

Financial Management of the Games Project

Even while approving submission of the IOA bid in May 2003, and providing financial liability and deficit guarantees in September 2003, Gol did not have a clear and realistic assessment of the estimated cost of hosting the Games. The IOA bid of May 2003 estimated an all-inclusive cost of just Rs. 1200 crore (after setting off operational expenses against estimated revenues from hosting the Games). By contrast, the overall budget estimate for CWG-2010 for Gol and GNCTD (including MCD, NDMC and other agencies) as of October 2010 was Rs. 18,532 crore; this excludes investments by other agencies (such as DMRC and AAI/DIAL) on allied infrastructure.

We found numerous upward revisions in Gol's budget estimates from time to time. In particular, there were seven revisions from April 2007 to September 2010 at very short intervals, representing a three fold-increase. This was the outcome of a piecemeal approach adopted for consideration/ approval of individual cost elements and lack of planning in the initial stages, as well as the highly limited and unrealistic scope of the budget originally envisaged in the May 2003 bid document. In addition to the increased scope of activities, the other major reason for increased costs/ estimates was delays at multiple stages, resulting in bunching of activities towards Games Time and increases in cost; this was compounded by several instances of lack of financial prudence and propriety across the range of implementing agencies (which are described in the area-specific chapters).

The absence of a single point of authority and accountability for the Games was compounded by the early disbandment of the Finance Sub-Committee of the GoM, which would have acted as a special EFC for CWG-related proposals. This contributed to the piecemeal approach towards cost estimation and budget approvals.

We also found numerous instances of delays in grant of budgetary and financial approvals by the Gol. While we note that careful scrutiny of proposals is required to ensure due diligence before approvals and commitment of Gol funds, processing and approvals should have demonstrated a greater sense of urgency (in view of the considerable delays that had already taken place). These delays also contributed to the squeeze of time at the execution stage.

6.1 Background

The costs of hosting and conducting the Commonwealth Games or other multi-sport international event (Olympics, Asian Games etc.) can be broadly divided into the following categories:

Operational Expenditure	This represents the revenue component of expenditure associated with hosting the Games, offset by revenue generated. This is the aspect considered for assessing the “revenue neutrality” of the Games
Capital Expenditure	These constitute expenditure on capital items, with legacy value beyond the Games. Major items include venue development (including renovation/ upgradation) and upgradation of city infrastructure (roads, bridges, flyovers and other transport services, power upgradation projects etc.)
Government/ Municipal Services	These represent services provided free of cost under the HCC. Major items include security, health services, telecom services, traffic and fire services and other services.
Games Village	The Games Village is expected to be a revenue-generating/ revenue neutral venture, where the cost of construction (and accommodating athletes and others) is to be recouped through sale of flats.
Other / Miscellaneous Services	These include services like media and broadcasting (which do not generally require Government expenditure), expenditure on preparation of teams etc.

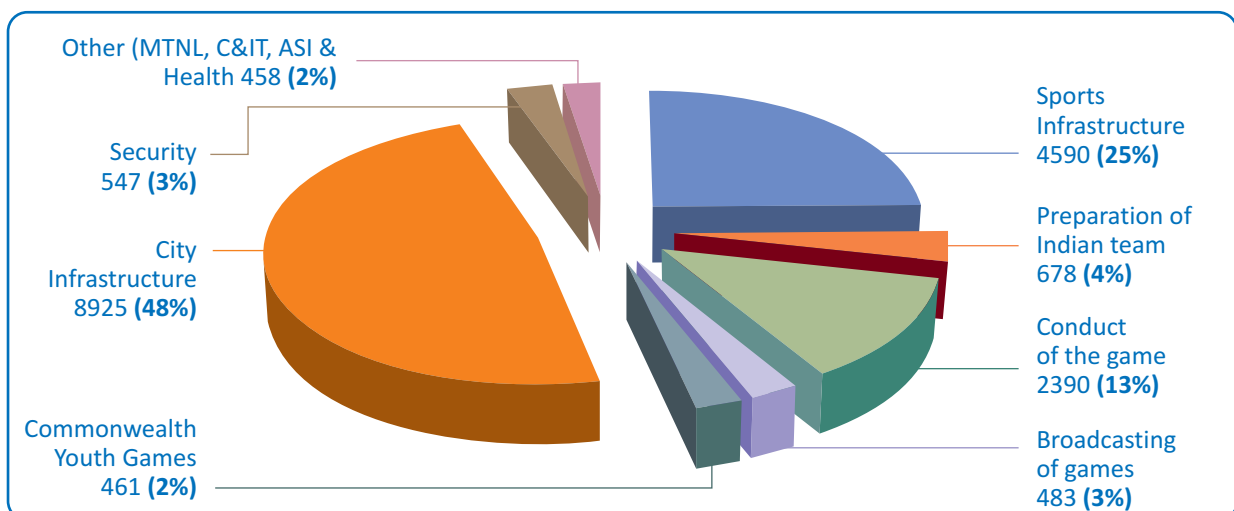
6.2 Budgeting for CWG-2010

6.2.1 Break Up of Budget Estimates

The overall budget estimates for CWG 2010 for Gol and GNCTD (including MCD, NDMC

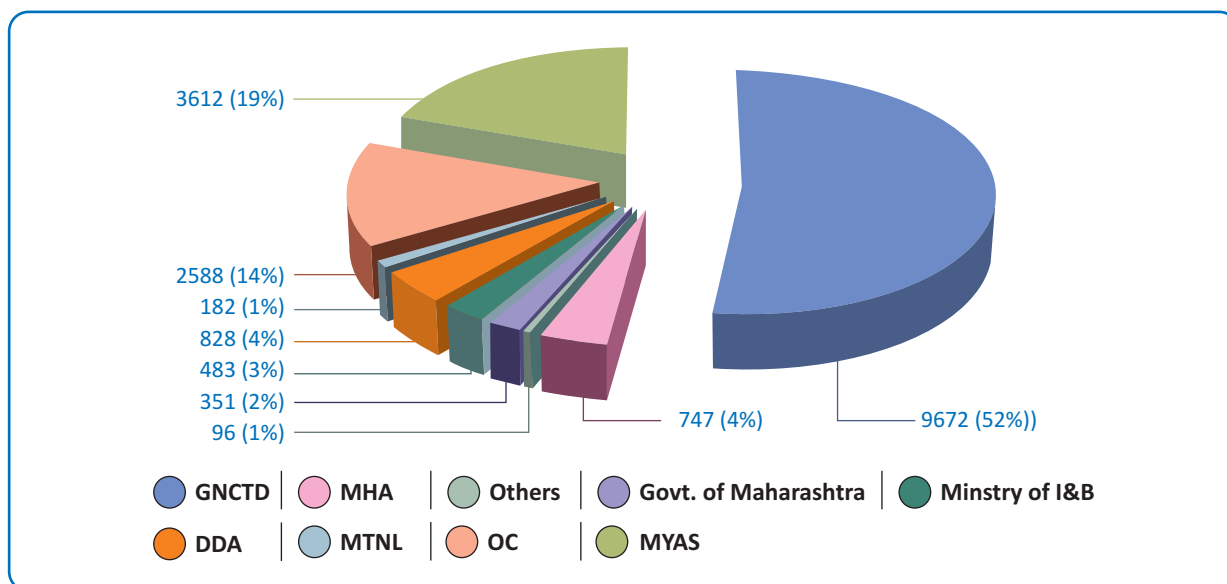
and other agencies) as of October 2010 was Rs. 18, 532 crore. A profile of category- wise budget estimates is given below:

Figure 6.1 - Category wise budget estimates (Rs. in crore)



Agency-wise profile of budget estimates is given below:

Figure 6.2 - Agency wise Budget estimate (Rs. in Crore)



6.2.2 Quantum jump in budget estimates

The initial budget estimate for hosting and conducting CWG-2010 projected in the May 2003 bid document was just Rs. 1200 crore, as summarised below:

Table 6.1 — Budget Estimates indicated in May 2003 IOA Bid

(In Rs. Crore)

Projected Expenditure		Sources of Finances	
Capital/ repair and renovation expenditure on stadia	1,050	Revenue Surplus from conduct of Games (revenues of Rs. 840 crore, offset by operating expenses of Rs. 635 crore)	205
		Sale of residential flats	477
City beautification and additional services	150	Grants	518
Total	1200	Total	1200

Note: US\$ figures in IOA bid converted @ Rs. 45/ US\$

This estimate increased more than 15-fold to Rs. 18532.31 crore¹, as of October 2010. At the time of our Study Report on Preparedness for CWG 2010 (July 2009), the estimated expenditure for the Games Project was Rs. 13566 crore², which increased to Rs. 18532.31 crore by December 2010.

This excludes investments by other agencies in infrastructure and other activities – notably Delhi Metro Rail Corporation (DMRC) and Airports Authority of India (AAI)/ Delhi International Airport Limited (DIAL).

¹ Without setting off the revenue generated/ realized by OC.

² Including Rs. 678 crore for Preparation of Indian Team

Table 6.2 - Category wise escalation (July 2009- December 2010)

(In Rs. Crore)

Projected Expenditure	2009	2010
Sports Infrastructure (Venue Development)	5214.00	4590.03
City Infrastructure	4550.00	8925.00
Conduct of the Games	1628.00	2390.48
Preparation of Indian team	678.00	678.00
Broadcasting	463.00	864.57
Commonwealth Youth Games	351.00	461.48
Others (including security)	682.00	622.75
Total	13,566.00	18532.31

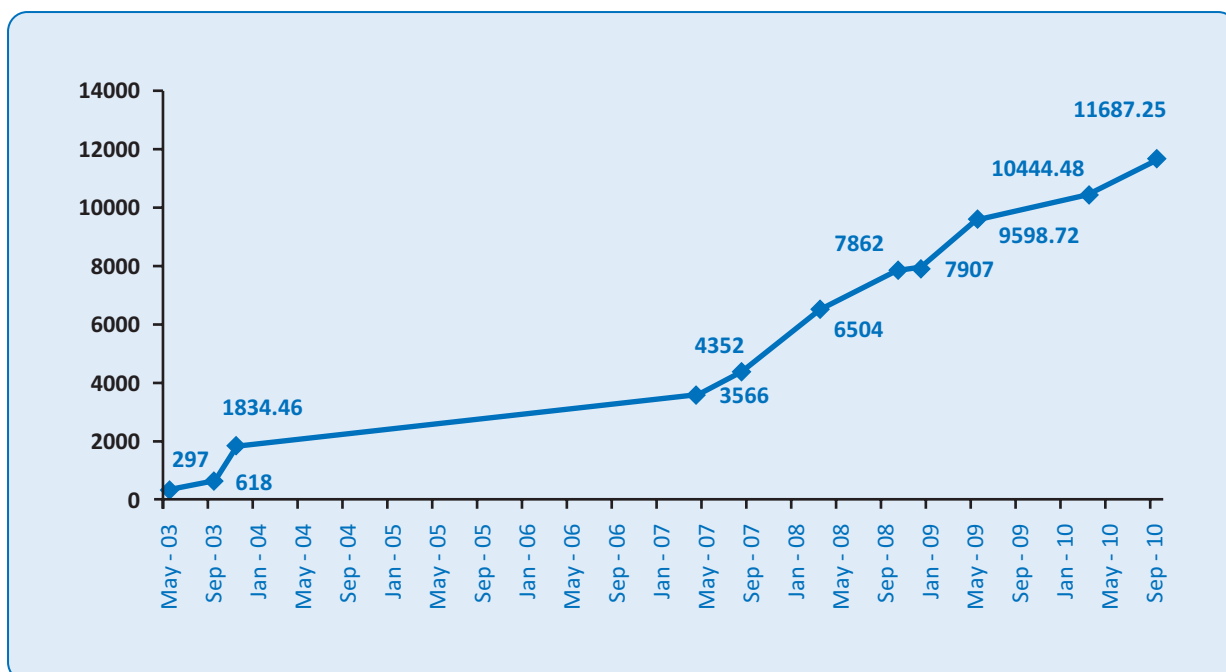
This does not include the value/ cost of the bail-out package provided by DDA to the project developer for the residential complex of the CWG Games Village.

The details of various projects initiated by the respective Ministries/Departments and their final approval indicating the amount involved have been shown in Annexe 6.2.

We could not attempt a category-wise analysis of budget estimates from the bid in May 2003, due to lack of clarity on figures, especially with respect to budget estimates for city infrastructure.

Analysis of the cost estimates³, as considered by or intimated to the GoI, reveals the following increasing trend:

Figure 6.3 – Increasing trend of cost estimates



³ Including Rs. 2800 crore for GNCTD and Rs. 351 crore for Government of Maharashtra

Table 6.3 - Cost estimates as considered by or intimated to the Gol at different stages

Event	Period	Total Cost Estimate (Rs. in Crore)	2010
Assessment of IOA	May-03	297.00	Indicated in the Cabinet Note seeking permission for IOA to bid for CWG-2010 and for MYAS to issue various guarantees to CGF.
Bid Document	May -03	1199.92	Not submitted to Gol
Estimate to Cabinet	Sep-03	618.00	Projected to Cabinet at the time of seeking its consent to enter into Host City Contract and underwriting the shortfall between the revenue and expenditure of the OC etc.
"Updated" bid document	Dec-03	1834.46	Submitted to MYAS in September 2004
Estimate to Cabinet	Apr-07	3566.00	Estimates indicated to Cabinet while submitting a proposal for bidding for XVII Asian Games - 2014 at NCR Delhi.
Estimate to GOM	Aug-07	4352.00	Estimates indicated to the GoM while being apprised of the status of funding to various agencies.
Estimate to CCEA	Mar-08	6504.00	This was indicated while presenting the expenditure budget of MYAS for up-gradation/ renovation of competition venue/ training venues at Delhi University, JMI and DPS RK Puram for approval.
Estimate to Cabinet	Oct-08	7862.00	This was indicated while obtaining approval of the Cabinet for additional funds for the OC for CYG-2008, Pune.
Estimate to Cabinet	Dec-08	7907.00	The amount was reported while the Cabinet was apprised of the preparedness for hosting CWG-2010.

Event	Period	Total Cost Estimate (Rs. in Crore)	2010
Estimate to Cabinet	May-09	9598.72	This was indicated with the Cabinet Note at the time of obtaining approval for revised estimate of SAI stadia; recreating of sports facilities in Delhi etc.
Estimate to Cabinet	Mar-10	10444.48	This was reported to the Cabinet while obtaining approval for budget of OC for overlays.
Estimate to GOM	Sep-10	11687.25	This was indicated during deliberations by the GoM in September 2010 while considering the proposal for additional expenditure on opening and closing ceremonies.

In particular, there were seven upward revisions in budget estimates from April 2007 to September 2010 at very short intervals, representing a three-fold increase (from Rs. 3566 crore to Rs. 11,687.25 crore).

Even at this late stage, GoI was unable to estimate the cost of hosting the Games with reasonable accuracy. This was the outcome of a piecemeal approach adopted for consideration /approval of individual cost elements and lack of planning in the initial stages.

6.2.3 Limited Scope of Original Budget Estimate (May 2003 Bid)

The budget envisaged in the May 2003 bid document, which was prepared by the Chartered Accountant of IOA (AS Sharma & Co.) and was not vetted or approved by the GoI, was extremely limited in scope:

- It assumed that the existing sports venues / facilities (largely constructed for the 1982 Asian Games) could be upgraded/ renovated/refurbished at relatively minimal costs (Rs. 1050 crore for all venues – Rs. 946 crore for new facilities and Rs. 104 crore for repairs/ renovation). This was a completely unrealistic assumption, which failed to factor in the drastic changes in sporting and technological specifications (in line with the latest requirements of the international sporting federations) and consequent increase in costs. **In reality, most of the venues were largely rebuilt, rather than renovated.**
- A meagre provision of Rs. 75 crore for city beautification (with an additional Rs. 75 crore for additional health, fire, security, traffic, and customs/ immigration services) was made in the bid document. The 1982 Asian Games

represented a landmark for Delhi in terms of upgradation of roads, bridges, flyovers and other infrastructure. CWG-2010 was also viewed subsequently as an opportunity for similar upgradation. Unfortunately, this was not appropriately planned and provided for right at the outset. The infrastructure projects were added and approved in a piece meal and ad hoc fashion (mostly from 2007-08 onwards). Very often, GNCTD, NDMC and MCD used this opportunity to club several existing projects, and obtain additional funding for completing these projects in time for the Games. We observed that even then timely completion could not be achieved in many cases.

- The original budget did not have any provisions for broadcasting and media and telecom infrastructure, and a meagre provision for security infrastructure. Ultimately, both Prasar Bharati and MTNL used this opportunity to obtain funds for upgradation of their infrastructure (HDTV capability for Prasar Bharati, and high speed IP/ MPLS telecom infrastructure for MTNL). However we observed, both agencies outsourced these activities completely (without relying on, or upgrading in-house capacity), leading to creation of no/ insignificant legacy infrastructure (physical and human). The security infrastructure also cost many times the original estimate, and its legacy value is again uncertain as of date.

- The budget did not factor in the cost of preparing Indian teams for the Games (through focused training and support to identified “core” probables in different disciplines), for which Rs. 678 crore was allocated only in February 2008.

6.2.4 Other reasons for Cost/ Budget Increases

In addition to the increased scope of activities, the other major reason for increased costs/ budget estimates was delay at all stages – planning, tendering and award, and execution/ completion – in respect of most activities. These delays, with consequent bunching of activities towards Games Time, led to substantial increases in cost, which could have been avoided through timely action.

As pointed out elsewhere, the seven-year time window from award of the Games to its hosting was not fruitfully utilised, and most activities were undertaken in the last two years or so. These delays led to increased costs, and also facilitated short-circuiting of procurement and related procedures on grounds of urgency, and consequent compromise on economy.

Further, we found several instances of lack of financial prudence and propriety across the range of implementing agencies, which inflated costs further and resulted in wastage of public funds. These are described in detail in the relevant area-specific chapters.

6.3 Financial Management by Gol

6.3.1 Approval Process

The mechanisms in the Gol for approval of plan and non-plan expenditure are as follows:

The Committee on Non-Plan Expenditure (CNE), with Secretary, Expenditure as Chairman, serves as an appraisal forum for the following types of cases⁴ where

- All non-plan proposals involving expenditure of over Rs. 75 crore recurring or non-recurring, on a new service or for expansion of existing services.
- Any other non-plan proposal which a Department may like to be considered in the CNE.

As regards Plan schemes⁵:

- Schemes costing beyond Rs. 100 crore but less than Rs. 300 crore are to be considered by the Expenditure Finance Committee⁶ (EFC) (chaired by the Secretary of the administrative department).
- Plan schemes/ projects involving expenditure of Rs. 300 crore and above are to be considered by the Expenditure Finance Committee where it does if it does not give returns, or by the Public Investment Board where it gives returns.

- Cases where the expenditure involves an investment of Rs. 300 crore or more require the approval of the Cabinet also.

We noted that the budget proposals were mooted by the respective ministries and approval of the Cabinet was obtained, wherever necessary. Further, in respect of Gol,

- All grants were under the Plan head; . Funds were released in instalments subject to standard terms and conditions and also subject to Utilisation Certificates.
- In the case of Prasar Bharati, funds were released as 50 per cent grant and 50 per cent loan (in view of the uncertainty of revenues), with conversion into grant-in-aid to be considered later, if found necessary.
- The only non-plan component was in respect of the loan for the OC's operational budget (intended to be repaid out of OC's revenues).

6.3.2 Summary of Approvals

A summary of item-wise proposals routed through EFC/ CNE/ Cabinet in respect of different Ministries of Gol is given below; details are given in Annexe 6.1:

⁴ Limits are effective from April 2010

⁵ Limits are effective from April 2010

⁶ Chaired by the Secretary of the administrative department along with Secretary (Expenditure) and Secretary (Planning Commission)

**Table 6.4 - Summary of Approved CWG-2010 Proposals/ Estimates
(in respect of Gol)⁷**

Ministry	Name of the Project/ Proposal	Approved amount
MYAS	Operational Budget of OC	1813.42
	Overlays for OC	687.00
	Procurement of TSR and Sports Equipment for Venues	87.25
	Venue Development (SAI Stadia)	2475.00
	Venue Development (DU, JMI, and DPS, RK Puram)	350.71
	Venue Development (AITA)	65.65
	Scoring and related equipment for Dr. Karni Singh Shooting Range	30.15
	Venue Development (CRPF Kadarapur Range)	28.50
	Scheme for Preparation of Indian Team for CWG-2010	678.00
	MTNL (Telecom Service Provider for CWG-2010)	182.00
MoUD	Construction of Games Village and Sports Venues by DDA	827.85
MIB	Host Broadcasting, International Broadcasting Centre, and Main Press Centre	482.57
MHA	Integrated Security System and related equipment	375.00
MoHFW	Sports Injury Centre (Safdarjung Hospital)	70.72

6.3.3 Delayed grant of approvals

In addition to other delays, we found substantial delays in the process of approvals/ sanctions. A list of approvals, which took 4 months or more (as ascertained from the records of the Ministry of Finance) is given below:

Table 6.5 – Delays in budget approvals

Ministry Department	Proposal	Date of initial proposal to MOF	Date of approval	Time Gap (Months)
Youth Affairs & Sports	Venue Development (SAI Stadia)	28.08.2006	15.03.2007	7
		23.01.2009	08.05.2009	3
	Operational Budget of OC	30.11.2005	15.03.2007	15
		16.06.2009	05.11.2009	5
	Overlays (for OC)	17.11.2009	19.03.2010	4
Scheme for Preparation of Indian team for CWG-2010	12.02.2008	12.06.2008	4 3	
Venue Development (DU, JMI and DPS, RK Puram)	19.12.2007	27.03.2008	8	
	11.02.2009-JMI 23.02.2009-DU	08.10.2009	7	

⁷ Does not include proposals which were sanctioned/ approved but not utilised (e.g. approval of Rs. 200 crore for Intelligent Traffic Management System (ITMS))

Ministry Department	Proposal	Date of initial proposal to MOF	Date of approval	Time Gap (Months)
Youth Affairs & Sports	MTNL	21.10.2009	10.02.2010	7
	Venue Development (AITA)	02.11.2006	22.09.2009	35
	Venue Development (CRPF Kadarapur Range)	27.05.2009	08.10.2009	4
Urban Development	Construction of Games Village and Sports Venues by DDA	12.07.2006	15.10.2009	39
Information & Broadcasting	Host Broadcasting, International Broadcasting Centre, & Main Press Centre	18.12.2007	03.10.2008	10

While we note that careful scrutiny of proposals is required to ensure due diligence before approvals and commitment of GoI funds, for a time-sensitive project like CWG-2010 (where considerable delays had already taken place at the initial stages, reducing the time available for planning and implementation), processing and approvals at various levels should have demonstrated a greater sense of urgency than they actually did.

In particular, we noted the discomfort and delay of the EFC in clearing the budget proposals of the OC due to lack of complete understanding of bid documents, CGF protocols, HCC and related documents by MYAS/MoF. Even as late as January 2010, while discussing the proposal for Overlays Secretary, MYAS acknowledged that roles of various agencies (venue owners and OC) were not clearly demarcated. This lack of clarity had an adverse impact on the financing of the projects.

OC submitted its first budget proposal to MYAS in November 2005, but this was approved only in April 2007. OC's revised budget was submitted in July 2008, but was sent to the Ministry of Finance only in June 2009 and finally approved in November 2009. We noted that the approval of the OC budget got linked with the differences between MYAS and OC over the extent of Governmental control. However, these differences should not have been allowed to delay scrutiny and approval of budgets.

6.4 Financial Management in GNCTD

An agency-wise profile of approvals/sanctions by GNCTD (including approvals for MCD, NDMC and other bodies) is given in Table 6.6.

Table 6.6 – Agency-wise profile of Approvals for GNCTD

(In Rs. Crore)

Agency	Sanctioned Amount
PWD	5,456
DTC	1,173
Power Department	1,100
NDMC	1,016
MCD	542
DJB	269
DHS	46
Art & Culture Deptt.	28
IT	28
Environment & Forest	7
DPGS	6
Grand Total	9,672*

*This includes funding from Gol – (a) components of JNNURM: Rs. 761 crore and (b) Additional Central Assistance for CWG-related projects: Rs 2800 Crore.

A category-wise profile of approvals/ sanctions is given in Annexe 6.2.

6.5 Outstanding Liabilities

It is a matter of concern that the final bills for most of the projects (Organising Committee, venue development, city infrastructure and other projects) are yet to be settled by the implementing agencies, even after several months of conclusion of the Games.

- The OC is scheduled to cease existence from 31 March 2011. Accounts upto 2009-10 only have been finalised.
- Releases to agencies like SAI, MTNL, Prasar Bharati, ECIL etc. are treated as expenditure in the books of Gol. However, the final cost will be known

after settlement of bills/ receipt of UCs with detailed Statements of Expenditure (SOEs).

- Even in respect of departmentally executed projects in GNCTD, final payments are yet to be made.

Until final payments are made, the full cost of organizing and staging CWG-2010 to the public exchequer will not be known. This will be verified/ scrutinized in future audits.

