

Chapter 8:

Conclusion and Recommendations

8.1. Conclusion

The Electricity Act, 2003 has accorded renewed priority to rural electrification and provision of electricity services in order to provide access to electricity to all. The National Electricity Policy 2006 proclaims electricity to be an essential requirement for all facets of human life. Under the National Common Minimum Programme (NCMP), provision of access to electricity for all households is envisaged within five years. To bridge the urban-rural gap and provide reliable and quality power supply to rural areas, MOP initiated RGGVY in 2005 with a mandate to attain the NCMP's goal of providing access to electricity to all households by 2009 which was later extended to 2012. Further, on 2 September 2013, the MOP has issued guidelines for extension of the scheme in XII and XIII Plan.

Despite an implementation approach characterised by rushed approvals and involvement of numerous stakeholders, the objectives of providing access to electricity to all, giving electricity connection free of cost to every un-electrified BPL family and electrifying every un-electrified village/habitation by 2009 had not been achieved. Against the total approval of ₹ 33,000 crore for X Plan and first two years of XI Plan by CCEA, allocation of funds during 2004-12 as per budget estimates and revised estimates was ₹ 31,338.00 crore and ₹ 27,488.56 crore respectively. MOP did not fully utilize the funds allocated under the scheme and released only ₹ 26,150.76 crore to REC up to March 2012 and the latter in turn released ₹ 25,652 crore to PIAs upto March 2012. PIAs had intimated utilization of ₹ 22,510.14 crore (20 May 2012). Balances remaining unutilized with PIAs ranged from ₹ 1.47 crore to ₹ 375.07 crore in 19 States while PIAs reported excess utilization ranging from ₹ 3.64 crore to ₹ 115.13 crore in eight States. As substantial unutilized funds remained with PIAs, an amount of ₹ 337 crore towards interest earned by PIAs on unutilized funds remained to be remitted to the Government account as of August 2013 and thus, did not further the cause of RGGVY.

REC did not link the terms of release of funds with achievement of physical targets set under approved RGGVY projects. In some cases, this resulted in release of 67 *per cent* to 90 *per*

cent of the project cost to PIAs/contractors whereas the physical achievement against the released funds was less. During X and XI Plan, 576 projects were sanctioned originally for ₹ 26,427.47 crore and awarded for ₹ 31,268.12 crore. Sanctioned cost estimates for all projects were revised to ₹ 34,070.87 crore as of December 2012.

Against the targeted coverage of 1,23,601 un-electrified villages and 4,12,88,438 rural households including 2,30,10,265 BPL households only 1,04,496 un-electrified villages (84.54 per cent) and 2,15,04,430 rural households (52.08 per cent) including 1,90,80,115 BPL households (82.92 per cent) had been covered by 31 March 2012. However, actual achievement would need to be viewed against the fact that the scheme was beset with the problems as discussed in the report.

RGGVY also envisioned that REDB¹⁰⁸, VEI¹⁰⁹ and DDG¹¹⁰ would indirectly facilitate power requirement of agriculture and other activities including irrigation pump sets, small and medium industries, khadi and village industries, cold chains, healthcare, education and IT etc., It was felt that this would facilitate overall rural development, employment generation and poverty alleviation. However, in actual practice, the projects sanctioned were based on a minimalist approach of providing one unit electricity per day per household.

The formulation of the scheme, from inception, was flawed as identification of villages and estimation of beneficiaries was based on unreliable data. Implementation of the scheme was characterized by several instances of non-adherence to the scheme guidelines, including important inputs like authenticated BPL lists and RE plans not being in place. RGGVY projects were planned without adequate survey work as DPRs were prepared on the basis of old data and had many discrepancies. There were instances of inefficiencies in contract management, execution of works and violation of provisions of tripartite agreement by the concerned State Governments.

Project implementation was beset with slow execution of works, idle investments, weak monitoring, non-fulfilment of commitments made in the agreements, delays in award of contracts and non-handing over /charging of completed works.

Though considerable delays in the implementation of the projects were attributable to contractors, PIAs and REC, accountability for the delayed execution of projects was not determined at any level *i.e.* PIA, REC and MOP. As such, the LD clause in the Letters of Award were rendered irrelevant. Conversely, if the contractors were not responsible for the delays, then it would appear that the full responsibility would lie on the PIAs. However, no action has been taken by PIAs on erring officials nor has REC / MOP taken action against PIAs, thereby underlining lack of concern for time-lines.

¹⁰⁸ Rural Electricity Distribution Backbone

¹⁰⁹ Village Electrification Infrastructure

¹¹⁰ Decentralised Distributed Generation

PIAs also failed to keep the Scheme funds in separate interest bearing bank accounts because of which no interest could be earned during this period, which could have ultimately increased availability of funds for projects.

Monitoring mechanism for ensuring quality though in place, could not keep pace with progress of works and resultant, there were delays in exercising significant and appropriate checks making the monitoring process largely ineffective.

The nodal agency, REC, on its part, was not able to ensure completion of projects within scheduled time to which delays in sanction of projects also contributed. Inadequacies could have been avoided had REC performed its role in a more effective manner by ensuring that DPRs were based on field surveys so that physical and financial estimates were more realistic and subsequent revisions were minimised.

Beneficiary survey revealed that publicity needed to be increased and made result oriented. The survey further revealed that concerned DISCOMS failed to (a) supply committed hours of electricity to BPL consumers and (b) raise and recover the energy bills from the connections.

8.2. Recommendations

A summary of recommendations made in the report is given below:

- ✓ MOP may consider getting an independent survey conducted prior to implementation of new projects in XII Plan and the list of identified villages and estimates of beneficiaries revised to avoid duplication and ensure that the benefits of the scheme reach the intended and targeted beneficiaries in close coordination with States.
- ✓ MOP may like to get REC to exercise greater control over the scope of work and related estimates by devising suitable formats of monitoring reports which would help ensure that projects are taken up for sanction only if the PIA submits a DPR based on a detailed field survey and physical and financial estimates are reasonably accurate.
- ✓ MOP may consider instituting an accounting mechanism at all levels (MOP, REC and PIAs) that ensures real-time watch over the actual release and receipt of funds, and interest accounted on unspent balances.
- ✓ MOP and the nodal agency, REC may take immediate action to recover / adjust the interest earned by PIAs on capital subsidy kept in banks and RGGVY funds that were utilized for payment of State / local taxes, against project costs.
- ✓ MOP may, in close coordination with States, consider institutionalising a uniform/standard template for ascertaining progress of work at each significant level so that common and avoidable irregularities/deficiencies in contract management such

as non-deduction of statutory dues, non-levy of liquidated damages and excess payments to the contractors are avoided.


- ✓ Results of review of State level coordination committee meetings may be asked to be regularly communicated to MOP by an identified target date, by the Chief Secretaries of States. Deficiencies may be followed up regularly so that this endeavour yields the expected results in terms of increasing effectiveness of implementation and achievement of outcomes.
- ✓ MOP may critically review the existing mechanism and install additional safeguards specifically targeting achievement of quality and reliability in supply of power, collection of revenue with special emphasis on States where targets remained to be achieved.

8.3. REMEDIAL ACTION TAKEN BY THE MINISTRY

Subsequent to the issue of draft performance audit report to MOP, in the exit conference held on 2 September 2013, the Secretary (Power), acknowledged the audit observations and stated that they have considered all major issues pointed out by Audit while preparing the guidelines for continuation of the RGGVY in the XII Plan period. A copy of the Office Memorandum dated 2 September 2013 for continuation of Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) in XII and XIII Plan –Scheme of Rural Electricity Infrastructure and Household Electrification is placed at **Annexe 19** of this report.

While the remedial action taken by MOP is appreciated, there is scope for improvement and refinement of guidelines and procedures as highlighted in this report.

Dated: 29 November 2013
Place : New Delhi


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Countersigned

Dated: 29 November 2013
Place : New Delhi


(SHASHI KANT SHARMA)
Comptroller and Auditor General of India