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**NON-LAPSABLE CENTRAL
POOL OF RESOURCES
(NLCPR) SCHEME**

[Action Taken by the Government on the Observations/
Recommendations of the Committee contained in their
Thirty-eighth Report (15th Lok Sabha)]

**MINISTRY OF DEVELOPMENT OF
NORTH-EASTERN REGION (DoNER)**

**PUBLIC ACCOUNTS
COMMITTEE
2012-2013**

SIXTY-THIRD REPORT

FIFTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

SIXTY-THIRD REPORT
PUBLIC ACCOUNTS COMMITTEE
(2012-2013)
(FIFTEENTH LOK SABHA)

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RESOURCES (NLCPR) SCHEME

[Action Taken by the Government on the Observations/Recommendations of
the Committee contained in their Thirty-eighth Report (15th Lok Sabha)]

MINISTRY OF DEVELOPMENT OF
NORTH-EASTERN REGION (DoNER)

Presented to Lok Sabha on 30 August, 2012
Laid in Rajya Sabha on 30 August, 2012



LOK SABHA SECRETARIAT
NEW DELHI

August, 2012/Bhadrapada, 1934 (Saka)

P.A.C. No. 1979

Price: ₹ 28.00

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

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2012-13)

Dr. Murli Manohar Joshi — *Chairman*

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3. Dr. Baliram
4. Shri Sandeep Dikshit
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21. Shri N.K. Singh
22. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri D.R. Mohanty — *Deputy Secretary*

INTRODUCTION

I, the Chairman, Public Accounts Committee (2012-13), having been authorised by the Committee, do present this Sixty-third Report (Fifteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Thirty-eighth Report (Fifteenth Lok Sabha) on '**Non-Lapsable Central Pool of Resources (NLCPR) Scheme**' relating to the Ministry of Development of North-Eastern Region (DoNER).

2. The Thirty-eighth Report was presented to Lok Sabha/laid in Rajya Sabha on 11th August, 2011. Replies of the Government to the Observations/Recommendations contained in the Report were received on 15th March, 2012. The Public Accounts Committee considered and adopted this Report at their sitting held on 23rd August, 2012. Minutes of the sitting are given at *Appendix-I*.

3. For facility of reference and convenience, the Observations and Recommendations 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. An analysis of the Action Taken by the Government on the Observations/Recommendations contained in the Thirty-eighth Report (Fifteenth Lok Sabha) is given at *Appendix-II*.

NEW DELHI;
28 August, 2012

6 Bhadrapada, 1934 (Saka)

DR. MURLI MANOHAR JOSHI
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Public Accounts Committee deals with the action taken by the Government on the Observations/Recommendations of the Committee contained in their Thirty-eighth Report (Fifteenth Lok Sabha) on 'Non-Lapsable Central Pool of Resource (NLCPR) Scheme' based on C&AG Report No. 5 of 2010-11 (Performance Audit), Union Government (Civil) relating to the Ministry of Development of North-Eastern Region (DoNER).

2. The Thirty-eight Report (Fifteenth Lok Sabha) was presented to Lok Sabha/laid in Rajya Sabha on 11th August, 2011. It contained 8 Observations/Recommendations. Action Taken Notes in respect of all the Observations/Recommendations have been received from the Ministry of Development of North-Eastern Region (DoNER) and categorized as under:

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

Para Nos. 2, 3, 4, 6, 7 & 8

Total: 06
Chapter-II

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

Para No. 1

Total: 01
Chapter-III

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

Para No. 5

Total: 01
Chapter-IV

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

-NIL-

Total: NIL
Chapter-V

3. The Thirty-eighth Report of the Committee was based on the Audit review of the 'Non-Lapsable Central Pool of Resources (NLCPR) Scheme' which is to be funded from the unspent amount out of the stipulated ten percent of Gross

Budgetary Support (GBS) for the year with the objective of the Infrastructural Development of North-Eastern Region for the economic and social upliftment of North-Eastern States.

4. The detailed examination of the subject by the Committee have revealed serious shortcomings/lapses on the part of the Ministry of Development of North-Eastern Region (Ministry of DoNER) which *inter-alia* included delay in the creation of the reserve fund in the Public Account; cost and time overrun in the execution of the projects; weak and ineffective monitoring and follow up by the Ministry as well as by the States; diversion and irregular utilization of funds by the State Government and/or implementing agencies; poor project planning as evident in the case of 'Thermal Power Plant at Dimapur; inadequate staff, etc. The Committee had accordingly given their Observations/Recommendations in their Thirty-eighth Report.

5. The Action Taken Notes furnished by the Ministry of DoNER to each of the Observation/Recommendation of the Committee contained in their Thirty-eighth Report have been reproduced in the relevant Chapters of this Report. the Committee will not deal with the action taken by the Government on some of their Observations/Recommendations which either need reiteration or merit comments.

A. Inordinate Delays in the Completion of NLCPR Projects

Recommendation (Para No. 3)

6. In their Thirty-eighth Report, the Committee had observed that out of the 32 projects (14 bridges, 17 roads and one porter track) that were taken up for Audit scrutiny out of the total 22 Road Projects that were sanctioned during the period 2002-03 to 2007-08, only 11 projects had been completed. The Committee expressed their displeasure to observe that in most of the remaining 21 projects, the progress of execution was very slow and the projects were inordinately delayed for a period ranging from one to five years or more. Observing several other irregularities in the execution of Road and Bridge projects in the North-Eastern 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, law and order problems, etc. the Committee had recommended the Ministry to strengthen their monitoring mechanism to remove the infirmities especially diversion or irregular utilization of NLCPR funds by the State Governments and/or implementing agencies and time and cost overrun in the execution of the projects.

7. In their Action Taken Note, the Minister of DoNER have stated as under:—

"Under NLCPR Scheme the cost overrun due to time overrun is normally not being considered to discourage the delay in project implementation. To avoid delay in transfer of funds by State Government to the implementing agencies, NLCPR Scheme guidelines have been amended and time limit of 15 days has been fixed for transfer of funds by the State Governments to implementing agencies. Also State Government has to

appoint Nodal Officer for each project, who is responsible for submission of quarterly progress reports to the Ministry. To strengthen the monitoring of projects, apart from the area officer designated for the various States, inspections are also being conducted by the officers of Technical Wing of the Ministry.

To further strengthen the monitoring mechanism the projects monitoring through independent agencies, in line the JNNURM Scheme, have been introduced since 13.07.2011. Wherein, projects will be inspected by the independent agency during construction and post construction stages for which funds will be provided by the Ministry of DoNER. Ministry has already short listed the projects for independent monitoring for current financial year and sent it to the State Governments, for appointment of independent agencies and monitoring on 08.09.2011. Under the mechanism the State Governments are also free to take up the projects for independent monitoring in addition to list provided by the Ministry. The Chief Secretaries of North-Eastern States have been advised again to review the NLCPR Projects regularly on quarterly basis to avoid delay in implementation of projects and other issues like time and cost overrun etc. They have also been advised to conduct the regular audit of NLCPR scheme to ensure proper utilization of funds."

8. The Committee note that pursuant to their recommendation to strengthen the monitoring mechanism for ensuring proper utilization of funds and timely completion of projects under the NLCPR Scheme, the Ministry have initiated a number of measures which *inter-alia* include amendments in the guidelines, obtaining quarterly progress reports from the State Nodal Officers, conducting inspections through the Technical Wing of the Ministry, advising the Chief Secretaries of the North-Eastern States to review the NLCPR Projects regularly on quarterly basis etc. The Committee feel that these are steps in right direction to avoid delay and time and cost overrun in the implementation of NLCPR Projects and they desire that the momentum should continue unabated. The Committee also recommend that in addition to the measures already undertaken to ensure timely completion of projects, the Ministry should further intensify their monitoring mechanism to also ensure that under no circumstances there is diversion of fund meant for projects under the NLCPR Scheme.

B. Poor Project Planning of Dimapur Thermal Power Project, Nagaland

Recommendation (Para No. 4)

9. In their Thirty-eighth Report, the Committee had observed serious lapses on the part of the Ministry of DoNER in the planning and monitoring relating to the implementation of 22.92 MWHFO based Thermal Power Project at Dimapur, Nagaland under NLCPR. The project was approved by the Ministry of Power at a cost of Rs. 105.57 crore in September, 2003 which was scheduled to be completed in May, 2005. However, the project was foreclosed in May, 2005 after incurring an expenditure of ₹32 crore towards construction of building and procurement of

machinery and equipment which was released by the Ministry of DoNER as their share. In June, 2006 it was realized by the Ministry of Power that the cost of the electricity produced by this power Plant would be very high (Rs. 5.65/unit) as compared to the cost of the Power purchased by the State Government of Nagaland (₹ 1.95/unit) from other sources. Deprecating the casual manner displayed by the Ministry in taking up such an important project without conducting any study on the economic viability and without ascertaining the economic feasibility of the project, the Committee had recommended the Ministry to beef up their planning and monitoring systems before according their approval and releasing funds to the State Governments for implementation of the projects.

10. The Ministry of DoNER in their Action Taken Note have stated us under:

"The PAC in its meeting on 1st February, 2011 directed that a fresh case may be made of the matter and taken to PMO. Accordingly, PMO was apprised of the status in March, 2011. The PMO director, *vide* ID No. 14/14/2004-NESC dated 16.06.2011, that the matter may be placed before the Committee of Secretaries (CoS).

Draft CoS Note was circulated to all concerned Ministries for comments and the State Governments were also requested to furnish report on the status of the projects and stock of equipment and machineries. After obtaining comments, the final Note incorporating the comments was sent to Cabinet Secretariat on 20.09.2011.

The matter was discussed in the meeting of the CoS in Cabinet Secretariat on 2nd November, 2011. The decisions taken in the meeting circulated *vide* O.M. of Cabinet Secretariat, dated 14.11.2011 were as under:

- (a) The land acquired for the project and the civil structures may be utilized by the State Government for any other public purpose;
- (b) The equipment procured for the project may be auctioned by the State Government on as is where is basis after ascertaining the reserved price in consultation with BHEL and the proceeds thereof may be remitted to Government of India within 3 months;
- (c) Shortfall of proceeds *vis-a-vis* the amount released by Ministry of DoNER may be waived off.
- (d) The CoS decision was intimated to State Government *vide* letter dated 17.11.2011 with the request to initiate action immediately so as to complete the entire process within the stipulated time."

11. The Committee note that pursuant to their recommendation, the Ministry made a fresh case and took it to the PMO who in turn directed that the matter be placed before the Committee of Secretaries (CoS). The Committee find that the CoS took certain decisions like utilization of the land and civil structures by the State Government for any other public purpose, auction of the equipment procured etc. The Ministry have intimated that the decisions of the CoS have been forwarded to the State Government on 17th November, 2011 for necessary action. But the

Ministry have not intimated the Committee of the specific action taken by the State Government on the CoS decisions, even though the ATN was furnished to the Committee four months after the CoS decision was conveyed to the State Government. The Committee would therefore like to be apprised of the detailed action taken by the Government of Nagaland on the CoS decision within one month of the presentation of this Report. The Committee hope that the Dimapur Thermal Power Project fiasco would act as an eye opener for the Ministry and the Ministry would take all requisite measure *i.e.* prudent advance planning and conducting study on the economic viability/feasibility of the projects funded from the Prime Minister's special package so that the projects are actually realized and the intended benefits accrued to the people of the North-Eastern States. The Committee, however, recommend that responsibility be fixed on the Officials responsible for the Dimapur Thermal Power Project fiasco so that such lapses do not recur.

C. Abnormal Delay in Utilization of Funds by the States/Implementing Agencies

Recommendation (Para No. 5)

12. The Committee, in their Thirty-eighth Report, had observed poor implementation of the NLCPR projects, Despite availability of funds, the aggregate amount released to North-Eastern States was only Rs. 3205 crore *i.e.* only 49.12 per cent of the accruals, against the total accrual of Rs. 6525.12 crore in the NLCPR during 2003-04 to 2007-08. Further it was observed that there were delays on the part of State Governments in transferring the funds to their executing agencies as well as delays ranging from 2 to 49 months in utilisation of the funds in a number of projects by the States. Expressing their concern over the fact that annual accruals under NLCPR were much higher in comparison to the annual release from the fund resulting in accumulation of huge surplus balance under NLCPR, the Committee had recommended that the Ministry of DoNER in consultation with State Governments should develop a strategy to improve utilisation of funds so as to accelerate the pace of development in North-Eastern Region.

13. The Ministry of DoNER in their Action Taken Note have stated as under:

"The accruals in the "Central Resource pool for development of North-Eastern Region" are not available to the Ministry of DoNER, however, they are kept in a national pool. The Ministry of DoNER only gets budgetary allocation every year from the "Central Resource pool for development of North-Eastern Region" for funding the infrastructure projects under NLCPR Scheme. The Ministry of Development of North-Eastern Region have successfully exhausted the budget allocations of NLCPR scheme year after year, except for couple of years when the funds were not released to the State Governments at the fag-end of financial year, as advised by the Ministry Finance, to avoid parking of funds.

To accelerate the Utilization of funds in the NLCPR Pool and to increase the pace of development in NE Region, Ministry have introduced a new scheme called 'NLCPR-Central' on 19.09.2011. The 'NLCPR-Central' shall be effective

from the year 2012-13. Under NLCPR-Central Scheme, the funds of the "Central Resource pool for development of North-Eastern Region" are made available to the various Central Ministries on 100 percent grant basis for taking up the projects of regional and national priorities in the North-Eastern Region in addition to the projects taken up through 10 percent mandatory earmarking. Like NLCPR Scheme, under NLCPR-Central Scheme also funds are not meant to supplement the normal Plan Programme of the Central Ministries/Departments/Agencies. The NLCPR-Central Scheme is expected to utilize the funds in the "Central Resource pool for development of North-Eastern Region" with greater efficiency and increase the pace of development in the North-Eastern Region."

14. The Committee note that the Ministry have introduced a new scheme called 'NLCPR-Central' on 19th September 2011 with a view to accelerating the utilization of funds in the NLCPR Pool and increasing the pace of development in the North-Eastern Region. The Committee also, find that like the NLCPR Scheme, under the 'NLCPR-Central' Scheme also, funds are not meant to supplement the normal Plan Programme of the Central Ministries/Departments/Agencies. What concerns the Committee is the fact that without spelling out the specific measures contemplated for proper and optimal utilization of funds under the newly launched 'NLCPR-Central' Scheme, the Ministry have just expected that there would be greater utilization of funds and faster development in the North-Eastern Region. The Committee are, therefore, of the view that without leaving things to take their own course, the Ministry should take concerted measures, in light of the experience gained in the process of implementation of the earlier scheme where funds utilization was low, so that utilization of fund under the new scheme is done with greater efficiency and the pace of development in the North-Eastern Region accelerated commensurately.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Observation/Recommendation No. 2

The Committee note that as of 30th 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 October, 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 approval 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 31.7.2010 there were 321 projects which were incomplete constituting 28.92% of the total projects approved. The Secretary during evidence attributed delay 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 analyze the reasons for delays in completion of works, so as to remove bottlenecks and ensure timely and efficient execution of the projects.

[Sl. No. 2 of the 38th Report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Action Taken by the Government

To ascertain the reasons for delay, apart from holding reviews State Governments were invited to make presentations before the NLCPR Committee. It was observed that besides, law and order, poor availability of the material, machinery and manpower; the short working season, long rainy season, severe winter and adverse geographical conditions are also the reasons for delay in completion of projects. Hence, State Governments have been advised to use the lean period for documentation purpose such as preparation of DPRs, tendering of works etc. so that optimum use of working season could be made for actual construction. Further regular reviews are being held with the State Governments and emphasis is being given on the site inspections and monitoring. The monitoring of projects by the independent agencies, in line with JNNURM Scheme, has been introduced since 13.07.2011. Besides State Governments are being called to make representations before the NLCPR Committee explaining their action plan for completion of projects. Up to 31.12.2011 the State Governments have reported completion of 635 projects which is expected to increase further.

Comments of DG Audit (CE)

No comments.

[Ministry of Development of North-Eastern Region O.M. No. DNER/NLP/NER/1(PAC)/2010 dated 15.03.2012]

Observation/Recommendation No. 3

The Committee note that the scrutiny of 32 projects *viz.* (14 bridges, 17 roads and a porter track) out of total 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 remaining 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, 159/2, 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 Sensarghat Road'; and 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 noted 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 utilization 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.

[Sl. No. 3 of the 38th Report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Action Taken by the Government

Under NLCPR Scheme that cost overrun due to time overrun is normally not being considered to discourage the delay in project implementation. To avoid delay in transfer of funds by State Government to the implementing agencies, NLCPR Scheme guidelines have been amended and time limit of 15 days has been fixed for transfer of funds by the State Governments to implementing agencies. Also State Government has to appoint Nodal officer for each project who is responsible for submission of quarterly progress reports to the Ministry. To strengthen the monitoring of projects, apart from the area officer designated for the various States, inspections are also being conducted by the officers of Technical Wing of the Ministry.

To further strengthen the monitoring mechanism the projects monitoring through independent agencies, in line with JNNURM Scheme, have been introduced since 13.07.2011. Wherein, projects will be inspected by the independent agency during construction and post construction stages for which funds will be provided by the M/o DoNER. Ministry has already short listed the projects for independent monitoring for current financial year and sent it to the State Governments for appointment of independent agencies and monitoring on 08.09.2011. Under the mechanism the State Governments are also free to take up the projects for independent monitoring in addition to list provided by the Ministry. The Chief Secretaries of North-Eastern States have been advised again to review the NLCPR projects regularly on quarterly basis to avoid delay in implementation of projects and other issues like time and cost overrun etc. They have also been advised to conduct the regular audit of NLCPR Scheme to ensure proper utilization of funds.

Comments of DG Audit (CE)

As recommended by the Public Accounts Committee, the Ministry may also mention about the action taken to strengthen the monitoring mechanism to ensure that there is no diversion or irregular utilization of NLCPR funds by State Governments and/or implementing agencies.

Reply of Ministry of DoNER

The diversion or irregular utilization of funds by the State Governments can only be checked with regular Audit of Accounts. Hence, apart from strengthening the monitoring system the Chief Secretaries of North-Eastern States have been advised for regular review of NLCPR projects and to conduct the regular audit of NLCPR Scheme/projects. The DG Audit (CE) may also like advise their counterpart in the NE States for conducting regular audit of NLCPR Scheme/projects.

[Ministry of Development of North-Eastern Region O.M. No. DNER/NLP/NER/1(PAC)/2010 dated 15.03.2012]

Comments of the Committee

Please *see* Para No. 8 of Chapter-I

Observation/Recommendation No. 4

Yet another glaring instance of Poor Project Planning relates to the implementation of "22.92 MWHFO base Thermal Power Plant at Dimapur" under NLCPR. 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 a part 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 trying 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 of 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 system before according their approval and releasing funds to the State Government for implementing of the projects.

[Sl. No. 4 of the 38th Report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Action Taken by the Government

The PAC in its meeting on 1st Feb., 2011 directed that a fresh case may be made of the matter and taken to PMO. Accordingly, PMO was apprised of the status in March 2011. The PMO directed, *vide* ID No. 14/14/2004-NESC dated 16.06.2011, that the matter may be placed before the Committee of Secretaries (CoS).

2. Draft CoS Note was circulated to all concerned Ministries for comments and the State Government was also requested to furnish report on the status of the project and stock of equipment and machineries. After obtaining comments, the final Note incorporating the comments was sent to Cabinet Secretariat on 20.09.2011.

3. The matter was discussed in the meeting of the CoS in Cabinet Secretariat on 2nd November, 2011. The decisions taken in the meeting circulated *vide* OM of Cabinet Sectt., dated 14.11.2011 were as under:

- (a) The land acquired for the project and the civil structures may be utilized by the States Government for any other public purposes;
- (b) The equipment procured for the project may be auctioned by the State Government on as is where is basis after ascertaining the reserved price in consultation with BHEL and the proceeds thereof may be remitted to Government of India within 3 months;
- (c) Shortfall of proceeds *vis-a-vis* the amount released by M/o DoNER may be waived off.

4. The CoS decision was intimated to State Government *vide* letter dated 17.11.2011 with the request to initiate action immediately so as to complete the entire process within the stipulated time.

Comments of DG Audit (CE)

No comments.

[Ministry of Development of North-Eastern Region O.M. No. DNER/NLP/NER/1 (PAC)/2010 dated 15.03.2012]

Comments of the Committee

Please *see* Para No. 11 of Chapter-I.

Observation/Recommendation No. 6

The Committee note that a terms of the NLCPR guidelines, funds available under the pool are not meant to supplement the normal plan programmes either of the State Government 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 on 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 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 NLCPR.

[Sl. No. 6 of the 38th Report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Action Taken by the Government

The Ministry have already written to M/o Finance conveying its portest for such diversion of funds. As a result of decisions taken subsequent to meeting of the Committee of Secretaries, dated 16/5/2007, the NLCPR funds are not being diverted to meet NEC expenditure.

Comments of DG Audit (CE)

No comments.

[Ministry of Development of North-Eastern Region O.M. No. DNER/NLP/NER/1 (PAC)/2010 dated 15.03.2012]

Observation/Recommendation No. 7

The Committee are concerned to note that the monitoring the NLCPR Scheme both at the Ministry level as well as State level is weak 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 not 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 recommended that ministry should take all possible steps to ensure that the monitoring system are streamlined so that the projects undertaken by the States are completed on time without any cost and time overruns. They also recommended 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.

[Sl. No. 7 of the 38th Report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Action Taken by the Government

Considering the paucity of staff in the Ministry, Area Officers have been designated for the various States for taking up the field inspection of the projects. Apart from Area Officers, officers of Technical Wing of M/o DoNER are also being deputed from time to time for inspection of projects. The Nodal officers of the project appointed by the State Governments are also responsible for implementation and inspections of projects. The Inspection reports of the Nodal Officers are being asked invariably before considering the release of 2nd and subsequent installments of funds in each project. The Chief Secretary of the States have been advised to take up the regular review of NLCPR projects on quarterly basis. The Ministry has also asked the officers up to the level of Under Secretary above in the Ministry for taking field inspections.

To further strengthen the existing monitoring mechanism, Ministry has introduced the independent monitoring of the projects inline with JNNURM Scheme on 13.07.2011.

Comments of DG Audit (CE)

No comments.

[Ministry of Development of North-Eastern Region O.M. No. DNER/NLP/
NER/1 (PAC)/2010 dated 15.03.2012]

Observation/Recommendation No. 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 objectives of accelerating development of NE State, 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.

[Sl. No. 8 of the 38th Report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Action Taken by the Government

The Ministry has an on-going scheme called Capacity Building and Technical Assistance (CB&TA). Under the Scheme for strengthening the capacity of the States in augmenting their projects planning, good management practices and accelerated and equitable development the Ministry has conducted following training programme during last three years:

Year	Nos. of Govt. Officials trainees	Details
2008-09	173	Training in <ol style="list-style-type: none"> i. Rural Dev. through Agro Entrepreneur. ii. Promotion of Micro Enterprises. iii. Promotion of Micro Enterprise for SHGs. iv. Development of Enterprise through cluster Dev. in NER. v. Training of Trainees on Entrepreneurship Dev. 5. Courses by NIMSME vi. Programme on planning, implementation, monitoring & Evaluation of Dev. Prog. by Admn. Staff College of India, Hyderabad.
2009-10	190	<ol style="list-style-type: none"> i. Programme on planning, implementation, monitoring & Evaluation of Dev. Prog. by Admn. Staff College of India, Hyderabad. ii. Programme on enhancing analytical skill for rational decision making by NIFM Faridabad. iii. Six management course programmes by IIM Kolkata.
2011-12	840	<ol style="list-style-type: none"> i. Programme on enhancing analytical skill for rational decision making NIFM, Faridabad. ii. Road construction and maintenance by National Institute for training of Highway Engineers.

The Ministry will continue conducting such programme to strengthen the capacity building of any State for planning, management and implementation of projects to accelerate the development.

Comments of DG Audit (CE)

No comments.

[Ministry of Development of North-Eastern Region O.M. No. DNER/NLP/
NER/1(PAC)/2010 dated 15.03.2012]

CHAPTER III

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

Observation/Recommendation No. 1

The Committee note that in terms of the Cabinet decisions 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 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 the NLCPR funding constitutes only around four per cent of the total expenditure in NE Region, and 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.

[Sl. No. 1 of the 38th Report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Action Taken by the Government

Though NLCPR funding constitutes only 4% of the total expenditure of the NE Region, but it is over and above the mandatory 10% of GBS earmarked by 52 non-exempted Central Ministries and the State Annual Plans approved by Planning Commission. The details of expenditure by non-exempted Central Ministries/Departments and Annual Plan outlays of the North-Eastern States during last three years are given in table below. The various Central Ministries who deal with the specific sectors of development have major role for all-round development of North-Eastern region. It may be seen that during 2010-11 the expenditure of non-exempted Central Ministries/Departments is more than 24 times and Annual Plan outlays are more than 26 times the spending through NLCPR Scheme.

(Rs. in crore)			
Year	Expenditure by non-exempted Ministries/ Departments NE Region	Annual Plan outlay of NE States	Expenditure through NLCPR Scheme
2008-09	12733.74	14938.11	660.38
2009-10	14692.68	17675.00	668.62
2010-11	*19779.06	21010.00	805.77
	47205.48	53623.11	2134.77

*Figures of 2010-11 are provisional. Confirmation from M/o Finance awaited.

The NLCPR scheme is for spending the unspent amount of mandatory 10% earmarked GBS of 52 non-exempted Ministries. Under the NLCPR scheme funding is provided for the projects which are not covered under the normal schemes of various Central Ministries. Hence, the continuance of NLCPR scheme is important to ensure the funding of such gaps which are not covered under any other scheme of the Central Ministries. Also the guidelines of NLCPR scheme are being amended from time to time to make it more efficient and to increase the fund flow.

Further, to increase the fund flow from "Central Resource pool for development of North-Eastern Region" and to increase the pace of development, Ministry of Development of North-Eastern Region have introduced a new scheme called 'NLCPR-Central' on 19-09.2011. The 'NLCPR-Central' shall be effective from the year 2012-13 under 'NLCPR Central' Scheme, the funds of the "Central Resource pool for development of North-Eastern Region" are being made available to the various Central Ministries on 100% grant basis for taking up the projects of regional and national priorities in the North-Eastern Region in addition to the projects taken up by them through 10% mandatory earmarking. Like NLCPR Scheme, under 'NLCPR-Central' Scheme also funds are not meant to supplement the normal Plan Programme of the Central Ministries/Departments/Agencies. The NLCPR-Central Scheme is expected to utilize the funds in the "Central Resource pool for development of North-Eastern Region" with greater efficiency and increase the pace of development in the North-Eastern Region.

Comments of DG AUDIT (CE)

No Comments.

[Ministry of Development of North-Eastern Region O.M. No. DNER/NLP/NER/1(PAC)/2010 dated 15.03.2012]

CHAPTER IV

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

Observation/Recommendation No. 5

The Committee note that as against the total accrual of Rs. 6525.12 crore in the LNCPR 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 their 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 6th 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 N.E. 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 experts. The Committee are concerned to note that annual accruals under NLCPR are much higher in comparison to annual release 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.

[Sl. No. 5 of the 38th Report of the Public Accounts Committee
(Fifteenth Lok Sabha)]

Action Taken by the Government

The accruals in the "Central Resource pool for development of North-Eastern Region" are not available to the Ministry of DoNER, however, they are kept in a national pool. The M/o DoNER only gets budgetary allocation every year from the "Central Resource pool for development of North-Eastern Region" for funding the infrastructure projects under NLCPR Scheme. The M/o Development of North-Eastern Region have successfully exhausted the budget allocations of NLCPR Scheme year after year, except for couple of years when the funds were not

released to the State Governments at the fag-end of financial year, as advised by the M/o Finance, to avoid parking to funds.

To accelerate the utilization of funds in the NLCPR pool and to increase the pace of development in NE Region, Ministry have introduced a new scheme called 'NLCPR-Central' on 19.09.2011. The 'NLCPR-Central' shall be effective from the year 2012-13. Under NLCPR-Central Scheme, the funds of the "Central Resource pool for development of North-Eastern Region" are made available to the various Central Ministries on 100% grant basis for taking up the projects of regional and national priorities in the North-Eastern Region in addition to the projects taken up by them through 10% mandatory earmarking. Like NLCPR Scheme, under 'NLCPR-Central' Scheme also funds are not meant to supplement the normal plan programme of the Central Ministries/Departments/Agencies. The NLCPR-Central Scheme is expected to utilize the funds in the "Central Resource pool for development of North-Eastern Region" with greater efficiency and increase the pace of development in the North-Eastern Region.

Comments of DG Audit (CE)

No comments.

[Ministry of Development of North-Eastern Region O.M. No. DNER/NLP/
NER/1(PAC)/2010 dated 15.03.2012]

Comments of the Committee

Please *see* Para No. 14 of Chapter-I.

CHAPTER V

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

-NIL-

NEW DELHI;
28 August, 2012

06 Bhadrapada, 1934 (Saka)

DR. MURLI MANOHAR JOSHI
Chairman,
Public Accounts Committee.

APPENDIX I

MINUTES OF THE TENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2012-13) HELD ON 23RD AUGUST, 2012

The Public Accounts Committee sat on Thursday, the 23rd August, 2012 from 1500 hrs. to 1600 hrs. in Room No. '51' (Chairman's Chamber), Parliament House, New Delhi.

PRESENT

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

2. Dr. Baliram
3. Shri Sandeep Dikshit
4. Shri Anant Kumar Hegde
5. Shri Bhartruhari Mahtab
6. Shri Sanjay Nirupam
7. Shri Shripad Yesso Naik
8. Dr. Shashi Tharoor
9. Shri Dharmendra Yadav

Rajya Sabha

10. Shri Prasanta Chatterjee
11. Shri Prakash Javadekar
12. Shri Sukhendu Sekhar Roy
13. Shri N.K. Singh
14. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri Abhijit Kumar — *Director*
3. Shri D.R. Mohanty — *Deputy Secretary*
4. Smt. A. Jyothirmayi — *Deputy Secretary*
5. Ms. Miranda Ingudam — *Under Secretary*
6. Shri A.K. Yadav — *Under Secretary*

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

1. Ms. Shubha Kumar — Director General (Report Central)
2. Ms. Geetali Tare — Pr. Director (Scientific Departments)
2. *** **
3. *** **
4. The Committee then took-up the following Draft Reports for consideration:
 - (i) *** **
 - (ii) *** **
 - (iii) *** **
 - (iv) Draft Report on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Thirty-eighth Report (Fifteenth Lok Sabha) on 'Non-Lapsable Central Pool of Resources (NLCPR) Scheme'.

5. After Some discussions, the Committee adopted the Draft Reports and authorized the Chairman to finalise the four Reports adopted by them, in light of their suggestions and the factual verifications received from the Audit and present the same to the House on a date convenient to him.

6. The Chairman thanked the Members for their valuable suggestions on the consideration of the Draft Reports and Selection of additional subjects.

The Committee, then adjourned.

APPENDIX II

(Vide para 5 of Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR THIRTY-EIGHTH REPORT (FIFTEENTH LOK SABHA)

- | | | |
|--|---|------------------------------|
| (i) Total No. of Observations/Recommendations | - | 08 |
| (ii) Observations/Recommendations of the Committee which have been accepted by the Government : | - | Total: 6
Percentage-75% |
| Para Nos. 2-4, 6-7 and 8 | | |
| (iii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government : | - | Total: 1
Percentage-12.5% |
| Para No. 1 | | |
| (iv) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration: | - | Total: 1
Percentage-12.5% |
| Para No. 5 | | |
| (v) Observations/Recommendations in respect of which Government have furnished interim replies: | - | Total: 0
Percentage-0% |
| -NIL- | | |

PARLIAMENTARY PUBLICATIONS CAN ALSO BE OBTAINED FROM THE FOLLOWING AUTHORISED AGENTS:—

Sl.No.	Name of Agent	Sl.No.	Name of Agent
	ANDHRA PRADESH	13.	M/s. Jayna Book Depot, Chowk Chhapparwala, Bank Street, Karol Bagh, New Delhi-110005.
1.	M/s. Ashok Book Centre, Benz Circle, Vasavya Nagar, Vijaywada-520006. (A.P)	14.	M/s. Standard Book Co., 125, Municipal Market, Connaught Place, P.B. No. 708, New Delhi-110001. (T. No. 23411919)
	BIHAR	15.	M/s. D.K. Agencies (P) Ltd. A/15-17, Mohan Garden, Najafgarh Road, New Delhi-110059.
2.	M/s. Progressive Book Centre, Zila School, Pani Tanki Chowk, Ramna, Muzaffarpur-842002. (Bihar)	16.	M/s. Vijay Book Service C-D/123/C, Pitam Pura, New Delhi-110034.
	DELHI		MADHYA PRADESH
3.	M/s. Jain Book Agency, C-9, Prem House, Connaught Place, P.B. No. 1113, New Delhi-110001.	17.	M/s. Suvidha Law House, 28 Malviya Nagar, Roshanpura, Bhopal-462003.
4.	M/s. Bookwell, 2/72, Sant Nirankari Colony, Kingsway Camp, Delhi-110009.		MAHARASHTRA
5.	M/s. Rajendra Book Agency, IV-D-50, Lajpat Nagar, Old Double Storey, New Delhi-110024. (T. Nos. 26412362 & 26412131)	18.	M/s. Usha Book Depot, 585/A, Chitra Bazar, Khan House, P.B. No. 2671, Mumbai-400002.
6.	M/s. Central News Agency Pvt. Ltd., P-23, Connaught Circus, New Delhi-110001.	19.	M/s. Jaina Book Agency (India), 649-A, Girgaum Road, Opp. 2nd Dhobi Talao Lane, Mumbai-400002.
7.	The Manager, M/s. Books India Corporation, Publishers, Importers & Exporters, L-27, Shastri Nagar, Delhi-110052.		PUDUCHERRY
8.	M/s. Sangam Book Depot, LG-3, Akarshan Bhawan, 23, Ansari Road, Darya Ganj, New Delhi-110002.	20.	Editor of Debates, Legislative Assembly Department, Puducherry-605001.
9.	M/s. Biblia Impex Pvt. Ltd., 2/18, Ansari Road, New Delhi-110002. (T.No. 23262515)		TAMILNADU
10.	M/s. Universal Book Traders, 80, Gokhale Market, Opp. New Courts, Delhi-110054. (T. No. 23911966)	21.	M/s. M.M. Subscription Agencies, 123, Third Street, Tatabad, Coimbatore-641012.
11.	M/s. Seth & Co., Room No. 31 D, Block-B, Delhi High Court, Sher Shah Road, New Delhi-110003.	22.	M/s. C. Sitaraman & Co., 73/37, Royappettah High Road, Chennai-600014.
12.	M/s. Dhanwantra Medical & Law House, 592, Lajpat Rai Market, Delhi-110006. (T. No. 23866768)		UTTAR PRADESH
		23.	M/s. Law Publishers, Sardar Patel Marg, P.B. No. 1077, Allahabad (U.P)
		24.	M/s. Ram Advani Bookseller, Mayfair Building Hazrat Ganj, GPO Box No. 154, Lucknow-226001.