

CHAPTER-III

PERFORMANCE REVIEWS

This chapter contains one performance review and two long paragraphs. The performance review is on (3.1) Pradhan Mantri Gram Sadak Yojana and long paragraphs on (3.2) Implementation of Child Labour (Prohibition and Regulation) Act, 1986 and (3.3) InfoCity Project.

ROADS AND BUILDINGS DEPARTMENT

3.1 Pradhan Mantri Gram Sadak Yojana

Highlights

Gujarat has a total population of 4.84 crore (2001) of which 3.02 crore is rural (62 per cent) population. Total road length of the State was 74031 km (March 2002) of which 21097 km. were rural roads. There are 35282 villages of which 25524 villages were already connected with All Weather Roads and 8127 villages¹ had no connectivity.

Pradhan Mantri Gram Sadak Yojana was launched as a 100 per cent Centrally Sponsored Scheme with the primary objective of providing connectivity by All Weather Roads (AWR) to all habitations by 2007. Under the programme, road works connecting Main District Roads and Village Roads were to be executed as per the specifications prescribed by Ministry of Road Transport and Highways. For upgradation of the existing roads allocation of not more than 20 per cent of the total funds was permitted as per provisions of the yojana. Progress of the programme was to be monitored by the nodal department designated by State Government.

Review of implementation of the programme revealed huge unspent balance with State level agencies, delay in completion of works, deviation from provisions of the manual with regard to construction activities besides cases of undertaking works not in accordance with guidelines of the yojana.

There was unspent balance of Rs.73.85 crore with different State level agencies.

(Paragraph 3.1.5)

As against 758 works taken up only 619 works were completed.

(Paragraph 3.1.6)

Priority to new connectivity as per norms was not given in the test checked districts.

(Paragraph 3.1.10)

¹ Villages having population of above 1000 472
between 500 and 999 2228
between 250 and 499 1493
below 250 3934

Avoidable expenditure of Rs.1.95 crore was incurred on account of excess application of tack coat.

(Paragraph 3.1.11)

Injudicious expenditure of Rs.3.37 crore was incurred on lead charge of soil.

(Paragraph 3.1.12)

Non recovery of liquidated damages for delay in completion of works led to undue financial benefit of Rs.2.70 crore to contractors.

(Paragraph 3.1.15)

3.1.1 Introduction

The Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched by Government of India in December 2000. The programme was formulated as an anti poverty programme, focusing on providing connectivity to unconnected habitations in rural areas by way of All Weather Roads (AWR). All the unconnected rural habitations with a population of 1000 and above were envisaged to be connected in three years (2000-03) and habitations having population of over 500 by the end of the Tenth Plan period (2007). The primary focus of PMGSY was on construction of new roads. The existing gravel and water bound macadam (WBM) roads were to be upgraded to black top (BT) roads, the allocation for which was not to exceed 20 *per cent* of the total funding.

3.1.2 Organisational set up

The Ministry of Rural Development, Government of India (GOI) was implementing this programme at the Central level through the National Rural Road Development Agency (NRRDA). At the State level, Government of Gujarat (GOG) formed (July-2001) State Level Standing committee under the chairmanship of the Chief Secretary with other six² members. The Roads & Buildings (R&B) Department though not formally nominated, functioned as the nodal department and the Chief Engineer (R&B) was to supervise and monitor the programme and exercise vigilance. In February 2004, GOG registered the State level autonomous agency namely Gujarat State Rural Roads Development Agency (GSRRDA), but it had not started functioning till June-2004 although Rs.44.35 crore were released to it in 2003-04. At field level, 27 R & B Divisions³ of District Panchayats were functioning as Programme Implementing Units (PIUs) under this Yojana.

² Additional Chief Secretary(ACS) Finance Department, ACS, Panchayat Department, Principal Secretary Rural Development, Special Secretary, R&B Department, Development Commissioner and Commissioner, Rural Development Department

³ There are 25 District Panchayats; Jamnagar and Bhavnagar District Panchayats have two PIUs and the rest have one PIU each

3.1.3 Audit Objectives

Performance audit of PMGSY was conducted with a view to assessing:

- Whether objectives of providing connectivity to targetted habitations as envisaged in the programme were achieved within the prescribed time limit and whether there was any deviation in implementation of the policy guidelines.
- Whether the works executed under the programme were in conformity with the specifications.
- Whether quality control and monitoring system were effective.

3.1.4 Audit coverage

Out of 27 PIUs in the State, records of ten⁴ PIUs for the year 2000-01 to 2003-04 were test checked between April and October 2004 alongwith the records of Chief Engineer (R&B), Panchayat, Gandhinagar.

3.1.5 Financial Management

PMGSY was implemented in the State as 100 *per cent* Centrally Sponsored Scheme. The funds were to be placed at the disposal of Chief Engineer (Panchayat) and Secretary R&B for allocation to the District Rural Development Agencies (DRDA) through the Commissioner of Rural Development within 15 days of receipt. DRDAs were to operate separate bank accounts jointly with the concerned PIUs. Instead of releasing funds directly to the Chief Engineer (Panchayat), GOI released funds during 2002-03 to Gujarat Rural Development Corporation.

Year wise position of funds received from Ministry of Rural Development was as follows:

(Rupees in crore)

Sl. No.	Name of authority	Funds received						
		2000-01	2001-02	2002-03	2003-04	Total	Allocation to PIUs	Balance
1.	Chief Engineer, R&B (Panchayat)	59.81	50.00	10.00	0.00	119.81	112.01	7.80
2.	Gujarat Rural Development Corporation (GRDC)	0.00	0.00	51.70	0.00	51.70	30.00 ⁵	21.70
3.	Gujarat State Rural Roads Development Agency (GSRRDA)	0.00	0.00	0.00	44.35	44.35	0.00	44.35
	Total	59.81	50.00	61.70	44.35	215.86	142.01	73.85

Delay in release of funds to PIUs resulted in loss of interest of Rs.1.65 crore

As against total release of Rs.215.86 crore by GOI only Rs.142.01 crore were transferred to DRDAs. PIUs had incurred an expenditure of Rs.128.24 crore leaving unspent balance of Rs.73.85 crore with the fund receiving agencies as of 31 March 2004. Though the programme envisaged transfer of funds to

⁴ Ahmedabad, Bhavnagar, Jamnagar(2), Kachchh, Mehsana, Navsari, Palanpur, Patan and Surendranagar

⁵ Gujarat Rural Development Corporation allotted Rs.30.00 crore to the Chief Engineer (R&B), who in turn allotted to the PIUs

DRDAs within 15 days of receipt, the Commissioner Rural Development retained varying amounts (upto Rs.59.81 crore) received in 2000-01 for periods ranging from 86 days to 524 days in treasuries. Since the interest earned on funds kept in bank account was to be ploughed back for programme management, delay in transfer of funds resulted in loss of interest of Rs.1.65 crore⁶. No reasons for retention of fund were furnished by the Commissioner though called for (December 2004).

Similarly, out of Rs.51.70 crore received in 2002-03, Rs.21.70 crore was retained by GRDC. Interest of Rs.21.51 lakh earned till 31 March 2004 on this amount was credited to programme fund but not released to PIUs and no reasons for retention of balance were furnished.

Planning

3.1.6 Incomplete works

Against 758 works taken up only 619 works were completed

As per core network survey conducted in December 2000, there were 35282 habitations in the State of which 8127 habitations were not connected by AWR. GOG undertook 758 road works during 2000-04 (543 new connectivity and 215 upgradation) of which 619 works (429 new connectivity and 190 upgradation) were completed and the balance were in progress. Details of works sanctioned, completed and in progress were as under:

Phase	Road works sanctioned				Cost sanctioned by GOI (Rs. in crore)	Physical progress of road works								Expenditure (Rs. in crore)
	New connectivity		Upgradation			Works completed				Ongoing works				
						New connectivity		Upgradation		New connectivity		Upgradation		
	Nos.	Length	Nos.	Length		Nos.	Length	Nos.	Length	Nos.	Length	Nos.	Length	
I	72	173	99	314	49.81	68	158	98	312	0	0	0	0	39.44
II	471	799	116	301	149.00	361	589	92	234	93	190	22	63	88.80
	543 [∇]	972	215 [◊]	615	198.81	429	747	190	546	93	190	22	63	128.24

* Length shown is in Kilometers

GOI sanctioned (2000-04) 972 km. new connectivity and 615 km. upgradation works, against which achievements were 747 km. (77 per cent) and 546 km. (89 per cent) respectively. Road works amounting to Rs.198.81 crore were sanctioned by GOI, but expenditure of Rs.128.24 crore (65 per cent) only was incurred inclusive of the ongoing 115 works (93 new connectivity and 22 upgradation).

3.1.7 Taking up works without ensuring availability of land

PMGSY provides that work should not be taken up unless the land is available. GOG also issued instructions (August 2001) that no works under PMGSY should be taken up if land was not available. Contrary to the above, District Panchayat, Vadodara undertook the following two works on forest land without its transfer by Forest Department.

⁶ calculated at 3.50 per cent admissible on saving bank account

[∇] 21 works of new connectivity were dropped

[◇] 3 works of upgradation were dropped

(Rupees in lakh)

Sr. No.	Name of work	Date of work order	Stipulated date of completion	Estimated cost	Tendered cost	Work done
1	Gabadia approach road	27.02.2002	29.12.2002	22.00	18.00	8.00
2	Tundva approach	27.02.2002	29.08.2002	33.00	28.00	10.00
Total						18.00

The works were abandoned at WBM stage, as Forest Department objected to its execution, which resulted in wasteful expenditure of Rs.18 lakh as the works were not yet (December 2004) commenced after abandonment.

3.1.8 Irregular expenditure

Rupees 3.28 crore was spent on MDR and BT roads against norms

PMGSY envisaged that roads classified under Other District Roads (ODR) or Village Roads (VR) only were to be taken up under new connectivity or upgradation as the case may be. Existing BT surface was not to be taken up under the programme. The records of the District Panchayat, Jamnagar and Surendranagar revealed that the following six works falling under Major District Roads (MDRs) or having BT surface were taken up which resulted in irregular expenditure of Rs.3.28 crore.

(Rupees in crore)

Sr. No.	Name of road work taken up	Tendered cost	Category of road	Status	Expenditure incurred up to 31.3.2004
1	Chorbedi-Babaria	0.35	MDR	Work in progress	0.31
2	Kharva-Bijalka Kharva-Hamapar	0.89	MDR	Work in progress	0.74
3	Deri-Gunda Makhakarod- Kalameguda	0.31	MDR	Work in progress	0.24
4	Zinjuda-Bela	0.42	Existing BT surface	Work in progress	0.34
5	Chotila-Nana Paliyad	0.86	MDR	Completed March 2003	1.10
6	Bhavnagar-Ramgadh	0.54	MDR	Completed November 2003	0.55
Total		3.37			3.28

Executive Engineer (EE), Jamnagar attributed (October 2004) undertaking these works to damage of roads in earthquake and need for repair. The reply was not acceptable because as per Road Register, the first three roads were classified as MDR. Further, maintenance and repair of existing roads was not permissible under PMGSY.

EE, Surendranagar while accepting the audit observation stated (October 2004) that the works were taken up to convert them from WBM into BT surface and to provide connectivity to a tourist place. The reply was not acceptable as the programme did not permit upgradation of MDR.

3.1.9 Non-inclusion of plantation clause in agreement

Clause of plantation of trees not incorporated in the agreement

The PMGSY provides that under each agreement for execution of road works, a clause for planting fruit bearing and other plants on the road side should be included. The scrutiny of the records of EE of Panchayat R&B Division, Jamnagar revealed that no such clause was included in any of the packages entrusted to contractors upto March 2004 and no plantation was made defeating the objective of binding the peripheries of the road and of environmental upgradation.

EE stated (October 2004) that such clause has since been included in the road works agreements under PMGSY from the year 2004-05.

3.1.10 Coverage of priority sector

Expenditure of 63 per cent was incurred on non-priority connectivity

A scrutiny of the records of three districts *viz.*, Jamnagar, Mehsana and Banasakantha revealed that 180 works were taken up during 2001-2004 at a cost of Rs.47.25 crore. Out of the above, 29 works were for new connectivity of habitations having population of 1000 persons and above (Rs.5.88 crore); 87 works related to habitation with population of 500-999 (Rs.21.36 crore) and 54 works were for upgradation (Rs.17.23 crore). In Jamnagar district Rs.13.75 crore were spent on upgradation of 41 roads which was 63 *per cent* of total expenditure (Rs.21.81 crore) under the programme as against the maximum permissible 20 *per cent*. This meant less spending on new connectivity. In Jamnagar and Banaskantha districts, 16 works were taken up at a cost of Rs.6.15 crore in habitations having population of less than 500 despite the fact that 25 habitations (Jamnagar) with population of 1000 persons and above and 97 habitations with population between 500 and 1000 (Jamnagar, Mehsana and Banaskantha) had remained uncovered.

PIUs stated (October 2004) that the works were taken up as per instructions of Government.

Programme Management

Review of records revealed cases of defective estimates, execution of sub standard works, duplication of works, unfruitful expenditure etc. as discussed below:

3.1.11 Excess use of asphalt for tack coat

Consumption of asphalt in excess of MORTH specifications

As per Ministry Of Road Transport and Highways (MORTH) specification the application of tack coat should be 4 kg. per 10 Sq.mt. area of the road. Scrutiny of the records of selected districts revealed that in all the works executed under the programme, the provision of tack coat was made at 10 kg. per 10 Sq.mt. This resulted in excess consumption of asphalt valuing Rs.1.95 crore as shown below:

Name of District	Area covered for tack coat Sq.mt	Asphalt consumed at 10kg/10Sq.mt MT	Asphalt actually required at 4kg/10Sq.mt MT	Excess asphalt used MT	Cost of asphalt (Rs. in crore)
Bhuj	328472	328.472	131.388	197.084	0.19
Jamnagar	807530	807.530	323.012	484.518	0.51
Mehsana	355950	355.950	142.380	213.570	0.26
Palanpur	365135	365.135	146.054	219.081	0.29
Patan	247089	247.398	98.835	148.563	0.16
Surendranagar	210002	210.002	84.000	126.002	0.14
Bhavnagar	288018	288.018	115.207	172.811	0.17
Navsari	308077	308.077	123.230	184.847	0.21
Ahmedabad	35009	35.009	14.004	21.005	0.02
Total					1.95

EE stated (October 2004) that estimates were prepared as per instruction of STA and were also approved by competent authority. Non-adherence to MORTH specifications and approval of richer provision by competent authority led to avoidable expenditure and no reasons for such deviations were on record.

3.1.12 Avoidable expenditure on lead charges of soil

Lead charges provided for soil were against norms

PMGSY guidelines prescribed that while preparing estimates of road works, no provisions would be made for lead charges payable for transportation of soil except in case of black cotton soil. Therefore, necessary certification of appropriate authorities regarding existence of black cotton soil in the roadside borrow pits was required for inclusion of lead charges in the estimates for transportation of soil. Contrary to above norms, estimates of road works in the selected districts were prepared with provisions for transporting the soil with a lead of 0.5 km.

The details of lead charges incurred by the department were as shown below:

(Rupees in crore)

Name of district	Nos of works taken up and test checked	Total quantity of earth work put to tender (cum)	Rate of earth work inclusive of lead charges Rs. per cum	Rate of earth work excluding lead charges Rs. per cum	Extra expenditure due to lead charges
Banaskantha	62	305858	26.40 to 68.00	23.90 to 25.90	1.00
Jamnagar	29	160237	27.60 to 74.00	24.00 to 27.60	0.63
Mehsana	51	426473	65.00 to 74.50	27.60	1.74
					3.37

The provision in the estimate for lead charges, without ascertaining the classification of soil strata of the soil available from the road side borrow pits from the Geologist, was against the norms. Further, 0.5 km lead provided uniformly was not correct as the average length of road under construction

should have been taken into accounts for correct computation of lead. Irregular provision of lead charge had thus resulted in injudicious expenditure of Rs.3.37 crore. Executive Engineers of Jamnagar and Mehsana stated (October 2004) that looking to the circumstances, the provision for lead charge was made. The reply was not acceptable as estimates were prepared without ascertaining the classification of soil strata.

3.1.13 Duplication of expenditure

PMGSY provides that existing WBM/gravel roads can be taken up for upgradation. The guidelines further provide that the scope of work was to complete the work upto BT stage. In the following cases, Panchayat R&B Division, Jamnagar paid for work beyond the scope of the guidelines.

(Rupees in lakh)

Sl. No.	Name of Road	Nature of Road	Nature of duplication of work under PMGSY	Expenditure incurred	
				Total	On the items duplicated
1	Vadtra –Beh Road	Existing WBM Road Work done in June 2003	WBM and asphalt layer	33.00	9.00
2	Hansthal- Bara Road	Existing WBM Road Work done in March 2003	WBM and asphalt layer taken up in April 2003	96.00	27.00
3	Laloi-approach road	Existing BT road completed in 2002-03	BT work	19.00	19.00
Total				55.00	

3.1.14 Irregular expenditure on Maintenance and Repair

Maintenance and repair expenditure of Rs.38 lakh incurred from PMGSY

The programme did not permit incurring any expenditure on maintenance and repair (M&R) of existing roads. However, an amount of Rs.38.00 lakh was irregularly spent from programme fund during 2003-04 by Panchayat R&B division, Palanpur on M&R works of the existing 112 roads. When pointed out in audit, EE did not offer any remarks (October 2004).

3.1.15 Non recovery of liquidated damages

Liquidated damages of Rs 2.70 crore not recovered

The programme envisaged completion of work within six months from the date of issue of work order. Scrutiny of the records of Panchayat R&B Division, Jamnagar (11 works) and Mehsana (7 works) revealed that in respect of 18 works entrusted to different contractors between October 2001 and February 2004 at an aggregate tendered cost of Rs.27.39 crore, the execution of works was delayed and had remained incomplete as of September 2004. The work done till date in respect of seven works ranged between 43 and 90 per cent. Delay in completion of six works ranged between 71 days and 556 days. As the delay was attributable to the contractors, liquidated damages at 10 per cent of the estimated cost amounting to Rs.2.87 crore was required to be recovered as per terms of contract. The divisions had recovered only Rs.17 lakh; the balance of Rs.2.70 crore remained to be recovered.

EEs stated (October 2004) that the delay was on account of shortage of labour and monsoon and that action would be taken for recovery of liquidated damages, if extension was not granted. The replies were not tenable in view of prescribed time limit of six months under the programme. Further, the availability of labour was a problem of the contractors and the time limit for completion of works was being fixed considering all aspects. Further in 19 test checked works in Janmagar district where the National Quality Monitor (NQM) had clearly attributed the delay to the contractor, action to levy and recover liquidated damage had not been taken.

3.1.16 Poor quality of work

National Quality Monitor found road works of poor quality

- Ensuring the quality of works taken up under PMGSY was the responsibility of the State Government. For this, the programme stipulated three tier quality checks by (1) Executive Engineer (PIU), (2) State Quality Control Department and (3) National Quality Monitor (NQM).
- Scrutiny of records of EE, Panchayat R&B Division, Jamnagar revealed that the following works were rated average by NQM which proved that the first two tiers of quality check had failed in ensuring the required quality.

(Rupees in crore)

Name of road work	Estimated cost	Tendered cost	Quality rated by NQM	Whether works rectified	Further rating
Lakhani Nanoras	0.07	0.06	Average	Yes	Good
Madunepur to SH	0.54	0.49	-do-	-do-	Not furnished
Khyadi to SH	0.10	0.09	-do-	-do-	Not furnished
Krishnapur to Join SH	0.35	0.31	-do-	-do-	Very good
Bharatpur to Und dam	0.14	0.13	-do-	-do-	Not furnished
Ishwaria approach	0.20	0.19	-do-	-do-	Average
Mota Panchasara approach	0.21	0.19	-do-	-do-	Good
Chapper-Kanarsherdi	0.33	0.29	-do-	No	Not done
Hanumandhar approach	0.13	0.12	-do-	No	Not done
Khakharda-Gadhka	0.30	0.26	-do-	No	Not done

- The work of construction of package^Φ in Jamnagar district entrusted (March 2002) to an agency at a cost of Rs.94 lakh with stipulated date of completion as October 2002. The work remained incomplete as of October 2004 after executing works to Rs.40 lakh upto WBM stage. The inspection (June 2004) of EE, Quality Control, Rajkot revealed that WBM surface of the road had disintegrated and depression was noticed throughout the road length. The EE issued 12 notices between June 2002 and June 2004 to the agency to rectify the sub-standard work and to complete the work, but no action was initiated for forfeiture of performance bond as per clauses of the contractual agreement.

3.1.17 Online Management and Monitoring

GOG was required to furnish 'on-line' all data and information as prescribed by the National Rural Roads Development Agency (NRRDA) in the relevant module of Online Management and Monitoring System (OMMS) and equip the PIUs with necessary computer hardware. The GOG was also to provide necessary manpower, space and facilities to set up the computer hardware at the district and the State levels. The State level agency was to ensure that the State server was functional for all the 24 hours. It was revealed that PIUs were linked up with OMMS for updating the relevant data, but the State level agency (GSRRDA) was not linked and as such linkage remained incomplete.

3.1.18 Conclusion

For proper supervision, monitoring and effective vigilance on programme management, establishment of a State level autonomous agency was envisaged in the programme. Delayed formation and non-functioning of GSRRDA led to improper planning, sub standard execution of works and other weaknesses in implementation of programme. Taking up of upgradation works before providing of connectivity to unconnected habitations resulted in denial of road connectivity to the targetted habitations. The technical requirements of road construction were not followed. Time schedule of completion of works were not adhered to.

3.1.19 Recommendations

- State level agency be made operational immediately.
- Selection of works is to be done strictly as per guidelines giving due priority to connectivity of habitations with 1000 plus population.
- Unspent balance with PIUs may be transferred to GSRRDA.
- Technical specification prescribed by MORTH for construction of roads should be adhered to.

The matter was reported to Government in December 2004; reply had not been received (January 2005).

^Φ Package No.GJ-1003 of 2001-02

LABOUR AND EMPLOYMENT DEPARTMENT

3.2 Implementation of Child Labour (Prohibition & Regulation) Act, 1986

Highlights

Parliament enacted the Child Labour (Prohibition & Regulation) Act, 1986 to prohibit engaging children below 14 years in hazardous occupations and regulate their conditions of work in other activities. Provision for rehabilitation of these children by provision of education and health care etc. was also one of the objectives of this Act. It was noticed that there was inadequate compliance of Central legislation and Supreme Court directives, defects in survey for detection of child labour, non recovery of compensation from employers and improper functioning of the National Child Labour Project.

Recovery of compensation from employers engaging child labourers in hazardous occupations was made only in 16 cases out of 1018 cases detected.

In 796 cases guardians of the children were neither provided any employment nor paid from Child Labour Rehabilitation-cum-Welfare Fund that had been created for this purpose.

(Paragraph 3.2.4)

Only 1164 child labourers were detected in the State during the survey (1997) while as per census of 1991, 8.96 lakh child labourers existed in the State.

(Paragraph 3.2.5)

Rules framed by State Government for prohibition and regulation and health and safety were not laid before the State Legislature.

Rules for inspection of units by the Government Labour Officers were not framed.

(Paragraph 3.2.6)

3.2.1 Introduction

Parliament enacted (December 1986) the Child Labour (Prohibition & Regulation) Act, 1986 (Act) to prohibit engaging children (below 14 years) in specified employments[#] and regulate their conditions of work in other activities. Many other laws have also been enacted by the Parliament^{*} and by the State Legislature[&] under which child labour is prohibited.

3.2.2 Audit Objectives

The broad objectives of the review were to assess:

- Extent to which the provision of the Act had been implemented and compliance made with regard to Supreme Court directives.
- Extent to which regulatory functions were performed as envisaged in the Act.
- Functioning and performance of the NCLP schools.

3.2.3 Audit Coverage

Records of Labour and Employment Department, Gandhinagar (Department), the Commissioner of Labour, Ahmedabad (COL), four Deputy Commissioners of Labour (DCsL)^{\$} and five out of 25 Assistant Commissioners of Labour (ACsL)^{**} were test checked between March 2004 and June 2004. Important points noticed during test check are mentioned in the succeeding paragraphs.

Prohibitory functions

3.2.4 Implementation of the Act and the directives of the Supreme Court

Audit observations on the implementation of various provisions of the Act and the directives of the Supreme Court (SC) are set out in the following paragraphs.

• Non-recovery of compensation

Recovery of compensation made only in 16 cases out of 1018 cases detected

Government of Gujarat (GOG) identified (May 1997) 1018 children working in hazardous occupations. However, recovery of compensation of Rs.20,000 per child, required to be made as per the directives of the SC (1996), was made in respect of 16 child labourers only, the Gujarat High Court stayed recovery in other 12 cases. No recovery was made in the remaining 990 cases (97 per cent). Government of India (GOI) instructed (May 1997) the GOG to file an affidavit in the SC against the employers refusing to pay the compensation and requesting issue of directions for recovery as arrears of land

[#] Occupation specified in Part-A of the Act and units processing any of the items specified in Part-B of the Act

^{*} (i) Factories Act 1948 (ii) Mines Act 1952 (iii) Merchant Shipping Act 1958 (iv) Motor Transport Workers Act 1961 (v) Children (Pledging of Labour) Act 1993 (vi) The Beedi and Cigar Workers (Condition of Employment) Act 1966 (vii) The Plantation Labour Act 1951 and (viii) Minimum Wages Act 1948

[&] Bombay Shops & Establishment Act 1948

^{\$} Ahmedabad, Rajkot, Surat and Vadodara

^{**} Bharuch, Jamnagar, Kheda, Panchamahals and Sabarkantha

revenue from the employers, but no affidavit was filed (June 2004). However, the Collectors were directed by the COL in 867 cases to recover the amount as arrears of land revenue. Though not permitted under the provisions of the Bombay Land Revenue Act, Collectors had issued recovery orders (between May 1999 and April 2004) in 414 cases; but no recovery was made (June 2004). When pointed out, GOG replied (June 2004) that the observations of audit were noted.

• ***Not providing employment to the guardians of child labourers***

Action not initiated in 796 cases (out of 1018) for providing employment to guardian of child labourers

SC directed the appropriate Governments to ensure that an adult member of the family of a child labourer withdrawn from hazardous employment gets a job anywhere, failing which the Government should deposit in the Child Labour Rehabilitation-cum-Welfare Fund (CLRWF) Rs.5000 for each child employed in a hazardous employment.

Of the 1018 child labourers in the State withdrawn from hazardous employments, employment was provided to 25 adult members only and action in 95 cases was stated to be underway. COL stated that in respect of 67 child labourers withdrawn, the amount of Rs.5000 per child was credited to the CLRWF. Field formations stated that in 35 cases, either the guardian was already employed or did not come forward to get the job or the families had migrated. In the remaining 796 cases (78 per cent), no action for providing employment to guardian or depositing Rs.5000 was initiated (April 2004).

• ***Non-utilisation of CLRWF***

Income from CLRWF not utilised for prescribed objective

As per the SC directions, the money on account of compensation recovered from the defaulting employer (Rs.20,000 per child) for engaging child labour on hazardous job and the contribution of the State Government (Rs.5000 per child) on account of its failure to provide jobs to a guardian of any child withdrawn from hazardous job is to be credited to the CLRWF operated by each of the ACsL. Income derived from investment of corpus of CLRWF is to be used for the concerned children. Accumulation in CLRWF could also be invested in high income yielding schemes of nationalised banks or other public bodies to earn income. Guardian not provided with alternative employment was to be paid the share of income on the corpus every month. Scrutiny of records revealed that:

- three* out of 9 ACsL had not invested the available balance of Rs.2.45 lakh in CLRWF,
- though interest of Rs.1.35 lakh on corpus of Rs.6.55 lakh in the fund was available with five♦ ACsL, no payment was made to any guardian on the plea that the children under the provisions of the Act had crossed the maximum age prescribed under the Act and therefore no amount was required to be paid,
- grants for Rs.8.20 lakh received from GOI for survey-cum-inspections were unauthorisedly credited to the CLRWF and expenditure thereon for

* Bharuch, Nadiad and Rajkot

♦ Mehsana, Palanpur, Surat, Surendranagar and Vadodara

Rs.1.77 lakh was incurred on survey work by concerned Assistant Commissioners of Labour. An amount of Rs.1.77 lakh was refunded to GOI (1999-2000) leaving unutilised balance of Rs.4.66 lakh in the CLRWF and

- Government of Gujarat decided (March 1997) to constitute a Child Labour Welfare-cum-Rehabilitation Society (CLWRS) in each district for administration of CLRWF and for education of the child labourers. In 12* districts, the society had not met even once for more than five years.

Regulatory functions

The Act regulates working conditions of children where the child labour is not prohibited. These conditions *inter-alia* include maximum period for which a child can work, furnishing information to the inspector about the details of his establishment by the employer, referring child labour to medical authorities where age of proof is not available, etc.

Test check of the records of selected offices revealed that field formations had not maintained records of the employers required to be inspected under regulatory and prohibitory provisions of the Act and the units (where child labour is allowed to work) also had not informed the Inspectors the details of their establishments.

3.2.5 Poor detection of child labourers by the department

Against 8.96 lakh child labour (1991) only 1164 were identified

As per the directions of the Supreme Court (December 1996), the State Government conducted (April-May 1997) survey-cum-inspection of child labourers working in hazardous and non-hazardous establishments in the State. A total of 1164 child labourers were detected in the State (1018 in hazardous establishments and 146 in non-hazardous establishments) against 8.96 lakh child labour as per the 1991 census.

The COL attributed the poor detection to (i) self employed children and children working with their parents in home based work being not covered in survey as they are not within the purview of the Act, (ii) non-coverage of agricultural labourers and (iii) wide publicity given by the media before survey.

Detection of less number of child labour even in non-agricultural sector casts doubt on the veracity of survey in the highly industrialised State of Gujarat.

3.2.6 Non-compliance to Central Legislation

Rules framed by GOG not laid before State Legislature

According to section 18 of the Act, the Government is to frame Rules for implementation of provisions of the Act and such Rules should be laid before the Legislature (vide section 19 of the Act). Though GOG had framed and implemented the rules namely the Child Labour (Prohibition and Regulation) (Gujarat) Rules, 1994 and the Child Labour (Health and Safety) (Gujarat) Rules, 1994, these have not been laid before the State Legislature even after

* Ahmedabad, Anand, Banaskantha, Bharuch, Godhra, Mehsana, Himatnagar, Navsari, Patan, Surat, Surendranagar and Vadodara

ten years. GOG admitting the lapse replied (January 2005) that through oversight and heavy workload, the said Rules were not laid on the table of the State Legislature. However, the same would be submitted in the next session of the State Legislature.

Adequate coverage not ensured and modality and periodicity of inspection by Inspectors not fixed

In the rules framed, the modalities and requirement of inspection by GLO's of units were not spelt out. This resulted in

- non-fixing of modality and periodicity of inspection.
- inadequate inspection of units.

The State Government issued instructions (January 2000) that each GLO should conduct 30 inspections every month for ensuring the implementation of seven labour laws including the Child Labour (P&R) Act, 1986. Test check of the records in the COL revealed that during the years 1998-2004, departmental officers conducted a total of 2.88 lakh inspections under various Child Labour related Acts (including the Child Labour (P&R) Act, 1986). There were 8.03 lakh units in the State (April 1997) which required inspection. Even assuming that inspection was not repeated in any units, only 36 *per cent* of total units in the State were covered by inspection or visit during six years.

Functioning of National Child Labour Projects

3.2.7 Functioning of National Child Labour Projects

Six district Collectors[¶] submitted (1995-96) proposals to Government of India for opening of National Child Labour Projects (NCLPs) of which the projects in Panchmahals and Surat districts were sanctioned (September 1995). Out of Rs.57.43 lakh released by GOI (1995-97) an expenditure of Rs.29.18 lakh was incurred (March 2004) and Rs.17 lakh were refunded (2001-02) to GOI. The projects were to be operational upto March 1997. It was seen that out of 23 schools under the projects, eight schools (Surat; three, Panchmahals; five) had less than 50 students on their rolls and the balance of 15 schools (Surat) enrolled 50 to 100 students. It was also seen that no survey was conducted to ascertain the number of children in hazardous employment before submission of proposals to GOI. In NCLP Panchmahals district neither vocational training was imparted nor health camps were organised. The records in Surat were not produced on the plea that the same were spoiled in floods (1998). The NCLP Surat stopped functioning (April 1997) and GOI issued orders for its closure (December 1998) but unspent balance of Rs.16.64 lakh (including interest upto March 1999) was not refunded though directed by GOI (December 1998 and September 2001) and expenditure continued to be incurred (2003-04) on administrative expenses. As of March 2004 NCLP Surat had a balance of Rs.20.52 lakh. Panchmahals too had not refunded the unspent balance of Rupees one lakh despite GOI instructions (December 1998). The children were to be given training for three years up to the fifth standard but as all the five schools in Panchmahals were closed within one year, the intended objective of bringing them to normal mainstream was defeated.

[¶] Ahmedabad, Panchmahals, Rajkot, Surat, Vadodara and Valsad

➤ ***Non-implementation of NCLPs since 1997***

No NCL Project were sanctioned beyond March 1997.

Proposals for continuance of closed NCL Projects of Panchmahals and Surat districts were submitted (March 2000 and September 2000 respectively) by GOG to GOI which were not approved. Proposal for revival of NCLP was again submitted (August 2001) by the Deputy Commissioner of Labour (DCL) Surat to GOI which was also not approved. Proposals for scheme of NCLP (Revised-2003) for Surat, Kachchh (Gandhidham) and Panchmahals Districts were submitted by GOG to GOI (April 2004); for which approval was still awaited (December 2004). Reasons for delayed approval of the projects were not on record.

3.2.8 Conclusions

The Act aimed at relieving the child labourers from hazardous jobs was not implemented in an effective manner. Survey of child labour conducted in 1997 by State Government lacked credibility. Despite law and directives from the SC, identification, withdrawal and rehabilitation of Child Labour were not being carried out effectively. NCL Projects were not implemented in the State since 1998. Poor detection of Child Labour, inadequate action to implement Supreme Court's directives and deficiencies in running of special schools for education of children reveal that the department is not geared up to eradicate Child Labour from the State, and to secure compliance to the provisions of the Act. Various rules framed in 1994 to safeguard the interest of the working children in the State were not led before the State Legislature even after more than ten years.

3.2.9 Recommendations

- A time-bound action plan to eliminate or atleast minimise child labour may be considered by the Government. To begin with, a time bound survey should be conducted to ascertain the accurate numbers of Child Labour.
- Effective steps should be taken to ensure compliance with the directives of the Supreme Court.
- The Child Labour (Prohibition and Regulation) (Gujarat) Rules, 1994 should be laid before the State Legislature at the earliest.
- NCLP should be proposed only after proper surveys.
- The GOG should frame rules to prescribe the modality and periodicity of inspections under the Act.

The matter was reported to Government in October 2004; but no reply was received (January 2005).

SCIENCE AND TECHNOLOGY DEPARTMENT

3.3 InfoCity Project

Highlights

InfoCity is a joint venture project of Government of Gujarat with private sector participation intended to create conducive environment and readymade infrastructure for IT entrepreneurs. Gujarat Informatics Ltd. was responsible for ensuring private participation in the IT infrastructural projects in the State. A review of the implementation of the InfoCity project revealed finalisation of a major contract on the basis of a single bid, transfer of land at abnormally low rate, non finalisation of necessary agreements, non furnishing of development security and non reimbursement of development expenses. Besides, there was deviation from the terms of agreement in allotment of residential units in InfoCity.

As the tender for development of the project was finalised with only one bidder Creative InfoCity Ltd. (CIL) left in the field, a competitive rate could not be obtained for setting up of InfoCity.

(Paragraph 3.3.5)

Against revenue of Rs.14.63 crore earned by CIL upto June 2004, only Rs.0.63 lakh was paid to GIL.

(Paragraph 3.3.6)

Transfer of 116 acres of land in Phase I to the developer was made at nominal rate of Rs.101 per acre as against the rate of Rs.1485 per sq.mtr. charged for Phase II.

(Paragraph 3.3.7)

The Creative InfoCity Ltd. did not furnish bank guarantees of Rs.4.80 crore for Development Security and Corporate Bond of Rs.13 crore before commencement of the project.

(Paragraph 3.3.9)

The Creative InfoCity Ltd. allotted 60 per cent of completed residential units to ineligible users in contravention of the agreement.

(Paragraph 3.3.12)

Liquidated damages of Rs.18 crore for delay in completion of the project were not recovered from the Creative InfoCity Ltd.

(Paragraph 3.3.13)

3.3.1 Introduction

To attract Information Technology (IT) entrepreneurs to the State by creating conducive environment and readymade infrastructure and in turn to create employment opportunities, Government of Gujarat, under the Information Technology Policy, decided (October 1998) to set up a joint venture project in the State. Accordingly, Government entrusted Gujarat Informatics Ltd. (GIL), a company established by Government and incorporated (February 1999) under the Companies Act 1956, with the task of promoting the InfoCity project on the outskirts of Gandhinagar in association with a private sector participant. With the promulgation of the Gujarat Infrastructure Development Ordinance 1999, the legal framework for private participation in infrastructure projects in the State was provided.

The GIL solicited prequalification bids for short-listing private sector participants. After detailed evaluation, Creative IT Inc. (a member of Creative Choice Group–USA) (developer) was selected (February 1999) for establishing the Joint Venture Company viz. Creative InfoCity Ltd. (CIL) for undertaking the infrastructure project. GIL entered into a Concession Agreement (agreement) in August 2000 with CIL for setting up the InfoCity on build, operate and transfer (BOT) basis. CIL was to mobilize finance, construct, market, operate and maintain the facilities.

Government earmarked 150 acres of forest land for InfoCity, out of which 116 acres were transferred (January 2001) to GIL, which in turn leased the land to CIL for 32 years. The lease premium (Rs.9.47 crore) was to be treated as share application money of GIL with CIL on behalf of Government.

Government also exempted (January 2001) payment of stamp duty chargeable on the instrument of conveyance of land or lease of the land executed by or to the developer for development of InfoCity project for three years i.e. up to 19 January 2004.

The work of InfoCity, estimated to cost Rs.150 crore commenced in February 2001 and was to be completed by the scheduled date of completion[⊗] (December 2001 and September 2003) for various facilities under the project. CIL had incurred an expenditure of Rs.63.45 crore on the project as of March 2004.

⊗

Sl. No.	Facilities	Scheduled date of completion
1	IT Tower I IT Tower II	December 2001 June 2002
2	100 Residential units 140 Residential units	June 2002 March 2003
3	Club House	September 2003
4	Hotel cum Convention Centre	September 2003
5	Shopping mall	September 2002
6	IT Plots	December 2001

3.3.2 Audit objectives

The objective of Audit was to assess:

- the extent of adherence by the CIL to conditions of agreement entered into with the GIL,
- the extent of creation of physical infrastructure and utilisation thereof and
- the adequacy of monitoring of the implementation of InfoCity by the GIL.

3.3.3 Organisational set up

Secretary, Science and Technology Department (STD) was in charge of IT at Government level. GIL was in overall charge of implementing the IT Policy. The CIL was responsible for setting up InfoCity on BOT basis. The Board of Directors of CIL (Board) consists of a Chairman (Secretary, STD) and five Directors*. The Director, nominated by CIL controls the day-to-day affairs of CIL and reports to the Board.

3.3.4 Audit Coverage

Records maintained by the Secretary, STD and GIL (2000-04) were test checked (June-July 2004). Important points noticed are brought out in the succeeding paragraphs.

Implementation of the InfoCity Project

3.3.5 Procedure of selection of developer

As the tender was finalised with single bidder, the element of competitive tender was lost

The GIL invited (May 1999) global offers/bids for private sector participation in InfoCity to which seven parties responded. Of these, three parties, viz. L&T Ltd., Creative IT Inc. (a member of Creative Choice Group) and IVRCL Infrastructure & Project Ltd. were short-listed (October 1999). The first and third agencies, however, withdrew (November 1999) their offers before finalisation of the tender, the reasons for which were not forthcoming. The GIL, considered the offer of Creative IT Inc. instead of re-tendering and the same was approved (January 2001) by the committee consisting of Secretary (STD), Secretary (Finance Department), Additional Secretary (STD) and Managing Director (GIL). Thus, the purpose of invitation of tenders to secure best terms was defeated as the award had to be finalised on the basis of a single bid.

* The Managing Director of GIL and four representatives of CIL

3.3.6 Undue favour to the developer through revenue sharing

As per the agreement, the developer was to hold not less than 51 *per cent* and GIL's stake was 11 *per cent* which could go up to 26 *per cent* of the paid up capital of CIL. The authorised share capital of CIL was Rs.20 crore and paid up capital as of March 2004 was Rs.16.08 crore of which Rs.2 crore⁷ was the share of Government invested through GIL in the form of land.

In the absence of competitive bidding GIL compromised with revenue sharing

The agreement (August 2000) provided that the CIL would pay to GIL five *per cent* of its annual eligible revenue[®] collected by them as revenue share. This was too low compared to GIL's stake of 11 *per cent* which could go up to 26 *per cent* of the paid up capital of CIL. As of March 2004 out of Rs.20 crore authorised share capital, the investment of GIL inclusive of share application money was Rs.9.47 crore, which works out to 47 *per cent*. As such the returns are not commensurate with the investment. Thus, in the absence of competitive bidding GIL had to compromise with revenue sharing leading to recurring loss of revenue to Government/GIL and also undue favour to the developer.

CIL realised revenue of Rs.14.63 crore ending June 2004 under various heads, but the share of GIL was not finalised (July 2004) for want of certification of accounts and audit by an independent Auditor. The GIL has been paid only Rs.0.63 lakh (ending March 2003) which is nominal considering the total investment of Rs.9.47 crore made by the GIL.

3.3.7 Transfer of land at concessional rates

Government transferred (January 2001) 116 acres of land to GIL who in turn leased to CIL at a concessional rate of premium of Rs.101 per acre (77 acre) and Rs.600 per sq. mtr. (39 acre⁸) in Phase I of InfoCity. As for Phase II, Government decided (January 2001) to charge Rs.1485 per sq. mtr. of land to be transferred to CIL (34 acres). The rationale behind applying different rates of premium for the land and transferring 116 acres at abnormally low rate was not on record.

⁷ The lease premium of land (Rs.9.47 crore) was treated as share application money of GIL for issue of shares every year. As on 31 March 2004 shares worth Rs.2 crore were received by GIL and remaining Rs.7.47 crore is treated as pending share application money

[®] Annual gross lease rentals from lease of premises in the info-tower, plots of land and residential premises and annual revenue from connectivity related infrastructure services

⁸ One acre= 4046.856 sq. mtr.

3.3.8 Non finalisation of schedules to the agreement

Due to non-finalisation of schedules to the agreement, important decisions were left to the discretion of CIL

The agreement provided that Schedules II to XIV to be attached thereto should be finalised on mutually acceptable terms within six months of its execution and that the work on InfoCity should commence thereafter only. The schedules to the agreement (i) Specified Consents and relevant authorities applicable to the project, (ii) Specifications and Standards relating to construction of the project, (iii) Completion and Construction Schedule to be adhered to by CIL, (iv) State Government support to the project under the IT Policy, (v) Specifications of Operation and Maintenance of the InfoCity, (vi) Land lease rate to be charged from users, (vii) Project Site Map of the project, (viii) Computation of termination amount chargeable in the event of termination of the project by GIL or CIL, (ix) List of eligible users and supplementary users to whom the facilities could be allotted, (x) Pro-forma Direct Agreement to be entered into with the users and supplementary users, (xi) Supplementary activities to be carried out in the project, (xii) Land lease agreement in respect of the land leased for the project and (xiii) Approved Detailed Project Report prepared in respect of InfoCity project. GIL executed the agreement with CIL (August 2000), but these important schedules were not finalised yet (July 2004). However, CIL commenced construction of InfoCity before finalisation of the schedules. The detailed schedules were to be drawn with a view to monitor and control the various aspects of development of InfoCity. As these schedules were not drawn despite passage of four years, control over implementation and execution of InfoCity project was entirely left to CIL.

Non-fulfillment of the conditions of agreement

3.3.9 Development Security and Corporate Bond

Development Security of Rs.4.80 crore was not furnished by CIL to GIL

In order to demonstrate commitment to complete the construction and market the project by the due date, CIL was required to pay to GIL first installment of the Development Security of Rupees one crore (Rs.20 lakh in cash and Rs.80 lakh in the form of irrevocable guarantee). Balance of Rupees four crore was to be provided at least 15 days before the scheduled date of commencement of construction. However, CIL paid Development Security of only Rs.20 lakh and bank guarantees for the remaining Rs.80 lakh and balance of Rupees four crore were not furnished so far (July 2004).

Corporate Bond for Rs.13 crore was not furnished by CIL

The Developer was also required to execute, in favour of GIL, a Corporate Bond covering the liquidated damages of 12 *per cent* of the project cost of Infotower, residential buildings and other amenities. The estimated amount of the Corporate Bond (Rs.18 crore) less the Development Security (Rs.5 crore) was to be supported by an irrevocable guarantee from duly rated Bank or Insurance Company. However, CIL had not furnished the bank guarantee for Rs.13 crore (July 2004).

Though failure to provide and maintain the Development Security and Corporate Bond by developer was to be construed as material breach of the agreement leading to termination of agreement, GIL had not terminated the agreement, but instead, allowed CIL to take possession of the land to develop the project.

3.3.10 Development expenses

Development expenses of Rs.71.54 lakh incurred by GIL were not reimbursed by CIL

According to the terms of Letter of Intent accepted (March 2000) by the developer, CIL was to reimburse GIL the actual project development expenses upto a maximum amount of Rupees one crore. The first installment of Rs.25 lakh was payable on approval of Detailed Project Report prepared by the developer and balance of Rs.75 lakh on the date of commencement of construction (February 2001). GIL incurred an expenditure of Rs.71.54 lakh (May 1999 to December 2000) towards development expenses viz. consultancy fee, compensation to forest department (for the trees removed) and other miscellaneous charges. However, CIL had not reimbursed the amount to GIL (July 2004).

3.3.11 Non enforcement of control mechanism

The agreement provided for appointment of independent engineer and auditors, jointly by GIL and CIL to enable GIL to consult on any matters and to get reports and information relating to the project directly. However, CIL unilaterally appointed (December 2000) an independent engineer. The breach of clause in the agreement by the CIL regarding making appointments jointly led to inadequate control of GIL on the related activities in the InfoCity.

3.3.12 Allotment of residential units to non-user category

In contravention of agreement, CIL allotted 60 per cent of the residential units completed to ineligible category

The agreement provided that the project facilities should be marketed to the specified category of users. In schedule I of the agreement, ‘users’ and ‘supplementary users’ were defined as ‘Information Technology Companies’ under the IT policy of Government and supplementary users were those who provide social and recreation services and amenities for the primary benefit of the InfoCity. As list of eligible users and supplementary users (Schedule 10) was not finalised, audit could not verify the genuineness of the transactions carried out by CIL.

As per agreement of InfoCity, 240 residential units were to be completed by March 2003. However, CIL reported (June 2004) that as against 240 residential units, 312 units were being constructed, of which 94 units were completed and allotted up to July 2004 without finalisation of list of users and supplementary users. However, scrutiny of allotment of residential units revealed that only 38 units (40 per cent) were allotted to category associated with the Information Technology Industry and supplementary activities as envisaged under the project and 56 (60 per cent) units were allotted to ineligible category in contravention to the agreement. Thus, CIL had utilised the infrastructure for the purpose other than those provided in the agreement.

In the absence of list of eligible users and supplementary users (Schedule 10), GIL was devoid of any control over the allotment of residential flats and decision on this aspect was left to the discretion of CIL. Thus, failure of Government/GIL to monitor the work on InfoCity led to a private company reaping undue benefit at the cost of Government.

3.3.13 Non achievement of milestones of development and non recovery of liquidated damages

Liquidated damages of Rs.18 crore payable by CIL for delay in completion of the project was not recovered

The agreement (August 2000) provided that if the project facilities were not completed by the scheduled date, CIL was liable to pay Rs.10 lakh on that date and thereafter at the rate of Rupees four lakh per day till the date of completion, subject to maximum 12 *per cent* of the project cost to set-off the genuine estimated loss suffered by GIL as a result of delay in completion of the project facilities.

The scheduled date of completion of various facilities in the InfoCity and status as of 31 March 2004 were as under:

Sl. No.	Facilities	Scheduled date of completion	Status as of 31 March 2004
1	1 st IT Tower 2 nd IT Tower	December 2001 June 2002	Completed Not commenced
2	100 Residential units 140 units	June 2002 March 2003	Nearing completion
3	Club House	September 2003	In progress
4	Hotel cum Convention Centre	September 2003	In progress
5	Shopping mall	September 2002	Nearing completion
6	IT Plots	December 2001	Not commenced

There was delay ranging from 16 to 25 months in completion of various project facilities (July 2004). Thus, Rs.18 crore was recoverable as liquidated damages from CIL. In the absence of development security and corporate bond, GIL was left with no means to recover the damages caused to it. GIL also had not explored possibilities of other legal remedies.

Out of 2.27 lakh sq. ft. of facility created in 1st IT Tower, only 0.41 lakh sq. ft. (18 *per cent*) facility was allotted to 16 users ending March 2004. Reasons for not utilising the optimum infrastructure created were not on record.

3.3.14 Conclusion

Schedules II to XIV to be appended to the agreement executed with the developer were not finalised before the commencement of the project. As a result GIL was devoid of any control over the implementation of the project and decisions on all important matters were left to the discretion of CIL. Transfer of land to the developer was made at varying rates without any rationale and 116 acres were transferred at a nominal rate of Rs.101 per acre.

Though CIL had not furnished Bank guarantees for Development Security and Corporate Bond as per the requirement, they were allowed to take possession of land to develop the project. CIL had utilised the land for purposes other than those specified in the agreement. Majority of the residential units constructed were allotted to ineligible category. Though the stipulated date for completion of InfoCity project was over long back (March 2003), CIL had not completed the IT project. Government and GIL also failed to enforce several important clauses of the agreement.

3.3.15 Recommendations

- All the Schedules to the agreement should be expeditiously concluded.
- Bank guarantees for Development Security, Corporate Bond and guarantee should be obtained without further delay.
- Government/GIL should ensure that the project facilities are allotted only to user category.
- Expeditious steps should be taken for getting the shares issued against the share application money pending allotment with CIL.
- The revenue earned should be actually shared with GIL without further delay.

The matter was reported to Government in October 2004; reply has not been received (January 2005).