

## **Chapter 3 Structure for Project Implementation under JNNURM**

While reforms were envisaged under the JNNURM, the basic thrust of the mission was project driven. The objectives of the Mission were proposed to be met through the adoption of the following strategy:

- (i) Every city was expected to formulate a City Development Plan (CDP) integrating land use with services, urban transport and environment management. The CDP was to provide a urban perspective framework for a period of 20-25 years (with 5 yearly updates) indicating policies, programmes and strategies of meeting fund requirements to be prepared by every identified city.
- (ii) Cities / Urban Agglomerations/ Parastatals were required to prepare Detailed Project Reports (DPR) for undertaking projects under identified areas on the basis of CDP. In order to seek JNNURM assistance, projects need to be developed in such a manner so that optimization of the life-cycle costs over the planning horizon of the project could be ensured and demonstrated. A revolving fund was to be created to meet the Operation and Maintenance (O&M) requirements of assets created, over the planning horizon.
- (iii) Private Sector Participation in development, management and financing of urban infrastructure was also envisaged.
- (iv) The Central and State Government were required to release funds directly as grants-in aid to the state level nodal agency (SLNA) designated by the State. The funds for identified projects across cities were to be disbursed to the Urban Local Bodies (ULB)/Parastatal agency through the designated SLNA as a soft loan or grant-cum-loan or grant. The SLNA / ULBs in turn could leverage additional resources from other sources like financial institutions / private sector / capital market.

### **3.1 Role of Central Government**

JNNURM functions under the overall guidance and supervision of a National Steering Group (NSG), chaired by the Minister of Urban Development and co-chaired by the Minister of State for Housing and Urban Poverty Alleviation. Other members in the NSG are the two Secretaries of the respective ministries i.e MoUD and MoHUPA, Secretary (Expenditure), Secretary (Planning Commission) and National Technical Advisor. The NSG, a coordinating arm of the Government of India, provides policy oversight and evolves policies to facilitate the achievements of JNNURM objectives. It sets policies for implementation, monitor and review progress, and suggests corrective actions where necessary. The NSG also reviews the implementation of reforms.

The institutional arrangements for the mission at the national level comprised two mission directorates, one in MoUD and one in MoHUPA.

### **3.1.1 Central Government's role in appraisal of projects**

There are two Central Sanctioning and Monitoring Committees (CSMCs) headed by respective Secretaries of MoUD and MoHUPA, for UIG and BSUP respectively entrusted with sanction, approval and monitoring of the projects and associated reforms. The projects under UIG were to be appraised by the Central Public Health and Environmental Engineering Organization (CPHEEO), Central Public Work Department (CPWD), Urban Transport Division of MoUD and Water and Power Consultancy Services (WAPCOS), while projects under BSUP were to be appraised by the Building Material and Technology Promotion Council (BMTPC) and Housing and Urban Development Corporation (HUDCO).

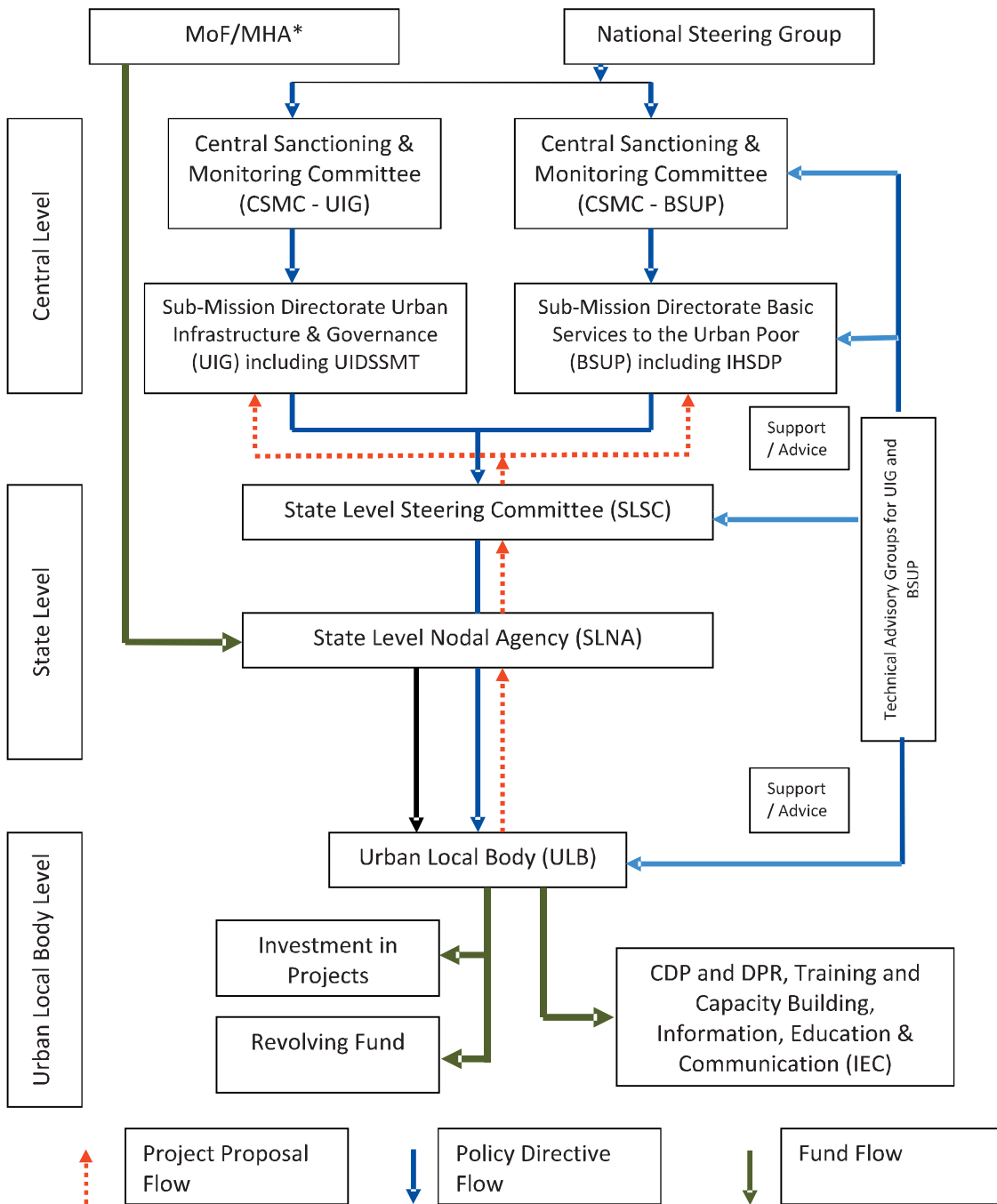
For UIDSSMT, the CSMC however, had no role for appraisal of projects. MoUD instead deputed its representatives to the State Level Sanctioning Committee where the UIDSSMT project would get approved. Thus the SLNA had to forward the appraised projects to MoUD, Planning Commission and Town and Country Planning Organization so as to reach at least 15 days before the meeting of State Level Sanctioning Committee for enabling their representatives to offer their comments / views on the projects in the meeting.

The Central Sanctioning Committee (CSC) chaired by Secretary MoHUPA was to examine and approve the projects under IHSDP. The ULBs and implementing agencies were to submit DPRs to their respective SLNA for appraisal. CSC was required to examine and approve the projects submitted by State Level Nodal Agencies on the recommendation of the State Level Co-ordination Committee (SLCC).

### **3.1.2 Role of Central Government in financial management**

Central Government was to release ACA to the State/SLNA in installments as per JNNURM guidelines. The details regarding this are given in chapter eight. The process of fund flow has been given in figure 3.1.

Figure 3.1: Process, Sanction and Disbursements for UIG and BSUP projects



\* MoF and MHA are responsible for disbursement of funds for States and UTs respectively

### 3.2 Role of State Governments

At the State Level, a State Level Steering Committee (SLSC) as well as a State Level Nodal Agency was to be set up. The role of the SLSC was to screen and prioritize the identified projects and recommend to the CSMC concerned for UIG and BSUP for sanction of the project. The SLSC was to monitor the implementation of projects and reforms and review the progress of urban reforms in the State.

The SLSC was to be assisted by the State Level Nodal Agency (SLNA) which was to play a key role in prioritizing and implementing the projects under JNNURM. The main functions of SLNA were to appraise projects submitted by different agencies, obtaining approval of SLSC, management of State and Central grants, release of funds to parastatal agencies/ executing agencies, monitoring and submitting quarterly progress reports to the ministries. The scheme envisaged that funds from Central and State Government would flow directly to the SLNA, designated by the State; the funds for identified projects across cities were to be disbursed to the ULB/ Parastatal agency through the SLNA as a soft loan or grant-cum-loan or grant. The SLNA/ ULBs in turn were to leverage additional resources from other sources like financial institutions/ private sector/ capital market.

The program also envisaged a Programme Management Unit (PMU) at the State Level as well as Project Implementation Unit (PIU) at ULB level.

### **3.2.1 State Level Nodal Agency**

Although SLNAs had been appointed in every State, it was seen in audit that the SLNAs were appointed in Puducherry and Uttarakhand after considerable delay in 2007 and 2008 respectively. The SLNAs in most states continued to be short of staff. In Delhi, because of shortage of technical staff central assistance funds were not released to the SLNA but directly to the executing agencies and in Uttarakhand, because of the shortage of staff, project appraisal was not done by the SLNA. In Chandigarh, SLNA was bypassed and DPRs were sent directly to MoUD by ULBs for approval. In reply the SLNA stated that monitoring of physical and financial targets was being done by the SLNA but did not give any reason as to why projects were sent directly to MoUD. In Jharkhand, instead of SLNA, the technical cell of the Urban Development Department scrutinized the DPRs.

MoUD accepted (April 2012) that some of the States were slow in constitution of SLNA due to capacity constraints or due to lack of understanding of the requirement and stated that the Ministry was seized off the need for creating a professional cadre for the urban sector. MoUD also stated that no ACA was released without approval of SLSC/SLCC at state level.

MoUD further stated (May 2012) that presently 31 SLNAs are functional in different states and are supported by the Project Management Unit at state level, and by Project Implementation Unit at the city level.

MoHUPA stated (April 2012) that many states lagged behind during the initial years of the Mission in setting up the required structures. The reasons included lack of clarity on the continuation of the Mission beyond 2012, lack of required technical staff at the state level and lack of clarity on the role of these structures to be set up. However, it stated that the ACA was not released for any of the project unless the project proposals are approved by SLSC at the state level, even if the technical appraisal was not done by some of SLNAs.

### **3.2.2 Programme Management Units in the States/UTs**

The objective of the Programme Management Unit (PMU) was to assist the SLNA in discharging their roles and responsibilities of appraisal of projects submitted by ULBs/ Parastatal agencies, monitoring physical and financial progress of projects, monitoring implementation of reforms, to enhance capacity of SLNA by extending technical and advisory support etc. Audit found that the contribution of the PMUs in the various selected States/UTs, was minimal. The PMU was not even established in

nine<sup>13</sup> States/UTs. This included the National Capital, Delhi. Regarding the functioning of the PMU in the States/UTs where it had been set up, it was observed that it was not performing the multifarious functions assigned to it in their entirety. There were also vacancies in technical and other post(s) in States like Jharkhand and Uttarakhand and Odisha.

In some states attempts to appoint PMUs towards the closure of the scheme only showed the mechanical and perfunctory way in which JNNURM was being implemented.

MoUD accepted (April 2012) that States had been slow in appointment of PMU.

MoHUPA replied (April 2012) that JNNURM started in December, 2005 and during the course of mission itself, various support structure were envisaged as per guidelines. Framing of structures, guidelines and toolkit<sup>14</sup> for these support structure took time and finally the Ministry came up with the guidelines of PMU in 2007. As per the guidelines, the support was for 3 years. After the toolkit came into existence, states started to set up the PMUs. Since the support was for only 3 years many states found it difficult to hire Manpower from the market when there was no certainty about continuity of such structures/support beyond 3 years. All these factors coupled with lack of capacity at the state level or ULB level to establish such structure resulted in delays and inadequate manpower in PMUs.

### **3.2.3 Project Implementation Unit**

Project Implementation Units (PIUs) were to be created as operational units to supplement and enhance the skill mix of the ULBs. Rather than a supervisory body, it was expected to work in tandem with the existing staff with focus on strengthening implementation of JNNURM. The focus of PIU was to enhance the pace and quality of implementation of the Mission activities.

As in the case of the PMU, the findings for establishing PIUs were similar. In 10 States / UTs, the PIU had not been established. These were Arunachal Pradesh, Bihar, Chandigarh, Delhi, Gujarat, Himachal Pradesh, Jammu and Kashmir, Odisha, Puducherry and Sikkim. The PIUs had been established for some of the cities in Andhra Pradesh, Madhya Pradesh, Uttarakhand and West Bengal. There was delay in establishing the PIU in Jharkhand, Kerala, Karnataka, Tamil Nadu and Uttar Pradesh. In Tamil Nadu, Uttarakhand, Madhya Pradesh and Nagaland it was put in place three-five years after the launch of the scheme. Information in respect of Dadra & Nagar Haveli, Daman & Diu and Punjab was not available with Audit.

Even where the PIU was established, it was not working efficiently. There were vacancies in the PIU. In Jharkhand, the functions performed by majority of the PIU personnel did not match with their scope of work. The PIU personnel were also engaged by Ranchi Municipal Corporation /Dhanbad Municipal Corporation in assignments/tasks other than those stipulated in their scope of work. In Gwalior, Madhya Pradesh, PIU members visited project sites thrice but no guidance/ reports in respect of implementation of project were given by them.

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<sup>13</sup> Arunachal Pradesh, Chandigarh, Delhi, Haryana, Himachal Pradesh, Jammu and Kashmir, Nagaland, Puducherry and Sikkim.

<sup>14</sup> Toolkits issued by MoUD/MoHUPA for various issues under JNNURM, contained rules, regulations, instructions etc.

In Jammu and Kashmir, despite release (March 2009) of ₹ 0.82 crore by the Gol for establishment of one PMU (₹ 0.20 crore) and PIUs (₹ 0.62 crore), it was seen that the PMU and PIUs had not been established.

The intention of having in place the PMUs and PIUs was to give professional support to the ULBs through their technical and managerial expertise. However, the projects did not get the intended benefit of such professional expertise. Gol should have made the formation and functioning of the SLNA, PMU and PIU a condition precedent for starting projects and accessing funds. This could have ensured completion of projects in time alongwith the intended outcome.

MoUD stated in their reply (May 2012) that the setting up of PIU in a Mission city was an enabler under the guidelines of JNNURM. Its creation at the city level was envisaged to strengthen and proper monitoring /implementation of JNNURM. MoUD further stated that the setting up of PMU and PIU was constantly monitored during the sanctioning/releasing of 2<sup>nd</sup> or subsequent installment of ACA. The Ministry acknowledged that it was a fact that States were slow in appointment of PIUs. MoUD, further, stated that the observation on PMU / PIU had been noted for compliance in a better manner during the next phase of JNNURM.