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**CAG'S AUDIT REPORT ON IMPLEMENTATION OF PHASE-I OF
BHARATMALA PARIYOJANA PRESENTED**

C&AG Performance Audit Report No.19 of 2022 on 'Implementation of Phase-I of Bharatmala Pariyojana' has been tabled in Parliament here today. In October 2017, Cabinet Committee on Economic Affairs (CCEA) approved a new umbrella program called Bharatmala Pariyojana for the development of 74,942 km of national highways length. The primary focus of the program was on optimising efficiency of the movement of freight and people across the country. Out of above length, national highways length of 34,800 km, including the Residual National Highways Development Program(NHDP) length of 10,000 km, was approved under Phase-I of Bharatmala Pariyojana (BPP-I), for development up to September 2022, at an investment outlay of ₹ 5,35,000 crore.

The Performance Audit of BPP-I was carried out to assess the achievement of defined objectives of the program and the execution of national highways development under the Pariyojana. The audit objectives included review of project identification/prioritisation, financial management, award of projects, project execution & contract management and adequacy of monitoring system for achieving the objectives of the Pariyojana.

The prominent findings of the Report are discussed below:

1. Conceptualisation and Planning of Bharatmala Pariyojana

At the time of taking approval, one of the stated objectives of the Pariyojana was to improve the Logistics Performance Index (LPI) of India. However, MoRTH did not set any targets/milestones/action plan to improve the Index. CCEA had also directed for laying down outcome parameters in the form of reduction in travel time, fuel efficiency, accident reduction, comfort in riding and user satisfaction for every selected corridor and monitoring thereof. However, MoRTH did not set any target for outcome parameters like accident reduction, comfort in riding and user satisfaction etc. Further, no mechanism was set to monitor achievement of any of the outcome parameters.

(Para 3.1 and 3.2)

Languishing projects of NHDP were taken up in BPP-I without resolving the existing impediments/ bottlenecks viz., availability of right of way or pending disputes regarding forest land including wildlife sanctuaries, resulting which these projects again got stuck in BPP-I.

(Para 3.3)

For identification of national highways length, under BPP-I, based on principles of optimal traffic and freight movement etc., MoRTH carried out an optimisation exercise for NHAI. However, no such optimisation exercised was carried out for NHIDCL and Road wing of MoRTH. While optimising NHAI projects, the targets for development of national highways length under BPP-I increased substantially by around 160 *per cent* to 64,675 km (excluding Residual NHDP length). The target length for Residual NHDP component was increased to 12,324 km post optimisation against 10,000 km approved by CCEA, while the lengths actually planned (4,607 km) to be constructed under BPP-I, under this component, were much lower than what was approved by CCEA and optimised later on.

Post optimisation exercise, new national highways length, beyond the lengths approved by CCEA, were included in lengths to be developed by NHAI under BPP-I. Further, already awarded/constructed length formed a major part of the CCEA approved length and the length optimised. In NHIDCL, national highways length approved/awarded for other schemes were being merged in targeted/constructed lengths of BPP-I i.e., out of total 97 projects (2,244 km) awarded by NHIDCL, under BPP-I, upto 31 March 2023 a total of 78 projects (1,752 km) were approved in schemes other than BPP-I. The claim of MoRTH that such lengths were arrived at after origin-destination study, freight flow projections and verification of identified infrastructure gaps through geo-mapping was, therefore, not verifiable in audit.

(Para 3.4.1, 3.4.2 and 3.4.3)

Prioritisation of projects, after identification of length as per optimisation, was not done for NHIDCL and Road wing of MoRTH. No rational, systematic and codified methodology was adopted in prioritisation of projects for NHAI. Further, timelines were not decided for awarding and constructing the projects falling under different priorities. There were instances where projects were developed based on deficient cost-benefit study or without getting detailed project reports prepared.

(Para 3.5)

Development of 35 Multi Modal Logistics Parks (MMLPs) was made part of BPP-I to facilitate efficient and seamless freight movement in the country. However, no MMLP has been developed up to March 2023.

(Para 3.6)

2. Fund Management

Upto 31 March 2023, when only 75.62 *per cent* of CCEA approved length has been awarded, 158.24 *per cent* of CCEA approved financial outlay has already been sanctioned. Significant changes made in the scope of projects and cost estimates as well as richer project specifications adopted have pushed up the sanctioned cost of projects awarded under BPP-I. This has resulted in sanctioned civil cost being ₹ 23.89 crore per km as against the CCEA approved cost of ₹

13.98 crore per km and sanctioned pre-construction cost being ₹ 8.28 crore per km as against the CCEA approved cost of ₹ 1.39 crore per km.

There was variation from the approved modal mix of NHAI, as out of total national highways length of 23,268 km awarded, a meagre national highways length of 1.75 *per cent* was being developed under BOT (Toll) mode (as against 10 *per cent* approved for this mode of construction) whereas 48.35 *per cent* and 49.90 *per cent* of national highways length were being constructed under EPC and HAM mode respectively (as against 30 *per cent* and 60 *per cent* approved respectively for these mode of construction). Besides increase in requirement of BPP-I funds, the funds approved for other schemes (i.e., ₹ 1,57,324 crore) were being utilised to report BPP-I achievement, as observed in NHIDCL whereby 78 such projects (1,752 km) approved in other schemes, were being reported as achievements of BPP-I as on 31 March 2023.

NHAI alone projected, in May 2019, financial outlay of ₹ 10,55,268 crore for meeting its BPP-I targets against CCEA approved financial outlay of ₹ 5,35,000 crore for BPP-I as a whole. The total borrowings realised by NHAI for BPP-I, upto 2021-22, was ₹ 3,00,349 crore as against the borrowing approved by CCEA of ₹ 2,09,279 crore as source of funding for BPP-I as a whole. The excess borrowing of ₹ 91,070 crore was being utilised for meeting the higher fund requirements due to time and cost overrun in development of BPP-I projects.

Thus, there was disconnect among the financial outlay approved by CCEA, financial plans for BPP-I approved by MoRTH & its implementing agencies and realisation of the plans thereof.

(Para 4.1, 4.2 and 4.4)

There was no system for project-based accounting to identify profit centres to gauge the long-term viability of a project resulting which it could not be worked out whether a stretch could be put to reduced tolling of 40 *per cent* after recovery of capital expenditure. It also resulted in non-mapping of sources of revenue such as diesel/petrol cess, toll plough back from the Ministry, borrowings, other government support etc., for project to work out cost of capital to make effective investment decisions.

(Para 4.3)

3. Award of Projects

There were deficiencies in the appraisal and approval mechanism proposed to CCEA as many of the high cost EPC projects viz., Delhi-Vadodara Expressway and Dwarka Expressway etc., could not be assessed by either CCEA or MoRTH to have the advantage of the scrutiny at that level. Further, even the appraisal and approval mechanism decided by CCEA was also not strictly followed.

(Para 5.1)

Detailed project reports prepared by consultants were not appraised with due diligence by the Competent Authority before approval of projects. Instances of adoption of different specifications by contractors/concessionaires at the time of execution of projects than what were prescribed by detailed project report consultants, highlighted the fact that specifications of detailed project reports were not found suitable as per site conditions. Further, detailed guidance document for detailed project report consultant was not prepared by NHAI in non-compliance to MoRTH directions.

(Para 5.3)

Instances of irregularities in award of projects by implementing agencies were observed in clear violation of the prescribed processes of tendering, viz., successful bidder not fulfilling tender condition or bidder selected on the basis of falsified documents, award of works without there being approved detailed project reports or based on faulty detailed project report.

(Para 5.4)

4. Execution of Projects

Acknowledging the fact that projects were stuck due to land not being handed over to contractors/concessionaires, MoRTH apprised CCEA that projects would be awarded under BPP-I only after ensuring availability of requisite land. However, Audit observed that implementing agencies were still awarding projects without ensuring availability of requisite land resulting in delayed commencement of projects construction and their completion.

(Para 6.1.1)

Many of the BPP-I projects were being implemented without environmental clearance in contravention of prescribed procedure. Further, non-obtaining of the forest clearance prior to approval of projects affected the project development as it resulted in project either being de-scoped or it being stalled due to want of requisite clearance.

(Para 6.4.1)

In monitoring of road projects, Audit observed instances of non-appointment/ delayed appointment of third-party consultants. Safety consultants too were not ensured at all stages of construction. Due to wrong computation of price-adjustment formula in case of EPC/HAM projects, contractors/concessionaires were paid excess price adjustments to the tune of ₹ 99.16 crore. There was diversion of funds to the tune of ₹ 3,598.52 crore from escrow accounts for HAM/BOT projects.

(Para 6.6, 6.7.1 and 6.7.2)

5. Monitoring and Information Technology

In spite of CCEA directions, no system of half yearly review of Bharatmala Pariyojana by Public Investment Board and CCEA was established by MoRTH. Also, no independent audit

of physical and technical parameters of BPP-I and its projects, as directed by CCEA, was undertaken by MoRTH.

(Para 7.1)

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