



CHIEF MINISTER
ANDHRA PRADESH

D.O. Letter No.72/Addl. Secy/2020, Dated: 28.10.2020

Shri. Narendra Modi ji,

Sub: GoAP – Polavaram Irrigation Project – Request for approval of 2nd Revised Cost Estimate (RCE) Recommended by Central Water Commission (CWC), Technical Advisory Committee (TAC), and Revised Cost Committee (RCC) for Rs. 55,656.87 cr as per 2017-18 Price Level with latest quantities – Regarding.

Ref: Department of Expenditure, MoF Office Note. 10(08)/PFC-II/2020 Dt.12.10.2020.

I would like to appraise you on the latest happenings in the execution of Polavaram project and its revised cost estimates leading to an imbroglio and embarrassment which is warranting your kind intervention.

It is to bring to your consideration that the Government of India (GOI) at the time of bifurcation of the erstwhile state of Andhra Pradesh, made a solemn promise in Andhra Pradesh Reorganisation Act, 2014 vide *Section-90*:

- 1. The Polavaram Irrigation Project is hereby declared to be a national project.*
- 2. The Central Government shall execute the project and obtain all requisite clearances including environmental, forests, and rehabilitation and resettlement norms.*

The expenditure of Rs. 5,135.87 cr incurred by the combined State of AP on Polavaram Irrigation Project till 1st April, 2014 was considered as the share of

the State Government as per **Para 5.3 of Cabinet Note Dt.29.04.2014** as reproduced below :

“5.3. The existing guidelines of AIBP envisage execution of the Project by the State Government, whereas in the instant case, the Central Government is mandated to execute the project. As such, with a view to expeditiously complete the project, it is requested that a dispensation may kindly be considered to include the expenditure that has already been incurred on the project by the State Government as the State’s share in relaxation of AIBP and National Project guidelines. It is proposed that all further expenses on Polavaram Project and that of the Authority may be borne by the Central Government out of grants-in-aid under the scheme for the national project. The present estimated cost is Rs.16,010.45 crore at 2010-11 price level which is likely to increase considering time and cost over runs, inclusion of command area development works and increased compensation under the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (Act 30 of 2013)”.

As decided in the Cabinet Note stated above, the increased cost if any to complete the project in all aspects, shall be borne by Union Government only. For the purpose of executing Polavaram Irrigation Project, a **Special Purpose Vehicle** namely, Polavaram Project Authority (PPA) was notified in the Gazette on 28th May, 2014 and the authority shall execute the project, preferably through the concerned State Departments and / or any other expert agency and obtain all requisite clearances including environmental, forests, and rehabilitation and resettlement norms and shall be charged with the regulation and development of the Polavaram Project.

Therefore, it is clear that the State Government is only an executing agency on behalf of GoI and the overall responsibility of completion of the project lies with GoI as envisaged in AP Reorganisation Act, 2014.

It is pertinent to mention here that original project cost as per the 2005-06 Price Level was Rs. 10,151.04 cr which was accepted by Technical Advisory Committee (TAC) of MoWR, RD&GR. Thereafter 1st Revised Cost Estimate (RCE) of the project was accepted by Technical Advisory Committee (TAC) as Rs. 16,010.45 cr as per 2010-11 Price Level (*vide CWClr No.16/27/2010-PA(N) dt.21.01.2011*) and Revised Cost Committee (RCC) recommended the cost of the project as Rs. 28,919.95 cr as per 2013-14 Price Level. It is evident here that as time goes by the project cost is bound to increase.

It is pertinent to mention here that the project was accorded investment clearance for the 1st Revised Cost Estimate (RCE-1) vide letter dated 8th May, 2017 by Ministry of Water Resources with a condition (in pursuance of 30th September, 2016 decision of Ministry of Finance) that while 100% of balance cost after 1st April, 2014 shall be borne by GoI and balance cost of irrigation component at latest Price Level shall be borne by the State Government from their resources. This adhoc decision of the Ministry of Finance in a way was a total negation of the provisions of the AP Reorganisation Act, 2014 on Polavaram, as it virtually added additional burden on Government of Andhra Pradesh though state's share had already been spent and accepted as on 1st April, 2014 as recorded by Central Cabinet resolution of 26th May, 2014 in pursuance of the AP Reorganisation Act, 2014. Somehow the then Government of Andhra Pradesh failed to bring this complete adhoc departure from Gazette notification of 28th May, 2014, to the notice of Government of India for the reasons best known to it.

Since the last approval of investment clearance was done at 2010-11 Price Level, the Polavaram Project Authority (PPA) had asked Government of Andhra Pradesh to submit a realistic revised cost estimate for completion of the project. Accordingly, the Govt of AP submitted 2nd Revised Cost Estimate (RCE) for Rs. 57,297.42 cr at 2017-18 Price Level (*vide letter No. ENC/PIP/DCE/OT-4/AEE1/PPA/RE/Vol.4 dt.02.01.2018*) and the reasons for increasing the cost of the project are due to time over run, change in design, price escalation and adoption of LA, R&R as per new Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (Act 30 of 2013), wherein the government lands under occupation and cultivation by BPL category PDFs are also eligible for cash compensation including land for land for tribal PDFs as per the act.

Subsequently the Technical Advisory Committee (TAC) after thorough examination accorded approval for the 2nd Revised Cost Estimate (RCE) of the project for Rs. 55,548.87 cr at 2017-18 Price Level (*vide CWC Lr. No. 16/27/2019-PA(N)/583-611 dt.18.02.2019*) as realistic actual cost for completion.

Further Revised Cost Committee (RCC) reviewed the proposal in detail and recommended 2nd Revised Cost Estimate (RCE) for Rs. 47,617.74 cr (*vide CWC Lr. No. 4/7/2017/NP-II/Vol-XII/437-43 dt.03.06.2020*).

The investment clearance for 2nd Revised Cost Estimate (RCE) for the project is yet to be given by MoJS, the competent authority to accord investment clearance as per delegation of powers by NITI Aayog. The revision in cost of any ongoing project is a natural process to arrive at a realistic cost of completion considering time overruns and cost overruns. Cost revision is necessitated mainly due to time overrun, inflation, introduction of new taxes

(GST), Acts or rules (Act 30 of 2013), ground situation which dictates the design, alignment etc. and other unforeseen factors.

The project cost was reimbursed to the Government of Andhra Pradesh after 1st April, 2014 as grant in aid from the Union Budget till September 30th 2016 and from thereafter as a part of special package announced for the State of Andhra Pradesh, the cost is being reimbursed by PPA (Polavaram Project Authority) through Long Term Irrigation Fund (LTIF) through NABARD.

The Government of Andhra Pradesh has already incurred an expenditure of over Rs.12,520.91 cr after State bifurcation on the project including LA and R&R for Project Displaced Families (PDF). Out of this around Rs. 8,507.26 cr has been reimbursed and the balance Rs. 4,013.65crs is due for reimbursement and the bills are pending for works done since December, 2018. The Department of Expenditure, Ministry of Finance vide Office Note 10(08)/PFC-II/2020 Dt. 12.10.2020 while allowing Rs. 2,234.77 cr reimbursement out of Rs. 4,013.65 crs still due through Long Term Irrigation Fund (LTIF), has made the release conditional to the Polavaram Project Authority (PPA) accepting 2nd Revised Cost Estimate (RCE) at 2013-14 Price Level that too removing water supply component from irrigation component against the norms of CWC (Central Water Commission). This tantamounts to accepting a totally unrealistic cost to complete a National Project declared under AP Reorganisation Act, 2014 as per which the GoI shall bear the entire cost of the project. An amount of Rs.17,656.82 cr of public money had already been spent on the project. At this juncture, any unrealistic cost estimate would result in project remaining incomplete. Even if civil works are completed but water cannot be stored as LA and R&R cost for PDFs would remain unprovided for and that would render expenditure done so far unfruitful. In the 2nd Revised Cost Estimate (RCE)

recommended by Polavaram Project Authority (PPA), Central Water Commission (CWC), Technical Advisory Committee (TAC) and Revised Cost Committee (RCC) all of them which are central government agencies, the major increase is due to LA and R&R cost as a result of Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (Act 30 of 2013) enacted by GoI. As according to the act, LA and R&R costs are calculated as per the Act of 2013 in accordance with the date of notification, award and actual displacement and not at a price level (PL) of a particular year. Hence, any further delay would only increase the LA and R&R costs further more due to increase in basic price of land solatium and other factors.

It is to bring to your wise consideration that guidelines for implementation of National Projects at Para-III (f) states that *"The revised estimates for the projects funded as National Projects should be got approved from the Planning Commission at an interval of three years, else Ministry of Water Resources could stop funding to the project"* because the project would become impractical to complete and accordingly Revised Cost Estimates (RCE) are submitted periodically to complete the project in the national interest.

It is humbly submitted that the cost of the LA, R&R itself is Rs.28,191.03 cr out of Rs. 47,725.74 cr as per 2nd Revised Cost Estimate (RCE) as approved by Revised Cost Committee (RCC). Therefore by capping the expenditure for entire Polavaram Irrigation Project at Rs. 20,398.61 cr at 2013-14 Price Level for irrigation component only is totally unrealistic and is not in accordance with the earlier commitments of the Union Government and guidelines for National Projects and also violation of APR Act, 2014 enacted by Parliament. When LA, R&R cost alone for rehabilitating PDFs itself is Rs. 28,191 cr, how then it is possible to complete the entire project at a capped cost of Rs. 20,398 crs.

By looking at the facts as stated above, it appears that there was some communication gap resulting into this confusion on the cost of project.

Therefore, your gracious and personal intervention is solicited in prevailing on Ministry of Finance and Ministry of Jal Shakthi to accord investment clearance for 2nd Revised Cost Estimate (RCE) of the Polavaram Irrigation Project as recommended by Polavaram, Project Authority (PPA), Central Water Commission (CWC), Technical Advisory Committee (TAC) and Revised Cost Committee (RCC) (all of them are agencies under GoI) at the earliest so that the project which is programmed to be completed by December, 2021 meets all the cost of civil works, LA and R&R costs without any hindrance and project can be completed and dedicated to Nation as scheduled.

Kindly bear in mind that any further delay would only further increase the cost of the project, which in turn will do no good to the notional interests as it is a national project.

With warm regards.

Yours sincerely,

(Y.S. JAGAN MOHAN REDDY)

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