the table below. Realistic targets have been set commensurate with the funding. The Ministry will continue to make further efforts in this direction in consultation with the States.

Year	Length Completed (in KM)	Expenditure (in crores of Rupees)	Habitation
2005-06	22,891	4092	8202
2006-07	30,710	7304	10801
2007-08	41231	10619	11336

Sd/-
Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol.III),
Dated 24.10.2008]

Recommendation (Serial No. 9)

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 percent). A test check of expenditure of Rs. 1,594.98 crore by Audit revealed that funds amounting to Rs. 312.34 crore (19.58 percent) were diverted, parked in unauthorized 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. 19.39 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 recommended that all the cases of financial irregularities should be thoroughly probed into and appropriate action taken against the persons concerned for their acts of omission and commission.

[Sl. No. 9, Part II, Para 171 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

The 19.58% (Rs. 312.34 crores) of the funds as mentioned above as diverted/kept in unauthorized accounts and not utilized for the intended purpose includes the following:—

- Diverted—Rs. 19.39 crore.
- Funds lying unutilized—Rs. 21.15 crore.
- Overlapping of works—Rs. 7.84 crore.
- Execution of works not covered under Core network—Rs. 11.90 crore.
- Execution of inadmissible works—Rs. 110.60 crore.
- Irregular charge of tender premium to programme fund—Rs. 44.91 crore.
- In admissible lead charges—Rs. 13.76 crore.
- Execution of unapproved items of works—Rs. 48.80 crore.
- Undue benefit to contractor—Rs. 33.99 crore.

As directed by the Committee, all the above cases were examined by the Ministry and action as detailed below has been taken:—

1. Diversion of Funds—In case of Andhra Pradesh, Jammu and Kashmir, Kerala and Tamil Nadu, the States have been advised to fix responsibility for using PMGSY funds for purposes not permitted under the guidelines. In case of Arunachal Pradesh, Himachal Pradesh and Nagaland, funds are still lying with the DRDA's. The States have been advised to fix responsibility and the amounts shall be recovered within a period of two months.

2. Funds lying unutilized—Out of an amount of Rs. 21.15 crores as mentioned in Audit, only one case, Karbi Anglong (Rs. 2.66 lakhs) in Assam is pending. The State has been advised to fix responsibility and the amount shall be recovered within a period of two months.
3. Overlapping/duplication of works—The replies of the States have been examined and in case of Nagaland, the State has been advised to fix responsibility.
4. Works not covered under the Core Network—On the basis of the replies furnished by the States, no action is required/proposed. The cases as mentioned pertain to the period prior to the finalisation of the Core Network.
5. Execution of inadmissible works—

Inadmissible connectivity—Andhra Pradesh, Bihar, Meghalaya, Madhya Pradesh, Nagaland, Orissa, Punjab and Sikkim have been advised to fix responsibility for the omission under intimation to the Ministry.

Multiconnectivity—In all the cases pointed out by Audit, except Tamil Nadu, the works pertain to Phase I and II when the Core Network was not in place. During these two phases instances of multi-connectivity have been found. In Tamil Nadu there is a case of multi-connectivity in the IIIrd phase and the State has been advised to fix responsibility for the lapse.

Repairs—The cases of 'repairs' pointed out by audit are actually cases of upgradation of through routes which is eligible for funding under the guidelines.

6. Irregular charge of tender premium to programme funds—No action is required in the cases pointed in Audit as they are covered under the guidelines. In case of Madhya Pradesh and Tripura, tender premium has been borne by the States.
7. In admissible lead charges—After examination, Punjab and Sikkim have been advised to fix responsibility for the lapse. In the case of the replies have been found acceptable.
8. Undue benefit to contractors—All the cases as pointed out in Audit have been examined and as advised by the Committee, Madhya Pradesh, Meghalaya and Sikkim have been advised to fix responsibility.

Sd/-

Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol. III),
Dated 24.10.2008]

Recommendation (Serial No. 10)

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/DPIUs 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-utilization 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 and 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.

[Sl. No. 10, Part II, Para 172 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

As already mentioned in the reply in to recommendation 9, the amount outstanding in case of Assam will be recovered in two months.

The accounts of the SRRDA/PIU are audited by Chartered Accountants appointed for this purpose. Bank reconciliation is an integral part of the accounting system and is reviewed regularly. The Audited Balance Sheets sent by the States are reviewed and sample test check of records of the PIU's/SRRDA is also carried by NRRDA/MoRD.

Sd/-
Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol. III),
Dated 24.10.2008]

Recommendation (Serial No. 12)

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 hence admitted that in some cases the inordinate delays in the preparation of DRRP were mainly due to the institutional arrangement 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 Ministry 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 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 recommended 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 to sustaining the road for a longer time with minimal efforts.

[SI No. 12, Part II, Para 174 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

Necessary steps have been taken by the Ministry to firm up the data of unconnected habitations and freeze the same for further use. As regards the development of GIS database for rural roads, the Ministry has initiated the development of stand alone and web based GIS database for Rural Roads Information System and selected Rajasthan and Himachal Pradesh as pilot States. The system development is entrusted to CDAC and refinement is being done based on the user feedback. In the meantime, all the State have been advised to initiate steps to go in for GIS. Database Management System, which can be effectively used for Maintenance Management.

Sd/-
Joint Secretary

[Ministry of Rural Development, OM No., P-17017/5/2007-RC (Vol. III),
Dated 24.10.2008]

Recommendation (Serial No. 13)

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.

[Sl. No. 13, Part II, Para 175 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

In accordance with the recommendations of the Committee, the Ministry has now prescribed guidelines *vide* its letter dated 23rd July 2008 to all the States that while submitting the project proposals for sanction, a certificate is to be submitted from the Executive Agency of the State that the proposal submitted for any road under PMGSY is not funded/implemented under any other scheme. This mechanism is expected to eliminate duplicity/overlapping of project proposals in the construction of Rural Roads under PMGSY.

-Sd-

Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol. III),
Dated 24.10.2008]

Recommendation (Serial No. 14)

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.

[Sl. No. 14, Part II, Para 176 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

While giving clearance rigorous checks are being exercised by the Ministry/ NRRDA to ensure that all proposals, either for New Connectivity or for upgradation are to be selected only from the Core Network of the State.

Sd/-
Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol. III),
Dated 24.10.2008]

Recommendation (Serial No. 16)

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 crores 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 concreateed steps should be taken to give priority for providing the new connectivity to the unconnecte habitations and limit the upgradation work so as to achieve the primary and basic objective of providing connectivity to unconnected habitations.

[Sl. No. 16, Part II, Para 178 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

The objective of the PMGSY programme is to provide *all weather farm to market connectivity*. In order to fulfil this Comprehensive New Connectivity Priority List and Comprehensive Upgradation Priority List are prepared taking district as a unit. Because of this, the habitations selected for New Connectivity in a particular district may have a lower population, even though habitations with higher population are still not covered in other districts. This particular dispensation became necessary to provide geographaical balance in sanctioning the projects. Also the priority is skipped and lower order habitations are selected in case of the roads proposed to higher order habitations have problems of land availability or access to the preparation of DPRs. Only in such cases habitations with lower population are now being considered for sanction. Further, as per the Guidelines Panchayat headquarters and notified places of tourist interest are given connectivity not explicitly considering the population.

In all such cases, the State is required to give specific reasons for selecting a lower order habitation, while habitations with higher population still exist. The procedure is put in place for this mechanism in the guidelines and is being monitored.

Under Bharat Nirman announced in February, 2005, targets have been fixed for New Connectivity and Upgradation for all the States and the same were communicated to the States. The length under New Connectivity is 1,46,185 km and that for Upgradation is 1,94,131 km. While proposals from States are being considered, the targets set with respect to both New Connectivity and Upgradation are kept in mind while sanctioning the proposed roads. This will ensure a balanced development of rural road network for fulfilling the objective of providing *farm to market connectivity*.

Sd/-

Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol. III),
Dated 24.10.2008]

Recommendation (Serial No. 17)

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 compelled 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 work. 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 Government 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.

[Sl. No. 17, Part II, Para 179 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

As has been noted by the Committee, the standard bidding procedure was introduced in 2003-04. The Standard Bidding Document is a general template document which provided for inclusion of the State specific issues and therefore the States prepared State Specific Bidding Document after addressing the issues contained in 36 Point Checklist. The State Specific Documents and response to the 36 Point Checklist were examined in NRRDA, consequent to this process the States adopted Standard Bidding process.

However, having regard to the recommendations of the Committee and incidents of irregularities observed in various States in spite of standard bidding process, the concept of independent procurement audit is being introduced. It is proposed to carry out procurement audit at periodical intervals, for which modalities are being developed.

Sd/-

Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC(Vol.III),
Dated 24.10.2008]

Recommendation (Serial No. 18)

As per the Programme Guidelines, the stipulated time limit for completion of formalities such as issue of tender notice, finalization of tender notice, finalization 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 finalize 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 co-operation 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 finalization of tenders. The Committee would like to be apprised of the present status of finalization of tenders, within 3 months from the presentation of the Report.

[Sl. No. 18, Part II, Para 180 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

As pointed out by the Audit, in spite of stipulated time limit for deciding the tenders under the programme, delays have taken place in finalization of tenders because of non-response of tender calls, rejection of tenders due to higher rates and other reasons beyond the control of the executing agency.

Having regard to the recommendations of the Committee, the States have been advised to fix up the responsibility for inordinate delay in finalization of tenders. The States have been advised to closely monitor the delays in tendering every month and in cases of inordinate delays the action for fixing responsibility be taken.

The present status of finalization of tenders is as given below.

As desired by the Committee, the present status of finalization of tenders is as given below:—

Road works cleared/No of packages cleared	Work awarded	Balance work
28195	25537	2658

Sd/-
Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol.III),
Dated 24.10.2008]

Recommendation (Serial No. 19)

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 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.

[Sl.No. 19, Part II, Para 181 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

As recommended by the Committee, the Ministry has reviewed the audit observations and the replies of the States and found that in the case of Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Karnataka, Maharashtra and Mizoram, the deviations were acceptable. As pointed out earlier, the specifications used during the period under audit were primarily those of NH and the States own specifications. In case of Andhra Pradesh, Bihar, Meghalaya and partly Madhya Pradesh, the States have been advised to fix responsibility and report to the Ministry as the deviations were not found acceptable.

Further the Ministry has taken some action to avoid using Richer Specifications/ Geometrics.

1. The base year traffic is checked at the time of sanctioning the proposal to decide whether the road requires a 3.75 m carriageway or a 3 m carriageway. In this direction, it is further submitted that the Ministry has appointed an Expert Committee to review the design standards and specifications for Rural Roads and the interim recommendations of the Committee on geometrics is circulated among the States and are strictly monitored while the projects are considered for sanction.
2. A separate Book of Specifications brought out by Indian Roads Congress (IRC) at the request of Ministry of Rural Development is now prescribed for the construction of Rural Roads under PMGSY. The specifications adopted by the States and the rate analysis are also vetted at NRRDA for each phase of work form all the States.

With the steps taken as above, over design/richer specification in the construction of Rural Roads under PMGSY are avoided.

Sd/-
Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol.III),
Dated 24.10.2008]

Recommendation (Serial No. 20)

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 & 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 provides 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 incomplete mid way.

[Sl. No. 20, Part II, Para 182 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

Guidelines (Para 6.12) provide that "it will be the responsibility of the State Government/District Panchayat to ensure that lands are available for taking up the proposed road works. A certificate that land is available must accompany the proposal

for each road." Keeping in view the recommendations of the Committee, instructions have been reiterated. Clear availability of land will be kept in view while sanctioning projects so that in future works are not dropped due to non-availability of land.

Sd/-
Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol. III),
Dated 24.10.2008]

Recommendation (Serial No. 21)

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.

[Sl. No. 21, Part II, Para 183 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

As has been noted by the Committee that efforts have been made by the Ministry to support the States to ensure completion of sanctioned projects within stipulated time schedule to avoid cost and time overruns. Having regard to the recommendations of the Committee, the Ministry has further taken following steps to enhance the contracting capacity:

1. In view of the adverse effects of volatility in the prices of inputs for construction of rural roads, the States of Maharashtra, Madhya Pradesh and Andhra Pradesh have been allowed to introduce price escalation clause in their State Specific Documents subject to condition that the price escalation shall be met from State funds.

2. The requirement of upfront submission of 5% Performance Security has been relaxed with a view to ensure more liquidity of the contractors.

The above revisions are expected to further enhance the pool of eligible contractors and thereby augment contracting capacity in the States. The statement showing length of roads completed and expenditure incurred during the last four years is given below. The impact of the steps taken by the Ministry can be seen from the increase in the output.

Year	Length Completed (in KM)	Expenditure (in crores of Rupees)
2004-05	15,464	3077
2005-06	22,891	4092
2006-07	30,710	7304
2007-08	41,231	10619

Sd/-
Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol. III),
Dated 24.10.2008]

Recommendation (Serial No. 23)

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 new materials used at different stages of road construction by the contractors so as to ensure that quality of the roads constructed conform to the specified standards.

[Sl. No. 23, Part II, Para 185 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

In compliance with the recommendations of the Committee, the NRRDA has developed a mechanism to monitor operationalization of first tier of quality mechanism. The States are required to furnish the details about establishment of field laboratories quarterly. The issue of non-establishment of field laboratories is monitored and taken up with the States during the discussions in various review meetings. In addition, 495 DPIU level laboratories and 25 Central/Zonal laboratories have been set up for conducting various tests.

Regarding the setting up of quality control laboratories in the defaulting States, as mentioned in the Audit report, the status is as follows:—

State	No. of DPIU laboratories set up
Andhra Pradesh	40
Karnataka	29
Jammu and Kashmir	14
Nagaland	8
Orissa	23
Tamil Nadu	29
West Bengal	38

Sd/-
Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol. III),
Dated 24.10.2008]

Recommendation (Serial No. 24)

The National Rural Roads 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 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 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.

[Sl. No. 24, Part II, Para 186 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

Based on the observations of the Audit a thorough review of third tier of quality mechanism has been carried out and following steps have been taken:

1. National Quality Monitors are generally retired State/Central Government officials of the level of Superintending Engineer and above. Periodical review of performance of NQMs is being carried out for appropriate monitoring of quality of PMGSY works. Accordingly, mechanism for independent performance evaluation of NQMs has been put in place.

2. Guidelines and reporting format for inspection of NQMs has been thoroughly revised and following features have been introduced:
 - a. Objective methods of observations for assessment of quality of material and workmanship based on actual measurements, field tests and hand-feel tests have been prescribed.
 - b. The NQMs are required to conduct tests by themselves and compare the results with test reports available in PIU with a view to see, as to whether the test under first tier of quality mechanism have been properly carried out by PIUs.
 - c. The NQMs are required to grade the quality of material as well as workmanship of each item of work and on the basis of grading of individual items and sub-items, overall grading of work is awarded.
 - d. In case of rectifiable defects in quality of material and workmanship, if appropriate action for rectification has been taken by PIU and verified by another independent monitor, improvement in quality grading of work is done by NRRDA.

As observed by the Committee, the Standard Bidding Document has clear provision for establishment of field laboratory with appropriate equipments and facilities. Non-establishment of field laboratory and non-compliance of rectification of defects of works by the contractor forms fundamental breach of contract as per provisions in the Standard Bidding Document.

Sd/-
Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol. III),
Dated 24.10.2008]

Recommendation (Serial No. 25)

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 Network and particularly the roads constructed/ upgraded under the Scheme, besides furnishing an undertaking for necessary budget provision and the release of maintenance costs. The road 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 organization 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. There, 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.

[Sl. No. 25, Part II, Para 187 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

District Rural Road Plan (DRRP) and Core Network (CN) are being approved by the district panchayat. Annual project proposals are also approved by the district panchayats before they are placed before the State level Standing Committee (SLSC).

Further, at the time of preparation of the Detailed Project Report (DPR) a 'transect walk' is organized by the Assistant Engineers in which representatives of local panchayat, patwari, engineers of Project Implementation Units, and concerned villagers participate. Issues related to availability of land are sorted out and documentation for land donation is obtained. A copy of the same is forwarded to revenue officials for making necessary changes in the ownership/possession record of land. Forest department officials are included where ever forest land is likely to be involved.

A certificate that the land is available for the project work is essential part of the proposal sent for approval to the Ministry of Rural development.

Thus Panchayati Raj Institutions are being involved and consulted with the finalization of road alignment and to sort out issues related to land. Forest officials are involved to ensure that there are speedy settlements of issues related to forest and environment impact.

Recommendations of the Committee regarding capacity building of the District and Block level Panchayats so that they take over the functions like construction

management, maintenance management and road safety in cooperation with Ministry of Panchayati Raj has been noted for guidance.

As such, consultations with the Panchayati Raj Institutions are already built in the Programme Guidelines of PMGSY.

Sd/-
Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol. III),
Dated 24.10.2008]

Recommendation (Serial No. 26)

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 been 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 OMMS 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.

[Sl. No. 26, Part II, Para 188 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

As directed by the Committee, an overall review of the functioning of the OMMAS was carried out in consultation with the States and also at the level of Secretary (RD) and DG, CDAC. The deficiencies in the system were assessed and an action plan has been prepared after a comprehensive review and discussion with the States. The software issues have been addressed by CDAC. A dedicated team from CDAC has been stationed at NRRDA and it assists MoRD/NRRDA in the implementation and trouble shooting. Training needs/requirements of States have been assessed and is being provided regularly. The performance of the States in updating data in OMMAS is being reviewed regularly and States advised accordingly.

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol. III),
Dated 24.10.2008]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM GOVERNMENT

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 at 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 was 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.

[Sl. No. 4, Part II, Para 166 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

In their submission before the Committee, the Ministry had clarified that, based on the recommendations of the Standing Committee on Urban and Rural Development in their report presented to Parliament in February, 2001, detailed guidelines and instructions were given to all the States for the preparation of District Rural Road Plan (DRRP) It had also been clarified that the scheme was launched prior to this on parametric data borrowed from NRRDC report and subsequently based on the actual DRRP & Core Network, figures were revised in respect of both the number of unconnected habitations and the length required. All the States have prepared DRRP and Core Network. However, after realizing that certain shortcomings have crept in while preparing the DRRP and identification of Core Network, States were asked to have a re-look and revise the data with ground verification, before finalizing and freezing the data. All the States have submitted the revised data and accordingly the core network of the States was finalized and frozen.

Subsequently, however, Andhra Pradesh, Bihar, Kerala and West Bengal requested for further revision of Core Network with respect to marginal changes.

Sd/-
Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol. III),
Dated 24.10.2008]

Recommendation (Serial No. 15)

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, Uttaranchal 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 proceeding 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.

[Sl. No. 15, Part II, Para 177 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

As advised by the Committee, the cases pointed out by Audit have been examined and the following action has been taken:—

Inadmissible connectivity— Andhra Pradesh, Bihar, Meghalaya, Madhya Pradesh, Nagaland, Orissa Punjab and Sikkim have been asked to fix responsibility for the omission under intimation to the Ministry.

Multi-connectivity— In all the cases pointed out by Audit, except Tamil Nadu, the works pertain to Phases I and II when the Core Network was not in place. During these two phases instances of multi-connectivity have been found. In Tamil Nadu there is a case of multi-connectivity in the IIIrd phase and the State has been asked to fix responsibility for the lapse.

Repairs—As intimated by the States, the cases of 'repairs' pointed out by audit are actually cases of upgradation of through routes which is eligible for funding under the guidelines.

However, as pointed out in the reply to recommendation 14, Ministry is taking steps to ensure that the works undertaken conform to the guidelines.

Sd/-
Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol. III),
Dated 24.10.2008]

Recommendation (Serial No. 22)

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. 524 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 laible 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 crores, 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 damage 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 with in 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.

[Sl. No. 22, Part II, Para 184 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

As advised by the Committee, the States have been asked to give more stress on contract management, monitor all works which are behind schedule and take action against the defaulting contractors as per the contract documents. The States have been advised to fix responsibility in case liquidated damages are not levied or recovered. The States have also been asked to submit half yearly returns to NRRDA so that the same can be monitored more closely.

The Ministry in its submission to the PAC had stated that non-levy of liquidated damages could come the notice when a third part audit like that of the CAG's takes place. It is therefore hoped that such cases would come to light when the Accountants General carry out their annual audits in the States. The case pointed out in such audit will be pursued and action taken.

Sd/-
Joint Secretary

[Ministry of Rural Development, OM No., P-17017/5/2007-RC(Vol. III),
Dated 24.10.2008]

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

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 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 reasons 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.

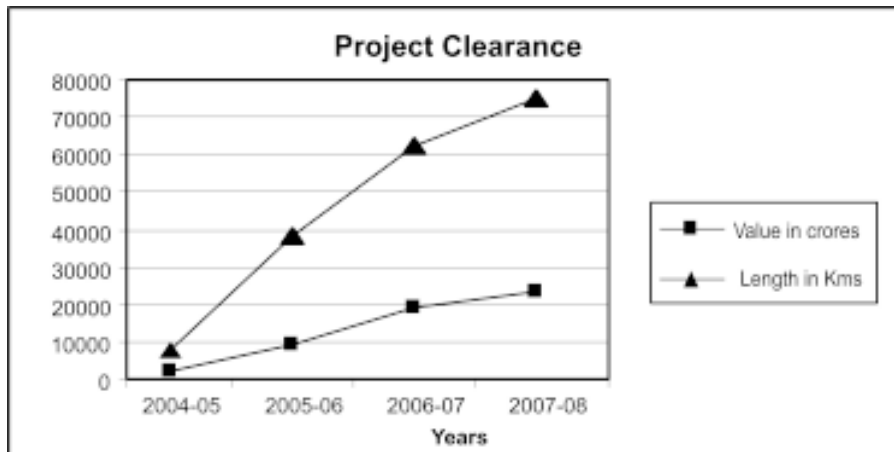
[Sl. No. 5, Part II, Para 167 for Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

The Ministry might have erred in its judgement initially, while fixing the time limits for New Connectivity of 1000+ and 500+ habitations. However, it has realized and based on the implementing capacity of the States, the funding has been enhanced and systems have been put in place to sanction projects.

Sl. No.	Financial Year	Value of Proposals Cleared (In Rs. Crores)	Length of proposals Cleared (Kms.)
1	2004-05	1330.29	7684.73
2	2005-06	9108.17	38335.12
3	2006-07	19426.19	62118.385
4	2007-08	23020.18	74902.60
5	2008-09 (August' 08)	11256.15	29995.28

The Ministry has taken significant measures for streamlining the process project clearance, as a result of which the volume of projects cleared has substantially increased.



Sd/-
Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol. III),
Dated 24.10.2008]

Recommendation (Serial No. 6)

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 habitation 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 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 emphasis 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 up gradation 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.

[Sl. No. 6, Part II, Para 168 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

On the basis of the latest data obtained from the State, the Ministry has firmed up the figures of habitation and connectivity.

Sd/-
Joint Secretary

[Ministry of Rural Development, OM No. P-17017/5/2007-RC (Vol. III),
Dated 24.10.2008]

Recommendation (Serial No. 11)

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 specific cases mentioned by the Audit.

[Sl. No. 11, Part II, Para 173 of Seventy-Second Report of PAC (Lok Sabha)]

Action Taken

In accordance with the recommendations of the Committee, Arunachal Pradesh, Jammu and Kashmir, Meghalaya and Mizoram have been advised to fix responsibility in the cases mentioned by Audit in its report (Para 4.3.2.4) on misreporting by the States.

Sd/-
Joint Secretary

[Ministry of Rural Development, OM No. P. 17017/5/2007-RC (Vol. III),
Dated 24.10.2008]

CHAPTER V

**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT
HAVE FURNISHED INTERIM REPLIES**

--NIL--

NEW DELHI;
28 January, 2009
8 Magha, 1930 (Saka)

SANTOSH GANGWAR,
Chairman,
Public Accounts Committee.

PART II

MINUTES OF THE FOURTEENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2008-2009) HELD ON 19TH JANUARY, 2009

The Committee sat from 1500 hrs. to 1545 hrs. on 19th January, 2009 in Committee Room "D" Parliament House Annexe, New Delhi.

PRESENT

Shri Santosh Gangwar — *Chairman*

MEMBERS

Lok Sabha

2. Shri Furkan Ansari
3. Shri Khagen Das
4. Shri Bhartruhari Mahtab
5. Shri K.S. Rao
6. Shri Sita Ram Singh
7. Shri Kharabela Swain
8. Shri Tarit Baran Topdar

Rajya Sabha

9. Shri Raashid Alvi
10. Shri Prasanta Chatterjee
11. Shri B.K. Hariprasad
12. Shri Shanta Kumar
13. Dr. K. Malaisamy

SECRETARIAT

1. Shri A. Mukhopadhyay — *Joint Secretary*
2. Shri Gopal Singh — *Director*
3. Shri M.K. Madhusudhan — *Deputy Secretary-II*
4. Shri Sanjeev Sharma — *Deputy Secretary-II*

Office of the Comptroller and Auditor General of India

1. Shri A.N. Chatterji — ADAI
2. Shri A.K. Awasthi — ADAI
3. Shri A.K. Thakur — DGACR

2. At the outset, the Chairman, welcomed the Members of the Committee to the sitting. The Committee then took up for consideration and adoption the draft Report on Action Taken on 72nd Report of PAC (14th Lok Sabha) relating to "*Pradhan Mantri Gram Sadak Yojana (PMGSY)*". After some deliberation, the Committee adopted the draft Report with some minor changes and authorized the Chairman to finalise and present the same to the Parliament in the light of factual verification done by Audit.

3. Thereafter, the Committee took up for consideration the Memorandum No. 2 regarding the status of submission of the pending Remedial Action Taken Notes by various Ministries/Departments of Government of India to the Public Accounts Committee. The Members expressed their concern over inordinate delay in furnishing the Remedial Action Taken Notes by various Ministries/Departments. The Chairman, PAC apprised the Members about a letter addressed to the PAC Secretariat by the Joint Comptroller General of Accounts, Ministry of Finance (Department of Expenditure) in which he has explained about the steps taken by the Ministry in the matter and sought for extension of time for furnishing the status of pending Remedial Action Taken Notes by 2nd February, 2009.

4. The Audit Officers explained to the Committee their views on the subject and made certain suggestions for improvement/streamlining of Audit oversight with a view to ensure that the Ministries/Departments take necessary action for furnishing of Remedial Action Taken Notes expeditiously. The Committee desired that the Audit may furnish a Statement of Remedial Action Taken Notes which are pending for five years for their consideration. The Committee decided to have a further briefing by the Secretary (Expenditure) after receipt of the status of Remedial Action Taken Notes from the Ministry of Finance (Department of Expenditure).

5. The Committee also decided that since the Session of Lok Sabha is likely to commence from 12th February, 2009, duration of the proposed Study Tour of the Committee to Kolkata and Chennai may remain three days instead of four days and it may be conducted from 9th to 11th February, 2009.

The Committee then adjourned.