

## CHAPTER IV

### PERFORMANCE AUDIT

#### URBAN DEVELOPMENT AND URBAN HOUSING DEPARTMENT

##### 4.1 Implementation of Jawaharlal Nehru National Urban Renewal Mission

###### *Executive Summary*

*The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched in December 2005 with the objective of reforms-driven fast track development of cities across the country, with focus on efficiency in urban infrastructure, service delivery mechanism, community participation and accountability of ULBs/Parastatal agencies towards citizens. The performance audit on implementation of JNNURM has revealed the following deficiencies:*

*The GOI and State Government released only 72 per cent and 65 per cent respectively of their committed share up to March 2012. Mandatory reform of Rent Control Act and optional reforms for introduction of property title certification, introduction of computerised registration of land and property and simplification of legal and procedural framework for conversion of agriculture land to non-agriculture purpose were not implemented by ULBs. Out of 72 housing projects sanctioned, only five projects were completed, six were abandoned and 26 projects were not even started. Despite the availability of funds, housing projects with estimated cost of ₹155.24 crore of Vadodara Municipal Corporation and housing projects with estimated cost of ₹53.23 crore of Surat Municipal Corporation were not taken up due to non-availability of land and transit accommodation. Surat Municipal Corporation also could not complete 1,776 Dwelling Units after incurring expenditure of ₹6.72 crore due to non-availability of clear title of land. In Ahmedabad Municipal Corporation and Jamnagar Municipal Corporation, work orders were awarded to the second lowest bidders. As a consequence of deficient planning there were cases of cost overrun of ₹37.46 crore and subsequent loss of Central assistance of ₹12.38 crore. An avoidable expenditure of ₹3.25 crore was incurred by Ahmedabad Municipal Corporation due to injudicious rejection of tender. Draft Project Reports were found to have been framed without survey of beneficiaries. Irregular inclusion of water supply projects and acceptance of invalid bank guarantee were also noticed. The State Level Sanctioning Committee was not constituted and State Level Coordination Committee did not meet as envisaged. Independent and third party monitoring agencies were appointed belatedly and these agencies did not submit their reports to State Level Nodal Agency.*

### **4.1.1 Introduction**

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched in December 2005 with the objective of reforms-driven fast track development of cities across the country, with focus on efficiency in urban infrastructure, service delivery mechanism, community participation and accountability of ULBs/Parastatal<sup>1</sup> agencies towards citizens. The Mission period was for seven years (2005-2012). The Mission consisted of two sub-missions; (i) Urban Infrastructure and Governance (UIG) (Sub-mission I) and (ii) Basic Services to the Urban Poor (BSUP) (Sub-mission II) for mission cities. To cater to the remaining cities and towns, two components were envisaged, 'Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT)' and 'Integrated Housing and Slum Development Programme (IHSDP)' with the same broad objectives as envisaged in UIG and BSUP respectively.

The identified cities were to prepare planned urban perspective framework for a period of 20-25 years (with five yearly updates) indicating policies, programmes and strategies for meeting fund requirements, which was to be followed by preparation of City Development Plans (CDP) integrating land use with services, urban transport and environment management. Detailed Project Reports (DPRs) were to be prepared for undertaking projects under identified areas in cities/urban agglomerations (UAs)/parastatals. Ahmedabad, Porbandar, Rajkot, Surat and Vadodara cities were selected as Mission cities in Gujarat.

The main objectives of JNNURM were –

- Focused attention to integrated development of infrastructural services in the cities covered under the Mission;
- Establishment of linkages between asset-creation and asset-management through a slew of reforms for long-term project sustainability;
- Ensure adequate funds to meet the deficiencies in urban infrastructural services;
- Planned development of identified cities including peri-urban<sup>2</sup> areas, outgrowths and urban corridors leading to dispersed urbanisation<sup>3</sup>;
- Scale-up delivery of civic amenities and provision of utilities with emphasis on universal access to the urban poor;
- Special focus on urban renewal programme for the old city area to reduce congestion; and
- Provision of basic services to the urban poor including security of tenure at affordable prices, improved housing, water supply and sanitation and ensuring delivery of other existing universal services of the government for education, health and social security.

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<sup>1</sup> Statutory agencies of State Government which are assigned the responsibility for delivering services e.g. water supply, sewerage, etc. In this context, the term has been used for urban agencies.

<sup>2</sup> Immediately adjoining an urban area; between the suburbs and the countryside.

<sup>3</sup> Urbanisation is the physical growth of urban areas as a result of global change or the increase in proportion of the total population becomes concentrated in towns. (As per Wikipedia – free encyclopedia website)

### **4.1.2 Organisational set up**

A National Steering Group (NSG), chaired by Minister of Urban Development and co-chaired by Minister of State for Housing and Urban Poverty Alleviation (HUPA) was responsible to set policies for implementation, monitor, review progress and suggest corrections, wherever necessary. NSG was supported by a Technical Advisory Group for appraisal of proposals and a Central Sanctioning and Monitoring Committee (CSMC) for further appraising and sanctioning the proposals. The DPRs were scrutinised by the Technical Wings of the Ministry/ specialised technical agencies or outsourced agencies, before placing the proposals for sanction of the CSMC.

At State level, JNNURM was co-ordinated by a State Level Steering Committee (SLSC) headed by the Chief Minister/Minister of Urban Development and Urban Housing. The SLSC was responsible for review and prioritising the proposals. State Government established (January 2006) Gujarat Urban Development Mission (GUDM), registered under the Societies Act, to act as State Level Nodal Agency (SLNA). GUDM was to support SLSC by inviting project proposals, their appraisals, management and monitoring. A Project Management Unit (PMU) at the State level was formed (June 2008) to strengthen the capacity of the GUDM to manage and implement the composite array of tasks associated with the Mission. A flow chart with clear role demarcation of project proposal and policy directive is shown in **Appendix – IX**.

A Project Implementation Unit (PIU) with the Urban Local Body (ULB) was meant to be an operations unit to supplement and enhance the existing skill mix of the ULB and enhance the pace and quality of implementation of the Mission activities.

### **4.1.3 Audit objectives**

The objectives of the performance audit were to ascertain whether –

- Financial management and controls were adequately exercised;
- The reforms agenda sought to be achieved were achieved;
- Detailed Project Reports (DPRs) were based on proper planning, survey and availability of resources;
- Proper tendering system was adopted;
- Projects were executed efficiently and achieved their intended objectives; and
- There was adequate and effective mechanism for monitoring and evaluation.

### **4.1.4 Audit criteria**

The audit findings were benchmarked against the following criteria –

- Guidelines, instructions/circulars/orders issued by the concerned Ministries;

- Memorandums of Agreement and DPRs of projects selected for performance assessment;
- Toolkits prescribed by Ministry of Urban Development (MoUD)/HUPA for various issues under JNNURM; and
- Minutes of the 26<sup>th</sup> meeting of CSMC.

#### 4.1.5 Scope and coverage of audit

In all, 197 projects under the Mission were sanctioned (up to March 2012) in 84 cities/towns<sup>4</sup> at a total project cost of ₹8,627.40 crore. Out of 197 projects, 28 projects implemented in five cities were selected<sup>5</sup> (**Appendix-X**) on the basis of ground level execution for detailed performance audit covering the period up to March 2012.

Audit conducted test-check (April-July 2011 and May-August 2012) of the records (2005-12) of Urban Development and Urban Housing Department, GUDM and Municipal Corporations of Ahmedabad, Jamnagar, Rajkot, Surat and Vadodara. An Entry Conference was held (06 May 2011) with Secretary (Housing) to explain the audit objectives and scope. The audit findings were discussed (29 December 2011) with the Principal Secretary, Urban Development and Urban Housing Department during an Exit Conference. The Government replied to the audit findings in October 2012 and the replies have been considered while finalising the report.

### Audit findings

#### 4.1.6 Financial Management

##### 4.1.6.1 Financial Assistance

Assistance under JNNURM was in the form of Additional Central Assistance (ACA). The funding pattern for projects under UIG and BSUP was as given in **Table 1** below:

**Table 1 : Funding pattern**

(Figures in percentage)

Category of cities/ towns	UIG			BSUP	
	Central Share	State Share	ULB/Parastatal share/Loan from Financial Institutions	Central Share	State/ULB/Parastatal share, including beneficiary contribution
Cities with 4 million plus population as per 2001 census	35	15	50	50	50
Cities with million plus but less than 4 million population	50	20	30	50	50
Cities other than those mentioned above	80	10	10	80	20

(Source: Guidelines of UIG and BSUP)

<sup>4</sup> UIG and BSUP (5 cities), IHSDP (45 cities/ towns), UIDSSMT (52 cities/towns) including 18 cities/towns common in both IHSDP and UIDSSMT

<sup>5</sup> Eight from Ahmedabad, two from Jamnagar, one from Rajkot, 12 from Surat and five from Vadodara

In respect of UIDSSMT projects, funding was in the ratio of 80:10 between Central Government and State Government and the balance 10 *per cent* was to be raised by the nodal/implementing agencies. In respect of IHSDP projects, it was in the ratio of 80:20 between Central Government and State Government/ULBs/Parastatal/beneficiary contribution.

The ACA received in Consolidated Fund of the State was released through the State Budget to Gujarat Urban Development Mission (GUDM) together with State share in the form of grant-in-aid. GUDM was to pass on the assistance to the ULBs in the form of soft loan or grant-cum-loan or grant. The position of projects sanctioned and share of GOI/State/ULB (March 2012) is given in **Table 2** below:

**Table 2 : Number of projects sanctioned and their funding**

(₹ in crore)

Sr. No.	Sub-Mission	No. of projects	Approved cost	GOI share	State share	ULB share
1	UIG	73	5,625.09	2,492.58	990.74	2,141.77
2	BSUP	27	2,032.92	1,015.47	423.11	599.29
3	UIDSSMT	52	434.87	348.32	43.48	43.48
4	IHSDP	45	534.52	237.87	304.40	89.40
	<b>Total</b>	<b>197</b>	<b>8,627.40</b>	<b>4,094.24</b>	<b>1,761.73</b>	<b>2,873.94</b>

(Source : Information furnished by GUDM)

The GOI and State Government released ₹2,956.68 crore (72 *per cent*) and ₹1,145.67 crore (65 *per cent*) as of March 2012 as against their committed share of ₹4,094.24 crore and ₹1,761.73 crore respectively.

#### 4.1.6.2 Release of funds by GOI

Details of committed share of GOI, ACA released and expenditure incurred in respect of the projects selected for performance audit are given in **Appendix-X**.

#### 4.1.6.3 Outstanding reimbursement claims

Guidelines of JNNURM provide that Mission cities can seek assistance for preparation of CDPs/DPRs, training and capacity building, community participation and information, education and communication activities. The assistance was restricted to five *per cent* of ACA or actual requirement, whichever is less.

Scrutiny of records of the three selected ULBs revealed that in respect of 36 projects, the claims for reimbursement of cost of CDPs/DPRs amounting to ₹13.51 crore<sup>6</sup> were outstanding due to submission of documents in Gujarati instead of English to GOI (February 2013).

GUDM stated (March 2013) that compliance was in process.

<sup>6</sup> 1. Rajkot Municipal Corporation – claim for nine DPRs + one CDP = ₹0.78 crore, 2. Surat Municipal Corporation – claim for 16 DPRs = ₹8.07 crore and 3. Vadodara Municipal Corporation – claim of 10 DPRs = ₹4.66 crore

#### **4.1.7 Urban Reforms**

##### **4.1.7.1 Non creation of Revolving Fund**

As per guidelines of JNNURM a Revolving Fund (RF) was required to be formed to meet Operations and Maintenance cost of the assets created under the Mission and for financing further investment in infrastructure projects. While releasing the financial assistance to the ULBs in the form of grant-cum-loan, 25 per cent of Central and State assistance was to be recovered and ploughed into the RF. At the end of the Mission period, the RF was to be graduated to the State Urban Infrastructure Fund. It was also provided that GUDM would be responsible for management of the RF. However, the RF was not created in the State (August 2012). The State Government issued a Resolution (September 2007) regarding formulation of a funding pattern for disbursement of central and state grants to ULB under various sub-missions of JNNURM wherein the criteria for recovery of loan, interest, moratorium period, ploughing of recoveries into RF, etc., were fixed. Subsequently, the State Government cancelled (October 2007) the above resolution.

The Government stated (October 2012) that it was decided to release the assistance in the form of grants only considering the project size, financial and technical position of ULBs. The fact, however, remains that the RF was not created as ACAs were released in the form of grants instead of as grant-cum-loan and consequently, the provision for maintenance of assets could not be ensured.

##### **4.1.7.2 Non-formation of Project Implementation Unit**

Guidelines of JNNURM provide that a Project Implementation Unit (PIU) be formed within the ULB for supplementing and enhancing existing skill and to work in tandem with the existing staff with focus on strengthening implementation of the Mission.

Out of five test checked ULBs, Jamnagar Municipal Corporation (JMC) did not form any separate PIU and the existing staff were executing JNNURM works. This resulted in the regular staff being saddled with the additional work which ultimately affected the speed of implementation of the JNNURM works.

The Government stated (October 2012) that separate branches were available for water supply and slum department in JMC, therefore PIU was not formed as both the branches handled the projects separately. The reply is not acceptable as the role and responsibility envisaged in the JNNURM guidelines for PIU was not fulfilled due to non-formation of the same.

##### **4.1.7.3 Non-inclusion of renewal projects**

One of the main objectives of JNNURM was to take up urban renewal programme of redevelopment of inner (old) city areas to reduce congestion. However, scrutiny of records revealed that out of 73 and 52 projects approved under UIG and UIDSSMT, none related to urban renewal.

When pointed out, GUDM stated (September 2012) that projects as proposed by ULBs in their City Development Plan were appraised by SLSC and none of the MCs proposed any renewal projects. However, the fact remains that a vital component of the Mission was totally neglected.

#### 4.1.7.4 Implementation of Urban Reforms

The main objective of the reforms under JNNURM was to provide an enabling environment for the growth of the cities by enhancing effective urban service delivery and civic infrastructure through improvements in urban management, land management, financial management and stakeholder participation in local governance. Accordingly, State Government and ULBs were required to accept the implementation of an agenda of reforms broadly categorised as Mandatory and Optional Reforms. The status of implementation of the urban reforms at State/ULBs/Parastatal level is shown in **Table 3** below:

**Table 3 : Status of implementation of Urban Reforms**

Level at which implemented	Category	Nature of reform	Status
State	Mandatory	Implementation of decentralisation measures as envisaged in 74 <sup>th</sup> Constitutional Amendment Act	Implemented
		Reforms of Rent Control Act	Not implemented
		Rationalisation of Stamp Duty	Implemented
		Enactment of Public Disclosure Law	Implemented
		Repeal of Urban Land Ceiling and Regulation Act	Implemented
Urban Local Body	Mandatory	Enactment of Community Participation Law	Implemented
		Shift to/Adoption of accrual based double entry accounting system	Implemented
		Property tax reforms with Geographical Information System (GIS) to achieve at least 85 <i>per cent</i> collection	Implemented (except GIS)
		Internal earmarking of funds for Urban poor	Implemented
		E-Governance	Implemented
		Levy of reasonable user charges to recover full cost of O&M/ recurring cost	Implemented
Both State and Urban Local Body	Optional	Provision of basic services to urban poor	Implemented
		Introduction of property title certification (transfer to ULB level)	Not implemented
		Introduction of computerised registration of land and property (transfer to ULB level)	Not implemented
		Earmarking 20-25 <i>per cent</i> developed land for EWS/LIG housing with a system of cross subsidisation	P a r t i a l l y implemented
		Revision of bye-laws to streamline the approval process for construction of buildings, development of sites, <i>etc.</i>	Implemented
		Simplification of legal and procedural framework for conversion of agriculture land to non-agriculture purpose (transfer of power to ULB)	Not implemented
		Revision of bye-laws to make rain water harvesting mandatory in all buildings and adoption of water conservation measures	Implemented
		Bye-laws for reuse of recycled water	Implemented
		Administrative Reforms	Implemented
		Structural Reforms	Implemented
Encouraging Public Private Partnership	Implemented		

(Source : Information furnished by GUDM and ULBs)

- Mandatory reform of Rent Control Act and optional reforms for (i) introduction of property title certification, (ii) introduction of computerised registration of land and property and (iii) simplification of legal and procedural framework for conversion of agriculture land to non-agriculture purpose were not implemented by ULBs.
- Earmarking atleast 20-25 *per cent* of developed land in all housing projects for Economical Weaker Sections/Low Income Group was not done.
- Reform of the property tax systems was one of the mandatory reforms under the Mission. The guidelines emphasize the need for proper mapping of properties using a Geographical Information System (GIS). For the purpose, every ULB had to fully migrate to GIS by the year of Mission period committed in the Memorandum of Agreement (MoA). Audit scrutiny, however, revealed that four ULBs had not implemented the GIS as committed in the MoA as shown in **Table 4** below:

**Table 4 : Progress of implementation of Geographical Information System**

Name of ULB	Year committed in MoA for full migration to GIS	Status	Remarks
Ahmedabad Municipal Corporation	Fourth year (2008-09)	Not implemented	Tendering under process (February 2013)
Jamnagar Municipal Corporation	Sixth year (2010-11)	Not implemented	No progress achieved (February 2013)
Rajkot Municipal Corporation	Third year (2007-08)	Implemented	-
Surat Municipal Corporation	Fourth year (2008-09)	Not implemented	Work awarded in February 2012 with a stipulation to complete within 18 months and the work was at development and designing stage (February 2013)
Vadodara Municipal Corporation	Fifth year (2009-10)	Not implemented	Tendering over, work to be awarded (February 2013)

(Source : Information furnished by the ULBs)

Thus, the ULBs were not equipped with the facility of mapping properties in the city with the help of GIS to bring them under the tax net.

When pointed out, Government stated (October 2012) that –

- it was difficult to earmark 20-25 *per cent* of land for urban poor, however, the Gujarat Town Planning and Urban Development Act, 1976 provides for reservation of plots to the extent of 10 *per cent* and
- proper mapping of properties using a GIS was under progress.



## Implementation of Housing Projects

Housing projects were undertaken under sub-mission Basic Services to Urban Poor (BSUP) in mission cities and Integrated Housing and Slum Development Programme (IHSDP) in cities other than mission cities with the objective to provide housing either in situ or at a new location to the urban poor with basic infrastructure amenities<sup>7</sup> in a healthy environment.

### 4.1.8 Status of Housing Projects and dwelling units

The status of housing projects as of March 2012 is shown in **Table 5** below:

**Table 5 : Status of housing projects**

Name of Sub-mission	Projects sanctioned	Projects completed	Projects in progress	Projects not started	Projects abandoned
BSUP	27	5	22	0	0
IHSDP	45	0	13	26	6
<b>Total</b>	<b>72</b>	<b>5</b>	<b>35</b>	<b>26</b>	<b>6</b>

(Source : Information furnished by GUDM)

The above table shows that out of 72 sanctioned housing projects (27-BSUP and 45-IHSDP), only five projects were completed, six were abandoned and 26 projects were not even started. The percentage of completion of projects was 19 and zero under BSUP and IHSDP, respectively.

Similarly, out of eleven housing projects (10-BSUP and 01-IHSDP) selected for audit, only four were completed and two were not started while the remaining five were in progress.

Each housing project consists of several dwelling units (DUs). The position of completion, allotment and occupancy of DUs of 72 projects sanctioned is shown in **Table 6** below:

**Table 6 : Position of completion, allotment and occupancy of DUs**

Name of Sub-mission	DUs sanctioned	DUs completed	DUs in progress	DUs allotted	DUs occupied
BSUP	1,13,488	79,522	9,864	57,917	39,202
IHSDP	32,913	3,800	3,076	545	425
<b>Total</b>	<b>1,46,401</b>	<b>83,322</b>	<b>12,940</b>	<b>58,462</b>	<b>39,627</b>

(Source: Information furnished by GUDM)

The above table reveals that against 1.46 lakh DUs sanctioned only 83,322 DUs were completed and of these completed DUs, 58,462 DUs were allotted and only 39,627 DUs were occupied.

The audit findings on implementation of housing projects under BSUP and IHSDP are discussed as under:

### 4.1.9 Basic services to urban poor (BSUP)

The main thrust of the sub-mission BSUP was on integrated development of slums through projects for providing shelter, basic services and other related civic amenities in mission cities with a view to provide utilities to the urban poor. The following irregularities were noticed in implementation of sub-mission:

<sup>7</sup> Basic infrastructure such as facility of drinking water, roads, sewerage etc.

#### 4.1.9.1 Non-commencement of work

(i) The CSMC approved (February 2010) a housing project of in-situ development of 6,096 DUs at cost of ₹155.24 crore for urban poor residing in slums of Vadodara city at 12 different places. The project was targeted to be completed by December 2011.

Scrutiny of records of Vadodara Municipal Corporation (VMC) revealed that GOI and State Government together released ₹26.29 crore (March 2010) as first installment for implementation of the project. However, the tendering process was delayed upto December 2010 though the ownership of the land of proposed site was with the State Government. After getting possession of land (May 2012), work orders for 6,096 DUs were issued (September 2011 and March 2012).

Audit observed that work awarded (September 2011) could not commence as residents of slums filed petition (December 2011) in High Court of Gujarat for alternate accommodation during execution of the project, which was allowed (March 2012) and the work has not been taken up so far (March 2013).

Thus, failure of Government to transfer the land to ULB in time and lack of planning to provide alternate accommodation before displacing the slum dwellers for in-situ construction of DUs resulted in non-commencement of work and blocking of ₹26.29 crore for over two years.

The Government stated (October 2012) that in view of the slum development policy, VMC had anticipated that allotment of land shall be made for this purpose by the government and temporary accommodation charges were included in the DPR but the same were not approved by State Government and CSMC. The reply is not acceptable as the land was not available for development and no alternate accommodation was arranged for the slum dwellers by the VMC.

(ii) The CSMC approved (January 2009) two redevelopment housing projects for urban poor residing in slums at Bhimnagar and Kamrunagar in Surat city at an estimated cost of ₹29.48 crore (1,176 DUs) and ₹23.75 crore (740 DUs) respectively.



Photo showing slums at Bhimnagar

The project was for an in-situ development by demolishing the existing slums. The GOI and the State Government together released ₹8.06 crore<sup>8</sup> (March 2009) towards the first installment and an amount of ₹95.07 lakh<sup>9</sup> was sanctioned for transit accommodation as a part of project cost. However, the transit accommodation was not provided and the slum dwellers continued to stay in the slums.

<sup>8</sup> Bhimnagar – ₹4.50 crore and Kamrunagar - ₹3.56 crore

<sup>9</sup> Bhimnagar – ₹47.56 lakh and Kamrunagar - ₹47.51 lakh



Photo showing slums at Kamrunagar

It was found that work at both the places was awarded to an agency<sup>10</sup> (April 2010), however, due to non-availability of clear site, the agency could not commence the work and was subsequently relieved (October 2011). Since then, no further progress was made and grant of ₹8.06 crore was lying unutilised (June 2012) with the Surat Municipal Corporation (SMC).

The Government stated (October 2012) that the work could not commence as beneficiaries did not agree to vacate their place of residence. Regarding construction of transit accommodation, it was stated that a single tender was received in the first attempt and further that the agency expressed its inability to execute the work. SMC had successfully shifted 449 slum dwellers (October 2012) and expected to shift the remaining in the near future. It further stated that the process of tendering for both projects was in progress.

It was noticed that as SMC could not provide transit accommodation to all slum dwellers, the construction of DUs could not be undertaken, thereby the beneficiaries were deprived of the benefits of the Mission.

#### **4.1.9.2 Incomplete dwelling units**

(i) The CSMC approved (December 2006) a housing project (DPR-V) for construction of 7,392 DUs at an estimated cost of ₹98.88 crore for urban poor of Surat city. The project period was 27 months. SMC divided the project in seven packages, each consisting of 1,056 DUs, for execution. The lowest bidder of each package was awarded (January 2008) work with time limit of 12 months. Out of 7,392 DUs sanctioned, 5,616 DUs were completed (March 2012).

The 7,392 DUs were to be constructed on two plots at Kosad. The land for the entire project was acquired (May 2005) from Gujarat Housing Board (GHB). While the work was in progress, the Municipal Commissioner ordered (October 2008) stopping the execution of further work in respect of 37 blocks consisting

<sup>10</sup> Standard Buildcon Limited

of 1,776 DUs as the ownership of said land was with private parties. The ULB had incurred an expenditure of ₹6.72 crore on these 1,776 DUs by then. There has been no progress on the work since then (February 2013).



Audit scrutiny revealed that the title of the land on which construction of 37 blocks was in progress, was not with the SMC/GHB and the fact was known to the ULB before commencement of work. It was only after receipt of a representation from the landlord that the construction was stopped.

The Government stated (October 2012) that after the preparation of the DPR for the entire land, the work had been started. However, GHB did not intimate that some portion of land belonging to private owners had not been acquired by the GHB which resulted in stoppage of the construction work. The reply is not acceptable as construction of DUs was taken up on land not owned by SMC/GHB and this fact was known to the ULB prior to commencement of the work.

(ii) The CSMC approved (September 2006) a housing project at Bhestan, Surat for the construction of 5,424 DUs at an estimated cost of ₹56.45 crore for urban poor. The project period was 30 months. Out of 5,424 DUs sanctioned, 4,768 DUs were completed (March 2012).

The project was divided into nine packages for execution. Work orders for two packages (1-A/A<sup>11</sup> and 1-A/C<sup>12</sup>), each consisting of 320 DUs were awarded (March 2007 and May 2007) to the lowest bidder<sup>13</sup> with time limit of ten months. The agency after executing work of ₹1.55 crore stopped work (September 2010 and March 2011) and material worth ₹2.42 crore supplied free of cost to the agency was utilised till then (total expenditure ₹3.97 crore).

Eventually, the SMC blacklisted (August 2011) the agency and thereafter ULB invited repeated tenders 12 times, but work could not be awarded (July 2012) for want of response or due to the rejection of tender on various grounds.

<sup>11</sup> Tendered cost ₹1.74 crore without cost of steel and cement

<sup>12</sup> Tendered cost ₹1.76 crore without cost of steel and cement

<sup>13</sup> A.K. Patel



Photos showing incomplete houses at Bhestan, Surat

Audit observed that though the agency failed to complete the work within the stipulated date, only notices were served by SMC and the action of blacklisting the agency was taken after three years from the stipulated date of completion. It was also seen that in response to a tender notice on the fourth attempt, an agency<sup>14</sup> quoted 9.91 *per cent* above the estimated cost (SOR of 2011-12), but the Tender Scrutiny Committee (TSC) rejected it. All the subsequent attempts did not evoke any response (July 2012). Thus, construction of 640 DUs remained incomplete even after incurring expenditure of ₹3.97 crore.

The Government stated (October 2012) that the work had been awarded (August 2012) and would be completed by end of May 2013. As regard non-acceptance of tender that was 9.91 *per cent* above the cost, it was stated that the tender was rejected in view of the Standing Committee's resolution stipulating that tenders above 4.77 *per cent* of the estimated cost were not to be accepted. The reply is not acceptable as the ULB failed to take proper action against the agency in time and a subsequent tender at 9.91 *per cent* above the estimated cost was rejected by the TSC referring to a Standing Committee's resolution which was not applicable in the instant case.

#### 4.1.9.3 Post tender negotiations

(i) The CSMC approved (February 2007) a housing project at an estimated cost of ₹338.76 crore for construction of 18,976 DUs at Ahmedabad. The work was divided into five packages. The fourth and fifth packages consisted of 3,520 DUs (estimated cost ₹54.14 crore) and 3,488 DUs (estimated cost ₹53.65 crore) respectively.

The Ahmedabad Municipal Corporation (AMC) invited tenders (March 2007) for fourth and fifth packages<sup>15</sup> and when the price bids were opened (April 2007), an agency<sup>16</sup> which was L<sub>1</sub> in both the packages quoted negotiated bids of ₹64.70 crore (fourth package) and ₹62.98 crore (fifth package).

Audit observed that the price bid of L<sub>1</sub> agency for fourth package was rejected by AMC on the ground that L<sub>1</sub> was already having number of works on hand, though, no such condition was found in the tender documents. Further, it was

<sup>14</sup> Jay Construction

<sup>15</sup> AMC enlarged scope of work to 10,000 DUs (10 April 2007) and last date of submission of bids was extended to 21 April 2007; ETL was advertised without reference to any enhanced scope of work

<sup>16</sup> MS Khurana Engineering Limited

noticed that L<sub>2</sub> agency<sup>17</sup> on expressing his willingness to execute the work at a cost quoted by L<sub>1</sub> agency was issued the work order. Thus, the rejection of offer of L<sub>1</sub> agency and awarding of work to L<sub>2</sub> agency was not in order.

The Government stated (October 2012) that Standing Committee in Municipal Corporation is a competent authority, under Gujarat Provincial Municipal Corporation Act, 1949 for acceptance, rejection or allocation of work of any amount. The work was awarded to L<sub>2</sub> agency at the rate of L<sub>1</sub> agency for speedy execution of work without any financial implication by the Standing Committee. The reply is not acceptable as such criteria for rejection of offer was not available in the tender document.

(ii) Ahmedabad Urban Development Authority (AUDA) after inviting tenders for work of construction of 2,500 DUs for urban poor of Ahmedabad, opened (March 2005) price bids and the L<sub>1</sub> agency<sup>18</sup> offered to undertake the work at ₹23.24 crore (five *per cent* below estimated cost). However, AUDA negotiated (March 2005) with all the bidders and on post negotiations L<sub>2</sub> agency (whose quotation stood at ₹23.46 crore) made total reduction of seven *per cent* from the estimated cost and brought down their offer to ₹22.84 crore. Due to this reduction, L<sub>2</sub> agency became the lowest bidder and AUDA awarded (April 2005) the work to L<sub>2</sub> agency at negotiated price of ₹22.84 crore against an estimated cost of ₹24.57 crore (seven *per cent* below). Thus, orders/instructions regarding award of work and post tender negotiations as stipulated by Central Vigilance Committee (CVC) were flouted as instructions of CVC forbid post tender negotiations/negotiations with any agency other than L<sub>1</sub> agency.

Subsequently, after the launch (December 2005) of JNNURM by GOI, the AMC decided to treat the work as a JNNURM work and booked an expenditure of ₹11.19 crore (September 2006) which had been incurred on this project (up to December 2005) under JNNURM.

The Government stated (October 2012) that as L<sub>1</sub> agency did not offer any rebate, AUDA invited the other bidders to offer rebate from their quoted rates. Based on the rebate offer of L<sub>2</sub> agency being below the rate quoted by L<sub>1</sub> agency, the work was awarded to L<sub>2</sub> agency. The reply of the Government (October 2012) that negotiations with L<sub>2</sub> agency were done as L<sub>1</sub> agency did not offer any rebate is not justifiable as this is not permissible as per rules.

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<sup>17</sup> Syntax Industries Limited.

<sup>18</sup> BPC Project and infrastructure Private Limited

#### 4.1.9.4 Loss of Central Assistance

Audit observed loss of Central assistance and denial of benefits in three cases as under –

(₹ in crore)

Name of the project	Amount of Central assistance lost	Reasons
Housing Phase I for Urban Poor, Vadodara	₹8.21	<p>The CSMC approved (December 2006) a housing project (Phase-I) of 6,668 DUs at cost of ₹88.61 crore for urban poor of Vadodara. The GOI released ₹33.96 crore in four instalments (upto March 2012). Of the above, 1,276 DUs were planned to be developed at Karelibaug area, but work could not be started due to protest from local residents. Also no efforts were made to get alternate land allotted for construction of an equal number of DUs.</p> <p>VMC submitted (April 2011) a revised DPR for 5,392 DUs at cost of ₹73.50 crore by dropping 1,276 DUs sanctioned earlier which was accepted (June 2011) by reducing GOI share from ₹42.17 crore to ₹33.96 crore; thus inability of VMC to find suitable site for residential accommodation resulted in loss of Central assistance of ₹8.21 crore.</p> <p>The Government admitted (October 2012) that the work was not executed due to public protest, hence DPR was revised and got approved from CSMC. The work of 5,392 DUs has been completed.</p>
Construction of 5,280 DUs for Urban Poor, Surat	₹2.37	<p>The CSMC approved (November 2006) a housing project (DPR-III) of 5,280 DUs at cost of ₹72.03 crore for the urban poor of Surat. The GOI released admissible ACA amounting to ₹34.28 crore. The work was completed by executing extra items costing ₹4.75 crore due to change in design of slope, upgraded quality of tiles, construction of slabs <i>etc.</i> Thus, due to deficient DPR, Central assistance of ₹2.37 crore being the fifty <i>per cent</i> of the cost of extra item could not be availed of by SMC as the extra items were not admissible for ACA under the mission.</p> <p>The Government stated (October 2012) that subsequent changes were made to improve the environment based on various training, discussion and suggestions from experts. The reply is not acceptable as these aspects were required to be considered at the time of finalisation of DPR.</p>
DPR II, III and IV for Urban Poor, Surat	₹1.80	<p>In the DPR for three projects (DPR-II, III and IV), SMC made lump-sum provision of ₹40.34 lakh for social infrastructure. However, Community Hall, Anganwadi, Shopping centres, party plots <i>etc.</i>, included subsequently in the projects, were estimated to cost ₹4.00 crore. Thus, due to defective DPR, SMC could get only ₹20.17 lakh against admissible amount of ₹2.00 crore resulting in loss of Central assistance of ₹1.80 crore.</p> <p>Government stated (October 2012) that some part of infrastructure was included in the DPR but as the same was not substantial, required infrastructure were created from own fund of SMC. The reply is not acceptable as the SMC should have assessed the above requirements and included in DPR to avoid loss of Central assistance.</p>
<b>Total</b>	<b>₹12.38</b>	

**4.1.9.5 Cost overrun due to lack of planning**

For taking up a housing project, availability of suitable land with clear title was pre-requisite. Hence, details of availability of land with description were required to be mentioned in DPR. Further, proper planning for execution of work was essential to avoid time and cost overruns. Instances of poor planning which led to cost overruns are mentioned below :

(₹ in crore)

Name of the project	Estimated cost	Excess expenditure	Reasons	Reply of Department
DUs for Urban Poor, Ahmedabad	₹338.76	₹6.34	<p>The CSMC approved (February 2007) a housing project (DPR Phase I) for construction of 18,976 DUs; but tenders were invited in five packages for only 15,168 DUs for want of land and technical deficiencies in land earmarked. The AMC arranged (October 2009) alternate land for remaining 3,808 DUs but ULB decided to not award the work to the existing agencies of the first phase considering their slow progress of work and also tried to shift the construction technology from Mescon to RCC frame structure. However, after tendering, the work of Phase-II was awarded (December 2011 and January 2012) to the agency executing Phase-I without any change of technology.</p> <p>The tendered cost (₹278.61 crore) was 19.43 per cent over the estimated cost of ₹233.29 crore (Phase-I) whereas the tendered cost (₹85.48 crore) was 29 per cent over the estimated cost of ₹66.26 crore (Phase II); hence, there was an excess tendered cost of 9.57 per cent in Phase-II. As the estimated cost of the work in Phase-II was ₹66.26 crore; there was a cost overrun of ₹6.34 crore.</p>	<p>The Government stated (October 2012) that due to non availability of land on account of legal disputes in respect of some proposed plots, there was delay in awarding of work. The RCC frame structure was considered for ensuring timely completion of the project. However best efforts were made for timely completion of work and safeguarding its financial interest.</p> <p>The reply is not acceptable as the ULB submitted DPR without availability of land and incorrect information. None of the proposals of AMC to award work to a fresh agency with a change of technology were acted upon by the ULB. Thus, improper planning of AMC resulted in a cost overrun of ₹6.34 crore.</p>



Name of the project	Estimated cost	Excess expenditure	Reasons	Reply of Department
DUs for Urban Poor, Surat	₹55.42	₹26.98	<p>The CSMC approved (September 2007) the DPR of a housing project (DPR-VI) for construction of 4,032 DUs at 11 different locations at an estimated cost of ₹55.42 crore; but the estimate of the work was approved (March 2008) by Standing Committee after six months from the sanction of the project. After a series of changes, the tender was invited (March 2009) after 18 months of the approval for nine packages for 4,032 DUs at an estimated cost of ₹74.81 crore. Work order was issued (July 2009) at tendered cost of ₹73.33 crore (two per cent below) resulting in a cost overrun of ₹17.91 crore over the estimated cost of DPR.</p> <p>Out of these 4,032 DUs, agencies could not take up construction of 1,602 DUs due to non-availability of land. Alternate land was made available in July 2011. Since the agencies refused to execute the work at tendered cost due to a price rise in the material and labour over this period of time, fresh tender was invited by revising the estimated cost (₹36.47 crore) as per the current SOR (2011-12) and work order was issued at tendered cost of ₹38.21 crore which led to further cost overrun. Thus, there was an overall cost overrun of ₹26.98 crore<sup>19</sup>. The work of all 4,032 DUs was in progress (April 2013).</p>	<p>The Government stated (October 2012) that delay was merely at various sanctioning/ approval stages, proposed lands not being available due to opposition from the public, non-finalisation of town planning scheme at the time of preparation of DPR and non-viability of some of the proposed plots due to passage of high tension electric lines, encroachments, part possession of land, etc.</p> <p>The reply is not acceptable as the ULB submitted the DPR without ascertaining the availability of land and considering the other points stated above. Improper planning of SMC resulted in cost overrun of ₹26.98 crore.</p>

<sup>19</sup> ₹73.33 crore/4,032 DUs × 2,430 = ₹44.19 crore + ₹38.21 crore = ₹82.40 crore - ₹55.42 crore (original estimated cost) = ₹26.98 crore

Name of the project	Estimated cost	Excess expenditure	Reasons	Reply of Department
DUs of Urban Poor of Surat	₹56.45	₹4.14	The CSMC approved (September 2006) a housing project (DPR-II) at Bhestan, Surat for construction of 5,424 DUs at an estimated cost of ₹56.45 crore. The project was divided into nine packages for the purpose of execution and Surat Municipal Corporation (SMC) invited tender for seven packages for 1,840 DUs in the first phase (October 2006) and two packages for 3,584 DUs in the second phase (November 2006). Tenders accepted (March 2007) in Phase-I were (tendered cost - ₹10.06 crore) at average 9.12 per cent below the estimated cost (₹11.07 crore), whereas the Tender accepted (May 2007) for Phase-II was (tendered cost ₹23.75 crore) at 10 per cent above the estimated cost (₹21.59 crore). This resulted in 19.12 per cent difference of tendered cost between Phase-I and Phase-II, though both the works were to be executed on the same plot. The estimated cost of Phase-II was ₹21.59 crore which resulted in cost overrun of ₹4.14 crore.	The Government stated (October 2012) that since DPR-II was a pilot project of SMC, tender for seven packages comprising of only 160 to 320 DUs each were invited in Phase-I but considering the requirement of completion of project within stipulated time, the tenders were invited for remaining 3,584 DUs in two packages. Considering the time schedule and size of package, the tendered cost was accepted after negotiation. The reply is not acceptable as the need for a pilot project has not been established which is supported by the fact that the tenders were invited within a period of one month. Thus, improper planning of SMC resulted in cost overrun of ₹4.14 crore.
<b>Total</b>		<b>₹37.46</b>		

#### 4.1.9.6 Avoidable expenditure due to delay in allotment of DUs

The CSMC approved (between September 2006 and March 2011) construction of 46,856 DUs for the urban poor of Surat. Out of 46,856 DUs, 34,206 DUs were completed and 25,056 DUs were allotted to the beneficiaries. Due to delay of up to two years in allotment of completed units to the beneficiaries and lack of security arrangements to safeguard the assets created, the electrical fittings, plumbing, overhead water tanks, etc., were found to have been damaged. This resulted in avoidable expenditure of ₹91.54 lakh by SMC towards repairs.

The Government stated (October 2012) that the delay in allotment was on account of failure of beneficiaries to submit the required supporting documents, payment of beneficiary contribution fixed by the standing committee and

delay in completion of infrastructural facilities. It was further, stated that the expenditure for repairs was met from the SMC fund. The reply is not acceptable as the above expenditure could have been avoided by making necessary security arrangements.

#### ***4.1.10 Integrated Housing and Slum Development Programme (IHSDP)***

The basic objective of IHSDP is to strive for holistic slum development with a healthy and enabling urban environment by providing adequate shelter and basic infrastructure facilities for slum dwellers of identified areas of the non-mission cities.

The CSMC sanctioned (February 2007) a housing project of 864 DUs and allied infrastructure at the cost of ₹10.06 crore for the city of Jamnagar. The following irregularities were observed in implementation of the project:

##### ***4.1.10.1 Deficient survey of beneficiaries***

After survey of Jalaram and Summair-Club slum pockets of the city only 414 slum dwellers<sup>20</sup> were identified. However, JMC proposed DPR for construction of 864 DUs. There was no co-relation between numbers of slum dwellers and numbers of DUs proposed in the DPR.

The Government stated (October 2012) that the ULB had identified 58 slum pockets but at the time of preparation of DPR, only 414 slum units of above two slum pockets were surveyed. The reply is not acceptable as the DPR was proposed without identifying the exact demand.

##### ***4.1.10.2 Unauthorised truncation of project***

The Administrative Approval of the above project contained a condition that any cost increase while execution of the work, shall have to be borne by the ULB.

The JMC invited (August 2007) tenders for construction of 864 DUs at an estimated cost of ₹7.52 crore (SOR<sup>21</sup> 2004-05), against which negotiated rates quoted by the only bidder<sup>22</sup> were 56 *per cent* above the estimated cost. Since the rates quoted were also above the market rate, the GUDM rejected (October 2007) the bid and ordered re-invitation of tender. Thereafter, JMC made eight unsuccessful attempts (between December 2007 to November 2008) due to lack of response to the tender and on the tenth attempt (December 2008), a negotiated rate of the L<sub>1</sub> agency<sup>23</sup> of ₹15.80 crore (110.10 *per cent* above estimated cost) was considered reasonable by the GUDM (January 2009) and accepted.

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<sup>20</sup> Jalaram - 314 slum units and Summair Club - 100 slum units

<sup>21</sup> Schedule of Rates

<sup>22</sup> Malani Construction Company

<sup>23</sup> Shanti Construction

The Standing Committee resolved (24 September 2009) to award the work to the L<sub>1</sub> agency to the extent of funds available and accordingly work order for construction of 420 DUs was issued (October 2009) at tendered cost of ₹7.68 crore. Thus, rejection of tender at first attempt without comparing rates of current SOR and market rate led to avoidable expenditure of ₹1.98 crore<sup>24</sup> and increase of per unit cost to ₹1.83 lakh (210 per cent) as against ₹0.87 lakh<sup>25</sup> approved (December 2008) in the General Board. Since the ULB was to bear the cost over and above the estimated cost sanctioned, the action of JMC to truncate the project was also unauthorised.

The Government stated (October 2012) that JMC had already approved the tender for remaining DUs and would complete those without taking any additional grant from the IHSDP scheme. However, no comment was offered for rejection of the tender of first attempt and the work is yet to start (February 2013).

#### 4.1.11 Non-creation of social infrastructure

JNNURM (BSUP) guidelines provide for civic amenities/infrastructure like community halls, child care centre, internal roads, etc. apart from providing DUs to the urban poor. Test check of records revealed the following deficiencies;

Name of ULB	Project	Details of deficiencies
Jamnagar Municipal Corporation	Construction of 864 DUs	Community hall at an expenditure of ₹41.32 lakh was provided in the DPR and ACA of ₹33.05 lakh was sanctioned. However, this item was not executed.
Surat Municipal Corporation	Housing Project (DPR-IV and V)	Housing project was completed and allotted to the beneficiaries; but two internal roads were not constructed. Besides, there was shortfall in length and width of the roads and road metal work as well as grouting work was not completed.

The Government stated (October 2012) that JMC had renovated the existing community hall at the current site and would construct a new community hall for the remaining DUs. The reply is not acceptable as the community hall which was renovated was not situated within the project site. As regards the issue relating to the SMC, Government admitted (October 2012) that road length was reduced due to land acquisition problems and would be fully constructed after completion of land acquisition.

#### 4.1.12 Implementation of Urban Infrastructure Projects

Urban Infrastructure projects were undertaken under sub-mission Urban Infrastructure and Governance (UIG) in mission cities and Urban Infrastructure

<sup>24</sup> ₹11.73 crore (bid amount on first invitation for 864 DUs) ÷ 864 (number of DUs) × 420 (number of DUs for which work order issued on second invitation) = ₹5.70 crore (proportionate bid amount on first invitation); ₹7.68 crore (proportionate bid amount on 10<sup>th</sup> invitation for 420 DUs) – ₹5.70 crore = ₹1.98 crore (amount of avoidable expenditure)

<sup>25</sup> ₹7.52 crore/864 DUs = ₹0.87 lakh, ₹0.87 lakh × 210/100 = ₹1.83 lakh

Development Scheme for Small and Medium Towns (UIDSSMT) for cities and towns other than mission cities. The main thrust of UIG was on major infrastructure projects relating to water supply including sanitation, sewerage, solid waste management, road network, urban transport *etc.*

#### 4.1.12.1 Status of Urban Infrastructure Projects

Out of total 125 projects (73-UIG and 52-UIDSSMT), 17 projects (16-UIG and 01-UIDSSMT) were selected for audit scrutiny. The scope of audit was restricted to Water Supply (six out of 64), Sewerage (ten out of 19) and Urban Transport (one out of five). The status of projects as of March 2012 is as shown in **Table 7** below:

**Table 7 : Status of urban infrastructure projects**

Name of Submission	Project sanctioned	Projects completed	Projects in progress	Projects not started	Projects abandoned	Percentage of projects completed
UIG	73	38	34	0	1	52
UIDSSMT	52	20	32	0	0	38
<b>Total</b>	<b>125</b>	<b>58</b>	<b>66</b>	<b>0</b>	<b>1</b>	

(Source: Information furnished by GUDM)

The table indicates that the percentage of completion of project was 52 and 38 under UIG and UIDSSMT respectively.

The following irregularities were observed in implementation of the projects:

#### **Water supply projects**

#### 4.1.12.2 Preparation of DPR in disregard to quantities/requirements

The CSMC approved (March 2007) a DPR for a Water Supply Scheme<sup>26</sup> of SMC at an estimated cost of ₹140.69 crore based on SOR of 2005-06. The GOI released ₹70.34 crore during the period March 2007 to August 2009. The work was completed (May 2012) at a cost of ₹145.41 crore.

We observed that as against the estimated quantity of 10,200 running metre (RMT) of MS pipes<sup>27</sup> at estimated cost of ₹16.76 crore, the actual quantity executed<sup>28</sup> was 6,900 RMT at a cost of ₹11.84 crore. Thus, the estimated quantity was inflated by 3,300 RMT with a cost implication of ₹4.92 crore and also resulted in excess receipt of Central assistance of ₹2.46 crore<sup>29</sup>.

<sup>26</sup> Augmentation of Water Supply Works in Sarthana, Katargam and Rander area

<sup>27</sup> 5,500 RMT of 1,422 mm dia MS pipes (transmission main Rander Water works to Jogninagar) and 4,700 RMT of 1,016 mm dia MS pipes (transmission main Athwa gate to Athwa Water Distributing System)

<sup>28</sup> 3,700 RMT (1,422 mm dia) and 3,200 RMT (1,016 mm dia)

<sup>29</sup> 50 per cent of ₹4.92 crore

The Government stated (October 2012) that as the proposed alignment of the pipelines in DPR was on the busiest roads and there existed important underground utility services, the route of work was changed. The lower usage of MS pipes coupled with the reply confirmed that DPR was prepared without proper survey and assessment of material requirement.

#### ***4.1.12.3 Irregular inclusion of ongoing projects in JNNURM***

The JNNURM guidelines provide that the State Government and the ULBs (including parastatal<sup>30</sup> agencies wherever applicable) would execute a Memorandum of Agreement (MoA) with the GOI indicating their commitment to implement identified reforms and ULBs should have elected bodies in position to access Mission funds. CSMC sanctioned (May 2006) WS Projects for Vesu and Pal-Palanpur of SMC at an estimated cost of ₹19.19 crore and ₹9.95 crore respectively. These two projects were divided into packages and executed (October 2005 to November 2007) by Surat Urban Development Authority<sup>31</sup> (SUDA) in seven components at an expenditure of ₹27.34 crore.

We observed that both the projects were under execution (since June 2004) by SUDA in the urban area of Surat prior to launch of JNNURM, however, this fact was not mentioned in the DPRs. Further, these projects were executed by SUDA without executing tripartite agreement with State Government/GOI. Therefore, inclusion of ongoing project of SUDA, its execution by SUDA without MoA and transfer of ₹20.40 crore by SMC to SUDA (December 2005 to July 2008) was in violation of provisions of JNNURM guidelines.

The Government stated (October 2012) that the projects were included in the CDP prepared (December 2005) by SUDA as per State Government instructions and was approved (March 2006) by GOI. It was also confirmed in reply that there was no separate MoA between SUDA and GOI/State Government. The facts, however, remain that the details of prior execution of projects were not included in the DPR and the provisions of JNNURM guidelines were violated due to non-execution of MoA by a non-elected body.

#### ***4.1.12.4 Non-observance of codal provisions and CVC guidelines***

The SLSC approved (October 2006) Jamnagar Water Supply Project Phase-II under UIDSSMT at a cost of ₹20.15 crore. The work was sub-divided into five packages. Audit observed that JMC awarded (August 2007) the work of Package-I<sup>32</sup> to L<sub>2</sub> agency<sup>33</sup> instead of L<sub>1</sub> agency<sup>34</sup> at the rate of ₹9.23 crore quoted by L<sub>1</sub> and agreed to by L<sub>2</sub> agency. Thus, the instructions contained in CVC Circular (November 1998) and GPW Manual regarding post tender negotiation were not adhered to.

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<sup>30</sup> Statutory agencies of State Government, which are assigned the responsibility for delivering services e.g. water supply, sewerage, etc. In this context, the term has been used for urban agencies.

<sup>31</sup> A para-statal body administered by Board of Directors appointed by the State Government

<sup>32</sup> Design build and commissioning contract for storage civil works of pumping station and supply-installation of pumping machineries for water supply project –Jamnagar, Phase-II

<sup>33</sup> Phonex Projects Private Limited

<sup>34</sup> Ramky Infrastructure Limited

The Government stated (October 2012) that as the progress of work in Phase-I by L<sub>1</sub> agency was found to have been slow, the work was awarded to the L<sub>2</sub> agency with no extra financial implications. The reply is not acceptable, as the provisions of CVC instructions and GPW manual do not permit recourse to such action.

### **Sewerage treatment plants**

#### **4.1.12.5 Avoidable expenditure due to injudicious rejection of tenders**

The price bids for sewerage treatment plant at Pirana old site were opened in April 2007 and L<sub>1</sub><sup>35</sup> offer received was ₹24.70 crore against the estimated cost of ₹21.75 crore (14 per cent/10 per cent above the estimated cost/Market cost<sup>36</sup>). After negotiation, the agency agreed to execute the work at the cost of ₹22.84 crore (two per cent above the market rate). The tender was rejected (May 2007) by AMC as it was considered to be on the higher side. On re-invitation (July 2007) of tender, the negotiated bid of L<sub>1</sub> agency<sup>37</sup> at ₹24.11 crore was accepted and work was awarded (September 2007). Thus, the rejection of first tender at ₹22.84 crore and acceptance of negotiated bid through second tender at ₹24.11 crore (11 per cent/eight per cent above the estimated cost/Market Rate) in less than 90 days resulted in avoidable expenditure of ₹1.27 crore.

The Government stated (October 2012) that the first tender was rejected as the rates were found to be on the higher side than those prevailing in the market and also in anticipation of getting lower rate on re-invitation. However, the objective of getting lower rate could not be achieved due to rise in price of material. The reply is not acceptable as the rejection of rate received on first occasion on the ground of being on higher side (though the same was only two per cent above the prevailing market rate) was without any basis.

#### **4.1.12.6 Acceptance of defective Bank Guarantee towards Security Deposit**

The work approved (January 2007) under JNNURM for Sewerage gravity line Zone-II, Vadodara City Phase-I was awarded (June 2008) to an agency<sup>38</sup> at the tendered cost of ₹21.17 crore against estimated cost of ₹15.64 crore with time limit of 15 months for completion. As per conditions of the contract agreement, successful bidder had to submit Security Deposit (SD) of an amount equal to five per cent of the contract value by demand draft or bank guarantee from a Nationalised Bank. The agency submitted (July 2008) bank guarantee from Union Bank of India, Mumbai for ₹1.06 crore.

As the work was found to be of poor quality, the VMC black listed (August 2009) the agency and decided to forfeit the deposits and get the work completed from another agency at the risk and cost of the black listed agency.

<sup>35</sup> Ramkay Infrastructure Limited

<sup>36</sup> Market cost - ₹22.39 crore

<sup>37</sup> Shri Ram EPC Limited

<sup>38</sup> Hydroair Tectonics (PCD) Ltd.

We observed that on submission of bank guarantee (August 2009) for encashment by VMC, the bank did not accede (September 2009) to the request as the contingencies<sup>39</sup> under which the Bank Guarantee issued were those applicable to Earnest Money Deposit<sup>40</sup> (EMD) and not SD. Further scrutiny revealed that Mobilisation Advance (MA) amounting to ₹1.06 crore was also paid (August 2008) to the agency without obtaining a bank guarantee in contravention of Central Vigilance Commission's instructions of April 2007. The MA paid was also not recovered from the agency.

Thus, VMC could not recover ₹2.12 crore from agency due to acceptance of invalid bank guarantee (₹1.06 crore) and payment of MA (₹1.06 crore) without safeguarding its financial interests.

The Government stated (October 2012) that normally all the documents were scrutinised at the time of payment of RA Bill but in the instant case, the agency had claimed only its first RA Bill and the same had yet not been scrutinised. As regard MA, it was stated that MA paid was in order as per tender condition and would be recovered from RA Bill. The reply is not acceptable as the correctness of documents submitted by agency were required to be scrutinised before issuing the work order and MA could not be recovered due to non-incorporation of suitable conditions in tender.

## **Bus Rapid Transit System**

### ***4.1.12.7 Delay due to lack of planning***

The Rajkot Municipal Corporation (RMC) issued (February 2009) the work order for 10.7 km long two lane Bus Rapid Transit System (BRTS) road to an agency<sup>41</sup> at a tendered cost of ₹100.54 crore with a stipulation to complete the work within 15 months (April 2010). The work was completed (June 2011) at a cost of ₹103.19 crore (February 2013)<sup>42</sup> with time overrun of 14 months and cost overrun of ₹2.65 crore.

The delay of 14 months in completion of the work was because right of way was not provided to the contractor and plans of over-ground and underground utilities were not supplied to the contractor in time.

The Government stated (October 2012) that the Project was delayed due to (i) large scale encroachments that had to be removed, (ii) digital mapping of utilities was not available as the area was not within ULB limits earlier, (iii) utilities were sensitive, active and could not be removed before hand and (iv) delays caused in shifting the utilities not owned by the ULB. The reply indicates that had proper planning been undertaken before the project was started, the time and cost overrun could have been avoided.

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<sup>39</sup> EMD is for tendering process and can be forfeited on withdrawal or non acceptance of Tender, whereas SD is obtained after issue of work order and can be forfeited in event of slow progress, abandon of work, non completion etc.

<sup>40</sup> This is deposit to be given by the bidders along with tender

<sup>41</sup> Backbone Enterprises Limited

<sup>42</sup> Final Payment made



### **4.1.13 Taking up activities not provided in the Mission**

#### **4.1.13.1 Execution of projects by unqualified bodies**

The JNNURM guidelines provide that the State Government and the ULBs (including parastatal agencies wherever applicable) would execute a Memorandum of Agreement (MoA) with the GOI indicating their commitment to implement identified reforms and ULBs should have elected bodies in position to access Mission funds. The tripartite agreement was required to be submitted along with the DPRs. On execution of tripartite agreement by AMC, 32 projects (approved cost ₹2,977.03 crore) were sanctioned (up to March 2012) by CSMC.

We observed that of the above, 10 projects (approved cost ₹554.31 crore<sup>43</sup>) out of 32 projects and ₹310.39 crore were transferred to AUDA<sup>44</sup> by AMC in violation of above provisions of JNNURM guidelines as AUDA had no elected body in position and was not a local self-governing body to implement urban reforms. Further, AUDA had not executed tripartite agreement with State Government/GOI.

The Government stated (October 2012) that most of the area of AUDA where the development projects were taken was merged in AMC in 2007 and AMC has implemented reforms in said area. The reply is not acceptable as the area was merged with AMC in 2007; hence these projects were required to be executed by AMC instead of AUDA.

#### **4.1.13.2 Sale of DUs constructed out of JNNURM funds**

The CSMC sanctioned (September 2006) a housing project for construction of 8,000 DUs in Ahmedabad city at a cost of ₹89.40 crore. AMC transferred the project to AUDA along with the funds. The AUDA incurred an expenditure of ₹105.84 crore and completed 7,400 DUs. The remaining 600 DUs were under construction (March 2012).

Scrutiny of records revealed that though the DUs constructed under JNNURM were meant for allotment to identified slum dwellers, AUDA, however, sold and handed over possession of 608 DUs (October 2008) for ₹4.36 crore to Sabarmati River Front Development Company Limited for allotment to the displaced slum-dwellers of Sabarmati River Front Development Project<sup>45</sup>. Thus, AUDA sold out DUs to a commercial undertaking against payment and retained the amount realised irregularly instead of refunding the same to the respective Government through AMC as the DUs were constructed with the assistance of GOI and State Government under JNNURM.

<sup>43</sup> GOI share of ₹210.34 crore and State share of ₹100.03 crore – total ₹310.37 crore released and remaining to be borne by ULB

<sup>44</sup> a parastatal body administered by Board of Directors appointed by State Government responsible for planned and phased development of areas lying outside limits of AMC

<sup>45</sup> Under SRFDP, the land on both bank of Sabarmati river was reclaimed for developmental activities by shifting the existing slums. The salient features of SRFDP were construction of embankments on both sides, retention of water in river, development of gardens, wide public promenades and informal markets, selling of a portion of the reclaimed land for residential and commercial development, etc.

#### 4.1.14 Monitoring

##### 4.1.14.1 State Level Steering Committees

The position of various monitoring committees under JNNURM is as under –

Sl. No.	Name of Committee	Role	Status
1	State Level Sanctioning Committee (UIDSSMT)	The Committee was to meet at least thrice in a year to review the progress of ongoing projects and sanction of new projects	Not constituted
2	State Level Coordination Committee (IHSDP)	The Committee was to meet quarterly to review the progress of ongoing projection and sanction of new projects	Constituted in 2006; as against 24 meetings due, met only six times. The Committee did not meet since August 2009

GUDM confirmed (September 2012) non-constitution of State Level Sanctioning Committee and the fact that the requisite number of meetings had not been held.

##### 4.1.14.2 Delay in constitution of monitoring agencies and submission of reports

JNNURM guidelines provide for appointment of Independent Review and Monitoring Agency (IRMA) and Third Party Inspection and Monitoring Agency (TPIMA). The IRMA was to be appointed for reporting the status of projects to GUDM and CSMC regarding physical, financial and technical aspects at different stages<sup>46</sup> in respect of UIG and BSUP projects. The GUDM was to review the reports, scrutinise issues highlighted and initiate corrective action, wherever necessary.

Scrutiny of records revealed that projects under JNNURM were sanctioned since 2006 but GUDM appointed IRMA and TPIMA belatedly in April 2009. By this time, of 82 sanctioned projects, 14 were completed, 54 at different stages of construction and 14 at pre-construction stage. Further, the final reports of completed projects were not available with GUDM. The appointment of monitoring agencies was delayed and thus the very purpose of their appointment was defeated.

GUDM stated (September 2012) that delay in appointment of IRMA was due to delay in approval by CSMC and IRMA was to submit its report directly to GOI. The reply is not acceptable as it was the duty of GUDM being the State Level Nodal Agency to ensure timely appointment of required monitoring agencies and as per the provisions of prescribed tool-kit, IRMA was required to furnish its reports to GUDM.

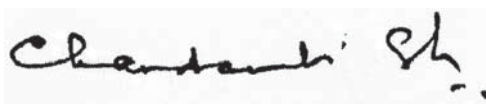
<sup>46</sup> Pre-construction, construction, commissioning, trial run, testing and post construction to GUDM being State Level Nodal Agency.

#### 4.1.15 Conclusion

The stipulated (mandatory/optional) urban reforms had not been implemented fully. The implementation of Jawaharlal Nehru National Urban Renewal Mission was deficient in planning and the DPRs were prepared without addressing all the issues. Instances of award of work to second lowest agencies after post tender negotiations, injudicious rejection of tenders, cost overrun and loss of Central assistance were noticed. In some cases, works were not taken up due to failure of the ULBs to arrange land and providing alternate/transit accommodation for the slum dwellers. Projects already under execution were included in the Mission against the scheme guidelines. Monitoring mechanism was also not effective.

#### 4.1.16 Recommendations

- The State Government and ULBs may take initiatives to implement the Urban Reforms as envisaged;
- The Detailed Project Reports should be prepared carefully;
- Post tender negotiations should be avoided;
- Availability of suitable land and arrangements for transit accommodations should be confirmed before taking up any project; and
- Monitoring mechanism needs to be strengthened.



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