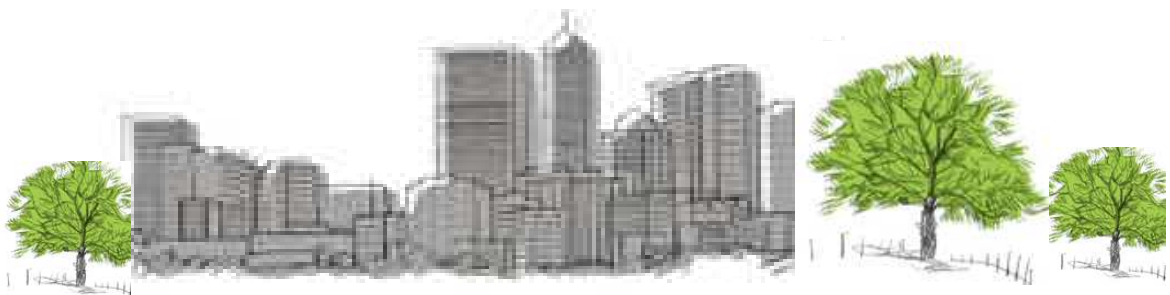


Appraisal of Jawaharlal Nehru National Urban Renewal Mission (*Jn*NURM)

Final Report – Volume I

March 2011



Disclaimer

Grant Thornton is pleased to present the Final Report for the Appraisal of Jawaharlal Nehru Urban Renewal Mission (*JnNURM*).

The appraisal has been carried out in accordance with the scope of work detailed in our contract and in Section I of this Report. The context and introduction to the Report has been given in Section I and II while Sections III to XII contain the detailed Report. Please note that this is a limited scope appraisal and the findings should be read in the same light. The appraisal has been done on the basis of the pre approved sample of 66 cities (41 Mission cities and 25 Non Mission cities) and on the basis of primary information collected from these 66 cities, secondary information as made available by MoUD and MoHUPA as well as information gathered and discussions held with various stakeholders whilst conducting the appraisal.

Our work does not constitute an audit and thereof, the objective of is the expression of an opinion based on an analysis of the information collected and discussions held in light of the scope or work. Our work should not be relied upon to disclose errors, irregularities or illegal acts, including fraud or defalcations.

We appreciate the opportunity to work with you on this assignment. Please feel free to contact us for any clarifications with regard to the report.

Contents

	Page
Contents	2
Abbreviations	6
Executive Summary	11
1. Context of the Appraisal	18
2. Introduction to the Mission	24
3. City Development Plan	33
4. Detailed Project Report	51
5. Projects	58
6. Reforms	79
7. Initiatives	139
8. Management Information System	168
9. Institutional Arrangements	176
10. Resource Mobilization	196
11. Findings	253
12. Recommendations	261
13. Annexures	271

Tables

Table 1.1: Sample of cities.....	21
Table 1.2: Sample of cities.....	22
Table 3.1: Analysis of the content and expected outcome from the CDPs.....	34
Table 3.2: Permissible activities under JnNURM – CDP toolkit.....	38
Table 3.3: Capital investment plan for Pune as per its CDP.....	41
Table 3.4- Capital investment plan for Jaipur as per its CDP.....	42
Table 4.1: City and sector wise analysis: Reasons for delay in project implementation.....	55
Table 5.1: Urban Infrastructure and Governance scheme overview for 41 mission cities.....	60
Table 5.2: Basic Services for Urban Poor scheme overview for 41 mission cities.....	63
Table 5.3: Urban Infrastructure Development Scheme for Small and Medium Towns scheme overview for 25 non mission cities:.....	66
Table 5.4: Integrated Housing and Slum Development Program scheme overview for 25 non mission cities.....	69
Table 6.1: Reform status for State level.....	80
Table 6.2: Mandatory reforms at the ULB level.....	91
Table 6.3: Optional Reforms.....	101
Table 6.4: Review of the State Level Mandatory Functions.....	119
Table 6.5: Review of the State Level Mandatory Reforms- Transfer of functions as per the 12th schedule.....	121
Table 6.6: Review of the ULB Level Mandatory Reforms.....	124
Table 6.7: Review of the ULB Level Optional Reforms.....	126
Table 6.8: Review of Reforms.....	136
Table 7.1: Sources of funding.....	151
Table 7.2: PPP status across states.....	158
Table 7.3: Financial details of KDMC e-Governance model.....	162
Table 7.4: PEARL: Peer group networks for the sample.....	165
Table 9.1: Summarization of Institutional Arrangements at the National Level.....	182
Table 9.2: Details regarding establishment of PMUs.....	184
Table 9.3: Summarization of Institutional Mechanism at the State level.....	186
Table 9.4: Details regarding establishment of PIUs.....	190
Table 9.5: Appraisal of Institutional Mechanism at the City level.....	192
Table 10.1: Approved projects in the sample of cities.....	196
Table 10.2: Approved cost of projects in all 4 schemes.....	197
Table 10.3: Funds released for UIG and BSUP projects.....	198
Table 10.4: Total expenditure incurred by cities in each scheme.....	199
Table 10.5: Total number of completed projects in the sample.....	200
Table 10.6: Cost of completed projects.....	201
Table 10.7: JnNURM Progress (All Components) in Andhra Pradesh.....	205
Table 10.8: Sectoral Breakup of UIG projects as on 31.03.2010 (₹crores).....	206
Table 10.9: Sector-wise allocation of UIDSSMT Projects – Andhra Pradesh.....	207
Table 10.10: Physical and Financial Progress of JnNURM Projects in Andhra Pradesh (₹crores).....	207
Table 10.11: Implementation of Projects (agency-wise) in the State of Andhra Pradesh.....	208

Table 10.12: Projects in Pipe Line (₹ crores).....	208
Table 10.13: Details regarding sharing of escalation cost (₹ crore).....	209
Table 10.14: JnNURM Progress (All Components) in Karnataka.....	216
Table 10.15: Sectoral Breakup of UIG projects as on 31.03.2010 (₹ crore).....	218
Table 10.16: Sector-wise allocation of UIDSSMT Projects – Karnataka.....	218
Table 10.17: Implementation of Projects (agency-wise) in the State of Andhra Pradesh	219
Table 10.18: Projects in Pipe Line (₹ crores).....	220
Table 10.19: Details regarding sharing of escalation cost (₹ in crore).....	220
Table 10.20: JnNURM Progress (All Components) in Rajasthan.....	229
Table 10.21: Sectoral Breakup of UIG projects as on date (₹ in crores)	230
Table 10.22: Sector-wise allocation of UIDSSMT Projects – Rajasthan.....	231
Table 10.23: Implementation of Projects (agency-wise) in the State of Rajasthan	232
Table 10.24: Projects in Pipe Line (₹ crores).....	233
Table 10.25: Details regarding sharing of escalation cost (₹ crore).....	233
Table 10.26: Overview of JnNURM in Jaipur	234
Table 10.27: Financial analysis for Nanded.....	240
Table 10.28- Present planning structure for India	243

Figures

Figure 2.1 Spatial locations of mission cities under JnNURM in 5 zones.....	24
Figure 2.2: Graphical representation of the existing JnNURM structure.....	25
Figure 2.3: Institutional structure at the Mission Directorate	26
Figure 2.4: Structural components of UIG	27
Figure 2.5: Structural components of BSUP.....	29
Figure 2.6: Technical support agencies: MoUD	31
Figure 2.7: Technical support agencies: MoHUPA.....	31
Figure 3.1: Planning structure for third tier governance in India	33
Figure 3.2: Schematic representation of reform linked development plan –CDP.....	37
Figure 3.4: Constituents list of stakeholders for consultation during CDP preparation	40
Figure 3.5: CIP vs. Capital Expenditure under JnNURM (₹crores).....	41
Figure 3.6: CIP vs. Capital Expenditure under JnNURM (₹crores).....	42
Figure 3.7: Financial analysis for Pune.....	43
Figure 3.8: Financial analysis for Ahmedabad	44
Figure 3.9: Financial analysis for Jaipur	45
Figure 3.10: CIP vs. Capital Expenditure under JnNURM (₹crores).....	46
Figure 4.1: Schematic representation: DPR preparation process	51
Figure 6.1: Reform status	80
Figure 6.2: Sustainability of reforms.....	117
Figure 7.1: Indore Transport Model.....	140
Figure 7.2: E-governance modules in Kalyan Dombivli	142
Figure 7.3: INDIRAMMA Financing Mechanism.....	145
Figure 7.4: Graphical representation of Delhi State Spatial Data Infrastructure	147
Figure 7.5: Graphical representation of Delhi Geo portal.....	148
Figure 7.6: Project modules: e- municipality	152
Figure 7.7: Services delivery at CSC counter: e-seva project.....	152
Figure 7.8: Stages for implementing PPP projects	155
Figure 7.9: Spatial distribution of land parcel for economically weaker section	162
Figure 7.10: Sample town planning scheme for Hanspura Muthia	163
Figure 7.11: Performance indicators.....	166
Figure 7.12: Graphical representation of service level benchmarking in the sample	167
Figure 8.1: JnNURM – Proposed shift in MIS.....	173
Figure 8.2: Details regarding sharing of escalation cost (₹in crore).....	175
Figure 9.1: JnNURM – Proposed institutional shift.....	194
Figure 9.2: Recommended functional structure of JnNURM.....	195
Figure 10.1: Financial analysis for Nanded Municipal Corporation.....	240
Figure 10.2: Revenue expenditure on e-Governance, GIS and computers	240
Figure 10.3: Capital account analysis.....	241
Figure 10.4: Municipal bond structure in India	243
Figure 10.5: Sources of revenue for ULBs	245

Abbreviations

ACA	Additional Central Assistance
ADB	Asian Development Bank
AILSG	All India Institute of Local Self Government
ALM	Advance Locality Management Program
AMC	Ahmedabad Municipal Corporation
AS	Area Sabha
BBMP	Bruhat Bengaluru Mahanagara Palike
BDA	Bangalore Development Authority
BMC	Bhubaneswar Municipal Corporation
BMTPC	Building Material & Technology Promotion Council
BMW	Bio Medical Waste
BOOT	Build Own Operate Transfer
BPL	Below Poverty Line
BRTS	Bus Rapid Transport system
BSEA	Brigade Shops Establishments Association
BSUP	Basic Services for the Urban Poor
BWSSB	Bangalore Water Supply and Sewerage Board
CAA	Constitutional Amendment Act
CAGR	Compound Annual Growth Rate
CBO	Community Based Organizations
CCEA	Cabinet Committee on Economic Affairs
CDP	City Development Plan
CDS	Community Development Societies
CIP	City Investment Plan
CMP	City Mobility Plan
CPF	Community Participation Fund
CPHEEO	Central Public Health and Environmental Engineering Organization
CPL	Community Participation Law
CPWD	Central Public Works Department
CREF	Credit Rating Enhancement Fund
CSMC	Central Sanctioning and Monitoring Committee
CTAG	City Technical Advisory Fund
CVTCs	City Volunteer Technical Corps
DCR	Development Control Regulations
DEO	Data Entry Operator

DPC	District Planning Committee
DPR	Detailed Project Report
DSMC	Design, Supervision and Monitoring Consultants
DSSDI	Delhi State Spatial Data Infrastructure
DU	Dwelling Unit
EE	Executive Engineer
EFC	Expenditure Finance Committee
EIA	Environment Impact Assessment
EMP	Environment Management Plan
EWS	Economy Welfare Scheme
FDI	Foreign Direct Investment
FOP	Financial Operating Plan
FSI	Floor Space Index
FY	Financial Year
GHMC	Greater Hyderabad Municipal Corporation
GIS	Geographic Information System
GoAP	Government of Andhra Pradesh
GOI	Government of India
GoK	Government of Karnataka
GoP	Government of Punjab
GPS	Global Positioning System
HDFC	Housing Development Finance Corporation Limited
HUDCO	Housing and Urban Development Corporation
ICTSL	Indore City Transport Services Limited
IES	Initial Environmental Studies
IHSDP	Integrated Housing and Slum Development Programme
IL & FS	Infrastructure Leasing and Financial Services Limited
IMC	Indore Municipal Corporation
INDIRAMMA	Integrated Novel Development in Rural areas and Model Municipal Areas
IPOMS	Integrated Poverty Management Systems
IRMA	Independent Reviewing and Monitoring Authority
IT	Information Technology
ITS	Intelligent Transport System
JDA	Jaipur Development Authority
JICA	Japan International Co-operation Agency
JMC	Jalandhar Municipal Corporation
JnNURM	Jawaharlal Nehru Urban Renewal Mission
JS	Joint Secretary
JSK	Jana Seva Kendras
KDMC	Kalyan-Dombivli Municipal Corporation
KMABR	Karnataka Municipal Accounting & Budgeting Rules
KMAM	Karnataka Municipal Accounting Manual
KMDA	Kolkata Metropolitan Development Authority
KSCB	Karnataka Slum Clearance Board
KUIDFC	Karnataka Urban Infrastructure Development & Finance Corporation

LIG	Low Income Group
MCF	Municipal Corporation of Faridabad
MCGM	Municipal Corporation of Greater Mumbai
MDGS	Millennium Development Goals
MEDD	Municipal e-Governance Design Document
MFIP	Municipal Finance Improvement Program
MIS	Management Information System
MLA	Members of the Legislative Assembly
MMC	Mysore Municipal Corporation
MMNY	Mukhya Manthrigala Nagarothana Yojana
MMRDA	Mumbai Metropolitan Region Development Authority
MOA	Memorandum of Agreement
MoEF	Ministry of Environment and Forest
MoF	Ministry of Finance
MoH & FW	Ministry of Health and Family Welfare
MoHUPA	Ministry of Housing and Urban Poverty Alleviation
MoSJ&E	Ministry of Social Justice and Empowerment
MoU	Memorandum of Understanding
MoUD	Ministry of Urban Development
MP	Members of Parliament
MPC	Metropolitan Planning Committee
MSW	Municipal Solid Waste
MTAA	Mid Term Appraisal Agency
MUIF	Maharashtra Urban Infrastructure Fund
MUIINFRA	Maharashtra Urban Infrastructure Development Company
NBCC	National Buildings Construction Corporation
NBO	National Buildings Organization
NCT	National Capital Territory
NDD	National Design Document
NeGP	National e-Governance Plan
NGO	Non Government Organization
NITA	Nabadiganta Industrial Township Authority
NIUA	National Institute of Urban Affairs
NMAM	National Municipal Accounting Manual
NMC	Nagpur Municipal Corporation
NMMC	Navi Mumbai Municipal Corporation
NSDI	National Spatial Data Infrastructure
NSDP	National Slum Development Programme
NSG	National Steering Group
NTAG	National Technical Advisory Group
NURM	National Urban Renewal Mission
NUSP	National Urban Sanitation Policy
NWCMC	Nanded Waghala City Municipal Corporation
O&M	Operation and Maintenance
OSD	Officer on Special Duty
PC	Planning Commission
PCMC	Pimpri- Chinchwad Municipal Corporation

PEARL	Peer Experience and Reflective Learning
PFDF	Pooled Finance Development Fund
PHE	Public Health Engineering
PIU	Project Implementation Unit
PMBOK	Project Management Body of Knowledge
PMES	Programme Monitoring and Evaluation System
PMI	Project Management Institute
PMMC	Project Management & Monitoring Consultants
PMU	Project Management Unit
PPP	Public Private Partnership
PWS&SB	Punjab Water Supply and Sewerage Board
QPR	Quarterly Progress Report
RAA	Reform Appraisal Agencies
RAY	Rajiv Awas Yojana
RCC	Reinforced Concrete Cement
RMC	Rajkot Municipal Corporation
RTI	Right to Information
SCADA	Supervisory Control and Data Acquisition Scheme
SE	Superintendent Engineer
SG	State Government
SHG	Self Help Groups
SIA	Social Impact Assessment
SJMMSVY	Swarnim Jayanti Mukhya Mantri Shehri Vikas Yojana
SLB	Service Level Benchmarking
SLCC	State Level Coordination Committee
SLNA	State Level Nodal Agency
SLSC	State Level Steering Committee
SLTAGS	State Level Technical Advisory Group
SMC	Surat Municipal Corporation
SO	Section Officer
SOR	Schedule of Rates
SPV	Special Purpose Vehicle
STAGs	State-level TAGs
STC	State Transport Corporation
STP	Sewage Treatment Plant
SWM	Solid Waste Management
TCPO	Town and Country Planning Office
TDR	Transferable Development Rights
TNUIF	Tamil Nadu Urban Infrastructure Fund
ToR	Terms of Reference
TPIMA	Third Party Inspection and Monitoring Agency
UC	Utilization Certificate
UD	Urban Development
UDD	Urban Development Department
UIDSSMT	Urban Infrastructure Development Scheme for Small and Medium Towns
UIG	Urban Infrastructure and Governance

ULB	Urban Local Body
ULCRA	Urban Land Ceiling Control and Regulation Act
UNDP	United Nations Development Programme
UPA	Urban Poverty Alleviation
US	Under Secretary
USAID	United States Agency for International Development
UT	Union Territory
VMC	Vishakhapatnam Municipal Corporation
WB	World Bank
WC	Ward Committees
YASHADA	Yashwantrao Chavan Academy of Development Administration

Funds (ACA) Allocated	This refers to total funds envisaged as Additional Central Assistance to be provided by GOI to ULBs over a period of seven years under <i>JnNURM</i> . This can also be called as ACA allocated.
Budgetary Provision	funds provided in GOI annual budget for the component of <i>JnNURM</i>
Project cost approved	Project submitted by the ULB for financial assistance under <i>JnNURM</i> component and approved by CSMC. This forms the base for deciding additional central assistance (ACA), State's and ULB's share.
ACA committed	Refer to the amount GOI agreed to share of the project cost approved as per sharing formulae applicable to different categories of cities. Also referred as funds committed
ACA released	Refers to the amount or funds actually released by GOI to the ULBs through the state. Also referred as funds released
State matching share committed	An amount a state has agreed to share of the project cost
State share released	An amount or funds actually released by the State to ULB
ULB matching share committed	An amount a ULB has agreed to share of the project cost
ULB share released	an amount or funds actually released by the ULB to project implementation account
Actual expenditure	expenditure actually incurred on the project approved under <i>JnNURM</i>
Beneficiary contribution committed	Under BSUP & IHSDP component housing units are provided to urban poor. As per GOI guideline beneficiary contribution could be around 12% of project cost for general category and 10% for urban poor belonging to Special Category. The contribution agreed by beneficiary is terms as committed contribution of beneficiary
Beneficiary contribution Released/Received	The amount actually received from the beneficiary urban poor

Executive Summary

Background and Context

Grant Thornton, India has been appointed as the **Appraisal Agency for the Jawaharlal Nehru Urban Renewal Mission (JnNURM)** launched by the Government of India in December 2005 across 65 Mission Cities and several hundred non-mission cities. The interventions in the Mission Cities are covered by two sub-missions called Urban Infrastructure and Governance (UIG) and Basic Services to the Urban Poor (BSUP). The non-mission cities, on the other hand, have two sub-schemes called Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) and Integrated Housing and Slum Development Programme (IHSDP). The UIG and UIDSSMT components are looked after by the Ministry of Urban Development (MoUD) while Ministry of Housing and Urban Poverty Alleviation (MoHUPA) is the nodal agency for the other two components.

The enclosed Report presents an analysis of the Consultant's work and summarizes the experience from visits to the chosen sample of 66 Cities covered during the Phase I and Phase II of the Appraisal.

Objectives of the Assignment

The ToRs have made it amply clear that the Appraisal Agency is envisaged to play a critical role in assessing whether the overall objectives of the mission are being fulfilled as well as in identification of the constraints in implementation of the mission and remedial measures to be taken. The key objectives of the assignment include:

- To monitor and evaluate results and impacts, including an assessment of sustainability;
- To provide a basis for decision making on actions to be taken, on constraints in implementation and remedial measures to be taken;
- To assess the effectiveness and efficiency of resource use;
- To document, provide feedback on, and disseminate lessons learned.

Sample for the Appraisal

The following cities were chosen for visits and detailed study.

Zone	State	Mission cities	Non mission cities
Zone-I North	Haryana	Faridabad	Panchkula
	Punjab	Amritsar	Jalandhar
	Himachal Pradesh	Shimla	Parwanoo
	Uttarakhand	Dehradun	Mussoorie
	Jammu & Kashmir	Srinagar	
	New Delhi	New Delhi-UT	
	Uttar Pradesh	Lucknow	Ghaziabad
	Chandigarh	Chandigarh-UT	

Zone-II-West	Gujarat	Ahmedabad	
		Vadodara	
	Maharashtra	Pune	Shirdi
		Mumbai	Aurangabad
		Nanded	
	Madhya Pradesh	Bhopal	Khandwa
		Indore	
		Ujjain	
Zone-III-South	Rajasthan	Jaipur	Udaipur
		Ajmer-Pushkar	Jodhpur
	Andhra Pradesh	Hyderabad	Kurnool
		Vishakhapatnam	Suryapet
			Warangal (MC)
			Cuddapah
	Kerala	Thiruvananthapuram	
		Cochin	
Zone-IV-East	Puducherry	Puducherry-UT	
	Karnataka	Bangalore	
		Mysore	
	Tamil Nadu	Chennai	Tirupattur
	West Bengal	Kolkata	Diamond Harbour
			Siliguri
			Darjeeling
		Chhattisgarh	Raipur
Zone-V-North East	Orissa	Bhubaneswar	
		Puri	
	Bihar	Patna	Muzaffarpur
		Bodhgaya	
	Jharkhand	Ranchi	
	Meghalaya	Shillong	Tura
	Nagaland	Kohima	Dimapur
	Manipur	Imphal	Thoubhal
Zone-V-North East	Sikkim	Gangtok	
	Arunachal Pradesh	Itanagar	Seppa
	Assam	Guwahati	
	Mizoram	Aizawl	
	Tripura	Agartala	Belonia

Chapterisation

For the purpose of presentation, we have attempted to follow the same sequence as the terms of reference. Thus, our report discusses in detail the following issues:

- Preparation and appraisal of CDPs
- Preparation and appraisal of DPRs
- Implementation of Projects
- Implementation of Reforms
- Documentation of best practices observed during the visits
- MIS
- Institutional arrangements
- Resource mobilisation

While the details of the above are presented in respective chapters later in this report, we present below some key findings followed by some key recommendations.

Major findings

Our key findings have been compiled across the three levels of jurisdiction viz. National, State, and ULB-levels also covering institutional arrangements at all the three levels.

At the National-level, the findings cover specific aspects such as (i) Design of the Mission, (ii) City Development Plans (CDPs), (iii) Detailed Project Reports (DPRs) and (iv) Project administration.

On the other hand, the State-level findings cover issues related to (i) Pre-project activities, (ii) Project Implementation, (iii) implementation of reforms, (iv) and Project monitoring.

Finally, the ULB-level findings cover (i) Project preparation and (ii) Project implementation.

Some of the major findings have been presented below:

1. National level

1.1. Design of *JnNURM*

- *JnNURM* has been instrumental in rejuvenating the urban space in the country. Post independence, *JnNURM* has been the country's first national flagship programme of this nature and size for the urban sector.
- Even though *JnNURM* gives the option of providing the central assistance as a soft loan to the ULB, the discretion to exercise that option had been left to the state government.
- Out of the 65 mission cities, category A and B may not require the extent of funding under the umbrella of *JnNURM* as in the present scheme and funding may be scaled down for them to increase the funding for smaller towns.
- Funding of the mission cities was decided on the basis of population based on 2001 census; based on the said criteria, the smaller states with smaller towns had some disadvantage over the large cities. It is advised to explore other criteria as well.

1.2. City Development plan

- Process of consultation was limited to pre-plan finalisation
- Non availability of CDP in vernacular language
- CDP was seen as an investment plan for projects in the immediate term and not as a vision document for the city with very limited cities revising the same
- CDP is not a statutory document as the master plan/ regional plan.

1.3. Detailed project report

- Most of the DPRs are not backed by the Initial Environmental Studies (IES) and SIA
- Most of the projects were sanctioned in 2007 for majority of the states even though the mission started in 2005

1.4. Project administration

- The mission has involvement of many advisors and consultants, causing coordination problems for the state officials as they have to interact with multiple consultants

2. State level

2.1. Pre project activities

- Only few cities have taken steps to revise the CDP
- While preparing the DPR, consultations with the stakeholders was limited and mostly restricted to the line departments and parastatal agencies.
- The State Level Nodal Agency (SLNA) is headed either by the Secretary of Urban Development or Municipal Administration/ Local Self Government without any dedicated staff (as the staff already have additional workload).

2.2. Project implementation

- A few states have not even set up the Project Management Unit (PMU) or Project Implementation Unit (PIU).

- In several cases, development authorities and parastatal agencies have been made responsible for implementation of the projects and in cases where they are also the PIUs creating strain on their own manpower resources.

2.3. Implementation of reforms

- Based on our interactions during the visit to sample cities it emerged that 23 reforms to be implemented within a span of five to seven years seems to be a considerable challenge for the states/ ULB's
- Stewardship of the state is required for implementation of certain reforms like introduction of property title certification, simplification of legal and procedural framework for conversion of agriculture land for non agricultural purposes etc.
- A bottom up approach should be followed and the states should be asked to furnish the reforms which they would like to do and are in a position to implement within the acceptable timeframe through bilateral discussions.
- Since no fund is earmarked for implementation of the 23 reforms, many ULBs have been struggling to fund the implementation of several reforms, for example the accounting reforms as well as GIS based property taxation.
- Considering the ULBs are not in a position to take over all the functions mentioned under 12th schedule of 74th CAA at present, the line departments, the parastatal agencies and the ULBs can sign a Memorandum of Agreement (MoA) to perform these functions.
- Most ULBs are also not in a position to take over functions like roads and bridges, water supply sewerage, drainage and urban forestry for the same reasons as stated above which is their present incapacity to do so

2.4. Project monitoring

- Not every PMU has filled up all the positions as per the tool kit on the PMU.
- The Independent Review and Monitoring agency (IRMA) and Third Party Independent Monitoring Agency (IPIMA) appointed by MoUD/MoHUPA is not based at the project site and largely conducts review with minimal site visits. There is merit in considering individual project PMC.

3. ULB level

3.1. Project preparation

- Most of the ULBs do not have the mechanisms and the requisite skills to carry out project preparation and the states have engaged consultants to do so.
- Capacity building, perhaps the single most important activity required in the today's urban sector scenario should be considered to be monitored by an agency similar to appraising and monitoring agencies for reforms and project.

4. Institutional level

4.1. National level

- Structure of the Sub Mission Directorate is in conformity with that of the requirement of the project implementation and reforms
- The preparatory period for preparation of reforms primers spilled over into the mission period with many of the primers being added later (like heritage, e-Governance etc) on including the decision to add heritage sector to the list of sectors covered under the mission. This led to delays in project sanctioning mechanism
- These agencies like CPHEEO and BMTPC understaffed and needs strengthening to provide technical assistance during the mission period.
- Systems and procedures laid out right from the preparation of CDP, DPR, appraisal of CDP and DPR, sanction of projects, review and monitoring of the project implementation are well defined and recorded in the tool kits for JnNURM on various aspects and the guidelines to the states.

- Time given to the consultants to prepare the CDP is too short for a comprehensive document based on in depth stakeholder consultations as well
- 4.2. State level
- The ULBs need outside support from the technical organisations in the state as well as that of the PMU.
 - PMU, if staffed fully, can provide the required technical support to the SLNA with its multidisciplinary team
 - PIUs attached, either to the ULBs or parastatal agencies of the state, lack the technical expertise in municipal finance, information technology, urban planning, environment, procurement social and community development and HR which are must for implementation of a project of the nature and size of JnNURM.
 - Majority of the states have not constituted TAG at the state and city level.
 - Majority of the states do not have either procurement policy or procurement manual
- 4.3. ULB level
- There is no currently provision for constitution of City Level Sanctioning and monitoring Committee in JnNURM guidelines.
 - Technical support is available with the parastatal agencies like the Development Authorities, the Housing and slum clearance boards even at the city level.
 - It has been observed in many states that there has been minimum involvement of the ULBs in preparation of CDP and DPR due to lack of in-house capacity

Recommendations

Some of the major recommendations have been presented below:

1. National level

1.1. Policy

- The city development plans can then be prepared in context of state urban policy and targeted investment in urban infrastructure
- The CDP's should also be prepared in the vernacular language.
- CDP should be made a statutory document which can then be made a section of the Master Plan for the city.
- The Urban Planning cycle would thus be the State Urban Policy, Master Plan, Zonal Plan, CDP, CIP, and DPR
- Bilateral discussions should be held between centre and state with the respective states for agreement to the reform agenda before signing of the MoA
- Administrative and structural reform should be made mandatory.
- The JnNURM project cycle should also focus on preparation of the State urban Policy.
- JnNURM primarily should fund priority sectors like water supply, sewerage, solid waste management, drainage, roads and housing.
- It may be desirable to have a set of criteria apart from population for funding the mission cities; possibly criteria's like revenue per capita, level of infrastructure, need for investment in the context of the state urban policy.
- JnNURM should be an incentivized programme. Financial thresholds need to be decided and adhered to in terms of the central assistance under JnNURM being given as a soft loan or a grant.
- Approvals needed from the Ministry of Railways, Defence, Environment & Forests and NHAI should be facilitated by the centre to reduce delays.
- A national level procurement manual should be made which should be followed for all kinds of procurement for JnNURM projects.

- Second generation of reforms may be initiated only for those states which have achieved the 23 reforms as committed by the states in their MoA's.

1.2. Institutional

- Single mission directorate for both the ministries should be contemplated
- There should be a single nodal agency as against the multiple agency format at certain states in the current situation and preferably state urban development department
- There is an urgent need for direct in house participation of the ULB staff in the entire process from CDP, DPR preparation to project execution
- the DPR agency should be the PMC to oversee and monitor the implementation of the DPR attached with liquidated damages clause in the contract for technical flaws in the DPR
- National level urban institutes of management should be opened by both the ministries together linking it with reputed international level institutions
- Initiatives like MUIFRA and TNUDF should be encouraged in other states
- To simplify the process the money for CDP and DPR preparation should be ideally kept with the state government as project development support fund and authority should be given at the state level to distribute this fund as per the request of reimbursements
- Post procurement reviews should be conducted by the centre.

1.3. Process

- Divide the approval process for projects into two stages: the in-principle approval stage and the final approval stage against the current process of giving the final approval to the proposed projects in one go
- These details with regard to the financial closure of the projects should be given in the period between in-principle approval stage and before final approval stage of the project
- MoUD may not approve such projects where land acquisition is involved unless the states confirm that land for the project would be in the possession of the implementing agency within a reasonable time
- There should be only two instalments as oppose to the current format of four instalments
- A pre-requisite for Heritage projects should be a Heritage Management Plan and a Cultural Impact Assessment

2. State level

2.1. Policy

- Formulation of Municipal Services Regulator
- There should be provision for third party financial audits at the ULB level
- Water audit and energy audit for all the ULB's is recommended
- The states may also consider formulating a state level PPP policy for PPP projects being undertaken in the state
- Formation of municipal and professional cadre at the state level

2.2. Institutional

- Creation of data centres for the state should be done with immediate effect
- Before enforcing the 74th constitutional amendment act, the service delivery capacity of the ULB's should be identified and measures to be taken up to improve the same.

2.3. Process

- Certain ULB level reforms like e-Governance and double entry accounting system need the state's stewardship for efficient and comparable results across the ULBs of the state

3. ULB level

3.1. Policy

- Revise property tax structure to either area based method or capital value based method
- A city level sanctioning and monitoring committee should be considered

3.2. Institutional

- Formulation of citizen charter
- Stability of tenure for the key staff
- The lower level officials need to be included in capacity building programs as they are the one who will actually implement the projects and they are also expected to stay for longer tenure with the ULBs

3.3. Process

- Socio –economic (beneficiary identification) and biometric survey should be made mandatory before approving DPR for housing projects

4. Sustainability

4.1. Fund flow

- Ensure progress for projects is kept separate from reforms once commenced
- Faster processing of pending UCs
- The centre should consider creating an SPV and releasing the funds directly to the ULB in a separate SPVs account
- Pooled financing mechanism, urban development funds and leveraging needs to be encouraged based as best practices like TUFIDCO and MUINFRA.

4.4. Increase ownership of SLNAs

- Only the state urban development department should be given the responsibility of being the SLNA. Alternatively a separate legal entity like KUIDFC in Karnataka or TNUDF in Tamil Nadu can be given this responsibility
- There should be single SLNA

4.5. Institutional arrangement

- A detailed HR study for staffing requirements based on 74 CAA needs to be carried out by all states and ULBs across India
- Stability of tenure for the ULB officials needs to be considered
- Nanded which has IL&FS as the PMU is a best example for PMU being a firm vs individual positions It has been felt hiring a firm ensures better accountability

1. Context of the Appraisal

1. Context

Grant Thornton, India has been appointed as the **Appraisal Agency for the Jawaharlal Nehru Urban Renewal Mission (JnNURM)**. In the Inception Phase of the Appraisal, it was agreed that the field visits for the Appraisal would be split into two phases- Phase I of the field visits had to be done in a sample of 13 Mission and Non-Mission Cities appropriately chosen among the five zones demarcated in the ToRs; while Phase II will cover the remaining sample of 53 Cities.

The current Draft Final Report presents an analysis of the Consultant's work and summarizes the experience from visits to the chosen sample of 66 Cities covered during the Phase I and Phase II of the Appraisal.

It has to be understood and appreciated that the observations and findings wherever presented in this Report are based on the consultants subjective analysis of interactions held with various officials across the chosen sample and a study of the primary and secondary data so collected by the consultant.

1.2 Objectives of the Assignment

The ToRs have made it amply clear that the Appraisal Agency is envisaged to play a critical role in assessing whether the overall objectives of the mission are being fulfilled as well as in identification of the constraints in implementation of the mission and remedial measures to be taken. The key objectives of the assignment include:

- To monitor and evaluate results and impacts, including an assessment of sustainability;
- To provide a basis for decision making on actions to be taken, on constraints in implementation and remedial measures to be taken;
- To assess the effectiveness and efficiency of resource use;
- To document, provide feedback on, and disseminate lessons learned.

1.3 Scope of the Assignment

As understood from the ToRs, the scope of the current Appraisal is intended to cover the following areas:

1.3.1 City Development Plans (CDP)

- To assess the process of preparation of the CDP in terms of stakeholder consultations (which could include elected representatives of municipalities, urban poor or their representative groups such as CDS) and what improvements can be made;

- Whether the city vision is adequately reflected in the CDP and the sector strategies and the projects are aligned to the vision;
- Whether the financial operating plans and the capital investment plan as proposed in the CDP are realistic;
- Whether the mission cities have undertaken any steps to revise their CDP's;
- What steps need to be taken to institutionalize the CDP at the city level in order to ensure that cities in future, take the necessary steps to update their plans at regular intervals beyond the Mission period;
- To assess the extent to which concerns of the urban poor, including slum dwellers in notified as well as non- notified slums, have been duly addressed, and the City Investment Plans cover the needs of all the slums for basic services and connectivity to city infrastructure networks and systems.

1.3.2 Projects

- To assess the criteria for prioritization of projects by the cities under both sub- mission and schemes, as well as the appropriateness of the projects selected;
- To assess the extent of involvement of beneficiaries in the selection, formulation and implementation and O&M of projects approved;
- To assess the linkage between the projects and the overall sector strategies as outlined in the CDP;
- To assess the pace of implementation of projects in the identified cities, identify critical bottlenecks in project implementation at all stages of the project life cycle and measures to address such bottlenecks;
- To assess steps taken to link city- wide infrastructure projects with internal networks in slums and low income settlements;
- To assess whether social impact assessment and environment impact analysis of infrastructure as well as slum rehabilitation projects have been carried out and whether a mechanism for undertaking these analysis have been put in place;
- To assess whether mission cities are leveraging the mission funds for accessing alternate sources of financing for project implementation and what more can be done about it.

1.3.3 Reforms

- To assess the completeness and accuracy of the data and information provided by the ULB's and state governments in the reform checklist in all the memorandum of agreement as signed by the Mission Cities, State Governments and the Government of India;
- To assess the status of the implementation of reforms at both the state and the city level for all mission cities and states against the commitments as stated in the memorandum of agreement;
- To identify key reforms for which the mission cities and states require additional support in implementation;
- To identify additional reforms which need to be included;
- To assess the extent to which policy, legal and institutional changes have been effected by State Governments and Urban Local Bodies in order to institutionalize the reforms and make them sustainable;
- To assess the systemic constraints faced by states/ULB's in implementing reforms;
- To assess whether measures undertaken by state governments/ULB's to secure adequate land for housing the urban poor are provided with land tenure with affordable housing.

1.3.4 Institutional Arrangements for Mission Implementation

- To assess the structure and technical capacity of the Mission Directorates for managing and implementing the mandate of the mission;
- To assess the technical guidance (through institutional arrangements such as the Technical Advisory Group) and programme management support available to the mission directorates;
- To appraise the systems and processes established in the mission directorates for implementing the mission;
- To assess the institutional mechanisms and inter-agency coordination issues at the state levels across different state level departments, nodal agencies, urban local bodies and parastatal agencies, as well as coordination between the states and the central ministries;
- To appraise the monitoring and oversight mechanisms at the central, state and local level;
- To assess the capacity (in terms of technical capability, staffing and manpower, etc) and performance of the appraisal agencies (such as CPHEEO and CPWD and others in government sector);
- To assess whether mechanisms for addressing administration and operational issues, capacity building and IEC using earmarked Mission Funds have been leveraged by the central as well as state and local governments.

1.3.5 Initiatives under the Mission

To assess the structure of various initiatives such as:

- Innovative initiative and best practices;
- Steps taken to use of IT, including e-Governance tools;
- Measures adopted to improve urban planning and governance;
- Peer group networking among ULB's;
- Enhancing financial sustainability of the ULB's through initiatives such as credit rating of ULB's, pooled finance mechanisms;
- Linkages with key stakeholders in the urban sector including other government departments and agencies, international financial institutions, private sector and the non- government sector.

1.3.6 Resource Allocation and Mobilization

- To assess steps taken to improve municipal finances, allocation of resources to the urban sector.
- To assess the extent to which states and cities have been able to leverage mission funds through options such as PPP and commercial borrowings.
- To evaluate the resource allocation between sub- missions, schemes, states/ UT's and the adequacy and efficacy of the allocation.
- Whether the system for tracking fund release and utilization through QPR's is effective.
- To assess whether ₹50,000 crores allocation for JnNURM as Additional Central Assistance is adequate and also what needs to be done after 7 years of the mission.

1.4 Key Deliverables

Following are the key deliverables on the assignment during its duration, and their specifications.

Table 1.1: Sample of cities

S. No.	Deliverables	Specifications
1	Inception Report	<ul style="list-style-type: none"> Detail on the areas and initiatives to be covered under the appraisal Detail on the approach including sectors, projects, States and Mission Cities, and other stakeholders to be covered under the appraisal with a supporting work plan.
2	Monthly Progress Reports	<ul style="list-style-type: none"> Outline of the progress against the work plan, issues identified and remedial measures.
3	Draft Final Report	<ul style="list-style-type: none"> Draft of the findings and recommendations from the appraisal for comments and suggestions of the client
4	Final Report	<ul style="list-style-type: none"> Appraisal Report to come out with assessment against the components as detailed out in the ToRs, summary and explanation on key findings, interpretations, conclusions, recommendations, lessons learnt and ways forward

Sample for the Appraisal

The map below shows the sample covered during the Appraisal

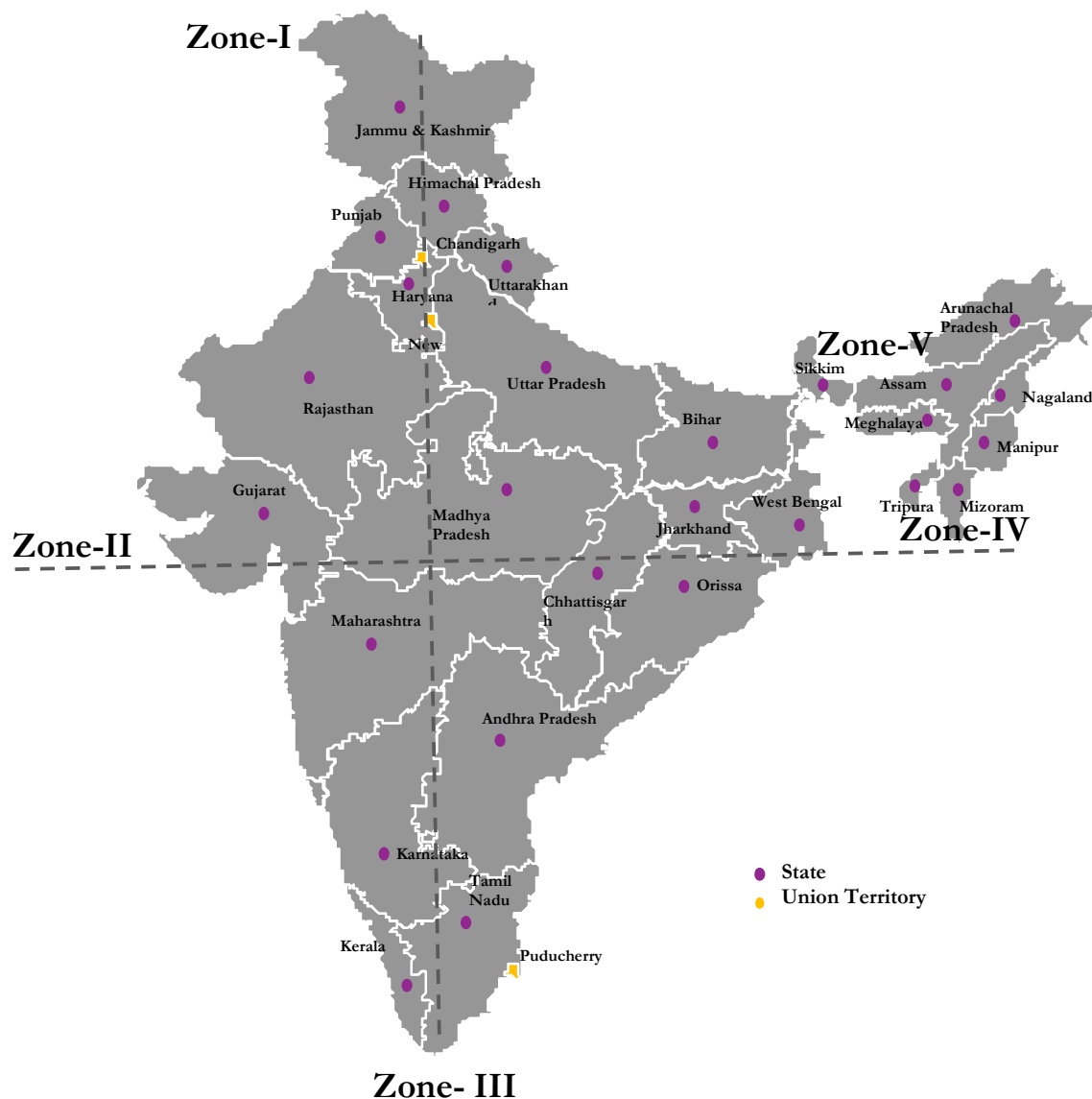


Table 1.2: Sample of cities

Zone	State	Mission cities	Non mission cities
Zone-I North	Haryana	Faridabad	Panchkula
	Punjab	Amritsar	Jalandhar
	Himachal Pradesh	Shimla	Parwanoo
	Uttarakhand	Dehradun	Mussoorie
	Jammu & Kashmir	Srinagar	
	New Delhi	New Delhi-UT	
	Uttar Pradesh	Lucknow	Ghaziabad

	Chandigarh	Chandigarh-UT	
Zone-II-West	Gujarat	Ahmedabad	
		Vadodara	
	Maharashtra	Pune	Shirdi
		Mumbai	Aurangabad
		Nanded	
	Madhya Pradesh	Bhopal	Khandwa
		Indore	
		Ujjain	
Zone-III-South	Rajasthan	Jaipur	Udaipur
		Ajmer-Pushkar	Jodhpur
	Andhra Pradesh	Hyderabad	Kurnool
		Vishakhapatnam	Suryapet
			Warangal (MC)
			Cuddapah
	Kerala	Thiruvananthapuram	
		Cochin	
Zone-IV-East	Puducherry	Puducherry-UT	
	Karnataka	Bangalore	
		Mysore	
	Tamil Nadu	Chennai	Tirupattur
	West Bengal	Kolkata	Diamond Harbour
			Siliguri
			Darjeeling
		Chhattisgarh	Raipur
Zone-V-North East	Orissa	Bhubaneswar	
		Puri	
	Bihar	Patna	Muzaffarpur
		Bodhgaya	
	Jharkhand	Ranchi	
Zone-V-North East	Meghalaya	Shillong	Tura
	Nagaland	Kohima	Dimapur
	Manipur	Imphal	Thoubhal
	Sikkim	Gangtok	
	Arunachal Pradesh	Itanagar	Seppa
	Assam	Guwahati	
	Mizoram	Aizwal	
	Tripura	Agartala	Belonia

2. Introduction to the Mission

2.1 JnNURM comprises two sub-missions,

- ✓ Sub-Mission on Urban Infrastructure and Governance (UIG) and
- ✓ Sub-Mission on Basic Services for the Urban Poor (BSUP)

The mission also has two **sub- schemes**,

- ✓ Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) and
- ✓ Integrated Housing and Slum Development Programme (IHSDP).

The UIG and BSUP sub-missions focus on the 65 mission cities. The UIDSSMT and the IHSDP focus on all other urban centres though the states are encouraged to prioritize among these based on existing infrastructure, population of socially and economically disadvantaged groups.

Figure 2.1 Spatial locations of mission cities under JnNURM in 5 zones

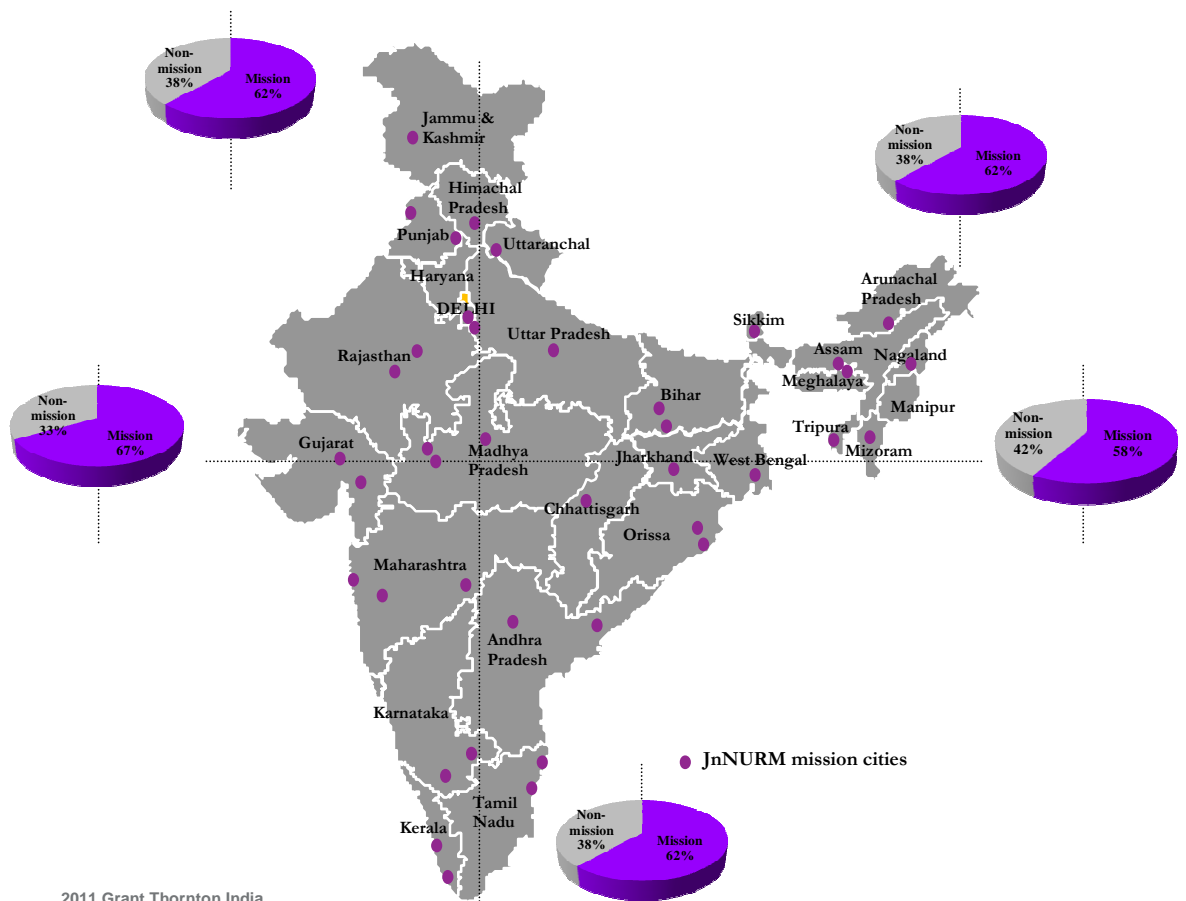


Figure 2.2: Graphical representation of the existing JnNURM structure

The Ministry of Urban Development (MoUD) is the nodal Ministry for the UIG Sub-Mission and UIDSSMT, while the Ministry of Housing and Urban Poverty Alleviation (MoHUPA) is the nodal Ministry for the BSUP Sub-Mission and IHSDP.

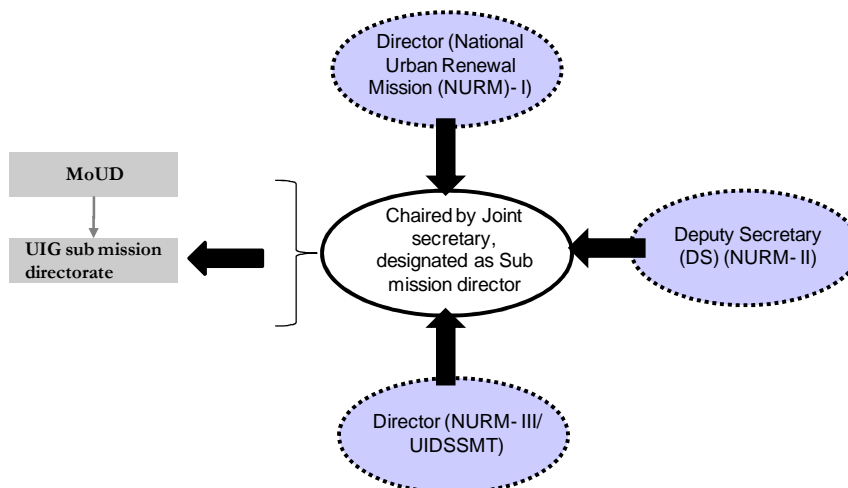
The National Steering Group (NSG) steers the Mission overall, providing policy oversight and evolving policies to facilitate the achievement of the Mission objectives. Chaired by the Minister of Urban Development (UD) and co-chaired by the Minister for Housing and Urban Poverty Alleviation (HUPA) with the Secretary, Ministry of Urban Development (MoUD) as its Member-Convenor, the NSG includes the Secretary, MoHUPA, the Secretary, Ministry of Finance (Department of Expenditure) and the Secretary, Planning Commission (PC). (In addition, a high-level committee under the chairmanship of the Minister, HUPA has been established for the BSUP Sub-Mission.)

The NTAG, comprising eminent individuals from Civil Society, advises the JnNURM's core implementation apparatus on: enlisting substantive community and Civil Society engagement in urban governance and service delivery and securing transparency and accountability in the working of Urban Sector institutions; facilitating the creation of City Volunteer Technical Corps (CVTCs); mobilizing elected representatives and Civil Society in support of urban governance reform; and, enlisting substantive citizen involvement in local affairs through Ward Committees (WCs), Area Sabhas (ASs) and the CVTCs.

2.2 Urban Infrastructure and Governance (UIG) Sub Mission

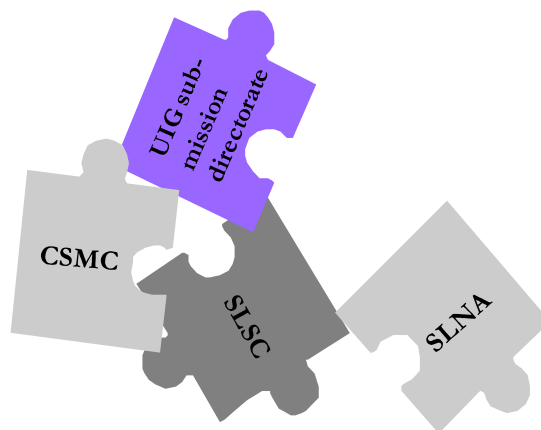
2.2.1 UIG Sub-Mission Directorate

Within the MoUD, a UIG Sub-Mission Directorate has been established under the charge of Joint Secretary (JS; also designated the UIG Sub-Mission Director) for ensuring the effective coordination with the State Governments and other agencies for expeditiously processing project proposals received from the State Governments and placing them, after scrutiny, by either the technical wings of the MoUD or other specialized/ technical agencies, for consideration before a Central Sanctioning and Monitoring Committee (CSMC).

Figure 2.3: Institutional structure at the Mission Directorate

Three key officials report to the UIG Sub-Mission Director. They are:

- ✓ **Director (National Urban Renewal Mission (NURM)- I)** responsible for CDP preparation and appraisal (including the management of agencies engaged for CDP appraisal); MIS and PMES (including analysis of the Mission's information requirements, performance management of the existing MIS and development, maintenance, user training, procurement and vendor interface for the PMES); capacity building (including engagement of resource institutions, processing of capacity building proposals received from the State and Sub-State levels, the Peer Experience and Reflective Learning (PEARL) initiative and other cadre development, human resource development and organizational development reforms); financial reform (including pursuit of MFIP recommendations and initiatives around credit rating and leveraging of institutional finances); and, external communication (particularly, web-site development and knowledge events). In addition, the Director (NURM- I) is entrusted with matters relating to 20 Cities across 11 States. Supporting the Director (NURM- I) area Under Secretary (US) and a Section Officer (SO).
- ✓ **Deputy Secretary (DS) (NURM- II)** responsible for project implementation matters including engagement, deployment and supervision of Independent Monitoring and Review Agencies (IRMAs); analysis of IRMA Reports and feeding these into decision-making processes; establishment of Project Management Units (PMUs) at the State-level and Project Implementation Units (PIUs) at the City-level; dissemination of good practices in project implementation; coordination with various stakeholder groups, including intra and inter-Ministerial coordination and coordination with the Prime Minister's Office (PMO), the NSG and Parliamentary Sub-committees and responding to Parliament questions; and, planning and budgeting for the UIG Sub-Mission. In addition, the DS (NURM- II) is entrusted with matters relating to 22 Cities across 11 States. Supporting the DS (NURM- II) are a US and a SO.
- ✓ **Director (NURM- III/ UIDSSMT)** responsible for the UIDSSMT; project preparation and sanctioning processes; release and tracking of funds; reform agenda and Memoranda of Agreement (MoA) (including deployment and oversight of the work of the Reform Appraisal Agencies (RAAs) and analysis of their input to inform decision-making processes, introducing new elements of reforms, preparation and dissemination of guidance notes on reform approaches and identification and dissemination of good practices in implementing reforms); Right to Information (RTI); engagement with bilateral and multilateral Development Partners; and, mass communication and media advertisements. In addition, the Director (NURM- III) is entrusted with matters relating to 23 Cities across 9 States. Supporting the Director (NURM- III) are a US and three SOs.

Figure 2.4: Structural components of UIG

2.2.2 Central Sanctioning and Monitoring Committee (CSMC)

The CSMC for the UIG Sub-Mission is chaired by the Secretary, MoUD and includes the Secretaries to the MoHUPA, Finance (Department of Expenditure), Environment and Forest (MoEF), Social Justice and Empowerment (MoSJ&E) and representatives from the CPHEEO, the Housing and Urban Development Corporation Limited (HUDCO), the PC and the TCPO. The JS, MoUD is the Member- Secretary to the CSMC.

The CSMC ‘may meet as often as required to sanction and review/ monitor the progress of projects sanctioned under the Mission’ and is authorized to appraise and sanction projects costing up to ₹500 crore without further reference to the Expenditure Finance Committee (EFC)/ Cabinet Committee on Economic Affairs (CCEA). Projects costing over ₹100 crore need approval from the Ministers of Finance and UD.

2.2.3 State Level Steering Committee (SLSC)

At the State-level, the State Level Steering Committee (SLSC), chaired either by the Chief Minister or Ministers for UD or Housing and comprising Mayors/ Chairpersons of select urban local bodies (ULBs), select Members of Parliament (MPs) from the State, select Members of the Legislative Assembly (MLAs) and the Secretaries for Finance, Housing, Municipal Administration (MA), Public Health Engineering (PHE) and UD (also the Member- Secretary), prioritizes projects and forwards the same to the CSMC.

2.2.4 State Level Nodal Agency (SLNA)

The SLSC is to identify and designate a SLNA for supporting it in discharging its mandate. The SLNA, inter alia, is expected to appraise project proposals submitted by ULBs or other implementing agencies, obtain SLSC sanction for seeking Central Government funding, manage the grants received from the Central and State Governments, release funds to the ULBs or other implementing agencies as either grants, soft loans or loans- cum- grants, manage the proposed Revolving Fund and monitor (and report on a quarterly basis on) the physical and financial progress of projects and the implementation of agreed reform measures.

2.3 Basic Services to the Urban Poor (BSUP) Sub-Mission

2.3.1 BSUP Sub-Mission Directorate

Within the MoUD, a BSUP Sub-Mission Directorate has been established under the charge of Additional Secretary (AS) (also designated as the BSUP Sub-Mission Director) for 'ensuring effective coordination with (the) State Governments and other agencies for expeditious processing of project proposals.' Among the key duties of the BSUP Sub-Mission Directorate are to process the proposals received from the Mission Cities, obtain sanctions for the same from Competent Authorities, ensure that the MoUD has approved the CDP formulated by the City and a MoA has been signed with the MoUD and release funds to the SLNAs.

The BSUP Sub-Mission Directorate comprises the BSUP Sub-Mission Director, a Director, an Officer on Special Duty (OSD), a Deputy Secretary, a Deputy Director, a Project Support Officer (part-time position supported by the United Nations Development Programme- UNDP), an Accounts Officer (on contract) and a stenographer/ Data Entry Operator (DEO).

The BSUP Sub-Mission Director is responsible for:

- ✓ Appraisal of DPRs (prepared typically by empanelled agencies/ Consultants) by technical wings of the Government such as the All India Institute of Local Self Government (AILSG), Building Material & Technology Promotion Council BMTPC), CPHEEO, HUDCO, the National Institute of Urban Affairs (NIUA), TCPO, the Yashwantrao Chavan Academy of Development Administration (Yashada)
- ✓ Convening meetings of the CSMC and assisting the CSMC in sanction of projects
- ✓ Sanction and release of funds to SLNAs
- ✓ Providing technical assistance/ guidance to States, ULBs and other implementing agencies in preparation of DPRs

The Director (Urban Poverty Alleviation- UPA), the Director (National Buildings Organization- NBO; also designated the OSD to the Sub-Mission on BSUP) and the Deputy Secretary (DS) (National Slum Development Programme- NSDP) are designated Coordinators for the Sub-Mission on BSUP in respect of States allocated to them in addition to their own duties.

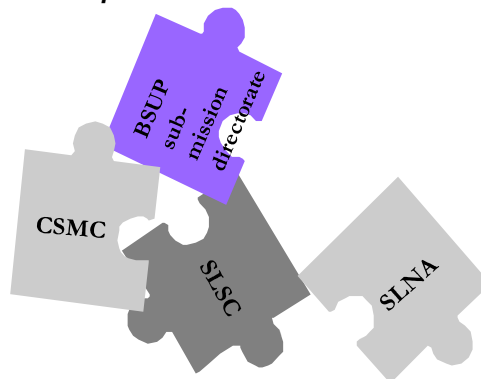
As State Coordinators, they are required to closely associate with the States and Cities under their charge and support them in the operationalization of the Sub-Mission. The Director (UPA) is Coordinator for 26 cities across 10 States, the Director (NBO) is Coordinator for 18 Cities across 7 States and the DS (NSDP) is Coordinator for 19 Cities across another 7 States.

Specifically, the Coordinators, in relation to the States and Cities allocated to them, are responsible for:

- ✓ Guiding the preparation of DPRs, facilitating their appraisal through either the technical wings of the MoHUPA or empanelled agencies and expediting the sanction and release of funds to the implementing agencies
- ✓ Undertaking periodic State and City visits to obtain first-hand knowledge of the developments on ground and interacting with senior officials at the State and City-level for resolution of issues and difficulties being faced
- ✓ Monitoring the physical and financial progress of implementation of projects sanctioned
- ✓ Providing hand-holding support to the State Governments, SLNAs and ULBs to ensure implementation of reforms (where they concern the MoHUPA) and capacity building of agencies/ organizations responsible for project and reform implementation
- ✓ Assisting the SLNAs in obtaining project proposals, release of funds to implementing agencies and recovery and management of the Revolving Fund

- ✓ Appraising the CSMC and the NSG of progress achieved and emerging issues and challenges through submission of periodical reports through the Sub-Mission Directorate

Figure 2.5: Structural components of BSUP



2.3.2 Central Sanctioning and Monitoring Committee (CSMC)

The BSUP Sub-Mission has its own CSMC. The CSMC for the BSUP Sub-Mission is chaired by the Secretary, MoHUPA and includes, besides other representatives from the MoHUPA, the Secretary, MoUD and representatives from the CPHEEO, HUDCO, PC and TCPO. The JS (BSUP) is the Member- Secretary.

The CSMC ‘may meet as often as required to sanction and review/ monitor the progress of projects sanctioned under the Mission’ and is authorized to appraise and sanction projects costing up to ₹500 crore without further reference to the Expenditure Finance Committee (EFC)/ Cabinet Committee on Economic Affairs (CCEA). Further, projects costing over ₹100 crore need approvals from the Ministers of Finance and HUPA.

2.3.3 State Level Steering Committee (SLSC)

The SLSC’s remit extends to both the UIG and BSUP Sub-Missions.

2.3.4 State Level Nodal Agencies (SLNAs)

The role envisaged for the SLNA for the BSUP Sub-Mission is broadly similar to that of the SLNA for the UIG Sub-Mission.

2.4 Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT)

2.4.1 State Level Sanctioning Committee (SLSC)

The SLSC is chaired by the Secretary, UD/ MA/ Local Self-governments (LSG) and include the Secretaries to the Departments of Finance, Planning, Works (alternatively, the Engineer- in- Chief, Public Works Department) and representatives from the MoUD, PC and the TCPO. The Chief Executive of the designated SLNA is the Member- Secretary to the SLSC.

The SLSC is to examine and approve project reports submitted by ULBs or other implementing agencies along with the appraisal reports furnished by the SLNA, periodically monitor the progress of sanctioned projects and proposed reform measures and review the implementation of the UIDSSMT keeping in view its broad objectives. The SLSC can meet as needed but at least thrice a

year. MoUD, PC and TCPO representatives in the SLSC are to receive the SLNA's appraisal reports at least 15 days in advance of the SLSC meetings where the projects are expected to be approved.

2.4.2 State Level Nodal Agency (SLNA)

The SLNA for the UIG is also the SLNA for the UIDSSMT (subject to the state's arrangement, it is not a mandatory situation). The SLNA is responsible for inviting proposals from ULBs or other implementing agencies, techno-economic appraisal of proposals (either in-house or through external agencies), management of funds received from the Central and State Governments, disbursement of funds, furnishing of Utilization Certificates (UCs) within 12 months of the closure of the Financial Year (FY), submission of quarterly physical and financial progress reports to the MoUD, maintenance of audited accounts of funds released to ULBs and other implementing agencies and monitoring of projects and implementation of reforms.

2.4.3 Arrangement at the MoUD Level

As mentioned earlier, the Director (NURM- III/ UIDSSMT) is responsible and reports to the concerned JS, MoUD/ UIG Sub-Mission Director. Further, the MoUD: (a) periodically monitors the UIDSSMT through its designated officer for each State/ UT; (b) receives quarterly progress reports from the SLNAs through the TCPO (the TCPO is also expected to prepare a UIDSSMT Status Report annually); (c) has established a Monitoring Committee under the Chairmanship of the JS, MoUD/ UIG Sub-Mission Director to monitor quarterly progress (the Secretary, reviews the progress six-monthly).

2.5 Integrated Housing and Slum Development Programme (IHSDP)

2.5.1 Central Sanctioning Committee (CSC)

The Central Sanctioning Committee (CSC) is chaired by the Secretary, MoHUPA and includes among its Members the Secretaries to the MoUD, MoEF, MoSJ&E, Ministry of Finance (Department of Expenditure), Ministry of Health and Family Welfare (MoH&FW), Ministry of Human Resource Development (Department of School Education and Literacy) and representatives from the CPHEEO, HUDCO, PC and TCPO. The JS, MoHUPA is the Member- Secretary to the CSC. The CSC is to examine and approve the projects relating to housing and infrastructure development submitted by the SLNA on the recommendations of a State Level Coordination Committee (SLCC).

2.5.2 State Level Coordination Committee (SLCC)

The SLCC, the composition of which is left to be decided by the State Governments, is to examine and approve project reports relating to provision of basic amenities/ improvement of slum infrastructure submitted by ULBs or other implementing agencies and associated appraisal reports from the SLNA, periodically monitor the progress of sanctioned projects and urban reforms being undertaken by the ULBs or other implementing agencies and review the implementation of the IHSDP keeping in view its broad objectives. The SLCC can meet as often as needed but quarterly reviews of progress of ongoing projects and sanction of new projects are envisaged.

2.5.3 State Level Nodal Agency (SLNA)

The SLNA for the BSUP Sub-Mission is also the SLNA for the IHSDP. The role envisaged for the SLNA for the IHSDP is broadly similar to that envisaged for the SLNA for the UIDSSMT.

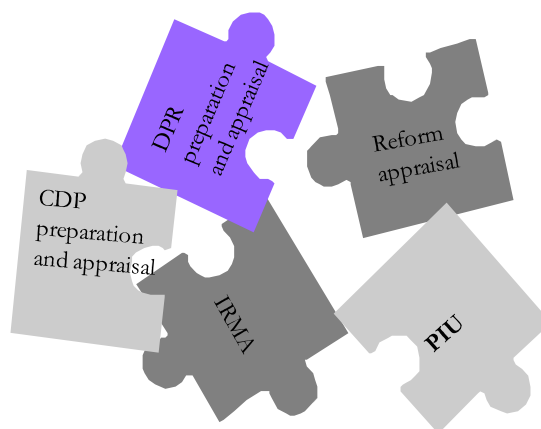
2.5.4 Arrangement at the MoHUPA Level

The MoHUPA periodically monitors the IHS DP through its designated officers for each State/ UT and receives quarterly progress reports from the SLNAs.

2.6 Technical support – consultancy/ advisory/ outsourcing

2.6.1 The MoUD has supported the engagement of

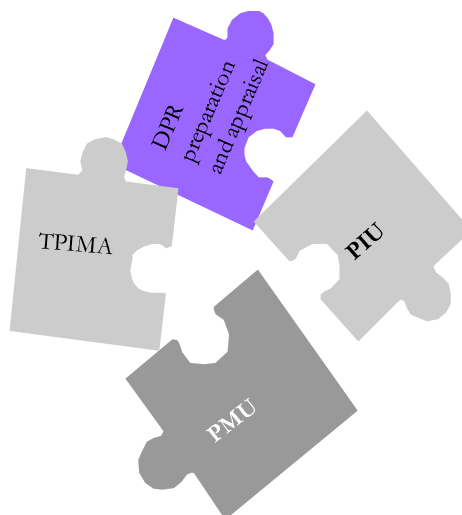
Figure 2.6: Technical support agencies: MoUD



- Agencies for development and appraisal of City Development Plans (CDPs)
- Agencies for development and appraisal of DPRs for UIG Sub-Mission and UIDSSMT
- IRMAs for UIG Sub-Mission and UIDSSMT
- RAAs for UIG Sub-Mission and UIDSSMT
- Project Management Units (PMUs) for supporting the working of the SLNAs for UIG Sub-Mission and UIDSSMT
- Project Implementation Units (PIUs) for supporting the UIG Sub-Mission and UIDSSMT activities of the ULBs
- Agencies for providing reform hand-holding Support in select States and Cities

2.7 The MoHUPA has supported the engagement of:

Figure 2.7: Technical support agencies: MoHUPA



- Agencies for development and appraisal of DPRs for BSUP Sub-Mission and IHSDP
- Third Party Inspection and Monitoring Agencies (TPIMAs) for BSUP Sub-Mission and IHSDP
- PMUs for supporting the working of the SLNAs for BSUP Sub-Mission and IHSDP
- PIUs for supporting the BSUP Sub-Mission and ISHDP activities of the ULBs

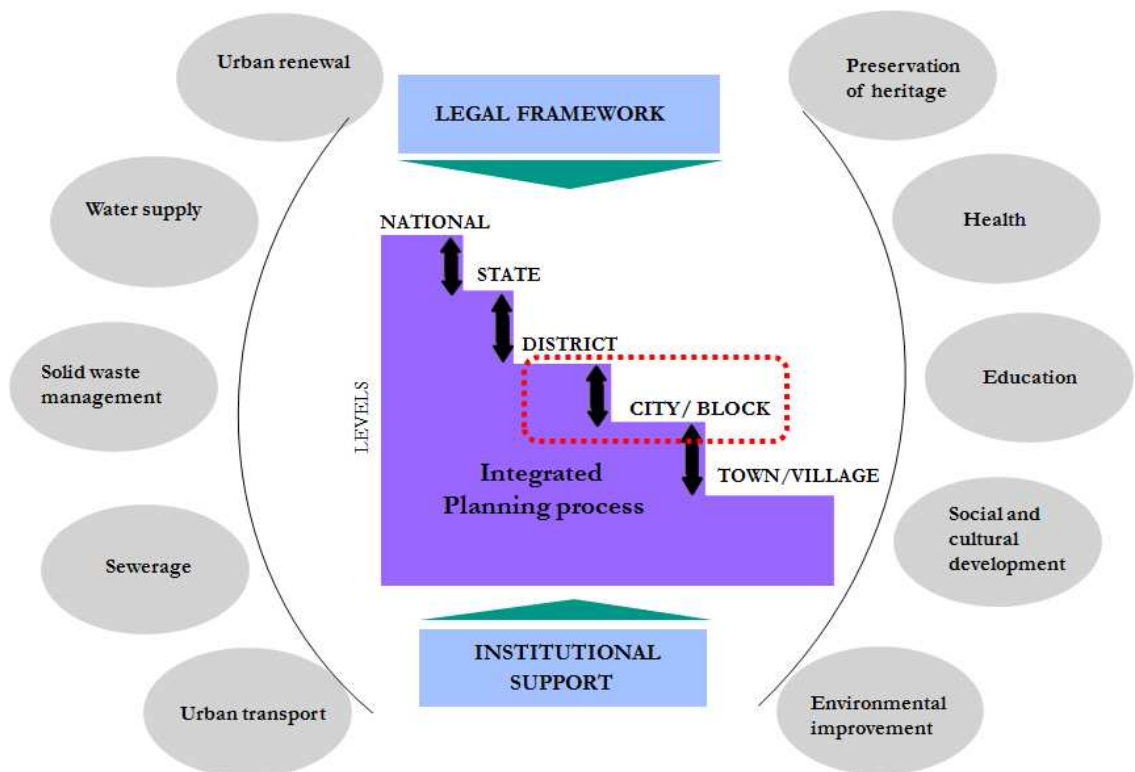
3. City Development Plan

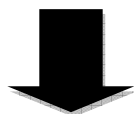
3.1 Introduction

Urban geography is defined by its ever increasing population, transforming economies and increasing changes in the basic build and character of the cities. In this process there is a gradual change in the internal structures of the cities which calls for proper planning and development of the cities. Considering the situation of increasing pressure on the cities of the country and service delivery mechanism, the need of the hour is to improve the existing infrastructure along with more capital investment to make these cities sustainable. JnNURM triggered this process through “City Development Plan - CDP”, the gateway to the whole mission for any city after signing the MoA. The CDP being a vision document along with investment plan for the city was a comprehensive approach towards spatial planning, economic planning and socio-economic planning.

The present planning structure with services at the third tier for cities in India is explained in the figure 3.1.

Figure 3.1: Planning structure for third tier governance in India





**With the skeleton of zoning and regulation (master plan,
layout plans, etc)**

Planning process in India has been more focused towards the land use master plans prepared by the city development authorities as per the laws prescribed by the state town and country planning acts. City development plan was one of the initiatives under JnNURM that provides the urban local bodies with a vision and strategy document for the city with comprehensive reflection of the city and citizens needs with their own participation. However, there was initiative under “City alliance and City Development programme” supported by World Bank and UN- Habitat known as “City Development strategy (CDS)” which links the process for local stakeholders to define their vision for the city, analyze its economic prospects and establish clear priorities for actions and investments, and city-wide and nation-wide slum upgrading to improve the living conditions of at least 100 million slum dwellers by 2020 in accordance with the Cities Without Slums action Plan. A few cities like Vijayawada, Bangalore, Pune, Ahmedabad etc. were already in the process of making CDS for their cities. CDP being mandatory and starting point of the whole process of JnNURM, all mission cities devised their own city vision and strategy document along with investment plan to access the funding under JnNURM.

The present Section of the Report attempts to address the specific issues raised in the ToRs for the CDPs prepared under the Mission.

3.2 Objective of CDP

CDP, being a perspective and a vision document, was expected to focus on the following:

- Economic and social infrastructure development
- Strategies to deal with issues affecting urban poor
- Reinforcing municipal governments – devolution of power to local bodies along with strengthening financial budgeting systems, accounting and procedures
- Creating accountability and transparency
- Eradicating legal bottlenecks in the land and housing markets through proper reforms

With the above mentioned broad parameters under consideration the content and expectation from the aforesaid document is tabulated below:

Table 3.1: Analysis of the content and expected outcome from the CDPs

S. No	Content	Expectation	Outcome
1	Scrutinising the existing situation through facets like: 1. Demographic 2. Economic 3. Financial 4. Infrastructure	1. Taking stock of the present situation of a city 2. Analysing the growth and future demand 3. Optimal use of own resources and resource mobilisation 4. Analysing the quality and quantity of public service	1. Universal access to a minimum level of service 2. Establishment of a city wide framework for planning and governance 3. Modern and

S. No	Content	Expectation	Outcome
	5. Physical 6. Environment and 7. Institutional	delivery and demand supply gap 5. Focusing on urban planning understanding urban land and land use patterns 6. Identification of responsibilities of institutions and organisations and assessing the impact on delivery and management 7. Understanding the role of public and private sector in service delivery mechanisms	transparent budgeting, accounting and financial management system at municipal level 4. Financial sustainability for municipalities and other service delivery institutions 5. Introduction of e-governance in the core functions of municipal finance 6. Transparency and accountability in urban service delivery and management
2	Development of a perspective and a vision for the city	Being the central spine of the CDP, a vision statement in accordance with all the stakeholders should clearly reflect where a city wishes to be in future To achieve the above mentioned goal the critical aspect lies in the understanding and mobilising cities resources along with identification of stakeholders and their expectation and need for the future.	
3	Devising strategies to reduce the variance in the present and future of a city	In consultation with the key stakeholders various strategies to be devised that should contribute to achieve the vision, goal, objectives, reform agenda and finally the JnNURM outcomes	
4	Putting in order a city investment plan and a financing strategy	Assessment of level of investment that shall be required to implement the CDP. This shall clearly define the financial options for the ULB's like with an estimation of additional resources required from the different heads mentioned below: <ol style="list-style-type: none"> 1. Municipal governments own resources 2. State government grants 	

S. No	Content	Expectation	Outcome
		and loans 3. Financing institutions 4. Capital market 5. Off- shore financing 6. Central government grants 7. Private sector	

Source: GT Analysis and CDP toolkit

3.3 City Development Plans¹ - An Analysis

3.3.1 CDP vs. Statutory Document – Institutionalising the CDP

“Development Plan” by virtue of its name holds a statutory status as it is prepared by the development authorities under the acts of the respective states in India. “City Development Plan - CDP” unlike the *development plan* is not governed by any act. There is also a differential underlying meaning of the two as well, where in one details the spatial planning, the other is a vision document and perspective plan for the city. For the economic and social development of a city both these aspects need to be interlinked. However, as per the present status of the CDP’s there appears to be disconnect between the two and CDP merely becomes an investment plan with focus on projects as opposed to a holistic development document.

It was also expected that urban local bodies should be main stakeholder in the preparation of CDP, but situation at the ground reflects that not all the ULB’s are involved closely with this process. In few states this became a state level initiative whereas in few states a development authority takes the responsibility of CDP preparation

Along with the reforms linked to the 74th Constitutional Amendment Act (CAA), under the *twelfth schedule*, article 1 – Urban planning including town planning, article 2 – regulation of land use and construction of building and article 3- planning for economic and social development, CDP could also be made a statutory document which forms the part of the development plan/ master plan/ regional plan (prepared under the town planning act of the state) of the city. That would give a city a spatial plan, perspective plan, city investment plan and a perspective plan all in one kit. This also mandates to link all the above plans and to revise them as per mentioned under the act. There shall also be a provision of an interim development plan that could include the growth and development pattern and suggestions till the final development plan is revised.

It is suggested that CDP could be made a part of the Master plan exercise by incorporating the same and amending the relevant sections of the respective regional and town planning acts of the states and also the Urban Development Plan Formulation and Implementation (UDPFI) guidelines.

¹ Note: For the purpose of analysis and reviewing the CDP’s sampling process has been adopted. A sample of 25 CDP’s was selected based on the population, total income and surplus (budget analysis) of the urban local bodies. The detail of the methodology adopted has been explained in the Annexure II along with the names of the sampled cities

For example in “The Maharashtra Regional and Town Planning Act, 1966” under Chapter III – Preparation, submission and sanction of development plan it may be considered to include the city development plan of this development planning exercise. Hence, under the section 22 – contents of the development plan” of the same chapter, the contents of the city development plan may be included along with the formulation of CIP and FOP. Similarly, under the UDPFI guidelines, chapter V – Planning and Development Authorities and Plans for Local Planning Area Development, sub- sections 44 – 46 may be revised to incorporate the contents of the CDP. However, the revision of the CDP along with the development plan may be considered to be every five year but for CIP and FOP it should be every year linked to the annual plans in the Act and UDPFI guidelines.

This will mandate all the urban local bodies to increase awareness of planning process and capacity building of its own resources.

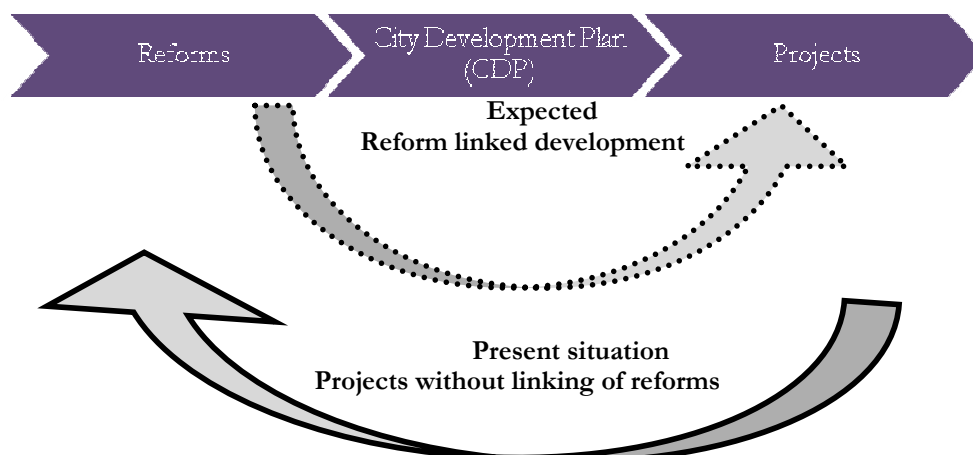
3.3.2 Ownership of CDP – elected representatives or external consultants

There is no guidance provided in the CDP toolkit/ guidelines about the selection of the agency that should be responsible for the vision document for the city. There is no clear stipulation for the elected wing of the city – urban local body to take the ownership of the document. Most of the ULBs engaged external consultants and as per the primary survey it was evident that the external consultants compiled the data furnished by the corporations/ councils into a vision document due to the lack of time.

Except for a few cities like Ahmedabad, Surat, Bangalore where city development planning process is a continuous exercise, this wonderful initiative of preparing a vision document for the city appears to have merely become a one - time exercise for most of the cities and has served to be an instrument for availing funding under JnNURM.

3.3.3 CDP – a Reform linked Development Plan

Figure 3.2: Schematic representation of reform linked development plan –CDP



The Mission was visualised as a reform linked development programme. It is clearly mentioned in the CDP toolkit that the strategies to arrive at the vision for the city should be linked to the reform agenda. However, after the site visits to the various sample cities and an analysis of the sample CDPs, reforms still seem to be an arduous task for most of the cities. Moreover, there is a feeling even among the key officials interviewed at the ULB level, that in some cases projects that are

identified under the Mission could have been undertaken without the preparation of the CDP as most of them are basic services related projects.

3.3.4 Permissible activities under JnNURM

As per the CDP toolkit, permissible activities under the Mission are tabulated below:

Table 3.2: Permissible activities under JnNURM – CDP toolkit

S. No	Description
1	Urban renewal – redevelopment of inner (old) city areas This vertical includes items like widening of narrow streets, shifting of industrial/commercial establishments from nonconforming (inner-city) areas to ‘conforming’ (outer-city) areas to reduce congestion, replacement of old and worn-out water pipes by new/higher capacity ones, renewal of sewerage/drainage/solid waste disposal systems, etc
2	Water supply including setting up desalination plants, where necessary
3	Sewerage and solid waste management
4	Construction and improvement of drains/ storm water drains
5	Urban transport
6	Laying/improvement /widening of arterial/sub-arterial roads and bridges to remove transport bottlenecks
7	Laying of ring roads and by-passes around metro and mega cities, provided certain cost recovery measures like toll charges are built in
8	Construction and development of bus and truck terminals
9	Environmental improvement and city beautification schemes
10	Construction of working women hostels, marriage halls, old age and destitute Children’s homes, night shelters with community toilets

Source: CDP toolkit

3.3.5 Coverage of the Existing CDPs

This section has been detailed out well in all the CDP’s. Demographic, economic, infrastructural and physical sections specially have clearly brought out the present situation of a city with a detailing of the related service delivery mechanisms.

However, CDPs reflect a lack in understanding of the toolkit that requires the preparatory agency to analyse the “optimal utilisation” of their own resource. Assessment of the existing situation in terms of optimally utilizing the city’s own resource base and the related challenges, if any, for the same should be included to help the cities formulate a practical city investment plan and an alternative resource mobilisation strategy.

The CDPs very well describe the existing situation of the cities environment; however there is no consideration of how to improve the same as well as inclusion of new concepts like carbon crediting

that solves dual purposes of protection of environment as well as augments revenue base of the ULB's.

Planning for social infrastructure like health and education has been neglected in the CDPs. The delink with reference to the culture and heritage of the city, despite the fact that every city in a historical country like India is identified as a milestone for rich culture and heritage, also seems to be neglected.

3.3.6 Development of the Perspective and the Vision for the city

CDP is a reflection of their stakeholders vision, therefore their perspective and consultation is of prime importance. Such stakeholders could be broadly categorised as:

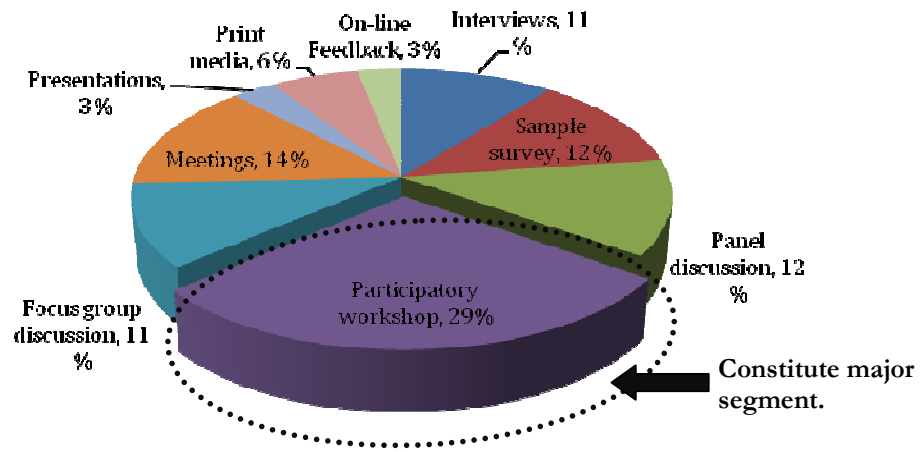
- Citizens
- Urban poor and slum dwellers/ representatives
- Government Officials from different departments
- Municipal council/ corporation officials
- Councilors
- Representatives from NGOs/civil society
- Women representatives
- Personnel from business, trade and industries
- Media
- Experts in sectors like water supply, sewerage, transport, storm water drainage etc and other identified sectors for urban services
- Academic institutes
- Architects, planners and engineers

It was expected from all the agencies preparing the CDP document that they would be conducting stakeholder's consultation to arrive at the vision document for the city. It has been observed that there were different modes employed for the consultation processes which are summarized below:-

- Interviews
- Sample survey
- Panel discussions
- Participatory workshops
- Print media
- Focus group discussions, etc

Analysis of the CDPs reveals that all the cities have conducted the stakeholder's consultation process. However, most of the cities have not detailed the mediums adopted for doing the same, and moreover there is no indication in most of the CDPs about the category of the stakeholders' conducted. The figure 3.3 below presents the mediums adopted for such stakeholders' consultations during the preparation of the CDPs.

Figure 3.3: Mediums adopted for stakeholders' consultations during CDP preparation

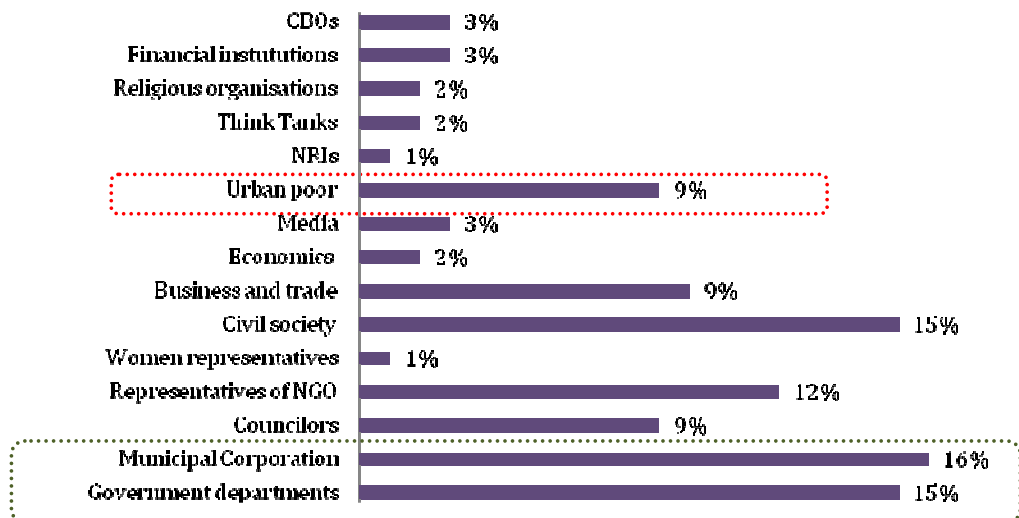


It has to be appreciated that participatory workshops contribute around 29% of all the modes adopted by the agencies for consultation process. However, there is no clear indication as to who all attended the workshops – citizens, councillors or officials. A few instances could be noticed like the CDP of Faridabad where details of all the meetings and workshops have been detailed in the annexure along with the publication in print media about the workshops and meetings to be held for the CDP preparation.

A few of the cities were proactive to use the latest IT technologies to involve the local citizens to contribute towards the CDP preparation through on-line feedback (Shimla) and presentation in open forums (Delhi, Pune).

An analysis of the stakeholders consulted during the CDP preparation process divulge that the prime focus had been on the interaction with government departments and municipal corporations which constitute around 31% of the total stakeholder's interactive sessions. Challenge still persists in the interactions with the EWS segment of the society wherein the interactions with this section only constitute around 9% of the total category, despite the EWS being one of the prime intended beneficiaries for the Mission.

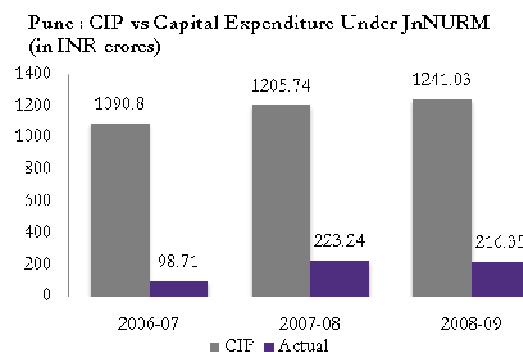
Figure 3.4: Constituents list of stakeholders for consultation during CDP preparation



3.3.7 Coverage of Vision, strategy and projects

The vision for cities has been reflected beautifully in the CDPs. A few cities have gone for holistic development like in the case of Hyderabad and some cities have reflected sector specific vision like in the case of Chandigarh. Despite the limitations, it was a remarkable effort made by all the cities to identify their vision for the city. Sector strategies also were reflecting the thought process behind linking the vision and strategies for the city.

(For detailed table comparing city for vision, sectors strategies and projects refer Annexure III)



3.3.8 Analysis of capital investment plan (CIP) and financial operating plan (FOP)²

I. Capital Investment plan

The data for City Investment Plan (CIP) and the actual expenditure incurred under JnNURM has been tabulated below for select cities. The CIP has been assimilated from the City Development Plans submitted to the Ministry of Urban Development. The actual figures have been collected during our visits to the various cities. Below is an analysis of the projected and the actual capital expenditure during the JnNURM impact period for select cities.

i. Pune

Table 3.3: Capital investment plan for Pune as per its CDP

Sectors (₹ crore)	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	Total
Water supply	31.0	37.4	21.5	9.8	105.3	89.6	294.6
Sewerage and UGD	110.2	153.7	158.9	64.2	49.1	133.3	669.3
Storm water drainage	24.6	118.2	126.9	129.2	129.2	103.5	631.5
Solid waste management	1.4	5.6	6.4	1.4	4.8	42.1	61.8
Roads, traffic and transport and street lighting	620.2	543.2	490.5	325.5	134.6	25.4	2139.5
Slums and urban poor	198.8	231.0	288.5	38.7	32.3	0.0	789.3
River conservation	37.5	37.5	50.0	0.0	0.0	0.0	125.0
Economy, culture and heritage	21.4	24.4	43.5	105.5	83.4	54.4	332.5
Land use/ Dev planning	39.7	48.8	48.8	48.8	9.8	0.0	195.7
Others	6.0	6.0	6.0	6.0	6.0	0.0	30.0
Total	1090.8	1205.7	1241.0	729.0	554.3	448.4	5269.2

Source: CDP - Pune

The data analysis for the city of Pune indicates that the city has spent 15 % of the estimated CIP on an average over the three years. While the need for the projected CIP was clearly established the

² The CIP, FOP and the financial analysis of the municipal finances has been attempted based on the availability of the data from the documents, site visit and data collected during the visits. However, there is a limitation to this analysis as the data that is required for such an analysis was not available from the cities visited

funds could not be raised and utilized according to the plan. It was assumed by the city that the funds would get raised within the estimated timeframe and the proposed investment which was to be pumped into the city under JnNURM would also be received timely. However, factors such as implementation of reforms within the agreed timelines might affect the fund flow for projects and other factors such as the ease of revenue raising capacity using reforms like property taxation and user charges were ignored. It was not taken into account that progress in the achievement of reforms would be affected by external factors like political consensus, acceptance of citizens and administrative will amongst others. The financial sustainability of the corporation was not able to match up to the fund requirement through borrowing or leveraging of funds. This suggests that when the CIP was being made, the figures were realistic but there is a need to review or revise these figures keeping in view the operational difficulties of implementing reforms and by keeping a buffer for exigencies.

ii. Jaipur

Table 3.4- Capital investment plan for Jaipur as per its CDP

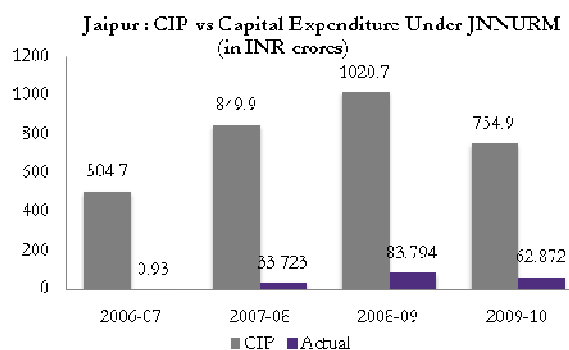
Source: CDP - Jaipur

Sectors (₹ crore)	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	Total
Water supply	137.1	222.7	379.6	223.3	145.3	12.5	1120.5
Sewerage	32.5	57.5	30.0	41.6	26.6	17.5	205.7
Drainage works	5.0	30.0	30.0	25.0	10.0	0.0	100.0
Traffic and transportation	205.5	392.2	325.2	290.8	344.3	383.3	1941.3
Solid waste management	9.5	7.0	7.8	0.0	4.0	2.0	30.3
Heritage and conservation	8.0	20.7	16.0	12.2	12.0	10.0	78.9
Urban renewal of walled city	31.1	29.8	54.2	54.1	49.3	49.3	267.8
Prevention of soil erosion	6.0	11.0	11.0	7.0	4.0	0.0	39.0
Basic services for poor	68.4	68.4	152.0	92.0	92.0	92.0	564.8
Urban governance	1.6	10.6	14.9	8.9	2.4	21.4	59.8
Total	504.7	849.9	1020.7	754.9	689.9	588.0	4408.1

Similarly the figures for the city of Jaipur indicate that only 7% of the CIP estimated per year has been spent. There are two possible reasons for the same:

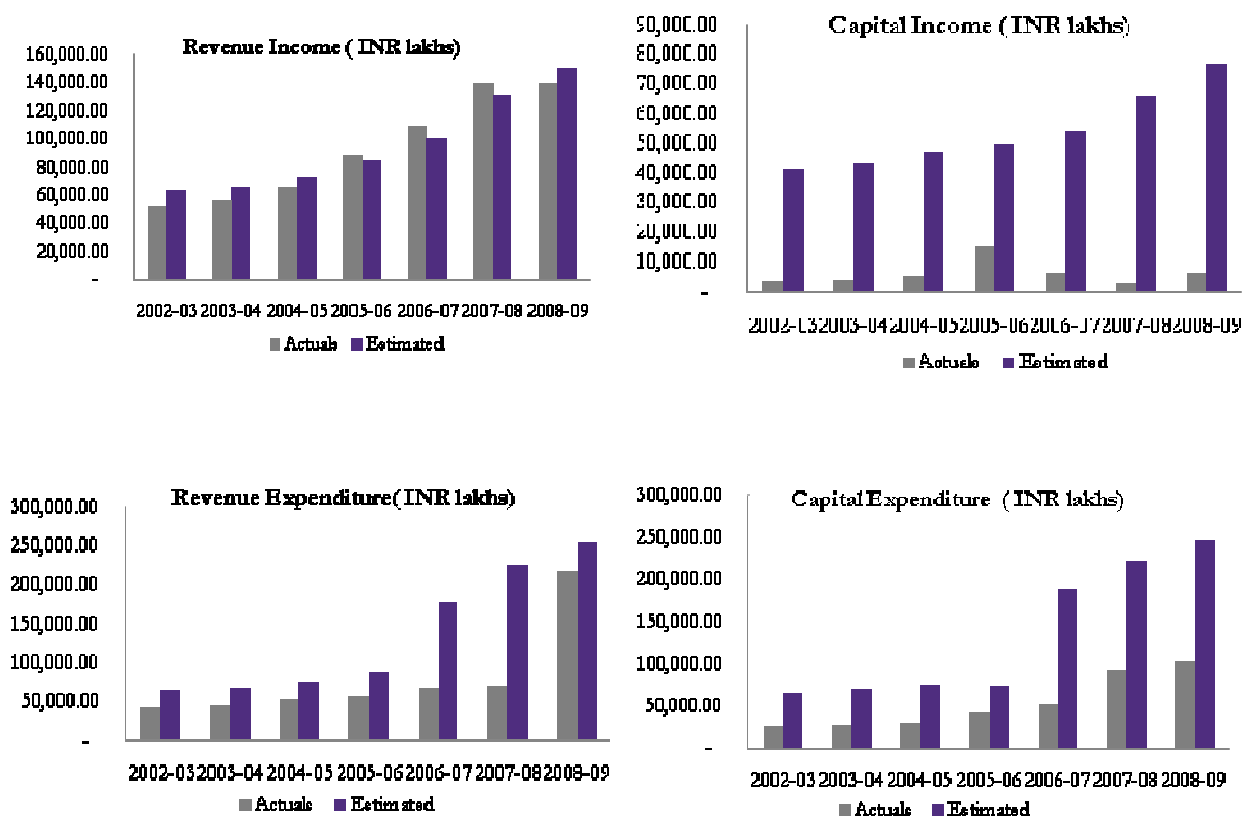
1. The actual figures does not include the expenditure by Jaipur Development Authority (JDA)
2. The corporation was not able to match the expenditure requirement by raising funds.

Figure 3.6: CIP vs. Capital Expenditure under JnNURM (₹crores)



II. Financial operating plan

Figure 3.7: Financial analysis for Pune



i. Pune

The bar graphs represent the revenue and capital accounts of Pune Municipal Corporation over a period of seven years (2002 to 2009).

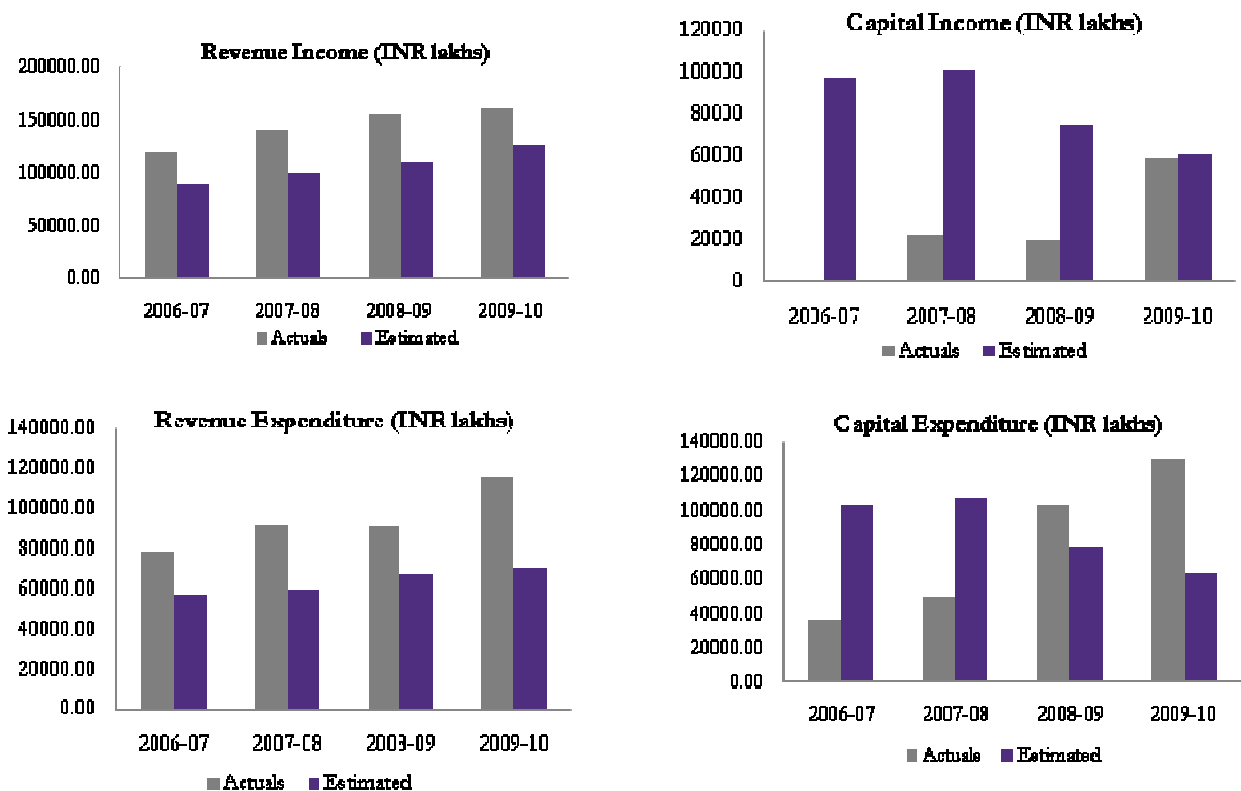
- **Revenue Income** - As per the analysis of the budget and the FOP detailed in the CDP it is revealed that the revenue income actuals (as per the budgets of the corporation) and estimated (FOP in CDP) is at par with each other.
- **Revenue Expenditure** – Revenue expenditure as per estimated in FOP was expected to increase during the mission period in 2006-07 with a year on year growth rate of 109% which during the actual course did not happen. Revenue income barring the last year 2008-09 where the year on year has been 216% of the year prior, the years preceding 2008-09 the average year on year growth has been 11 % with no substantial difference before and after JnNURM. Till year 2005-06 the estimates have been approximately 51% greater than the actual and after that this average has increased to 140% greater than actual figures. This has happened as the estimates could not be fulfilled due to the operational aspects as discussed above such as implementation of reforms which is linked to project fund flow. However, the revenue expenditure for the last year has an estimation which is 17% greater than the actual which is within a reasonable range of error.

Similarly, due to the above considerations of reform implementation, external issues like political consensus, acceptance of citizens etc, both the Capital Income and Expenditure estimates have not been accurate average discrepancy of 1100% and 150% of the actual respectively.

- **Capital Income** has fluctuated over the years even in absolute figures. The year on year growth in two years has decreased between the years 2005-2007 quite substantially (60% & 51% respectively). One can conclude that Pune's Capital Income base has been unstable.
- **Capital Expenditure** has increased over the years but the pattern of year on year growth has been very inconsistent. For example in the year 2004-05 the growth rate has been 2% and the year that followed (2005-06) had a year on year growth of 53%.

ii. Ahmedabad

Figure 3.8: Financial analysis for Ahmedabad



The analysis of the financial estimates and actual of Ahmedabad Municipal Corporation over a period of four years (2006-2010) as per the FOP and actual budgets following inferences could be drawn: (The period under consideration is post JnNURM)

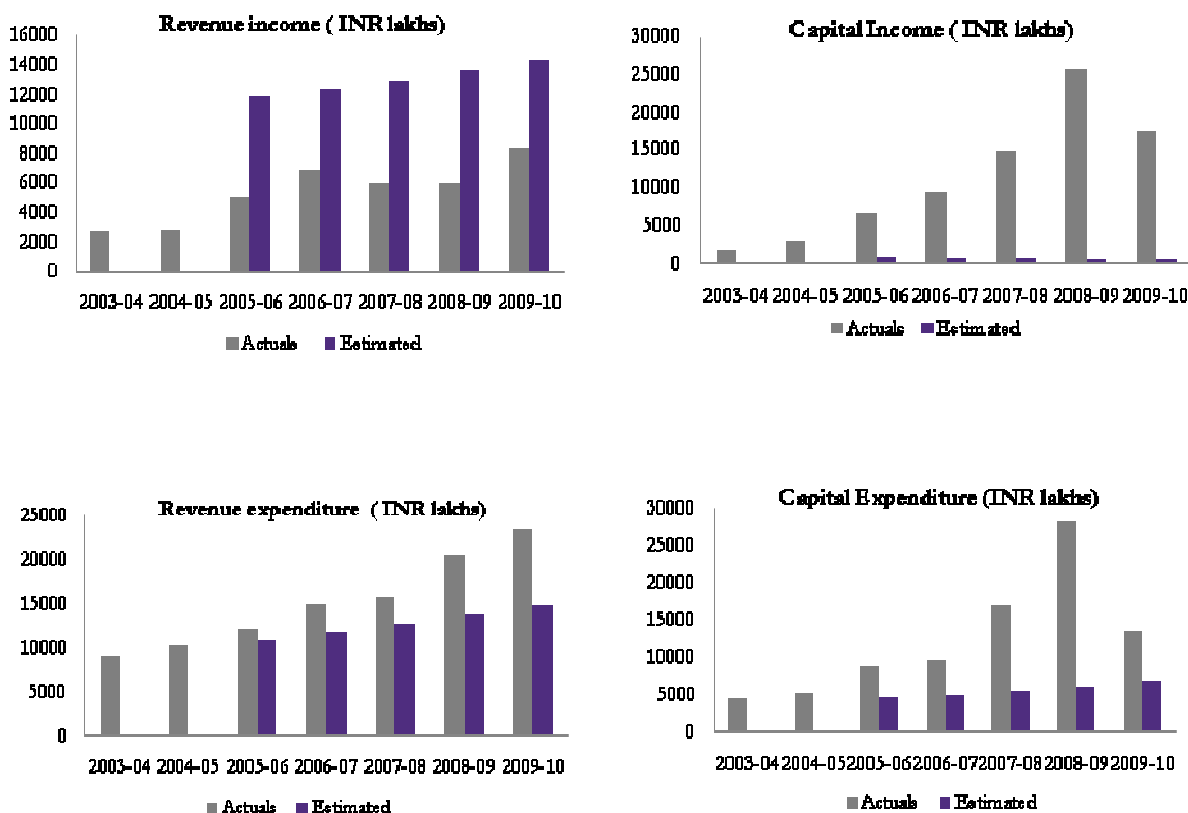
- **Revenue Income:** The deviations of the projections of revenue income have been under 30% for all four years analyzed. The projections have underestimated the Revenue Income of the corporation. The real year on year growth of the corporation has grown slowly and steadily at an average of about 11%. The year on year growth for the last year in

consideration is only 4% which indicates the possibility that number of components and the collection efficiency has not increased substantially between 2009 and 2010.

- **Revenue Expenditure:** The actual figures realized for the Corporation are greater on an average by 32% than the estimate. The underestimation is similar to the projections of revenue income in terms of percentage. Revenue expenditure experienced a 1% decrease in year on year growth in 2008-09. For the other years under consideration the average year on year growth has been 22 %.
- **Capital Income:** The Capital Income estimations have deviated substantially from the income coming in for the period 2007-2009 where the difference has been 370% and 290% of the actual income. However the estimation for the period 2009-10 has been quite accurate where the deviation is only 3% of the actual. There is no pattern of year on year growth in capital income as the range varies from a 206% (year 2008-09 to 2009-10) increase to 11 % decrease (year 2007-08 to 2008-09) in income.
- **Capital Expenditure:** For the first two years of the financial data analyzed estimates have been greater than actual by approximately 150%. In the period 2008-2009 the expenditure has been greater than the projections. The deviations however come down to an underestimation of 37 % on an average. Capital Expenditure has increased over the years. However the most notable increase in expenditure has been a 109% increase in the year 2008-2009 indicating the possibility of a capital intensive project being taken up during that period and in the years to follow.

iii. Jaipur

Figure 3.9: Financial analysis for Jaipur

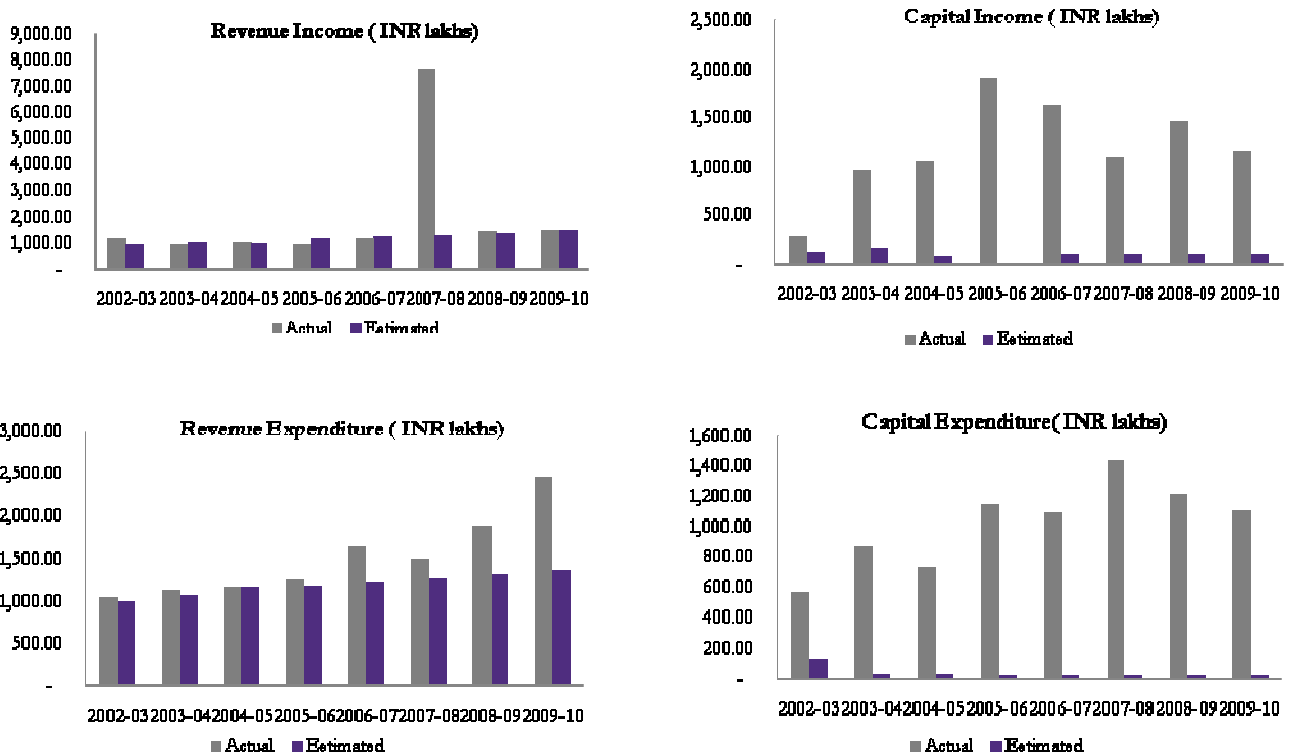


Based on the analysis of the financial estimates and actual of Jaipur Municipal Corporation over a period of four years (2006-2010) as per the FOP and actual budgets, the following inferences could be drawn: (The period under consideration is post JnNURM)

- Revenue Income:** The revenue income turns out to have been estimated to be more than the actual income by an average of 105% over five years. While revenue income has increased from the pre JnNURM levels it saw a stagnant and slight decline in base in the period 2007-09. The year on year growth in the real figures has been 25% for the period under consideration. This possibility of such difference could be due to the fact that the FOP also accounts for JDA’s income expenditure during the mission period.
- Revenue Expenditure:** For 2005-2010 the estimates were within the lower than the actual achieved. The estimated were lower by around 32% - 36% less than the actual. Except for the period 2006-07(where year on year growth was 5 %), the year on year real growth has been about 20 %. Revenue expenditure has been growing steadily as the years progress
- Capital Income:** The actual Capital Income has been 90% more than the estimated Capital Income for each year under analysis. Till the end of 2008-09 Capital income has increased steadily. In the year that JnNURM began the Capital Income increased to 129% of the year prior. In the year 2009-10 the Capital income decreased in comparison to the previous year by 32%.
- Capital Expenditure:** Similarly, Capital Expenditure has also been underestimated at a relatively lesser variation of 57% on the average. The Capital Expenditures year on year growth has been very variable indicating a possibility that all the expenditure has not been planned out. In the year 2009-10 the Capital Expenditure also decreased viz.- a- viz. the previous year by 52%. These declines in both components of the Capital account suggest a possible correlation between the two.

iv. Puducherry

Figure 3.10: CIP vs. Capital Expenditure under JnNURM (₹crores)



The analysis of the financial estimates and actual of Pondicherry Municipal Corporation over a period of four years (2006-2010) as per the FOP and actual budgets following inferences could be drawn: (The period under consideration is post JnNURM)

- **Revenue Income:** The difference between the estimates and the actual incomes realized is minimal for every year except 2007-08 where the actual has been more than the estimated as can be seen in the bar graph. Revenue income has increased over the years but at a very slow pace. In fact in 2005-06 the revenue income fell by 12% of the previous year. JnNURM does not seem to have affected the revenue income flow of Pondicherry at all.
- **Revenue Expenditure:** The estimates for the revenue expenditure have been at par till the year 2008. In the period 2008-10 the expenditure has exceeded the estimates considerably by 30 % and 45% respectively. In 2007-08 the expenditure actually decreased by 9 % of the previous year. Post JnNURM the year on year increase in revenue (except in 07-08) has been considerable averaging about 29 % as opposed to 6 % prior to JnNURM
- **Capital Income:** Capital Income actual has exceeded the estimates by almost 800% on an average. Capital Income does not seem to be following any pattern as one can see that after 2005-06 it decreased for two years then increased in 2008-09 and then decreased again in 2009-10.
- **Capital Expenditure:** Expenditure on an average has been almost 34 times that of the estimated versions. As in the capital income account there is no year on year growth pattern as its alternatively increasing and decreasing in terms of actual expenditure starting in 2003-04. In the last two years of analysis however the capital expenditure has declined. It can be concluded that there was a sudden impact (positive) on the accounts of the grants from JnNURM in 2007-08 which resulted in increased expenditure on infrastructure projects

Based on the review of sample FOP/CIP, it has been observed that there is a gap between the projections that were made in the CDP and the ability /commitment of the State/ULB to carry out the mandated reforms in a timely manner. In other words, the financial projections were made ignoring the fact that the money released was linked to the achievement of the reforms and it had been assumed by the States/ULBs that all the reforms would be complete from the very beginning of the Mission period. Other factors such as realistic year on year growth for user charges, factors such as political consensus, as required for certain reforms, acceptance of citizens etc were not accounted for. This in turn led to a significant gap arising in the projections as made in the CDP and the actual realisation in terms of revenues.

Based on the review of the sample CIP and FOP, it is apparent that there was negligible consideration regarding the link between timely completion of reforms and financial projections (not considering the situation where funding might be delayed due to non compliance to reforms). In other words, the financial projections were made ignoring the fact that the money released was linked to the achievement of the reforms and it had been assumed by the States/ULBs that all the reforms would be complete from the very beginning of the Mission period. This in turn led to a significant gap arising in the projections as made in the CDP and the actual realisation in terms of revenues.

3.3.9 Revision of the CDP

A toolkit was prepared in 2006 as a base for the cities to devise their CDP. This toolkit was revised in last quarter of 2009. The revised document was a more comprehensive and detailed schematic approach giving shape to the vision document. It was expected from all the mission cities to revise their city development plans regularly to get an accurate picture of the development and demand supply requirement for the city as well as sustainable investment scenario. It was also expected that with the revised toolkit guidelines for CDP all the cities would revise their vision document.

However, it is noted that only about 20% of the cities visited are in the process of revising it, with none as on date having revised it completely even after completion of 5 years of the mission period.

The cities that have taken initiatives to revise their city development plan include Ahmedabad, Vadodara, Bangalore, and Hyderabad to name a few. The revisions are also happening because of the increase in the municipal areas of few cities which changes the investment requirement and service delivery needs from the corporation. This reflects the scenario where CDPs merely become an instrument to receive funding under the mission. This can also be supported by the fact that without being a statutory document, there is no legal backing to the document.

The cities visited during the process of the Appraisal quoted a number of reasons as stated below behind their decision to revise the CDP:

- Change in cost of projects or cost escalation;
- Strategies for sourcing and leveraging of fund through open market;
- Change in project prioritization;
- Increase in municipal corporation limit;
- Linking of CDP with master plan/ development plan;
- Revision because it has been five years since CDP was made and it needs revision as the city demand and supply is likely to change;
- To adhere to the revised toolkit

3.4 CDP and the Urban Poor

About 28% of the population in the country lives in the urban settlements. By 2026 the urban population is expected to increase by 38 % as against a 36 % overall increase. In absolute terms, this implies a significant share of the total population of 371 million and an urban population of 249 million. 23.6% of the urban population is estimated to live below the ‘poverty line’; and although, a substantial percentage of this population is economically active and contribute to the economy, studies indicate that over 61.8 million of them are forced to live in slums with inadequate housing conditions with little access to basic services.³ This impinges on their right to adequate housing—universally defined as security of tenure, protection from forced evictions and demolition of homes as well as affordability, accessibility, habitability of housing and availability of basic services and infrastructure.

Since the mid 1950s, GOI has been planning and implementing a series of urban poverty alleviation programmes starting with the Urban Community Development initiatives in 1958 and moving on to Environmental Improvement of Urban Slums in the early 1970s and 1980s. Subsequently, in 1989, the National Commission on Urbanization brought about a turn around when for the first time GOI adopted a multi –pronged strategy to address urban poverty. Four critical areas were identified, i.e. employment creation for low income communities through micro-enterprise, shelter and up-gradation of housing facilities, social development with a focus on women and children and environmental up-gradation of slums. The themes were translated into programmes wherein the Nehru Rozgar Yojana and the Urban Basic Services Programme for the Poor were launched in 1989 and 1990 respectively, followed by the Prime Minister’s Integrated Urban Poverty Eradication Programme (PMIUPEP) for class II towns in 1995 and the National Slum Development Programme (NSDP) in 1996. Together, these interventions were expected to make a substantial dent on urban poverty.

However, the impact of these programmes was far short of expectations and hence in 2005 a more comprehensive and reform driven plan was adopted and the Basic Services for Urban Poor (BSUP) came into existence as a submission of JnNURM and the Integrated Housing and Slum Development Programme (IHSDP) as a sub scheme. While BSUP is being implemented in 65 selected cities across the country, IHSDP is applicable to the remaining town and cities. Both

³ Data source, Census 2001; 11th FYP, Working Group Report

focus on physical infrastructure and services, while income and employment as well as other social, sector development inputs are provided through programmes outside the Mission framework.

BSUP seeks to provide integrated basic services to the urban poor in the cities, security of tenure and adequate housing with basic services; improved asset management and effective O&M through establishing effective linkages between asset creation and management; ensure adequate investment of funds for basic services and finally scale up services with focus on universal access to poor settlements. IHSDP provides similar support slum upgradation, relocation and redevelopment; infrastructure and services like water supply, sanitation and sewerage, and tenure security. Reforms, fast track development, effective and efficient service delivery mechanisms and accountability of the ULBs with reference to these provisions are the key intervention areas.

Both BSUP and IHSDP obviously focus on improvements in physical infrastructure and services and as such are not substantially different from the slum improvement and development programmes of the 1980s and 1990s. The difference however lies in the mandatory reforms that are expected to ensure sustainability of efforts, improved efficiency, transparency and accountability in implementing and managing projects and in participation and ownership of the citizens, especially the slum communities. In fact, the changes envisaged under *JnNURM* clearly rest on relevant reforms and capacities of stakeholders. Hence, the Mission process rightly calls for a clear vision and commitment to be reflected in the CDPs and MoUs.

3.4.1 City Development Plans

The CDP is expected to reflect *JnNURM*'s goal of creating an 'economically productive, efficient, equitable and responsive' city. Hence, the tool kit prescribes that the CDP should incorporate an analysis of the existing urban situation, developing a perspective and a vision, developing a strategy for bridging the gap between the existing situation and the vision and a commensurate investment plan and financial strategy.

The tool kit and consequently the various CDP documents however, are limited in their conception and definition of equity. Equity issues are described in terms of income poverty, lack of adequate housing, access to services and facilities and in some cases, to livelihoods; related data is disaggregated by men and women and broad social caste groups; the vision statements in general project liveable, productive, vibrant, safe and inclusive and sustainable cities for 'all'; and the strategies are largely focused on provision of adequate shelter and services for the 'income' poor. Besides, perceptions of the poor, marginalized and excluded with regard to their vision of the city are also not adequately reflected in the CDPs. The level of consultations with the urban poor or NGOs representing their interests has been found to be low across the sample cities.

Evidence of effective consultations was found only in cities where there has been active involvement of NGOs even prior to the launch of *JnNURM* (Ahmedabad). While consultations with the poor and slum communities is a long drawn process, innovative and participatory methods with support from NGOs, CBOs and other civil society organizations would draw results. Further, the enactment and implementation of the Community Participation Law would facilitate in furthering this objective in future.

Existing CDPs are being revised in very few cities, while some non mission cities are also going in for preparing the CDPs as part of a state endeavour, for example the same is being contemplated in Rajasthan as a state wide initiative. The revised/new CDPs need to be drafted around the objectives and strategies of Rajeev Awas Yojna (RAY). It specifically needs to focus on the following:

- RAY advocates a 'whole city' and 'whole slum' approach;
- It makes a state and city level slum development strategy a pre-condition for approval and funding

- Generation and establishment of an elaborate physical and socio- economic and slum data base has to precede the development of the strategy
- It strongly advocates for legislation of property rights to slum dwellers, reform to rental and rent control laws in urban areas, reforms to urban planning to ensure adequate land for future.

At present, States are not clear how BSUP and RAY will be integrated. We believe that suitable instructions/ guidelines need to be provided to the states for them to enable them to formulate an appropriate plan in this regard.

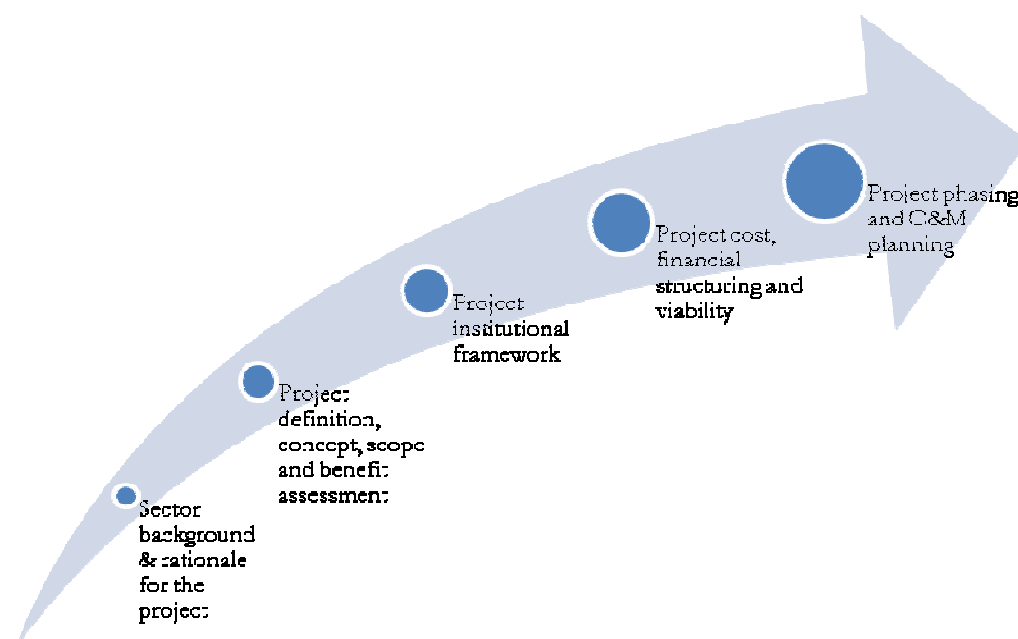
4. Detailed Project Report

4.1. Detailed project reports

The Detailed Project Report (DPR) is an essential building block towards having properly planned and well executed projects under the Jawaharlal Nehru National Urban Renewal Mission (JnNURM). The DPR is to be prepared with sufficient details to ensure appraisal, approval, and subsequent project implementation in a timely and efficient manner.

The standard process for preparation of a DPR as suggested under JnNURM is depicted in the following schematic diagram:

Figure 4.1: Schematic representation: DPR preparation process



Once the DPR is ready, it is sent to the DPR appraisal agency for its review and suggestions for any modifications/additions (if required). Once the DPR is appraised, it is sent for approval by the Centre for funding under JnNURM.

The appraisal agency has studied the existing DPR preparation toolkit, DPRs for projects in various sectors and has met several consultants/agencies involved in the preparation, appraisal and implementation of the DPR. Based on these interactions and background work clubbed with field visits to the sample cities, the appraisal agency has made some observations and has the following comments to make.

4.2. DPR Preparation Toolkit

The toolkit is comprehensive and covers all the aspects of a DPR. However, it can be further improved in the following manner:

- **Focus on EIA:** The environmental aspects of the project should be studied as a separate section instead of covering under “Section 2: Project Definition, Concept and Scope”. This section should address the probable environmental concerns, mitigation measures considered in the project implementation including EIA and EMP. Disaster related risk assessment and broad countermeasures (including earthquake/other natural disaster resistant design of structures) should be included in this section. This section should also address the environmental clearance necessary from different agencies for implementation of the project.
- **Focus on SIA:** The social aspects of the project should also be a separate section in the DPR instead of covering it under section 2 of the Toolkit. Among other social issues this section should also address the number of project affected persons/families, resettlement and rehabilitation measures including resettlement/rehabilitation plan and Social Impact Assessment (SIA).
- **Sector specific Toolkit:** The present DPR Toolkit is a general guideline for preparation of DPR for various sectors. A sector specific (e.g. water supply, sewerage, SWM, storm water drainage etc.) Toolkit for preparation of DPR for individual sector would help in improving the quality and standardizing the DPRs of a particular sector.

4.3. Specific Gaps observed in the Assessed DPRs

- **Executive Summary:** Executive summary, which is suggested as per the DPR preparation toolkit, and is an essential part of any DPR, is not provided in most of the assessed DPRs
- **Section Coverage:** The sections (Chapters) covered in the DPRs are not in line with the guidelines both in terms of contents and sequence (except for the DPR on storm water drainage mentioned above). For example, Titles of the chapters in the DPRs are not uniform for all the DPRs.
- **Environmental and Social Aspects:** Although the Environmental and Social issues have broadly been addressed in most of the DPRs but some of the major aspects are absent i.e. number of people that will be affected due to the project, resettlement and rehabilitation plan of the project affected people, social and environmental impact assessment and environmental management plan.
- **Design Details:** Design details such as design calculations, drawings with adequate detailing for execution, basis of assessment of quantity and cost for the selected items need to be assessed more carefully at DPR preparation stage as well as appraisal stage
- **Operation and Maintenance (O& M):** This is perhaps one of the most critical factors for the sustenance of assets created under the JnNURM. The details of O & M modality and cost recovery system that will be in force to sustain the project are not included in the DPR.
- **Availability of Land:** Land is probably one of the most common factors causing the delay in implementation of projects. Thus land availability with respect to the land requirement for the project components has to be a necessary part of the DPR. But this aspect has not been adequately addressed in the DPR.

4.4. Sector wise DPR analysis

4.4.1. Sewerage DPRs

DPRs of Sewerage projects for Pimri-Chinchwad Municipal Corporation and Nanded City have been compared. The DPRs considered for analysis are:

- **DPR for Sewerage Phase-1 in Pimri-Chinchwad Municipal Corporation**
This DPR was prepared by the Pimri-Chinchwad Municipal Corporation through UNITY Consultants Pvt Ltd. in September 2006. Major project components considered under this DPR are sewage collection and conveyance system, sewage pumping main, sewage treatment plant and effluent pumping station and machinery. Total capital project cost in the DPR is ₹67.6 crores for proposal-1 and ₹51.538 crores for proposal-2.
- **DPR for Sewerage and Sewage Treatment (Nanded-South)**
This was prepared by Tamil Nadu Water Investment Company, Chennai through M/s. TCE Consulting Engineers Ltd. in August 2006 for Nanded Waghala City Municipal Corporation, Maharashtra. Major project components in the DPR comprise of sewage collection system, sewage pumping stations and sewage treatment plant. Total capital cost of the project as per the DPR is ₹49.55 crores.
- **The above DPRs have been analyzed to compare the approach and methodology adopted in preparation of the DPRs and their quality. The analysis suggests the following:**
Approach and Methodology adopted for preparation of DPRs 1 & 2 in the sewerage Sector and their Quality. The approach and methodology for the two DPRs analyzed in the sewerage sector and their quality is different.
 - In DPR 1 both the project proposals (1 & 2) have been combined and considered as priority projects. No separate DPR has been prepared for each of the proposals. In DPR 2 only one project proposal has been considered.
 - The sections (chapters) in both the DPRs 1 and 2 do not comply with the sections stipulated in the JnNURM DPR Toolkit.
 - In DPR 1 an Executive Summary has been provided but in the DPR 2 there is no Executive Summary.
 - In DPR 2 emphasis is mainly on the technical aspects of the project such as design and cost estimate. Other major aspect such as environmental and social aspects, their impacts, mitigation measures, operation and maintenance plan, cost recovery and project sustainability are not been covered in the DPR. On the other hand, DPR 1 is more comprehensive and broadly covered all these aspects including the technical aspect.
 - Relevance of the project in terms of the city need has been well explained in the DPR 1 where as this is totally absent in DPR 2.
 - Similarly, project funding pattern, financial phasing, project implementation schedule etc have been provided in DPR 1. But these aspects are missing in the DPR 2.

4.4.2. Storm Water Drainage DPRs

DPRs of Storm Water Drainage sector for Pune and Nanded Cities have been compared. The DPRs considered for analysis are:

- **DPR for Storm Water Drainage Project, Phase-1 for Pune City**
The DPR was prepared by IL&FS, TWIC and PriMove Infrastructure Development Consultants for Pune Municipal Corporation. Major project components in the DPR are

improvement of existing canals, construction of road side drains and modification/new construction of cross-drainage works. Total estimated capital cost of the project as per the DPR is ₹399.67 crores.

- **DPR for Surface/Storm Water Disposal and Management Project for Nanded City:** This DPR was prepared by Tamil Nadu Water Investment Company, Chennai through M/s. Shah Technical Consultants Pvt. Ltd, and Mumbai in February, 2009 for Nanded Waghala City Municipal Corporation. Major project components include 18.64 km pipe conduit drain, 2.08 km RCC Box conduit drain, training of 17.10 km existing nallah (canal) and re-sectioning of 125 km existing road side drains. Total capital cost of the project as per the DPR is ₹45.731 crores.

Approach and Methodology adopted for preparation of DPRs 1 & 2 in the Storm Water Drainage Sector and their Quality

- DPR 1 is well structured and more or less in compliance with the guidelines of the JnNURM DPR Toolkit. On the contrary, the DPR 2 is significantly deviated from the guidelines of the DPR Toolkit.
- In DPR 1, aspects like environmental, social, operation and maintenance plan, cost recovery, project sustainability etc have been covered thoroughly whereas in the DPR 2 these aspects are absent.
- Project funding pattern, financial phasing and project implementation schedule have been well covered in the DPR 1. But in DPR 2 these aspects have not been addressed.
- Technical details such as design and cost estimation in both the DPRs have been covered comprehensively.
- Relevance of the project in terms of the city need has been well explained in the DPR 1 where as this aspect has not been addressed in DPR 2.
- Linkage of project components considered in the DPR 1 on priority with respect to those considered in the CDP is well justified. The same is absent in the DPR 2.

4.5. Some Observations based on the Field Visits to the Sample Mission and Non-Mission Cities

4.5.1. Key Bottlenecks in Project Implementation

During the visit to some of the sample mission and non-mission cities, elaborate discussions were held with the concerned officials of these cities. From the discussions with the officials it is clear that the reasons for delay in implementing the sanctioned and approved projects are different for different cities as well as for different sectors. An analysis of city and sector wise cause for delay in implementation of the projects is furnished in the following table 4.1:

Table 4.1: City and sector wise analysis: Reasons for delay in project implementation

City	Sector/Project	Reason for Delay	Source of Information	Remarks
Faridabad	Water Supply	Inadequate Fund	EE, MCF	MCF is unable to contribute its share due to paucity of fund. Hence, the Water Supply distribution component is incomplete.
		Delay in Procurement Process		Re-tendering due to high rates of the bidders.
	Sewerage	Delay in obtaining fund from GOI by MCF	EE, MCF	Delay in transferring of fund from GoH to MCF
Jalandhar	IHSDP	Land Acquisition	SE, JMC	Slums are on private land where the dwellers don't have the ownership. Alternate MC land is not available/encumbrance free for relocation
		Delay in Procurement Process	SE, JMC	Contractors are not interested to bid as the Earnest Money is substantial (5% of the project cost).
	UIDSSMT			
	Sewerage	Land Acquisition	SE, PWS&SB	3 Km of proposed sewer will pass through forest area. Clearance from the Forest Department is required.
Amritsar	Elevated Road	Delay in shifting of utility service lines	EE, AMC	
	Bus	Stay order of the High Court	EE, AMC	
	BSUP	Delay in release of fund from GoP	EE, AMC	

City	Sector/Project	Reason for Delay	Source of Information	Remarks
	Water Supply	Availability of Land for Tube well and OHSR	SE, PWS&SW	
		Delay in availability of fund from GoP	SE, PWS&SW	Rehabilitation of water supply project in the walled city is yet to commenced since the fund released by the GoI (1 st Installment) has not been carried forward to the AMC
	Sewerage	Non-availability of suitable contractor		No suitable contractor has turned up even after re-tendering for 2-3 times.

Source: GT analysis and study of sample DPRs

4.6. Summary

The inferences for project components based on the field site visits and the discussions held with some of the key stakeholders during the Appraisal are summarised below:

Projects in multiple sectors vs. focus on chosen sectors in some states – Some of the smaller Corporations have focused on chosen sectors to implement JnNURM Projects as opposed to cases where Corporations have a wide range of multi sectoral projects under the Mission umbrella. Keeping the low absorptive capacities, lack of technical skill base or minimal general preparedness; it needs to be probed further if focusing on certain chosen sectors by smaller Corporations is the more effective way forward.

- **Outsourcing of projects** – Considering the limited capacities at the ULB level few of the ULB's have outsourced the projects to external agencies like to the NBCC in Haryana or to line departments in Orissa. There is an argument against this outsourcing; however, considering the low capacities of the ULBs, there is probably necessity for the same. An arrangement as that in Orissa where the Public Health and Engineering Department has entered into a performance based contract with the ULBs is perhaps the best available alternative.
- **Cost escalation-** It is observed in many states that cost escalations have happened for majority of the projects. This is primarily due to time overruns, tender premium, delay in release of payments and change in DPR specifications. The increased cost due to the any of these reasons has to be borne by the urban local bodies through their own resources which is difficult for the smaller ULB's. Options need to be explored to help minimize the occurrence of these reasons in the first place to the extent possible.
- **In-principle approval vs. final approval** – A thought process needs to be initiated towards providing in-principle approval to projects against the current process of giving the final approval to a proposed project at one go. The time period between the two approvals shall be utilized for preparing the DPR document with EIA, SIA, land acquisition, project related approvals required along with the DPR.
- **Projects and reforms:** Projects are stuck up in most of the cases due to non-achievement of reforms either at the ULB or at the State level. Related complexities such as arbitrations by contractors are arising by the day. This provides credence to a case for moving reforms

away from projects at least for projects that have been approved and are already underway. However, in the spirit of the reforms driven approach of the Mission, new project approvals for a State could be subjected to intense scrutiny against the reforms benchmarks.

- **Transfer of money:** It is observed in certain cases that the JnNURM money is transferred directly to the executing agencies such as the line departments when the ULBs are held accountable from the Mission side for proper execution of projects and achievement of reforms. Clearly the ULBs are getting bypassed in such cases. Further probe needs to be done to come-up with options where projects are delivered efficiently without compromising the authority of the ULBs.

5. Projects

5.1. Introduction

The Mission covers a plethora of sectors concerned within social and economic development with special emphasis on urban infrastructure. For the purpose of facilitating an analysis, these sectors in turn have been compiled under 11 main heads for the purpose of facilitating an analysis across the sectors for the Mission. The intent is to establish the salience of the various sectors covered under JnNURM with an aim to identify the specific sectors where progress has been more apparent than in other cases. This is in turn guided by underlying factors like prioritization of sectors by the ULBs and the amount of investment made in these sectors.

Even though most of the key projects where maximum investment has been made for infrastructure creation like sewerage, roads, drainage etc might still be under works (many at advanced stages), inferences can be drawn related to the impact and benefit that is expected to accrue to the citizens once the same are complete. These are sectors where substantial investment has been made but no significant progress in terms of project completion, infrastructure development; social and economic impact can be ascertained as of date. Some basic trends and challenges can be determined at this stage itself so that the remainder of the Mission period can be used more fruitfully with corrective measures being suggested. This will also impact the design and scoping of the next phase of JnNURM, if the same is launched.

This analysis has been drawn based on parameters including the number of approved projects, the approved cost of these projects, completed projects and their cost. The following table 5.1 gives us a brief overview of the current status of the UIG component in the sample cities visited, based on the above mentioned parameters.

5.2. UIG

A comprehensive picture of the sample cities visited representing the UIG sub-mission is reflected in table 5.1. The sample cities constitute approximately 29% of the total urban population of India and 86% of the total coverage of urban population under JnNURM. Total projects approved under UIG component are 367 with a total approved cost of ₹46,515 crore. Release till date for the sample cities has been ₹20,598 crore which is approximately 44% of the total approved cost. Out of the 367 projects merely 62 projects have been completed. The total expenditure till date has been worth ₹17,078 crore which constitute around 37% of the approved cost and 83% of the total release till date.

Maximum numbers of projects have been sanctioned for Kolkata, followed by Chennai, Bangalore, Delhi and Ahmedabad. However, maximum numbers of projects have been completed in Ahmedabad.

The table also indicates the per capita expenditure incurred by the cities on UIG projects in our sample vis-à-vis the per capita approved cost of all UIG projects sanctioned under JnNURM.

Nanded has incurred the highest per capita expenditure amongst our sample of 41 mission cities. The per capita expenditure of Nanded is ₹7112.91 against an approved per capita amount of ₹9202.53 with a population of 796270 (according to the 2001 census). The city of Nanded has, thus, been able to utilize 77.29% of the sanctioned amount. Only 08 out of the 41 mission cities visited by the team have been able to spend over 50% of the amount sanctioned to them under UIG; however only 33 cities have spent over 50% of the amounts released.

These 41 cities visited have been ranked on the basis of-

- The percentage of projects completed
- The difference between the approved project cost and the expenditure incurred
- The difference between the quantum of funds released and the expenditure incurred by project implementing agencies.

These parameters are representative of funds utilized vis-à-vis amount released by the Centre, State and ULBs as well as amount sanctioned for the project at the time of approval. On the basis of such ranking, the following 05 cities, as seen in the table below, have emerged as the progressive cities for urban infrastructure and governance projects under JnNURM:

1. Nanded
2. Vadodara
3. Vishakhapatnam
4. Indore
5. Raipur

The total expenditure incurred by these 05 cities is ₹2351.12crore for a total population of 7498880. This expenditure is 13.77% of the total expenditure incurred by our sample of 41 mission cities, even though it caters to 7.97% of the population.

Cities like Delhi, Indore, Gangtok, Raipur and Vishakapatnam have been able to utilize nearly all the funds released to them. However, Ahmedabad has been able to complete 57.69% of the projects approved by utilizing 59.41% of the total amount sanctioned. This indicates that the expenditure incurred on projects is justified by the proportional completion of the projects. On the other hand, certain places have not been as efficient in spending the sanctioned amount as others. For example, Mumbai has only spent 46.09% of the amount sanctioned even though 70.52% has been released.

Table 5.1: Urban Infrastructure and Governance scheme overview for 41 mission cities

Note: All cost values in ₹crores

City	Population	% of the total Population of India	% of the total Population of Urban Cities	% of the total Population of JnNUR Mission cities	Total number of projects	Approved cost	Centre release	State Release	ULB release	Grand total release	Total expenditure	Completed projects	% of projects completed	% release approved	% expenditure approved	% expenditure released	Per capita approved cost (₹)	Per capita Expenditure (₹)
Nanded	796270	0.07	0.25	0.73	11	732.77	403.72	50.46	141.46	595.6	566.3	2	18.18	81.29	77.29	95.09	9202.53	7112.91
Vadodra	1800000	0.15	0.56	1.64	13	762.95	202.29	80.91	211.98	495.1	459.1	1	7.69	64.90	60.19	92.73	4238.61	2551.06
Vishakapatnam	1664643	0.14	0.52	1.52	13	1469.61	373.59	150.6	250.55	774.7	737.1	5	38.46	52.72	50.16	95.15	8828.38	4428.28
Indore	2071492	0.17	0.65	1.89	9	635.16	174.09	69.61	123.94	367.6	368.0	1	11.11	57.88	57.94	100.10	3066.19	1776.55
Raipur	1166475	0.10	0.36	1.06	2	459.87	182.17	22.77	22.52	227.4	220.3	0	0.00	49.46	47.92	96.89	3942.39	1889.37
Ahmedabad	5342245	0.45	1.67	4.88	26	2390.75	536.22	229.8	895.43	1661.4	1420.2	15	57.69	69.50	59.41	85.48	4475.18	2658.55
Hyderabad	4247907	0.36	1.33	3.88	21	2572.13	451.12	186.0	637.16	1274.3	1179.0	7	33.33	49.54	45.84	92.53	6055.05	2775.63
Bangalore	6763074	0.57	2.11	6.17	38	2305.25	397.5	184.7	643	1225.2	1160	12	31.58	53.15	50.32	94.68	3408.58	1715.19
Guwahati	1098063	0.09	0.34	1.00	2	316.1	142.24	15.79	0	158.03	149.5	0	0.00	49.99	47.31	94.63	2878.71	1361.94
Ajmer-pushkar	983338	0.08	0.31	0.90	4	505.64	217.16	27.14	75.7	320	267.18	0	0.00	63.29	52.84	83.49	5142.08	2717.07
Mumbai	13070903	1.10	4.08	11.93	6	5275.98	1102.0	511.4	2107.2	3720.7	2431.8	0	0.00	70.52	46.09	65.36	4036.43	1860.51
Amritsar	1452484	0.12	0.45	1.33	5	484	97.38	49.45	55.96	202.79	215.63	0	0.00	41.90	44.55	106.33	3332.22	1484.56
Bhopal	1784291	0.15	0.56	1.63	7	1031.16	219.53	72.47	159.68	451.68	368.26	3	42.86	43.80	35.71	81.53	5779.10	2063.90
Kolkata	4701319	0.39	1.47	4.29	43	3788.67	581.93	650.5	420.44	1652.8	1443.1	4	9.30	43.63	38.09	87.31	8058.74	3069.59
Jaipur	3158792	0.27	0.99	2.88	9	723.43	161.91	64.76	123.67	350.34	281.84	0	0.00	48.43	38.96	80.45	2290.21	892.24
Lucknow	2747457	0.23	0.86	2.51	7	1616.12	446.73	178.6	203.94	829.37	656.58	0	0.00	51.32	40.63	79.17	5882.24	2389.77
Gangtok	64699	0.01	0.02	0.06	2	96.53	27.4	3.89	0	31.29	30.59	0	0.00	32.41	31.69	97.76	14919.86	4728.05
Pune	5089567	0.43	1.59	4.65	11	3419.95	511.12	204.4	463.04	1178.6	1115.9	3	27.27	34.46	32.63	94.68	6719.53	2192.62

City	Population	% of the total Population of India	% of the total Population of Urban Cities	% of the total Population of JnNURM mission cities	Total number of projects	Approved cost	Centre release	State Release	ULB release	Grand total release	Total expenditure	Completed projects	% of projects completed	% released/ approved	% expenditure/ approved	% expenditure/ released	Per capita approved cost (₹)	Per capita Expenditure (₹)
Itanagar	84829	0.01	0.03	0.08	3	180.48	57.25	1.62	0	58.87	55.41	0	0.00	32.62	30.70	94.12	21275.74	6531.96
Faridabad	1570593	0.13	0.49	1.43	4	704.46	131.7	52.6	70.95	255.25	239.42	0	0.00	36.23	33.99	93.80	4485.31	1524.45
Delhi	16064785	1.35	5.02	14.67	28	7197.08	175.35	1748.2	28.45	1952.3	2030.9	4	14.29	27.13	28.22	104.03	4480.04	1264.24
Mysore	1075977	0.09	0.34	0.98	8	1084.37	236.35	41	31.13	308.48	282.24	0	0.00	28.45	26.03	91.49	10078.0	2623.10
Shillong	290389	0.02	0.09	0.27	2	217.95	52.73	5.86	0	58.59	49.67	0	0.00	26.88	22.79	84.78	7505.45	1710.47
Chennai	4498492	0.38	1.41	4.11	39	3900.93	485.51	192.08	565.28	1242.8	852.2	5	12.82	31.86	21.85	68.57	8671.64	1894.41
Kohima	80559	0.01	0.03	0.07	2	75.68	22.71	1.62	0	24.33	18.0	0	0.00	32.15	23.80	74.02	9394.36	2235.49
Kochi	1573046	0.13	0.49	1.44	7	509.22	75.64	34	29.11	138.75	99.16	0	0.00	27.25	19.47	71.47	3237.16	630.37
Puducherry	569004	0.05	0.18	0.52	2	253.06	50.5	13.35	0	63.85	45	0	0.00	25.23	17.78	70.48	4447.42	790.86
Chandigarh	954700	0.08	0.30	0.87	3	191.19	21.89	4.78	4.78	31.45	20.37	0	0.00	16.45	10.65	64.77	2002.62	213.37
Ujjain	429933	0.04	0.13	0.39	2	114.25	28.52	3.56	5.23	37.31	22.97	0	0.00	32.66	20.11	61.57	2657.39	534.27
Bhubaneswar	1010498	0.08	0.32	0.92	3	573.25	114.66	16.03	1.202	131.892	78.43	0	0.00	23.01	13.68	59.47	5672.95	776.15
Dehradun	793509	0.07	0.25	0.72	5	241.53	94.33			94.33	54.24	0	0.00	39.06	22.46	57.50	3043.82	683.55
Thiruvananthapuram	1172191	0.10	0.37	1.07	5	488.67	69.76	14.17	14.22	98.15	50.8	0	0.00	20.09	10.40	51.76	4168.86	433.38
Ranchi	1133294	0.10	0.35	1.03	2	339.78	52.71	27.51	49.24	129.46	40.78	0	0.00	38.10	12.00	31.50	2998.16	359.84
Imphal	397151	0.03	0.12	0.36	3	153.95	34.63	3.23	0	37.86	11.56	0	0.00	24.59	7.51	30.53	3876.36	291.07
Srinagar	1147071	0.10	0.36	1.05	3	402.29	81.84	7.14	0	88.98	23.56	0	0.00	22.12	5.86	26.48	3507.11	205.39
Agartala	473166	0.04	0.15	0.43	2	180.47	28.87	0	0	28.87	5.4	0	0.00	16.00	2.99	18.70	3814.09	114.13
Shimla	191012	0.02	0.06	0.17	4	153.23	31.42	6.69	0	38.11	7.03	0	0.00	24.87	4.59	18.45	8022.01	368.04
Puri	157610	0.01	0.05	0.14	2	238.72	44.63	14.74	0	59.37	10.08	0	0.00	24.87	4.22	16.98	15146.24	639.55
Patna	2331347	0.20	0.73	2.13	6	582.31	72.71	86.52	0	159.23	0	0	0.00	27.34	0.00	0.00	2497.74	0
Bodhgaya	30883	0.00	0.01	0.03%	2	129.5	25.89	6.46	0	32.35	0	0	0.00	24.98	0.00	0.00	41932.45	0
Aizwal	289258	0.02	0.09	0.26%	1	16.8	9.02	1.68	0	10.7	10.7	0	0.00	64	64	100	58.07	369.9
Total	94322316	7.94%	29.4%	86.09%	367	46515.2	8226.78	5036	7335.3	20598	17078.99	62	17%	44%	37%	83%	493.15	1810.70

Source: Primary data collection and GT analysis

5.3. BSUP

A comprehensive picture of the sample cities visited for BSUP sub-mission has been represented in table 5.2. The sample cities constitute around 29% of the total urban population of India and 86% of the total coverage of urban population under JnNURM. Total projects approved under BSUP are 213 with a total approved cost of ₹ 17,503 crore. Release till date for the sample cities has been ₹5,836 crore which is approximately 33% of the total approved cost. Out of the 213 projects merely 5 projects have been completed. The total expenditure till date has been worth ₹4,280 crore which constitute around 24% of the approved cost and 73% of the total release till date.

Maximum numbers of projects have been sanctioned for Patna, followed by Hyderabad, Delhi, Bangalore and Bhopal. However, maximum numbers of projects have been completed in Vishakapatnam.

As analyzed from table 5.2, from the cities visited, Agartala is the best performer under the BSUP segment, there was one project sanctioned which has been completed with 100% sanction and utilization of funds. Kochi, Bhopal, Ujjain, Mysore, Faridabad and Thiruvananthapuram have incurred expenditure higher than their released amounts; however only Bhopal has been able to successfully complete a project.

Kohima, Hyderabad and Pune have utilized 100% of the amounts released. However, the releases are less than 50% of the amounts sanctioned. No projects have been completed in these cities. Vishakhapatnam has completed 28.57% of the projects sanctioned which is high in relation to the progress of other cities. However, it has utilized nearly all the released funds which accounts for 43.49% of the approved cost of the projects.

Only 05 mission cities included in our list of 41 have been able to spend over 50% of the amount sanctioned to them under BSUP. However, 24 cities have been able to utilize over 50% of the amount released under the mission.

These 41 cities have been ranked on the basis of:

- The percentage of projects completed
- The difference between approved project cost and expenditure
- The difference between quantum of funds released and expenditure by project implementing agencies.

These parameters are representative of funds utilized vis-à-vis amount released by Centre, State and ULBs as well as amount sanctioned for the project at the time of approval. On the basis of such ranking; Agartala, Faridabad, Ahmedabad, Ujjain and Bhopal have emerged as the progressive cities for BSUP projects under JnNURM.

The total expenditure incurred by these 05 cities is ₹707.84crore for a total population of 9600228. This expenditure is 17% of the total expenditure incurred for BSUP by our sample of 41 mission cities and it caters to 10% of the total population of our sample.

Table 5.2: Basic Services for Urban Poor scheme overview for 41 mission cities

Note: All cost values in ₹crores

CITY	Population	% of total Population of India	% of total urban Population	% of total Population of JnNURM mission cities	Total number of projects	Approved cost	Total release (₹ crores)			Grand total release	Total expenditure	Completed	% of projects completed	% release d/ approved	% expenditure / approved	Per capita approved cost (₹)	Per capita Expenditure (₹)
Agartala	473166	0.04	0.15	0.43	1	16.72	13.92	2.8	0	16.72	16.72	1	100.00	100.00	100.00	353.36	353.36
Ahmedabad	5342245	0.45	1.67	4.88	3	523.95	202.66	81.06	116.6	400.32	399.17	0	0.00	76.40	76.18	980.77	747.20
Ajmer-pushkar	983338	0.08	0.31	0.90	1	107.17	21.14	2.895	2.895	26.93	17.17	0	0.00	25.13	16.02	1089.86	174.61
Amritsar	1452484	0.12	0.45	1.33	1	5.79	0.72	0.29	0.68	1.69	1.62	0	0.00	29.19	27.98	39.86	11.15
Bangalore	6763074	0.57	2.11	6.17	14	510.84	89.19	53.514	35.676	178.38	129	0	0.00	34.92	25.25	755.34	190.74
Bhopal	1784291	0.15	0.56	1.63	14	443.44	81.14	30.6	56.91	168.65	226.33	1	7.14	38.03	51.04	2485.25	1268.46
Bhubaneshwar	1010498	0.08	0.32	0.92	5	63.6	11.54	2.23	2.23	16	7.92	0	0.00	25.16	12.45	629.39	78.38
Bodhgaya	30883	0.00	0.01	0.03	1	54.57	9.68	1.98	1.98	13.64	0	0	0.00	25.00	0.00	17669.92	0.00
Chandigarh	954700	0.08	0.30	0.87	2	564.94	213.85	84.4	0	298.25	236.26	0	0.00	52.79	41.82	5917.46	2474.70
Chennai	4498492	0.38	1.41	4.11	5	1272.4	415.74		37.48	453.22	225.56	0	0.00	35.62	17.73	2828.55	501.41
Dehradun	793509	0.07	0.25	0.72	9	62.57	9.186	2.372	11.558	23.116	1.05	0	0.00	36.94	1.68	788.52	13.23
Delhi	16064785	1.35	5.02	14.67	15	1814.4	173.5	261.44		434.94	236.55	1	6.67	23.97	13.04	1129.48	147.25
Faridabad	1570593	0.13	0.49	1.43	2	64.22	20.45	12.27	14.03	46.75	54.15	0	0.00	72.80	84.32	408.89	344.77
Gangtok	64699	0.01	0.02	0.06	3	33.58	7.95	1.662	33.58	43.192	9.55	0	0.00	128.62	28.44	5190.19	1476.07
Guwahati	1098063	0.09	0.34	1.00	2	1084.4	48.8	5.01	0	53.81	30.17	0	0.00	4.96	2.78	9875.57	274.76
Hyderabad	4247907	0.36	1.33	3.88	16	1620.8	298.73	117.45	197.46	613.64	613.64	0	0.00	37.86	37.86	3815.60	1444.57
Imphal	397151	0.03	0.12	0.36	1	51.23	10.98	1.36	0.47	12.81	0	0	0.00	25.00	0.00	1289.94	0.00
Indore	2071492	0.17	0.65	1.89	13	156.26	14.99	5.99	8.99	29.97	17.62	0	0.00	19.18	11.28	754.34	85.06
Itanagar	84829	0.01	0.03	0.08	2	49.25	11.81	0.09	0	11.9	1.67	0	0.00	24.16%	3.39	5806.33	196.87
Jaipur	3158792	0.27	0.99	2.88	1	169.43	21.16	8.48	12.72	42.36	6.35	0	0.00	25.00%	3.75	536.38	20.10
Kochi	1573046	0.13	0.49	1.44	3	135.66	26.37	5.73	12.29	44.39	61.39	0	0.00	32.72%	45.25	862.40	390.26

CITY	Population	% of total Population of India		% of total Population of JnNURM mission cities	Total number of projects	Approved cost	Total release (₹ crores)			Grand total release	Total expenditure	Completed	% of projects completed	% release d/ approved	% expenditure / approved	Per capita approved cost (₹)	Per capita Expenditure (₹)
		% of total Population of India	% of total urban Population														
Kohima	80559	0.01	0.03	0.07	3	134.5	52.8	5.86	0	58.66	58.66	0	0.00	43.61	43.61	16695.84	7281.62
Kolkata	4701319	0.39	1.47	4.29	9	624.94	158.72		18.340	177.06	44.2746	0	0.00	28.33	7.08	1329.31	94.17
Lucknow	2747457	0.23	0.86	2.51	8	360.24	69.1	58.54		127.64	105.5	0	0.00	35.43	29.29	1311.18	383.99
Mumbai	13070903	1.10	4.08	11.93	3	2869.9	353.16	340.08	227.2	920.44	834.53	0	0.00	32.07	29.08	2195.69	638.46
Mysore	1075977	0.09	0.34	0.98	4	236.32	40.04	24.024	16.016	80.08	96.08	0	0.00	33.89	40.66	2196.33	892.96
Nanded	796270	0.07	0.25	0.73	10	1001.6	142.02	10.13	5.67	157.82	120.23	0	0.00	15.76	12.00	12578.77	1509.92
Patna	2331347	0.20	0.73	2.13	17	655.41	68.51	38.136	57.204	163.85	3.14	0	0.00	25.00	0.48	2811.29	13.47
Puducherry	569004	0.05	0.18	0.52	4	135.98	24.63	9.2	0	33.83	17.41	0	0.00	24.88	12.80	2389.79	305.97
Pune	5089567	0.43	1.59	4.65	5	522.41	71.69	18.19	21.5	111.38	111.38	0	0.00	21.32	21.32	1026.43	218.84
Puri	157610	0.01	0.05	0.14	2	11.02	2	0.38	0.38	2.76	0.71	0	0.00	25.05	6.44	699.19	45.05
Raipur	1166475	0.10	0.36	1.06	3	462.49	169.72	21.14	190.42	381.28	73.22	0	0.00	82.44	15.83	3964.85	627.70
Ranchi	1133294	0.10	0.35	1.03	6	263.58	50.19	75.5	1.19	126.88	0.3	0	0.00	48.14	0.11	2325.79	2.65
Shillong	290389	0.02	0.09	0.27	3	51.73	16.03	4.51	0	20.54	7.61	0	0.00	39.71	14.71	1781.40	262.06
Shimla	191012	0.02	0.06	0.17	2	24	4.56	1.24	0	5.8	1.26	0	0.00	24.17	5.25	1256.47	65.96
Srinagar	1147071	0.10	0.36	1.05	1	22.36			0	0	1.54	0	0.00	0.00	6.89	194.93	13.43
Thiruvananthapuram	1172191	0.10	0.37	1.07	4	208	49.09	3.22	14.31	66.62	68.83	0	0.00	32.03	33.09	1774.46	587.19
Ujjain	429933	0.04	0.13	0.39	3	17.4	6.63	0.6892	1.98	9.2992	11.47	0	0.00	53.44	65.92	404.71	266.79
Vadodra	1800000	0.15	0.56	1.64	3	358.62	78.17	29.14	43.19	150.5	125.07	0	0.00	41.97	34.88	1992.33	694.83
Vishakapatnam	1664643	0.14	0.52	1.52	5	645.92	140.44	84.264	56.176	280.88	279.82	2	40.00	43.49	43.32	3880.23	1680.96
Aizwal	289258	0.02	0.09	0.26	4	91.32	27.25	2.8	0	30.05	27.12	0	0.00	32.91	30	3157.04	937.57
Total	94322316	7.94%	29.49%	86.09%	213	17503.1	3228.2	1408.6	1199.1	5836.0	4280.04	5	2%	33%	24%	1855.67	453.76

Source: Primary data collection and GT analysis

5.4. UIDSSMT

A comprehensive picture of the sample cities visited for UIDSSMT sub-scheme is represented in the table 5.3. The sample cities constitute around 4.26% of the total urban population of India. Total projects approved under UIDSSMT are 29 (as per the sample) with a total approved cost of ₹1,667 crore. Release till date for the sample cities has been ₹ 910 crore which is approximately 55% of the total approved cost. Out of the 29 projects only 2 projects have been completed. The total expenditure till date has been worth ₹529 crore which constitute around 32% of the approved cost and 58% of the total release till date.

If we observe the expenditure incurred by cities implementing UIDSSMT projects as detailed in Table 5.3; Shirdi has incurred the highest per capita expenditure amongst our sample of 25 non mission cities. The per capita expenditure of Shirdi is ₹4428.90 against an approved per capita amount of ₹9270.51 with a population of 26169 (according to the 2001 census). The city of Shirdi has been able to utilize 47.77 % of its sanctioned amount; however the amount released is 100% of the sanction so there is very low utilization in relation to its release.

Only 05 non mission cities included in our sample of 25 have been able to spend over 50% of the amount sanctioned to them under sub-scheme. 11 cities have been able to utilize over 50% of their released amount.

Tirupattur, Siliguri, Bilaspur, Warangal and Thoubal have made a 100% utilization of the funds released to them. However, none of the UIDSSMT projects sanctioned in the cities visited by the team have been completed.

These 25 cities have been ranked on the basis of-

- The percentage on projects completed
- The difference between approved project cost and expenditure
- The difference between the quantum of funds released and the expenditure incurred by project implementing agencies.

These parameters are representative of funds utilized vis-à-vis amount released by Centre, State and ULBs as well as amount sanctioned for the project at the time of approval.

Based on our analysis, Siliguri, Warangal, Kurnool, Tirupattur and Cuddapah have emerged as the most progressive cities for UIDSSMT projects. The total expenditure incurred by these 05 cities is ₹290.347 crore for a total population of 3668061. This expenditure is 54.84% of the total expenditure incurred for UIDSSMT by our sample of 25 non mission cities even though it only caters to 26.91% of the total population of our sample. There is an inequitable distribution of expenditure with a large amount being incurred by these 05 cities alone.

Table 5.3: Urban Infrastructure Development Scheme for Small and Medium Towns scheme overview for 25 non mission cities:

Note: All cost values in ₹crores

City	Population	% of total Population of India	% of total Population of Urban Cities	Total number of projects	Approved cost	Centre release	State Release	ULB release	Grand total release	Total expenditure	Completed projects	% of projects completed	% release d/ approved	% expenditure/ release d	% expenditure/ approved	Per capita approved cost (₹)	Per capita Expenditure (₹)
Aurangabad	1318393	0.11	0.41	1	359.67	143.86	17.98	17.98	179.82	0	0	0.00	50.00	0.00	0.00	2728.09	0
Belonia	15687	0.00	0.00	1	43.11	20.05	2.15	0	22.2	0	0	0.00	51.50	0.00	0.00	27481.3	0
Bilaspur	1694883	0.14	0.53	2	231.67	59.43	13.35	29.46	102.24	104.07	0	0.00	44.13	101.79	44.92	1366.87	614.02
Cuddapah	325725	0.03	0.10	2	101.39	53.77	7.28	5.45	66.5	62.26	1	50.00	65.59	93.62	61.41	3112.74	1911.42
Dewas	1306617	0.11	0.41	1	58.37	8	1		9	6.06	0	0.00	15.42	67.33	10.38	446.72	46.37
Diamond harbour	37238	0.00	0.01	1	34.79	13.91	1.73	1.73	17.37	1.45	0	0.00	49.93	8.35	4.17	9342.60	389.38
Dimapur	165782	0.01	0.05	0	0	0	0	0	0	0	0						
Ghaziabad	2429243	0.20	0.76	2	121.95	47.52	5.94	5.94	59.4	26.73	0	0.00	48.71	45.00	21.92	502.00	110.03
Jalandhar	1090157	0.09	0.34	3	99.88	32.25	4.97	9.44	46.66	42	0	0.00	46.72	90.01	42.05	916.19	385.26
Jodhpur	1113833	0.09	0.35	1	61.67	25.59	2.62	2.62	30.83	5.5	0	0.00	49.99	17.84	8.92	553.67	49.37
Kurnool	669122	0.06	0.21	1	33.09	21.96	2.8	2.52	27.28	27.21	0	0.00	82.44	99.74	82.23	494.52	406.65
Mussorie	26069	0.00	0.01	1	61.73	24.69	6.16	0	30.85	7.48	0	0.00	49.98	24.25	12.12	23679.4	2869.30
Muzzafarpur	373456	0.03	0.12	1	98.72	39.48	4.93	4.93	49.34	0	0	0.00	49.98	0.00	0.00	2643.42	0

City	Population	% of total Population of India	% of total Population of Urban Cities	Total number of projects	Approved cost (₹ crores)	Centre's release (₹ crores)	State Release (₹ crores)	ULB release (₹ crores)	Grand total release (₹ crores)	Total expenditure (₹ crores)	Completed	% of projects completed	% release d/ approved	% expenditure/ release d	% expenditure/ approved	Per capita approved cost (₹)	Per capita Expenditure (₹)
Panchkula	140992	0.01	0.04	0	0	0	0	0	0	0	0						
Parwanoo	8609	0.00	0.00	0	0	0	0	0	0	0	0						
Seppa	14965	0.00	0.00	1	13.8	12.42	0	0	12.42	6.21	0	0.00%	90.00	50.00	45.00	9221.51	4149.68
Shirdi	26169	0.00	0.01	1	24.26	19.4	5		24.4	11.59	0	0.00%	100.58	47.50	47.77	9270.51	4428.90
Siliguri	1559275	0.13	0.49	2	56.57	45.39			45.39	48.01	0	0.00%	80.24	105.77	84.87	362.79	307.89
Suryapet	94797	0.01	0.03	3	62.27	17.87	5.57	1.42	24.86	20.69	0	0.00%	39.92	83.23	33.23	6568.77	2182.55
Thoubal	46194	0.00	0.01	1	13.86	6.44	0.71	0	7.15	7.15	0	0.00%	51.59	100.00	51.59	3000.38	1547.82
Tirupattur	60876	0.01	0.02	2	18	5.67	0.64	0.64	6.95	7.627	1	50.00%	38.61	109.74	42.37	2956.83	1252.87
Tura	58391	0.00	0.02	1	8.33	1.8	0.4	0	2.2	0.1462	0	0.00%	26.41	6.65	1.76	1426.58	25.03
Warangal	1053063	0.09	0.33	1	164.46	121.11	15.13	9	145.24	145.24	0	0.00%	88.31	100.00	88.31	1561.72	1379.21
Total	13629536	1.14	4.26	29	1667.5	720.61	98.36	91.13	910.1	529.42	2	6.9%	55%	58%	32%	1223.51	388.43

Source: Primary data collection and GT analysis

5.5. IHSDP

A comprehensive picture of the sample cities visited for IHSDP sub-scheme as represented in the table 5.4. The sample cities constitute around 4.49% of the total urban population of India. Total projects approved under IHSDP are 33 (as per the sample) with a total approved cost of ₹715 crore. Release till date for the sample cities has been ₹331 crore which is approximately 46% of the total approved cost. Out of the 33 projects none of the projects have been completed. The total expenditure till date has been worth ₹218.7 crore which constitute around 31% of the approved cost and 66% of the total release till date.

Table 5.4 indicates the progress of IHSDP projects in the sample of cities visited. Siliguri has incurred the highest expenditure of ₹40.27crore amongst our sample of 25 non mission cities. Only 3 non mission cities included in our sample of 25 have been able to spend over 50% of the amount sanctioned to them under IHSDP. However, 10 cities have been able to spend over 50% of the amount released to them over the 5 year mission period.

Kurnool has incurred expenditure in excess of the amount released; Cuddapah and Dimapur have utilized a 100% of released with Udaipur nearing 100% (as on date 98%), however no projects have been completed

These 25 cities have been ranked on the basis of:

- The percentage of projects completed
- The difference between approved project cost and expenditure
- The difference between quantum of funds released and the expenditure incurred by project implementing agencies.

These parameters are representative of funds utilized vis-à-vis amount released by Centre, State and ULBs as well as amount sanctioned for the project at the time of approval. On the basis of such ranking, the 05 cities of Ghaziabad, Tirupattur, Udaipur, Cuddapah and Dimapur have emerged as progressive cities for IHSDP projects under *JnNURM*.

The total expenditure incurred by these 05 cities is ₹87.48 crore for a total population of 3531933. This is also the largest concentration of expenditure amongst the top 05 cities with regard to the population.

Table 5.4: Integrated Housing and Slum Development Program scheme overview for 25 non mission cities

Note: All cost values in ₹crores

City	Population	% of total Population of India	% of total urban Population	Total projects	Approved cost	Total release (₹crores)			Grand total release	Total expenditure	Completed projects	% of projects completed	% released/ approved	% expenditure/ released
Aurangabad	1318393	0.11	0.41	3	11.34	4.44	0.96	0.96	6.36	2.35	0	0.00	56.08	36.95
Bilaspur	1694883	0.14	0.53	2	97.18	32.6	4.07	4.5	41.17	35.11	0	0.00	42.36	85.28
Cuddapah	325725	0.03	0.10	2	29.01	12.55	1.75	2.93	17.23	17.24	0	0.00	59.39	100.06
Dewas	1306617	0.11	0.41	2	36.94	5.98			5.98	2.08	0	0.00	16.19	34.78
Diamond harbour	37238	0.00	0.01	1	9.98	3.99	0.5	0.5	4.99	0.06	0	0.00	50.00	1.20
Dimapur	165782	0.01	0.05	1	87.74	29.32	9.32	0	38.64	38.64	0	0.00	44.04	100.00
Jalandhar	1090157	0.09	0.34	2	42.4	12.77	4.21	4.21	21.19	0	0	0.00	49.98	0.00
Jodhpur	1113833	0.09	0.35	2	64.95	16.8	4.2	0	21	9	0	0.00	32.33	42.86
Kurnool	669122	0.06	0.21	2	45.22	16.89	0.433	0	17.32	19.32	0	0.00	38.31	111.52
Mussorie	26069	0.00	0.01	1	4.87	1.335	0.745	0	2.08	0	0	0.00	42.71	0.00
Muzzafarpur	373456	0.03	0.12	0										
Panchkula	140992	0.01	0.04	3	65.77	32.89	3.29	3.29	39.47	9.72	0	0.00	60.01	24.63
Parwanoo	8609	0.00	0.00	1	11.67	4.11	1.48	0	5.59	0.97	0	0.00	47.90	17.35
Shirdi	26169	0.00	0.01	0										
Suryapet	94797	0.01	0.03	1	23.27	13.7	1.16	0	14.86	8.26	0	0.00	63.86	55.59
Thoubal	250000	0.02	0.08	1	12.02	4.49	0.78	0	5.27	3.246	0	0.00	43.84	61.59
Tirupattur	60876	0.01	0.02	1	3.45	2.76	0.34	0.34	3.44	2.92	0	0.00	99.71	84.88
Tura	58391	0.00	0.02	1	21.82	4.49	0.7	0	5.19		0	0.00	23.79	0.00
Warangal	1053063	0.09	0.33	0										
Ghaziabad	2429243	0.20	0.76	1	18	14	2.185	2.185	18.37	16.4	0	0.00	102.06	89.28
Belonia	15687	0.00	0.00	1	8.74	3.84	0.535	0	4.375	0.84	0	0.00	50.06	19.20
Seppa	14965	0.00	0.00	1	0	0	0	0	0	0	0	0.00		
Siliguri	1559275	0.13	0.49	3	96.78	35.6	4.76	5.68	46.04	40.27	0	0.00	47.57	87.47
Udaipur	550307	0.05	0.17	1	24.55	8.48	2.015	2.015	12.51	12.28	0	0.00	51	98
Total	14383649	1.19%	4.49%	33	715.7	261.03	43.43	26.61	331.07	218.70	0	0%	46%	66%

Source: Primary data collection and GT analysis

5.6. Analysis across schemes

Based on an analysis of all the four segments, UIG component of JnNURM seems to have progressed well. . 17% of UIG projects are complete in contrast to UIDSSMT where only approximately 7% of the sanctioned projects have been completed. Not even a single sanctioned project has been successfully completed under IHS DP scheme, while the BSUP component also has a low level of completion of 2%.

If we compare the cities with the highest expenditure to approved cost ratio in all four segments, the number of cities having spent at least 50% of their sanctioned amounts is also the highest under the UIG component. The highest expenditure incurred by cities in relation to the amounts released can be observed in UIG scheme where 36% of the cities have been able to spend 90% of the funds released.

UIDSSMT cities have also been able to utilize their releases to the extent that 32% of cities have utilized over 90% of their releases. However the utilization of funds is not translated into completion of UIDSSMT projects for non mission cities.

For BSUP projects, approximately 34% of cities have utilized over 90% of the amounts released; however 06 cities out of 41 have spent in excess of the amount sanctioned to them. This expenditure is not reflected in completion of projects. In the UIG scheme, only 2 cities have spent in excess of the amounts released.

If we enumerate cities with expenditure over 50% of approved cost, the UIDSSMT component of sub-mission has the highest geographical spread of expenditure- approximately 20% of our sample.

5.7. Hindrances in project execution

Based on the sample field visits, the following factors have emerged as being instrumental for delays occurring in project execution and completion across both sub-missions and schemes.

Technically competent bidders/ low quality of contractors

Availability of quality contractors at competitive prices is crucial to the timely initiation of a project. The regional/local bidders are often not technically competent and national level bidders while more capable of implementing the project, charge considerably higher rates than the ULBs own estimates which lead to re-tendering. This case is especially true for large developmental projects like sewerage, roads and water supply projects. This has been found in majority of the states like Orissa, Maharashtra, and MP etc and especially in the smaller cities of these states. To illustrate this point,

- In Bhubaneswar, Ujjain and Nanded amongst other such cities, certain projects had to be broken into smaller packages to attract local and regional level bidders to bid.
- In Kochi, the sewerage project faced hurdles because of the lack of good quality contractors who have the expertise and experience in implementing such projects.

Retendering

It is very common for projects to be retendered especially in the smaller ULBs across the Mission. The key reasons for retendering ranges from lack of availability of technically competent bidders, whether local, regional or national level bidders or due to insufficient number of bids being received for the tender. A few examples of the same have been given to illustrate the issue:

- The Bhubaneswar sewerage project was retendered twice because the initial bids were too high.

- Conservation of the Heritage Tank of Bindusagar in Bhubaneswar city was delayed due to the retendering process as no bids were received in the first tender process.
- Augmentation of existing water supply for walled city area, Amritsar- This project is being executed in the most congested part of the city in the 13 wards marked by 13 historical gates. The tendering process for this project was undertaken thrice due to technical qualification issues – retendering happened till technically qualified firms applied and there was sufficient competition for the project
- The Mussoorie sewerage project implemented by the PeyJal Nigam started in 2009 was re-tendered because of reluctance of contractors to take up the project. This was due to the difficulty of excavation, time constraints in execution and presence of tourists.

Permissions from Line departments

Based on discussions with the states, ULBs and the implementing line agencies, it was found that delays occur due to inter departmental delays as well. A project being executed by any department requires for clearances from different departments depending on nature of work as well as jurisdiction. Delays in acquiring these clearances can lead to overall delays in the project execution and completion. A few examples of such issues have been illustrated below:

- Bhubaneswar Integrated Sewerage Project was delayed due to pertaining impediments in road cutting permission
- Conservation of drinking water by harvesting of the tertiary treated sewage for irrigation of green spaces in Chandigarh: The project is complete and the plant will start operating. The project was delayed due to delay in getting the required power sanctions from Punjab Power Board as the plant lies on the border of the city which is technically in Punjab. The plant was completed on 30 April 2010 but it took 01 year to arrange for the requisite sanctions to come through.
- Augmentation of water supply phase-v, Chandigarh: The project is not progressing because of pending sanctions from Punjab Government as some part of the project lies in Punjab and the water has to be drawn from Punjab.

Land acquisition process and encroachment

It has been observed that a major impediment in project execution is the land acquisition process. The land is identified at the DPR stage. However, it sometimes takes very long to acquire the requisite permissions especially when the land has to be acquired from another agency like the Development Authority. Major delays have also occurred due to the land site being encroached by citizens. Clearances, whether legal or voluntary, require time to be settled which leads to delays in project execution. This has been found usually in projects dealing with road sector and housing sector. A few examples to illustrate the same have been given below:

- In Vishakhapatnam, encroachments on roads have been a major concern. Due to the deviation from the approved DPR by GVMC considering the above concern, fund releases from the state and the centre became difficult to negotiate. This became worse as fund release and approvals are a prolonged process. Land acquisition and encroachments also lead to further delays in implementing the projects.
- In Shimla, for Ashiana-I Housing Scheme for urban poor of Shimla town (under BSUP) 252 units have not yet started. This is due to the non availability of land as most of the land in Shimla is under the Forest Department. As an alternative, land situated at Dhalli is being proposed for the said project and the relevant revenue papers are being processed.
- In Indore, for a project being executed by Indore Development Authority (IDA), there are considerable delays in execution due to major encroachments along the specified site. It is taking IDA a lot of time to convince people to move from the land site despite having state support in doing the same.

Low quality and incomplete DPR

Considerable delays happen in project execution if the DPR is not of good quality. Since most of the DPRs are prepared by consultants who have no accountability for the implementation of the DPR, a common challenge being faced by most of the ULBs is the delays arising in the project execution due to changes required in the DPR or due to technical issues which haven't been accounted for in the DPRs. The quality of the DPRs has been a major issue across states.

- Amritsar Water Supply Project, Phase I is 90% complete. This project has 02 components of water supply and sewerage in it. Even though sanction was taken for both by GOI, JICA is funding the sewage project while GOI is funding only the water supply project. The project cost for water supply project is ₹19.02 crores of which ₹17.18 crores has already been received as part of the 1st payment released by GOI post sanction. The total project cost for both components is ₹239.65 crores. The project is being executed by the Civil Board. Monitoring and Fund disposal is being done by MCA. This includes 22 tubewells and a 327 Km water supply line. It was understood by the implementing agency's team that one of the reasons for delay was because of the DPR quality which was not up to the mark and various changes occurred once the work was executed on the ground level.
- In majority of the BSUP and IHSDP DPRs, beneficiary identification has not been done properly.
- The Dehradun Nagar Nigam is executing a BSUP project for which the DPR was incomplete. It did not look into the beneficiary selection and social aspect in detail. Consequently there was resistance from the beneficiaries at the time of execution. The consultations with the beneficiaries were isolated and discontinuous, so they lacked impact.

Existing underground utilities and pipelines

A majority of projects are being delayed due to multiple utilities which need to be moved once project implementation starts. Since most of the places do not have updated detailed underground utility maps available, most of such issues arise once the implementation starts. Shifting of utilities and pipelines takes time and need inter departmental concurrence. This is more prevalent in cases where the project has to go through railway or defence area.

- In the case of Warangal, ULB is struggling to receive permissions from the central departments such as railways, roads etc. Existing pipelines, utilities and the narrow roads make lying of the pipeline a lengthy process.
- In Amritsar, certain projects where heavy civil engineering work is involved and approvals are needed are difficult to implement due to societal impact. For eg – the Water Supply Augmentation Project for the walled city which was difficult to implement because of the geographic intricacies and other things like pipes had to be bypassed from the usual channel which was connected to the Golden Temple's sarovar, thereby creating the need for additional approvals. Then these projects are also difficult because the underground utilities belonging to different Departments which needs to be shifted and that becomes a very complicated task

Delay in receipt of funds from the Centre and State

As per the interactions with various stakeholders during our visit it was apparent that due to lack of compliance with reforms, delays happened in the release of funds from the centre and state. However, the contractors have to be paid and if the ULB does not have a comfortable cash position, these payments get delayed and in some cases, the work is either temporarily stopped or slowed down till payments are made. Also, in certain cases, the IRMA and TPIMA have certain

observations on the projects progress which till answered by the ULB/implementing agency; the funding for that particular project is stalled from the centre's side. This causes major delays in infrastructure projects. A few examples of the same have been illustrated as:

- **Raipur:** Disputes between the implementing agencies and contractors have delayed projects. These disputes arise due to the non-payment of funds, discrepancies in the terms listed in the agreement between the two parties.
- **Chennai:** The funds are released after Third Party Inspection and Monitoring Agency (TIPMA) reports are forwarded to and approved by the CSMC. When the reports are delayed, the funds are consequently delayed. When funds are delayed in BSUP projects, the beneficiaries lose faith in the project and the resistance to the relocation/development increases.
- **Slum Rehabilitation Project Chandigarh-construction of 19360 Flats:** The project is being implemented by the CHB. Even though the project was sanctioned in 2007, due to delays in disbursement of funds, funds were received by CHB in 2009 causing the unnecessary delay in project completion. Up till now 512 dwellings have been completed.

Cost escalations/ Tender Premiums

Another very important reasons for delays in project execution is the cost escalation/tender premiums which arises due to a variety of reasons like underestimation of costs in DPRs, old schedule of rates being used which has not yet been revised by the state, delays in project being sanctioned by the centre amongst other such reasons. A few examples to illustrate this point are:

- The Solid Waste Management project in Chennai experienced hyper inflation in construction cost and there was a vast gap between the estimated cost of the project and the market price. This resulted in a poor response for works contracts. Consequently the sewerage project has been difficult to implement due to a lack of good quality contractors.
- The BSUP projects in Kochi have been delayed due to cost escalation at the time of sanctioning of projects. This can be attributed to the time taken to approve the DPR.
- In Indore, the projects have been sanctioned based on schedule of rates which were made in 2001 in the state and have not yet been revised. This has led to underestimation of the cost in the DPR which in turn has led to lower approved cost of the projects being sanctioned then is required. Due to these reasons, the actual cost of the project is much more and this cost escalation has to be borne by the ULB or the state.

5.8. Urban Transportation – An overall analysis

Transportation is one of the key urban infrastructure; all economic activities be it industry, trade, commerce are dependent on transportation for their growth. A dependable and efficient transport system makes the city efficient and leads to higher growth. However right from the 1st five year plan onwards the plan documents laid stress on the intercity transportation of different modes and created rail, road and air infrastructure to meet the demand, very little was done in terms of intra city railways, road transport and other means of city transport. The city Master Plans and Development Plans did mention about the need for improvement of the roads and suburban trains and metro and road mass transport but left it there for the city developers and managers to do the needful. If urbanisation and urban development was a low priority sector, urban transportation was still lower at the national level; the concern was much lower at the state and ULB level. It was only in the 8th plan, that under urban transport, an amount of ₹4.6 crore was provided which was subsequently raised to ₹97 crore and followed by higher allocation largely for Delhi metro. The 10th plan also emphasised the need for an Integrated Urban Transport.

National Urban Transport Policy (NUTP) seeks to encourage integration of land use and transportation planning in cities and focuses on greater use of public transport and non motorised

modes by offering central financial assistance. The policy incorporates urban transport as an important parameter at the urban planning stage. Its emphasis is on integrated land use and transport planning to minimise travel distance to access economic and social needs especially for the low income and urban poor. It proposes a transport system which is safe, fast, affordable, comfortable, environment friendly and sustainable. To achieve the above objectives priority is to be given to public transport, non motorised transport, use of cleaner technology, integration of various transport modes, public private ownership, human resource development, creation of institutions for urban transport at the national, state, ULB level and greater need for public awareness and cooperation.

5.8.1. Transportation Infrastructure under *JnNURM*

- CDP in the sample cities has laid emphasis on improving the transportation infrastructure by way of improving the existing roads, construction of new roads and flyovers, parking lots and procurement of buses to augment public transport. The projects are at various stages of construction. Its impact can be assessed once these are completed and commissioned. The projects are under implementation in the sample cities should be reviewed in the context of *JnNURM* guidelines and the National Transport policy.
- **Integration of land use and Transportation Planning.** MOUD has asked the states to prepare city mobility plan (CMP) and most of the states have done so. CMP addresses the needs of urban transport. Instead of separately preparing the CMP it should have been integrated with the CDP. Integration of land use with transport planning and investment planning is required to reduce the travel distance to access the social and economic needs. The above integration has not happened. Most of the projects proposed improvement of the urban infrastructure and construction of flyovers were proposed to ease the traffic congestion and facilitate smooth traffic flow in the short term. Construction of new roads is stand alone projects and not backed by land use plan for areas along the new developed roads either under *JnNURM* or any other state/ ULB sponsored schemes. Thus an opportunity of integrated planning and development of transport infrastructure and land development has been lost.
- **Greater use of Public Transport.** To encourage greater use of public transport, procurement of low level buses has been made in the sample cities under a stimulus package given by the MoUD under *JnNURM* for the same. These buses are being operated and maintained either by the state transport corporation or under PPP model. If the objective of the project was to make a difference in the transportation system by way of change in the modal split, the same has not been fully achieved and expecting the same by replacing the old buses with the low level buses, is unfair and unlikely to be achieved. Only immediate term problem has been solved, without a comprehensive solution.

The ease, comfort and the high level of mobility are the main reasons for better acceptance of private modes of transport despite the rising cost of such transport and acute congestion in the cities. Acknowledging the fact that most of the private vehicles are used for business trips, any attempt to attract private car owners to public transport should ensure greater connectivity of residential and commercial areas, frequency, and travel comfort including an overall dependable and safe transport service. A few of the mission cities have made attempts to improve the bus service by having a PPP operator like in Indore, construction of bus stops for *JnNURM* buses on BOOT basis like in Bangalore, set reasonable bus fares and installed modern mechanisms for service monitoring such as the global positioning system (GPS) like in Mysore and selecting bus operators through a process of competitive bidding and licensing the routes to different operators for a period of 4-5 years. A central control room tracks the movement of all the buses, their locations, speeds and timings thus monitoring their performance. This is done with active support of the ULBs and private parties. Indore stands out in the effort to improve the bus services and successfully operating an efficient bus transport under *JnNURM* in PPP model. Indore City Transport

Services Limited (ICTSL) set up by the Indore Municipal Corporation and Indore Development Authority to manage the public transport system with private sector participation. ICTSL has entered into public private partnership with private bus operators and marketing agents established 300 bus stops on a BOT basis in association with the Indore Municipal Corporation and set bus in consultation with the six bus operators who were selected by competitive bidding. The bus operators started their services in December 2005. Under JnNURM, 125 new buses were added to the fleet of buses. Except for ICTSL initial paid up capital, of ₹25 lakhs, Indore city buses have paid for themselves. Its net profit has gone up from 34 lakhs in 2006-07 to ₹1 crore in 2009-10. The revenue sharing is 20% of the monthly pass revenue and 40 % of the advertising revenue is given to ICTSL. Its sustainability is however a matter of concern for maintenance of buses is a weakness in the Indore model which the company is attending to. It is proposed to have workshops established with the operators contributing the equipment. The proposed course of action is likely to eliminate this weakness in the system. Perhaps other cities may learn from Indore's experience as this model can be replicated successfully in other cities as well.

- **Bus Rapid Transport system (BRTS)** is a mode of mass transport offering affordable and comfortable public transport through dedicated bus lanes appropriate lay out, frequent services, limited stops and intelligent transport system (ITS). This has been implemented under JnNURM. The implementation of the project has received flaks from those who do not use the system since they believe that the road space that was meant for both private and mass transport has been made available to buses only which do not use it to optimum level. This is based on of course the analysis that when not in use, the BRTS corridor remains empty, leading to reduced capacity of the dedicated lane. Those who use the system are largely satisfied with the fast movement of the buses and travel time saved by using the same.
- This has increased the ridership but has not made much difference to the modal split which can happen only if all the parameters of the National Transport policy are implemented.
- With better planning and increased frequency, the ridership can increase and the earmarked road space for BRTS may be better utilized

5.8.2. Non -Motorised Transport

The sample cities have a fair size of non- motorised transport despite the fact that there is increasing number of two wheelers being registered there is a substantial number of those who move around on bicycles, rickshaws and even walk their distance for business and pleasure. Even though CMP, NUTP does suggest provision of necessary infrastructure by way of dedicated cycle and pedestrian track, not many cities have implemented such projects. Chandigarh and Pune are the only cities in the country that have dedicated tracks for non-motorised transport. Recently, Thane has also submitted a proposal for a dedicated cycle track in 2009. This is one of the main reasons that Chandigarh does not have traffic congestion which is a common occurrence in cities of similar sizes to Chandigarh in India. Despite the harsh summer weather, non motorised transport has a sizeable share of the private transport. In future, it is likely to maintain the same share or may be a marginally less share but the length of the travel may get reduced. There is a need for an increased effort on the part of both the state governments and the Government of India to encourage this mode of transport. Majority of the CDPs are also silent on the issue of non - motorized transport. The non - motorised transport, particularly cycles, are used by the low income group and the urban poor. The urban poor also walk to work and back which is why we need better structured transport and pedestrian corridors. The BSUP is targeted to provide basic services to the urban poor which does not include cycle track or walkways. While it is appreciated that the aforesaid infrastructure is not exclusive to urban poor but they form the bulk of the population of cyclists and pedestrians and therefore need the necessary infrastructure. An effort should be made to have cycle tracks and walkways, so designed, that it is not only user friendly but also aesthetically appealing. In the inner cities and area with narrow roads, non - motorised transport is heavily used where properly designed cycle tracks and foot paths are to be supported under JnNURM.

Cleaner Technology: Use of cleaner technology like the use of CNG has reduced the emission levels of hazardous fumes but this endeavour is handicapped by the fact that the fuel is available only in limited number of cities due to which it cannot be used in all the mission cities. In fact, in the sample cities, diesel buses have been procured while it is a well known fact that diesel is known to have higher level of sulphur in India. It is ironical that MOUD funded project should be the cause for enhanced environmental pollution. The same can be ignored to some extent had such buses been procured for smaller cities only where non fossil fuel based transport systems like the tramways, light railways and the metros are not viable and improved fuel quality is not available. Instead of sanctioning huge funds for flyovers in the large cities, this could have been used to support rapid mass transport in such cities. It has been found over time that the private vehicle owner always gets precedence over the others. Tilt of JnNURM projects towards the private vehicle owners can thus be re - considered in the above context.

Guided Urban Development: It may be desirable to use urban transport infrastructure to guide the growth of the cities along pre - identified and existing mass transport corridors. It should encourage development of residential, commercial, and office complexes along the existing railway based/road based mass transport to facilitate the use of such mode of travel by the commuters. Advance action needs to be taken to prepare a development plan for utilization of land along such corridors. There has been very little attempt for guided urban development along the new rail/road based transport under JnNURM wherein such projects should have been encouraged but the same has not happened in the present scheme of things.

Institutional Development: There is need to set up an institutional mechanism at the state and ULB level for urban transport. The state transport corporations (STC) are responsible in respect of urban transport. STCs are handicapped since they lack the expertise and experience of other mass transport modes like the railways, tramways and water transport. Such a mechanism may be put in place either by having an urban transport cell in the Urban Development /Directorate or in the Directorate of Transportation/ STC. This cell should be manned by a multidisciplinary team consisting of transportation planners, transport economists, traffic and transportation engineers in the field of road/ rail transport. It is understandable that the priority of JnNURM was for urban reforms and for development of sustainable infrastructure and urban service delivery and hence urban transport, though an important component with multifarious dimensions, could not have been addressed fully. The fact that JnNURM has tried to support the urban transport, given their mandate, is commendable. It can however be expected that there would be greater emphasis on mass urban transport if the project is extended beyond 2012.

5.8.3. Implementation of Transportation Projects – Appraisal

- JnNURM has a component of transportation which includes physical infrastructure as well as the means of transportation for people. These are reflected in the CDP and the list of sanctions issued by MoUD. It is interesting to note that the issues raised in the CDP of the sample cities are more or less similar while the strategies adopted are slightly different for the large cities like Ahmedabad and Bangalore from those adopted for the smaller cities.
- The large cities have gone for integrated rail and road transport or BRTS while the smaller ones have suggested improvement in the bus transport system.
- Almost all the CDP's have mentioned the acute congestion on the city roads and need for parking. However, not many have gone for construction of parking lots and widening of the roads or suggested re-allocation of activities generating heavy traffic.
- The DPR's contain proposal for bye-passes in both the large and the small cities.
- CMP and CDP are not prepared concurrently, CMP follows the CDP. The DPR is prepared as per the priority fixed in the CDP and since the CMP is made after the CDP, its recommendations are not considered.

- Growth along the proposed road and rail corridor is not encouraged either in the master plans or the CDP. In absence of pro- corridor development policy, undesirable and unregulated development takes place causing congestion, pollution and slumming.
- Policy of discouraging ribbon development along the corridors of movement needs to be reviewed.
- Non - motorised transport needs to be encouraged and dedicated cycle tracks should be provided to link the metro stations with such tracks along with parking areas exclusively for cycle parking wherever possible.
- Each city needs to realise that without providing for proper connectivity between the metro stations, the work centres and residential areas the objective of achieving a higher modal split in favour of the public transport cannot be achieved.
- Arrangement should also be made for hiring of the cycles by the commuters on limited membership basis
- Operation and management of the fleet of buses proposed for procurement under *JnNURM* has not been dealt with in detail in the DPR. This is however crucial for the improvement of mass transport system in the urban centres. Even those cities which have otherwise successfully implemented the project under PPP model and are providing reasonably efficient services have weakness in the scheme in respect of maintenance of the buses.
- While deciding on the priority of the projects, higher priority should be given to projects that encourage public transport.
- For inner city movement, electric battery or solar based Rickshaws may also be considered to be supported under *JnNURM*

Recommendations

- Transportation is an integral part of *JnNURM* and is one the key urban infrastructure considerations in enabling the city to perform its multifarious functions efficiently. Under *JnNURM*, projects have been sanctioned for improvement of urban transport infrastructure and for improving the urban mass transport. This is to ensure that large section of the city population have safe, dependable, fast, comfortable and affordable travel within the city. There is need for this sector to get more focussed attention in the second phase of *JnNURM*.
- CDP should address the transportation issues; along with the vision and mission statements it should also include City Mobility Plan (CMP) which will spell out the proposals to meet the transport requirement of the city based on which the DPR may be prepared
- Urban development along the major transport corridors may be the guiding development policy and need to be reflected in the CDP and CMP. The development proposals may be detailed out in the said documents. Guided urban development will ensure reduced travel demand and shorter travel length.
- *JnNURM* provides the same prescription for all the cities for improving the roads, construction of flyovers, parking lots and procurement of low level buses and BRTS. The “same size fits all” approach needs to be reviewed in the context of each city. Cities, in their zeal to catch up with the mega cities, are increasingly adopting the same solution of constructing long flyovers even where these may not be necessary and ignoring perhaps other cost effective solutions which may be possible through better traffic management or through road widening and improvement of the road geometrics. Flyovers are expensive, take longer to construct and involves dislocation of services, traffic diversions and inconvenience. It encourages private transport, increased use of fuels, leading to increased pollution levels and works counter to mass transport. Construction of flyovers may be supported only when it is absolutely necessary and where other improvement solutions are not workable.

- While sanctioning the urban transport projects, due consideration should be given to such projects which do not impair the cities environmental quality and use of cleaner technology may be the deciding factor in the selection of vehicles for road mass transport. Tramways or light railways, sky train may be first explored for its viability and sustainability before making any other choice of mass transport.
- Road mass transport may be viewed in terms of its operations; maintenance and experience gained in cities like Indore may be replicated elsewhere subject its suitability in other cities.
- Urban Transport Institutional mechanism may be put in place in the states/ULBs by either having a small cell in the Directorate of Urban Development or State Transport or a full fledged urban transport directorate for large states or where such a setup is deemed necessary
- States Governments may be asked to suitably strengthen their present set up which deals with urban transport and implements a suitable HRD and capacity building plan.
- A few of the issues which need immediate attention of the states and the ULBs is the training of the drivers, the bus conductors and those responsible for operation and maintenance of the bus fleet. Unless the mass road transport under JnNURM has an edge over other buses plying on the road and also the operating staff are disciplined and show good public behaviour, increased ridership and modal transfer may not be possible, which is one of the objective of the mission.
- The most neglected transport mode is the non - motorised transport which is also a large chunk in terms of quantity in small and medium towns. The CDP does mention the need to support this mode of transport but the DPR remains silent except for covering small stretches of cycle lanes and footpaths. On the lines of mass transport corridors like BRTS, dedicated cycle track and foot paths may be laid across the city level preferably connecting the residential and employment centres, trade, commerce and industrial areas. Where land is not available, sky walks may be erected on the lines of Mumbai and Singapore. JnNURM may give preference to such projects over the capital intensive flyover projects.
- Projects with Integrated Transport system in which each mode complements and supplements the transport of people and goods which may be supported with financial assistance in the extended JnNURM beyond 2012 and not stand alone projects of providing physical infrastructure such as Rapid Road/Rail Mass Transport which may be supported by motorised and non motorised modes of transport at embarking and disembarking points to carry the passengers to their respective destinations. This would require advance planning and must be reflected in the CMP. Most of the well designed transport systems have not worked well in absence of the integrated approach.
- Mass Transport System not only needs to be planned and implemented in an integrated manner but so should be its operation, if increased ridership is the objective. A unified ticketing system will also go a long way in achieving this objective.

6. Reforms

6.1. Introduction

The 73rd and 74th constitutional amendments were historic legislations aimed to bring a sea change in the rural and urban governance and to put in place a decentralised governance structure with duly elected representatives of the people and greater participation of the all the stake holders particularly the women and the scheduled caste and Scheduled tribe and members of the backward communities. This was historic because it made the local people and their representatives get involved in decision making who could plan and implement schemes which they considered as priority. It also ensured that adequate resources are made available to the local bodies.

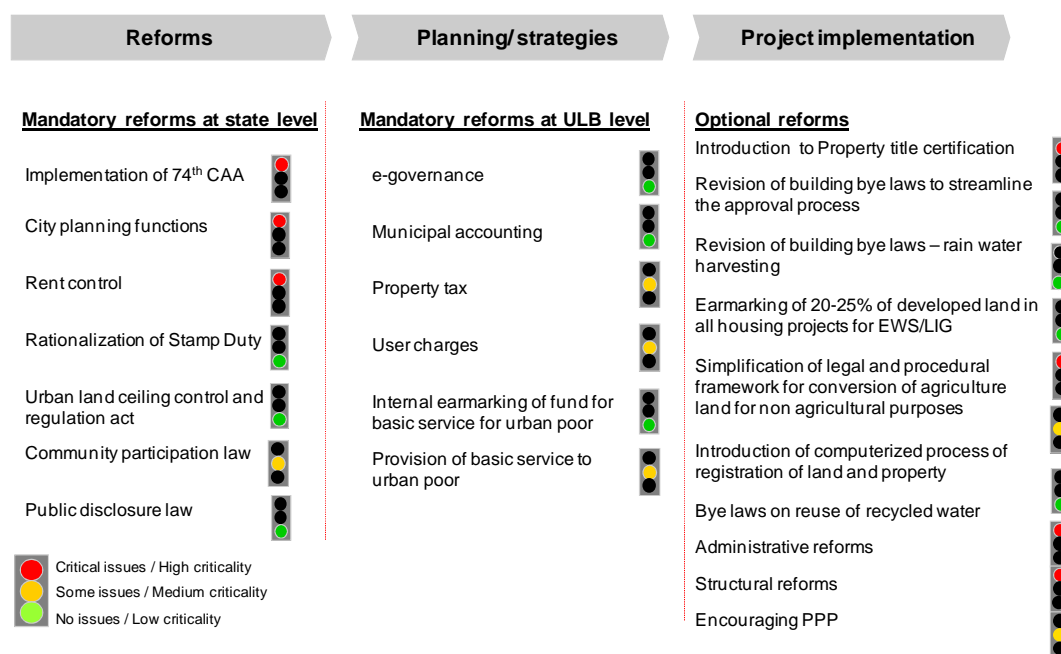
Immediately after the said legislations were enacted, the state governments went ahead with appropriate amendments in the respective state legislation to bring them in tune with the CAA. In the urban sector, the Municipal Acts under went changes to include the provisions of 74th CAA and the state governments took the required steps to transfer the functions included in the 12th schedule besides constituting the State Finance Commissions and the Election Commissions.

Introduction of JnNURM in December 2005 was yet another major initiative by GOI which ensured that urban centers got large investment as well as the endeavour that the ULBs changed the service delivery mechanism in which they have so far provided infrastructure and services. This needed the states and the ULBs to initiate reforms in line with 74th CAA and in accordance with the guidelines of JnNURM and as per the terms of the MoA signed by GOI, State Government (SG) and the ULBs

Implementation of reforms is crucial to the success of JnNURM since the Mission is not meant to only be an exercise for execution of the projects and in upgrading the level of service delivery but also to make them sustainable without the need arising for the ULBs to look up to the State Government. The reforms which the State Governments/ ULBs are required to implement are stated in the tripartite MoA signed by GOI, SG and ULBs.

6.2. Implementation of Reforms

The pace of reforms implementation is satisfactory based on the study of 66 sample mission and non-mission cities covered during the Appraisal. The detailed information has been collected in respect of reforms implementation and the outcome of the field study of sample cities is summarized in the section below.

Figure 6.1: Reform status

6.3. Status of the Implementation of Reforms

The outcome of the implementation of the mandatory and optional reforms at the state and ULB levels, as expected, showcase a lot of variations. States which are relatively advanced, had taken reforms initiatives ahead of others, had implemented urban development infrastructure projects with multilateral and other foreign funding agencies have shown better results while the rest are at different stages of implementing the reforms; nevertheless they are making efforts to follow the reforms path which in itself is encouraging. It is to the credit of JnNURM which for the first time linked reforms to planning and implementation of the projects.

Given below is the status of the reforms as observed during our field visits to the sample States/ULBs:

Table 6.1: Reform status for State level

Reforms	Pre JnNURM	Post JnNURM	In progress	Significantly in progress	Not done	Not applicable/ not committed
74th CAA (Transfer 12 sch. Functions)	08 Chhattisgarh, MP, Gujarat, Kerala, Maharashtra, Bihar, Tripura, West Bengal		14 Chandigarh, HP, Uttarakhand, Manipur, Nagaland, Jharkhand, AP, Puducherry, Punjab, Haryana, Sikkim, Arunachal Pradesh,	06 Tamil Nadu, Karnataka, Orissa, Assam, Rajasthan Uttar Pradesh	-	1 Meghalaya

Reforms	Pre JnNURM	Post JnNURM	In progress	Significantly in progress	Not done	Not applicable/ not committed
			Mizoram, J&K			
74th CAA (Constitution of DPC)	11 Chhattisgarh, West Bengal, Maharashtra, MP, AP, Orissa, Assam, Bihar, HP, Kerala, Rajasthan	03 Tamil Nadu, Karnataka, Gujarat	12 Chandigarh, Uttarakhand, Manipur, Nagaland, Puducherry, Punjab, Haryana, Tripura, Arunachal Pradesh, Mizoram, J&K	01 Uttar Pradesh	02 Jharkhand, Sikkim	1 Meghalaya
74th CAA (Constitution of MPC)	1 West Bengal	2 Maharashtra, Gujarat,	8 Chandigarh, MP, AP, Tamil Nadu, Karnataka, Rajasthan, Mizoram, Punjab,	-	3 Jharkhand, Haryana Uttar Pradesh	15 HP, Uttarakhand, Manipur, Meghalaya, Nagaland, Chhattisgarh, Kerala, Orissa, Arunachal Pradesh, Assam, J&K, Mizoram, Sikkim, Tripura, Puducherry
Transfer of city planning function	8 Gujarat, Assam, HP, Chhattisgarh, MP, Maharashtra, Tamil Nadu, West Bengal	2 AP, Karnataka,	10 Chandigarh, Uttarakhand, Manipur, Kerala, Puducherry, Sikkim, Tripura, Arunachal Pradesh Bihar J&K	1 Rajasthan	8 Meghalaya, Nagaland, Jharkhand, Punjab, Orissa, Haryana Mizoram Uttar Pradesh Delhi	-
Transfer of Water supply and Sanitation	11 MP, Gujarat, Bihar, Chandigarh, Chhattisgarh, Haryana, Maharashtra, HP, Punjab, Tamil Nadu, West Bengal	1 Uttar Pradesh	12 Uttarakhand, AP, Kerala, Puducherry, Orissa, Rajasthan, Sikkim, Tripura, Arunachal Pradesh, Assam Mizoram J&K		6 Manipur, Meghalaya, Nagaland, Jharkhand, Karnataka Delhi	-
Transfer – Public	2 Gujarat,	2 Chhattisgarh	11 Chandigarh,	-	14 HP,	-

Reforms	Pre JnNURM	Post JnNURM	In progress	Significantly in progress	Not done	Not applicable/ not committed
transport	Rajasthan	, Maharashtra	West Bengal, MP, Kerala, Orissa, Tripura, Arunachal Pradesh, Assam, Mizoram Uttar Pradesh J&K		Uttarakhand, Manipur, Meghalaya, Nagaland, Jharkhand, AP, Puducherry, Tamil Nadu, Punjab, Karnataka, Haryana, Sikkim Bihar Delhi	
Reform in Rent Control	6 Karnataka, Nagaland, Rajasthan, Manipur, Mizoram, Orissa	4 HP, Uttarakhand, West Bengal, Gujarat	15 Meghalaya, Chhattisgarh, Jharkhand, MP, AP, Kerala, Puducherry, Tamil Nadu, Haryana, Tripura, Arunachal Pradesh, Assam Uttar Pradesh J&K Bihar	-	4 Maharashtra, Punjab, Sikkim Delhi	1 Chandigarh
Stamp Duty rationalization to 5%	5 Jharkhand, Maharashtra, Puducherry, Tripura, Sikkim	11 Chandigarh, HP, Uttarakhand, Nagaland, AP, Punjab, Orissa, Gujarat, Mizoram Uttar Pradesh Bihar	9 Manipur, Meghalaya, Chhattisgarh, West Bengal, MP, Kerala, Tamil Nadu, Haryana J&K	4 Karnataka, Rajasthan, Arunachal Pradesh, Assam	-	-
Repeal of ULCRA	26 Chandigarh, Uttarakhand, Meghalaya, Chhattisgarh, MP, Puducherry, Tamil Nadu, Punjab, Karnataka, Orissa, Haryana, Gujarat, Assam,	2 Maharashtra, AP	2 Jharkhand, West Bengal	-	-	

Reforms	Pre JnNURM	Post JnNURM	In progress	Significantly in progress	Not done	Not applicable/ not committed
	Arunachal Pradesh, Bihar, Delhi, HP, J&K Kerala, Manipur, Mizoram, Nagaland, Rajasthan, Sikkim, Tripura, Uttar Pradesh					
Enactment of Community Participation Law	0	9 Manipur, Chhattisgarh, West Bengal, Maharashtra, Kerala, Orissa, Haryana, Gujarat Bihar	15 Chandigarh, HP, Uttarakhand, Meghalaya, Nagaland, Jharkhand, MP, Puducherry, Tamil Nadu, Karnataka, Sikkim, Arunachal Pradesh, Mizoram Uttar Pradesh J&K	4 AP, Rajasthan, Tripura, Assam	1 Punjab	-
Enactment of Public Disclosure Law	0	12 Manipur, West Bengal, Maharashtra, MP, AP, Kerala, Tamil Nadu, Karnataka, Haryana, Gujarat Bihar Delhi	13 Chandigarh, HP, Uttarakhand, Meghalaya, Nagaland, Chhattisgarh, Jharkhand, Puducherry, Orissa, Sikkim, Uttar Pradesh Mizoram J&K	4 Rajasthan, Tripura, Arunachal Pradesh, Assam	1 Punjab	-

Source: Primary, secondary data collection and GT analysis

Note:

- 74th CAA is not applicable in Meghalaya Constitution of MPC is not applicable in Arunachal Pradesh, Assam, Chhattisgarh, Himachal Pradesh, J&K, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Sikkim, Tripura, Uttarakhand, Puducherry
- Repeal of ULCRA is not applicable in H.P, Manipur, Nagaland and Kerala
- Rent control reform is not applicable in Orissa, Manipur and Nagaland

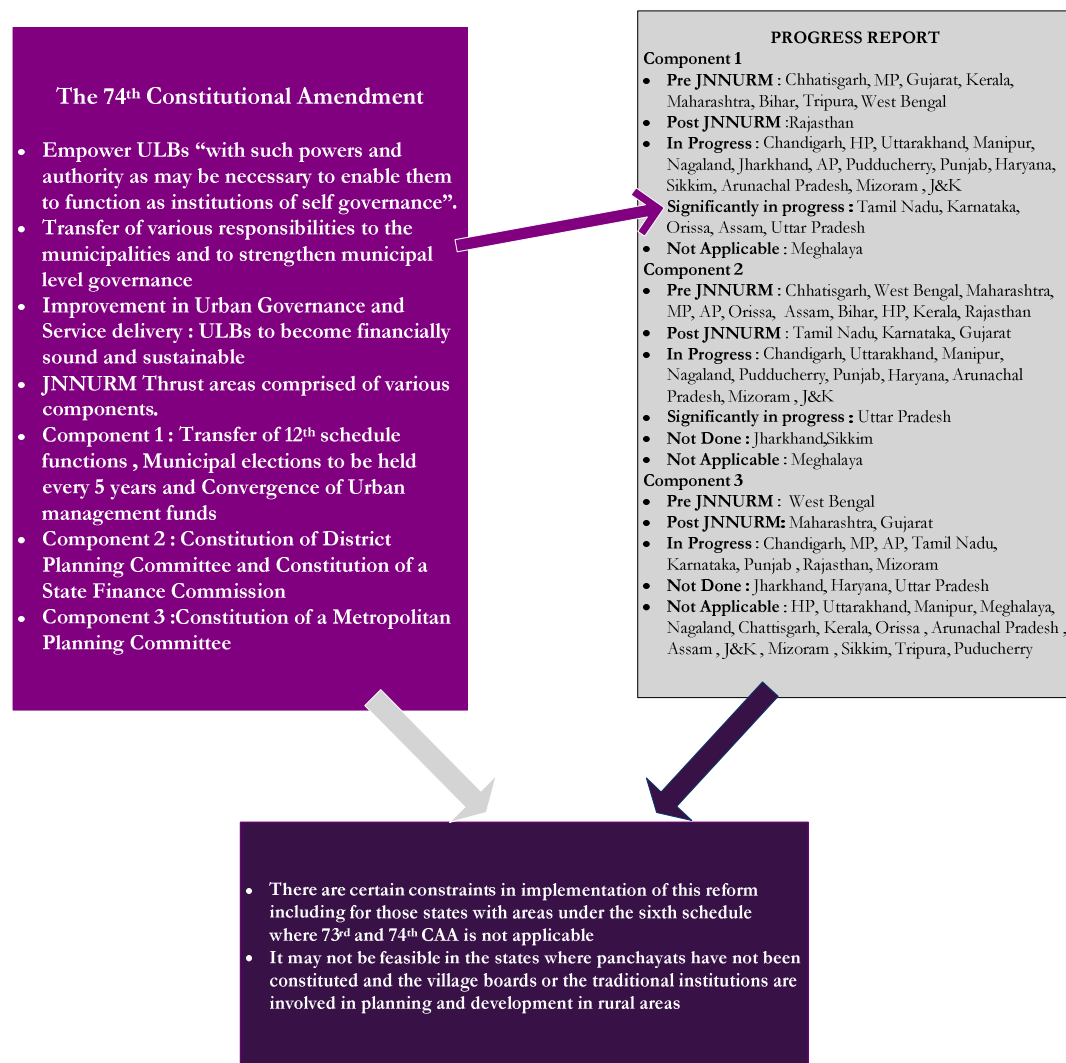
6.3.1. Mandatory Reforms at the State Level

6.3.1.1. Implementation of 74th CAA

JnNURM has pushed the implementation of 74th CAA and in particular the constitution of the ULBs with duly elected members and decentralisation of their functions through opening up of the zonal offices, setting up of ward committees and metropolitan committees. Many of the ULBs which have been hardly active for decades have now elected councillors, reservation of seats for women in the ULBs and for the position of mayors and chair person of the Municipal corporations/ councils for the weaker sections of the society. Even if the state government supersedes any particular ULB, it is constitutionally bound to hold elections within the statutory period of six months. Any state not doing so apart from violating the constitutional provisions is not considered for funding under JnNURM which results in the single largest impediment in the flow of fund to the projects.

It is apparent from the table 5.1 that only eight states had initiated the reforms before the launch of JnNURM and only one state has implemented them successfully soon after the 74th CAA was introduced. These ULBs had made legislative changes in their respective municipal acts and took necessary administrative actions. It is only Gujarat which has implemented 74th CAA as well as transferred all the 18 functions to the ULBs. Many other states, though have implemented 74th CAA, have not transferred all the 18 functions to the ULBs or where the transfer has happened on paper, there is lack of functional devolvement for all the 18 functions. Most of the states have at least transferred the core functions and are making efforts to implement the rest of the reforms. Based on interactive discussions with the states/UTs, a few key reasons which emerged for non implementation and constraints are mainly the following:

- Implementation of 74th CAA and transfer of functions was taken up by the states soon after the above enactment. However, only a few state governments have been able to successfully take the follow-up action with regard to transferring all the 18 functions to the urban local bodies as per the 12th schedule. Most of the municipalities continued to perform functions that they did before the 74th CAA. This could also be attributed to lack of political will and administrative, financial and technical support for reforms
- As per the 12th Schedule, out of all the 18 functions including a few of highly specialised functions such as urban planning including town planning, regulation of land use and construction of buildings, planning for economic and social development, fire service, urban forestry, protection of environment and promotion of ecological aspects were to be implemented by all the ULBs, right from the smallest to the largest. This is highly ambitious and also requires specialists in all the ULBs even in the smaller ones. Hence, slow progress with regard to the implementation of the reforms and transfer of functions to the ULBs has been observed.
- Most of the municipalities continue to look up to the state governments for improving the urban infrastructure and service delivery and remain dependent on government grants despite the fact that State Finance Commissions were set up whose recommendations were not implemented in full. This could also be supported by the fact that ULBs lack in-house capacity to take over the functions as per 74th CAA and 12th Schedule
- Existence of multiple agencies for providing infrastructure and services, their resistance to part with their mandated functions and minimal effort on the part of the State Governments to empower the ULBs and capacitate them to take over the mandated functions.



6.3.1.2. City Planning Functions

The pace of reforms pertaining to city planning functions has been rather slow. Barring one or two states, others have not been able to move forward as stated in table 6.1 above. There is no visible impact relating to city planning functions. With regard to the development of infrastructure and service delivery, the visibility is better but still not appreciable since many of the functions are still with the line departments/ parastatal agencies. Many ULBs, parastatal agencies and States have not made any much headway in making necessary changes. The justification for non transfer of the city planning functions is as follows:

- Limited jurisdiction of the ULBs over the planning area,
- Existence of multiple ULBs in large and metropolitan areas,
- Absence of technical capabilities in most of the ULBs.

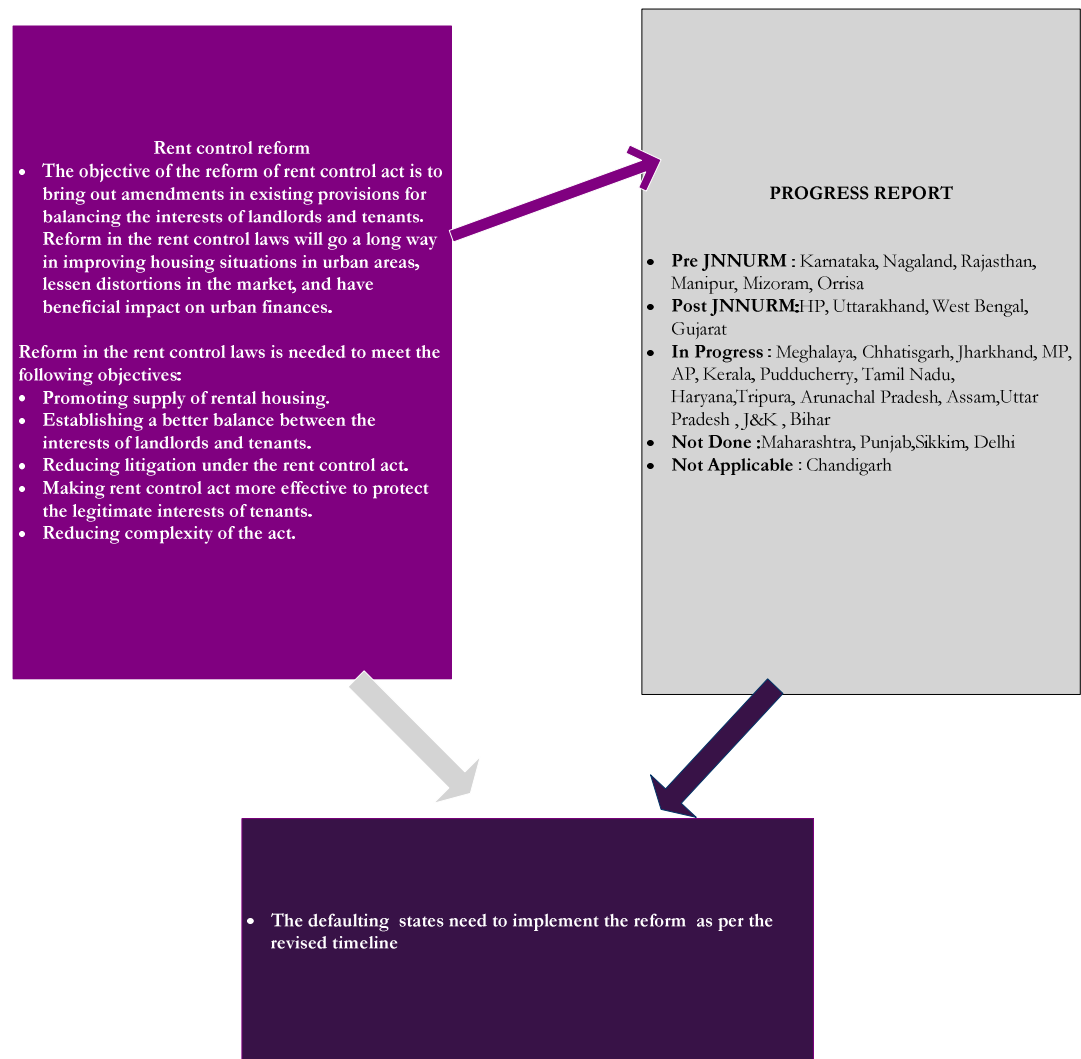
While this does reflect the ground situation, the above impediments should not come in the way of transferring this function to the ULBs. The above three issues may be resolved by extending the jurisdiction of the ULBs, making them co - terminus with the planning area or each of the ULBs in the large urban areas could prepare their own development plan which may then be integrated into a

city development plan by the Metropolitan Planning Committee or the Directorate of Town planning. With regard to capacity building of the ULBs, Government of India or the State Governments may provide technical and financial support. What is required is political will and administrative support at the State level.

6.3.1.3. Rent Control Reform

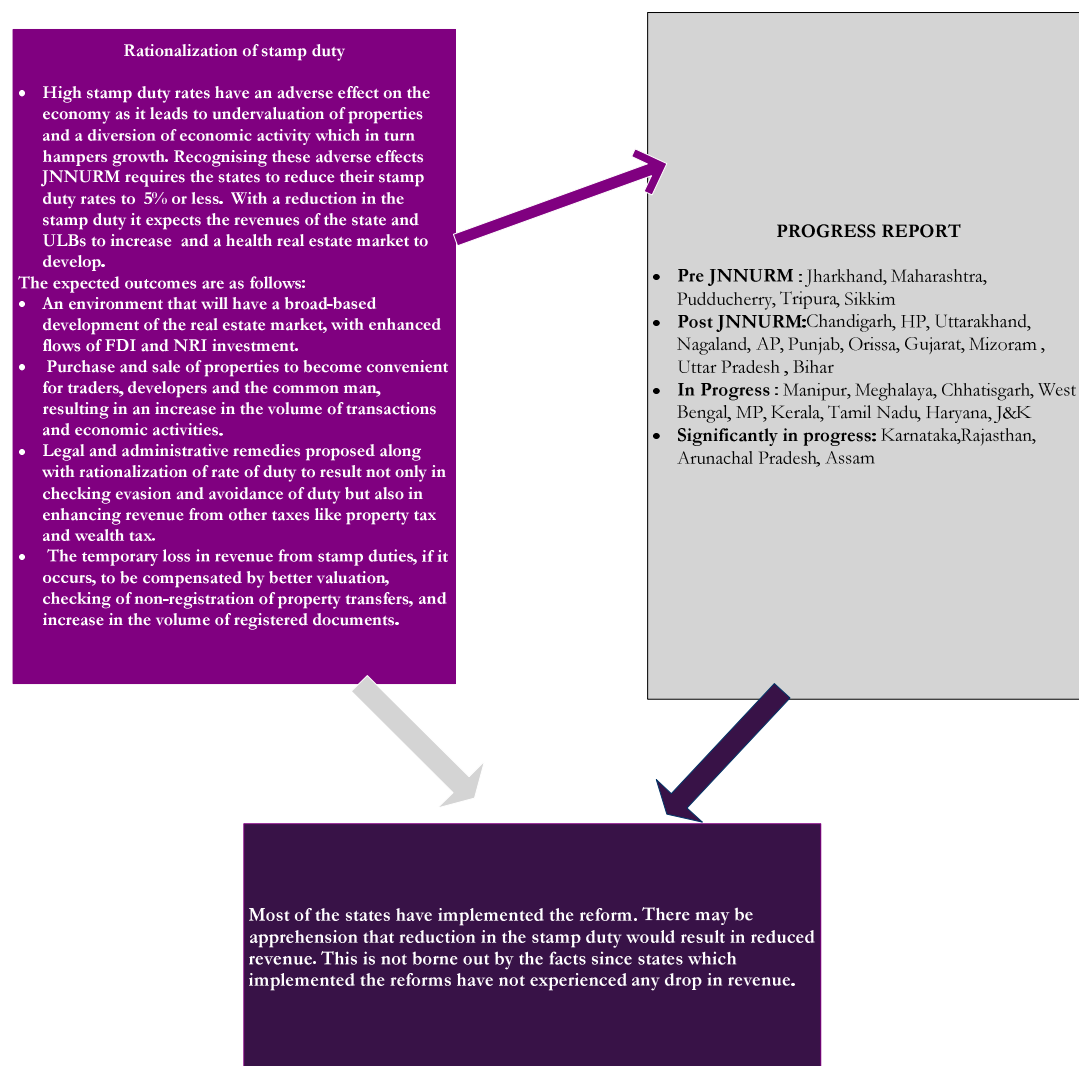
The main objective of the Rent Control reform is to facilitate increased investment in housing leading to increased housing stock and reduction in slums, reduced litigation between the tenants and the house owner, increased revenue from property tax, reduction in number of sub standard housing units and improved access to housing finance.

Overall, there is substantial increase in the housing stock and the construction industry is booming in the country with upcoming integrated townships and housing colonies, although it would be difficult to quantify the same. Majority of the investment is in the high and middle income housing and very little is in the low income group housing. Rentals have gone up and that has also contributed in increased revenue of the ULBs through increased property tax.



6.3.1.4. Rationalisation of Stamp Duty

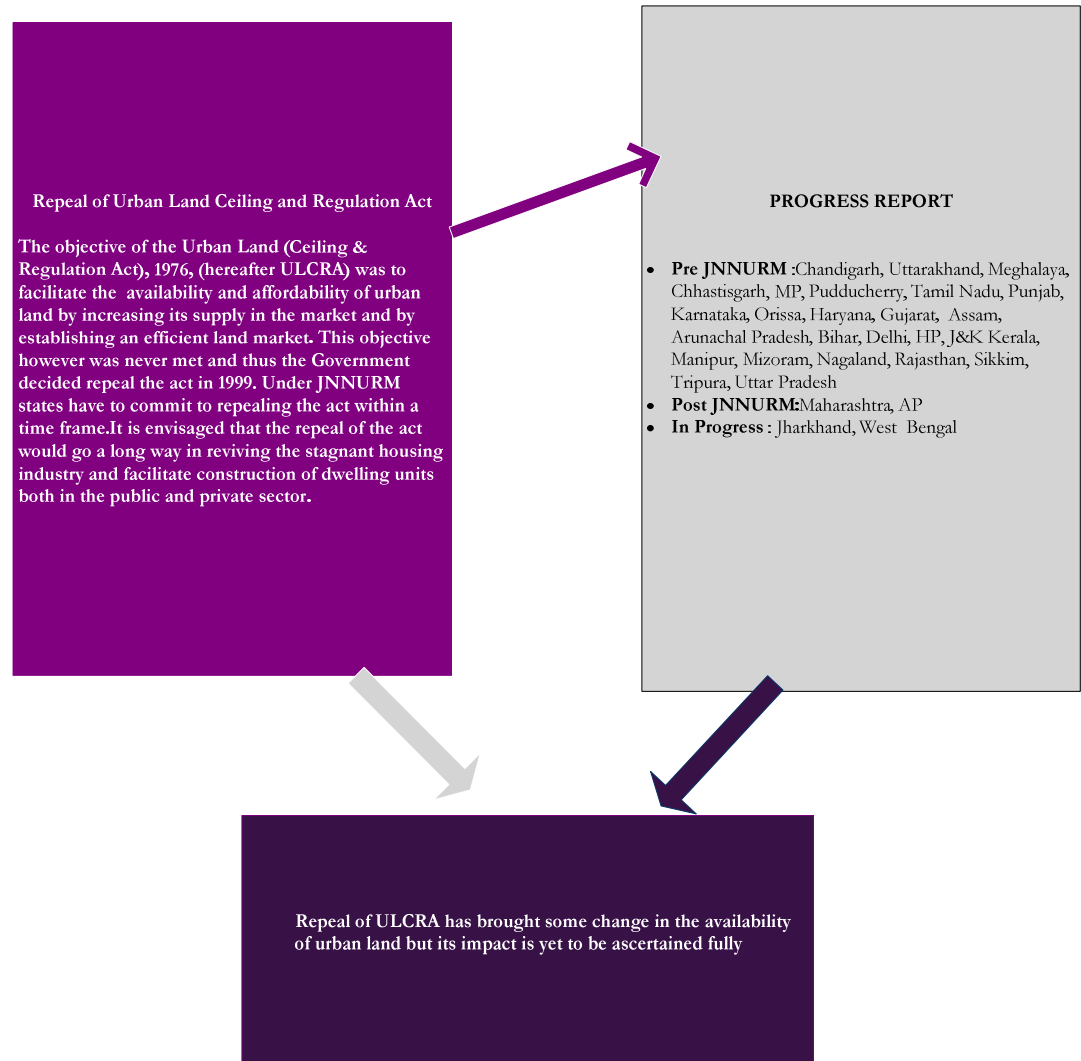
16 of the sample states have rationalised the stamp duty though a homogenous trend with respect to either an increase or decrease in revenues because of this step cannot be ascertained as of now because there needs to be a certain stabilization period before a pattern can be established with certainty. However while holding discussions with a few states, it became known, while reducing the stamp duty to 5%, they have also included a surcharge of 2% to 3% for the ULBs, thereby, increasing the total from the benchmark figure of 5%.



6.3.1.5. Urban Land Ceiling Control and Regulation Act

Around 28 states, among the sample states, have implemented this reform but the outcome is not appreciable since the Act has not been vigorously implemented, except during the mid seventies when this was enacted. However, repeal of the ULCRA and amendments in the Rent Control Act have increased housing stock, though it would be difficult to quantify the same considering the

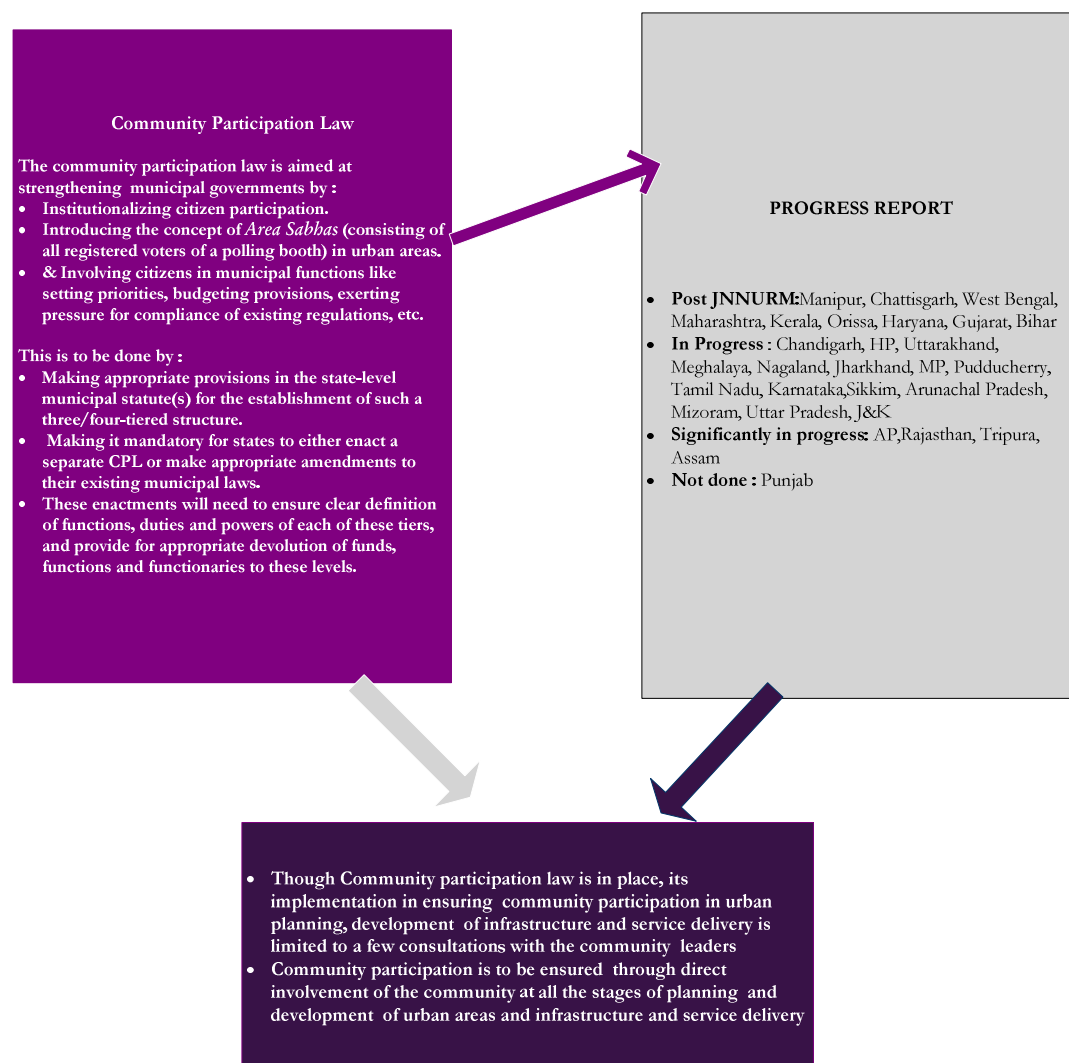
scope of work for this study. The states may be encouraged to conduct such a study to appreciate the difference it has made.



6.3.1.6. Community Participation Law

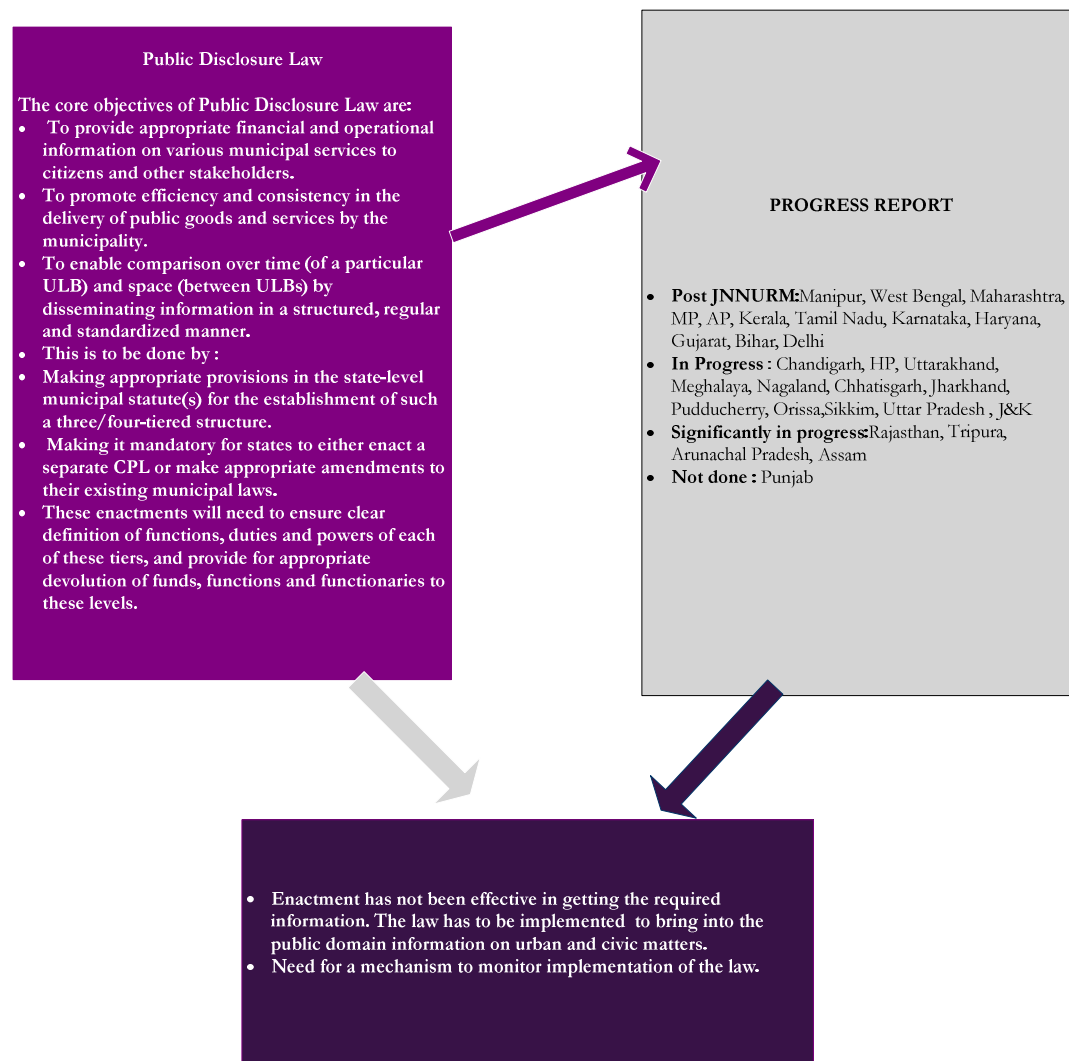
Though community participation law has been enacted in majority of the sample states, the pace of implementation has been slow. It was expected by the cities to amend their municipal laws to create the three tier structure at the city level – Municipal Corporation, Wards, and Area Sabhas. The third tier body - the “area sabha” is the representation of people at the polling both level wherein it caters to as many as 1200-1400 people as oppose to approximately 60,000 at the ward level. However, this third tier body as per our interactions with various stakeholders does not hold true for all the cities considering different population ranges in these cities. For example, this system has worked well in cities like Mumbai wherein the wards population range from 5 lakh to 10 lakh and hence Mumbai achieved this reform in the stipulated timeframe, however considering the example of places like Pudducherry, Dehradun, Chandigarh where the population at a ward range from 2,000 – 8,000 people, there is apprehension in these cities with regards to area sabhas and their roles inspite of the

fact that they have passed the necessary laws for community participation law. The other concept was seen in the state of Andhra Pradesh where in the cities of Hyderabad and Visakhapatnam the area sabhas work on selection basis and not on election basis. In most of the sample states/ cities, the ward committees have been set up. The outcome of implementation of the law cannot be quantified but its effectiveness can be gauged by the quality of projects implemented and their operation and maintenance. There has been considerable improvement in both. The community's ownership of the projects can be termed as the best outcome of the community participation law.



6.3.1.7. Public Disclosure Law

Most of the States have made such enactments but have not implemented them fully. Citizens are seeking information under the RTI Act which provides the overall ambit to public disclosure across the country pertaining to bringing urban management in public domain.



6.3.1.8. Mandatory Reforms at the ULB Level

ULBs are required to implement six mandatory and certain optional reforms. The main objective of these reforms is to enable the ULBs to make them function as the democratically elected third tier of government where the people's representatives air the voices of the people, are heard and actions get taken to fulfil their aspirations for good quality urban life. The design of the *JnNURM* is to enable the ULBs to ensure acceptable level of urban infrastructure and its sustainability by implementing the mandatory and optional reforms. The reforms are tailored to lead to increased revenue, efficiency, transparency, accountability, self dependency and equity in service which is a must for improving quality of urban life and meeting the desire and aspiration of the people

The reforms will enable the ULBs function efficiently, increased simplification and transparency in the system, procedure and processes and to ensure that the service delivery is equitable, dependable, cost effective and user friendly, while at the same time being sustainable. All the 23 reforms are targeted to achieve the above objective.

Table 6.2: Mandatory reforms at the ULB level

Reforms	Pre- JnNURM	Post JnNURM	In progress	Significantly in progress	Not done	Not applicable/ not committed
E-Governance set up	1 Kolkata	10 Pune (including Pimpri Chichwad), Nanded, Mumbai, Indore, Hyderabad, Cuddapah, Vishakapatnam, Mysore, Ahmedabad, Vadodara,	40 Chandigarh, Shimla, Parwanoo, Dehradun, Mussoorie, Imphal, Thoubal, Shillong, Tura, Kohima, Dimapur, Raipur, Bilaspur, Ranchi, Bhopal, Ujjain, Kurnool, Suryapet, Warangal, Thiruvananthapuram, Cochin, Puducherry, Amritsar, Jalandhar, Bhubaneswar, Puri, Faridabad, Gangtok, Siliguri, Itanagar, Aizwal, Srinagar, Chennai, Belonia, Patna, Bodhgaya, Pasighat, Ghaziabad, Jodhpur, Diamond Harbour	12 Aurangabad, Shirdi, Dewas, Tirupattur, Bangalore, Jaipur, Ajmer-Pushkar, Agartala, Guwahati, Udaipur, Delhi, Lucknow	3 Panchkula, Muzaffarpur, Darjeeling	
Shift to Accrual based Double Entry Accounting	2 Indore, Jaipur	13 Raipur, Bilaspur, Mumbai, Shirdi, Hyderabad, Vishakapatnam, Thiruvananthapuram, Cochin, Bangalore, Bhubaneswar, Ahmedabad, Vadodara, Pimpri, Chichwad, Chennai	38 Chandigarh, Shimla, Parwanoo, Dehradun, Mussoorie, Imphal, Thoubal, Shillong, Tura, Kohima, Dimapur, Ranchi, Kolkata, Pune, Bhopal, Dewas, Ujjain, Kurnool, Suryapet, Warangal, Cuddapah, Puducherry, Amritsar, Jalandhar, Mysore, Puri, Faridabad, Gangtok, Siliguri, Itanagar, Aizwal, Srinagar, Patna, Bodhgaya, Pasighat	9 Nanded, Aurangabad, Ajmer-Pushkar, Agartala, Guwahati, Udaipur, Delhi, Lucknow, Ghaziabad	4 Panchkula, Muzaffarpur, Belonia, Darjeeling	

Reforms	Pre- JnNURM	Post JnNURM	In progress	Significantly in progress	Not done	Not applicable/ not committed
			Tirupattur Jodhpur Diamond Harbour			
Property Tax (85% coverage)	1 Chennai	20 Parwanoo, Shillong, Tura, Raipur, Bilaspur, Pune (including Pimpri Chichwad), Nanded, Mumbai, Kurnool, Suryapet, Warangal, Cuddapah, Vishakapatnam, Cochin, Puducherry, Tirupattur, Bangalore, Mysore, Ahmedabad, Vadodara	35 Chandigarh, Shimla, Dehradun, Mussorie, Imphal, Thoubal, Kohima, Dimapur, Ranchi, Kolkata, Aurangabad, Shirdi, Bhopal, Indore, Ujjain, Hyderabad, Thiruvananthapuram, Jalandhar, Bhubaneswar, Puri, Faridabad, Ajmer-Pushkar, Agartala, Itanagar, Guwahati, Aizwal, Patna Bodhgaya Belonia Pasighat Ghaziabad Udaipur Diamond Harbour Srinagar	2 Siliguri Lucknow	7 Dewas, Jaipur, Gangtok Panchkula Muzaffarpur Jodhpur Darjeeling	1 Amritsar
Property Tax (90% collection efficiency)	2 Chandigarh, Lucknow	16 Parwanoo, Shillong, Tura, Bilaspur, Pune (Pimpri Chichwad), Nanded, Mumbai, Hyderabad, Kurnool, Warangal, Cuddapah, Vizag, Bangalore, Mysore, Ahmedabad, Vadodara	37 Shimla, Dehradun, Mussorie, Kohima, Dimapur, Raipur, Ranchi, Kolkata, Aurangabad, Shirdi, Bhopal, Indore, Ujjain, Suryapet, Thiruvananthapuram, Cochin, Puducherry, Tirupattur, Bhubaneswar, Puri, Faridabad, Ajmer-Pushkar, Siliguri, Itanagar, Guwahati Aizwal, Pasighat, Ghaziabad Udaipur Belonia	1 Agartala	6 Dewas, Jaipur, Gangtok Panchkula Muzaffarpur Darjeeling	4 Imphal, Thoubal, Amritsar, Jalandhar

Reforms	Pre- JnNURM	Post JnNURM	In progress	Significantly in progress	Not done	Not applicable/ not committed
			Patna Bodhgaya Diamond Harbour Srinagar Jodhpur			
100% Cost Recovery (Water Supply)	1 Chennai	6 Shillong, Tura, Pune, Mumbai, Shirdi, Vishakapatnam	49 Chandigarh, Shimla, Parwanoo, Dehradun, Mussorie, Imphal, Thoubal, Kohima, Dimapur, Raipur, Bilaspur, Ranchi, Kolkata, Nanded, Aurangabad, Bhopal, Dewas, Indore, Ujjain, Kurnool, Suryapet, Warangal, Thiruvananthapuram, Cochin, Puducherry, Tirupattur, Amritsar, Jalandhar, Bangalore, Mysore, Bhubaneswar, Puri, Faridabad, Ahmedabad, Vadodara, Ajmer-Pushkar, Agartala, Siliguri, Itanagar, Guwahati, Aizwal Patna, Belonia, Pasighat Ghaziabad Udaipur Diamond Harbour Srinagar Jodhpur	4 Hyderabad, Cuddapah, Pimpri Chinchwad Delhi Lucknow	6 Jaipur, Gangtok, Panchkula Muzaffarpur Bodhgaya Darjeeling	
100% Cost recovery (Solid Waste)	1 Chennai	7 Chandigarh, Shillong, Tura, Mumbai, Hyderabad, Vizag, Thiruvananthapuram	47 Shimla, Parwanoo, Dehradun, Mussorie, Imphal, Thoubal, Kohima, Dimapur, Raipur, Bilaspur, Ranchi, Kolkata, Pune, Nanded, Dewas, Indore, Ujjain,	1 Cuddapah, Pimpri Chichwad	10 Aurangabad, Shirdi, Bhopal, Amritsar, Jalandhar, Jaipur, Gangtok Panchkula Muzaffarpur	

Reforms	Pre- JnNURM	Post JnNURM	In progress	Significantly in progress	Not done	Not applicable/ not committed
			Kurnool, Suryapet, Warangal, Cochin, Puducherry, Tirupattur, Bangalore, Mysore, Bhubaneswar, Puri, Faridabad, Ahmedabad, Vadodara, Ajmer-Pushkar, Agartala, Siliguri, Itanagar, Guwahati, Aizwal Patna Bodhgaya, Belonia, Pasighat Udaipur, Ghaziabad, Lucknow Diamond Harbour Srinagar Jodhpur		1 Darjeeling	
Internal earmarking of funds for services to urban poor	15 Ahmedabad, Chandigarh Raipur, Vadodara, Mumbai, Nanded, Pune, Kolkata, Hyderabad, Vishakapatnam, Kohima, Chennai, Jaipur, Ajmer-Pushkar Udaipur,	28 Shimla, Parwanoo, Imphal, Thoubal, Bilaspur, Aurangabad, Shirdi, Bhopal, Dewas, Indore, Kurnool, Suryapet, Warangal, Cuddapah, Thiruvananthapuram, Cochin, Puducherry, Tirupattur, Amritsar, Jalandhar, Bangalore, Bhubaneswar, Puri, Faridabad, Pimpri Chichwad, Aizwal Ghaziabad, Lucknow, Delhi	18 Dehradun, Mussorie, Shillong, Tura, Dimapur, Ranchi, Ujjain, Mysore, Agartala, Gangtok, Itanagar Srinagar Patna Bodhgaya Belonia Pasighat Diamond Harbour Jodhpur	2 Siliguri, Guwahati	3 Panchkula Muzaffarpur Darjeeling	
Provision of Basic	1 Chennai	18 Chandigarh,	39 Shimla, Parwanoo,	3 Ujjain,	5 Shirdi,	

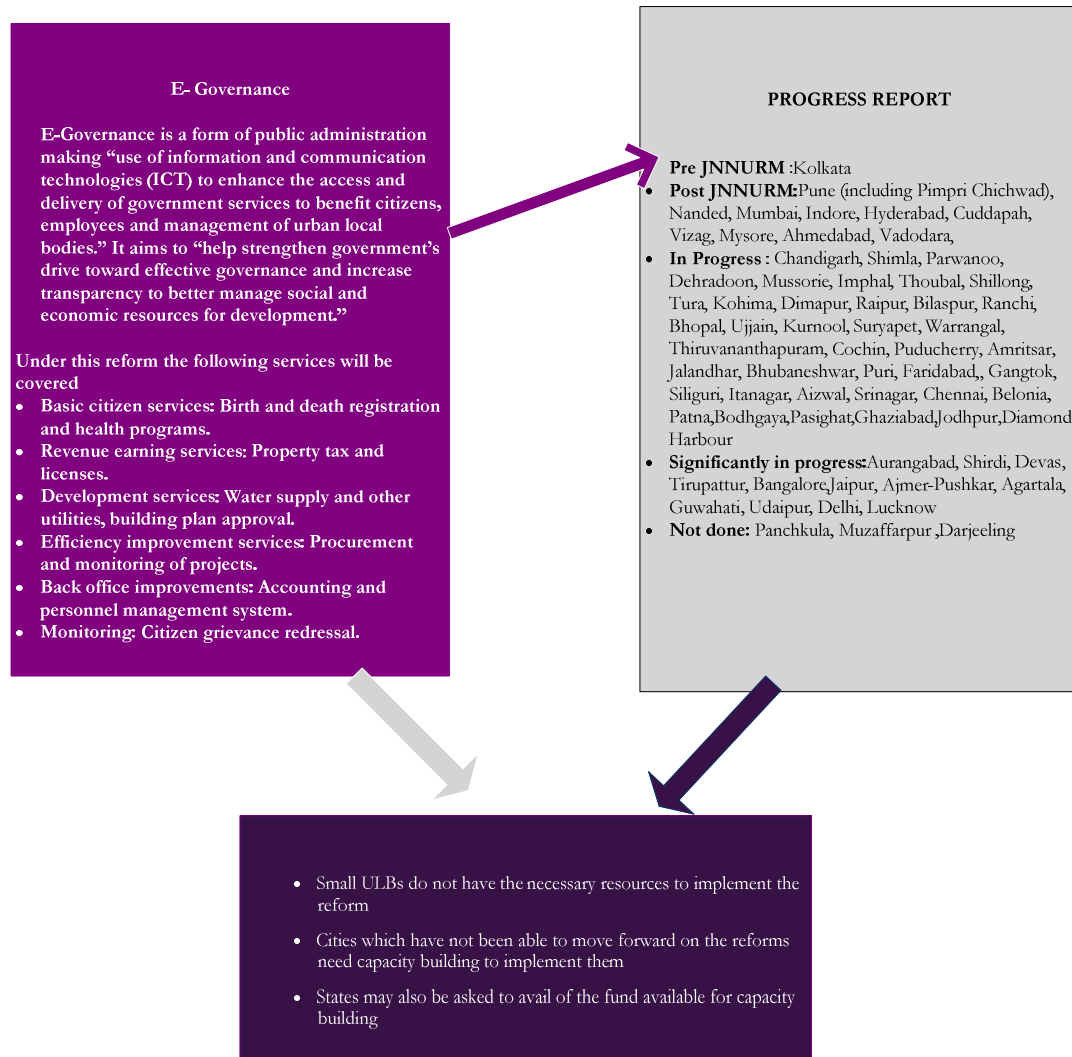
Reforms	Pre- JnNURM	Post JnNURM	In progress	Significantly in progress	Not done	Not applicable/ not committed
Services to Urban Poor		Imphal, Thoubal, Raipur, Pune (Pimpri Chichwad), Nanded, Mumbai, Bhopal, Indore, Hyderabad, Kurnool, Cuddapah, Vizag, Thiruvananthapuram, Bhubaneswar, Vadodara, Aizwal, Lucknow,	Dehradun, Mussorie, Shillong, Tura, Kohima, Dimapur, Bilaspur, Ranchi, Kolkata, Aurangabad, Dewas, Suryapet, Warangal, Cochin, Puducherry, Tirupattur, Amritsar, Jalandhar, Bangalore, Mysore, Puri, Faridabad, Ahmedabad, Jaipur, Ajmer-Pushkar, Siliguri, Itanagar, Patna Bodhgaya Belonia Pasighat Udaipur, Ghaziabad, Delhi Diamond Harbour Srinagar Jodhpur	Agartala, Guwahati	Gangtok Panchkula Muzaffarpur Darjeeling	

Source: Primary, secondary data collection and GT analysis

6.3.2. E- Governance

Most of the Municipalities visited have set up e-governance structure and are providing services like birth and death certificate, web enabled modules for grievance redressal, personnel management and monitoring system. The status of implementation of e-governance, particularly in the registration of birth and death and redressal of grievances has been very satisfying and people at large have appreciated the services thus provided. It has substantially cut down the time taken to provide such services and the entire operation has now become less arduous besides improving the overall efficiency of the municipal employees.

It has been felt that this initiative is well on its way to being completed satisfactorily within the mission period in most of the participating ULBs as covered in the sample.



6.3.3. Municipal Accounting

A majority of the Municipalities in the sample cities are in the process of shifting to the accrual accounting system based on double entry bookkeeping, the Accounting Manual is under preparation and the consultants have been engaged for the aforesaid purpose wherein the smaller municipalities have engaged local chartered accountants on part time basis to assist with the implementation. Some of the larger municipal corporations had already shifted to the accrual based double entry accounting system even before the launch of JnNURM. Municipalities which have adopted the double entry accrual accounting system have a better appreciation of their assets and liabilities and are clearly better prepared to go to the market to raise funds should the need arise.

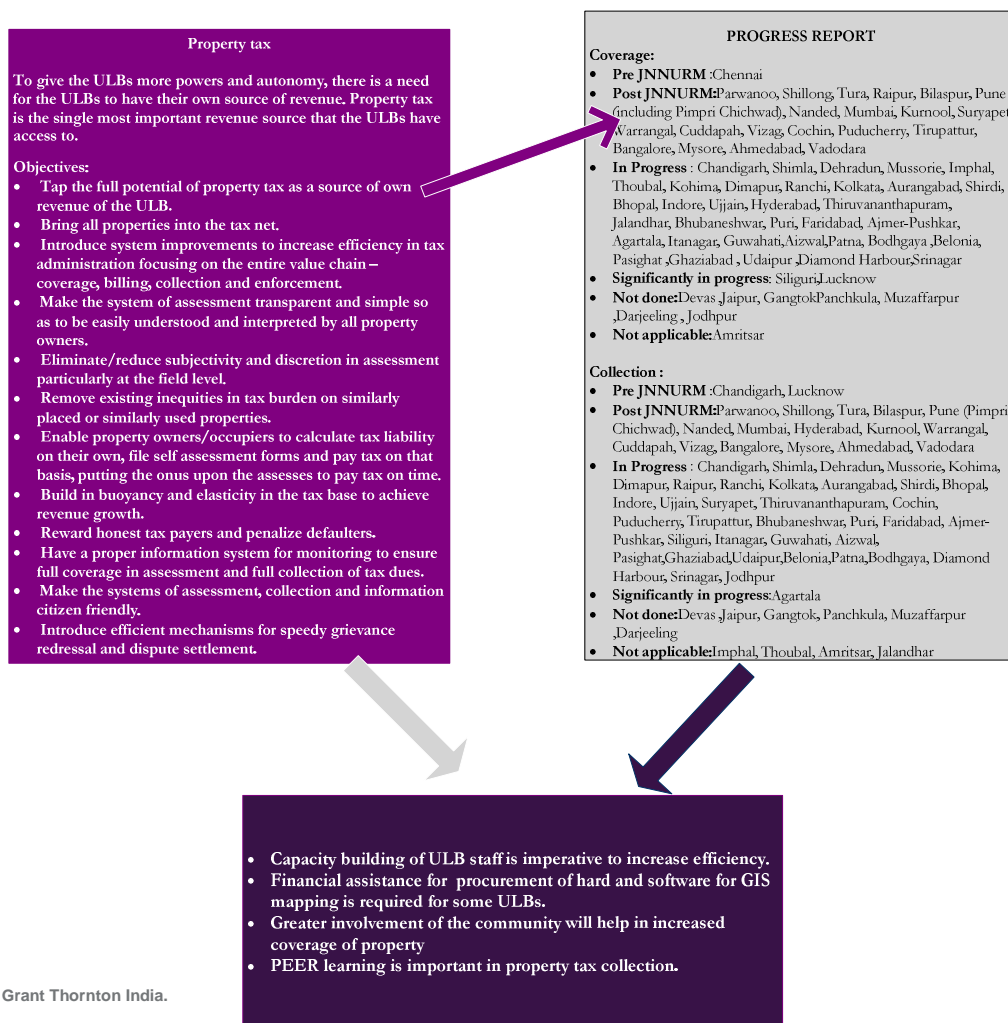
This initiative too, it was felt, will get satisfactorily completed within the mission period in majority of the sample ULBs.

6.3.4. Property Tax

Property tax coverage in most of the cities has improved through this reform. However, GIS based property taxation has not been completed in any of the ULBs visited so far, though most of them are making efforts to do so and have engaged consultants for the same. However, even without the GIS exercise being complete, certain ULBs have shown notable improvement in revenues.

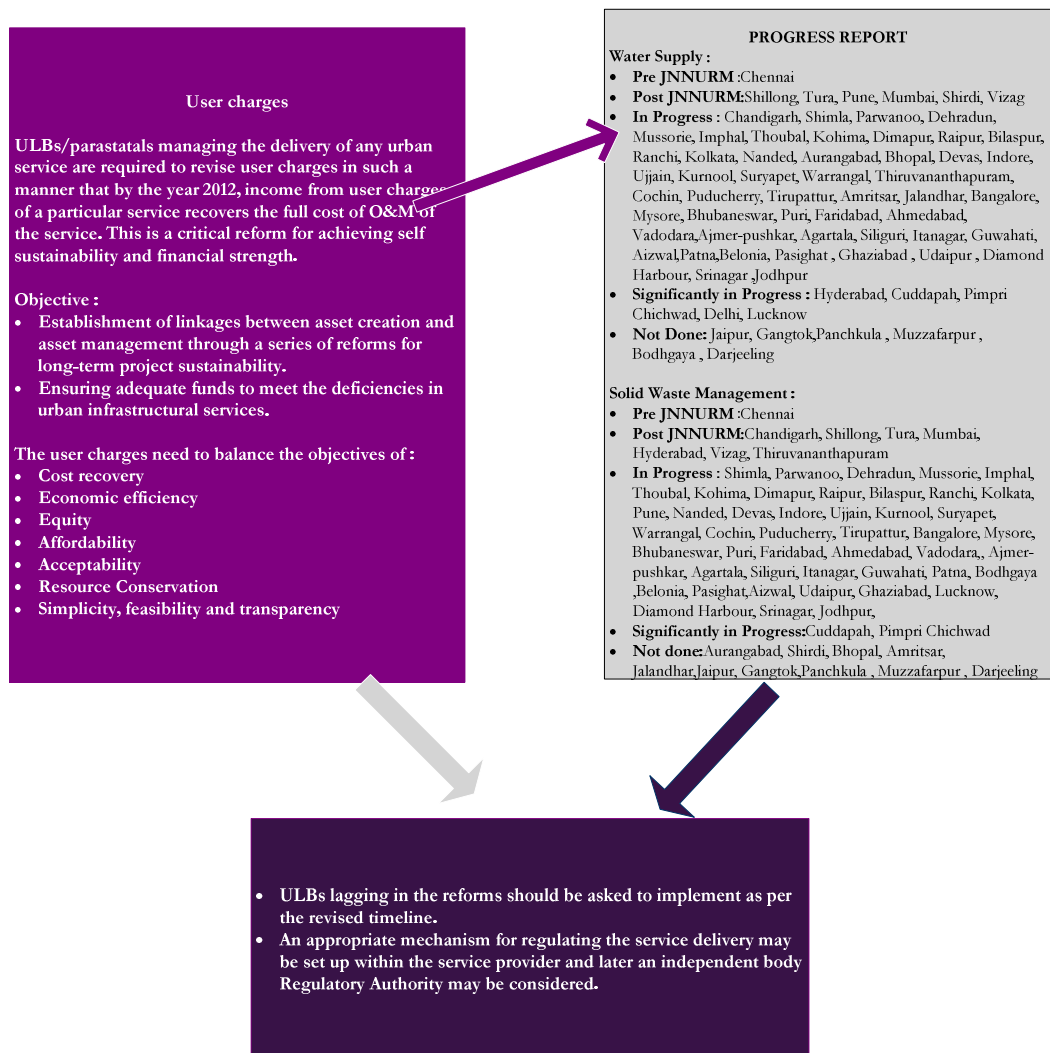
For example Greater Hyderabad Municipal Corporation's property tax increased with a CAGR of 29%; as a result the property tax revenue increased to 45% during the impact period of JnNURM. Property tax income for Visakhapatnam Municipal Corporation (VMC) grew with a CAGR of 19 % during the past four year period (JnNURM impact period) as a result its share has increased substantially to 26%. VMC achieved this growth rate as it has achieved coverage ratio of 90% or more and collection ratio of 95% or more. Every year VMC has added 12000 properties under property tax net. It has also revised property tax rates in 2007 after 1993. Similarly, property tax revenue increased from ₹252.34 lakhs in 2004 to ₹668.82 lakh in 2009 approximately 2.6 times during the impact period. However, in three of the sample Municipal Corporations of Chandigarh, Jalandhar and Amritsar, there is no tax being levied on the residential buildings and there is no effort to bring the residential properties under the tax net. In Rajasthan, on the other hand, there is political unwillingness to carry out reforms in this segment.

Even if the corporation has sufficient financial resources, there is no justification to keep the properties outside the taxation net for the owners and occupants of the big houses and large independent houses. Experience has shown that once any exemption is given in the matters of taxation, it is difficult to introduce the very same taxation measures later.



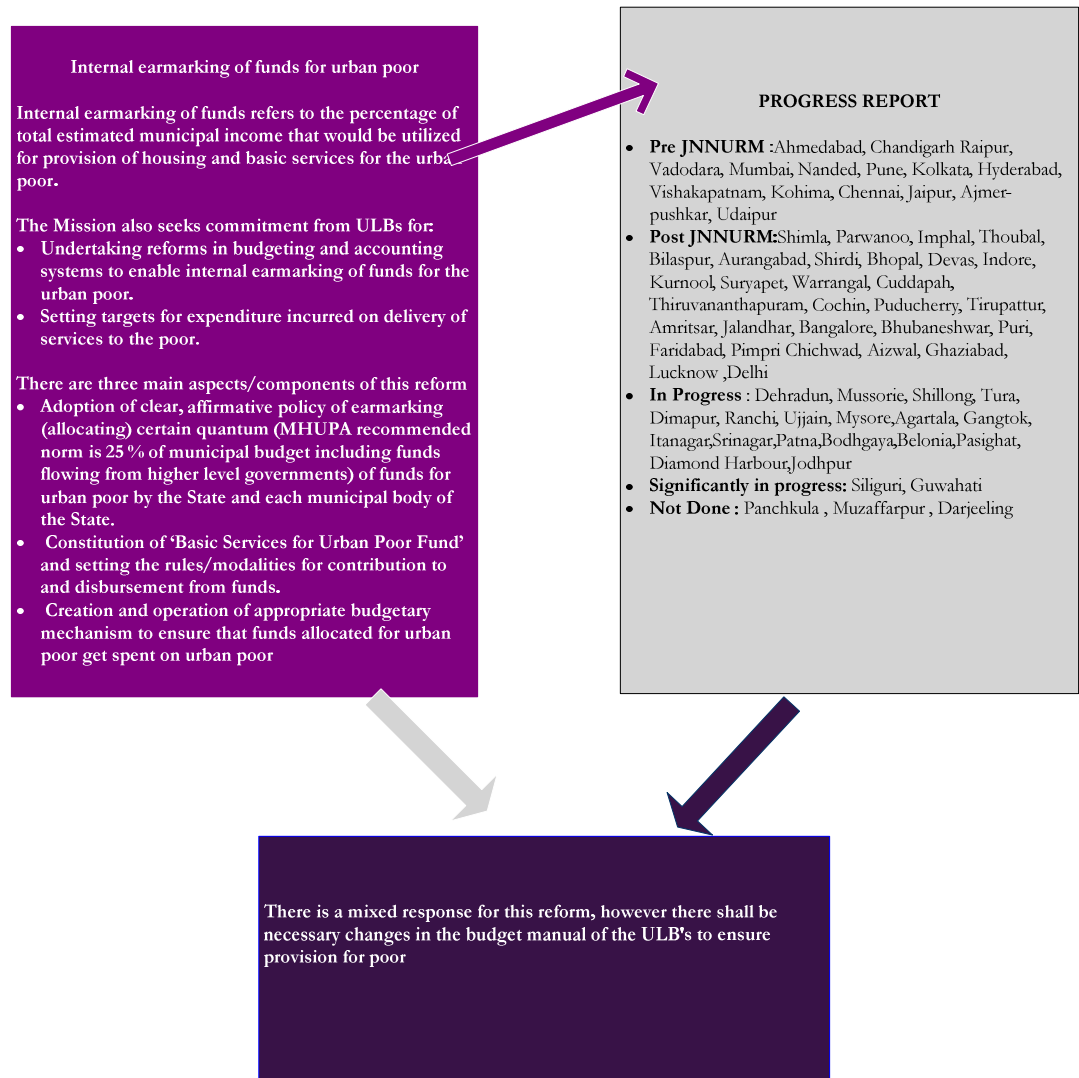
6.3.5. User Charges

Most of the sample cities have levied water charge to recover part of the O&M cost but not to the extent of 100% as stipulated for implementation of reforms; only a few of them have reported to have done so. Municipalities/service providers have levied user charges on the basis of actual consumption if the meters are in place or on flat rate basis on the size of the ferule. The charges are fixed by the municipalities/ service provider and approved by the state government. In case of user charges related to solid waste management, it is in most of the cases collected as a percentage of property tax and in some ULBs this portion is identifiable as a conservancy tax. However, cities like Bangalore and Mumbai collect separate charges for SWM (SWM charges increased from ₹42.68 crores to ₹110.67 crores during the impact period in the city of Mumbai). Since Property tax is not a buoyant source of revenue the collection as a percentage of this only suffice for the operating cost hence it is advisable to finance public goods like solid waste management under the ambit of user charges. None of the cities have a service Regulator for tariff fixation and for laying the service standards. The objective of making services self sustainable has been partially achieved and if the initiatives made by the ULBs are sustained it may be possible to achieve 100% of the O&M cost.



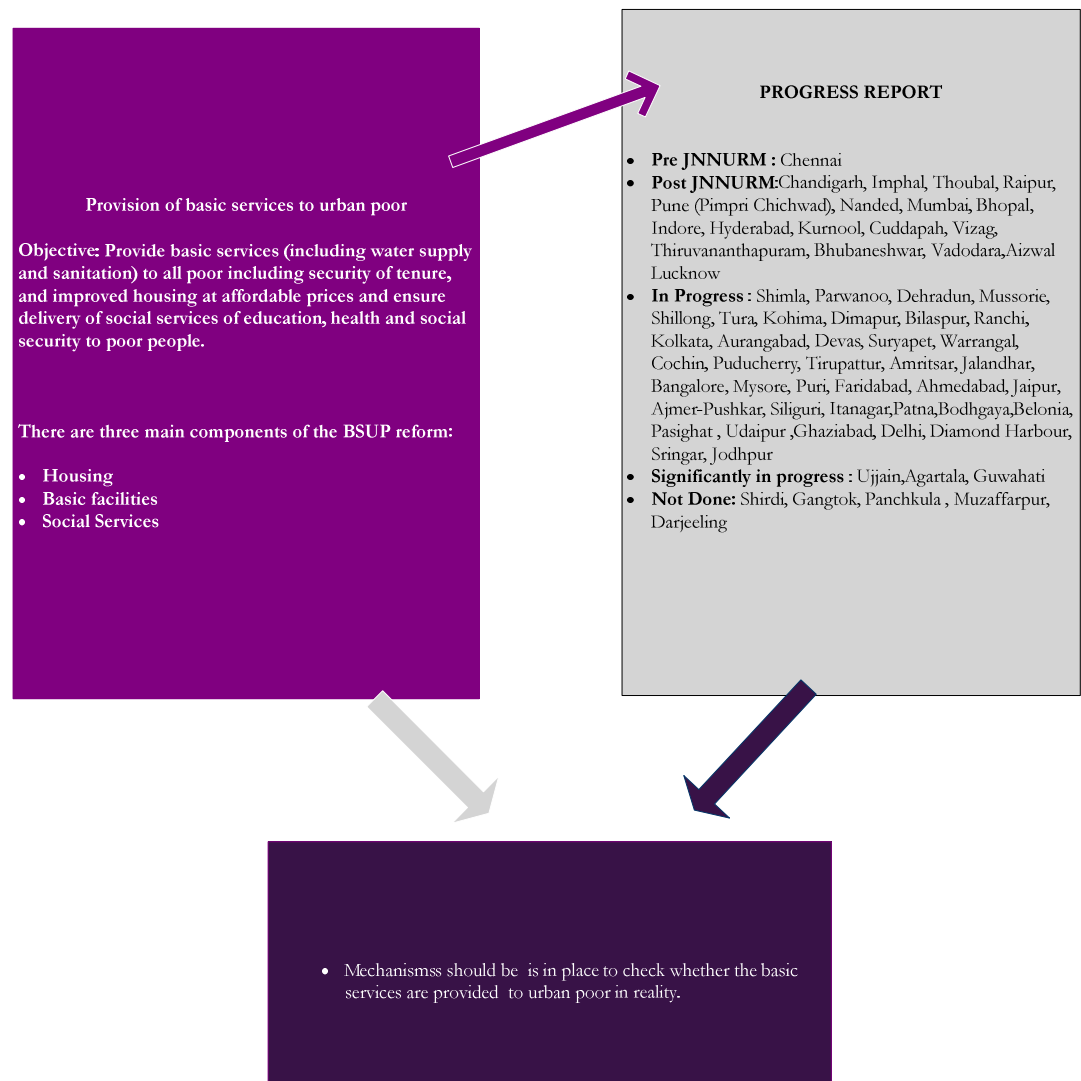
6.3.6. Internal Earmarking of Fund for Basic Service for Urban Poor

The ULBs have made efforts to earmark funds for this purpose out of their budget; most notably the states of Haryana and West Bengal wherein they have gone ahead with the creation of a separate Municipal fund and are in the process of making amendments in the Accounting Rules for governing and operating of the fund. Making amendments in the Accounting Rule will ensure that the fund provided for the said purpose, in the annual budget of the ULBs, is not diverted and utilised for any other purposes.



6.3.7. Provision of Basic Service to the Urban Poor

Most of the ULBs have conducted surveys of the urban poor and collected details of their socio economic conditions and have initiated the BSUP/ IHSDP projects sanctioned under JnNURM intended for them. The spirit of the reforms meant for the urban poor category entails the ULBs ensuring provision of basic services to this stratum of the society wherever they are located and not only confined to JnNURM projects. Most of the ULBs though are making visible efforts for utilization of funds available under JnNURM but still lack in not having an overarching policy initiative for providing the basic services to the urban poor across the city. Experience gained in implementing the BSUP/ IHSDP under JnNURM will facilitate provision of such services for the urban poor across state's leading to slum free cities.



6.4. Optional Reforms

Table 6.3: Optional Reforms

Reforms	Pre JnNURM	Post JnNURM	In progress	Significantly in progress	Not done	Not applicable/ not committed
Introduction of Property Title Certification System in ULBs	0		22 HP, Uttarakhand, Manipur, Meghalaya, Jharkhand, West Bengal, Maharashtra, AP, Kerala, Puducherry, Tamil Nadu, Punjab, Karnataka, Orissa, Haryana, Gujarat, Tripura, Sikkim, Arunachal Pradesh, Assam Bihar J&K	1 Chandigarh	7 Nagaland, Chhattisgarh, MP, Rajasthan Mizoram Uttar Pradesh Delhi	
Revision of Building Bye laws - streamlining the Approval Process	1 Gujarat	13 Chandigarh, HP, Uttarakhand, Meghalaya, Chhattisgarh, West Bengal, Maharashtra, MP, AP, Karnataka, Orissa, Mizoram Delhi	10 Manipur, Jharkhand, Kerala, Puducherry, Tamil Nadu, Punjab, Haryana, Uttar Pradesh Bihar J&K	5 Nagaland, Rajasthan, Tripura, Arunachal Pradesh, Assam	1 Sikkim	
Revision of Building Bye laws - To make rain water harvesting mandatory	7 Haryana, HP, Kerala, Tamil Nadu, Bihar, Uttar Pradesh, Assam	14 Chandigarh, Uttarakhand, Chhattisgarh, West Bengal, Maharashtra, MP, AP, Puducherry, Punjab, Karnataka, Orissa, Gujarat, Mizoram, Delhi	3 Manipur, Meghalaya, Jharkhand, J&K	5 Nagaland, Rajasthan, Tripura, Arunachal Pradesh, Assam	1 Sikkim	
Earmarking 25% developed land in all housing projects for EWS/LIG	1 Chandigarh	10 Manipur, Chhattisgarh, Maharashtra, MP, Tamil	15 HP, Uttarakhand, Meghalaya, Jharkhand, West Bengal, AP,	2 Rajasthan, Arunachal Pradesh		2 Nagaland, Sikkim

Reforms	Pre JnNURM	Post JnNURM	In progress	Significantly in progress	Not done	Not applicable/ not committed
		Nadu, Punjab, Haryana, Gujarat, Mizoram Uttar Pradesh	Kerala, Puducherry, Karnataka, Orissa, Tripura, Assam J&K Bihar Delhi			
Simplification of Legal and Procedural framework for conversion of agricultural land for non-agricultural purposes	3 Kerala, Tamil Nadu, MP	9 Uttarakhand, Chhattisgarh, West Bengal, Maharashtra, AP, Punjab, Karnataka, Orissa, Gujarat	9 Manipur, Jharkhand, Puducherry, Haryana, Arunachal Pradesh Uttar Pradesh Bihar J&K	2 Rajasthan, Tripura	2 Meghalaya, Assam	5 Chandigarh, HP, Nagaland, Sikkim Mizoram
Introduction of computerized process of Registration of land and Property	5 HP, Maharashtra, Rajasthan, Tamil Nadu, Kerala	11 Chandigarh, HP, Manipur, West Bengal, AP, Punjab, Karnataka, Orissa, Haryana, Gujarat, Uttar Pradesh	11 Meghalaya, Nagaland, Chhattisgarh, Jharkhand, MP, Arunachal Pradesh, Assam, Mizoram Bihar Delhi J&K	2 Rajasthan, Tripura	1 Sikkim	
Byelaws on Reuse of Recycled Water	1 Delhi	11 Chandigarh, West Bengal, Maharashtra, MP, AP, Puducherry, Tamil Nadu, Punjab, Karnataka, Gujarat, Uttar Pradesh	11 HP, Uttarakhand, Meghalaya, Nagaland, Chhattisgarh, Jharkhand, Kerala, Orissa, Haryana, Bihar J&K	3 Arunachal Pradesh, Tripura, Assam	2 Rajasthan, Sikkim	2 Manipur Mizoram
Administrative Reforms			28 Chandigarh, HP, Uttarakhand, Manipur, Meghalaya, Nagaland, Chhattisgarh, Jharkhand, West Bengal, Maharashtra, MP, AP, Kerala, Puducherry, Tamil Nadu, Punjab, Karnataka, Orissa, Haryana, Gujarat,		1 Sikkim	1 Mizoram

Reforms	Pre JnNURM	Post JnNURM	In progress	Significantly in progress	Not done	Not applicable/ not committed
			Assam, Arunachal Pradesh, Tripura, Rajasthan, Uttar Pradesh Bihar J&K Delhi			
Structural Reforms			28 Chandigarh, HP, Uttarakhand, Manipur, Meghalaya, Nagaland, Chhattisgarh, Jharkhand, West Bengal, Maharashtra, MP, AP, Kerala, Puducherry, Tamil Nadu, Punjab, Karnataka, Orissa, Haryana, Gujarat, Assam, Arunachal Pradesh, Tripura, Rajasthan Uttar Pradesh Bihar J&K Delhi		1 Sikkim	1 Mizoram
Encouraging Public Private Participation			29 Chandigarh, HP, Uttarakhand, Manipur, Meghalaya, Nagaland, Chhattisgarh, Jharkhand, West Bengal, Maharashtra, MP, AP, Kerala, Puducherry, Tamil Nadu, Punjab, Karnataka, Orissa, Haryana, Gujarat, Assam, Arunachal Pradesh, Tripura, Rajasthan, Mizoram Uttar Pradesh J&K Bihar Delhi		1 Sikkim	

Source: Primary, secondary data collection and GT analysis

Note:

1. Earmarking 25% developed land in all housing projects for EWS/LIG is not possible in places like Nagaland where as per the Constitution, all the available land is in private hands and the government barely undertakes any housing projects
2. Simplification of Legal and Procedural framework for conversion of agricultural land for non-agricultural purposes is not applicable in Himachal Pradesh and Nagaland and has not been committed by Chandigarh
3. Byelaws on Reuse of Recycled Water is not implemented in Manipur

6.4.1. Introduction of Property Title Certification

A few of the ULBs have reported that they have introduced property title certification but others have not been able to move forward since property title certification is the responsibility of the Revenue Department/Authorities in the state. Even though this is a state level reform, based on discussions with the sample states and ULBs, it has been observed for majority of the states, the onus of this reform lies on the ULB for implementation. However, it may be noted that the stewardship for this reform needs to come from the state itself even if the end implementation is done by the ULB. Also, it is important to note that this reform is outside the jurisdiction of the Urban Development Department. However, the SLSC meetings, chaired by the Chief Minister can bring both the Revenue Department and the Urban Development Department on board for this particular reform so that the any challenges faced in implementing this reform may be taken up at the highest levels in the state. While it is appreciated that SLSC looks into projects prioritization mainly, inter departmental reforms like this one may also be brought under its purview for states facing a challenge in implementing this reform. The spirit of the reform was to ensure that the ULBs have proper records of the properties within their jurisdiction which would facilitate them in property taxation and development control measures. This would also mean that the property owners would be able to obtain their property title from the ULBs itself thereby obliterating the need for them to go to any other office for the same.

As per the reform primer the major expected outcome of the reform includes:

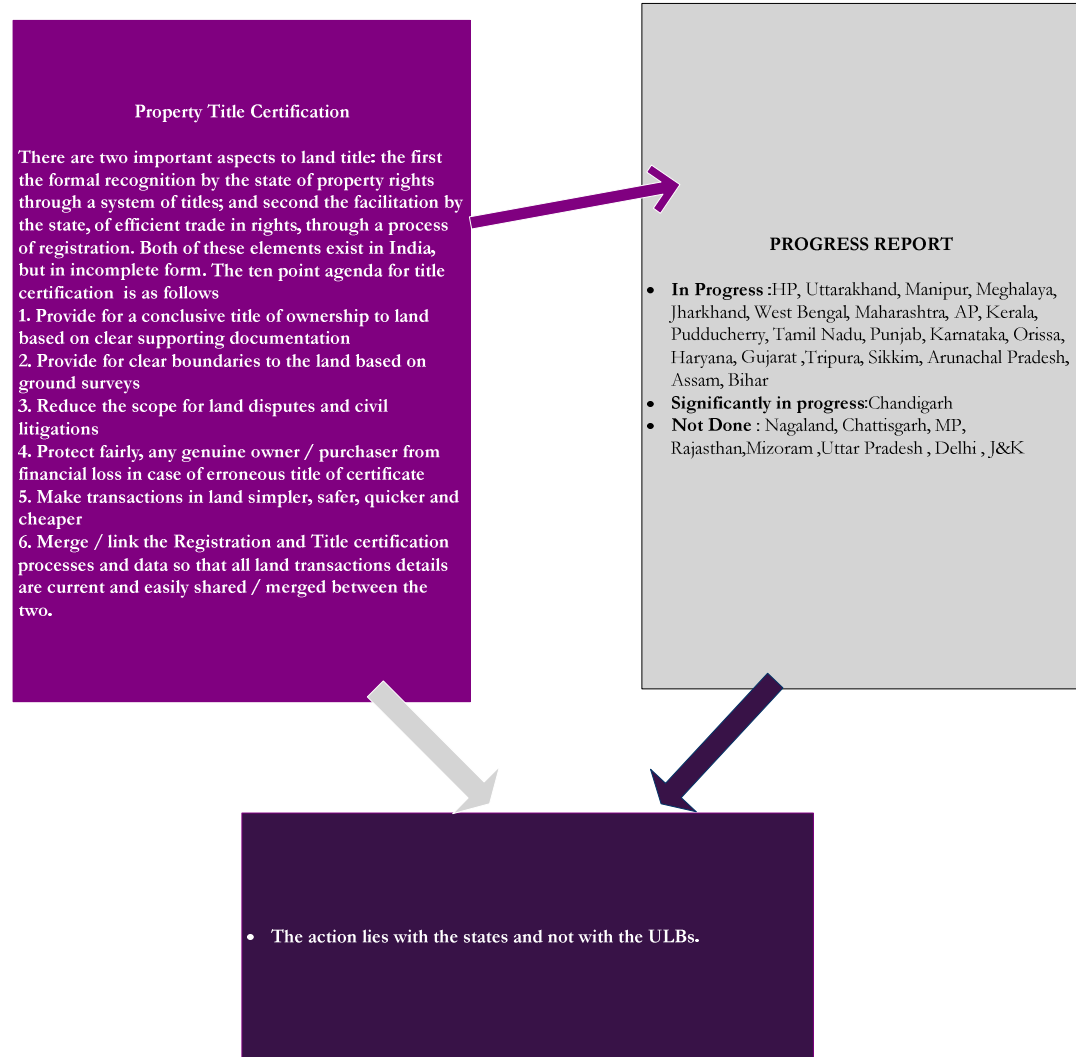
- Resolution to be passed in the state assembly indicating state's intent to frame laws for land title certification;
- Setting up of interministerial committee for reviewing existing act, impact and direction of suggested reform;
- Mapping the process for the reform – defining the transaction type and flow, developing the right technology to processing the information, maps (including GIS, biometric and photo identification survey, linking to GIS cadastre data, managing applications, records and titles, using pilot before scaling, using municipal tax rebates and stamp duty reductions for title holders)
- Create consensus on the Institutional structure for operating guaranteed title certification

As per the MoA of most of the cities/ states the expected outcome for the said reform includes:

- Computerisation of property tax records;
- Property enumeration;
- Mapping of all properties and development of a intervention package that included both immediate service improvements and property reassessment and property title certification

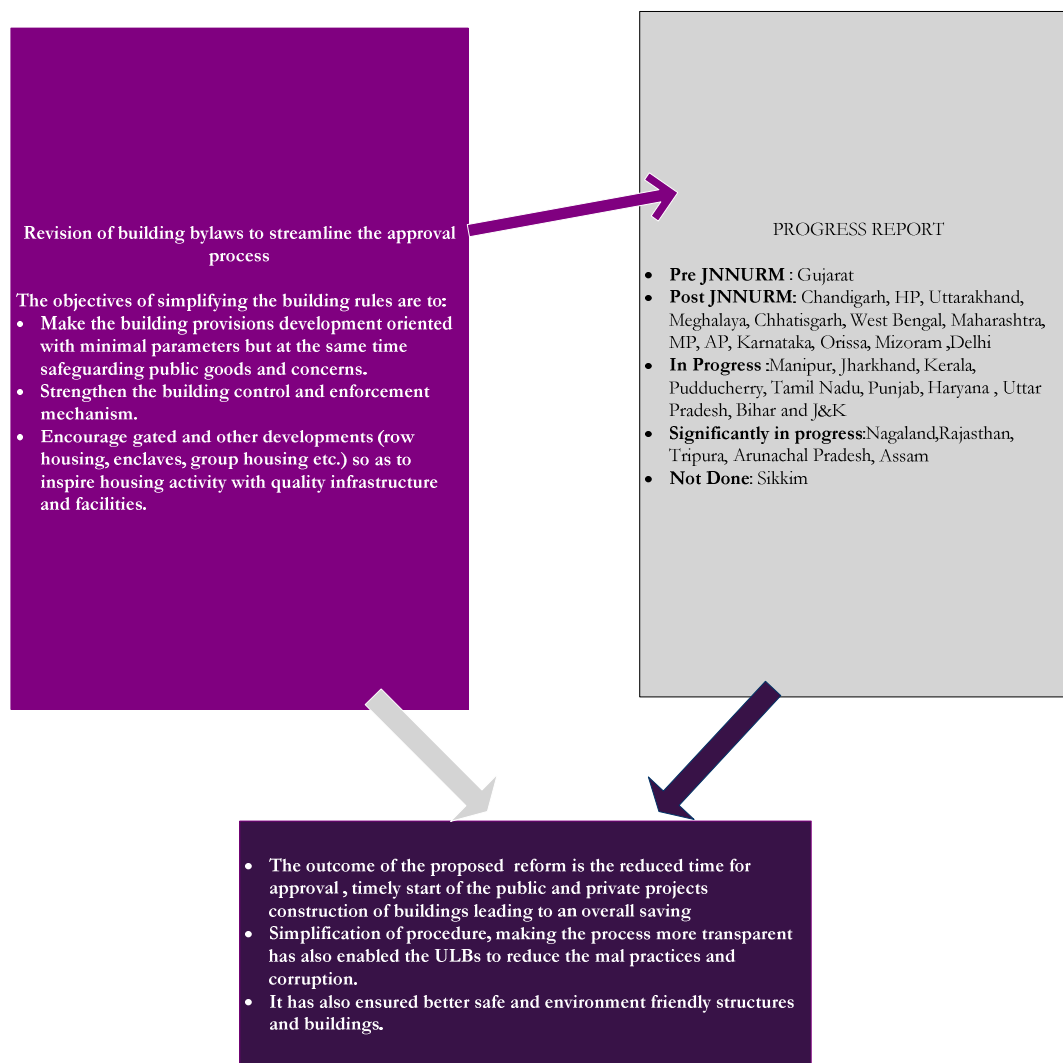
The concept behind the property title certification reform is driven by a need to ensure proper management and record of all property holdings within the city. The new system should reflect authentic ownership at all points and information on holdings should be easily accessible. The city of Dehradun as per their MoA has committed to implementing most of the components of this reform in the last two years of the mission period. The reform is thus in progress in the city. Shimla

committed to implementing the reform in the year 2009-10 but in reality this is yet to be initiated in the city. Hyderabad had committed to accomplishing this reform in year III of the mission however; the reform is still in progress in the city. Bangalore in its MoA has not indicated a timeline for achieving any component except 100% registration of properties which it has committed for year VII. Based on our interactions it is understood that few cities have taken the first step and started computerising the land records, started the survey however mapping of the land records have been very minimal



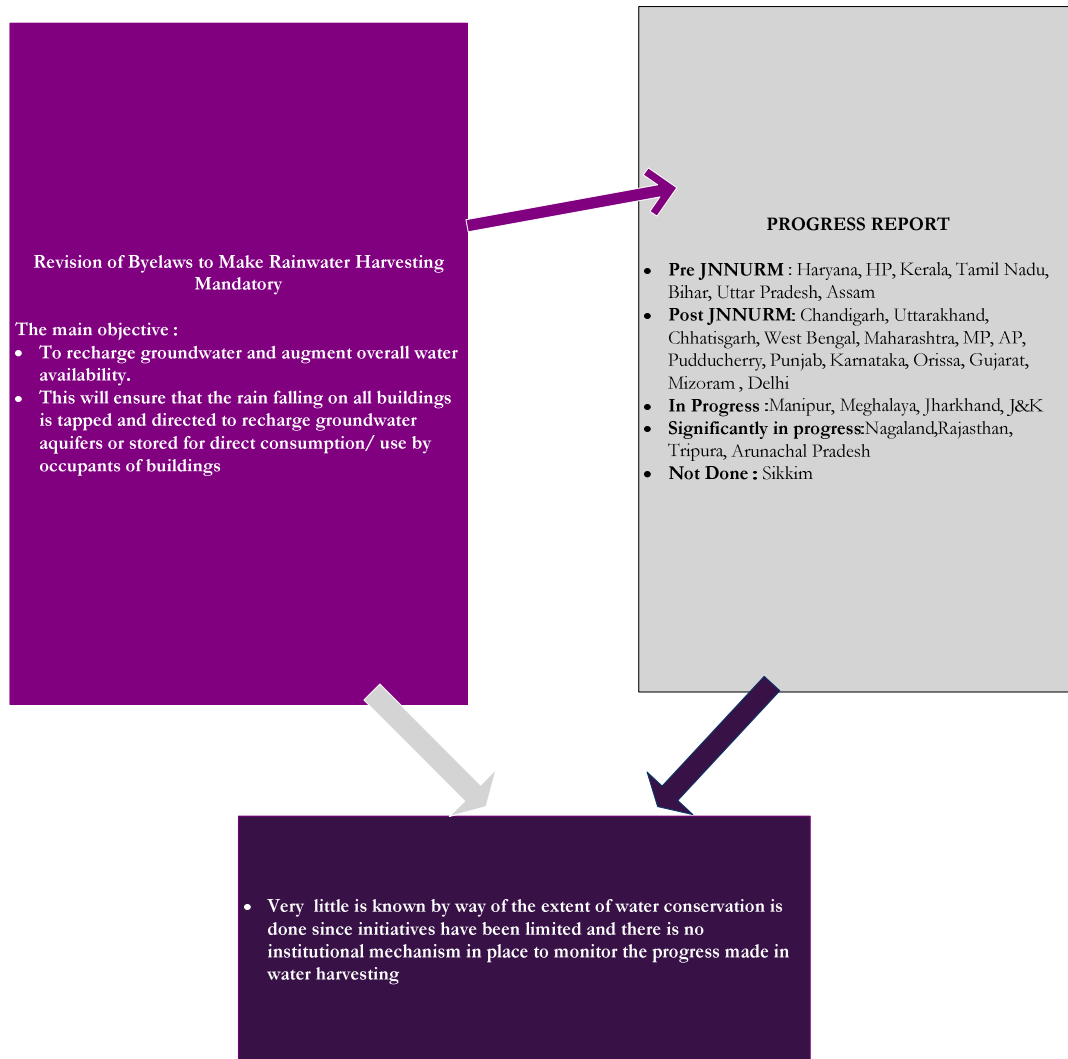
6.4.2. Revision of Building Bye Laws to streamline the Approval Process

Most of the states have made changes in the process of approval for construction of buildings and development of sites and have reduced the time for sanction of 60 days from the date of receipt of the application to 45 days. A system of on line approval is also being examined by the ULBs to have an empanelment of architects for certification of the proposed construction.



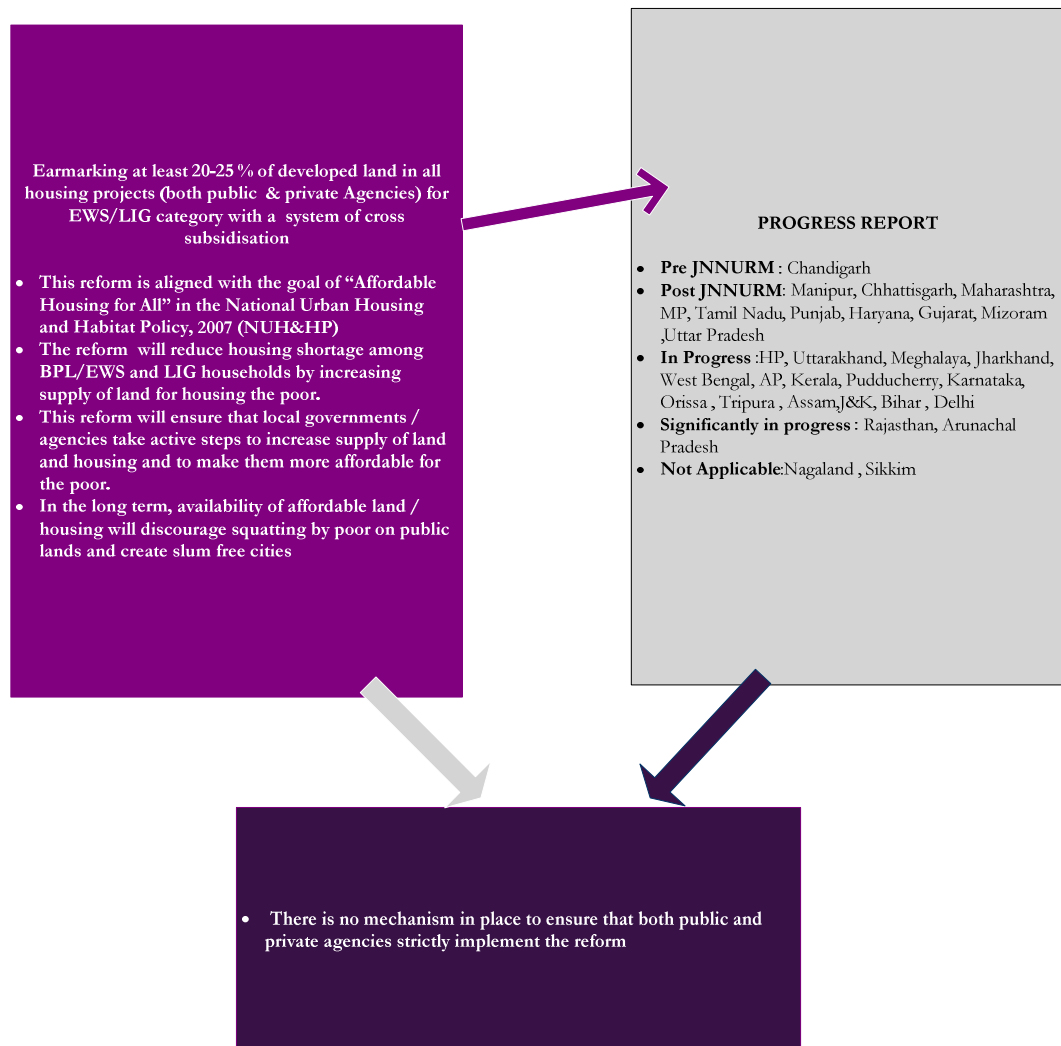
6.4.3. Revision of Building Bye Laws to make Rain Water Harvesting Mandatory in all Buildings to come up in Future and for Adoption of Water Conservation Measures

Majority of the ULBs have made amendments to the building bylaws to conform to the MoA but very little is known by way of the extent of water conservation achieved since the initiatives have been recently taken and the mechanisms to monitor the same are not yet in place. ULBs have neither the wherewithal nor the operational efficacy to monitor water conservation and ground water level. The way forward could be for the ULBs and the Central Ground Water Boards to work in coordination to achieve the spirit of the reforms agenda.



6.4.4. Earmarking of at least 20-25% of developed land in all housing projects (both public and private) for EWS and LIG with a system of cross subsidisation

The states and the ULBs have been following the policy for earmarking 20-25 % of the developed land as well as housing units while availing financial assistance from HUDCO and other financing agencies despite the fact that there was no such provision in the Municipal laws. This was followed simply to avail the assistance. The Town Planning schemes in states such as Gujarat also made the earmarking of plots mandatory in respect of EWS/LIG. Though the housing units constructed under BSUP and IHSDP have enabled the ULBs to increase the housing stock for EWS/ LIG, ULBs do not have the mechanism in place to monitor the implementation of earmarking of plots and housing in the public and private sector. Public agencies, by and large, follow such guidelines but the same cannot be said with confidence about the private sector. Even if they do so, the land, built up area and the price may not be affordable by the EWS/LIG group. At this stage, it is difficult to ascertain if the number of plots allocated have actually gone up for the targeted group.



6.4.5. Simplification of Legal and Procedural Frame Work for Conversion of Agriculture Land for Non Agricultural purposes

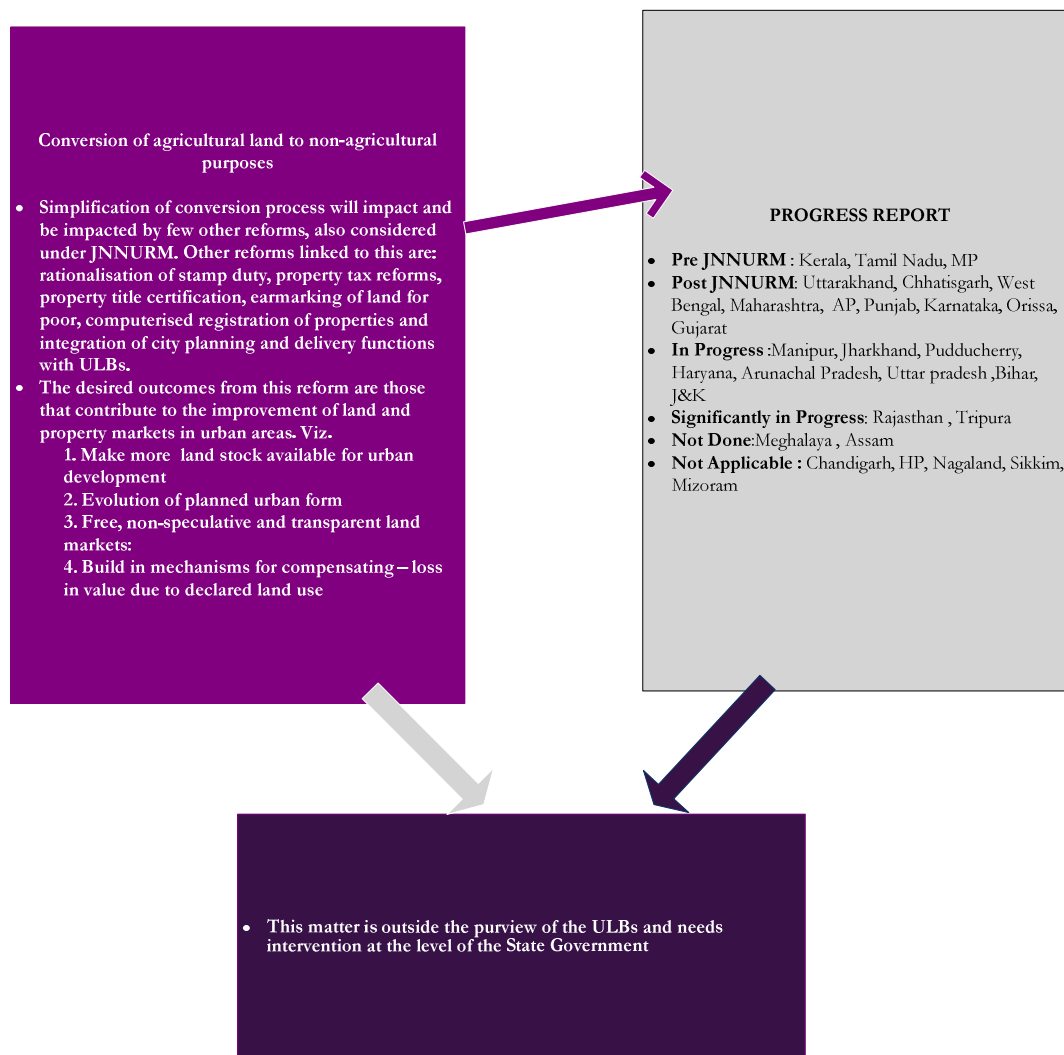
The Town and Country Planning Act do provide for land use regulation within the city master plan area and both agriculture and non agricultural land is regulated by the said Act and the Zoning and Zoning Regulations. In the above context, the State Government has the power to allow conversion of agricultural land for non agricultural use. Town Planning function in majority of the sample cities visited is still with either the Town Planning Department or the Development Authority and not with the ULBs. In view of the fact that there has not been any significant progress in the implementation of the reform, though a few states have done so, the larger level outcomes are difficult to be assessed. ULBs are to depend on the actions taken by the states since it is within the purview of state government.

As per the reform the expected outcome includes:

- Amendment in the acts/ rules to provide for single window clearance – making town and country planning department in the states the nodal agency for the same;
- Properly laid out process for conversion of land use based on the approved master plan, planning rules; There should be little to no-room provided for change of land-use to that other than what is planned in the approved spatial plan (Regional / Master / Zonal / Micro)
- Penalties for violating permissible land-use to be stringent, and not just in financial terms. Penal provisions should be linked to extent of violations, and its consequent impact on planned and sustainable urbanisation
- Charges for Change of Land use from Agricultural to Non-agricultural use on a pre-defined scale should also be levied to raise resources

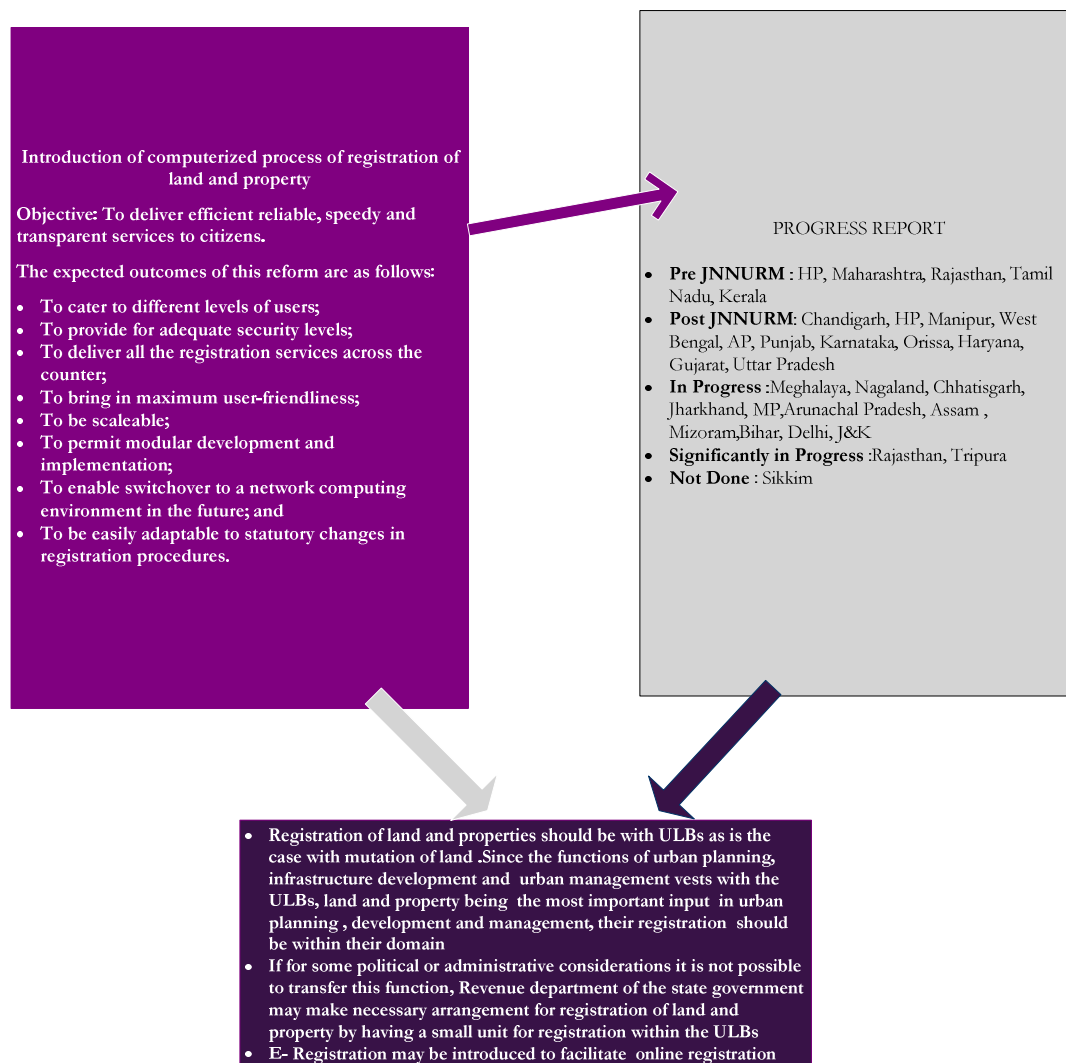
It was expected that the conversion from agriculture to non agriculture should happen in such a way that planned development is achieved without illegal conversions, creating slums and haphazard development.

The reform on simplification of legal and procedural frameworks for conversion of agricultural land for non agricultural purposes is with a broad objective of establishing a simple, transparent and lesser time-consuming process that encourages development. The reform had been committed in Dehradun for the Year IV of the mission period and has been implemented. In Bangalore under the Karnataka Land Revenue Act 1964 the process of simplification was initiated and was achieved during the mission period. Hyderabad has further simplified the Change of land use procedure for certain activities like Information Technology vide a notification by facilitating automatic conversion of land use from agriculture to the above uses subject to certain conditions and safeguards. The time period committed was till year III and it has been achieved. The reform is also significantly in progress in Jaipur. In Shimla conversion of land use comes under The HP Town and Country Planning Act, 1979 and it is not applicable in Shimla. However, as per our interaction with different states specially north eastern states have resisted such kind of reform and they want to make the policies more stringent so that not much land is converted to non agriculture use.



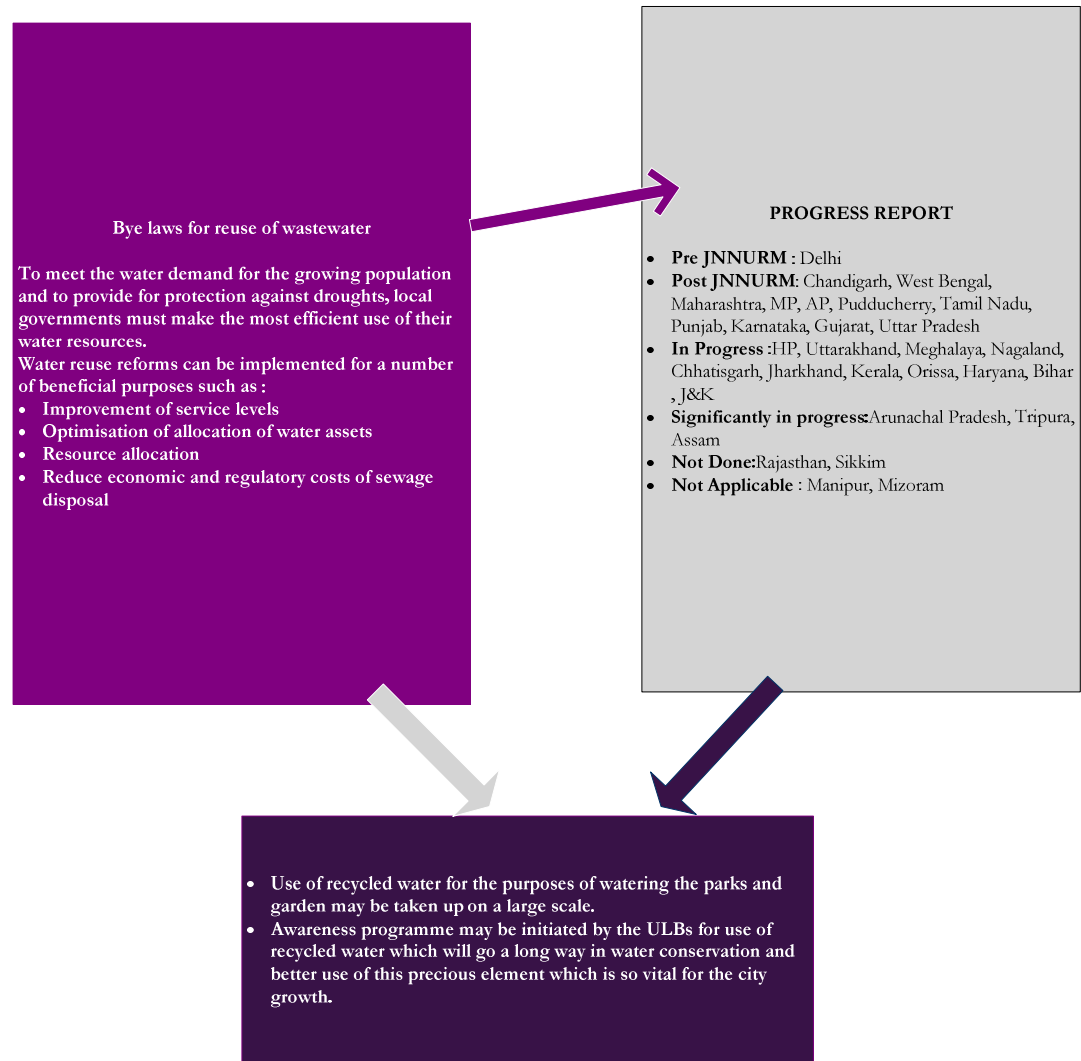
6.4.6. Introduction of computerised process of Registration of land and property

Most of the ULBs/Revenue Department's of the respective states have taken initiatives under e-governance and have introduced computerised process of registration of properties which has come as a great relief to the owners as they are not required to run between multiple state departments to get the registration done.



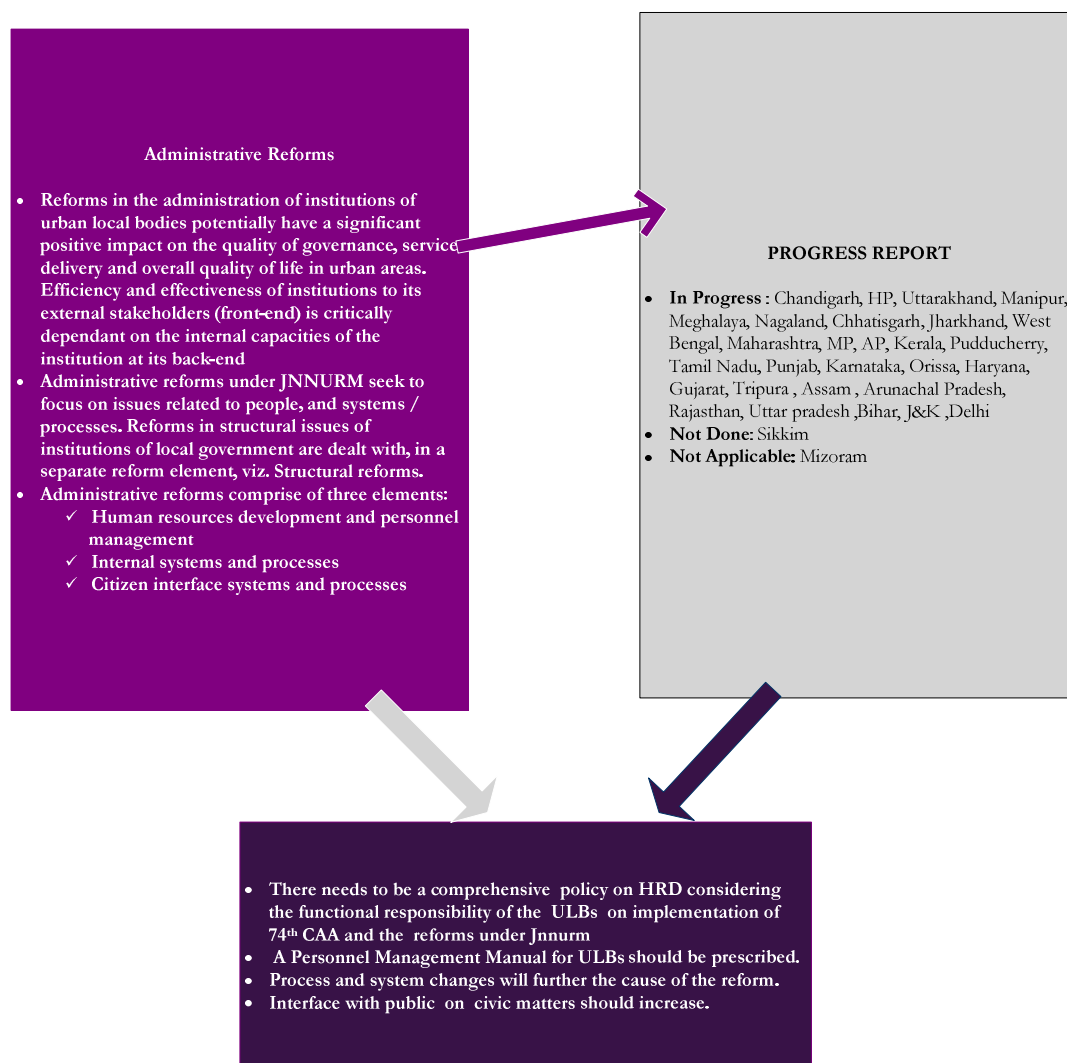
6.4.7. Bye laws on Reuse of Recycled Water

Not many ULBs have implemented this reform, barring in 11 of the states, since waste water treatment is still with the line department/ parastatal agencies though most of them have initiated measures to amend the relevant Act. Portable water conservation is the main outcome since the treated water is being utilised for non domestic purposes. Chandigarh has led the way and has implemented a scheme for reuse of recycled waste water for watering the city's green areas under JnNURM.



6.4.8. Administrative Reforms

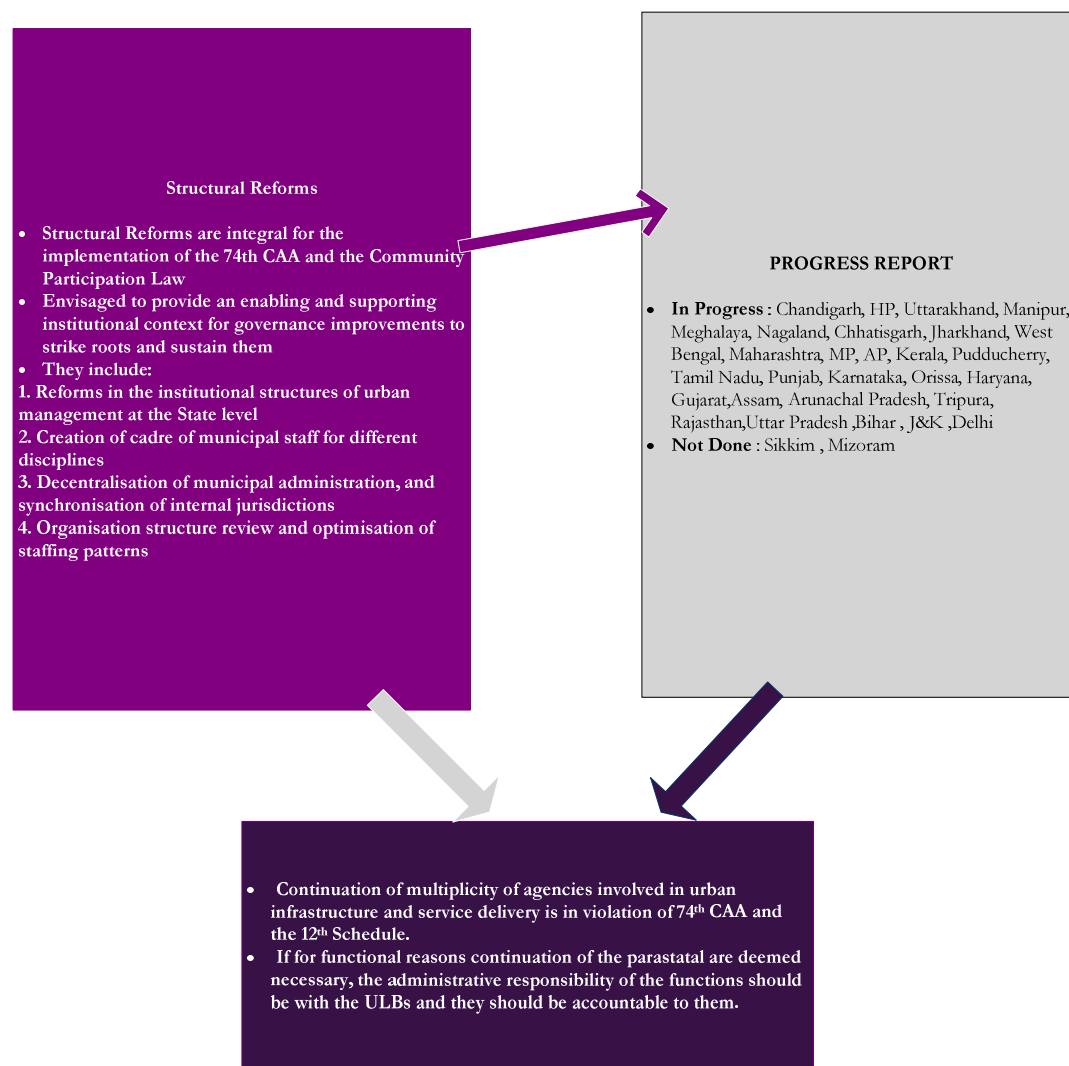
To implement the Administrative Reforms, majority of the ULBs have either reduced their work force or not filled up the vacant posts. ULBs have been reporting the good work done by them in right sizing the work force. While this may be justified to some extent, this is not the intent of the reform. ULBs may be asked to work out their man power requirement keeping in mind their multifarious activities and parameters like sustainable infrastructure and service delivery based on the 74 CAA. They may also be asked to make a structured plan for filling up the key vacant positions and initiate capacity building as well as training for such staff. Redeployment of staff and reducing the manpower may follow, on the basis of a well prepared and executed plan. It may also be noted here that based on the sample ULBs visited, there emerged a clear ambiguity in the ULBs as well as state's understanding with regard to this reform.



6.4.9. Structural Reforms

Structural Reforms is limited to decentralisation of urban governance and the same has been further limited to constitution of ward committees. In fact, structural reforms requires defining the roles of many line departments and innumerable parastatal agencies which are still occupying the urban space that rightfully and constitutionally belongs to ULBs.

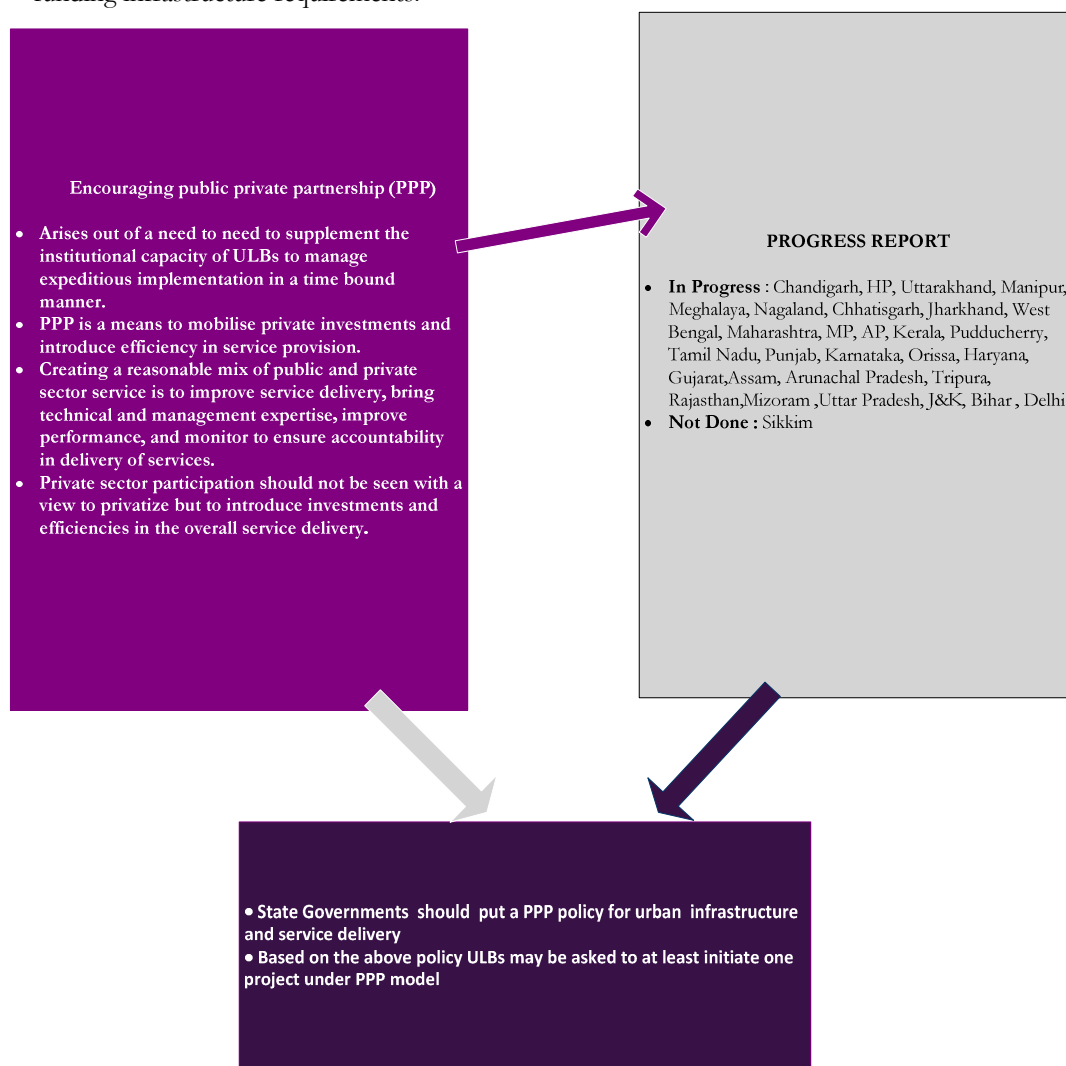
In most of the cities the status quo has been maintained, despite 74th CAA and the 12th schedule. Structural reforms which are so vital for the implementation of 74th CAA and success of JnNURM, though an optional reform should be undertaken seriously by all states. The onus for these reforms lies mainly with the ULBs while the action for such reforms is required to be taken mostly by the states. A few states like Orissa have taken the lead and worked out an interim arrangement of making the line departments accountable to the ULBs through a tripartite agreement with the line department/ parastatal agency, ULB and the state government to begin with, in respect of water supply. However, for majority of the states, this reform remains ambiguous in terms of understanding.



6.4.10. Encouraging Public Private Partnerships

A few ULBs like Chandigarh Municipal Corporation, Bhubaneswar Municipal Corporation and Bangalore Municipal Corporation have attempted private sector participation in SWM and in transportation for O&M of city buses and parking. Most of the sample states do not have a state level policy on PPP in the urban sector and there are minimal provisions for private sector participation in Municipal Act. Although the spectrum of PPP range include service contracts, management contracts, leases, BOOT, BOO models, etc. it was also observed during our visits that there is a general lack of understanding of PPP and at many instances outsourcing is mistaken for PPP. PPP models have been primarily been utilised in solid waste management projects as seen in cities like Puducherry, Guwahati, Chennai, Jaipur, Mysore, Pimpri Chinchwad etc; followed by water supply as seen in Ahmedabad; sewerage projects as seen in Ahmedabad and Vadodara and transport projects as seen in Ahmedabad and Vishakapatnam. Except for SWM projects which are the front

runners in PPP format, PPP in O&M has also been experimented in many cities. Also it is to be noted that the capital contribution from the private players in also significant in a few projects for example in the SWM project of Puducherry the private sector contribution is around 54% of the total project cost. Hyderabad went a step further and initiated the Fund Your City project for funding infrastructure requirements.



6.5. Summary Pattern emerging from Reforms Implementation

Based on our interactions during the visit to sample cities, it emerged that 23 reforms to be implemented within a span of five to seven years seems to be a considerable task for the states/ULB's to implement. Most of the states/ULB's have in the last five years not been able to implement all the 23 reforms particularly those relating to city planning functions which hitherto has been the responsibility of the well established line departments /parastatal agencies like Town Planning Department/ Development Authority.

Likewise socio economic development, health care, education and cultural aspects in the city are with the line departments at the State-level. Since the above functions by the nature of their activities cannot be limited to the municipal limits and are required to extend beyond, the planning area is generally much larger than the municipal area often covering many municipalities and rural areas, the states are finding it a challenge to implement. MPC may be able to take care of the planning needs of both the urban and rural areas but only for one million plus cities since it is constituted only for cities of this size and above and not for a large number of urban areas/ ULBs that have population below one million. Small municipalities do not have the wherewithal to perform such functions in any case. Most ULBs are also not in a position to take over functions such as roads and bridges, water supply sewerage, drainage and urban forestry for the same reasons as stated above, their present incapacity to do so.

It also emerged during our interactions in different cities/ states that reforms such as introduction of property title certification, simplification of legal and procedural framework for conversion of agricultural land for non agricultural purposes are proving to be the more difficult reforms under the mission umbrella. For the former, there is little clarity on how to go about achieving this reform due to involvement of several departments at the state level such as the Revenue Department, and for the latter reform, there appears to be certain resistance specially in the north eastern states as they are of the opinion that there should be more stringent policies so that less land is converted for non agricultural purpose.

As per our interactions during the visits to the sample cities and internal discussions, there is merit in considering holding bilateral discussions for state level reforms (between centre and each of the participating states) and trilateral discussions for city level reforms (centre, state and ULB) before agreeing on the reform agenda for each state/ city (including the non mission cities). This may seem like a time consuming exercise; however, considering the fact that all states/ cities are not on the same pace of development the discussions prior to finalisation of reform would give flexibility to the states/ cities to choose the reforms which they may be able to complete in the stipulated time frame and have adequate capacity to achieve the same. It may also be considered to make reforms like e-governance and double entry accounting system mandatory for even non-mission cities.

Additionally, all the reforms essentially have requirements in terms of:

- Cost
- Time
- Manpower
- Technical assistance

Similarly, given the fact that different states are at different stages of development, it was unrealistic to expect them to move at the same pace. Hence, the 'One Size Fits All' approach that the Mission started with deserves reconsideration.

It has also been felt that state level anchoring/ stewardship of ULB level reforms (like in the case of Karnataka wherein double entry accounting was initiated at the state level for all the ULB's) is likely to trigger their synchronous and efficient implementation.

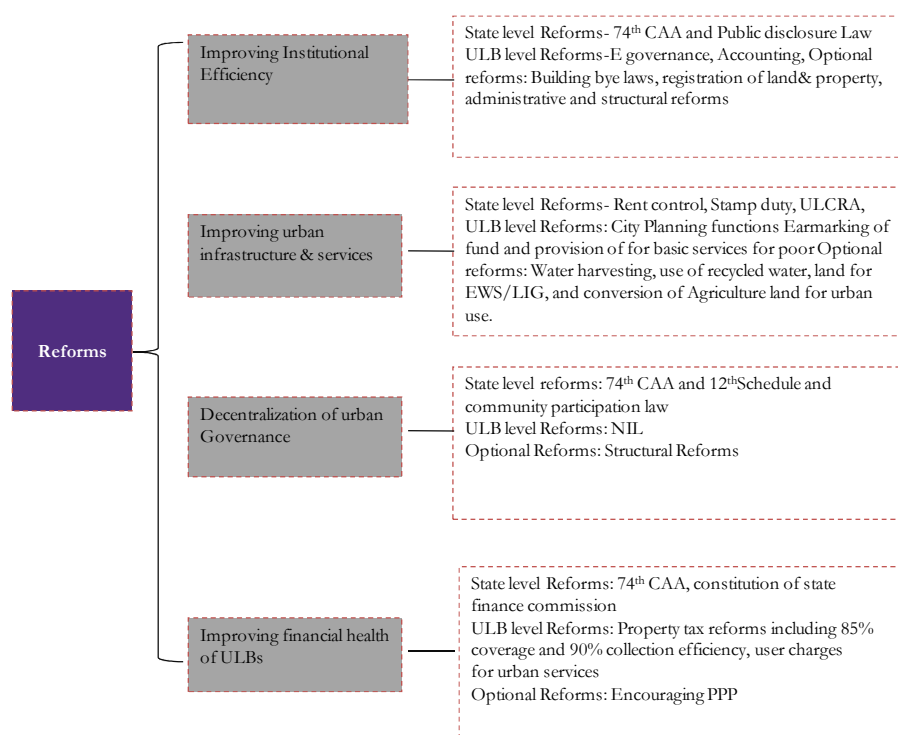
Further, it became apparent during the site visits that in a situation where multiple agencies/ multiple institutions/ legislations are involved, the process of reform implementation is slow due to the fact that amending different Acts related to different agencies falls beyond the purview of the Urban Development Department of the State.

6.6. Appraisal of the Reforms

6.6.1. Sustainability of Reforms

Reforms were initiated primarily to improve the institutional efficiency of the urban local bodies, decentralization of urban governance, improving their revenue and above all to improve urban infrastructure and service delivery mechanism through appropriate urban planning, urban development and urban management. The reforms have been packaged in three sets; one mandatory set at the state level, one mandatory set at the ULB level and the last set is an optional set of reforms.

Figure 6.2: Sustainability of reforms



6.6.2. Improving Institutional Efficiency

The reforms address all the issues stated above. With the objective of improving the efficiency of the ULBs as part of the reforms package, implementation of 74th CAA was included to ensure improvement through decentralised governance, setting up of the ward committees, fixed duration of ULBs and reservation of seats for women. In addition to the 74th CAA, it also includes legislative support for ensuring transparency through public disclosure law where the ULBs are required to put important issues relating to civic affairs in the public domain where they have the administrative and / or functional responsibilities. Transparency in urban administration and management is ensured through e-governance and greater access to information.

Looking at the response to implementation of the reforms, it appears that majority of the state governments have made considerable efforts to implement the 74th CAA. States where the 74th CAA is not applicable in the sixth schedule areas have signed the MoA to implement this programme which is indicative of the fact that reforms linked to the project implementation is key to the efforts of the states. This is borne out by the fact that during 1991- 2005, for more than a

decade and half, the pace of implementation of 74th CAA was very slow and only a few progressive states, which saw the benefits of 74th CAA, went ahead with the implementation measures. With regard to the sustainability of the reforms implemented, consequent to the launch of JnNURM, perhaps due to its own momentum the reforms will be supported by the state governments but the pace may slow down. To ensure sustainability, MoUD needs to link all the centrally sponsored schemes to more and more reforms while at the same time sustaining the reforms implemented so far.

6.6.3. Improving Urban Infrastructure and Services

The reforms package aims at improving the urban infrastructure and services which includes amendments in the rent control act, rationalisation of stamp duty to bring it to 5% and repeal of ULCRA at the state level. These are aimed at improving the quantity and quality of the states revenues and stock. Apart from the above, the other reforms aimed at the ULB level, are in respect of city planning, earmarking funds for the basic services to the urban poor and conservation of water through rain harvesting and use of recycled water for non drinking purposes.

The reason why majority of the ULBs have not been able to move very fast on the implementation of reforms is that many of the reforms need policy decisions at the state level as also legislative measures that are outside the jurisdiction of ULBs. Based on current discussions with the states, it has been observed that states have made the required legislative changes in the Municipal Acts, bye laws and other legislations but the implementation of reforms are not monitored in absence of the monitoring mechanism either within the ULB or outside.

The reforms meant for improving urban infrastructure and service delivery can be sustained only if MoUD fixes reform driven schemes as a benchmark. Reform driven agendas should be encouraged in the centrally sponsored schemes in the future as well as it is only through reforms that urban infrastructure and its upkeep can be ensured.

6.6.4. Decentralized urban Governance

Decentralization is considered as one of the most effective instruments for ensuring effective governance. The prescribed reforms package includes reforms like community participation law and the implementation of the 74th CAA which provides for decentralization through the ward committees / area sabha's as well as the structural reforms. In view of the constitutional provision for decentralisation and state legislations being amended to accommodate the same, the reforms may be deemed to be sustainable. As regards structural reforms, its implementation is slow and the issue is with regard to making the parastatal agencies accountable to the elected ULBs. A few of the states reported to have implemented the reform have done so through executive orders and not by way of amendments to the Municipal Acts or the Development Authority Acts or the legislation under which they were established.

6.6.5. Improving Financial Health

Most of the ULBs have a poor track record of proper operation and maintenance of urban infrastructure and poor service delivery. One of the reasons attributed to the poor performance is inadequate funds available for the said purpose. The reforms package is meant to ensure that funds do not remain a constraint for which adequate devolution of resources from the state to the ULBs is ensured through constitution of the State Finance Commission as well generation of internal resources through an efficient and transparent system of property taxation and levy of user charges for urban service delivery like water supply, sewerage, drainage, solid waste management. The reforms package also encourages public private participation for laying and operating the urban infrastructure and service delivery.

6.6.6. The three tier Reforms

The reforms to be implemented under JnNURM are in three tiers. State Governments are required to implement seven reforms which fall within their jurisdiction (mandatory), six reforms are to be implemented at the ULB level (mandatory) while the rest of 10 reforms are to be implemented at the state/ ULB level (optional). It has been observed that the categorization of mandatory and optional reforms is not very coherent as the reforms are meant to improve the present status of urban infrastructure to higher level of service.

It may be noted that for majority of the 10 optional reforms, the state's stewardship is required. The ULBs functions, at present, are either vested with the parastatal agencies constituted under the state legislation or are with the line departments of the State Governments. In both the cases, it is the States which have to initiate actions. The only two reforms which the ULBs can implement on their own are Administrative Reforms and implementing urban infrastructure projects and service delivery under PPP model.

State Level Reforms Analysis

The package of reforms was reportedly finalised in consultation with the states for implementation. During the course of the field visit States and ULBs have highlighted many constraints in implementation.

Table 6.4: Review of the State Level Mandatory Functions

Functions	Rationale for inclusion in the list of Reforms	Constraints in implementation	Review of List of Reforms/ Future course of Action
74th CAA	JnNURM requires this reforms to be undertaken by states with the objective of implementing decentralization measures	as explained in the earlier section	as explained in the earlier section
City Planning Functions	Over a period of seven years, the Mission aims to ensure that all special agencies that deliver civil services in urban areas to ULBs are transferred and accountability platforms are created for all urban civic service providers in transition	as explained in the earlier section	as explained in the earlier section
Rent Control	Improving housing through increased rental housing Striking a balance between the interest of the property owner and the tenant.	A few state governments like Chandigarh, Punjab hold the view that such a measure would affect the poor and are refraining from making amendments in the Rent Control Act	States must be asked to take appropriate action for which a revised time line may be suggested by MOUD, GOI

Rationalisation of Stamps Duty	Under valuation of property to save payment of higher stamp duty leading to distortion in the real estate market. Higher revenue with reduced stamp duty	Apprehension that reduction in the stamp duty would result in reduced revenue. This is not borne out by the facts since states which implemented the reforms have not experienced any loss of revenue	States must be asked to take appropriate action for which a revised time line may be suggested by MOUD, GOI
Repeal of Urban land Ceiling regulation Act	Increased availability of land and improving the land market	There is no constraint. All states except one have repealed the Act	A revised timeline may be given for implementation of this reform
Community Participation Law	Increased public participation in urban planning and development	There is no constraint	A revised timeline may be given for implementation of this reform
Public disclosure Law	Greater transparency in urban management in the ULBs	There is no constraint	A revised timeline may be given for implementation of this reform

Source: Primary, secondary data collection and GT analysis

Table 6.4 reveals that at the state level, all the seven reforms are do - able; the states are in a position to overcome the constraints and implement the reforms. With regard to the implementation of reforms under the 12th schedule, there are 18 functions to be transferred to the ULBs. Based on discussions, it has been felt by the states/ULBs that there is only one function of the fire services which has emerged to be a difficult transfer within the given time frame.

The 74CAA reform was included to ensure that all the major functions are with the ULBs and the ULBs truly function as city governments. This has not happened despite after nearly 20 years of 74th CAA and five years since JnNURM was launched and despite MoUD pursuing its implementation vigorously.

Table 6.5: Review of the State Level Mandatory Reforms- Transfer of functions as per the 12th schedule

Functions	Rationale for inclusion in the list of Reforms	Constraints in implementation	Review of List of Reforms/ Future course of Action
Urban Planning including Town Planning	<p>1.74th CAA/12th Schedule</p> <p>2.ULBs have public representatives and can better voice the city planning needs</p> <p>3. Greater Public Participation.</p>	<p>1. This being a specialised sector, town planning and development authorities have been undertaking this function till date, lack of technical expertise at the ULB have not let state governments part this function from development authority to ULBs</p> <p>2. Planning area larger than ULBs. More than one ULBs having jurisdiction within the Planning area.</p> <p>3.Smaller ULBs do not have the required capacity to take over the functions</p>	<p>1. Urban Planning including Town Planning is the legitimate function of the ULBs and need to be transferred to them.</p> <p>2. The constraints can be overcome by making amendments in the TCP Acts and having MPC in place for large and metropolitan areas.</p> <p>3 Transferring the planning functions for the ULB areas which may be integrated with the city Planning</p> <p>4</p>
Regulation of land use and construction of buildings	<p>1.74th CAA and 12th Schedule</p> <p>2.ULBS collect property tax need to know and regulate the land use and the construction of buildings</p>	<p>Functions are with the Development Authorities and /or ULBs</p>	<p>Functions should be transferred to the ULBs by making necessary amendments in the TCP and Development Authorities Act</p>
Planning for economic and social development	<p>Planning for economic and Social development should be a part of the city planning. Growth since development of the city is linked to the economic and social development</p>	<p>1.Functions with the line departments</p> <p>2.ULBs do not have the wherewithal to take on the functions</p>	<p>This functions may be delisted from of the list of reforms for the purpose of implementation of JnNURM</p>
Roads and bridges	<p>Is the basic urban infrastructure and core function of the ULBs?</p>	<p>1.PWD is traditionally performing this function being a major spending department has considerable political support for retention of the functions</p> <p>2. The main reason cited against transfer is the incapacity of the ULBs</p>	<p>The function should be transferred to the ULBs. It may not be possible for the state Governments to transfer this functioning within the remaining period of JNNUM. The timeline may be revised</p>

Water supply for domestic, industrial and, commercial purposes	Is one of the basic urban infrastructure and core function of the ULBs	1. Apart from the line departments, specialised agencies are in place for performing this function which is not in favour of transfer to the ULBs.	The water and sewerage board may be made an undertaking of the ULBs and there shall be positive efforts to increase the technical capacity of the ULB to undertake such functions
Public health, sanitation conservancy and solid waste management	Is one of the basic urban infrastructure and core function of the ULBs	There is no constraint as such except the limited capacity of the ULBs.	The function is already with the ULBs.
Fire services.	74 th CAA and 12 th Schedule	It is highly specialised job and has historically been a part of the police or with a separate department of the state government.	. It may take additional time to transfer this reform
Urban forestry, protection of the environment and promotion of ecological aspects	1.74 th CAA and 12 th Schedule 2.Urban forestry and environmental and ecological issues need to be dovetailed in the city planning and development	The smaller ULBs need to be capacitated	This function is being transferred
Safeguarding the interests of the weaker section of society	1.74 th CAA and 12 th Schedule 2. Weaker sections of the society form a large section of the population and city planning and development projects need to safeguard their interest.	There is no constraint except capacity building of the ULBs	The function should be transferred
Slum improvement and up-gradation	1.74 th CAA and 12 th Schedule 2.Basic services which are the main functions of the ULBs and are required to be provided in the slum areas	There is no constraint	The function should be transferred. Special Agencies Slum Boards should be subservient to the ULBs for which necessary amendments may be made in the slum clearance and improvement Acts of the states

Urban Poverty Alleviation	1.74 th CAA and 12 th Schedule 2. Urban poor form a substantial part of the population nearly 20-25 %. Urban poverty issues are to be addressed by the ULBs	There is no constraint.	The function should be transferred. Special Agencies like the district urban development agencies should be subservient to the ULBs for which necessary amendments may be made in the Municipal Acts of the states. States must be asked to transfer the above functions as per the revised time line
Provision of urban amenities and facilities such as parks, gardens, play-grounds	1.74 th CAA and 12 th Schedule 2. Is one of the core functions of the ULBs	There is no constraint	States must be asked to transfer the above functions as per the revised time line
Promotion of cultural, educational and aesthetic aspects.	1.74 th CAA and 12 th Schedule 2. Is one of the functions of the ULBs	There is no constraint. ULBs may need capacity building	States must be asked to transfer the above functions as per the revised time line
Burials and burial ground; cremations and cremation ground and electrical crematoriums.	1.74 th CAA and 12 th Schedule 2. Is one of the core functions of the ULBs	There is no constraint	States must be asked to transfer the above functions as per the revised time line
Cattle ponds; prevention of cruelty to animals.	1.74 th CAA and 12 th Schedule 2. Is one of the core functions of the ULBs	There is no constraint	States must be asked to transfer the above functions as per the revised time line
Vital statistics including registration of births and deaths	1.74 th CAA and 12 th Schedule 2. Is one of the functions of the ULBs	There is no constraint	States must be asked to transfer the above functions as per the revised time line
Public amenities including street lighting, parking lots, bus stops and public conveniences	1.74 th CAA and 12 th Schedule 2. Is one of the functions of the ULBs	There is no constraint	States must be asked to transfer the above functions as per the revised time line

Regulation of Slaughter Houses and Tanneries	1.74 th CAA and 12 th Schedule 2. Is one of the functions of the ULBs	There is no constraint	States must be asked to transfer the above functions as per the revised time line
Metropolitan Planning Committee	1.74 th CAA 2. Facilitate urban planning in metropolitan areas with multiple ULBs.	There is no constraint except for those states with areas under the sixth schedule where 74 th CAA is not applicable	States where sixth schedule is applicable may be asked to implement the spirit of the 74 th CAA and the 12 th schedule and make necessary amendments in the Municipal Act
District Planning Committee	1. 74 th CAA 2. Facilitate urban and regional planning through integration of the development plans of all the urban and rural areas in the district.	There is no constraint except for those states with areas under the sixth schedule where 73 rd and 74 th CAA is not applicable.	It may not be doable in the states where Panchayats have not been constituted and the village boards or the traditional institutions are involved in planning and development of rural areas
State Finance Commission	1. Greater devolution of state resources to the ULBs 2. Ensure sustainability of urban infrastructure and service delivery	There is no constraint	MOUD, GOI may ask the states which have not yet set up state finance commission to do so at the earliest. No further instalments should be released unless the same is complied with.

Source: Primary, secondary data collection and GT analysis

The constraints in implementation of ULB level reforms and the possible course of action that the states may take to facilitate implementation are summarized in table 6.6

Table 6.6: Review of the ULB Level Mandatory Reforms

Functions	Rationale for inclusion in the list of Reforms	Constraints in implementation	Review of Reforms
E-Governance	1.Improved Governance and service delivery 2.Transparency in administration 3. Easy access to information and services	1.incapacity of the ULBs particularly the smaller ones 2. Resistance to change on the part of the employees and fear of accountability due to increased transparency. 3. Lack of fund for procurement of hardware and software and capacity building of ULB staff.	The lagging ULBs should be asked to implement as per the revised timeline. MOUD may consider providing funds for procurement of hardware and software. States may also be asked to avail of the fund available for capacity building

Functions	Rationale for inclusion in the list of Reforms	Constraints in implementation	Review of Reforms
Municipal Accounting	<p>1. Better appreciation of the assets and liabilities</p> <p>2. Facilitates access to markets</p>	<p>1. Incapacity of the ULBs particularly the smaller ones</p> <p>2. Resistance to change on the part of the employees and fear of accountability due to increased transparency.</p> <p>3. Lack of fund for procurement of hardware and software and capacity building of ULB staff</p>	<p>ULBs lagging in the reforms should be asked to implement as per the revised timeline. MOUD may consider providing funds for procurement of hardware and software. States may also be asked to avail of the fund available for capacity building</p>
Property Tax	<p>1. Increase the property tax net</p> <p>2. Improve collection efficiency</p> <p>3. Make property tax transparent and eliminate subjective assessment</p> <p>4. Facilitate self assessment of property tax</p>	<p>1. Resistance to change on the part of ULB staff and their incapacity to work on more objective property taxation</p> <p>2. Lack of accurate property data in absence of GIS mapping</p> <p>3. No or very little effort to reduce subjective tax assessment</p> <p>4. Lack of fund for procurement of hardware and software and capacity building of ULB staff</p>	<p>The lagging ULBs should be asked to implement as per the revised timeline. MOUD may consider providing funds for procurement of hardware and software. States may also be asked to avail of the fund available for capacity building</p>
User Charges	<p>Ensure adequate fund for the sustainable urban infrastructure and service delivery</p>	<p>1. Lack of quality service delivery</p> <p>2. Absence of appropriate system and mechanism for fixation of tariff.</p>	<p>The lagging should be asked to implement as per the revised timeline. MOUD may consider providing funds for procurement of hardware and software. States may also be asked to avail of the fund available for capacity building</p>
Internal earmarking of funds for basic services for urban poor	<p>Ensure a planning budgetary mechanism for earmarking of 25% of the development budget for basic services to the urban poor</p>	<p>1. Absence of poor's voice in planning and budgeting</p> <p>2. Funds not earmarked for the purpose</p>	<p>1. Necessary changes in the budget manual of ULBs</p> <p>2. Monitoring mechanism within the ULBs and at the state level for the purpose</p>
Provision of basic services to the urban poor	<p>Ensure that the basic services are actually delivered since merely earmarking of fund is not enough.</p>	<p>No mechanism in place that basic services are provided to urban poor</p>	<p>ULBs not providing the basic services to the urban poor should be deprived from release of subsequent instalments</p>

Source: Primary, secondary data collection and GT analysis

Besides the mandatory there are 10 optional reforms, the constraints in development and the possible course of action is suggested at Table 6.7.

Table 6.7: Review of the ULB Level Optional Reforms

Functions	Rationale for inclusion in the list of Reforms	Constraints in implementation	Review of List of Reforms
Introduction of Property Title Certification System in ULBs	<p>1. Proper records of transaction of lands, mutation and sub-division</p> <p>2. ULBs may use the records for the purpose of tax assessment</p>	<p>1. Land Registration is the function of Revenue Department of the states which may not be keen to such transfers</p> <p>2. Would require massive administrative support which is not noticeable at present.</p>	<p>1. This is an optional reform and many states have not implemented the reforms. This is indicative of lukewarm response to the reforms by ULBs.</p> <p>2. The action lies with the states and not with the ULBs.</p>
Revision of building bye-laws to streamline the approval processes	To cut down the delays in approval of building plans. Delays lead to increased construction cost	There is no constraint except the will to change	Should have been a part of the mandatory reforms
Revision of building byelaws to make rain water harvesting mandatory in all buildings	Increased ground water charging and augment water availability	There is no constraint. However merely legislative measures not adequate	Should have been a part of the mandatory reforms
Earmarking at least 20-25% of the developed land in all the housing projects(both public and private) for EWS/LIG	To ensure that the urban poor also have access to the basic need of proper shelter	There is no constraint.	The reform should be a part of the mandatory reforms and must be clubbed with the reforms on earmarking of funds for basic services to the urban poor. There is no mechanism in place to ensure that both public and private agencies strictly implement the reform; failure on their part should result in punitive actions including heavy fines including carrying forward the quota in subsequent projects
Simplification of legal and procedural frame works for conversion of Agricultural land	To expedite the process of conversion of agricultural land for urban use and to ensure that urban infrastructure projects are not delayed leading to cost and time overrun.	<p>1. There is policy constraint</p> <p>2. The reform action does not fall within the purview of the ULBs.</p>	<p>1. This matter being outside the purview of the ULBs and need intervention at the level of the state Government</p> <p>2. This may lead to large scale conversion of agricultural land to urban use</p> <p>3. This may further slow down urban renewal of the cities which is so vital</p>

Functions	Rationale for inclusion in the list of Reforms	Constraints in implementation	Review of List of Reforms
			to control the sprawl of the urban areas.
Introduction of computerized process of registration of land and property	<ol style="list-style-type: none"> 1.Ensure speedy land registration 2.Provide security and accuracy to land records 3. Make registration user friendly. 	There is a policy constraint since land registration is the mandate of the Revenue department	<ol style="list-style-type: none"> 1. Both land and properties should be registered with ULBs as is the case with mutation of land. 2.Technical and financial support may be provided to the states for implementation of the reform
Byelaws on reuse of recycled water	Water Conservation	There is no constraint	Should be a part of the mandatory reforms
Administrative Reforms	<ol style="list-style-type: none"> 1.To improve the efficiency of ULBs 2.Human resource development of ULBs Staff 3.Improved systems and processes 	<ol style="list-style-type: none"> 1.The opposition from the employees union 2. Apprehension among a section of the employees that administrative reforms would lead to loss of jobs. 3.Reluctance of the employees for capacity building 4. Resistance to change the procedure, process and the system in place. 	MoUD, GOI may ask the States to ensure that the ULBs implement this reform
Structural Reforms	<ol style="list-style-type: none"> 1.Decentralized Governance and greater community participation 2.Transfer of functions to the ULBs which constitutionally falls within their domain which at present are with parastatal agencies 	<ol style="list-style-type: none"> 1.Reluctance of the line departments and parastatal agencies to part with functions 2. Lack of political and administrative will to implement the reforms on the part of the state Government 	<ol style="list-style-type: none"> 1. Should form a part of the state level mandatory reforms since action needs to be taken by the state governments 2. MoUD, GOI may ask the states to implement the reform as per the revised schedule.
Encouraging PPP	As means to mobilize the private investment and technical expertise for public good through improved infrastructure and service delivery	<ol style="list-style-type: none"> 1. Absence of State PPP policy 2. ULBs staff lack understanding of the role of the PPP model of development in the urban sector 	Awareness of existing guidelines on PPP needs to be there and MoUD should encourage PPP model of development of infrastructure as per the revised guidelines

6.7. Reforms under JnNURM: Constitutional, Statutory and Regulatory Overview

The 74th Amendment has cast a constitutional mandate on all the state governments to come up with appropriate municipal legislations and reforms detailing meaningful democratic devolution of functions, functionaries and funds. By making the implementation of the provisions of the 74th Amendment as one of the conditions for States and ULBs to receive funds under JnNURM, the Mission has sought to give effect to the Constitutional mandate.

6.7.1. Distinguishing Compliance on Paper from the reforms in functioning of ULBs

While mapping the State's performance, the mission needs to make a clear distinction in terms of the State and ULB's conformity (or compliance), legislation/notification's (on how states have adopted JnNURM reforms on paper) on one hand and how adoption of the reforms have changed the ULB's actual work given their set up, powers and finance, on the other. While the 74th Amendment has been incorporated by amendments into the relevant State laws in many States, the results of such amendments and whether they have ushered in the devolution of power to the Municipal Corporation and Municipalities may need to be assessed over a longer time frame and not being limited by the mission period. It is relevant to note here that the JnNURM reform primer on implementation of the 74th Amendment outlined the steps that are required for implementing this reform at state level, and concluded by saying that:

"..Ensure that the legislative processes are completed for amending/framing new municipal acts within a rigid time frame."

Some States have expressly felt that given the limited time frame of the mission and the number of reforms within in the mission period, state performance is best judged by mapping initiation of reforms by relevant law reforms and not necessarily their execution. This runs the risk of only seeing compliance on paper and not results on the ground. This is an aspect that merits a close appreciation and decision by the mission.

6.7.2. Longer time frames for 'difficult' inter-departmental reforms:

There may also be a need to recognise that some reforms can happen earlier like the Enactment of Public Disclosure Law whereas some other like the introduction of Property Title Certification in the ULBs can take a long time. It has also been felt that successful execution of reforms like the introduction of Property Title Certification in the ULBs and Reform in Rent Control are beyond the purview of Department of Urban Development and Municipal Administration and would eventually require interdepartmental and inter-ministerial coordination to push them through.

6.7.3. Constitutional Reforms

6.7.3.1. Legal Position on the Status of Functions under the Twelfth Schedule

Most States have responded by saying that a majority of functions mentioned in the 12th Schedule of the Constitution of India have already been devolved to ULBs. Thus, for example, State of Orissa maintains that 17 out of 18 functions mentioned in the 12th schedule have already been devolved to ULBs. Tamil Nadu says that all functions except fire services have been transferred to the ULB whereas in Karnataka 16 of the 18 functions have been transferred. In the same vein in Chandigarh 11 functions have been transferred.

While, quantitatively speaking, the number of functions transferred makes for good reading, it is important to assess closely the quality of transfer of such functions. It is pertinent to note that the Constitution seeks to vest the Municipal Corporations and Municipalities with very broad functions - in most cases covering the entire possible expanse of a subject - urban planning, planning for economic and social development, water supply, urban forestry, urban poverty alleviation etc. These functions to be devolved upon the ULBs are in the nature of 'subjects' rather than in terms of

'activities or 'sub-activities'. If the letter and spirit of the 74th Amendment are to be realized through the respective state Acts then the states must supplement the stated eighteen functions in the 12th Schedule of the Constitution with detailed functional responsibilities, and identification of functionaries and funds for them. However, the state Acts have largely retained the 'Constitutional style' of listing out broad functions, instead of formulating relevant rules and guidelines detailing functional responsibilities of each tier of the Municipalities for each of the subjects. This is an exercise that needs to be carried out by the States by doing an activity mapping of all the functions listed under the 12th Schedule and then allocating specific activities under each of these functions at various levels/ tiers within the Municipality.

6.7.3.2. Applicability of 74th Amendment to North Eastern States having Schedule VI Areas

Some of the North Eastern States, visited as part of the sample, have taken the position that the 74th Amendment including the twelfth schedule of the Constitution of India doesn't apply to them. For example, the State of Meghalaya points out that the reforms under the 74th Amendment are under consideration but, as per the SLNA, this is not applicable to north eastern states. It is relevant to note that the specified Tribal Areas in Meghalaya along with Assam, Tripura and Mizoram are Schedule VI areas under the Constitution of India. For these areas there is a provision to constitute District Councils and a Regional Council under the Schedule VI of the Constitution. However, the Municipal area and Towns may not be in the specified tribal areas. In addition, there is nothing in the Articles of the Constitution of India comprising the 74th Amendment that exempts these States from the applicability of the 74th Amendment. This is an aspect that merits consideration and action by the mission. A separate legal advisory on the subject may need to be issued on the subject.

6.7.3.3. Transfer of Funds and Functionaries

The present appraisal shows that Kerala is a good example where there has been a transfer of functions, functionaries and funds (the 3Fs) to the ULBs. The transfer of the 3Fs has not happened in other States. In this context a suggestion emerged in Hyderabad that the next phase of the mission, as and when it takes shape, needs to focus on strengthening the fiscal responsibility of the ULBs. This is because while, generally speaking, the functions have been legislatively transferred to the ULBs there has been no transfer of funds to the ULBs.

On the aspect of transfer of functionaries, there have been legal issues that have hindered the progress. Invariably the basic legal grievance that is raised is that whereas in the parent department, they were governed by respective service rules framed under the Constitution, on transfer to local bodies and ULBs there is no applicability of service rules governing their service conditions and their service became insecure. In view of the above fact that the transfer of functionaries is a critical element in giving effect to devolution of functions and powers to ULBs, the mission may need to examine the position in all states in this respect.

6.7.3.4. Constitution of DPCs and MPCs in States

DPCs have not yet been constituted in many States like Jharkhand while it is in progress in a lot of states like Chandigarh, Uttarakhand, Punjab, Haryana etc. In other States while they have been constituted on paper they have not been functional. When it comes to MPC, there are some States like Haryana and Jharkhand with Metropolitan areas where the MPCs have not been constituted. States like Orissa and Kerala are of the view that the provision of MPC is not applicable on them. Apart from the constitution of DPC and MPC being a 'reform conditionality' under the mission, it is relevant to note that their constitution is mandatory under the provisions of the Constitution of India. Articles 243ZD and 243ZE specifies the creation of a committee for district planning in each district, and a committee for metropolitan planning in every metropolitan area (defined to be an area at least ten lakhs populations across two or more municipalities or Panchayats or other contiguous areas as specified by the Governor). The constitutional provision for creation of DPC and MPC is

mandatory. This is not an area where the states have discretion as the relevant provision states that “There shall be constituted in every state at the district level a District Planning Committee... “And “There shall be constituted in every Metropolitan area a Metropolitan Planning Committee...” (Article 243 ZD and Article 243 ZE of the Constitution of India.)

There are findings from Karnataka that even while the Karnataka Municipal Corporation Act, 1976 provided for creation of MPC for the Bangalore Metropolitan Area by an Amendment in 1994 post the 74th Amendment, no MPC has yet been made functional in Bangalore. In another case in Chandigarh a letter written to the Ministry of Home Affairs, Government of India in 2009 showed that “...whether the Chandigarh Administration may constitute a District Planning Committee or a Metropolitan Planning Committee...is to be examined in consultation with the Ministry of Urban Development...” On this aspect the JnNURM reform primer is clear that:

Where Metropolitan Planning Committees (MPCs) are required to be set up, State municipal laws and regulations should determine the functional and territorial jurisdiction of the DPCs as distinct from the MPCs. Where Metropolitan Planning Committees exist for predominantly urban districts, they should be deemed as DPCs, as no separate DPC is necessary.’

Both on the jurisdictional issues and on the role in Planning aspects there are confusions that still persist in the States. A legal advisory on this aspect may be considered by the Mission.

6.7.4. Transfer of Specific Functions/‘Subjects’

6.7.4.1. Model Municipal Law (MML) and “Core municipal functions”:

When it comes to the transfer of specific subjects from State and departments to Municipalities as contained in Twelfth Schedule of the Constitution, the Model Municipal Law (MML) circulated by Ministry of Urban Development provides sufficient guidance to states. JnNURM reform primers make it clear that the MML acts as a resource from which states can tailor their own municipal acts. The MML classifies municipal functions into 3 categories, namely: “Core municipal functions”, “functions assigned by Government” and “other functions”. The MML also provides that:

“the Municipalities at all levels may provide or arrange to provide through any agency any of the “core municipal services” or may, subject to the satisfactory performance of its core functions as also its managerial, technical and financial capacity perform or promote the performance of the “other functions”. The “functions assigned by Government” may be undertaken subject to the underwriting of the costs by the concerned levels of government or other agencies, and, subject to its managerial, technical and financial capabilities, the Municipalities may undertake or perform the “other functions”.

Some of the “core municipal functions” identified in the MML include water supply, economic and social development plans; transportation systems, amongst others. Given the greater significance/priority of the *core municipal functions*, as envisaged under the MML, it is especially useful to map the compliance of States on them under the mission period. Some points that have emerged from the present appraisal on these ‘core municipal functions’ are produced in paragraphs below.

6.7.4.2. Water Supply Services, State Boards and ULBs:

The States have not done well in the area of transferring the water supply services to the municipalities. (Some examples like Ujjain in MP quoted in Para 2.10 below notwithstanding) This is despite the fact that water supply is a ‘core function’ under the MML. The MML require that “the Municipalities at all levels may provide or arrange to provide through any agency any of the “core municipal services”...” JnNURM reform primers also make clear that it is possible for a municipality to arrange to provide through any agency the water supply services so long as responsibility and accountability for the service remains with the municipality. In many states, it was found out that the

water supply function is being carried out by parastatal agencies and mostly by state Water Supply and Sewerage Board. There are qualifiers for even those states which show progress on this aspect. For example, in West Bengal, large projects are designed and implemented by the parastatal agencies but are handed over for O&M to the ULBs. In the same way, in Ludhiana, 'major' water supply and sewerage schemes vest with the Punjab Water Supply and Sewerage Board under the Punjab Water Supply and Sewerage Board Act, 1976 whereas 'minor' O&M projects vest with the Ludhiana Municipal Corporation under the Punjab Municipal Corporation Act, 1976. This is problematic as under the statute, no distinction exists between the major and minor works making the classification of project as 'major' or 'minor' arbitrary. In Hyderabad, amendments to HMWSSB Act have been passed on 9-9-2007, associating elected ULBs with the functioning of Water Supply and Sewerage Board. However, such arrangements cannot be said to giving effect to the mandate of the 74th Amendment or to the provisions as laid out in the MML. In some other cities, like in Chennai, the Chennai Metropolitan Water Supply and Sewerage Board are responsible for regulation of water supply and sewerage services in the Chennai Metropolitan Area. This function has not been devolved to the ULB. A better way to think through and give effect to the Constitutional mandate was found in Bangalore where a committee has been set up for Bangalore with representations from BBMP, BDA, BWSSB, BMTC, KSCB, & KUIDFC, to work out accountability mechanisms between BBMP and these agencies without affecting autonomous working of these institutions.

The city of Ujjain in Madhya Pradesh, presents a good example where following the transfer of the water supply function to the municipal corporation, some of the PHED staff has also been assigned to the municipal corporation to assist them for the handholding period of three years after which all water supply and sewerage works will be undertaken by the municipal corporation completely. This is a good model depicting transfer of functionaries that goes with transfer of functions and is worth being emulated by the other ULBs.

6.7.4.3. Urban, City Planning and Other 'Difficult' Functions:

The reform primer mentions certain points such as:

“Urban planning including town planning (item 1), planning for economic and social -development (item 3), urban forestry, protection of environment and promotion of ecological aspects (item 8), safeguarding the interests of weaker sections of society, including the handicapped and the mentally retarded (item 9), slum improvement and upgradation (item 10), urban poverty alleviation (item 11) and regulation of tanneries (item 18) are not dealt with in most of the Acts.”

It is pertinent to note that very few states have been able to transfer all the 18 functions. Most states continue to face difficulty in transferring a few specialized functions (as mention above). For example, Haryana has been able to transfer 12 out of the required 18 functions. In fact majority of the states are not in a position to transfer the above mentioned specialized functions due to a plethora of reasons ranging from capacity issues to political and administrative will to undertake such functions. . Discussions at the state level also reinforce the abose reasons suggesting that the problem faced could be a function of both lack of political will and administrative will as well as lack of clarity on how to give operative effect to functions like city planning to be owned by and accountable to the ULB, transfer of highly specialized functions like fire services, urban forestry etc.

In the course of the present appraisal, it was felt that the CDPs can be given surer footing by making it a statutory document which forms the part of the development plan/ master plan/ regional plan (prepared under the town planning act of the state) of the city. This can have a two-fold advantage. One, it can help CDP grow from an investment plan with focus on projects to a holistic development plan. Secondly, if it is to be given a statutory basis under the law all the norms/rules under Municipal law of public participation in planning can be weaved into it that can help make CDPs a socially inclusive plan.

6.7.5. Statutory Reforms

6.7.5.1. Enactment of Community Participation Law

JnNURM contemplates the creation of another tier of decision-making in the municipality which is below the ward level, called the Area Sabha so that there is a minimum of 3 tiers of decision-making in a municipality, namely, the municipality, the ward committee and the Area Sabhas. JnNURM makes it mandatory for states to either enact a separate CPL or make appropriate amendments to their existing municipal laws. This has been achieved by some states whereas in majority of the states, a draft law has been prepared which is yet to be passed by the state legislature.

In Gujarat, both the Community Participation Law and the Public Disclosure Law has not been adopted either by enacting separate laws or by making appropriate amendments to their existing municipal laws. Both the reforms have been adopted through specific Government Resolutions. This is an important aspect as the process and instrument of adoption of reforms can be as important as the substance of reform. First, a Government Resolution is subject to Acts, Rules and Regulations. Secondly, a provision in an Act cannot be withdrawn except through an amendment in the Act which again would be required to be passed through the state legislature. It is important to thus insist on states to either enact a separate CPL or make appropriate amendments to their existing municipal laws.

Discussions with the SLNA in Chandigarh suggested that it is felt that Area Sabhas envisaged under the CPL may not be needed. This is because of the ‘manageable’ ward size and population of about 40000 people per ward in the city. To be sure, JnNURM reform primer also concedes that the structure could depend on the size of the ULB. The primer specifically adds: “...For example, the legislative provision for a three/four-tier structure could apply to ULBs with population of more than a lakh. The structure could be two-tiered (at city and ward levels) when the ward population is a manageable size.” Given the above, it may be understandable why the Area Sabhas are not envisaged under the Manipur CPL Law which seeks to constitute a Ward Development Committee for Municipalities in the state at the Ward level. However, it is still debatable as to whether 40000 people per ward, as discussed in Chandigarh, makes the ward population of “manageable size”. For example, the CPL which has been enacted in Haryana envisages Area Sabha for every ten thousand people. Given the centrality of this aspect in CPL, this may require to be further clarified by the mission as a way ahead.

A review of some of the CPLs passed by the states shows that they may not meet the standards expected of them by the mission. The primer on CPL made it clear that:

- These enactments will need to ensure clear definition of functions, duties and powers of each of these tiers and provide for appropriate devolution of funds, functions and functionaries to these levels; and
- They should provide an activity mapping of functions under each tier.

The states have however made an effort to identify clearly the functional base of the Area Sabhas in their enactments. One good example of this is the Amendments in 2008 to the Hyderabad Municipal Corporation Act, 1955 and the Andhra Pradesh Municipalities Act, 1965 where in both the legislations the constitution, composition and functions of the Area Sabhas have been detailed. However, even in these legislations an activity mapping of functions has not been carried out.

Finally, on the aspect of CPL and the Area Sabha, it may also be noted that very few Area Sabhas are functional and active within a municipality. The team found them to be functional in the state like Andhra Pradesh (cities of Hyderabad and Visakhapatnam based on selection process as against the election process) but they are in progress in majority of the states with either notifications

passed in states like Haryana, Manipur etc but not yet being functional or the bill being in the draft stages like in Karnataka. This suggests that where enactments have been put in place they might not, as yet, have been implemented.

6.7.5.2. Enactment of Public Disclosure Law

Most of the states have enacted or are in the process of enacting the Public Disclosure law. As pointed out above, Gujarat has carried out the reform through a Government Resolution, the implications of which have been stated in the above section. Chhattisgarh has also issued a GO on the subject to initiate the reform, even while the legislative process to enact a separate law has also begun. A review of the laws that have been passed by Andhra Pradesh, Haryana, Manipur, Gujarat and Himachal Pradesh shows that while the nature of records and the manner of their disclosure has been identified (in some cases in greater detail than the others, as in Andhra Pradesh) the following two aspects of the reform as envisaged by the mission have not been carried out:

- Constitution of a state-level monitoring agency, namely, Public Disclosure Committee, to ensure adherence to the principles of public disclosure across ULBs. (The reform primer makes it clear that this role can be played by the existing SLNA under JnNURM, although it is recommended that an independent committee be established.)
- Constitution of service benchmarking advisory committee with experts from different sectors to provide assistance to the ULBs and parastatals in arriving at benchmarks for the respective urban services.

6.7.5.3. Amendment to rent control laws

Amendment of rent control laws is one of the mandatory reforms suggested in Jawaharlal Nehru National Urban Renewal Mission (JnNURM or the mission hereafter). States are expected to implement the reform within the mission period. Some states including Karnataka, Rajasthan, Maharashtra and West Bengal have repealed their old acts and formulated new acts in accordance with the Model Rent Legislation, 1992 (MRL) of the Government of India prior to the launch of the mission. In respect to the others, it was found that in a large number of states, there is a draft law/ bill that exists but has not yet been passed by the state legislatures. Some states like Meghalaya and Andhra Pradesh, Tamil Nadu, Jharkhand, Chhattisgarh etc have opined that there has been some delay and confusion on the reform in Rent Control as there had been two version of the Model Rent Control Act. Initially there was a MRL, 1992, but later HUPA came up with another model of the Rent Control Law which has also led to delay in adoption of the reform.

On the rent control reform, the state of Nagaland was of the view that the reform is not applicable to it under Article 371 (A) of the Constitution of India. This aspect merits a close legal understanding. The said Article of the Constitution doesn't specifically speak about the applicability/ non-applicability of Rent Control legislation. However, the Constitution does make clear that no Act of Parliament in respect of 'administration of civil and criminal justice involving the decisions according to Naga Customary law', and 'ownership and transfer of land and its resources' shall apply to the state of Nagaland unless the Legislative Assembly of Nagaland by resolution so decides. Further, for Tuensang District in the state a separately constituted regional council headed by the Governor has been vested with extensive rule making powers while making clear that the administration of the said district shall be carried on by the Governor. Given this position in law, a separate legal advisory for the state of Nagaland may be needed on the subject.

6.7.5.4. Stamp Duty Rationalization to 5% -

Majority of the states like Gujarat, Orissa, Chandigarh, Andhra Pradesh, Puducherry, Maharashtra, Jharkhand, to name a few states, have been able to rationalize the stamp duty down to 5%. It has been expressed by the states, that while it was a little difficult, they have been able to manage this

rationalization without much challenge. In certain states, a portion of the stamp duty is being shared with the ULB as well.

6.7.6. Other Regulatory Reforms

6.7.6.1. Property Title Certification System

Introduction of Property Title Certification System in ULBs has been found to be problematic by majority of the states. Even the states which have initiated the reform have been forced to revise timelines and push it to the last year of the mission period. It was pointed out above that some states have felt that successful execution of introduction of Property Title Certification in the ULBs is beyond the purview of Department of Urban Development and Municipal Administration and would eventually require interdepartmental and inter-ministerial coordination to push them through. There is merit in this contention. Typically, Land Revenue Department, in its usual process (comprehensive Survey and Settlement, preparation of records of rights and cadastral maps revised every 20/30 years) also prepares the records and map for urban areas. It is also worth noting that the Registration Act, 1908 provides for registration of deeds and document, not titles and thus one big challenge is to reconcile the data of the registration authority with land records authority. At the same time, the manifold advantages of conferment of titles including tenural security cannot be denied. The mission may need to take cognizance of this reform in greater details to come up with the possible way ahead on it.

6.7.7. Memorandum of Agreement (MoA)

The text of the MoA which are tripartite agreement between the Government of India through the Ministry of Urban Development, the State Governments and ULBs under JnNURM more or less follows a template across States and ULBs. After the release of the first instalment of grant to Part-III (ULBs) through the SLNA under JnNURM, being 25% of the total central assistance admissible, the MoA typically adds that:

“Any further central assistance under JnNURM shall be considered only if the timelines indicated in detail in Annexure A, B and C to this MoA to implement the reform agenda as per the guidelines of JnNURM are adhered to and utilization certificates (UCs) for previous releases of grant under JnNURM are furnished by SLNA to Part III.”

In the course of the present appraisal, it was learnt from certain states that earlier the commitment by the centre was that, once a UC for 70% of the first instalment had been submitted, then the second instalment would be released. There was thus a question as to why now the centre is enforcing fulfilment of the reforms, as committed, for release of every subsequent instalment. However, this aspect is squarely covered by the MoA. As can be seen from the extract of the MoA, quoted above, *implementation of ‘the reform agenda as per the guidelines of JnNURM’ and ‘utilization certificates (UCs) for previous releases’* are both the conditions that needs to be satisfied for release of subsequent instalments or central assistance.

Although the MoAs are tripartite agreements between the Government of India, the State Governments and ULBs; the entitlements that flow to the ULBs as a third party are not separated from the second party i.e. the states. This has raised problems with some ULBs who have felt that even while they have carried out reforms at their level, they are being deprived of further instalments as the states have not been able to push through some reforms at their level. The situation can be corrected by introducing new clauses that try to identify the third party i.e. ULBs as bearing some ‘independent rights and responsibilities. (There are no legal difficulties in doing this as the parties can always mutually come to any agreement to modify an existing agreement between them.) This may be needed as while ULBs today have separately identified reforms and hence

responsibilities, which they have to carry out, they don't bear any separate rights untied from the states performance.

One useful aspect to note from the MOA in the context of reforms is that these tripartite agreements also envisage a resolution by the state government expressing commitment for transferring responsibility of the delivery of municipal services to the ULBs. For example, the MoA between the Government of India through the Ministry of Urban Development, the State Government of Andhra Pradesh and the Vijayawada Municipal Corporation); the MoA itself makes clear that this can be done by way of unbundling of services as for example “parastatals or others may operate, maintain, even own and collect user charges for the production and distribution facilities for these municipal services, so long as they are accountable to ULBs” and adds in this context that the “Service levels should be fixed by ULBs. The ULBs shall ensure the delivery of services at the defined level by the services providers/ through the mechanism of contractual arrangement. *This is consistent with the reform being required in the 74th Amendment.*” (Emphasis supplied). This aspect has been further made clear under the provisions of the Municipal Corporation Acts of the states. For example, on the question of water supply services, the Hyderabad Municipal Corporation Act, 1955, lays down that “for the purposes of providing the city with the supply of water proper and sufficient for public and private purposes, the Commissioner, when authorized by the Corporation, may..... (c) *enter into an agreement with any person for a supply of water*” (Section 342, HMC Act, 1955). On reading of the reform primers, MoA and also the municipal legislations, it is clear that in pursuance of the constitutional mandate the municipalities are empowered to ‘unbundle’ their services so as to enable ‘others to operate, maintain, even own and collect user charges for the production and distribution facilities for the municipal services.’ As noted above, if the states have not complied with the transfer of say the water supply function, it is not because of a problem of lack of legal space or mandate. As per the interactions during the visits to the sample cities/ states it emerged that State’s inability to transfer functions in all such cases shows either of the two cases firstly, lack of political will such as in the states of Rajasthan, Punjab and Haryana and secondly, State’s perceptions of the ‘incapacities’ that exist within the ULBs such as in the north eastern states, hilly states and J&K.

6.8. Review of Reforms

Currently, 23 reforms form part of the Reform package under JnNURM. These reforms were agreed upon by the States and the ULBs by way of a tripartite agreement which was formalised in the form of an MoA. However, the list of reforms was kept constant across States/ULBs and all reforms were required to be undertaken by all the States/ULBs irrespective of their size in term of population, willingness, preparedness, applicability, implementability, financial capacity, personnel capacity etc. No need-benefit analysis was undertaken to assess whether the same reform which was being recommended for a metropolitan city like Mumbai would also be suitable for a small tier 3 city like Bodhgaya. The demographic as well as the dynamic mix of the States/ULBs may be assessed in greater detail.

It may be noted that not all 23 reforms “need” or “can” be undertaken by all the States/ULBs. The reform package may be considered based on aforementioned criteria’s and a cost – benefit analysis of whether the said reform is actually required to be undertaken by the said State/ ULB.

A thought process of entering into more detailed discussions with the States/ULBs is required wherein an assessment of which State/ULB will benefit the most by which all reforms within the specified timeline needs to be done. Also, the willingness and preparedness of the States/ULBs for undertaking certain reforms need to be undertaken to enforce maximum ownership as well as timely implementation of the reforms. Based on discussions with the States/ULBs with regard to the “customized reform package” most suitable for the said State/ULB, a decision with regard to financial support to facilitate reform implementation may also be undertaken. This would be to support the financially weaker ULBs to enable them to undertake the reforms.

The table below captures the reforms with a view towards how they may be retained for the next phase of JnNURM:

Table 6.8: Review of Reforms

Present Structure	S. No.	Reform Committed	Status	Remarks
ULB LEVEL REFORMS	1	E-Governance set up	Mandatory / Non-negotiable	The responsibility for implementing this ULB Level Reform may lie with the State.
	2	Shift to Accrual based Double Entry Accounting	Mandatory / Non-negotiable	The responsibility for implementing this ULB Level Reform may lie with the State.
	3	Property Tax (85% coverage)	Mandatory / Non-negotiable	The responsibility for implementing this reform may continue to lie with the ULB. However, the State must empower/encourage the ULB to do so.
		Property Tax (90% collection efficiency)	Mandatory / Non-negotiable	The responsibility for implementing this reform may continue to lie with the ULB. However, the State must empower/encourage the ULB to do so.
	4	100% Cost Recovery (Water Supply) not negotiable state must empower	Mandatory / Non-negotiable	The responsibility for implementing this reform may continue to lie with the ULB. However, the State must empower/encourage the ULB to do so.
		100% Cost recovery (Solid Waste)	Mandatory / Non-negotiable	The responsibility for implementing this reform may continue to lie with the ULB. However, to this reform may be achieved by the ULB, partially by way of a user charge for Solid Waste and partially by way of any other tax as the benefit of this service shall be borne by not just the citizen paying the user charge but also by other citizens using common facilities such as roads, public amenities, common public areas etc.
	5	Internal Earmarking of Funds for Services to Urban Poor	Mandatory / Non-negotiable	The responsibility for implementing this reform may continue to lie with the ULB.
	6	Provision of Basic Services to Urban Poor	Mandatory / Non-negotiable	The responsibility for implementing this reform may continue to lie with the ULB.
STATE LEVEL REFORMS	7	74th CAA (Transfer 12 sch. Functions)	Mandatory	The responsibility for implementing this reform may continue to lie with the state. The Centre to discuss the willingness and preparedness with the States at the time of holding tripartite discussions and signing of the MoA especially for transfer of few highly specialized functions like fire services, urban planning, forestry etc
		74th CAA (Constitution of DPC)	Mandatory	The responsibility for implementing this reform may continue to lie with the state. The reform should be mandatory where applicable.
		74th CAA (Constitution of MPC)	Mandatory	The responsibility for implementing this reform may continue to lie with the state. The reform should be mandatory where applicable.
	8 A	Transfer-City Planning Function	Mandatory	The responsibility for implementing this reform may continue to lie with the state. Discuss the willingness and preparedness with the States at the time of

OPTIONAL REFORMS				holding tripartite discussions and signing of the MoA to implement this reform
	8 B	Transfer-Water Supply & Sanitation	Mandatory	The responsibility for implementing this reform may continue to lie with the state. Discuss the willingness and preparedness with the States at the time of holding tripartite discussions and signing of the MoA to implement this reform
	9	Reform in Rent Control	Mandatory	The responsibility for implementing this reform may continue to lie with the state. Discuss the willingness, preparedness and implementability with the states at the time of holding tripartite discussions and signing of the MoA to implement this reform
	10	Stamp Duty rationalization to 5%	Mandatory / Non-negotiable	The responsibility for implementing this reform may continue to lie with the state.
	11	Repeal of ULCRA	Mandatory	The responsibility for implementing this reform may continue to lie with the state. This reform should be mandatory unless it is not applicable for a particular state.
	12	Enactment of Community Participation Law	Mandatory / Negotiable	The responsibility for implementing this reform may continue to lie with the state. The applicability/ feasibility in terms of population for the states should be checked.
	13	Enactment of Public Disclosure Law	Mandatory / Non-negotiable	The responsibility for implementing this reform may continue to lie with the state.
	14	Introduction of Property Title Certification System in ULBs	Drop	This reform may be dropped from the list as it looks unlikely for any ULB to be in a position to achieve this reform in the near future.
	15	Revision of Building Bye laws – streamlining the Approval Process	Mandatory / Non-negotiable	The responsibility for implementing this reform may lie with the ULB.
	16	Revision of Building Bye laws – To make rain water harvesting mandatory	Mandatory / Non-negotiable	The responsibility for implementing this reform may lie with the ULB.
	17	Earmarking 25% developed land in all housing projects for EWS/LIG	Mandatory / Negotiable	The responsibility for implementing this reform may lie with the state. This reform should be discussed to assess if it is applicable, and if it is found to be applicable, then it must be made mandatory. This reform may be implemented by the state. However: <ul style="list-style-type: none"> It must be assessed how best to ensure that developers for private housing projects also implement this reform. A specific percentage, which may be negotiable and differential, may be reserved so as to ensure economic viability for the project to ensure the developer invests in the housing industry and does not shift the capital to another financially more lucrative industry. The applicability of this reform may be checked. For states where the land lies only in private hands, the applicability of this reform will not be there.

	18	Simplification of Legal and Procedural framework for conversion of agricultural land for non-agricultural purposes	Mandatory/ Negotiable	The responsibility for implementing this reform may lie with the state. This reform should be applicable if the states are willing to undertake the same. The willingness of the states may be checked at the time of undertaking Bilateral discussions with the States for agreeing upon the Reform Agenda.
	19	Introduction of computerized process of Registration of land and Property	Mandatory / Non-negotiable	The responsibility for implementing this reform may lie with the state.
	20	Byelaws on Reuse of Recycled Water	Mandatory / Non-negotiable	The responsibility for implementing this reform may lie with the ULB.
	21	Administrative Reforms	Mandatory / Non-negotiable	The responsibility for implementing this reform may lie with the ULB.
	22	Structural Reforms	Mandatory / Non-negotiable	The responsibility for implementing this reform may lie with the state.
	23	Encouraging Public Private Participation	Mandatory / Non-negotiable	The responsibility for implementing this reform may lie with the ULBs. However, the State must empower/encourage the ULB to do so. [A state PPP Policy may be encouraged in all states. Additionally, a mechanism may be put in place by the GOI to ensure that the option of PPP is examined thoroughly by the ULB before proposing any project for funding from the central government. This may be in the form of a cover note to be submitted along with the feasibility report right at the In-Principle stage for sanctioning by GOI. The cover note must provide a detailed rationale why the project was found un-suitable for private funding and why government should spend its own money].

Source: Grant Thornton Analysis

7. Initiatives

In this section, the Consultant has made an attempt to present initiatives, both within and outside JnNURM, which form the backbone of urban development interventions in the States covered during the Appraisal. It needs to be appreciated that some of the initiatives highlighted here may strictly not be under the Mission ambit; however these may be classified as indirect impacts of a comprehensive programme like JnNURM.

7.1. Karnataka

7.1.1. Cost Effective and Fast Track Construction Technology for identified slums in Mysore

The Karnataka Slum Clearance Board is responsible for construction of houses for slum dwellers in the State. Initially under JnNURM Karnataka had adopted the conventional RCC framed structure for ground plus three (G+3) housing. After analyzing parameters like the long timeframe required for project implementation when conventional methods were being adopted and the difficulty in monitoring of the quality, GoK decided to explore MASCON construction systems which has been adopted for the first time in India under a Government body. Mascon technology forms the concrete in a building - including walls, floor slabs, balconies, window hoods, curved & decorative features, as well as columns and beams. It enables all concrete to be cast monolithically, thereby eliminating joints. Mascon completes the entire structure of a building at the rate of 4 days per floor. The formwork is erected and dismantled without cranes, using unskilled labourers equipped with only hammers.

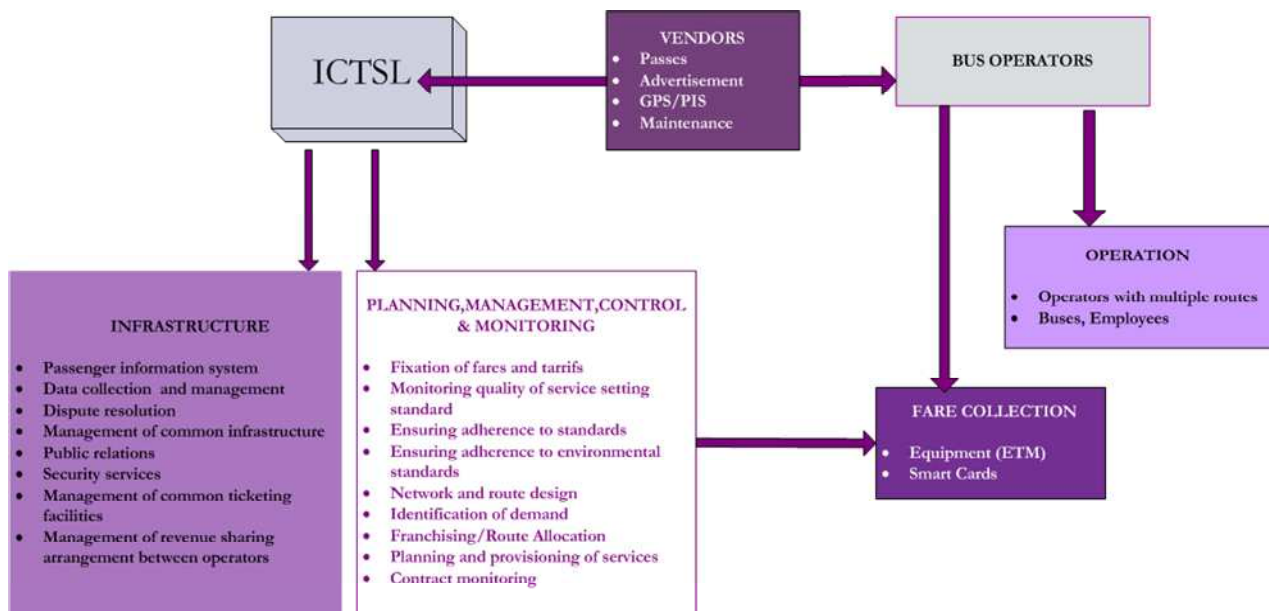
Advantages of this technology viz.-a -viz. the conventional method of construction are as follows:

- 10% more economical
- 25% faster completion per unit
- Completion of one house in 3-4 days
- Doesn't require skilled labour
- Suitable for mass housing construction like quarters and rehabilitation of houses
- Longer life of the structure

7.1.2. ₹100 crore special package for Seven Corporations

The state government of Karnataka, has launched the Mukhya Manthrigala Nagarothana Yojna (MMNY), post JnNURM, which attempts to address infrastructure gaps and focus on the overall development of cities/towns to expand and improve municipal services. One component under this scheme involves providing a special package of ₹100 crore to the city corporations of – Mysore, Mangalore, Davanagere, Hubli Dharwad, Belgaum, Gulbarga and Bellary for promoting faster urban growth and reducing the pressure on Bangalore city. As a result of this program, 1370 civil works have been taken up in the seven corporations. The focus of this package is on better roads and side drains, water supply, underground drainage, improved modern marketplaces and all sectors of urban infrastructure have been included in the plan.

Figure 7.1: Indore Transport Model



7.2. Madhya Pradesh:

7.2.1. Indore City Transport Services Limited (ICTSL)

Indore City Transport Services Limited (ICTSL) was formed in December 2005 by Indore Municipal Corporation and Indore Development Authority jointly investing a capital of ₹25 lakhs and forming a Special Purpose Vehicle (SPV). The model adopted was that of minimum investment and maximum returns. The initial capital was divided into 2.50 lakh equity shares of ₹10 each and the investment on the buses and cost of operations being borne by operators. The profits ICTSL has entered into public private partnership with private bus operators and marketing agents established 300 bus stops on a BOT basis in association with the Indore Municipal Corporation and set bus in consultation with the six bus operators who were selected by competitive bidding. The bus operators started their services in December 2005. Under JnNURM, 125 new buses were added to the fleet of buses. Except for ICTSL initial paid up capital, of ₹25 lakhs, Indore city buses have paid for itself. Its net profit has gone up from ₹34 lakhs in 2006-07 to ₹1 crore in 2009-10. The revenue sharing is 20% of the monthly pass revenue and 40% of the advertising revenue is given to ICTSL. The SPV's structure has been depicted diagrammatically as follows:

The main source of revenue for the company is the monthly premium amount received from the bus operators, advertising revenue and share of revenue generated through passes. Maximum finance was arranged for the operators by bank and an escrow account created between the bank, the company and the operators. This is one of the most successful PPP ventures in the country today in the field of transportation. With the private investors being responsible for operations as well as maintenance of the buses, the entire transport set up is run on PPP in the city of Indore. The JnNURM procured buses also operate under ICTSL.

7.2.2. Land monetization by Indore:

Indore Development Authority, in an endeavour to help realize cash for Indore Municipal Corporation has been allowed by the state to sell its land to help attain additional funds for JnNURM and ADB projects. Currently, the process for suitable land identification is underway for raising money to fund tender premiums, cost escalation, to help attain bridge gap financing for central government releases and other financial gaps that may hinder the progress of the existing projects

7.3. Maharashtra

7.3.1. Maharashtra Urban Infrastructure Fund

Government of Maharashtra has constituted a corporation in 2002 in the name of Maharashtra Urban Infrastructure Development Company Ltd for facilitating funding urban infrastructure for the ULBs in the state (except Mumbai) and raising finance from financial institutions and capital market. Hence a corpus fund was formed worth ₹ 250 crore (share from state government and MMRDA). It takes loans from external agencies and forwards the same to the ULB's as bridge gap financing in the form of 50% grant and 50% loan.

7.3.2. Maharashtra Suvarna Jayanti Nagaruthan Mahabhiyan

On the lines of JnNURM, the state has started its own mission mode programme called "Maharashtra Suvarna Jayanti Nagaruthan Mahabhiyan". It caters to sectors like health, education, transportation, city roads, accounting principles, PPP in urban infra, etc. It includes 83 cities in first phase. City selection was based as – all district head quarters, second largest city in the district in terms of population, cities of religious importance. All cities covered under this are class 'D' municipal corporations and main municipal councils and nagar panchayats which have not been covered by JnNURM.

7.3.3. YASHADA

Yashwantrao Chavan Academy of Development Administration (YASHADA) is the Administrative Training Institute of the Government of Maharashtra, and meets the training needs of government departments and rural and urban non-officials and stakeholders. Maharashtra is one of the few states that recognizes the need to build human capital to increase efficiency of the municipal cadre and to ensure better service delivery and urban governance:

- To promote modern management science as a major instrument for development of economic and social activities of the State Government, Zilla Parishads and other institutions and organizations of the State Government.
- To develop managerial skills, organizational capability, leadership and decision-making ability for development planning and efficiency in implementation of policies, programmes and projects.

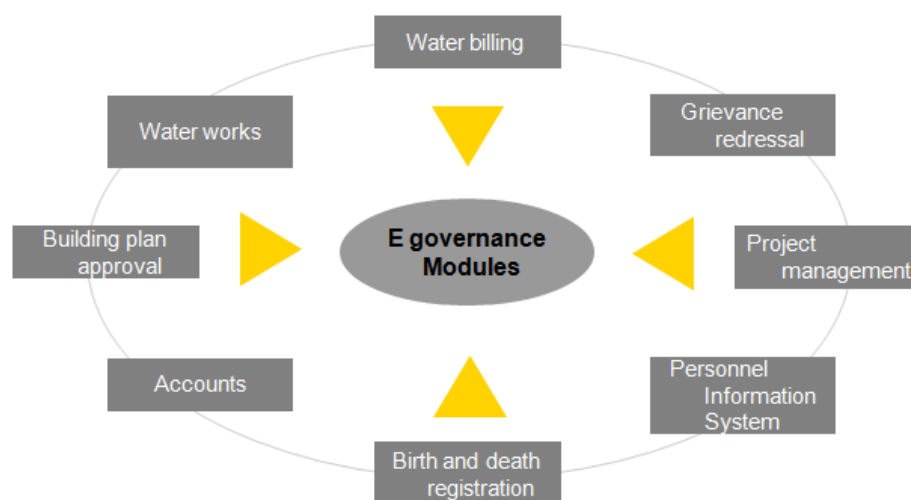
- To carry on operational and policy-oriented research, to evolve ideas and concepts appropriate to the local, state and national environment and to formulate policy alternatives.
- To serve as an apex institute for the collection and dissemination of information regarding development administration.
- To foster, assist and support individuals, organizations and institutions in the use of management science.
- To provide consultancy services in development and public administration.
- To function as the nodal State-level training institute in the field of development administration

Various ULBs like Nanded, Mumbai, Pune etc send their officials to YASHADA for trainings and capacity building.

7.3.4. E-Governance initiatives in Kalyan Dombivli Municipal Corporation

In December 1999, Kalyan Dombivli Municipal Corporation (KDMC), which serves the citizens of the twin cities of Kalyan and Dombivli, automated access to all functions and services related to more than 100 citizen services by putting them online. Today, the 1.2 million citizens of Kalyan and Dombivli use KDMC's Oracle-powered portal to access local citizen facilitation centres for more than 100 services. Of primary importance, this system establishes transparency, which raises the credibility of the organization's operations. It also makes it easier for citizens to interact with the agency, and helps the corporation collect municipal fees quickly. **KDMC being one of the first corporations to have established an e-governance system was recognized and awarded a certificate of Recognition by the Government of India for exemplary e-governance initiatives. Many corporations have used/ are using KDMCs website as a base / reference for setting up their own systems even today.** Under Government of Maharashtra directives, all ULBs in Maharashtra have to replicate KDMCs e-Governance model and many of the ULBs like Nanded have also sent their officials for trainings to KDMC.

Figure 7.2: E-governance modules in Kalyan Dombivli



7.3.5. Rainwater Harvesting initiative under Kulgaon-Badlapur Municipal Council

In March 2007, Badlapur residents installed rain water harvesting demonstration unit in their town using modern methods unavailable to their ancestors. With rain gutters and pipes, they connected the roofs of 36 apartment buildings forming a system that captures and stores rainwater. An electric pump is used to pump water back into the buildings taps for everyday households' use. About 2,000 residents-beneficiaries now get water 24 hours a day, 7 days a week from Badlapur's rainwater harvesting system, which provides for about 100 litres per person per day more than enough to meet washing, toilet, and other domestic water needs. It also reduces the demand for water from the piped system, which is now only used for drinking and cooking purposes. A big plus of the system is that less water is taken from groundwater sources.

7.3.6. Performance based management contracts in Navi Mumbai

The Navi Mumbai Municipal Corporation caters to a population of 10 Lakh with a staff of approximately 2000 largely by outsourcing. NMMC has been implementing 3 water supply projects under JnNURM. They have been attempting to eliminate the shortcomings of outsourcing by the following:

- The water supply project has been contracted for a period of 5years on a **performance based management contract**; this ensures the quality of construction. ULB believes the performance based contracting system ensures good quality of the works and is an ideal system to follow with small contractors. In the eventuality of non performance of the contractor, the payments are withheld.
- Each of the 17 zones of water supply has been contracted to 17 different contractors. This eliminates the formation of monopolies.

7.3.7. Implementing PPP projects via TDR

The Thane Municipal Corporation found itself unable to provide urban services to the rapidly growing urban population out of existing tax revenues. The corporation has thus been using land instruments like T.D.R and F.S.I to fund the viability gap. As per the provision of the sanctioned Development Control Regulations (DCR), the developer can develop the reserved sites at his own cost for their designated purpose and hand them over free of cost to the municipality. In return, the developer is permitted to develop the potential FSI for his own purpose in conformity with the allowable user in that area as per zoning of DCR. This provision facilitates the corporation to provide civic amenities and facilities to the citizen.

7.3.8. Advance Locality Management Programme (ALM), Mumbai

This best practice explores alternative approaches to municipal solid waste (MSW) management and considers community participation and public private partnership in waste management in Mumbai. Community participation in waste management is the least cost option and there is a strong case for comprehensively involving community participation in waste management. The Municipal Corporation of Greater Mumbai's(MCGM) vision of ALM is improved SWM leading to improved quality of life in their respective localities by keeping it clean and green in partnership with MCGM. In order to translate the vision into action the strategy comprises of:

- Forming the residents association and encouraging reduction, reuse and recycling of solid waste generated in the locality by segregation of waste at source.
- Adoption and beautification of the locality by developing greenery.

- For better civic life, coordinating with other authorities and agencies like police, electricity providers, telecom companies and public works department.
- Providing incentives by giving ALM privilege

7.3.9. SCADA system in Pimpri Chinchwad Municipal Corporation (PCMC)

In order to fully utilize the potential of the water sources available in an efficient manner which does away with any wastage the corporation has invested in a SCADA system similar to the one in Chandigarh but with five times the water drawing capacity.

7.3.10. Solid Waste Management with Vehicle Tracking, PCMC

PCMC has started GPS vehicle tracking system. This GPS system has been integrated with an interface which will assign waste pick up job and duty management. This also monitors and registers the auto job pick up adherence via geo reference and stop at pick up bin location. Vehicles Trip/job report is generated for number of trips per vehicle per driver and as well as contractor. Pick up adherence report, exception report on missed bins is also generated for the authority to monitor the collection of solid waste from bins. Tracking report, stoppage, over speed reports and detentions reports and idle reports are generated for continuous monitoring of collection and transportation of vehicles. This also includes

- Bin wise service efficiency report
- business specific alerts via SMS/email
- Vehicle being dispatched to trip
- Vehicle reaching assigned waste bins locations
- Unloading at land fill site
- Vehicle stoppage time in various locations and breakdown

This initiative has increased the efficiency of SWM in the region.

7.4. Tamil Nadu

7.4.1. Pooled Financing Mechanism

Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) is a Public Limited Company incorporated on 7th November 1996, under the Indian Companies Act, 1956 with a paid-up share capital of Rs.10 Million. TNUIFSL is a Public-Private Partnership in the urban sector, between Government of Tamil Nadu and three all India-Financial-Institutions namely, ICICI Bank Limited, Housing Development Finance Corporation Limited (HDFC) and Infrastructure Leasing and Financial Services Limited (IL&FS).

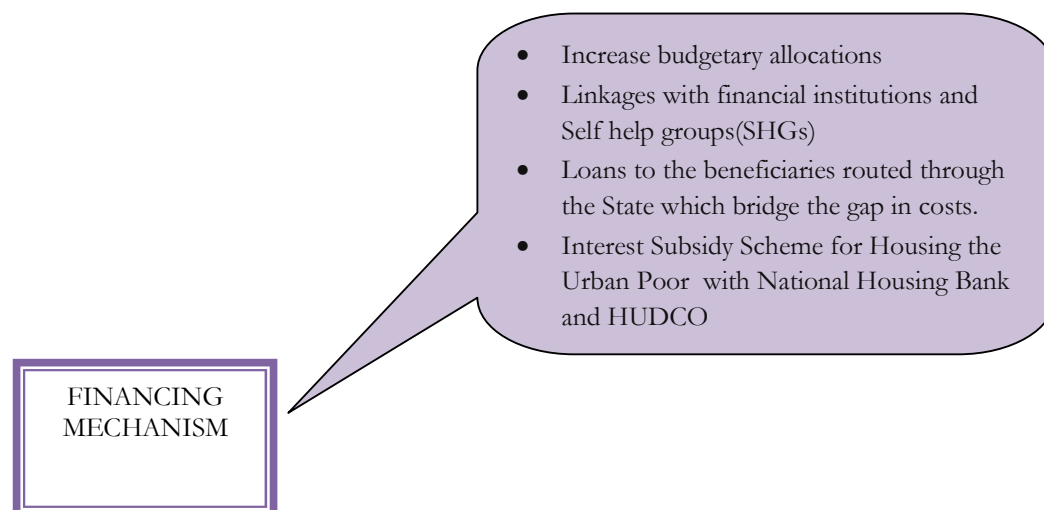
7.5. Andhra Pradesh

7.5.1. Integrated Novel Development in Rural areas and Model Municipal Areas (INDIRAMMA)

The interventions of the Government by providing housing had not kept pace with the demand resulting in supply/demand imbalance. The absence of adequate surpluses in the rural economy for investment in the housing programme has not helped the matters much. To resolve this issue the AP Government launched INDIRAMMA in 2006-07. INDIRAMMA was conceptualized to deliver a package of 9 services like housing, pensions, drinking water, roads, elementary education, electricity, ICDS, health and sanitation to the rural and urban poor.

The programme has been implemented in 1/3rd area of the State each year so as to achieve complete coverage of the State within 3 years. Housing is the most important component of INDIRAMMA, since it is a permanent and life-long asset.

Figure 7.3: INDIRAMMA Financing Mechanism



7.5.2. Bank Loan for urban poor

An important initiative has been tying up bank loans for all JnNURM project beneficiaries. The State Bank of Hyderabad is issuing loans to beneficiaries of all JnNURM projects. The tenor and terms have been arranged after analysis of the ability of pay of the poorest of the poor. Loan up to ₹20,000 has been arranged at interest rate of 4% and for over ₹20,000, the loan is being extended at rate of interest of 8%. This is the first of its kind successful model which has been introduced by a State for giving loans to the urban poor. There are other states like Gujarat who are in the midst of talks with different banks for coming to an agreement for the same but Andhra Pradesh has already finalized the same successfully. It is also a model which can be replicated by other ULBs.

7.5.3. Dustbin Free and Zero Garbage Suryapet Municipality

Suryapet municipality has introduced door to door collection of garbage from all households and commercial establishments by sending municipal vehicles with public health workers. All households have been supplied with two dustbins for depositing wet garbage and dry garbage separately after segregating the garbage at source. All the roads and drains are cleaned daily. Further the organic waste is converted into vermin compost and inorganic waste is segregated into papers, plastics, tins, etc and sold to scrap dealers.

- **Mobilization of resources**
- **Maintenance of sanitation** One sanitary inspector, one health assistant, seven public health jawans and 227 public health workers are employed for the maintenance of sanitation.
- **Peoples' Participation-** Public awareness was created by announcement through mikes, distribution of pamphlets and through street plays and songs. Meetings were conducted explaining the necessity of keeping the town clean and problems created due to bad sanitary conditions prevailing in the streets resulting in communicable disease. Meetings were conducted with different professional and trade groups to follow new process. Meetings were also conducted with NGOs, CBOs, Cable TV and Media to extend their cooperation in implementation of the initiative.
- **Monitoring-** In the beginning of the initiative each zone was placed under the supervision of one officer for close monitoring. Daily reports are submitted by public health subordinates regarding cleaning of all streets and drains, and collection of all garbage door to door from all households and other establishments. The daily reports of public health subordinates are monitored by municipal commissioner to identify problems and to initiate remedial action.
- **Sustainability-** Total populations are aware of the initiative and are highly appreciative of the new process. The citizens are in favours of continuing the initiative. The municipal council is extending the full support to the initiative.

7.6. Delhi

7.6.1. Using technology for efficient Solid Waste Management

The Municipal Corporation of Delhi (MCD) had a vision for efficient, regulation based solid waste management (SWM). The MCD has formulated a 25year SWM Master Plan with a total outlay of ₹3700crores for disposal and treatment of Municipal Solid Waste (MSW). MCD is implementing a modernized, a GPSbased Solid Waste Transport Management System (STMS). The primary objective of development, implementation and maintenance of GPS based Solid Waste Transportation Management System (STMS) is to maximize the efficiency of the SWM system and thereby improving the quality of service to the citizens. Some specific goals are:

- ✓ Ensure a regular and timely collection of solid waste from the scheduled points
- ✓ Provide complete audit trail on the movement of trucks vis-à-vis their position and speed with time stamp
- ✓ Issue alerts for over-speeding, unauthorized stoppage, non stoppage of the truck at scheduled stoppage points, route deviations etc.
- ✓ Event logging (viz. Start and end of journey, emergency, breakdown etc.)
- ✓ Enable communication with the truck driver for issuing need based instructions
- ✓ Evaluation of vehicle performance
- ✓ Calculate the amount payable to the private operator based on tonnage
- ✓ Eliminating the human factor from entire cycle of SWM process starting from collection to bill disposal

The GPS system consists of:

- A surveillance system for monitoring the movement of the RRT operated by or under the aegis of the MCD using GPS/GIS and GSM mobile communication technologies; and
- A system for automation of tipping fees, calculation by identification of trip starting point using GPS readings collected during the vehicle passage.

The GPS box is installed in each vehicle beside the gear box. Radio frequency receptors have been installed at all landfill sites and further computerization of weighbridge completes the cycle of transportation. GPS box is identified and data transfer to computer takes place in wireless transfer mode.

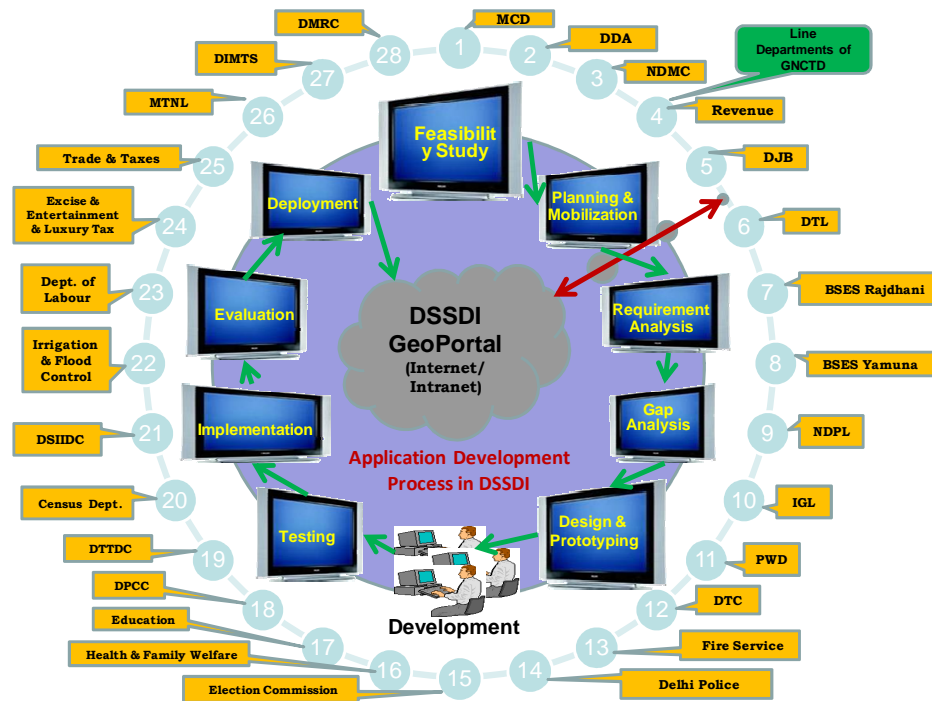
7.6.2. Delhi State Spatial Data Infrastructure

Need of the project – Integrated management of the city's public utilities

To formulate a one stop centre to populate the information available on the city of Delhi linked to spatial parameters. Therefore, DSSDI project was conceptualized under an SPV format by the Government of Delhi in collaboration with Survey of India in the end of year. The project was earlier under the ministry of urban development which now has been handed over to IT.

The SPV focuses primarily on interlinking all the data on urban development of the city spatially. Hence, all the information available with different departments is integrated on one single map. The data with DSSDI is in 3D format and is much superior to GIS maps. The coverage of the project is shown in the figure below:

Figure 7.4: Graphical representation of Delhi State Spatial Data Infrastructure



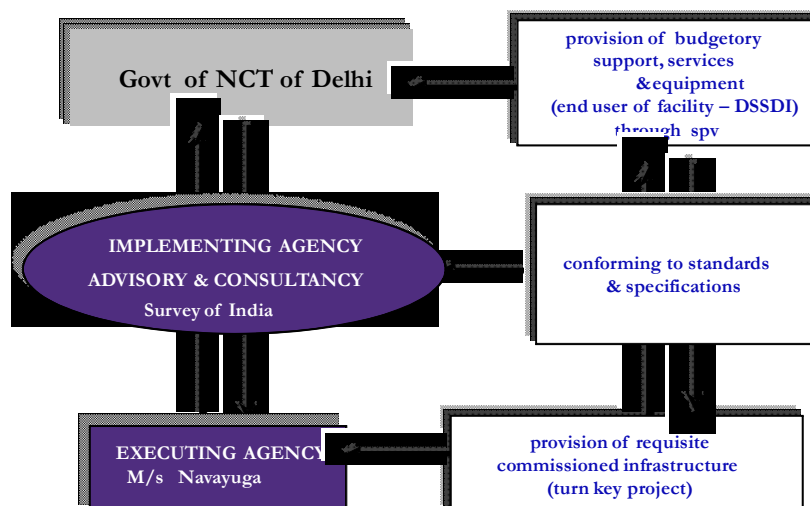
Delhi geo portal

Roles and responsibilities

1. **Delhi government** - conceptualization, funding and managing the project through SPV
2. **Survey of India** – sharing of human resource

Institutional framework

Figure 7.5: Graphical representation of Delhi Geo portal



Coverage

It covers 8 out of 9 districts (New Delhi, North, Central, North-East, East, South, West, South-West) under the NCT jurisdictional area except North-West. The current project is only for NCT of Delhi and does not cover areas outside Delhi (Like Gurgaon, Noida, etc.). Also this project has been done only in Delhi and no other state has taken up any such initiative.

Technical expertise

1. Developed by a team of 1,500 professionals (in-house as well as outsourced) in last 2 years.
2. OGC compliance sources
3. Usage of Oracle G Special software (also integrated GIS, hydraulic modelling, asset management, etc)
4. Accuracy at level of centimetre
5. Example of efficient usage of the project – mapping of unauthorized colonies in Delhi since 1990, local area planning (project headed by chairman, MCD)
6. The data collected in the census can be superimposed on the existing maps.

Some Advantages of DSSDI

- The geo-spatial images can be used to get accurate data for any time in the past. For example if the rules require to legalize any building built before 1996 then the image of 1996 can be used to check the buildings existing at that time.
- The Spatial maps can help in implementation of several legislations, For example: If the rule requires that no Liquor shop should be upto 200 m of any school then these maps will actually help to define the 200 m boundary.
- The maps are As-Is state representation of the existing situation on ground based on door to door data collection.
- These maps will be used as a basis for any future master planning or town planning exercise.

7.6.3. Online Assessment and Payment for Property Tax

With e-governance firmly in place the success of unit area based taxation system spurred the officials of Municipal Corporation of Delhi to implement this taxpayer friendly online system. One can assess one's property and calculate how much property tax one has to pay. The software is simple, easy to grasp and intelligent. Not only has the tax revenue gone up, but the consequent transparency has raised the credibility of MCD.

7.7. Gujarat

7.7.1. Water Quality Monitoring System in Surat City

Piped water supply system for the Surat City was started first time in year 1894, with River Tapti as the main source of water supply. In light of the growing demand for water in city by 1995 the corporation could no longer cope with the increasing demand due to structural and financial constraints. A PPP initiative was undertaken to solve this problem and weir cum causeway was constructed which has helped SMC to manage the growing demand for water in the city. Surat Municipal Corporation (SMC) is presently catering to various services for the establishment of water quality monitoring system, to cope with the situation.

7.7.2. Installation of Centralized Bio-medical Waste Treatment Facility on BOOT basis

Surat City has a comprehensive system of Bio-Medical Waste (BMW) management activities starting from the collection of BMW till its treatment in centralized BMW treatment facility and the final disposal is entrusted to the facility operator who operates the plant on BOOT basis. The facility is currently operated by Hanjar Biotech Eng. Pvt. Ltd.

7.7.3. Solid Waste Management project in Vadodara

SWM is being undertaken in the PPP mode with the collection, transportation, treatment and disposal being carried out in an efficient and eco friendly manner. It has been identified as one of the best PPP initiatives in Solid Waste. The compost plant is being operated on a BOOT basis by Hanjar Biotech Eng. Pvt. Ltd.

7.7.4. Sewerage Treatment Plant in Ahmedabad

The STP that has been taken up under the mission has targeted the population of 2021. This STP uses the SCADA system for operation and monitoring. A SCADA system allows users to monitor an entire plant or individual pieces of equipment and processes by collecting real-time data from various sensors throughout a network. This has increased the efficiency of the STP in Ahmedabad substantially.

7.7.5. Affordable Housing for the Urban Poor, Surat

Surat Municipal Corporation has planned and constructed well designed thousands of EWS/VAMBAY houses with healthy and hygienic environment. The housing design for EWS category is ground + three storied RCC framed structure. On each floor, there are four dwelling units. The total Built-up area of single D.U. is 22.45 sq.mt. (i.e. 241.00 sq ft.) The unit has single living room, kitchen, W.C., washing place and balcony. In VAMBAY scheme out of 372 units constructed, 228 dwelling units are design with single multi-purpose room, attached with toilet unit. The total built-up area of single dwelling unit is 20.16 sq. mt. The dwelling units are design in Row type houses with RCC Ground floor structure. Another 68 units are under construction. As per the strategies decided for the housing scheme, beneficiaries are identified through demand survey. Applications were

invited by giving advertisement in newspapers. In some cases, hutments were shifted in these houses. All the infrastructure facilities like water supply, drainage, roads, street light, compound wall etc. are provided. Schools and Anganwadis are constructed in the vicinity of the rehabilitation sites.

Financial resources - For EWS houses the unit cost pre - earthquake - 2001 was ₹58,000 and post earthquake is 68,000/-. The families earning less than ₹2500 per month are eligible for this scheme. Government of Gujarat provides a subsidy of ₹5,000 per unit. There is a loan component of ₹35,000 per unit and rest of the amount i.e. either ₹18,000 or ₹28,000 as the case may be is the beneficiary's contribution. The beneficiary has to pay monthly installment of ₹332 for 15 years.

7.7.6. Green Energy Generation from Sewerage by setting up of Sewage Gas Based Power Plant at Singanpor, Karanj, Bhatar, Anjana STP

Surat Municipal Corporation has been exploring clean energy technologies, stringent waste disposal system and supporting the energy generation from waste and other non-conventional or renewable sources. Besides Power generation, the sewerage gas based power plant project claims for the CER under Clean Development Mechanism of UNFCCC.

7.7.7. "Swarnim Jayanti Mukhya Mantri Shehri Vikas Yojna"

Taking a cue from the JnNURM which has incentivized States/ULBs to achieve a set of reforms, the Government of Gujarat, has launched a focused urban development initiative at the state level for the small and medium level municipalities to access dedicated funds for urban development projects based on their commitment to achieve the linked set of reforms.

7.7.8. E-Governance portal – Ahmedabad

The Government of Gujarat has appointed a nodal agency for implementing e-governance across the ULBs under JnNURM. The Municipal e-Governance Design Document (MEDD) has been prepared on the basis of the National Design Document as per NMMC. AMC has already designed and implemented various modules in consultation with the nodal agency.

- Property tax
- Shops and establishments
- Building plan approval
- Birth and death certificate
- Tender launching
- Complain registration
- Hawkers license issuance
- City transport concession pass
- Octroi collection
- Vehicle tax collection
- Right to information act
- Inventory management
- Hall booking

7.8. Orissa

7.8.1. Vending Zones in Bhubaneswar

BMC adopted an innovative strategy to organize the informal vendors into Vending Zones. The civic body of Bhubaneswar realized that informal vendors need to be organized for the best interest of city transport, beautification and reducing cities carbon foot prints. Also, organized vending zones will provide revenue to the civic body. Bhubaneswar, therefore, initiated an innovative approach to improve the informal trade and have a better managed public space. This initiative is unique in nature due to the use of the Public-Private Partnership (PPP) model. This initiative is, today being replicated in many other cities in the country.

7.8.2. Tripartite Agreement for Transport model on PPP

A joint venture has been formed for purchase, operations and maintenance of buses under JnNURM. The parties under the tripartite agreement to this SPV are Orissa State Transport Corporation, Bhubaneswar and Puri Municipal Corporations. The agency for managing this has already been hired and the project is running successfully on PPP.

7.8.3. Inter-Governmental Convergence for Integrated Sewerage System, Bhubaneswar

The Government of Orissa Housing & Urban Development Department is using an innovative strategy to mobilize funds for the city's integrated sewerage system. Use of intergovernmental financial mechanisms funds has been done for the development of integrated sewerage network in Bhubaneswar was identified. The uniqueness of the initiative lies in mobilizing of funds through convergence. The innovative financing mechanism of the initiative pulled municipal bodies, state government, central government, international banks and generated concern right from the stage of conception of sewerage network scheme for Bhubaneswar. Contributions came from a number of resources through loans and grants. The exhibit below shows the various sources of funds involved in the project's financing:

Table 7.1: Sources of funding

Source	Amount
JnNURM GOI ACA (80%)	₹399.13 Cr
Government. of Orissa & ULB share (20%) The 20% state share is being met through a soft loan from JBIC	₹99.78 Cr.
12th Finance Commission Grant	₹140.00 Cr.

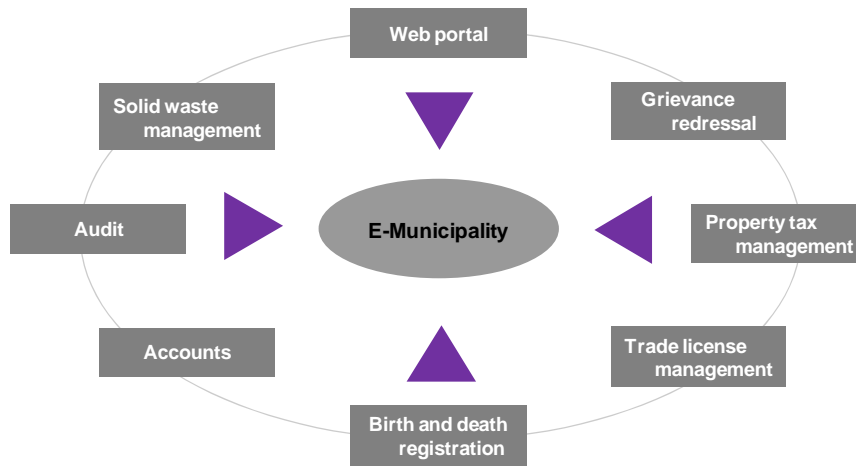
7.8.4. "e-Municipality" project

e-Municipality is an initiative of the state government aimed at developing an integrated system to deliver citizen centric service via urban local bodies at any given time in any location. The project has been outsourced to a consultant. The broad objective of the project is as follows:

- Provide single window services to citizens at any time, at any location
- Develop a single and integrated view of ULB information systems across all ULBs in the state
- Provide timely & reliable management information relating to municipal administration for effective decision making
- Adopt a standards-based approach to enable integration with other related applications

- Increase the efficiency and revenue of ULBs by providing a best system and best practices
- Compliance with JnNURM and other reform norms

Figure 7.6: Project modules: e- municipality



7.8.5. “e-Seva” project

The Housing & Urban Development Department initiated Urban Jana Seva Kendra (e-seva) as a part of the e-municipality project for various services through a network of Jana Seva Kendras (JSK) or Citizen Service Centres. This initiative aims at enhancing transparency and reliability in service delivery process. After successful implementation of e-procurement and e-registration, this governance initiative should benefit the citizens in a major way. Subsequently, the service will be extended to all the ULBs in the state. It has been processed for opening CSC centre’s on PPP mode at different ULBs so that the citizen can avail the ULB services under e-Municipality project. Services planned to be delivered at CSC counters include the following:

Figure 7.7: Services delivery at CSC counter: e-seva project



7.8.6. MoA (Tripartite Agreement) between parastatal agencies and ULB's

A tripartite agreement to be signed between the State Government, the Public Health and Engineering Department and the Bhubaneswar ULB has been proposed as a mid-way between line departments or the ULBs managing service delivery entirely on their own. Such an agreement is a performance based contract between the line department, which has the technical expertise to manage and deliver civic services and the ULB which commits payments based on the performance milestones fixed for the agency. This also ensures that the ULB has the overall accountability for the projects being implemented by the parastatal agencies which in turn follows the 74th CAA in spirit.

7.9. West Bengal

7.9.1. A Strategy for Redevelopment of a Municipal Market

Kolkata is an old and densely populated city with hardly any space left for new construction, particularly in the inner city. Therefore, Kolkata Municipal Corporation (KMC) has devised a strategy for the redevelopment of the nearly 70 year old park circus municipal market on PPP without displacing the stall owners. KMC has entered into a lease agreement with a consortium to administer the redevelopment of the park circus municipal market. The initial period of lease is for 99 years with a renewable clause for a subsequent 99 years, subject to compliance of terms and conditions as stated by KMC at that point in time.

Key Project Features:

- To make the project self sustaining and as part of the Build Own Operate Transfer (BOOT) arrangement, the KMC has granted permission to Simplex to construct and lease out the commercial blocks on a long term basis. Simplex pays the lease rent as well as basic rent. It has been granted the right to enter into a lease agreement with the prospective trader ('lessee') for an initial period of 60 years during which it will collect the lease rent.
- Cost of Project – ₹85.73 crore (approx.)
- Total floor space to be created – 2, 14,334 sq. ft.

7.10. Rajasthan

7.10.1. Biogas powered sewage treatment plant in Jaipur

The Jaipur Municipal Corporation (JMC) has implemented a Delawas unit of sewage treatment plant (STP) which is completely powered by biogas. This will help government to bring down power bill from ₹14 lakh to an almost negligible cost. The Delawas STP began using bio-gas generated from the plant into power turbine generating electricity a few months ago and now they have been successful in running the entire STP on the biogas power. With more investment, the plant has the potential to generate more clean energy for a sustainable period. The potential surplus power could be used for powering the streetlights of the city which could save millions of rupees. The treated water is also available for irrigating the farm land as well as many parks and gardens in the city.

7.11. Chandigarh

7.11.1. SCADA system

The Supervisory Control and Data Acquisition Scheme (SCADA) was initiated by the ULB in Chandigarh under the project for 'Up-gradation of water supply infrastructures for proper

monitoring & automation with remote computerized surveillance system to accomplish 24 x 7 water supply in Chandigarh' under JnNURM.

- Provision to measure exact availability of water in a tube well
- Knowing the condition of tube well in terms of actual draw down of water level which is utilized to find out the requirement of further lowering of pumping machinery or abandonment, which prevents dry running of tube wells.
- Real-time monitoring of process control parameters
- Optimum utilization of tube wells.
- Saving in manpower due to auto operation/ control of tube wells
- Saving in power consumption by maintaining the optimum power factor, which is possible through data analysis.
- Decrease in response time for attending to breakdowns
- Complete data collection, preservation and analysis of real-time data of tube wells in the form of user –friendly reports & graphics
- Reduction in motor burn outs due to auto trip protection resulting in reduction of maintenance cost of machinery

SCADA enables better supervisory control through data acquisition and analysis. SCADA system is being used in very few ULBs in India including Ahmedabad. The features are listed below:

7.12. Initiatives under Public Private Partnership (PPP) model

Public Private Partnership (PPP) can be best defined as a partnership between a government enterprise and a private business venture funded and operated by the government and one or more private sector companies with financial, technical and risk sharing being the key characteristics of the venture. In some types of PPP the cost of using the service is borne exclusively by the users of the service and not by the taxpayer. In other types (notably the Private Finance Initiative) capital investments is made by the private sector on the strength of a contract with government to provide agreed services and the cost of providing the service is borne wholly or in part by the government. Government contributions to a PPP can also be in kind, for example by way of providing land or in form of a subsidy: capital & revenue.

Given the fact that more than USD1 trillion worth of investment is needed in the urban infrastructure sector, PPP is the need of the hour. It is not possible for the Centre, State or the ULB to individually or even jointly manage this demand – supply gap and the assistance in terms of funding, technical and operational expertise of the private sector needs to be sought. Given the fact that even the absorption capacity of the private sector is not as high as required to offset the infrastructure need of the country, the two sectors i.e. Government whether centre, state or ULB level and private sector needs to work in tandem. Keeping in line with this, when JnNURM was conceived, encouraging PPP was made an optional reform to introduce the idea and to establish the importance of a partnership between the public and the private sector. Many cities do not have

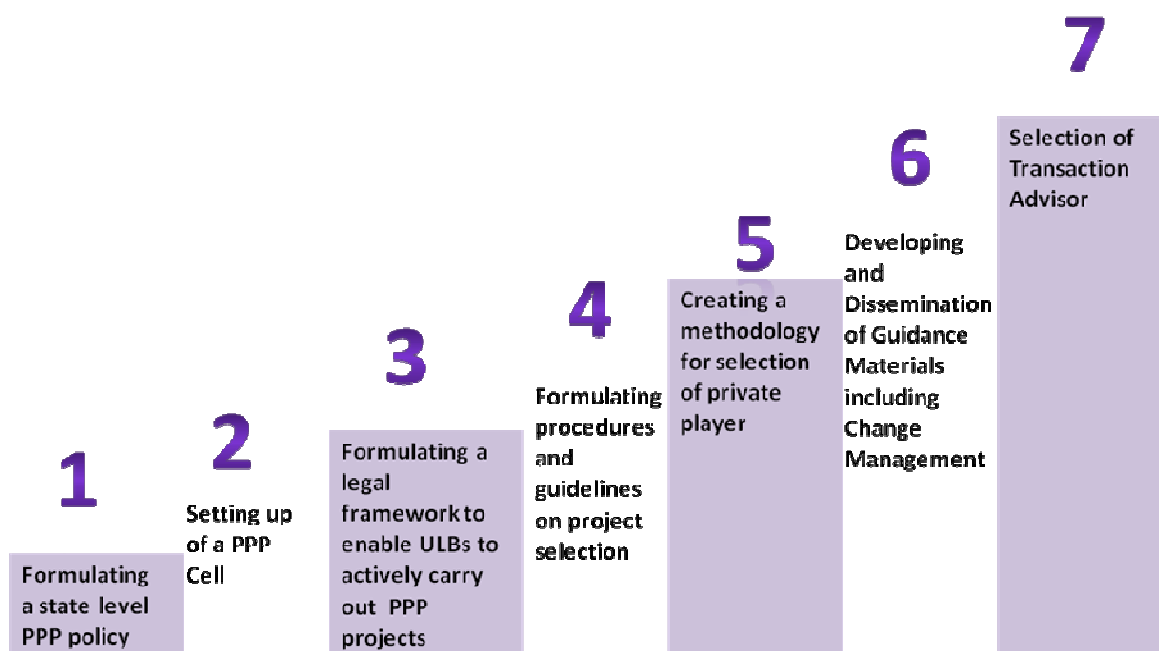
executive capacity to cope with the rising demand for water supply, sewerage, drainage, electricity supply, roads and solid waste management etc. Public Private Partnership (PPP) is considered to be a proven viable alternative to overcome the systemic problems and to infuse efficiency into the operation and maintenance of infrastructure, while bringing in much-needed capital to supplement public funds. By making best use of the full range of PPP models available, public sector entities can maximize the likelihood of meeting its infrastructure objectives.

PPP does not mean reduced responsibility and accountability of the government. They still remain public infrastructure projects committed to meeting the critical service needs of citizens. The government remains accountable for monitoring service quality, determining user charges/pricing, and ensuring cost-effectiveness of the partnership. Government remains actively involved throughout the project's life cycle. Under the PPP format, the government's role gets redefined as one of facilitator, enabler, concessioning authority, monitoring and supervising authority while the private partner plays the role of financier, builder, and operator of the service or facility.

Demand has been created for private capital as well as greater interest of private sector in urban infrastructure development due to part-grant financing by the JnNURM (which is likely to increase the bankability of a number of large urban infrastructure projects) and the fact that the financing gap/needs to be met.

The types of services that can be provided through PPP vary from one local government to the other based on their needs and priorities and the choice of the PPP model will depend on the city-specific objective. The reform primers have suggested a step by step approach to implementing PPP projects in the city which are as follows

Figure 7.8: Stages for implementing PPP projects



Based on the above guidelines, ULBs have started the process of encouraging PPP initiatives in their cities and are supported by the states in doing so. While some ULBs have undertaken this in the true sense, others have just taken their first step towards adopting PPP. While States like Orissa, Punjab and Haryana have only moved up till outsourcing of garbage collection to private contractors, others like Vadodara, have gone one step ahead by setting up compost plants on PPP for their sewage treatment plant in addition to having the garbage collected on a door to door basis using private contractors. There are states such as Madhya Pradesh and Maharashtra which have several PPP projects that are in the pipeline. However, there is a clear need for the States to explore the opportunities presented by PPP in the widest possible ways instead of just limiting the scope to outsourcing.

Some initiatives under PPP are:

Gujarat: Water Quality Monitoring System in Surat City, 2006

Piped water supply system for the Surat City was started first time in year 1894, with River Tapti as the main source of water supply. In light of the growing demand for water in city by 1995 the corporation could no longer cope with the increasing demand due to structural and financial constraints. A PPP initiative was undertaken to solve this problem and weir cum causeway was constructed which has helped SMC to manage the growing demand for water in the city. Till 1995, there was no plan in place to sustain water supply and as a result, of tremendous rise in water demand, scarcity of water set in. Surat Municipal Corporation (SMC) is presently catering to various services for the establishment of water quality monitoring system, to cope with the situation.

- **Gujarat: Waste Processing Plant through Public Private Partnership , 2000**
The Rajkot Municipal Corporation led a waste processing plant project through public private partnership model and strongly advocated such plants on their-own. They adopted ways and means to process and dispose of the waste that was generated each day and processed it through ways to re-use and recycle the waste, so that the least quantity of waste needs to be disposed off.
- **Maharashtra: Advance Locality Management Programme , 1996-97**
This best practice explores alternative approaches to municipal solid waste (MSW) management and considers community participation and public private partnership in waste management in Mumbai. Community participation in waste management is the least cost option and there is a strong case for comprehensively involving community participation in waste management
- **Maharashtra : Pilot 24X7 Water Supply Project ,2008**
Nagpur Municipal Corporation (NMC) has undertaken this pilot project at Dharampeth for 24x7 water supply to 15000 connections on PPP basis
- **Gujarat : Installation of Centralized Bio-medical Waste Treatment Facility on BOOT basis , 2002**
Surat City has a comprehensive system of Bio-Medical Waste (BMW) management activities starting from the collection of BMW till its treatment in centralized BMW treatment facility and the final disposal is entrusted to the facility operator who operates the plant on BOOT basis.
- **Karnataka : PPP for Street Lighting and Energy Conservation, 2002**
Bangalore has involved a Private Energy Service Company to introduce advanced technologies for energy management in street lighting systems. Street lighting systems have the potential to save a lot of power consumption through the use of advanced technologies.
- **Andhra Pradesh : PPP in Street Lighting , 2005**
Vijayawada Municipal Corporation has implemented an Energy Saving Project for street lighting through an ESCO as a full-fledged operation and maintenance contract. The main features of this project besides saving energy include installation of central computerised

control room through which operation of control boxes can be done remotely and the information on switched off lights energy readings of different central boxes can be known.

- **Gujarat: City Bus service in Surat on PPP basis, 2001**
Surat has utilised Non-conventional energy sources of City bus services on PPP basis in the city.
- **Madhya Pradesh: Indore City Transport Services Limited ,2005:**
Indore City Transport Services Limited (ICTSL) was incorporated with an objective to operate and manage the public transport system of Indore. ICTSL started with a capital of just ₹25,00,000 invested jointly by the Indore Municipal Corporation and Indore Development. The governing principle was “minimum investment, maximum returns”; diligent planning involved keeping in mind the interest of the consumers, the company and the operators. The details were thought over and implemented on ground with excellence within 56 days (for a solution that the city needed for the past 15 years).The Buses were still to be run by Private operators who paid monthly premiums to ICTSL. The sources of revenue for the bus operators were the daily fare box collection, share of revenue generated through advertising on buses and monthly passes. Operators were financed 100% by the bank and an agreement has been executed between the company, the bank and the operators to have an escrow account. It is one of the success stories in the field of transport.
- **West Bengal :Water Supply and Sewerage Project, Salt Lake (Sector-V)**
The Government has established a separate industrial township authority called Nabadiganta Industrial Township Authority (NITA). At present there is no organized water supply and sewerage system in the township. Thus, the industrial units in this township have to depend on ground water based water supply and on-site sanitation at their own costs. The Government of West Bengal proposes to dispense with indiscriminate extraction of underground water to prevent environmental hazards. With a view to providing a healthy environment, KMDA had planned a combined Water Supply-cum-Sewerage Project for the entire township through PPP by invoking the PPP format of Build, Operate and Transfer (BOT). The implementation and management of the project was to be given over to a competitively selected private sector entity for a period of 30 years initially and will be renewable for another 30 years
- **Orissa: Solid Waste Management through Bio-Composting in Puri**
The Heritage City of Puri, initiated an innovative approach to scientifically dispose of the municipal waste. Today through this initiative the ULB is not only able to safely dispose of waste but also gain revenue from operators.
- **Automated Parking System in Bangalore City**
BBMP in association with the Brigade Shops Establishments Association (BSEA) established automated parking as a sustainable measure to resolve the issue of excessive traffic on the roads and lack of car parking space. BBMP entered into a Memorandum of Understanding (MoU) with BSEA for the pay-and-park scheme on the Road. Duration of the partnership was for an initial period of two years, renewable further for a period of five years. A standard MoU with the Build-Operate-Transfer (BOT) partner was drawn up along with an amortization schedule for the period.
- **West Bengal: PPP Model for Underground Car Parking System, Kolkata**
As an attempt to ease the traffic flow and to address issues of pedestrian’s, KMC constructed a multi-level underground car parking system in April 2007 in PPP mode. KMC was the first ULB in India to introduce computerized off- street parking. Another similar project has also been taken up by KMC at Rowdan Street, where above the ground car parking system was inaugurated in Nov 2001. The latter is a three level parking all above the ground. It has been found extremely safe especially for citizens who are going out of station to leave their car parked in perfect safety. This initiative of the KMC was in collaboration with the Simplex Projects Limited.

- **Orissa : State Transport Corporation**
A Joint Venture has been formed for purchase, operations and maintenance of buses under JnNURM. The parties to this SPV are Orissa State Transport Corporation, Bhubaneswar and Puri Municipal Corporations. The agency for managing this has already been hired and the project is running successfully on PPP.
- **Gujarat: Sewerage Treatment Plant in Ahmedabad**
The STP that has been taken up under the mission has targeted the population of 2021. This STP uses the SCADA system for operation and monitoring.
- **Gujarat : Solid Waste Management project in Vadodara**
SWM is being undertaken in the PPP mode with the collection, transportation, treatment and disposal being carried out in an efficient and eco friendly manner. It has been identified as one of the best PPP initiatives in Solid Waste. The compost plant is being operated on a BOOT basis.
- **Andhra Pradesh :Fund Your City - A PPP Initiative for Urban Infrastructure Development, Hyderabad**
GHMC had initiated a novel scheme called Fund Your City, to involve the private sector and civil society organization in creating modern urban infrastructure facilities in the fast growing metropolis of Hyderabad. The GHMC developed some good infrastructure facilities in the traffic and transport and sanitation areas under this scheme without incurring expenditures by itself and also created assets and generated sources of income in the process.
- **Orissa : Vending Zones in Bhubaneswar**
BMC adopted an innovative strategy to organize the informal vendors into Vending Zones. The civic body of Bhubaneswar realized that informal vendors need to be organized for the best interest of city transport, beautification and reducing cities carbon foot prints. It also realized that organized vending zones would provide revenue to the civic body. The capital city of Orissa in India therefore, initiated an innovative approach to improve the informal trade and better managed public space. This initiative is unique in nature due to the development of Public-Private Partnership (PPP) model. The task was not easy due to combination of many institutions. But today this initiative is in the process of replication in many other cities of the country.
- **Gujarat : PPP Initiative for City Bus Services at Rajkot Municipal Corporation**
The Rajkot Municipal Corporation (RMC) has taken up public transportation under PPP model. Under this initiative, private players deliver the services, on behalf of RMC. This was decided under the comprehensive strategic management exercise under JnNURM.

To further accentuate our findings based on our field visits:

Table 7.2: PPP status across states

States	PPP projects	PPP Policy	PPP Cell
Andhra Pradesh	✓	✓	✓
Arunachal Pradesh	✓		
Assam	✓	✓	✓
Bihar			✓
Chandigarh	✓		✓
Chhattisgarh		✓	✓
Delhi			✓
Gujarat	✓	✓	✓
Haryana	✓	✓	✓

States	PPP projects	PPP Policy	PPP Cell
Himachal Pradesh	✓		
Jammu & Kashmir			
Jharkhand	✓		
Karnataka	✓	✓	✓
Kerala			✓
Madhya Pradesh	✓		✓
Maharashtra	✓	✓	✓
Manipur	✓		✓
Meghalaya	✓		
Mizoram			
Nagaland			✓
Orissa	✓	✓	✓
Pondicherry			✓
Punjab	✓		✓
Rajasthan	✓		✓
Sikkim			
Tamil Nadu	✓		✓
Tripura			✓
Uttar Pradesh	✓		✓
Uttarakhand	✓		✓
West Bengal	✓		✓

Source: Primary, secondary data collection and GT analysis

While PPP projects are being encouraged by almost all States across India, the level of private partnership differs. Also, the sectors in which PPP initiatives have taken place are restricted to SWM, transportation sector and multi level car parking projects. A few innovative projects like maintenance of roads under PPP, water supply projects etc have also come up but the quantum of such projects is very low.

Some of our key findings include:

- The basic concept of a PPP has not really been understood in spirit by many states. Outsourcing is being considered as a PPP initiative which is not acceptable. Financial, technical and operation risk sharing needs to happen in a joint partnership between a public and a private enterprise for an initiative to be considered as PPP. There appears to be a lack of regional level private bidders in some states. This could be due to the nature of returns on smaller infrastructural projects where there is a long gestation period. This automatically implies that investors must have “deep pockets” which local or regional level private players may not have and the project size may not be large enough to attract national level players.
- An inherent apprehension of delays happening due to political and procedural issues arising out of working in partnership with the government inhibits the private sector. Fast track approval processes need to be brought about to encourage sustainable development of the private and public partnership under PPP mode.

- A PPP cell at the state level and awareness of the PPP guidelines set by the planning commission along with the standard model documents etc need to be brought about in the ULBs if PPP is to be made the gateway for executing infrastructure projects.
- PPP model not just reduces the financial burden of the ULB but also helps bring in state of art technology and operational efficiency in the project. Moreover, the risk is shared between the public and the private player. It is the perfect equilibrium of partnership and providing services to the citizens.

While PPP is the agreed future for executing infrastructure projects because of the various advantages it brings including financial, technical, operational efficiency and risk sharing but also the pace and quality of services rendered improves manifolds. It reduces the pressure from the urban local bodies in every aspect and helps provide the best available service to the citizens. PPP also allows the ULBs to focus on providing other basic services to the citizens more efficiently. While JnNURM has introduced the concept more stringently and created awareness amongst the ULBs, big or small; rich or poor; across India, there is still a long way to go before PPP becomes the accepted way of executing infrastructure projects in India.

7.13. e-Governance

E-Governance is a digital interaction between a government and citizens (G2C), government and businesses (G2B), and between government agencies (G2G). This digital interaction consists of governance, information and communication technology (ICT), business process re-engineering (BPR), and e-citizen at all levels of government (city, state, national, and international).

Essentially, the term e-Governance refers to 'How a government utilized IT, ICT and other telecommunication technologies, to enhance the efficiency and effectiveness in the public sector' (Jeong, 2007).

7.13.1. Background:

E-Governance in India has steadily evolved from computerization of Government Departments to initiatives that encapsulate the finer points of Governance, such as citizen centricity, service orientation and transparency. Lessons from previous e-Governance initiatives have played an important role in shaping the progressive e-Governance strategy of the country. To speed up e-Governance implementation across the various arms of Government at national, state and local levels, a programme approach needed to be adopted, guided by common vision and strategy. This approach has the potential of enabling huge savings in costs through sharing of core and support infrastructure, enabling interoperability through standards, and of presenting a seamless view of Government to citizens.

The National e-Governance Plan (NeGP), takes a holistic view of e-Governance initiatives across the country, integrating them into a collective vision, a shared cause. Around this idea, a massive countrywide infrastructure reaching down to the remotest of villages is evolving, and large-scale digitization of records is taking place to enable easy, reliable access over the internet. The ultimate objective is to bring public services closer home to citizens, as articulated in the Vision Statement of NeGP. The plan seeks to create the right governance and institutional mechanisms, set up the core infrastructure and policies and implements a number of Mission Mode Projects at the centre, state and integrated service levels to create a citizen-centric and business-centric environment for governance. The plan was approved in 2006 and comprises of 27 Mission Mode Projects and 8 components.

E-Governance in municipalities is one of the Mission Mode Projects under the NeGP, which is expected to result in improved service delivery by local governments for the citizens. This is where the role of JnNURM overlaps with NeGP.

7.13.2. Municipalities and e- Governance:

e- Governance is listed as one of the mandatory reforms that need to be undertaken at the ULB level. All states and their respective municipalities have taken steps towards achieving this reform. The progress in 5 out of the 7 north eastern states (**Sikkim, Mizoram, Arunachal Pradesh, Nagaland and Manipur**) is minimal and is still at its inception phase. Reasons attributed to this have been lack of capacity both human as well as financial on part of the corporations to take up e-governance on a priority. The basic objective of setting up e-Governance is to better the process of service delivery. The citizens of these cities are not accustomed to the internet and thus the corporations thus give it a lower priority in their list of reforms to be achieved. In addition to these five states **Kochi (Kerala) and Pondicherry** are also yet to set up their e-Governance progress online. In the non mission cities **Mussoorie , Ghaziabad , Panchkula , Udaipur ,Mysore, Kurnool, Suryapet, Warangal , Tura , Bilaspur , Tirupattur , Aurangabad and Siliguri** have all taken significant steps towards implementing e-Governance.. Some of the main findings of our study of the cities that we have covered are the following:

- 34 of the 66 cities have implemented the property tax module in which citizens can pay their property tax online / find out how much property tax they owe the ULB by calculating the system.
- Almost all the cities hired software consultants to develop their e-Governance systems and setups
- 15 cities have implemented the water supply and other utilities module. This includes water supply rates as well as amount owed to the corporation wherever user charges have been implemented
- 35 cities have the Birth and Death Registration module up and running on their website
- Citizens Grievances Redressal and Monitoring Module has been implemented in the maximum number of cities i.e. 39 out of the 66 visited
- 33 cities have implemented the Procurement Module. The sub contents of this module include E- tendering and availability of tendering documents online which is what the procurement portion of the website comprises of.
- The Building Plan approval module has been implemented by 27 cities. In some cities it includes building sites for new plots as well.
- Project Monitoring has been implemented in Chennai and in the state of Haryana as a state initiative.
- 24 cities have made registration for licenses an online procedure. Wherever it is not online the forms are available online and the process of applying for a license is given in a concise manner.
- The Solid Waste Management module has been implemented in Pimpri-Chinchwad, Amritsar and Ahmedabad
- The Health programmes module was available on 6 cities sites i.e. Agartala, Kolkata, Mumbai, Vishakhapatnam, Vadodara and Udaipur
- The Personnel Management module has only been implemented by Bangalore and Ahmedabad.

As an example, the consultant has given the cost for an e-Governance model followed by Kalyan Dombivli Municipal Corporation (KDMC) in Maharashtra. The KDMC e-Governance model has been well appreciated by the Government of Maharashtra and all the ULBs in Maharashtra have been directed to follow the KDMC e-Governance model. KDMC staff is also taking training for other ULBs staff to assist them in implementing the e-Governance model.

Table 7.3: Financial details of KDMC e-Governance model

Expenditure incurred by KDMC during the period 2001 - 2011 (till 31-01-2011)					
Year	Cost of hardware	Cost of software	Cost of training of personnel	Operation and maintenance	Total
2001-2002	17,108,746	11,569,651	0	0	28,678,397
2002-2003	11741210	5248844	0	0	16,990,054
2003-2004	1222728	1885409	0	0	3,108,137
2004-2005	3376572	2053665	26700	3950206	9,407,143
2005-2006	581386	671014	21489	2172549	3,446,438
2006-2007	1000356	38674	0	3000000	4,039,030
2007-2008	2413943	4765808	0	3532407	10,712,158
2008-2009	2170010	6388375	0	1370524	9,928,909
2009-2010	397059	2860219	49568	2214580	5,521,426
2010-2011	2209210	1128110	43797	1857638	5,238,755
Total	42,221,220	36,609,769	141,554	18,097,904	97,070,447

Source: Primary data

7.13.3. Case study – Ahmedabad model

Ahmedabad has been identified as the best practice in the field of e- Governance. With the exception of the Health and Project Monitoring Module it has implemented all the modules. Its system of e-Governance or e-city (as they call it) has been developed in association with microtech-system as their technical partner. The Ahmedabad Municipal Corporation has recently created six City Civic Centres (e-city centres) located in five zones of the City. Each e-City Centre is equipped with:

- 10 nodes managed by well trained operators to attend to the need of citizens.
- Every node is equipped to deliver any activity either it is building plan permission or shops & establishment license or complaints regarding civic amenities or payment of taxes etc.
- The operator processes the request of the citizens and issue necessary licenses or receipts, to the pan-instantly

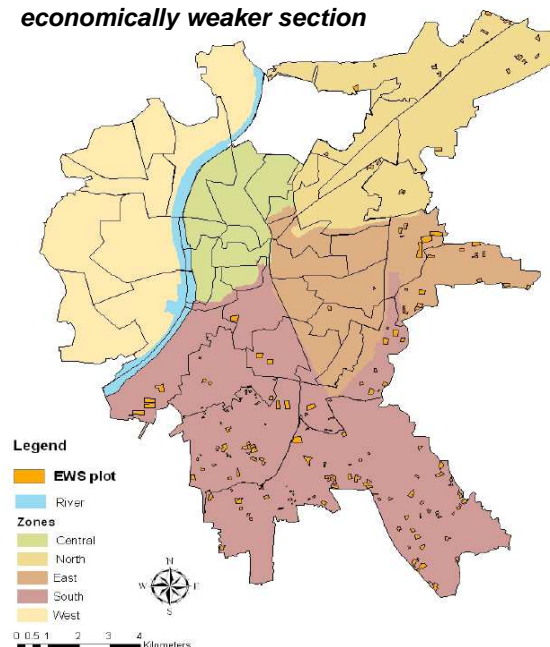
7.13.4. Town planning (TP) schemes as a land development mechanism: Land reservations for urban poor

Case study of Ahmedabad

Land pooling mechanisms have been adopted in Gujarat and Maharashtra for urban land development. One of the innovative tools for land pooling has been Town Planning Schemes and they have also been instrumental for ensuring land availability for urban poor. TP schemes in Gujarat are prepared under Gujarat Town Planning and Urban Development Act, 1976.

Concept: For a given area of land where TP scheme is planned, of the original plot, approximately 40% of the land is been utilized in providing common infrastructure facilities like roads, play grounds and gardens etc. The remaining land (60%) is distributed back among the land owners in a properly planned area.

Figure 7.9: Spatial distribution of land parcel for economically weaker section



These are called final plots. Land parcel that is retained by the planning authority is in turn used for public purposes that include housing for urban poor. The final plots handed over to the land owner eventually decrease in area but the overall value of land increases many folds because being more organized, accessible and better infrastructure. The breakup of 40% land retained by the planning authority is:

1. Roads - 15%
2. Open spaces – 5%
3. Social infrastructure – 5%
4. Reservation of land for socially and economically weaker sections – 10%

As per the secondary information (year 2009), around 1692 hectare land has been reserved for public purposes by the local authority. Out of the 1692 hectare, 172 plots have been reserved (around 135 hectare) for housing urban poor. There were in total 50 TP schemes that were taken up.

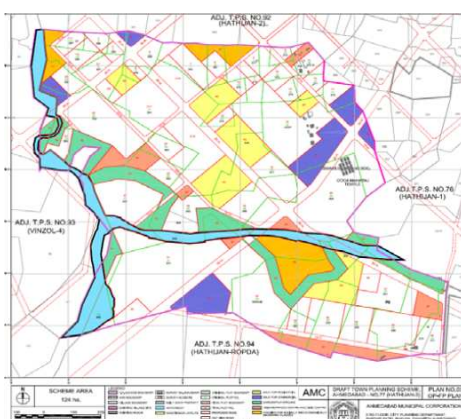


Figure 7.10: Sample town planning scheme for Hanspura Muthia

7.13.5. e- Governance has benefited the city on several fronts.

As per an estimate, since September 2002, more than 24,000 general complaints have been received which have been addressed within 24 hours except a few. More than 50% of the complaints happened to be with regard to property tax. Ten lakh property tax calculations have been kept in public domain where anyone can access the method of tax calculation of any property in the city. Further it was facilitated to make the tax payment through infinity payment gateway of ICICI Bank or through credit card. This enabled the citizens to pay their taxes without undergoing any harassment or to stand in long queues. Hence property tax collection increased phenomenally after the implementation of e-Governance Project.

Earlier to get building plan permission, it used to take between six months to two years. These manual processes encouraged abundant bad practices and to eliminate this, the issuance of Building Plan permission was brought in e-governance project. And now the Building Plan permissions are delivered instantly.

Another area which received overwhelming appreciation was the issuance of Shops & Establishment licenses. Now the instant issuance of license in all the six City Civic Centres has eliminated the problem of middle men.

Most of the states we have visited understand the importance of e-governance in today's day and age. The benefits of transparency and easy accessibility leads to better service delivery, better governance as well as increased efficiency and increase in collection of revenues for the cities.

Wherever e-governance has not taken off in full swing is where there is a lack of capacity or funding. No state per say has been against the concept of e- Governance or questioned the need for the reform as part of improving urban governance.

7.14. Peer Group Networking

To achieve the objectives of the Jawaharlal Nehru National Urban Renewable Mission (*JnNURM*), knowledge sharing amongst *JnNURM* ULBs in various sectors of urban reforms and city governance has emerged as a potential area for capacity building. The main aim behind introducing the concept of peer group networks was to create a platform and initiate not just knowledge sharing but also potential conflict resolution for situations faced by other ULBs for similar projects. This in turn will increase the operational efficiency of the ULBs. It was felt that ULBs identified under *JnNURM* can network amongst themselves for cross learning and sharing knowledge and hence effectively manage their cities. “**Peer Experience and Reflective Learning**” (**PEARL**) is a central government level initiative under *JnNURM* to support cities to actively pursue activities in implementation of projects and reforms.

Knowledge support to PEARL is provided through the Knowledge Network Support Unit (KNSU), set up under the guidance of National Institute of Urban Affairs (NIUA). The key responsibilities of the KNSU are as follows:

- Assess knowledge needs of the cities for project implementation, urban reforms and city governance;
- Fill the knowledge gaps by accessing global knowledge and, if required, develop new knowledge products and facilitate outreach of the cities to specialized agencies;
- Act as a feedback loop to Cities Alliance and its members to provide information on demands for new knowledge products, and serve as a conduit for Cities Alliance members to provide their knowledge products to PEARL;
- Facilitate knowledge sharing with cities and PEARL Knowledge Managers;
- Interface with other similar networks; and
- Build capacities of cities and Knowledge Managers to use new knowledge for implementation of projects and reforms.

Under this all the cities covered under *JnNURM* come together to create manageable network between themselves for cross learning and sharing knowledge on projects, urban reforms and city governance.

However, based on our field visits and interaction with different ULBs across India, it was established that no formal platforms exist for peer group networking and knowledge sharing. State level as well as district level or PMU level review meetings for coordination and problem solving are held with the principal secretary/ officer in charge at the state level for *JnNURM* works. However, no state level, let alone a regional or cluster level, initiative exists for establishing a formal platform for ULBs to come and discuss their best practices, challenges, innovative solutions for challenging issues and a forum for ULB officials to interact and discuss their ideas;

Not a single state was found where such a specific formal platform or network had been set up and was functionally operative. Having said that, initiatives have been undertaken at the State or ULB level in the sample cities visited. While most states call meetings with all the ULBs of the state to discuss progress on *JnNURM*, no such platform has been created or initiated at an interstate level or an inter ULB level. While the awareness for a formal peer group network was also found to be missing amongst most officials at the ULB level and even at the State level, post discussion of the

idea, a general enthusiasm towards the idea has been noted with most officials being largely in favour of introducing a system of peer groups as they felt it would be beneficial to all involved. Currently, apart from national level initiatives where best practices are discussed or communicated by the centre, most ULBs are unaware of the innovations and techniques used by their counterparts across India for executing similar projects where the concerned ULB might be facing issues for which other ULBs might have been successful but because of no national or regional level forum, there is no awareness of the same.

While it has to be appreciated that given the diverse demographic and geographic size of India, the same approach may not be suitable for all ULBs but at the same time there is merit in establishing such networks as diverse ideas will emerge even if practices cannot be replicated due to factors like region, size, population and other attendant factors which differ vastly from each state to state. There is merit in both arguments for and against peer networking. An answer to this impasse lies in the methodology adopted by PEARL which has classified various regions according to their topography, industrial base and other factors viz.: Hill Cities, Heritage Cities, Mixed Economy Cities, Industrial Megacities and Megacities. A similar classification of like areas/cities/ULBs should be carried out and peer networking should be introduced between similar entities.

Table 7.4: PEARL: Peer group networks for the sample

Group A Mega Cities, with Global Character in Socio- Economic Profile	Group B Industrial Mega Cities	Group C Mixed Economy Cities Service /Trade/ Institutional function	Group D Cities of Cultural and Religious Significance: Heritage Cities	Group E Hill Cities
Delhi Greater Mumbai Ahmedabad Bangalore Chennai Kolkata Hyderabad Pune	Faridabad Cochin Vishakapatnam Indore Vadodara	Patna Bhopal Jaipur Lucknow Guwahati Jammu Raipur Ranchi Thiruvanthapuram Bhubaneswar Chandigarh	Amritsar Bodhgaya Ujjain Puri Ajmer-Pushkar Mysore Pondicherry Nanded	Itanagar Imphal Shillong Aizawal Srinagar Kohima Gangtok Agartala Dehradun Shimla

Based on the above classification, given the fact that demographically these classifications would enable similar issues and replicable solutions, it might be better to ensure peer groups are established within these groups of cities and the same meet regularly at a designated forum with a designated agenda and the same should be attended by the commissioners of all the ULBs concerned and the official responsible for the JnNURM works at the very least to enable fruitful discussion and give the platform the importance it deserves. Only if the concerned top officials attend it will the sanctity of the forum remain and it will be taken seriously by all concerned.

7.15. Service Level Benchmarking

Service level benchmarks can broadly be defined as a minimum set of standard performance parameters that are commonly understood and used by all stakeholders across the country. This has

become the cornerstone of the urban reform agenda being implemented as part of JnNURM. It foresees a shift in focus from infrastructure creation to service delivery. Benchmarking is now well recognized as an important mechanism for performance management and accountability in service delivery. It involves the measuring and monitoring of service provider performance on a systematic and continuous basis. Sustained benchmarking can help utilities to identify performance gaps and introduce improvements through the sharing of information and best practices, ultimately resulting in better services to people.

Systems for measuring performance and taking further action on them have not been institutionalized in urban agencies. It is therefore important that the basic minimum standard set of performance parameters are commonly understood and used by all stakeholders. Depending on the specific need, additional performance parameters can be defined and used

The Ministry of Urban Development has adopted National Benchmarks in four key sectors—Water Supply, Sewerage, Solid Waste Management and Storm Water Drainage. A Handbook was released by the MoUD in 2008-09, the framework of which encompasses the following 28 performance indicators:

Figure 7.11: Performance indicators

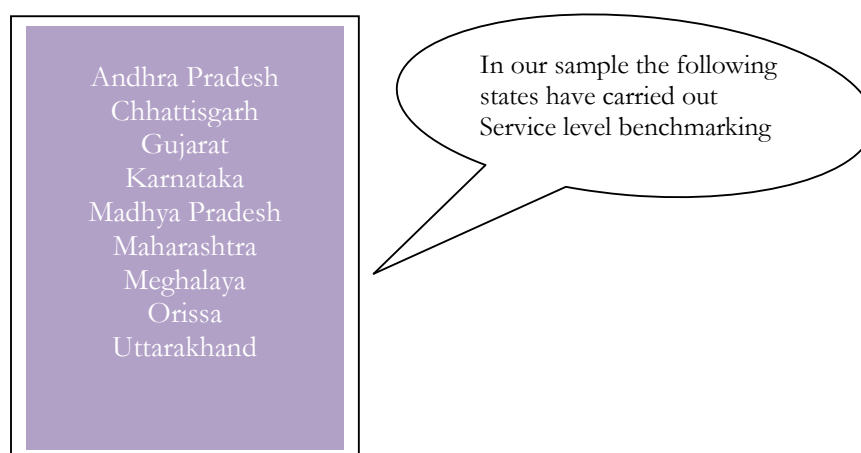
<p>WATER SUPPLY</p> <ul style="list-style-type: none"> • Coverage of water supply connections • Per capita supply of water • Extent of metering of water connections • Extent of non-revenue water • Continuity of water supply • Quality of water supplied • Cost recovery in water supply services • Efficiency in redressal of customer complaints • Efficiency in collection of water supply-related charges 	<p>WASTEWATER MANAGEMENT</p> <ul style="list-style-type: none"> • Coverage of toilets • Coverage of wastewater network services • Collection efficiency of wastewater network • Adequacy of wastewater treatment capacity • Quality of wastewater treatment • Extent of reuse and recycling of wastewater • Extent of cost recovery in wastewater management • Efficiency in redressal of customer complaints • Efficiency in collection of sewerage-related charges
<p>SOLID WASTE MANAGEMENT</p> <ul style="list-style-type: none"> • Household level coverage of SWM services • Efficiency of collection of municipal solid waste • Extent of segregation of municipal solid waste • Extent of municipal solid waste recovered • Extent of scientific disposal of municipal solid waste • Extent of cost recovery in SWM services • Efficiency in redressal of customer complaints • Efficiency in collection of SWM-related user charge 	<p>STORM WATER DRAINAGE</p> <ul style="list-style-type: none"> • Coverage of storm water drainage network • Incidence of water logging/flooding

The SLB initiative aims to overcome challenges faced in earlier benchmarking exercises in the following ways:

- Uniform set of indicators, definitions and calculation methodology to enable meaningful comparisons
- Provision of service benchmarks to create consensus on desired service standards
- Data reliability grades to highlight and address issues of data quality
- Self-reporting by Urban Local Bodies (ULBs), as against consultants, to ensure credibility of data
- Emphasis on performance improvement planning based on the SLB data generated.

In addition to these the Central government has encouraged Service Level benchmarking in other sectors as well. There has been service level benchmarking in the field of urban transport and e-governance.

Figure 7.12: Graphical representation of service level benchmarking in the sample



States such as Orissa, Madhya Pradesh, Karnataka, Maharashtra and Gujarat are already in the process of scaling up the benchmarking exercise to cover a larger number of cities in their respective States. These can serve as a demonstration for other States to adopt similar strategies. The principle of benchmarking has been further endorsed by the 13th Finance Commission, which has included SLB as one of the nine conditions for the allocation of performance-based grants to ULBs, which amount to approximately ₹8,000 crore over the period 2010–15.

Based on our field visits, it was ascertained that service level benchmarking studies are not being carried out on a mandatory basis but only on an ad-hoc basis depending on the ULB and the project. It is important to emphasize on service level benchmarking studies as they have pre defined standards against which delivery is measured and can be used to measure the level of service delivery being offered by the ULBs in the different sectors. Moreover, international best practices and globally accepted parameters are used enabling a competitive analysis which in turn will help increase the efficiency of the ULB. More emphasis needs to be given by the ULBs and the states on service level benchmarking.

8. Management Information System

8.1 Background to MIS assessment

In reviewing the Management Information System (MIS) of JnNURM we are primarily focused on the information needed to manage the efficient and effective operations of the programme. The scope includes both the reforms and projects. Within the review, we have looked at the MIS provisions for managing both the programmatic specific data, (in terms of project approvals, funding releases, progress against milestones, etc.) and for managing the technical data (in terms of city development plans, technical designs, maps, etc). The assessment has also considered the information needs of various constituents to the programme such as Ministers and Executive Management, the National Programme, State Authorities, ULBs and external stakeholders, such as citizens. The framework for assessment utilizes five dimensions, each with a core question:

- **Business:** How well does the MIS support the strategy of the programme?
- **Organizational/Institutional Arrangements:** How well is MIS organized within the institutional arrangements?
- **Process:** How effective and efficient is the process for generating the MIS?
- **People:** What is the capacity of the individuals involved in supporting the MIS?
- **Technology:** How well does the programme employ technology to enable the MIS?

8.2 Current Situation

The current approach to reporting is driven from the perspective of the individual projects or reforms and their state of implementation by State/ULB within the respective Ministries. There are monthly CSMC meetings, where standard reports are reviewed and progress assessed. There are also frequent requests from parliament and the Ministries for specific information that require ad-hoc reports to be generated. For projects, the data collected is primarily statistical data relating to disbursements, fund utilization, project approvals, project completion, etc. For reforms, the reporting is mainly based on compliance and is compiled from the QPRs produced by States/ULBs. There have been attempts to automate aspects of the reporting. An early MIS developed by NIC was abandoned as it could not capture IRMA data. The PMES was developed but it is still not fully implemented as historical data has not been entered and so most source data is generated manually and then captured in MS excel.

There is an initiative to implement service level benchmarks for four of the core urban services, with indicators and targets defined, but they are not yet part of the regular MIS reporting framework. The programme has also made a push to promote knowledge management and sharing of best practices by creating Peer Experience and Reflective Learning (PEARL). This is a place to document best practices, recognize innovation and create a community for sharing ideas and experiences.

In terms of capturing the technical output of the programme, prescribed formats have been created for many of the key documents such as CDPs, but there are no standards or guidelines for creating a

repository of technical information about the network assets implemented under JnNURM and so each State/ULB is developing their own methods, as discussed below. Some States/ULBs are using the opportunity to develop geographically-based MIS, but the use of GIS is not widespread.

MIS Systems in Karnataka – A sample study

Karnataka has done well in terms of having a progressive MIS system for reforms, projects as well as other initiatives. A Municipal Reforms Cell (MRC) was created in 2005 under the Directorate of Municipal Administration, GoK, exclusively for implementation of computerization and other reforms in all the Urban Local Bodies (ULBs) of Karnataka. Municipal Reforms Cell co-ordinates with the project partners, namely e-Governments Foundation (Application support organization), Survey Of India (Technical Advice Support Agency in GIS implementation), Karnataka Urban Infrastructure Development Finance Corporation (Funding Agency) and Software Technology Parks Of India, Bangalore (for O & M of Data Center).

The cell is responsible for the projects complete software development life cycle like understanding requirements, design, development, implementation, verification & maintenance. The entire process of rolling out of Municipal Applications of ULBs is handled by the IT professionals of Municipal Reforms Cell, duly appointed by the department, directly from the market. Municipal Reforms Cell hand holds the ULBs in implementation of computerization reforms and further maintenance of the same. The task of capacity building and training to Municipal staff is also vested with the Cell

The reforms initiative proposes to upgrade all ULB's from the existing manual system to Computer based systems. This will help ULBs streamline their Municipal systems through process re-engineering and use of IT tools and Technologies, which will bring in transparency and ensures smoother delivery of services to the citizens of Karnataka. It would also bring about better governance in Urban Local Bodies (ULB) through the use of technology and Govt. Process Reengineering. It focuses on creating robust database of records in various departments like revenue, engineering, accounting, health etc and has the day-to-day administration of the ULB be based on accurate data, well defined processes and more efficient service delivery to citizens by using IT/Communication tools and technologies

A state level Municipal Data Centre has been established within the Municipal Reforms Cell and a centralized database of all the ULBs are being maintained from it. Municipal Data Centre hosts all web-based applications. The municipal data centre having centralized database running from a high-end server is maintained by a competent authority viz., Software Technology Parks of India. As such, the ULBs are free from maintaining server on day to day basis. The Centralized architecture design approach has resulted in easy maintenance of servers. Hub-n-Spoke model allows the scarce few resources to be centralized but yet spread the benefits to all cities in the spoke. Centralizing has also allowed for standardization of formats and processes that automatically drive economies of scale.

Even a society by the name of Karnataka Municipal Data Society® (KMDS) was setup under the Government of Karnataka and registered with the Registrar of Societies under the Karnataka Societies Registration Act, 1960 with an objective of managing e-governance initiatives of the Urban Local Bodies.

The Sanctioned IT staff strength of MRC & KMDS on consultancy basis is 46 people. Apart from initiatives mentioned under JnNURM, others such as Asset Management, e-Works, Personnel Management, Monthly Information Booklet, Service Level Benchmarking initiative called "TULANA" etc have also been covered.

Under JnNURM, PMES and IPOMs are the software's developed by the MoUD and MoHUPA respectively to monitor the ULBs process on a real time basis wherein the progress of the ULBs is registered online. **The Programme Monitoring and Evaluation System (PMES)** is an integrated

management information system which will enable the **Ministry of Urban Development** to monitor the status of various activities and initiatives of the JnNURM programme. The PMES is a workflow driven application and will provide a system for centralized data processing with facilities for decentralized inputs and outputs. Some of the key aspects of the JnNURM programme which will be monitored by PMES are:

- Submission, appraisal and approval of CDPs
- Submission and approval of MoAs
- Submission, appraisal and approval of DPRs
- Physical progress of projects
- Utilization of project funds
- Implementation of reforms
- Project/Reform outcomes through sector indicators

The Integrated Poverty Management Systems (IPOMS) is a performance tracking system that was developed for the **Ministry of Housing and Urban Poverty Alleviation**. It tracks the physical and financial progress of the projects, progress of reforms and Capacity Building programs. It consists of 4 sub modules:

- Project Monitoring System
- Reforms Monitoring System
- Capacity Building Monitoring System
- Beneficiary Information System

The system will help in tracking the overall progress in poverty reduction against BSUP / IHSDP projects and international measures of development success, such as the Millennium Development Goals (MDGs), through the periodic measurement of selected poverty indicators. Poverty monitoring Indicators are the quantifiable measures of progress towards the intended inputs, outputs, outcomes and impacts of a project. They are the measures for assessing the quantitative and qualitative impact of development efforts.

Based on the sample followed by the consultant, it was observed that IPOMS is being used successfully by majority of the cities while PMES is not being used much. The key reasons for PMES not being used successfully by majority of the cities is technical issues in the data that has been inputted by the ministry with regard to DPRs and other such details which does not allow the ULB to input correct data, technical issues with regard to access login ID's and passwords for the cities and technical issues in uploading the data. Also, another issue with regard adds to the unsuccessful implementation of PMES is the fact that even though user ID's and passwords have been replaced by the ministry, the officials using the same at the ULB level keep shifting by virtue of being transferred and the ID's are not always available with the new person. Also, the new official taking over PMES function in the said ULB would need training. These need to be resolved and a more user friendly system needs to be installed if PMES is to be made successful.

8.3 Findings and recommendations

8.3.1. Business

- **Focus on Program rather than Project Reporting:** The current approach to reporting is driven from the perspective of the individual projects and their state of implementation within the respective Ministries. At least at the National level, the focus should be redirected to monitor progress on the implementation of comprehensive multi-sectoral plans, not individual projects. The program should be viewed through the lens of planning-based projects rather than project-based planning. It should also take the perspective of the

City and the Citizen rather than a specific Ministry. This would help to better integrate the reform agenda with project implementation and demonstrate a more accurate picture of progress. It would also facilitate better risk management as the impact of delays could be assessed more holistically.

- **Report on Progress over Time:** Most of the management reporting is based on statistical data relating to disbursements, fund utilization, project approvals, project completion, etc. Most of this data is presented as point-in-time cumulative data. In the monthly updates, it would be insightful to present trend data over previous quarters and years. This would allow comparison of progress over time to see if performance is improving or deteriorating. It could also be used to demonstrate if activities to accelerate progress are being effective
- **Capture Technical Data linked through Common Geospatial References:** There has been too much focus on the collection of statistics around disbursements and project execution. There is little emphasis on building a repository for the technical data that is being generated, much of which should be “living” documents that will need to be sustained for the foreseeable future. The program should do more to foster the development of a comprehensive geographic information system (along the lines of the Delhi State Spatial Data Infrastructure – DSSDI project), utilizing reference data on multiple facets of urban development that is all linked by common geospatial markers. The availability of comprehensive network maps would be an asset of enormous value for years to come.
- **Report on Outputs, Outcomes and Impacts:** The driver for JnNURM is focused on achieving key outcomes such as promoting economic growth; improving the quality of life of urban residents; and, supporting dispersed growth to increase business opportunities. The current MIS collected at the National level and reviewed regularly does not provide any information pertaining to the benefits and impacts of the program. The performance framework based on service level benchmarks proposed for the four basic urban services (water supply, sewage, solid waste management and storm water drainage) should be incorporated into the regular program reporting performance reporting, with scorecards showing the standard indicators, baselines and appropriate targets that support the monitoring and evaluation of the benefits of the programme. This framework should be extended to other urban services and consider the “citizen experience”. The mechanisms for review of progress would include household surveys and social audits. Another important consideration in respect of the projects would be a sustainability assessment. Once the projects complete and the asset delivered, it is important to understand what provision has been made for the ongoing maintenance of the asset.
- **Assess the Adoption of Reforms.** In the area of measuring the progress of reforms, it is very difficult to get an accurate picture of how well the reforms have been adopted, institutionalized and have delivered the desired impact. The current reporting is based on whether a ULB has a plan for adopting a reform and whether the plan has been completed. There is a need for a different view that considers more comprehensive policy indicators, sustainability and the “soft factors” associated with the reforms. Unlike the projects, which deliver specific assets, the reforms are more a process of continuous improvement and so it is important to have a scorecard in place so that progress against specific indicators can be measured over time.
- **Extend Reporting to Better Serve Cities and Citizens:** The majority of the current reports and data capture requirements are oriented around the requirements of the programme for providing a National perspective. To strengthen the objective of greater community ownership, it is important to make sure that the data collected has use to the ULBs in managing their work and for the citizens who are impacted by the changes. As much as possible, what gets reported centrally should be generated as a natural by-product of good management practices at the local level to reduce the requirement for resources to be drawn from their core activities solely to support the requirements at the National level.

8.3.2. Organization / Institutional Arrangements

Create Dedicated Data Management Functions: The data types associated with the programme are massive and large volumes of data are generated to support both technical and programmatic requirements. Much of the data is being generated for the first time and there is an on-going requirement to refresh the data regularly. While the programmatic data is transitory, the technical data will need to be maintained as an on-going reference for many years. Most programmes of this type would require that resources be dedicated at each level (ULB, State and National) with a specific responsibility to manage the data at that level. Some of the functions of these groups would be to support the data management infrastructure, develop and ensure compliance with data management procedures, ensure timely data update, support data quality assurance activities and benchmarking.

8.3.3. Process

- **Reduce Manual Processing:** The failure to fully implement automated systems means that the current data capture and reporting is heavily dependent on manual processing. An automated system needs to be deployed at all ULBs to support on-line data capture and reporting
- **Reduce Reporting Cycle Time:** As a result of the previous item, there is a long delay (around 2 months) before the reports (e.g. QPRs) from the ULBs and States reach the Ministry (MoUD). This means that effectively the programme is managed through “the rear view mirror”. This is exacerbated as many of the indicators are lagging indicators (e.g. schedule variance, disbursement status) and so there is little chance for the programme to take a proactive stance. If on-line data update was available, it would reduce the delays in data and facilitate the use of real-time reporting through management dashboards.
- **Assess Effectiveness of Data Sharing:** Part of the design of JnNURM was intended so that States could learn from one-another in terms of success stories and considerations to be avoided. One initiative launched under JnNURM to enhance knowledge management and sharing of best practices is “Peer Experience and Reflective Learning (PEARL)”. This includes a quarterly newsletter, best practice handbooks, websites and conferences all focused on information sharing. The initiative also includes incentives for participation by providing performance awards. This is a highly admirable endeavour that extends the programmatic horizontal reporting into a data management framework that supports vertical sharing of data. It is recommended that the utility of this resource is assessed by a survey of the main target audience. Based on other knowledge management initiatives, we see opportunities to build a strong community of practice by creating special interest forums along the lines adopted by the Un-sponsored solution exchange; <http://www.solutionexchange-un.net.in/se.html>
- **Increase Analytical Analysis:** A lot of data is being captured and presented at the monthly reviews, but there is little evidence of detailed analysis along with recommendations and follow-up that could address recurrent themes or support more proactive management of the programme. For example, in the UIG report for June it is noted that cost escalation due to tender premium is a key issue. The detailed IRMAs then show over 40% of the projects have cost escalation with some at 65% and over. This appears to be a significant issue that should be investigated and tracked separately.

8.3.4. People

Increase Training in Quality Data Management & Use of MIS: The ULBs, PMUs and even the National program operate with very low staffing levels compared to comparative programmes internationally. It is therefore critical that processes are executed efficiently and technology is leveraged to maximum effect. There needs to be a comprehensive communications and capacity building plan which incorporates data management and reporting.

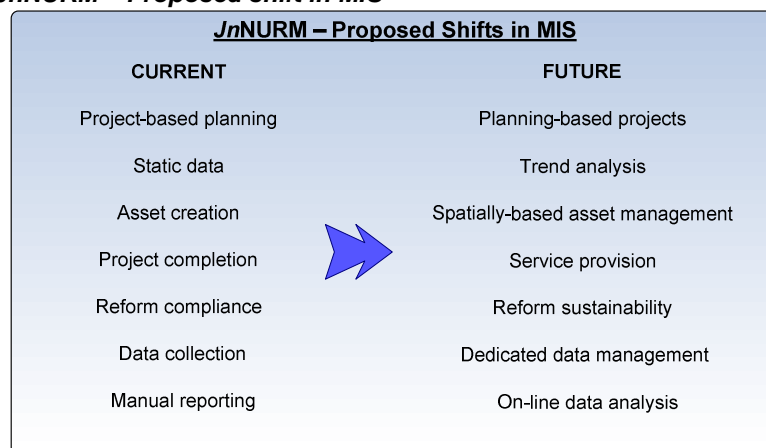
8.3.5. Technology

- **Persist with Implementing an On-line System:** The PMES appears to be an adequate system to reinforce management of the programmatic elements of JnNURM. Additional effort should be made to address the weaknesses in the current system (such as poor data validation) and utilize the proposed data management resources to address the entry of historical data. Emphasis should then be placed on building the capacity of users at all levels in the usage of the system to support reporting and management of their own projects.
- **Implement GIS-based Infrastructure:** The National programme management unit needs to develop policy and guidelines regarding the management of spatially-based data and then implement infrastructure standards to facilitate the capture of technical data pertaining to the urban environment. This should be guided by the National Spatial Data Infrastructure (NSDI) Program sponsored by the Ministry of Science & Technology and should leverage the experiences of State-based initiatives such as DSSDI. JnNURM is the greatest sponsor of urban infrastructure development presenting a unique opportunity to act as a catalyst to launching a nationwide repository of urban land ownership, utility placement and other spatially-related data. The long terms value of this repository is immense as it acts to improve government efficiency by making geospatial data more accessible, reliable, and less expensive to acquire through enhanced data-sharing and more effective management of urban asset.

8.4 Summary Assessment

In summary, based upon the observations given above we propose the following key shifts for the programme in terms of the approach to MIS as JnNURM transitions from Phase I to Phase II

Figure 8.1: JnNURM – Proposed shift in MIS



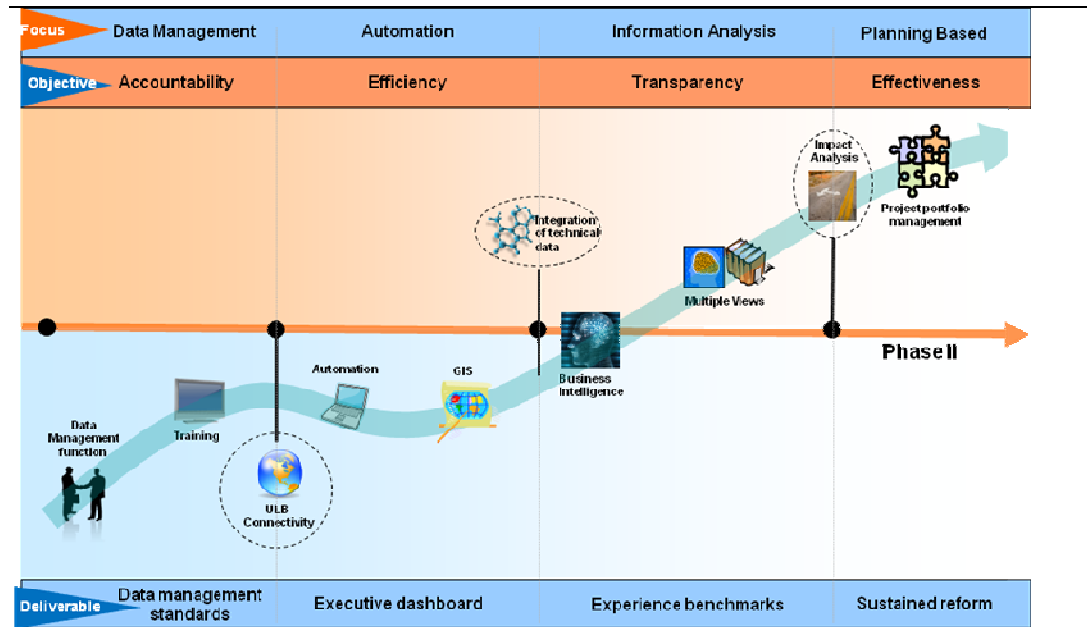
8.5 Implementation Roadmap

The application of certain best practice principles pertaining to MIS would facilitate JnNURM as it prepares for Phase II. These principles are summarized below:

- 8.5.1 Real Time Update:** The MIS should evolve to allow real time update of the data. As soon as a ULB enters the data, an alert should be generated on the dashboard or email box of the concerned/ authorized official and he or she will be able to see the report. All the other officials will also be able to access the progress report in real time. It is well recognized that manual reporting is both time consuming and error prone. Automation should significantly reduce the reporting cycle time, increase accuracy by providing basic error checking through the system and facilitate follow up.

- 8.5.2 Experience Level Management:** The service level benchmarks introduced in Phase I are an excellent step towards measuring the outputs and outcomes of the programme. These currently address projects associated with four of the basic urban services. They should be extended to address the remaining 12 urban services and complemented by including the citizen perspective to reflect the users “experience” of the service being delivered. Recent research has shown that solely measuring service level attainment is not sufficient to see if the desired impact from an investment is being realized.
- 8.5.3 Common Repository:** There should be an information architecture developed that prescribes standards for data management to facilitate data sharing, analysis and presentation. This architecture would focus on the technical data, anchoring technical attributes around spatial references. However, it would also provide better integration of CDPs with projects as they are implemented. To effect greatest usability of the data, the use of Business Intelligence technologies should be evaluated that would allow integration of data from multiple sources to allow more sophisticated data manipulation in terms of trending, impact analysis, scenario comparison and outstanding issue tracking.
- 8.5.4 Multiple Access Levels:** The MIS should be configured to support access to all stakeholders of *JnNURM* based upon their need to know, thereby providing multiple lenses through which to view and analyze the data. The system should support members of the ULBs to do their own reporting based on their areas of focus, as well as support the national reporting needs of the program. It should also be evaluated what data should be provided to citizens and the best mechanism for promoting the *JnNURM* achievements to the business community and civil society to engender greater community involvement.
- 8.5.5 Project Portfolio Management:** In a programme as large and complex as *JnNURM* there is a need to move beyond the traditional discipline of project management and apply best practices pertaining to Programme and Portfolio Management as described through the Project Management Institute (PMI) Project Management Body of Knowledge (PMBOK). Through this standard, a portfolio is a collection of projects and/or programs and other work that is grouped together to facilitate the effective management of that work to meet strategic business objectives. Portfolio management is the centralized management of one or more portfolios, and involves identifying, prioritizing, authorizing, managing, and controlling projects, programs, and other related work, to achieve specific strategic business objectives. The main difference is that while Project Management is focused on “are we getting things done”, Project Portfolio Management focused on “are we doing the right things”, “are we doing them the right way” and “are we realizing the benefits”. A Project Portfolio Management approach will reinforce the philosophy of Planning-based projects that has been described previously and will strengthen the ability to do clustering of projects and present a long term vision for project selection based on alignment to the alignment of investments to the vision.
- The following diagram presents a schematic for evolving the MIS supporting *JnNURM*. The evolution is broken into four main areas of focus, aspects of which may be developed in parallel, but which build upon each other. The main objective is to evolve from the current situation and implement changes in a managed way so that the capacity of the users of the MIS is not exhausted by the pace of change.

Figure 8.2: Details regarding sharing of escalation cost (₹in crore)



9. Institutional Arrangements

9.1. Background to Assessment of Institutional Arrangements

The GOI strategy for urban development is to:

- Strengthen urban local bodies through capacity building and better financial management.
- Increase the efficiency and productivity of cities by deregulation and development of land.
- Dismantle public sector monopoly over urban infrastructure and creating conducive atmosphere for the private sector to invest.
- Establish autonomous regulatory framework to oversee the functioning of the public and private sector.
- Reduce incidence of poverty.
- Use technology and innovation in a big way.

JnNURM was launched to be a catalyst for urban development and poverty reduction to match India's growing global leadership status and to allow the GOI, plus the states, to play the role of a facilitator by funding projects and sponsoring reforms. The formation of Centre–State–ULB partnerships is deemed necessary as potentially effective ways to address the emerging issues of urban development. A key issue of this review is to study the institutional arrangements that have been implemented to realize the objectives for urban development and assess their effectiveness to sustain the program.

In evaluating institutional arrangements we have considered:

- The physical organization of the programme; and
- The rules and norms applied to realize the Mission.

Our analysis therefore considers three main areas:

- **Institutional design:** The reporting hierarchy and allocation of resources to support the programme
- **Institutional relationships:** The mechanisms for providing governance, accountability and coordinating the various programme elements
- **Institutional capacity:** The capacity of the resources allocated to support the nature and volume of work plus the mechanisms being implemented to ensure sustainability of the changes once the mission realizes the set objectives

9.2. Current Situation

It appears that when the Mission began in 2005, no projections had been done as to what a programme of this magnitude would require in terms of the staff and supporting systems (prior to JnNURM, the annual budget was of the MoUD, GOI, was of the order of ₹800 crore whereas post

JnNURM, it rose to ₹6,000 crore – a significant increase with no new staff to process the additional transactions).

Anchoring at the national level has meant that there is one national level landscape with states competing and learning from each other and where GOI can lay down and institutionalize standardized guidelines so that a holistic approach is taken for urban reforms and poverty reduction.

- Structure & capacity of Mission Directorates
- Technical guidance & support availability
- Systems and processes at the Directorate
- Institutional mechanisms & inter-agency coordination at state level
- Monitoring & oversight mechanisms
- Capacity & performance of appraisal agencies
- Mechanisms for addressing administrative issues

Institutional Design

JnNURM is one of the biggest national flagship initiatives for the urban sector and needs to be staffed with adequate number of dedicated resources. In most cases, *JnNURM* responsibilities at all levels (Central, State and ULB) are being undertaken as an addition to existing duties. At the municipal level, the management of projects falls with engineers who generally dedicate less than 25% of their time to *JnNURM*. *JnNURM* needs to be constituted as a separate programme with dedicated resources allocated at National, State and ULB levels

- **Architecture of sub-mission directorates:** A second set of concerns in relation to the architecture of the Sub-Mission Directorates has emerged around inter-ministerial coordination and its implications for overall Mission coherence. (It may be recalled that the MoUD is the nodal Ministry in relation to the UIG sub-mission and the UIDSSMT, while the MoHUPA is the nodal Ministry in relation to the BSUP sub-mission and the IHSDP.) At a larger level, this concern only reflects a higher level challenge that Indian urban sector observers have pointed to for a while: the concern around fragmentation of urban sector responsibilities at all levels, Central, State and City, and constraints such fragmentation has presented in enabling a coherent response to the sector's challenges. Substantiating this is the observation in the Mid-term Appraisal of the Eleventh Five Year Plan on the need for an 'approach to unifying the Mission at the Central level'⁴

With the Mission mandate resting between two Ministries (and separate sub-mission directorates and various (again, separate) support agencies working with them, separate CSMCs, separate state-level governance arrangements, separate SLNAs, etc.) and opportunities for Inter-Ministerial coordination resting largely within higher-level groupings such as the NSG and the CSMCs (that have larger mandates may not extend to enabling coordination arrangements on a regular basis); it is not surprising that coordinated responses to several issues have not always been possible. Based on discussions held with various stakeholders, at the state and city-level, a case has been made for all *JnNURM* related engagements to occur through a single 'window.' Reflection of the issues in inter-ministerial coordination are evident in the issue also of the pro-poor budgeting guidelines (MoUD issued these earlier; they were later issued by MoHUPA).

- **Role and working of NTAG and CSMC:** One of the key challenges observed in the working of the Mission has been in relation to delays in project appraisal, approval and receipt of funds at the ULB level. While this can be traceable to a range of factors, particularly the role of project appraisal agencies and the timeliness of release of state shares of project costs, a specific issue has emerged in relation to the working of the CSMCs.

⁴ Planning Commission 2010

Even while there is Ministry of Finance (MoF) representation within the CSMCs, it is understood that there have been situations where the MoF has examined CSMC-sanctioned projects further in terms of Central share costs to be funded. Thus, the CSMC sanctions have not always translated into absolute commitments, in some ways militating against the rationale of the CSMC. Also, the CSMC Member-Secretaries do not have a role in processing subsequent CSMC sanctioned releases and related decisions are in the MoF's domain. Excluding recurrent mention of this issue, there are no major responses received on the working of the CSMCs, perhaps indicative of their adequate discharge of their role.

On the other hand, NTAG is a novel arrangement providing space for substantive civil society and other stakeholder engagement in the working of the Mission, even though its membership is voluntary and its role, 'non-implementation.' Based on discussions with various stakeholders, it has emerged that the NTAG has played a key role in strategizing and operationalizing the CTAGs/ CVTICs in select locations and the Community Participation Fund (CPF) and generally arguing for substantive citizen and civil society participation in urban governance at all levels. It has also invested considerable energies, inter alia, in analyzing the progress of the Mission against stated objectives and project and reform implementation process, encouraging learning from experiences at the City-level and drawing multi-stakeholder feedback on a range of issues with a view to informing the larger Mission strategy.

- **Role of support agencies/ consultants:** Besides project management support agencies working with the two sub-missions, a range of support agencies have been enlisted for supporting the working of the *JnNURM* at various levels. These include agencies engaged for the development and appraisal of the CDPs, DPRs, IRMAs, TPIMAs, RAAs, PMUs and PIUs. While the role of the project management support agencies has generally been appreciated, there have been concerns around the others. Thus, there have been reported instances of:
 - Agencies engaged with the preparation of the CDPs not always adhering to the consultative, participatory process envisaged
 - Appraisal agencies not always equipped to undertake timely and high quality appraisals (this, as mentioned earlier, has been frequently identified as one of the major reasons impacting the pace of the Mission's working); staffing constraints are reported within the CPHEEO and CPWD (two of the key project appraisal agencies).
 - Quality of RAA reports (with some notable exceptions) ⁵
 - Inadequate staffing of the PMUs and PIUs, with instances of several of these units being populated by individuals with limited expertise to render the support envisaged
- **Lack of PMU/ PIU at State and municipal level:** States that have created SLNAs with dedicated resources have generally shown greater success in implementing *JnNURM* (e.g. Kerala, Gujarat). A programme like *JnNURM* needs in-house capacities/ dedicated cadre/ qualified city managers at the ULB level.
- **Unstable tenure of key functionaries:** It has been noticed that there have been frequent personnel changes at the key levels for the ULB staff which has diluted the strength of the vision and intended outcomes. To formalize a structure dedicated to *JnNURM* will reinforce the vision and build a strong programme culture oriented towards realizing the objectives of the Mission. Experience with other programmes shows that working towards a common set of goals increases staff loyalty and reduces turnover.
- **Lack of dedicated data management function:** The lack of accurate, timely information and the inability to-date to implement a comprehensive MIS is a critical issue in monitoring performance taking appropriate actions based on informed risk and impact analysis. For

⁵ Minutes of the 19th NTAG Meeting, October 15 2008

example, the lack of MIS means that key data on cost recovery and service level benchmarks is hardly available. Also, there is no institutional memory for the ULB in terms of utility maps, based maps, other technical drawings and maps etc which are important to be maintained and updated periodically for infrastructure development and maintenance over time.

- **Lack of IT team:** The implementation and on-going sustainability of the urban reform agenda requires more effective use of technology. As a national programme with a far reaching impact on the future growth and development of India, there should be a dedicated technology team that provides guidelines and standards to facilitate information sharing.

9.3. Institutional Relationships

- **Governance & Accountability:** A major thrust of JnNURM is for ULBs to become units of self-governance at the local level. The central and state levels are to act as facilitators of this transition. However, the Mission does not give explicit directions for accountability while the aforesaid transition is made. It is important for the ULBs to be given more voice to state their views, thoughts and what they require in order to achieve self-governance. There needs to be a shift from accountabilities driven from the national perspective to accountabilities driven by the ULB perspective.
 - There is a need to increase synergy between MoUD and MoHUPA as it is not clear if the priorities of both the ministries are being addressed equally and what dependencies exist to attain these priorities. This has resulted in a situation where overlapping aspects such as planning, budgeting, accounting reforms, pro-poor budgeting have suffered. For example, Pro-Poor budgeting guidelines have been issued by MoHUPA replacing those previously released by MoUD. It also appears that ULBs see MoUD as the priority Ministry which gets reinforced as Municipal Commissioners often fail to appreciate the poverty component due to lack of suitable guidelines
 - There are certain planning aspects that can best be done by the state and should be spearheaded by the state itself instead of shifting the onus to the ULBs for such planning aspects. For example, examining possibilities for setting up of regional landfill site on a cluster basis for 02-03 cities
 - It should be ensured that the day-to-day operation of the Municipalities is left with them only and no central or state directives to this effect should be given. ULBs need to be empowered to make their own decisions.
 - The current CDPs and DPRs often lack specifics on the implementation, CDPs are not maintained over time and there is a lack of ownership for the CDP.
 - Given the poor capacity within the ULBs there is no technical validation of the CDPs at the ULB or state level for majority of the sample.
- **Coordination:**
 - Responsibilities for JnNURM projects and reforms generally fall in different areas within the ULB. This makes coordination difficult across executing agencies. This has contributed to incomplete projects due to lower levels of disbursement as a result of ULBs not demonstrating adequate progress against the reforms agenda.
 - Engendering widespread support and ownership at all levels has been a major challenge due to the size of the program and the need for continuous engagement from the central and state government's side with all cities at the same time is important. It is required for all levels of governance – centre, state and ULB to be equally involved.
 - There is a need to strengthen community participation and local ownership of the JnNURM projects and reforms at the ULB level. The community awareness, participation in terms of stakeholder consultations and citizens involvement for JnNURM endeavours is low. While JnNURM has been able to bring about awareness

- about the mandate of the Mission, stronger IEC activities are required at the local level.
- Given the involvement of two distinct ministries at the central level, it is very rare to have them all present for a holistic collective review of the programme.

9.4. Institutional Capacity

9.4.1. Appraisal of Institutional Arrangement at the National Level - Capacity of the Sub Missions:

Concern has frequently been expressed by stakeholders around the staff strength and quality of expertise available within the sub-mission Directorates. This echoes the observations of the Mid-term Assessment of the Eleventh Five where there is mention of the need for ‘further augmentation of capacity at the Central government level,’ including to ‘suitably strengthen the existing support for the Mission with continuity’ and ‘bringing in new sectoral and technical experts who can support the appraisal and monitoring processes’⁶. Other such observers⁷ have also pointed to constraints in staffing.

Currently, within the UIG and BSUP sub-mission Directorates, the core senior-level staff comprises the sub-mission Directors and three senior-level individuals each (either Directors or DSs), not all of whom are available for Mission-related work full-time (holding other responsibilities). While both the sub-mission Directorates receive project management support from private consulting firms and assistance is available from various support agencies in appraisal and monitoring (as mentioned later, there have been issues in relation to the support rendered by the latter), there are concerns that the core senior-level staffing of the Sub-Mission Directorates is inadequate to respond to the demands of a Mission that is large, ambitious and complex, calls for intense engagement with issues and multiple stakeholders in different stages of preparedness for change at various levels and envisages change to be ushered at a certain pace. .

Each of the coordinators are responsible for 9-10 states and 20- 25 cities which they are required to visit and assess field situation in respects of project implementation and reforms and provide guidance. The work load on all the officers is heavy if one goes by the stated functions and the mandate that they have. In such challenging circumstances, changes in core staff have been known to cause discontinuities.

It has been observed that the current core staffing constraints are a direct result of inadequate manpower planning. While the Mission’s staffing requirements should ideally have been identified in the initial stages of implementation based on a systematic analysis of the demands that the scale and complexity of the Mission place at the Central level; the approach followed largely involves re-assignments of duties within the existing staff.

While one of the major fall-outs of the constrained staffing situation within the sub-mission Directorates has been in relation to delays in project appraisal and challenges in monitoring, there are other, less evident but no less critical issues that have emerged. Among these are shortages of expertise in relation to domain knowledge on urban development processes and issues, Information Technology (IT), procurement, communication and public interface/ relations. It is in this backdrop that a case has been made for enhancing the core strength of the sub-mission Directorates and drawing on ‘market’ expertise to provide them with the necessary dynamism.

Technical Advisory Group (TAG) have been established at all three levels (National, State and City) with the intent of bringing in greater citizen involvement into JnNURM, establishing volunteer

⁶ Planning Commission, 2010

⁷ Cezayirli and Basu (2008)

technical corps in participating cities and ensuring greater stakeholder engagement in the JnNURM process at various levels.

One of the central activities of TAG is to go to each of the JnNURM cities and create more stakeholder involvement in the JnNURM activities. This is primarily among citizens, but also extends to other stakeholders in the cities – civil society institutions, business communities etc. This is also related to one of the mandates of the TAG which is to help set up Volunteer Technical Corps in participating cities. The National TAG, a nodal agency of JnNURM which took up the task of facilitating the community participation in the mission, is required to guide the entire activities of the CTAG.

National Technical Advisor Group (NTAG): National Technical Advisory Group was formed in 2006 to guide JnNURM and to involve the public actively in planning, implementation, monitoring and reviewing JnNURM. TAG uses three structures i.e. CTAG (City Technical Advisory Group), CVTC (City Volunteer Technical Corps) & CPF (Community Participation Fund) for fulfilling its mandate. With 06 members, the main role for NTAG was envisaged to be an advisory role at the national level and facilitate the creation of TAGs (CTAGs) at the city level and advise them.

Implementation Capacity: The capacity of city-level agencies to absorb the investment support and delivery on reforms is a critical bottleneck.

- **No experience within ULBs of dealing with such large projects.** While training has been provided to staff in the tier 1 cities, there has been very little training for staff in the tier 2 cities. This appears to be particularly pronounced in procurement as there has been little experience of procuring such large projects before and there are numerous examples for the need to re-tender contracts
- **Understaffing of ULBs:** The ULBs are understaffed in an effort to support their new responsibilities which is compounded by the fact that tenures for the staff are often short term. The ULBs need a pool of resources to manage different areas of the programme and to be able to exert stricter control on the outputs of the contractors. Often the ULBs are expected to pick up the additional work without explicit changes in job descriptions and without an understanding of the level of effort required.
- **Inadequate planning foresight.** Most of the cities are grappling with immediate issues and are not placing adequate focus on future land use and the need for environmental impact to be assessed and zoning rules to be applied before project land sites are earmarked.
- **Lack of capacity among private sector contractors.** To support such a large volume of work, there is a lack of capacity amongst the private sector contractors. In other words, the absorption capacity of private players, especially smaller regional level players, for smaller cities/states is very low. Moreover, certain smaller cities due to lack of regional and/or local expertise, need to turn to national level bidders whose price quotes are way out of the ULBs cost estimates.
- **SLNAs are expected to help but often they themselves do not have the necessary skills to assist the ULBs** in areas such as accessing the capital markets to leverage additional funds.
- **DPR appraisal agencies such as the CPHEO and CPWD have limited manpower** and do not have the technical skills to review all projects types (e.g. “conservation of water bodies’ and ‘heritage’) requiring them to engage outside consultants. While technical groups such as CPHEO, CPWD, HUDCO and BMTPC assist the ministries on both the sides for technical appraisals of DPRs, they are grossly understaffed. This in turn leads to delays in the DPR appraisal and an incremental increase in the project costs due to delayed project implementation. While increasing the in-house capacity cannot be done immediately, there is merit in exploring the option of using the DPR preparation consultants as project wise individual technical PMCs for implementation of the project with an option of liquidated

damages to the ULB in case of delays arising in the project due to technical flaws in the DPRs. This needs to be monitored closely as the next phase commences.

- **Lagging states need to become a greater focus of attention** and leading states need to be stretched further in terms of setting targets and timelines

Table 9.1: Summarization of Institutional Arrangements at the National Level

Institutional Mechanism	Mission Directorate
Structure	<ul style="list-style-type: none"> • The sub mission Directorates are understaffed in terms of the requirements of the project implementation and reforms. There is also no devoted project officer to assist the Mission Directors from both sides - wherein one is an Additional Secretary with MoHUPA and the other is the Joint Secretary with MoUD and carry a lot of other responsibility of their respective Ministries.
Technical Capacity	<ul style="list-style-type: none"> • Technical support in the Mission Directorate itself is absent but the same is provided by the technical organizations under the two Ministries of MoUD and MoHUPA by agencies like the Technical cell, CPHEEO, HUDCO, BMTPC and CWPD amongst others. • CPHEEO, which is responsible for the bulk of the project appraisal since most of the projects are for water supply, sewerage and drainage is short of hands and needs to be strengthened for it is highly under staffed. This is necessary if the objective of proper technical appraisal is to be achieved.
Technical guidance and Management Support	<ul style="list-style-type: none"> • TAG provides technical advice on the involvement of civil society in urban governance reforms and state level and city level TAGs. • Technical Consultants appointed by MoUD and MoHUPA provide necessary technical and management support
System and Procedure	<ul style="list-style-type: none"> • System and procedure laid out right from the preparation of CDP, DPR, appraisal of CDP and DPR, sanction of projects, review and monitoring of the project implementation is well defined and recorded in the tool kits for JnNURM on various aspects and the guidelines to the states. • A holistic CDP should be made based on the city's priority sectors. The appraisal process for the CDP needs to ascertain the credibility and integrity of the holistic CDP approach. • Based on discussions with the states and ULBs, it has been felt that the time given for preparation of CDP is very less. Three months preparation time does not give sufficient time for holding stakeholder consultations which is not in the spirit of the JnNURM guidelines. The timeline needs to be suitable increased. • Appraisal of the CDPs was undertaken by the empanelled consultants wherein a few of them had also prepared CDPs. This might create a conflict of interest. This needs to be rethought. For example, CEPT has prepared CDPs and had appraised CDPs as well for cities other than the ones they have prepared for. This might lead to a bias coming in while appraisal process. • While technical groups such as CPHEEO, CPWD, HUDCO and BMTPC assist the ministries on both the sides for technical appraisals of DPRs, they are grossly understaffed. This in turn leads to delays in the DPR

Institutional Mechanism	Mission Directorate
	<p>appraisal and an incremental increase in the project costs due to delayed project implementation. While increasing the in-house capacity cannot be done immediately, there is merit in exploring at the option of using DPR preparation consultants as project individual technical PMCs for monitoring of the project with an option of liquidated damages enforceable in case of delays arising in the project due to technical flaws in the DPRs.</p> <ul style="list-style-type: none"> • DPRs are to be prepared for the projects as per the priority in the CDP. However, deviations from the priority projects have been noticed in some cases. The check list for appraisal should include this check on the part of appraisal agencies and should form part of the tool kit/guidelines for preparation of CDP/ DPR • Appraisal agencies should be required to appraise the projects within a fixed time line. • It has been felt that project approval should be divided into two stages - the in-principle approval stage and final approval stage should be put in place. The time period in between both these approvals should be used for DPR preparation and other issues like land acquisition etc to ensure minimal delays and maximum operational efficiency.
Institutional Mechanism for leveraging earmarked fund for:	
Administration and Operation	<ul style="list-style-type: none"> • Project administration and operation fund though small is earmarked for the purpose. Financial support was for a period of three years now extended till 2012. • Full utilization of earmarked fund should be ensured through the project review mechanism in place. • MoUD/ MoHUPA may consider raising the fund earmarked for administration and operation.
Capacity Building	<ul style="list-style-type: none"> • One of the main constraints in the implementation of the project is that all ULBs require massive capacity building to take over the functions under 74th CAA and implementation of projects under JnNURM. The amount earmarked for capacity building along with other such soft components largely remains unutilised. The ULBs should take advantage of such a fund being available to them from the Centre's side and should prepare a HRD and Capacity Building DPR. Utilization of the earmarked fund should be monitored along with the project review. This should form a part of the check list for release of further instalments.
IEC	<ul style="list-style-type: none"> • Information education and communication (IEC) ensures greater involvement and acceptability and ownership of the projects. It is in this context that this programme becomes important and hence IEC needs to form a part of the project proposals in the DPR. • Though States and ULBs have greater responsibility in creating awareness among the people about the project, the role of MoUD/ MoHUPA is significant in ensuring that IEC is implemented • Full utilization of earmarked fund should be ensured through the project review mechanism in place at the SLSC and SLNA.
Leveraging of Earmarked Fund by GOI	<ul style="list-style-type: none"> • There should be leveraging of the earmarked fund for administration of the project, capacity building, IEC and for leveraging of JnNURM fund. • The ULBs based on their credit ratings may be able to access the market leveraging the JnNURM fund.

Source: Primary, secondary data collection and GT analysis

9.4.2. Appraisal of the Institutional Mechanism at the State Level

Institutional arrangement for steering implementation of JnNURM is provided by the State level Sanctioning Committee (SLSC) headed by the Chief Minister/ Minister Urban development which actually works both as a steering committee and sanctioning committee. The main function of the SLSC is to prioritize the projects, sanction and forward the same to CSMC. The committee is fairly represented and all the line departments, people's representatives MPs, MLAs, Mayor/ select chairperson of the ULBs are involved in the selection and prioritization of projects. The committee is well structured and has played a vital role in timely clearance of projects at the state level.

State level Nodal Agency (SLNA) is responsible for appraisal of projects submitted by ULBs, obtain sanction from SLSC and monitor the project. There should be only one State Nodal Agency but in certain states, there are more than one SLNA. For example, Maharashtra has three SLNAs; Maharashtra Metropolitan Regional Development Authority (MMRDA), Directorate of Municipal Administration (DMA) and Maharashtra Housing Board and Area Development Authority (MHADA); Karnataka also has 03 SLNA's and West Bengal has 02 SLNA's. More than one SLNA creates a lot of coordination problems. It is important to streamline the processes and create a single structure in terms of ease in coordination. Moreover, the very definition of a nodal agency signifies that a single agency should undertake this job for the mission and coordinate with both the central ministries. This will also bring convergence of the two ministries at the state level. While it is appreciated that the States may face a difficulty in having one SLNA for the two sub missions, designating the urban development department would have served the purpose better and the multiple SNLAs could have worked as PMC's/ PMU's to the urban development department. PMU attached to UDD would have provided the technical support. This institutional arrangement would have ensured that the two missions deal only with one SLNA. Moreover, the guidelines for SLNA does provide for such flexibility.

PMUs are required to provide technical support to the SNLAs with an inter disciplinary team of experts with programme manager as the team leader, a project management specialist, public works and public health engineer, MIS and municipal finance expert and a social development expert or Urban Governance/ Community/ institutional and capacity development specialist. Majority of the sample states have put in place the PMUs but a few filled up the positions much after the start of JnNURM implementation presumably for the reason that the fund from the mission to meet the expenditure is available for a period of three years. Some of the states have only one or maximum two experts in the PMU like Meghalaya and Delhi. However, there are a lot of states which do not have PMUs. It has also been observed that the states with PMUs are generally doing better than the states without PMUs. The centre should consider making the PMUs mandatory.

Table 9.2: Details regarding establishment of PMUs

States	PMU Established
Andhra Pradesh	Yes
Arunachal Pradesh	Yes
Assam	Yes
Bihar	Yes
Chhattisgarh	Yes
Gujarat	Yes
Jharkhand	Yes
Karnataka	Yes
Kerala	Yes
Madhya Pradesh	Yes
Orissa	Yes

States	PMU Established
Punjab	Yes
Rajasthan	Yes
Tamil Nadu	Yes
Uttar Pradesh	Yes
Uttarakhand	Yes
West Bengal	Yes

Source: Primary, secondary data collection and GT analysis

A sample of the skill level available at the state PMU is given below:

Orissa

The PMU was set up on 1 November 2009. It comprises of 4 people –

1. Social Development Expert
2. Urban Poverty Expert
3. Research and Training Expert
4. MIS Expert

Andhra Pradesh

The PMU at the SLNA comprises of:

1. One Chief Engineer
2. Two Superintendent Engineers
3. Three Executive Engineers
4. One Deputy Executive Engineer and supporting staff

Kerala

The PMU comprises of the following personnel:

1. Team Leader
2. Advisor – Urban Planning & Urban Reforms
3. Senior Technical Expert
4. Municipal Finance Expert
5. Social Development Expert
6. MIS Expert
7. Senior Research Associate (Urban Planner)
8. Office & Accounts Assistant

Uttaranchal

The Composition of the PMU is as follows:

1. Director
2. Deputy Director
3. Additional Director
4. Assistant Director
5. Accounts officer
6. Statistical administrative officer
7. SUDA officer

The above examples support the finding that the PMUs though established have not been staffed completely.

State Technical Advisory Group (SLTAG): SLTAG was conceived to advise State Level Steering Committees, State Level Nodal Agencies (SLNAs) and Urban Local Bodies on enlisting community

participation, securing transparency and accountability, ways and means of involving citizens in service delivery and governance; Voluntary Technical Corps in each Mission city; help establish Regional Resource Centres and keep track of reform measures at State levels.

SLTAGs were identified to encourage transparency, accountability and participation in the Mission; to establish City Technical Advisory Groups (CTAGs) and City Volunteer Technical Corps in each of the JnNURM cities of the state and monitoring of JnNURM reform conditions, especially those related to transparency and participation.

Monitoring at State Level:

Each state has devised its own formal as well as informal monitoring mechanisms to ascertain the progress in the state for JnNURM projects and reforms implementation. Most common approach followed is one wherein the Principal Secretary/ Secretary (the highest official prevalent in the Urban Development Department) undertakes regular (usually monthly) meetings in most states to ensure the progress and to address any challenges being faced by the ULB. Other mechanisms include field visits, interactions with Municipal Commissioners and other relevant staff like Chief Engineers/ SE/EE where required. For example, In Orissa, the Principal Secretary chairs regular meetings to discuss implementation issues for projects along with problem solving initiatives for key issues like land acquisition and encroachment issues. He also addresses challenges faced for reforms by the ULBs of Orissa in an effort to endeavour successful reform implementation across ULBs.

Table 9.3: Summarization of Institutional Mechanism at the State level

Institutional Mechanism	State level Institutions
Structure	<p>SLSC</p> <ul style="list-style-type: none"> Structure of the SLSC is in conformity with that of the requirement of the project prioritisation, sanction, implementation of projects and reforms. <p>SLNA</p> <ul style="list-style-type: none"> There should be only one SNLA for both the sub-mission projects instead of having two or three as at present in a few states for more efficient coordination and to bring convergence and synergy in the working of the two ministries at the state level. The UDD may be the most appropriate department of the state government to be designated as SLNA with technical support from the PMU The Secretary of UDD may be designated as the State Nodal officer. In case multiple state level agencies are required, then the same can in turn be the PMC's/PMU's for the UDD. This will also ensure that the centre as well as the ULBs deals with only one SLNA.
Technical Capacity	<ul style="list-style-type: none"> In many places, technical support is available with the parastatal agencies like the Development Authorities, the Housing and slum clearance boards. PMUs, if staffed fully, can provide the required technical support to the SNLA with its multidisciplinary team. PIUs, attached either to the ULBs or parastatal agencies of the state, bring technical expertise in municipal finance, information technology, urban planning, environment, procurement social and community development and HR which are a must for implementation of a project of the nature and size of JnNURM. Incapacity, often cited as the main reason for making the parastatal agencies as implementing agencies is not tenable since most of the states

Institutional Mechanism	State level Institutions
	<p>during the last five years of implementation have not made a lot of effort to enhance the skill of the ULB staff. The funds earmarked for capacity building remains largely underutilized.</p>
<p>Technical guidance and Management Support</p>	<ul style="list-style-type: none"> • Very few states have constituted TAG at the state and city level. • Technical and management support is being provided by the PMU to SLNAs.
<p>System and Procedure</p>	<ul style="list-style-type: none"> • System and procedure laid out right from the preparation of CDP, DPR, appraisal of CDP and DPR, sanction of projects, review and monitoring of the project implementation is well defined and recorded in the tool kits for JnNURM on various aspects and the guidelines to the states. • Centralization of decision making at MoUD particularly in the appraisal of CDP and DPR needs review • DPRs are to be prepared for the projects as per the priority in the CDP. Deviation from the priority projects is noticed in some cases. The state government should ensure that CDP is a holistic document and only after need for projects under the four priority sectors of JnNURM has been exhausted that projects under the other sectors are targeted and that too as per the CDPs prioritization. If there is any deviation and for some reasons it is not possible to take up the project, prior approval of MoUD should be taken by the SLNA before entrusting the work to the consultants to prepare the DPR. • The ULBs and the implementing agency should obtain all the statutory clearances such as Environmental clearance and submit EIA and social safeguard reports along with the DPR. Also, land acquisition should have been done before DPR is submitted once the project has been sanctioned in principle by the ministry. • Most of the states do not have either procurement policy or procurement manual and use PWD procurement rules. The states may be asked to have these in place before seeking any assistance in future. Alternatively, it is advisable that the central ministry has a national procurement manual in place at the national level which the states can follow for the JnNURM projects. This endeavour can be conceptualized under the stewardship of the MoF and can be made comparable to the international procurement rules followed by external agencies like WB, ADB, JICA etc. • Packaging of projects should be finalised before the bid documents are prepared. No change should be permitted in the bid documents thereafter. In a few instances the states have divided and sub- divided the works into smaller packages on other considerations than the project interest. Also in certain states, even when only one bidder has applied for a tender, the work has been awarded to the bidder which is against the spirit of procurement in terms of transparency and competition. For example, in Dehradun, even when only a single bid had been received for a project, the project was awarded to the bidder. In other cities like Bhubaneswar and Nanded, where bids were not being received for big projects, the work was divided into smaller packages and bid out.
<p>Institutional Mechanism for leveraging earmarked fund for:</p>	

Institutional Mechanism	State level Institutions
Administration and Operation	<ul style="list-style-type: none"> Project administration and operation fund are either not utilised or only a small fraction earmarked for the purpose is used though the requirement is much more as most of the ULBs and implementing Agencies are short of staff and do not have required technical man power. They need to utilise the earmarked fund fully. Full utilization of earmarked fund should be ensured through the project review mechanism in place by the SLNA and SLSC.
Capacity Building	<ul style="list-style-type: none"> The amount earmarked for capacity building largely remains unutilized. One of the main constraints in the implementation of the project is that the many ULBs do not have the required capacity to take over the functions under 74th CAA and functions under the 12th Schedule and implement the projects under JnNURM. The States/ULBs need to prepare an HRD and capacity building programme which should be sent along with the DPR or form part of the DPR and the DPR should be sanctioned along with the amount earmarked for capacity building.
IEC	<ul style="list-style-type: none"> Information education and communication (IEC) ensures greater involvement and acceptability and ownership of the projects. It is in this context that this programme becomes important and needs to form a part of the project proposals in the DPR. The states should prepare a detailed programme for IEC Full utilization of earmarked fund should be ensured through the project review mechanism in place

Source: Primary, secondary data collection and GT analysis

9.4.3. Appraisal of Institutional Mechanism at the City level

JnNURM guidelines well define the institutional mechanism for implementation of JnNURM at the national and state level but is silent on the matter at the city level except for providing technical support through the city level TAG and PIUs. At the city level, there should have been provision for a city level sanctioning, monitoring and review committee since there are multiple agencies working as implementing agencies. This would be covered under CTAGs but the same are not functional in most cities. The CTAGs should be made operational for better governance at the city level. If the ULBs were the only implementing agency perhaps the inbuilt institutional mechanism within would have worked well but even then the projects covering areas beyond the municipal limit would require a city level committee.

The city level sanctioning and monitoring committee or CLSMC may be headed by the Mayor of the city corporation and the chairperson of the municipal council and the member secretary being the Municipal Commissioner/ the CEO; the other members of the committee may be the representatives of the line department/ parastatal agencies at the city level besides representatives from PMU and PIU and select municipal councillors. The committee would receive monthly and quarterly report from the PIU on the progress of project implementation and reforms as well as assist the implementing agencies in removing the impediments in the way of the progress of the project. The committee would provide guidance to the implementing agencies on issues brought before it by the PIUs, consider, approve the CDP, DPRs and sanction the projects before the same to the SLNA and work closely with IRMA, TPIMA in monitoring the project under the current set up and with individual project PIUs as proposed by the consultant under the recommended monitoring system wherein the DPR preparation agency is made the individual project PIU for

overseeing implementation. The committee may seek the advice of city level TAG whose members would be drawn from the civil society as in the case of National and State level TAGs.

Incapacity of the ULBs is often cited as the main reason for making the parastatal agencies responsible for implementation of projects under non transfer of functions as per 74th CAA. During the last 20 years, the effort of the state government in building the capacity of the ULBs has been marginal and only a few states and larger municipal corporations have the required capacity to perform the functions assigned by law. Capacity building includes proper staffing which is a major issue in the smaller and medium ULBs. The state governments need to consider staffing the ULBs on priority. The staffing pattern cannot be uniform even for the city of similar size much will depend on the functions performed by the ULBs, the extent and level of services provided, the city infrastructure and the topography and location the latter two become important while working out the requirement of the operational staff. The consultant is of the view that an in depth analysis of the staffing pattern should be done by every ULB keeping in mind the functional requirement of 74th CAA and *JnNURM*.

JnNURM specifies changes in the process and procedures for reforms. There is one mandatory state level reforms namely public disclosure law which is meant to make the system transparent and make the functionaries in the state and ULBs accountable. There are three mandatory reforms which are for simplification of procedure and processes. These reforms are e-governance, municipal accounting and property taxation. The six optional reforms which attempt to make changes in the system and how it is operated are introduction of property title certification, revision of building bye-laws to stream line the approval processes, simplification of legal and procedural frame work for conversion of agricultural land for non agricultural purposes, introduction of computerized processes for registration of land and property, administrative reforms and structural reforms. MOUD/ MOUPHA have appropriately given emphasis on procedural reforms for 10 out of 23 reforms are targeted for simplification of procedure and processes and making them transparent and to bring all the necessary information within the public domain.

Technical support is expected to provided by TAG and PIU, if put in place. A Technical Committee under the chairpersonship of an eminent local technical expert with representatives from technical and social organisations besides professionals can provide technical assistance to the ULBs and implementing agency.

Operations and maintenance staff is the mainstay of any service provider. The ULBs need capacity building of the managerial staff but equally important is the training programme for improving the skill of the operation and maintenance staff which is not given due attention by the ULBs which happen to be the main service provider. The State Government should ensure provision of adequate fund for the purpose and utilise the services preferably city based public and private training institutions.

Third tier needs to be strengthened in terms of capacity for the municipalities wherein the following positions should be accounted for: Legal expert, project management, finance expert, social development expert, e-governance expert, managers, a strong mayor, public works expert, strong project engineering cell, urban experts, accounting experts, physical planning, transport, reform expert.

ULBs should ensure that projects under *JnNURM* and the linked reforms have the involvement of all the stakeholders. One of the mandatory reforms at the state level targets greater involvement of the stakeholders is ensured by enactment of Community Participation Law. Implementation of the said reform and greater involvement of the stake holders can be facilitated through IEC which is one of the neglected areas of project formulation and implementation. The services of professionals may required to draw up an IEC programme to bring awareness about the projects its benefits or otherwise since awareness about the nuances of the project is the first step towards involvement.

Successful completion and sustenance of the project largely depends on the stakeholder's involvement. Appraisal of the institutional mechanism at the city level is summarised at table 9.5.

City Technical Advisory Group (CTAG): The role of CTAG in the overall scheme of JnNURM includes advising on city governance and management team on enlisting community participation in service delivery, governance and poverty reduction programmes; ensuring transparency and accountability to citizens in programme implementation of JnNURM. CTAGs are the voice of the people in ensuring legitimate space to the local communities and different stakeholders in the programme implementation process. It would serve as an interface between the municipal corporation and the citizens through suitable institutional mechanism for reforms in urban governance. Very few cities have established CTAGs till date. Establishing more CTAGs needs to be encouraged.

City Volunteer Technical Corps (CVTC): CVTC is constituted on the principle of voluntarism and community responsibility. This plays a pivotal role in mobilizing citizens' involvement in planning, implementation, monitoring and evaluation. CVTC will be guided by CTAG and is being constituted by City Corporation to enable citizen participation in JnNURM implementation to ensure accountability and transparency. CVTC will facilitate exchange of information and be a conduit for reaching the common person about the information flow on schemes, DPR's of JnNURM. They are aware of 3 R's (Roles, Rights and Responsibilities) of different stakeholders and facilitate the process of change in a Proactive way.

Community Participation Fund: It is being increasingly realized that communities have little capacity to participate. Providing the platform for participation as described above is only one aspect of enabling community participation; the other is to ensure that communities have capacity to fully utilize these spaces, and participate meaningfully. This issue is even more acute with respect to the urban poor.

To address this issue, a Community Participation Fund (CPF) has been established. The primary objective of this fund is to create capacities in the communities to effectively engage and contribute in improving their living environment. It is meant to catalyze the process of community participation by creating a "Participatory Incubator" in some sense allowing communities to experience the process of collective decision-making for themselves and taking full accountability for these decisions on themselves. There is a toolkit available under JnNURM which explains the process.

PIUs

Out of the sample visited by the consultants majority of the states have set up PIUs except seven states despite the fact that CSMC has already approved the proposals from these states. In a few states where the ULBs are not made responsible for execution of the projects, the PIUs are attached to the project implementing agencies. The list of cities with PIUs is as follows:

Table 9.4: Details regarding establishment of PIUs

City/ULBs	PIU Established
Ahmedabad	Yes
Ajmer-Pushkar	Yes
Asansol	Yes
Bhopal	Yes
Bhubaneswar	Yes
Chennai	Yes
Coimbatore	Yes
Dehradun	Yes
Guwahati	Yes
Hyderabad	Yes
Indore	Yes

Itanagar	Yes
Jaipur	Yes
Kochi	Yes
Kolkata	Yes
Lucknow	Yes
Mysore	Yes
Nanital	Yes
Pune	Yes
Puri	Yes
Ranchi	Yes
Thiruvananthapuram	Yes
Ujjain	Yes
Vadodara	Yes
Vishakhapatnam	Yes

Source: Primary, secondary data collection and GT analysis

The technical assistance by the PIUs is given by a team of experts with expertise in IT, procurement, municipal finances, urban planning, social and community development and human resource development and the entire funding for engaging the staffs is provided for a period of three years. The rationale for providing the fund for three years only may have been due to the presumption that the states may not require such support for the entire seven years of the project duration. It would have been much better to have the PIUs in position from the second year itself till the completion of the project in 2011-12 by enhancing 5% of the JnNURM fund to an appropriate amount for the purpose. This may be considered in the next phase of JnNURM if GOI decides to continue supporting the programme in the 12th Plan. Appraisal of the state level institutions is summarised at table 9.2.

A sample of the skill level available at the city level PIU's given below:

Vadodara

At the corporation level, a PIU is there to take care of the JnNURM projects consisting of the following personnel:

1. IT officer
2. Social Development Expert
3. Accounts Officer

Kochi

There is a PIU at the corporation level which comprises of the following personnel:

1. Project Manager
2. Municipal Finance Manager
3. Public Health Engineer
4. MIS Expert
5. Technical officer
6. Environment expert
7. Procurement expert

Lucknow

A PIU comprising of 5 members is in place to ensure inter agency coordination is smooth. The PIU comprises of:

1. Environment Officer
2. Procurement Officer
3. HRD Officer,
4. Social& Community Development Officer

5. It Officer

While PIUs have been established at certain cities, there is a need to staff them properly with the required experts at the city level to assist the ULB in achieving JnNURM's mandate.

Table 9.5: Appraisal of Institutional Mechanism at the City level

Institutional Mechanism	State level Institutions
Structure	<p>CLSMC</p> <ul style="list-style-type: none"> • There is no provision for constitution of city level sanctioning and monitoring committee under JnNURM guidelines • There is no city nodal agency and each of the executing agency is required to interact with the SLNA and PMU on all matters connected with implementation of the project • There is need for a city level committee particularly where the projects are being executed by multiple agencies like the development authority, the housing and slum clearance board besides ULBs.
Technical Capacity	<ul style="list-style-type: none"> • Technical support, whether in-house or in the form of external consultants, is available with the parastatal agencies like the Development Authorities, the housing and slum clearance boards even at the city level. • PIUs are either attached to the ULBs or parastatal agencies of the State lack the technical expertise in municipal finance, information technology, urban planning, environment, procurement social and community development and HR which are must for implementation of a project of the nature and size of JnNURM. With the assistance of PIUs the ULBs having core technical expertise can deliver the goods. The mission insists on the reforms and is pursuing the states to transfer the functions under the 12th Schedule to the ULBs. In case the same cannot be done then mechanisms should be put in place to ensure that the overall accountability lies with the ULB. • The fund earmarked for capacity building remains largely underutilized.
Technical guidance and Management Support	<ul style="list-style-type: none"> • Not many cities have constituted TAG at the city level • Technical and management support is being provided by the PIUs to the ULB. • A technical advisory group may be constituted with the Secretary/Municipal Commissioner as chairperson and members drawn from the civil society, technical, management and social Institutes and Government departments/Agencies to advice the CLSMC. Though the JnNURM guidelines provides for the city TAG, not many cities have done so. TAGs should also be constituted at the city level. MoUD/MoHUPA and the States should ensure constitution of TAGs at the city level.
System and Procedure	<ul style="list-style-type: none"> • System and procedures laid out right from the preparation of CDP, DPR, appraisal of CDP and DPR, sanction of projects, review and monitoring of the project implementation is well defined and recorded in the tool kits for JnNURM on various aspects and the guidelines to the states. Need for the city level committee to follow the guidelines and to review if the procedures laid out are being followed • Minimum involvement of the ULBs in preparation of CDP. DPR. Wherever ULBs are implementing agencies their involvement is higher • Empanelment and engagement of consultants may be left to the states/ cities. • DPRs are to be prepared for the projects as per the priority in the CDP. Deviation from the priority projects is noticed in some cases. The ULBs should ensure that there is no deviation from the prioritisation of projects as per CDP. If there is any deviation and for some reasons it is not possible to take up the project prior approval of SLNA should be taken by the project implementing agencies before entrusting the work to the consultants to prepare the DPR • The ULBs and the implementing agency should obtain all the statutory clearance such as Environmental clearance and submit EIA and social safeguard Reports along with the DPR. • Most of the ULBs/ Implementing Agencies do not have either procurement

Institutional Mechanism	State level Institutions
	<p>policy or procurement manual. The Implementing Agencies and the ULBs may be asked to have these in place before seeking any assistance in future.</p> <ul style="list-style-type: none"> • Packaging of projects should be finalised before the bid documents are prepared. No change should be permitted in the bid documents thereafter. In a few instances the implementing agencies have divided and sub- divided the works into smaller packages on other considerations than the project interest.
Institutional Mechanism for leveraging earmarked fund for:	
Administration and Operation	<ul style="list-style-type: none"> • ULBs and implementing agencies are short of staff and do not have required technical man power, they need to utilise the earmarked fund fully. Unless the earmarked fund of 5% utilised fully MoUD/MoHUPA may not able to seek additional fund for the purpose if the allocation made is not utilized. • Full utilization of earmarked fund should be ensured through the project review mechanism in place by the SLNA and SLSC. • The shortage of manpower cannot be quantified since the same would vary from city to city from one ULB to another. The shortage is noticeable in the field of municipal finance, urban planning, procurement, social and community development, construction and contract management, environmental planning and poverty alleviation planning. It should be left to the states and ULBs to work out the manpower requirement for each of the ULBs and not follow the principle of the same size fits all
Capacity Building	<ul style="list-style-type: none"> • The amount earmarked for capacity building largely remains unutilized. One of the main constraints in the implementation of the project is that the many ULBs do not have the required capacity to take over the functions under 74th CAA and functions under the 12th Schedule and implement the projects under JnNURM. • The ULBs need to prepare an HRD and capacity building DPR and have the same sanctioned by MoUD. • The ULBs while preparing the capacity building programme should include intensive training for the operational staff besides the managerial staff. Very often, due care is taken of capacity building of the managerial staff but not the operational and field staff like the plumbers, the electricians and such staff whose enhanced technical skill can considerably improved the quality of infrastructure and service delivery. The services of the city are based on public and private training centres and the polytechnics and ITIs which can be utilized for the purpose.
IEC	<ul style="list-style-type: none"> • Information education and communication (IEC) ensures greater involvement and acceptability and ownership of the projects. It is in this context that this programme becomes important and needs to form a part of the project proposals in the DPR. The ULBs and particularly the ward committees can play a very useful role in this regard • ULBs should prepare an IEC plan for which funds available for administration of the project can be utilized. • Full utilization of earmarked fund should be ensured through the project review mechanism in place

Source: Primary, secondary data collection and GT analysis

9.5. Institutional Processes

- The involvement of two different ministries has led to duplication of effort since the same sets of members barring a few are required to attend the two separate meetings which could have been dealt in one meeting.
- The two sanctioning committees normally have meetings on different dates and not necessarily on the same date for which the senior officials of the State Governments are required to come again sometimes within short duration of weeks and days. A single sanctioning committee with Secretary MoUD as chair person and Secretary MoHUPA as Co-Chairperson would be appropriate

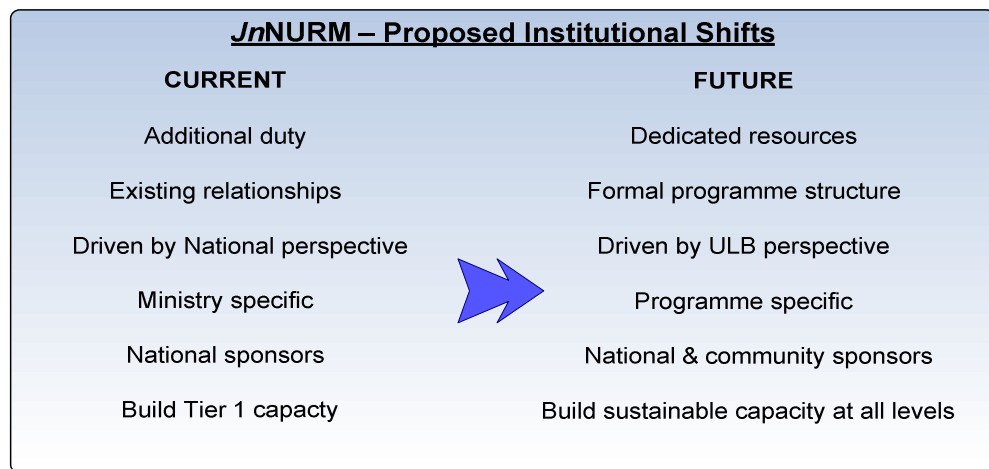
9.6. Capacity Sustainability:

- **The process by which ULBs develop CDPs does not appear to be tightly integrated with the process for municipal budgeting and annual planning.** CDPs have not become the “living” document that was envisaged and as such are not being updated as project complete and the vision for a city evolves.
- The states are supposed to match the centres share with their own share which is not happening at the moment in a lot of states. The state funds are delayed and create operational and financial issues in the project implementation on the ground.
- **Increasing financial viability of ULBs** by implementing urban infrastructure funds provide the financial support for ULBs to attract outside investment

9.7. Summary Assessment

In summary, based upon the observations given above we propose the following key shifts for the institutional arrangements as JnNURM transitions from Phase I to Phase II

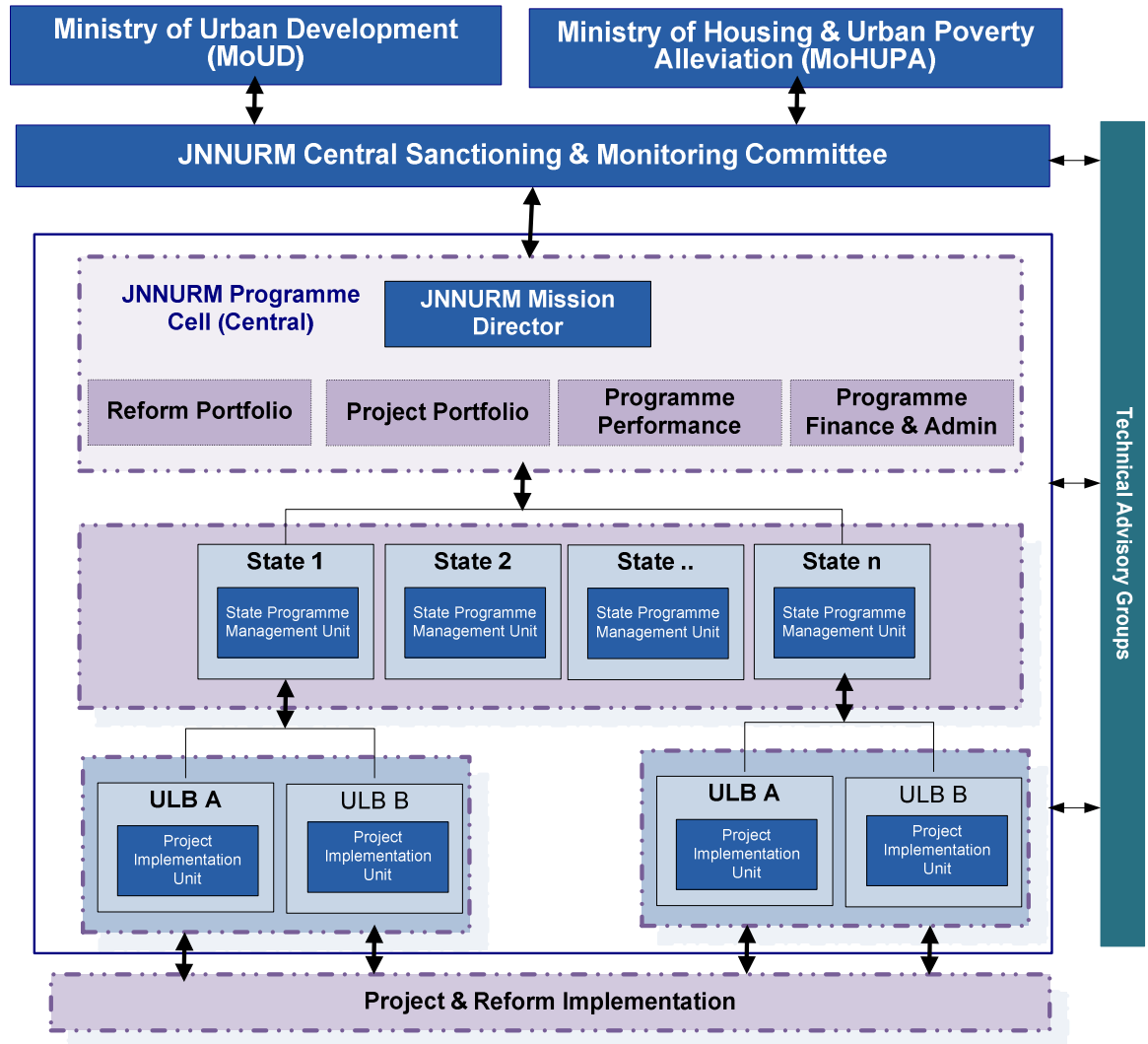
Figure 9.1: JnNURM – Proposed institutional shift



Implementation Roadmap

The programme needs to be constituted around a formal programme structure with dedicated resources.

Figure 9.2: Recommended functional structure of JnNURM



The above diagram depicts the functional structure as recommended by the consultant for JnNURM based on the detailed analysis as given in the preceding section.

10. Resource Mobilization

The present section of the report is intended to provide a snapshot of the current status of the Mission with respect to all the four components- UIG, BSUP, UIDSSMT and IHSDP based on the sample cities visited. This entails an update on the number of projects sanctioned vis-à-vis completed, the sectoral coverage achieved and the costs involved thereto.

JnNURM appraisal was conducted on a sample of 41 mission cities and 25 non mission cities. The sample constitutes a total of 636 projects under two sub-missions and two sub-schemes. The analysis, as given in this section, is based on the above mentioned sample of 41 mission cities and 25 non mission cities only.

10.1. Approved Number of Projects – An overall scenario

Table 10.1 presents an overall analysis of the total number of approved projects on a sector wide basis for both the sub-missions and sub-schemes for the sample cities. The analysis shows that 57% of the approved projects fall under UIG while 33% is covered by BSUP on the housing side for the mission cities covered under the chosen sample. For the non mission cities, UIDSSMT and IHSDP cover 5% and 4% approximately in terms of the number of approved projects.

Based on an analysis of the total number of approved projects under the Mission for the aforesaid sample, it has emerged that under UIG sub mission the maximum number of projects have been sanctioned under water supply sector (27%) followed by Roads/Flyovers at 21%. A similar analysis of the sub-scheme UIDSSMT shows convergence with the pattern followed under UIG with maximum projects being approved under water supply at 50% followed by Sewerage at 30%.

Table 10.1: Approved projects in the sample of cities

Sectors	Number of Approved Projects- UIG	Number of Approved Projects- BSUP	Number of Approved Projects- UIDSSMT	Number of Approved Projects- IHSDP	Total Number of Approved Projects	Distribution of Approved Projects (%)
Development of Heritage Areas	6 (2%)		0		6	0.95
Drainage/ Storm Water Drainage	48 (13%)		3 (10%)		51	8.01
Housing		215		24	239	37.57
Transport	27 (7%)				27	4.24
Parking	5 (1%)				5	0.78
Preservation of Water Bodies	3 (1%)				3	0.47
Roads/ Flyovers/Bridges	76 (21%)		2 (7%)		78	12.26
Sewerage	69 (19%)		9 (30%)		78	12.26
Solid Waste	24 (7%)		1 (3%)		25	3.93

Sectors	Number of Approved Projects-UIG	Number of Approved Projects-BSUP	Number of Approved Projects-UIDSSMT	Number of Approved Projects-IHSDP	Total Number of Approved Projects	Distribution of Approved Projects (%)
Management						
Urban Renewal	11 (3%)				11	1.72
Water Supply	98 (27%)		15 (50%)		113	17.76
Total	367 (100%)	215	30 (100%)	24	636	100.00

Source: Primary, secondary data collection and GT analysis

It may also be noted that sectors like heritage and urban renewal have seen allocations amounting to a mere 1% in terms of approved projects. One of the key reasons for this may be the fact that these sectors were introduced later in 2008 under JnNURM, other developmental works such as water supply, sewerage etc took precedence due to the underdeveloped infrastructure needs of the country at large.

10.2. Approved cost of Projects – An overall scenario

Table 10.2 is indicative of the investment made in different sectors across the two sub-missions and the two schemes. The total allocation under UIG projects is 68% compared to the approved costs in all the four segments. The share of BSUP projects is 28%. The share of UIDSSMT scheme and IHSDP scheme in the total allocation under JnNURM for the sample cities is 3% and 1% respectively. Based on an analysis with the number of approved projects under the sub-missions and sub-schemes, it may be observed that 57% of the approved projects for UIG account for 68% of the total approved cost while 33% of the total approved projects for BSUP account for 27 % of the approved cost.

An analysis from a sectoral angle shows that for UIG projects in the sample cities, the projects with maximum amount of investment has been sanctioned under water supply and sewerage segments which amounts to 30.7% and 21.6% respectively.

Table 10.2: Approved cost of projects in all 4 schemes

Sectors	Approved Project Costs (₹ crore)-UIG	Approved Project Costs (₹ crore)-BSUP	Approved Project Costs (₹ crore)-UIDSSMT	Approved Project Costs (₹ crore)-IHSDP	Total Approved Project Costs (₹ crore)	Distribution of Approved Project Costs (%)
Development of Heritage Areas	231.08 (0.5%)		0.00		231.08	0.36
Drainage/ Storm Water Drainage	6571.17 (15.3%)		50.30 (2.6%)		6621.48	10.50
Housing	0.00	17503.08		715.7	18218.78	28.9
Transport	4259.47 (9.9%)		91.28 (4.8%)		4350.75	6.90
Parking	860.42 (2.0%)		0.00		860.42	1.36
Preservation of Water Bodies	58.64 (0.1%)		0.00		58.64	0.09
Roads/ Flyovers/Bridges	6552.93 (15.3%)		133.98 (7.0%)		6686.91	10.60
Sewerage	9285.78 (21.6%)		878.43 (45.8%)		10164.21	16.12
Solid Waste Management	1455.32 (3.4%)		20.27 (1.1%)		1475.59	2.34
Urban Renewal	468.27 (1.1%)		0.00		468.27	0.74

Sectors	Approved Project Costs (₹ crore)- UIG	Approved Project Costs (₹ crore)- BSUP	Approved Project Costs (₹ crore)- UIDSSMT	Approved Project Costs (₹ crore)- IHSDP	Total Approved Project Costs (₹ crore)	Distribution of Approved Project Costs (%)
Water Supply	13161.09 (30.7%)		742.65 (38.7%)		13903.74	22.00
Total	42904.22 (100%)	17503.08	1916.91 (100%)	715.7	63039.91	100.00

Source: Primary, secondary data collection and GT analysis

Based on a combined analysis of both the UIG sub-mission and UIDSSMT sub-scheme, the following four sectors from MoUDs side have emerged as the priority sector with maximum projects being sanctioned under them:

1. Water supply
2. Sewerage
3. Drainage / storm water drainage
4. Roads/ flyovers/bridges
5. Solid Waste Management

10.3. Released cost vs. Approved cost – UIG and BSUP

Table 10.2 above details out the total approved cost for the two sub-missions: UIG and BSUP. An analysis of the approved cost vs. the released cost for the same projects as given in table 10.3 provides with a more comprehensive picture of the two sub missions. The funds released under UIG and BSUP sub-missions accounts for 78% and 22% respectively of the total released for these sub-missions. Under the UIG segment, the highest releases are for water supply, sewerage, drainage/storm water drainage which constitutes around 65% of the amount sanctioned. The lowest releases have been made for parking- 0.2%.

Table 10.3: Funds released for UIG and BSUP projects

Sectors	Total released (₹ crore)- UIG	Total released (₹ crore)- BSUP	Total Released (₹ crore)	Distribution of total released (%)	Percentage of released/ total costs of approved projects
Development of Heritage Areas	104.55		104.55	0.39	45.24
Drainage/ Storm Water Drainage	4553.86		4553.86	17.33	69.30
Housing	0.00	5836.05	5836.05	22.13	33.34
Transport	2557.08		2557.08	9.74	60.03
Parking	30.76		30.76	0.11	3.57
Preservation of Water Bodies	23.18		23.18	0.08	39.53
Roads/ Flyovers/Bridges	3720.80		3720.80	14.16	56.78
Sewerage	2680.53		2680.53	10.20	28.86
Solid Waste Management	501.03		501.03	1.90	34.42
Urban Renewal	178.87		178.87	0.68	38.19
Water Supply	6085.38		6085.38	23.16	46.29
Total	20436.09	5836.05	26272.14	100	

Source: Primary, secondary data collection and GT analysis

10.4. Total Expenditure vs. Released cost – UIG and BSUP

The total expenditure for UIG segment is 83.74% as against the released amount of 78% as compared to 73.33% of the release for BSUP projects (based on the individual segment releases). The overall utilization of funds released by mission cities as per the sample is 81.39%.

Based on table 10.4, maximum expenditure under the sub-missions has been on water supply projects (33%). The percentage to expenditure over approved cost has been highest in transport sector followed by Roads, water supply and drainage sectors which further corroborates the finding that these are the most active sectors as mentioned in the above section

Table 10.4: Total expenditure incurred by cities in each scheme

Sectors	Total expenditure (₹ crore)- UIG	Total expenditure (₹ crore)- BSUP	Total expenditure (₹ crore)	Distribution of total expenditure (%)	Percentage of expenditure/ total costs of approved projects
Development of Heritage Areas	56.83 (0.33%)		56.83	0.26	24.59
Drainage/ Storm Water Drainage	2591.73 (15.14%)		2591.73	12.13	39.44
Housing	0.00	4252.92	4252.92	19.91	24.42
Transport	2334.17 (13.64%)		2334.17	10.92	54.79
Parking	11.29 (0.07%)		11.29	0.05	1.31
Preservation of Water Bodies	12.08 (0.07%)		12.08	0.05	20.60
Roads/ Flyovers/Bridges	3525.82 (20.6%)		3525.82	16.50	53.80
Sewerage	2382.73 (13.92%)		2382.73	11.15	25.66
Solid Waste Management	311.63 (1.82%)		311.63	1.45	21.41
Urban Renewal	165.80 (0.97%)		165.80	0.77	35.40
Water Supply	5712.27 (33.4%)		5712.27	26.74	43.45
Total	17104.39 (100%)	4252.92	21357.31	100.00	

Source: Primary, secondary data collection and GT analysis

10.5. Completed Projects

Table 10.5 enumerates an all encompassing and comprehensive overview of the completed projects for each sector of the Mission for both the sub-missions and the sub-schemes.

As illustrated in table 10.1, there are a total of 367 UIG projects in the sample cities. Of the 367 UIG projects, 62 have been completed which amount to approximately 16.89% of the projects sanctioned. Around 30% of the cities have been able to complete at least one project under UIG.

Table 10.5: Total number of completed projects in the sample

Sectors	Number of Completed Projects-UIG	Number of Completed Projects-BSUP	Number of Completed Projects-UIDSSMT	Number of Completed Projects-IHSDP	Total Number of Completed Projects	Distribution of Completed Projects (%)
Development of Heritage Areas	1				1	1.45
Drainage/ Storm Water Drainage	5				5	7.25
Housing		5		0	5	7.25
Transport	4				4	5.80
Parking					0	0.00
Preservation of Water Bodies					0	0.00
Roads/ Flyovers/Bridges	30				30	43.48
Sewerage	4		1		5	7.25
Solid Waste Management					0	0.00
Urban Renewal	2				2	2.90
Water Supply	16		1		17	24.64
Total	62	5	2	0	69	100.00

Source: Primary, secondary data collection and GT analysis

Within the Urban Infrastructure Development Scheme for Small & Medium Towns (UIDSSMT) scheme of sub-mission I in our sample as in table 10.1, there are a total of 25 cities executing 30 UIDSSMT projects. Only 7% of the sanctioned projects have been completed. As seen in the following table, merely 12.5% of cities visited have been able to complete a project. 14 towns in our sample of 25 have been unable to complete a single project.

The select 41 cities, as tabulated for BSUP component, comprise of a total of 215 approved projects. Out of these, 5 projects have been completed during the past 5 years of the mission which amounts to approximately 2.33% of the total projects in the sample cities. As per the analysis of these sample cities, it is evident that merely 9.76% of the cities have been able to complete at least one project under BSUP during the period (2005 – 2011) as quantified in table 10.5.

In the Integrated Housing and Slum Development Program (IHSDP) segment of our sample, there are a total of 25 cities executing 24 IHSDP projects. None of the sample cities have been able to successfully complete even a single project and the same has been illustrated in table 10.5.

10.6. Cost of Completed Projects

This scenario can be further examined by making a holistic comparison of the cost of the completed projects as against the completed projects and the approved cost of these completed projects.

Table 10.6: Cost of completed projects

Sectors	Costs of completed projects (₹crore)- UIG	Costs of completed projects (₹crore)- BSUP	Costs of completed projects (₹crore)- UIDSSMT	Costs of completed projects (₹crore)- IHSDP	Total cost of completed projects (₹crore)	Distribution of cost of completed projects (%)	Percentage of cost of completed projects/ total approved cost
Development of Heritage Areas	54.5				54.5	1.74	126.38
Drainage/ Storm Water Drainage	280.44				280.44	8.93	88.90
Housing		127.68			127.68	4.07	86.71
Transport	255.69				255.69	8.14	118.50
Parking						0.00	0.00
Preservation of Water Bodies						0.00	0.00
Roads/ Flyovers/Bridges	1139.17				1139.17	36.28	131.23
Sewerage	123.25		43.17		123.25	3.93	81.24
Solid Waste Management						0.00	0.00
Urban Renewal	24.3				24.3	0.77	89.83
Water Supply	1134.5		7.62		1134.5	36.14	99.13
Total	3011.85	127.68	50.79	0	3139.53	100.00	

Source: Primary, secondary data collection and GT analysis

As per the table 10.6, it evident that around 36% each of the total cost of completed projects has been incurred on water supply projects and roads/ flyovers/ bridges projects. Both these sectors together constitute around 72% of the total amount spent on completed projects. This is also in line with the number of projects in these sectors. The analysis also shows that roads/ flyovers/ bridges sector has exceeded its approved cost by around 31%, hence it is clear that there has been major cost escalation in this sector. The same effect can be seen in heritage and transport sectors that have also exceeded the approved cost by around 26% and 18% respectively. The detailed table quantifying the above analysis is given below.

10.7. Municipal finance and JnNURM impact

Based on availability of information from different cities, three states viz. Andhra Pradesh, Karnataka and Rajasthan has been analyzed to understand the impact of JnNURM on the financial health of cities in these states:

I. Andhra Pradesh

i. Summary

JnNURM Progress (Investment and Financial Flow) Scenario –

- JnNURM is on course in Andhra Pradesh in terms of submitting adequate numbers of projects and getting ACA committed in all four components
- The overall performance seems to be satisfactory and consistent in all four components on most parameters.
- In terms of releasing matching share by State against share released by the GOI

- Andhra Pradesh performance is sizeably higher (51%) than national average (39) for UIG
- Performance is much higher with respect to other three components. Especially in case of UIDSSMT and IHSDP, GoAP has released 86% of its matching share against national average of 52% and with respect to IHSDP component it has released just 72% of its matching share against national average of 52%.
- In case of BSUP component also GoAP has released 55% of matching share compare to national average of just 38%.
- In terms of releasing matching share by ULBs against the share released by GOI –
 - ULBs of are way ahead in releasing their matching share against the share released by GOI and against the approved project cost.
 - In UIG component ULBs of AP have released 50% of their matching share against national average of 35%.
 - In case of UIDSSMT projects, ULBs of Andhra Pradesh have released high level 87% of matching share against national average of 60%;
 - For BSUP projects ULBs have released only 54.7 % of their matching share against national average of 38 %.
 - Only in case IHSDP ULBs of AP have released less matching share compare to other components still it is equal to national average of 52%.
- In terms of actual expenditure against the total project cost approved –
 - Performance of Andhra Pradesh ULBs for UIG projects is 43.4 % which is almost double than the national average around 25% among the best in India.
 - The actual expenditure against project cost is 44% in case of BSUP projects which also almost double than the national average of 25% and among the best in India.
 - In case of UIDSSMT actual expenditure against project cost approved is 65% and it is among the best in India
 - IHSDP actual expenditure against project cost approved 40% which is exactly double than national average of 20.
- Actual expenditure by Andhra ULBs is less than the amount actually released by all parties clearly indicates that the non-availability of funds has not stopped actual expenditure.
- Overall reform implementation in Andhra Pradesh can be called above average. Reforms have happened at policy or government order level. There are innovative and good practices at individual ULB level and at individual reform level.

The Overall Progress of *JnNURM* in the State of Andhra Pradesh

There are a total of 124 cities in Andhra Pradesh, out which 4 cities are mission cities under *JnNURM*. Out of the remaining 120 non-mission cities, 76 cities have been selected by GoAP to receive financial assistance under UIDSSMT component of *JnNURM* and 56 non-mission cities have been selected to receive funds under IHSDP component by GoWB. Thus 4 mission cities and 76 non mission cities of the Andhra Pradesh State are directly or indirectly are required to undertake various reforms mandated under *JnNURM*.

As per 2001 census overall share of Andhra Pradesh urban population in total urban population of country was 7.18 %⁸. The population share of five mission cities in total population of 65 mission cities of *JnNURM* is 6.96% (0.843 crore out of 12.11 crore). Compare to urban population share in aggregate and mission cities terms, Andhra Pradesh has received equivalent share or more share in central funds allocated fewer than four components of *JnNURM* as described below.

⁸ Andhra Pradesh State total population as per 2001 census was 7.572 crore while urban population was 2.05 crore. Share of AP urban population to State population was 27.08%. India's total population as per 2001 census was 102.7 crore and its urban population was 28.53 crore. Share of India's urban population to total population was 27.79%

The funds allocated to Andhra Pradesh over the seven year mission period, under four components of JnNURM, are as follows.

UIG	₹2181.4 crore (6.93%) out of total ₹31500 crore
BSUP	₹1042.1 crore (6.4%) out of total ₹16300 crore
UIDSSMT	₹1968.6 crore (17.3%) out of total ₹11400 crore
IHSDP	₹695.6 crore (10.2%) out of total ₹6800 crore
Total	₹5887.9 crore (8.9%) out of total ₹66000 crore

Against total fund (ACA) allocation by GOI of ₹5887.9 crore under four components of JnNURM, till date total ACA committed by GOI for Andhra Pradesh is ₹6466.4 crore which makes it 110 % against the national average of 88 %. This indicates that Andhra Pradesh has submitted adequate projects for getting funding to GOI. It also indicates that GOI has committed much more ACA than ACA allocated originally. Andhra Pradesh has duly exhausted increased ACA allocated to the State in all four components.

Table A provide summarised figures regarding progress achieved by Andhra Pradesh State under the four components of JnNURM. It can be observed from the Table A that the mission cities have succeeded to submit adequate number of projects to claim funds more than what were allocated under UIG and BSUP component of JnNURM. In case of UIG component they have got 102% ACA committed against total ACA allocated while in case of BSUP component they have got 144% ACA allocated committed.

Non mission ULBs have also succeed in getting ACA committed against ACA allocated. For UIDSSMT component ACA committed is 100% of ACA Allocated while for IHSDP figure is 110%. Thus in case of all four components Andhra Pradesh performance is well above national average.

Andhra Pradesh performance in terms of release of matching share by all the stakeholders is well above national average in all four components.

- Against the total project cost approved, the total share released by GOI, GoAP and ULBs of Andhra Pradesh stands at 50.3 % for UIG projects which is much higher than national average of 38.4%.
- Total share released against project approved stands at 53.8% for BSUP projects which is again much higher than the national average of 37.6% for BSUP projects.
- With regard to UIDSSMT component total share released by all shareholders is 87.8% of total project cost approved which is way ahead than the national of 58%.
- For IHSDP component figure is high at 65 % which is higher than the national average of 57 % for IHSDP components.

In terms of actual expenditure Andhra Pradesh has achieved high and consistent performance among all the four components of JnNURM.

- The actual expenditure against the total project cost approved in case of Andhra Pradesh ULBs is 43.4 % in case of UIG projects which is in line with other front running States.
- In case of BSUP projects actual expenditure of 44% against sanctioned project cost is second highest in large state categories and well above the national average of 25.5%.
- Similarly in case of UIDSSMT it is very high at 65 % compare to other states and national average.
- For IHSDP actual expenditure is one of the best at 40% against the national average of just 20%.

Another set of data that is actual expenditure by Andhra Pradesh ULBs is less than the amount actually released by all parties in the project account, clearly indicates that the non-availability of funds is certainly not the reason for low level of actual expenditure.

In sum, overall progress of Andhra Pradesh in *JnNURM* implementation is well above the national average. It is one of the best with respect to UIG component and higher than the progress at national level. For rest of the three components it is highest.

Table 10.7: JnNURM Progress (All Components) in Andhra Pradesh

Particulars (All financial figures in ₹crore)	UIG	Bus Purchase	E – Gov	UIG Total	BSUP	UIDSSMT	IHSDP	Total ₹crore
Total funds (ACA) allocated for the program				31500	16300	11400	6800	66000
Total funds allocated to State over term of the JnNURM	2027.02	154.39		2181.44	1042.15	1968.63	695.65	5887.9
Total funds allocated to the State in % terms				6.93	6.39	17.27	10.23	8.9
Actual funds allocated to the State in % terms				7.10	9.19	17.27	11.24	9.80
No. of Beneficiary /Recipient ULBs/Cities	4			4	3	76	56	
Total DPR sanctioned by CSMC for assistance under JnNURM	50	4	1*	55	36	84	77	252
Total project cost of approved DPR	4903.600	363.900	3.5	5267.500	3010.200	2460.860	1139.100	118776.6
Total GOI ACA committed	2081.250	154.390		2235.640	1497.590	1968.636	764.570	6466.436
ACA committed as % of total funds allocated	102.67%	100%		102.48%	143.69%	100%	109.91%	109.8%
Total matching share committed by GoAP	825.00	0		825.00	602.22	246.11	154.650	1827.982
Total matching share committed by – ULB+ DA	2001.84	209.51		2211.35	587.19	246.11	83.560	3128.21
Matching share committed by private sector under PPP	0	0		0.00	0.00	0.00	0.00	0
Beneficiary contribution (matching share) committed	0	0		0.00	323.200	0.00	136.320	459.52
Total share released as % of total project cost	50.01%	55.51%		50.30%	53.81%	86.77%	64.86%	60.14%
Total share released by GOI, GOAP, ULBs, etc	2447.595	202.000		2661.645	1648.024	2135.252	756.291	7201.212
ACA released by GOI	1044.340	90.880		1135.220	819.419	1708.151	551.781	4214.571
GOI ACA released as % of ACA committed by GOI	50.18%	58.86%		50.78%	54.72%	86.77%	72.17%	65.18%
Matching Share released by GoAP	418.935	0		420.750	329.535	213.551	111.611	1075.447
GoAP share released as % of committed share	50.21%	NA		50.78%	54.72%	86.77%	72.17%	65.13%
Matching share released by (ULB+ DA)	994.554	111.120		1105.675	321.310	213.550	42.830	1683.365
ULB share released as % of committed share by ULBs	49.89%	53.03%		50%	54.72%	86.77%	51.25%	0.538124
Actual matching share released by private sector under PPP	NA	NA		NA	NA	NA	NA	0
Private sector's matching share released as % of committed share	NA	0.00		NA	NA	NA	NA	NA
Actual contribution beneficiaries	NA	NA		NA	177.760	NA	50.069	227.829
Beneficiary actual contribution as % of committed contribution	NA	NA		NA	55.00%	NA	36.73%	49.58%
Expenditure till date	2083.11	202.000	NA	2285.110	1327.230	1527.40	458.165	5597.905
Expenditure as % of approved project cost	42.48%	55.51%		43.38%	44.09%	65.09%	40.22%	47.13%
Expenditure as % of share released by all the parties	85.11%	100.00%		85.85%	80.53%	71.53%	60.58%	77.74%

Source: Primary, secondary data collection and GT analysis

Nature, Description, Progress, Implementation of Projects

Sectoral Breakup of UIG & UIDSSMT Projects

Table 10.8, provides sectoral analysis of the approved projects under UIG component for both national and Andhra Pradesh State.

Table 10.8: Sectoral Breakup of UIG projects as on 31.03.2010 (₹crores)

Sector	Overall JnNURM			Indian Scenario		
	No. of Projects	Amount ₹crore	% share	No. of projects	Amount ₹crore	% Share
Water Supply	17	1849.55	35.11		20167.100	34.12
Sewerage & Drainage	12	1504.69	28.57		15919.220	26.93
Storm Water Drainage	10	472.45	8.97		8454.600	14.30 ⁹
Solid Waste Management	1	58.05	1.10			
Roads, Mass Transport and Other transport projects	12	1303.37	24.74		13170.960	22.28
Heritage Conservation	2	79.36	1.51		210.460	0.36
Urban Renewal					487.900	0.83
Other projects			0.00		692.930	1.17
Total	54	5267.5	100.0	527	59103.170	100.00

Source: Primary, secondary data collection and GT analysis

It can be observed from the table 10.8 that at National level three sectors water supply, sewerage and storm water drainage together have received 76 % share in terms of number of projects approved, cost of projects approved. Roads, flyovers, mass transport and other transport projects received 22 % share both at national level.

The sector-wise allocation in Andhra Pradesh is almost equivalent to National Picture. Basic three services together received 73 % allocation against 76% at national level. Mass transport and road related project received 25% allocation slightly higher than national average of 22.3%. Thus there is no substantial difference in sectoral allocation scenario at national and Andhra Pradesh State Level.

With respect to UIDSSMT the national level sectoral allocation scenario (Pl. see table C) is inclined heavily towards water supply, sewerage and storm water drainage constituting 89% share. Roads projects received 8% share while solid waste management received 2.33 % share.

Compare to National Scenario Andhra Pradesh sectoral allocation picture under UIDSSMT component is similarly inclined towards three services water supply, sewerage and storm water drainage. Water supply sector received 73%; sewerage sector has received 14% allocation and storm water drainage 8% totalling together 95% share against national average of 89%. Thus only three sectors have received 95% allocation. There are no solid waste management projects which received 2.3 % share at national level. Road projects received 5.0 % share in funds allocation compare to national average of 8%.

⁹ Storm water drainage head includes solid waste management figures roughly storm water share is 10% and solid waste management share is 4 to 5% in allocation of resources.

Table 10.9: Sector-wise allocation of UIDSSMT Projects – Andhra Pradesh

Sector	Overall JnNURM			Indian Scenario		
	No. of Projects	Amount ₹ Crore	% share	No. of projects	Amount ₹ crore	% Share
Water Supply	62	1800.81	73.05	410	3666.697	62.99
Sewerage & Drainage	8	350.46	14.22	97	1138.391	19.56
Storm Water Drainage	9	190.33	7.72	66	378.959	6.51
Solid Waste Management	1	3.61	0.15	51	135.9	2.33
Roads, Mass Transport and Other transport projects	4	119.86	4.86	102	466.45	8.01
Conservation of Water Bodies		0		9	15.06	0.26
Heritage Conservation		0		10	18.34	0.32
Parking		0		1	0.15	0
Soil Conservation		0		1	0.75	0.01
Other projects		0			0	
Total	84	2465.07	100	747	5820.696	100

Source: Primary, secondary data collection and GT analysis

Progress of Projects

In terms of physical progress of projects Andhra Pradesh tops the list.

Table 10.10: Physical and Financial Progress of JnNURM Projects in Andhra Pradesh (₹crores)

JnNURM Component	No. of Projects	Project Cost	Progress of projects					No. of Projects completed	Value of Work completed
			Not Started	<25%	25-50%	50-75%	>75%		
UI&G	54	5267.5	1	13	8	11	6	15	2523.05
BSUP	36	3010.2	2	10	5	8	7	4	1262.45
UIDSSMT	101	3108.6	5	20	15	23	18	20	1681.25
IHSDP	77	1139.1	5	10	25	30	0	7	446.25
Total	268	12525.5	13	53	53	72	31	46	5913.00

Source: Primary, secondary data collection and GT analysis

It can be observed that only 13 projects out of total 268 projects yet not started while 46 projects have been completed and another 31 are on verge of completion.

Under BSUP in all 131,321 dwelling units have been approved out of which work for 108512 dwelling units (more than 80%) have been started. Till date 64,877 dwelling units (50%) have been completed. This performance is second best after Gujarat and way above national average of 21%.

Under IHSDP out of 77 DPRs, work on 73 projects has started. Out 47896 dwelling units work for 32936 DUs (69%) have been started and 18700 DUs (39%) have been completed. Compare to national average of 17% this performance is more than double and Andhra Pradesh rank first in performance among large states under JnNURM.

In financial terms value of the works completed comes out 47% of the sanctioned project cost which way ahead than the national average of less than 25%.

Institutional Fragmentation in Implementation

The institutional fragmentation in implementation of projects under four components of JnNURM does exist and that too in disfavour of non-mission ULBs in Andhra Pradesh. There is high degree of centralisation in project implementation in Andhra Pradesh.

- Out of 54 projects of UIG component 19 are implemented by other agencies (3 by PHD and 16 by state level parastatal Hyderabad Metro Water and Sewerage Board) while rest of 35 projects are implemented by ULBs.
- Out of 36 projects of BSUP only 5 are implemented by AP State Housing Corporation while rest 31 projects are implemented by ULBs.
- Out of 84 projects of UIDSSMT all are implemented by Public Health Department and none by ULBs
- Out of 77 projects of IHSDP infrastructure related 30 projects are implemented by PHD and 34 relating to housing are implemented by state level agency AP State Housing Corporation. Only 13 projects are implemented by ULBs out of 77.

Table 10.11: Implementation of Projects (agency-wise) in the State of Andhra Pradesh

Agency Details	UIG	BSUP	UIDSSMT No. of Projects	IHSDP No. of Projects	Total No. of Projects
	No. of Projects	No. of Projects			
By ULB	35	31	0	13	79
By Development Authority	0	0	0	0	0
By PHE or PHED	3	0	84	30	117
By City Level Parastatal or Water & Sewerage Board	0	0	0	0	0
By State Level Parastatal	16	5	0	34	55
By private sector under PPP mode	0	0	0	0	0
Any Other	0	0	0	0	0
Total No. of Approved Projects	54	36	84	77	251

Source: Primary, secondary data collection and GT analysis

Projects in pipeline

The table indicates that Andhra Pradesh ULBs have identified and prepared project proposals worth ₹75824.4 crore pertaining to all four components. This amount is almost seven times compare what has got sanctioned under JnNURM. Even if projects pending at SLNA and SLSC level are not taken in to consideration then also projects approved by SLSC and submitted to National Level Agencies for approval amount to ₹15918.1crore which is higher than the amount sanctioned for all the projects under JnNURM till date. There is little chance these projects will get funding from the GOI. But the project pipeline figure which little more than total projects approved denotes the fund requirements, aspirations of ULBs.

Table 10.12: Projects in Pipe Line (₹crores)

Project Approval Stage	No of projects	UIG Amount	BSUP Amount	UIDSSMT Amount	IHSDP Amount	Total
State Level Technical Agencies/SLNA	384	17397.49	6460.98	6018.2	1572.13	31448.8
State Level Steering Committee	339	17397.49	6460.98	3108.68	1490.36	28457.51
National Technical Agencies	306	7353.21	3965.9	3108.68	1490.36	15918.15
Total	1029	42148.19	16887.86	12235.56	4552.85	75824.46

Source: Primary, secondary data collection and GT analysis

Other Observations

Facilitation by State in counterpart funding by ULBs

As non-mission ULBs do not usually have adequate financial resources of their own, GOAP is putting their 10% matching share under UIDSSMT.

Cost escalation is not an issue in Andhra Pradesh

In contrast to cost escalation issue in other states, Andhra Pradesh has minimal difference between approved tender cost and original approved project cost. It can be observed from the Table G that with respect to UIG and IHSDP component it is just 2 and 3%. In case of BSUP and UIDSSMT proportion is higher but tender approved value being higher by 12 to 13 % can be called normal. The total burden to be shared because of cost escalation is ₹894.1 crore. The cost escalation burden being minimal will be shared fully by three Mission Cities. In case of other non-mission and one mission city increased cost will be shared mainly by GOAP.

Table 10.13: Details regarding sharing of escalation cost (₹crore)

Agency Details	UIG	BSUP	UIDSSMT	IHSDP	Total
Total No. of Approved Projects	54	36	84	77	251
Total Approved Project Cost	5267.5	3010.2	2460.78	1139.1	11877.58
Tender Cost of approved projects	5355.482	3413.691	2750.852	1172.567	12692.59
% cost escalation over project cost	1.67	13.4	11.79	2.94	6.86
Total Excess Cost to be shared by State ULB and any other agency	87.982	403.491	290.072	112.57	894.115
Excess cost shared by the State	0	54.758	290.072	33.467	378.297
Excess cost shared by the ULBs	87.982	348.733	0	79.103	515.818
Excess cost shared by any other agency	0	0	0	0	0

Source: Primary, secondary data collection and GT analysis

Centralisation paying dividend in terms of physical progress and minimal cost escalation

As observed earlier in institutional arrangement, all UIDSSMT and IHSDP projects are implemented in all respect by the state level agency and not by ULBs. Somehow this arrangement seem to have worked very well as Andhra Pradesh has registered one of the highest performance in terms of actual expenditure of 65% for UIDSSMT and 40% for IHSDP.

Also it seems that preparation of DPR, scrutiny of tender documents and approval of tenders at state level has resulted in realistic project costs, based on latest SOR, as a result of which tenders were received with minimal premium. Also this arrangement of state level agency or state department managing contract, implementing project and releasing payments provided confidence to contractors / supplies and stopped them from charging high risk premium.

Mission City Related Observation

Hyderabad

Hyderabad Municipal Corporation was constituted under Hyderabad Corporation Act, 1950. In 1956 it became state capital when State of Andhra Pradesh was formed. Hyderabad and Secunderabad municipal corporations were merged in 1960 to form Hyderabad Municipal Corporation.

By GO no 261 dated 16th April, 2007 Greater Hyderabad Municipal Corporation was formed by merging surrounding 12 municipalities as result area of the city increased from 175 sq.km. to 625 sq.km. with approximate current population of 7 million.

Two main functions / urban services – water supply and sewerage are not with GHMC. These services are managed by city level parastatal Hyderabad Metro Water Supply and Sewerage Board. Also fire service and city planning function is not with GHMC.

Financial Flow, Investment, Resource Mobilisation

JnNURM performance

- Hyderabad has exhausted ACA allocated for UIG projects by submitting adequate number of projects. Total project cost approved for 10 UIG projects of GHMC is ₹407.09 crore. The total project cost approved for 16 BSUP projects is ₹1620.83 crore.
- Hyderabad is among the leading ULBs in getting ACA released which is indication of progress of projects. GHMC has got 44% ACA released against ACA committed while national average for the same is 39%.
- GHMC actual expenditure on UIG projects against the project cost approved is 41% against national average of just 25%.
- GHMC is also leading equally in BSUP implementation; in case of BSUP ACA released is 43% which is higher than national average of 37.6%.

Overall financial performance

- GHMC operative account was and is in operative surplus throughout the period prior and during the *JnNURM* period. GHMC operative ratio deteriorated during the period 2002-03 to 2005-06 from 0.68 to 0.91 then during the period it improved to 0.66 from 0.91 by 2008-09 as GHMC changed the accounting practice of deducting depreciation. Finally in the last year it has deteriorated to 0.81. This clearly indicates volatility.
- The favourable Operating Ratio is result of higher CAGR of 30.3 % for operating revenue than the CAGR of 24.6 %.
- Though GHMC had volatile operating ratio, in past four years GHMC's operating revenue increase by more than 100% from ₹446.1 crore to ₹1046 crore
- The matter of concern is GHMC operating expenditure has also increased by 100% from ₹407.5 crore to ₹850.5 crore.
- GHMC's operating account is in good surplus but its capital account is in deficit as a result of higher developmental activity as a result at a combined operating and capital account level GHMC is experiencing deficit in most of the years. This means GHMC is using extra-ordinary account surplus to finance deficit of revenue and capital account together or simply its current liability is increasing.
- The examination of Balance sheet indicates deterioration of current ratio, now current liabilities have become almost double of the current assets. Amount of sundry creditors is on rise.
- At the start of *JnNURM* GHMC's own source revenue was 96% of the operating revenue and there is slight change in position as received higher revenue grants, transfers from GOAP. Now own resource revenue constitutes 95%.
- GHMC has achieved above growth even though octroi is not levied by it that is a credible aspect.

Property Tax/Tax Income

- GHMC's tax revenue from property tax, increased healthily from ₹174.7 crore to ₹476.2 crore that is by high CAGR of 29% in past four years as a result share of property tax revenue increased from 39% to 45%.
- GHMC achieved this high growth rate because number of property tax payers doubled in 2007-08 from 535871 to 1045992 due to merging of 12 municipal bodies to form GHMC. It does not mean GHMC has not done efforts to increase coverage of property tax through other means but there is no data available regarding potential number of property tax payers as GIS mapping and door to door survey are unfinished. After formation of GHMC in 2007-08 in past two years GHMC has added 60000 properties under property tax net which can be considered as good performance.
- Beside increase in total property tax payers high rate of PT revenue is result of increase in collection performance from 66 % in 2004-05 to 88% in 2009-10.
- GHMC has not revised property tax rates since 2004.

Non-tax revenue

- GHMC's non-tax revenue has also increased by more than doubled (from ₹219.5 crore to ₹461.9 crore) but at slightly lower rate compare to operating revenue growth rate during the period as a result its share declined from 49% to 44% in total operating revenue.

Operating expenditure

- The operating expenditure structure has undergone a substantial change. During the years 2003-04 to 2005-06 (after accounting reforms) GHMC was debiting depreciation to operating account but same practice has been discontinued.
 - Establishment (Salary) expenditure remained same at 32% this means GHMC has not gone for new recruitment but has gone for outsourcing.
 - Administrative expenditure has declined slightly from 2.8% to 2.3%
 - Another main component of GMC's expenditure is O&M which have recorded substantial increase in its shares from 38% to 57%. If other miscellaneous operating expenditure of 4% is added them O&M expenditure share has increased to 61% which can be considered substantial.
 - The interest and finance cost which was one percent has increased to 4 % as loan repayment and interest charges started toward loans taken prior to JnNURM period but during the JnNURM period GHMC has not borrowed any amount.

Capital Receipts and Expenditure

- Till JnNURM, capital receipts of GHMC were dominated by surplus transferred from its revenue account. Capital grants financed nil or 0% share of capital receipts. Since coming of JnNURM capital receipt structure has undergone a change and JnNURM capital grants has financed just 18% of capital expenditure while own source capital revenue which is mainly in the form of compounding fee for regularizing building constructions financed 11.5% of capital expenditure. Rest of the capital account funding has continued to come from operating surplus and extra-ordinary account surplus.
- Like many other ULBs, GHMC's capital expenditure did not exploded under JnNURM impact as GHMC is implementing very few projects and most of the projects are implemented by other parastatals. JnNURM related capital / development works have constituted just 19% of the total capital expenditure undertaken by GHMC in past four years.
- But GHMC capital account has increased 2.5 times or more because of merging of other municipal bodies in 2007-08 and increased capital expenditure by GHMC from its own sources.

- Hyderabad has not done much of the external resource mobilisation in the form of borrowing. During last five years GHMC has not borrowed any amount from any source.
- GHMC has not leverage external resources through Private Sector Participation for UIG or BSUP project.

Vishakapatnam observations – Financial Flow, Investment, Resource Mobilisation

JnNURM performance

- Vishakapatnam Municipal Corporation (VMC) has exhausted ACA allocated for UIG projects by submitting adequate number of projects. Total project cost approved for 13 UIG projects of VMC is ₹1469.61 crore. The total project cost approved for 7 BSUP projects is ₹416.07 crore.
- VMC performance in getting ACA released which is indication of progress of projects is much higher than national average. VMC has got 51% ACA released against ACA committed while national average for the same is 39%. With regard to BSUP project ACA released is 68% which much higher than national average of 38%.
- VMC actual expenditure on UIG projects against the project cost approved is 41.5% against national average of just 25%.
- Most important is VMC is excelling in BUSP implementation, in case of BSUP actual expenditure is 64.5% which is many fold higher than the national average which may be around 25.5%.

Overall financial performance

- Vishakapatnam Municipal Corporation (VMC) operative account was and is in healthy operative surplus through the period prior and during the *JnNURM* period. It ranged in the band of 0.63 to 0.75.
- The healthy Operating Ratio with milder ups and down is result of higher CAGR of 12.8 % for operating revenue than the operating expenditure CAGR of 12.35 %. Though VMC has remained in operative surplus, its CAGR for operative revenue is not as spectacular as GHMC; it is half compare to what GHMC has achieved. At the same time, it should be noted that VMC operating expenditure has not gone up substantially.
- VMC's operating account is not in sizeable surplus due to low CAGR and is therefore not been able to meet deficit in its capital account all the time as a result extra-ordinary account surplus is used regularly to fund capital account deficit.
- At the start of *JnNURM* VMC's own source revenue was 72% of the operating revenue and during the *JnNURM* period share of own source revenue has gone up 86% as revenue grants from GOAP have not kept pace and registered negative CAGR of only 3.6% against positive 12.8% CAGR of operating revenue.

Property Tax/Tax Income

- VMC's tax revenue from property tax and other miscellaneous taxes increased healthily from ₹51.5 crore to ₹86 crore at CAGR of 13.7% in past four years. As tax revenue increased at slightly higher CAGR, the share of tax revenue increased from 22% to 23% of operating revenue.
- Property tax income increased from ₹35.6 crore to ₹68.8 crore at the CAGR of 19 % during the past four year period which is higher than CAGR of operating income as a result its share has increased substantially from 21% to 26%. VMC achieved this growth rate as it has achieved coverage ratio of 90% or more and collection ratio of 95% or more. This high collection ratio is after setting aside uncollectible tax demand. Every year VMC has added 12000 properties under property tax net. It has also revised property tax rates in 2007 after 1993.

- But along with growth in property tax, uncollectible amount has increased ₹10.4 crore to ₹57 crore which is a matter of concern.
- Also income from other taxes has not increased at all. In fact it is little less in 2009-10 compare to 2005-06

Non-tax revenue

- VMC's non-tax revenue increased from ₹65.6 crore to ₹113.2 crore during the period and its share in total operating revenue has increased from 38.5 % to 43.5%.
- Within non tax revenue, income from Water User Charge revenue did not increase at a higher rate than the operating income CAGR, so its share has remained almost stagnant at 28% of operating income. Water user charge income which was ₹47.3 crore has increased to ₹74.4 crore at the CAGR of 12.8 % in past four years.
- During the period (2005-10) number of connections under user charge net increased (meterised connections by 900 and non-meterised connections by 16000) but collection efficiency of VMC remained stagnant at 85% for meterised and 75% for non-meterised connections.
- VMC revised its water tariff in 2007.
- VMC's water supply is in operative surplus mainly because of its industrial consumers and commercial consumers. 90% revenue comes from industrial consumers.

Operating expenditure

- The operating expenditure structure has undergone a substantial change.
- Establishment (Salary) expenditure registered decline in its share from 36% to 30 as it increased at the CAGR 8.3 % only.
- There seems a classification problem that is salary expenditure getting classified as an administrative expenditure or O&M expenditure because administrative expenditure has registered an increase at the CAGR of 14.3 % which is much higher than operating expenditure CAGR of 12.35%. Consequently its share increased from 16 to 17.5%.
- The O&M expenditure has registered highest CAGR of 23%, almost double compare to over all expenditure CAGR and naturally increased its share from 29 to 41 %.
- The share of interest and finance cost in operating expenditure has increased from 4% to 5.6 % as in earlier years and during the JnNURM period VMC had borrowed sizeably.

Capital Receipts and Expenditure

- Till JnNURM, capital receipts of VMC dominated by surplus transferred from revenue account (43%) and capital receipts from own sources (21%). Borrowing also played a sizeable role (22%). Capital grants financed only 5 to 6% of capital receipts. Since coming of JnNURM capital receipt structure has undergone a change. Now capital grants constituted 55% share. The share of own capital revenue has declined to less than 8% and share of borrowing to less than 6%. Surplus transferred from operative account constituted 31% of capital account.
- Like many other ULBs, VMC's capital expenditure exploded under JnNURM impact. VMC was doing average capital expenditure of ₹75 crore per annum during 2002 to 2006 which increased to ₹350 crore during JnNURM period. The share of JnNURM in total capital expenditure of VMC has ranged from 60% to 65%.
- VMC has done external resource mobilisation in the form of borrowing. During last four years VMC has in all raised ₹85.2 crore mainly from market bonds (₹70 crore) for JnNURM projects implementation and to some extent (₹15.1 crore) from State Financial Institution (APIIC) for non- JnNURM project implementation.
- VMC has not leveraged external resources through Private Sector Participation for UIG project.

Karnataka

Summary

Karnataka JnNURM Progress (Investment and Financial Flow) Scenario –

- JnNURM is on course in Karnataka in terms of submitting adequate numbers of projects and getting ACA committed in all four components
- Karnataka performance is mixed and inconsistent in all four components. Karnataka is in the forefront of JnNURM implementation with respect to UIG and IHSDP components of JnNURM and around national average with regard to UIDSSMT but its performance with respect to BSUP is lower than national average but it is not skewed like Maharashtra which is leading with respect to UIG projects only.
- In terms of releasing matching share by State against share released by the GOI
 - Karnataka performance is higher (47%) than national average (39) for UIG
 - Performance is also higher with respect to BSUP component 39.5% against national average of 37.6%.
 - In case of UIDSSMT GOK has released equivalent 52% of its matching share against national average of 52%
 - But with respect to IHSDP component it has released just 26% of its matching share against national average of 52%.
- In terms of releasing matching share by ULBs against the share released by GOI –
 - ULBs of Karnataka except UIG component are below national average in releasing their matching share against the share released by GOI and against the approved project cost.
 - In UIG component ULBs of Karnataka have released 50% of their matching share against national average of 35%.
 - In case of UIDSSMT projects, ULBs of Karnataka have released only 33% of matching share against national average of 60%;
 - For BSUP projects ULBs have released only 16 % of their matching share against national average of 38 %.
 - In case of IHSDP ULBs of Karnataka are not required to put in matching share as their share is contributed by GOK.
- In terms of actual expenditure against the total project cost approved –
 - Performance of Karnataka ULBs for UIG projects is 43.4 % which is almost double than the national average around 22%.
 - The actual expenditure against project cost is 23.5% in case of BSUP projects which is less than national average of 25.5%.
 - In case of UIDSSMT actual expenditure is 48% which higher than national average of 41%.
 - IHSDP actual expenditure against project cost approved is 43.4% against national average of 20 % which is highest in large states category.
- Actual expenditure by Karnataka ULBs is less than the amount actually released by all parties clearly indicates that the non-availability of funds has not stopped actual expenditure.
- Overall reform implementation in Karnataka can be called above average. Reforms have happened at policy or government order level and not much has happened at operational level. There are innovative and good practices at individual ULB level and at individual reform level.

The Overall Progress of JnNURM in the State of Karnataka

There are total 214 cities in Karnataka, out of which 2 cities are mission cities under JnNURM. Out of remaining 212 non-mission cities 38 cities have been selected by GOK to receive financial assistance under UIDSSMT component of JnNURM and 34 non-mission cities have been selected to receive funds under IHSDP component by GOWB. Thus 4 mission cities and 38 non-mission cities of the Karnataka State are directly or indirectly are required to undertake various reforms mandated under JnNURM.

As per 2001 census overall share of Karnataka urban population in total urban population of country was 6.27 %¹⁰. The population share of two mission cities in total population of 65 mission cities of JnNURM is 5.36 per cent (0.865 crore out of 12.11 crore). Compare to urban population share in aggregate and mission cities terms, Karnataka has received equivalent share or more share in central funds allocated under four components of JnNURM as described below.

The funds allocated to Karnataka over seven year period under four components of JnNURM is as follows.

UIG	₹1674.7 crore (5.3%) out of total ₹31500 crore
BSUP	₹408.0 crore (2.5%) out of total ₹16300 crore
UIDSSMT	₹546.0 crore (4.8%) out of total ₹11400 crore
IHSDP	₹222.5 crore (3.3%) out of total ₹6800 crore
Total	₹2851.2 crore (4.3%) out of total ₹66000 crore

Against total fund (ACA) allocation by GOI of ₹2851.2 crore under four components of JnNURM, till date total ACA committed by GOI for Karnataka is ₹2786.8 crore which makes it 98 % against the national average of 88 %. This indicates that Karnataka has submitted adequate projects for getting funding to GOI. Karnataka has duly exhausted increased ACA allocated to the State in all four components.

Table 10.14 provides summarised figures regarding progress achieved by Karnataka State under the four components of JnNURM. It can be observed from the Table A that the mission and non-mission cities have succeeded to submit adequate number of projects to claim funds allocated.

In terms of release of share by all the stakeholders Karnataka performance is not high like Andhra Pradesh or skewed like Maharashtra but it is average in UIG component and lower than national average in other three components.

- Against the total project cost approved, the total share released by GOI, GOK and ULBs of Karnataka stands at 46.5 % for UIG projects which higher than national average of 38.4%.
- Total share released against project approved stands low at 35.7% for BSUP projects which is again slightly less than the national average of 37.6% for BSUP projects.
- With regard to UIDSSMT component total share released by all shareholders is 51.44% of total project cost approved which is lower than the national average of 58%.
- For IHSDP component figure is low at 52 % which is lower than the national average of 57 % for IHSDP components.

¹⁰ Karnataka State total population as per 2001 census was 5.273 crore while urban population was 1.79 crore. Share of Karnataka urban population to State Population was 33.9%. India's total population as per 2001 census was 102.7 crore and India's urban population was 28.53 crore. Share of India's urban population to total population was 27.79%

Table 10.14: JnNURM Progress (All Components) in Karnataka

Particulars	UIG	Bus Purchase	e-Gov	UIG Total	BSUP	UIDSSMT	IHSDP	Total ₹ crore
(All financial figures in ₹ crores)								
Total funds (ACA) allocated for the program				31500	16300	11400	6800	66000
Total funds allocated to State over term of the JnNURM	1524.59	150.07	0	1674.66	407.96	545.99	222.56	2851.17
Total funds allocated to the State in % terms				5.3	2.5	4.8	3.3	4.3
No. of Beneficiary /Recipient ULBs/Cities	2	2		2	2	38	34	76
Total DPR sanctioned for assistance under JnNURM	46	2		48	18	38	34	138
Total project cost of approved DPR	3130.03	370.18	0	3500.21	747.18	682.49	398.14	5328.02
Total GOI ACA committed	1460.26	150.07	0	1610.33	407.96	545.99	222.56	2786.84
ACA committed as % of total funds allocated	95.8	100		96.2	100	100	100	97.7
<u>Total matching share committed by the State</u>	427.47	53.25	0	480.72	235.51	68.249	162.5	947.009
<u>Total matching share committed by ULBs</u>	1242.3	166.86	0	1409.16	55.33	68.249	0	1532.739
Matching share committed by private sector under PPP	0	0	0	0	0		0	0
Total beneficiary contribution/matching share committed	0	0	0	0	48.38		24.8	73.21
Total share released as % of total project cost	45.1	58.9		46.5	35.7	51.44%	45.7	45.6
Total share released by GOI, GOK, ULBs, etc	1410.574	217.973	0	1628.547	266.924	351.006	181.89	2428.343
ACA released by GOI	617.367	84.16	0	701.527	163.27	291.99	131.36	1288.147
GOI ACA released as % of ACA committed by GOI	42.28	56.08		43.56	40.02	53.48%	51.81	46.22
GOI ACA released as % of ACA allocated by GOI				41.89	40.02	53.48	51.81	45.18
<u>Matching Share released by the State</u>	198.015	27.755	0	225.77	93.01	35.91	42.15	396.84
GoK share released as % of committed share	46.32	52.12		46.96	39.49	52.61%	25.9	41.9
Matching share released by (ULB+ DA)	595.192	106.058	0	701.25	8.88	23.106	0	733.236
ULB share released as % of committed share by ULBs	47.91	63.56		49.76	16.05	33.55%		
Matching share released by private sector under PPP								
Pvt. sector matching share released as % of committed share								
Actual contribution beneficiaries	0	0	0	0	1.74	0	8.38	10.12
Beneficiary contribution as % of committed contribution					3.6		33.7	13.8
Expenditure till date	1184.532	336.151	0	1520.683	175.88	324.153	172.62	2193.336
Expenditure as % of approved project cost	37.84	90.81		43.45	23.54	48%	43.36	41.17
Expenditure as % of share released by all the parties	83.98	154.22		93.38	65.89	93%	94.9	90.3

Source: Primary, secondary data collection and GT analysis

The actual expenditure against the total project cost approved in case of Karnataka ULBs is a mixed phenomenon. It is among the top with respect to UIG, UIDSSMT and IHSDP but lower than national average in case of BSUP.

- Actual expenditure is 43.5 % of project cost approved in case of UIG projects which is in line with other front running States and much higher than national average around 22%.
- In case of BSUP projects actual expenditure of 23.5% against sanctioned project cost is lower than nation average of 25.5%.
- Similarly in case of UIDSSMT it is good at 48 % higher than national average of 41% but not high like Andhra Pradesh
- For IHSDP actual expenditure is one of the best at 43.4% against the national average of 20%

Another set of data that is actual expenditure by Karnataka ULBs is less than the amount actually released by all parties in the project account, clearly indicates that the non-availability of funds is certainly not the reason for low level of actual expenditure.

In sum, overall progress of Karnataka in JnNURM implementation is mixed. It is well above the national average in case of UIG component. It is one of the best with respect to IHSDP component and in UIDSSMT higher than the progress at national level. But it is lower than the National average in BSUP component.

Nature, Description, Progress, Implementation of Projects

Sectoral Breakup of UIG & UIDSSMT Projects

Table 10.15, provides sectoral analysis of the approved projects under UIG component for both national and Karnataka State.

It can be observed from the table B that at National level three sectors water supply, sewerage, storm water drainage and solid waste management together have received 76 % share in terms of number of projects approved and cost of projects approved. Roads, flyovers, mass transport and other transport projects received 22 % share both at national level.

The sector-wise allocation in Karnataka is quite different to National Picture. Basic four services together received only 59 % allocation against 76% at national level. In that especially water supply received only 9.45% share in Karnataka against national average of 34%. This is because water supply projects have been taken up under World Bank KMRP project and under other funding sources. Sewerage service share in allocation is equivalent to national average share of 27%.

Among the four basic services storm water drainage received much larger share of 22% compare to national average of 10 % in mission cities of Karnataka, while solid waste management received less than 1% allocation against national average share of 4 to 5 %.

Mass transport and road related project received maximum 39.7% allocation much higher than national average of 22.3%. Thus there exists substantial difference in sectoral allocation scenario at national and Karnataka State Level.

Table 10.15: Sectoral Breakup of UIG projects as on 31.03.2010 (₹crore)

Sector	Karnataka Scenario			Overall JnNURM Indian Scenario		
	No. of Projects	Amount ₹Crore	% share	No. of projects	Amount ₹crore	% Share
Water Supply	4	330.93	9.45		20167.1	34.12
Sewerage & Drainage	9	943.62	26.96		15919.22	26.93
Storm Water Drainage	5	768.06	21.94		8454.6	14.30 ¹¹
Solid Waste Management	1	29.98	0.86		0	
Roads, Mass Transport and Other transport projects	28	1388.17	39.66		13170.96	22.28
Heritage Conservation	1	39.45	1.13		210.46	0.36
Urban Renewal		0			487.9	0.83
Other projects		0			692.93	1.17
Total	48	3500.21	100	527	59103.17	100

Source: Primary, secondary data collection and GT analysis

With respect to UIDSSMT scheme for non-mission cities the national level sectoral allocation scenario (Refer to table 10.16) is inclined heavily towards water supply, sewerage and storm water drainage constituting 89% share. Roads projects received 8% share while solid waste management received 2.33 % share.

Table 10.16: Sector-wise allocation of UIDSSMT Projects – Karnataka

Sector	Karnataka Scenario			Overall JnNURM Indian Scenario		
	No. of Projects	Amount ₹ crore	% share	No. of projects	Amount ₹crore	% Share
Water Supply	17	418.06	61.26	410	3666.697	62.99
Sewerage & Drainage	8	78.08	11.44	97	1138.391	19.56
Storm Water Drainage	3	73.2	10.73	66	378.959	6.51
Solid Waste Management	-			51	135.9	2.33
Roads, Mass Transport & Other transport projects	10	113.15	16.58	102	466.45	8.01
Conservation of Water Bodies		0		9	15.06	0.26
Heritage Conservation		0		10	18.34	0.32
Parking		0		1	0.15	0
Soil Conservation		0		1	0.75	0.01
Other projects		0			0	
Total	38	682.49	100	747	5820.696	100

Source: Primary, secondary data collection and GT analysis

Compare to National Scenario Karnataka sectoral allocation picture under UIDSSMT component is similarly inclined towards three services water supply, sewerage and storm water drainage. Water

¹¹ Storm water drainage head includes solid waste management figures roughly storm water share is 10% and solid waste management share is 4 to 5% in allocation of resources.

supply sector received 61%; sewerage sector has received 11% allocation and storm water drainage 10.7% totalling together 83% share against national average of 89%. The only difference is storm water drainage sector received higher share in Karnataka as observed earlier in UIG projects. Thus only three sectors have received 83% allocation. There is no solid waste management project which received 2.3 % share at national level. Like mission cities under UIG component, Road projects of non-mission cities received much higher share of 16.6 % share in funds allocation compare to national average of 8%.

Progress of Projects

In terms of physical progress of projects no information was received from primary source but data available from secondary source indicates that progress is as follows.

Under BSUP out of 18 DPRs, 13 projects have started but out of them 7 projects are in overrun. In all 28118 dwelling units have been approved out of which work for 14773 dwelling units (52%) have been started. Till date 4165 dwelling units (15%) have been completed which % is a much lower performance compare to national average of 21.

With respect to UIDSSMT projects all 38 project have started but 10 projects are at less than 25% progress in physical terms. 11 projects are between 25 to 50 % progress slabs, 5 projects are 51 to 75% progress slab; 9 projects are in 75 to 100% slab and 3 are fully completed.

Under IHSDP project out 17237 dwelling units work for 7240 DUs (42%) are in progress and 6380 DUs (37%) have been completed. This performance is second highest among large states under JnNURM and compare to national average of 17% is more than double.

Institutional Fragmentation in Implementation

The institutional fragmentation in implementation of projects under four components of JnNURM does exist and that too in disfavour of non-mission ULBs in Karnataka. There is high degree of centralisation in project implementation in Karnataka.

- Out of 48 projects of UIG component 31 are implemented by other agencies (4 development authorities; 22 by City Level Parastatals (11 by Bangalore Water Supply and Sewerage Board and 11 by Bangalore Metro Road Corporation) and 5 by state level parastatals (2 by Karnataka Urban Water and Drainage Board and 3 by Karnataka State Road Transport Corporation) while rest of 17 projects are implemented by ULBs.
- Out of 18 projects of BSUP 14 are implemented by State Level Parastatal Karnataka Slum Clearance Board while only 4 projects are implemented by ULBs.
- Out of 38 projects of UIDSSMT 30 projects relating to water, sewerage are implemented by Karnataka Water Supply and Sewerage Board and only 8 project relating to roads, storm water, solid waste etc are implemented by ULBs
- Out of 34 projects of IHSDP all projects are implemented by state level agency Karnataka Slum Clearance Board and none is implemented ULBs.

Table 10.17: Implementation of Projects (agency-wise) in the State of Andhra Pradesh

Agency Details	UIG No. of Projects	BSUP No. of Projects	UIDSSMT No. of Projects	IHSDP No. of Projects	Total No. of Projects
By ULB	17	4	8	0	29
By Development Authority	4	0	0	0	4
By PHE or PHED	0	0	0	0	0
By City Level Parastatal or Water & Sewerage Board	22	0	0	0	22
By State Level Parastatal	5	14	30	34	83

Agency Details	UIG No. of Projects	BSUP No. of Projects	UIDSSMT No. of Projects	IHSDP No. of Projects	Total No. of Projects
By private sector under PPP mode	0	0	0	0	0
Any Other	0	0	0	0	0
Total No. of Approved Projects	48	18	38	34	138

Source: Primary, secondary data collection and GT analysis

Projects in pipeline

The table indicates that Karnataka ULBs have identified and prepared project proposals of ₹5602.6 crore pertaining to UIG component and ₹772.5 crore under BSUP component. This amount is almost one and half times compare what has got sanctioned under UIG component and equivalent to project cost sanctioned under BSUP. There is little chance these projects will get funding from the GOI. But the project pipeline figure which is more than total projects approved denotes the fund requirements, aspirations of ULBs.

Table 10.18: Projects in Pipe Line (₹crores)

Project Approval Stage	No of projects	UIG Amount	BSUP Amount	UIDSSMT Amount	IHSDP Amount
State Level Technical Agencies/SLNA	23	4287.0	450.00		
State Level Steering Committee					
National Technical Agencies	18	1315.6	322.47		189.24 (14 DPR)
Total	41	5602.6	772.47		

Source: Primary, secondary data collection and GT analysis

Other Observations

Facilitation by State in counterpart funding by ULBs

There is no direct facilitation or contribution from GoK. As non-mission ULBs do not have adequate financial resources GoK is deducting their 10% matching share under UIDSSMT from SFC grant available to ULBs.

Cost escalation is an issue with certain components

There is an issue of cost escalation in Karnataka like many other states. The difference between approved tender cost and original approved project cost is minimal with respect to BSUP and IHSDP projects, it is noticeable in case of UIG projects and it is cause of concern in case of UIDSSMT projects. It can be observed from the Table G that with respect to BSUP component it is just 10% and with IHSDP it is just 8%. In case of UIG proportion is higher by 24% which can be called noticeable. In case UIDSSMT it is 48% and can be called really high. This high level difference associated with UIDSSMT and UIG is there in spite of majority of the projects are under taken by State Level Parastatal. The escalation will have to be borne by ULBs even though they are not implementing agencies as GOK will not be sharing it fully or partly. This excess cost will be taken from SFC grant available to ULBs.

Table 10.19: Details regarding sharing of escalation cost (₹ in crore)

Agency Details	UIG	BSUP	UIDSSMT	IHSDP
Total No. of Approved Projects	48	18	38	34
Total Approved Project Cost	3500.21	747.18	682.494	379.64
Tender Cost of approved projects	4354.90	827.18	1009.481	410.05

% cost escalation over project cost	24%	10.7%	47.9%	8%
Total Excess Cost to be shared by State ULB and any other agency	854.69	80.00	326.987	30.41
Excess cost shared by the State		72.00		30.41
Excess cost shared by the ULBs	854.69	8.00	326.987	
Excess cost shared by any other agency				

Source: Primary, secondary data collection and GT analysis

Centralisation paying dividend in terms of physical progress and minimal cost escalation

As observed earlier in institutional arrangement, most of UIDSSMT projects and all IHSDP projects are implemented in all respect by the state level agencies KSCB and not by ULBs. Somehow this arrangement seems to have worked very well and has registered good performance in terms of actual expenditure of 48% for UIDSSMT and 43% for IHSDP.

Also it seems that preparation of DPR, scrutiny of tender documents and approval of tenders at state level has resulted in to realistic project cost based on latest SOR as a result tenders were received with minimal escalation with respect to BSUP and IHSDP projects. Also this arrangement of state level agency or state department managing contract, implementing project and releasing payments provided confidence to contractors / supplies and stopped them from charging high risk premium. This trend is clear in Karnataka also as projects directly managed by state level parastatal have received tender with 8 to 10% escalations; while project basically implemented by ULBs and city level agencies have experienced escalations ranging from 24 to 48%.

Mission City Related Observations

Bangalore

Bangalore observations – Financial Flow, Investment, Resource Mobilisation

***JnNURM* performance**

- Like Hyderabad there are several agencies implementing *JnNURM* in Bangalore. Water and Sewerage Projects are implemented by Bangalore Water Supply and Sewerage Board (BWSSB), some road projects are implemented by Bangalore Development Authority (BDA), Purchase of buses and development of city transport related infrastructure (multi-purpose bus stations) are implemented by Bangalore Metro Transport Corporation (BMTCL), road, transport and solid waste related projects are implemented by Bruhad Bangalore Municipal Corporation (BBMP). With regard to housing for poor projects only two projects are implemented by BBMP and rest of all projects are implemented by Karnataka Slum Clearance Board.
- All these agencies together have exhausted ACA allocated for UIG and BSUP projects for the Bangalore City by submitting adequate number of projects.
- All these agencies together have 38 projects totalling of ₹2305.25 crore sanctioned against which total ACA committed by GOI is ₹806.84 crore. Till date GOI has released ₹397.51 crore which is 49% against ACA committed.
- Total expenditure achieved by all the agencies together is not possible to ascertain as information was not received from all the agencies involved. So only performance of BBMP has been analysed as follows -
- Total project cost approved for 16 UIG projects of BBMP is ₹951.52 crore. The total project cost approved for 2 BSUP projects is ₹60.60 crore.
- Bangalore is among the leading ULBs in getting ACA released which is indication of progress of projects.

- BBMP actual expenditure on UIG projects against the project cost approved is 61% against national average of just 25%.
- BBMP is not leading equally in BSUP implementation, in case of BSUP actual expenditure is 36% which is higher than national average is 25.5% but not the way it is higher in case of UIG. BBMP's performance is skewed one.

Overall financial performance

- BBMP operative account was in deficit in prior to JnNURM period. It got in to operative surplus with its merger with new area in 2006-07 but slowly operating ratio has deteriorated during the JnNURM period. BBMP operative ratio deteriorated during the period 2002-03 to 2005-06 from 0.67 to 0.95 then during the period it improved in 2006-07 to 0.62 but since then it has deteriorated to 0.88 by 2009-10.
- The favourable Operating Ratio is result of higher CAGR of 25.8 % for operating revenue than the CAGR of 23.9 % of operating expenditure.
- Though BBMP had volatile operating ratio, in past four years BBMP's operating revenue increase by more than 100% from ₹508.3 crore to ₹1228 crore.
- The matter of concern is BBMP operating expenditure has also increased by 100% from ₹482.3 crore to ₹1081.2 crore.
- BBMP's operating account is in good surplus but its capital account is in deficit as a result of higher developmental activity as a result at a combined operating and capital account level BBMP is experiencing deficit in most of the years.
- BBMP has bridged its capital account deficit by actively pursuing borrowing option.
- The examination of Balance sheet indicates deterioration of current ratio, now current liabilities have become almost double of the current assets. Amount of sundry creditors is on rise.
- At the start of JnNURM BBMP's source revenue was 72.3% of the operating revenue and there is slight change in position as received higher revenue grants, transfers from GOK. Now own resource revenue constitutes 35%.
- BBMP has achieved above growth even though octroi is not levied by it that is a credible aspect.

Property Tax/Tax Income

- BBMP's tax revenue from property tax, increased healthily from ₹258.1 crore to ₹621 crore that is by high CAGR of 27% almost equal to operating income CAGR in past four years as a result share of property tax revenue remained around 50.6%.
- BBMP achieved this high growth rate because number of property tax payers doubled in 2007-08 from 735000 to 1456000 due to merging of 7 municipal bodies and several villages to form BBMP. It does not mean GHMC has not done efforts to increase coverage of property tax through other means but there is no data available regarding potential number of property tax payers as GIS mapping and door to door survey are unfinished. After formation of BBMP in 2007-08 in past two years BBMP has added 200000 properties under property tax net which can be considered as good performance.
- At the same time at least 300000 are still not under property tax net and data base is in bad shape because BBMP expressed inability to provide data about demand, collection and balance of property tax.
- Income from other tax (trade license tax etc) has not increased and being stagnant lost its share in operating revenue from 2 % to 1%.

Non-tax revenue

- BBMP does not have water and sewerage function so BBMP does not have user charge revenue on account of these services
- BBMP's non-tax revenue has also increased from ₹728.7 crore to ₹1066.1 crore) in a volatile manner and at a lower rate compare to operating revenue growth rate during the period as a result its share declined from 14.3% to 8.7% in total operating revenue.

Operating expenditure

The operating expenditure structure has undergone a substantial change,

- Establishment (Salary) expenditure declined from 32.6% to 24.4 means BBMP has not gone for new recruitment. .
- Administrative expenditure has declined slightly from 21% to 19.6%
- Another main component of BBMP's expenditure is O&M which has recorded substantial increase in its shares from 17.8% to 25%.
- The interest and finance cost which was 28.6 percent has increased to 31 % mainly because BBMP pursued borrowing program actively

Capital Receipts and Expenditure

- Till *JnNURM*, capital receipts of BBMP were dominated by surplus transferred from its revenue account and borrowing. Capital grants financed nil or 0% share of capital receipts. Since coming of *JnNURM* capital receipt structure has undergone a change and *JnNURM* capital grants has financed 20% of capital expenditure while own source capital revenue which is mainly in the form of compounding fee for regularizing building constructions financed 11.5% of capital expenditure. Rest of the capital account funding has continued to come from operating surplus and extra-ordinary account surplus.
- Like many other ULBs, BBMP's capital expenditure did not exploded under *JnNURM* impact as BBMP is implementing very few projects and most of the projects are implemented by other parastatals. *JnNURM* related capital / development works have constituted just 19% of the total capital expenditure undertaken by BBMP in past four years.
- But BBMP capital account has increased 5 times or more because of merging of other municipal bodies in 2007-08 and increased capital expenditure by BBMP from its own sources.
- Bangalore has done much of the external resource mobilisation in the form of borrowing. During last five years BBMP has borrowed ₹2266 crore mainly from commercial banks and KUIDFC source. This level of borrowing can be considered substantial and is highest among all the ULBs studied.
- BBMP has not leverage external resources through Private Sector Participation for UIG or BSUP project.

Mysore

Mysore observations – Financial Flow, Investment, Resource Mobilisation

Mysore is a ‘C’ category mission city that is it has been included in JnNURM because of heritage and tourist importance and not on population basis.

JnNURM performance

- Mysore City Corporation (MCC) has exhausted ACA allocated for UIG projects by submitting adequate number of projects. Total project cost approved for 8 UIG projects of MCC is ₹852.52 crore. The total project cost approved for 4 BSUP projects is ₹254.77 crore.
- MMC performance in getting ACA released which is indication of progress of projects is higher than national average. VMC has got 43% ACA released against ACA committed while national average for the same is 39%. With regard to BSUP project ACA released is 39% which is just equivalent to the national average of 38%.
- MMC actual expenditure on UIG projects against the project cost approved is 44% which much higher than the national average of just 25%.
- MMC performance in case of BSUP actual expenditure is 35% which is higher than the national average which is 25.5%.

Overall financial performance

- Mysore City Corporation (MCC) operative account was and is in healthy operative surplus through the period prior and during the *JnNURM* period. But in recent it is showing sign of decline even though *JnNURM* project's post completion O&M cost has not crystallized. Operative ratio has deteriorated from 0.71 to 0.84 in past four years.
- The healthy Operating Ratio with recent deterioration is a result of lower CAGR of 19.3 % for operating revenue than the 23 % CAGR of operating expenditure.
- Though MCC operative ratio has deteriorated, its CAGR for operative revenue is certainly very good and its operating income doubled in five years; but its operating expenditure has increased at much higher rate which should be a cause of concern.
- MCC's operating account is not in adequate surplus due to low CAGR of income than expenditure and it is therefore not been able to meet deficit in its capital account all the time as a result extra-ordinary account surplus is used regularly to fund capital account deficit.
- At the start of *JnNURM* VMC's own source revenue was 60% of the operating revenue and during the *JnNURM* period share of own source revenue has remained at same level as revenue grants from GOAP have kept pace and registered CAGR of 22% against 19.3% CAGR of operating revenue.

Property Tax/Tax Income

- MMC's tax revenue from property tax and other miscellaneous taxes increased healthily from ₹20 crore to ₹48.4 crore at a very high CAGR of 26.7% in past four years. As tax revenue increased at a higher CAGR, the share of tax revenue increased from 26% to 33.4% of operating revenue which is good sign.
- MCC has made substantial progress in GIS mapping of property tax and very soon it expects to put GIS based property tax data on web and to start online property tax payment.
- Karnataka Government introduced capital value method of property tax w.e.f. 1st April 2002 but there were several objections and problems with amendment so GOK amended

the property tax provisions again on 7th March 2005. The amendment provided that tax rates will remain in force for three years but after three years minimum 15% increase must be adopted by ULB. MCC implemented amended property tax system with effect from April 2007, thus revision was due in April 2010, and accordingly property tax has been revised by 15% by MCC w.e.f. April 2010.

- Property tax income increased from ₹20 crore to ₹47.7 crore at the CAGR of 26.6 % during the past four year period which is much higher than CAGR of operating income as a result its share has increased substantially from 26% to 33%. MCC achieved this growth rate as it has achieved coverage ratio of 90% or more and collection ratio of 95% or more. In all 43000 unassessed properties found due to GIS mapping and door to door survey exercise. Having issued assessment notices MCC attended 24000 objections and in past four years 20000 new property tax payers were brought under tax net on the basis GIS and door to door survey which increase PT demand by ₹12 crore.
- MCC has achieved one outstanding feat of clearing almost entire property tax arrears amount. Under special drive taken by MCC has achieved 100% collection rate for past arrears and 97% collection rate for current demand.
- Till 2005-06 there was no revenue was shown under other tax sources 2005-06 but in last four years it has ups and down but no net increase.

Non-tax revenue

- MMC's non-tax revenue increased from ₹23.4 crore to ₹36.9 crore at a lower CAGR of 12.1 % during the period and its share in total operating revenue has decreased from 30.4 % to 25.4%.
- Within non tax revenue, income from Water User Charge revenue increased from ₹18.2 crore to ₹24.8 crore that is at a much lower rate than the operating income CAGR, so its share has declined from 23.6% to 17.1% of operating income.
- During the period number of connections under user charge net increased from 115000 to 135000 and MCC revised its water tariff in 2006 but collection efficiency of MCC remained stagnant at 25% for meterized and 7% for non-meterized connections as result not much increase in water user charge revenue is observed.
- MCC has under taken 24/7 water supply project and has contracted JUSCO Jameshpur as an operator with responsible for billing and collection. It is hoped that an operator will be able to increase coverage by 70000 connections enforce collection efficiency and will achieve substantial growth in user charge revenue. MCC is also planning to waive penal interest accumulated over water charge arrears.

Operating expenditure

- The operating expenditure structure has undergone a substantial change but it is more because of accounting reforms which corrected earlier improper expenditure classification as evident from following -
 - Establishment (Salary) expenditure registered decline in its share from 34% to 26% as it increased at the CAGR 8.3 % only.
 - Administrative expenditure registered decline and its share decreased from 24% to 6.3%.
 - Miscellaneous expenditure share in total expenditure declined from 32% to less than 1%.
 - The O&M expenditure share increased from 9 % to 53%
 - Interest and finance charges got separated and constitute 5%
- The present composition of operating expenditure after accounting reforms appears reasonable and correct.
- More than classification important aspect is very high CAGR of 23%.

Capital Receipts and Expenditure

- Till JnNURM, capital receipts of MCC dominated by surplus transferred from revenue account (100%). It is possible due to improper accounting classification income from own capital sources and capital grants were getting included in operating account. It is possible capital grants may have constituted 40 to 50% share but no information is available.
- Since coming of JnNURM capital receipt structure has undergone a change. Now capital grants constitute 73% share. The share of own capital revenue is less than 1% and surplus transferred from operative account constituted 26% of capital account.
- Like many other ULBs, MCC's capital expenditure tripled under JnNURM impact. MCC was doing average capital expenditure of ₹15.5 crore per annum during 2002 to 2006 which increased to ₹42.5 crore during JnNURM period. It is likely to increase further in 2010-11 and 2011-12 as implementation of JnNURM projects has recently started.
- The share of JnNURM in total capital expenditure of MCC is 20% as some funds were received in 2009-10 and main chunk is received in the current accounting year 2010-11.

MMC has no external resource mobilisation in the form of borrowings or through Private Sector Participation for UIG project

Rajasthan

Executive Summary (based on data up to 31/3/2010)

Rajasthan JnNURM Progress (Investment and Financial Flow) Scenario –

- JnNURM is on course in Rajasthan in terms of submitting adequate numbers of projects and getting ACA committed in all four components
- Rajasthan's performance is mixed and inconsistent in all four components. Rajasthan is performing fairly well with the implementation UIG and UIDSSMT components of JnNURM but its performance with respect to BSUP and IHSDP is lower than national average but it is not skewed like Maharashtra which is leading with respect to UIG projects only.
- In terms of releasing matching share by State against share released by the GOI
 - Rajasthan's performance is higher (47%) than national average (39) for UIG
 - Performance is also lower with respect to BSUP component 24.88% against national average of 37.6%.
 - In case of UIDSSMT GOR has released 57.6% of its matching share which is higher against national average of 52%
 - But with respect to IHSDP component it has released 43.5% of its matching share against national average of 52%.
- In terms of releasing matching share by ULBs against the share released by GOI –
 - ULBs of Rajasthan except UIG component are below national average in releasing their matching share against the share released by GOI and against the approved project cost.
 - In UIG component ULBs of Rajasthan have released 49% of their matching share against national average of 35%.
 - In case of UIDSSMT projects, ULBs of Rajasthan have released only 46.3% of matching share against national average of 60%;
 - For BSUP projects ULBs have released only 14.6 % of their matching share against national average of 38 %.
- In case of IHSDP ULBs of Rajasthan has released only 13% as against the national average of 52%

- In terms of actual expenditure against the total project cost approved –
 - Performance of Rajasthan ULBs for UIG projects is 42.6 % which is almost double than the national average around 22%.
 - The actual expenditure against project cost is merely 7.98% in case of BSUP projects which is less than national average of 25.5%.
 - In case of UIDSSMT actual expenditure is 26.4% which lower than national average of 41%.
 - IHSDP actual expenditure against project cost approved is 14.88% against national average of 20 % which is also low
- Actual expenditure by Rajasthan’s ULBs is less than the amount actually released by all parties clearly indicates that the non-availability of funds has not stopped actual expenditure.
- Overall reform implementation in Rajasthan can be called average. Reforms have happened at policy or government order level and not much has happened at operational level.

The Overall Progress of JnNURM in the State of Rajasthan

As per 2001 census overall share of Rajasthan urban population in total urban population of country was %¹². Compare to urban population share in aggregate and mission cities terms, Rajasthan has received equivalent share or more share in central funds allocated fewer than four components of JnNURM as described below.

The funds allocated to Rajasthan over seven year period under four components of JnNURM is as follows.

UIG	₹748.69 crore (2.38%) out of total ₹31500 crore
BSUP	₹383.46 crore (2.35%) out of total ₹16300 crore
UIDSSMT	₹401.43 crore (3.52%) out of total ₹11400 crore
IHSDP	₹424.56 crore (6.24%) out of total ₹6800 crore
Total	₹1958.14 crore (2.97%) out of total ₹66000 crore

Against total fund (ACA) allocation by GOI of ₹1958.1 crore under four components of JnNURM, till date total ACA committed by GOI for Rajasthan is ₹1757.93 crore which makes it 90 % against the national average of 88 %. This indicates that Karnataka has submitted adequate projects for getting funding to GOI. Rajasthan is in process of exhausting increased ACA allocated to the State in all four components.

Table 10.20 provide summarised figures regarding progress achieved by Rajasthan State under the four components of JnNURM. It can be observed from the Table A that the mission and non-mission cities have succeeded to submit adequate number of projects to claim funds allocated.

In terms of release of share by all the stakeholders Rajasthan performance is not high like Andhra Pradesh or skewed like Maharashtra but it is average in UIG component and lower than national average in other three components.

- Against the total project cost approved, the total share released by GOI, GoR and ULBs of Rajasthan stands at 48.99 % for UIG projects which higher than national average of 38.4%.
- Total share released against project approved stands low at 22.52% for BSUP projects which is again slightly less than the national average of 37.6% for BSUP projects.

¹² Rajasthan State total population as per 2001 census was 5.64 crore. Share of Rajasthan’s urban population to State Population was 23.38%. India’s total population as per 2001 census was 102.7 crore and India’s urban population was 28.53 crore. Share of India’s urban population to total population was 27.79%

- With regard to UIDSSMT component total share released by all shareholders is 57% of total project cost approved which is comparable to the national average of 58%.
- For IHSDP component figure is low at 43 % which is lower than the national average of 57 % for IHSDP components.

Table 10.20: JnNURM Progress (All Components) in Rajasthan

Particulars (All financial figures in ₹ crores)	UIG	Bus Purchase	e –Gov	UIG Total	BSUP	UIDSSMT	IHSDP	Total ₹ crore
Total funds (ACA) allocated for the program				31500	16300	11400	6800	66000
Total funds allocated to State over term of the JnNURM	748.69			748.69	383.46	401.43	424.56	1958.14
Total funds allocated to the State in % terms	2.38			2.38	2.35	3.52	6.24	2.97
No. of Beneficiary /Recipient ULBs/Cities	3	2		3	3	35	37	
Total DPR sanctioned for assistance under JnNURM	13	2		13	2	37	39	91
Total project cost of approved DPR	1229.09	150.27		1229.09	277.13	609.93	500.671	2616.821
Total GOI ACA committed	766.26	77.37		766.26	170.88	487.95	332.84	1757.93
ACA committed as % of total funds allocated	102.35	51.49		102.35	44.56	121.55	78.63	89.78
Total matching share committed by the State	195.24	29.309		195.24	44.66	60.99	51.897	352.787
Total matching share committed by – ULB+ DA	267.59	43.591		267.59	61.59	60.99	77.828	467.998
Total matching share committed by private sector under PPP	-	-		-	-	-	-	-
Total beneficiary contribution (matching share) committed	-	-		-	188.4	-	123.31	311.71
Total share released as % of total project cost	48.99	49.99		48.99	22.52	57	42.67	46.85
Total share released by GOI, GOR, ULBs, etc (GoI+GoR+ULB)	602.21	75.125		602.21	62.42	347.664	213.638	1225.932
ACA released by GOI	379.09	38.68		379.09	42.30	284.218	180.898	886.506
GOI ACA released as % of ACA committed by GOI	49.47	49.99		49.47	24.75	58.25	54.19	50.43
GOI ACA released as % of ACA allocated by GOI	50.63			50.63	11.03	70.80	42.61	45.27
Matching Share released by the State	91.92	14.65		91.92	11.11	35.186	22.611	160.827
GoR share released as % of committed share (state share)	47.08	49.99		47.08	24.88	57.68	43.57	45.58
Matching share released by (ULB+ DA)	131.2	21.7925		131.2	9.01	28.26	10.129	178.599
ULB share released as % of committed share by ULBs	49.03	49.99		49.03	14.63	46.33	13.01	38.17
Actual matching share released by private sector under PPP	-	-		-	-	-	-	-
Private sector's matching share released as % of committed share	-	-		-	-	-	-	-
Actual contribution beneficiaries	-	-		-	0.0328	-	0.92	0.9528
Beneficiary actual contribution as % of committed contribution	-	-		-	0.17	-	7.46	3.06
Expenditure till date	524.07	47.67		524.07	22.12	161.053	74.48	781.723
Expenditure as % of approved project cost	42.64	31.72		42.64	7.98	26.41	14.88	29.87
Expenditure as % of share released by all the parties	87.02	63.46		87.02	35.44	46.32	34.86	63.76

Source: Primary, secondary data collection and GT analysis

The actual expenditure against the total project cost approved in case of Rajasthan ULBs is a mixed phenomenon. It is among the top with respect to UIG, UIDSSMT and IHSDP but lower than national average in case of BSUP.

- Actual expenditure is 42.6 % of project cost approved in case of UIG projects which is in line with other front running States and much higher than national average around 22%.
- In case of BSUP projects actual expenditure of 7.98% against sanctioned project cost is much lower than nation average of 25.5%.
- Similarly in case of UIDSSMT it is low at 26.41 % than national average of 41%
- For IHSDP actual expenditure is also among the lowest at 14.88% against the national average of 20%

Another set of data that is actual expenditure by Rajasthan ULBs is less than the amount actually released by all parties in the project account, clearly indicates that the non-availability of funds is certainly not the reason for low level of actual expenditure.

In sum, overall progress of Rajasthan in JnNURM implementation is mixed. It is well above the national average in case of UIG component. But it is lower than the National average in BSUP, UIDSSMT and IHSDP components.

Nature, Description, Progress, Implementation of Projects

Sectoral Breakup of UIG & UIDSSMT Projects

Table 10.21, provides sectoral analysis of the approved projects under UIG component for both national and Rajasthan State.

It can be observed from the table B that at National level three sectors water supply, sewerage, storm water drainage and solid waste management together have received 76 % share in terms of number of projects approved and cost of projects approved. Roads, flyovers, mass transport and other transport projects received 22 % share both at national level.

The sector-wise allocation in Rajasthan is quite different to National Picture. Basic four services together received only 54.21 % allocation against 76% at national level. In that especially water supply received only 28.9% share in Rajasthan against national average of 34%. This is because water supply projects have been taken up other funding sources. Sewerage service share of 24.24% in allocation is comparable to national average share of 27%.

Mass transport and road related project received maximum 39.02% allocation much higher than national average of 22.3%. Thus there exists substantial difference in sectoral allocation scenario at national and Rajasthan State Level.

Table 10.21: Sectoral Breakup of UIG projects as on date (₹ in crores)

Sector	Karnataka Scenario			Overall JnNURM Indian Scenario		
	No. of Projects	Amount ₹ crore	% share	No. of	Amount	%
				projects	₹ crore	Share
Water Supply	2	355.15	28.9		20,167.10	34.12
Sewerage & Drainage	3	297.9	24.24		15,919.22	26.93

Sector	Karnataka Scenario			Overall JnNURM Indian Scenario		
	No. of Projects	Amount ₹ crore	% share	No. of projects	Amount ₹ crore	% Share
Storm Water Drainage	-	-			8,454.60	14.30 ¹³
Solid Waste Management	1	13.2	1.07		0.00	
Roads, Mass Transport and Other transport projects	3	479.55	39.02		13,170.96	22.28
Heritage Conservation	2	33.27	2.71		210.46	0.36
Urban Renewal	2	50.02	4.07		487.90	0.83
Other projects		0			692.93	1.17
Total	13	1229.09	100	527	59,103.17	100

Source: Primary, secondary data collection and GT analysis

With respect to UIDSSMT scheme for non-mission cities the national level sectoral allocation scenario (Refer to table 10.22) is inclined heavily towards water supply, sewerage and storm water drainage constituting 89% share. Roads projects received 8% share while solid waste management received 2.33 % share.

Table 10.22: Sector-wise allocation of UIDSSMT Projects – Rajasthan

Sector	Karnataka Scenario			Overall JnNURM Indian Scenario		
	No. of Projects	Amount ₹ crore	% share	No. of projects	Amount ₹ crore	% Share
Water Supply	3	152.447	24.99	410	3666.697	62.99
Sewerage & Drainage	12	394.607	64.7	97	1138.391	19.56
Storm Water Drainage	7	23.344	3.83	66	378.959	6.51
Solid Waste Management	-			51	135.9	2.33
Roads, Mass Transport & Other transport projects	11	26.596	4.36	102	466.45	8.01
Conservation of Water Bodies		0		9	15.06	0.26
Heritage Conservation	2	6.23	1.02	10	18.34	0.32
Parking		0		1	0.15	0
Soil Conservation		0		1	0.75	0.01
Other projects	2	6.7	1.1		0	
Total	38	682.49	100	747	5820.696	100

Source: Primary, secondary data collection and GT analysis

Compared to national scenario, Rajasthan's sectoral allocation picture under UIDSSMT component is similarly inclined towards three services water supply, sewerage and storm water drainage. Water supply sector received 24.9%; sewerage sector has received 64.7% allocation and storm water

¹³ Storm water drainage head includes solid waste management figures roughly storm water share is 10% and solid waste management share is 4 to 5% in allocation of resources

drainage 3.8% totalling together 93.52% share against national average of 89%. The only difference is storm sewerage sector received higher share in Rajasthan as observed earlier in UIG projects. Thus only three sectors have received 93.5% allocation. There is no solid waste management project which received 2.3 % share at national level. Unlike mission cities under UIG component, road projects of non-mission cities received much lower share of 4.3 % share in funds allocation compare to national average of 8%.

Progress of Projects

In terms of physical progress of projects no information was received from primary source but data available from secondary source indicates that progress is as follows.

Under BSUP out of 18 DPRs, 13 projects have started but out of them 7 projects are in overrun. In all 28118 dwelling units have been approved out of which work for 14773 dwelling units (52%) have been started. Till date 4165 dwelling units (15%) have been completed which % is a much lower performance compare to national average of 21.

With respect to UIDSSMT projects all 38 project have started but 10 projects are at less than 25% progress in physical terms. 11 projects are between 25 to 50 % progress slabs, 5 projects are 51 to 75% progress slab; 9 projects are in 75 to 100% slab and 3 are fully completed.

Under IHSDP project out 17237 dwelling units work for 7240 DUs (42%) are in progress and 6380 DUs (37%) have been completed. This performance is second highest among large states under JnNURM and compare to national average of 17% is more than double.

Institutional Fragmentation in Implementation

The institutional fragmentation in implementation of projects under four components of JnNURM does exist and that too in favour of non-mission ULBs in Rajasthan. Around 75% of the projects are implemented by ULBs.

- Out of 13 projects of UIG component 6 are implemented by other agencies (4 development authorities; 2 by PHE or PHED while rest of 7 projects are implemented by ULBs.
- all the projects under BSUP are implemented by the ULBs
- Out of 37 projects of UIDSSMT 20 projects are implemented by ULBs, 9 projects by city level parastatal or water and sewerage board, 3 by development authorities, 3 by PHE or PHED and only 2 projects by state level parastatal agencies. All the 39 projects under IHSDP are implemented by ULBs

Table 10.23: Implementation of Projects (agency-wise) in the State of Rajasthan

Agency Details	UIG	BSUP	UIDSSMT No. of Projects	IHSDP No. of Projects	Total No. of Projects
	No. of Projects	No. of Projects			
By ULB	7	2	20	39	68
By Development Authority	4	-	3	-	7
By PHE or PHED	2	-	3	-	5
By City Level Parastatal or Water & Sewerage Board	-	-	9	-	9
By State Level Parastatal	-	-	2	-	2
By private sector under PPP mode	--	-	-	-	-
Any Other	-	-	-	-	-
Total No. of Approved Projects	13	2	37	39	91

Source: Primary, secondary data collection and GT analysis

Projects in pipeline

The table indicates that Rajasthan ULBs have not identified and prepared project proposals pertaining to UIG component whereas total projects worth ₹185.03 crore under BSUP component have been identified.

Table 10.24: Projects in Pipe Line (₹crores)

Project Approval Stage	No of projects	UIG Amount	BSUP Amount/ no of projects	UIDSSMT Amount/ no of projects	IHSDP Amount	Total (₹)
State Level Technical Agencies/SLNA	137		87.5/1	2133.28/127	59.54/9	2280.326
State Level Steering Committee						
National Technical Agencies	7		97.53/1		45.037/6	142.567
Total	144		185.03/2	2133.28/127	104.583/15	2422.893

Source: Primary, secondary data collection and GT analysis

Other Observations

Cost escalation is an issue with certain components

There is an issue of cost escalation in Rajasthan like many other states. The difference between approved tender cost and original approved project cost is lower with respect to UIDSSMT and IHSDP projects, it is noticeable in case of UIG projects and it is cause of concern in case of BSUP projects. It can be observed from the Table G that with respect to BSUP component it is as high as 58% which can be called noticeable and very high and with UIG it is just 9%. In case of UIDSSMT proportion is higher by 11%. In case of IHSDP it is 17% which is still higher. This high level difference associated with BSUP and IHSDP is there in spite of majority of the projects are under taken by ULBs. The escalation will have to be borne by ULBs as GOR will not be sharing it fully or partly. This excess cost will be taken from SFC grant available to ULBs.

Table 10.25: Details regarding sharing of escalation cost (₹crore)

Agency Details	UIG	BSUP	UIDSSMT	IHSDP	Total
Number of Recipient ULBs/Cities	3	3	35	37	61
Total No. of Approved Projects	13	2	37	39	91
Total Approved Project Cost	1229.090	277.130	609.930	500.670	2616.820
Tender Cost of approved projects	1339.810	439.000	678.940	584.170	3041.920
Total Excess Cost to be shared by State ULB and any other agency	110.720	161.870	69.010	83.500	425.100
Excess cost shared by the State	-	-	-	-	-
Excess cost shared by the ULBs	110.720	161.870	69.010	83.500	425.100
Excess cost shared by any other agency					

Source: Primary, secondary data collection and GT analysis

Mission City Related Observations

Jaipur

Jaipur observations – Financial Flow, Investment, Resource Mobilisation

JnNURM performance

- Like Hyderabad and Bangalore there are not many agencies implementing JnNURM in Jaipur. There are few projects implemented by Jaipur development authority and only few by PHED and water supply and sewerage board. All these agencies together have exhausted ACA allocated for UIG and BSUP projects for the Bangalore City by submitting adequate number of projects.
- All these agencies together have 10 projects totalling of ₹723.44 crore sanctioned against which total ACA committed by GOI is 361.73 crore. Till date GOI has released ₹161.92 crore which is 44.76% against ACA committed.
- Total expenditure achieved by all the agencies together is ₹266.96 crore

The detail analysis of overall picture of JnNURM in Jaipur is shown in table 10.26

Table 10.26: Overview of JnNURM in Jaipur

Particulars (₹ in crore)	UIG		BSUP		Total (₹ crores)
	Jaipur	Ajmer-Pushkar	Jaipur	Ajmer-Pushkar	
Total funds allocated over term of the JnNURM for the Mission City	748.690		383.460		1132.150
Total DPR submitted for assistance under the component of JnNURM	9	4	1	1	15
Total project cost of approved DPR	723.440	505.650	169.430	107.700	1506.220
Total GOI ACA committed	361.730	404.530	84.720	86.160	937.140
ACA committed as % of total funds allocated	48.32	54.03	22.09	22.47	82.78
Total matching share committed of the State	144.680	50.560	33.890	10.770	239.900
Total matching share committed of ULBs/DAs ¹⁴	217.020	50.560	50.830	10.770	329.180
Total matching share committed by private sector under PPP	-	--	-	-	
Total beneficiary contribution (matching share) committed	-	-	13.220	5.620	18.840
Total share released as % of total project cost	44.19	55.88	21.89	23.53	44.13

¹⁴ These figures of ULBs' or DAs' matching share committed against approved project cost does not include additional share amount ULBs are required to contribute because of actual tender cost being higher than project cost approved. Additional share required to put in by ULB or development authority is shown separately

Particulars (₹ in crore)	UIG		BSUP		Total (₹ crores)
	Jaipur	Ajmer-Pushkar	Jaipur	Ajmer-Pushkar	
Total share released by all parties till date (GoI+GoR+ULB)	319.670	282.540	37.080	25.340	664.630
ACA released by GOI	161.920	217.170	21.160	21.140	421.390
GOI ACA released as % of ACA committed	44.76	53.68	24.98	24.54	44.97
Matching Share released by the State	64.770	27.150	8.460	2.650	103.030
State's matching share released as % of committed share ¹⁵	44.78	53.70	24.96	24.61	42.95
Matching share released by ULBs/Das	92.980	38.220	7.460	1.550	140.210
ULBs' matching share released as % of committed share	42.84	75.59	14.77	14.39	42.59
Actual matching share released by private sector under PPP	-	-	-	-	-
Private sector's matching share released as % of committed share	-	-	-	-	-
Actual Contribution by Beneficiaries	-	-	-	0.0328	0.0328
Beneficiary actual contribution as % of committed contribution	-	-	-	0.58	0.17
Expenditure till date (March 2010)	266.960	257.110	6.340	15.780	546.190
Expenditure as % of approved project cost	36.90	50.85	3.74	14.65	36.26
Expenditure as % of total share released by all	83.51	90.99	17.10	62.27	82.18

Source: Primary, secondary data collection and GT analysis

JnNURM performance

- Jaipur City Corporation has exhausted ACA allocated for UIG projects by submitting adequate number of projects. Total project cost approved for 9 UIG projects for Jaipur is ₹723.440 crore. The total project cost approved for 1 BSUP projects is ₹169.43 crore.
- Jaipur's performance in getting ACA released which is indication of progress of projects is higher than national average. Jaipur has got 44.76% ACA released against ACA committed while national average for the same is 39%. With regard to BSUP project ACA released is 24.9% which lower than the national average of 38%.
- The actual expenditure on UIG projects against the project cost approved is 36.9% which is higher than the national average of just 25%.
- Performance in case of BSUP actual expenditure is 3.74% which is much lower than the national average which is 25.5%.

Overall financial performance

- JMC operative account was in surplus prior to JnNURM period. But slowly operating ratio has deteriorated during the JnNURM period. JMC operative ratio deteriorated during the

¹⁵ Actual matching share released by State or ULB or DA does not include amount released against additional matching share required to be put in because of higher actual tender cost or escalation

period 2002-03 to 2004-05 from 0.76 to 0.82 then during the period it improved in 2005-06 to 0.77 but since then it has deteriorated to 1.04 by 2009-10.

- The unfavourable Operating Ratio is result of higher CAGR of 18.39 % for operating expenditure than the CAGR of 9.66 % of operating revenue.
- Though JMC had volatile operating ratio, in past four years JMC's operating revenue increase by 20% from ₹186.804 crore to ₹224.927 crore.
- The matter of concern is JMC operating expenditure has increased by 56% from ₹149.396 crore to ₹233.04 crore.
- JMC's operating account does not have surplus and its capital account is in deficit as a result of higher developmental activity as a result at a combined operating and capital account level JMC is experiencing deficit in most of the years. However, during the JnNURM impact period from 2006-07 there has been overall surplus except for the year 2008-09
- JMC has tried to bridge its capital account deficit by leveraging PPP as an option

Property Tax/Tax Income

- JMC's tax revenue from property tax, has not changed considerably. It rose from ₹10.54 crore to ₹18.608 crore that is by CAGR of 16.4% which is higher than operating income CAGR of 9.6% in past four years as a result share of property tax revenue remained around 8%. This is due to the reason that in Jaipur property tax is not levied for properties with area less than 300 sq yards.
- Although the demand has increased from 2.5 times during the mission period the recovery is only 2% as per the data available from the primary source.

Non-tax revenue

- JMC's non tax revenue includes user charges for sewerage but does not include water so JMC does not have user charge revenue on account of this service
- JMC's non-tax revenue has also increased from ₹0.473 crore to ₹2.64 crore in a volatile manner. The share of non tax revenue has increased from 12% to 28% during the impact period of JnNURM

Operating expenditure

- The operating expenditure structure has not undergone a any considerable change,
 - Establishment (Salary) expenditure still constitute around 84% of the operating expenditure (2009-10) which was around 87% in 2005-06 Administrative expenditure has not changed considerable and fall within the bracket of 6-11%
 - Another main component of JMC's expenditure is O&M which has also not changed over a period of time and has been on an average around 4%.

Capital Receipts and Expenditure

- Till JnNURM, capital receipts of JMC were dominated by surplus transferred from its revenue account and capital grants (other than JnNURM). Since the commencement of JnNURM the grant share has come down from 58% (2002-03) to 44% (2009-10), this is because the share in the capital income has increased from new borrowings and income form own sources
- Like many other ULBs, JMC's capital expenditure did not exploded under JnNURM impact as JMC But JMCs capital account has increased merely by 1.5 times or because of more investment under JnNURM. JMC has leveraged external resources through Private Sector Participation for JnNURM projects

Ajmer-Pushkar

Ajmer Pushkar observations – Financial Flow, Investment, Resource Mobilisation

Ajmer-Pushkar is a 'C' category mission city that is it has been included in JnNURM because of heritage and tourist importance and not on population basis.

JnNURM performance

- Ajmer-Pushkar City Corporation has exhausted ACA allocated for UIG projects by submitting adequate number of projects. Total project cost approved for 4 UIG projects for Ajmer–Pushkar is ₹505.65 crore. The total project cost approved for 1 BSUP projects is ₹107.7 crore.
- Ajmer Pushkar's performance in getting ACA released which is indication of progress of projects is higher than national average. Ajmer Pushkar has got 53.6% ACA released against ACA committed while national average for the same is 39%. With regard to BSUP project ACA released is 24.5% which lower than the national average of 38%.
- The actual expenditure on UIG projects against the project cost approved is 50.85% which much higher than the national average of just 25%.
- Performance in case of BSUP actual expenditure is 14.65% which is lower than the national average which is 25.5%.

Overall financial performance

- Ajmer-Pushkar City Corporation operative account was and is in healthy operative surplus through the period prior and during the JnNURM period. But in recent it is showing sign of decline even though JnNURM project's post completion O&M cost has not crystallized. Operative ratio has deteriorated from 0.64 to 0.96 in past four years.
- The healthy Operating Ratio with recent deterioration is a result of lower CAGR of 6.61 % for operating revenue than the 26.3 % CAGR of operating expenditure. (during the years 2006-2009). However, there has been a substantial increase in the year 2009-10 for revenue income (year on year) 48.55% and revenue expenditure 39.67% (year on year from 2008-09 to 2009-10)
- Though Ajmer Pushkar's operative ratio has deteriorated, its CAGR for operative revenue is certainly very good and its operating income almost doubled in five years; but its operating expenditure has increased at much higher rate (2.7 times increase) which should be a cause of concern.
- Operating account is not in adequate surplus due to low CAGR of income than expenditure and it is therefore not been able to meet deficit in its capital account all the time as a result extra-ordinary account surplus is used regularly to fund capital account deficit.

Property Tax/Tax Income

- Ajmer-Pushkar's tax revenue from property tax and other miscellaneous taxes increased healthily from ₹3.24 crore to ₹8.56 crore at a very high CAGR 27% in past four years. As tax revenue increased at a higher CAGR, the share of tax revenue increased from 11% to 16% of operating revenue which is good sign.
- Property tax income increased from ₹1.53 crore to ₹8.12 crore at the CAGR of 52 % during the past four year period which is much higher than CAGR of operating income as a result its share has increased substantially from 6% to 15%.

Non-tax revenue

- The non-tax revenue increased from ₹0.24 crore to ₹4.16 crore at a CAGR of 47% during the period and its share in total operating revenue has increased from 10 % to 17%.

Operating expenditure

- The operating expenditure structure has undergone a substantial change but it is more because of accounting reforms which corrected earlier improper expenditure classification as evident from following -
 - Administrative expenditure registered decline and its share decreased from 95% to 19%.
 - The O&M expenditure share increased from 5 % to 10%
- The present composition of operating expenditure after accounting reforms appears reasonable and correct.
- More than classification important aspect is very high CAGR of 29%.

10.8. Nanded: Example of a City with most efficient utilization of JnNURM Funds

The district of Nanded has a population of 28,68,158 (2001 Census) and is among the most backward districts of the state of Maharashtra. It ranks 29th in terms of literacy rate (68.5 percent) in the state of Maharashtra and has a workforce participation rate of about 42.8 percent. About 80 percent of the workforce is engaged in agriculture and allied activities, 4 percent in cottage and household industries and about 5.15 percent in trade and commerce. Nanded city with a jurisdiction of about 51.76 km, is the headquarters of Nanded District in the Marathwada Region of Maharashtra state. It is the second largest urban centre in the Marathwada region (population of 4,30,733 as per 2001 Census), after Aurangabad

Nanded City has been conferred with the status of a “Holy City” by Government of Maharashtra due to the presence of the Sachkhand Gurudwara, one of the five Takhts of Sikh religion - housing the Guru Granth Sahib and last resting place of last Sikh guru Shri Guru Gobind Singhji. By virtue of the presence of Sachkand Gurudwara, Nanded has emerged as an important religious tourism destination centre of national and international significance.

It is estimated that over 03 million tourist visit Nanded due to the presence of above mentioned attractions. **Nanded city, by virtue of its historic and cultural significance is an eligible city under Category C, entitling it to 80 percent capital grant from the Central Government and 10 percent grant from the State Government as per JnNURM funding pattern.**

The Nanded Waghala City Municipal Corporation (NWCMC) and the District Administration had commenced consultations on the city’s needs and priorities way back in 2003, initially in the context of the Gur ta Gaddi Tercentenary celebrations and subsequently with a long-term development objective.

While the focus of the CDP is on achieving the larger Vision 2025 through a broad Strategic and Capital Investment Plan, it identifies specific project / interventions / actions to be undertaken in the short term 2006 to 2011.

Projects worth more than ₹740 Crores have been sanctioned and are being undertaken currently under JnNURM for Nanded in most of the sectors. With releases (centre, state and ULB share combined) worth approximately ₹595 crores in UIG itself, more than 95% of the funds have already been spent. For the BSUP projects as well, out of releases (centre, state and ulb share combined) worth ₹157 crores approximately, more than 75% of the funds have been spent. **Nanded has the second highest ACA release and the second highest per person sanction in**

terms of population with the highest being Itanagar primarily due to the small population size of Itanagar.

NWCMC was upgraded from a municipal council, has limited institutional and technical capacity to plan and implement projects. The limitations are in terms of inadequacy of number and appropriately qualified staff. Given the fact that Nanded is a very young corporation, with no current access to other funds (apart from Gur-ta –Gaddi funds previously) whether through externally aided donor agencies or central government, it has taken the *JnNURM* funding as a lifeline and tried to make the most of it by having strategic projects sanctioned under it so as to enable them to rise as a city in terms of a balance of both infrastructure and reforms for better governance along with a stronger balance sheet.

Even though like other ULBs across India, NWCMC have limited capacity in terms of manpower, Nanded more than makes up for it in terms of the effort put in by the staff of the corporation and the enthusiasm with which they focus on utilizing every opportunity that *JnNURM* has thrown their way.

With an efficient PIU (IL&FS) in place, the reforms have been completed in most of the cases or are at advanced stages of progress. Given the Government of Maharashtra directive to replicate the already successful Kalyan Dombivli (KDMC) e-Governance model, Nanded is doing that and has also taken advantage of KDMC's domain knowledge in this area and has initiated a training for their officials in coordination with KDMC. The double entry accounting system is also well in progress with handholding and training happening side by side by Fortress consultants. They have achieved property tax coverage and collection efficiency as prescribed by *JnNURM*. The pro –poor reforms have also been achieved. Nanded has understood the significance of the reforms and have taken up all of them to with a zeal and vigour which needs to be replicated across other bigger and smaller ULBs. It is the hunger for funds which was there and for which they have mobilized all their resources to take advantage of the mission period.

Finer nuances such as the importance of IEC activities, capacity building of the municipal staff, and importance of improvising the lack of technical expertise in-house by supplementing the same through a strong PIU have been understood by Nanded. Also, an innovative practice like raising the loan for the ULBs share of the *JnNURM* funds through IL&FS has been arranged. The ULB is paying the instalments regularly on time and intend repaying the loan completely in the next financial year. Plans for leveraging funds in the debt market are also in the pipeline for Nanded.

Municipal functions and services such as billing and collection, developing and maintaining a computerized database, generation of property tax bills, octroi collection, meter reading and spot billing, town planning and land use management, computerized accounts and cash management are the key municipal functions proposed to be outsourced on contractual basis. Some of these initiatives form part of the reform action plan proposed by NWCMC and the Memorandum of Agreement proposed to be executed under the *JnNURM*. The proposed investments a State scheme called Nagar Uthan Yojna is likely to further enhance the stability and revenue base of the Corporation substantially.

Being a city which has limited resources, they have made excellent utilization with *JnNURM* funds. Given their success with *JnNURM* and the pace at which the corporation has come up, a lot is expected from Nanded and it has emerged a front runner as a city which has utilized the *JnNURM* funds in the best possible manner with development in almost all the sectors in terms of infrastructure as well as compliance with significant progress in terms of the reforms prescribed under the mission. A well balanced approach which can be replicated by other ULBs.

Nanded Waghala Municipal Corporation – financial health (JnNURM impact)

Revenue account

Nanded Waghala Municipal Corporation (NWMC) revenue account was and is in healthy operative surplus through the period prior and during the JnNURM period. It ranged in the band of 0.66 to 0.95 (operating ratio). Though in 2006 it jumped to 2.7 which was the first year of JnNURM impact period, it dropped to 0.89 by the end of 2009.

Figure 10.1: Financial analysis for Nanded Municipal Corporation

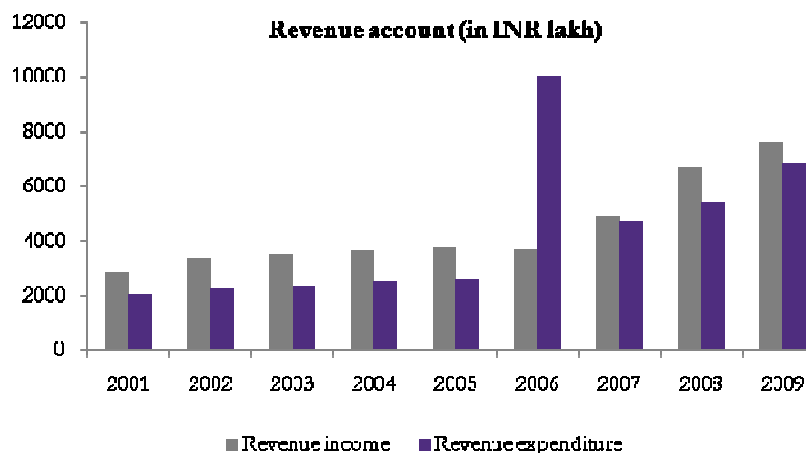


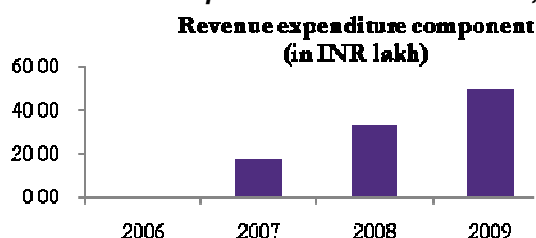
Table 10.27: Financial analysis for Nanded

In ₹ lakh	2001	2002	2003	2004	2005	2006	2007	2008	2009
Consolidated Property Tax	201.39	234.07	247.34	252.34	288.82	108.87	745.07	640.65	668.82
Sewerage Benefit Tax	4.29	7.12	7.59	8.17	9.08	22.20	77.72	65.07	66.07
Water Charges	204.66	247.47	231.30	301.38	330.88	168.16	700.77	499.25	503.83
Water benefit tax	0.00	0.00	0.00	0.00	0.00	8.28	81.20	67.89	71.92
Sewerage Charges	24.65	26.98	25.36	26.92	27.80	9.13	111.32	83.82	113.75
Sewerage tax						4.02	77.73	65.17	66.07

Source: Primary, secondary data collection and GT analysis

- The revenue income grew with a CAGR of 19% as against the revenue expenditure that grew with 27% during the JnNURM impact period. Though NWMC has remained in operative surplus, its CAGR for revenue income is not as spectacular its revenue expenditure and it should be noted that NWMC operating expenditure has not gone up substantially.
- Revenue from own sources have been considerably high and it ranged from 87% to 98% of the total revenue. This can be attributed to a considerable increase in the property tax collection which increased with a CAGR of 23% (2005-2009), sewerage benefit tax that increased with a CAGR of 64% (2005-2009).
- For the first time during the JnNURM impact period water benefit tax and sewerage tax was levied by the corporation, the collection of the same increased with CAGR of 106% and 154% respectively.
- The revenue expenditure has increased with a CAGR of 27% (2005-2009); however, general administration expenses have also rising with a CAGR of 42%.
- There has been initiative for e-governance and GIS mapping for which there had been spending during the JnNURM impact period as shown in the figure below:

Figure 10.2: Revenue expenditure on e-Governance, GIS and computers



Capital account

Nanded Waghala Municipal Corporation (NWMC) capital account was under deficit till the year 2005, however, there is a considerable impact of grants under JnNURM which increased with a CAGR of 214% during the period 2005-2009.

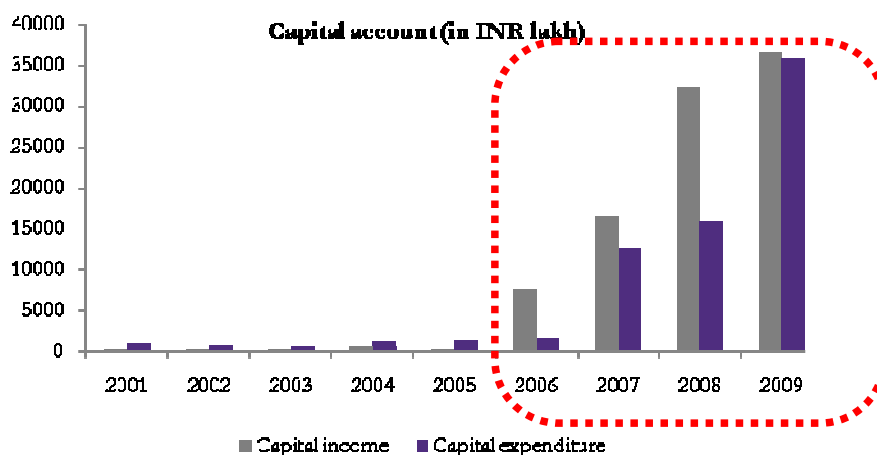


Figure 10. 3: Capital account analysis

- The expenditure also increased with a CAGR of 121% during 2005-2009.
- JnNURM component as the capital income range from 65% to 88% in last three years (2006-2009)
- JnNURM component as the capital expenditure range from 16% to 79% in last three years (2006-2009)
- The major contributor to the capital account other than JnNURM has been Guru ta gaddi

As is evident from the above analysis, JnNURM has indeed impacted the financial health of Nanded in a very positive way.

10.9. Leveraging

One of the main aims of JnNURM has been to make the ULBs self sufficient. The rationale behind the mission is to use reforms to strengthen the ULBs into leveraging funds through innovative models like Public Private Partnerships (PPP) or the more conventional models like commercial borrowings.

While some ULBs have already taken the first step and undertaken measures to ensure they utilize the opportunity presented by JnNURM to the fullest, using innovative methods to leverage funds, a few others are still in the process of doing so. Allowances need to be made for certain states like the North Eastern States and Jammu & Kashmir that are lagging behind due to inherent economic, social and political limitations as against forerunner states like Gujarat and Karnataka which have the traditional flag bearer advantage for urbanization in general and urban development in particular.

The term “Leveraging for funds” has been understood differently by different States. However, JnNURM’s objective is to trigger the motif of leveraging markets for raising funds for JnNURM projects as well as for other projects which are still in the pipeline for the ULBs for increasing the capital expenditure for the cities. The most common forms of leveraging used by the ULBs is via debt markets, undertaking loans from financial institutions such as Banks, NBFCs along with others like HUDCO. While the most common method of leveraging has been term loans and endeavours

at raising funds through Public Private Partnerships for financing stand alone projects as well as sharing the risks for the same; some well established ULBs have explored the bond market for raising funds.

Even though a lot of emphasis has been put on leveraging by the Central Government through JnNURM, the same has not been materialized at the ULB level. There are very few ULBs who have raised funds from the debt market. More importantly, the awareness and initiative for doing so has been found to be negligible in majority of the ULBs. While ULBs like Gujarat, Karnataka and Andhra Pradesh have gone in for bond issues, others like Punjab, Haryana, J&K and North - Eastern States have not even fulfilled the basic necessity of reforms to increase the revenue or any kind of leveraging. It is important to mention here that while JnNURM has initiated some ULBs into thinking about different ways and techniques of raising funds, there are yet others who have not taken any encouragement of the awareness being created by their counterparts across the nation. Hence, the thought process has been initiated with JnNURM but the progress so far has been far from satisfactory. Also, while it is arguable that certain ULBs would have done well irrespective of JnNURM, it is apparent that JnNURM has fastened the pace of development in these ULBs, at the same time encouraging others to follow the example of the progressive ULBs.

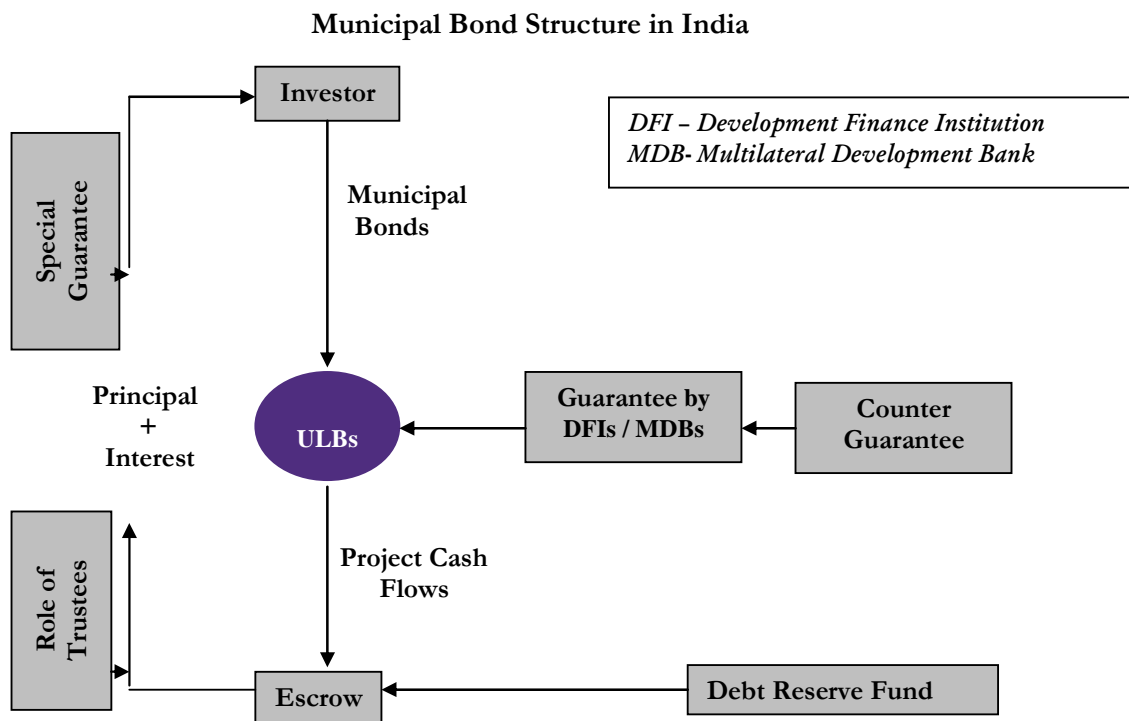
Common Types of Leveraging

There are various types of leveraging mechanisms possible and some of the most prominent ones used in India have been highlighted and discussed in detail in this section.

Municipal Bonds:

Municipal bonds generally are securitized debt instruments, providing future revenue flows from the project as collateral (Figure 4). ULBs offering the bonds will surrender their rights to future revenues to service the bonds. Revenue flows will comprise of revenue streams like property tax, VAT in lieu of Octroi, user charges collected from water supply and sewerage projects, state government grants and transfers, and tolls collected from vehicles, etc. When future revenues are considered insufficient to meet debt service obligations, a third-party guarantee from the state government will be obtained and/or a debt service reserve fund created to obtain an investment

Figure 10.4: Municipal bond structure in India



In context of the Indian ULBs, the usual accepted method of raising funds is by way of entering the debt market by issuance of municipal bonds. However, in India, very few ULBs have raised funds successfully by issuing bonds. The **Ahmedabad Municipal Corporation (AMC)** was the first ULB to access the capital market in January 1998. The ULB has raised ₹358 crores up till now by way of bonds. They raised funds by issue of secured redeemable bonds worth ₹100 Crores in the year 1998, tax free bonds worth ₹100 crores in the year 2000 and ₹58 crores in the year 2002 and ₹100 crores in the year 2005 for infrastructure development. The AMC had previously instituted significant fiscal and management reforms, including improved tax collection, computerization of its accounting system, strengthening of AMC's workforce and financial management, and development of a comprehensive capital improvement program. Due to these measures, AMC was able to turn around its financial position from a cash deficit municipal corporation to achieve a closing cash surplus of ₹214 crore by March 1999. Since 1998, other cities that have accessed the capital markets through municipal bonds without state government guarantee include **Nashik, Nagpur, Ludhiana, and Madurai**. In most cases, bond proceeds have been used to fund water and sewerage schemes or road projects. The **Bangalore Municipal Corporation** was the first municipal corporation to issue a municipal bond of ₹125 crore with a state guarantee in 1997. An indicative list of municipal bonds issued by various ULBs across India is as follows:

Table 10.28- Present planning structure for India

Agency	Amount (₹ in crores)	Year of issue
Bangalore Mahanagar Palike	125	1997
Ahmedabad Municipal Corporation	100	1998
Ludhiana Municipal Corporation	17.84	1999
Nashik Municipal Corporation	100	1999
Nagpur municipal corporation	50	2001
Madurai Municipal Corporation	30	2001

Indore Municipal Corporation	10	2001
Ahmedabad Municipal Corporation	100	2001
Hyderabad Municipal corporation	82.5	2002
Nashik Municipal Corporation	50	2003
Visakhapatnam Municipal Corporation	50	2003
Ahmedabad Municipal Corporation	58	2004
Chennai Municipal Corporation	44.8	2005
Ahmedabad Municipal Corporation	100	2005
Nagpur Municipal Corporation	128	2007
Ahmedabad Municipal Corporation	150	2007

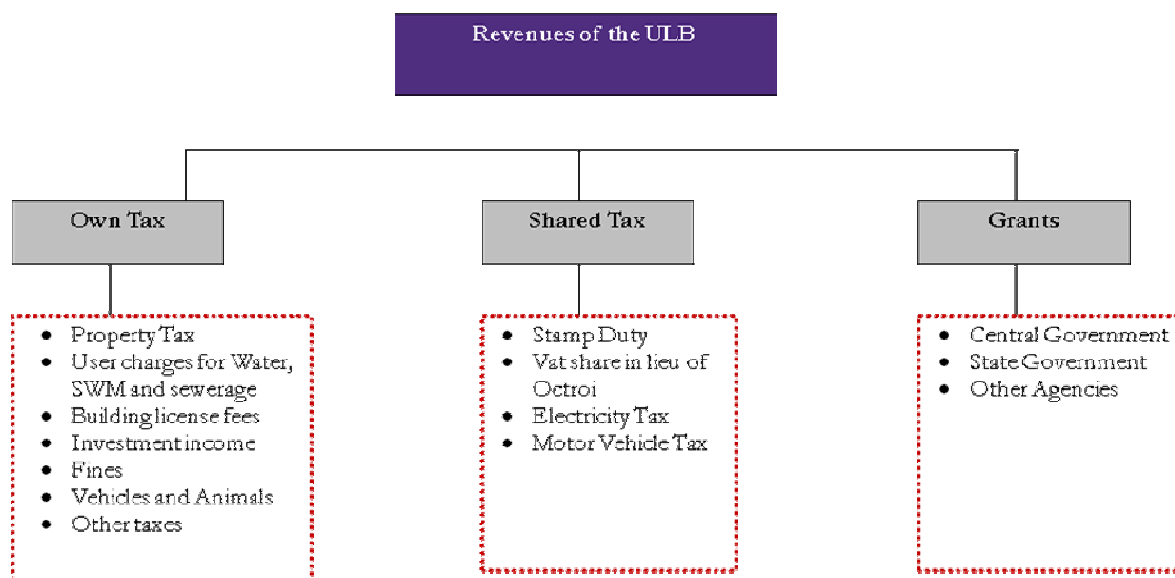
Source: Primary, secondary data collection and GT analysis

With reference to the background, the credit rating exercise initiated by the GOI for the 65 ULBs under JnNURM is a commendable initiative. Credit rating of a ULB increases its choice of debt instruments — be it the bond market, a pooled finance vehicle or a commercial bank loan; it can also evaluate the terms of borrowing (interest cost, maturity). At the same time it allows the ULB to better match its debt structure with the useful life of the assets being financed. Bond issues backed by independent credit ratings will foster a strong culture of market discipline in terms of higher disclosure levels, better financial planning, fiscal prudence amongst ULBs and lead to greater efficiency in their operations.

ULBs must demonstrate creditworthiness and obtain an investment grade credit rating. This forces them to improve their revenue base by introducing reforms, including improved cost recovery and financial management, as well as better management of service delivery systems. Another prerequisite for issuing municipal bonds is development of commercially viable projects, projects that can recover full costs, including the cost of debt service.

For any ULB, Property taxes and assigned revenues (stamp duty, building plans fees, user charges, entertainment tax, license fees), apart from state grants, form the overwhelmingly major share of municipal finances. These revenues while adequate for financing smaller works; are nowhere large enough to finance capital intensive infrastructure projects. It is therefore imperative that our Urban Local Bodies (ULBs) look at raising resources externally to fund their huge requirements. The following are the major issues with the ULBs revenue streams:

- The revenue gap is widening in most ULBs due to low revenue generation, enhanced expenditure responsibility and inefficient financial management.
- Wide differences exist among ULBs in tax jurisdiction and degree of control over fixing the tax base, rates, and exemptions, and in how efficiently taxes are administered and enforced.
- The expenditure function has to be linked to revenue-generating capacity. Central- level interventions are needed to make state governments surrender their expenditure responsibilities to local bodies, and make expenditure commensurate with the devolved revenues.
- Transparency in expenditure assignment and tax devolution is a prerequisite for decentralization.
- The mandate given to SFCs to devolve taxes from the state divisible pool to ULBs should be exercised in a rational and time-bound manner.
- The resource devolution mechanism should evolve; taking into account regional features, and should be based on up-to-date information. Uniformity of such functions among ULBs should be ensured, at least within a state.

Figure 10.5: Sources of revenue for ULBs

From the Indian government's side, new methods of raising funds are being encouraged for the ULBs including pooled financing mechanism. A Pooled Finance Development Fund (PFDF) of ₹400 crore for the 10th Five Year Plan period, has been set up to help ULBs finance their investment needs. This PFDF will provide ratings enhancement facility through a Credit Rating Enhancement Fund (CREF) and raise the credit worthiness of all bond offerings to investment grade. This additional credit protection to the ULBs and the lenders/investors is expected to reduce the costs of capital and encourage ULBs, especially the small and medium sized ULBs, to shed their apprehensions and enter the Municipal debt market to finance their investment needs. A state-level intermediary (existing or to be created) will raise funds from the market by issuing bonds on behalf of a group of ULBs. Loan repayment will be by way of the escrowing of resources, the interception of state grants if necessary, and the setting up of a debt service reserve fund. The fund will enhance the credit rating of ULBs. The cost of making ULBs creditworthy will be borne by the central Government (75%) and the state (25%).

While majority of the smaller municipalities are constrained by their dismal balance sheets, this should not prevent them from financing major investments in civic infrastructure using the pooled financing option. The project mix, refinancing pattern and schedule may be appropriately structured, so as to give the financiers enough confidence in mitigating their risks.

Indian Municipal Bond Market vs. USA Municipal Bond Market

A quick comparison of the municipal bond market in USA in general and the pooled financing mechanism followed there in particular vs. the pooled financing mechanism in India, as an option for raising funds shall be advisable considering the phenomenon of leveraging in our country

The US bond market can be classified under two major heads, viz., the taxable bond market and the tax-exempt bond market. Bonds issued by the US government, US government agencies and sponsored enterprises and corporations are included under the first head. In the tax-exempt bond market, interest from the bonds issued and sold is exempt from federal income taxation. However, at the state and local levels, tax may or may not be applied to interest. For example, interest on US Treasury securities does not attract state and local taxes although it attracts federal income tax. Hence, to classify a bond as tax-exempt, tax treatment at the federal income tax level is considered.

As stated earlier also, the municipal bond market in the USA accounts for around 10-12% of the domestic bond market.

In the US, it is not the balance sheet of the ULB but the project that raises the funds using pooled financing mechanism. A group of infrastructure projects come together under pooled financing and raise funds using a special purpose vehicle for the same. Therefore, it is not the balance sheet of the ULB on the basis of which funds are raised but the quality of the infrastructure projects and their projected cash flows which are used for issuing the bonds and raising funds. In the US it is common for the various State governments to fund major infrastructure projects by issuing municipal bonds (or munis) by leveraging the federal, state and local body finances. The US Municipal Bond market is \$2.2 trillion strong and forms nearly 10% of the total debt market. With more than \$300 bn worth such bonds issued in 2005-06, given its tax deductible nature, it is one of the highest yielding debt instruments. Typically, under a pooled financing scheme, several infrastructure projects are pooled and debt finance can be raised. The cash flows from them are escrowed into a special bank account from which the bond investors are repaid.

This arrangement has 03 key advantages:

1. Helps risk diversification. Even if one project is a non performer, the others can make up the loss thereby ensuring an average assured return to the investors.
2. By pooling together a number of projects, it can help finance more infrastructure projects.
3. Less economically viable, but socially useful projects can bandwagon on the more bankable projects.

The **Indian municipal bond market** has not realized its full potential due to a number of constraints including regulatory restrictions on investment allocation by long-term investors such as insurance companies, the dominance of banks — who typically prefer shorter duration assets given their liability profile — as a major investor class and the near absence of long-term investors such as pension funds from the bond markets.

In the 10-year period from 1996-97 to 2006-07, the total mobilization through municipal bonds has been ₹ 851 crore, limited only to a handful of issuers. Despite the initial success of BMP and AMC, Indian municipal bond market has not been able to evolve fully and it accounts for a mere 0.1% of the total corporate bonds traded in India. Whereas, in the US, where such bonds have been in the market for the past 120 years, municipal bonds constitute approximately 10%-12% of the overall corporate bond market in the country

Also, pooled financing in India is aimed at only enhancing credit worthiness and it is the ULB which issues non revenue bonds to raise debt based funds based on the revenue streams of the ULB. Also, while ULBs with weak balance sheets are hesitant to enter the debt market for reasons of debt servicing but even the ULBs with rich balance sheets are trying to fund their investments from internal revenues being reluctant to venture into the debt market. This shows an inherent need for awareness about raising finances through the debt market and not seeing it as a liability by the corporators.

Also, the potential adverse selection problem is getting reflected in the municipal bond market in the higher interest premiums demanded. This risk can be mitigated by moving away from financing the ULB to financing specific projects. In contrast, post independence, a mere ₹ 850 Cr (\$210 mn) has been raised through Municipal Bonds in India since the first Municipal Bond issue by Bangalore in 1997. Municipal Bonds form nearly 10% of the debt market in the US whereas in India, Tamil Nadu and Karnataka are the only two states to have raised resources from the market through the pooled finance route.

Access to capital markets and, most important, to bond markets by local governments will:

- Enable sub-national bodies to leverage internal resources to access long-term capital for infrastructure investments
- Shift the focus from distorted financial resource allocation based on a cash subsidy program;
- Enable the present generation to make large investments through bond issuance rather than limited pay-as-you-go financing of such investments;
- Make investing and resource raising feasible, which is an objective of the 74th Constitutional Amendment; and
- Impose a market-based credit discipline on city governments by promoting fair disclosure, accounting and better management practices.

Pooled Financing scheme in Tamil Nadu: There are very few ULBs which have set up an urban infrastructure fund at the state level for pooled financing. However, the states in which this model is being used shows a greater success rate and a better organized funding pattern with better success rate in terms of raising timely funds and timely execution of infrastructure projects across ULBs of the state irrespective of the size of the ULBs balance sheet. Currently in India, Karnataka and Tamil Nadu are the only states to follow this pattern. There is merit in looking at the mandatory creation of urban infrastructure funds for all states across India.

TNUDF was established by the government of Tamil Nadu in 1996 with the participation of Indian financial institutions such as ICICI, Housing Development Finance Corporation Ltd. (HDFC), and IL&FS, and a line of credit from the World Bank. Created as a trust fund and managed by a private asset management company, Tamil Nadu Urban Infrastructure Financial Services Ltd., the fund is engaged in municipal financing in Tamil Nadu without using state government guarantees. Municipalities, statutory boards, and state-level public sector undertakings are eligible borrowers. The tenor of the loans offered is 12–15 years, depending on the type of project funded. Special recovery mechanisms such as escrow accounts of property tax collection, water charges, and hypothecation of movables are generally used. In certain cases, the debts are blended with the grants to reduce the interest cost for ULBs. Over 500 projects covering water supply and sanitation, roads, bridges, streetlights, solid waste plants, bus stations, and shopping complexes in 90 out of 110 municipalities in Tamil Nadu have been financed by the fund. It provides grants to ULBs to (i) subsidize the capital cost of projects, (ii) provide training and technical equipment, (iii) support project preparation and implementation, and (iv) support privatization and other innovative schemes. Supported capacity-building activities include computerization of accounts and training development of municipal administration to improve ULBs management performance.

The first of its kind in India, the fund is promoted by USAID, in collaboration with TNUDF, to cater to the financing needs of smaller municipalities and provide guarantees to lengthen municipal bonds' tenor and improve the pricing factor. Under the arrangement, 14 ULBs pooled some water and sanitation projects under an SPV called the Water and Sanitation Pooled Fund, and raised approximately ₹30 crore from the bond market at 9.2% interest. The concept is similar to that of state-level bond banks in the US, where a state-sponsored financial intermediary raises finance by issuing bonds and then lends to ULBs by buying their bonds. In TNUDF, several small municipalities pooled in the bond offers to finance municipal environmental infrastructure projects for underground water and sewerage. The proposed structure envisages USAID as providing a partial credit guarantee to lengthen bond maturity from 7 to 15 years, with put and call options after 7 years or, alternatively, an annuity repayment mechanism.

Tamil Nadu Urban Infrastructure Financial Services Ltd. will purchase municipal bonds and fund them by issuing its own bonds, with regular credit enhancement structures.

TNUDF's success should encourage other state governments to design and implement the municipal financing program through special-purpose funds. Typically, TNUDF or the proposed pooled financing mechanisms are not just debt funds that run on commercial principles, but also bundle grants as well as loans. The funds also provide technical assistance to build ULB capacity in project preparation and financial management. This experience reveals the great potential for financing numerous local governments.

In the same context, in 2002 Maharashtra government set up **Maharashtra Urban Infrastructure Fund (MUIF)** under a trust format for helping urban local bodies for project development and raising finance from financial institutions and capital market. Hence a corpus fund was formed worth ₹250 crore (shared between the state government and MMRDA). This includes areas other than Mumbai Metropolitan Region (MMR) which is covered by Mumbai Metropolitan Regional Development Authority (MMRDA). It takes loan from the external agencies and forward the same to the ULB's as bridge financing in the form of a 50% grant and 50% loan. This is akin to the creation of an urban development fund at the state level from which bridge financing can be done for infrastructure projects which are both in the grant as well as loan form. However, MUIF has not been as successful in leveraging funds to the ULBs as TNUDF. In effect, it is only an urban fund for viability gap funding or bridge gap financing.

It is favourable to have a model like TNUDF vs. a model like MUIF as the same brings in development accountability for the ULBs and a certain level of financial discipline by making the ULBs accountable.

Another consideration in terms of the different cycles and perspectives followed between India and US is the **institutional structure**. Most of the Indian ULBs do not have the capacity to undertake the services under 74CAA. However, while they can get the work done through line departments as well, the accountability for the same is still a major issue in India. The common understanding of the meaning of the 74CAA to be an absolute transfer of the services from the parastatal agencies to the ULB irrespective of the executing capability of the ULB is against the actual spirit of the 74CAA. It only asks for accountability to be fixed on behalf of the citizens to the city government; wherein whether the line departments execute the projects or the ULB itself does the same. As long as the overall accountability is there and the ULB has an authority to question the line departments for the project and they in turn are accountable to the ULB, the 74 CAA is being implemented in letter and in spirit. However, in the USA, it takes a different connotation altogether. Over there, the municipalities can have the project executed by anyone including the private sector as long as they are clear that they in turn are accountable to the ULB and the ULB has the requisite authority for the same. Even in pooled financing mechanism, it is not just the project structure which is important but also the institutional structure of the executing ULB or parastatal agency as the quality and service delivery is an important consideration for the same as they affect the project cash flows directly.

Two key differences in the Indian model vs. USA model:

- In the USA, the project strength is seen for project financing while in India, it is the strength of the ULBs balance sheet which is considered. In the USA, it is the expected revenue streams that the project in specific will generate which dominates the project financing while in India it is the strength of the ULBs balance sheet which dictates the financing terms.
- There is freedom for institutional restructuring to happen to support the ULBs working in the USA which is not a simple task in India. The quantity and quality of people working for the ULBs in India is questionable at the best.

In India, in the municipal bond market, there is an inherent gap in the demand and supply. Some key considerations are:

1. Most of the bonds do not meet the RBI standards of investment grade bonds.
2. The bonds issued are based on the revenue streams generated in the balance sheet of the ULB and it is the ULB in effect which is raising the debt and not the project.
3. There is lack of political will and commitment which is reflected in the flawed revenue streams as there is no initiative in charging user charges
4. The municipal bond market lending is controlled by State government and HUDCO at the most. It should in turn be controlled by market conditions based on the free market economy theory.

In view of the above and in particular point k above, pooled finance mechanism suits the Indian ULBs the most. E.g. in the case of Tamil Nadu the TNUIDF is a pooled finance entity which is a success. Normally central government transfers some funds in the beginning to the pooled finance entity to increase its credit worthiness and then the entity explores the debt market to make available the resources to the ULBs. For debt servicing the TNUIDF taps portion of the SFC transfers for the ULBs. Entities like this exist but are defunct due to many reasons. Banks, and that too limited ones, and bond markets makes available the resources for a time duration of 07-10 years whereas the pooled entity does so for 20 years typically which is the ideal development horizon for a ULB. Second, by way of pooled financing, a ULB is opening itself to a diverse channel of funds

Indian cities have not been able to tap the available revenue streams and that's one of the biggest reasons for failure to mobilize resources. Untapped revenues from property tax, unrealized and not collected year on year, have had a catastrophic impact. Property taxes themselves get computed on circle rates basis and there are lot of losses happening there.

One of the biggest **concerns for investors** in ULBs arises from political related risks. It is therefore necessary to put in place all possible measures to insulate project financing structures from political interference or decisions based on political and other external considerations. More than any credit guarantees, investors will value guaranteeing such projects from politically populist interventions. Tariffs and other revenue streams from such projects need to be fully insulated from the vagaries of all politics. Given the weak institutional capacity of ULBs to monitor the implementation of such arrangements, it is also imperative that release of funds is followed by capacity building to monitor its implementation

External Financing

Multilateral agencies such as the World Bank, ADB, Japan Exim Bank, and the Department for International Development of the United Kingdom have been funding urban infrastructure projects in India. Multilateral agencies offer lines of credit to financial institutions such as IDFC, Infrastructure Leasing and Financial Services Ltd. (IL&FS), and HUDCO, which are involved in urban infrastructure projects. Funds are often released to these financial institutions on the condition that they match the funds. Tapping international capital markets has not yet been considered to finance urban infrastructure projects in India. Several projects from emerging markets, such as toll roads in Mexico, have accessed foreign currency financing, while larger public sector utilities in India, particularly power and telecommunications, have directly accessed the global capital market; urban infrastructure is still to join the list. One reason for this has been the increasing exchange risks of foreign currency loans due to the extensive volatility of depreciation of the rupee. Accessing international capital markets presupposes financially strong and viable ULBs. International investors often demand financial sophistication and project-specific covenants—stringent registration process with significant disclosure, credit enhancement such as letters of credit, credit rating from an international agency etc which would add significantly to the cost of funds for ULBs. Also, even though FDI has been permitted in several sectors and the inflows have increased positively, the increase does not match the expected level due to inherent legal, political and procedural bottlenecks and lack of policy regimes.

Term Loans

A common and easier way of raising funds followed by the ULBs is undertaking term loans. These have been taken by several ULBs mainly from HUDCO as well as from other banks/financial institutions at competitive rates.

As stated above also, leveraging can be done for both JnNURM projects and to raise funds to finance non JnNURM projects. While some cities like Bhubaneswar have used innovative techniques like getting partial financing covering the ULBs share, thru JBIC, for a JnNURM project. Apart from the conventional sources of raising funds, **Gujarat and Karnataka** have also raised money from international donor agencies like JICA, World Bank and USAID. Also, apart from leading states, others like **Orissa** have also raised money through International donor agencies. Bhubaneswar has raised 50% of the state's share through JICA by way of a soft loan for the UIG component of the JnNURM.

For the more innovative models like **Public Private Partnership**, while some ULBs have undertaken this in the true sense, others have just taken their first step towards adopting PPP [details for details of projects which have been undertaken under PPP have been discussed in Section VII (Initiatives) under sub section 7.12 (Initiatives under Public Private Partnership (PPP) model)] . While States like Orissa, Punjab and Haryana have only moved up till outsourcing of garbage collection to private contractors, others like Vadodara, have gone one step ahead by setting up compost plants on PPP for their sewage treatment plant in addition to having the garbage collected on a door to door basis using private contractors. However, there is a clear need for the States to explore the opportunities presented by PPP in the widest possible ways instead of just limiting the scope to outsourcing.

The same is being done successfully in Gujarat where the ULBs have tied up with private players for the following key facilities and services;

- **Ahmedabad** - Development of CG road and Sardar Patel ring road on BOT basis in Ahmedabad with the help of a private player;
- **Ahmedabad** - UMEED training programme where skill development has happened for the youth in coordination with a private player
- Sewerage Treatment Plant in **Ahmedabad** - The STP that has been taken up under the mission has targeted the population of 2021. This STP uses the SCADA system for operation and monitoring.
- **Vadodara** – Maintenance of round-about by private players
- **Orissa**: A Joint Venture formed for purchase, operations and maintenance of buses under JnNURM. The parties to this SPV are Orissa State Transport Corporation, Bhubaneswar and Puri Municipal Corporations. The agency for managing this has already been hired and the project is running successfully on PPP.
- **Orissa**: Solid Waste Management through Bio-Composting in Puri - an innovative approach to scientifically dispose of the municipal waste
- Automated Parking System in **Bangalore City** to resolve the issue of excessive traffic on the roads and lack of car parking space

Originally as per the guidelines for the mission, the States has the option of giving the centres share of JnNURM funding as a soft loan or a grant. However, apart from Andhra Pradesh and to some extent Karnataka and Tamil Nadu, no state has taken advantage of this. While Andhra Pradesh has passed a Government Order wherein centre's share under JnNURM is being passed to ULBs as a soft loan, others like Karnataka and Tamil Nadu are following the same for a specified percentage of the centre's share. In Karnataka, State Level Empowered Committee (SLEC) has fixed on a model for core UIG sectors like storm water drainage, sewerage, water supply, solid waste management etc, 25% of the funds released by GOI; for non core sectors, a total of 35% of the funds released by GOI and for BSUP – 10% of the funds released by GOI are given to the ULBs with a moratorium of three years. Similarly, Tamil Nadu also has a similar structure which has been discussed in context of 03 cities in Tamil Nadu as an example as follows:

Chennai

Category	FI/ own contribution	Loan without Interest(<i>JnNURM</i>)	Grant(<i>JnNURM</i>)
Town Panchayats	50%	5%	45%
Municipalities	50%	10%	40%
Corporations and other para-statal agencies.	50%	15%	35%

Coimbatore & Madurai

Category	FI/Own Contribution	Loan without Interest (<i>JnNURM</i>)	Grant (<i>JnNURM</i>)
Town Panchayats	30%	10%	60%
Municipalities	30%	15%	55%
Corporations and other para-statal agencies.	30%	20%	50%

Moreover, the Standing Committee in Tamil Nadu decided that:

1. Depending on the financial status of organization among Town Panchayats and Municipalities the non- interest bearing loan will be adjusted so that the contribution to the fund from that group is kept at the percentage indicated.
2. Under Ground Drainage and Solid waste management may get priority. Non-interest bearing loan may also to be lower for these projects. For water supply and roads the non-interest bearing loan can be higher percentage.

The funding has been given as an unconditional grant whether the ULB was in a financial position to pay for the same under the terms of a soft loan or not was not considered by the States especially for the progressive states like Gujarat, Maharashtra, and Karnataka etc. Infact, the *JnNURM* funding should have been used as a Viability Gap Funding by the States for financing infrastructure projects instead of using it as a grant. This mindset of the Indian ULBs needs to change and accountability as well as responsibility for raising funds needs to be brought about. Even though most of the states have gone in for credit rating under *JnNURM*, very few are using it for leveraging funds whether as terms loans, municipal bonds or any other form of raising funds. The exercise has been undertaken by many states only as compliance pre requisite but not with an intention of raising funds.

JnNURM should be an incentivized programme as oppose to solely grants. Financial thresholds need to be decided and adhered to in terms of the central assistance under *JnNURM* being given as a soft loan or a grant. As an example, a classification of the cities can be done in terms of Metros, Large cities, Medium cities and Small cities and the sharing pattern specifically in relation to the ULB and the Centre can be in the form of the following:

- For Metros: ULB share (X) + matching share by centre by way of a loan to the extent of the ULBs share (X).
- Large: ULB share (X) + matching share by centre by way of a loan to the tune of three times the ULBs share (3X).
- Medium: ULB share (X) + matching share by centre by way of a grant to the tune of four times the ULBs share (4X).
- Small- ULB share (X) + matching share by centre by way of a grant to the tune of five times the ULBs share (5X).

While *JnNURM* has brought about a change in the mindset of the States' and the ULBs' to focus more on strengthening their financial and technical capabilities, there is still a long way to go before they will be in a position to reduce their dependence on funding via grants from the Central and/or State Government.

11. Findings

11.1. National Level

11.1.1. Design of *JnNURM*

- *JnNURM* has been instrumental in rejuvenating the urban space in the country. Post independence, *JnNURM* has been the country's first national flagship programme of this nature and size for the urban sector. It is for the first time that the central government is providing assistance of this kind for what is classified as a State subject as per the Constitution. This programme is bringing about a change, not just in the urban governance set up and the mindset of the states and ULBs but has also created an awareness, raised expectation among the people for a better quality of life and a sustainable environment in the urban areas. The initiative is for ensuring required investment in urban infrastructure, making them sustainable through decentralized governance and involvement of all the stakeholders the states, ULBs, the communities, NGOs and others.
- Selection of non capital cities as mission cities may be appropriate if based on state urban policy and the need for investment in cities, small and medium towns. It is recommended that MoUD may advise the state governments to prepare a State-level Urban Policy for which the exercise may be initiated now without waiting for the completion of *JnNURM* in 2012. The City Development Plans can then be prepared in the context of State Urban Policy and targeted investment in urban infrastructure. The Urban Policy document could also be incorporated by the State Governments in their 12th Five Year Plan.
- Even though *JnNURM* gives the option of providing the central assistance as a soft loan to the ULB, the discretion to exercise that option had been left to the state government. However, barring Andhra Pradesh, no other state has exercised this option, even in case of ULBs that have strong balance sheets and can support soft loans. There is also a need to increase the level of investment in small and medium towns. Over a period of seven years, the amount invested in UIDSSMT cities is not very significant to bring about any appreciable change or improvement in the infrastructure to make them investment destinations for industry and trade.
- Out of the 65 mission cities, at least the category A and B cities can be expected to attract investment from the donor agencies and the private sector beyond 2012, post completion of *JnNURM* projects and after having implemented the reforms. The mission cities (category A and B) may not require the extent of funding under the umbrella of *JnNURM* as in the present scheme and funding may be scaled down for them to increase the funding for smaller towns. Mission towns may utilise the fund received from GOI for leveraging the fund from public/private sector investment in further improving the infrastructure.
- Funding of the mission cities was decided on the basis of population based on 2001 census; based on the said criteria, the smaller states with smaller towns had some disadvantage over the large cities. The medium and small cities had very small allocation under *JnNURM*. It may be desirable to have a set of criteria apart from population. Other criteria such as

existing level of infrastructure, need for investment in the context, financial health of the urban local body, state urban policy may also be considered.

11.1.2. City Development Plan

- Even prior to preparation of the CDP, consultations with the urban poor were limited despite the fact that they form a substantial part of the population and at least three reforms are targeted at them. The process of consultation was limited to pre- plan finalisation. No consultations have been held with the stakeholders on the content of the draft CDP in majority of the cities. This in turn meant that the stakeholders had to accept the plan without consultation.
- The CDP report was not available in the vernacular language. Even those who could access the report could not comprehend the proposals and hence could not provide any input on the draft CDP.
- Even prior to preparation of the CDP, consultations with the urban poor was limited in majority of the cities despite the fact that they form a substantial part of urban population and at least three reforms are specifically meant for them.
- Preparation of CDP was a prerequisite for sanction of projects under JnNURM. The same was expected to be updated every five years which majority of the cities have not done, as of date. The revised CDP would have enabled setting aside funds in the cities next annual plan budget to engage consultants for the purpose. While revising the CDP, cities need to ensure that the stake holders are involved at every stage of the preparation of the CDP.
- In majority of the places visited as part of the sample, the CDP was seen as an investment plan for projects in the immediate term and not as a vision document for the city.
- CDP appraisal has been undertaken by empanelled consultants who, in some cases, have prepared the CDP themselves for other cities, like the CDP of Ahmedabad was prepared by CEPT (Centre for Environmental Planning and Technology) and was appraised by NIUA, However, CEPT is also involved in appraisal of CDP for Patna. Consultants who were engaged for preparation of CDP should not be asked to appraise the projects.
- The JnNURM project cycle should consist of preparation of state urban policy, city development plan, DPR, MoA, project implementation plan, and post- project management plan. The first three parts of the project cycle; namely the state urban policy, CDP and the CIP may be prepared during the remaining period of JnNURM while others may be initiated as and when the MoUD decides on the continuation of the mission in next phase. The above three reports will be useful to the states, even if it decides to go for other sources of funding the cities' infrastructure development projects.
- City design elements like city mobility, city economics, development patterns (like the corridors, densification, spreading, sprawl of the city) are missing in the CDP, which might actually be more accurate in determining the city needs, development patterns and demand supply gap.
- The CDP should be made a statutory document and a part of the Master Plan, by making amendments in the Town and Country Planning Acts of the states. Master Planning may be continued with emphasis on city development strategy and the city vision and land use plan for the next 20 years along with a statutory CDP to be updated every five years.

11.1.3. Detailed Project Report

- Most of the DPRs are not backed by the Initial Environmental Studies (IES), and Environmental Impact Studies if required, due diligence report on social safe guards and Social Impact Assessment (SIA) and rehabilitation plan in case the project warrants displacement of people requiring eviction.
- Most of the projects were sanctioned in 2007 for majority of the states even though the mission started in 2005. This was because the preparatory work like primers, toolkits etc

were not prepared in time by the ministry which led to lack of clarity with the states and ULBs and subsequently delayed preparation of DPRs or unfinished submissions that led to difficulties in execution at the ground requiring rework post DPR appraisal.

- There are instances where DPRs prepared by the consultants have been found to be slightly ambitious in terms of investment. While the DPR should be based as per the prioritization in the CDP, the fund constraint cannot be ignored. It is proposed that only such projects be sanctioned which can be completed within the amount available and projects with inadequate funding are not initiated and to avoid incomplete projects.

11.1.4. Project Administration

MoUD and MoHUPA, at the national level, administer JnNURM projects with assistance from CSC, TAG, technical consultants, reform appraisal agencies and IRMAs. Having many advisors and consultants is causing coordination problems and the state officials are required to interact with multiple consultants on a regular basis, providing them with similar set of information /data during their visits within short intervals. This is increasingly becoming distracting.

11.2. State Level

JnNURM was launched in December 2005; the states went ahead with preparation of CDP without much past experience. The states that had the past experience of implementing large urban development infrastructure with the multilateral agencies and those who were already in the process of preparation of “City Development Strategy” could respond immediately and availed of the benefits and moved faster in preparation and implementation of the projects when most of the states were trying to understand the nuances of JnNURM. It took some time for them to act in preparation of CDP and the DPR and moving forward on reforms.

Pre Project Activities

- All the states have prepared the CDP and the DPR based on which the sanctions were given and funds were released by GOI. Very few cities have initiated revising the CDP which in many cases is due for updating.
- While preparing the DPR, consultations with the stakeholders was limited and mostly restricted to the line departments and parastatal agencies. There was very little consultation prior to, during or after completion of the DPR with other stakeholders like the community resident welfare associations and the civil society, which are important from the perspective of the ownership of the projects and their sustainability.
- The State Level Nodal Agency (SLNA) is headed either by the Secretary of Urban Development or Municipal Administration/ Local Self Government without any dedicated staff. The department’s staff is working on the project in addition to their own work or a few states have made the Development Authority as the Nodal Agency. In a few states there are more than one SLNA’s. Having multiple SLNAs is creating greater coordination challenges.

Project Implementation

- A few states have not even set up the Project Management Unit (PMU) or Project Implementation Unit (PIU).
- In several cases, development authorities and parastatal agencies have been made responsible for implementation of the projects. These line departments or the parastatal agencies generally follow their own procurement rules for civil contracts, goods and

services. The normal practice is that even large civil works are divided between groups of/multiple local contractors due to lack of regional or local level players capable of undertaking the said work. This does impact the quality of the work and the PIU is required to monitor the progress of the work of many contractors instead of one and this gets further aggravated if the PIU is a parastatal agency or the line department since it creates a strain on their own manpower resources.

11.2.1. Implementation of Reforms

Based on our interactions during the visit to sample cities it emerged that 23 reforms to be implemented within a span of five to seven years seems to be a considerable challenge for the states/ ULB's.

- Most of the states in the last five years have not been able to implement all the 23 reforms particularly those relating to city planning functions which hitherto is the responsibility of the well established line departments /parastatal agencies like Town Planning Department/ Development Authority. Likewise socio economic development, health care, education and cultural aspects are with the line departments. Since the above functions by the nature of their activities cannot be limited to the municipal limits and required to extend beyond, the planning area is generally much larger than the municipal area often covering many municipalities and rural areas, which is why the states are finding it difficult to implement. The smaller municipalities do not even have the wherewithal to perform such functions.
- There are six mandatory reforms at the state, seven at the ULBs level and ten optional reforms. Insistence on implementing all the twenty three reforms before the release of subsequent instalments has impacted the fund flow of the projects leading to considerable delays and cost overruns.
- As mentioned above, many states have found a few of the state level reforms quite challenging to be implemented in the given timelines. Transfer of a few of the highly specialized functions of the 12th schedule like fire services, city planning, urban forestry etc requires administrative as well as political will of the states and the requisite ULBs.
- Based on interactions with the states, Rent Control reform has also been found to be a difficult reform to implement.
- Similarly, Community Participation Law has been found to be a difficult reform to implement for certain states wherein the population is so small even at the ward level to warrant the creation of an area sabha. For such small states/cities/UTs like Pondicherry, Dehradun, the criteria and need for creation of an added tier of area sabha needs to be relooked into.
- Out of the ten optional reform at least four fall within the purview of the State Government, namely; introduction of property title certification, simplification of legal and procedural framework for conversion of agriculture land for non agricultural purposes, computerised system of registration of land and property and structural reforms. Stewardship of the state is required for implementation of these reforms.
- The top down approach of the GOI of first deciding on the reforms and holding consultations with the state has not brought about the kind of involvement and ownership that is necessary for implementing the reforms.
- Each state is required to sign MOA which is a tripartite agreement between the MoUD, State Governments and the ULBs. Besides this, a Seven Point Charter is to be followed by the states, as stipulated by MoHUPA. Reforms agenda under BSUP is the implementation of the seven point charter and some of the points like provision of water supply, sanitation are already covered under the reforms to be implemented under UIG projects. The seven point charter may also be included in the MoA.

11.2.2. Project Monitoring

- Wherever PMU is in place it provides the technical assistance to the agency as well as extends its support for project monitoring and submitting the quarterly report to the SLNA. Not every PMU has filled up all the positions as per the tool kit on the PMU.
- The Independent Review and Monitoring agency (IRMA) and Third Party Independent Monitoring Agency (TPIMA) appointed by MoUD/MoHUPA is not based at the project site and largely conducts review as per the prescribed periodic site visits. There is merit in considering the structure recommended by the consultant wherein the DPR preparation agency is rendered as the individual project PMC and held accountable with liquidated damages for any delays arising in the project due to technical flaws in the DPRs. Considering the state or the ULB has to bear the cost of escalation, this process will be much more efficient as the centre itself also conducts only a desk review of the DPRs, at the time of appraisal.

11.3. ULB Level

11.3.1. Project Preparation

- Most of the ULBs do not have the mechanisms and the requisite skills to carry out project preparation and the states have engaged consultants to do so. Their role is minimal from the initial stages of project formulation to the implementation on the ground of their limited capacity or incapacity. The consultants made these reports on behalf of the ULBs and the State Government. However, involvement of the ULBs was minimal in many cases. The state governments have always been maintaining the incapacity of the ULBs as the main issue in these matters. The 5% of the project cost which is earmarked for capacity building, CDP and DPR reimbursements and other such initiatives remains largely unutilized with respect to ULBs sending proposals for capacity building and more so in respect of such states and ULBs which need them the most. The reason given by some ULBs for non-utilization of the earmarked capacity building fund is that there are not many suitable staff available for training and capacity building. If the smaller ULBs do not have the staff, it is logical to put them in place first before taking up any capacity building programme.
- Capacity building, perhaps the single most important activity required in the today's urban sector scenario should be considered to be monitored by an agency similar to appraising and monitoring agencies for reforms and projects. There should also be an effort to standardize the capacity building programme across the country to ensure that all the ULBs have the desired level of capacity in-house.

11.3.2. Project Implementation

Since the projects that are already under implementation by other agencies like state departments or parastatal agencies, involvement of ULBs at this hour may not be practically feasible; (for example projects like water supply by PHED, etc) this being a major change is not desirable at this stage of project implementation. Instead, using the structure followed by states like Orissa, MoAs should be signed with the parastatal agencies to permit them to implement the projects with them being accountable to the ULB for the same.

11.3.3. Implementation of Reforms

- Since no fund is earmarked for implementation of the 23 reforms, many ULBs have been struggling to fund the implementation of several reforms, for example the accounting

reforms as well as GIS based property taxation. These reforms require not only hiring of technical assistance but also investment in software and hardware, which puts the limited resources of the ULBs under increasing strain and result in further delays in the implementation. At least the special category states and smaller ULBs need financial assistance for implementing reforms.

- Based on interactions, it was assessed that most ULBs were not in a position to take over functions like roads and bridges, water supply sewerage, drainage and urban forestry due to their present incapacity to do so.
- There are certain ULB level reforms like user charges for water supply and user charges for solid waste which require political consensus and acceptance of citizens to implement. Also, the year on year increase in such user charges cannot be done beyond a certain extent.
- Based on discussions with the sample ULBs, it was found that there is no overall mechanism to ascertain if the provisions made for providing basic services for urban poor were being implemented on the ground level.

11.3.4. Initiatives under the Mission

Several good initiatives have taken place under the mission and some have been inspired from the mission for other similar schemes by the states. The same have been covered in a separate chapter on Best Initiatives in the preceding chapters of the report.

11.3.5. Convergence under the Mission

The convergence for the sub missions and their corresponding sub schemes needs to be improved. Based on the field visits to sample cities, it has emerged that in a few ULBs the housing projects being undertaken under BSUP/IHSDP have not converged with the basic infrastructure, as was required for the projects with UIG/UIDSSMT sector projects. The projects are conceived and sanctioned on stand alone basis and not by linking the housing projects to the required UIG/UIDSSMT sub sector development around that housing project. This in turn has led to certain BSUP/IHSDP projects having been completed but facing issues like broken roads, lack of water supply facilities, improper sanitation facilities etc. For example, it was noted in Shillong that the BSUP project was on top of a hill where the road leading to it was not developed, the water supply and sanitation facilities had not yet been laid out and there were drainage issues. The convergence of the sub mission and sub schemes needs greater focus.

11.4. Institutional Arrangement

11.4.1. National Level

At the national level the MoUD and MoHUPA are responsible for preparing policies relating to formulation and implementation of *JnNURM*. The institutional arrangement, the procedure and processes followed and the system in place for the purpose is assessed and the appraisal is placed below.

- Structure of the Sub Mission Directorate is in conformity with that of the requirement of the project implementation and reforms.
- There is no devoted project officer to assist both the Mission Director's who are the Additional Secretary in MoHUPA and the Joint Secretary in MoUD respectively and carry additional responsibilities of the ministry. The technical consultant appointed for the purpose cannot be a substitute for an official with the mandate to provide assistance to the Mission Directors
- The preparatory period for preparation of reforms primers spilled over into the mission period with many of the primers being added later (like heritage, e-Governance etc) on

including the decision to add heritage sector to the list of sectors covered under the mission. This in turn led to the delayed sanction of most of the projects in these areas. The mission, in reality, started with the projects having been sanctioned for majority of the states in 2007 reducing the time available for implementation in the seven year mission period. The technical support is provided by the CPHEEO, BMPTC, TCPO and HUDCO who are responsible for appraisal of the projects relating to water supply, sewerage, drainage and solid waste disposal. These agencies are majorly understaffed and needs strengthening.

- Systems and procedures laid out right from the preparation of CDP, DPR, appraisal of CDP and DPR, sanction of projects, review and monitoring of the project implementation are well defined and recorded in the tool kits for JnNURM on various aspects and the guidelines to the states.
- While preparing the CDP, the priority sectors for the city should be finalized based on the city's need for the same and not as per JnNURM priority sectors. This is to ensure the integrity, credibility, actual need and sustainability of the CDP process
- Time given to the consultants to prepare the CDP is too short for a comprehensive document based on in depth stakeholder consultations as well.
- There is time lag between the sanction of the project and the start of project execution very often due to absence of statutory clearances including clearances from ministry of railways, environmental clearances and social safeguards as seen in the case of Vadodara. The project in this city was delayed as the ULB could not seek the requisite clearance from the ministry of railways for one of their road projects.
- There is need for setting up of a National Institute of Urban Management jointly by both the ministries, with a set mandate for training and research in Urban Management. As apparent from the preceding sections, there is an urgent need for training and capacity building across levels and across the three tiers of governance.

11.4.2. State Level

At the State level, the State Sanctioning and Monitoring Committee is the steering committee. Appraisal of the structure of the above committee and PMUs, PIUs, the procedure, processes followed in project formulation and implementation are appraised as follows:

- Structure of the SLSC is in conformity with that of the requirement of the project prioritisation, sanction, implementation of projects and reforms.
- Technical support is available with the parastatal agencies like the Development Authorities, the Housing and slum clearance boards. The ULBs need outside support from the technical organisations in the state as well as that of the PMU.
- PMU, if staffed fully, can provide the required technical support to the SLNA with its multidisciplinary team.
- PIUs attached, either to the ULBs or parastatal agencies of the state, lack the technical expertise in municipal finance, information technology, urban planning, environment, procurement social and community development and HR which are must for implementation of a project of the nature and size of JnNURM. With the assistance of PIUs, the ULBs having core technical expertise can deliver the goods. The mission insists on the reforms and is pursuing the states to transfer the functions under the 12th Schedule to the ULBs is not ensuring that the ULBs are made the implementing agencies. An endeavour should be made to ensure if ULBs can be made the implementing agencies under the 74th CAA and 12th Schedule. If, however, this is not possible, then the parastatal agencies can be the implementing agencies as long as the overall accountability lies with the ULB to follow the 74 CAA in letter and spirit. Incapacity, often cited as the main reason for making the parastatal agencies as implementing agencies is not tenable since the states during the last six years of implementation have not made much effort to enhance the skills of the ULB staff which is further reflected in the fund earmarked for capacity building remaining largely underutilized.

- Majority of the states do not have either procurement policy or procurement manual. There is an express need for ensuring a national level procurement manual is in place and all the states follow the same for JnNURM projects. Also, there should be pre and post procurement reviews including that of the contracts as undertaken by the external donor agencies, for example carried out in the national level programme like Sarva Shiksha Abhiyan

11.4.3. ULB Level

- There is currently no provision for constitution of City Level Sanctioning and monitoring Committee in JnNURM guidelines.
- In absence of city level committee each of the executing agencies are required to interact with the SLNA and the PMU on all matters connected with implementation of the project
- Technical support is available with the parastatal agencies like the Development Authorities, the Housing and slum clearance boards even at the city level.
- PIUs are either attached to the ULBs or parastatal agencies of the State that lack the technical expertise in municipal finance, information technology, urban planning, environment, procurement social and community development and HR which are must for implementation of a project of the nature and size of JnNURM. With the assistance of PIUs, the ULBs having core technical expertise can deliver the goods.
- Very few cities have constituted TAG at the city level.
- Technical and management support is being provided by the PIUs to the ULB.
- System and procedure laid out right from the preparation of CDP, DPR, appraisal of CDP and DPR, sanction of projects, review and monitoring of the project implementation is well defined and recorded in the tool kits for JnNURM on various aspects and the guidelines to the states. Need for the city level committee to follow the guidelines and to review if the procedures laid out are being followed.
- It has been observed that there has been minimum involvement of the ULBs in preparation of CDP and DPR. This is primarily due to lack of in house capacity at the ULB level for preparation of the CD and the DPR for which consultants have been hired to do the same. Wherever ULBs are the implementing agencies, their involvement is also higher.
- Most of the ULBs/ implementing agencies do not have either procurement policy or procurement manual. Standard bidding documents have also not been found in a lot of places.
- Packaging of projects should be finalised before the bid documents are prepared. No change should be permitted in the bid documents thereafter. In a few instances, the implementing agencies (state agencies/ ULBs) have divided and sub- divided the works into smaller packages on other considerations than the project interest.
- Based on the discussion with certain ULBs like Shimla and Dehradun, it has emerged that the financial powers of the municipal commissioner are limited to as low as ₹1,00,000 and approvals have to be sought from mayor- in-council (MIC) for projects costing up to ₹5,00,000. This in turn delays the whole project cycle.

12. Recommendations

The main objectives of the appraisal are to make an overall assessment of design and implementation of JnNURM and to suggest course correction during the remaining period of the Mission. Based on the field visit to the 66 sample cities and discussions with the key officials in the ministries of Government of India, departments of the States, SLNA, line departments of the State's, Project Management Units, Urban Local Bodies, PIUs besides beneficiaries and NGOs and on analysis of the secondary data collected from the Ministries of GOI, meetings with the officials and other stakeholders, the consultants have made an assessment with regard to planning, design and implementation of JnNURM.

A set of recommendations based on an assessment of planning, design and implementation of JnNURM are given in this section and have been presented separately for the National, State and ULB levels divided into proposed interventions in the areas of Policy, Institutional Arrangements and Processes.

12.1. National Level

12.1.1. Policy

- The CDPs so prepared by the ULBs were expected to be updated every five years. Very few states have initiated the process of updating the same. With the experience gained, the states may be able to revise the CDP on their own else they may set aside funds in their next annual plan budget to engage consultants for this purpose. The city development plans can then be prepared in context of state urban policy and targeted investment in urban infrastructure. This will also assist the state governments to facilitate drawing up their 12th five year plan for the urban sector.
- The CDP's should also be prepared in the vernacular language.
- CDP should be made a statutory document which can then be made a section of the Master Plan for the city. The CDP needs to be up dated every five years, preferably to be done before the commencement of the five year plan. This would require amendments in the Town Planning Acts of the States and the UDPFI guidelines. The Urban Planning cycle would thus be the State Urban Policy, Master Plan, Zonal Plan, CDP, CIP, and DPR.
- The CDP should provide details of the projects and investments required to be updated as per the requirements whereas the Master Plan will provide the overall planning and growth pattern for the city.
- Bilateral discussions should be held between centre and state with the respective states for agreement to the reform agenda before signing of the MoA. The states should be asked to furnish the reforms which they would like to undertake and are in a position to implement within an acceptable time frame. The top down approach of the GOI of first deciding on the reforms and holding consultations with the state does not bring the kind of involvement and ownership necessary for implementing the reforms.

- Administrative and structural reform should be made mandatory and clear instructions for the same should be circulated by the centre
- The JnNURM project cycle should also focus on preparation of the State urban Policy. The framework for such a policy can be drawn up by the Government of India for use by each of the State Governments
- The Mission should focus on the prioritization of projects in terms of its identified key priority sectors¹⁶ of water supply, sewerage, solid waste management, drainage, roads and housing. The states should be asked to exhaust projects on priority basis with these fundamental infrastructure sectors before funding for any other sector under JnNURM.
- Funding of the mission cities was decided on the basis of the population cited in the 2001 census; based on the said criteria the smaller states with smaller towns had some disadvantage over the large cities. As a result, the medium and small cities had smaller allocations under JnNURM. It may be desirable to have a set of criteria apart from population; possibly criteria's like revenue per capita, level of infrastructure, need for investment in the context of the state urban policy.
- Selection of non mission cities may be appropriate if based on state urban policy. MoUD may ask the state governments to prepare a state urban policy for which the exercise may be initiated now without waiting for the completion of JnNURM in 2012. The city development plans can then be prepared in context of state urban policy and targeted investment in urban infrastructure. This will in turn also facilitate the state governments in drawing up their 12th five year plan for the urban sector.
- JnNURM should be an incentivized programme. Financial thresholds need to be decided and adhered to in terms of the central assistance under JnNURM being given as a soft loan or a grant. As an example, a classification of the cities can be done in terms of Metros, Large cities, Medium cities and Small cities and the sharing pattern specifically in relation to the ULB and the Centre can be in the form of the following:
 - For **Metros**: ULB share (X) + matching share by centre by way of a loan to the extent of the ULBs share (X). Interest subsidies should be given to well performing ULB's as an incentive.
 - **Large cities**: ULB share (X) + matching share by centre by way of a loan to the tune of three times the ULBs share (3X).
 - **Medium cities**: ULB share (X) + matching share by centre by way of a grant to the tune of four times the ULBs share (4X).
 - **Small cities**- ULB share (X) + matching share by centre by way of a grant to the tune of five times the ULBs share (5X).
- Funding in infrastructure in smaller and medium towns may be substantially increased to make them attractive investment destinations
- Since most of the work is in progress, decision needs to be taken at the centre to complete the same through next tenure of the mission for supporting the existing WIP, at the end of the mission period, through some other programme, in case it is decided to not to extend JnNURM.
- For majority of the projects, approvals are needed from the Ministry of Railways, Defence, Environment & Forests and NHAI by the ULBs but attaining the same by the ULB is not always possible and moreover takes a lot of time. It will help the ULBs substantially if the same can be facilitated by the centre by forming a project resolution committee with the Secretaries of all the above mentioned ministries on boards for facilitate the same. This can be done when the DPRs come for project appraisal and approval, then it will save a lot of time for the states and the ULBs.
- In an effort to establish processes to manage the mission, too many agencies have been involved and there is merit in relooking the current structure so as to ensure over monitoring and micro management does not happen.

¹⁶ Refer to chapter titled Projects

- Under the ambit of the National Urban Sanitation Policy (NUSP), sanitation ratings were done on 19 indicators which were a combination of process, output and outcome level indicators. Quite surprisingly only 39 of the cities in India had all the samples clean. It is relevant in the second phase of the Mission, where sanitation issues could be looked at and addressed more closely.
- A national level procurement manual should be made which should be followed for all kinds of procurement for JnNURM projects. This manual can be modelled along the lines of other external donor agencies like World Bank, ADB, JICA etc. This endeavour can be developed under the stewardship of the Ministry of Finance.
- The pace of reforms in the small states and smaller ULBs has been slow due to financial and technical constraints. The Special category states (like North East and J&K) and the smaller municipalities may be provided financial assistance to speed up implementation of reforms.
- Second generation of reforms may be initiated only for those states which have achieved the 23 reforms as committed by the states in their MoA's. Some key reforms that may be added in the second phase of JnNURM are:
 - Leveraging JnNURM funds for infrastructure development of mission cities.
 - Preparation of Asset Management Plan by ULBs and Service providers
 - Setting up of municipal regulator authority as discussed in detail in the next section on State level recommendations.
 - Encouraging water and energy audits as discussed in the ULB level recommendations section.
 - Service delivery Targets to be fixed by making it mandatory for the ULBs/ Service providers to initiate bench marking for all urban services.

12.1.2. Institutional

- Single mission directorate for both the ministries should be contemplated with a common PMU and high level technical advisory group to support the workings.
- The two sub-mission directorates may be strengthened by having an officer attached to the Mission Directors apart from continuing with the technical consultant appointed under JnNURM and located in the Ministry. The said officer would be expected to oversee the functioning of the technical consultants and work in coordination with the state coordinators on a full time basis.
- Only the state urban development department should be given the responsibility of being the SLNA. However, where that is not feasible, the state could be allowed to appoint the Urban Infrastructure Development Corporation, if it exists, as the SLNA. There should be a single nodal agency as against the multiple agency format at certain states in the current situation.
- If the Urban Development Department does not have sufficient staff and budget to take the responsibility of being the SLNA, then post permission being sought from MoUD for the same, another department with the requisite staff and budget can be allowed to be designated as the SLNA.
- There is an urgent need for direct in house participation of the ULB staff in the entire process from CDP, DPR preparation to project execution. Since the ULBs are majorly understaffed in terms of both the number of staff as well as skill-set available, the alternate mechanism would be: DPR preparation till execution should be the responsibility of one single agency and this agency should be hired through open tendering process as per the ULBs procurement norms to ensure technically competent bidders apply. This DPR agency, so hired, should be the PMC to oversee and monitor the implementation of the DPR so prepared by the agency. The contract for same should have the liquidated damages clause for technical flaws in the DPR. This in turn facilitates doing away with the requirement of keeping agencies for appraising of reform and appraisal agencies. This structure is successfully followed by external donor agencies like ADB that has Design,

Supervision and Monitoring Consultants (DSMC) as well as Project Management & Monitoring Consultants (PMMC) for overall monitoring and management of consultants.

- PMU's should be made mandatory at each state. Even in states where PMU has been established, not all the positions have been filled. For eg, Delhi has only one person in the PMU. It should be made mandatory to have a minimum number of positions filled in the PMUs.
- National level urban institutes of management should be opened by both the ministries together linking it with reputed international level institutions.
- Initiatives like MUINFRA and TNUDF17 should be encouraged in other states.
- There is need for clarity on the 20% of the developed land to be reserved for urban poor reform. This reform raises a question on the intentions of the industry groups and private players, with a business and money generation motive, to contribute to the greater public good.
- The existing process of reimbursement of DPR and CDP cost is quite cumbersome. The same takes a lot of time and effort. To simplify the process this money should be ideally kept with the state government as project development support fund and authority should be given at the state level to distribute this fund as per the request of reimbursements. Post procurement reviews can be conducted by the central government to monitor the same.
- The NTAG at the centre and CVTC's, CGCs at the city level should be strengthened (the guidelines for CVTC and CGC came as late as first quarter of 2010). At present there are only few examples like Madhurai and Coimbatore that are successful for CVTC and CGC although it is formed in almost 11 cities. However, there was also an initiative at the state level called STAG, but this was withdrawn after a while.

12.1.3. Process

- Divide the approval process for projects into two stages: the in-principle approval stage and the final approval stage against the current process of giving the final approval to the proposed projects in one go. The time period between the two approvals should be utilised for preparing the detailed designing of the DPR document with EIA, SIA, land acquisition, financial closure (including the state share), project related approvals required along with the DPR and any other preparatory matters. The first tranche of the central government share should be provided only at the Final Approval stage.
- MoUD may not approve such projects where land acquisition is involved unless the states confirm that land for the project would be in the possession of the implementing agency within a reasonable time. MoUD may release the first installment only after the land is acquired and the same is under the physical possession of the implementing agency. The land acquisition can be done in the interim period post the in-principle approval stage and before the final approval stage.
- Financial closure: there is no consideration under the present structure of the JnNURM for the financial closure of the projects while sanctioning the same. It is not taken into account how ULB's would raise their share of the contribution (through budget, if existing capacity or through market borrowing etc) while sanctioning the projects in favour of the ULBs. This should be achieved right at the stage of sanctioning of the project wherein it should be made mandatory for the ULB's to show the details of financial closure and also there sources of funding with all approvals and sanctioning in place prior to the start of the project. These details with regard to the financial closure should be given in the period between in-principle approval stage and before final approval stage of the project.
- The preparatory period for preparation of reforms primers spilled over into the mission period with many of the primers being added later on including the decision to add heritage sector to the list of sectors covered under the mission. This in turn led to the delayed

¹⁷ Details given in the preceding sections

sanction of most of the projects. The mission in reality started with the projects having been sanctioned for majority of the states in 2007 reducing the sanctity of having a seven year mission period. Linking this to the preceding point of in principle and final approval will ensure that these kind of delays do not happen in the future phase of JnNURM which in turn will lead to better efficiency and optimum utilization of the mission period and mandate. Also, the revision, if any, of the toolkits or the primer should precede launching of the next phase of JnNURM to save the time otherwise spent on preparation during the project period thereby reducing the time available for project implementation.

- There should be only two instalments as oppose to the current format of four instalments
- Once a project funding commences, it should not be linked to achievement of reforms. Only 25% of the second (final) instalments should be stopped for non compliance
- Organizing more workshops and training programmes to make urban local bodies more aware of the programme, policies and processes.
- As of now there is no focus on creating state of the art infrastructure which can be of international standards using modern technologies. The DPR appraisal and sanctioning agencies should make it a point to see if the latest technologies are used or not. This can be taken up by the centre to instruct the preparatory and appraisal to include latest technology and designs for the new infrastructure in the country
- Most of the DPRs are not backed by the Initial Environmental Studies (IES) and Environmental Impact Studies if required, due diligence report on social safe guards and Social Impact Assessment and a Rehabilitation Plan if the projects warrants displacement of people requiring eviction.
- A pre-requisite for Heritage projects should be a Heritage Management Plan and a Cultural Impact Assessment.
- Initiatives like PEARL need to be strengthened and encouraged so that ULBs across the country know of the best and most cost effective technologies which can be used by other ULBs. These initiatives need to be communicated on a regular basis to the ULBs.

12.2. State level

12.2.1. Policy

- Formulation of Municipal Services Regulator, roles and responsibility for the same could be:
 - Dispute resolution between executive wing and the political wing
 - Dispute between contractor and ULB
 - Any other matter/ advice to ULB's
 - Documentation of service level benchmarking and publication of the same
 - The members of the regulator may include non political members including high court judge, ex public service personnel, etc.
- There should be provision for third party financial audits at the ULB level
- Water audit and energy audit for all the ULB's is recommended
- The structure of the urban agglomerations needs to be relooked at. For eg. In Mumbai, the MMR region has been taken which includes 07 corporations which in turn have balance sheets, population and strength in terms of services and no. of employees as those of other mission cities themselves. This in effect creates 07 mission cities treated as one with the same financial pattern as BBMC (which is above 04 million population category) which is unfair to the other 06 corporations in Mumbai as they are not financially as strong as BBMC and are penalized with BBMCs funding pattern only because they are linked to them in under MMR. The corporations in an urban agglomeration should be relooked at and realigned to serve the JnNURM mandate better. Also, as another example, even though Kolkata is also an urban agglomeration of 42 ULBs and 01 corporation, the funding pattern for the 42 ULBs is different from the corporation.

- The roles and responsibilities for DPC and MPC should be clearly defined and communicated to the ULBs of the state.
- The state needs to ensure that there is awareness in the state with regard to PPP cells as well as rules and regulations for different PPP models. The states may also consider formulating a state level PPP policy for PPP projects being undertaken in the state.

12.2.2. Institutional

- Creation ¹⁸of data centres for the state should be done with immediate effect. There is an urgent requirement for a map to be drawn of all existing utility construction both new and old in the city. Funds should be allocated for realistic compiled maps. Currently, there are no consolidated records of city utilities. The only records are scattered between many agencies and are mostly incomplete.
- Before enforcing the 74th constitutional amendment act, the service delivery capacity of the ULB's should be identified and measures to be taken up to improve the same. For the devolution of functions under 74th CAA, there should be a tripartite agreement between the ULB and parastatal agency to make the ULB accountable for the city functions. There are innovative experiments that are being conducted across the country that merit a consideration while the capacity of the ULBs gets built up over a period of time. These innovative initiatives include affixing the accountability to the ULB (in line with 74 CAA) while the parastatal agency/ies act as the executing agency on behalf of the ULB. The planning and fund management is done by the ULB for the same. One such example is Orissa where a tripartite agreement has been signed between the ULB and the water supply and sewerage board (WSSB) wherein the accountability for projects being implemented by the WSSB would be with the ULB. Performance based contracting can also be done for service delivery between the line department and the ULB (till the time the ULB is able to develop its capacities and manage services on its own as desired). Another example is Navi Mumbai where excellent civic services are being provided for a number of years while still keeping the staff strength very low. This has been done by using performance based contracting.
- The third tier needs to be strengthened. In terms of capacity for the municipalities as well as central and state level agencies involved, the following positions should be made mandatory: Legal expert, project management, finance expert, social development expert, e-governance expert, managers, public works expert, strong project engineering cell, urban experts, accounting experts, physical planning, transport, reform expert. Also, a professional cadre can be instituted at the state level.
- PMC and PIUs need to continue at the state and ULB level respectively. It is, however, recommended that a firm is hired for this purpose instead of individual positions being filled in via interviews. It has been observed that examples of states which have given the contract for the PMC to a firm are doing better than others. For eg. Nanded which has IL&FS as the PIU. It has been felt hiring a firm ensures better accountability.

12.2.3. Process

- Certain ULB level reforms like e-Governance and double entry accounting system need the state's stewardship for efficient and comparable results across the ULBs of the state.
- State Government while sanctioning grants to ULB provides for earmarked fund for providing basic service to the urban poor to the extent of 20-25%. The fund thus earmarked should not be utilized for any other purpose and the ULBs are required to furnish a declaration and a copy of the AG report certifying the actual utilization failing which the entire grants due to ULB for release in the subsequent years may be stopped. The

¹⁸ Refer to detailed note on DSSDI on data centers in the preceding sections of Initiatives

State Government may ensure that survey of the urban poor is carried out at least every 10 years preferably in the year of census and funds may be earmarked on the basis of population of urban poor and not a fixed percentage for every city across the country.

12.3. Urban local body

12.3.1. Policy

- Formation of municipal and professional cadre at the state level should be sought to strengthen the efficiency of governance.
- Revise property tax structure to either area based method or capital value based method and move away from rental value method. This move should be made mandatory.
- There is a need to establish city level TAGs as prescribed by the JnNURM which has not been done by majority of the cities. Very few cities like Jaipur, Ranchi, Patna etc have established city level TAGs.
- A city level sanctioning and monitoring committee headed by the Mayor/ chairperson and Municipal Commissioner/CEO of the Municipal Corporation/ Municipal Council, representatives of the line departments, that of the parastatal agencies, select Municipal Councillors may be constituted for identification and prioritization, approval and monitoring of projects, even if the implementing agency is other than the ULBs.
- Till such time the ULBs are in a position to take over all the functions mentioned under 12th schedule of 74th CAA, the line departments, the parastatal agencies and the ULBs could sign a Memorandum of Agreement (MoA) to perform these functions and a group of secretaries or the SLNA may be entrusted with the task of monitoring the implementation of these functions in accordance with the MoA. The administrative responsibility would thus be transferred to the ULBs and the functional responsibilities with the implementing agencies and service providers. If the above arrangement is put in place, it should be deemed that the said reforms have been implemented since the ULBs shall be accountable for the said functions even if the line departments/ parastatal agencies may be functionally responsible which follows the reforms agenda under the 74th CAA in spirit.

12.3.2. Institutional

- Formulation of citizen charter
- Stability of tenure for the key staff
- For cities, the 7S model should be followed. The 7S's being: Structure, System, Style, Skills, Staff, Shared Values and Shared Vision.
- There is a need to develop MIS systems for all projects.
- The capacity building exercise at the ULBs is highly inadequate and not well planned. The activity is limited to higher officials (Mayor and Commissioner) while the lower level officials (Engineers etc.) are left out and thus the capacity building efforts are not percolated downwards. The lower level officials need to be included in capacity building programs as they are the one who will actually implement them and they are also expected to stay for longer tenure with the ULBs
- There is a need to strengthen the monitoring mechanism at the local level. There is a strong need to hold stakeholder consultations. (Eg: Voluntary groups, RWAs, college students, media etc.)

12.3.3. Process

- Socio –economic (beneficiary identification) and biometric survey should be made mandatory before approving DPR for housing projects to ensure appropriate beneficiary identification.
- The revenue generation potential of Indian cities has been overestimated. The biggest single asset for any ULB is land. However, there are many problem areas; the first one being the lack of an inventory or an asset register because of which it is very much a possibility that a ULB is not aware of its own land parcels. Also, sometimes it has been found that taking the land from the state government takes a lot of time and in certain cases, there are challenges with regard to usage of the land for other purposes by the state government or another department. E.g. in all metros and large cities, development authorities have been set-up to take care of land acquisition and development issues. DDA versus MCD is a classic example of this. Instead, to facilitate optimum utilization of land linking it to revenue generation, innovative models such as provision for incremental FSI to the private developers in areas where land is scarce may be used. Other such models need to be devised for increasing revenues.

12.3.4. Sustainability

Earmarking of funds on annual basis for “Asset maintenance” on mandatory basis

While the above section details out all the recommendations for the mission on different aspects, there are a few recommendations which are the most pertinent ones and need to be addressed at the earliest. These are as follows:

1. Fund Flows

- Ensure progress for projects is kept separate from reforms once commenced. For non compliance with timely completion of reforms, only the last instalments i.e. 25% should be withheld. This in turn ensures that the physical progress of the work in progress projects does not get stalled. Also, to ensure reforms are taken seriously by the state and the ULB, no new projects for that state (in case of non compliance with the state level reforms) and especially the concerned city (for non compliance with a city level reform) should be sanctioned till the committed reforms by the state and ULB have been completed as per time schedule given.
- Faster processing of pending UCs at the central level should be done. However, since this is linked to reform implementation, a mechanism for the same needs to be devised to smoothen the fund flows for the ULBs.
- The centre should consider creating an SPV and releasing the funds directly to the ULB in a separate SPVs account created by the ULB. There are other centrally funded schemes such as Sarva Shiksha Abhiyan and National Rural Health Mission that have Societies at all levels and ensures faster decision making and fund flows.
- An alternative mechanism of remitting the central share directly to the ULB should be explored and the state share should follow suit, for example in Tamil Nadu for the central scheme of SGRY this simplified funding mechanism has been followed wherein the central share is directly released to DMA and state share follows.
- Pooled financing mechanism, urban development funds and leveraging needs to be encouraged based as best practices like TUFIDCO and MUINFRA.
- *JnNURM* should be an incentivized programme. Financial thresholds need to be decided and adhered to in terms of the central assistance under *JnNURM* being given as a soft loan or a grant. As an example, a classification of the cities can be done in terms of Metros, Large cities, Medium cities and Small cities and the sharing pattern specifically in relation to the ULB and the Centre can be in the form of the following:

- **For Metros:** ULB share (X) + matching share by centre by way of a loan to the extent of the ULBs share (X). Interest subsidies should be given to well performing ULB's as an incentive.
- **Large cities:** ULB share (X) + matching share by centre by way of a loan to the tune of three times the ULBs share (3X).
- **Medium cities:** ULB share (X) + matching share by centre by way of a grant to the tune of four times the ULBs share (4X).
- **Small cities-** ULB share (X) + matching share by centre by way of a grant to the tune of five times the ULBs share (5X).

2. Cost escalation/ tender premium

- Faster clearance of DPRs. While it is appreciated that DPRs should be prepared in house but since the in-house capacity of the ULBs cannot be increased overnight, an alternative of hiring a technical agency through an open tendering process for preparation of the DPR and the subsequent supervision of the implementation of the DPR should be used. These consultants should be made the individual project PIUs for the DPR prepared by them. The contract for these consultants should also include a liquidated damages clause for delays caused in the implementation of the project due to technical flaws in the DPR. This example is being followed successfully in Chhattisgarh.
- Since CPHEEO and CPWD are grossly understaffed to handle the DPR appraisals for all the states and cities on a pan India basis, the above proposal of individual project PIUs also does away with the need for central level appraisal. Also, the cost escalation is not covered by the centre in ACA and the appraisal carried out by the appointed agencies is based on only a technical study of the DPR and not a field survey of the proposed project.

3. Increase ownership of SLNAs

Only the state urban development department should be given the responsibility of being the SLNA. Alternatively a separate legal entity like KUIDFC in Karnataka or TNUDF in Tamil Nadu can be given this responsibility. There should be a single nodal agency as against the multiple agency format at certain states like Maharashtra, Karnataka and West Bengal in the current situation

4. Institutional Arrangements

- A detailed HR study for staffing requirements based on 74 CAA needs to be carried out by all states and ULBs across India. Lack of adequate numbers and skilled staff at the ULBs remains the major issue for effective urban development in the country. The central government should develop some kind of a guidance document or a framework in this regard specifying an optimum organisation structure of various sizes of ULBs.
- The capacity building exercise at the ULBs is highly inadequate and not well planned. The activity is limited to higher officials (Mayor and Commissioner) while the lower level officials (Engineers etc.) are left out and thus the capacity building efforts are not percolated downwards. The lower level officials need to be included in capacity building programs as they are the one who will actually implement them and they are also expected to stay for longer tenure with the ULBs
- Stability of tenure – A minimum tenure of key officials like the commissioner should be fixed.
- For cities, the 7S model should be followed. The 7S's being: Structure, System, Style, Skills, Staff, Shared Values and Shared Vision.
- Third tier system of governance needs to be strengthened. In terms of capacity for the municipalities as well as central and state level agencies involved, the following positions should be accounted for: Legal expert, project management, finance expert, social development expert, e-governance expert, managers, a strong mayor, public works expert,

strong project engineering cell, urban experts, accounting experts, physical planning, transport, reform expert.

- PMC and PIUs need to be set up at the state and ULB level respectively. It is recommended that a firm is hired for this purpose instead of individual positions being filled in via interviews. It has been observed that examples of states which have given the contract for the PMC to a firm are doing better than others. For eg. Nanded which has IL&FS as the PMU. It has been felt hiring a firm ensures better accountability.
- National level procurement manual needs to be made possibly under the stewardship of the MoF and the same should be followed for all *JnNURM* projects.

5. Reforms:

- Bilateral discussions should be held between centre and state with the respective states for agreement to the reform agenda before signing of the MoA. This in turn will increase ownership of the states as also factor in aspects such as special constitutional provisions for certain states like J&K and North-east.

6. Processes

- Initiate in-principle approval for projects as opposed to the current process of giving the final approval to the proposed projects in one go. The time period between the two approvals should be utilised for preparing the DPR document with EIA, SIA, land acquisition, project related approvals required along with the DPR and any other preparatory matters.
- Financial closure: There is no consideration under the present structure of the *JnNURM* for the financial closure of the projects. It is not taken into account how ULB's will raise their share of the contribution (through budget, existing capacity or through market borrowing etc). This should be achieved right at the stage of sanctioning of the project wherein it should be made mandatory for the ULB's to show the details of financial closure and also their sources of funding with all approvals and sanctioning in place prior to the start of the projects

13. Annexures

Please refer to Volume II for following tabulated annexures

Annexure I – List of people met

Annexure II – Methodology for selection of sample cities for CDP review

Annexure III – Comparison for vision, sector strategies and projects for cities

Annexure IV – State and city profiles



2011 Grant Thornton India