

Executive Summary

Background

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched in December 2005 with the objective of reforms-driven fast track development of cities across the country, with focus on efficiency in urban infrastructure, service delivery mechanism, community participation and accountability of ULBs / Parastatal¹ agencies towards citizens. It envisaged total investment of more than ₹ 1,00,000 crore, of which Central Government's share would be ₹ 50,000 crore. The Central Government's Share was revised to ₹ 66,084.65 crore in 2009. The mission period was for seven years (2005-2012). There were 65 cities identified as Mission Cities under the mission. JNNURM consisted of two sub-missions: the 'Urban Infrastructure and Governance (UIG)' (Sub-mission I) and the 'Basic Services to the Urban Poor' (BSUP) (Sub-mission II) for 65 identified mission cities. In respect of other cities and towns, there were two components namely (i) 'Urban Infrastructure Development Scheme for Small & Medium Towns (UIDSSMT)' and (ii) 'Integrated Housing and Slum Development Programme' (IHSDP).

Ministry of Urban Development (MoUD) is the nodal ministry for 'Urban Infrastructure and Governance (UIG)' and 'Urban Infrastructure Development Scheme for Small & Medium Towns (UIDSSMT)'. Urban infrastructure projects relating to water supply (including sanitation), sewerage, solid waste management, road network, urban transport, redevelopment of inner (old) city areas etc were executed under UIG and UIDSSMT. Ministry of Housing Urban Poverty Alleviation (MoHUPA) is the nodal ministry for 'Basic Services to the Urban Poor (BSUP)' and 'Integrated Housing and Slum Development Programme (IHSDP)'. These projects cover housing and slum development for providing shelter, basic services and other related civic amenities.

(Para 1.2)

Against an allocation of ₹ 66,084.65 crore by the Planning Commission envisaged for JNNURM during the Mission period 2005-06 to 2011-12, a budgetary allocation of ₹ 45,066.23 crore was made during this period. Against this allocation, only ₹ 40,584.21 crore had been released in respect of UIG, UIDSSMT, BSUP and IHSDP, up to 2011-12.

(Para 1.5)

The time granted for completion of the projects, on an average, was around two years. However, out of 2815 projects approved up to 31 March 2011, only 253 projects (8.9 per cent) could be completed by 31 March 2011.

(Para 1.6)

Though urban renewal i.e. re-development of inner (old) cities area to reduce congestion was an objective of JNNURM, only 11 out of 532 projects and 10 out of 766 projects for urban renewal were approved by MoUD under UIG and UIDSSMT respectively up to 2010-11.

(Para 1.7)

¹ Statutory agencies of state governments, which are assigned the responsibility for delivering services e.g. water, sewerage etc. In this context, the term has been used for urban agencies.

Audit scope and sample

The performance audit covered the implementation of the JNNURM scheme for the period 2005-06 to 2010-11. The audit was conducted in 25 out of 28 states and five out of seven union territories. Audit involved scrutiny of records in MoUD and MoHUPA, 216 projects (82 housing projects and 134 urban infrastructure projects) in 39 out of 65 mission cities and 46 projects in other cities and towns.

(Para 2.2)

Audit findings

Structure for Project Implementation under JNNURM

Programme Management Units (PMUs) were to be established to assist the State Level Nodal Agency 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. The PMUs were not even established in nine States/UTs. Regarding the functioning of the PMUs in the States/UTs where they had been set up, it was observed that they were not performing the multifarious functions assigned to them in their entirety. There were also vacancies in technical and other post(s) in States like Jharkhand, Uttarakhand and Odisha.

(Para 3.2.2)

Project Implementation Units (PIUs) were to be created as operative units to supplement and enhance the skill mix of the ULBs. In 10 States, the PIUs had not been established. These were Arunachal Pradesh, Bihar, Chandigarh, Delhi, Gujarat, Himachal Pradesh, Jammu and Kashmir, Odisha, Puducherry and Sikkim. Even where the PIUs were established, they were not working efficiently. There were vacancies in the PIUs.

(Para 3.2.3)

Implementation of Reforms

States and the ULBs were required to initiate reforms in line with the 74th Constitutional Amendment Act 1992, in accordance with the guidelines of JNNURM and as per the tripartite Memorandum of Agreement (MoA) signed by GoI, State Government and the Urban Local bodies. The reforms were categorized as mandatory and optional reforms. Optional reforms were termed thus, as the cities under JNNURM were to have the freedom to opt for any two reforms from the optional category in each year of implementation.

MoUD was responsible for monitoring the status of all reforms. MoHUPA was also responsible for specifically monitoring three pro-poor² reforms.

Conducting regular election for ULBs once in every five years was reinforced as a mandatory reform. We observed that in six States, election for ULBs had not been held regularly. Similarly, it was observed that as per data of the MoUD, 11 out of 31 States/UTs were said to have transferred all 18

² Three reforms which are critical to slum improvement have been termed as pro-poor reforms in the guidelines for submission on BSUP issued by MoHUPA

functions to the ULBs as mandated by reforms. In the remaining States, the number of functions transferred to the ULBs varied. Even the transfer of city planning function could not be implemented in 16 States/UTs.

(Para 4.1.1)

It was observed that out of the 66 ULBs /Parastatals, who had committed to implement the reform to shift to accrual based double entry accounting by 2010-11, 44 ULBs/ Parastatals had implemented the reform.

(Para 4.1.3)

There were several reforms envisaged for augmenting sources of funding for ULBs/ Parastatals. We found that 27 out of 51 ULBs /Parastatal had implemented the reform of 85 per cent coverage of property tax by 2010-11. Similarly only 10 (Vijaywada, Hyderabad, Visakhapatnam, Chandigarh, Faridabad, Bangalore, Mumbai, Pune, Shillong, and Lucknow) out of 39 selected cities had reported 90 per cent or more collection efficiencies. On the front of collection of user charges, we found that out of 39 mission cities selected for audit scrutiny, mechanism for collection of user charges for water supply and solid waste management was reportedly established in seven and five cities respectively.

(Para 4.1.4)

Some of the reforms were required to be implemented to bring about greater transparency and accountability. These reforms included enactment of 'Public Disclosure Law', e-governance set up, introduction of property title certification, revision of building bye laws, computerized registration of land and property etc. We observed that 20 States / UTs implemented the reform of enactment of Public Disclosure Law. Out of 62 ULBs / Parastatals committing to implement e-governance by 2010-11, 27 achieved this reform. We found from MoUD records that none of the cities implemented property title certification system. As regards revision of building bye laws for streamlining the approval process, 21 ULBs which had committed to implement the reform by 2010-11, did not implement it. We also observed that only 49 out of the committed 63 ULBs/parastatals implemented the computerized registration of land and property as envisaged in the reforms.

(Para 4.1.5)

In respect of State level mandatory reforms, 16 States which had committed to implement the reform "Amendment of rent control laws" by 2010-11, did not implement it by then. Similarly, in 13 States /UTs rate of stamp duty continued to remain over five percent.

(Para 4.1.7)

City Development Plans and Detailed Project Reports

One of the objectives of JNNURM was the planned development of identified cities including peri-urban areas, outgrowths³, urban corridors, so that urbanization takes place in a dispersed manner. Another objective was to have integrated development of infrastructural services in the cities. To achieve these objectives, a city development plan (CDP) was to be prepared by State/UT/ULB or

³ Urban agglomeration is a continuous urban spread constituting a town and its adjoining urban **outgrowths**. Examples of Outgrowth are railway colonies, university campuses, port area, military camps etc. that may have come up near a statutory town or city but within the revenue limits of a village or villages contiguous to the town or city.

Parastatal for every identified mission city. The CDP was to be a comprehensive document for the planned urban perspective framework for a period of 20-25 years (with 5 yearly updates) within which projects were to be identified.

The next step was to prepare Detailed Project Reports (DPRs) for undertaking projects. During appraisal of projects at Central level, DPR was to be scrutinized together with CDP. It was also envisaged that owing to the importance of CDP, DPRs were not to be entertained without it. Thus the CDP and DPRs were required to be prepared before the city could access mission funds.

In the selected States/UTs, we observed that in some cases the DPRs of individual projects had no co-relation with the CDPs.

(Para 5.1)

We also found other deficiencies in the DPR like lack of details about availability of land, incomplete DPR etc.

(Para 5.2)

Implementation of Housing Projects

Housing projects were undertaken under Basic Services to Urban Poor (BSUP) for the 65 mission cities and Integrated Housing and Slum Development Programme (IHSDP) for cities and towns other than mission cities.

Primarily the BSUP and IHSDP projects involved construction of dwelling units; however a few of the projects covered only the upgradation of infrastructure amenities.

Out of the 1517 projects under BSUP and IHSDP, 82 projects were selected for audit scrutiny out of which 53 were under BSUP and 29 were under IHSDP. It was seen that seven of these selected projects had not even been started and one project was abandoned. Only one selected project i.e. Housing for Urban Poor at Bawana, Narela and Boragarh, BSUP, Delhi sanctioned in 2007-08 was reported as complete. The remaining 73 projects were still incomplete (March 2011).

Out of 16.07 lakh dwelling units approved, only 4.18 lakh dwelling units (26 per cent) were completed by 31 March 2011. Out of the completed dwelling units, only 2.21 lakh dwelling units (53 per cent) were occupied.

(Para 6.1)

The audit findings indicated the risk of ineligible beneficiaries deriving benefits of this scheme intended for the urban poor. Audit observed 11 instances where there were deficiencies in identification of beneficiaries. For example, under **BSUP, Kochi Phase-II - Individual Houses, Kerala**, beneficiaries of three colonies were Corporation employees with regular source of income who were not eligible for assistance admissible under the scheme of BSUP.

(Para 6.3)

A major reason for projects not being taken up at all and delays in progress was due to non-availability of land in time. In some cases land was made available only partly. In some States/UTs, it was also seen that the land identified was already occupied by others and therefore not available. Audit came across cases where delay in land acquisition was the reason for delayed completion of housing projects

(Para 6.4)

In some States/UTs the beneficiary contribution had not been collected or was proposed to be collected in deviation from JNNURM guidelines.

(Para 6.8)

We found cases where funds were diverted for purposes other than those admissible under JNNURM and in some cases even for non-JNNURM purposes.

(Para 6.9)

In the Housing and slum development Parole, (Kathua), IHSDP Jammu and Kashmir the Executive Officer (EO), Municipal Committee, Parole distributed an amount of ₹ 2.12 crore amongst unverified beneficiaries at the rate of ₹ 30000/- per beneficiary for construction of houses. In BSUP Hyderabad Andhra Pradesh, we found JNNURM funds of ₹ 72.72 crore released to Andhra Pradesh Housing Board up to May 2010, were diverted to State Government Scheme (Rajeev Gruha Kalpa). Out of this ₹ 32.78 crore was utilized for refund of contributions to the beneficiaries.

(Para 6.10)

Implementation of Urban Infrastructure Projects

We selected 97 out of 532 projects under UIG and 37 out of 766 projects under UIDSSMT for scrutiny.

In UP, not even a single urban infrastructure project had been completed in seven mission cities whereas in Delhi, only four projects out of 28 sanctioned were completed. Comparatively, sizeable number of projects had been completed in Gujarat (33 out of 71 projects), Karnataka (16 out of 46 projects) and Andhra Pradesh (17 out of 50 projects).

(Para 7.1)

We observed that in 37 selected water supply projects (21 projects under UIG and 16 projects under UIDSSMT) five had not even been started and one project was withdrawn. Only three selected projects were complete. The remaining 28 projects were under various stages of completion. There were delays in completion in respect of several selected water supply projects due to clearances from various agencies not taken or not received timely. Delay also took place due to land acquisition and slow tendering process. As the projects remained incomplete, the machineries / equipments purchased for implementation of water supply projects remained idle.

(Para 7.2)

In 11 selected solid waste management projects (six projects under UIG and five projects under UIDSSMT), we observed that two had not even been started and the remaining nine projects were not complete. We noticed delay in completion of projects due to non-availability of land, environment and forest clearance, clearance from State Pollution Control Board and non-clearance of site and public agitation. In four cases funds of ₹ 3.41 crore remained blocked due to purchase of

machinery and equipment in advance for implementation of solid waste management projects. In Rohtak, Haryana, there was wasteful expenditure of ₹ 1.76 crore incurred on solid waste management project due to change of site of the project by the State Government.

(Para 7.3)

In 56 selected sewerage projects we observed that three had not even been started, one project was abandoned and five projects were deferred. Only four selected projects were complete and remaining 43 projects were under various stages of completion. We also found that ₹ 26.15 crore was paid as mobilization advance to two contractors in Sanitary and Sewerage System for Bilaspur and sewerage treatment plant though mobilization advance was not to be paid as per the terms of contracts.

(Para 7.4)

In 19 selected MRTS, roads & flyovers and other transport projects (10 under UIG and nine under UIDSSMT), we found that one project was abandoned and two projects were withdrawn. Only three projects were complete and remaining 13 were under various stages of completion. In two projects, the Public works department (PWD) made a payment of ₹ 1.52 crore to the contractors for providing the barricading at construction site. Incidentally, the PWD allowed the contractors to take away these barricading with them after completion of work although it was the property of the Government of National Capital Territory of Delhi as cost of these items had already been paid to the contractors.

(Para 7.6.1 and 7.6.3)

As in the case of Housing Projects, in case of Urban infrastructure projects as well, We found 8 cases where the funds of ₹114.68 crore had been diverted for purposes other than those admissible under JNNURM and in some cases even for non-JNNURM purposes.

(Para 7.8)

In Assam, in respect of Water Supply project in Guwahati, we found that Guwahati Metropolitan Development Authority (GMDA), the executing agency of the project, incurred an expenditure of ₹2.62 crore towards land compensation till March 2011 while there was no provision for land compensation in the estimated cost of DPR.

(Para 7.8.1)

Financial Management

Funds under the mission were to be released as Additional Central Assistance (ACA) to the State Government or the designated SLNA. The State Government /SLNA were to pass on the ACA along with their matching share to implementing agencies.

The guidelines did not specify any timeframe within which releases were to be made after the project was approved. The scrutiny of physical and financial progress report (up to 31.03.2011) as seen from records of MoHUPA, revealed that there were delays in release of funds from the Central Government to the respective SLNAs.

(Para 8.2)

As per JNNURM Guidelines, state governments were required to release the Additional Central Assistance (as received from MoF / MHA) to ULBs / implementing agencies immediately with their

matching share. We found that there were delays in releasing the matching share to implementing agencies by some state governments. Similarly, we found shortfalls/ delays in release of the matching share of the ULBs towards execution of projects.

(Para 8.3)

We observed that the Revolving Fund, (meant to leverage market funds for financing of further investment in infrastructure projects in case of UIG/UIDSSMT and to be utilised for meeting Operations and Maintenance expenses of assets created in case of BSUP and IHSDP) had not been created by the SLNAs in 25 States/UTs. In three States (Andhra Pradesh, Tamil Nadu and West Bengal) it was created partially. In two states, (Assam and Uttar Pradesh), though it was created but it was utilized for meeting the expenses for preparation of DPRs/ Project Management Consultancy Charges and execution of roads respectively.

(Para 8.5)

The State Government was required to release the ACA amount along with their matching share immediately to the implementing agencies. The scrutiny of records of the projects selected revealed that, in several cases the funds were parked by SLNAs or ULBs.

(Para 8.6)

We found that no specific instructions regarding utilization of interest earned on the amount deposited into Bank. We also observed that 22 out of 30 States /UTs selected for audit, earned the interest on the amount deposited into Bank to the tune of ₹ 210.35 crore up to 31st March 2011.

(Para 8.7)

We found that Utilization Certificates of ₹ 2436.78 crore (UIG) ₹ 2036.66 crore (UIDSSMT), ₹ 3054.05 crore (BSUP) and ₹ 2504.64 crore (IHSDP) as of May 2012, March 2011, March 2012 and March 2012 respectively were outstanding in MoUD and MoHUPA from the states/UTs.

(Para 8.11)

Monitoring and Evaluation

As per the scheme guidelines, the MoUD and MoHUPA were to periodically monitor their respective components through designated officers of the Ministry for each State/UT.

We found that at the time of setting up the JNNURM directorate, no additional staff was created (as the staffing pattern was not worked out) and the staff in the directorate had been posted by way of internal adjustment in MoUD. We feel that the Ministry should have anticipated its role well in advance to handle a scheme of such magnitude.

(Para 9.1.1)

For monitoring progress of projects sanctioned, it was stipulated that upon completion of the project, nodal agency through the State Government would submit completion report in this regard. However, during audit scrutiny, it was gathered that the same were not being sent to MoUD. As per Ministry's record, 105 projects under UIG had been completed up to 2010-11 whereas completion certificate from three States /UT (Delhi, Maharashtra and Madhya Pradesh) for 10 projects only were received in the Ministry (May 2010).

(Para 9.1.3)

At the national level, an Advisory Group headed by a Technical Advisor drawn from civil society with proven experience in mobilizing collective action for reforms in urban governance, was to be constituted. We observed that against 61 meetings required to be held during March 2006 to March 2011 only 37 meetings were held by TAG.

(Para 9.1.4)

To keep track of the physical and financial progress of the projects throughout the project development life cycle (pre-construction, construction, commissioning and trial run and post construction), MoUD evolved a State level mechanism for third party monitoring and review of the project sanctioned under the JNNURM Sub Mission-I (UIG) by an Independent Review and Monitoring Agencies (IRMA) to be appointed by SLNA. Similarly, MoHUPA had also evolved such mechanism to appoint Third Party Inspection and Monitoring Agencies (TPIMA) for review and monitoring in respect of BSUP and IHSDP projects. Each project was supposed to be covered by an IRMA/TPIMA and ground level feedback is provided over the entire project development life cycle to all concerned stakeholders at the City, State and Central level.

During audit in MoUD, it was ascertained that only 27 States / UTs had appointed IRMA for third party monitoring of the projects. MoUD could not intimate as to whether all the projects in these 27 States / UTs had been covered or not. MoUD checked only compliance of guidelines of toolkit regarding 'appointment of IRMA' at the time of appraising the proposal for the selection of IRMA and did not ensure compliance of other guidelines by periodical review of the reports. As such it did not ensure that there were activities of IRMA in all the four stages of projects i.e. pre-construction stage, construction stage, commissioning, trial run, testing stage and post-construction stage, as per toolkit.

TPIMA had been appointed by 21 out of 30 States/UTs as of February 2012. The same had not been appointed in Arunachal Pradesh, Bihar, Dadra & Nagar Haveli, Daman & Diu, Jharkhand, Meghalaya, Punjab and Sikkim.

(Para 9.2.1)

What do we recommend?

- Government of India may consider giving suitable incentives to those States which are implementing the reforms as envisaged in JNNURM guidelines and MoA. Besides, capacity building in terms of finance and human resources may be enhanced so that the States may achieve the pending reforms within the extended period i.e. up to 31 March 2014.
- Efforts may be made to give wide publicity to such schemes through local newspaper and local cable network so that eligible beneficiaries get included in these housing projects.
- Government of India may review the status of all housing projects and step up the efforts to make allotment to eligible beneficiaries. GoI may also consider giving incentives to those States which has put assets created to use at the earliest.
- Government of India may strengthen the monitoring of the execution of projects so that there are no diversions to in-eligible beneficiaries / schemes.
- Government of India may monitor the delays and their causes more closely and due importance should be given to timely completion of projects.

- Both Ministry of Urban Development and Ministry of Housing and Urban Poverty Alleviation should introduce a zero tolerance policy at all levels in respect of irregular expenditure and diversion of funds by way of greater financial discipline.
- The fund flow arrangements i.e. from the Centre to the implementing agencies via the SLNA/ States/UTs may be rationalised in their timing and quantum as per ground level status of projects to ensure minimum unspent/excess amount outside government accounts.
- The provisions of timely submission of utilization certificates may be reiterated and Gol should advise States /UTs for strict compliance of the same.
- Government may identify the deficiencies in the monitoring of the scheme both at Gol level as well at the State/UT level and address the same during the next two years.