

CAG blows the lid off *Massive* irrigation scam in Andhra Pradesh

Summary

- As on March 2012, Rs 80,000 crores spent on the projects under Jalyagnam, which was launched in 2004 by the then CM Rajshekhar Reddy, involving 86 projects involving cost of over Rs 1.86 lakh crore.
- Almost all test checked projects were taken up and contract awarded without obtaining necessary clearances such as investment clearance (24 projects) from Planning Commission, forest clearance (21 projects) and environment clearance (18 projects) from Ministry of Environment and Forests; in principle clearance (16 projects) from CWC and R&R clearance (14 projects) from Ministry of Tribal Affairs.
- Out of 74 irrigation projects, 31 were Lift Irrigation Schemes. The power required for these schemes amounted to nearly 54.43 percent of total Installed Capacity of the state and around 30.93 percent of total consumption of the state.
- Audit scrutiny revealed that state government was yet to approve the draft plan for R&R of over 50 percent of displaced from 546 villages. Out of 281 villages for which the draft R & R plan is yet to be submitted, 206 villages pertain the controversial Polavaram project.
- CAG noted that while the state government shows an extra ordinary commitment in expediting the task of awarding the contract for Spillway (in March 2005) and ECRF dam work (in August 2006) for Polavaram project, it had not even initiated the socio-economic survey of the submergence zone and not yet identified the PAFs.
- Some of the contractors garnered most of the work packages, largely through cross-formation of Joint Ventures amongst themselves. CAG found several flaws in tendering process such as, awarding contract on single tender basis, keeping qualification criteria fixed for empanelment of contractors at less stringent levels etc.

Jalyagnam, the most ambitious irrigation scheme of Andhra Pradesh has come under severe indictment in a recent performance audit carried out by CAG of India. The report got tabled in Andhra Pradesh assembly on June 21st, 2013, the last day of the budget session. The program

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comprised 86 projects (44 major, 30 medium, 4 flood banks and 8 modernisation works) and was estimated to cost Rs 1.86 lakh crore. While 12 under implementation projects (with an approved cost of Rs 2139 crore) were brought under Jalyagnam with an express aim of expediting their completion, the rest of the projects got sanctioned between 2004-'05 and 2008-'09. The programme aimed at extending irrigation in an ayacut of 97.40 lakh acres and stabilise another 22.53 lakh acres of existing ayacut in Telangana and Rayalseema. It also promised to provide drinking water to 1/4th of the state's population and generate 2700 MW of power.

CAG audits for Andhra Pradesh have been reviewing irrigation projects in Andhra Pradesh almost every year. During 2004-2010, it had examined 18 irrigation projects. Almost all of those projects formed a part of Jalyagnam and those audit findings are under discussion by Public Accounts Committee. Those earlier audit reports have raised mainly two concerns: i) the need for building safeguards in the EPC (i.e. Engineering, Procurement and Construction) mode of contracts with regard to variation in scope, specifications, design etc. and ii) the impact of non-acquisition of land and non-obtaining statutory clearances from CWC, MoEF and MoTA before awarding the contracts.

Under the new report, CAG carried out performance audit of 26 out of 74 major and medium irrigation projects, involving a capital outlay of Rs 1.43 lakh crore, taken up under Jalyagnam during June – December 2011 with a focus on irrigation benefits. As on March 2012, Rs 61,498 crore were spent on these projects. Some of these 26 projects had also come under audit scrutiny earlier as individual projects or as part of performance audit of AIBP and Godawari Water Utilisation Authority. Those audit findings haven't been repeated in the present report.

CAG noted that while the state govt shows an extra ordinary commitment in expediting the awarding the contract for Spillway (March 2005) and dam (Aug 2006) for Polavaram project, it had not even initiated the socio-economic survey of the submergence zone & not identified the PAFs.

Audit scrutiny of project related documents around feasibility issues revealed that many projects were taken up without adequate planning on ensuring the availability of water and power (in the case of Lift Irrigation Schemes), and inadequate delineation of the targeted ayacut in some cases. It was especially so, in respect of projects on river Krishna and Pennar, where the water required for successful implementation of the projects is far above the quantity available in these two river basins. The

state government was conscious of this aspect and hence made a claim that it proposed to utilise the surplus/ flood flow in the two river basins. CAG audit observation noted that there was evidence in the records made available to audit that the flood data of these rivers were analysed to assess the average number of days that flood flows are available annually. There was also no uniformity in the number of flood days adopted for the designing of the projects that were supposed to use flood flows of Krishna.

Where is the water for the projects? CAG cites an opinion expressed by an expert committee constituted by the state government in July 1997, to examine the feasibility of implementing Galeru Nagari project. This expert committee had stated at that point almost 15 years ago that the number of flood days in Krishna was only 30 per annum that too with only 40 percent dependability. Examined alongside this observation, some of the projects taken up on river Krishna are not viable and this is corroborated by the fact that CWC has returned the project proposals of Galeru Nagari, Veligonda and Srisailam Left Bank Canal projects to state government, stating that the state government had failed to establish clear and firm availability of water on a long term basis for these projects. CAG audit scrutiny also underlined a Planning Commission stipulation that all projects that have inter-state ramifications should be cleared by CWC, but state government had not obtained for these projects as of September 2012. CAG also noticed that there was no evidence in the records produced for audit to show that the proposals in respect of Gandikota-CBR lift scheme and CBR Lingala canal were sent to the CWC at any stage for approval.

Contracts before statutory clearances Not only was it an issue of an abysmally poor planning of Jalyagnam projects, audit scrutiny revealed that four projects were taken up without even feasibility studies and another 11 projects were taken up without preparation of Detailed Project Reports. CAG's audit scrutiny also revealed that almost all test checked projects were taken up and contracts awarded without obtaining necessary clearances such as investment clearance (24 projects) from Planning Commission, forest clearance (21 projects) and environment clearance (18 projects) from MoEF, in-principle clearance (16 projects) from CWC and R&R clearance (14 projects) from MoTA. The much touted Jalyagnam had clearly bulldozed its way through the environmental regulation regime. It would be informative to find out if Planning Commission, CWC, MoEF and MoTA ever tried to engage the Andhra Pradesh state government to abide by the laws of the land. If this is not an example of brazen disregard for laws unleashed by development intoxication, where else shall we look?

As per annexure 3.1 in the audit report even as of July 2012 the following projects had not received Forest Clearances even as contracts for works on the same were awarded for quite some time now: Uttar Andhra, Galeru Nagari, Somasila Swarnmukhi Link Canal, Somasila Project, Rajiv Dummugudem, Pranahita Chevella, Dummugudem NS Tail pond, Telugu Ganga, Handri Neeva, Veligonda, Komaram Bheem, Kanthanapally, Devadula and Yellampally.

Audit revealed that state govt was yet to approve the draft R&R plan of over 50 % of displaced from 546 villages. Out of 281 villages for which the draft R & R plan is not yet submitted, 206 are to be affected by the Polavaram project.

The same annexure states that following projects had not received Environment Clearance as of July 2012: Venkatnagaram, Uttar Andhra, Somasila Swarnamukhi Link Canal, Gandhikota – CBR Lift, CBR Lingala Canal, Pranhita Chevella, Dummugudem NS Tail pond and Kanthanapally.

55% of AP power for Lift Irrigation Schemes?

Out of 74 irrigation projects, 31 are Lift Irrigation Schemes. The power required for these projects, taken up over the river Krishna and Godavari, works out to be nearly 54.43 percent of total installed capacity of the state, and around 30.39 percent of the total consumption of the state! Andhra being a power deficit state, providing the requisite power to operate these schemes would pose a big challenge for the state government and expose the wisdom of mad push for the Jalyagnam.

The Engineering Procurement and Construction (EPC) mode of contracting, currently the system followed by many governments for time bound execution of the project and minimising the risks to state, as adopted by state government did not ensure commensurate benefits to the State. Audit scrutiny noticed that several contracts were awarded on a single tender basis, and sufficient time was not given to ensure fair competition. Technical sanctions were obtained after the receipt and opening of bids in several cases. Audit also found cases where finalisations of International Bench Mark values were delayed and post tender changes to INMs were allowed.

MEIL Company got as many as 28 packages worth Rs 36,916 crore by entering into joint ventures with 23 companies. SEW construction company also garnered 51 packages worth Rs 25,369 crore by entering into JV with 20 different companies. Maytas, which was in the hands of Ramalinga Raju's son Teja Raju during 2004-10, had successfully grabbed 28 packages worth Rs 23,186 crore by entering into joint venture with 17 companies. CAG also pointed that MEIL, AAG, BHEL and ABB companies were not in the original empanelled list but have teamed up with several empanelled firms to obtain contracts under open category.

No concern for Rehabilitation A program that was taken up and marketed all around in a mission mode to fast track the irrigation projects proceeded at snail pace when it came to ensuring resettlement and rehabilitation of affected people. Audit scrutiny revealed that state government was yet to approve the draft plan for R&R of over 50 percent of displaced from 546 villages. Out of 281 villages for which the draft R & R plan is yet to be submitted, 206 villages pertain the controversial Polavaram project. The Commissioner, R&R stated in a reply dated July 2012 that the government had prioritised 191 villages in different irrigation projects as of March 2012, and all the activities in this regard will have to be completed within the next two to three years. CAG was not quite convinced with this explanation and noted that "the reply confirms that Government is unable to complete even the planning process, despite expiry of the original agreement periods, for a majority of the projects".

Further, provision of houses for the populated slated to be affected by the projects was abysmally slow, with just about 13 percent progress in constructing houses for these families. In respect of nine

projects, namely Pulichintala, Veligonda, Bheema, Nettempadu, Tarakaram Tirth Sagar, Neelwai, Kalwakurthy, Handri Neeva and Devdula; as against 23166 houses contemplated, not a single house was completed as of March 2012! Further, in two projects, namely Polavaram and Yelampally involving five districts, the progress in completion of houses was only marginal.

The power required for the 31 Lift Irrigation Schemes, works out to be 54.43 % of total installed capacity, and around 30.39 % of the total consumption of the state!

Polavaram CAG indicted the controversial Polavaram project, which involved submergence of 277 villages, affecting 42,712 Project Affected Families with 131045 persons in 3 districts in Andhra Pradesh, apart from affecting 2335 PAFs with 11766 persons from 4 villages in Chhatisgarh and 1002 PAFs with

6316 persons from 8 villages in Odisha for visible delay in R & R activity. CAG noted that while the state government show an extra ordinary commitment in expediting the task of awarding the contract for Spillway (in March 2005) and ECRF dam work (in August 2006), it had not even initiated the socio economic survey of the submergence zone and had not yet identified the PAFs. Audit scrutiny also found out that the first phase of R & R activity, which was due for completion by June 2008, was not completed even as of March 2012. Even those 9 villages that are situated in close vicinity of the dam have not been shifted as noted by the audit. The state government has resettled only 277 families with 1136 persons so far despite incurring expenditure worth Rs 108 crore on R & R. Thus the progress on R & R front in Polavaram was a mere 5 percent during the last seven years. Isn't it time for social scientists and researchers who have worked on the issue of displacement and rehabilitation to ask why is it that in projects after projects we witness that rehabilitation work is almost never carried out *pari passu* with civil construction work, let alone it being completed prior to embarking on the stages of construction!

However, when it came to acquire land for the projects the state government appeared to be trying to put up a brave performance! CAG audit revealed that out of 9.19 lakh acres of land required for projects, state government had acquired 5.97 lakh acres (i.e. almost 65 percent).

CAG also noted that delays completion of projects, along with changes to the specification and scope of work pursuant to detailed study and investigation and designs, pushed up the costs by Rs 52,116 crores compared to the origination sanction.

This performance audit points at how Jalyagnam that was used by the successive regimes in Andhra Pradesh to build a grandiose image rang hollow on the issue of due diligence in planning, showing due regards to the environmental regulations and dealing with the displaced people sensitively. It drives home the message that citizens must probe into the lofty claims churn out by propaganda machinery of the state. Will citizens start asking some tough questions on what plagues irrigation sector in India?

Bigger than Maharashtra Irrigation scam? From the figures available so far, it seems to be larger than the irrigation scam of Maharashtra. Will the media take this up with equal zeal as they took up the case of Maharashtra irrigation scam and do persistent investigations into specific projects, specific irregularities, specific contracts, specific contractors, specific links of contractors with politicians, specific failure of regulatory agencies?

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References, further reading:

- 1.http://saiindia.gov.in/english/home/Our_Products/Audit_Report/Government_Wise/state_audit/recent_reports/Andhra_Pradesh/2012/Report_2/Report_2.html
- 2.http://saiindia.gov.in/english/home/Our_Products/Audit_Report/Government_Wise/state_audit/recent_reports/Andhra_Pradesh/2012/Report_2/Appendices.pdf

- PS from DRP:** Following series of three detailed articles by Raman Kirpal throws light on who benefitted from the corruption in Andhra Pradesh Irrigation scam. These were published during Sept 9-10 after the above article was published as a blog on <http://sandrp.wordpress.com/2013/07/19/cag-blows-the-lid-off-massive-irrigation-scam-in-andhra-pradesh/> on July 19, 2013.
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