

CHAPTER-III

PERFORMANCE REVIEWS

Agriculture Department

3.1 Macro Management of Agriculture

Highlights

Macro Management of Agriculture aimed at all round development of agriculture through work plans by the States. A performance review of the implementation of the scheme revealed higher achievement of targets in respect of promotion of certain components like vermi-composting and providing assistance to the farmers on small tractors. For Rabi sowing seasons, cropped area during 2004-05 and 2006-07 was attained to the targeted level but fell short during 2002-04 and 2005-06. Funds for Scheduled Caste, Scheduled Tribe and women beneficiaries were not earmarked during 2005-08 to make them economically independent. Some significant audit findings are as under:

- *Annual Work Plans were prepared on time but did not indicate benefit stream in terms of area, production level and productivity.*

(Paragraph 3.1.7.1)

- *Agriculture growth rate showed a declining trend and declined from 13.3 per cent in 2003-04 to 3.9 per cent in 2006-07. The area under kharif crops did not achieve the target level of cropped area and foodgrain production also fell short during the Tenth Five Year Plan.*

(Paragraphs 3.1.7.2 and 3.1.7.3)

- *Seeds of high yielding varieties viz., wheat, maize and paddy were not available with the agriculture extension officers during the sowing period of these crops.*

(Paragraph 3.1.10.1)

3.1.1 Introduction

Macro Management of Agriculture (MMA) was launched as a Centrally Sponsored Scheme (CSS) by the Government of India (GOI) in 2000-2001 for accelerated growth of agriculture. The scheme comprised 27 components initially. However, with the launching of the Technology Mission for Integrated Development of Horticulture in 2003-04, 10 components pertaining to horticulture development were taken out of the purview of this scheme. The MMA aimed at all-round development of agriculture through Annual

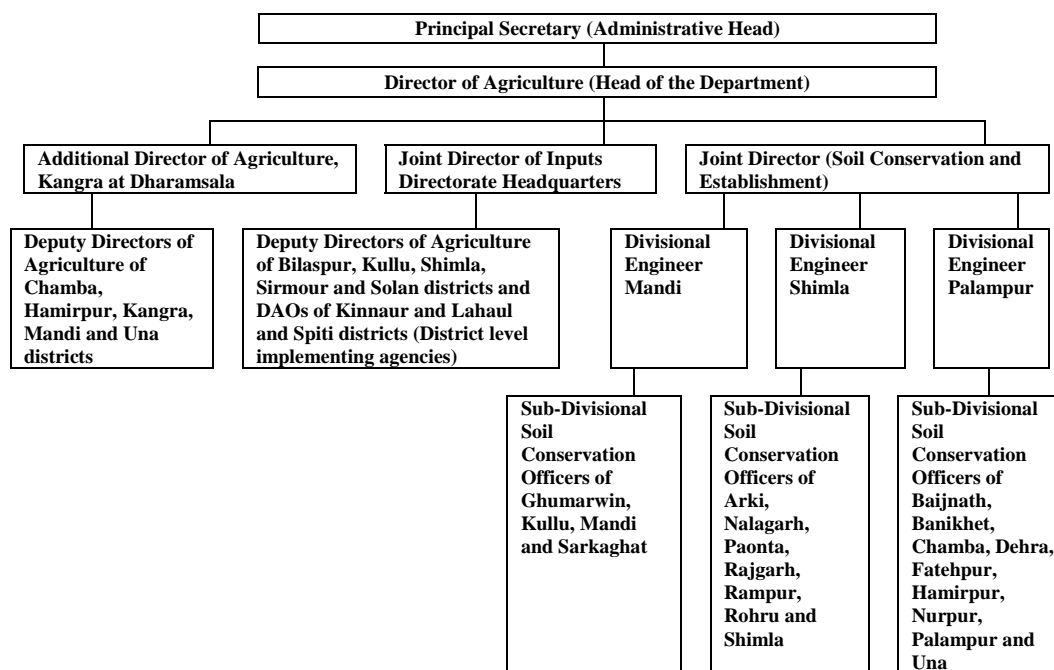
Work Plans (AWPs) prepared by the State. The objectives of the scheme include:

- Reflection of local needs/crop/region specific/priorities etc.;
- Optimum utilisation of scarce financial resources;
- Maximising of returns; and
- Removal of regional imbalances

In Himachal Pradesh, under MMA only eight¹ components are being implemented in all the twelve districts from the year 2000-01. Under the MMA, priority is given by the State Government for improvement of cereal crops, transfer of technology, on-farm water management, promotion of quality seed production and integrated nutrient management.

3.1.2 Organisational set up

The Agriculture Department is the nodal department for implementation of the scheme. The organisational set up of the Department is as under:



¹ 1. Integrated Cereals Development Programme in wheat based cropping system 2. Balanced and Integrated use of fertilizers 3. Promotion of Agricultural mechanisation among small farmers 4. Production and supply of vegetable seeds 5. Integrated programme for development of spices 6. Scheme for foundation and certified seed, production of vegetable crops 7. National Watershed Development Programme for Rainfed Areas and 8. Soil conservation works in catchments, River Valley Project (RVP) and Flood Prone Rivers (FPR).

The Forest Department also has a major role to play in the implementation of the scheme. In order to ensure coordination between the two implementing departments, a Standing Committee was set up (March 2001) under the Chairmanship of the Chief Secretary.

3.1.3 Scope of Audit

The performance review covered the period 2003-08 and was carried out during March-April 2008 through a sample check of the records in the Directorate of Agriculture, offices of Deputy Directors of Agriculture (DDsA) and District Agriculture Officer (DAO) in five² out of 12 districts, all the three Divisional Engineers³ (DEs) and eight⁴ out of 20 Sub-Divisional Soil Conservation Officers (SDSCOs). Out of the total expenditure of Rs 59.30 crore incurred on the scheme during 2003-08, an expenditure of Rs 31.77 crore (54 per cent) was audited.

3.1.4 Audit objectives

The audit objectives were to verify whether;

- planning for implementation of various activities was adequate;
- the targets fixed for maximising the agricultural productivity in the State were realistic and fully achieved;
- the procedure for procurement of agriculture equipment and other inputs and logistics management was cost effective, efficient and ensured timely availability of equipments and inputs to the farmers in the State; and
- Monitoring and internal control system was adequate and effective.

3.1.5 Audit criteria

The audit criteria applied for assessing the implementation of the scheme were;

- the GOI guidelines on the scheme and instructions issued by Central and State Governments from time to time;
- cost norms for providing assistance under various components of the scheme notified from time to time; and
- prescribed monitoring mechanism.

² Chamba, Kangra, Kinnaur, Mandi and Shimla.

³ Kangra at Palampur, Mandi and Shimla.

⁴ Banikhet, Chamba, Fatehpur, Mandi, Nurpur, Rampur, Shimla and Sarkaghat.

3.1.6 Audit methodology

An entry conference was held (March 2008) with the Principal Secretary and Director of Agriculture wherein the audit objectives, criteria and scope of audit were explained and implementation of the scheme was discussed. The capital district and four out of the remaining 11 districts were selected for detailed audit on the basis of Probability Proportionate to Size With Replacement (PPSWR) method. While DEs were selected 100 *per cent*, the SDSCOs of eight sub-divisions were selected on the basis of Simple Random Sampling Without Replacement (SRSWOR) method. The audit findings were discussed (August 2008) with the Principal Secretary in an exit conference and the views of the Government wherever offered, have been incorporated at appropriate places in the report.

3.1.7 Audit findings

3.1.7.1 Planning

The MMA scheme provides flexibility to the States to develop and pursue the programmes on the basis of their regional priorities. The States are also given a free hand to finalise their sectoral allocation based on their developmental priorities. Work plans indicating physical targets and the benefit stream in terms of area, production level and productivity etc., were required to be prepared in an interactive mode with the Union Ministry of Agriculture (MOA). In March 2005, the GOI instructed the State Governments to earmark funds (without indicating extent/percentage) in the Work Plan from 2005-06 onwards for Scheduled Castes/Scheduled Tribes (SC/ST) and women farmers indicating the number of such beneficiaries to be covered in the respective years. Audit Scrutiny revealed that:

- While the AWP's were got approved from the MOA every year on time, they were prepared at the Directorate level, without ascertaining the regional priorities and the needs of the beneficiaries from the field functionaries.
- The State Government had formulated its AWP's without indicating the benefit stream in terms of area, production level and productivity.
- Funds were not earmarked specifically for SC/ST and women beneficiaries during 2005-08 in the AWP's.

3.1.7.2 Trend in Agriculture Growth Rate

As per the guidelines, the State Government was required to formulate schemes in line with the National Agriculture Policy, 2000 to attain the growth rate of four *per cent* and double the food production during the Tenth Five Year Plan (2002-07). As per the economic survey conducted by the Economic

and Statistics Department of the State, agricultural growth during 2003-07 was as under:

Table: 3.1.1

(In per cent)

Year	Percentage of growth
2003-04	13.3
2004-05	6.5
2005-06	2.5
2006-07	3.9
2007-08	Not available

As can be seen above, growth rate showed a declining trend after 2003-04 and fell below four *per cent* despite the initiatives of the State Government.

Since MMA envisaged accelerated growth by maximising the production both during good and bad crop years, the efforts of the Department did not yield the desired result of maintaining the growth rate upto the level of four *per cent* after 2004-05.

The Director stated (September 2008) that it was not possible to identify the reasons for decrease in agricultural growth, as production level of agricultural commodities is highly influenced by weather parameters.

3.1.7.3 Area under crop cultivation and foodgrain production

Targets for area to be brought under cultivation and foodgrains production were fixed at 8.22 lakh hectares and 18.75 lakh tonne respectively, during the 10th Plan. The crop wise breakup of targets is given below:

- Kharif crops⁵: Area under cultivation 4.26 lakh hectares and foodgrains production of 11 lakh tonne.
- Rabi Crops⁶: Area under cultivation 3.96 lakh hectares and foodgrains production of 7.75 lakh tonne.

Against the above targets, the area under cultivation vis-à-vis foodgrains production achieved during the Plan period was as under:

Table: 3.1.2

(Area in lakh hectares and production in lakh tonnes)

Year	Kharif Crops		Rabi Crops		Total	
	Area under crops	Foodgrains production	Area under crops	Foodgrains production	Area	Production
2002-03	4.17	5.81	3.89	5.29	8.06	11.10
2003-04	4.19	8.70	3.93	5.28	8.12	13.98
2004-05	4.14	7.64	3.97	7.24	8.11	14.88
2005-06	4.07	6.73	3.86	3.96	7.93	10.69
2006-07	4.00	8.94	3.96	5.60	7.96	14.54

Source: Figures supplied by the Department.

⁵ Kharif crops include Maize, Paddy, Ragi, Millets and Kharif pulses.

⁶ Rabi crops include Wheat, Barley, Gram and Rabi pulses.

From the above details it would be seen that area under Kharif crops did not achieve the targeted level of 4.26 lakh hectares during the Plan period. Infact, it declined from 4.17 lakh hectares in 2002-03 to four lakh hectares in 2006-07.

Though for Rabi sowing season, the targeted level of cropped area during 2004-05 and 2006-07 was attained, it fell short during 2002-03, 2003-04 and 2005-06.

The foodgrain production was also not achieved in the State to the desired level by the terminal year (2006-07) of the 10th Plan. Against the target of 18.75 lakh tonne, foodgrain production was 14.54 lakh tonne (Kharif: 8.94 lakh tonne; Rabi: 5.60 lakh tonne) and fell short by 22 *per cent*.

Government stated (August 2008) that the State has its own peculiar constraints such as problem of soil erosion, biotic pressure on the land, 80 *per cent* area being rainfed and small and scattered land holdings.

Shortcomings noticed in the implementation of the scheme which led to non-achievement of the envisaged objectives are brought out in the succeeding paragraphs.

3.1.8 Financial Management

3.1.8.1 Allocation, release and utilisation of funds

Against the work plans submitted by the State, 90 *per cent* support is provided by the GOI, of which 80 *per cent* is grant and 20 *per cent* is loan. The remaining 10 *per cent* is contributed by the State Government from allocation to the State Plan programmes. Funding for implementation of the scheme to the Agriculture Department is made through the State budget. The position of allocation of funds for implementation of the scheme and expenditure incurred thereagainst during 2003-08 was as under:

Table: 3.1.3

(Rs in crore)

Year	Unspent balance of Central share carried over	Budget allotment during the year		Total availability of funds during the year	Expenditure incurred			Shortfall in utilisation	
		Central Share	State Share		Central Share	State Share	Total	Centre (2+3-6)	State (4-7)
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
2003-04	1.48	6.64	0.90	9.02	7.93	0.88	8.81	0.19	0.02
2004-05	0.19	9.50	1.08	10.77	8.99	1.00	9.99	0.70	0.08
2005-06	0.70	10.50	1.25	12.45	9.72	1.08	10.80	1.48	0.17
2006-07	1.48	14.54	1.78	17.80	14.86	1.65	16.51	1.16	0.13
2007-08	1.16	12.38	1.50	15.04	11.87	1.32	13.19	1.67	0.18
Total:		53.56	6.51	65.08	53.37	5.93	59.30		

Source: Departmental figures.

From the above details it would be seen that the Department had spent Rs 59.30 crore against the availability of Rs 65.08 crore. While the unspent balance under the Central share was revalidated and carried over to the next financial year, the unspent balance of the State share lapsed. Consequently, Rs 0.58 crore, though provided by the State Government in the budget, were not used for implementation of the scheme.

The budget allotment for implementation of various components of the MMA and expenditure incurred thereagainst during 2003-08 by the test-checked units⁷ was as under:

Table: 3.1.4

(Rs in crore)

Year	Budget allocation			Expenditure			Excess (+) Savings (-)	
	Centre	State	Total	Centre	State	Total	Centre	State
2003-04	4.36	0.48	4.84	4.31	0.48	4.79	(-) 0.05	--
2004-05	4.10	0.46	4.56	4.01	0.45	4.46	(-) 0.09	(-) 0.01
2005-06	5.26	0.59	5.85	5.24	0.58	5.82	(-) 0.02	(-) 0.01
2006-07	7.13	0.79	7.92	6.97	0.77	7.74	(-) 0.16	(-) 0.02
2007-08	9.02	1.00	10.02	8.06	0.90	8.96	(-) 0.96	(-) 0.10
Total:	29.87	3.32	33.19	28.59	3.18	31.77		

Source: Departmental figures.

Scrutiny revealed that the expenditure of Rs 31.77 crore includes Rs 2.24 crore parked in bank accounts as discussed in paragraph 3.1.8.2.

Following irregularities in specific areas of financial management were noticed:

3.1.8.2 Drawal of funds

As per rules, money should not be drawn unless it is required for immediate disbursement. It is also not permissible to draw advances from the Treasury for the execution of works, the completion of which is likely to take considerable time. Further, as per guidelines of the Finance Department (June 1985) for treasury officers, the Agriculture Department is allowed drawal of money in advance only for purchase of seeds from the Seed Corporations upto the value of actual order placed or for seeds to be purchased from local farmers by the DDsA upto a limit of Rs 50,000.

However, 12 DDOs⁸ selected for test-check drew Rs 4.06 crore⁹ during 2003-08 in advance from the Treasury for execution of improvement works at

⁷ DDsA of Chamba, Kangra, Mandi, Shimla and DAO Kinnaur; DEs: Kangra, Mandi and Shimla and SDSCOs Banikhet, Chamba, Fatehpur, Mandi, Nurpur, Rampur, Shimla and Sarkaghat.

⁸ DDsA of Chamba, Kangra, Mandi, Shimla, DAO Kinnaur and SDSCOs of Chamba, Fatehpur, Mandi, Nurpur, Rampur, Sarkaghat and Shimla sub-divisions.

⁹ 2003-04: Rs 0.60 crore; 2004-05: Rs 0.91 crore; 2005-06: Rs 1.15 crore; 2006-07: Rs 1.18 crore and 2007-08: Rs 0.22 crore.

Seed multiplication farms, purchase of vermi-culture, providing assistance to the farmers on implements and for demonstrations and showed the advance drawn as final expenditure. The money after drawal was, however, kept in bank accounts and as of April 2008, only Rs 1.82 crore was spent leaving Rs 2.24 crore unutilised.

Government stated (August 2008) that field offices have been directed to utilise the funds drawn in advance and report compliance.

3.1.8.3 Time taken in release of funds for implementation of the scheme

As per guidelines, the State Government was required to take timely action for getting the first installment of funds (50 per cent of annual allocation) released during April each year for further allocation to various implementing agencies. The release of second installment was to be made by the GOI after receiving proposals from the State from October to December every year.

The delays in release of funds by GOI to the State Government during 2003-08 is given below:

Table: 3.1.5

Year	Particulars of installment	Stipulated month of release	Actual date of release	Delay in release of funds (in days)
2004-05	1 st Installment	April 2004	22 September 2004	142
	2 nd Installment	December 2004	14 March 2005 and 28 March 2005	73 and 87
2005-06	1 st Installment	April 2005	30 June 2005 and 29 September 2005	61 and 149
2006-07	1 st Installment	April 2006	24 June 2006	55

Audit scrutiny revealed that delay in further release of funds to the implementing agencies by the Directorate ranged between seven to 335 days. Due to late release of funds, the implementation of the scheme was affected as implementing agencies could not achieve the targets in the respective years (paragraphs 3.1.11 and 3.1.14.2). The State Government stated (August 2008) that the delay was not intentional.

The State Government needs to prescribe a timeframe so that only reasonable time is taken at all levels for release of funds for timely implementation of various activities by the field functionaries.

Implementation of scheme

The State Government implemented eight components of MMA through nine programmes¹⁰ during 2003-08. The AWP prepared by the State did not establish linkage to CSSs and implemented nine programmes keeping in view the flexibility and autonomy provided to the State. Six¹¹ out of the nine programmes taken up for implementation under MMA have been examined in audit and the findings are discussed below:

3.1.9 Promotion of Quality Seed Production

There are 44 departmental Seed Multiplication Farms (SMFs) in the State. The main activities under 'Promotion of Quality Seed Production' programme, is improvement of existing SMFs by way of providing irrigation facilities, machinery and repair of seed stores. Demonstration-cum-sprinkler irrigation system is also provided at the farms so that farmers of nearby villages may see the utility of this system and adopt the irrigation system accordingly.

The year-wise targets and achievement for improvement of farms and demonstration on sprinkler sets during 2003-08 was as under:

Table: 3.1.6

Sub-component	Year	Target	Achievement	Shortfall (-) Excess (+)
Improvement of Seed Multiplication Farms at the rate of Rs five lakh each for irrigation, machinery, seed store, etc. (Number of farms)	2003-04	3	6	(+) 3
	2004-05	7	9	(+) 2
	2005-06	5	11	(+) 6
	2006-07	4	5	(+) 1
	2007-08	-	-	-
	Total:	19	31	(+)12
Demonstration on Sprinkler Sets at Government Farms at the rate of Rs 30,000 per hectare (Number of sets installed)	2003-04	10	8	(-) 2
	2004-05	20	46	(+) 26
	2005-06	Not implemented.		
	2006-07			
	2007-08			
Total:	30	54	24	

Source: Figures compiled from Progress Reports supplied by the Department.

¹⁰ Promotion of quality seed production, Crop improvement programme for cereals, Promotion of Agriculture mechanisation among small farmers, Integrated nutrients management (INM) and balanced use of fertilizer, Transfer of technology, National watershed development project for rainfed areas (NWDPR), On farm water management, Crop diversification and Organic farming.

¹¹ Promotion of quality seed production, Crop improvement programme for cereals, Promotion of agriculture mechanisation among small farmers, Integrated nutrients management (INM) and balanced use of fertilizer, Transfer of technology, National watershed development project for rainfed areas (NWDPR).

As detailed above, the Department could cover only 31 out of 44 SMFs in the State during 2003-08 under the sub-component 'Improvement of Seed Multiplication Farms'. The implementation of the sub-component 'Demonstration on sprinkler sets' was also not continued after implementing it for two years during 2003-04 and 2004-05.

The targets fixed were not realistic as they were prepared at Directorate level without ascertaining regional priorities and needs of the beneficiaries from their field functionaries, as already discussed in para 3.1.7.1 under planning. The higher achievements depicted in the above table were due to the fact that savings from other sub-components were utilised on these two sub-components, to meet the actual demand from the beneficiaries, received at the later stage.

In four out of the five test-checked districts, the physical performance reflected in the progress reports under these two sub-components during 2003-08 was as under:

Table: 3.1.7

Sub-component	District	Target	Achievement
Improvement of Seed Multiplication Farm (Number of farms)	Chamba	1	1
	Kangra	7	7
	Mandi	7	7
	Shimla	1	1
	Total	16	16
Demonstration on Sprinkler Sets (Number of set installed)	Chamba	*	
	Kangra	*	
	Mandi	3	3
	Total	3	3

Note: This programme was not implemented in Kinnaur district. In Shimla district the sub-component "Demonstration on Sprinkler Irrigation" was not implemented.

* Target and achievements were not indicated in the progress report.

It was observed that out of 16 SMFs, in the four test-checked districts, works in nine farms (Chamba: one; Mandi: seven and Shimla: one) were completed in the respective years. In Kangra district, improvement works in seven departmental SMFs valuing Rs 31.73 lakh were taken up for execution during 2006-07. Of these, works valuing Rs 20.37 lakh were not completed as of August 2008. These were, however, shown to have been completed by the concerned DDA.

3.1.10 Crop Improvement Programme for Cereals

For promoting the cultivation of newer High Yielding Varieties (HYV) of wheat and paddy, assistance was admissible to small and marginal farmers on seeds at the rate of 25 per cent of the cost subject to Rs 300 per quintal for the year 2003-04 and Rs 200 per quintal thereafter. The assistance on maize seeds was also admissible at the rate of 25 per cent of the cost, subject to Rs 600 per quintal for 2003-04 and Rs 1,000 per quintal for the year 2004-05. Besides, field demonstrations on crop production and Integrated Pest Management (IPM) were also to be organised under this component of MMA.

During 2003-08 the position of achievement of physical targets relating to this component was as under:

Table: 3.1.8

Sub component	Year	Target	Achievement	Shortfall (-) Excess (+)
Cultivation of HYV of wheat, paddy and maize (supply of seeds to farmers) (In lakh quintals)	2003-04	0.33	0.42	(+) 0.09
	2004-05	0.50	0.47	(-) 0.03
	2005-06	0.53	0.03	(-) 0.50
	2006-07	0.82	0.45	(-) 0.37
	2007-08	0.75	0.35	(-) 0.40
	Total	2.93	1.72	
IPM Demonstrations (In numbers)	2003-04	250	183	(-) 67
	2004-05	70	70	-
	2005-06	100	94	(-) 6
	2006-07	150	173	(+) 23
	2007-08	100	123	(+) 23
	Total	670	643	

Source: Figures compiled from Progress Reports supplied by the Department.

Scrutiny in the Directorate revealed that the Department had not maintained the data relating to the area actually brought under cultivation of HYV in any of the districts. Out of the five selected districts, the crop improvement programme was not implemented in Kinnaur district, as only principal crops such as beans, rajmah and minor millets are cultivated in this district. The

achievement in the remaining four districts was largely as per the targets given below:

Table: 3.1.9

Sub-component	District	Target	Achievement	Shortfall (-) Excess (+)
Cultivation of HYV of wheat, paddy and maize (supply of seeds to farmers) (In lakh quintals)	Chamba	0.07	0.07	-
	Kangra	0.39	0.34	(-) 0.05
	Mandi	0.46	0.46	-
	Shimla	0.02	0.03	(+) 0.01
	Total	0.94	0.90	
IPM Demonstrations (In numbers)	Chamba	2	2	-
	Kangra	137	137	-
	Mandi	167	177	(+) 10
	Shimla	51	51	-
	Total	357	367	

Source: Figures compiled from Progress reports supplied by the Department.

Though the Department achieved the targets for supply of HYV seeds of wheat, maize and paddy to farmers and the number of IPM demonstrations, it failed to achieve the objective of the programme due to the delay in supply of seeds and non-monitoring of the results of crops and IPM demonstrations as detailed in the paragraphs below:

3.1.10.1 Supply of Seeds to the Farmers

Out of the four test-checked districts, in Chamba and Mandi 3560.98 quintal seeds of maize (94.06 quintal), paddy (381.57 quintal) and wheat (3085.35 quintal) were supplied to the farmers during 2003-06 and 2007-08 after the prescribed sowing season. Further, scrutiny of the stock register of seeds in four¹² blocks of Chamba district revealed that HYV seeds of wheat,

¹² Bhatiyat, Chamba, Mehla and Salooni.

maize and paddy were not available with agriculture extension officers during the sowing period.

Government stated (August 2008) that generally the farmers lift/purchase the seeds just before sowing and after the rainfall and that delay in rainfall further affects the sowing time of crops. The reply does not explain either the reason for non-supply of the seeds on time or non-availability of seeds during the sowing season.

3.1.10.2 Crop production demonstrations

For demonstrations on cereal crop production technology, expenditure at the rate of Rs 1,000 per acre during the years 2003-08 and on Integrated Pest Management (IPM) demonstrations, at the rate varying from Rs 6,000 to Rs 22,680 per demonstration was permissible.

Scrutiny of records in the offices of four selected DDsA¹³ revealed that an amount of Rs 1.55 crore was spent on crop and IPM demonstrations (crop: Rs 1.21 crore; IPM: Rs 0.34 crore) during 2003-08. No proof of land holdings of beneficiary farmers, where the demonstrations were held, was maintained by the Department. The results of such demonstrations were neither monitored nor compiled and publicised for the benefit of cultivators. In the absence of proper evidence of field demonstrations, the authenticity of expenditure could not be verified in audit and the possibility of misutilisation/misappropriation of funds in such circumstances cannot be ruled out.

Government stated (August 2008) that results of the demonstrations were not compiled and published, as the guidelines of the scheme do not provide for it. The reply is not acceptable as the Department should have held the demonstrations and incurred expenditure only after satisfying itself with regard to the land holdings of the beneficiaries since the expenditure is linked to the land holding as per the scheme guidelines.

3.1.11 Promotion of Agricultural Mechanisation among small farmers

Mechanisation of agriculture is important for timely completion of farming operations as it benefits the farmers in saving time, reducing cost of cultivation and increasing productivity. To achieve these objectives, 'Farm Mechanisation' component of MMA provides for subsidy on small tractors of 35 HP, power tillers of eight BHP¹⁴ and above and seed bins to all categories of farmers.

¹³ Chamba, Kangra, Mandi and Shimla.

¹⁴ Brake Horse Power.

The targets fixed and achievement thereagainst during 2003-08 in respect of this component was as under:

Table: 3.1.10

(In Numbers)

Sub-component	Year	Target	Achievement	Shortfall (-) Excess (+)
Assistance to farmers on small tractors upto 35 HP at the rate of 25 per cent of the cost limited to Rs 30,000 per tractor.	2003-04	10	39	(+) 29
	2004-05	40	59	(+) 19
	2005-06	100	151	(+) 51
	2006-07	200	467	(+) 267
	2007-08	250	466	(+) 216
Total		600	1,182	
Assistance to farmers on power tillers at the rate of 25 per cent limited to Rs 30,000 per power tiller of 8 BHP and above, which ever is less.	2003-04	30	36	(+) 6
	2004-05	10	18	(+) 8
	2005-06	20	26	(+) 6
	2006-07	400	28	(-) 372
	2007-08	250	25	(-) 225
Total		710	133	
Providing seed bins at 25 per cent subsidy limited to Rs 150/- each.	2003-04*	5,000	647	(-) 4,353
	2004-05	3,000	1,867	(-) 1,133
	2005-06	14,000	3,600	(-) 10,400
	2006-07	5,000	2,367	(-) 2,633
	2007-08	10,000	3,738	(-) 6,262
Total		37,000	12,219	

Source: Figures compiled from progress reports supplied by the Directorate.

* During 2003-04, this sub-component was implemented under 'promotion of quality seed production' programme.

In this regard the following was observed:

- Assistance on small tractors was provided to 1182 beneficiaries against the target of 600. The achievement was 197 per cent as the farmers preferred high powered tractors over the power tillers of 8 BHP.
- Against the target of providing assistance for power tillers to 710 beneficiaries only 133 beneficiaries were assisted. There was significant shortfall (81 per cent) in achievement of targets under this sub-component as demand for power tillers vis-a-vis tractors was low.

Similarly, targets for supply of scientific seed storage bins were also not achieved to the desired level and the over all shortfall in achievement of targets during 2003-08 was to the extent of 67 per cent.

In the four¹⁵ test-checked districts, against the target of 342 small tractors, 147 power tillers and 5,669 storage bins to be supplied to the farmers, the actual achievement during 2003-08 was 299, 97 and 5,648 respectively. The percentage of shortfall in achievement of targets in these districts ranged between 13 and 34 *per cent*.

The disproportionate targets and achievements were mainly due to the fact that there was no system for identification of beneficiaries for supply of farm equipment/implements at subsidised cost in the Department. Subsidy was allowed on the basis of verification of applications of beneficiaries by the Pradhans of Gram Panchayats. Besides, targets were not fixed by the Directorate after assessing the demands of field offices.

3.1.12 Integrated Nutrient Management (INM) and Balanced use of Fertilizers

Under this component of MMA, emphasis was laid on popularising the use of micro nutrients and promotion of organic farming amongst farmers to check decrease in organic contents of soil due to high cropping intensity. For supply of micro nutrients/bio-fertilisers 25 *per cent* subsidy is given to the beneficiaries and for promotion of vermi-composting, assistance at the rate of Rs 350 (earth worms: Rs 300 and publicity/stationery: Rs 50) per farmer is also provided.

The physical achievement against the targets during 2003-08 under the main sub-components was as under:

Table: 3.1.11

Sub component	Year(s)	Target	Achievement	Shortfall (-) Excess (+)	Remarks
Promotion of organic farming (supply of Bio fertilizer) (Area in hectare)	2003-04	2,000	1852	(-) 148 (7)	Implemented only in 2003-04
Promotion of Vermi Composting (Beneficiaries in Numbers)	2004-08	62,000	1,08,958	(+) 46,958 (76)	Not implemented in 2003-04

Note: Figures compiled from progress reports supplied by the Directorate, figures in parenthesis indicate percentage.

¹⁵ Chamba Kangra, Mandi and Shimla.

This component was not implemented in Kinnaur district. The position of physical achievements against targets in the remaining four test-checked districts during 2003-08 was as under:

Table: 3.1.12

Sub-component	District	Year(s)	Target	Achievement	Shortfall (-) Excess(+)
Promotion of organic farming (supply of Bio fertilizer) (Area in hectare)	Chamba	2003-04	180.00	180.00	--
	Kangra		250.00	240.00	(-) 10
	Mandi		252.00	252.00	--
	Shimla		2.48	2.48	--
	Total:		684.48	674.48	
Promotion of Vermi Composting (Beneficiaries in Numbers)	Chamba	2004-08	8,300	8,300	--
	Kangra		26,750	26,750	--
	Mandi		21,032	22,495	(+)1463
	Shimla		12,493	23,093	(+) 10,600
	Total:		68,575	80,638	

Note: Figures compiled from progress reports supplied by the Directorate.

There was higher achievement (176 per cent) in the coverage of beneficiaries for supply of vermi-culture in the entire State but bio-fertilizer was supplied only during 2003-04 and the area covered in this year was 1,852 hectare against the target of 2,000 hectare.

Out of Rs 3.33 crore spent on the above component, Rs 2.43 crore was spent on providing assistance to the farmers in the four test-checked districts. The Department, however, had not maintained any data relating to the area actually brought under organic farming and organic produce of agriculture in the State.

In the absence of this data impact of this component could not be gauged in audit.

3.1.12.1 Doubtful supply of vermi-culture to farmers

The DDA, Shimla drew Rs 22.07 lakh during 2005-07 (2005-06: Rs 4.38 lakh; 2006-07: Rs 17.69 lakh) in advance from the treasury for identification/registration of farmers and distribution of vermi-culture to them. It was, however, noticed that list of farmers and acknowledgement of vermi-culture and publicity material, if any, supplied to them was not available on record, whereas in the progress report sent to the Director in the respective years, coverage of 11,501 farmers (2005-06: 4,152 farmers; 2006-07: 7,349 farmers) was reported under the scheme.

In the absence of the identity of the farmers and acknowledgement of receipt from them, the authenticity of supply of vermi-culture and publicity material supplied could not be verified in audit.

The DDA Shimla stated (June 2008) that as the funds were received at the fag end of the financial year, advances were drawn to avoid the lapse of budget and physical and financial progress was reported thereon accordingly. The DDA further stated that supporting vouchers were not readily available, as the record was not kept separately. The reply is not tenable as depiction of expenditure without proper proof of beneficiaries covered and supporting vouchers tantamounts to fraud and needs investigation.

The State Government did not furnish any reply on this issue.

3.1.13 Transfer of Technology

To disseminate the latest agriculture technology, the scheme provided for establishment of Farmers Advisory-cum-Input Centres (FAICs) at the Block level. Under this component of MMA for establishment of FAICs in seven¹⁶ out of the 75 Blocks in the State, the GOI allocated Rs 29.25 lakh for DDsA of Chamba (Rs seven lakh) and Mandi (Rs 22.25 lakh) district during 2003-06 as per the proposals contained in the AWP prepared by the Department.

Scrutiny of records of DDsA Chamba and Mandi revealed that Rs 29.25 lakh was drawn by them during 2003-06 and simultaneously paid to four SDSCOs¹⁷ for construction of FAICs. These centres were to be established in 2003-04 (two), 2004-05 (one) and 2005-06 (four) respectively. It was, however, noticed that these centres had not been completed and only Rs 9.96 lakh was spent on construction work as of April 2008. The balance

¹⁶ Bhatiyat and Chamba Blocks of Chamba district and Chauntra, Drang, Gopalpur, Mandi and Padhar Blocks of Mandi district.

¹⁷ SDSCOs of Banikhet, Chamba, Mandi and Sarkaghat.

unutilised amount of Rs 19.29 lakh remained in bank accounts with the SDSCOs concerned. However, no action was taken by the DDsA concerned for timely completion of these centres for the benefit of the farmers and delay involved was two to four years upto the date of audit. Thus, laxity on the part of the Department and implementation agencies in monitoring the progress of construction of these centres led to non-provision of the expected farm advisory services as well as blocking of Rs 19.29 lakh as of August 2008.

Government stated (August 2008) that report on non-establishment of FAICs was being sought from the DDsA Chamba and Mandi.

3.1.14 Implementation of National Watershed Development Project for rainfed areas

The National Watershed Development Project for Rainfed Area (NWDPRA) a CSS, was in operation in the State since 1990-91. From 2000-01 its implementation was subsumed into MMA and the GOI also brought out (October 2000) new guidelines¹⁸ called Watershed Areas Rainfed Agriculture System Approach (WARASA). The main activities involved in the watershed development plan were;

- conservation, development and sustainable management of natural resources including their use.
- enhancement of agriculture productivity and production in a sustainable manner.
- restoration of ecological balance in the degraded and fragile rainfed eco-systems.

The State Government started implementation of the scheme as per the new guidelines (WARASA) from the 10th Plan and selected 37 new micro watershed areas for treatment of 20,821 hectares of land in the State. However, only 18,400 hectares of land in the above micro watershed areas was treated.

3.1.14.1 Budget provision and expenditure

During 2002-07 an amount of Rs 11.09 crore (Centre: Rs 9.98 crore; State: Rs 1.11 crore) were allocated for implementation of watersheds in the State. Out of this, the department has shown utilisation of the full amount as soon as

¹⁸ New guidelines WARASA-Jan Sahbhagita is a vehicle for achieving the twin objectives of enhancing production while simultaneously preserving the natural resource base.

the same was released to the Subject Matter Specialists/Agriculture Development Officers (SMSs/ADOs) who were the incharge of the watersheds, whereas in Shimla district an amount of Rs 41.62 lakh was parked in banks as of March 2008 which is discussed in the succeeding paragraph.

3.1.14.2 Delay in completion of watersheds

In Shimla district for the treatment of an area of 1,500 hectares, three micro watersheds were sanctioned during the 10th Plan at a cost of Rs 90 lakh (Rs 30 lakh per watershed) and were stipulated to be completed by March 2007.

Scrutiny of records of DDA Shimla revealed that against the sanctioned funds, an amount of Rs 88.65 lakh was drawn from the treasury during 2003-08 and Rs 29.55 lakh per block was released simultaneously to the SMSs of three Development Blocks (Basantpur, Rohru and Theog) for development of three watersheds (one each in the Development Block). While Rs 47.03 lakh was spent on development of watersheds, Rs 41.62 lakh was parked in Bank accounts as of March 2008.

Audit scrutiny further revealed that the implementation of micro watershed was sanctioned upto March 2007 whereas the implementing agencies were provided funds during 2007-08 as well.

Progress report sent by the SMSs concerned to the Director depicted only details of expenditure and no details of area treated upto the end of March 2008 against the expenditure of Rs 47.03 lakh.

Thus, failure of the DDA to monitor the physical progress of watershed areas led to non-completion of treatment works in the stipulated period.

Government stated (August 2008) that all these watersheds fall in high hill zones and the working season is limited. The audit findings, however, confirm the need for monitoring the physical progress of the watershed areas to ensure completion of treatment works as targeted to be completed by the Department.

3.1.14.3 Excess expenditure on Watershed treatment

For treatment of degraded/waste lands for enhancement of agricultural productivity and production in a sustainable manner, cost norm per hectare was Rs 6,000. Scrutiny of records of DDA Mandi revealed that two

watersheds (Barchwar and Ropri: 500 hectares each) sanctioned during 2002-07 for Rs 60 lakh were shown completed in 2006-07 but the area actually treated was 685 hectares, against the total watershed area of 1,000 hectares. According to the prescribed cost norms expenditure on treatment of 685 hectares should have been restricted to Rs 41.10 lakh.

The DDA concerned stated (April 2008) that the area shown in the final report pertained to some component of the strategic plan and other activities such as water tank, plantation work, water harvesting structure were also carried out under which the balance area was not shown. The reply is not tenable as all the above activities formed part of the watershed development. Moreover, the total physical progress reported by the DDA was for 685 hectares only.

3.1.15 Database for Agriculture

To ensure greater reliability of estimates, forecasting, planning and policy making process, the National Agriculture Policy requires strengthening of the database for agriculture sector and making it available on-line for analysing the market trend for the benefit of farmers. In order to increase the efficiency of the different offices, MMA scheme also provided for procurement of an IT system to facilitate local networking.

Funds amounting to Rs 17 lakh were allocated to the Director during 2003-06 for procurement of IT equipment. Against this, the Directorate spent Rs 15.81 lakh (2003-04: Rs 5.84 lakh; 2004-05: Rs 8.50 lakh and 2005-06: Rs 1.47 lakh) on purchase of computer hardware, UPS, printer, etc., but online system for agriculture information was not made operational as of September 2008 and computer hardware continued to be used for other routine work in the office.

The State Government stated (September 2008) that IT component would be covered under 'AGRISNET' which is a separate scheme of GOI. The fact remains that the 'AGRISNET' was yet to be implemented.

3.1.16 Internal Audit

Internal Audit (IA) existed in the Department under the overall control of the Director. The Department had 50 auditable units (including the Directorate) for which one Deputy Controller (Finance and Accounts) and two Section Officers had been posted by the State Finance Department. The Director stated (November 2007) that no specific system for conducting internal audit had been prescribed and internal audit was conducted on demand basis. During 2003-08 only 12 units were audited.

3.1.17 Monitoring and evaluation

To oversee the implementation of the scheme and to ensure coordination among various departments, the State Government constituted a State Level Co-ordination Committee (SLCC) consisting of nine¹⁹ members. The SLCC was required to meet on a quarterly basis. However, against 20 meetings of SLCC required to be held in five years, only five meetings (25 *per cent*) were held and only fund management was discussed. The Committee never discussed the performance of the scheme in the State.

NABARD²⁰ was commissioned by the Department to carry out an evaluation study in 2004-05. While the study brought out the extent of coverage of area and beneficiaries, it had not assessed the impact of the scheme in terms of increase in water table, yield of crops and improvement in the economic status of the farmers.

3.1.18 Conclusion

Macro Management of Agriculture launched with the objective of accelerating agricultural growth did not achieve its objective, as the agricultural growth declined during the Tenth Plan period from 13.3 *per cent* in 2003-04 to 3.9 *per cent* in 2006-07. The efforts of the Department proved inadequate, as Annual Work Plans did not reflect the regional priorities and needs of the beneficiaries, important components of the programmes were discontinued mid-way, seeds were supplied to farmers after the prescribed sowing season and certain activities relating to demonstrations and supply of material to farmers lacked proof of execution. Farmers Advisory-cum-input Centres were not constructed for dissemination of the latest agriculture technology and watershed works taken up during the Tenth Plan were not completed on time. Creation of an online agriculture database with local networking to ensure greater reliability of estimates, forecasting, planning and policy making is also yet to be implemented.

3.1.19 Recommendations

- Plans for implementation of the scheme need to be formulated by involving field functionaries, to derive maximum benefit of the scheme.

¹⁹ Financial Commissioner-cum-Secretary (Agriculture) as Chairman, Secretary (Horticulture), Secretary (Forest), Secretary (Finance), Secretary (Planning), Representative of GOI, Principal Chief Conservator of Forests, Director of Horticulture as Members, and Director of Agriculture as Member Secretary.

²⁰ National Bank for Agriculture and Rural Development.

- Activities undertaken for infrastructure development need to be completed within a definite timeframe to provide timely benefits to the farmers.
- Effective system needs to be devised for ensuring verification and recording of physical progress by field functionaries for proper management information system.
- Strategy for increase in cropped area and foodgrains production need to be revamped keeping in view Five Year Plan projections.
- Implementation of the scheme should be monitored at regular intervals by the State Level Co-ordination Committee and appropriate follow-up action should be taken.

Horticulture Department
3.2 Technology Mission for Integrated Development of Horticulture
Highlights

'Technology Mission for Integrated Development of Horticulture' was taken up in Himachal Pradesh in 2003-04 and aimed at ensuring adequate, appropriate, timely and concurrent attention to all the links in production of horticulture crops, post-harvest management and maximising economic, ecological and social benefits. During 2003-08 an area of 4.55 lakh square metres was brought under green houses for cultivation of horticulture crops in the State. In addition, 4,310 vermi-compost units with an annual production capacity of 0.37 MT of vermi-compost were also set up in the State. Some significant audit findings are as under:

➤ *Baseline surveys for preparation of project reports were not conducted in the districts selected for test-check to ensure adequacy and comprehensiveness of the annual plans.*

➤ *Cluster approach as recommended in the Mission guidelines was not followed and selection of beneficiaries in six out of the seven selected units was made without proper linkage under various components of the Mission.*

(Paragraph 3.2.8.1)

➤ *Only 49 per cent of the allocated funds were utilised during 2003-08.*

(Paragraph 3.2.9.2)

➤ *Assistance was paid to 1,175 beneficiaries under area expansion during 2003-2007 without obtaining proof of expenditure.*

(Paragraph 3.2.10.4)

➤ *Establishment of plant health clinics, tissue leaf analysis and bio-control laboratories for which Rs 3.40 crore were released to the district level implementing agencies was not monitored to ensure timely availability of disease diagnosis facilities to the farmers.*

(Paragraphs 3.2.15 and 3.2.16)

3.2.1 Introduction

The Centrally Sponsored Scheme 'Technology Mission for Integrated Development of Horticulture' was implemented in the State from 2003-04. The Mission comprised four Mini Missions (MM), of which Mini Mission-II was to be implemented by the State Government and in respect of the other three Mini Missions, the State Government was responsible for consolidating and sending its requirement to the other Implementing Agencies through specific proposals.

The objectives of the Mission, in general were to establish convergence and synergy among numerous ongoing Governmental horticulture development programmes to achieve horizontal and vertical integration aimed at;

- ensuring adequate attention to all links in the production of horticulture crops, post-harvest management and consumption chain;
- maximising economic, ecological and social benefits from the existing investments and infrastructure created for horticulture development; and
- promoting ecological sustainability, economical diversification and skilled employment to generate value addition to horticulture crops.

3.2.2 Components of the scheme

3.2.2.1 Mini Mission-I (Research)

It comprised research work and supply of basic seed and planting material of horticulture crops as also technology standardisation and refinement. Its implementation was the responsibility of the Indian Council for Agriculture Research (ICAR).

3.2.2.2 Mini Mission-II (Production and Productivity)

The main activities to be undertaken by the State Government under this component of the scheme were:

- Area expansion,
- Creation of water sources,
- On-farm water management,
- Production of planting material,
- Transfer of technology through farmers training and training of trainers,
- Promotion and popularisation of organic farming and agriculture equipment,
- Promotion of integrated pest management, and
- Entrepreneurial development of women farmers.

The implementation of Mini Mission-II (MM-II) was required to be done in a coordinated manner by the Horticulture Department under the supervision and

technical guidance of the Union Ministry of Agriculture (MOA) Department of Agriculture and Cooperation (DAC).

3.2.2.3 Mini Mission-III (Post-harvest management, marketing and export)

It involved strengthening of marketing infrastructure, development of wholesale markets, rural primary markets and agriculture marketing information centres. Two Agri-Export Zones were required to be established in the State. This MM was also coordinated by the DAC and implemented by NHB¹, DMI², NAFED³ and APEDA⁴.

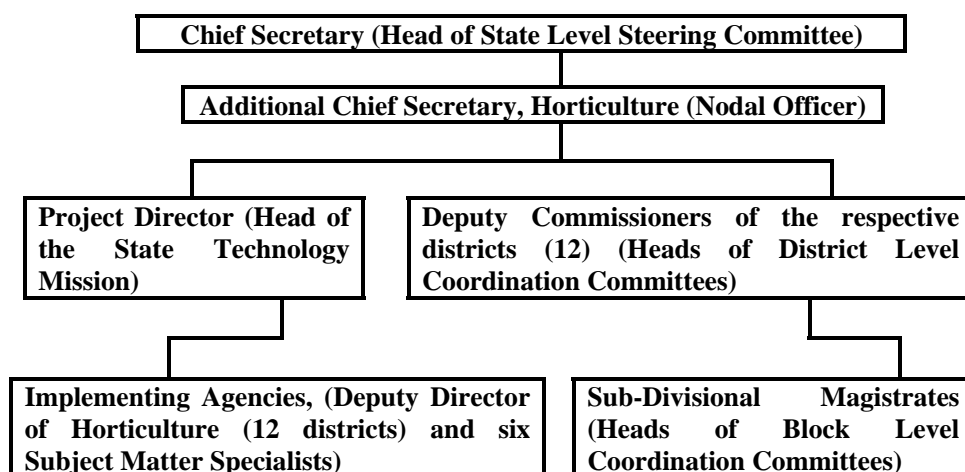
3.2.2.4 Mini Mission-IV (Processing)

It aimed at promotion of new units, up-gradation and modernisation of the existing units, market promotion, research and development and human resource development. This MM was coordinated and implemented by the Union Ministry of Food Processing Industries (MFPI).

To ensure proper linkage and coordination among various MMs, proposals in respect of different MMs were required to be approved by the State Level Steering Committee (SLSC) constituted for review/ monitoring of the mission activities.

3.2.3 Organisational set up

The organisational set up for implementation of the scheme in the State is as under:



¹ National Horticulture Board.

² Directorate of Marketing Intelligence.

³ National Agriculture Cooperative Marketing Federation.

⁴ Agricultural and Processed Food Products Export Development Authority.

3.2.4 Scope of audit

The performance review covered the period 2003-08 and was carried out during February-May 2008 through a sample check of records in the offices of the Project Director (PD), State Technology Mission, five⁵ out of 12 Deputy Directors of Horticulture (DDH) and two⁶ out of six Subject Matter Specialists (SMS)⁷ located at Sub-Divisional headquarters. Out of the total expenditure of Rs 45.98 crore incurred on the scheme during 2003-08, an expenditure of Rs 36.19 crore, constituting 79 per cent of the total expenditure, was scrutinised in audit.

3.2.5 Audit objectives

The performance audit objectives were to assess whether:

- planning for implementation of various activities was efficient and result oriented for achieving the goals of the Mission;
- the allocation and utilisation of funds for various activities was, adequate and efficacious;
- the overall objectives of the scheme to increase the production and productivity of the horticulture produce in the State were achieved;
- Monitoring was adequate and effective.

3.2.6 Audit criteria

The following criteria were used for benchmarking the audit findings:

- Mission guidelines issued by the GOI,
- Cost norms for providing assistance under various components of the scheme,
- Prescribed monitoring mechanism.

3.2.7 Audit Methodology

An entry conference was held (March 2008) with the Principal Secretary and PD wherein the audit objectives, criteria and scope of audit were explained and suggestions/perceptions of the Department relating to the implementation

⁵ Bilaspur, Hamirpur, Kangra, Kinnaur and Shimla.

⁶ Anni (Kullu district) and Rajgarh (Sirmour district).

⁷ Subject Matter Specialist is a designated post in the Department and he functions as a Drawing and Disbursing Officer.

of the scheme were discussed. The DDH of capital district and four⁸ out of the remaining 11 DDH were selected on the basis of PPSWR⁹ method and two SMSs on the basis of SRSWOR¹⁰ method. The results of the examination of records and information/data collected through audit memoranda as well as the documents collected during audit formed the audit evidence and the basis of audit findings, which were discussed in an exit conference (12 September 2008) with the Principal Secretary (Horticulture). The views of the Government wherever offered, have been incorporated at appropriate places in the report.

3.2.8 *Audit findings*

3.2.8.1 **Planning**

Based on the block/district level plans, Annual Action Plan (AAP) at State level was required to be prepared for each district after carrying out baseline surveys for the requirement of funds. After approval of AAPs by the State Level Steering Committee (SLSC), these were to be sent to the Technology Mission cell of the DAC, GOI in January for release of funds for the ensuing year showing the physical and financial targets for the current year and the balance carried forward from the previous year. The AAPs were, however, prepared without carrying out baseline surveys in any of the five districts and the two SMS selected for test-check. The AAPs were prepared on the basis of applications received from the orchardists/estimation basis. Consequently, the adequacy and comprehensiveness of the annual plans remained questionable and integration of the activities did not get due importance.

Mission guidelines provide for adoption of a cluster approach¹¹ for area expansion by integrating the linkages between activities of all four MMs as well as linking with the components like community water tanks for irrigation, plant protection, plasticulture, post-harvest management, processing and export. Besides, selection of beneficiaries in a contiguous area and use of elite planting material and high yielding varieties was also to be ensured. This approach was, however, not followed in six out of the seven units selected for detailed scrutiny.

The State Government stated (August 2008) that it is not possible to create a big cluster having contiguous area under particular crops. The Department needs to adopt cluster approach in planning and selection of beneficiaries of contiguous area covering the entire village to ensure integrated linkages between various activities under the four Mini Missions right from fruit production, post harvest management, marketing, processing and export.

⁸ Bilaspur, Hamirpur, Kangra and Kinnaur.

⁹ Probability Proportionate to Size With Replacement.

¹⁰ Simple Random Sampling Without Replacement.

¹¹ Selection of beneficiaries in groups in contiguous villages.

The AAPs submitted to GOI during 2003-08 for seeking release of funds did not contain the factual position of unutilised funds carried forward from the previous year, as huge unspent balances were carried over year after year as pointed out in succeeding paragraph 3.2.9.2. The physical targets were incorrectly shown to have been achieved in the progress report of the relevant years sent to GOI.

3.2.9 Financial management

3.2.9.1 Funding Pattern

The scheme is 100 *per cent* funded by the GOI. For production and productivity component under MM-II, funds are released by the DAC of MOA on the basis of Work Plans, to the Central Small Farmers Agri-business Consortium (SFAC), which in turn releases the funds by bank drafts in 3-4 installments to the State through the Himachal Pradesh Horticulture Produce Marketing and Processing Corporation (HPMC) Limited, Shimla as per the approved physical and financial targets. The funds are further released by HPMC Limited through cheques to the DDH in the respective districts and the SMS based on their demand and allocations made by the Project Director, State Technology Mission. For the other three MMs, the DAC releases the funds to the respective implementing agencies as per the approved action plan (for MM-I) or proposals approved by the concerned Project Approval Committee of the GOI (for MM-III and MM-IV).

3.2.9.2 Allocation, release and utilisation of funds

The details of funds provided for implementation of MM-II for increasing production and productivity of horticulture crops in the State and expenditure incurred thereagainst during 2003-08 was as under:

Table: 3.2.1

(Rupees in crore)

Year	Opening balance	Funds released during the year	Total availability of funds	Expenditure	Shortfall in utilisation
2003-04	-	6.50	6.50	1.36	5.14 (79)
2004-05	5.14	13.00	18.14	6.31	11.83 (65)
2005-06	11.83	11.00	22.83	7.84	14.99 (66)
2006-07	14.99	40.00	54.99	19.53	35.46 (64)
2007-08	35.46	24.00	59.46	10.94	48.52 (82)
Total:		94.50		45.98	

Note: Figures in parenthesis indicate percentage.

Source: Progress reports of the Project Director, State Technology Mission.

As can be seen above, the Department was not geared up for effective programme implementation by timely utilisation of funds considering that the shortfall in utilisation of available funds during 2003-08 ranged between 64 and 82 per cent. These large unspent balances were due to delayed verification/non-verification of works of the beneficiaries by the officials of the Department before making payment to them and non-completion of various construction works by the beneficiaries and the executing agencies. The unspent amount remained with the Mission authorities¹² in bank accounts but utilisation of the whole amount of Rs 94.50 crore was reported by the PD to the GOI.

The Government stated (August 2008) that the implementation of the scheme under various components is a time-consuming process and funds could not be utilised. It was further stated that utilisation certificates were issued to the GOI on the basis of technical approval granted to the beneficiaries for the construction of works. The reply is not tenable as utilisation certificates should have been submitted to GOI only after utilisation of funds and verification of works executed by the beneficiaries.

During 2003-04 the GOI allocated Rs 2.92 crore to the State Government on the last day of March 2004 and the SFAC released these funds to HPMC in May 2004 i.e. after a delay of 35 days. Further, allocation of these funds to the implementing agencies was also delayed by the PD, by 93 days. Similarly, for 2005-06, the GOI sanctioned Rs 2.20 crore in January 2006 which were released by SFAC in February 2006. The PD also delayed further release of funds to the implementing agencies for a period ranging between 20 to 166 days during this year.

Thus, timely flow of funds to the implementing agencies was not ensured by both the GOI and the State TM authorities.

In the test-checked units, the position of funds released and expenditure incurred during 2003-08 was as under:

Table: 3.2.2

(Rupees in crore)

Year	Opening balance	Funds released	Total availability of funds	Expenditure incurred	Shortfall in utilisation
2003-04	-	3.10	3.10	1.23	1.87 (60)
2004-05	1.87	9.25	11.12	3.91	7.21 (65)
2005-06	7.21	6.82	14.03	7.66	6.37 (45)
2006-07	6.37	19.51	25.88	12.78	13.10 (51)
2007-08	13.10	13.14	26.24	10.61	15.63(60)
Total:		51.82		36.19	

Note: Figures in parenthesis indicate percentage.

Source: Figures supplied by DDsH, Bilaspur, Hamirpur, Kangra, Kinnaur, Shimla and SMS Anni and Rajgarh Sub-divisions.

¹² The PD, State Technology Mission, all the DDH and six Subject Matter Specialists.

The shortfall in utilisation of the available funds ranged between 45 and 65 *per cent*. The DDH of four¹³ districts and SMS Anni and Rajgarh attributed (April-May 2008) the shortfall in utilisation of funds to late receipt of funds, non-completion of works and staff constraints. However, DDH Kangra furnished no reasons for short utilisation of funds.

3.2.9.3 Earmarked funds for SC, ST and women beneficiaries

From 2006-07 onwards, the GOI earmarked 16, 18 and 30 *per cent* of funds allocated under MM-II for SC, ST and women beneficiaries respectively. Since the GOI released Rs 64 crore (2006-07: Rs 40 crore and 2007-08: Rs 24 crore) for horticulture activities in the State during 2006-08, the State Government should have allocated and utilised Rs 40.96 crore (Rs 10.24 crore for SC, Rs 11.52 crore for ST and Rs 19.20 crore for women beneficiaries) for extending benefits during the above period.

Record of funds earmarked and actually utilised for providing benefits to these categories was not available with the PD and DDH/SMSs of the units test-checked. In the absence of records, the adequacy of outreach of benefits to these beneficiaries for their economic development could not be ascertained in audit.

Although 81,278 beneficiaries¹⁴ were provided assistance during 2003-08 under various components of the scheme, the details of SC, ST and women beneficiaries actually covered were not on record. The Government stated (August 2008) that a majority of land holdings in the State are in the name of the male members, due to which it is unable to utilise the 30 *per cent* budget earmarked for women farmers.

Programme Implementation

3.2.10 Mini Mission-II (Production and Productivity)

3.2.10.1 Area expansion

Under MM-II major activities are increasing production through area expansion under horticultural crops such as fruits, vegetables, (root and tuber crops), spices, floriculture, medicinal and aromatic plants.

¹³ Bilaspur, Hamirpur, Kinnaur and Shimla.

¹⁴ Source: Departmental figure.

3.2.10.2 Targets and achievements

During 2003-08 against the target of 27,262 hectares, the achievement for area expansion under different horticulture crops was 16,591 hectares resulting in an overall shortfall of 10,671 hectares (39 per cent) as detailed below:

Table: 3.2.3

(Area in hectares)

Year	Fruits		Vegetables (Roots and Tuber crops)		Flowers		Medicinal and aromatic plants		Spices		Total	
	T	A	T	A	T	A	T	A	T	A	T	A
2003-04	1106.10	659.90	--	--	--	7.00	--	--	--	--	1106.10	666.90
2004-05	2250.50	2352.00	918.00	414.00	--	--	210.40	91.00	250.00	113.00	3628.90	2970.00
2005-06	2080.00	2276.75	265.00	152.10	132.00	111.40	24.00	6.70	50.00	39.38	2551.00	2586.33
2006-07	7735.00	5016.94	732.00	361.50	397.00	144.00	50.00	5.00	277.00	125.20	9191.00	5652.64
2007-08	8759.00	4149.50	1253.00	329.40	300.00	89.00	473.00	146.90	--	--	10785.00	4714.80
Total	21930.60	14455.09	3168.00	1257.00	829.00	351.40	757.40	249.60	577.00	277.58	27262.00	16590.67
Shortfall (-)	(-) 7475.51		(-) 1911.00		(-) 477.60		(-) 507.80		(-) 299.42		(-) 10671.33	

Note: T: Targets and A: Achievement.

Source: Information compiled from progress reports of the Department

In the seven test-checked units, against the targeted area of 13,417 hectares, only 8,289 hectares was brought under area expansion during 2003-08 resulting in an overall shortfall of 5,128 hectares (38 per cent). The percentage of shortfall in achievement of targets by these units during the above period ranged between seven and 76.

The main reasons for non-achievement of targets upto March of the relevant years, were shortage of staff, scattered land holdings, limited working season and non-congenial topographic conditions of Himachal Pradesh.

3.2.10.3 Survival of Plants

As per the revised norms of GOI effective from 2006-07, the assistance for cultivation of horticultural crops under area expansion was to be spread over a period of three years in the ratio of 50:20:30 in the first, second and third year respectively. The assistance in the second and third years was to be released

to the beneficiary farmers subject to the survival of 75 and 90 *per cent* plants in the gardens respectively.

Scrutiny of records in the selected units revealed that during 2006-07, for establishment of new gardens of perennial fruit crops, assistance of Rs 4.64 crore was provided to 8,067 farmers as first installment (50 *per cent* of cost) but second installment (20 *per cent* of cost) was not released to them in 2007-08, since physical verification of survival of the plants was not conducted by the Horticulture Development Officers of the blocks concerned. As a result, assistance amounting to Rs 1.85 crore could not be extended to the beneficiaries in the second year as of May 2008.

The DDH and SMSs of the test-checked units attributed (April-May 2008) non-verification of survival of plants to staff constraints. Scrutiny revealed that against 37 sanctioned posts of Horticulture Development Officers (HDOs) in the seven test-checked units, 10 posts were lying vacant in five units¹⁵ (excluding DDH, Bilaspur and Hamirpur). Thus, even the DDH of Bilaspur and Hamirpur districts, where staff was adequate, failed to ensure timely verification of survival of plants.

3.2.10.4 Assistance for horticulture crop expansion

Upto March 2006, under area expansion component of the scheme, assistance for fruit crops in an area of one hectare at the rate of 50 *per cent* of the cost subject to a maximum of Rs 13,000 was payable to the beneficiaries' concerned and thereafter, assistance was revised to a maximum limit of Rs 22,500 per hectare.

Scrutiny of records in the office of SMS, Rajgarh (Sirmour district) revealed that assistance of Rs 48.75 lakh was sanctioned and paid to 1,175 beneficiaries during 2003-07 but the claims of the beneficiaries were not supported by any documents such as vouchers and affidavits in proof of the expenditure actually incurred by them for carrying out the plantation work in their orchards. **In the absence of the requisite documentary proof, the authenticity of expenditure could not be verified and the possibility of misappropriation cannot be ruled out.** The SMS concerned stated (April 2008) that it was understood that the farmers must have developed land, did proper layout, pitting works, etc., and established orchard themselves and it was not felt necessary to obtain the self made vouchers of the farmers. The reply is not acceptable, as depiction of expenditure on account of assistance paid without any proof of occurrence such as purchase of plants, digging and filling of pits,

¹⁵ DDsH of Kangra (six posts), Kinnaur and Shimla (one post each) and SMSs of Anni and Rajgarh (one post each).

farm yard manure and erection of fence, tantamounts to fraud and needs investigation by the State Government.

3.2.10.5 Subsidy on inputs

Three¹⁶ out of five DDsH selected for test-check, paid subsidy of Rs 9.03 lakh on inputs like plants and agricultural equipments to 124 beneficiaries during 2005-08 but suppliers bills in support of the claims preferred by the beneficiaries were not found in order, as in some cases, dates of bills were tampered with, serial numbers of bills of the suppliers were not found in chronological order and amount of bills was inflated by overwriting. **The claims of the beneficiaries were accepted and paid without ensuring the authenticity of bills and in such cases, chances of malpractices cannot be ruled out.**

The DDH Kangra and Kinnaur stated (April-May 2008) that due to rush of work, proper authentication of the bills with respect to dates could not be done whereas DDH, Shimla stated that instructions for proper verification of vouchers of beneficiaries had been issued (June 2008) to all the HDOs to exercise check on the chances of malpractices.

3.2.10.6 Irregular payment of subsidy

Subsidy claims of Rs 2.26 lakh were paid (31 March 2004) by DDH, Shimla to 30 beneficiaries of two blocks (Jubbal and Rampur) for 2003-04 for plantation work under area expansion component of the scheme on the basis of certificates of physical verification recorded by the HDOs. **It, however, transpired from the applications of beneficiaries that vouchers for labour payments and certification by Patwaris regarding land brought under horticulture plantation in support of beneficiaries claims were of April-May 2004.** This shows that the actual plantation was not done in March 2004 and the HDOs certified the claims without the supporting vouchers.

The DDsH, Shimla while admitting the facts stated (May 2008) that targets for the year 2003-04 were to be achieved by 31 March 2004 and some of the deficiencies noticed were, however, rectified in April-May 2004. The reply is not acceptable in so far as it was not just a matter of rectification of deficiencies but depiction of expenditure without any proof of its occurrence at the time of making payment, which tantamounts to fraud and needs investigation.

¹⁶ Kangra, Kinnaur and Shimla.

3.2.11 Creation of water sources

The Mission guidelines provide for creation of water sources such as water storage tanks, tubewells/borewells to support horticulture round the year.

3.2.11.1 Physical performance

During 2003-08, the target set for creation of water sources units in the State was 2,378 (water storage tanks: 1,270 and tubewells/borewells: 1,108). Against this, 1,650 (water storage tanks: 823 and tubewells/borewells: 827) water units were created resulting in overall shortfall of 728 (water storage tanks: 447 and tubewells/borewells: 281) units (31 *per cent*) respectively.

Out of the seven selected units, the shortfall in achievement of physical targets in six¹⁷ units during 2003-08 ranged between 20 and 57 *per cent*. In Rajgarh unit, achievement exceeded the targets (109 *per cent*).

3.2.11.2 Assistance for construction of water storage tanks

To ensure irrigation for the horticulture crops round the year, assistance at the rate of Rs one lakh for construction of community tank for irrigating one hectare of area with a maximum limit of Rs 10 lakh per tank for irrigating a command area of 10 hectares was admissible to a group of farmers or community and assistance to the individual farmers for this purpose was not payable.

In the seven test-checked units, assistance of Rs 5.27 crore was provided to 1,380 individual farmers during 2003-08 for creation of water storage tanks in contravention of guidelines.

The concerned DDsH and SMS stated (April-May 2008) that assistance to individual farmers was provided as per the instructions of the State Government issued in October 2004. The orders of the State Government were in contravention of the scheme guidelines as the conditions for grant of assistance of GOI cannot be changed without the approval of the GOI.

3.2.12 On-farm water management

Under the on-farm water management component, drip irrigation, sprinkler irrigation, green houses, shade nets, anti hail nets, low cost tunnels and plastic mulching facilities were to be provided to the horticulturists.

The following table indicates that the shortfall ranged between 26 and

¹⁷ Anni, Bilaspur, Hamirpur, Kangra, Kinnaur and Shimla.

100 per cent under various sub-components during 2003-08:

Table: 3.2.4

Component	Sub-components	Year	Target	Achievement	Percentage of shortfall
On-farm water management	(i) Drip Irrigation (in hectares)	2003-04	113.00	52.4	54
		2004-05	200.40	5.70	97
		2005-06	107.70	13.30	88
		2006-07	74.00	13.00	82
		2007-08	79.00	14.00	82
	(ii) Sprinkler Irrigation (in hectares)	2004-05	227.00	164.80	27
		2005-06	276.00	77.60	72
		2006-07	239.00	166.20	30
		2007-08	198.00	87.60	56
	(iii) Plastic Mulching (in hectares)	2004-05	100.00	00	100
		2005-06	12.00	00	100
		2006-07	30.00	00	100
	(iv) Establishment of Green/Poly houses (in sqm)	--	--	--	--
	Normal	2003-04	5,200	980	81
		2004-05	23,625	2,348	90
		2005-06	27,950	16,232	42
		2006-07	32,994	15,372	53
		2007-08	34,950	17,310	50
	Hi-Tech	2003-04	1,600	00	100
		2004-05	--	--	--
		2005-06	41,500	19,248	54
		2006-07	1,60,772	50,945	68
		2007-08	78,000	57,670	26
	(v) Shade Nets (square metres)	2004-05	50,601	7,301	86
		2005-06	12,572	6,572	48
		2006-07	33,300	10,800	68
	(vii) Low Cost Tunnels (square metres)	2004-05	72,505	1,900	97
		2005-06	22,400	3,500	84
		2006-07	6,200	3,200	48

Source: Information compiled from progress reports of the Department. Targets for 2007-08 were not fixed for plastic mulching, shade nets and low cost tunnels due to non-receipt of funds from GOI.

In seven¹⁸ test-checked units, physical achievement in respect of sub-components viz. drip irrigation, sprinkler irrigation and plastic mulching

¹⁸ Anni, Bilaspur, Hamirpur, Kangra, Kinnaur, Rajgarh and Shimla.

fell short by 58 per cent. In the remaining components viz. green houses, shade nets and low cost tunnels, shortfall was to the extent of 69 per cent. The PD stated (September 2008) that initially the farmers took time to adopt these activities.

The PD had fixed targets keeping in view the availability of funds and had not obtained demands from the field functionaries in the respective years for providing facilities to the beneficiaries as ascertained in audit. In the absence of assessment of demand, achievement in this component was poor.

3.2.12.1 Assistance for construction of green houses

The scheme guidelines provide for construction of green house structures by the beneficiaries themselves using local material with Ultra Violet (UV) stabilised film for protected cultivation of horticulture crops. Assistance for a green house at the rate of 40 per cent of cost or Rs 200 per square metre for a maximum area of 500 square metre or Rs 40,000 whichever ever was lowest was admissible upto the end of March 2006. In case of hi-tech green houses with fogging, temperature control, light control, etc., the rate of assistance was limited to Rs 1.5 lakh for 500 square metres. GOI revised the rates of assistance from 2006-07 onwards to 50 per cent of the cost for covering upto 1000 square metre at the rate of Rs 325 per square metre for hi-tech and Rs 125 per square metre for normal green houses respectively. During 2006-08, assistance amounting to Rs 7.25 crore was paid to 570 beneficiaries in ten¹⁹ districts for construction of hi-tech and normal green houses in an area of 2,09,062 square metres and 39,059 square metres respectively.

Assistance paid was not restricted to 50 per cent of the cost after computing it at the rates of Rs 325 per square metre and Rs 125 per square metre respectively. Instead, 100 per cent was paid, resulting in excess payment of Rs 3.63 crore²⁰ to the beneficiaries. The PD stated (May 2008) that assistance was paid as per the revised cost norms of GOI. The reply is not acceptable as assistance provided was 100 per cent of cost norms and not restricted to 50 per cent of the cost as specified in guidelines.

3.2.13 Promotion and popularisation of agricultural equipments

The Mission strives to popularise the use of appropriate agricultural equipment to improve efficiency and help farmers in reducing their physical labour in the

¹⁹ Bilaspur, Chamba, Hamirpur, Kangra, Kullu, Mandi, Shimla, Sirmour, Solan and Una.

²⁰ 2006-08: Hi-tech green houses: 420 beneficiaries: subsidy paid: Rs 6.77 crore;
Normal green houses: 150 beneficiaries: subsidy paid: Rs 0.49 crore;
Total subsidy paid: Rs 7.26 crore;
Admissible: Rs 3.63 crore;
Excess paid: Rs 3.63 crore

farms/orchards. As per guidelines, assistance for the purchase of manually operated equipment is limited to Rs 1,500 per farmer, Rs 5,000 for power operated equipment, Rs 45,000 for power tiller and Rs 9,000 for diesel engine respectively.

The physical targets in this regard were not achieved fully during 2003-08 and the shortfall ranged between 12 and 100 *per cent* as detailed below:

Table: 3.2.5

(In numbers)

Component	Sub-components	Year	Target	Achievement	Percentage of shortfall
Agriculture equipments	Manually operated	2003-04	810	260	68
		2004-05	500	00	100
		2005-06	1,000	630	37
		2006-07	3,500	1758	50
		2007-08	1,660	886	47
	Power Operated	2003-04	113	40	65
		2004-05	--	--	--
		2005-06	300	343	--
		2006-07	2,000	1722	14
		2007-08	614	510	17
	Power Tiller	2003-04	14	6	57
		2004-05	49	21	57
		2005-06	50	44	12
		2006-07	250	121	52
		2007-08	87	21	76
	Diesel Engine	2003-04	--	--	--
		2004-05	--	--	--
		2005-06	140	90	36
		2006-07	241	26	89
		2007-08	82	22	73

Source: Information compiled from progress reports of the Department.

In the test-checked units, against the target of distribution of 7,757 agricultural equipments, only 4,393 equipments (57 *per cent*) were distributed to the farmers during 2003-08.

Scrutiny of records in the office of the PD revealed that the equipment was being purchased by the beneficiaries themselves and only those beneficiaries, who submitted the required papers in support of the equipments actually purchased, were shown as covered under the scheme. There was nothing on

record to show that the Directorate had publicised or encouraged the farmers for obtaining assistance for purchasing the above equipment.

3.2.13.1 Payment of assistance

For providing assistance, beneficiaries were to be selected from among those farmers, who had been selected for area expansion of crops and other components of the scheme.

It was noticed that four DDOs²¹ provided assistance of Rs 13.11 lakh during 2005-08 to 178 farmers who were not selected under area expansion and other components of the scheme. Thus, the farmers who were selected for area expansion of crops and other components were ignored and deprived of the intended benefits.

The DDsH and SMS concerned stated (April-May 2008) that assistance provided was need/demand based and keeping land holdings in view. For shortfall in achievement of physical targets as brought out in the preceding paragraphs (3.2.10.2, 3.2.11.1, 3.2.13) the State Government stated (August 2008) that implementation of the scheme is a time consuming process. Clearly, the targets were set by the Department without taking into account all the relevant factors and therefore, time bound achievement could not be ensured.

3.2.14 Entrepreneurial development of women farmers

To make women farmers self reliant by providing them equal opportunities and enable them to avail the benefits and opportunities of the existing agriculture systems, the scheme envisaged the following:

- Organisation/identification of women groups which would act as a network for channelising the horticultural support.
- Need assessment of women farmers in terms of the horticulture support such as input support, technological and extension support, etc.
- Prioritising the activities of the individual women on the basis of the need assessment.
- Provide adequate organizational and financial support to the women to form “Self Help Groups”.

²¹ DDH, Bilaspur, Hamirpur, Shimla and SMS, Anni.

- Provide technical training in horticulture and allied areas to women farmers.
- Provide training in increased managerial, organisational, entrepreneurial and decision making skills.

Baseline survey was to be carried out to identify the amount and type of the work contributed by the women in the field of horticulture, their role in decision making process and problems faced by them in farm activities.

3.2.14.1 Physical performance

The physical targets were not fully achieved during 2003-06 and 2007-08. The percentage shortfall ranged between 52 and 100 as detailed below:

Table: 3.2.6

(In numbers)

Component	Sub-components	Year	Target	Achievement	Percentage of shortfall
Women development	Training of women*	2003-04	415	200	52
		2004-05	1,070	405	62
		2005-06	1,306	475	64
		2006-07	--	--	--
		2007-08	975	200	79
	Self Help Groups*	2003-04	19	2	89
		2004-05	100	12	88
		2005-06	158	56	65
		2006-07	--	--	--
		2007-08	166	25	85
	Base line Survey*	2003-04	2	00	100
	Development of Curriculum*	2003-04	1	00	100
	Refresher Training*	2003-04	1	00	100
		2004-05	11	00	100
		2005-06	14	00	100

Source: Information compiled from progress reports of the Department.

* Years in which no targets were set (due to non-allocation of funds) have not been indicated in the table.

In the test-checked units, the physical performance during 2003-08 was as under:

In Kangra and Kinnaur districts there was 100 per cent shortfall in achievement of physical targets in all the sub-components. In the remaining

five units²² shortfall in achievement of physical targets in the sub-components ranged between 22 and 99 per cent.

Audit scrutiny of the records of the Directorate revealed that Rs 17.60 lakh were spent during 2003-08 on training of women farmers (Rs 12.80 lakh) and providing assistance to Self Help Groups (Rs 4.80 lakh). However, names of beneficiaries with their addresses alongwith benefits provided to them during the above period were not maintained by the DDsH and SMSs test-checked. In the absence of any data/proper records, the adequacy of outreach of benefits to women beneficiaries for their entrepreneurial development could not be ascertained in audit. The PD stated (May 2008) that information in this regard was being collected from the field offices.

The State TM engaged a Non-Governmental Organisation²³ (NGO) for conducting a baseline survey of women beneficiaries in all the 12 districts of the State. Scrutiny revealed that the data for the survey was obtained from the Annual Administrative Reports of the departments such as Horticulture, Agriculture, Animal Husbandry, Social Justice and Empowerment and National Agriculture Technology Project (NATP), etc., without carrying out the survey at the grass root level to identify women groups. Thus, the survey did not serve the intended purpose.

Government stated (August 2008) that owing to the inability shown by the field officers for conducting the baseline survey at the district level, it was entrusted to an NGO. The concerned DDsH and SMSs test-checked, however, confirmed (April-May 2008) that no baseline survey was conducted at district level for the identification of group of women for channelising the horticulture support.

3.2.15 Establishment of plant health clinics (PHCs)

The PHCs help in diagnosis of disease and assist in quality management of plants. For setting up of PHCs, the GOI provides assistance to State Government as well as to the private sector upto a maximum of Rs 20 lakh and Rs five lakh respectively.

The GOI released Rs 40 lakh during 2004-05 and 2006-07 for setting up two PHCs in public sector at Palampur in the campus of Himachal Pradesh Krishi Vishva Vidyalaya (HPKVV) and at Jachh in Regional Horticulture Research Station (RHRS) of Himachal Pradesh University of Horticulture and Forestry (UHF) at Solan respectively. The progress reports sent by the PD to the GOI

²² Anni, Bilaspur, Hamirpur, Rajgarh and Shimla.

²³ Institute for Integrated Rural Development.

showed that these clinics were completed in the respective years which was factually wrong.

Scrutiny of records of DDH Kangra revealed that between May 2005 and December 2007, Rs 20.15 lakh were released to HPKVV Palampur and RHRS Jachh and the balance amount of Rs 19.85 lakh remained unspent with the DDH concerned as of April 2008.

Government stated (August 2008) that the factual position was compiled on the basis of information supplied by the field offices. The reply is not tenable as DDH Kangra confirmed during audit (April 2008) the non-completion of PHCs by HPKVV, Palampur and RHRS, Jachh respectively.

Similarly, for establishment of PHCs in five²⁴ districts in private sector, the GOI released Rs 25 lakh to the State Government in 2006-07. The progress report submitted by the PD to GOI for the above year showed completion of four PHCs (Chamba, Kinnaur, Kullu and Solan) at a cost of Rs 20 lakh but the particulars of private agencies as well as locations thereof in the respective districts were not available with the PD. Also, no records of clinical services provided by these PHCs was maintained at the State level (June 2008). Government stated (August 2008) that construction of these PHCs was in progress and it was not feasible to keep the record of clinical services to be rendered by these PHCs.

Clearly, monitoring of establishment of PHCs was not done at the State level to ensure outreach of benefits to the farmers.

3.2.16 Integrated pest and nutrient management

Under Integrated Pest Management component the GOI provides assistance to the States at the rate of Rs 80 lakh for establishment of bio-control laboratories and at 50 per cent of the cost with a maximum of Rs 40 lakh for private sector. Similarly, for determination of nutrient status, assistance for setting up of Tissue Leaf Analysis (TLA) laboratories is provided by the GOI upto a maximum amount of Rs 20 lakh and 50 per cent of cost subject to Rs five lakh for private sector.

The GOI provided Rs 1.60 crore during 2004-05 and 2006-07 for establishment of three Bio-control laboratories at Jachh and Palampur (Kangra district) and at Shimla. The funds were released to DDH Kangra and Director of Horticulture Shimla in the same years for setting up of laboratories. Of these, only one laboratory at Shimla was set up and work on the remaining two laboratories (Kangra district) was in progress.

²⁴ Chamba, Kinnaur, Kullu, Shimla and Solan.

Similarly during 2004-05 and 2006-08 eleven TLA laboratories²⁵ were planned to be established at a cost of Rs 1.15 crore. However, as of August 2008 only two laboratories, one each in public and private sectors at Shimla and Mandi respectively were established.

The physical performance under this component was, thus, not satisfactory and the State Government had not fixed any timeframe for completion of these works.

3.2.17 Convergence with ongoing programmes

As per the guidelines, the implementing agencies were required to ensure that multiple subsidy was not available from different sources for the same activity. For development of horticulture in tribal area of Kinnaur district, the GOI sanctioned and released Rs 55.64 lakh in 2004-05 against the total projected cost of Rs 1.66 crore under a separate central sector scheme on “Integrated Development of Horticulture (IDH)”. The activities in this scheme were similar to those of MM-II.

Scrutiny of records of DDH Kinnaur revealed that during 2006-08 an expenditure of Rs 51.40 lakh was incurred from both the schemes viz., MM-II (Rs 28.79 lakh) and IDH (Rs 22.61 lakh) for providing assistance/subsidy to 421 beneficiaries for activities such as creation of water storage structures, area expansion of horticulture crops, manually operated agricultural equipments and imparting training to 517 farmers respectively. This not only resulted in an overlap in implementation of two CSSs, but also inflated the physical achievements in respect of the number of beneficiaries by injudicious release of Rs 28.79 lakh out of the allocations under MM-II.

The concerned DDH stated (May 2008) that to achieve the targets, keeping in view the tough terrain and high cost of transportation, the State Government decided (June 2005) to converge both the programmes. The reply is not tenable as instead of ensuring convergence of the scheme, the Department had provided dual assistance to the same farmers for the same activities from two distinct CSSs.

3.2.18 Training for transfer of technology and capacity building

The Mission guidelines provided for training of District/Block level horticulture staff in latest technologies preferably outside the State. For this purpose, assistance at the rate of Rs 0.50 lakh per participant was available out of the funds allocated by the GOI.

²⁵ Public sector: four and Private sector: seven.

The physical targets with regard to training were not fully achieved during 2003-08 as detailed below:

Table: 3.2.7

(In numbers)

Component	Sub-components	Year	Target	Achievement	Percentage of shortfall
Transfer of technology	Training of farmers within the State	2003-04	675	265	61
		2004-05	3,000	1,245	59
		2005-06	2,000	860	57
		2006-07	3,549	1,233	65
		2007-08	1,141	340	70
	Training of farmers out side the State	2003-04	485	205	58
		2004-05	600	265	56
		2005-06	1,000	378	62
		2006-07	2,150	770	64
		2007-08	690	220	68
	Training of trainers	2003-04	1	00	100
		2005-06	30	00	100
		2006-07	20	00	100
		2007-08	33	3	91

Source: Information compiled from progress reports of the Department.

In the seven²⁶ selected units, against the target for training 8,330 farmers during 2003-08, only 2,736 farmers were trained.

The GOI released Rs 46 lakh during 2005-07 for setting up two Supervisory Training Centres (STCs)²⁷ and three Gardeners Training Centres (GTCs)²⁸ in three districts (Bilaspur, Mandi and Shimla) for construction of these centres in the respective years.

As of May 2008, except for one GTC at Mandi, none of the four centres (two each STCs and GTCs) were set up and Rs 44 lakh remained unutilised with the DDH of the concerned districts and SMS Rampur. While reasons for the delay in setting up these centres were not on record, periodical reports sent to GOI showed that the physical and financial targets were fully achieved.

Government stated (August 2008) that financial targets in respect of these centres were shown achieved but actual completion of infrastructure is time consuming and physical work for the same is in progress.

²⁶ Anni, Bilaspur, Hamirpur, Kangra, Kinnaur, Rajgarh and Shimla.

²⁷ Rampur: 2006-07 and Shimla: 2005-06.

²⁸ Bilaspur: 2006-07, Mandi: 2006-07 and Shimla: 2005-06.

3.2.19 Production of planting materials

Under this component, assistance²⁹ is provided for setting up integrated multi crop nurseries, progeny and herbal gardens and tissue culture centres in public and private sectors. Planting material of improved varieties of horticulture crops were to be multiplied at these nurseries. During 2003-04 no activity under this component was planned and carried out. The position of nurseries, progeny and herbal gardens and tissue culture units targeted to be established and actual achievement thereagainst during 2004-08 in the State is as given below:

Table: 3.2.8

(In numbers)

Year	Multi crop nursery (small and big)				Progeny and herbal gardens				Tissue culture units				Total				
	Public		Private		Public		Private		Public		Private		Public		Private		
	T	A	T	A	T	A	T	A	T	A	T	A	T	A	T	A	
2003-04	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
2004-05	8	5	14	6	1	--	8	2	1	1	2	1	10	6	24	9	
2005-06	3	2	8	3	2	2	3	4	--	--	--	--	5	4	11	7	
2006-07	8	3	7	1	--	--	--	--	--	--	--	--	8	3	7	1	
2007-08	10	3	14	2	2	1	8	1	--	--	--	--	12	4	22	3	
Total:	29	13	43	12	5	3	19	7	1	1	2	1	35	17	64	20	
Shortfall	(-) 16		(-) 31		(-) 2		(-) 12		--		(-) 1		(-) 18		(-) 44		

Note: T: Targets and A: Achievements.

Source: Information compiled from progress reports of the Department.

It would be seen from the details that the physical performance under this component was very poor.

²⁹

Name of nursery	Sector	Per cent of assistance	Maximum rate of assistance (Rupees in lakh)
1. Integrated Multi Crop Nursery	Public	100	18
	Private	50	8
2. Small Nursery	Public	100	3
	Private	50	3
3. Tissue culture units	Public	100	21
	Private	50	10
4. Progeny herbal garden	Public	100	3
	Private	50	15

In the test-checked units, physical targets were not fixed for SMS, Anni as there was no demand for funds from them whereas in the remaining six units, against the target of establishment of 49 units, only 16 units were established during 2003-08 resulting in shortfall of 33 units (67 *per cent*). The shortfall in achievement of targets in these units, ranged between 25 and 100 *per cent*.

3.2.20 Bee keeping

To promote the role of honey bee as agents for pollination for increasing crop productivity, assistance at the rate of 50 *per cent* of cost or Rs 800 per colony with beehive is admissible to the farmers.

During 2004-08, against the target of providing 7,822 bee colonies to the farmers, only 910 bee colonies were provided. Thus, implementation of this component under this Mission was not upto the desired extent.

In the test-checked units, physical targets were not achieved in three units (Anni, Bilaspur and Kinnaur) and the shortfall was 100 *per cent*. In Rajgarh unit, physical achievement was 100 *per cent* whereas in three units (Hamirpur, Kangra and Shimla) shortfall in achievement of targets ranged between 33 and 97 *per cent*.

The PD stated (September 2008) that due to lack of interest from farmers, the activity was adopted by fewer farmers.

3.2.21 Organic farming

The objective of organic farming is to achieve a sustainable farming system that preserves the environment and soil fertility for future generations. This component of the Mission was implemented in the State from 2004-05 onwards. During 2004-08, against the target of 560.5 hectares of area to be brought under organic farming, only 94.8 hectares area was brought under organic farming. During 2004-05 while 4,588 units of vermi-compost units were targeted to be set up in the State, only 2,017 units were set up.

The PD stated (September 2008) that organic farming was still in infancy stage and awareness in this regard was being created amongst the farmers. The fact remains that physical achievement against the targets fixed by the Department under this component remained poor.

3.2.22 Linkage with other Mini Missions

3.2.22.1 Mini Mission-I (Research)

Under MM-I the nucleus/basic seeds and planting material was to be supplied by ICAR to the departmental agencies, NGOs and private entrepreneurs for further multiplication and supply to farmers.

As envisaged in the scheme planting material was to be procured from ICAR. Instead, the Department procured planting material for apple, peach, plum, cherry and nectarine for Rs 2.11 crore from a USA based firm in March 2008. Thus, procurement of planting material from an outside agency instead of from ICAR showed that there was no effort to coordinate with ICAR for research, development and supply of seeds and planting material.

3.2.22.2 Mini Mission-III

Infrastructure for post harvest management, marketing and export under Mini Mission-III was not created. Two Agri-Export Zones for identifying the export potential of the crops were also not established in the State.

3.2.22.3 Mini Mission-IV (Fruit processing)

It aimed at promotion of new units, upgradation and modernisation of the existing units, market promotion, research and development to be coordinated and implemented by the Ministry of Food Processing Industries (MFPI) of the GOI.

It was noticed that no action had been initiated for setting up of new processing units and upgradation of the existing units as of August 2008.

3.2.23 Monitoring and supervision

As per guidelines, the Department was to carry out inspection of the projects/programmes being implemented under various MMs at least once in six months. The inspection reports containing, *inter alia*, location of activities, funds spent on activities, details of beneficiaries including their names, addresses, funds made available and likely impact of the activity towards development of horticulture were required to be sent to Technology Mission Cell of GOI. It was noticed that PD had not maintained any records of inspections, if any, carried out during 2003-08 and submitted to GOI.

The Principal Secretary in the Exit Conference admitted (September 2008) that the monitoring of the scheme was still not effective as the Department concentrated only on implementation of the scheme and assured to devote time for this purpose.

In order to evaluate the impact/progress of the scheme, the guidelines envisaged external evaluation at the end of the plan period or as decided. The SLSC in its meeting held in August 2006 had also suggested impact assessment of various components of the scheme through some NGO or other reputed agency. However, no evaluation was carried out as of May 2008.

The State Government assured (August 2008) that the Department would get the impact of this scheme evaluated as per the advice of the SLSC and audit.

3.2.24 Record maintenance

3.2.24.1 Non-maintenance of record of assets/infrastructure created

The record of assets created/acquired out of funds of Technology Mission was required to be maintained by the implementing agency and annual report thereof was to be furnished to the GOI by the end of June, following the financial year to which it related. No such record was maintained by the STMC though funds amounting to Rs 3.12 crore were shown as utilised during 2004-07 on creation of assets like Big Nurseries, Progeny and Herbal Gardens, Tissue Culture Units, Leaf Tissue Analysis Laboratories, Disease Forecasting Units and Plant Health Clinics both in public and private sector.

The State Government stated (August 2008) that records of assets created was being maintained by the respective districts. The reply is not correct as in the test-checked districts, no such record was maintained.

3.2.24.2 Internal audit arrangement

As per the terms and conditions laid down in the sanction orders for release of funds, the implementing agency viz. STMC was required to submit statement of audited accounts of expenditure and utilisation certificates of funds to the GOI as soon as possible after the close of the financial year.

However, audited statements of expenditure for the period 2003-08 were not furnished to the GOI as of May 2008. There was no internal audit arrangement to ensure check on proper maintenance of accounts of expenditure incurred. The PD furnished utilisation certificates for the full amount received in the respective years though huge unspent balances remained year after year as pointed out in the preceding paragraphs. The State Government stated (August 2008) that services of a Chartered Accountant had been hired for preparation of audited statement of expenditure. However, action to deploy internal audit staff posted in the Directorate of Horticulture was not initiated for carrying out internal audit at periodical intervals.

3.2.25 Conclusion

The implementation of the scheme was tardy and substantial funds remained unutilised at the close of the financial year 2007-08. Planning was not sound as AAPs were formulated without any baseline survey. Physical performance was also not achieved to the desired level due to non-fixation of realistic targets, lack of monitoring and supervision. Further, there was no progress in creating linkages with MM-I, MM-III and MM-IV relating to research work

and supply of basic seed and planting material, post-harvest management, marketing and export and processing.

3.2.26 Recommendations

- The State Government should consider preparation of a well defined Master Plan for implementation of all the Mini Missions for realising maximum benefits under HTM.
- Full and proper utilisation of funds provided by GOI need to be ensured if the State is to achieve the envisaged benefits from the implementation of various components of the scheme.
- Infrastructure development activities need to be completed within a definite timeframe to provide timely benefits to the farmers.
- The potential for fruit processing and viability for setting up such units should be aggressively pursued and initiative may be taken for establishment of 'Agri-Export Zone' to provide farmers with adequate export facilities.
- Monitoring mechanism for effective implementation of various activities under the scheme needs to be strengthened and benchmark for gauging the impact of the Mission activities need to be devised by the State Government.

Irrigation and Public Health Department
3.3 Urban Water Supply Schemes
Highlights

The Irrigation and Public Health Department of the State was entrusted with the job of providing safe and sufficient water supply to 49 towns, out of which, water supply schemes in 38 towns had been augmented, as of March 2008. Out of the 67 schemes taken up by the Department, 52 had been completed as of March 2008.

- *The Government had formulated a State specific Water Policy but had not prepared any Master Plan in line with it, for providing water supply to all the towns within a specified timeframe.*

(Paragraph 3.3.7.1)

- *Nine schemes targeted for completion between 2003-2008 remained incomplete. However, new schemes were taken up simultaneously without completing the ongoing schemes thereby spreading the resources thin.*

(Paragraph 3.3.9)

- *Augmentation of water supply to Shimla town was designed only for 15 years instead of 30 years, as is the norm.*

(Paragraph 3.3.9.2(a))

- *Out of 49 towns, water supply in 26 towns was below the norms prescribed for urban areas. Shortfall in water supply had ranged between two and 81 per cent during 2003-08.*

(Paragraph 3.3.11)

3.3.1 Introduction

There are 56 towns in the State which are classified into six categories¹ on the basis of population. The total population of these towns is 5.95 lakh as per 2001 census. Seven towns² that are under Cantonment Boards (six) and Housing Board (one), maintain their own schemes for supplying drinking water. In 49 towns the Irrigation and Public Health (I&PH) Department is entrusted with the task of providing safe and sufficient drinking water i.e. a minimum of 120 litres per capita per day (lpcd) by augmentation of the existing water supply schemes (WSSs). To supplement the efforts of the State

¹ Class-I: Population one lakh and above: one town; Class-II: between fifty thousand and one lakh-Nil, Class-III: between 20 and 50 thousand-six towns; Class-IV: between 10 and 20 thousand: seven towns; Class-V: between five and 10 thousand: 16 towns and Class-VI: less than five thousand: 26 towns.

² Under Cantonment Boards: Bakloh, Dagshai, Dalhousie, Kasauli, Subathu and Yol and under Housing Board: Parwanoo.

Government for supply of safe and sufficient drinking water in urban areas with population below 20,000 (as per 1991 census), the GOI introduced a Centrally Sponsored Scheme “Accelerated Urban Water Supply Programme” (AUWSP) in September 1994 which accorded priority to towns with:

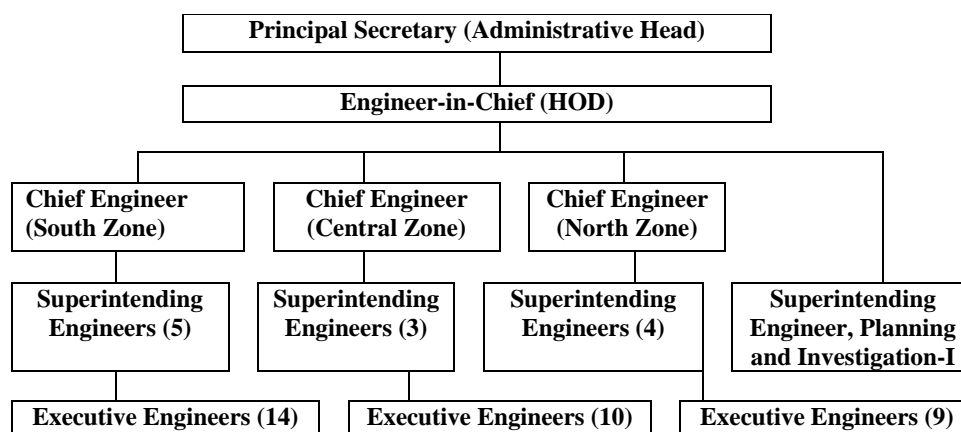
- very low per capita supply of potable water;
- very distant or deep water sources;
- drought prone areas;
- excess salinity, fluoride, iron and arsenic content in the water sources; and
- high incidence of water borne diseases.

The programme was discontinued in March 2006.

Out of 51 I&PH divisions in the State, 33 divisions covering 49 towns were entrusted (March 1982-June 2007) with execution of 67 schemes under State/Central Sector (Urban Water Supply Schemes (UWSS): 51 and (AUWSP): 16). Of these, 52 schemes³ (UWSS: 38 and AUWSP: 14) were completed/commissioned and 15 schemes (UWSS: 13 and AUWSP: two) were in progress as of March 2008.

3.3.2 Organisational set up

The I&PH Department is responsible for the construction and maintenance of UWSS and AUWSP. The overall control of the Department rests with the Principal Secretary (I&PH) and the Engineer-in-Chief (E-in-C) is responsible for planning, construction and maintenance of water supply schemes. The organisational set up of the Department is as under:



³ Upto March 2003: 39 and during 2003-08: 13 schemes.

3.3.3 Scope of audit

The performance audit covered the activities taken up under UWSS (State Sector) and AUWSP (Central Sector) between 2003-08. Records pertaining to the selection and execution of schemes in 14 divisions⁴ covering 13 towns⁵ were test-checked during November 2007-May 2008. The sample check in terms of divisions was thus 42 per cent covering 73 per cent of the total expenditure (Rs 548.50 crore). Of the 17 schemes (UWSS: 11 and AUWSP: six) test-checked, 10 were completed/commissioned during 2003-08 and seven were in progress (June 2008).

3.3.4 Audit objectives

Performance audit of the UWSS and AUWSP in the State was conducted with a view to assess:

- Whether urban population was provided with safe and adequate drinking water.
- Whether financial control was adequate and effective and funds were optimally utilised.
- Adequacy of planning for covering all the urban agglomerations in a time bound manner and prioritising them for optimal use of resources.
- Whether water supply schemes were executed in an economic, efficient, effective and timely manner.
- Adequacy of internal control and monitoring mechanism.

3.3.5 Audit criteria

The audit criteria used for assessing the performance of various schemes were:

- AUWSP and UWSS guidelines and departmental instructions.
- Targets fixed for providing UWSS in classified towns.
- Terms and conditions of contracts.
- Norms for quality and quantity of drinking water adopted by the State.
- System devised for internal control, quality control and monitoring of works.

⁴ Barsar, Dalhousie, Hamirpur, Kullu-I, Kullu-II, Mandi, Nalagarh, Nohradhar, Nurpur, Paonta Sahib, Shimla (Water Supply and Sewerage (WS&S)), Shimla-II, Solan and Sundernagar.

⁵ Bhota, Bhuntar, Dalhousie, Hamirpur, Kullu, Mandi, Nalagarh, Nurpur, Paonta Sahib, Rajgarh, Shimla, Solan and Sundernagar.

3.3.6 Audit Methodology

Before taking up the performance audit, an entry conference was held (November 2007) in which the Principal Secretary of the Department was apprised of the audit objectives, criteria and scope concerning the performance review of UWSS and AUWSP. The selection of divisions and schemes for test-check was based on circular systematic sampling technique. Audit conclusions were drawn after scrutiny of records, analysis of available data and the response of the departmental functionaries at various levels. Audit findings were discussed with the Principal Secretary and E-in-C in an exit conference (August 2008) and the replies of the Department have been suitably incorporated at appropriate places in the review.

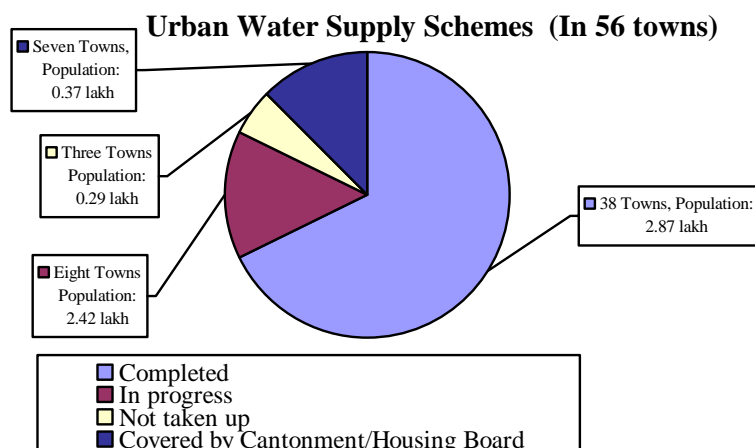
3.3.7 Audit Findings

3.3.7.1 Planning

Out of 49 towns in the State that are required to be provided drinking water by the I&PH Department, UWSS and AUWSP have been commissioned in 38 towns⁶ and works in eight towns were in progress (March 2008). The remaining three towns⁷ (population: 0.29 lakh) included in 2001 census have neither been provided water supply facility as per urban norms, nor has any urban water supply work been administratively approved for them as of March 2008.

SE (P&I) stated (August 2008) that DPRs in respect of two schemes (Banjar and Mant Khas) are under process and the work of one scheme (Baddi town) is to be executed by Baddi-Barotiwala-Nalagarh Development Authority.

Coverage of towns as of March 2008 is shown below:



⁶ 25 schemes upto March 2003 and 13 schemes between 2003-04 and 2007-08.

⁷ Baddi, Banjar and Mant Khas.

The State Government had not prepared any Master Plan for providing water supply to all the towns within a specified timeframe. The Department informed that the selection of towns was done by the Department on a need based manner and as per the available budget. However, the State Government had framed the State Water Policy during October 2005 which states that drinking water would be of primary consideration and that water resource development projects would as far as possible be planned and developed as multipurpose projects.

The Tenth Five Year Plan (2002-07) envisaged completion of 18 augmentation schemes by March 2007. Of these, three schemes⁸ (two under Central Sector and one under State Sector) were still in progress (March 2008) which involved cost overrun of Rs 5.65 crore and time overrun ranging between 12 and 52 months. These schemes were not included in the 1st year (2007-08) of the Eleventh Plan wherein provision for augmentation of water supply schemes of 15 towns exists.

3.3.8 Financial Management

3.3.8.1 Funding pattern

Funds for the execution of the State schemes are provided through normal budgetary process and released through Letters of Credit (LOC) to the executing agencies. Fifty *per cent* funding for the AUWSP is provided by the GOI and the remaining 50 *per cent* is borne by the State (including five *per cent* beneficiary/town contribution).

3.3.8.2 Financial outlay and expenditure

The position of funds allotted for the Construction (Plan) and Maintenance (Plan/Non-Plan) of water supply schemes and expenditure incurred thereagainst was as under:

Table: 3.3.1
Construction (Plan)

(Rs in crore)

Year	State Sector			Central Sector		
	Budget	Expenditure	Variation (+)Excess/ (-)Savings	Budget	Expenditure	Variation (+)Excess/ (-)Savings
2003-04	28.04	27.60	(-) 0.44	0.80	1.00	(+) 0.20
2004-05	29.79	30.43	(+) 0.64	2.32	1.54	(-) 0.78
2005-06	20.30	20.34	(+) 0.04	1.70	2.28	(+) 0.58
2006-07	74.16	74.07	(-) 0.09	--	--	--
2007-08	43.22	42.89	(-) 0.33	--	--	--
Total	195.51	195.33		4.82	4.82	

Source: Departmental figures.

⁸ Bhota (98 *per cent*), Bhuntar (90 *per cent*) and Shimla (work of treatment plant not started).

Table: 3.3.2
Maintenance

(Rs in crore)

Year	Plan			Non-Plan		
	Budget	Expenditure	Variation (+) Excess/ (-) Savings	Budget	Expenditure	Variation (+) Excess/ (-) Savings
2003-04	7.39	7.63	(+) 0.24	19.41	29.53	(+)10.12
2004-05	19.60	18.73	(-) 0.87	9.37	11.64	(+) 2.27
2005-06	44.62	59.19	(+) 14.57	18.36	19.88	(+) 1.52
2006-07	3.89	4.60	(+) 0.71	82.26	79.92	(-) 2.34
2007-08	6.88	8.17	(+) 1.29	109.95	109.06	(-) 0.89
Total	82.38	98.32		239.35	250.03	

Source: Departmental figures.

While there were no major excess or savings in the budget provided for construction of the schemes, there were large amount of excess/savings in certain years both under Plan and Non-Plan/allocation for maintenance of the schemes.

Scrutiny showed that excess expenditure was on account of energy charges and payment of salary of the staff deployed on maintenance of the schemes. The department met these items of expenditure both under Plan and Non-Plan segment of the budget provisions.

Since the E-in-C stated (June 2008) that these were committed liabilities, the excess should have been foreseen and adequate funds arranged before the close of the financial year to ensure sound budget management. Moreover, expenditure for maintenance should normally have been met under Non-Plan budget only.

3.3.8.3 Non-contribution of beneficiary share

The AUWSP being a centrally sponsored scheme, 50 *per cent* was to be funded on grant basis by the Central Government and 50 *per cent* including five *per cent* beneficiaries/town contribution from the State Government.

Hence, the Department had to recover five *per cent* contribution towards the project cost from the beneficiaries/town as provided in the AUWSP guidelines.

Scrutiny of five schemes⁹ out of six AUWSP schemes test-checked revealed that the Department had not recovered the five *per cent* contribution amounting to Rs 67 lakh. The reasons were not furnished though called for.

⁹ Bhota, Bhuntar, Dalhousie, Nurpur and Paonta Sahib.

While accepting the observation the EEs stated (December 2007-May 2008) that efforts will be made to recover the amount. Further information collected in September 2008, however, revealed that beneficiaries share had not been recovered.

3.3.8.4 Diversion of funds

In three divisions¹⁰ Rs 2.78 crore meant for implementation of three WSS (Bhota, Paonta Sahib and Mandi towns) released during 2003-08 were diverted to two¹¹ rural WSS (Rs 2.58 crore) and a sewerage scheme (Rs 20 lakh), which was irregular and adversely affected the implementation of the schemes for which money was meant.

While admitting the facts, the EE Barsar Division stated that the expenditure incurred in Bhota-Ropri-Ujhan scheme was debited to urban head as the Bhota town was being presently covered from the said scheme and EE Mandi Division stated that the funds were diverted due to non-availability of funds against sewerage scheme, Mandi town.

3.3.8.5 Incorrect depiction of utilisation of funds

(i) Material costing Rs 3.46 crore was booked between March 2004 and March 2007 by eight divisions¹² against nine schemes. The cost of material was written back to stock or transferred to other works in the following financial year, between August 2004 and January 2008. Of this, material costing Rs 74 lakh was booked against schemes without provision in their approved estimates. Thus, cost of material was debited to these schemes falsely merely to show utilisation of the available funds in contravention of rules.

While admitting the facts, the concerned EEs stated that the funds were received at the fag end of the year and the amount was booked to schemes to utilise the budget allotment.

(ii) In contravention of financial rules, three divisions¹³ made advance payments of Rs 17.13 crore for supply of power in respect of three schemes¹⁴ to HPSEB between May 2003 and December 2007 and expenditure was debited to the final head of account instead of “miscellaneous works advances”.

The Principal Secretary admitted (August 2008) the facts.

¹⁰ Barsar, Mandi and Paonta Sahib.

¹¹ LWSS Bhota Ropri Ujhan and Rural Water Supply Scheme, Shillai.

¹² Barsar, Hamirpur, Kullu-I, Kullu-II, Nalagarh, Solan, Shimla-II and Sundernagar.

¹³ Dalhousie, Shimla-II and Solan.

¹⁴ Augmentation of WSS Dalhousie, WSS Shimla from Nauty Khad and providing WSS to Solan town from Giri River.

3.3.8.6 Irregular payments

As per the delegation of powers, the EE is empowered to approve deviations to the extent of 25 per cent of the tendered amount or Rs 40,000 whichever is less. In case the prescribed limit is exceeded, the approval of the higher competent authority should be obtained without delay.

Test-check of records in three divisions¹⁵ in respect of three WSS¹⁶ revealed that nine works were awarded to nine contractors between 1995-96 and 2007-08 (payments released between August 2006 and November 2007) at a cost of Rs 21.59 crore against which the payment of Rs 23.34 crore was made to the contractors inclusive of Rs 1.75 crore¹⁷ on account of deviations without getting the approval of the competent authority for the deviations before payment.

3.3.9 Programme Implementation

Urban water supply programme aims at sufficient (120 lpcd) and safe drinking water supply to urban population in the State. Execution of various WSSs has been taken up as per need based policy of the Government and as per availability of budget. The performance audit of the programme revealed cases of irregular expenditure, ill planned/defective execution of works, lack of co-ordination with other departments, inadequacy in quantity and quality of water supplied, etc., which is discussed in the succeeding paragraphs.

The targets and achievements during the review period were as under:

Table: 3.3.3

(In numbers)

Year	Opening balance	Schemes targeted to be completed	Total	Achievement during the year	Closing balance
2003-04	--	3	3	1	2
2004-05	2	3	5	3	2
2005-06	2	5	7	6	1
2006-07	1	3	4	1	3
2007-08	3	6	9	--	9

Source: Departmental figures.

¹⁵ Mandi, Shimla (WS&S) and Solan.

¹⁶ WSS Mandi, WSS Shimla from Giri river and WSS Solan from Giri river.

¹⁷ Mandi: Rs 0.08 crore, Shimla: Rs 0.19 crore and Solan: Rs 1.48 crore.

As can be seen from the above table, the Department has taken up new schemes every year without completing the earlier schemes. Nine schemes targeted for completion between 2003-08 remained incomplete despite expending Rs 166.36 crore.

Delay in completion of works has an inevitable social and financial impact. The Public Accounts Committee (PAC) in its 26th Report (Tenth Vidhan Sabha) had recommended (December 2003) that the Department should take less schemes in hand so as to complete them within the stipulated time.

Besides the above, six WSSs¹⁸ (estimated to cost Rs 23.35 crore) in five test-checked divisions¹⁹ taken up for execution between July 1988 and February 2001 were still in progress (March 2008) after incurring an expenditure of Rs 35.20 crore.

Further, two schemes²⁰ (estimated cost: Rs 13.36 crore) taken up for execution between March 1999 and March 2002 were completed in December 2004 and March 2008 at a cost of Rs 15.81 crore. The time overrun on all the eight schemes ranged between 12 and 202 months while the cost overrun was Rs 14.30 crore. The cost overrun in individual cases ranged between 14 and 200 per cent.

The Principal Secretary admitted (August 2008) the delay in execution of the schemes and attributed it to reasons such as shortage of funds, disputes at site, litigations, etc.

Improper planning and spreading the resources thin thus had resulted in time and cost overrun.

3.3.9.1 Execution of schemes without technical sanction

The PAC in its 26th Report (Tenth Vidhan Sabha (December 2003)) while expressing concern over the tendency of the Department in taking up the works without technical sanction, recommended that technical sanction be obtained prior to taking up the work. It was noticed that in three²¹ out of 14 divisions test-checked, three schemes²² estimated to cost Rs 92.39 crore were taken up for execution during 2003-05 without preparing detailed estimates for obtaining technical sanctions, which led to defective designing, change in scope of work, deviation, etc. These schemes were in progress as of March 2008 and an expenditure of Rs 132.48 crore was incurred on them.

¹⁸ Dalhousie, Kullu, Manali, Mandi, Nalagrah and Rajgarh.

¹⁹ Dalhousie, Kullu-I, Mandi, Nalagarh and Nohradhar.

²⁰ Hamirpur and Nurpur.

²¹ Barsar, Shimla (WS&S) and Solan.

²² Bhot town, Shimla town from Giri river and Solan town from Giri river.

3.3.9.2 Schemes for augmentation of water supply

Water Supply and Treatment Manual provides that WSSs are to be designed to meet the requirement for a period of 30 years after their completion, except the pumping machinery, which is to be designed for 15 years.

(a) Scheme for augmentation of water supply to Shimla town

WSS for Shimla is crucial for the State, as nearly 25 per cent of the urban population of the State resides in Shimla. Besides, on an average, there is about 81,000 floating population in this town as assessed by the Department in November 2000.

Scrutiny of records revealed that the E-in-C recommended (August 2003), augmentation of water supply to Shimla town from river Pabbar as the most economical and reliable long term solution amongst the three identified sources, viz., Sutlej, Giri and Pabbar rivers, as adequacy and reliability of water more than 20 MLD²³ (adequate only for the population of Shimla town upto 2016) from river Giri was not guaranteed due to Yamuna sharing agreement between the five basin States. As a temporary measure to meet the immediate and short term demand of Shimla town, the E-in-C further proposed lifting of 20 MLD water from Giri River and exploration of ground water around Shimla. The Department neither explored the feasibility of a scheme by sourcing water from river Pabbar nor explored ground water around Shimla. Audit scrutiny revealed that the State Government approved WSS from Giri river for Shimla in June 2004 at a cost of Rs 40 crore to be completed in May 2007 with a design to last only for 15 years instead of 30 years as recommended for water supply schemes.

Further information collected (July 2008), however, revealed that the work was yet to be completed as defective designs were prepared by the Department at the initial stage and subsequently modifications were made after being pointed out by the contractor. The E-in-C while accepting (August 2008) the facts stated that regular supply will be made from September 2008 onwards and that, bye pass arrangements have been made to deliver water from May 2008. However, information collected (September 2008) revealed that the work had not yet been completed. The fact remains that the Department has not been able to effectively tackle the water problem in Shimla town on a long term basis despite incurring an expenditure of Rs 69.04 crore on the augmentation scheme.

(b) Augmentation of WSS Bhuntar

To serve a population of over 11,000 “Augmentation of WSS Bhuntar” (District Kullu) was technically approved (January 2005) for Rs 2.56 crore and was stipulated to be completed by March 2006. Execution of the scheme was

²³ Million litres per day.

taken up during 2005-06 and work was completed in all respects (October 2007) except supply of power and treatment unit held up due to land dispute.

Thus, due to taking up the water supply scheme without ensuring availability of land free from encumbrance, the augmentation work, stipulated for completion by March 2006, is yet to be completed (August 2008) despite expending Rs 2.86 crore.

The EE accepted the delay and agreed that non-acquisition of land and dispute at source were the contributing factors for the delay.

(c) Remodelling of WSS Nalagarh town

“Remodelling and Improvement of distribution system of WSS Nalagarh Town” was approved (April 1999) for Rs 1.11 crore. The work was taken up for execution in September 1999 and was stipulated to be completed within four years. It was completed (December 2007) after a delay of 56 months at an expenditure of Rs 1.59 crore. Revised administrative approval and expenditure sanction were, however, awaited (February 2008).

Scrutiny of records revealed that the discharge at the source reduced by half during 2003, due to discharge of muddy water by the tubewell when it was run at its full capacity (40 litres per second (LPS)). To fulfil the water requirement of the town, an irrigation tubewell (discharge 25 LPS) meant for village Nangal (district Solan) was connected to the rising main of the scheme. Since the beneficiaries of the irrigation tubewell objected to it, the SE approved (January 2006) a proposal for a new tubewell of 120 metres depth for Rs 13.85 lakh under the scheme. While drilling of tubewell was completed in May 2007 after incurring an expenditure of Rs 13.19 lakh, estimates for the other components of tubewell such as providing and laying rising main, pumping machinery, pump house and supply of power were yet to be prepared as of March 2008.

Thus, due to lack of planned approach towards execution of work, the intended objective of providing sufficient potable water to the Nalagarh town is yet to be achieved despite expending Rs 1.72 crore (August 2008).

(d) Augmentation of WSS, Solan town

(i) “Providing Drinking Water Supply Scheme to Solan Town from Giri River” was administratively approved (June 2003) for Rs 51.46 crore and was stipulated to be completed by June 2006. Rupees 59.63 crore was incurred on construction of various components of the scheme upto March 2008.

The work on all the components was almost complete except for supply of power for which payment of Rs 14.36 crore was made to HPSEB, Solan

between March 2004 and June 2007. The scheme was ready for testing in March 2008 but tendering procedures for construction of 132 KV line and sub-station were not completed. The EE stated (March 2008) that the testing of the scheme was carried out by getting the power connection temporarily from WSS Gaura.

The fact remains that in the absence of permanent and continued supply of power it is not possible to maintain the water supply and frequent interruption in the power supply is affecting the efficiency of the supply of water besides increasing the risk of damage to machinery as communicated by the Department.

(ii) The approval for the work “Replacement of old Rising Main of Solan Water Supply Scheme from Ashwani khad and change of connections from old distribution lines to new main” to remove inadequacy of water supply was accorded (August 1999) for Rs 1.18 crore. The work stipulated to be completed in two years, was taken up for execution during February 2000. The work of change of connections in zone B, D and E was completed between October 2002 and December 2005 and in zone A the work was in progress as of March 2008. The work of zone C awarded (December 2004) to a contractor for Rs 15.64 lakh was to be completed by January 2006. The contractor executed the work for Rs 9.01 lakh (August 2007) and since then the work was held up (September 2008). There was no progress on the work after that. The EE attributed the delay to non-provision of clear site for the work by the Municipal Council, Solan.

The Principal Secretary stated (August 2008) that more than 90 *per cent* work has been completed and the remaining work will be completed during 2008-09. The fact remains that the work has been delayed for seven years and the intended objective could not be achieved despite incurring an expenditure of Rs 1.21 crore.

3.3.10 Contract Management

3.3.10.1 Undue financial benefit to contractors

As per the terms of a contract agreement in case of delay in completion of work, compensation of amount equal to one *per cent* per day subject to a maximum not exceeding 10 *per cent* of the tendered cost of the work shall be levied and recovered from the payments due to the contractors.

In two divisions²⁴ nine sub works²⁵ of WSS awarded to eight contractors between April 2004 and May 2007 at a tendered cost of Rs 15.28 crore were

²⁴ Shimla-II and Solan.

²⁵ Provision and erection of pumping machinery: three sub-works; Providing and laying of DI/GI pipes in rising/gravity mains: four sub-works and replacement of old rising main and change of connections: two sub-works.

stipulated to be completed between three and 13 months. As the contractors failed to complete the works within the stipulated time, compensation of Rs 1.53 crore was leviable on them. Neither compensation was levied on the contractors nor extension of time was granted.

The EE, I&PH Division-II Shimla stated (March 2008) that the delay in completion of the work was due to non-release of supply of power connection by HPSEB. The contention is not tenable as the contractors had been assigned the works of supplying pumping machinery and laying of pipes which were not completed by them within the stipulated period. Further, the EE Solan division stated (March 2008) that action under the contract would be considered as per circumstances while granting final extension to these firms.

In two other divisions²⁶ two schemes²⁷ were awarded to four contractors during 2000-01 and 2005-06 at a tendered cost of Rs 11.89 crore. The works were not completed by the contractors within the stipulated period. As such, compensation of Rs 1.19 crore was levied by the Department between September 2006 and August 2007 which was yet to be recovered (March 2008).

The EEs while confirming the facts (November 2007-March 2008) stated that the compensation levied would be recovered from the next bills.

3.3.10.2 Unauthorised splitting of works

According to the State Financial Rules, the powers delegated to accept tender/technical sanction was Rs six lakh for EEs with 12 years experience as EEs and Rs three lakh for EEs with three years experience as EEs.

Test-check of five divisions²⁸ revealed that working estimates for the works in respect of five schemes were sanctioned by the CE/SE for Rs 2.82 crore between November 1996 and November 2005. The works estimated to cost Rs 0.96 crore included in the aforesaid estimates were split up into 55 agreements and were awarded to 42 contractors for Rs 1.61 crore. These works were awarded at 19 *per cent* below the tendered cost in some cases and 207 *per cent* above the amount put to tender in some other cases. The abnormal gap between the lowest and highest offers of the contractor was indicative of the irrational award of works by the EEs beyond delegated powers. Approval of the competent authority to split the works had also not been obtained.

The EEs stated that the work was split to get it executed expeditiously through local contractors to avoid local disputes. The reply is not tenable as the works were not completed by the stipulated period despite splitting them. Delay in completion of these works ranged between 25 and 53 months.

²⁶ Kullu-I and Solan.

²⁷ WSS Kullu town and LWSS Solan town from Giri river.

²⁸ Dalhousie, Kullu-II, Mandi, Nalagarh and Solan.

3.3.11 Adequacy of Water

As per the State Water Policy, adequate and sustainable drinking water facilities were to be provided to the entire population both in urban and rural areas throughout the year.

Scrutiny of the reports pertaining to demand and supply of water to consumers of 49 towns in the State revealed that in 26 towns, water was being supplied below the prescribed norm of 120 lpcd. Shortfall in water supply had been ranging between two and 81 *per cent* during 2003-08. The reasons for shortfall in water supply were attributed by the SE (Planning and Investigation-I) to lowering of water level at source, decrease in discharge, scaling of gravity lines and inadequate distribution system.

Scrutiny of records in the test-checked divisions revealed that out of 10 schemes commissioned between 2003-08, water was supplied in three (out of 13) towns below the urban norm of 120 lpcd as detailed below.

Table: 3.3.4

(In litres)

Name of Town	Population (period)	Total water supplied (LPD)	Water supplied per capita per day (lpcd)
Hamirpur	27,005 (2003-08)	15,53,710	58
Nalagarh	18,160 (2006-08)	19,60,000	108
Paonta Sahib	24,053 (2007-08)	26,79,452	111

Source: Departmental figures.

While no reasons were advanced by the EEs Hamirpur and Nalagarh divisions, the EE Paonta Sahib stated that full quantity of water was not supplied, to avoid its misuse. The results of audit scrutiny of the scheme for Nalagarh town have been commented separately under Para 3.3.9.2 (c).

Thus, the Department had not planned the augmentation properly keeping in view the adequacy of water at the source and increase in population over the years resulting in short supply of water to the people in more than 50 *per cent* towns.

3.3.12 Quality of Water

As per the Manual on Water Supply and Treatment, physical, chemical, bacteriological and biological tests of drinking water are required to be conducted in a well equipped laboratory in order to safeguard the consumers against water borne diseases and to ensure supply of potable water conforming to the drinking water standards.

There are 18 water testing laboratories in the State. Of these, three are located in tribal areas (Reckong Peo, Keylong and Kaza) and cater to the needs of rural water supply schemes.

Out of 15 labs meant for both urban and rural areas, 11 labs²⁹ were being operated by staff not qualified for this purpose. Only four labs³⁰ were equipped with full complement of staff.

Scrutiny revealed that in seven out of 14 divisions test-checked in respect of seven schemes, against 1,475 tests required to be conducted during 2003-08, only 1,207 tests were actually done resulting in shortfall of 268 tests (18 per cent). Further, while checking the reliability and accuracy of these tests the following points were noticed:

- In all seven divisions there was either no laboratory or the minimum recommended staff³¹ was not provided and the tests were being conducted by non-technical staff of the same or adjoining laboratories.
- In Nalagarh Division no test was conducted during the review period.
- At Sundernagar, in the absence of technical staff, the work of laboratory was assigned (July 2007) to a contractor who was also running it without proper technical staff.

The Principal Secretary admitted (August 2008) the facts and stated that the Government has now sanctioned additional staff and efforts are being made to provide technical staff to the laboratories to ensure better water quality.

In Sundernagar Division two tubewells drilled (August 2000) for irrigation purposes were diverted for providing drinking water through WSS to Sundernagar town. Of these, water discharge of 18 lakh lpcd from one tubewell was not found fit for human consumption due to high turbidity. During inspection the CE ordered (November 2005) the drilling of another tubewell to cope with the deficiency of water. No action was taken by the division as of February 2008 and the water was being supplied from the well with high turbidity.

The EE stated (February 2008) that with the passage of time the water has become potable. He also stated that the action on the CE's orders is being

²⁹ Bilaspur, Chamba, Dharamshala, Hamirpur, Shamshi, Nahan, Nurpur, Rohru, Sarkaghat, Solan (Kandaghat) and Sundernagar.

³⁰ Mandi, Dhalli (two labs) and Una.

³¹ Staff recommended for water works laboratory of capacity upto 7.5 MLD was Water Analyst (one), Lab Technician (one), Sample taker (one) and Laboratory cleaner (two).

taken. The reply points to indifference of the division to the quality of water being supplied to the targeted population.

Supply of non-potable water and water tests done by unqualified staff/contractor are fraught with the risk of affecting the health of the beneficiary population. As per the records of the Director, Health Services, 17,94,875 cases of water borne diseases causing 134 deaths, occurred in the State³² during 2003-08.

3.3.13 Operation and Maintenance

Operation and maintenance (O&M) of the WSS is handled by the I&PH Department and has not been handed over to the local bodies/corporations. The Water Supply and Treatment Manual provides that water rates should be so fixed as to make the amenity more or less self paying and worked on a no profit and no loss basis. It further provides that the revenue from the sale of water should be adequate to meet the annual recurring cost of O&M of the scheme as also to provide for a reserve for meeting the capital expenses for future improvement of the system.

Scrutiny of records in 12 divisions³³ revealed that revenue from water charges was assessed at Rs 50.02 crore in respect of 16 schemes against the O&M expenditure of Rs 220.48 crore during 2003-08. Shortfall of Rs 170.46 crore was attributed by the EEs to non-fixing of water rates in conformity with the generation cost, supply of water through public taps and non-metered/defective metered water connections.

It was further noticed that out of the water charges assessed (Rs 50.02 crore), only Rs 9.37 crore could be realised leaving an unrecovered amount of Rs 40.65 crore (81 *per cent*) as detailed below:

Table: 3.3.5

(Rupees in crore)

Year	Water charges levied/bills raised	Revenue collected	Balance amount recoverable
2003-04	5.68	1.54	4.14
2004-05	5.75	1.51	4.24
2005-06	10.79	2.22	8.57
2006-07	13.32	2.13	11.19
2007-08	14.48	1.97	12.51
Total:	50.02	9.37	40.65

³² Town wise information is not being maintained.

³³ Dalhousie, Hamirpur, Kullu-I, Kullu-II, Mandi, Nalagarh, Nohradhar, Nurpur, Paonta Sahib, Shimla-II, Solan and Sundernagar.

The Principal Secretary admitted (August 2008) the facts and stated that rates are not in conformity with the cost but added that the Government is committed to providing water at subsidised rates. He did not, however, give reasons as to why adequate and effective efforts had not been made to recover even the outstanding water charges levied at the subsidised rates.

3.3.14 Monitoring and Evaluation

To ensure quality and timely completion of the works in progress, E-in-C issued instructions (June 1994 and April 2000) for inspection of ongoing major schemes at least once a month by the EE concerned, once in two months by the SE and once in three months by the CE. No mechanism was evolved for inspection of completed works.

A perusal of the inspection notes/records in 14 test-checked divisions revealed that in respect of 17 completed/ongoing WSSs 267, 402 and 794 inspections were required to be conducted during 2003-08 by the CE, SE and EE respectively, against which, only 14, 29 and 147 inspections respectively were conducted. While inspection notes in respect of inspections conducted by the CE and SEs were issued, only four inspection notes were issued by the EEs. Evidently, the works were not inspected adequately by any officer, affecting the quality and timely completion of works.

The Principal Secretary stated (August 2008) that the instructions would be reiterated to all concerned, to conduct inspection of works from time to time, issue inspection notes and to take necessary follow up action.

The Public Accounts Committee in its 167th Report (Ninth Vidhan Sabha (March 2000)) observed that evaluation was essential to ascertain proper execution and functioning of the schemes. The impact of the programme was however, not evaluated to assess its success and for taking remedial action to eliminate shortcomings in its implementation.

The Principal Secretary confirmed (August 2008) that there was neither any mechanism nor was any study conducted to evaluate the implementation and functioning of the schemes.

3.3.15 Conclusion

The State Government has not been able to provide adequate drinking water (120 lpcd) despite augmenting Water Supply Schemes in 38 towns (March 2008). Requisite approvals were not obtained in several cases and there was time and cost overrun in many schemes. While the State specific Water Policy was formulated in 2005 as required under the National Water Policy, there was no Master plan specifying the coverage of the towns and urban agglomerates within definite timelines. The problem of adequacy of

water at source was not addressed and the quality of water provided is not as per the norms.

3.3.16 Recommendations

- A long term Master Plan needs to be prepared for providing sufficient potable water to all the towns within a specific timeframe.
- Schemes taken up for execution should be completed with the available resources before taking up new schemes to avoid spreading the resources thin.
- To ensure clean and germ free water, the laboratories should be strengthened by providing the required equipment and technical staff and periodical inspections should be carried out to plug enroute contamination of drinking water.
- Procedure for inspection and monitoring of completed/ongoing schemes needs to be enforced.
- Effective mechanism should be evolved for realisation of revenue and water tariff should be revised to compensate the cost of operation and maintenance.

Public Works Department
3.4 Rural Roads in North and Central Zones
Highlights

The objective of constructing rural roads is to connect all the villages with all weather motorable roads in a phased manner. Out of 17,449 villages in the State, 8,838 (51 per cent) villages had been provided with road connectivity as of March 2008. The achievement is appreciable considering the difficult topography and tough working conditions in the State. The Government is determined to provide motorable connectivity to the habitations above 250 people in the State by 2012. While the North and Central Zones overachieved the target of construction of road lengths set during 2003-04 (110 per cent) and 2006-07 (105 per cent), actual connectivity to villages/habitations was not very encouraging.

➤ *The Department had neither formulated a long term plan for providing a phase-wise connectivity through rural roads to all identified villages in the State nor fixed annual targets on realistic basis, resulting in 82 per cent works taken up in 15 test-checked divisions remaining incomplete as of March 2008.*

(Paragraphs 3.4.7.2 and 3.4.9.1)

➤ *Rupees 10.57 crore (received at the fag end of the financial years) were booked to the rural road works without any physical achievements during 2005-07.*

(Paragraph 3.4.8.5)

➤ *Out of 664 road works taken up for execution by 15 divisions, only 121 works had been completed as of March 2008. Of these, 22 works costing Rs 16.04 crore were completed after delays ranging between two to 24 years.*

(Paragraph 3.4.9.1)

➤ *An investment of Rs 7.13 crore remained largely unfruitful due to non-construction of approaches to a bridge and non-construction of bridges to roads.*

(Paragraph 3.4.9.4)

3.4.1 Introduction

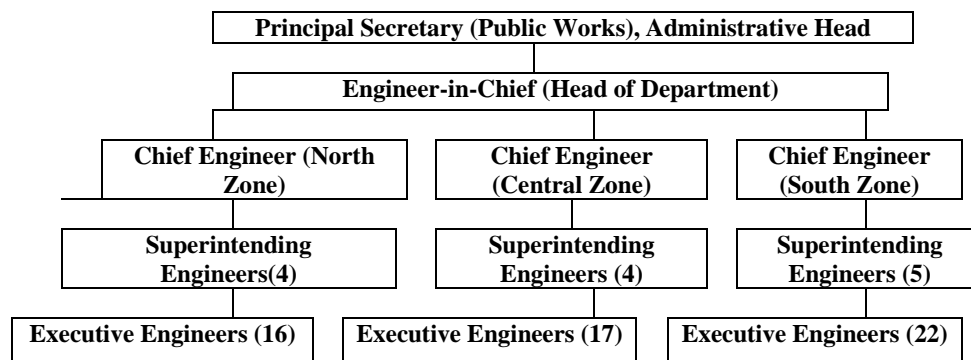
Rural roads are the main means of connectivity in the predominantly hilly State of Himachal Pradesh, where 93 per cent of the population resides in rural areas. The villages are scattered on hill slopes and in order to cater to the socio-economic and cultural needs of the rural population, the State Government had laid emphasis on the development of a good and efficient all weather road network. Out of 17,449 villages¹ in the State, 8,838 villages had

¹ As per Eleventh "Five Year Plan (2007-12)" the number of villages is 17,449 whereas as per "Statistical outline of Himachal Pradesh" it is 17,495.

been provided with road connectivity as of March 2008 under PMGSY/NABARD²/State Plan schemes.

3.4.2 Organisational set up

The Public Works Department (Department) is responsible for construction and maintenance of roads in the State. The overall control of the Department rests with the Principal Secretary (PW) and the Engineer-in-Chief (E-in-C) is responsible for planning, construction and maintenance of rural roads. The organisational set up of the Department is as under:



The State Rural Roads Development Agency (SRRDA) known as the Himachal Pradesh Gram Sadak Development Agency (Agency) was constituted (October 2003) for implementation of works under PMGSY with the E-in-C as the Chief Executive. The Agency arranges funds from the Ministry of Rural Development (GOI) and administers these funds under the overall directions and guidelines of the GOI and the State Government.

3.4.3 Scope of audit

The activities of the North and Central Zones (N and CZ) relating to the construction and maintenance of rural roads under State Plan for the period 2003-08 were reviewed during November 2007-May 2008. These zones have eight circles³ and 33 divisions under their jurisdiction. Records of 15 divisions⁴ covering all the eight circles were test-checked. The sample check in terms of the divisions was, thus, 45.45 per cent covering 68.84 per cent of the roads constructed and 55 per cent of the total expenditure incurred. This was supplemented by the information received from the respective circle offices, zonal offices and office of the E-in-C.

² PMGSY: Pradhan Mantri Gram Sadak Yojna; NABARD: National Bank for Agriculture and Rural Development.

³ North Zone: Dalhousie, Nurpur, Palampur and Una and Central Zone: Bilaspur, Hamirpur, Kullu and Mandi.

⁴ North Zone: Baijnath, Bangana, Chamba, Dalhousie, Dehra, Nurpur, Palampur and Una; Central Zone: Barsar, Ghumarwin, Hamirpur, Kullu-II, Mandi-I, Sundernagar and Udaipur.

3.4.4 Audit objectives

The performance audit was conducted with a view to assess:

- adequacy of planning in identifying the locations and prioritising them for optimal use of resources;
- whether the objective of establishing connectivity to rural areas was achieved;
- adequacy of financial arrangements with reference to the annual targets fixed for construction and maintenance of rural roads;
- efficiency, effectiveness and economy in execution of road works;
- adherence to prescribed norms and rules by the executing agencies; and
- adequacy of internal controls and quality control mechanism in the Department.

3.4.5 Audit criteria

The criteria used for assessing the performance of the N and CZ in the execution of rural road works were:

- PWD Accounts Code, Indian Road Congress (IRC) manual and departmental instructions for planning, identification and prioritising the execution of rural roads.
- Terms and conditions of contracts.
- System prescribed for internal control, quality control and monitoring of works.

3.4.6 Audit Methodology

Before commencing the audit, the scope of audit, objectives and criteria were discussed (November 2007) with the Principal Secretary and E-in-C in an entry conference. The selection of divisions for test-check was based on multistage stratified sampling methodology. Audit conclusions were drawn after scrutiny of records, analysis of available data by issuing audit memos and questionnaires and obtaining the response of departmental functionaries at various levels. Audit findings were discussed (August 2008) with the Secretary of the Department in the exit conference and the views of the Department have been incorporated in the report at appropriate places.

3.4.7 Audit findings

3.4.7.1 Planning

The GOI launched the 'Bharat Nirman Programme' (BNP) for the development of basic rural infrastructure by 2009. Under BNP, all the habitations in the State with a population more than 500 are required to be connected with all weather roads by the end of 2009.

PMGSY guidelines relating to rural roads provide for preparation of a core network⁵ plan before taking up works to connect all the unconnected habitations to the existing road network. The core network plan is to form the basis for formulating a long term Master Plan for the rural roads sector. Annual proposals for the construction of rural roads under State Plan are to be finalised in accordance with the funds allocated by the State Government.

3.4.7.2 Position of connectivity in the State

Based on a detailed survey conducted in 1999 and 2000, the Department assessed that 39,045 kms of motorable roads have to be constructed to connect all the 17,449 villages of the State. Subsequent to the survey, a core network to identify and provide connectivity to all villages was finalised in October 2006 by the Department in consultation with the National Rural Roads Development Agency. However, no long term Master Plan for providing road connectivity to all identified villages was formulated by the Department.

The targets fixed by the State Government provided for construction of 6,638 kms rural roads during 2003-08, to link 1,514 villages in the State under PMGSY/NABARD/State Plan.

It was noticed that against the above targets, the Department had constructed 5,477 kms (83 *per cent*) rural roads and provided connectivity to 1,819 (120 *per cent*) villages during 2003-08. Thus, connectivity to villages was overstated against lesser physical achievements of roads. The Secretary stated (August 2008) that over achievement might have occurred due to showing of linkage by jeepable roads. The contention is not acceptable as villages were to be provided connectivity through motorable roads.

3.4.7.3 Position of connectivity in the North and Central Zones

In the N and CZ, there were 11,832⁶ villages requiring 23,254 kms of roads to provide connectivity. Against this, 5,489 (46 *per cent*) villages had been

⁵ Network consisting of existing works and proposed works under rural roads.

⁶ Source: Circle offices under N and CZ.

connected by constructing 12,963 kms (56 per cent) roads as of March 2003. The connectivity as of March 2008 was 6,594 (56 per cent) villages by constructing 16,009 kms (69 per cent) roads under PMGSY/NABARD/State Plan Schemes. The remaining 5,238 (44 per cent) villages requiring 7,245 kms (31 per cent) of roads were yet to be connected.

The Government envisaged provision of road connectivity to all the Panchayat Headquarters by March 2008, habitations with over 500 people by 2009 and those above 250 people by 2012 under BNP/PMGSY/NABARD/State Plan.

Of the 2,280 Panchayats in N and CZ requiring 11,069 kms road, 2035 (89 per cent) Panchayats had been connected by 9,411 kms roads as of March 2008. The position of connectivity (as of March 2008) as regards the villages is as follows:

Table : 3.4.1

Villages with population	Villages identified for connectivity	Villages provided with road connectivity (percentage)	Villages yet to be provided road connectivity
250 to 499	3,251	1,916 (59)	1,335
500 to 999	1,641	1,268 (77)	373
1000 and above	564	504 (89)	60
Total:	5,456	3688 (68)	1,768

Source: Departmental figures.

Of the 5,456 villages with population of 250 and above, 3,688 villages had been connected, while 1,768 were awaiting connectivity as of March 2008. Given the present pace of progress, it will require about 12⁷ years to connect the remaining villages of the N and CZ where the population is 250 and above.

Thus, while progress in providing connectivity to Panchayat Headquarters is appreciable, the pace of providing connectivity to the villages (with population of 250 plus) was slow (68 per cent) due to lack of a time bound Plan. Unless drastic measures are taken and a planned approach to provide connectivity to all villages is adopted, there is no likelihood of achieving the envisaged objectives of BNP. The Secretary stated (August 2008) that efforts would be made to provide connectivity as per the decision of the Government.

⁷ Department connected 717 villages during 2003-08 i.e. on an average, 143 villages per year. On the basis of this average it will take about 12 years to connect the remaining 1,768 villages.

3.4.8 Financial Management

3.4.8.1 Funding pattern

For providing rural connectivity, the State Government has been arranging funds from:

- PMGSY/World Bank as per the policy of the GOI.
- Loans from NABARD under Rural Infrastructure Development Fund (RIDF).
- State's own resources (State Plan).

3.4.8.2 Overall financial outlay and expenditure of the Department

Funds for construction and maintenance of rural roads are provided through the departmental budgetary system which include loans from NABARD. For road works under PMGSY, the GOI provides funds directly to the Agency. The position of funds allotted and expenditure incurred thereagainst in the State including PMGSY during 2003-08 was as under:

Table: 3.4.2

(Rupees in crore)

Year	Construction			Maintenance		
	Budget allotment	Expenditure	Variation (+) Excess/ (-) Savings	Budget allotment	Expenditure	Variation (+)Excess/ (-) Savings
2003-04	489.55*	346.50*	(-) 143.05	191.94	192.60	(+)0.66
2004-05	158.32	213.22	(+) 54.90	200.53	206.23	(+)5.70
2005-06	364.31	326.29	(-) 38.02	192.55	184.39	(-)8.16
2006-07	314.86	459.73	(+) 144.87	253.55	320.96	(+)67.41
2007-08	523.51	474.32	(-) 49.19	360.62	450.66	(+) 90.04
Total:	1,850.55	1,820.06		1,199.19	1,354.84	

Source: Departmental figures.

* Separate accounts had not been maintained under PMGSY during 2000-03. Therefore, funds and expenditure on 'construction' for the above period have been shown under 2003-04.

The break-up of budget allotment and expenditure under State Plan, NABARD and PMGSY (with interest) for construction of rural roads is detailed below:

Table: 3.4.3

(Rupees in crore)

Year	Budget allotment				Incidental/ interest receipts on PMGSY funds	Expenditure			
	State Plan	NABARD	PMGSY	Total		State Plan	NABARD	PMGSY	Total
2003-04	94.55	92.00	303.00	489.55	10.72	95.63	94.02	156.85	346.50
2004-05	57.65	88.01	12.66	158.32	7.37	57.53	85.83	69.86	213.22
2005-06	128.52	68.65	167.14	364.31	8.98	133.92	68.61	123.76	326.29
2006-07	96.12	78.84	139.90	314.86	6.75	95.36	78.46	285.91	459.73
2007-08	123.14	87.30	313.07	523.51	2.67	111.15	82.22	280.95	474.32
Total	499.98	414.80	935.77	1,850.55	36.49	493.59	409.14	917.33	1,820.06

Source: Departmental figures.

As per the accounts Manual of PMGSY, any incidental/interest receipts on its funds are to be credited/transferred to GOI. The agency earned incidental/interest receipts amounting to Rs 36.49 crore during 2003-08 on PMGSY funds. The amount was lying blocked in its bank account.

3.4.8.3 Financial outlay and expenditure under North and Central Zones

For construction of rural roads in N and CZ, Rs 1,099.55 crore were provided, against which, an expenditure of Rs 1,094.07 crore was incurred during 2003-08. The year-wise break-up of budget and expenditure of the N and CZ is given below:

Table: 3.4.4

(Rupees in crore)

Year	Budget provision	Expenditure	Variation (+) Excess/(-)Saving
2003-04	205.07	209.81	(+) 4.74
2004-05	133.33	131.65	(-) 1.68
2005-06	186.54	189.81	(+) 3.27
2006-07	261.80	261.74	(-) 0.06
2007-08	312.81	301.06	(-) 11.75
Total:	1,099.55	1,094.07	

Source: Departmental figures.

3.4.8.4 Repair and maintenance of rural roads

The E-in-C determines from time to time the yardstick rates⁸ per km for carrying out repairs and maintenance of roads. The concerned divisions are required to project demand for funds for repairs and maintenance of roads annually on the basis of prescribed yardstick rates. The rates fixed in June 1997 had become unworkable due to the increased cost of labour and material. However, the rates had not been revised (March 2008) and funds for repairs and maintenance of roads were being allocated on ad-hoc and lump-sum basis annually.

Status of budget provision for repairs and maintenance of rural roads and actual expenditure thereagainst during 2003-08 in N and CZ was as below:

Table: 3.4.5

(Rupees in crore)

Period	Budget	Expenditure	Variation (+) Excess/(-) Savings
2003-04	125.77	125.56	(-) 0.21
2004-05	130.79	133.81	(+) 3.02
2005-06	123.91	115.45	(-) 8.46
2006-07	163.75	211.28	(+) 47.53
2007-08	243.29	294.16	(+) 50.87
Total:	787.51	880.26	

Source: Departmental figures.

It would be seen from the **Table-3.4.5** that yearly expenditure on repairs and maintenance of roads in N&CZ had shown an increasing trend over allotted funds during 2004-08 except during 2005-06.

Superintending Engineers (SE) attributed the excess expenditure to allotment of funds on lump sum/ad hoc basis which were not sufficient to meet even the routine maintenance of roads. Saving during 2005-06 was attributed to conversion (August 2005) of work charged posts to regular posts by the Government due to which it was decided to charge their salary to regular salary heads instead of to repairs and maintenance. Thus, keeping in view the

⁸ The rate per km worked out and prescribed for carrying out annual repairs and maintenance of roads.

increasing trend of expenditure over allocation, action needs to be taken to revise the yard stick rates.

Further, due to allotment of insufficient funds, rural roads had not been maintained properly as is evident from the following photographs:

Photograph: 3.4.1



Bhogarwan Samlet road (Nurpur division)

Photograph: 3.4.2



Patta Bhadrog Morsinghi road (Ghumarwin division)

3.4.8.5 Irregular drawal and utilisation of funds

State Financial Rules stipulate that money should not be drawn from the treasury unless it is required for immediate disbursement. Nevertheless the State Finance Department directed (March 2006) the E-in-C to draw Rs 76.27 crore at the fag end of March 2006 and keep it under the transitory head “Public Works Deposits” (Deposits) to avoid its lapse. Out of Rs 76.27 crore meant for the entire State, the SEs of five circles⁹ under N and CZ released (March 2006) Rs 8.49 crore through letters of credit (LOC) to five divisions¹⁰ for the construction of 158 rural roads with a direction to retain the amount under the Deposit head to avoid lapse of funds.

The concerned EEs drew the amounts in March 2006 (Rs 8.49 crore) and irregularly booked Rs 3.58 crore to 52 rural road works under their own divisions and Rs 4.91 crore to 106 road works by unauthorisedly operating accounts of five other divisions¹¹. The funds relating to the works of other divisions were transferred to them, which they kept under Deposits for utilisation in the subsequent financial years.

Similarly, in March 2007, the SEs of three circles¹² issued LOC for Rs 2.08 crore to three divisions¹³ on similar lines for construction of 11 rural roads. This amount was also transferred to Deposit head.

Thus, Rs 10.57 crore were drawn to avoid lapse and irregularly booked to the rural road works without any physical achievement during 2005-2007.

While parking of regular budgetary funds in Deposit head to avoid its lapse and utilising it in the next financial year is against financial canons, booking to works to show their utilisation without actual execution was irregular.

The Secretary stated (August 2008) that a system was being evolved to maintain the month-wise progress of expenditure.

3.4.8.6 Irregular booking of material

Financial rules prohibit irregular stock adjustments such as debiting to a work the cost of material not required or purchased in excess of actual requirements to avoid excess outlay over appropriation.

⁹ Bilaspur, Dalhousie, Hamirpur, Mandi and Palampur.

¹⁰ Chamba, Ghumarwin, Hamirpur, Mandi-I and Palampur.

¹¹ Barsar and Tauni Devi by Hamirpur division; Dharampur, Jogindernagar and Mandi-II by Mandi-I division.

¹² Hamirpur, Nurpur and Palampur.

¹³ Barsar, Dehra and Baijnath.

In the test-checked divisions, bitumen, steel, cement, etc., costing Rs 17.58 crore was booked against 218 rural road/bridge works between March 2004 and March 2007. Of this, material costing Rs 16.12 crore was written back to stock and Rs 1.46 crore was transferred to other works (36) in the succeeding financial years between April 2004 and March 2008. The stock adjustments were carried out merely to avoid surrender of funds released by the Government at the end of the financial years, which is irregular and resulted in misrepresentation of utilisation of stock.

The Secretary stated (August 2008) that the concerned CEs will be asked to ensure compliance with rules in letter and spirit.

3.4.8.7 Unutilised funds

Funds relating to calamity relief (CRF), Backward Area Sub Plan (BASP) and deposits from other departments or agencies kept in “Public Works Deposits” for restoration/construction of roads are required to be utilised within three months, one year and the time stipulated in the sanction, respectively.

In 10 divisions¹⁴, Rs 4.23 crore were received (July 1999 to March 2007) as deposits under CRF (Rs 2.15 crore), BASP (Rs 67.12 lakh) and other departments/agencies (Rs 1.41 crore) for 147 rural road works including 59 restoration works under CRF. Of this, an amount of only Rs 1.78 crore had been utilised upto March 2008 and the balance Rs 2.45 crore (CRF: Rs 96.89 lakh, BASP: Rs 32.06 lakh and the other departments: Rs 1.16 crore) remained unutilised for periods ranging between one and nine years in disregard of financial rules and regulations as the Department had no concrete plan to utilise the funds on the activities for which the funds were released. This not only blocked Rs 2.45 crore, the restoration of roads under CRF and road connectivity in the backward areas also remained unachieved.

The Secretary stated (August 2008) that retention of funds in deposits for an indefinite period will not be allowed in future.

3.4.9 Programme implementation

3.4.9.1 Execution of works

Zone-wise consolidated records of road works taken up for execution, completed and those remaining incomplete during 2003-2008 had not been maintained by the Department. However, the status of works taken up for execution, actually completed between April 2003 and March 2008 and those

¹⁴ Baijnath, Bangana, Barsar, Chamba, Dehra, Ghumarwin, Kullu-II, Sundernagar, Udaipur and Una.

remaining incomplete as of March 2008 in the 15 test-checked divisions is given in the table below:

Table: 3.4.6

(Rupees in crore)

Period	Number of works taken up	Estimated cost	Works completed		Works in progress as of March 2008	
			Number	Expenditure	Number	Expenditure incurred as of March 2008
Upto March 2003	527	141.41	91	51.63	436	56.28
2003-04	34	27.21	18	10.49	16	10.94
2004-05	29	25.40	8	6.10	21	9.26
2005-06	22	17.84	3	1.39	19	5.65
2006-07	17	10.53	1	0.84	16	3.25
2007-08	35	22.06	--	--	35	2.72
Total:	664	244.45	121	70.45	543	88.10

Source: Departmental figures.

For providing assured road connectivity to the rural population, the Department was required to plan implementation/execution of sanctioned road works within the time stipulated. In the absence of proper planning, 82 per cent works remained incomplete as of March 2008.

The physical targets set by the Department for the construction of roads in the N and CZ and achievement thereagainst during 2003-08 were as under:

Table: 3.4.7

(Length in kms)

Period	Physical targets	Total length of rural roads constructed
2003-04	312	342
2004-05	582	514
2005-06	545	535
2006-07	788	830
2007-08	1,253	825
Total:	3,480	3,046

Source: Departmental figures.

Audit scrutiny revealed the following:

(i) Of the 121 works completed as of March 2008, 22 were taken up (February 1980 to May 2004) at an estimated cost of Rs 13.13 crore and completed at a cost of Rs 16.04 crore. The delay in completion of these works ranged between two to 24 years. The excess expenditure over the estimated cost ranging between six and 466 *per cent* had not been regularised as of March 2008.

(ii) Of 543 incomplete works, taken up (July 1971 to March 2008) for execution, an expenditure of Rs 88.10 crore had been incurred but the stipulated period of completion ranging between three months and seven years had expired in respect of 465 works. The time overrun¹⁵ in respect of these 465 works ranged from one to 35 years. Further, in 104 works (estimated cost: Rs 11.49 crore) an expenditure of Rs 29.16 crore had been incurred resulting in a cost overrun of Rs 17.67 crore. The cost overrun in individual cases ranged between 10 and 2152 *per cent*. As required under rules¹⁶, the estimates had not been revised as of March 2008.

(iii) Forest Conservation Act, 1980 (Act) prohibits use of forest land for non-forestry purposes without prior approval of GOI.

In 10 divisions¹⁷ 26 road works were sanctioned (July 1977 to August 2005) for Rs 11.85 crore for completion by July 1980 and October 2006. These works on which Rs 6.20 crore had been spent were held up for the last 10 months to five years (upto March 2008), for want of permission of GOI for use of forest land (18 works: Rs 3.42 crore) and dispute over private land (8 works: Rs 2.78 crore). However, process to seek permission of GOI to transfer forest land and availability of private land free from encumbrance was not ensured before taking up the works for execution. Thus, an investment of Rs 6.20 crore remained idle.

The EEs attributed the delay in completion of works to paucity of funds, typical topography, limited working season in comparison to plain areas, disputes over private/forest land, limited capacity of contractors and cost overrun due to increase in the cost of materials and wages of labour.

The reply is not acceptable, as the Department should have ensured availability of sufficient funds and encumbrance free land before taking up the execution of works.

¹⁵ The works for which delay was less than 12 months have not been included.

¹⁶ Rule 2.23.1 of CPWD manual.

¹⁷ Baijnath, Barsar, Chamba, Dalhousie, Dehra, Ghumarwin, Hamirpur, Kullu-II, Mandi-I and Udaipur.

Paucity of funds was also not evident as the Department had surrendered sizeable funds amounting to Rs 42.31 crore during 2003-08. Besides, Rs 28.15 crore were shown utilised by irregular booking to works without physical achievement to avoid lapse.

The stipulated time for completion of works needs to be determined by taking into consideration all relevant factors such as topography, working season and capacity of contractors. In fact, the delay was attributable to poor planning by the Department. The Secretary admitted (August 2008) the facts and stated that the process of seeking sanctions under the Act is quite cumbersome and lengthy. He further stated that instructions would be issued for submission of revised estimates to regularise the expenditure and obtain clearance of forest land/acquisition of private land where works have been held up.

3.4.9.2 Works executed without Technical Sanctions

As per rules, no work should be taken up for execution unless detailed estimates are prepared and technically sanctioned. The TS is an assurance that the proposal is structurally sound and that the estimate is calculated accurately based on adequate data. Test-check revealed that in 14 divisions¹⁸, 119 road works, estimated to cost Rs 101.58 crore, were taken up for execution during 2003-2008 without preparing detailed estimates for obtaining technical sanctions. An expenditure of Rs 46.93 crore was incurred irregularly on these works as of March 2008.

The EEs stated that the detailed estimates could not be prepared and got technically sanctioned due to heavy work load, shortage of skilled staff and urgency for completion of works. The reply is indicative of the casual approach of the Department in execution of rural road works as 80 (67 per cent) out of these 119 works were still incomplete. In respect of 10 works under seven divisions¹⁹, there was a cost overrun of Rs 1.21 crore due to subsequent change in scope of works and there was time overrun ranging between one and four years in respect of 38 cases under 12 divisions²⁰. An expenditure of Rs 14.48 crore was incurred on these 38 works. Non-obtaining TS is indicative of the fact that proposals were not based on adequate data due to which there had been subsequent changes in the scope of works.

The Secretary stated (August 2008) that instructions would be issued to the Zonal Offices to do the needful immediately and to be careful in future.

¹⁸ Baijnath, Barsar, Chamba, Dalhousie, Dehra, Ghumarwin, Hamirpur, Kullu-II, Mandi-I, Nurpur, Palampur, Sundernagar, Udaipur and Una.

¹⁹ Baijnath, Chamba, Dehra, Hamirpur, Kullu-II, Mandi-I and Udaipur.

²⁰ Baijnath, Bangana, Chamba, Dehra, Ghumarwin, Hamirpur, Mandi-I, Nurpur, Palampur, Sundernagar, Udaipur and Una.

3.4.9.3 Sub-standard execution

(i) For the construction of good quality roads, Rural Roads Manual (RRM) provides for the base course in two layers of Water Bound Macadam (WBM) Grade-II and Grade-III of 75 mm thickness each to obtain a total compacted thickness of 150 mm before laying the surface course of the road.

These specifications were not followed while designing the pavements of 95 roads under 13 divisions²¹ built (2003-08) at a cost of Rs 20.45 crore. The actual compacted thickness achieved was only 75 mm.

The Secretary admitted (August 2008) the RRM provision and stated that base course thickness was decided on the basis of California Bearing Ratio (CBR)²² value of soil and traffic intensity. He assured that the matter would be got examined from the experts for guidance in future. Scrutiny, however, revealed that the rural roads under PMGSY were being constructed by providing double layer of base course.

Further, failure to follow the manualised provisions resulted in premature damage of roads as can be seen from the following photograph of the Rohal khad to Ghandalwin road via Lahri Sarail constructed during 2003-05.

Photograph: 3.4.3



Damaged crust of Rohal khad to Ghandalwin road via Lahri Sarail (RD 5/765)

(ii) To make Bara-Da-Ghat Kuthera road (length: 12.150 kms), via Bhapral-Talwara all weather, geological and hydrological investigations for construction of a bridge over Seer khad (Bilaspur district) were conducted in May 1994. On the basis of these investigations, the deck level of the bridge was proposed to be adopted at 665 metres and a span of 96.17 metres. The Government accorded (March 1996) A/A and E/S for construction of a

²¹ Baijnath, Barsar, Chamba, Dalhousie, Dehra, Ghumarwin, Hamirpur, Kullu-II, Mandi-I, Nurpur, Palampur, Udaipur and Una.

²² California Bearing Ratio is the ratio of test load to the standard load used to measure thickness of different elements comprising a pavement.

101.19 metres span bridge for Rs 57.40 lakh. Contrary to this proposal, the CE (Design) approved (June 1996) working drawings by keeping deck level at 663 metres and span of 92.428 metres. Construction of the bridge was completed in February 2007 at a cost of Rs 58.79 lakh.

Due to heavy rains the water level superseded (August 2007) the highest flood level (HFL) of 658.80 metres considered for designing the bridge and reached 664 metres. This washed away two spans besides tilting/shifting of other two spans, causing an estimated loss of Rs 50 lakh.

Photograph: 3.4.4



Washed away Bridge over Seer khad on Bara-Da-Ghat Kuthera road via Bhapral-Talwara

Subsequently, to reconstruct the bridge, a revised deck level of 668 metres against the existing 663 metres was proposed (December 2007). The decision on reconstruction or restoration of the bridge was awaited as of April 2008.

Thus, execution of the bridge work with a lesser span and deck level, in disregard of the findings of detailed survey and investigation resulted in a loss of Rs 50 lakh, besides, depriving the inhabitants of the all weather road connectivity even after incurring an expenditure of Rs 58.79 lakh.

The Secretary admitted (August 2008) the loss and stated that deck level and span of the bridge were determined after careful consideration of all factors such as safety, economy and local considerations. He assured that the matter would be investigated.

3.4.9.4 Idle investment

(i) In four divisions²³, six rural road works (length: 50.240 kms) approved for construction between March 1977 and January 2003 at an estimated cost of

²³ Baijnath, Dehra, Palampur and Udaipur.

Rs 4.51 crore were completed between March 2005 and December 2006 at an expenditure of Rs 5.86 crore. However, due to non-synchronisation of construction of nine bridges with the road works, the expenditure of Rs 5.86 crore remained largely unfruitful for periods ranging from 1.2 years to three years as of March 2008.

Photograph: 3.4.5



Unutilised Gopipur Chamukha road due to non-planning of a bridge over Balahar khad

The Secretary stated (August 2008) that to provide all weather road connectivity, construction of bridges would be taken up on priority.

(ii) The Miyar Valley road (Lahaul and Spiti district) bifurcates from Tandi Thiroat road at Udaipur. The existing bridge at kms 16/270 of the road over Karpat Nallah was washed away in July 2000 due to unprecedented floods. To ensure all weather motorable road, the Deputy Commissioner (DC) Lahaul and Spiti accorded (July 2003) A/A and E/S for the construction of 33 metres span steel truss bridge at RD 17/070 for Rs 1.04 crore by shifting the site to about 70 metres upstream. The sanction also included construction of approach roads.

Scrutiny of records of Chenab Valley Division, Udaipur revealed (October-November 2007) that the bridge work taken up by the division for execution in September 2003 was completed in September 2006 at Rs 1.27 crore but could not be opened for traffic for want of approach roads.

The Secretary stated (August 2008) that delay in completion of approach roads was attributable to limited working season and cutting in hard rock which was taking time. The reply is not tenable as construction of approach roads should have been taken up for execution simultaneously with the bridge work since the topography and the working season are within the knowledge of the Department.

Thus, due to improper planning an investment of Rs 7.13 crore remained largely unfruitful and the public has been deprived of the all weather road connectivity.

3.4.9.5 Completed roads remained unopened

In three divisions²⁴ construction of three roads (length: 16 kms) approved (March 1983-February 2002) for Rs 1.31 crore was completed (June 1997-March 2007) by incurring an expenditure of Rs 1.47 crore. Besides, an expenditure of Rs 24.09 lakh was also incurred on maintenance of two roads by two divisions²⁵ from April 1999 to February 2008.

Test-check of records revealed (February-March 2008) that inspite of incurring an expenditure of Rs 1.71 crore on construction and maintenance, the inspection of the roads by the Road Fitness Committee has not been arranged for declaring them fit for vehicular traffic.

The Secretary stated (August 2008) that instructions had been issued to the concerned divisions for getting the completed roads passed immediately from the Committee. The lapse in arranging inspections thus, resulted in depriving the public of assured communication facility for one to eleven years.

3.4.9.6 Idle investment on a road due to improper planning

In Dalhousie division construction of Sihunta-Jolna-Kotla road (length-15 kms) to provide road connectivity to seven villages was approved against various sanctions accorded between March 1984 and June 2005 for Rs 3.51 crore.

The work of the road was taken up for execution in March 1984 without obtaining TS and an expenditure of Rs 1.19 crore was incurred upto March 2007 for its construction in two patches from 0/0 to 4.5 km and 11/0 to 15 km. The road from 4.5 to 11 km could not be constructed due to involvement of forest land.

Despite incurring an expenditure of Rs 1.19 crore the road constructed in two parts could not be utilised for want of sanction under Forest Conservation Act. Further, construction of two bridges at RDs 5/200 (50 metres) and 7/900 (45 metres) had also not been planned. The case for arranging approval submitted (February 2003) to the forest department and received back (December 2003) with observations was not traceable.

The Secretary stated (August 2008) that the case for obtaining forest clearance certificate from the GOI was being followed expeditiously. The Department had, thus, instead of arranging sanction of the GOI, furnished a false undertaking of availability of encumbrance free land to NABARD.

²⁴ Dalhousie, Dehra and Nurpur.

²⁵ Dalhousie and Nurpur.

Non-obtaining of TS, non-planning of bridges and furnishing of false undertaking were viewed (October 2004) seriously by the NABARD in the Sectoral Monitoring Study (SMS).

3.4.9.7 Construction/maintenance of side drains

Annual surfacing of Bhogarwan Samlet road and Dadwalah via Rehan Bazar to Sakari road was completed by Nurpur division in June 2006 and June 2007 respectively, by incurring an expenditure of Rs 15.74 lakh. It was noticed (February-March 2008) from the records that side drains for providing free passage to rain water had not been constructed which caused extensive damage to the crust of these roads including freshly laid annual surfacing as is evident from the following photographs:

Photograph: 3.4.6



Damaged Bhogarwan Samlet road due to non-construction of side drains

Photograph: 3.4.7



Damaged Dadwalah via Rehan Bazar to Sakari road due to non-construction of side drains

The extent of damage was estimated (July-August 2007) to be of Rs 16.70 lakh by the EE.

The EE stated (March 2008) that side drains had been constructed except at some reaches where land was not available due to which water stagnation on the road could not be avoided. The contention is not tenable as the Division should have ensured construction of side drains in the acquired width of the road which is the property of the Department. The Secretary stated (August 2008) that construction of road side drains would be taken up on priority.

3.4.10 Contract management

Contract management includes negotiating the terms and conditions of contracts and ensuring compliance therewith as well as documenting and agreeing to any changes that may arise during its implementation. The cases of poor contract management by the Department are discussed below:

(i) Eleven divisions²⁶ entered into 101 contracts with 56 contractors between July 2003 and March 2008 for formation cutting²⁷ in the construction of various rural roads. As per estimates/agreements, the contractors were to stack/hand over 75,677 cum serviceable stone costing Rs 1.15 crore. On failure to do so, recovery for stone not stacked/less stacked was to be made at prescribed rates from their running account bills. However, part recovery for 18,202 cum stone amounting to only Rs 28.41 lakh was made by seven divisions²⁸ leaving an uneffected recovery of Rs 87.02 lakh from the contractors.

EEs stated that the recoveries would be made either from the next running account bills or the final bills of the contractors. In eight divisions²⁹, 31 contracts, involving recovery of Rs 19.15 lakh had already been closed, therefore, chances of recovery were remote.

The Secretary stated (August 2008) that instructions would be issued to the Zonal Offices to effect recoveries as per the conditions of agreements.

(ii) In case of delay in completion of work by a contractor, compensation upto 10 *per cent* of the tendered cost of the work was to be levied. In the test-checked divisions, 90 road works awarded to 84 contractors between March 2001 and July 2007 for Rs 23.17 crore were not completed within the stipulated time (September 2002-September 2007). As such, compensation of Rs 2.26 crore was leviable on them. Seven divisions³⁰ had levied

²⁶ Baijnath, Bangana, Dalhousie, Dehra, Ghumarwin, Hamirpur, Kullu-II, Mandi-I, Palampur, Sundernagar and Udaipur.

²⁷ Term used for creation of road by cutting of soil.

²⁸ Bangana, Dehra, Ghumarwin, Kullu-II, Mandi-I, Palampur and Sundernagar.

²⁹ Baijnath, Bangana, Dehra, Ghumarwin, Hamirpur, Mandi-I, Palampur and Sundernagar.

³⁰ Bangana, Barsar, Ghumarwin, Hamirpur, Kullu-II, Palampur and Sundernagar.

compensation of Rs 39.69 lakh in respect of 14 cases (between September 2002 and April 2007) which had also not been recovered except Rs 2.91 lakh in two cases by Palampur division. The Secretary stated (August 2008) that the cases will be got examined for initiating action as per agreements.

(iii) When the contract is rescinded, the security deposit of the contractor is to be forfeited to the Government. In five divisions³¹, 11 contracts awarded (May 2003-December 2004) for Rs 2.03 crore and not completed within the stipulated time, were rescinded (August 2004-August 2007) by forfeiting the security deposits/earnest money of Rs 6.29 lakh. However, the forfeited amount had not been credited to the Government account. Nor was action to recover the compensation of Rs 19.81 lakh levied earlier been taken by the concerned divisions. The Secretary stated (August 2008) that the concerned divisions have been directed to do the needful immediately.

(iv) Lump sum contract provides for adjustment of compensation etc., against any sum payable to the contractor by the Department. Construction of two bridges awarded (January 2006) by Barsar division on lump sum contract to a Panchkula based firm for Rs 98.97 lakh was to be completed in 12 months (February 2007) and 18 months (August 2007). The firm executed the works for Rs 5.33 lakh and suspended further execution in December 2006 and February 2007. Therefore, compensation of Rs 9.90 lakh was levied on the firm in April 2007. Eventually, the contracts were rescinded (May 2007) at the risk and cost of the firm.

The balance works awarded (October 2007) to two contractors for Rs 1.33 crore involving an extra cost of Rs 39.06 lakh were in progress as of April 2008. However, the Department had failed to make recoveries of extra cost and compensation totaling Rs 48.96 lakh from the previous firm.

The EE stated (April 2008) that action to effect recoveries will be taken after preparation of final bills, delayed due to non-recording of measurements. The final measurement required to be recorded within one month after rescinding the contract had not been done so far (August 2008).

The Secretary stated (August 2008) that the concerned division has been directed to recover the compensation and extra cost from the contractor as per the terms of agreement.

(v) The successful tenderer of a lump sum contract is required to provide a guarantee of five *per cent* of tendered sum. In eight divisions³², 19 agreements were entered into with 15 contractors during 2001-2008 on lump sum contract basis for execution of 19 road/bridge works at

³¹ Chamba, Dehra, Kullu-II, Sundernagar and Una.

³² Barsar, Dalhousie, Dehra, Hamirpur, Kullu-II, Mandi-I, Palampur and Udaipur.

Rs 30.84 crore. However, performance bonds of Rs 1.54 crore had not been obtained.

Since efficient contract management is the key to successful implementation of any scheme/programme, poor contract management in the above cases and lackadaisical approach of the department in taking remedial measures had an adverse impact on the implementation of the programme. Due to this, the goal of providing road connectivity to all the villages in the State remained unachieved.

3.4.11 Quality Control Mechanism

As per departmental specifications, the material used for construction of roads was required to be tested to ensure quality control. Instructions issued (September 2001) by the Government stipulate that all the requisite tests to the extent of 70, 20 and 10 *per cent* are to be performed in the presence of JE, AE and EE respectively and results of tests recorded in the prescribed register. However, testing of materials used in construction of rural roads under State Plan had not been done in any of the test-checked divisions.

In respect of bitumen, documentary proof of quality and quantity was required to be attached with the bills. In 10 test-checked divisions³³ adherence to these instructions was not ensured in respect of 67 jobs executed (April 2005-October 2007) by 38 contractors at a tendered amount of Rs 10.15 crore against which payments of Rs 9.39 crore had been released. Thus, in the absence of tests the quality of material supplied could not be ensured.

➤ NABARD, during a Sectoral Monitoring Study conducted in October 2004, felt the need for conducting workshops, training programmes for JEs and AEs for capacity building and creating quality culture, but, no such training programme was arranged by the Department.

➤ Percentage check of MB entries by AE and EE and recording of entries by AE himself in cases of items whose measurements cannot be checked subsequently and where the unit rates were high, was not carried out by any of the 15 test-checked divisions, as required under rules.

➤ For works under NABARD, the State Government was to incorporate clauses in the agreement to make contractors responsible for defect liability for two to three years and submission of work programme by the contractors for approval by the Department. However, these clauses were not

³³ Baijnath, Barsar, Chamba, Dalhousie, Dehra, Ghumarwin, Hamirpur, Mandi-I, Nurpur and Palampur.

incorporated in the agreement in 59 cases by six divisions³⁴. The agreements continued to have defect liability clause of six months and contractors were not submitting the required work programmes for approval.

➤ Site order books³⁵ (SOB) for works under State Plan were not maintained by any division. As such, the requirement of consulting the SOB to ensure that defects pointed out during construction are addressed and record a certificate thereto, was not ensured by AEs.

Thus, the quality control mechanism provided for was not being followed by the Divisional officers.

The Secretary stated (August 2008) that the Zonal Offices will be instructed to ensure proper quality control, make contractors liable for defect liability as per terms of NABARD and maintain the SOBs.

3.4.12 Monitoring

Norms for periodicity of inspection of works by the CEs, SEs and EEs to ensure quality of works, adherence to the specifications and schedules, etc., had not been prescribed for rural roads. Out of the 15 test-checked divisions, the CEs had conducted inspection of works of eight divisions³⁶ on 24 occasions during 2003-2008 while SEs of seven Circles had conducted inspection of 13 divisions³⁷ on 128 occasions during the same period and inspection notes were issued by them. However, no inspection was carried out by SE 8th Circle, Hamirpur. In the case of EEs, except EE, Division-I, Mandi who issued two Inspection Notes, the number of inspections of works conducted by them were not available, as no records were maintained by any of the divisions in this regard. However, on the basis of entries made in the log books, the EEs of seven divisions³⁸ intimated 1,308 inspections during 2003-2008.

The CEs and SEs stated (November 2007-April 2008) that inspections were conducted frequently but due to busy schedule/rush of work, only verbal instructions were issued to the staff and the contractors. The EEs also held the same view. In the absence of inspection notes, entries in the SOB, inspection registers, quality control registers for rural roads under State Plan, their contention can not be accepted.

³⁴ Bangana, Barsar, Chamba, Dalhousie, Sundernagar and Una.

³⁵ Maintained at the site of work for recording orders/instructions while on inspection by Senior Officers. It should not be removed therefrom under any circumstances.

³⁶ Dalhousie, Dehra, Chamba, Kullu-II, Mandi-I, Nurpur, Sundernagar and Una.

³⁷ Baijnath, Bangana, Chamba, Dalhousie, Dehra, Ghumarwin, Kullu-II, Mandi-I, Nurpur, Palampur, Sundernagar, Udaipur and Una.

³⁸ Chamba, Dalhousie, Ghumarwin, Mandi-I, Nurpur, Palampur and Udaipur.

A monitoring cell was created in the office of the E-in-C to monitor the periodical reports on physical and financial achievements received from the SEs. It was, however, noticed that periodical progress reports received from the field officers were not scrutinised for suitable directions and necessary follow up action. The reports did not indicate the timeframe fixed for completion of road works, though 436 road works taken up for construction more than five years back remained incomplete. Though, monitoring for road works under PMGSY and NABARD was being done regularly, it was lacking in the case of State funded road works.

The Secretary stated (August 2008) that the norms for conducting inspection of works by various officers and time limit for completion of works would be fixed.

3.4.13 Conclusion

The Department had not formulated any long term plan for providing road connectivity in a time bound manner. Consequently, the pace of work was slow and the goals set in the BNP are unlikely to be achieved. There was no uniformity in allocation of funds during the years, as sizeable funds were released at the fag end of the financial years thereby postponing the implementation of rural road works. Poor contract management and inadequate monitoring of works contributed to instances of substandard road works, unfruitful, excess and wasteful expenditure, leading to denial of the envisaged road connectivity to the rural population.

3.4.14 Recommendations

- The Government should formulate a Master Plan expeditiously with clear milestones and timeliness for providing connectivity to all villages in the State.
- Funds should be provided in a phased manner so as to avoid the need for drawal of funds at the fag end of the financial year, besides giving rise to improper accounting practices.
- Execution of works should be taken up after obtaining the necessary approvals, clearances and ensuring encumbrance free land.
- Contract management needs to be strengthened. It should be ensured that works are completed within the stipulated time by the contractors.
- An appropriate system needs to be evolved to ensure adequate inspection and monitoring of the ongoing road works.

The Secretary accepted (August 2008) the audit findings and assured that compliance would be reported soon.