

Chapter III

Affordable Housing in Partnership

3.1 Introduction

Under AHP vertical, State Governments were to undertake affordable housing projects either through its agencies or in partnership with private sector. GoI provided ₹ 1.50 lakh per EWS house in such projects while GoK contributed ₹ 1.2 lakh and ₹ 2.00 lakh per EWS house for general and SC/ST beneficiaries respectively. While the cost of basic civic infrastructure was borne by ULBs, the residual unit cost was to be borne by the beneficiaries.

Out of 3,04,611 DUs approved under 300 AHP projects during 2015-21, only 21, 837 (seven *per cent*) DUs were completed and 2,29,774 DUs (75 *per cent*) were yet to be started as of March 2021. The reasons for the poor progress are brought out below:

3.2 Shortage of Financial Resources

As of March 2021, CSMC approved 3.05 lakh DUs under 300 AHP projects at a total cost of ₹ 18091.92 crore. The allocation of project funds among GoI, GoK, ULBs and beneficiaries is illustrated in the **Table 3.1**:

Table 3.1: Allocation of project cost of AHP projects

(₹ in crore)

Year	Total Allocation	GoI Share	Percentage of total allocation	GoK Share	Percentage of total allocation	ULB Share	Percentage of total allocation	Beneficiary Share	Percentage of total allocation
2015-16	676.18	187.26	28	220.18	33	207.52	31	61.23	9
2016-17	911.65	264.89	29	271.23	30	155.65	17	219.89	24
2017-18	10581.79	2754.90	26	2734.47	26	454.88	4	4637.53	44
2018-19	5460.07	1252.34	23	1542.74	28	85.87	2	2579.12	47
2019-20	141.39	30.74	22	36.63	26	19.72	14	54.30	38
2020-21	320.84	70.26	22	69.30	22	37.04	12	144.33	45
Total	18091.92	4560.37	25	4874.56	27	960.67	5	7696.40	43

Source: Information furnished by RGHCL

As against the above allocation, GoI and GoK share released and the expenditure incurred year-wise is indicated in **Table 3.2**:

Table 3.2: Release and expenditure of GoI and GoK grants under AHP vertical

(₹ in crore)

Year	Grants released			Expenditure incurred		
	GoI	GoK	Total	GoI	GoK	Total
2015-16	Nil	Nil	Nil	Nil	Nil	Nil
2016-17	179.36	Nil	179.36	87.67	Nil	87.67
2017-18	1140.61	66.49	1207.10	10.89	66.49	77.38
2018-19	58.08	66.83	124.91	601.52	66.83	668.35
2019-20	Nil	535.48	535.48	223.53	535.48	759.01
2020-21	Nil	448.20	448.20	297.90	448.20	746.10
Total	1378.05	1117.00	2494.05	1221.51	1117.00	2338.51

Source: Information furnished by RGHCL

As observed from **Tables 3.1** and **3.2**, GoI and GoK had released only ₹ 2494.05 crore out of the approved outlay of ₹ 9434.93 crore (26 per cent) as of 31 March 2021. The expenditure of ₹ 2338.51 crore incurred worked out to 12 per cent of the total allocation (₹ 18091.92 crore) for the projects approved under the vertical. The reasons for the shortfall in release of grants and deficiencies in collection of beneficiary/ULB contribution under the scheme are explained below:

3.2.1 Central assistance withheld due to non-fulfilment of prescribed conditions

The GoI share for the approved 300 AHP projects was ₹ 4560.37 crore. The PMAY(U) guidelines prescribed that Central assistance under different components would be released to the States after the approval of CSMC in three instalments of 40 per cent, 40 per cent and 20 per cent each. CSMC prescribed certain additional conditions for releasing the instalments during approval of projects as indicated below:

- Second instalment of AHP was to be released only after receipt of Aadhaar linked beneficiary list duly certified by the State Government uploaded in PMAY MIS (11th CSMC meeting dated 11 August 2016)
- Apart from the above, for 169 AHP projects approved during 27th, 37th, 40th, 41st, 43rd, 49th and 50th meetings, CSMC prescribed specific conditions (details in **Appendix 3.1**) for release of first instalment

Audit verified compliance to the conditions prescribed by CSMC and observed the following:

- SLNA submitted utilisation certificates to CSMC for the first instalment released in respect of 14,265 beneficiaries of 21 AHP projects. However only 9366 out of the above 14,265 beneficiaries were Aadhaar seeded (March 2021) in the PMAY MIS. Consequently, GoI did not release the second instalment of ₹ 277.44 crore for these projects.
- The specific conditions prescribed by CSMC for 169 projects such as grounding of projects, identification of land for the projects, registration of projects under Real Estate Regulatory Authority etc, were yet to be fulfilled (**details in Appendix 3.1**) Due to non-compliance, GoI withheld the release of ₹ 726.11 crore towards first instalment of its share for these 169 projects.

Thus, non-fulfilment of the conditions prescribed by the CSMC resulted in withholding of Central assistance to the extent of ₹ 1003.55 crore (₹ 726.11 crore towards first instalment and ₹277.44 crore second instalment).

The State Government stated (September 2021) that delay in Aadhaar seeding and attachment was due to non-payment of contribution by the beneficiaries and that action would be taken to select beneficiaries only after ensuring collection of beneficiary contribution.

The reply was not acceptable as the implementing agencies had to approve the beneficiaries before collecting the beneficiary contribution. Aadhaar seeding was to be done only for such approved beneficiaries. The reply was silent in respect of compliance to specific conditions prescribed for 169 projects.

3.2.2 Approval of projects without ensuring the contribution of ULB and beneficiary share in respect of AHP projects

Audit observed that there was shortfall in collection of beneficiary share and ULB contribution as of March 2021 illustrated in the table below:

Table 3.3: Details of beneficiary and ULB share collected as of 31 March 2021
(₹ in crore)

Approved Beneficiary Share	Approved ULB share	Beneficiary share collected (%)	ULB share Collected (%)
7696.40	960.67	165.65 (2)	130.64 (14)

Source: Information furnished by RGHCL

The beneficiary share constituted 43 *per cent* of the cost of AHP projects. The CSMC in its 11th meeting (August 2016) stipulated that the State must take written consent of the beneficiaries regarding contribution of beneficiary share. However, Audit observed that contributing capacity of beneficiaries were not taken into consideration while formulating projects and written consent from beneficiaries was not obtained before approval of the projects. As a result, the implementing agencies could collect only ₹ 165.65 crore (2 *per cent*) against the approved target of ₹ 7696.40 crore from the beneficiaries for the 300 AHP projects. In 36 selected AHP projects, Audit observed that work of 7455 out of 20423 (37 *per cent*) DUs had not commenced (March 2021) due to non-contribution of beneficiary share (details in **Appendix 3.2**).

The share of ULBs constituted 5 *per cent* of the cost of AHP projects for providing civic infrastructures to the housing projects. Audit observed that AHP project proposals were approved without ensuring that the ULBs contribute their share towards the project. Out of ULB share of ₹ 960.67 crore for AHP projects, only ₹ 130.64 crore (14 *per cent*) was received as of March 2021. The SLSMC in its 24th meeting (September 2020) admitted that ULBs were experiencing major constraints of revenue and hence were unable to contribute their share in time and suggested to divert State Finance Commission grants at source to meet ULBs share. However, no action was taken (September 2021) in this regard.

Thus, due to non-collection of beneficiary contribution and ULB share, there was shortfall (March 2021) of financial resources to the tune of ₹ 8360.78 crore (46 *per cent*) out of ₹ 18091.92 crore required for completing the projects. Audit also observed that 10⁹ projects involving construction of 8728 Dwelling Units approved by the Government of India during September 2016 to November 2019 were recommended (April 2021) for cancellation due to non-collection of beneficiary contribution and ULBs share. The non-contribution of share by ULBs also resulted in non-provision of civic infrastructures to the housing projects taken under the scheme as brought out in **Paragraph 3.3.3**

The State Government replied (September 2021) that feasibility of mobilising the beneficiary share through Social Welfare Department, Minority Development Department etc. was under consideration and that efforts were being made to arrange bank loans to the beneficiaries for payment of their

⁹ Aland, Chitaguppa, Gadag, Gajendragad, Mulgund, Naregal, Nargunda, Raibag, Ron and Shahpur

contribution. However, the reply was silent regarding the share of ULBs required for providing civic infrastructure works to the housing projects.

3.2.3 Additional Financial burden to beneficiaries

After the approval of projects by CSMC, the ULBs were to submit the council resolution/consent letter for bearing ULB share and collection of beneficiary contribution for obtaining administrative approval of the works from the State Government. After obtaining administrative approval and technical sanction, ULBs were to invite tenders for the works.

Audit observed that State Government had not accorded (March 2021) administrative approval for 1095 projects involving 2,15,474 DUs out of 2472 projects approved by the GoI during 2016-21. Test check of 10 such projects revealed that delay by ULBs in obtaining the administrative and technical sanctions resulted in escalation of the project cost. Despite shortfall in collection of beneficiary share, SLSMC decided (December 2019) that tender premium and escalation in cost of the projects if any, were to be borne by the beneficiaries. Thus, the cost escalation in the above projects resulted in extra financial implication to the beneficiaries to the tune of ₹ 186.17 crore. Details are indicated in the **Appendix 3.3**. The delay by ULBs in obtaining the requisite approvals for the projects resulted in extra financial burden to the beneficiaries who belonged to EWS category

The State Government in its reply (September 2021) attributed the escalation in cost to the delayed action of ULBs in obtaining administrative and technical sanctions for the projects and stated that RGHCL was instructed (January 2020) to invite tenders on behalf of ULBs and the works were under progress. However, the reply was silent regarding the extra financial burden to the beneficiaries on account of the delay.

3.3 Deficiencies in execution of AHP projects

3.3.1 Construction of scattered individual houses under AHP vertical

AHP vertical of the scheme encourages construction of group houses at a minimum of 250 houses per project where at least 35 *per cent* of dwelling units were reserved for EWS category. Audit observed that only 12,031 out of 83,119 DUs (14 *per cent*) taken up by KSDB were group houses. The balance DUs were executed as individual houses in a scattered manner without uniform plan/dimensions in contravention of scheme guidelines.

SLSMC also observed (September 2020) that group houses having uniform unit plan in a single layout or multi-storeyed residential building should be proposed under AHP vertical. Individual houses with varied plot sizes in scattered manner were to be taken up under BLC. The committee also observed that most of the DUs constructed by KSDB under AHP projects were scattered with varied dimensions for each DU.

In test checked 38 AHP projects implemented by KSDB, only 2883¹⁰ out of 22199 DUs (9 *per cent*) were under group housing. KSDB utilised (March 2021) the entire amount of ₹ 128.58 crore and ₹ 202.35 crore released by GoI and GoK

¹⁰ K.R.Puram 768 DUs, Madiwala Dhobighat 150 DUs, Malleshwaram 252 DUs, Parvathipuram 45 DUs, Sarvagnanagara 100 DUs, Sira 1008 and Vijayapura 560 DUs.

respectively for the above 38 projects. The progress of construction under group housing schemes was indicated below:

- Only 45 houses taken up under group housing by KSDB were completed (July 2020), however none of the houses were occupied as of March 2021 as the beneficiaries were yet to pay their contribution.
- CSMC in its 11th meeting (August 2016) stipulated that the State should take written consent of the beneficiaries regarding contribution of beneficiary share before approving the projects. However, Audit observed that construction of 352¹¹ DUs for which work orders were issued (May 2017 to July 2017) were yet (March 2021) to be commenced since the beneficiaries refused to vacate the site and pay the beneficiary contribution as their consent was not obtained while planning for the projects.
- Out of 2883 DUs taken up under group housing, 2486¹² houses (86 *per cent*) remained incomplete. Beneficiary contribution was not received for 768 DUs at K R Puram and no works were taken up for providing civic infrastructure. Beneficiary survey conducted by Audit (February 2021) in Sanjay Nagar slum which was part of the KR Puram project (768 DUs) revealed that identified beneficiaries were not ready to relocate as the group houses constructed were far from their area of livelihood.

Thus, in spite of spending the grants released by GoI and GoK amounting to ₹330.93 crore the projects remained incomplete due to non-collection of beneficiary contribution.

The State Government replied (September 2021) that the AHP projects were taken up in selected slums as in-situ DUs having ground floor only, in respect of beneficiaries who had to vacate their old and dilapidated houses.

The reply cannot be accepted as the scheme guidelines envisioned group housing under AHP verticals and scattered individual houses were to be taken up under BLC and in-situ slum development under ISSR vertical. Thus, the objective of the scheme to provide group housing with infrastructural facilities under AHP vertical could not be achieved.

3.3.2 Flawed execution of contract due to construction of scattered houses in AHP projects.

The KSDB engaged contractors through tendering process for construction of houses approved under AHP vertical. The tenders were invited based on estimates prepared considering standard design of DUs having uniform plan/dimensions. Since majority of the AHP houses were taken up in scattered manner as explained in *paragraph 3.3.1*, the contractors instead of executing the work as per the type design resorted to transfer of money and material to the beneficiaries who constructed the houses on their own. The joint inspection of selected AHP projects revealed the following irregularities:

- Audit observed that 498 out of 1090 (46 *per cent*) AHP houses surveyed during audit were constructed individually in scattered manner and were more than the maximum carpet area prescribed under the guidelines,

¹¹ Hennur Bande 100 DUs and Malleswaram 252 DUs

¹² KR Puram 768 DUs, Madiwala Dhobighat 150 DUs, Sira 1008 and Vijayapura 560 DUs

indicating that the construction was not standardised and conformed to the type design of AHP houses.

- There was no provision in the above contracts to transfer money and material to the beneficiaries. However, Audit observed that in two AHP projects at Gokak (600 DUs) and Ramdurga (600 DUs), the entire DUs were constructed by beneficiaries themselves and the contractors either transferred the amount directly to the beneficiaries or supplied construction materials to the beneficiaries. Similarly, in another eight¹³ test checked projects, 17 out of 55 beneficiaries surveyed informed that they have constructed their houses by themselves, and contractors either transferred the amount or supplied material. The responses of beneficiaries were also endorsed by the officers of the KSDB present during joint inspection.
- On scrutiny of running account bills of selected 30 AHP works Audit observed that, KSDB made payment of ₹2.74 crore (**Appendix 3.4**) to the contractors towards dismantling of the existing old houses and structures as per tender specifications. During joint inspection of these projects, 33 *per cent* of the beneficiaries surveyed, informed that they have themselves dismantled their old houses, disposed the dismantled material and handed over the vacant sites to the contractors engaged by the KSDB.
- Similarly, as per the BOQ and approved drawings, each DU had provision for four doors, four windows and two ventilators. In test checked 10¹⁴ ULBs, 40 out of 62 beneficiaries surveyed informed that they received only 34 doors, 32 windows and 19 ventilators from the contractors as against 160 doors, 80 windows and 80 ventilators as provisioned in BOQ. Nine out of 40 beneficiaries were provided cash varying from ₹ 2000 to ₹ 31520 for supplying doors and windows as against BOQ provision which varied from ₹ 38698 to ₹ 48650 per DU.

Thus, the execution of AHP projects, which was intended as a group housing scheme, in a scattered manner and permitting the contractor to transfer money and material to beneficiaries resulted in flawed execution of contract and undue benefit to the contractors. The State Government replied (September 2021) that some beneficiaries who wished to have improved items than provisioned in the project, executed the additional works at their own expenses. Some beneficiaries also carried out dismantling themselves to preserve their valuable/resalable items.

The reply was not acceptable as the contractors violated the contract conditions by transferring money and materials to the beneficiaries, instead of the work being executed by contractors. Further, payments made to the contractor for work done by the beneficiaries was not in order. The implementation of the contract conditions was lax and irresponsible. It also showed lack of monitoring by the authority responsible. Government should conduct a detailed enquiry on the above matters and fix responsibility for the lapses observed.

¹³ Chikkodi, Harappanahalli, Kamalapura, Koppal, Nagamangala, Padmanabhanagar BBMP, Shiralkoppa and Shivamogga

¹⁴ Chikkamagaluru, Chikkodi, Harpanahalli, Kadur, Kamlapura, Koppal, Sagar, Shivamogga, Shiralakoppa and Tarikere

3.3.3 Non-execution of civic infrastructure works under AHP projects

As per paragraph 2.2 of the scheme guidelines, AHP projects were to have basic civic infrastructure like water, sanitation, sewerage, road, electricity etc. Accordingly, the DPRs of the AHP projects had provision for civic infrastructure such as roads, UGD, water supply etc. The Karnataka Slum Areas Development Policy (KSADP), 2016 envisaged improvement in physical infrastructure in slum areas apart from creation of DUs so that slum areas got integrated to the city and build convergence with social infrastructure and development programmes. Further CSMC in its 41st meeting (December 2018) observed that since vertical construction was more cost effective in comparison to row housing, State Government may consider vertical construction of houses. The land so vacated could be utilized for public utility, community development activities, park, playground etc.

On scrutiny of records, Audit observed the following:

- As per the KSADP, 2016 inadequate infrastructure in the form of lack of storm water drains was one of the factors for declaring any area as slum. Review of contract agreements of test checked AHP projects revealed that none of the test checked AHP projects included the work of storm water drains in the contract.
- Civic infrastructure works viz. roads, UGD, water supply etc. included in the BOQ to the tune of ₹ 126.55 crore was not taken up in any of the 38 test checked projects. The works could not be taken up due to non-contribution of the share from ULBs as discussed in *Paragraph 3.2.2*
- Out of 38 test checked AHP projects implemented by the KSDB, in only seven projects vertical construction were taken up as recommended by CSMC. In the remaining projects scattered individual houses were constructed in violation of GoI instructions,

On joint inspection of these test checked projects, Audit observed that in three¹⁵ slums individual scattered houses were constructed under AHP without undertaking infrastructure works resulting in retention of slum characteristics¹⁶ in deviation from KSADP 2016

The State Government replied (September 2021) that the infrastructure works could not be taken up due to non-release of funds from the concerned ULBs and proposals were submitted for taking up the infrastructure works under GoK funds.

However, the fact remains that the beneficiaries were denied the civic infrastructure facilities provisioned under the scheme due to absence of co-ordination between various implementing agencies.

¹⁵ Harijankeri Gokak, Gujjari Mohalla Kunigal and Mabusubani oni slum, Tekkalakote

¹⁶ lack of individual or community access to sources of treated water, lack of individual or community toilet, lack of sewage disposal to trunk city network/on site treatment and disposal, lack of storm water drain/storm water drain carrying sewage and narrow roads/pathways leading to obstruction in access and provision of basic services.

3.3.4 Unfruitful expenditure due to completed houses remaining unoccupied.

Paragraph 2.2 of scheme guidelines stipulated that ULBs ensured that houses constructed under PMAY(U) scheme should have provision for basic civic infrastructure like water, sanitation, sewerage, road, electricity etc. Audit observed that in three¹⁷ projects in Vijayapura and Belagavi City, 619 houses constructed (February 2021) under AHP vertical of the scheme remained unoccupied due to lack of facilities such as water supply, sewerage, road and electricity connection. Though construction of houses had been completed, the work of providing basic infrastructure were to be taken up (September 2021) by the city corporation

The State Government stated (September 2021) that the infrastructure works could not be taken up due to non-release of funds by the concerned ULBs. However, the reply was silent regarding any plan of action by the Government to address the non-availability of funds.

¹⁷ 560 DUs in Vijayapura 1028 DUs, 56 DUs in Vijayapura (PKGB) and three DUs in Belagavi 829 DUs