

## CHAPTER-III

### IMPLEMENTATION OF SCHEMES

#### **3.1 Integrated Development of Small and Medium Town Scheme and Urban Infrastructure Development Scheme for Small and Medium Towns.**

##### **3.1.1 Highlights.**

The Government of India (GOI) launched a centrally sponsored scheme of “Integrated Development of Small and Medium Towns” (IDSMT) in December 1979 to slow down the increasing trend of migration from small and medium towns to large cities by providing infrastructure and generating economic growth and employment in the small and medium towns. The scheme was started in Himachal Pradesh in the year 1992. Only 21 Towns out of 49 were covered under the scheme during 1995-2005. Project execution was not satisfactory as only one out of 21 projects of IDSMT scheme could be completed as of March 2008. From December 2005 the scheme was merged in Urban Infrastructure Development scheme for small and medium towns (UIDSSMT) and three towns were covered. Out of three projects sanctioned under UIDSSMT two are in progress and one was yet to be started. The inability to raise institutional finance or to generate internal resources was a major factor for tardy progress. Some of the significant points noticed are given in succeeding paragraphs.

- Out of the grants of Rs. 18.94 crore released for all the 21 projects during 1995-2008, Rs. 17.31 crore only could be spent as of March 2008.  
(Para 3.2.2)
- Out of 21 projects sanctioned 1995-2005 only one project was completed.  
(Para 3.4.1)
- In five projects/towns test checked, expenditure of Rs. 1.21 crore incurred on the construction of Shopping Complex, Community Hall, Shops etc. was rendered unproductive as these assets were lying unutilized.  
(Para 3.4.6)
- Thirteen ULBs diverted Rs. 2.36 crore from IDSMT/UIDSSMT to Municipal funds for payment of salary etc. Moreover, an expenditure of Rs. 1.51 crore was incurred by four ULBs on

schemes not sanctioned by State Level Sanctioning Committee (SLSC).

(Para 3.2.7 & 3.4.2)

- Institutional finance of Rs. 7.65 crore was not arranged by 14 Local bodies resulting in tardy progress/non-completion of the projects.

(Para 3.2.6)

### **3.1.2 Introduction.**

The Government of India (GOI) launched a centrally sponsored scheme for Integrated Development of Small and Medium Towns (IDSMT) in December 1979 to slow down the increasing trend of migration of people from rural areas and smaller towns to large cities by providing infrastructure and other facilities and by generating economic growth and employment in the small and medium towns. The main objective of the IDSMT were to:

- Improve infrastructure facilities and helping in creation of durable public assets in small and medium towns having potential to emerge as regional centers of economic growth and employment;
- Decentralize economic growth and employment opportunities;
- Increase the availability of service sites for housing, commercial and industrial uses and to promote the principles of planned and orderly spatial development;
- Integrate spatial and socio-economic planning : and
- Promote resource-generating schemes for Urban local bodies to improve their overall financial position and ability.

From December 2005, GOI subsumed schemes of IDSMT and Accelerated Urban Water Supply Programme (AUWSP) with a new scheme called Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) with the following objectives:

- To improve infrastructure facilities and help create durable public assests and quality oriented services in cities & towns.
- To enhance public – private - partnership in infrastructural development and
- To promote planned integrated development of towns and cities

Under IDSMT the main components for assistance included works like:

- Strengthening of road facilities including ring, arterial, bypass/link roads and small bridges.
- Development of market complexes/shopping centers;
- development of city/town parks and

- Creation of major public amenities like Gardens, Playground, Marriage Hall, Pay and use toilets and social amenities especially for poorer sections.

The duration of UIDSSMT is seven years beginning from 2005-06. The projects sanctioned prior to 2005-06 were, however, allowed to be continued as per guidelines of erstwhile scheme of IDSMT.

In Himachal Pradesh the scheme for IDSMT was implemented from the year 1992 and after its merger with UIDSSMT in 2005-06, this is still being implemented in 16<sup>10</sup> Municipal Councils (MCs) and Seven<sup>11</sup> Nagar Panchayats (NPs) of the State.

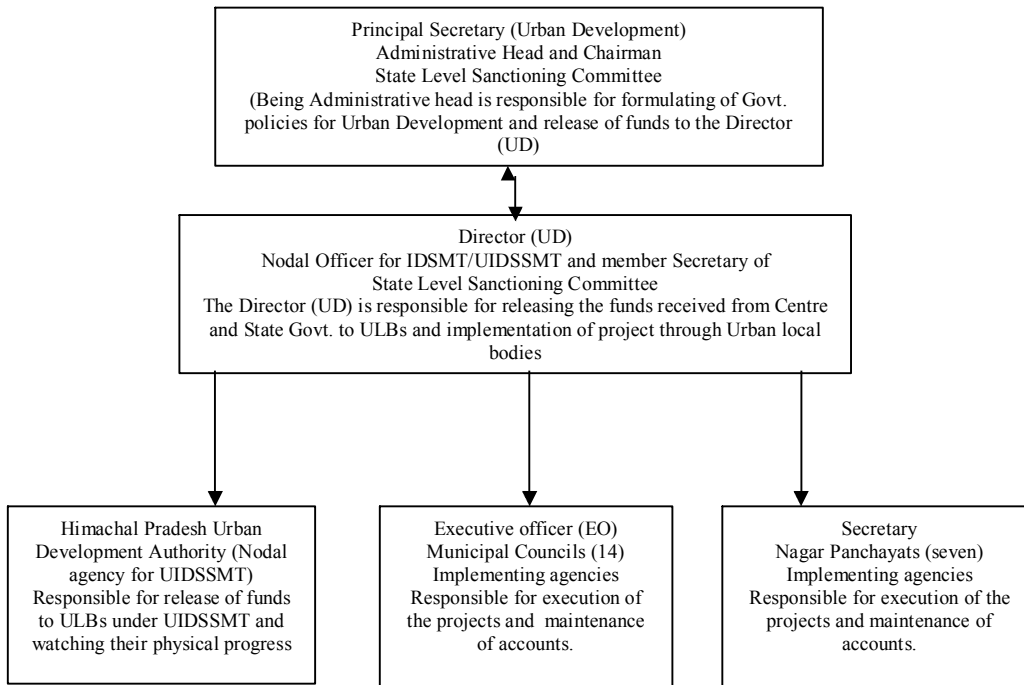
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<sup>10</sup> Bilaspur, Chamba, Dharmashala, Hamirpur, Kullu, Mandi, Nahan, Nurpur, Nalagarh, Poanta, Palampur, Rampur, Solan, Sundernagar, Theog and Una.

<sup>11</sup> Baddi, Jawalamukhi, Kotkhai, Manali, Mehetpur, Narkanda and Santokhgarh.

### 3.1.3 Organisational setup.

The organisational set up for implementation of both the schemes is as under:-



### 3.1.4 Scope of Audit.

Records of the Director (Urban Development) and all the 16<sup>12</sup> Municipal Councils (MCs) and seven<sup>13</sup> Nagar Panchayats (NPs) for the period 2003-08 were test checked during April-June 2008. Audit findings as discussed in the succeeding paragraphs are based on analysis of records, data, information and replies furnished to questionnaire/audit memoranda by the above mention units.

### 3.1.5 Audit Objectives.

Audit was conducted to ascertain whether;

- the schemes achieved the objective of arresting the increasing trend of migration from small and medium towns to large cities by way of providing developed growth centers, employment and creating durable infrastructures;
- economic growth and employment opportunities were decentralized to provide a regional planning approach;
- the projects were implemented in economic, efficient and effective manner;

<sup>12</sup> Bilaspur, Chamba, Dharamashala, Hamirpur, Kullu, Mandi, Nahan, Nurpur, Nalagarh, Palampur, Poanta, Rampur, Sundernagar, Solan, Theog and Una.

<sup>13</sup> Baddi, Jawalamukhi, Kotkhai, Manali, Mehatpur, Narkanda and Santokhgarh.

- mechanism for monitoring the programme worked efficiently and
- assets created were being managed and utilised properly.

### **3.1.6 Audit criteria.**

The audit criteria used for conducting audit was as under:

- Guidelines of the schemes IDSMT and UIDSSMT issued by GOI.
- Departmental Rules and Regulation.
- Government notification and instructions issued from time to time for the implementation of State and Centrally sponsored schemes: and
- Procedure prescribed for monitoring and evaluation of schemes/programmes.

### **3.1.7 Audit Methodology.**

An entry conference was held with the Director Urban Development Department (April 2008) wherein audit objectives, criteria and scope of audit were discussed.

## **3.2 Financial Management.**

### **3.2.1 Funding patterns.**

Funding patterns for implementation of IDSMT and UIDSSMT schemes were as under:

**IDSMT:** Upto July 1995 loan assistance in the ratio of 50:50 between Central and State Governments was given and from August 1995 to November 2005 grant-in-aid was to be shared by Central and State Government in the ratio of 60:40 after excluding 20 to 40 percent of project cost to be arranged by ULBs as institutional finance.

In respect of projects sanctioned prior to 2005-06 under IDSMT, the central share was to be passed on to the State Government as grant and thereafter both the Central and State shares were to flow as grant to a special Revolving Fund to be set up at the Municipal level. Amounts of institutional finance and receipts on account of rent, sale proceeds, user charges, etc. were also required to be credited to the Revolving Fund of the IDSMT project concerned.

**UIDSSMT:** Grant-in-aid was to be shared by Central and State Government in the ratio of 80:10 and balance 10 percent to be arranged by the ULBs from own sources/institutional finance. Under UIDSSMT the grant from Central and State Government were to flow to the nodal agency

designated by the State Government for onward disbursement to Urban Local Bodies (ULBs).

### 3.2.2 Financial outlay and expenditure.

Town and Country Planning Organization (TCPO) of GOI, Ministry of Urban Development approved 24 projects during 1995-2007 for 24 towns of the state consisting of 154 works (147 works under 21 projects of IDSMT scheme and seven works under three projects of UIDSSMT scheme) with an estimated cost of Rs. 56.46 crore (IDSMT Rs. 29.40 crore Central share Rs. 11.55 crore, State share Rs. 7.69 crore and Financial Institutional Loans (FIS) Rs 10.16 crore and UIDSSMT Rs. 27.06 crore, Central share Rs. 21.66 crore, State share Rs. 2.70 crore and Rs. 2.70 crore as institutional finance). The yearwise position of funds (grants/loan) provided for implementation of both the scheme was as under:-

**(Rs. in crore)**

Year of approval	Number of towns for which project sanctioned	No. of works included in the project	Approved project cost	Eligible share				Grants released				
				Central	State	FIS loan	Total	Central	State	FIS loan	Total	Exp.
<b>IDSMT</b>												
1995-96	1	7	1.77	0.80	0.52	0.45	1.77	0.80	0.56	-	1.36	1.98
1996-97	1	5	0.94	0.45	0.30	0.19	0.94	0.45	0.32	-	0.77	0.70
1997-98	1	6	1.00	0.48	0.32	0.20	1.00	0.48	0.36	-	0.84	0.70
1998-99	1	14	2.17	0.90	0.60	0.67	2.17	0.90	0.60	-	1.50	1.32
1999-2000	4	35	5.80	2.26	1.50	2.04	5.80	2.26	1.50	-	3.76	3.85
2000-01	2	12	2.54	0.96	0.64	0.94	2.54	0.96	0.64	-	1.60	1.63
2001-02	3	16	3.96	1.44	0.96	1.56	3.96	1.43	0.96	-	2.39	2.01
2002-03	4	29	6.44	2.34	1.56	2.54	6.44	2.34	1.56	-	3.90	3.62
2003-04	2	13	2.66	0.96	0.64	1.06	2.66	0.62	0.79	-	1.41	0.76
2004-05	2	10	2.12	0.96	0.64	0.51	2.12	0.48	0.93	-	1.41	0.74
<b>Total</b>	<b>21</b>	<b>147</b>	<b>29.40</b>	<b>11.55</b>	<b>7.69</b>	<b>10.16</b>	<b>29.40</b>	<b>10.72</b>	<b>8.22</b>	<b>-</b>	<b>18.94</b>	<b>17.31</b>
<b>UIDSSMT</b>												
2005-06	-	-	-	-	-	-	-	-	-	-	-	-
2006-07	3	7	27.06	21.66	2.70	2.70	27.06	7.49	2.70	-	10.19	0.80
2007-08	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3</b>	<b>7</b>	<b>27.06</b>	<b>21.66</b>	<b>2.70</b>	<b>2.70</b>	<b>27.06</b>	<b>7.49</b>	<b>2.70</b>	<b>-</b>	<b>10.19</b>	<b>0.80</b>
<b>G. Total</b>	<b>24</b>	<b>154</b>	<b>56.46</b>	<b>33.21</b>	<b>10.39</b>	<b>12.86</b>	<b>56.46</b>	<b>18.21</b>	<b>10.92</b>	<b>-</b>	<b>29.13</b>	<b>18.11</b>

Source: Director (Urban Development)

The following points were noticed;

Out of total Central and State grant of Rs. 18.94 crore released during 1996-2008 and institutional contribution of Rs. 2.51<sup>14</sup> crore by six ULBs, an expenditure of Rs. 17.31 crore was incurred on implementation of 21 projects under IDSMT scheme as of March 2008 as per project wise/town wise details shown in **Appendix-7**.

<sup>14</sup> Chamba (Rs. 0.62 Cr.), Dharamshala (Rs. 0.22 Cr.), Nahan (Rs. 0.45 Cr.), Nalagarh (Rs. 0.50 Cr.), Poanta (Rs. 0.31 Cr.), Manali (0.10 Cr.) and Baddi (Rs. 0.31 Cr.)

During 2006-07 the GOI sanctioned three projects comprising seven works under UIDSSMT. An amount of Rs. 10.19 crore was released by the Director (UD) during 2006-07 to the Nodal agency (HIMUDA) for the execution of works. The Nodal agency released funds of Rs. 4.55 crore (2007-08; Rs. 1.57 crore, 2008-09; Rs. 2.98 crore) to three<sup>15</sup> ULBs and remaining funds of Rs. 5.64 crore were lying with the Nodal agency as the work had not been started in Mandi Town. Expenditure of Rs. 0.46 crore and Rs. 0.37 crore had been incurred by MC Dharamashala and MC Hamirpur as of June 2008, against the release of funds of Rs. 0.98 crore and Rs. 2.62 crore respectively. Thus non-release of funds would result in delay in completion of projects.

**3.2.3 Short release of funds due to non-utilisation of funds released earlier.**

The Government of India did not release grants amounting to Rs. 82.00 lakh to the State Government for three projects Mehatpur (Rs. 24.00 lakh), Santokhgarh (Rs. 24.00 lakh) and Narkanda (Rs. 34.00 lakh) as the previously released funds to the tune of Rs. 62.00 lakh could not be utilised by the concerned ULBs for execution of various schemes under IDSMT and further instalments were refused. Thus due to tardy implementation of IDSMT project, three ULBs were denied the Central share of Rs. 82.00 lakh.

**3.2.4 Release of grants at the fag end.**

Grants worth Rs. 2.48 crore were released by the State Government at the fag end i.e. during the month of March of the respective financial years 2003-08 making it difficult for the implementing ULBs to spend the money during the financial year. Yearwise break up was as under:-

	(Rs. in lakh)
<b>2003-04</b>	<b>121.09</b>
<b>2004-05</b>	<b>14.00</b>
<b>2006-07</b>	<b>47.67</b>
<b>2007-08</b>	<b>65.00</b>
<b>Total</b>	<b>247.76</b>

The Government stated (September 2008) that the funds were released as and when received from GOI.

**3.2.5 Delay in release of State share.**

As per guidelines for IDSMT, State share was to be released to the Urban Local bodies within one month from the date of release of Central grant.

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<sup>15</sup> Dharamshala (Rs. 0.98 Cr.), Hamirpur (Rs. 2.62 Cr.), & Mandi (Rs. 0.95 Cr.)

It was observed that Central share of Rs. 1.20 crore was released by GOI in March 2003 to State Government. Although the State Government released the Central share to three<sup>16</sup> local bodies during April 2003, the corresponding State share of Rs. 79.76 lakh was released only in May 2004 to these local bodies after delay of more than one year. The Director (UD) stated (September 2008) that delay was due to receipt of Central grant at the fag end of year 2002-03 and there was no provision in the State budget for State share in that financial year. Facts remain that State share was not released on time which delayed the completion of schemes.

### **3.2.6 Inability to arrange institutional finance by the implementing agencies.**

According to the financing pattern of the scheme, institutional finance was to be arranged by the local body implementing the project.

It was observed that under IDSMT an amount of Rs. 10.16 crore was required to be arranged as institutional finance by the 21 ULBs whereas an amount of Rs. 2.51 crore (25 percent) could only be arranged by seven<sup>17</sup> ULBs whereas no amount against Rs. 7.65 crore was arranged by the remaining 14<sup>18</sup> ULBs. The concerned local bodies attributed the inability to arrange institutional finance to weak financial repayment capacity. Non-availability of institutional finance, thus delayed the completion of projects. The Government stated (September 2008) that IDSMT scheme has been abandoned and no funds would be released for these projects. The remaining un-executed works will be completed by the ULBs from their own sources.

### **3.2.7 Diversion of funds.**

- Contrary to the guidelines it was observed in 13<sup>19</sup> ULBs, that the income of Rs. 2.36 crore generated by way of interest on IDSMT deposits (Rs. 30.55 lakh), rent of shops and auction of assets etc. (Rs. 2.06 crore) upto March 2008 was diverted/credited to MC fund and utilized for the payment of salary. The diversion of funds has delayed the completion of on going schemes and schemes yet to be taken up for

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<sup>16</sup> MC Kullu, Theog & Solan.

<sup>17</sup> Baddi, (Rs. 0.31 Cr.), Chamba (Rs. 0.62 Cr.), Manali (Rs. 0.11 Cr.), Nalagarh (Rs. 0.50 Cr.), Poanta (Rs. 0.30 Cr.), Dharamashala (Rs. 0.22 Cr.), & Nahan (Rs. 0.45 Cr.)

<sup>18</sup> Bilaspur, Jawalamukhi, Kullu, Kotkhai, Mehatpur, Nurpur, Narkanda, Palampur, Rampur, Solan, Sundernagar, Santokhgarh, Theog & Una.

<sup>19</sup> Bilaspur, Baddi, Dharamshala, Jawalamukhi, Kullu, Kotkhai, Manali, Poanta, Rampur, Solan, Sundernagar, Theog and Una.



execution in these ULBs for which these funds could have been utilised. The Government stated (September 2008) that the concerned ULBs have been asked to explain the reason.

- Under IDSMT, GOI approved a project for Manali Town (Kullu District) in 2002-03 for Rs. 1.36 crore (Central grant Rs. 0.48 crore, State grant Rs. 0.32 crore and loan Rs. 0.56 crore). Against this, GOI and State Government released their full share of Rs. 0.80 crore (Central Rs. 0.48, State Rs. 0.32 crore) in 2003-2007.

As per approved components of the IDSMT project, a shopping complex consisting of 53 shops was to be constructed at Manali at a cost of Rs. 53.72 lakh. It was however, noticed that NP Manali constructed a parking lot (April 2006) at a cost of Rs. 35.42 lakh in place of shopping complex in view of the decision taken by the committee constituted for suggesting ways and means for the development of Manali Town. However, no approval was obtained for this change from the State level Sanctioning Committee as of June 2008, as required under the provision of guidelines. Thus the funds amounting to Rs. 35.42 lakh were diverted out of IDSMT for construction of parking lot which was irregular and NP was also deprived of income of Rs. 1.33 crore to be generated by sale of shops and shopping complex after construction. The Secretary of NP stated that the shopping complex has been proposed to be constructed on fourth floor of parking complex and as such no approval was obtained from SLSC for diversion of funds. The reply was not convincing as there was no formal approval of SLSC and a revenue of Rs. 1.00 lakh generated out of parking lot was nominal as compare to projected income of Rs. 1.33 crore out of shopping complex. The Government stated (September 2008) that the ULBs are autonomous bodies and such decision might have been taken at their own level. The diversion of the scheme was not in the knowledge of Directorate/Government for which ULB has been asked to explain the reasons.

### **3.2.8 Non-maintenance of separate books of account/bank account.**

As per guidelines of IDSMT scheme, funds received from Centre/State Government were required to be credited to a separate bank account. Separate

books of accounts for Central assistance, State share and institutional finance were also to be maintained by the local bodies in respect of the approved projects and these were not to be mixed up with any other funds.

It was observed that two Local bodies (MC Poanta & MC Sundernagar) had not maintained separate account books for sanctioned project. The EO of the concerned local bodies stated (May 2008) that separate records could not be maintained due to ignorance and the same will be separated in future. The Government stated (September 2008) that instructions have been issued for maintenance of separate account. The reply is not acceptable as this was against the guidelines which provide for maintenance of separate account books.

### **3.2.9 Non-creation of revolving fund at State level.**

Guidelines provide that the State Government should create a State Urban/Municipal Development fund at the State level as part of the reforms exercises undertaken in the context of the constitution (74<sup>th</sup> amendments Act, 1992) so as to provide capital base for promoting infrastructure development on a continuous basis. The State Urban Development fund could consist of a mix of selected earmarked Government grants and loan from the market, secured with the grant used as base/equity. Loans for IDSMT schemes may be made available through this source in case institutional finance is not forthcoming. Loan from the State Urban/Municipal Development fund may be sanctioned to municipalities at varying rate of interest depending upon the size of municipalities. It was also provided in the guidelines that the Centre and State share were to flow as grant to a special revolving fund to be setup at Municipal level.

While no development fund was created at State level for sanctioning of loan to ULBs, no reasons were advanced for non-creation of development fund at State level by the Director (UD).

Test check of 21 ULBs revealed that the revolving fund was created only by three<sup>20</sup> ULBs and the remaining ULBs were crediting the Centre/State grant in a separate Bank account. However, the income generated by way of interest and rent etc. was being credited to Municipal fund which was against the

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<sup>20</sup> MC Chamba, MC Nahan & MC Theog.

guidelines of IDSMT scheme. The EOs of local bodies stated (May 2008) that the revolving fund would be maintained in future.

### **3.2.10 Irregular debiting of expenditure.**

Funds aggregating to Rs. 13.00 lakh under SDP (Rs. 10.00 lakh) and MPLAD (Rs. 3.00 lakh) were received during 1999 and 2000 from Deputy Commissioner Shimla for construction of a Multipurpose Complex at Kotkahi (Shimla District). The utilisation certificates for above funds were also sent to DC Shimla during 2004. A sub work i.e. construction of level to basement was awarded in September 2001 to a contractor who executed the work to the extent of Rs. 24.27 lakh upto 2002-03. The payment was released in November 2002. It was further observed that IDSMT project for Kotkhai town was sanctioned in 2002-03 for Rs. 1.36 crore. Under the project, the Shopping Complex at a cost of Rs. 81.50 lakh was to be constructed. The first installment of Rs. 40.00 lakh for execution of works under IDSMT project was released in April 2003 by the Director (UD). The work for construction of Shopping Complex was awarded (July 2006) and the same was in-progress (April 2008). Expenditure of Rs. 45.00 lakh was shown incurred on the work upto March 2008. However, expenditure of Rs. 24.27 lakh incurred in 2002-03 on the construction of basement of multipurpose complex (where shopping complex is being constructed under IDSMT) was debited in 2007-08 to IDSMT scheme through transfer of expenditure from head to which initially debited. Thus the debiting of this expenditure to IDSMT account was irregular.

Similarly a project for Manali Town was sanctioned under IDSMT scheme in 2002-03 for Rs. 1.36 crore and the first installment of Rs. 24.00 lakh for this project was released in April 2003. In this project a Shopping Complex near MC office consisting of 21 shops with an area of 1000 square metres was to be constructed at a cost of Rs. 13.65 lakh. It was noticed in audit that the basement for Multipurpose Complex was already constructed (June 1999) at a cost of Rs. 7.25 lakh out of NP fund. The Shopping Complex on basement for Multipurpose Complex was constructed in January 2005 at a cost of Rs. 6.40 lakh. However, the expenditure of Rs. 7.25 lakh incurred (1999) on construction of basement of Multipurpose Complex prior to sanctioning of IDSMT project was also debited to IDSMT account. As such the charging of expenditure incurred prior to sanctioning of project was irregular. While the

Secretaries of both the above NPs stated in April 2008 and September 2008 respectively that the works were sanctioned under IDSMT hence booking of expenditure was made to these works. The State Government stated (September 2008) that both the NPs had been directed for maintaining separate accounts.

The above reply is however, not tenable as the booking of the expenditure to the IDSMT project was made with the objective to have the available sanctioned funds from the IDSMT project by debiting the expenditure of Rs. 31.52 lakh (Rs. 24.27 lakh + Rs. 7.25 lakh) already incurred on other schemes. This had not only facilitated obtaining of extra funds for the IDSMT project but had resulted in overstatement of actual expenditure under the project.

### **3.3 Planning and implementation of the scheme.**

The guidelines for implementation of the IDSMT scheme provided for formulation of State Urban Development Strategy for the next 10 years indicating comprehensive reasoning for proposing town under IDSMT. Based on Urban Development Strategy, State Government was required to identify small and medium town which could be developed as growth centre, keeping in view long term interest of decentralized Urban development and submit this list of selected towns alongwith Urban Development strategy paper to GOI, the Ministry of Urban Development. The Municipalities were further required to prepare town and city development plans.

Under UIDSSMT, for improvement of Urban infrastructure in a planned manner the State Government was required to prioritise towns and cities on the basis of their felt need keeping in view existing infrastructure, population of schedule castes/schedule tribes and special problems like hilly terrain.

The State Urban Development Strategy papers prepared for planning and implementation of schemes were not made available by the Director for audit scrutiny. In the absence of such papers the actual position of strategy adopted for identification of towns could not be ascertained in audit. The Director (UD) stated (June 2008) that the papers were submitted to the GOI in the year 1994 on the basis of which projects for 21 towns were sanctioned and copy thereof was not readily available which will be obtained from GOI in due course of time.

### 3.4 Implementation of schemes.

#### 3.4.1 Status of sanctioned project.

Under IDSMT, the projects sanctioned were required to be completed within five years from the date of approval accorded by GOI. However, under the new scheme of UIDSSMT effective from December 2005 the time frame for completion of projects had not been specified.

The GOI sanctioned 21 projects comprising works like Shopping Complex, Community Hall, Yatri Niwas and Parking etc. during 1995-05 under IDSMT and three projects having works like Construction of Roads, Channellisation of Nallahs, Sewerage and Drains etc. under UIDSSMT in 2006-07. During 2005-06 and 2007-08 no projects were sanctioned in the State under UIDSSMT by GOI. The position of projects sanctioned, projects required to be completed and projects actually completed upto March 2008 was as under:-

Year of sanction	No. of projects	Works included in the project	Due year for completion	Actual status as on March 2008	Delay involved as of March 2008
1995-96	1	7	2000-01	Project completed on due date	
1996-97	1	5	2001-02	In progress	6 year
1997-98	1	6	2002-03	In progress	5 year
1998-99	1	14	2003-04	In progress	4 year
1999-2000	4	35	2004-05	In progress	3 year
2000-01	2	12	2005-06	In progress	2 year
2001-02	3	16	2006-07	In progress	1 year
2002-03	4	29	2007-08	In progress	--
2003-04	2	13	2008-09	In progress	--
2004-05	2	10	2009-10	In progress	--
2005-06	--	--	---	--	--
2006-07	3	7	---	--	--
2007-08	--	--	---	--	--

From the above table it was observed that out of 21 projects comprising 147 works under scheme of IDSMT, 17 projects having 124 works were required to be completed by March 2008. However, only one project of MC Nahan having seven works was completed in 2002-03 and in the remaining 20 projects, 58 works were completed and 34 works were in progress whereas commencement of 48 works had not been started as of June 2008. In one ULB the work had been abandoned by the contractor in May 2005 to whom composite contract was awarded. In one ULB the work had been stopped (May 2005) by the higher authorities for selection of other site and after revoking earlier orders the work was yet to be restarted as of March 2008. In three Urban local bodies the major commercial components like Shopping complex costing Rs. 1.60 crore could not be started either due to non-availability of

land or due to disputes at site. The construction of guest house in Kullu town was delayed due to frequent change in scope of work by the elected body whereas the commencement of work was delayed in Mehatpur town for want of technical sanction. The concerned ULBs attributed the delay in-completion of projects to shortage of fund.

Out of three projects sanctioned under UIDSSMT two were in progress and the work on third project was yet (July 2008) to be started. The concerned ULBs stated (May-June 2008) that IDSMT projects could not be completed due to shortage of funds and some dispute at sites.

This indicated very tardy progress of the projects/schemes sanctioned under IDSMT scheme. Non-completion of projects in prescribed time schedule led to denial of the schemes benefits of economic growth and employment to the people of these towns besides possibility of cost over run. The Government stated (September 2008) that two more projects (Chamba & Baddi) has been completed and 70 percent work has been completed in 10 projects. In remaining towns, the projects are incomplete due to sub-judice matters and non-finalization of sites.

#### **3.4.2.1 Execution of schemes without approval of State level Sanctioning Committee.**

A project for Nurpur Town was sanctioned under IDSMT in 2003-04. According to the approved works of the project, a Community hall was to be constructed on first floor and parking on the ground floor at a cost of Rs. 65.25 lakh. It was noticed that the Municipal Council decided (July 2003) to construct only Community hall on the ground floor and parking was proposed at nearby Balmiki Colony. The MC again decided (March 2006) to construct Community hall on both ground and first floor. The case for approval of change in scope of work was sent to the Director (UD) in May 2005 and the approval was awaited as of June 2008. The execution of Community hall was taken up (September 2005) without any time frame for completion and the work on second floor was in-progress (June 2008) after incurring an expenditure of Rs. 57.05 lakh against awarded amount of Rs. 56.39 lakh for construction of Community hall in first floor only. Thus the execution of work without getting approval for change in scope of work was irregular and against the guidelines of IDSMT and also resulted in non-construction of

parking lot. The EO MC Nurpur stated (June 2008) that the work was taken up as per the decision of the elected house. The reply is not tenable as change in design would result into excess expenditure on construction of double storeyed Community hall (instead of single storeyed) and also resulting into non-execution of other components of the project. The Government stated (September 2008) that the ULB has been directed to send fresh proposal for change in scope of work so that fresh approval of SLSC could be obtained.

**3.4.2.2** A project for Dharmashala Town was sanctioned under IDSMT in 1996-97 for Rs. 2.17 crore. As per the project, a Shopping complex at Kotwali Bazar consisting of 27 shops was to be constructed at a cost of Rs. 21.04 lakh. It was noticed that the proposed site was not found feasible due to change in land use and SLSC decided (February 2002) to construct the Shopping complex at the site adjoining to MC office which was owned by the local body. The other provisions like numbers of shops and cost of scheme remained unchanged. However, the MC obtained technical sanction in November 2003 from HP Housing Board for the construction of Rest House building at the site approved for Shopping complex as the elected house resolved (December 2003) that this site was also not found suitable for Shopping complex. The case for change in scheme was sent to the Director (UD) in January 2004 and the approval was awaited (June 2008). The construction of Rest House was awarded to contractor in February 2004. The contractor executed the work to the extent of Rs. 28.12 lakh upto April 2006 when the MC decided (May 2006) to auction the half built structure. The half built structure was auctioned (May 2006) for twenty five years at monthly rent of Rs. 0.20 lakh besides security of Rs. 20.10 lakh (adjustable in future rent) as the council was incurring an expenditure of Rs. 0.18 lakh per month for repayment of loan of Rs. 22.50 lakh. Thus the execution of schemes not stipulated in the project was unauthorised. Moreover, the auction was also not beneficial as against amount of Rs. 30.00 lakh as security and monthly rent of Rs. 0.30 lakh approved by the MC in August 2005, the structure was allotted

for 25 years for Rs. 20.10 lakh as security and monthly rent of Rs. 0.20 lakh.

**3.4.2.3** For Bilaspur Town a project under IDSMT was approved (1999) for Rs. 1.41 crore. Funds aggregating to Rs. 97.00 lakh were released between June 1999 and June 2007 (D.C. Bilaspur Rs. 17.00 lakh, Centre grant Rs. 48.00 lakh and State share Rs. 32.00 lakh).

As per approved components of the project, Shopping Complex, Multipurpose Commercial hall, Office block, open parking passages and Yatri Niwas were to be constructed. The work was allotted to Himachal Pradesh Housing Board for execution and the construction started in June 2002 for which funds of Rs. 80.00 lakh were released by the MC between 2002-03 and 2007-08. An expenditure of Rs. 39.80 lakh had only been incurred upto April 2008 for half built structure of covered parking (Rs.30.00 lakh), approach road (Rs. 3.00 lakh), compensation to HPPWD (Rs. 5.00 lakh) and Architect fee (Rs. 1.80 lakh). The remaining funds of Rs. 43.20 lakh remained unutilised as the work stood held up since 2004 due to non-handing over the site by the Public Works Department. The site was handed over in August 2006 by the HPPWD but the balance work was not taken up as of June 2008 due to non-dismantling of store building handed over by the Himachal Public Works Department. This shows that the ULB had started the work without ensuring the availability of site which led to non-completion of the project.

Further as per approved project, an open parking was to be constructed at a cost of Rs. 9.77 lakh but an expenditure of Rs. 30.00 lakh was incurred on covered parking which was not approved. No approval for change in scope of work was obtained (May 2008). This resulted in incurring of excess expenditure of Rs. 20.23 lakh. The EO stated (May 2008) that the remaining funds could not be utilised as the work stood held up since 2004 and ex-post-facto sanction would be obtained for change in scope of work. The reply is not tenable as the project was not taken up strictly in accordance with the approved provisions and consequently delayed the completion of project which would further escalate the cost of construction.



### **3.4.3 Infertuous expenditure on Parking cum Community Hall.**

The IDSMT project was sanctioned in 2001-02 for Poanta town for Rs. 1.40 crore and funds of Rs. 80.00 lakh (Centre Rs. 48.00 lakh and State Rs. 32.00 lakh) were released between 2001-02 and 2006-07. It was noticed that an expenditure of Rs. 1.13 crore was incurred upto March 2008 on construction of two components. The parking-cum-community hall in Poanta Town was to be constructed at a cost of Rs. 85.15 lakh for which the work was awarded to a contractor in June 2002 for Rs. 92.79 lakh to be completed in 18 months. The work was started in August 2002 and upto December 2005 the contractor could complete 41 percent work only. The contractor was made (March 2006) a payment of Rs. 38.18 lakh upto 6<sup>th</sup> running account bill. Thereafter the work had been lying in abandoned state. It was also noticed that the MC vide its resolution of January 2007 decided to stop further execution of work for want of funds. Thus the expenditure incurred on half built structure had been rendered as unfruitful/wasteful. Stoppage of work was attributed to paucity of adequate funds for which no efforts have been made by the local body.

### **3.4.4 Excess expenditure over sanctioned estimates.**

As per schemes guidelines, expenditure on execution of works should not exceed the costs approved in Project of the concerned town and re-appropriation of funds from one component to the other was also not permissible.

It was observed that in six<sup>21</sup> ULBs, against approved project cost of Rs. 3.00 crore, expenditure of Rs. 5.84 crore was incurred on seven works as per table below:

(Rs. in lakh)

Name of ULB	Name of scheme	Estimated cost	Expenditure incurred	Reasons for excess expenditure
Chamba	Shopping complex	79.00	222.49	The excess was due to change in site as original site was not got vacated. The cost was also increased due to construction of extra two halls and restaurant.
Poanta	---do--	45.86	73.12	The excess was due to construction of three storeyed Shopping complex against two approved in the project.
Rampur	---do--	48.40	102.02	The excess was due to extra provision for office accommodation and town hall.
Theog	Shopping complex Slaughter house	25.76 5.06	30.08 7.09	Due to site conditions. Due to construction of extra Retaining wall
Nalagarh	Car parking	32.01	40.63	Due to site conditions.
Una	Construction of roads/drains	19.66	30.19	Due to site conditions.
<b>Total</b>		<b>300.45</b>	<b>583.65</b>	

This had not only led to irregular excess expenditure of Rs. 2.83 crore but also resulted in non-completion of seven other schemes and non-commencement of seven schemes in these towns.

On this being pointed out, the EO/Secretaries of the ULBs stated (April-June 2008) that the excess expenditure incurred was due to site conditions and the same was got approved in the meetings of local bodies. The replies are not tenable as guidelines did not permit for incurring excess expenditure and had adversely affected the other components of the projects for want of adequate funds. Besides, the deviations in the provisions of the projects were required to be got approved from the technical authority/Director (UD) and not by the house.

#### **3.4.5 Idling of Assets.**

The sanction of commercial scheme under IDSMT was accorded on the basis of assessment made in the project appraisal report of concerned project. In five<sup>22</sup> ULBs, the infrastructure like Shopping Complex, Community hall, Shops etc. built at a cost to Rs. 1.21 crore between February 2002 and

<sup>21</sup> Chamba, Nalagarh, Poanta, Rampur, Theog and Una.

<sup>22</sup> NP Baddi (Rs. 68.73 lakh), MC Nahan (Rs. 5.75 lakh), MC Poanta (24.37 lakh), MC Una (Rs. 19.30 lakh) & NP Jawalamukhi (Rs. 3.00 lakh).

January 2007 was lying idle as these could not be put to use either departmentally or through public auction. This has rendered the entire expenditure of Rs. 1.21 crore as unfruitful. The concerned EOs of ULBs stated (April-June 2008) that these could not be auctioned for lack of demand. The replies were not correct as the requirement of these assets were not assessed properly.

#### **3.4.6 Under/Non-utilisation of parking.**

The construction of Car parking is a cost recovery scheme which would help in reducing the traffic congestion and improve the circulation system of the town.

Under IDSMT scheme a Shopping complex was constructed in April 2006 and a Car parking was developed at a total cost of Rs. 49.57 lakh in the open space around the Shopping complex building at Baddi town (Solan District) which was covered through boundary wall. As per project report, the car parking was to generate an income of Rs. One lakh annually. It was observed that no income had been generated since April 2006 from car parking though various vehicles were being parked in the parking space. On this being pointed out in audit the Secretary of NP Baddi stated (May 2008) that the matter for fixing the charges for car parking would be placed before the elected house for decision. However the fact remains that no action had been taken to fix the parking fee since April 2006 and resultantly NP has suffered a loss of Rs. 2.00 lakh from April 2006 to March 2008.

- Similarly under IDSMT scheme a parking lot for 30 cars at ground floor of Shopping Complex of Chamba Town (Chamba District) was completed in August 2004 at a cost of Rs. 14.08 lakh. It was observed that no income had been generated from this parking as of March 2008. On being pointed out the EO stated (June 2008) that the parking has been attached with the Barat Ghar and there was no demand on other days. The reply was not tenable as no efforts were made to utilize the parking fruitfully.

#### **3.4.7 Blocking of funds due to Non-commencement of work.**

Under IDSMT, GOI approved a project for Mehatpur Town (Una District) in 2004-05 for Rs. 1.10 Crore. The project consisted of several schemes

like construction of Shopping complex, Parking lot and Development of park etc. Funds of Rs. 61.51 lakh (Centre grant Rs. 24.69 lakh and State share Rs. 36.82 lakh) were released by the Director (UD) between April 2005 and April 2008. The work had not yet been started (June 2008). An expenditure of Rs. 3.06 lakh was only incurred on soil testing, charges for according technical sanction and purchase of cement (utilised on other works). Thus funds to the extent of Rs. 58.45 lakh stood blocked as components of project were not taken up for execution. On being pointed out in audit, the Secretary of NP Mehatpur stated (June 2008) that the work was delayed for want of technical sanction which has now been obtained (October 2007) from HPPWD as there was no competent authority available in Urban Development Department for according technical sanction to works beyond financial limit of Rs. six lakh.

- IDSMT project for Narkanda town (Shimla District) was sanctioned in 2003-04 at a cost of Rs. 1.36 crore. The project included schemes like construction of Shopping complex, Parking lot, Community hall, Yatri niwas, Ice skating rink and development of Children park etc. Funds of Rs. 50.83 lakh were released to Urban local body between March 2004 and April 2008. The execution of work was entrusted (August 2004) to H.P. Housing Board for which first instalment of Rs. 23.00 lakh was released in August 2004. The work was awarded (January 2005) by the Secretary NP to a contractor who executed the work to the extent of Rs. 8.46 lakh when the work was stopped in May 2005 as per the direction of higher authority. The Housing Board refunded (May 2007) the unspent balance of Rs. 14.54 lakh. Thereafter the work was entrusted (May 2007) to HPPWD and funds of Rs. 10.00 lakh released in May 2007. The EE Kumarsain Division informed (November, 2007) that the foundation work and raising of some pillars was carried out by the Housing Board. As per new structural drawings the work already executed by the Housing Board has to be dismantled. The estimate of new proposal was framed for Rs. 1.95 crore (including dismantling of existing structure) against already approval of Rs. 1.36 crore. Though the EE has asked (November 2007) the Secretary to ensure the

arrangements for required funds before award of work, no assurance was conveyed by the Secretary as of May 2008 and the work had been lying in abandoned state since May 2005. On this being pointed out in audit, it was stated (May 2008) that all out efforts would be made to get the project completed.

- The GOI approved IDSMT project for Jawalamukhi Town (Kangra District) in 2000-01 for Rs. 1.15 crore (Centre grant Rs. 48.00 lakh, State share Rs. 32.00 lakh and FIs loan Rs. 34.74 lakh). The Central and State share of Rs. 80.00 lakh was released to the Urban local body between April 2001-02 and 2004-05. The project was to be completed by the end of 2006-07. It was observed that expenditure of 55.00 lakh had been incurred upto 2004-05 and thereafter no work had been executed. As such the funds of Rs. 25.00 lakh had been blocked since 2004-05 besides rendering the expenditure of Rs. 55.00 lakh incurred on incomplete components as unfruitful. The Secretary of NP Jawalamukhi stated (June 2008) that the works on major components i.e. Shopping complex, Car parking and Channellisation of Nallah were held up due to site disputes and to resolve the disputes, efforts were being made. The reply is not tenable as the free hold title of land should have been ensured before starting the work. Delay in completion of project has denied the NP from earning revenue by way of annual rent of shops and parking fees which could have been utilised for completion of remaining components.

#### **3.4.8 Non-commencement of construction of shopping complex at Solan.**

The Shopping Complex consisting of 74 shops at the bus stand was to be constructed at an estimated cost of Rs. 55.20 lakh under IDSMT project for Solan town (Solan District).

The funds amounting to Rs. 55.20 lakh were received between 2000-01 to 2004-05 for construction of Shopping complex but the work had not started (May 2008) which has resulted into blocking up of Government funds. The EO of MC Solan stated (June 2008) that the work could not be started at the proposed site which involved transfer of some land under the possession of Military authorities for which matter was under consideration of the Defence Ministry. The reply is not tenable as free

hold site for construction of Shopping complex was not selected while finalization of IDSMT project and delay in construction could also result in cost of run.

#### **3.4.9 Non-Construction of Guest House.**

As per approved components of IDSMT project (for Kullu town) sanctioned by GOI in 1997-98 for Rs. 1.26 crore, the construction of guest house at Kullu was to be completed at a cost of Rs. 20.35 lakh. Funds of Rs. 80.00 lakh released (Centre grant Rs. 48.00 lakh and State share Rs. 32.00 lakh) between 2000-01 and 2004-05 to ULB.

It was observed that the MC requested (June 2002) the State Government to substitute the construction of Guest House to construction of parking at various places. The request was approved by the State Government/SLSC in June 2002. However, the construction of parking could not be taken up since 2002 due to site dispute. The newly elected house decided in May 2006 to construct the guest house as per originally approved provision of the project. The approval for substitution of component was awaited (June 2008) from Government/SLSC. As such neither the guest house nor parking could be constructed as of June 2008. Thus the frequent changes in the scope of work has resulted into non-execution of commercial scheme and blocking of funds besides loss in revenue which was to be generated out of rent of Guest house and parking lot. The Executive officer stated (June 2008) that the matter has been referred to Government for getting the approval from Government of India. The reply was not tenable as the delay in construction of Guest house would result into cost of run.

#### **3.4.10 Outstanding rent of shops.**

An amount of Rs. 22.38 lakh pertaining to the period from January 2005 to March 2008 on account of rent of IDSMT shops leased out was outstanding in six<sup>23</sup> Local bodies as of March 2008. The ULBs stated that some cases were pending in the court for recovery and in other cases notices have been issued for recovery. The Government stated (*September 2008*) that the concerned ULBs have been directed to take necessary steps for recovery of rent.

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<sup>23</sup> Chamba: Rs. 2.47 lakh; Kullu: Rs. 4.00 lakh; Nahan: Rs. 4.15 lakh; Poanta: Rs. 2.78 lakh; Rampur: Rs. 4.72 lakh and Una: Rs. 4.51 lakh.

### **3.5 Utilisation of Infrastructure for purposes not covered under IDSMT Project.**

#### **3.5.1 Utilisation of Yatri Niwas for office purpose.**

The construction of Yatri Niwas under IDSMT was a cost recovery scheme which would provide social amenities to people of town.

- It was observed that Yatri Niwas at Baddi town (Solan District) on first floor of Shopping Complex was completed in April 2006 at a cost of Rs. 42.37 lakh against estimated cost of Rs. 47.39 lakh. A portion (317.52 square meters) was rented out in December 2007 to Pollution Control Board for office purpose and the remaining portion (270.09 Square meters) was being utilised by Nagar Panchayat for their office. The Secretary stated (May 2008) that Yatri Niwas could not be put to use for intended purpose due to non-availability of sufficient staff. The reply was not correct as no efforts had been made to make it functional by arranging the staff and providing furniture/fixture etc. which also resulted into non-achieving of objectives of the Yatri Niwas.
- A Yatri Niwas at Manali Town (Kullu District) was completed (October/November 2005) at a cost of Rs. 15.63 lakh on second floor of Shopping complex. The scheme was to generate a total income of Rs. 8.73 lakh by way of rent annually by estimating 240 days occupancy in a year besides providing social amenities to people of town. The Nagar Panchayat referred (October 2005) the case for shifting of office to newly constructed Yatri Niwas to the Director (UD). The request was turned down (November 2005) due to the fact that Yatri Niwas had been constructed under centrally sponsored scheme which would generate income of Rs. 8.73 lakh annually. The case was again referred (June 2006) with the plea that existing office was scattered in three buildings and hampering the working. The Additional Director accorded approval (July 2006) and the office was functioning there.

Scrutiny of records further revealed that the Engineering Branch functioning in three rooms of old building had not shifted to Yatri Niwas. Moreover, the buildings where office was functioning are

adjoining each other in the same complex. As such the shifting of office was not justified. Thus utilising Yatri Niwas for office accommodation was against the guidelines. The Secretary stated (June 2008) that office will be re-shifted when the office of SDM functioning in other building of Nagar Panchayat is shifted to their building which was under construction. The Government stated (September 2008) that the Secretary NP has been asked to intimate the latest position of re-shifting of the office of Nagar Panchayat to other building.

### **3.5.2 Construction of Slaughter House.**

Under IDSMT project for Theog town (Shimla District), a slaughter house consisting of five shops and one hall was constructed (January 2005) at a cost of Rs. 9.55 lakh against the provisions of Rs. 5.25 lakh for 10 shops and one hall. The completed slaughter house remained idle upto August 2007. The Slaughter house was handed over (October 2007) to the Technical Education Department for running Industrial Training Institute (ITI) for which no rent has been received upto April 2008. Thus the purpose of construction of Slaughter house which was very essential in pursuance to Municipal Solid Waste Rules 2000 remained defeated due to its utilisation for other purpose. The Executive Officer stated (April 2008) that the Slaughter house was handed over to Technical Education Department as per approval (January 2007) of elected house. The decision of elected house for handing over the slaughter house for imparting technical education was in-violation of the MSW Rules 2000. The Government stated that the ULB has been directed to explain the reason for handing over the Slaughter house to Technical Education Department on non-rental basis.

### **3.6 Training for capacity building.**

#### **3.6.1 Non-imparting of training to staff.**

The Central and State Governments were to make arrangements for training and upgradation of the skills of personnel dealing with the preparation of project reports and implementation of the IDSMT schemes. However, none of the staff of 21 towns dealing with IDSMT schemes was given training as confirmed by concerned ULBs. Thus the aspect of training and capacity building was completely ignored.



The Director (UD) stated (May 2008) that training was organised at Himachal Institute of Public Administration (HIPA) by the GOI, Ministry of Urban Development but no details thereof was made available to audit.

### **3.7 Monitoring.**

To over-see the implementation of scheme, the State Government constituted (*November, 1995*) a State Level Sanctioning Committee (SLSC) consisting of 10 members. The SLSC was required to monitor and review periodically the progress of projects. The State Government had however, not prescribed any frequency for holding meeting of SLSC. Between 1996 and 2004 seven meetings of SLSC were held. A perusal of minutes of meeting made available to audit revealed that the aspect of completion of projects in time was never discussed in these meeting to ensure timely availability of infrastructure facilities in the respective towns. The execution of works under the scheme was therefore, not monitored effectively as 17 projects were not completed by schedule time as mentioned in Para 3.4.1 Supra.

### **3.8 Evaluation.**

As per guidelines, evaluation of the scheme was to be carried out by Town and Country Planning Organization (TCPO) of GOI. It was, however, noticed that no such evaluation had been got conducted either by GOI or State Government to gauge the impact of the scheme.

The Director stated (June 2008) that the evaluation of the scheme has not been carried out by the GOI.

### **3.9 Conclusion.**

The Urban Development Department of State Government could not ensure completion of 17 projects comprising 124 schemes on due date despite spending funds of Rs. 15.81 crore, though these were targeted to be completed by March 2008. As against required institutional finance of Rs.10.16 crore for 21 towns only Rs. 2.51 crore (25 percent) could be contributed by the Local bodies. The remunerative assets created were also lying un-utilised. Thus due to non-completion of the projects and non-utilization of the created assets the objective of the scheme to prevent the migration of people from small and medium towns to large city by providing economic growth and generating employment opportunities could not be achieved.

**3.10 Recommendations.**

- The sanctioned projects should be completed at the earliest so as to derive timely benefits and to avoid cost overrun.
- Revolving fund must be replenished sufficiently by sale of assets, rent, user charges etc. so as to make the scheme/project self-sustaining. The receipts derived from IDSMT assets should also be credited to this fund.
- Effective steps needs to be taken to put the completed assets into use by way of auction.
- Adequate and effective monitoring mechanism should be evolved at all level to ensure economy, efficiency and effectiveness in implementation of the projects as approved under the scheme.

**Shimla  
Dated**

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Deputy Accountant General  
Local Bodies Audit & Accounts  
Himachal Pradesh**

**Countersigned**

**(Geetali Tare)  
Pr. Accountant General (Audit)  
Himachal Pradesh**