

CHAPTER – II

Review of Outcome Budget of Ministry of New and Renewable Energy

Ministry of New and Renewable Energy did not adhere to instructions on parameters for preparation of Outcome Budget. This resulted in non-inclusion of information on normal savings resulting from economic use of the resources and the latest position of outstanding Utilization Certificates and unspent balances with States and implementing agencies in the Outcome Budget. There were also discrepancies in data maintained by MNRE and State nodal agencies rendering the Outcome Budget unreliable in terms of information on the programmes supported by the Ministry.

2.1 Introduction

The Outcome Budget, which commenced from the budget of 2005-06 in Government of India, broadly indicates the physical dimensions of the financial budgets and the physical performance in past years. The Outcome Budget envisages tracking not just the intermediate physical “Outputs” that are more readily measurable but also the “Outcomes” which are the end objectives of budgetary intervention. The Outcome Budget would also cover information on normal savings resulting from economic use of resources, under/non-utilization i.e. savings due to non-implementation or delay in execution of projects/ schemes and surrenders. As brought out at Table 1.1 in Chapter 1, an amount of ₹ 7,754.1 crore was spent during 2016-17 against the budget allocation of ₹ 9,997.8 crore leaving 22.44 *per cent* of budget unspent.

A review of the Outcome Budget of the Ministry of New and Renewable Energy was conducted with the objective of ascertaining-

- a. whether applicable laws, rules and regulations made there under and various orders and instructions issued by the Competent Authority for preparation of Outcome Budget were complied with; and
- b. whether there were inconsistencies in reporting of physical targets and whether data was reliable.

The period of Financial Years (FY) 2013-14 to 2016-17 was selected for analysis of Outcome budget. The Ministry supports 26 different programmes/schemes which include two schemes for Wind Power, one scheme (five sub schemes) for Small Hydro Power (SHP), 13 schemes for Solar Energy, five schemes for Bio-Energy, two schemes for Energy Access and three schemes for Support Programmes.

Of these, two schemes/programmes viz. SHP and Biomass power/bagasse cogeneration were selected for detailed analysis of Outcome Budget.

2.2 Audit Findings

The audit findings are discussed in the succeeding paragraphs.

2.2.1 Deviation from Government instructions

As per the guidelines for preparation of Outcome Budget 2016-17 issued by the Ministry of Finance (MoF), the broad format for preparation of Outcome Budget was as follows:

- a. Executive summary;
- b. Introduction;
- c. Statement of Budget Estimate;
- d. Reform measures and policy initiative;
- e. Review of past performance;
- f. Financial review; and
- g. Review of performance of statutory and Autonomous Bodies

A test-check of Outcome-Budget 2016-17 prepared by MNRE revealed the following deviations from the guidelines issued by MoF.

2.2.1.1 Non-framing of Executive Summary

As per the MoF guidelines, the Executive Summary should prominently highlight the details of the monitoring mechanism and the public information system put in place by the Ministry/Department to regularly monitor physical and financial progress during the course of the year and inform the general public. However, it was noticed that the Executive Summary was not framed as stipulated in the MoF guidelines.

In respect of the selected schemes viz. Biomass and SHP projects, Audit observed that there was no monitoring system in place to regularly capture status of the progress of projects. The absence of any definite monitoring mechanism led to discrepancies in the data maintained by the Ministry as discussed in paras 2.2.2 and 2.2.3.

2.2.1.2 Parameters/guidelines not followed

The Guidelines for preparation of Outcome Budget 2016-17 defined various parameters against which the Outcome Budget was to be prepared. Audit observed that the Outcome Budget of MNRE did not contain observation/information on certain parameters as shown in Table 2.1 below.

Table 2.1: Status of compliance to various parameters of Outcome Budget

Sl. No.	Parameters of Outcome Budget	Audit Finding	Reply of the Ministry and Audit observation
1.	Position of outstanding Utilization Certificates (UCs) and unspent balances with States and	Under Financial Review, MNRE had indicated only the financial year wise break-up of the pending UCs. The	MNRE stated (July 2016) that there was a system to capture and monitor scheme-wise, agency wise and age wise UCs.

Sl. No.	Parameters of Outcome Budget	Audit Finding	Reply of the Ministry and Audit observation
	implementing agencies was to be given in the Outcome Budget.	State/implementing agencies/scheme wise break up was not shown. Position of outstanding UCs given in the Outcome Budget of 2016-17 was updated only up to 2013-14 and not upto 2015-16, as available with the Pay and Accounts Office (PAO) of MNRE. According to the Outcome Budget, 360 UCs were shown as pending up to 2013-14, whereas according to the information obtained from the PAO, 627 UCs were pending for the period up to 2015-16.	<i>Audit observation:</i> The fact remained that the scheme wise status of UCs, though available, was not reflected in the Outcome Budget.
2.	Ministry was to put in place systems for collection of relevant data with help of specialised agencies.	There were discrepancies in database of MNRE and State Nodal Agencies relating to commissioning of projects, as detailed in paras 2.2.2 and 2.2.3. This indicates that MNRE did not put in place an efficient system for collection of data.	Reply was awaited.
3.	Outcome Budget should contain information about normal savings resulting from economic use of the resources; saving due to under/non-utilization/delay in execution of projects/ schemes and savings due to obsolete/defunct projects/ schemes or due to completion of a project/scheme and funds are not (no more) required.	During FYs 2014-15, 2015-16 and 2016-17, there were persistent savings of ₹ 539 crore, ₹ 58 crore and ₹ 2,244 crore respectively. As per the Appropriation Accounts (2014-15), the reasons for savings were stated to be due to non-receipt of adequate proposals, non-submission of completion certificate, reduction at Revised Estimate (RE) stage, etc. However, no such information was mentioned in the Outcome Budget of 2016-17.	MNRE stated (June 2017) that the expenditure was reviewed from time to time and appropriate re-appropriation of the budget was undertaken accordingly. <i>Audit observation:</i> The fact remains that the information on savings was not reflected in the Outcome Budget as required.

2.2.2 Small Hydro Power Programme

One of the objectives of the Ministry was to achieve total installed capacity of Small Hydro Power (SHP)² projects of about 7,000 MW by the end of the 12th Plan. Towards this end, the focus of the SHP programme is to lower the cost of equipment, increase its reliability and set up projects in areas which give the maximum advantage in terms of capacity utilization. MNRE has created a database of potential sites of SHPs and

² Hydro power projects up to 25 MW per station capacity

6,474 potential sites with an aggregate capacity of 19,749.44 MW for projects up to 25 MW capacity have been identified.

MNRE provides Central Financial Assistance (CFA)³ for setting up new SHP projects to State Government as well as private, cooperative and joint sectors, resource assessment and support for identification of new sites for SHP and for renovation and modernization of existing SHP projects in the Government sector.

The financial outlay and actual expenditure under SHP during the period from 2012-13 to 2016-17 is given in Table 2.2 below.

Table 2.2: Financial targets and achievements under SHP

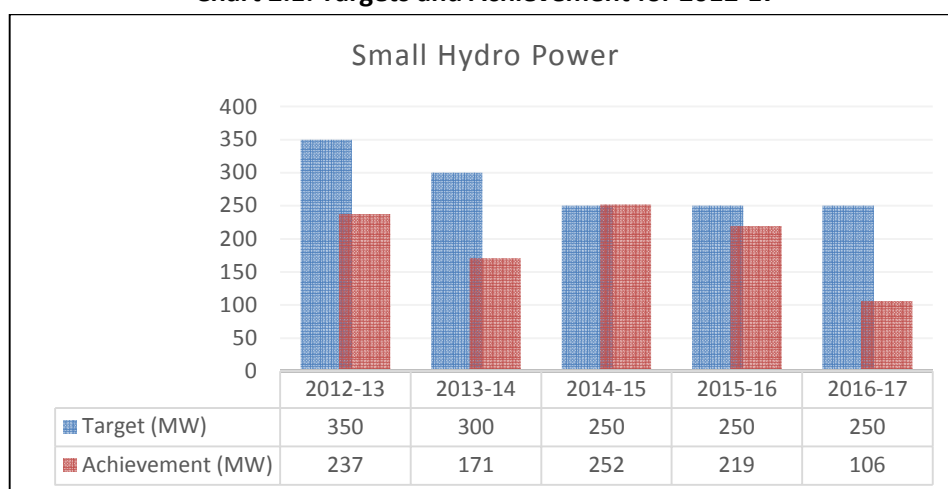
₹ in crore		
Year	Outlay	Actual expenditure
2012-13	159.00	158.93
2013-14	123.18	122.82
2014-15	108.00	107.99
2015-16	105.05	104.99
2016-17	125.00	124.70

Audit observed deficiencies in the assessment of deliverables, availability of information on the performance of SHP and review of projects shown in the Outcome Budgets of MNRE as discussed below.

2.2.2.1 Quantifiable Deliverables/Projected Physical outputs (Targets)

As per the Outcome Budget, the quantifiable deliverables for 2012-13 and 2013-14 were 350 MW and 300 MW respectively while it was 250 MW each for 2014-15, 2015-16 and 2016-17. However, the basis of assessment of quantifiable deliverables (target setting) for the FYs were not available on record. Achievements of MNRE against targets set are shown in Chart 2.1 below.

Chart 2.1: Targets and Achievement for 2012-17



Source: Target and achievements as per Outcome Budget and website of MNRE

³ Central Financial Assistance (CFA) for projects of different categories is given in the form of capital subsidy/ Grants-in-aid to promote/develop a particular sector.

It can be seen from the Chart that MNRE was unable to achieve the targets set in any of the FYs from 2012-13 to 2016-17 except during 2014-15. The shortfall in achievement of targets was 32 per cent in 2012-13, 43 per cent in 2013-14, 12 per cent in 2015-16 and 58 per cent in 2016-17. Audit further observed that the Ministry subsequently revised the target set for the year 2016-17 from 250 MW to 150 MW. However, even then there was a shortfall of 29 per cent in achievement of the revised target. It was evident that targets were not being set in a realistic manner taking into account all relevant and foreseeable factors. Hence, the targets could not serve as a benchmark for measuring or assessing achievement.

MNRE stated (August 2017) that the actual implementation of SHP projects is governed by State policies and activities such as decision of setting up SHP projects, invitation of bids from private developers, allotment of projects, various clearances, land acquisition, etc. Ministry added that construction period of SHP is usually long due to construction in river/stream and location in remote and hilly areas and due to unforeseen circumstances like landslides, slope failures, geological surprises, snowfall or prolonged monsoons due to which the targets are not achieved. Non-availability of adequate evacuation facilities also delays the process of commissioning of the projects. MNRE further stated (August 2017) that physical targets were re-visited/revised every year based on the annual allocation of funds.

Audit observed that the assessment of targets for award and implementation of projects needs to be done in a realistic manner in consultation with all primary agencies/departments involved taking into account all foreseeable factors like obtaining of statutory clearances by State Government and other limiting factors.

2.2.2.2 Discrepancies in data of commissioned SHP projects

A test check of records/data of projects commissioned by the Maharashtra Energy Development Agency (MEDA) during 2014-17 brought out discrepancies/mismatch between records provided by MEDA and MNRE as detailed in Table 2.3 below.

Table 2.3: SHP projects commissioned during 2014-17 maintained by MEDA and MNRE

FY	Details with MEDA		Details with MNRE	
	Project	Capacity (MW)	Project	Capacity (MW)
2014-15	1. Vajra III HEP	1.50	1. Phatakwardi, Kolhapur	8.00
	2. Pench Kamathi Khari LBC HEP	4.40		
Total		5.90		8.00
2015-16	1. Nilwande low level HEP Tq: Akole, Dist:Ahmadnagar	7.00	1. Mukane, Nasik	1.45
	2. Barvi HEP (4.5 MW), Dist. Thane	4.50	2. Waghur, Jalgaon	1.50

FY	Details with MEDA		Details with MNRE	
	Project	Capacity (MW)	Project	Capacity (MW)
	3. Hetawane HEP Tal.-Pen, Dist. Raigad	1.50		
	4. Urmodi, A/p Ambavade, Satara	3.00		
Total		16.00		2.95
2016-17	1. Waghur, Jalgaon	1.50	1. Hettawane, Raigad	1.50
	2. Chikotra, Kolhapur	1.80	2. Mulla Dam Rauri, Ahemednagar	4.80
	3. Kanher left bank, Satara	1.20		
Total		4.50		6.30

The difference in database maintained by MEDA and MNRE resulted in depiction of over-achievement of 2.1 MW and 1.80 MW during 2014-15 and 2016-17 respectively and under-achievement of 13.05 MW in the status of SHP projects shown in the Outcome Budget 2016-17. In fact, except two SHPs, namely Waghur (Jalgaon) and Hettawane (Raigad), details available in the two sets of data did not match in any of the three years under review.

Similarly, test check of record/data of commissioned projects of Punjab Energy Development Agency (PEDA) during 2014-17 also revealed discrepancies in number of projects commissioned maintained by PEDA and MNRE as brought out in Table 2.4 below.

Table 2.4: SHP projects commissioned during 2014-17 maintained by PEDA/MNRE

FY	Details with PEDA		Details with MNRE	
	Project	Capacity (MW)	Project	Capacity (MW)
2014-15	1. Sidhawan Hydro Power Pvt. Ltd Sidhawan , Ludhiana	0.70	Nil	-
	2. Atlantic Power (Phoola) Pvt. Ltd Bathinda	0.60		
Total		1.30		0
2015-16	Nil		1. Ludhiana SHP	0.70
			2. Phoola SHP	0.60
			3. RD 14350	6.00
			4. RD 20500	3.80
			5. Bibiwala	0.40
			6. Kunjar	2.00
Total		0		13.50

FY	Details with PEDA		Details with MNRE	
	Project	Capacity (MW)	Project	Capacity (MW)
2016-17	1. SKR Hydro Power Project Generator Pvt. Ltd Bathinda, Bibiwala	0.40	Nil	-
	2. Gill Acqua Hydro Power generation company pvt ltd Madhopur RD 14350 combined	6.00		
	3. Gill Acqua Hydro Power generation company Pvt. Ltd. Madhopur RD 20500 Pathankot	3.80		
Total		10.20		0

Thus, during 2014-15, 2015-16 and 2016-17, actual physical outputs (targets) with respect to the three projects were understated by 1.30 MW, overstated by 13.50 MW and understated by 10.20 MW respectively in the Outcome Budgets.

Discrepancies in data maintained by the State agencies and MNRE indicates deficiency in the system of collection and compilation of data for preparation of Outcome Budget. Evidently, accuracy of the data shown in the Outcome Budget could not be ensured.

MNRE stated (August 2017) that the projects were physically completed as informed by the project developers and accordingly reported by the MNRE. However, projects may have been commissioned/performance testing done at a later stage. MNRE however agreed that in future only commissioned projects will be reported. MNRE added that no State wise targets were fixed in SHP programme and physical targets were revisited/revised each year based on allocation of funds.

Thus, the objective of Outcome Budget as an indicator of measurable outputs and outcomes of the activities of the Ministry was not entirely fulfilled.

2.2.3 Bagasse co-generation and Biomass power

Central Financial Assistance (CFA) for private sector projects is released after successful commissioning and announcement of commercial generation and testing of the project. In the case of bagasse co-generation projects in cooperative/public sector sugar mills implemented by State Government Undertaking/State Government joint venture company through BOOT/BOLT model and co-generation projects by cooperative/public sector sugar mills themselves, 50 *per cent* of eligible CFA is provided upfront and the balance 50 *per cent* is released after successful commissioning and performance testing of the project.

The financial outlay and actual expenditure under Bagasse and Biomass power projects during the period from 2012-13 to 2016-17 is given in Table 2.5 below.

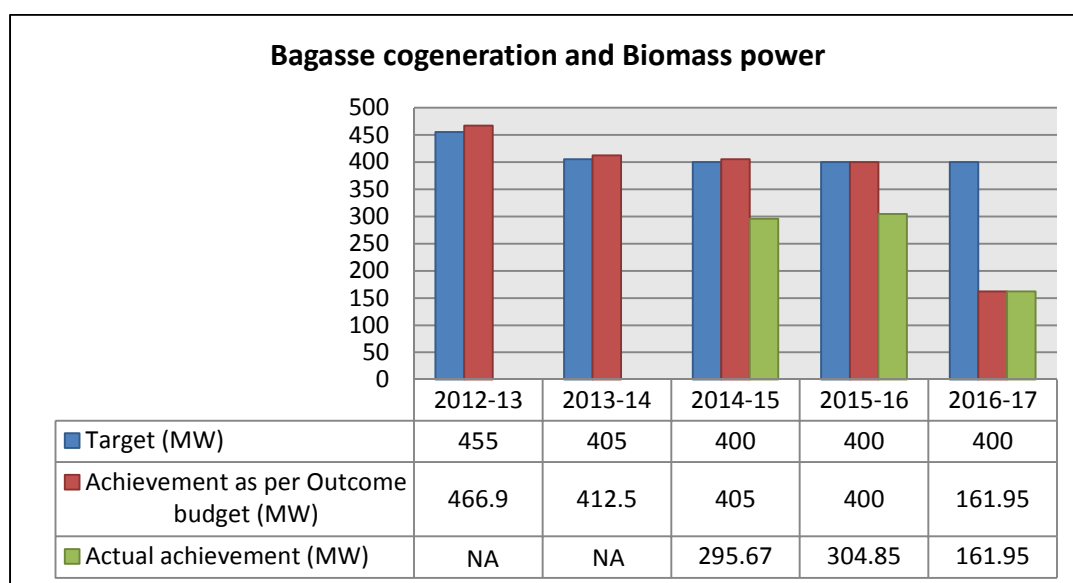
Table 2.5: Financial targets and achievements under Bagasse Co-generation and Biomass Power Projects

₹ in crore		
Year	Outlay (RE)	Actual expenditure
2012-13	81.00	63.87
2013-14	34.54	34.53
2014-15	25.00	25.00
2015-16	29.00	28.03
2016-17	17.00	10.29

2.2.3.1 Monitoring and capturing data of commissioned projects mechanism

MNRE did not establish a mechanism for monitoring and capturing data of commissioned projects. Audit noticed discrepancies in data of MNRE and State Nodal Agencies. The achievements mentioned in the Outcome Budget against stipulated targets and actual achievement are shown in Chart 2.2 below.

Chart 2.2: Targets and achievements during 2012-17



Note: The achievement for 2014-15 and 2015-16 (February 2016) is from outcome budget and for 2016-17 from website of MNRE.

Thus, the achievements reported by MNRE in the Outcome Budgets for the years 2014-15 and 2015-16 were inflated. There was actually a shortfall in achievement of targets 104.33 MW in 2014-15, 95.15 MW in 2015-16 and 238.05 MW during FY 2016-17.

The significant shortfall in meeting the targets suggests that MNRE did not assess its targets in a realistic manner and the target of the previous FY (2014-15) was replicated for the next FYs (2015-16 and 2016-17) without taking into consideration achievement there against. Further, discrepancies in data between the achievements mentioned in the Outcome Budget/website of MNRE with the data as per records maintained in MNRE cast a doubt on the accuracy of data reported by MNRE in its Outcome Budget.

2.3 Conclusion

MNRE deviated from extant instructions on parameters for preparation of Outcome Budget. Outcome Budget of MNRE did not give information about normal savings resulting from economic use of the resources, current position of outstanding Utilization Certificates and unspent balances with States and implementing agencies. Physical output targets were not fixed in a realistic manner. There were data discrepancies that undermined the utility of the Outcome Budget as an instrument to measure outcomes expected from the financial outlays being made.

The matter was referred to the Ministry (October 2017); its reply was awaited as of December 2017.

