MINISTRY OF RURAL DEVELOPMENT

Department of Rural Development
Performance Audit on "Pradhan Mantri Gram Sadak Yojana"

1 Introduction

1.1 Background

1.1.1 Rural roads had engaged the attention of policy makers since 1927 when the Jayakar Committee [1] urged development of rural roads for better marketing of agricultural produce and complementing the railway network. The concept of preparation of long-term perspective plans for road development was in vogue since the Second World War. Some such plans prepared by the Indian Roads Congress were the Nagpur Plan (1943-60) involving construction of 3.32 lakh km of rural roads, the Bombay Plan (1961-80) that targeted rural road length of 6.51 lakh km, the Lucknow Plan (1981-2001) which envisaged construction of 21.9 lakh km of rural roads for providing connectivity to all villages with population of more than 500 by all weather roads and the Kolkata Plan (2001-21) that targeted basic access to all villages by 2010.

1.1.2 Construction of rural roads was taken up in a major way in the fifth Five Year Plan (1974-79), as a component of the erstwhile Minimum Needs Programme (MNP). As per the report of the working group for the tenth plan, 65,000 villages having a population of 1500 and above were connected during the fifth and the sixth plan period. The group recorded that from the seventh plan onwards, connectivity of villages having a population of 1000 and above was targeted. In the terminal year of the eighth plan, MNP was merged with the Basic Minimum Services (BMS) programme funded by the Government of India under the state plan adopting the census of 1991 for categorization of the eligible villages instead of the 1981 census used for MNP.

1.1.3 According to the information available with the Planning Commission, 3,53,094 (56.55 per cent) out of 6,24,530 villages were estimated to have been connected by all-weather roads as on 31 March 1997. Subsequent data received from the state governments/union territories (UT) by the Ministry revealed that 3,80,075 (59.52 per cent) of 6,38,534 villages were connected as on 1 January 2000.

1.2 The Programme

Despite rural roads being a state subject and the responsibility of providing connectivity to all villages/habitations resting with the state governments, the Government of India, acknowledging the expected socio-economic benefits to the rural population from rural roads and with a view to imparting greater thrust to the ongoing efforts, announced a programme called the Pradhan Mantri Gram Sadak

[1] The Government of India appointed a committee headed by Shri M.R.Jayakar in November 1927 to examine the development of road systems in the country.

Yojana (PMGSY) in August 2000.The Ministry of Rural Development was the nodal Ministry for its implementation.

1.2.1 Programme Objectives

The programme was formally launched on 25 December 2000 as a 100 per cent Centrally Sponsored Scheme (CSS) with the primary objective of providing road connectivity in the rural areas through all-weather roads with necessary culverts and cross drainage structures to all unconnected habitations with population of 1000 persons (500 persons for hilly areas) and above by 2003 and with population of 500 persons (250 persons for hilly areas) and above by March 2007, the end of the tenth plan. Improvement in socio-economic indicators of the connected region through good all-weather roads was an expected outcome.

1.2.2 Salient Features of the Programme

- The programme focused on construction of new roads but upgradation of the existing roads to the prescribed standards was permitted.

- The States were to implement the programme through the identified State Level Agencies (SLAs) and at the district level through District Programme Implementation Units (DPIUs) to be manned by technical personnel.

- DPIUs had to formulate Block Level Master Plan and District Rural Road Plan (DRRP) at the block and the district levels identifying the habitations on the basis of the existing status of connectivity, roads under construction with aid/assistance from external agencies, Rural Infrastructure Development Fund and Basic Minimum Services.

- An Empowered Committee headed by the Secretary of the Ministry was to clear the project proposals.

- Tenders were to be packaged in appropriate size and a well established procedure for tendering through competitive bidding was to be followed.

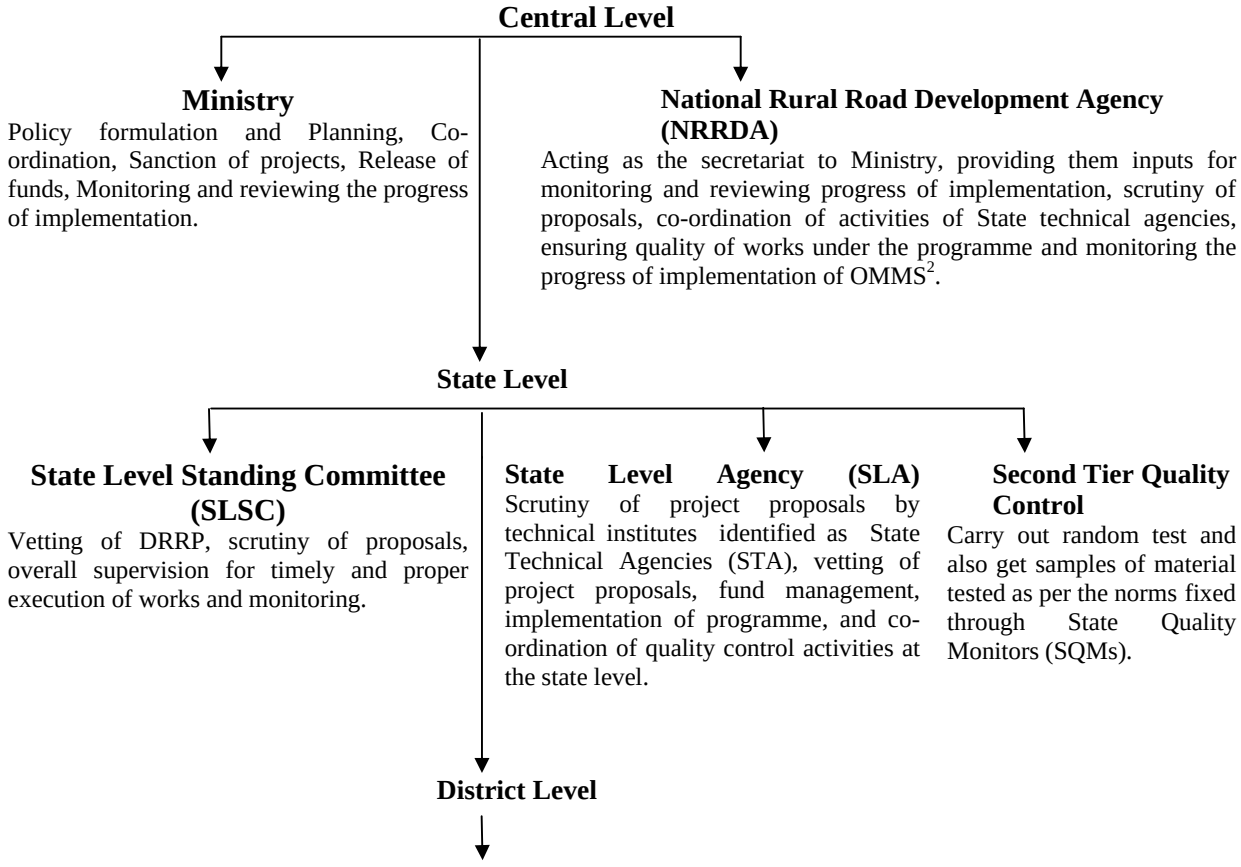
1.2.3 The objectives of the programme and the guiding principles for the implementation of the programme were outlined in the programme guidelines. The Ministry modified the programme guidelines several times during the initial four years of implementation. After the initial guideline of December 2000, a revised guideline was issued in January 2003 and taking into account further instructions/clarifications for strengthening the procedures and systems, a consolidated guideline was thereafter issued in November 2004. Some important modifications carried out over the years are summarized in Table 1.

Table 1: Modifications in the Programme Guidelines			
Feature	**Guidelines of December 2000**	**Revised guidelines of January 2003**	**Additions in November 2004**
Upgradation of roads.	No ceiling on expenditure on upgradation proposals was prescribed.	Restriction of 20 percent expenditure on upgradation works from the states' allocation for the districts in which all the eligible habitations were connected, was imposed.	Upgradation work was to be taken up only in the districts where no new connectivity was required. Proposals were to be prioritized based on Pavement Condition Index (PCI) and Comprehensive Upgradation Priority List (CUPL).
Concept of Core Network (CNW).	Essential socio-economic services for which the roads were to be connected were not defined.	The concept of CNW was defined. Each road work taken up under the programme was to form part of the CNW.	Nil.
Approval of District Rural Road Plan /Detailed Project Reports(DPRs)	This was to be approved by the governing body of the respective District Rural Development Agency (DRDA).	District Panchayat was to approve after approval by the Intermediate Panchayat.	PIUs to hold consultations with the local community to sort out the issues of land availability, alignment, etc., and record the action taken on the issues at the time of preparation of DPRs.
Technical support and quality control by independent body.	This was not provided.	Reputed technical institutions were to be inducted as State Technical Agencies (STA) for scrutinizing proposals, providing technical support and undertaking quality control tests.	Nil.
Setting up agency at the central level for operational and management support.	No separate agency was envisaged.	A National Rural Road Development Agency (NRRDA) was set up in January 2002.	Nil.
Funding.	Funds were released to DRDA through the state government.	Funds were released into the account of State Rural Road Development Agency (SRRDA)/State Level Agencies (SLA) identified in each State for disbursement to PIU.	SRRDA was to maintain 3 separate accounts namely, programme funds, administrative funds and maintenance funds.
Bidding system/ Maintenance.	Well established system (which was not elaborated) of competitive bidding was to be followed.	(i) A standard bidding document was developed where the technical bid was to be separately obtained and evaluated for qualification of the contractor in terms of his resources and experience before considering the	(i) Payment to contractors was not to be released unless they had set up the quality control laboratory at site. (ii) For through routes and link routes, funds for regular maintenance (5 years) was to be provided in the state

		financial bid. (ii) The contractor was responsible for major repairs of the road for five years. (iii)The establishment of a quality control laboratory was made mandatory for DPIU.	budget and placed with SRRDA.

1.2.4 Organisational arrangements

A chart showing the responsibilities of various agencies for delivery of the programme is given below:



[2] Online Monitoring and Management System: an information technology software tool used for monitoring the programme.

2 Audit Objectives

2.1 A performance audit of PMGSY was taken up with the overall objective of assessing whether the programme launched for providing connectivity through all weather roads to unconnected habitations and upgradation of existing roads in the rural areas was planned, implemented and monitored effectively, efficiently and economically. The detailed objectives of this audit were to assess whether:

- an appropriate mechanism for identification and prioritization of eligible habitations had been instituted and followed in the programme;
- the funds were adequate, provided in time and utilised efficiently;
- the quality control system was effective to secure construction of good quality roads and the roads constructed were being maintained satisfactorily; and
- the programme was being effectively monitored.

3. Audit Methodology

The performance audit commenced with an entry conference with the Ministry in April 2004, in which the methodology to be followed was explained. Guidelines containing the audit objectives and sub objectives, audit criteria, evidence collection and analysis methods were prepared and shared with the Ministry (July 2004). A presentation was made by NRRDA to Audit in October 2004 highlighting the programme performance and the Ministry's efforts for strengthening the control systems. The period covered in audit was 2000-2005. The records of the Ministry and NRRDA as well as of the State and the district level implementing authorities for the selected sample were examined between January 2005 and June 2005. The utility of the Online Management and Monitoring system (OMMS) and the adequacy of internal controls and the efficiency of data processing were examined through the COBIT[1] framework using SQL[2] server and Microsoft Access. A report containing the audit findings was issued to the Ministry on 24 October 2005. An exit conference was held on 21 November 2005 with the Ministry where the audit findings were discussed. The reply of the Ministry (November 2005) has been suitably incorporated in the report.

3.1 Sample selection

Proposals amounting to Rs. 17,393.64 crore involving 2,365 packages[3] were approved against which Rs. 11,871.32 crore was released by the Government of India and an expenditure of Rs. 9,421.39 crore incurred under the programme between 2000-01

[1] Control Objectives of Information and related Technology published by IT Governance Institute formed by the Information Systems Audit and Control Association, USA
[2] Structured Query Language Server, a Relational Database Management System,and product of Microsoft.
[3] Packages represent groups of works put to tender in one lot

and 2004-05. A total of 1,298 packages (54 per cent) costing Rs 2,231.78 crore, against which an expenditure of Rs. 1,594.98 crore was incurred in 167 districts across the country, were selected for detailed examination.

3.2 Selection of Districts

Twenty five per cent of the districts in each of the 26 States were selected randomly, according to the Probability Proportional to Size With Replacement (PPSWR) method[4]. In respect of **Bihar** and **Manipur** where district-wise financial progress was not available, 25 per cent of the districts were selected randomly through Simple Random Sampling Without Replacement (SRSWOR) method[5].

3.3 Selection of Packages

Selection of packages from selected districts was based on the criteria given below:

Table 2 :Criteria for selection of packages

Selected district having total packages	Packages selected
Upto 5	All the packages
Above 5 and upto 10	50 per cent of total packages subject to minimum of five
Above 10	25 per cent of total packages subject to minimum of five

Summarized position of State wise selection of 1,298 packages in 167 districts is contained in **Annexure-I**.

3.4 Assessment of quality through technical examination

As a part of the audit effort, technical inspection of the quality of rural roads was undertaken through the Central Road Research Institute (CRRI), New Delhi in four States, namely **Andhra Pradesh, Orissa, Rajasthan** and **Uttar Pradesh.** The States were selected on the basis of geographical distribution. Accordingly, 51 works spread over 13 districts, were randomly selected for technical inspection, which included completed works as well as works-in-progress and involved

- Assessment of the existing quality control mechanism
- Identification of test pits for exhuming material sample from various layers
- Physical verification of pavement thickness by making observation test pits

[4] Sampling assigns higher inclusion probability of selection for population units with higher sizes. In this case the chances of selection of DPIUs with higher expenditure are more.

[5] Ensures equal probability of selection for every unit in the population. In this case the chances of selection of packages, within the selected DPIUs, are equal.

- Checking of in-situ compaction of different pavement layers and
- Laboratory evaluation of the sample in CRRI for determining properties of the sample vis-à-vis the standards.