

## Chapter 5 Financial Management

The USBRL project was included in the Pink Book for the year 1994-95 at an anticipated cost of ₹ 1500 crore. This amount was later enhanced to ₹ 3077.23 crore in 1999-2000 and to ₹ 9341.44 crore in 2006-07 and had subsequently been revised to ₹ 19565 crore as of July 2010. Being a project of National Importance and funded by Ministry of Finance, the revised cost estimates required the approval of the Cabinet Committee on Infrastructure (CCI). While the overall cost of the project kept increasing at periodical intervals, the anticipated cost of each leg of the project as revised from time to time, is given below.

(₹ in crore)

	Leg-I Katra - NRCO	Leg – II Katra-Qazigund			Leg-III Qazigund- Baramulla IRCON
		Katra -30 km NRCO	Km 30-100.868 KRCL	Km 100.868 - 168 IRCON	
Original estimates	189.42 Sept. 1996	68.78 Aug 2002	4959.65 Feb 2006	1622.84 March 06	661.99 1998-2001
First Revised estimates	540.16 July 2006	185.44 Nov 2009	-	-	2103.67 Sept 2006
Second Revised estimates	945.76*	14960.33*			3658.74*
Percentage increase	399.29	139.32			452.69
Actual expenditure	934.39	69.91	1769.29	2211.72	3071.86

\* Approved by CCI on 4 Jan 2012.

The current estimated cost of the project was pegged at ₹19,565 crore and Railway Administration was uncertain about the final cost (July 2012 ).

The initial estimated cost of ₹ 1500 crore was not based on any criteria. The Detailed Project Report sanctioned for a total cost of ₹ 3,077.23 crore in 1999 had allocated merely ₹ 0.68 crore for survey purposes which went up to ₹445 crore in the revised proposals, attributed by the Ministry to price factor and scope. The DPR had omitted major components namely, cost of construction of approach roads, provision of security for guarding tunnel portals, etc though these factors had huge financial implications. As already emphasised in the earlier chapters, the project estimates were prepared without firming up selection of alignment on the basis of necessary ground investigations. The estimates therefore did not provide a reliable basis for cost control and project monitoring.

Considering this position, the Railway Administration's claim that they had saved ₹ 2000 crore on changes in alignment was without substance. In fact, as already pointed out (Para 3.7), the purported savings on account of reduction in scope of work due to omission of a number of major bridges following change in alignment should have been factored in during initial selection.

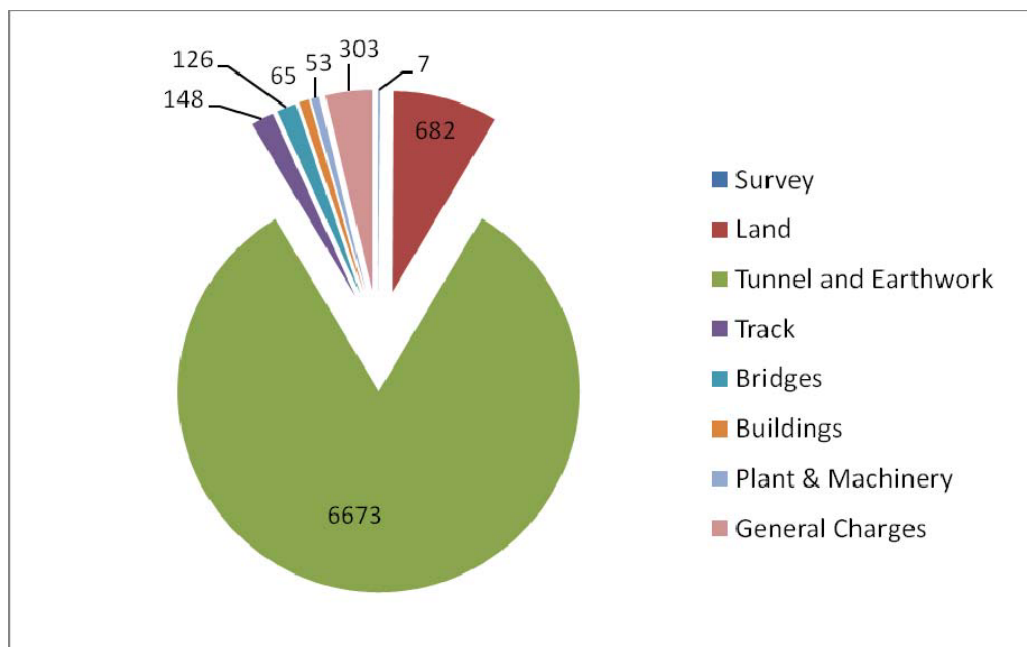
The latest estimated cost of ₹ 19,565 crore approved by CCI provided for total price escalation (₹ 9346 crore), increase in scope of work (₹ 3427 crore) and items not provided in DPR (₹ 3715 crore) which included element of profit of ₹1386 crore payable to KRCL and IRCON who were entrusted with part construction works on cost plus 10 per cent basis and access roads. Both these executing agencies submit a monthly statement of expenditure to NRCO for reimbursement. The Associated Finance of NRCO authorise reimbursement of the amount along with an amount equal to 30 per cent of the cost of the contracts awarded by the two executing agencies in terms of the agreement between NRCO and these executing agencies. As a regulatory measure, the Govt of India had prescribed admissible and non-admissible items for reimbursement of establishment expenditure incurred. However, the detailed scrutiny of accounts along with supporting documents was not exercised by NRCO leaving an unaddressed control risk. The Government of India till date had been sanctioning funds on half yearly on the basis of statement of accounts furnished by NRCO through Railway. As of July 2012, the total expenditure incurred on rail link to Kashmir was ₹ 8057.17 crore. Of this, ₹ 934.39 crore was incurred by NRCO on Udhampur–Katra section, while ₹ 4050.92 crore was incurred by NRCO, KRCL and IRCON on Katra – Qazigund section and ₹ 3071.86 crore was incurred by IRCON on Qazigund – Baramulla section. The actual progress achieved on the Katra (Km. 30)- Banihal (Km. 150) segment ranged from 12 to 14 per cent (July 2012 ) and as such, the actual costs are likely to be incurred will rise manifold. The year-wise budget allocation and expenditure there against is given below:

(₹ in crore)

Year	Budget allocation	Expenditure	Cumulative expenditure
1994-95	0.2	0.2	
1995-96	1	1	1.20
1996-97	17.5	17.41	18.61
1997-98	60	59.81	78.42
1998-99	36	36.67	115.09
1999-00	77	76.73	191.82
2000-01	73	72.71	264.53
2001-02	175	174.59	439.12
2002-03	350	344.91	784.03

2003-04	500	502.37	1286.38
2004-05	700	697.49	1983.87
2005-06	1000	999.83	2983.70
2006-07	850	849.90	3833.60
2007-08	900	896.39	4729.99
2008-09	600	611.37	5741.36
2009-10	880	879.55	6220.91
2010-11	1000	944.69	7165.60
2011-12	751	751.29	7916.89
2012-13 up to July 2012	100	140.28	8057.17

The detailed position relating to the expenditure incurred as of July 2012 on various components of the project is given below (₹ in crore):



Expenditure incurred in excess of the sanctioned estimates of the project pending post-facto approval was being booked under 'Adjustment Account' (an adhoc arrangement). As of July 2012, the amount booked in the accounts of NR was ₹ 4524.71 crore under the project head and ₹ 3532.46 crore under 'Adjustment Account' was awaiting debit to the final head of accounts subject to approval of the Govt. of India.