

Chapter-4

Performance Review

4.1 Implementation of Rural Infrastructure Development Fund (RIDF) Schemes

Highlights

The basic objective of Rural Infrastructure Development Fund (RIDF) is to develop rural and social infrastructure like roads, bridges, irrigation facilities, drainage, power, *Anganwadi* centres and *Sishu Siksha Kendras*.

Schemes under RIDF were not included in District Plan of Malda ZP. District Plan of Paschim Medinipur was not made available to the Audit.

(Paragraph 4.1.8)

Paschim Medinipur ZP incurred expenditure of ` 1.96 crore towards repairing of roads and construction of culverts out of unspent balances of different tranches, without obtaining Government approval.

Works were abandoned in Malda and Paschim Medinipur ZPs after receipt of start up fund of ` 1.27 crore.

(Paragraphs 4.1.8 and 4.1.9.2)

Malda ZP incurred extra expenditure of ` 1.27 crore for execution of items of road not warranted in specification of Rural Road Manual. The ZP also incurred ` 1.05 crore towards use of costlier specification of roads.

Paschim Medinipur ZP spent of ` 0.68 crore for construction of two market complexes in March 2009. But the same remained unutilised as of February 2010.

(Paragraph 4.1.9.3)

Malda ZP incurred expenditure of ` 11.10 lakh to the contractor for non-feasible item of works which had shown as executed.

Malda Highway Division made excess payment of ` 0.10 crore due to adoption of erroneous rate towards laying of Seal Coat.

(Paragraph 4.1.9.3)

4.1.1 Introduction

Rural Infrastructure Development Fund (RIDF), aimed at infrastructure development in the rural areas, was launched by GOI in 1995-96 as an integral part of rural development. The objectives of RIDF were to (i) complete projects which were lying incomplete for want of resources, (ii) execute new development activities covering agriculture sector, social sector, rural connectivity sector etc., (iii) reduce potential loss of income and (iv) provide rural employment. RIDF-I was introduced in 1995-96 with an initial corpus of ` 2,000 crore through contributions both from public and private sector. Subsequently, RIDF-II to RIDF-XIV was launched with deposits of ` 84,000 crore between 1995-96 and 2008-09. Funds for RIDF-I to RIDF-V were provided in the budgets of the respective Administrative Departments. From RIDF-VI onwards Panchayat and Rural Development Department (P&RDD) was allotted (May 2002) a separate budget head with provision for funds and all schemes for sanction are being sent by the Zilla Parishads/Mahakuma Parishad to the Department against budgetary allocation for sanction for onward transmission to NABARD through the Finance Department.

4.1.2 Organisational structure

(i) National Bank for Agriculture and Rural Development (NABARD)

NABARD sanctioned loans to the Finance Department after getting project proposals from the State Government. After sanction of the project, NABARD releases 20 *per cent* of the loan amount as start-up funds. Further 10 *per cent* is released on getting information regarding starting of work on the project. Thereafter, NABARD releases funds on getting loan drawal applications. The executing agencies, therefore, need to submit intimation regarding starting of the schemes at the earliest and also loan drawal applications in prescribed format regularly so that reimbursement claims could be furnished to NABARD in due time.

(ii) The Finance Department (FD)

The FD acts as Nodal Department for operationalising RIDF project of the State and is responsible for submission of loan drawal applications under sanctioned projects, release of loan, execution of documents, and repayment of loans.

(iii) Panchayat and Rural Development Department (P&RDD)

The project proposals pertaining to eligible sectors under each RIDF tranche are collected from ZP/MP by the P&RDD, the administrative department for implementation of RIDF programme, and forwarded to the FD for onward transmission to the NABARD for sanction of the loan.

(iv) Zilla Parishad (ZP)

ZP is the executing agency of RIDF works and is responsible for monitoring the progress of implementation of the projects. It will ensure involvement of panchayats/beneficiaries in the process. ZP should approve the proposed schemes and send the approval along with the project proposal to the P&RDD.

4.1.3 Audit objectives

The objective of audit was to evaluate whether

- (1) Intended objective to provide rural infrastructure was fulfilled;
- (2) Fund was utilised economically, efficiently and effectively; and
- (3) Inspection and monitoring were adequate and effective.

4.1.4 Audit criteria

The audit criteria used for assessing the performance of RIDF were:

- (1) NABARD guidelines;
- (2) Guidelines for implementation of RIDF by the FD;
- (3) Orders issued from time to time by the FD and the P&RDD;
- (4) Resolutions of the ZPs in connection with RIDF fund and expenditure; and
- (5) Schedule of rates of Roads (Public Works Department) and specification of Indian Roads Congress (IRC).

4.1.5 Audit Scope and coverage

Malda, North 24 Parganas and Paschim Medinipur ZPs out of 18 ZPs, were selected, one each from Jalpaiguri, Presidency and Bardhaman divisions respectively, where maximum expenditure was incurred during the last five years, i.e. 2004-05 to 2008-09.

The audit findings that emerged are based primarily on the observations of Malda and Paschim Medinipur ZPs. As North 24 Parganas ZP failed to submit vital records like project proposals and detailed project reports, audit could not ascertain the physical and financial performance of the ZP fully.

4.1.6 Funding

4.1.6.1 Allotment of funds by NABARD

Release of funds by NABARD was on reimbursement basis. Loan upto 90 *per cent* of the project cost is available from NABARD. After the projects are sanctioned, a start-up fund (20 *per cent* of the project cost) is provided to the ZPs and remaining funds are released subsequently on reimbursement basis for which provision is made in the departmental budget.

4.1.6.2 Fund released under RIDF programme and its utilization

Various line departments released funds for execution of works for RIDF-I to V. P&RDD started releasing funds from RIDF-VI tranche. ZPs usually had surplus funds of RIDF-I to V tranches which they utilised in subsequent years.

ZPs received ` 416.30 crore from P&RDD for execution of RIDF projects and ` 433.11 crore was utilised (as per UCs submitted by the ZPs) during 2004-09.

(Rupees in crore)

Year	Amount of fund released	Amount of fund utilised
2004-05	119.65	151.42
2005-06	84.54	59.19
2006-07	43.93	50.14
2007-08	73.31	88.78
2008-09	94.87	83.58
Total	416.30	433.11

Receipt and expenditure of RIDF funds in the three selected ZPs are given below:

(Rupees in crore)

Year	Paschim Medinipur			Malda			North 24 Parganas		
	Funds available		Expenditure	Funds available		Expenditure	Funds available		Expenditure
	Opening Balance	Receipt		Opening Balance	Receipt		Opening Balance	Receipt	
2004-05	8.90	7.29	9.05	6.09	5.78	8.64	-4.52	17.08	8.67
2005-06	7.28	1.17	4.30	1.86	14.75	11.42	6.17	5.39	5.41
2006-07	4.69	0.55	3.40	7.85	4.34	9.24	14.42	6.93	15.25
2007-08	2.16	8.72	3.70	2.97	1.55	2.48	7.21	10.02	7.10
2008-09	7.17	10.98	9.41	2.04	1.04	1.01	8.54	15.00	7.26
Total		58.91	29.86		48.27	32.79		86.24	43.69

Paschim Medinipur, Malda, North 24 Parganas could spend 51, 68 and 51 per cent respectively of RIDF funds during 2004-09.

4.1.7 Status of the Project

Schemes under RIDF usually have to be completed within three years from the date of inception of each RIDF tranche. Under RIDF-VIII to RIDF-XII, NABARD sanctioned 597 projects for different sectors like roads, bridges, social sectors and irrigation which should have been completed between 2004-05 and 2008-09. The ZPs in the State were able to complete only nine projects out of 571 projects undertaken, leaving 562 projects incomplete (98.42 per cent) as detailed below:

Sl. no.	Tranche no.	No. of projects sanctioned	No. of abandoned projects	No. of projects taken up	No. of projects completed	No. of projects started but not completed
(1)	RIDF-VIII	54	0	54	9	45
(2)	RIDF-IX	1	0	1	0	1
(3)	RIDF-X	4	0	4	0	4
(4)	RIDF-XI	7	0	7	0	7
(5)	RIDF-XII	531	26	505	0	505
	Total	597	26	571	9	562

The projects sanctioned under RIDF by the P&RDD were sub-divided into smaller schemes during implementation at the ZP level. Scheme-wise physical performance of three selected ZPs is detailed below:

Name of ZPs	Tranches	No. of schemes sanctioned	No. of schemes undertaken	No. of abandoned schemes	No. of schemes completed	No. of schemes not completed
North 24 Parganas	RIDF-VIII	110	100	10	10	90
	RIDF-X	1	1	0	0	1
	RIDF-XI	5	5	0	5	0
	RIDF-XII	6	2	4	0	2
Paschim Medinipur	RIDF-VIII	47	22	25	22	0
	RIDF-XII	430	396	34	3	393
Malda	RIDF-VIII	2	2	0	2	0
	RIDF-XII	7	5	2	2	3
Total		608	533	75	44	489

Three selected ZPs undertook 533 schemes which should have been completed between 2004-05 and 2008-09 under RIDF-VIII, X, XI and XII. Only 44 (eight *per cent*) schemes could be completed as of December 2009. 75 schemes were abandoned. 489 schemes remained incomplete and ZPs spent ` 9.16 crore (**Appendix-XXVII**) upto December 2009. Six schemes of Malda and North 24 Parganas ZPs remained incomplete due to local disturbances, land disputes and fund problem. North 24 Parganas and Paschim Medinipur ZPs failed to furnish any reason for the remaining 483 incomplete schemes. Reasons could not also be ascertained in audit due to poor maintenance of financial as well as physical progress reports, failure in submission of records and lack of monitoring by the ZPs.

Further, all the ZPs executed incomplete schemes of earlier tranches viz. RIDF-VI and VII during 2004-09. The three selected ZPs completed 96 schemes under these two tranches during this period. Besides, the ZPs also started executing works under RIDF-XIII and XIV introduced during this period and could complete 30 schemes out of 120 schemes undertaken.

- **Project Completion Report (PCR)**

PCR is to be sent to NABARD through FD as soon as a project is completed.

Three ZPs submitted 41 PCRs against 44 completed schemes scheduled to be completed between 2004-05 and 2008-09. In respect of earlier tranches (RIDF-VI and VII), they had submitted all PCRs for completed 96 schemes but had not submitted any PCR for the 30 completed schemes under RIDF-XIII and XIV, introduced during 2007-08 and 2008-09.

Audit Findings

As stated above, ZPs incurred expenditure on execution of works of RIDF-VI, VII, VIII, X and XII to XIV between 2004-05 and 2008-09. Audit findings on expenditure by the ZPs during this period are given below:

4.1.8 Planning

- **Budget**

Funds under RIDF are released in installments for which provision is made in the budget of the P&RDD. During 2004-09, provision of ` 584.30 crore was made in the budget of the P&RDD under the scheme, against which ` 416.30 crore was released to the ZPs as detailed below:

(Rupees in crore)				
Year	Cost of scheme sanctioned	Provision made in the budget	Amount of fund released	Amount of fund utilised
2004-05	14.11	95.00	119.65	151.42
2005-06	7.98	139.65	84.54	59.19
2006-07	135.54	124.65	43.93	50.14
2007-08	200.38	125.00	73.31	88.78
2008-09	37.30	100.00	94.87	83.58
Total	395.31	584.30	416.30	433.11

Scrutiny of budgets of selected ZPs revealed the following:

- North 24 Parganas ZP did not make any budget provision for RIDF for the years 2004-05 to 2005-06.

- (ii) Budgets for 2004-09 of Paschim Medinipur ZP were not made available to Audit.
- (iii) Malda and North 24 Parganas ZPs incurred excess expenditure of ` 2.87 crore and ` 7.55 crore against budget provision during 2004-05 and 2006-07 respectively.

The absence of budget provision indicates that ZPs not only incurred unauthorised expenditure but also failed to plan for infrastructural work to be carried out of the RIDF funds.

- **Unauthorised expenditure out of RIDF**

The schemes under RIDF are to be executed with prior approval of the Government. Paschim Medinipur ZP had a total saving of ` 2 crore from RIDF-II, III and V. The ZP, instead of refunding the unutilised fund or taking approval from the Government for utilization of unspent balances, expended ` 1.96 crore towards repairing of roads and construction of culverts out of that savings during 2005-09.

Further scrutiny revealed that the ZP unauthorisedly spent ` 0.14 crore towards payment of salary and hiring of vehicles during 2004-09 out of RIDF.

- **Schemes not included in District Plan**

Schemes to be proposed for implementation under RIDF programme should be included in the District Plan. Scrutiny revealed that North 24 Parganas ZP included the RIDF schemes in the District Plan. RIDF schemes of Malda ZP were not included in the District Plan. District Plan of Paschim Medinipur ZP was not made available to the Audit. In reply, Paschim Medinipur ZP stated that the schemes considered by the District Authority were incorporated in the District Plan.

- **Selection of scheme**

Guidelines stipulated that infrastructures which need attention and yield economic gain to the local people should be taken into consideration under RIDF.

Purta Karya O Paribahan Sthayee Samiti of Malda and Paschim Medinipur ZPs selected schemes after taking into account the demand and need of the people. In North 24 Parganas ZP, schemes were selected by the members of the ZP and planning board as well as through people's participation.

4.1.9 Project execution

4.1.9.1 Tendering

- (i) **Works awarded without tender**

Finance Department directed (order no. 9600-F dated 4.10.1991 and 47-1.F. dated 29.5.2002) that selection of agencies was to be made by competitive bidding only. For exceptional reasons, if work was to be awarded to State Government undertakings like Mackintosh Burn Ltd., 10 *per cent* preference in rate was to be allowed vis-à-vis other organisations engaged in similar activities, but prior approval from the Department was to be obtained.

North 24 Parganas ZP awarded (January 2006) the work ‘Improvement of village road from Birnagar to Nalir Math’ (RIDF-X) for ` 3.32 crore to Mackintosh Burn Ltd. without inviting tender and without prior approval from FD. The work was commenced in January 2006 but remained incomplete as of February 2010 after incurring expenditure of ` 2.99 crore. The ZP stated (February 2010) that the work could not be completed due to paucity of fund.

(ii) Performance Guarantee not included in the agreement

Revised guidelines for RIDF schemes issued by the FD stipulate that Performance Guarantee for three years after completion of work worth ` 1.00 crore and above was to be obtained. A clause to that effect should have been incorporated in the agreement. Malda ZP incurred expenditure of ` 26.26 crore on 12 works under RIDF-VI and VIII and North 24 Parganas ZP incurred expenditure of ` 22.08 crore for execution of nine works under RIDF-VII and XIV, each work valuing above ` 1.00 crore, but no clause of Performance Guarantee for three years was included in the agreement. Malda ZP included clause of guarantee for one year while North 24 Parganas ZP included only compensation clause without mentioning any period. Test check of records of Paschim Medinipur ZP revealed that Performance Guarantee clause was included in the agreement in respect of ‘widening and strengthening of Pirakata Gooltore Road’ under RIDF-XIII and the ZP also replied that necessary services from the concerned agencies were obtained for succeeding three years.

4.1.9.2 Availability of land not ascertained before execution

The ZPs did not consider availability of land before taking up works under RIDF as evident from the following:

(1) The construction of bridge over river Kalindiri was started (November 2002) by Malda Highway Division, as deposit work of Malda ZP under RIDF-VII. The awarded cost of the work was ` 8.80 crore with the stipulation to complete the work within May 2005. The Department accorded (November 2003) post-facto approval to the tender with the condition that no payment would be accepted due to cost escalation. Scrutiny revealed that the ZP did not consider availability of land in the Detailed Project Report and the execution got delayed. The Highway Division completed the work in March 2006 with a total cost of ` 9.13 crore. However, the P&RDD approved the revised estimate of ` 9.04 crore and provided fund of ` 0.33 crore against cost escalation in December 2009.

(2) North 24 Parganas ZP undertook construction of three Market Complexes under RIDF-XII at a sanctioned cost of ` 4.13 crore before ensuring land availability. Market complex at Ruiya was commenced in March 2008 with the stipulation that the work should be completed in June 2009. But it remained incomplete even after incurring expenditure of ` 0.19 crore. Work on other two market complexes at Lebukhali and Deganga could not even be started due to land problem as of February 2010.

(3) North 24 Parganas ZP expended ` 14.09 crore for execution of River Lift Irrigation Schemes under RIDF-VI and construction or improvement of 18 roads under RIDF-VII, X and XII to XIV. All the works were to be completed by September 2009 but remained incomplete (February 2010) due to non-supply of materials, local disturbances, labour, site and funds problem. Rupees 5.39 crore was sanctioned in respect of Paschim Medinipur ZP for construction of bridge over river Cossai in May 2001. The ZP undertook (April 2002) the work through Medinipur Highway Division - I with the stipulation that the work should be completed within 18 months. The bridge could not be put to use even after six years and four months from the stipulated period of completion due to non-availability of land for construction of approach roads. Three market complexes were sanctioned in respect of Malda ZP at a cost of ` 1.62 crore under RIDF-XII during 2006-07. The ZP issued work order in January 2008 with the stipulation to complete the works within six to 12 months. The ZP incurred ` 0.42 crore upto February 2010 but all works remained incomplete. This was either due to land problem or monsoon in the district as stated by the ZP.

The reply is not tenable as these factors should have been taken into consideration at the time of issue of work order.

(4) NABARD approved ` 5.15 crore for two projects for construction of two market complexes at Malda ZP (` 1.22 crore) and for eight complexes at Paschim Medinipur ZP (` 3.93 crore) under RIDF-XII. Start-up advance of ` 1.27 crore (Malda ` 0.36 crore and Paschim Medinipur ZP ` 0.91 crore) was released between March 2008 and March 2009, in lieu of prescribed limit of ` 1.03 crore, i.e. 20 *per cent* of the estimated cost. The ZPs did not execute the works and the works were declared abandoned as land was not available. The Department directed (September and November 2009) the ZPs to refund the funds but this was not done as of February 2010.

4.1.9.3 Irregularities in execution

- **Avoidable expenditure**

(1) As per Rural Road Manual, 20 mm premix carpet is warranted in surface course for a rural road having width three meters or less and with low traffic intensity. In case of such roads, bituminous base course need not be provided. Malda ZP constructed six roads (2002-03) under RIDF-VI through Authorised Executive Engineer (AEE), Malda Highway Division, with layer of bituminous macadam, along with 12 mm premix carpet. Scrutiny of Detailed Project Report (DPR) revealed that none of these roads had regular traffic. These were only three meters wide paved roads for rural connectivity. The ZP in violation of the Rural Road Manual adopted the layer of bituminous macadam with 12 mm premix carpet for rural roads (width three meters) and incurred an avoidable expenditure of ` 1.27 crore.

(2) IRC approves natural sand as cost effective sub-base course¹ material for construction of roads where annual rainfall is over 1000 mm as it gives comparatively more effective drainage to pavement. Malda ZP executed four road works under RIDF-VI using stone dust priced at ` 749.70 per m³ to ` 941 per m³ for the sub-base course instead of the relatively cheaper and locally available sand priced at ` 207.64 per m³ ignoring the directives of IRC. The use of costly stone dust of 15,183.03 m³ in lieu of sand unnecessarily escalated the cost of works by ` 1.05 crore and put an extra burden on the exchequer since it was received under RIDF-VI from NABARD by the State Government.

The ZP admitted (January 2010) that sand is a very good and cost effective sub-base course material compared to the stone dust and henceforth IRC specification would be followed.

- **Excess payment due to adoption of erroneous rate**

Schedule of Rates of P.W. (Roads) stipulates the rate of laying of Seal Coat (sealing of voids of the bituminous surface) @ ` 10 per m² for construction of new road and ` 17.90 per m² for existing road.

Malda ZP executed six new road works under RIDF-VI at a cost of ` 1.27 crore during 2003-06 through Malda Highway Division (MHD). The AEE of the Division allowed the rate of ` 17.90 per square meter for construction of new road in lieu of ` 10 per m² for execution of Seal Coat for sealing of voids of the bituminous surface and the ZP incurred an excess expenditure of ` 0.10 crore on these roads.

- **Undue favour of ` 0.11 crore**

Malda ZP executed road from Samsi to Koriali between May 2005 and May 2009 at a total cost of ` 1.45 crore under RIDF-VIII. The work of structural section of the road was shown completed in the sixth RA bill including carried earthwork of 4,095.6 m³. As the structural portion of the road was already completed, there was no further scope of fresh earthwork of 10,987.66 m³ valuing ` 0.11 crore as was shown to have been paid in the final bill. This was not supported by period of execution and details of measurement were not recorded in the Measurement Book. The ZP stated (February 2010) that execution of fresh earthwork of 10,987.66 m³ was not entered in the Measurement Book and payment was made on the basis of quantity entered in the loose sheet.

Thus, the ZP extended undue favour of ` 0.11 crore to the contractor towards payment of non-feasible item of work.

- **Completed units not utilised**

Paschim Medinipur ZP incurred an amount of ` 68.05 lakh under RIDF-XII between February 2008 and June 2009 for construction of two market complexes. The markets were completed in June and July 2009 but the same remained unutilised as of February 2010. The ZP stated (February 2010) that

¹ From the lowest to the uppermost course of a road the courses are arranged as follows: (1) sub-grade course, (2) sub-base course, and (3) base course.

the markets could not be utilised due to delay in handing over process of the markets.

4.1.10 Monitoring and supervision

Though effective monitoring mechanism has been developed by NABARD, the actual monitoring of projects is the responsibility of the State Government. Guidelines issued by the FD directed that all works should be effectively monitored and periodical appraisal of the quality control data should be made.

There was nothing on record to show that monitoring and supervision were done in three selected ZPs. Paschim Medinipur, North 24 Parganas and Malda ZPs did not have any monitoring committee. Quality control was done through frequent visits to the site in North 24 Parganas ZP and partly in Malda ZP. Monitoring of works of Malda was done by engineers concerned while monitoring in North 24 Parganas was done at departmental level on the basis of physical verification reports of the ZP Engineers and beneficiary committee. The State Government did not evaluate performance of RIDF at Malda and Paschim Medinipur ZPs. In the absence of monitoring, 92 *per cent* of the works undertaken by the ZPs remained incomplete and there were irregularities like excess payment, cost escalation, unauthorized expenditure as featured in the previous paragraphs.

4.1.11 Conclusion and Recommendations

Conclusion

Improper planning, failure to observe Government directives and absence of monitoring resulted in completing of only nine *per cent* of the schemes undertaken during 2004-05 to 2008-09 in selected ZPs. There were instances of excess payment, execution of avoidable items and cost escalation. It was also observed that works were abandoned after receipt of start up funds. Expenditure was incurred from closed tranches without obtaining approval from the Government. Thus, the ZPs failed to derive desired benefits from most RIDF projects.

Recommendations

- Estimates should be realistically prepared taking into consideration the schedule of rates and IRC specification.
- All components especially availability of land should be considered before preparation of Detailed Project Report.
- Compliance with guidelines of NABARD and Department should be strictly ensured.
- Government should strengthen monitoring and evaluation of the implementation at all levels.