

Audit Report of the Ministry

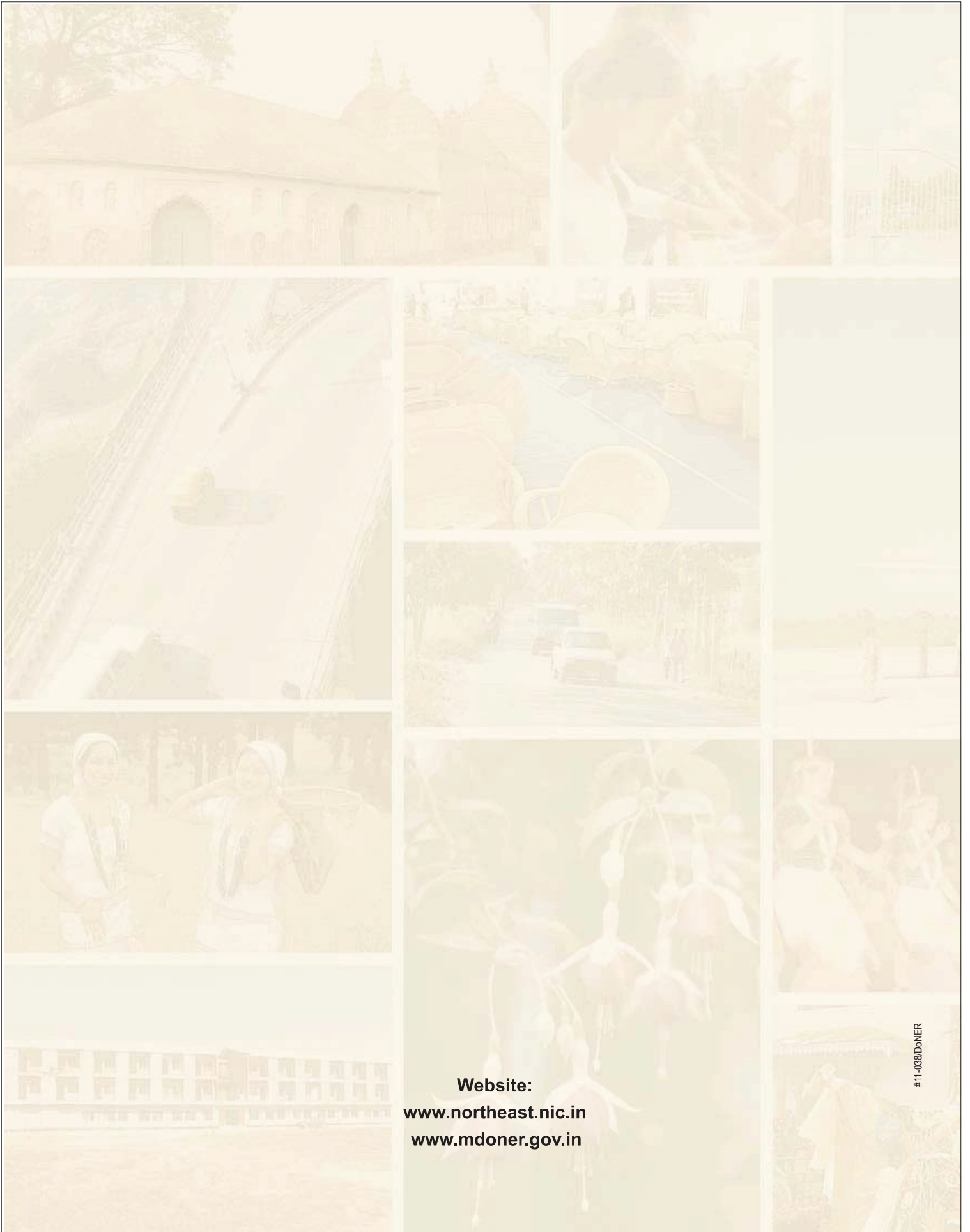
A Performance Audit of implementation of NLCPR scheme was conducted covering the period from 2002-03 to 2007-08 and out of 527 projects approved during the above period, a sample of 91 projects was selected for examination in audit. Audit findings were communicated to the Ministry in September 2009 and the reply of the Ministry received in February 2010 has been taken into account in finalizing this report. The important audit findings and recommendations included in this report are as follows:

- * NLCPR fund had a total accrual of `6525 crore during last five years from 2003-04 to 2007-08 against which the aggregate amount released to NE states was only 3205 crore constituting 49 per cent of the total accruals. The fund had a balance of 6963.79 crore at the close of the financial year 2007-08. Relatively small amount of releases from the fund every year indicate poor implementation of the programme despite availability of funds.
- * The Cabinet decision of November 1997 stipulated that the Ministry of Finance would create a NLCPR fund in the Public Account of India. No such Reserve Fund has been created in the Public Account so far and the Ministry is maintaining this fund merely on proforma basis. Hence, the NLCPR fund maintained under the present arrangements cannot be said to be a non-lapsable fund.
- * The completion rate of projects under NLCPR was far from satisfactory. As of 30 September 2008, 959 projects with an approved cost of `7070 crore had been sanctioned from the NLCPR fund. Of these, 783 projects had become due for completion by October 2008 or earlier, however, only 435 projects (56 per cent) involving an expenditure of `1934 crore had been completed. Even completed projects had huge time overruns ranging up to five years or more.
- * There were 524 incomplete projects of which 348 had fallen behind approved schedule as of October 2008. Most of the incomplete projects with time overruns were in Assam (143), Manipur (44), Sikkim (40) and Nagaland (38). 106 projects were pending completion despite release of the entire approved cost of `1108 crore to the State governments concerned.
- * The major bottlenecks in timely completion of projects were: delays in release of funds to the executing agencies, improper planning and frequent revision of estimates, delays in tendering and award of work, slow progress of execution by the contractors, delays in receipt of forest and other clearances, land disputes and law and order problems.
- * The Ministry diverted/irregularly spent an amount of `1837.46 crore from NLCPR pool viz., to fund the North Eastern Council's expenditure (`1605.38 crore), funding of projects which were initially taken up by the State Governments but discontinued/abandoned and subsequently funded from NLCPR (`191.20 crore) and for components not envisaged in the guidelines (`40.88 crore).
- * Against the total amount of `5883 crore released up to 2008-09 to the NE States, Utilization Certificates of `1164 crore were pending as of March 2009. Delay in submission of UCs which ranged upto four years or more, adversely impacted further release of funds by the Ministry to the states.
- * From the year 2005-06, the financial support provided to states under NLCPR was 90 per cent grant from the Government of India and the balance 10 per cent was to be contributed by the State Government. During

2005-08, the State Governments in North East region did not contribute their share aggregating `113.93 crore (81.50 per cent) towards implementation of NLCPR projects. The major defaulting states were: Meghalaya (100 per cent), Manipur (99.78 per cent), Assam (93.51 per cent), Tripura (88.83 per cent), and Nagaland (42.98 per cent).

- * Prior to 2005-06, assistance provided under NLCPR consisted of 10 per cent of the project cost as 'loan' and 90 per cent as 'grant'. The NE States have been defaulting in repayment of loan, and as of 31 March 2009, an amount of `31.70 crore was outstanding against them.
- * Against the prescribed monitoring measures in the guidelines viz. submission of quarterly progress reports (QPR), quarterly review meetings by the Chief Secretaries of the States, periodical project inspections, impact studies etc., test check of 68 projects revealed that QPRs were submitted with abnormal delays. Quarterly review meetings by the Chief Secretaries were also not held regularly. Inspections of the projects carried out by State Governments were inadequate.
- * Adequate transparency and publicity of information relating to NLCPR projects was not ensured through local media and display boards.
- * In spite of huge investments in the NE States, no evaluation study was conducted to assess the impact of the projects created out of NLCPR funding.

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