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NON-LAPSABLE CENTRAL POOL OF RESOURCES (NLCPR) SCHEME

MINISTRY OF DEVELOPMENT OF NORTH- EASTERN REGION

PUBLIC ACCOUNTS COMMITTEE
2011-2012

THIRTY-EIGHTH REPORT

FIFTEENTH LOK SABHA

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

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PUBLIC ACCOUNTS COMMITTEE (2011-2012)

(FIFTEENTH LOK SABHA)

NON-LAPSABLE CENTRAL POOL OF RESOURCES (NLCPR) SCHEME

MINISTRY OF DEVELOPMENT OF NORTH-EASTERN REGION

Presented to Lok Sabha on 11.8.2011

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LOK SABHA SECRETARIAT
NEW DELHI

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(2011-12)

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2. Shri M.K. Madhusudhan — *Additional Director*

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* Vacancy occurred *vice* Smt. Jayanthi Natarajan has been appointed as Minister of State *w.e.f.* 12th July, 2011.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2010-11)

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

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SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri M.K. Madhusudhan — *Additional Director*

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*Vacancy occurred *vice* Shri Ashwani Kumar has been appointed as Minister of State *w.e.f.* 19th January, 2011.

COMPOSITION OF THE SUB-COMMITTEE- III OF THE PUBLIC ACCOUNTS COMMITTEE (2010-11)

Shri Ramen Deka — *Convenor*

MEMBERS

Lok Sabha

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3. Kunwar Rewati Raman Singh

Rajya Sabha

4. Shri Prasanta Chatterjee

SECRETARIAT

1. Shri Devender Singh	—	*Joint Secretary*
2. Shri M.K. Madhusudhan	—	*Additional Director*

INTRODUCTION

I, the Chairman, Public Accounts Committee (2011-12), having been authorised by the Committee, do present this Thirty-eighth Report (Fifteenth Lok Sabha) on 'Non-Lapsable Central Pool of Resources (NLCPR) Scheme' based on the C&AG Report No. 5 of 2010-11 (Performance Audit), Union Government (Civil) relating to the Ministry of Development of North-Eastern Region.

2. The Report of the Comptroller and Auditor General of India was laid on the Table of the House on 7th May, 2010.

3. The Sub-Committee of the Public Accounts Committee (2010-11) took evidence of the representatives of the Ministry of Development of North-Eastern Region on the subject at their sittings held on 1st December, 2010 and 1st February, 2011. The Committee considered and finalised this Report at their sitting held on 28th June, 2011. The Minutes of the sittings form Appendices to the Report.

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

5. The Committee thank their predecessor Committee and its Sub-Committee for taking oral evidence and obtaining information on the subject.

6. The Committee would also like to express their thanks to the representatives of the Ministry of Development of North-Eastern Region for tendering evidence before them and furnishing requisite information to the Committee in connection with the examination of the subject.

7. 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.

NEW DELHI;
11 *August,* 2011
20 *Sravana,* 1933 *(Saka)*

DR. MURLI MANOHAR JOSHI,
Chairman,
Public Accounts Committee.

PART-I

REPORT

I. Introductory

Under the "New initiatives for North Eastern Region (NER)", the Government, in October 1996, announced that at least ten per cent of the budget of Central Ministries/ Departments would be earmarked for the development of North Eastern (NE) States. A High Level Commission (Shukla Commission) was constituted in 1996 to examine the backlogs in respect of Basic Minimum Services and to assess the gaps in different sectors of infrastructure, especially in power, communication, railways, roads, education and agriculture in the NE States. The Commission estimated a requirement of Rs. 9396 crore for covering the backlog in Basic Minimum Services (BMS) and Rs. 93619 crore for meeting the gaps in the infrastructure. A preliminary exercise undertaken by the Planning Commission revealed that the expenditure on the North East by many Union Ministries during 1997-98 fell short of the stipulated ten per cent of the Gross Budgetary Support (GBS) for the year. Thereafter, it proposed the creation of a Central Pool of Resources for the North Eastern States to be funded from the unspent amount out of the stipulated ten per cent of GBS, to support infrastructure development projects in the NER. Accordingly the Government decided to create a Non-Lapsable Central Pool of Resources (NLCPR) in the Union Budget for the year 1998-99 in the Public Account title 'Central Resource Pool for development of NER' for funding specific programmes for economic and social upliftment of North Eastern States.

2. The main objectives of the NLCPR Scheme are to ensure speedy development of infrastructure in the NER by increasing the flow of budgetary financing of new infrastructure projects/schemes in the region, with projects in physical infrastructure sector receiving priority, and to develop both physical and social infrastructure sectors such as irrigation and floor control, power roads and bridges, education, health, water supply and sanitation by considering them for providing support under the Central pool. The nodal central agency for planning and implementation of all development programmes in the NER was vested with the Planning Commission up to August 2001. Thereafter, the work was transferred to Ministry of Home Affairs (MHA) from September 2001 to April 2004. After the creation of Ministry of Development of North Eastern Region (DONER) in May 2004, the NLCPR Scheme was funded and monitored by it.

Organisational Arrangements

3. The NLCPR scheme, is administered by the 'NLCPR Committee' the NLCPR Scheme and is headed by the Secretary, Ministry of DONER. The functions of the Committee are to ensure equitable distribution of NLCPR resources amongst NE States, assess projects/schemes proposed by the NE States, prioritise and recommend allocation of funds for such schemes/projects, recommend the amount(s)

for re-appropriation by the Central Ministries/Departments from Budget Head created for the Central Pool. The Committee also monitors and reviews the progress of the projects/schemes suggests policy changes to prevent procedural and other bottlenecks in the execution of projects and meets periodically to submit recommendations to the Union Minister for DONER on various aspects of NLCPR projects.

4. The implementation of the Scheme vests with the State Governments through their nodal department for NLCPR, which is Ministry of DONER's interface with all other departments of the State. The State proposes the annual profile projects through its nodal department. The main steps in project formulation and approval by the Ministry are:

Submission of Shelf of projects/Annual Profile of projects by the State through the nodal department by 31st December.

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Retention of projects by the NLCPR Committee.

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Submission of Detailed Project Report (DPR) of the retained projects by the States through the Nodal Department.

↓

Techno-economic examination of the DPRs by the subject-matter Ministries.

↓

Approval of the Technically appraised project by the NLCPR Committee.

5. Central Ministries/Departments submit projects for funding under NLCPR only if they have exhausted the funds (minimum 10 per cent of their budget) provided for NER. Even so, they are encouraged to take recourse in the first instance, to raising supplementary demands for grants for augmentation of their budgets for projects in NER.

Scheme Guidelines

6. The NLCPR Scheme had been in operation since 1998-99 and the Planning Commission initiated preparation of guidelines in July, 2001. The guidelines were finally framed in November, 2002 by the then Department of DONER, Ministry of Home Affairs. It was observed that the Ministry of DONER later revised the guidelines in July 2004, on the basis of feed back from all levels and experience gained from past experience of implementation of the Scheme. Some changes that were brought about in the revised guidelines were inclusion of gap analysis in the annual profile assurance from the State that the projects proposed had not been taken up with any other funding mechanism. Projects of less than Rs. 2.00 crore would not be generally funded and emphasis was to be given for employment generation and infrastructure Scheme. The revised guidelines also prescribed a broad framework for submission of detailed project reports and formation of Sectoral Technical Committee for approving the detailed project reports in case of delay by line Ministry in examination. Projects of

vital importance not retained in any financial year could be considered in the subsequent year if considered vital by the State Government. Release of first instalment restricted to 35 per cent of the project cost and utilization of each instalment to be ensured within nine months in place of six months prescribed earlier. These revised guidelines therefore, reflected the experience gained over the years in implementation of the Scheme. Another initiative taken by the Ministry was to amend the guidelines in August, 2008 to allocate a minimum 25 per cent funds to the projects in backward areas/Sixth Schedule Areas/Autonomous District Councils for the reason that State Governments were not according priority to the projects in backward regions in the NE States. The guidelines were further amended in August, 2009 thereby providing 15 days' time to States instead of 30 days for releasing funds to the executing agencies.

7. The States in the North Eastern Region (NER) *viz.* Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura depend heavily on Central funding for development works. They pursue their development concerns through their respective Five year Plans and annual plans, as well as through those of the Union Ministries and other Central agencies. The projects of inter-State nature in the region are funded by North Eastern Council (NEC), which is a separate entity.

8. The comparative position of funding from various sources in the NER is given in the table below:

Expenditure/Investment in NER during Tenth Five Year Plan and 2007-08

Sources of funding	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Total (per cent)
				Rupees in crore			
State Plan	4282.20	4845.56	5660.82	6464.63	8193.51	9083.38	38530.10 (42.70)
Central Ministries	5139.59	5237.31	6403.74	7325.39	9723.06	11048.07 (Provisional)	44877.16 (49.73)
NEC	441.45	497.54	498.72	460.15	597.81	583.61	3079.28 (3.41)
NLCPR	550.00	550.00	650.00	679.17	689.83	636.00	3755.00 (4.16)
Total	10413.24	11130.41	13213.28	14929.34	1920.21	21351.06	90241.54

While the investment in the NER has been increasing each year, NLCPR funding constituted only around 4.16 per cent of the total expenditure.

II. Planning

Creation of NLCPR reserve fund in Public Account

9. As per the Cabinet decision taken in November, 1997, the Ministry of Finance (Department of Expenditure) was required to create a fund titled the "Central Resource Pool for development of North Eastern Region" in the Public Account. However, no

such reserve fund had been created in the Public Account and the funding of the NLCPR Scheme was being effected through the annual budget exercise.

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

11. Asked about the constraints faced in creating the reserve fund in the Public Account the Ministry of DONER in a written reply have stated that the proposal of Ministry of DONER for creation of a distinct account head for the NLCPR Pool was discussed in Planning Commission on 9th June, 2008 under the Chairmanship of Secretary, Planning Commission. The meeting agreed that there is a need for creating a distinct account, operational details of which is to be worked out in consultation with Department of Expenditure. It was also recommended for constitution of a small group in the Ministry of Finance to work out operational details of the Central Pool account. The Department of Expenditure, *vide* their communication dated 31st October, 2008, however, stated that the Non Lapsable Pool of Resource is being maintained on proforma basis and expressed practical difficulties associated with creating a distinct account head for the Fund/Pool. These are:

(i) it would be *prima facie* difficult for each Ministry/Department to estimate the quantum of funds likely to remain "unutilized", and

(ii) transfer of unutilized amounts of the previous year to the Pool in the subsequent year would have implications on Government finances and adversely affect deficit target etc.

12. In their advance information the Ministry have informed the Committee that the issue of creating a distinct head of account for the Non Lapsable Central Pool of Resources was discussed in a meeting held under the Chairmanship of the then Secretary, Planning Commission on the 9th June, 2008. The meeting *inter alia* decided that the operational details of the Account need to be worked out in consultation with Department of Expenditure, Ministry of Finance. As a follow-up of the discussions in Planning Commission, Department of Expenditure examined the issue of creation of Head of Account for NLCPR and clarified that it would not be feasible to have a distinct Head of Account for the NLCPR.

13. During evidence one of the representatives of the Ministry deposed as under:

"Sir, as I submitted in the beginning, we have worked with the Planning Commission and now, we have in principle agreement not for creating a separate fund but for making these funds available for different schemes and projects of the Central Ministry. We are working on the budgetary mechanism for it and we have in principle clearance from the Planning Commission on it. .... They have given in principle clearance for this kind of a scheme but not the creation of fund. It is to have a scheme through which funds for this accrual will be made available .... We will open a head of account. We are taking a Cabinet decision in that regard and we will open it."

The Secretary, Ministry of DONER added as under:

"This is the Finance Ministry's stand which has been communicated to us. While I will not be able to say exactly the reason behind Finance Ministry's thinking but I understand that from the beginning of the year our effort is to see that all Ministries utilise 10 per cent of their claims through viable mechanism."

14. When asked whether the Ministry have weighed the pros and cons of the existing system of funding through budgeting exercise, instead of creating the reserve fund in public account the Ministry stated in a written reply that under the existing system of funding through budgeting exercise Ministry gets a fixed amount through Annual Budget keeping in view the expenditure made in previous years. For getting additional budget allocation the procedure of Revised Budget estimate has to be followed which is normally allocated in the second half of the financial year. Therefore, Ministry limits the retention of projects in a particular year keeping in view the available budget allocation. It was stated that if the NLCPR Pool is maintained as a reserve fund, it would help us in deciding the value and quantum of projects to be funded in a planned manner.

III. Project Execution

(a) Status of Completed/Incomplete Projects

15. According to Audit the status of completed projects funded under the NLCPR is as under:—

Completed projects

Name of State	Projects Sanctioned since 1998 to September 2008	Projects due for completion as on October 2008	Projects completed as on October 2008	Percentage of completed Projects
1	2	3	4	5
Arunachal Pradesh	101	66	36	54.55
Assam	295	243	100	41.15
Manipur	92	64	20	31.25
Meghalaya	58	32	16	50.00

1	2	3	4	5
Mizoram	79	67	48	71.64
Nagaland	94	87	49	56.32
Sikkim	187	181	141	77.90
Tripura	53	43	25	58.14
Total	959	783	435	55.56

16. Audit scrutiny of the completed projects revealed that as of 30 September 2008, 959 projects with an approved cost of Rs. 7070.38 crore had been sanctioned from the NLCPR. 783 of these projects should have been completed by October 2008 or earlier. However, only 435 projects (56 per cent) involving an expenditure of Rs. 1934.49 crore had been completed. The performance of Assam and Manipur was far from satisfactory as these States could not complete even half of the projects that had fallen due for completion as of October, 2008. The States of Sikkim and Mizoram performed relatively better achieving an overall completion level of 78 per cent and 72 per cent respectively. Out of 435 projects completed up to October 2008, Only 210 projects (48.27 per cent) were completed timely as per schedule and remaining 225 projects were delayed with time overruns ranging from 1 month to 69 months.

As per Audit the position of incomplete projects are as under:

Analysis of incomplete projects

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

17. Audit analysis revealed that of the 524 incomplete projects including 28dropped projects, 348 projects (44.44 per cent of 783 projects) were due for completion

as of October 2008 or earlier. There were serious slippages in completion of a large number of projects under the Scheme. In fact, in 106 incomplete projects (20 per cent) the entire approved cost of Rs. 1107.99 crore had been released to the State Governments concerned. Some important projects which were yet to be completed despite complete release of funds by the Ministry were 132 KV Ziro- Daporijo-Along transmission line, Arunachal Pradesh (Rs. 52.81 crore), Champamati Irrigation Project, Assam (Rs. 39. 47 crore), Electrification of Tribal villages, Manipur (Rs. 11.28 crore), Primary School building, Meghalaya (Rs. 14.40 crore), Tang junction to Chenmoho road in Nagaland (Rs. 15.13 crore), Augmentation of Gaylshing water supply scheme in Sikkim (Rs. 7.08 crore) and Tribal development project in Tripura (Rs. 28.04 crore). The delay in completion of these projects was more than eight months.

18. On being asked whether the Ministry has analysed the reasons for overall increase in the percentage of incomplete projects from 44 to 52.83 (53) per cent the Ministry in their written reply have stated that as per C&AG report the percentage of incomplete projects is 44.44 which is based on information as on October 2008. According to the Ministry, as on 31.07.2010 there were 321 projects which were incomplete the actual percentage comes to 28.92%.

The details of the projects are given as under:

States	Projects Sanctioned (Nos.)	Projects where completion is delayed	% (Nos.)
Arunachal Pradesh	122	46	37.70
Assam	298	104	34.90
Manipur	119	44	36.97
Meghalaya	76	30	39.47
Mizoram	87	26	29.89
Nagaland	115	28	24.35
Sikkim	203	21	10.34
Tripura	86	19	22.09
Common to NER	4	3	75.00
Total	1110	321	28.92
BTC	42	22	52.38

19. In this regard, the Secretary, Ministry of DoNER during the evidence deposed as under:

> "... we do have a problem of completion of projects. I am not going to say anything about the short working season. That is a fact of nature which has

> been there from times immemorial. But I think the delay has been mostly on two accounts. Apart from law and order, which is a very valid concern, the other concern is the availability of the material, the machinery and the manpower. We have tried to put in position capacity building of the people, of the State Government agencies."

20. When asked about the reasons for this inordinate delays in completion of the Projects, the Ministry stated in their written replies that the main reason for delay in completion of many projects, *inter-alia,* includes the limitation of technical and professional expertise in the NE Region, frequent disruptions in some States due to internal law and order problem, blockage of roads, inclement weather, non-availability of raw materials, hostile geographic location and restricted working season due to heavy and prolonged monsoon.

21. When asked about the measures, the Ministry of DoNER have taken to expedite the completion of all the 1110 approved projects in North Eastern Region, the Ministry in their written reply stated that to expedite the completion, the projects are reviewed regularly with the State Government Officers. Regular field visits are also made by the Area Officers. To encourage the State Governments to speed up the completion of projects and incentives by way of retention of projects worth to Rs. 20.00 crore every year over and above their normal allocation for the best performing States in terms of completion rate of projects has been introduced. This year the incentive was given to the State of Sikkim for their best completion rate of the projects. Regarding the time limit fixed by the Ministry for these States to complete their projects expeditiously, the Ministry stated in their reply State Governments were advised to prepare the action plan for completion of the delayed projects expeditiously. It has also been informed to the States that if the project completion gets delayed by more than five years then it will be closed for funding under NLCPR and States have to meet the balance fund from their own resources.

(b) Status of test checked Projects

22. Out of 91 projects reviewed by the Audit with approved cost of Rs. 1399.89 crore, only 36 projects involving expenditure of Rs. 380.46 crore were completed as of November 2009. Of 36 projects, 21 projects were completed with time overrun ranging 4 months to 47 months the break up being in Arunachal Pradesh, 2 out of 10 projects are completed, in Assam 8 out of 25, in Manipur 4 out of 10, in Meghalaya 3 out of 10, in Mizoram 6 out of 9, in Nagaland 2 out of 10, in Sikkim 6 out of 8 and in Tripura 5 out of 9 projects had been completed.

23. Clarifying this position regarding the current status of the incomplete projects, the Ministry stated that as on 31.07.2010 there are 541 ongoing projects. Out of these 541 ongoing projects, 321 projects are incomplete *i.e.* completion delayed. Since all the projects are implemented by the States they have been asked to prepare action plan for their completion. The Action Plans are awaited. Further State Governments were asked to ensure the completion of projects where full funds have been released during the current financial year and also to draw the final instalment in the projects in which 2 instalments have been released so far and ensure their completion in the next financial year.

24. Audit examination further revealed that 28 projects had been closed/dropped by the States/Ministry. The reasons attributed for closure of these projects were withdrawal of project by the State Government for considering them under other Centrally Sponsored Schemes, reluctance of executing agency to start the project due to low approved cost and in some cases reasons of closure were not available on records. In this context Ministry have stated in written reply that there are 24 dropped projects and not 28 as reported in the audit report.

25. When asked whether funds released for the aforesaid projects have been recovered/adjusted in each case, the Ministry replied that the funds released in two projects were adjusted in other NLCPR projects. In remaining 22 projects no funds were released, therefore, no recovery/adjustment is required.

(c) Roads and Bridges

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

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

28. Audit scrutiny revealed that in most of these cases, progress of execution was very slow and the projects have been inordinately delayed for period ranging from one to five years or more. Some of the illustrative cases of inordinate delay are given as under:

- In Assam the 'improvement of Bhowraguri Kachugaon Road in Kokrajhar' project in Bodoland Territorial (BTC) was approved at a cost of Rs. 23.73 crore in 2004-05 and was to be completed in December 2007. The project was not completed even after a delay of 23 months and inspite of full release of funds by the Government of India. The physical progress achieved so far was reported to be only 72 per cent.
- In Assam the 'Metalling and back-topping of Gossaigaon to Saraibil Road including improvement of existing hard crust and conversion of STP bridge to RCC bridges' project was sanctioned in 2004-05 at a cost of Rs. 19.39 crore and was to be completed in March, 2007. Though the Government of India had released full amount of Rs. 19.39 crore to the State Government, the project was not complete. Physical progress was 83 per cent and there was a time overrun of more than 32 months.
- In Meghalaya the 'Improvement, widening, Strengthening including Reconstruction of Bridge and Culverts of Rymbai-lapmala-Suchen Road

(1-17 km)' project was approved in 2005-06 at a cost of Rs. 18.77 crore and was to be completed in December 2007. Completion of the project is delayed by more than two years.

- In Mizoram the 'Lungtian-Mamte Road *via* Vartek Kai within Lai ADC' project was approved in 2003-04 at a cost of Rs. 26.65 crore and was to be completed in October 2006. Completion of the project is delayed by more than three years despite release of Rs. 24.77 crore by the Ministry. There were frequent revision of estimates and lack of adequate monitoring and supervision in the execution of the project.

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

30. The other irregularities noticed by the Audit in execution of roads and bridges in NE region were diversion of funds, cost overrun, undue benefit to contractor, idling of material, improper planning, change in specifications, delay in finalization of tenders, contractors' lackadaisical attitude, law and order problems etc.

31. In response, the Ministry stated that the irregularities noticed by Audit in implementation at the State level were being taken up with the respective State Governments.

(d) Power Sector

32. The Power projects being executed under NLCPR broadly fell into two categories:—

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

33. An analysis of 13 out of 80 projects sanctioned during 2002-03 to 2007-08 revealed that all the 13 projects were due for completion prior to October 2008. Out of these, 10 projects were completed with time overruns of nine months to three years, two projects were awaiting completion and one project "22.92 MW Heavy Fuel Oil (HFO) based thermal Power Plant at Dimapur" in Nagaland was abandoned. The Ministry in their reply have also confirmed that the project "22.92 MW HFO based Thermal Power Plant at Dimapur is the only project which has been abandoned after release of Rs. 32.00 crore. Scrutiny of other Power projects revealed inadmissible expenditure, cost escalation diversion of funds, idling of machinery and equipment,

non-adjustment of advances, undue benefit to contractor etc. The Ministry in their reply stated that the irregularities noticed by Audit in implementation at the State Level were being taken up with the respective State Governments.

Case study of Thermal Power Plant at Dimapur, Nagaland

34. Audit scrutiny has revealed that the Union Ministry of Power had approved "22.92 MW HFO based Thermal Power Plant at Dimapur" at a cost of Rs. 105.57 crore in September 2003. The Prime Minister during his visit to the State (October, 2003) announced the inclusion of the project in the special economic package for the State. The Ministry of DoNER was asked to meet requirements for this project and in case of non-availability of funds, Ministry of Finance/Planning Commission was to be requested for the same. The project was scheduled to be completed by May 2005. Construction of the Plant was awarded (March 2004) to M/s Bharat Heavy Electrical Limited (BHEL), Bhopal on turnkey basis. The Ministry of DoNER released Rs. 18.86 crore (March 2004) and Rs. 13.14 crore (August 2004). It, however, refused to give the balance funding of Rs. 73.57 crore and requested the State Government to include the project again in the priority list of NLCPR in order to release a fresh sanction. The State Government refused on the ground that since the project was part of the special economic package for the State, the Government of India should be responsible for the funding of the project. If the project was again included in the priority list to be funded under NLCPR, the State would have to compromise on some fresh projects which otherwise might be sanctioned for the State. Scrutiny of records of the Electrical Transmission Division, Dimapur revealed that the project was foreclosed in May 2005 after incurring Rs. 32 crore towards construction of building and procurement of machinery and equipment. M/s BHEL handed over the project on 'as is where is basis' to the State Government in July 2006.

35. When asked about the reasons for leaving out the Dimapur Project midway, the Ministry in their reply stated that the total cost of project was Rs. 105.57 crore with approved support of Rs. 32.00 crore from NLCPR as one time assistance during financial year 2003-04 and the remaining cost was to be funded by the Ministry of Power. The project was scheduled to be completed by December, 2005. Ministry of DoNER released its entire share of Rs. 32.00 crore in two instalments on 17.03.2004 and 31.08.2004. The amount was utilized by the State by 1st February, 2005. In June, 2006 it was observed by the Ministry of Power that even after tying up the necessary financial resources the average cost of electricity produced would be around Rs. 5.65 per unit whereas power was available to the State at much cheaper rate from other sources. Therefore, a task force was constituted by CEA to examine the possibility of converting the proposed heavy fuel based power project into a gas based project. The task force recommended that the HFO plant may initially be started and later on may be modified to run on gas also as and when gas becomes available. However, the gas DG set will run on 10% less capacity because of low CV of Gas as compared to HFO. Since even after the conversion of the power plant to gas based the unit cost of power was likely to exceed 5.70 per unit as against the bulk power purchased by Government of Nagaland at an average cost of Rs. 1.95 per unit no further headway could be made in the proposal. The Ministry further stated in their

reply that the Ministry of Power, in response to Draft Note for CoS, through their letter dated 29.05.2008 informed that the project may not be pursued in view of the high cost of power of the project and allocation to Nagaland likely to materialize from the Pallatana Project in Nagaland and Bongaigaon Thermal Power Project in Assam.

36. In this context the Secretary, Ministry of DoNER, during evidence deposed as under:—

> "I think this is something which should not have been done. There was an announcement for this project and we were the first to release the money. We should have exercise more caution on this."

The Secretary added:

> "This thermal power project is, perhaps, the most serious blot in our NLCPR activities. In the rest of it, at least there are some financial measures, some administrative measures; some corrective measures can be taken. But this Dimapur Project is really in a sad state. Ultimately we will have to go in for writing it off and fixing responsibilities and all the rest of it because for this particular thermal power project we were to be part-funders. Rs. 32 crore we had to give. We were very prompt in releasing our share of money."

37. When the Committee directed the Ministry of DoNER to take up the matter again for revival of the Dimapur Thermal Power Project the Ministry in their post evidence reply have stated that they had apprised the PMO on 08.03.2011 of the steps taken by the Ministry as well as Ministry of Power and Planning Commission for revival of the Dimapur Thermal Power Project.

(e) Health Sector

38. In respect of the projects under health sector Audit analysis of nine out of 31 projects sanctioned during 2002-03 to 2007-08 revealed that only one project was completed. There were inordinate delays in execution of almost all the projects. Delay in release of funds to executing agencies by the State Government was observed in most of the States was also reported by the Audit. Scrutiny of health projects by the Audit also revealed undue benefit to contractor, diversion of funds, inadmissible expenditure on work charged establishment, department charges, sales tax and agency charges, loss of interest etc. The Ministry in their reply stated that the irregularities noticed by Audit in implementation at the State level were being taken up with the respective State Governments.

39. Regarding Health Projects one of the representatives of the Ministry deposed during the evidence as under:—

> "................Again we are requesting the State Governments to complete these uncompleted projects as soon as possible. .... the total number of health projects is 37, involving a total approved cost of Rs. 537 crore and we have released Rs. 430.31 crore. ....In total we have released about 90 per cent. There are some cases where may be the first instalment has been released; in couple of cases, where all three instalments have been released. ....most of our schemes have a gestation period of two years. The newer schemes are still in pipeline. Our stress is to see that all the old schemes of 2003 to 2009 get completed first."

40. On being asked about the reasons for the inordinate delays in completion of health projects despite the fact that about 90 per cent of the funds have been released by the Ministry for these projects, the Ministry have informed in a post-evidence reply that the short working season, difficult terrain and limited technical expertise are the main reasons for delay in completion of projects in the North Eastern States. The Ministry had State-wise review of NLCPR projects done in February and March 2011 with the State Government Officers and requested them to expedite the completion of projects where Ministry has released approved grant, excluding contingencies and to submit the proposals for reimbursement of contingencies.

41. Further the Ministry have stated that since 2003-04 60 projects under power sector and 30 projects under Health Sector have been sanctioned under NLCPR scheme and special BTC package. Out of these for 16 projects under Power sector and for 5 projects under Health sector State Governments have submitted completion certificate.

42. When asked whether there have been any cost and time overruns in the completion of the Power and Health projects, the Ministry in their post evidence reply stated that the cost overrun due to time overrun is not entertained under NLCPR scheme hence, no cost overrun have been sanctioned under Power and Health projects. The cost overrun, if any, has to be borne by the State Governments. However, the Ministry accepts the fact that there are some cases of time overrun because of difficult terrain, short working period, limited technical expertise.

IV. Financial Performance

(a) Figures of Accrual

43. Audit scrutiny has revealed out that the accumulations under the fund have been consistently increasing since inception and stood at Rs. 6963.79 crore as on 31 March 2008. Against the total accrual of Rs. 6525.12 crore in NLCPR during 2003-04 to 2007-08, the aggregate amount released to NE States was only Rs. 3205 crore constituting 49.12 per cent of the accruals. Relatively small amount of release indicate poor implementation of the programme despite availability of funds.

44. According to the NLCPR guidelines, funds released by the Government of India are to be transferred to executing agencies by State Governments within 30 days. Audit scrutiny of records of projects test checked revealed that there were delays on the part of the State Governments in transferring the funds to the executing agencies. The delays ranged from one month to more than thirty months. Delayed release of funds by the State Governments to the executing agencies adversely impacted implementation of the projects. Further, in terms of the guidelines funds released by the Government of India were to be utilized within six months (as per pre-revised guidelines up to 6 July, 2004) or nine months (after revision of guidelines in July 2004). Audit found that there were delays ranging from two months to 49 months beyond the permissible six/nine months in utilization of the funds in 43 projects by the States.

45. In their response to the aforesaid Audit observation the Ministry stated (February 2010) that whenever delay in transfer of funds to the executing agency by the State Government was noticed the State Government was advised to transfer the funds in a timely manner. The guidelines we amended in August 2009 to tighten the provisions and the States had to transfer the funds to executing agencies within 15 days. Area Officers for all eight NE States had been appointed to verify the fact during their visits. As regards utilization of funds, the Ministry stated that the delay in utilization was due to varied reasons which *inter-alia,* include the restricted working season due to prolonged rainy season and limitations of technical and professional expertise. The period prescribed for utilization of funds was nine months, which was since revised to 12 months in August 2009.

46. Enquired about the current balance in the Non-Lapsable Central Pool the Ministry stated in their written replies that based on the figures of accrual for 2007-08 and 2008-09 compiled from various non-exempted Ministries/Departments, the current estimated balance in the Proforma Accounts as on 1.4.2010 is Rs. 9753.93 crore, excluding NECs expenditure of Rs. 1605.83 crore during 1998-99 to 2001-02 (Rs. 8148.55 crore including NECs expenditure of Rs. 1605.83 crore during 1998-99 to 2001-02).

47. Asked about the mechanism adopted by the Ministry for channelization of money from the NLCPR fund, the Secretary, Ministry of Development of North-Eastern Region, deposed in evidence:—

> "Sir, the point is that the amount that accrues, currently there is a balance of Rs. 8,000 crore. Now, this money so far was not getting passed on to anybody except the budgetary mechanism under NLCPR scheme that we have. Now we are fomulating a second scheme which will be NLCPR Central from which there would be a viable mechanism for channelizing moneys from this pool through the scheme into fulfilling sector-wise gaps."

The Secretary added:

> "It would be my best endeavour to see that there is no delay and the process is as smooth and as time bound as possible."

48. In their post evidence reply, the Ministry informed that the figures of accrual in respect of 2008-09 have been finalized but had not been received by the Ministry after being vetted by the Ministry of Finance. In this context when asked whether the Ministry have taken any remedial measures to streamline their functioning with a view to avoid such delays in future, the Ministry replied in their post evidence reply that with a view to ensure timely completion of the process of finalizing the accounts of accrual to the Non-Lapsable Pool and to avoid delays in this regard, the Ministry of DoNER has included this item in the Results Framework Document (RFD) of the Ministry which would ensure regular monitoring of the matter at the highest level.

49. When asked about the reasons for the delay in ascertaining the figures of actual accrual on yearly basis, the Ministry stated in their written replies that in order to ensure timely compilation and finalization of the details of accrual of unspent balances, the Ministry of DoNER has included the issue of obtaining the figures of expenditure against the 10% funds earmarked by non-exempted Ministries/

Departments by the first week of August every year. This has showed encouraging results as expenditure details of 2009-10 from as many as 45 Ministries/Departments out of the 52 non-exempted Ministries/Departments have been received by the first week of August 2010. The Ministries/Departments which are yet to provide the details are being reminded. It is expected that the accrual details in respect of 2009-10 could be compiled and forwarded to Ministry of Finance for vetting expeditiously after inputs are received from all the Ministries/Departments.

(b) Diversion of NLCPR funds

50. In terms of the NLCPR guidelines, funds available under the pool are not meant to supplement the normal Plan programmes either of the State Governments or Union Ministries/departments/agencies. However, Audit scrutiny revealed that the Ministry of DoNER diverted an amount of Rs. 1796.58 crore from NLCPR to fund other Schemes resulting in incorrect utilization and shrinkage of the NLCPR pool. Some of the important cases pointed out by the Audit are discussed below:—

Debiting of NEC expenditure of Rs. 1605.38 crore to the NLCPR Pool

51. North Eastern Council (NEC), a separate entity under the Ministry of DONER, approves and implements schemes and projects, which benefit two or more States, and has a separate budget for implementing such projects. The Ministry decided (August 2002) to deduct an amount of Rs. 1605.38 crore spent by NEC during 1998-99 to 2001-02 from the NLCPR pool. According to Audit this decision of the Ministry was against the norms stipulated in the guidelines. Ministry stated in August 2008, that the said expenditure was deducted from the NLCPR accruals since all of it was meant for North Eastern Region. The argument of the Ministry is not convincing as NEC and NLCPR are separate entities with separate budget provisions. Further, the deduction made from the NLCPR also resulted in reduction of annual accruals to the NLCPR funds from a level of approximately Rs. 1700 crore per year to about Rs. 1100 crore. The Committee of Secretaries in February 2007 decided that annual expenditure/ outlays of NEC would not be debited to the NLCPR accounts for the next three years and that the decision would be reconsidered thereafter.

52. As per the guidelines NLCPR funds would be an additionality to ongoing programmes. They are not to be used to substitute a budgeted ongoing project or scheme of the Centre/State Governments. Audit scrutiny however revealed that some State projects which were initially taken up by State Governments but were later discontinued/abandoned mainly due to funds constraints were funded subsequently through NLCPR, in violation of NLCPR guidelines indicating poor planning by the States. According to Audit there were 11 such Projects with NLCPR funding to the tune of Rs. 191.20 crore. Besides the Audit scrutiny of records at the Ministry as well as in the States revealed release of Rs. 12.23 crore to States/implementing agencies towards inadmissible components in 27 projects. The amount released on inadmissible components need to be recovered or adjusted from the concerned authorities by the Ministry/State Government.

53. When asked about the steps taken to avoid diversion of NLCPR funds, the Ministry in a written reply stated that they do not agree with the Audit observation regarding debiting of NEC expenditure to NLCPR Pool. They stated that the NLCPR

Pool is not maintained by Ministry of DoNER. In 2002 a meeting was taken by the then Minister, DoNER with the officers of the Ministry of Finance to ascertain the accruals in the pool, during which officers of the M/Finance while presenting the details of the accruals in the pool informed the deduction of Rs. 1605.38 crore spent by NEC during 1998-2002. The Ministry stated that they do not support such deduction. The practice of deducting NEC's expenditure has been stopped thereafter.

54. In this regard the representative of the Ministry during evidence deposed as under:

> "We have taken it up with the Ministry of Finance to restore it us so that these moneys are not shown as deducted from the NLCPR. ....We have taken it up with the Ministry of Finance to restore the amounts to our accounts .... We are trying our best to expedite it as much as possible."

Another representative of the Ministry categorically stated as under:

> "There is no diversion of funds as far as NLCPR fund is concerned."

55. However, in their post-evidence reply the Ministry have stated that the matter regarding recoup of the amount deducted towards NEC expenditure to the NLCPR fund has been taken up with the Ministry of Finance to recoup the amount deducted towards NEC's expenditure during 1998-99 to 2001-02. The Ministry had further stated in their post-evidence reply that as a result of decision taken subsequent to meeting of Committee of Secretaries dated 16.05.2007, the NLCPR funds are not being diverted to meet NEC expenditure.

56. In their post-evidence reply the Ministry of DoNER stated that the Ministry of Finance on 14.01.2011 informed them that, in the meeting held on 21.08.2002 chaired by the then Minister, DoNER a decision was taken that the amount spent by North-East Council (NEC) should be deducted from the accrual to NLCPR as all of it is meant for North-East Region only. If was clarified that, the decision taken by Committee of Secretaries on 16.02.2004 and 07.05.2007 for not deducting expenditure of NEC from NLCPR only had prospective effect. It was also stated that the Ministry of Finance had informed that the availability of funds has never been a problem in implementation of schemes under NLCPR and assured that a view on augmentation of NLCPR may be taken as and when it is needed due to improved utilization.

V. Monitoring and Evaluation

57. Audit had pointed out that monitoring of the NLCPR Scheme both at the Ministry level as well as State level had been weak and ineffective. Audit scrutiny has revealed that the representative of the Ministry took part in just two out of seven meetings in Nagaland, one out of 14 meetings in Meghalaya, none of the seven meetings held in Sikkim and three out of 17 meetings in Manipur.

In their response to aforesaid Audit observation, the Ministry stated in (August 2008) that owing to paucity of staff it had no fixed criteria for number of projects to be inspected by the officers. The Ministry further stated that the projects were being monitored through quarterly progress reports, utilization certificates, inspection reports of nodal officers, photographs and also through field visits which are carried out at the State level. Audit further revealed that test check of QPRs of 68 projects revealed delays ranging from eight days to 497 days in sending to QPRs. To this the Ministry stated that it could not depute representatives in all the quarterly review meetings held by State Chief Secretaries because of paucity of staff/officers.

58. During the course of evidence the Secretary, Ministry of DONER deposed as under:—

> "We have no single monitoring mechanism to check the outcome or the progress of these particular expenditure of various ministries. Recently, we have a delivery monitory unit under which some specific schemes are monitored. These specific schemes are about 12 in number which includes some road projects, bridge projects, power projects and inland waterways projects. I do not have the details of the progress of these projects. I can make them available to the Committee. We put up the last progress report in our website every month. This is the monitoring mechanism so far as the Central Government projects are concerned. So far as our own projects are concerned we do have a system, as we have submitted earlier on, of getting reports from the State Governments."

The Secretary added:

> "We had sent our Area Officers and we have stepped up the inspection and visit by our Area Officers but because of the inadequacy of our staff, these are very few and not really very many. Our primary system of getting feed back is from the State Governments. We are also in the process of appointing third-party monitors. We had some problems about the budget that is required for expenditure on third-party monitors. We have sorted that out and we would be appointing third-party monitors very soon which I think would be far more efficient for getting a monitoring report than we are having currently."

59. On being asked about the steps taken by the Ministry for faster implementation of the third party monitoring of the projects by the States, the Ministry in their post-evidence reply stated that the Ministry proposes to prepare a panel of Third Party Monitors on the lines of the panel prepared by MoUD. The Term of Reference is being framed and a Budget Head for funding the third party monitoring is being created.

60. Regarding operationalisation of online reporting of Quarterly Progress Reports (QPRs) by the States, the Ministry in a written note stated that the same is yet to be re-operationalised. It was also stated that due to transfers of officials at State level there is a need of fresh training at State level. After organising fresh training programme for the State officers, the on line reporting of QPR could be operationalised from next financial year.

61. When the Ministry was asked about the mechanism adopted by the Ministry to verify the accurancy of unutilized funds reported by the Central Ministries, the Ministry stated that the role of Ministry of DoNER is to compile the information on annual allocation to NER and the expenditure incurred by non-exempted Ministries/ Departments against such allocation and the unspent amount, as reported by them

and forward the statement to Ministry of Finance for vetting and confirmation. The closing balance/opening balance of the Non-Lapsable Pool is confirmed by them. The accuracy of the unutilized funds reported by the Central Ministries/Departments is verified by the Ministry of Finance.

62. On being asked about the reasons for not having any mechanism at the central level to cross check/verify the UCs furnished by the States, the Ministry stated in the post-evidence reply that the UCs furnished by the State Govt. can only be cross checked if the audit of the record is conducted. A regular audit at State level can only ensure that cross checking of the UCs. In post-evidence reply the Ministry stated that the Officers of the State Government have been oriented from time to time for preparation of correct UC. The issue of submission of incorrect UC pertains to Government of Nagaland. The Government of Nagaland was already asked on 19.08.2010 to take action against the officer responsible for submission of incorrect UC under intimation to this Ministry. Since, no reply has been received, reminder has been issued on 14.01.2011 requesting the State Govt. to submit action taken report within 15 days.

63. Audit had observed that post implementation of the scheme no study has been conducted to ascertain the efficiency and effectiveness of by any of the States to assess the impact of the NLCPR scheme on the day to day life of the people of North-Eastern Region. The Ministry in that response to the Audit observation stated that the impact study conducted by IIM Lucknow was not accepted by the NLCPR division of Ministry of DONER since the results of the study were contrary to known facts. However, conducting an evaluation study on utilization and impact of NLCPR projects was under active consideration.

64. On being asked as to how the Ministry of DoNER assess/measure the outcome of the Scheme in the absence of any mechanism the Ministry in their post-evidence reply stated that the projects sanctioned under NLCPR scheme are purely physical infrastructure projects for the people of North-Eastern Region. On completion of these projects, they are being put to use and the people of NER are being benefited directly.

65. The Ministry have informed the Committee that a pilot study is proposed to be undertaken by Ministry of DoNER in Tripura and Manipur and National Institute of Financial Management (NIFM) under the Ministry of Finance is undertaking a study for the Department of PWD, Irrigation and Vocational Education. The Terms of Reference (ToR) for the study is finalized and the proposal received from the NIFM is being examined. The study is likely to take minimum six months.

PART II

Observations/Recommendations

The Committee note that in terms of the Cabinet decision taken in November 1997, the Ministry of Finance (Department of Expenditure) was required to create a fund titled the "Central Resource Pool for development of North-Eastern Region" in the Public Account. However, no such reserve fund had been created in the Public Account and the funding of the NLCPR Scheme was being effected through the annual budget exercise. The Committee have been informed by the Ministry that the proposal for creation of the fund was discussed in Planning Commission which agreed in principle for creation of the same. However, the Department of Expenditure, was stated to have opposed the proposal on account of practical difficulties associated with creating a distinct account head for the Fund/Pool. During evidence the Secretary deposed that they are in principle agreement not for creating a separate fund but for making these funds available for different schemes and projects of the Central Ministry. The Committee are of the considered view that given the fact that NLCPR funding constitutes only around four per cent of the total expenditure in NE region, and as the scheme has failed to achieve its intended objective of ensuring speedy development of infrastructure in NE States, the Ministry may review the further continuance of NLCPR scheme. The funds can still be made available to meet the same objectives either through State Plans or the Central Ministries.

2. The Committee note that that as of 30 September 2008, 959 projects with an approved cost of Rs. 7070.38 crore had been sanctioned from the NLCPR. However, only 435 projects (56 per cent) involving an expenditure of Rs. 1934.49 crore had been completed within the stipulated period of *i.e.*, by Obtober, 2008 as against the target of 783 projects. Further out of 435 projects completed upto October 2008, only 210 projects (48.27 per cent) were completed as per schedule and the remaining 225 projects were delayed with time overruns ranging from 1 month to 69 months. The Committee further note that out of 91 projects reviewed by the Audit with approved cost of Rs. 1399.89 crore, only 36 projects involving expenditure of Rs. 380.46 crore were completed as of November, 2009. Of these 36 projects, 21 projects were completed with time overrun ranging 4 months to 47 months. The Ministry stated that as on 31.07.2010 there were 321 projects which were incomplete constituting 28.92% of the total projects approved. The Secretary during evidence attributed delays to factors such as law and order, poor availability of the material, the machinery and the manpower. The Committee recommend that Ministry may in coordination with the State Governments analyse the reasons for delays in completion of works so as to remove bottlenecks and ensure timely and efficient execution of the projects.

3. The Committee note that the scrutiny of 32 projects *viz.* (14 bridges, 17 roads and a porter track) out of a total of 224 Road projects that were sanctioned during the period 2002-03 to 2007-08 has revealed that only 11 projects had been completed

***i.e.,* four bridges, six road projects (68.77 km.) and the porter track (95 km.). The reamaining 21 projects were yet to be completed. The Committee note that in most of these cases, progress of execution was very slow and the projects have been inordinately delayed for period ranging from one to five years or more. In many cases, non-completion of the projects was attributable to delay on the part of authorities concerned in release of funds to the executing agencies and the situation is alarming, especially in the State of Assam, where there was a delay of 1461 days in respect of completion of project 'Construction of RCC Bridge No. 20/1, Nalbari road'; 1255 days in 'Construction of RCC Bridge No. 156/2, 159/1, 163/2, 165/2, 172/2, 174/2, 177/1 & 182/2 on Dhodar Ali'; 1058 days in the project 'Construction of RCC Bridge No. 2/2 on Haripur Sansarghat Road'; delay of 1020 days in the project 'Improvement of Bhowraguri Kachugaon Road'; and delay of 1020 days in the project 'Improvement of Dhamdhama Tupali Subankhata (DTS) Road'. Besides the Committee also noticed other irregularities in execution of roads and bridges in NE region such as diversion of funds, cost overrun, undue benefit to contractor, idling of material, improper planning, change in specifications, delay in finalization of tenders, contractors' lackadaisical attitude and law and order problems etc. The Committee recommend that the Ministry need to strengthen their financial management systems by close monitoring and follow up to ensure that there is no diversion or irregular utilisation of NLCPR funds by the State Governments and/or implementing agencies. They should also ensure that there are no cost and time overruns in the execution of projects.**

4. Yet another glaring instance of Poor Project Planning relates to the implementation of "22.92 MW HFO based Thermal Power Plant at Dimapur" under NLCPRS. The Committee note that the Union Ministry of Power had approved this project at a cost of Rs. 105.57 crore in September, 2003, as apart of PM's special economic package for the State of Nagaland which was scheduled to be completed by May, 2005. However, Audit scrutiny of records of the Electrical Transmission Division, Dimapur revealed that the project was foreclosed in May, 2005 after incurring Rs. 32 crore towards construction of building and procurement of machinery and equipment and M/s BHEL handed over the project on 'as is where is basis' to the State Government in July, 2006. The Ministry in their reply have stated that they have released their entire share of Rs. 32.00 crore and the amount was utilized by the State by 1st February, 2005. In June, 2006 it was observed by the Ministry of Power that even after tying up the necessary financial resources the average cost of electricity produced would be around Rs. 5.65 per unit whereas power was available to the State at much cheaper rate from other sources. The unit cost of power was likely to exceed 5.70 per unit as against the bulk power purchased by Government of Nagaland at an average cost of Rs. 1.95 per unit even after the conversion of the power plant to gas based. Hence no further headway could be made in the proposal. The Committee cannot but deprecate the casual manner with which such an important project was taken up without conducting any study on the economic viability of the project, which is a *sine qua non* of project planning. Obviously, lack of project planning or deficient/poor planning could have been the reason for this fiasco. What is surprising to the Committee is the fact that Ministry have released the entire

amount to the State Government without ascertaining whether the project was economically feasible or not. This indicates total lack of planning and monitoring at the Ministry level. The Committee therefore, recommend the Ministry should take lesson from this episode and should beef up their planning and monitoring systems before according their approval and releasing funds to the State Government for implementation of the projects.

5. The Committee note that as against the total accural of Rs. 6525.12 crore in the NLCPR during 2003-04 to 2007-08, the aggregate amount released to NE States was only Rs. 3205 crore constituting 49.12 per cent of the accruals, indicating poor implementation of the programme despite availability of funds. The Committee further note that there were delays on the part of the State Governments in transferring the funds to the executing agencies, ranging from one month to more than thirty months, thereby adversely affecting the implementation of the projects. Further, in terms of the scheme guidelines funds released by the Government of India were to be utilized within six months (as per pre-revised guidelines up to 6 July 2004) or nine months (after revision of guidelines in July, 2004). However, the Committee find that there were delays ranging from 2 to 49 months beyond the permissible six/nine months in utilization of the funds in 43 projects by the States. The Ministry had stated that the guidelines were amended in August, 2009 to tighten the provisions and the States had to transfer the funds to executing agencies within 15 days. Area Officers for all eight NE States had been appointed to verify the fact during their visits. As regards utilization of funds, the Ministry have stated that the delay in utilization was due to various reasons such as restricted working reason due to prolonged rainy season and limitations of technical and professional expertise. The Committee are concerned to note that annual accruals under NLCPR are much higher in comparison to annual released from the fund resulting in accumulation of huge surplus balance under NLCPR. The Committee recommend that Ministry in consultation with State Governments should develop a strategy to improve utilization of funds and accelerate the pace of development in NE region.

6. The Committee note that in terms of the NLCPR guidelines, funds available under the pool are not meant to supplement the normal Plan programmes either of the State Governments or Union Ministries/department/agencies. However, Audit scrutiny of records revealed that the Ministry of DONER diverted an amount of Rs. 1796.58 crore from NLCPR to fund other Schemes resulting in incorrect utilization and shrinkage of the NLCPR pool. According to Audit the Ministry decided to deduct an amount of Rs. 1605.38 crore spent by NEC during 1998-99 to 2001-02 from the NLCPR pool. This decision of the Ministry was against the norms stipulated in the guidelines. The Ministry have stated that the matter has been taken up with the Ministry of Finance and as a result the NLCPR funds are not being diverted to meet NEC expenditure. The Committee trust that the Ministry would take steps to ensure that in future the expenditure incurred on NEC and other inadmissible heads should under no circumstances be debited from the funds of NLCPRS.

7. The Committee are concerned to note that the monitoring of the NLCPR Scheme both at the Ministry level as well as State level is week and ineffective. Audit

scrutiny has revealed that the representative of the Ministry took part in just two out of seven meetings held in Nagaland, one out of 14 meetings in Meghalaya, in none of the seven meetings held in Sikkim and in three out of 17 meetings in Manipur. The Ministry explained to the Committee that owing to paucity of staff it had no fixed criteria for the number of projects to be inspected by the officers. The Ministry further stated that the projects were being monitored through quarterly progress reports, utilization certificates, inspection reports of nodal officers, photographs and also through field visits which are carried out at the State level. The Committee recommend that Ministry should take all possible steps to ensure that the monitoring systems are streamlined so that the projects undertaken by the States are completed on time without any cost and time overruns. They also recommend that necessary steps should be taken by the Ministry to ensure that adequate staff is deputed for monitoring the progress of implementation of projects at regular intervals.

8. The Committee note that there has been Poor Project Planning and Management in the implementation of the projects by the various North-Eastern States. The Committee recommend that the Ministry of DoNER, set up especially with the objective of accelerating development of NE States, should take immediate and appropriate measures to strengthen the capacity building of the States in augmenting their projects planning, good management practices and accelerated and equitable development.

NEW DELHI;
11 *August,* 2011
20 *Sravana,* 1933 *(Saka)*

DR. MURLI MANOHAR JOSHI,
Chairman,
Public Accounts Committee.

APPENDIX I

MINUTES OF THE SECOND SITTING OF THE SUB-COMMITTEE-III OF THE PUBLIC ACCOUNTS COMMITTEE (2010-11) HELD ON 1ST DECEMBER, 2010

The Sub-Committee-III sat on 1st December, 2010 from 1500 hrs. to 1615 hrs. in Committee Room 'A', Parliament House Annexe, New Delhi.

PRESENT

Shri Ramen Deka — *Convener*

MEMBERS

Lok Sabha

2. Dr. K. Sambasiva Rao
3. Kunwar Rewati Raman Singh

Rajya Sabha

4. Shri Prasanta Chatterjee

SECRETARIAT

1. Shri Raj Shekhar Sharma — *Director*
2. Shri M.K. Madhusudhan — *Additional Director*

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

Shri Roy Mathrani — Director General of Audit (Central Expenditure)

2. At the outset, the Convener, Sub-Committee-III of Public Accounts Committee welcomed the Members and Audit Officials to the sitting of the Sub-Committee. Thereafter, the representatives of the Ministry of Development of North-Eastern Regional (DoNER) were called in. The Secretary and other representatives of the Ministry explained in brief the functioning of the scheme and the constraints faced by them in its implementation. They also replied to the various queries of the Members. As some queries required detailed and statistical replies, the Convener directed the Secretary, Ministry of Development of North-Eastern Region to furnish the written replies thereon expeditiously. The Sub-Committee decided to hold another sitting for taking further evidence on the subject on a subsequent date convenient to them.

3. The Convener thanked the representatives of the Ministry of DoNER for appearing before the Committee and for furnishing the available information on the subject. The Convener also thanked the Audit Officials for providing assistance to the Committee in the examination of the subject.

The witnesses, then, withdrew.

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

The Sub-Committee, then, adjourned.

APPENDIX II

MINUTES OF THE THIRD SITTING OF THE SUB-COMMITTEE-III OF THE PUBLIC ACCOUNTS COMMITTEE (2010-11) HELD ON 1ST FEBRUARY, 2011

The Sub-Committee-III sat on 1st February, 2011 from 1500 hrs. to 1600 hrs. in Room No. G-074, Parliament Library Building, New Delhi.

PRESENT

Shri Ramen Deka — *Convener*

MEMBER

Lok Sabha

2. Kunwar Rewati Raman Singh

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri M.K. Madhusudhan — *Additional Director*

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

1. Shri Roy Mathrani — Director General of Audit (CE)
2. Ms. Atoorva Sinha — Director

Representatives of the Ministry of Development of North-Eastern Region

1. Mrs. Jayati Chandra — Secretary
2. Shri P.K. Pattanaik — Joint Secretary
3. Mrs. Sudha Krishnan — JS&FA
4. Mrs. Kirti Saxena — Economic Adviser
5. Shri Rajesh Kumar — Director
6. Shri P.R. Meshram — Director
7. Shri K. Guite — Director
8. Shri Uday Shanker — Director (IFD)

2. At the outset, the Convener, Sub-Committee-III of Public Accounts Committee welcomed the Member and Audit Officials to the sitting of the Sub-Committee. The Convener then apprised that the sitting has been convened to take oral evidence of the representatives of Ministry of Development of North-Eastern Region (DoNER) on Report No. 5 of 2010-11 of C&AG on 'Non-Lapsable Central Pool of Resources (NLCPR) Scheme'. Thereafter, the representatives of the Ministry of Development of North-Eastern Region (DoNER) were called in. The Secretary and other representatives of the Ministry replied to the various queries of the Members. They also explained in brief the corrective action taken by the Ministry on the Audit findings and the lapses

indicated by the Sub-Committee during the last sitting. As some queries required detailed and statistical replies, the Convener directed the Secretary, Ministry of Development of North-Eastern Region to furnish the written replies thereon expeditiously. The Sub-Committee decided to hold another sitting for taking further evidence on the subject on a subsequent date convenient to them.

3. The Convener thanked the representatives of the Ministry of DoNER for appearing before the Committee and for furnishing the available information on the subject. He also thanked the Audit Officials for providing assistance to the Committee in the examination of the subject.

The witnesses, then, withdrew.

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

The Sub-Committee, then, adjourned.

APPENDIX III

MINUTES OF THE SECOND SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2011-12) HELD ON 28TH JUNE, 2011

The Committee sat on Tuesday, the 28th June, 2011 from 1100 hrs. to 1330 hrs. in Room No. '53', First Floor, Parliament House, New Delhi.

PRESENT

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Shri Sandeep Dikshit
4. Shri Anant Kumar Hegde
5. Shri Bhartruhari Mahtab
6. Shri Shripad Yesso Naik
7. Shri Sanjay Nirupam
8. Shri Jagdambika Pal
9. Dr. Kavuru Sambasiva Rao
10. Shri Adhi Sankar
11. Kunwar Rewati Raman Singh
12. Shri K. Sudhakaran
13. Dr. M. Thambidurai
14. Dr. Girija Vyas

Rajya Sabha

15. Shri Prasanta Chatterjee
16. Shri Naresh Gujral
17. Shri Satish Chandra Misra
18. Smt. Jayanthi Natarajan
19. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri Abhijit Kumar — *Director*
3. Shri M.K. Madhusudhan — *Additional Director*

4.	Shri Sanjeev Sharma	—	*Deputy Secretary*
5.	Shri D.R. Mohanty	—	*Deputy Secretary*
6.	Smt. A. Jyothirmayi	—	*Under Secretary*

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

1.	Shri R.S. Mathrani	—	Director General of Audit (Central Expenditure)
2.	Shri Gautam Guha	—	Director General of Audit (Defence Service)
3.	Ms. Geetali Taare	—	Pr. Director of Audit (Scientific Department)
4.	Shri Bhawani Shankar	—	Pr. Director (Economic Service and Ministries)

2. At the outset, the Chairman welcomed the Members and the representatives of the Office of the C&AG to the sitting of the Committee. The Chairman, then, apprised that the sitting was convened to consider the draft Reports of the Committee. Thereafter, the Committee took up the following draft Reports for consideration:

(i) *** *** *** ***

(ii) Draft Report on 'Non-Lapsable Central Pool of Resources Scheme' based on C&AG Report No. PA 5 of 2010-11;

(iii) *** *** *** ***

(iv) *** *** *** ***

(v) *** *** *** ***

3. After detailed deliberations, the Committee adopted these draft Reports, one by one with some modifications/amendments and authorized the Chairman to finalise and present the same to the Parliament in the light of factual verification done by Audit.

4. *** *** *** ***. Similarly in respect of draft Report on 'Non-Lapsable Central Pool of Resources Scheme' some Members desired that a D.O. Letter should be addressed to the Ministry of Development of North-Eastern Region drawing their attention to poor/non-implementation of various schemes in the North-Eastern Region and the need for setting up of a monitoring committee to oversee the proper implementation of various schemes/projects in the region. The Committee concurred with the views of the Members.

5. *** *** *** ***

6. *** *** *** ***

7. *** *** *** ***

The Committee, then, adjourned.

GMGIPMRND—1523LS—12.10.2011.