

**JAWAHARLAL NEHRU
NATIONAL URBAN RENEWAL
MISSION**

**MINISTRY OF URBAN DEVELOPMENT AND
MINISTRY OF HOUSING AND URBAN
POVERTY ALLEVIATION**

**PUBLIC ACCOUNTS
COMMITTEE
2014-2015**

EIGHTEENTH REPORT

SIXTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

EIGHTEENTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(2014-2015)

(SIXTEENTH LOK SABHA)

JAWAHARLAL NEHRU NATIONAL
URBAN RENEWAL MISSION
MINISTRY OF URBAN DEVELOPMENT
AND
MINISTRY OF HOUSING AND URBAN
POVERTY ALLEVIATION

Presented to Lok Sabha on 29 April, 2015

Laid in Rajya Sabha on 29 April, 2015



LOK SABHA SECRETARIAT
NEW DELHI

April, 2015/Vaisakha, 1937 (Saka)

PAC No. 2049

Price: ₹ 132.00

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Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Fifteenth Edition) and Printed by the General Manager, Government of India Press, Minto Road, New Delhi-110 002.

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† Elected *w.e.f.* 3rd December, 2014 *vice* Shri Jayant Sinha who has been appointed as Minister *w.e.f.* 9th November, 2014.

†† Elected *w.e.f.* 3rd December, 2014 *vice* Dr. M. Thambidurai who has been chosen as Hon'ble Deputy Speaker, Lok Sabha and has since resigned from the membership of the Committee.

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* Elected *w.e.f.* 14th August, 2013 *vice* Dr. Girija Vyas appointed as Minister of Housing, Urban Development & Poverty Alleviation *w.e.f.* 17th July, 2013.

† Elected *w.e.f.* 3rd September, 2013 *vice* Dr. V. Maitreyan ceased to be a Member upon his retirement as a Member of Rajya Sabha *w.e.f.* 24th July, 2013.

†† Elected *w.e.f.* 3rd September, 2013 *vice* Dr. E.M. Sudarsana Natchiappan appointed as Minister of State for Commerce and Industry *w.e.f.* 17th June, 2013.

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2014-15), having been authorised by the Committee, do present this Eighteenth Report (Sixteenth Lok Sabha) on 'Jawaharlal Nehru National Urban Renewal Mission' based on C&AG Report No. 15 of 2012-13, Union Government (Performance Audit) relating to the Ministries of Urban Development and Housing & Urban Poverty Alleviation.

2. The Report of the Comptroller and Auditor General of India was laid on the Table of the House on 4th September, 2012.

3. The Public Accounts Committee (2013-14) and the Public Accounts Committee (2014-15) took up the subject for detailed examination and report. The predecessor Committee procured written replies and took evidence of the representatives of the Ministries of Urban Development and Housing & Urban Poverty Alleviation on the subject at their sitting held on 11th September, 2013.

4. The subject was subsequently carried forward by the successor Committee (2014-15) for examination. The Committee took further oral evidence on the subject on 8.10.2014 and the draft Report which was placed before the Committee was considered and adopted at their sitting held on 9th April, 2015. Minutes of the sittings form appendices to the Report.

5. For facility of reference and convenience, the Observations/Recommendations of the Committee have been printed in thick type and form Part II of the Report.

6. The Committee thank their predecessor Committee for taking oral evidence of the Ministries of Urban Development and Housing & Urban Poverty Alleviation and obtaining the requisite information on the subject.

7. The Committee would also like to express their thanks to the representatives of the Ministries of Urban Development and Housing & Urban Poverty Alleviation for tendering evidence before the Committee and furnishing information in connection with the examination of the subject.

8. The Committee place on record their appreciation of the assistance rendered to them in the matter by the office of the Comptroller and Auditor General of India.

NEW DELHI;
27 April, 2015

7 Vaisakha, 1937 (Saka)

PROF. K.V. THOMAS
Chairperson,
Public Accounts Committee.

REPORT

PART I

I. Introductory

Cities and towns of India, 7935 in number as per Census 2011, constitute the world's second largest urban system. They contribute over 50 per cent of country's Gross Domestic Product (GDP) and are central to economic growth. For these cities and towns to realize their full potential and become true engines of growth, it is necessary that focused attention be given to the improvement of infrastructure and basic services to the poor therein. For achieving this objective, the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched by the Government of India on 3rd December, 2005. It envisaged a total investment of more than ₹1,00,000 crore during a period of 7 years from 2005-06 to 2011-12 with a committed Central Government share of ₹66,084.65 crore. JNNURM is a reform driven, fast track programme to ensure planned development of identified cities with focus on efficiency in urban infrastructure/service delivery mechanisms, and through community participation and enhanced accountability of Urban Local Bodies (ULBs)/Parastatal agencies towards citizens.

2. The Mission was conceived against the background of the fact that most cities and towns were severely stressed in terms of infrastructure and service availability and their growth and development was constrained by indifferent implementation of the Constitution (Seventy-Fourth) Amendment Act, 1992, and continuation of statutes, systems and procedures that impeded the operation of land and housing markets. It was also felt that in order to make cities work efficiently and equitably, it was essential to create incentives and support urban reforms at State and city levels; develop appropriate enabling and regulatory frameworks; enhance the creditworthiness of municipalities; and integrate the poor with the service delivery system.

3. 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 (Annexure I) which comprise 35 cities with million plus population and 30 other State capitals and cities of heritage and tourism importance across the country. The main thrust of UIG was on infrastructure projects relating to water supply and sanitation, sewerage, solid waste management, road network, urban transport and redevelopment of old cities whereas that of BSUP was on integrated development of slums through projects for providing shelter, basic services and other related civic amenities. In respect of other cities and towns, there were two components namely: (i) 'Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT)' and (ii) 'Integrated Housing and Slum Development Programme' (IHSDP) with the same broad objectives as envisaged in UIG and BSUP. The Ministry of Urban Development (MoUD) is the nodal Ministry for UIG and

UIDSSMT while the Ministry of Housing Urban and Poverty Alleviation (MoHUPA) is the nodal Ministry for BSUP and IHSDP.

i. Objectives and Expected Outcomes of the Mission

4. The objectives of JNNURM were as under:—

- (a) Focused attention to integrated development of infrastructural services in the cities covered under the Mission;
- (b) Establishment of linkages between asset-creation and asset-management through a slew of reforms for long-term project sustainability;
- (c) Ensure adequate funds to meet the deficiencies in urban infrastructural services;
- (d) Planned development of identified cities including peri-urban areas, outgrowths and urban corridors leading to dispersed urbanization;
- (e) Scale-up delivery of civic amenities and provision of utilities with emphasis on universal access to the urban poor;
- (f) Special focus on urban renewal programme for the old city area to reduce congestion; and
- (g) Provision of basic services to the urban poor including security of tenure at affordable prices, improved housing, water supply and sanitation and ensuring delivery of other existing universal services of the government for education, health and social security.

5. The expected outcomes to be achieved by ULBs and Parastatal agencies on completion of the Mission period were as under:—

- (a) Modern and transparent budgeting, accounting and financial management systems will be designed and adopted for all urban services and governance functions.
- (b) City-wide framework for planning and governance will be established and become operational.
- (c) All urban residents will be able to obtain access to a basic level of urban services.
- (d) Financially self-sustaining agencies for urban governance and service delivery will be established through reforms to major revenue instruments.
- (e) Local services and governance will be conducted in a manner that is transparent and accountable to citizens.
- (f) E-governance applications will be introduced in core functions of ULBs/ Parastatal agencies resulting in reduced cost and time of service delivery processes.

(ii) Audit Review

6. A Performance Audit of the implementation of the JNNURM for the period 2005-06 to 2010-11 was conducted by the C&AG of India in 25 States and five Union Territories between April 2011 and November 2011. It covered the audit of MoUD and MoHUPA and interaction with other stakeholders like the Ministry of Finance, the Ministry of Home Affairs and Planning Commission at the Government of India level and the audit of State Government Departments, State Level Nodal Agencies and Urban Local Bodies/Parastatal agencies at the State Level. The audit sample comprised 216 projects in 39 Mission Cities and 46 cities and towns other than Mission Cities. Out of these 216 projects, there were 82 housing projects and 134 urban infrastructure projects.

7. The performance audit has highlighted various shortcomings/lapses in the implementation of the Mission. The gist of the Audit's main findings are enumerated below:—

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) The PMUs were not even established in nine States/UTs including the National Capital, Delhi. In the States/UTs where PMUs 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.
- (v) The PIUs had not been established in 10 States *viz.* 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.
- (vi) In six States, election for ULBs had not been held regularly. Similarly, it was observed that as per data of the MoUD, only 11 out of 31 States/UTs were said to have transferred all 18 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.

- (vii) 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.
- (viii) Only 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, 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 7 and 5 cities respectively.
- (ix) Only 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. 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. Further, only 49 out of the committed 63 ULBs/parastatals implemented the computerized registration of land and property as envisaged in the reforms.
- (x) 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.
- (xi) In many cases, the DPRs of individual projects had no co-relation with the CDPs. There were other deficiencies in the DPRs like lack of details about availability of land, incomplete DPR etc.
- (xii) 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 complete. The remaining 73 projects were still incomplete.
- (xiii) 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.

- (xiv) There had been 11 instances of 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.
- (xv) 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. Thus, all the proposed dwelling units could not be constructed. 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.
- (xvi) In some States/UTs, the beneficiary contribution had not been collected or was proposed to be collected in deviation from JNNURM guidelines.
- (xvii) There were cases where funds were diverted for purposes other than those admissible under JNNURM and in some cases even for non-JNNURM purposes.
- (xviii) Audit scrutiny of selected 97 out of 532 projects under UIG and 37 out of 766 projects under UIDSSMT revealed that 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).
- (xix) In 37 selected water supply projects (21 projects under UIG and 16 projects under UIDSSMT), 5 had not even been started and 1 project was withdrawn. Only 3 selected projects were complete. As the projects remained incomplete, the machineries/equipments purchased for implementation of water supply projects remained idle.
- (xx) In 11 selected solid waste management projects (6 projects under UIG and 5 projects under UIDSSMT), 2 had not even been started and the remaining 9 projects were not complete. In 4 cases funds of ₹3.41 crore remained blocked due to purchased 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.
- (xxi) In 56 selected sewerage projects, 3 had not even been started, 1 project was abandoned and 5 projects were deferred. Only 4 selected projects were complete. Audit also found that ₹26.15 crore was paid as mobilization advance to 2 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.

- (xxii) In 19 selected MRTS, roads & flyovers and other transport projects (10 under UIG and 9 under UIDSSMT), 1 project was abandoned and 2 projects were withdrawn. Only 3 projects were completed.
- (xxiii) 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.
- (xxiv) There were delays in releasing the matching share to implementing agencies by some State Governments. Similarly, Audit found shortfalls/ delays in release of the matching share of the ULBs towards execution of projects.
- (xxv) Revolving Fund had not been created by the SLNAs in 25 States/UTs. In 3 States (Andhra Pradesh, Tamil Nadu and West Bengal), it was created partially. In two states (Assam and Uttar Pradesh), though it was created, it was utilized for meeting the expenses for preparation of DPRs/Project Management Consultancy Charges and execution of roads respectively.
- (xxvi) In several cases, the funds were parked by SLNAs or ULBs.
- (xxvii) There were no specific instructions regarding utilization of interest earned on the amount deposited into Bank. 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.
- (xxviii) 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.
- (xxix) 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.
- (xxx) As per the Ministry's record, 105 projects under UIG had been completed up to 2010-11 whereas completion certificate from 3 States/ UT (Delhi, Maharashtra and Madhya Pradesh) for 10 projects only were received in the Ministry (May 2010).
- (xxxi) Against 61 meetings required to be held during March 2006 to March 2011, only 37 meetings were held by TAG.
- (xxxii) Only 27 States/UTs had appointed IRMA for third party monitoring of the projects. Similarly, 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.

8. Against the above backdrop, the Committee selected the subject for examination and report based on Report No. 15 of 2012-13 (Performance Audit) of the C&AG of India. In the process, the Committee obtained the requisite information/material/written reply from the MoUD and the MoHUPA. The Committee also took oral evidences of the representatives of these Ministries on 11.09.2013 and 08.10.2014. Based on the information gathered from these Ministries and the Audit inputs, the Committee have dealt with the Audit findings and other relevant issues in detail in the succeeding paragraphs.

II. Allocation of funds and release of additional central assistance by the Central Government

9. Audit has pointed out that against an allocation of ₹66,084.65 crore envisaged by the Planning Commission 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. In the case of UIG, the shortfall was as high as 94.86 per cent in Goa and there were 14 States/UTs where the releases were short by more than 50 per cent. Similarly, in case of BSUP Projects, there were shortfalls in all States with Bihar (85.29 per cent), Goa (89.94 per cent), Himachal Pradesh (76.45 per cent), Jharkhand (76.59 per cent), Punjab (94.06 per cent) and Rajasthan (77.67 per cent) showing shortfalls of more than 75 per cent. There were considerable shortfalls in IHSDP releases also with no release in respect of Goa and Lakshadweep.

10. In the above context, the Committee enquired about the reasons for the significant shortfall in release of Additional Central Assistance (ACA) as envisaged by the Planning Commission during the period 2005-06 to 2011-12. In their reply, the MoUD *inter-alia* stated as under:—

"Release of funds to State Governments depends on physical progress of projects, utilization of ACA already released and submission of UCs. These are insisted upon for release of ACA. Local self-Government being a State subject MoUD's intervention is limited to monitoring which is done vigorously to expedite completion of projects. JNNURM is also a reform linked infrastructure development programme. Some of the States could not claim 2nd Installment of ACA for the projects due to non- completion of reforms".

11. The MoHUPA in their reply submitted as under:—

- (a) In the initial years, due to lack of State capacity to develop plans and prioritize projects, some States were slower in bringing the new projects. Therefore, there were gaps between the allocation and actual release for few States.
- (b) Non-submission/non-acceptance of utilization certificates, which may be due to unutilized central funds, poor physical progress, inability of

States/UTs to raise matching shares and lack of compliance with reforms or other conditions of the scheme.

(c) Presently ACA is recommended by the MoHUPA and is released by the D/o Expenditure. Thus, there are instances of procedural delay".

12. In this regard, the Secretary, Urban Development deposited in evidence as under:—

"On the front of reform achievement, Sir, substantial progress has been shown by the States in the later half of the Mission. As all the reforms were not achieved during the given period, the Government has decided to withhold 10 per cent of the ACA, which will be released once the reforms are achieved by them. The Government has also appointed the Reform Appraisal Agencies, which monitor the progress of the reforms and submit their reports periodically to the Ministry."

13. Enquired about the steps taken to ensure timely release of ACA, the MoUD in their reply *inter-alia* apprised as under:—

"Subsequently, on 01-12-2010, the Cabinet approved relaxation on achievements of reforms and allowed release of funds subject to withholding of 10% of ACA under UIG. The States have been repeatedly requested through communication and on various forums to expedite submission of UCs claiming second installment of ACA for the projects and complete the projects".

14. In their reply, the MoHUPA stated as under:—

"To mitigate the capacity constraints, this Ministry took up various measures to facilitate States/UTs in setting up technical support structure for successful implementation of JNNURM. The Government of India is extending financial support for establishment of Programme Management Unit (PMU) at the State level and Project Implementation Unit (PIU) at ULB level. The MoHUPA has also conducted a number of Capacity Building Programmes so that the State/parastatal/local body officials are trained in project formulation, design, implementation and monitoring. To avoid procedural delays, it is now proposed to release the Central assistance by the Ministry directly w.e.f. 2014-2015."

15. On being asked to state the latest position of release of funds in respect of UIG and UIDSSMT, the MoUD in their reply informed that 539 UIG projects amounting to ₹60,811.32 crore with an ACA of ₹27,893.45 crore had been sanctioned. As on 30.09.2013, ₹20,040.49 crore had been released for these 539 projects. However, in response to another query from the Committee, the MoUD provided the figure of ₹21,732.13 crore as the total amount released for UIG. Further, 806 UIDSSMT projects amounting to ₹14,010.79 crore with an ACA of ₹11,313.60 crore had been sanctioned. As on 30.09.2013, ₹9,708.59 crore had been released for these 806 projects.

16. As regards BSUP and IHSDP Projects, the MoHUPA submitted as under:—

"As on 15th September 2014 ₹17,639.6 crores has been released out of ₹20,169.32 crore ACA committed for JNNURM (BSUP & IHSDP) projects".

III. Status of the Projects

17. Audit highlighted that the time granted for completion of the projects, on an average was around two years though the Ministry stated that there was no specific stipulation of the time period for completion of a project and it varied from project to project. Of the 2815 projects approved up to 31 March 2011, 2482 projects (approximately 88 per cent) had been approved up to 31 March 2009. However, only 8.98 per cent of the total projects could be completed as on 31 March 2011 as could be seen from the table below:

Component	Status of Projects			
	Total	Not Started	Under Progress	Completed (Percentage)
UIG	532	65	362	105 (19.73)
UIDSSMT	766	42	598	126 (16.44)
BSUP	499	84	407	8 (1.60)
IHSDP	1018	91	913	14 (1.37)
Total	2815	282	2280	253 (8.98)

18. In the above context, the Committee desired to know the reasons for completing only 8.98 per cent of the projects by March 2011. In their written reply, the MoUD provided the subsequent position and explained as under:

"217 out of 539 projects sanctioned under UIG and 403 out of 806 projects sanctioned under UIDSSMT have been reportedly completed as on 30.09.2013; which is about 46% taking into account both the components. The other projects are at various stages of implementation. The States have been asked to complete all the projects at the earliest and in any case before 31st March 2014.

The delay in completion of projects as indicated by States are due to various constraints such as (i) delay in claiming second installments by States for non-implementation of urban sector reforms; (ii) due to litigation on land availability; (iii) NOCs from various departments such as National Highways, Environment Department, Defence, Railways etc.; (iv) Cost over runs and escalations due to SOR differences; (v) Non availability of technical manpower at ULBS and also good contractors at some towns; and (vi) Changes in site location due to ground conditions".

19. In his deposition before the Committee, the Secretary, Urban Development further submitted as under:—

"The main reasons for delay in execution of the remaining projects have been mainly attributed to land acquisition issues, litigation matters, shifting of utilities and statutory permission from Defence, Railways, Environment & Forest and other regulatory Departments."

20. Subsequently, the MoUD stated that a total of 539 UIG projects had been approved during the Mission period (2005-12) and 33 projects had so far been withdrawn. Further, a total of 806 UIDSSMT projects had been approved during the Mission period (2005-12) and 15 projects had so far been withdrawn. Out of these, 247 UIG projects and 454 UIDSSMT projects had been completed as on 31st August, 2014.

21. The MoHUPA in their reply apprised that they had all along been monitoring the progress of the project in terms of completion of Dwelling Units (DUs). As on 15th September, 2014, out of 14,41,231 DUs sanctioned 8,44,062 DUs (58.6%) had been completed under the BSUP & IHSDP components of JNNURM. In 355 projects all the 2.99 lakh DUs had been completed.

22. According to the MoHUPA, the reasons for slow progress were as under:—

"Projects have witnessed large cost escalations, due to rising prices of steel and cement amongst other factors, States and Urban Local Bodies are not able to meet such cost escalation. Government of India, under the JNNURM Scheme has decided not to fund any cost escalations. In IHSDP component, cost ceiling was artificially imposed at ₹80,000 per Dwelling Unit which was revised in 2009 to ₹1 lakh per DU effective from 1.4.2008. This ceiling translated to a heavier burden on the States/ULBs resulting in stalling of projects. Instead actual cost under IHSDP was also higher than ₹1 lakh and this coupled with large cost escalation, has very adversely affected the progress of IHSDP projects especially in the States/ULBs which are not able to fund the enhanced cost. Difficulties in making slum residents temporarily relocate in the case of *in situ* projects; Inability of beneficiaries to contribute their share; and Lack of availability of litigation-free land".

23. Asked to state the steps/efforts taken to ensure timely completion of JNNURM projects, the MoUD in their reply informed that completion of projects was being constantly monitored through meetings, correspondence and reviews.

24. During evidence, the Secretary, UD elaborated the efforts made for expediting projects as under:—

"The Ministry has been pursuing with the States for expediting the completion of the remaining projects. In order to achieve this, the Ministry continuously engages with the States and Municipalities for review of these projects through review meetings, various communications, video conferencing, Independent Review and Monitoring Agencies, and so on. We have held a series of Workshops — Regional Workshops, State level Workshops and National Workshops. The Mission period has been extended up to March, 2014 for completion of the projects and achievement of reforms."

25. In their reply, the MoHUPA apprised as under:—

"States have been advised during the course of numerous CSMC/CSC meetings and Review meetings at Central/Regional and State level to:—

- (i) Start the non-starter projects and take action to complete projects and ensure occupancy of completed houses according to a time-bound action plan;
- (ii) To drop the projects which cannot be started even after reasonable efforts made;
- (iii) Achieve the completion of DUs within the Mission period and as early as possible;
- (iv) Provide additional State Share to implementing agencies to meet cost escalation; and
- (v) For non-starter projects under IHSDP, which got struck up due to artificial ceiling, this Ministry did make efforts for enhancement in the ceiling cost from ₹1 lakh/DU to ₹1 .75 lakh/DU (*w.e.f.* 1.4.2010). However, the proposal did not find favour with the M/o Finance and Planning Commission."

26. The MoHUPA further stated as under:—

"173 projects which have not started have been cancelled. In 526 projects, DUs have been curtailed to the extent of them remaining non-started till date. Now 3,49,014 houses are under progress."

27. When asked whether any target date had been set to complete the projects, the MoUD replied as under:—

"Government of India has extended the Mission by a period 2 years *i.e.* upto March, 2014 for completion of all on- going projects sanctioned till March, 2012 and achievement of committed reforms etc. States have been requested to complete all these projects at the earliest and in any case before 31st March, 2014."

28. The MoHUPA in their reply submitted as under:—

"The Government of India has now extended the Mission period upto March, 2015 for completion of projects sanctioned under BSUP and IHSDP components of JNNURM."

29. The Committee desired to know about the adverse impacts emanating from the non-completion of various JNNURM projects. The MoUD in their reply submitted that due to non-completion of various urban infrastructure projects the following adverse impacts had surfaced:—

- a. There has been cost escalation in view of time overrun. This extra financial burden has to be borne by the ULBs/IAs/State.
- b. The service delivery levels which would have increased upon completion of projects have remained stagnant.
- c. Inconvenience and hardships to general public during course of implementation."

30. About the cost escalation, the Secretary, Urban Development deposed in evidence as under:—

"The position is that we discount the inflation related escalation in the cost. In the guidelines, all cost escalations are to be borne by the State Governments. We do not take note of it."

IV. Structure for Project Implementation and Monitoring under JNNURM

Project Management Units and Project Implementation Units

31. According to Audit, the Programme Management Units (PMUs) were to be established to assist the State Level Nodal Agency (SLNA) in discharging their roles and responsibilities of appraisal of projects submitted by Urban Local Bodies (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. However, the PMUs were not even established in 9 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.

32. Similarly, Project Implementation Units (PIUs) were to be created as operative units to supplement and enhance the skill mix of the ULBs. As per the Audit report, in 10 States, the PIUs had not been established. Even where the PIUs were established, they were not working efficiently. There were vacancies in the PIUs. 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. In Jammu and Kashmir, despite release (March, 2009) of ₹0.82 crore by the GoI 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.

33. While the MoUD accepted (April, 2012) that the States had been slow in appointment of PMU, the MoHUPA replied (April, 2012) that JNNURM started in December, 2005 and during the course of Mission itself, various support structures were envisaged as per guidelines. Framing of structures, guidelines and toolkit for these support structures 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.

34. During the evidence, the Secretary, Urban Development admitted the delay in establishment of the PMUs and PIUs as under:—

"Considering the constraints prevailing in the local bodies, provision was made under the guidelines that the States and the Municipalities may set up the Programme Management Unit (PMU) and the Project Implementation Unit (PIU) in the cities, for which the Government of India reimburses the cost incurred on these agencies fully. There has been some delay on the part of some States in setting up the PMUs and PIUs. Sir, I would like to submit that the execution and implementation of the projects are done by the State Governments following their own tendering and procurement procedures. Till now, about 45 per cent of sanctioned projects have been completed."

35. In the above context, the Committee desired to know the reasons for the failure of the established PMUs in the States/UTs to perform their multifarious functions and the delay in establishment/non-establishment of PMUs and as well as the remedial measures taken in the matter. In their reply, the MoUD explained as under:—

"Establishment of PMU is an enabler provision for the States. The responsibility for establishment of PMU lies with the State Government/SLNA. The Ministry has already issued Toolkit and advisories for setting up of PMU. The establishment of PMUs was approved by the Ministry based on proposals sent by the State/UTs. So far the Ministry has approved 21 PMUs based on the requirement of States/UTs. The delay in the establishment is not in hand of the Ministry. It was due to persuasive action on the part of the Ministry, the States/UTs came forward with the proposal for establishment of PMUs which were considered and approved by the CSMC. The setting up of PMU is constantly monitored during the sanction/ releasing of 2nd or subsequent installment of ACA. This has been noted for compliance in a better manner during the next phase of JNNURM".

36. The MoHUPA in their reply stated as under:—

"Establishment of PMU in States was an important step for implementing the scheme. Ministry pursued with the States for establishing the PMUs. PMU performs as assistant to State Level Nodal Agency to monitor the projects and various tasks related to the implementation of the project. It is not as if that PMU did not perform their multifarious functions. Ministry continuously carried out capacity building tasks to upgrade the skills of SLNA and PMU. Out of 29 PMUs sanctioned by the Ministry, 26 States set up the PMUs with the pursuance of the Ministry. PMUs in Arunachal Pradesh, Nagaland and Mizoram were withdrawn subsequently due to very few projects there and lack of resources".

37. On being asked about the deployment of inadequate manpower in support structures in the States/UTs and the steps taken to fill up the vacancies therein the MoUD in their reply apprised as under:—

"Deploying adequate manpower as per the toolkit is the mandate of the State Government/ SLNA. The MoUD has also impressed upon all States/UTs for

constitution of a Municipal Cadre. The Ministry has issued Toolkits for establishment of PMUs & PIUs and various advisories for these establishments, in which mandatory key personnel have been suggested. Some are kept by the State Governments/SLNA on their felt needs. The Ministry under JNNURM only approves the proposal for establishment of PMUs and PIUs as submitted by the States. The selection of the personnel is to be done by the respective States in compliance with their codal formalities. However, to facilitate the States in establishment of PMUs and PIUs, the Ministry had also revised the remuneration for the key personnel."

38. The MoHUPA in their reply submitted as under:—

"The establishment of PMU and staffing it with adequate manpower was directly done by the State and State established them as per their requirement. Several States / Cities already had existing manpower which was capable of carrying out work as envisaged by PMU. Thus, the States have established PMU/PIU as per their need. As of now, a total of 26 PMUs have been established all over India. Many a times, establishment of PMU/PIU got affected because of non-availability of adequate professional in concerned State/City. In cases where PMU/PIU were not established, States /cities' existing manpower shouldered the responsibility as envisaged to be carried out by the PMU/PIU under the scheme."

39. To a pointed query as to why the PIU personnel were assigned tasks other than those stipulated in their scope of work in Jharkhand, the MoUD replied as under:—

"It is submitted that the Ministry has no such reports. It is the responsibility of the ULBs to use services of PIU personnel only for the stipulated tasks. This could be an exceptional case. However, the Ministry has noted the irregularity and needful would be done."

40. The MoHUPA in their reply stated as under:—

"As explained earlier these PMUs and PIUs were set up by the State and City Governments for assisting them in carrying out scheme related works. Since they are working closely with States and Cities, in few cases there might be some incidence of them carrying out the task not related to JNNURM. Audit has only pointed out example of Ranchi and Dhanbad. In the next phase of the RAY scheme, GoI has sanctioned such units on the shareable expenditure basis where State is contributing its share. As such it is acceptable for the PMU/PIU to assist the State and Cities in other related works in addition to the work related to the scheme".

41. When asked about the failure of the visiting PIU members to give guidance/ reports in respect of implementation of projects in Gwalior both the Ministries of Urban Development and Housing and Urban Poverty Alleviation could not furnish any reply.

42. The Committee further enquired about the reasons for non-establishing of one PMU and PIUs in Jammu and Kashmir despite release of ₹0.82 crore by the Central Government. The MoHUPA in their reply stated as under:—

"As explained earlier the responsibility of establishing PMU and PIU lies with the State Government and City Government. Government of India has approved one PMU and four PIUs in J&K. 1 PMU and 1 PIU have been approved in Jammu & Kashmir on 10/02/2009".

V. Implementation of Reforms

43. JNNURM has a reform driven approach and the States and Municipalities were expected to achieve 23 governance reforms in line with the Constitution (Seventy-Fourth) Amendment Act, 1992 such as transfer of functions to the Municipalities, e-governance, property tax reforms, rationalization of stamp duty, levy and collection of user charges, improvement of Municipal accounting system, administrative Reforms, community participation law, etc.

(i) Conduct of Election in ULBs

44. As per article 243U of the Constitution, election to ULBs once in every five years is mandatory. If a Municipality is dissolved, the election to constitute a new Municipality is required to be held "before the expiry of a period of six months" from the date of its dissolution. This provision in the constitution was a mandatory reform under JNNURM. Audit observed that in 23 out of 30 selected States/UTs, elections were held timely. In six States (Arunachal Pradesh, Assam, Jammu and Kashmir, Jharkhand, Meghalaya and Nagaland) elections had not been held regularly. In Sikkim, elections were held for the first time in 2010. The MoUD in their reply (April, 2012) stated that even holding of elections in Jharkhand, Sikkim, Mizoram, Manipur, etc. was an achievement of JNNURM and it might not have happened otherwise.

45. In the above context, the Committee enquired about the reasons for failure to hold regular elections in ULBs in 6 States and the efforts made to ensure regular elections in ULBs in all the States/UTs. In reply, the MoUD explained as under:—

"Municipal elections come under the purview of the State. However, the MoUD has been constantly stressing upon States/UTs on elections of ULBs. The details regarding holding of Municipal Elections, as reported by these States, are as follows:—

Jharkhand: Elections were held in 2008.

Arunachal Pradesh: Arunachal Pradesh Municipal Election Act was constituted in 2009 and Municipal Elections Rules framed in 2011 and the Municipal elections were held in May, 2013.

Assam: Due to legal obstacles, elections were initially delayed. But later the elections to the Guwahati Municipal Corporation (GMC) were held in the month of June, 2013.

Nagaland: First municipal elections were held in December, 2004. As reported by the State, subsequent Municipal elections could not be held due to a dispute regarding 33% reservation for women. The State Government has informed that elections would be held early.

Meghalaya: Elections in 4 municipal boards were scheduled to be held on by end of September, 2011, but could not be held due to local disturbances. However, State Government has reported that it has exercised its right to constitute Municipal Boards for 1 year in 4 Municipal Boards.

Jammu & Kashmir: The State Government has reported that elections to urban local bodies in J&K were delayed on account of revision of electoral rolls, which have been completed. Accordingly, memorandum for holding of elections to ULBs is under consideration.

Elections were held in States like Sikkim, Mizoram, Manipur, Arunachal Pradesh, etc., on persistent insistence by MoUD to the States to adhere to achieve the reform stipulation under JNNURM".

(ii) Transfer of 12th Schedule functions

46. The Constitution (Seventy-Fourth) Amendment Act provided for transfer of 18 functions in respect of planning, regulation, provision of infrastructure and services, etc. listed in the 12th Schedule to ULBs. These 18 functions are:—

- (i) Urban planning including town planning.
- (ii) Regulation of land-use and construction of buildings.
- (iii) Planning for economic and social development.
- (iv) Roads and bridges.
- (v) Water supply for domestic, industrial and commercial purposes.
- (vi) Public health, sanitation conservancy and solid waste management.
- (vii) Fire services.
- (viii) Urban forestry, protection of the environment and promotion of ecological aspects.
- (ix) Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded.
- (x) Slum improvement and upgradation.
- (xi) Urban poverty alleviation.
- (xii) Provision of urban amenities and facilities such as parks, gardens, playgrounds.
- (xiii) Promotion of cultural, educational and aesthetic aspects.

- (xiv) Burials and burial grounds; cremations, cremation grounds and electric crematoriums.
- (xv) Cattle pounds; prevention of cruelty to animals.
- (xvi) Vital statistics including registration of births and deaths.
- (xvii) Public amenities including street lighting, parking lots, bus stops and public conveniences.
- (xviii) Regulation of slaughter houses and tanneries.

47. All the reforms for delegation of powers and responsibilities to ULBs were to be implemented at State level. It was observed from the data provided by the MoUD that 11 out of 31 States/UTs transferred all 18 functions to the ULBs. These were Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Kerala, Karnataka, Madhya Pradesh, Maharashtra, Tamil Nadu, Tripura and West Bengal. In the remaining States, the number of functions transferred varied. In Arunachal Pradesh, Jammu and Kashmir and Meghalaya not a single function was transferred. In Himachal Pradesh, eight functions were transferred, in Manipur three functions were transferred, while in Sikkim and Nagaland only one function was fully transferred.

48. The MoUD replied (May, 2012) that the States are either assigning all the functions to ULBs or have evolved a mechanism for ULBs to be associated with the concerned Parastatal agencies. It further stated that mostly second option has been exercised due to the lack of capacity of the ULBs to perform the functions such as urban planning, urban forestry and fire services. The MoUD also stated (May, 2012) that the State Governments have been advised to ensure implementation of reforms in letter and spirit.

49. In the above context, the Committee desired to know why all the 18 functions listed in the 12th Schedule could not be transferred to the ULBs in all the States/UTs. In reply, the MoUD submitted as under:—

"According to Article 243W, incorporated by the 74th CAA, States may, by law, endow, transfer 12th Schedule functions to the ULBs. In view of the above provision, Urban Development is a State subject; the States are either assigning all the functions to ULBs or have evolved a mechanism for ULBs to be associated with the concerned Parastatal agencies for carrying out some of the functions. However, some States have reported their inability to transfer a few of the function to ULBs since the ULBs are not in a position to perform functions such as Urban Planning, Urban Forestry and Fire Services due to lack of capacities. To improve the capacity of Municipal staff, Government of India has advised States/UTs to expedite formulation of Municipal Cadre."

50. The Ministry also made available to the Committee their Advisory Note on Municipal Cadre sent to all State Governments in November, 2012, which stated that 14 States have constituted Municipal Cadre. It also stated that in some States, while legislation has been enacted, rules were still being framed.

51. On being enquired about the status of transfer of functions to the ULBs in the remaining 20 States/UTs and the reasons for variation in this regard, the MoUD stated in their reply as under:—

"The States are either assigning all the functions to ULBs or have evolved a mechanism for ULBs to be associated with the concerned Parastatal agencies. Due to capacity constraints, at the ULB level, several ULBs are not in a position to perform some of the functions such as urban planning, urban forestry and fire services, etc. Consequently, all the State Governments did not transfer all the 12th Schedule functions to ULBs uniformly to ULBs. Remaining 20 States/UTs are at various stages of transferring the functions."

52. Further asked to state the reasons for failure to transfer even a single function in Arunachal Pradesh, Jammu & Kashmir and Meghalaya, the MoUD replied as under:—

"Constitution of ULB was not done at the time of conducting the Audit in Arunachal Pradesh. Consequently, transfer of 12th Schedule functions had not taken place in this State. In Arunachal Pradesh, ULBs were established very recently, *i.e.*, in May, 2013 and the process of transfer of functions to ULB has been initiated by the State Government. Due to capacity constraints, J&K and Meghalaya were not in a position to perform some of the functions such as urban planning, urban forestry and fire services, etc. As on date, J&K State has reported transfer of functions to Municipalities. In Meghalaya, State has reported 16 functions transferred to ULBs. Fire services and Urban Forestry functions are not transferred to ULBs due to capacity constraints in ULBs."

(iii) Transfer of City Planning Functions

53. JNNURM reform agenda sought to implement Article 243W of the Constitution by transferring the city planning function from the State to the ULBs. However, this reform was not implemented in 16 States/UTs (Arunachal Pradesh, Bihar, Chandigarh, Delhi, Goa, Jammu and Kashmir, Jharkhand, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Punjab, Sikkim, Uttarakhand and Uttar Pradesh). The MoUD in their reply (April/May, 2012) provided the status of some of the States. In Meghalaya, city planning functions are being performed by ULBs, as per review meeting with State in February, 2012. City planning functions in Puducherry were also stated to be transferred as per December, 2011 quarterly progress report. Further, in Tamil Nadu elected ULBs were also stated to be associated/integrated with city planning functions as of September, 2011.

54. In the above context, the Committee enquired as to why the transfer of city planning function could not be accomplished in 16 States/UTs. In reply, the Ministry stated as under:—

"Due to capacity constraints, several ULBs are not in a position to perform some of the functions such as urban planning, urban forestry and fire services, etc. Consequently, all State Governments have not transferred the city planning functions to ULBs. As on date, 12 States/UTs have reported transfer of city planning functions to ULBs."

(iv) Accounting System

55. JNNURM reform conditionalities called for "improved municipal accounting, with the objective of having a modern accounting system based on double entry and accrual principles, leading to better financial management, transparency and self reliance", as a mandatory reform for local bodies. As per Ministry's data, out of the 66 ULBs/Parastatals which had committed to implement the reform to shift to accrual based double entry accounting by 2010-11, 44 ULBs/Parastatals had implemented the reform. The MoUD in their reply (May, 2012) stated that reviews of cities which had not implemented reforms were carried out from time to time and States had been advised to expedite the reforms.

56. In the above context, the Committee enquired about the reasons for non-implementation of the reform to shift to accrual based double entry accounting by 2010- 11 by 22 ULBs/ Parastatals which had committed to implement the reform. In reply, the MoUD apprised as under:—

"Eight years of implementation of JNNURM has exposed major lacunae within the ULBs in terms of capacity and resources which are highly inadequate to implement urban reforms. Enormous challenges are involved in migration from cash based accounting towards accrual based double entry system, which require advance technical skills. Several ULBs lack the capacity to implement this reform. To overcome this, the Ministry has asked each State/UT to constitute a Municipal Cadre including accounts cadre. Some States like Madhya Pradesh, Gujarat, Chhattisgarh, Orissa and West Bengal have taken active steps for creation of municipal cadre. MoUD regularly reviews the reform implementation status and issues faced by cities which are slow in progress. Further, States have been advised to expedite the implementation of reforms. Currently, 32 ULBs are able to shift to DEAS."

57. On being asked about the remedial action taken in this regard, the MoUD in their reply stated as under:—

"The achievement of reforms as this is a dynamic process. There has been greater stress on making the reforms measurable. For this, the Ministry has also brought out a calibrated score of reforms and circulated it to all the States on 14th November, 2012. This would make analysis of achievement of reforms more measurable and objective. The Ministry has also appointed Reform Appraisal Agencies (RAAs) to review the implementation of Reforms in the States. These RAAs bring out the implementation of reforms and their effects at the field level. As stated earlier in para 26, migration from cash accounting towards accrual based double entry system require advance technical skills. In order to overcome the capacity constraints faced by ULBs, MoUD is supporting capacity building of States/UTs and ULBs through a development of Training Manual and comprehensive Capacity Building Programme. Furthermore, States have been asked to constitute municipal cadre."

(v) 85 Per cent Coverage of Property Tax

58. Property tax is the single most important tax revenue source available to a ULB. Thus, reform of the property tax systems is one of the mandatory reforms under JNNURM. The guidelines emphasized the need for the following:—

- (a) Proper mapping of properties using a Geographic Information System (GIS) so that the ULB is able to have a full record of properties in the city and bring them under the tax net.
- (b) Making the system capable of self-assessment (that is a system which is formula driven and where the property owner can calculate the tax due).
- (c) Achieving coverage efficiency of at least 85 per cent of property tax along with achieving 90 per cent of collection efficiency of the same.

59. During audit in the States/UTs, out of 39 Mission Cities selected for audit scrutiny, GIS database was put in effect in only 7 cities (Ranchi, Bangalore, Indore, Pune, Shillong, Kanpur and Lucknow). The MoUD stated (May, 2012) that the point had been noted.

60. As per the MoUD's data, out of the 51 ULBs /Parastatals which had committed to implement the reform of 85 per cent coverage of property tax by 2010-11, 23 ULBs/ Parastatals had implemented the reform. It is pertinent to mention that 4 ULBs/ Parastatals though not committed to implement had implemented this reform before target year. However, 28 ULBs (Guwahati, Patna, Bodhgaya, Chandigarh, Delhi, Faridabad, Shimla, Ranchi, Kochi, Bhopal, Indore, Jabalpur, Ujjain, Nagpur, Amritsar, Ludhiana, Bhubaneswar, Puri, Jaipur, Ajmer, Agartala, Dehradun, Haridwar, Kanpur, Lucknow, Mathura, Meerut and Varanasi) which had committed to implement this reform by 2010-11, could not implement it.

61. The MoUD in their reply (May, 2012) intimated that Hyderabad had achieved property tax reform, as per first cycle report of Reform Appraisal Agency. However, Chandigarh, Nagpur, Ludhiana, Dhanbad, Haridwar and Nainital had not achieved 85% coverage, as per reports available with Mission Directorate.

62. In the above context, the Committee asked the Ministry to explain the reasons as to why 28 ULBs which had committed to implement the reform of 85 per cent coverage of property tax by 2010-11 could not implement it. In reply, the MoUD informed as under:—

"Article 243X of 74th CAA states that — 'Legislature of a State may, by law-authorise a Municipality to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits'. In view of the above provision, the above activity comes under the purview of the State. This reform involves putting in place a comprehensive property database () to ensure complete property mapping and bringing all properties under the tax net including online systems, which will make payment of taxes hassle free. These above activities consume a considerable amount of time. Most of the ULBs have taken several steps to implement this reform and are in the process of

achieving the 85% coverage area of property tax. The Ministry has circulated a toolkit and also provides handholding support, conducts workshops and training to enhance capacities. As on date, based on the information available with the Mission Directorate, 42 ULBs (UIG) have achieved this reform completely. 52 ULBs reported more than 50% collection efficiency."

63. On being asked about the remedial measures taken to achieve the reform, the MoUD in reply stated as under:—

"The Ministry is supporting the ULBs in implementing this reform by providing handholding support, conducting workshops, trainings to enhance the capacity etc...."

(vi) 90 Per cent Property Tax Collection Efficiency

64. The guidelines emphasized the need to implement the reform of 90 per cent collection efficiency of property tax. As per the MoUD's data, out of the 42 ULBs / Parastatals which had committed to this reform, 19 ULBs/ Parastatals had implemented the reform. Four ULBs/Parastatals though not committed to implement had implemented this reform before the target year. Audit observed that 10 (Vijaywada, Hyderabad, Visakhapatnam, Chandigarh, Faridabad, Bangalore, Mumbai, Pune, Shillong and Lucknow) out of 39 selected cities had reported success in implementation of this reform. In respect of five cities (Ahmedabad, Cochin, Indore, Rajkot and Raipur), collection efficiency of property tax was reported as more than 75 per cent.

65. The MoUD in their reply (May, 2012) stated that in Faridabad, collection efficiency was 58.71 per cent, as communicated by the State, Bangalore had achieved 91 per cent collection ratio in the Bruhat Bengaluru Mahanagara Palike area, as per June, 2011 Quarterly Progress Report (QPR). However, collection efficiency figure in whole Municipal area was not reported. The Ministry also reported that Ahmedabad and Rajkot had achieved 90 per cent collection efficiency, as per cycle 4 of Reform Appraisal Report.

66. In the above context, the Committee desired to know the reasons for the failure of 29 selected cities to assure 90 per cent or more collection efficiencies and the Ministry's plan to ensure successful implementation of this reform in all the selected cities. In reply, the MoUD stated as under:—

"Most of the ULBs have taken several steps to implement this reform and are in the process of achieving the 90% collection efficiency in property tax. Further, MoUD is supporting the ULBs in implementing this reform by providing handholding support, conducting workshops, trainings to enhance the capacity. The Mission Directorate is also providing human resource support through Project Management Unit (PMU), Project Implementation Unit (PIU) for speedy implementation of reform. As on date, based on the information available with the Mission Directorate, 29 ULBs of UIG have achieved this reform completely. 52 ULBs have reported more than 50% collection efficiency."

67. Subsequently, the Ministry submitted as under:—

"As stated above, the Ministry has been constantly making efforts for achievement of pending reforms in all ULBs. However, this being a complex reform, the ULBs are also being provided handholding support for achievement of reforms. As on date, based on the information available with the Mission Directorate, 30 ULBs have achieved this reform. 49 ULBs have reported more than 50% collection efficiency."

(vii) Introduction of Property Title Certification System in ULBs

68. JNNURM recognized the adverse effects of the manual system of registration. The objective of the reform on introduction of property title certification system in ULBs was to enable the cities in moving towards guaranteed title systems. It sought to create a public record of titles which would truly describe the property as well as the title and has a system for reflecting any transaction in real time. As per the MoUD records, none of the cities had achieved this reform. The MoUD replied (May, 2012) that this was one of the complex reforms, more so as land is a State subject. The Ministry further stated that the Department of Land Resources, Ministry of Rural Development, which were responsible for the matter had taken steps to facilitate this reform.

69. In the above context, the Committee enquired about the reasons for non-implementation of 'Property Title Certification System' in any of the cities. Considering that this was a complex reform and land is a State subject, the Committee further asked about the perspective with which this reform was envisaged to be implemented. In reply, the MoUD stated as under:—

"Most of the States have a revenue land record systems in place. Land being a State subject, Mission has clarified milestones such as, arrangement for reflecting property titles in a legal framework, Arrangement for adjudication for property title dispute, Notification of rules for smooth implementation and setting up administrative system/process. The MoUD has been constantly engaging the States/ULBs' for better management of land records & transparency in the same."

(viii) 100 Per cent Cost Recovery of Water Supply and Solid Waste Management Projects

70. A mandatory reform to be undertaken at the local body/city level was the levy of reasonable user charges by the ULBs and Parastatals with the objectives that the full cost of Operation and Maintenance (O&M) or recurring cost is collected within the next 7 years. It was, observed in audit that out of 39 Mission Cities selected for audit scrutiny, the mechanism for collection of user charges for water supply with the objective to meet the cost of operation and maintenance was reportedly achieved in 7 cities (Visakhapatnam, Ahmedabad, Pune, Imphal, Raipur, Lucknow and Haridwar) only. It was further observed that the mechanism for collection of user charges for solid waste management with the objective to meet the cost of operation and maintenance was reportedly achieved in 5 cities (Ahmedabad, Indore, Nagpur, Pune and Lucknow) only.

71. The Committee enquired about the reasons for establishing the mechanism of collection of user charges for water supply and solid waste management only in 7 and 5 cities respectively out of the 39 Mission Cities. In reply, the MoUD elaborated as under:—

“Ministry has envisaged reforms in institutional, financial and structural governance structure of the ULBs to make them efficient, accountable and transparent. However, reforms implementation had been a challenge. Besides, most of the smaller cities have inadequate capacity in terms of finance and human resource, which has led to slow achievement of reforms. The larger cities have, by and large, managed to shift to a more professional work orientation for better implementation of reforms. 100% O&M cost recovery in water supply & SWM is a dynamic process to be achieved every year. Most of the ULBs have taken several steps such as formulation of user charge policy, introduction of volumetric/telescopic tariff and revision of tariff in the process of achieving 100% O&M cost recovery. Moreover, this aspect being in the purview of State, the leadership of the State/UT Governments and the political will is extremely important to undertake this reform. Most of the ULBs have already established a mechanism of collection of user charges.”

72. On being asked about the present position of establishing the aforesaid mechanism in the remaining cities, the MoUD intimated as under:—

"Most of the ULBs have been collecting user charges for water supply based on flat rate basis or on ferrule basis. On persistent insistence by MoUD, the States and ULBs have taken several steps such as formulation of User charge policy, introduction of volumetric/telescopic tariff and revision of tariff to implement this reform. In some of the cities/towns where projects have been undertaken in water supply or solid waste management sector, the ULB has proposed to impose user charges after completion of this project. In view of the same, most of ULBs have improved O&M cost recovery. As on date, 40 and 23 ULBs have achieved more than 50% O&M cost recovery in water supply & SWM respectively."

(ix) Enactment of ‘Public Disclosure Law’

73. One of the State level mandatory reforms was the enactment of Public Disclosure Law. The goal of public disclosure is to institute transparency and accountability in the functioning of municipalities through publication of information pertaining to various facets of municipal governance, namely, personnel, particulars of administrative structure, finances and operations. JNNURM envisaged the enactment of a Public Disclosure Law (PDL) to ensure release of quarterly performance information to all stakeholders. As per the MoUD's data, there were 31 States/UTs which had committed to implement this reform, 20 States/UTs had implemented the reform by 2010-11. The nature and mode of implementation also varied in the States.

74. The MoUD replied (May 2012) that the Mission primarily focuses on the notification of the law. In Nagaland, Sikkim, Chhattisgarh, Delhi and Uttarakhand, PDL had been implemented as per the Reforms Appraisal reports. In Bihar, executive orders had been issued by the State Government. In Puducherry — Amendment to

Municipal Act for enactment of PDL was approved on 21 February 2011 and notified in the Gazette of Puducherry *vide* No. 11 dated 10 March 2011. Moreover, all the ULBs/States were also covered under the RTI Act, 2005. The MoUD further stated that the advisory had been issued to the States.

75. In the above context, the Committee enquired about the reason for the enactment of Public Disclosure Law only in 20 out of 31 States/UTs, which had committed to implement it. In reply, the MoUD stated as under:—

“Most of the States/UTs have taken steps to implement this reform. In few of the States, due to administrative exigencies, draft bills are still pending at the State Cabinet for approval. As on date, 26 out of 31 States/UTs have implemented this reform in full. All the States/UTs have reported more than 50% achievement of this reform. Further, all the States/UTs have reported implementation of RTI Act.”

(x) e-Governance

76. Out of 62 ULBs / Parastatals which had committed to implement this reform by 2010-11, only 27 ULBs/Parastatals had implemented this reform. It was observed in audit that out of 39 Mission Cities selected for audit scrutiny, e-governance was not put into effect in 14 cities (Vijayawada, Ludhiana, Itanagar, Patna, Faridabad, Jammu, Dhanbad, Nagpur, Imphal, Kohima, Thiruvananthapuram, Kochi, Puducherry, Gangtok). In 14 other cities (Hyderabad, Visakhapatnam, Raipur, Delhi, Shimla, Ranchi, Shillong, Bhubaneswar, Madurai, Chennai, Nainital, Haridwar, Kolkata, Asansol). It was being implemented partially. e-governance was put into practice only in 11 cities (Chandigarh, Bangalore, Indore, Mumbai, Pune, Ajmer-Pushkar, Lucknow, Kanpur, Ahmedabad, Guwahati and Rajkot).

77. The MoUD replied (April 2012) that Vijaywada, Hyderabad and Visakhapatnam had achieved e-governance reform completely as per the reform appraisal report. It also stated that Faridabad had implemented all the eight modules of e-governance reform and Delhi and Bhubaneswar had achieved e-governance reform as communicated during review meetings in February 2012. The Ministry further replied that Madurai and Kolkata achieved the reform as per September 2011 QPR and by June 2012, 35 ULBs had achieved this reform.

78. In the above context, the Committee enquired about the failure of 35 ULBs/ Parastatals which had committed to implement the e-governance by 2010-11 failed to achieve the feat. In reply, the MoUD explained as under:—

“Following services are to be covered under this reform:

- Basic citizen services: Birth and death registration and health programmes.
- Revenue earning services: Property tax and licenses.
- Development services: Water supply and other utilities, building plan approval.
- Efficiency improvement services: Procurement and monitoring of projects.
- Back office improvements: Accounting and personnel management system.
- Monitoring: Citizen Grievance redressal.

All the ULBs have initiated the processes to achieve this reform but due to capacity constraints, at the Municipal level, several ULBs were not in a position to implement this reform fully. However, as on date, based on the information available with the Mission Directorate, 26 ULBs have achieved this reform in full. As on date, 53 ULBs have implemented 4 of the suggested 8 e-governance modules."

79. On being asked to explain why e-governance was not put into effect in 14 cities out of 39 Mission Cities selected for Audit scrutiny, the MoUD in their reply stated as under:—

“Presently, all these 14 cities are able to implement several modules like Birth & Death Certification, Citizens' Grievance Monitoring, water supply & other utilities, e-procurement, etc. However, due to capacity constraints and complexity of some modules, the implementation of remaining modules is still in progress. As reported, 3 (Nagpur, Thiruvananthapuram and Kochi) out of 14 cities, have achieved all the modules of e-governance reform.”

(xi) Revision of Building Bye-Laws for Streamlining the Approval Process

80. Revision of building bye-laws for streamlining the approval process was required as one of the reforms to be undertaken by States/cities to establish a simple, transparent and lesser time-consuming process that encourages development. As per the Ministry's data, out of the 63 ULBs /Parastatals which had committed to implement the reform for revision of building bye-laws for streamlining the approval process by 2010-11, 42 ULBs/Parastatals had implemented the reform. Analysis of information furnished by the MoUD, revealed that 21 ULBs (Chandigarh, Delhi, Panaji, Faridabad, Shimla, Jammu, Srinagar, Dhanbad, Ranchi, Aizawl, Puducherry, Gangtok, Dehradun, Haridwar, Nainital, Agra, Allahabad, Lucknow, Mathura, Meerut and Varanasi) which had committed to implement the reform by 2010-11, did not implement it.

81. In the above context, the Committee desired to know the reasons for non-implementation of the reform by 21 ULBs which had committed to implement the reform. In reply, the MoUD informed as under:—

“Most of the States/UTs have taken steps to implement this reform and revised building laws are prepared. In a few States as reported by them, due to administrative exigencies, draft bills are still pending at various stages. As on date, 58 out of 65 ULBs have, as reported, achieved this reform.”

(xii) Introduction of Computerised Process of Registration of Land and Property

82. JNNURM *inter alia* aimed at computerization of the process of registration of land and property, so as to deliver efficient, reliable, speedy and transparent services to citizens. The States/cities were therefore required to undertake steps to introduce computerized process of registration to bring in an efficient real estate market where transactions, *i.e.* sale and purchase of properties, can take place smoothly, without any barriers, and in a transparent manner. As per the MoUD data, out of 63 ULBs/Parastatals who had committed to implement the reform by 2010-11, 49 ULBs/Parastatals had implemented this reform.

83. The Committee enquired about the failure of the 14 ULBs/Parastatals which had committed to implement the computerized registration of land and property as envisaged in the reforms to achieve the feat. In reply, the MoUD stated as under:—

“Land is a State subject. Registration of property is done in different manners in different states as per their extant rules. Further, the Department of Land Resources, Ministry of Rural Development which is responsible for the matter has taken steps to facilitate this reform. As on date, 52 out of 65 ULBs have reported achievement of this reform.”

(xiii) Reform of Rent Control Laws

84. Amendment of rent control laws is one of the mandatory reforms. States were expected to implement the reform within the Mission period. Reform in the rent control laws were needed to meet the following objectives:—

- (i) Promoting supply of rental housing.
- (ii) Establishing a better balance between the interests of landlords and tenants.
- (iii) Reducing litigation under the rent control act.
- (iv) Making rent control act more effective to protect the legitimate interests of tenants.
- (v) Reducing complexity of the act.

85. Recognizing the negative impact and social tensions created by the rent control laws, the Government of India (GoI) came out with a Model Rent Legislation (MRL) in 1992. Analysis of information furnished by the MoUD revealed that 16 States/UTs (Andhra Pradesh, Assam, Bihar, Chhattisgarh, Goa, Haryana, Himachal Pradesh, Jammu and Kashmir, Jharkhand, Meghalaya, Puducherry, Punjab, Sikkim, Tamil Nadu, Tripura and Uttarakhand), which had committed to implement the reform by 2010-11, failed to implement it.

86. When the Committee enquired about the failure of these 16 States to implement the reform of “Amendment of Rent Control Laws” by 2010-11, the MoUD replied that 21 out of 31 States/UTs have achieved this reform as of March, 2014, Delhi had been exempted from this reform and the remaining 9 States were in a process to achieve this reform. According to the Ministry, some of them (excepting Maharashtra, Manipur and Odisha) had already achieved few milestones under this reform.

(xiv) Rationalization of Stamp Duty to 5 Per cent

87. JNNURM required the rates of stamp duty to be brought down to 5 per cent or less (including the surcharge that ULBs levy in several States) within the Mission period. It was expected that a reduction in the rate would help to develop a healthy real estate market, by providing boost to the economy, and reduce the size of the black money. It was also expected that reduction in stamp duty rates would lead to an increase in revenues both for the States as well as the ULBs.

88. However, out of 30 States/UTs selected for audit scrutiny, only 16 States/UTs (Andhra Pradesh, Chandigarh, Gujarat, Himachal Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, Meghalaya, Nagaland, Odisha, Punjab, Puducherry, Rajasthan, Sikkim, Uttar Pradesh, Dadra & Nagar Haveli) brought down stamp duty rates to 5 per cent. In Dadra and Nagar Haveli, the rate of stamp duty was even lower than the envisaged five percent *i.e.* one per cent. In the remaining 13 States/UTs, rates continued to remain over 5 per cent (Arunachal Pradesh, Assam, Bihar, Delhi, Jammu & Kashmir, Karnataka, Uttarakhand, West Bengal, Chhattisgarh, Daman & Diu, Kerala, Manipur and Tamil Nadu). In Haryana, stamp duty was 7 per cent (5 per cent plus 2 per cent ULB surcharge) for men and 5 per cent (three per cent plus two per cent ULB surcharge) for women in urban area.

89. The MoUD stated that in Arunachal Pradesh and Manipur, rationalization of stamp duty to 5 per cent had been achieved as per the reform appraisal agency report. The Ministry further intimated that in Uttarakhand, stamp duty was reduced to 5 per cent for men and 3.75 per cent for women in May 2011. Also in Puducherry, rationalization of stamp duty to 5 per cent has been done with effect from 30 October, 2011. In respect of Delhi, stamp duty is 4 per cent for women and 6 per cent for men and thus average of 5 per cent is as per Mission guidelines. This was not acceptable to Audit as it was to be reduced to 5 per cent in general and there was no such requirement of average reduction.

90. On being asked as to why the rate of stamp duty continued to remain over 5 per cent in 13 States/UTs, the MoUD in their reply stated as under:—

“The revenue from stamp duty is a major source of revenue for the State Government; therefore, many States are reluctant to reduce the stamp duty rates to 5% level, apprehending a fall in the State's revenue on reducing the rate of stamp duty. As on date, 18 out of 31 States/UTs have implemented this reform.”

91. To a specific query as to why did the Ministry include this reform for implementation in view of the fact that revenue from stamp duty was a major source of revenue for the State Governments, the MoUD in their reply intimated as under:—

“High rates of stamp duty lead to undervaluation of properties, resulting in substantial loss of revenue to the States and ULBs. High stamp duty rates also hamper development of the economic system, and adversely affect growth. Reduction in stamp duty rates motivates public to show right valuation of properties. It also motivates more and more people to register their properties, which in turn enhances State's revenue.”

(xv) Response of the MoUD on the Implementation of Reforms

92. The MoUD in their reply (May 2012) acknowledged that the requirement of implementation of each of 23 reforms by ULBs and States, big or small, in 7 years had been too ambitious, particularly with the varying capacities of the ULBs. The MoUD explained that one must acknowledge and appreciate the fact that States and cities made concerted efforts to achieve these reforms. It was stated that 7 years of implementation of JNNURM has exposed major lacunae within the ULBs in terms of

capacity and resources which are highly inadequate to implement urban reforms. It was also stated that the Ministry had embarked upon a number of capacity development initiatives to bridge this gap. The Mission Directorate has undertaken a Rapid Training Program (RTP) on Governance and Reforms, extended assistance for preparation of DPRs and supervision and monitoring of project implementation. More than 1800 staff of ULBs and Parastatals and over 2000 elected representatives had undergone training across various cities.

93. In addition to the above, the States have been advised to implement various reforms in both letter and spirit in order to ensure that the benefits envisaged out of implementation of the reforms are fully realized. The present tenure of the Mission was over on 31 March, 2012. The Government had given 2 years extension, *i.e.* upto 31 March, 2014 for achievement of the reforms. The States have been advised to achieve the pending reforms within the extended period.

94. The MoUD (April and May, 2012), also stated that the Ministry had envisaged reforms in institutional, financial and structural governance structure of the ULBs to make them efficient, accountable and transparent. The Ministry explained that though they laid a great emphasis on implementation of 23 reforms, the implementation was a huge challenge. Besides, most of the smaller cities have inadequate capacity in terms of finance and human resource, which has led to slow achievement of reforms. The larger cities have, by and large, managed to shift to a more professional work orientation for better implementation of reforms. The Ministry also felt that for implementation of reforms, the leadership of the State/UT Governments and political will is extremely important. The fact that no provision was made for funding of implementation of reforms has also had an adverse impact.

95. In the above context, the Committee enquired about the reasons for non-implementation of reforms according to timeline committed in the Memorandum of Agreement (MoA) by the States. In reply, the MoUD apprised as under:—

“Reforms implementation has been a challenge. Besides, most of the smaller cities have inadequate capacity in terms of finance and human resource, which has led to slow achievement of reforms. The larger cities have, by and large, managed to shift to a more professional work orientation for better implementation of reforms. Reforms such as Rent Control Law, Transfer of 12th Schedule functions under 74th CAA and Community Participation Law have been difficult to implement. At ULB level, reforms relating to e-governance, property tax and 100% O&M cost recovery of services are complex to implement. Due to these constraints, States/UTs/ULBs have taken more than committed time.”

96. When asked about the latest status of the implementation of each of the reforms, the MoUD in their reply submitted as under:—

“Reform appraisal agencies submitted their appraisal report as on March 31, 2014. Significant progress was noted in State level reforms, where most of the commitments were achieved. It was found that 86% of the State level reforms and 84% of the optional reforms committed had been completed. In terms of

ULB level reforms, the figure is slightly lower at 79%. The overall state achievement is 83%."

97. The information furnished by the Ministry indicated that the progress of some reforms like Solid Waste Management, Water Supply, Reform in Rent Control etc. was low. Asked about the steps taken by the Ministry for achievement of these reforms within the extended period, the MoUD replied as under:—

“The Ministry have also taken initiatives to encourage States/ULBs to implement the reforms. Hon'ble Minister of Urban Development and Housing and Urban Poverty Alleviation, Government of India has sent a reminder (dated 14th August, 2014) to all the Chief Ministers of the States which have not completely implemented the ' Constitution (Seventy-Fourth) Amendment Act'. This reform includes 4 Milestones, *i.e.*, Constitution of Municipalities and Elections, transfer of 12th Schedule functions (18 Functions) to ULBs, Constitution of DPC and Constitution of MPC.”

98. Further, the Committee desired to know about the steps initiated to expedite implementation of reforms as envisaged in JNNURM such as considering suitable incentives to be given to those States which are implementing reforms. In reply, the MoUD informed as under:—

“The MoUD has constantly engaging with the States/UTs and ULBs for achievement of Reforms. It has also constantly evaluated and updated the progress of reforms through different mechanisms like review meetings, appointment of RAAs, workshops and conferences and other CB measures. Reform achievement is dynamic process and through the years there has been perceptive improvement as shown in the chart below.”

“No provision was made under the Mission for funding of expenditure for implementation of reforms. The Guidelines of JNNURM don't provide for incentivisation on achievement of reforms. The Guidelines were approved in 2005; each State/UT has reported different status of preparedness of reforms keeping in view their cultural, administrative and legislative challenges.”

99. On being asked about the action taken by the Ministries against the States/UTs which did not implement reforms as per timeline committed in the Memorandum of Agreement, the MoUD in their reply stated as under:—

"Many reforms to be achieved by States/ULBs need ratification by State Government and Legislature. Thus achievement of reforms has been found to be complex and challenging, depending upon the Legislative approvals in the States. Eight years of implementation of JNNURM has exposed major lacunae within the ULBs in terms of capacity and resources which are highly inadequate to implement urban reforms. The Ministry has embarked upon a number of capacity development initiatives to bridge this gap. The MoUD has also stressed upon the States/UTs for having a professionally skilled municipal cadre."

VI. City development plans and detailed project reports

100. One of the objectives of JNNURM was the planned development of identified cities including peri-urban areas, outgrowths and urban corridors so that urbanization takes place in a dispersed manner and 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 Parastatal for every identified Mission City which 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.

101. The DPRs for the proposed projects were required to be prepared in great detail, depicting all relevant information, detailed drawings, topographical survey and soil investigation; economic and financial analysis; planning and design criteria; environmental impact assessment; map of city showing existing and proposed flyovers, road network; schedule of rates, detailed measurement and basis of adoption of rates, operation and maintenance cost; phasing of expenditure etc. The MoUD had also developed toolkits for preparation of CDPs and DPRs. Audit scrutiny has, however, revealed that in the selected States/UTs, the CDPs and DPRs were not always comprehensive and complete and in some cases the DPRs of individual projects had no co-relation with the CDPs. Other deficiencies like lack of details about availability of land, incomplete DPR etc. were also noticed.

102. The MoUD replied (May, 2012) that most of the States and cities had included detailed investment plan emerging out of the CDP in which they had also prioritized the areas and sectors in which projects were to be taken up. However, as preparation of DPR was capital intensive, many States and cities had not prepared DPR. Further, allocation within the JNNURM was not sufficient for these works to be taken up. Within the framework of the CDP, the prioritization of the projects was the prerogative of the State Government. The Government of India considers projects based on the recommendation of the State Government within the overall allocation of the State. The MoUD during exit conference stated that steps had been taken for empanelment of consultants for preparation of revised CDPs.

103. In the above context, the Committee enquired about the reasons for approving deficient DPRs which did not have co-relation with CDPs and lacked critical details such as availability of land etc. In reply, the Ministry submitted as under:—

“The DPRs are prepared by the ULBs or the respective Implementing Agencies and approved by the City/Town Council. Thereafter the DPRs are appraised and approved by State Level Sanctioning Committee (SLSC). The technical appraisal is done by the Central appraisal agencies in Government of India and DPRs are proposed before CSMC or CCEA for consideration and approval. Based on

learning's of the Mission, there it is the effort of the Ministry to ascertain land availability before sanction of a project.”

104. The Ministry further stated that they considered DPRs which have co-relation with CDPs in major aspects of the projects and the issue of availability of land was also ensured while releasing instalments.

105. When asked to explain the procedure of approving DPRs in this regard, the Minister of Urban Development in their reply apprised as under:—

“Para 18.6 of the UIG guidelines provide for enablement of preparation of city development plans and the detailed project reports. The JNNURM was the first large-scale intervention in the urban sector by the Government of India. Keeping all this in view, a tool-kit for preparation of CDP was prepared to facilitate and assist the States Capacity Building Activities were also initiated. In response to this CDPs of 65 Mission Cities towns were prepared. The DPRs have to emerge from the CDPs for the UIG Mission towns. The DPRs are prepared by cities and States and approved by the Urban Local Bodies. These are considered in the MoUD.”

106. To a pointed query as to what level the incomplete DPRs were approved, the MoUD in their reply stated as under:—

“The technical appraisal is done by the appraisal agencies in Government of India and DPRs recommended by States/ UTs are proposed before CSMC or CCEA for consideration and approval.”

107. As measures for having city development plans, the Secretary, Urban Development apprised the Committee during evidence as under:—

“Sir, it is just by way of clarification. What you are saying, in spirit, is 100 per cent correct, and I can assure you that we are alive to the situation. We have empanelled consultants now, having realised that States are having shortage of manpower and so on and so forth. We have empanelled something like 80 consultants for preparation of City Plans. We have given them training, and we have got the CDP toolkit and guidelines. The toolkit is a hands-on document about preparation of Plan. We have given them training. We have released their list on the website as well as written to the States to make use of their services.”

108. On being asked whether there exist any mechanism in the Ministry where the authority/person responsible for formulation of City Development Plan ensure its formulation during his/her tenure, the MoUD in their reply intimated as under:—

"Urban Development is a State Subject. The CDP is prepared by the ULB and tenure of the Officers working for ULB is decided by the State Government."

109. Asked whether any responsibility had been fixed on the erring officials, the MoUD replied as under:—

“Action for fixing responsibilities have to be taken by the respective States/UTs have given reply in this regard.”

VII. Implementation of Housing Projects

(i) Status of Housing Projects

110. From the 1517 projects (499-BSUP for 65 Mission Cities and 1018-IHSDP for the remaining cities/towns), 82 projects were selected for audit scrutiny out of which 53 were under BSUP and 29 were under IHSDP. It was seen that 7 of these selected projects had not even been started and 1 project was abandoned. Only 1 selected project *i.e.* Housing for Urban Poor at Bawana, Narela and Boragarh, BSUP, Delhi sanctioned in 2007-08 was reportedly complete. The remaining 73 projects were still incomplete. It was observed that while very few projects were completed in their entirety, even the position of completion of DUs was only around 26 per cent. The position of the completion of DUs in March, 2011 was as under:—

	BSUP (Percentage)	IHSDP (Percentage)	Total (Percentage)
Total dwelling units approved for construction (new plus upgradation)	1066161	540756	1606917
Dwelling units completed	296081 (27.77)	121421 (22.45)	417502 (25.98)
Dwelling units in progress	307985 (28.89)	135580 (25.07)	443565 (27.60)
Dwelling units occupied	145592 (49.17)	75219 (61.95)	220811 (52.89)

111. Thus, out of the ₹16.07 lakh DUs approved, only ₹4.18 lakh DUs (26 per cent) were completed by 31 March, 2011. Further, out of this only ₹ 2.21 lakh DUs (53 per cent) were occupied.

112. The MoHUPA explained (April, 2012) that a single project under BSUP or IHSDP might comprise of redevelopment of various slums and as soon as houses and related infrastructure of a slum was complete, the houses were occupied by the beneficiaries even though the project on a whole might not be completed. Thus, completion of DUs is the most important indicator for the Ministry. The MoHUPA also provided (June, 2012) the latest position stating that out of ₹16 lakh DUs approved, ₹ 6.20 lakh (39 per cent) DUs had been completed and ₹ 3.75 lakh (60.48 per cent of the completed DUs) were occupied as of June, 2012. The MoHUPA attributed (June, 2012) the reason for the project not taking off to the non-availability of litigation free land. It further stated that the ceiling cost of ₹80,000 per DU as central share, under IHSDP had upset many ULBs considering the spurt in input cost.

113. In the above context, the Committee further enquired about the reasons for non- commencement of seven projects and abandoning one project out of 82 projects selected for Audit scrutiny and the present position of the projects. In reply, the MoHUPA in their reply stated as under:—

“Reasons for the non-commencement of seven projects and abandoning of one project are non availability of suitable land. Now work has started in some of these projects.”

114. The Committee also asked about the non-completion of 73 out of the above said 82 projects selected for Audit scrutiny and completion of only 26 per cent of ₹ 16.07 lakh DUs approved under BSUP and IHSDP by 31st March 2011. In reply, the MoHUPA explained as under:—

“Ministry has all along been monitoring the progress of the projects in terms of completion of Dwelling Units (DUs). As on 17.10.2013, 740706 DUs have been completed out of 1562728 DUs sanctioned under the JNNURM (BSUP & IHSDP). The progress in terms of completion of project is low. The reasons for slow progress are below:—

- Projects have witnessed large cost escalations, due to rising prices of steel and cement amongst other factors, States and Urban Local Bodies are not able to meet such cost escalation. Government of India, under the JNNURM Scheme has decided not to fund any cost escalations.
- In IHSDP component, cost ceiling was artificially imposed at ₹ 80,000 per Dwelling Unit which was revised in 2009 to ₹ 1 lakh per DU effective from 1.4.2008. This ceiling translated to a heavier burden on the States / ULBs resulting in stalling of projects. Instead actual cost under IHSDP was also higher than ₹ 1 lakh and this coupled with large cost escalation, has very adversely affected the progress of IHSDP projects especially in the States / ULBs which are not able to fund the enhanced cost.
- Difficulties in making slum residents temporarily relocate in the case of *in situ* projects;
- Inability of beneficiaries to contribute their share; and
- Lack of availability of litigation-free land."

115. In this regard, the Secretary, Housing and Urban Poverty Alleviation elaborated in evidence as under:—

“We have done a detailed State-wise and city-wise review and we have come to the conclusion that almost 10 per cent of the projects cannot start because of various reasons like litigation, lack of land, lack of other things. Out of the other 90 per cent, we have seen that almost about 25 per cent of total number of houses, they are finding it difficult to complete it in time. Unlike UIG we have two major problems. First problem is escalation that we have mentioned. Under the IHSDP programme, there was an artificial limitation, of limiting this support by government per house to ₹ 1.25 lakhs to say about ₹ 4 lakh. So, what has happened is that one-third of the total number of houses, because it has been delayed by five to six years, there has been a huge escalation cost. The ₹ 42,000 crore worth of project that we have sanctioned has actually now gone beyond ₹ 60,000 crore. So, fundamentally there is a huge pressure on the cities to deal with the escalation cost. Secondly, under the IHSDP programme, no State and no city is able to complete a house within Rs. one lakh. So, most of them have remained unstarted.”

116. Giving the updated status as on 15th September 2014, the MoHUPA stated that out of 1,441,231 DUs approved, 1,05,041 DUs had been curtailed, 1,43,114 DUs were yet to be started, 844,062 DUs (58.5 per cent) had been completed and 620,074 DUs had been occupied. The Ministry further informed that out of the 73 Projects mentioned in audit report, all the DUs had been completed in respect of 14 Projects and overall all the DUs pertaining to 355 projects had been completed.

117. On being pointed out that even in cases where DUs were completed, the Ministry failed to ensure completion of projects in their entirety, the MoHUPA in their reply stated as under:—

“Ministry has been pursuing very actively with State Government / ULBs to complete DUs and associated infrastructure in order to complete the project in its entirety. It is humbly submitted that the Ministry was monitoring project progress on the basis of DUs completed and now has requested State Government for updating information on the completion of entire projects including occupancy thereof.”

118. The Committee further enquired about the occupation of only 53 per cent of the completed DUs and the steps taken to enhance the occupancy of the completed DUs. In reply, the MoHUPA submitted as under:—

“There is a natural delay between completion and occupation of DUs and it has got accentuated mainly on account of Slum Dwellers reluctance to shift to new location. State Governments are being pursued to allot and occupy the DUs completed under the Scheme.”

119. Asked about the initiatives undertaken to overcome the problem of low occupancy of DUs, the MoHUPA intimated as under:—

“Identification of beneficiaries and allotment of houses under the Scheme is under the domain of States/UTs. Ministry is pursuing with State/UT Governments at all levels to identify beneficiaries and allot constructed houses. At present 6,23,177 DUs (73.6%) have been occupied against 8,46,692 completed DUs. Ministry has also written to Chief Ministers and Chief Secretaries for completing the DUs for which construction is under progress and allotment of the completed houses as soon as possible. States have also been advised during the course of numerous CSMC/CSC meeting and Review meetings at Central/Regional and State level to take action to ensure occupancy of completed houses according to a time-bound action plan. In subsequent scheme of RAY, Ministry has insisted on whole slum approach so that all slum dwellers in that particular slum are identified as beneficiaries to avoid various problems which came in identification of beneficiaries during JNNURM.”

120. In this regard, the Committee noticed the innovative practice of giving JNNURM houses on rent to beneficiaries in Chandigarh. The Secretary, Housing and Urban Poverty Alleviation explained it in evidence as under:—

“The Chandigarh Government took a conscious decision of not transferring the entire ownership to the slum dwellers. They have relocated the slum dwellers.

But they have passed a law saying that each slum dweller will be asked to pay ₹ 800 per month as rent and live there. I have personally gone to those houses and they are very happy. They do not want ownership immediately. They do not want to pay any more upfront. They say that they are very happy that they have got a lovely house and they are paying only ₹ 800 and the Chandigarh administration is maintaining that. That was one of the points because of which we have introduced under the Rajiv Awas Yojana a rental component. Besides, the census operations clearly say that 27 percent of slum dwellers live in rental houses. Incidentally, even in slums survey shows 22 per cent of slum dwellers live in rental houses.

121. He added:—

“Basically at this moment what we have allowed is, we have allowed a municipality or a corporation or a developmental authority or a parastatal agency to construct houses. In fact, we have already sanctioned about ten projects. At this moment, we are not thinking of an individual private person to construct houses to give on rent. At this moment, we are a little restrictive. We are only allowing the municipality and the parastatals. So, we want to try it out.”

122. When the Committee pointed out the need for enlisting various groups/corporate houses which are guided by philanthropy in providing affordable houses to the poor in the slums, the Secretary, MoHUPA deposed in evidence as under:—

“As of now, like I said for group housing, we do not give so much of subsidy. But under the affordable housing and partnership scheme, it can come up. There we do not give 50 per cent and 75 per cent subsidy. There we give a subsidy which is about 10 to 15 per cent because we want that at least something is guaranteed because they will transfer it on a commercial basis to the buyer. So, these groups can come there. Once it is beneficiary-led then that administrative expenses of 15 to 20 per cent tends to get reduced. I have seen many houses in Kolkata where people have actually constructed their houses within an amount which is not really ₹ 3 or ₹ 3.5 lakh. They own a piece of land. They built over a period of time small houses which are very decent houses and that has not cost them a fortune. In many places that can happen. So, beneficiary-led construction, we know will bring down the cost which the CPWD measurement does.”

123. The Committee drew the attention of the witnesses that the CPWD cost was usually inflated. The Secretary, MoHUPA submitted as under:—

“That is why we have also allowed community-led construction. One is, individuals will construct on their own. The second is, the community as a whole or a NGO wants to take up a construction, we have allowed that because I have seen it, not in this Ministry but in a different Ministry, when you allow the drinking water system to be set up by Gram Panchayats and community-led organisations, the cost has come down by about 12 to 14 per cent, which is substantial.”

124. The Ministry's information revealed that 1,43,114 DUs were yet to be started. On being asked about the action taken by the Ministry in cases where projects were not started, the MoHUPA in their reply stated as under:—

“The main reason of non-start of project is lack of availability of suitable land. Ministry has been pursuing with State Governments to make land available for these projects. It is submitted that under the scheme it is the responsibility of State Governments and cities to make the land available and Government of India does not fund procurement of land under this scheme except North-East. State Governments have been requested to either start the project by October, 2013 and complete in the extended period *i.e.* till March, 2015 or drop the project/dwelling units. Ministry is pursuing with States to complete these projects.”

125. During evidence, the Secretary, MoHUPA apprised the status of projects implemented by the MoHUPA as under:—

“1517 projects at a cost of over Rs. 20 thousand crore, with central share, have been approved. Out of the houses that we wanted to complete 14.14 lakh houses ultimately sanctioned, 58 per cent of the houses have been completed. A large number of houses, around 3.5 lakhs are under progress. They are still under construction and we had taken a very practical decision of cancelling over one lakh houses since the tendering process etc. have not been done even today, these houses have no chance of getting completed by the project time end. The decision was hard but with this we will be able to adjust all the money which is lying with the State Governments and we will also be paving a very clear ground for starting our new programmes.”

126. In a subsequent note, the MoHUPA stated about completing the remaining Dwelling Units as under:—

“Ministry has been pursuing with the State Governments for curtailment of the non-started DUs. As per the proposals received from State Governments, CSMC has curtailed 1,05,041 DUs in the month of September, 2014 on account of them remaining non-started till date. As on date about 1,43,114 DUs are still remaining non-started for which discussion with States are ongoing to either take up these for construction at the earliest or drop them. Hence, no further extension for completion of non-started DUs are envisaged.”

(ii) Progress of Housing Projects in Major States

127. It was observed from the Ministry's records that as of June 2011, 69 per cent (*i.e.* 7,860.75 crore out of 11,349.48 crore) of the total ACA for BSUP and IHSDP projects was released to just 6 States of Andhra Pradesh, Gujarat, Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal. In these States, the progress of housing projects was slow and none of the housing projects were fully complete. As per the MoHUPA, as on January 2012, in respect of BSUP, out of the 7,14,113 DUs sanctioned in these 6 States, 3,14,654 DUs were completed. While in respect of IHSDP, out of the 3,22,394 DUs sanctioned, 1,08,176 DUs were completed. Thus, by the Ministry's own admission, only 44 per cent and 34 per cent DUs of BSUP and IHSDP, respectively, were completed in the 6 States, which had taken the lion's share of the total ACA.

128. In the above context, the Committee desired to know whether the Ministry have devised any mechanism to reduce the cost of construction of houses under the JNNURM project. In reply, the MoHUPA submitted as under:—

“In JNNURM the use of local material and design to reduce the cost of construction was envisaged. Under IHSDP, the cost of construction was limited to one lakh per dwelling unit. The autonomous organization under the Ministry *i.e.* BMTPC periodically comes out with the technology and material to reduce the cost of construction. Beneficiary led execution has also been envisaged for faster execution and reduction in the cost of construction.”

129. There was no per dwelling unit cost ceiling in BSUP component of JNNURM. However, ceiling of ₹ 1 lakh per dwelling unit was provided in IHSDP component of the Mission and this was one of the most important reasons for slow progress in IHSDP. Further, the cost ceiling under Rajiv Awas Yojana for the 12th Plan had been kept at ₹ 4 lakh for towns and cost cutting had been increased as per repeated requests of State Governments and cities. Subsequently, cost ceiling under JNNURM had been increased to ₹ 5 lakh for bigger towns and ₹ 4 lakh for smaller towns, In evidence, the Secretary, MoHUPA elaborated on the increase in ceiling as under:—

“One thing that I want to clarify to the Committee is when we allow ₹ 4 lakh, we say that 75 percent of this money will be spent on housing and another 25 percent of the money will be spent on the infrastructure development of that particular area. So, effectively what we are telling them is that they can construct a house within ₹ 3 lakh ; they should spend Rupees one lakh in improving the surrounding areas like roads, drains, water supply, electricity, community centre and those kinds of things. So, that is the average that has been permitted.”

130. Asked whether any study was conducted before increasing the ceilings, the MoHUPA in their reply merely intimated as under:—

“Under JNNURM in the year 2010-11 and 2011-12 the average cost of per dwelling unit including infrastructure was ₹ 4.57 lakh and ₹ 4.81 lakh. Therefore, keeping in view the increase in cost of construction over last two years and per dwelling unit average cost of ₹ 4.5 lakh, it has been decided that cost ceiling of per dwelling unit including infrastructure would be 5 lakh for bigger towns (population more than ₹ 5 lakh) and ₹ 4 lakh for smaller towns (population less than ₹ 5 lakh). It is submitted that cost ceiling has been increased from ₹ 1 lakh to ₹ 4 lakh in view of the increased cost of construction.”

131. In this context, the Committee pointed out in evidence the need for cheaper houses especially the fabricated ones. The Secretary, MoHUPA submitted as under:—

“Sir, we have an organization called the Building Material and Technology Promotion Council which is tasked to find out alternative technologies for building materials and houses. They have gone through a global tendering process. They have identified eight technologies which can be implemented, out of which we have given three of them the test certificate, in the sense that they have started working in India. The EWS houses that we are building are already the lowest cost houses. The only other houses which are cheaper than them is the *mitti ka ghar* like you call it, you can do it in the village, but in the urban housing sector, a pre-fabricated house today, we tried it out in Karnataka,

is turning out to be 60 per cent more expensive. But if there is a bulk order, which again we tried out in many towns, if the number is around 2000 or 3000, then of course the cost becomes almost comparable. It is about 8-10 percent higher. That we are doing as a trial method."

(iii) Identification of Beneficiaries

132. Audit para reveals that there were deficiencies in identification of beneficiaries of housing projects of BSUP and IHSDP. No beneficiary survey was conducted for the BSUP project at Karasingsa (Itanagar), Arunachal Pradesh. Biometric identification of beneficiaries was not done in respect of the BSUP scheme at Patna Phase IV, Patna, Bihar. The Municipal Commissioner, Shimla did not conduct any survey of eligible beneficiaries prior to sanction of Ashiana-II, a housing scheme for urban poor in Shimla town, Himachal Pradesh. In the IHSDP Project in Jamnagar, Gujarat. All the beneficiaries had not been identified at the stage of the DPR. In the IHSDP Project in Ramnagara, Karnataka, there were 444 beneficiaries in the DPR but the project proposal was for construction of 1800 houses. For the BSUP project in Imphal, Manipur, a household survey for identification of beneficiaries was conducted in 2007 at a cost of ₹ 14.70 lakh. However, the Imphal Municipal Council selected the beneficiaries recommended by the elected members rendering the expenditure on the survey infructuous. Under the project construction of 432 tenements under IHSDP at Karaikol in Puducherry, all of the 432 beneficiaries were yet to be identified as of November, 2011.

133. Under BSUP/IHSDP projects in Lucknow and Ghaziabad, Uttar Pradesh, 295 houses constructed under the scheme were allotted to the beneficiaries other than those mentioned in the DPR by the order of District Authorities indicating that willingness of the beneficiaries was not taken at the stage of DPR. Under BSUP, Kochi Phase-II Individual Houses, Kerala, Audit noticed that the beneficiaries of three colonies (Panayapally, Pattathiparampu and Chilavannur) were corporation employees with regular source of income who were not eligible for assistance admissible under the scheme. In the BSUP project in Kohima, Nagaland, though the beneficiary identification was said to be done for 3504 Dwelling Units, the SLNA stated in June, 2011 that the genuineness of the selected beneficiaries would be reviewed before issue of biometric card and uploading on the website. In case of Urban renewal project—Dabua Colony, Faridabad, Haryana, sanctioned in 2006-07 scrutiny of records revealed that out of 1834 Dwelling Units completed with a cost of ₹ 38.96 crore, only 202 Dwelling Units were handed over the beneficiaries as the process of identification of beneficiaries had not completed. Besides, biometric identification, which was required to be done under JNNURM, was not conducted for housing projects in Chhattisgarh, Integrated Housing Project for slum dwellers of Rajarghat, Kachharipara and Hatgachia areas at Mouza Boinchtala under BSUP, BSUPs in Kolkata, Asansol Phase-III, Bardhaman and IHSDP Siliguri, BSUPs in Chennai, Tamil Nadu.

134. In evidence, the Secretary, Housing and Urban Poverty Alleviation deposed in this regard as under:—

“The other important observation that has been given by the paragraphs is the non-identification of the beneficiaries. They have cited a few cases in which

complete identification of the beneficiaries did not take place. We totally agree with that. In some cases, supposing there were thousand people to be identified, they have identified only 500 and so the projects were sanctioned with the promise that rest 500 beneficiaries will be selected subsequently, but in real life situation they have turned out to be very difficult and as you must have read in the newspaper that Delhi is the best example where thousands of houses have been constructed and Delhi still have not been able to identify the beneficiaries.”

135. The Committee sought the reasons for not doing beneficiary surveys/ biometric identification of beneficiaries. In reply, the MoHUPA stated as under:—

“The responsibility of identifying the beneficiaries was with the State Government and ULBs. Identification of beneficiaries was the pre-requisite condition before sanction of all the projects. But in few cases, projects were approved while beneficiary identification was in progress on the request of States. States were asked to complete the identification process soon. It is further submitted that BSUP and IHSDP guidelines do not envisage Socio-economic Survey and biometric identification, but the States and UTs were advised during the course of various CSMC/CSC meetings for conducting socio-economic surveys of potential beneficiaries including preparation of bio-metric cards, wherever feasible, to avoid the possibility of sale, misuse of housing units allotted to properly targeted beneficiaries. Further, States were advised, in case of time constraint, to proceed for a rapid survey for identifying beneficiaries, their main and subsidiary occupations, their educational profile and felt needs so as to design appropriate social infrastructure for each project. Most of the States have identified beneficiaries while others like Bihar due to capacity constraints/non-availability of land/ delay in execution of projects, inspite of constant persuasion of Ministry, did not take socio-economic survey or identify the beneficiaries.”

136. The MoHUPA further stated as under:—

“The responsibility of identifying the beneficiaries was with the State Government and ULBs and it was expected that while submitting the DPRs, ULBs will prepare the list of beneficiaries. Later on CSMC also desired that bio-metric survey of beneficiaries can also be carried out. In most of the projects the list of beneficiaries were submitted by State Government and ULB at the time of DPR. Thereafter because of various local factors, in some projects, list of beneficiaries was requested to be amended by the States. CSMC allowed States to amend the list of beneficiaries as per their requirement. Ministry has been pursuing with States for carrying out bio-metric survey of allottees or linking of beneficiaries to their UID for unique identification of beneficiaries.”

137. Asked why were the houses constructed under JNNURM allotted to the beneficiaries other than those mentioned in the DPR and why was the willingness of the beneficiaries not taken at the stage of DPR, the MoHUPA in their reply submitted as under:—

“Identification of beneficiaries is undertaken by implementing agencies and the concerned State Governments. In case the intended beneficiaries were not willing

to shift to other locations, the other beneficiaries may have been included in the projects by the States/ULBs as per their criteria.”

138. The Ministry further stated as under:—

“State/ULB submit DPR along with list of beneficiaries and for the relocation of projects consent of beneficiaries was mandatory. Various local factors including delay in execution of projects resulted in change of list of beneficiaries which was consented to by CSMC.”

139. On being asked what action had been taken against the States/UTs which failed to ensure identification of targeted beneficiaries, the MoHUPA in their reply stated as under:—

“States/UTs have identified the beneficiaries at the time of submission of DPR barring few projects.”

140. To a pointed query as to whether the Government of India have reviewed the status of all housing projects and stepped up the efforts to make allotment of Dwelling Units to eligible beneficiaries, the MoHUPA in their reply stated as under:—

“Ministry constantly reviews the progress of IHSDP and BSUP component in Central level meetings or Regional level meetings. Ministry also review a progress and allotment of these dwelling units to suitable beneficiary with State. Ministry has written to all States for allotment constructed dwelling units to intended beneficiaries as soon as possible.”

141. In this regard, the Ministry elaborated as under:—

“Ministry is pursuing with State Governments at all levels to identify beneficiaries and allot constructed houses. At present 6,20,074 DUs have been occupied against 8,44,062 completed DUs. Ministry has also written to Chief Ministers and Chief Secretaries for completing the ongoing DUs and allotment of the same as soon as possible. In Delhi, DUs are not allotted because Delhi Government is not able to finalise its policy. Ministry has taken up with Delhi Government on this issue many times. It is learnt that Delhi Government is about to finalise its policy of allotment. In subsequent scheme of RAY, Ministry has insisted on whole slum approach so that all slum dwellers in that particular slum are identified as beneficiaries to avoid various problems which came in identification of beneficiaries during JNNURM.”

(iv) Delays due to Non-availability of Land

142. A major reason for projects not being taken up at all and delays in progress was due to non-availability of land. In some cases land was made available only partly. Thus all the proposed dwelling units could not be constructed. In some States/UTs, it was also seen that the land identified was already occupied by others and therefore not available. Further, the projects were required to be completed in 12 to 18 months from the date of sanction thereof as per decision taken in 26th meeting of CSMC. However, Audit came across 18 cases in 16 States/UTs, where due to delay in land acquisition, housing projects could not be completed within the stipulated period.

143. The Committee enquired about the reasons for failing to ensure timely availability of land for the housing projects and the steps taken by the Ministry to overcome the delay in acquisition of land so that housing projects are completed on time. In reply, the MoHUPA stated as under:—

“It is the responsibility of concerned State Governments and ULBs to make adequate suitable land available for construction of BSUP and IHSDP projects. In some cases there has been a problem of identifying the suitable land and in some cases after land has been identified, project could not take off because of litigation initiated by various private parties when ULBs started to construct dwelling units. Government of India has been pursuing with State Governments to allot suitable land or else drop the project. In view of inordinate delay, it has been impressed upon the State Governments that in cases where adequate land is not available, State Government should either curtail the dwelling units or drop the project.”

144. In evidence, the Secretary, MoHUPA apprised the Committee the lessons learnt by the MoHUPA from the experience of JNNURM as under:—

“But the lesson learnt is very clear that if there has to be a Government funded programme for housing for the urban poor, then the participation of the poor in planning and implementation of the programme choosing the location of the projects as well as the availability of the land which is still a very critical point. These things are absolutely essential and we could not deal with some of these things properly in our earlier programmes which have led to not only poorer physical performance as well as degradation of performance in a number of cases.”

(v) Action Programme for Controlling Mushrooming of Slums

145. During evidence, the Committee desired to know whether the Ministry had any action programme for controlling the mushrooming of slums in various towns. In reply, the Secretary, Housing and Urban Development deposed as under:—

“Sir, thank you for asking this question. The JNNURM programme is of course over in 2012. It has been extended by two years, that is upto 2014. The MoUD is working on it. But we have been able to get a new mission sanctioned and that is we call the Rajiv Awas Yojana for the period from 2013 to 2022. We have got the Cabinet approval last week. That programme has both the curative angle as also the preventive angle. Under the curative angle, we will continue to work on the existing slums improving on what we have experienced in JNNURM. Under the preventive angle there are two programmes which have been brought in. One is we allow rental housing to come up. We have said that under the Rajiv Awas Yojana we will support municipalities and States to set up rental housing. We have also come up with a programme in which we allow private sector developer to build houses for the poor and that is called the Affordable Housing Partnership Scheme. That is the second part. The third part now we are saying every new development must have a provision in which at least 15 per cent of the FAR of the 35 per cent of the dwelling units must belong to EWS category.

So, the new Rajiv Awas Yojana which has been approved last week by the Cabinet will have both the curative and the preventive side. We thought of suggesting to the State Governments to bring in a new law replacing the old slum re-settlement law. But that we are leaving it to the discretion of the State governments. We do not want them to be advised on what kind of legislation they should bring. Now this programme has inbuilt provision of both curative and preventive side.”

146. In a subsequent note, the MoHUPA stated as under:—

“The Ministry has launched implementation phase of Rajiv Awas Yojana envisioning a 'Slum-free India' on 3.9.2013. The guidelines of the scheme stipulate two pronged strategy to tackle slums— a) Curative Strategy for slum redevelopment of all existing slums; and b) Preventive Strategy for containment of growth of future slums. Under the curative strategy, the main steps are identification of all slums, slum mapping, profiling, tenability analysis, prioritisation based on assessment of housing and infrastructure deficiency in each slum, formulation of development options for each slum. For this each State has to prepare Slum Free City Plan of Action (SFCPoA) for the identified cities. Under the preventive strategy, the main steps would involve assessment of housing shortage for the urban poor, framing supply options for the urban poor and enabling policy reforms for supply of urban poor housing. Implementation of RAY is expected to address the problem of slum to a certain extent.”

147. Elaborating on the Rajiv Awas Yojana, the Secretary, Housing and Urban Poverty Alleviation submitted in evidence as under:—

“The fact remains that today in the urban scenario it is impossible to construct any house for less than ₹ 3-4 lakh. So, the remedial step that we have taken, only last week we have got the approval, is under the Rajiv Awas Yojana, that artificial limit of unit cost of ₹ One lakh has been removed and now we have been allowed to bring it up to ₹ 4 lakh.”

148. He elaborated:—

“The new programme what we are doing is we are targeting one million houses. It is because last year also under the JNNURM programme, even though we targeted almost 1.5 million we could not do it because with Rs. One lakh we could not do it. So, the Cabinet has allowed us that for the on-going programmes which is about three hundred thousand houses, they have allowed us one more year, from 2014 now it has been allowed up to 2015. But Cabinet has not given any additional money. What the Finance has told us is that we have to go and talk to the State Governments and let the State Governments pump in some more money and some of the States have already started doing it to complete the existing programmes and the other provision that we have been given is that those houses which could not be started under the old Rs. One lakh provision, they can be dropped and they can be transferred to new scheme. So, that remedial step has been taken. That is a huge relief under the new Rajiv Awas Yojana wherein we are in a position to implement a scheme. So, in the Rajiv Awas

Yojana we have done away with the concept of a Mission and a non- Mission city. Rajiv Awas Yojana is now available to the entire country. Any city can apply for it. The support systems are different. The support is, any town which has population more than half a million, Government of India will give 50 per cent support and for other towns, the Government of India will give 75 per cent support. In North-East the Government of India will give 80 per cent. The new Rajiv Awas Yojana which is going to replace JNNURM for Ministry of HUPA is going to be a much more liberal and well-conceived. That will take care of most of the observations that have been made by the Audit.”

149. He further explained:—

“Sir, unlike the MoUD, they have a large number of reforms to be implemented, we had three sets of reforms. One is of course internal earmarking of municipal Budget up to the level of 25 per cent. Most of the Mission Cities have reported that they have complied with this even though the actual allotment varies from city to city. Similarly, 20-25 per cent of developed land was to be earmarked which all the States and municipalities were finding it difficult. Now, that condition has been changed in the new Rajiv Awas Yojana programme. Third of course, the reform meant that basic services will have to be provided in the slums which are neither here nor there so that reform conditionality has been dropped. In its place, the new Rajiv Awas Yojana says that the slum dweller will have to be given a mortgageable long term lease hold right over the property that is occupied by the slum dweller. So, that is a new important condition which has been brought in. Fourth condition that has been brought in under the Rajiv Awas Yojana is that looking at the organisational structure of the municipalities, most of the municipalities are very weak and we are saying that at least by the end of this Five Year Plan period the municipalities should create a small cadre of people who deal with slum improvements, people who deal with community mobilisation. It is because under the Rajiv Awas Yojana community participation has been made a very important component right from the time of the slums survey to the preparation of DPR and other things. It has been done.

150. The Secretary, Housing and Urban Poverty Alleviation further elaborated on the Rajiv Awas Yojana as under:—

“The other recommendation that was made is the policy that there should be a stronger review of the programmes which, of course, goes without saying. But what we have done now is this. In the previous programme, it was project-based. So, there are two important changes that we have made in the Rajiv Awas Yojana. The first important change, of course, is the slum free City Development Plan. We have also suggested that for Slum Improvement Plan, survey of the entire town should be taken up but the DPRs will not be prepared for the entire town. We prioritise the slums and then we prepare the DPR. When we prepare the DPR, the whole slum has to be surveyed. Then, we have also developed a Project Monitoring System which tracks things—right from the time when the project is submitted till the time money is released, till the time instalments are released. In addition to that, there is monitoring of physical progress. You have

to give us a physical time-frame within which it has to be done like 24 months or 26 months. What is the physical progress that you want to achieve? That will also be incorporated in the Project Monitoring System.”

151. Regarding the change in funding pattern, he apprised as under:—

“The last and the most important point, of course, is that so far funding used to be under the Additional Central Assistance Scheme. As you know, for releases, we have to go to the Ministry of Finance. Now, the Cabinet has allowed us to proceed as Central Sponsored Scheme. For this year, of course, the Budget has been provided in the Finance Ministry's Budget, it will continue as ACA. But for the next year onwards, it will become a Central Sponsored Scheme. So, that is one new thing that has happened.”

152. Intimating that there is subsidized loan component of under the Rajiv Awas Yojana, he continued:—

“As a part of the preventive strategy which you have mentioned, the Rajiv Awas Yojana has also incorporated a new scheme. The Cabinet has approved it which we are calling as the Rajiv Rinn Yojana. Under this, any EWS and LIG beneficiary will be entitled to take a loan of ₹ 8 lakh for construction of a house of which the interest on the first ₹ 5 lakh loan will be subsidised by the Government of India to the tune of 5 per cent. So, we have calculated that if one takes a loan of ₹ 5 lakh, one gets an interest subsidy of 5 per cent and the EMI will actually come down to 25 per cent of his income. It shall be a big relief. So, the Rajiv Rinn Yojana has also been given sanction as a part of the preventive strategy of the Rajiv Awas Yojana. It was also approved last week in the Cabinet. That is the new important point that has happened in the Rajiv Awas Yojana which will make sure that more housing stock is created. So, Sir, I have tried to cover most of the points that have been given to me.”

153. When the Committee mooted the idea of integrating Corporate Social Responsibility with the Rajiv Awas Yojana, the Secretary, Housing and Urban Poverty Alleviation deposed in evidence as under:—

“For the Public Sector Undertakings — I am not talking of the private corporate sector - and the Ministries of the Government of India, we have earmarked 7 per cent of the total Rajiv Awas Yojana to be devoted to those slums coming up in the Ministries' list. For instance, Defence, Railways and others are there. All the PSUs related to the Ministries will have to pool CSR activities into this. That is permitted. Regarding the private sector, we have not really incorporated them. We think they will do it in a standalone method. If someone wants to spend this money in housing in the slums, we shall be more than happy. They can easily come under Affordable Housing in Partnership Scheme. That is allowed. All the Ministries, PSUs like Oil India have all been allowed to be partners in this Scheme now.”

154. Assuring that there would be no problem in identification of a beneficiary under the Rajiv Awas Yojana, the Secretary, Housing and Urban Poverty Alleviation explained in evidence as under:—

“Under the Rajiv Awas programme what we are suggesting and what we are mandating is that whenever you take up a slum, you take up the whole slum. A survey has to be done for the entire slum. It does not matter you do not treat 100 per cent of the slum dwellers, if some may have pucca houses, don't take them, but all the people would have to be identified. So, the beneficiary thing will be taken care of in the new programme. Second point was that even for one change in the name the file used to come all the way to Government of India and we had to sanction that change in name also. That has been dispensed with. We said that we do not want to get into all these micro level arrangements. It has to be handled at the level of the State and the municipalities. That was the second major problem with regard to the beneficiaries. The third important point that they mentioned was the establishment of the programme management unit and the city management unit. Theoretically, we have been able to set up 26 programme management units even though the staffing is not complete. For various reasons the staffing is not complete. In some States in case of 5, they have 3 and in the cities also they did not take up much because firstly the cities did not have much money to start with and secondly they were finding it very difficult. But we have reiterated this requirement under the Rajiv Awas Yojana. We have categorically said that these five to six people will have to be given to the States. We are also giving a separate direction to the States that in case the MoUD is already funding a project management unit and you have same people there, then do not replicate them and instead take new people so that they are of use.”

155. About the changes in the system to ensure recruitment of staff, the Secretary Housing and Urban Poverty Alleviation apprised in evidence as under:—

“What we have done is that we have issued a detailed circular about what kind of expertise is required, what kind of qualification is required, what is the salary to be paid etc. That has been issued and in fact we have been working at it for the last two years. So, many States have started recruiting these people. So, the kind of experts that we have allowed is an MIS expert, a GIS expert because we want a slum survey with GIS and MIS integration. We have also allowed them to take a town planner. We have allowed them to take a social development expert. We have allowed them to take an engineer because city engineers are generally not available for slums. We have also allowed them to take a capacity building and training expert. These six projects with specified qualifications and the salaries have already been indicated to them and they have started recruiting them. So, we will just dovetail them into the new programme.”

156. Detailing the improvements in the Rajiv Awas Yojana, the Secretary, Housing and Urban Poverty Alleviation further submitted as under:—

“I am very happy to say that most of the nine recommendations have been incorporated in the new Rajiv Awas Yojana. One very important point that you mentioned is about maintenance. In the Rajiv Awas Yojana, the Cabinet has

allowed us to spend four per cent of the project cost on maintenance. Under this Programme if the project cost is Rs. 1,000 crore, the Cabinet has allowed that under this Programme, we can earmark four per cent additional cost for the maintenance part. We have seen that in many housing colonies, creating a small maintenance kitty helps the slum dwellers. It helps the slum dwellers tremendously. In many places, voluntarily people have started contributing ₹ 20 or ₹ 40 or ₹ 60 per house. They have created small societies. So, to help them we will allow you four per cent maintenance grant so that you keep it as a kitty and then maintain it. That is one point that has been taken care of.”

157. When the Committee pointed out that the cost of the project *i.e.* house cost went up due to non-availability of enough land, the Secretary, Housing and Urban Poverty Alleviation apprised as under:—

“Sir, what we have seen is that, if you look at the census figures, you will see that—even in the slum areas, now we have got the figures for both urban and the slum areas – almost 65 to 70 per cent of the houses, the census has declared are good houses; about 22-23 per cent of the houses they have declared as liveable and 5-6 per cent of those houses have been declared as unliveable and untenable. This has been corroborated by another independent slum survey that we had started in about 1000 towns of the country of which we have figures of about 450 towns. This also is corroborated there. There also we have found that *in-situ* development of a house where cannot take place is not more than 5 to 10 per cent. The number of *kuccha* houses which are on untenable land is not more than 10 per cent. So, the Rajiv Awas Yojana is giving preference for *in-situ* development fully realising that land is a major problem. In fact, JNNURM suffered because of lack of land. We did not have enough land to start with. So, *in-situ* development will be a preferred choice under the Rajiv Awas Yojana and we are saying that you should take up relocation or re-settlement only in extreme cases of untenable land or where the housing is extremely *kuccha* and in bad condition.”

VIII. Implementation of Urban Infrastructure and Renewal Projects

(i) Status of Urban Infrastructure Projects

158. Urban Infrastructure Projects had been taken up under sectors like Water—Supply; Sewerage; Storm Water Drainage; Solid Waste Management; Urban Transport including Roads and Flyovers, MRTS; Development of Heritage Area; Preservation of Water Bodies, Urban Renewal; and Parking Lots and Spaces. In respect of UIG, in States like UP where there were 7 Mission Cities, not even a single project had been completed. In Delhi, only 4 projects were completed as against the 28 projects that had been sanctioned. The States where a comparatively sizeable number of projects had been completed were Gujarat, Karnataka and Andhra Pradesh. In Andhra Pradesh, 17 projects out of 50 had been completed. In Gujarat, 33 out of 71 projects had been completed. Similarly, for urban infrastructure projects under UIDSSMT, of the 766 projects approved, only 126 projects were completed.

159. The MoUD cited (April / May 2012) various constraints in implementation of projects which are being done by the State Government/ULBs in accordance with rules and procedures. The constraints cited included shifting of utilities, delay in receipt

of permission/clearances from various authorities, lack of capacity of ULBs and in land acquisition. They further stated that fund flow is dependent upon achievement of reforms in accordance with timelines agreed as per Memorandum of Agreement with States and ULBs.

160. In the above context, the Committee enquired about the reasons for dismal execution of infrastructure projects resulting in delay/non-completion/non-starting of projects. The MoUD replied as under:—

“Cited by the States, the reasons for slow execution of infrastructure projects resulting in delay/non-completion/non-starting of projects are due to delay in procurement process, delay in land acquisition, delay in shifting of utilities, delay in receipt of permission/clearances from various authorities like Railways, NHAI, Defence, Environment & Forests, lack of capacity of ULBs etc.”

161. On being asked about the efforts made by the Ministry to speed up the progress, the MoUD explained as under:—

“217 out of 539 projects sanctioned under UIG and 403 out of 806 projects sanctioned under UIDSSMT have been reportedly completed as on 30-09-2013; which is about 46% taking into account both the components. The other projects are at various stages of implementation. States/UTs have been requested to expedite implementation of projects. The implementation of the projects is being done by the State Government/Implementing Agencies/Urban Local Bodies (ULBs) in accordance with rules and procedures. The progress of the projects is being assessed through State Level Steering Committee (SLSC), State Level Nodal Agency (SLNA) and IRMA for the State. The Mission Directorate of the Ministry remains engaged with the State Government/SLNAs in continuous review of UIG & UIDSSMT projects. This is being done based on a work plan given by State Government eliciting quarterly targets for physical progress of the projects. During these review meetings, encumbrances and issues coming in way of implementation of the projects, inter-ministerial clearances etc. are discussed thoroughly. Apart from these, the implementation of reform agenda is also discussed. As informed by the State Governments, the progress has been slow on account of delay in procurement process, delay in land acquisition, delay in shifting of utilities, delay in receipt of permission/clearances from various authorities, lack of capacity of ULBs etc. The State Governments have been advised to look into the matter and remove the impediments coming in the way of timely execution of project, so that these projects are completed and the created assets are put to public use before 31st March 2014.”

162. Subsequently, the MoUD submitted in this regard as under:—

“The State Governments continue to report number of projects completed while submitting the QPRs. The information is also captured from IRMA reports. Completion certificates are also sought from the States. Based on this reporting, the Ministry has provided the number of completed projects. As on 31.08.2014, 242 projects in UIG and 454 projects in UIDSSMT have been completed with an overall completion ratio of 52 percent taking both subcomponents. Further,

as submitted and informed, projects are executed by the State Governments and wherever any issue was brought before the Government of India pending with central agencies, appropriate steps were before the Government of India pending with central agencies, appropriate steps were taken.”

163. Asked to State the normal period of completion of various urban infrastructure projects under JNNURM, the MoUD in their reply stated as under:—

“The normal period of completion of various urban infrastructure projects under JNNURM is about 2 years. However, this varies from project to project.”

164. Further, the Committee enquired about the steps taken by the Ministry to expedite the completion of JNNURM projects. In reply, the MoUD stated as under:—

“As brought out above, Review meetings with State Governments, SLNAs and ULBs have been conducted regularly by the Ministry for timely completion of the projects. In addition, a number of communications at the level of Chief Secretaries and Principal Secretaries (UD) have been sent to the States advising them to expedite completion of all the projects. As of now, no funds are being released and the States have been advised to complete these projects from their own resources.”

(ii) Status of Completion of the Selected Water Supply Projects

165. Out of 37 selected water supply projects (21 projects under UIG and 16 projects under UIDSSMT), 5 had not even been started and 1 project was withdrawn. Only 3 selected projects were complete. The remaining 28 projects were under various stages of completion.

166. The Committee desired to know the reasons for not starting 5 out of 37 projects selected for water supply project and the latest status of those 28 projects under UIG and UIDSSMT which were under various stages of completion. In their reply, the MoUD stated as under:—

“Out of 37 selected projects on Water Supply Sector, 16 projects pertain to UIDSSMT. Out of these 16 projects, 6 projects have been reported physically completed and the remaining number of projects is in progress except of Aurangabad in Maharashtra, progress of which is stalled due to court case. However, the Government of Maharashtra has ensured that the project would be completed by 31.03.2014. The reasons for non-starter projects are being requested from the State Governments.”

167. Subsequently, the MoUD in their reply elaborated as under:—

“Out of 18 projects under UIG, 7 projects have reportedly been completed. Out of 11 UIDSSMT projects, 7 projects have reportedly been completed. As per guidelines, projects in JNNURM are to be implemented/monitored by the State Government with the help of the ULBs/Parastatals in terms of rules/procedures of the State Government/UTs. Being first large scale intervention for upgradation of urban infrastructures and services in the cities all over the country, it was the learning process in projects preparation by the State Governments and its

implementation. For timely completion of the Projects, State Government/UTs are responsible for resolving the issue like availability of land, obtaining various clearances etc. In respect of remedial measures taken, DPR preparation/scrutiny checklist has been revised including the details for clearances as required. Later, before consideration of the new projects, State Government/UTs were insisted upon to sort out the issue like availability of land and requisite clearances to avoid delay.”

(iii) Delay in Execution of Water Supply Projects

168. According to Audit, there were delays in completion of several selected water supply projects due to lack of clearances or failure to take clearances from various agencies in time. Delays in water supply projects also took place due to delay in land acquisition and slow tendering process. Audit had noticed 11 such cases in 10 States/UTs.

169. The MoUD in their reply (May 2012) stated that it is for the ULB/State to take necessary clearances for execution of the projects. If clearances were awaited, these were mentioned in the report of the appraisal agency and reflected in CSMC minutes. In later stages also, it was looked into by CSMC/IRMA. In respect of the specific cases mentioned by Audit, the States were being advised to obtain necessary clearances in order to facilitate timely completion of projects. Further, in order to address the issues at the sanction stage itself, a checklist was being circulated to the States which provided for identification of anticipated bottlenecks as well as strategies to address them. The MoUD also stated that delay in award of tenders is one of the well known reasons for delay in implementation of projects.”

170. In the above context, the Committee enquired reasons for not taking timely clearances from the various agencies as it could have prevented the delay and desired to know the remedial measures taken. In reply, the MoUD explained as under:—

“As per guidelines, projects in JNNURM are to be implemented/monitored by the State Government with the help of the ULBs/Parastatals in terms of rules/procedures of the State Government/UTs. Being first large scale intervention for upgradation of urban infrastructures and services in the cities all over the country, it was the learning process in projects preparation by the State Governments and its implementation. For timely completion of the projects, State Governments/UTs are responsible for resolving the issues like availability of land, obtaining various clearances etc. In respect of remedial measures taken, DPR preparation/scrutiny checklist has been revised including the details for clearances as required. Later, before consideration of the new projects, State Governments/UTs were insisted upon to sort out the issues like availability of land and requisite clearances to avoid delay.”

(iv) Benchmarks laid down by the MoUD

171. The MoUD laid down in 2008-09 the indicators and their benchmarks with respect to water supply. These benchmarks require 100 percent water supply connections supplied all through 24 hours and with quality being 100 percent.

5 (Kolkata, Asansol, Dhanbad, Greater Mumbai and Patna) out of 65 Mission Cities under JNNURM were targeted for 24x7 water supply system. However, it was observed that these cities were not able to achieve this target.

172. Asked to explain the steps taken to achieve the service level benchmarks, the MoUD in their reply stated as under:—

“The Ministry has notified 28 indicators/parameters for improving service delivery in the field of Water supply, sewerage, Solid Waste and Storm water drainage (CPHEEO), which are to be achieved by the urban local bodies. During the process of approval of DPRs by the Ministry, the States/ULBs are asked to submit their commitment to achieve service levels on implementation of projects. Thus, in a way commitment to achieve SLBs is precondition before approval of any project. While apprising the DPRs, Central Technical Agencies also had examined this aspect and suggested to include it in the CDP Toolkit. Thereafter, CDP toolkit was revised incorporating the SLB indicators in CDP preparation checklist to ensure that ULBs adhere to and provide the current status of SLBs as well as improvements in achieving SLBs by implementing the new projects.”

(v) Status of Completion of Selected Solid Waste Management Projects

173. Out of 11 selected solid waste management projects, 6 projects under UIG and 5 projects under UIDSSMT, 2 projects *viz.* Municipal Solid Waste Management for Patna Town, UIG, Patna, Bihar and Integrated Solid Waste Management Project, UIG, Haridwar, Uttarakhand were not started till May 2011. The remaining 9 projects, though started, were not complete. In respect of Integrated Solid Waste Management Project, Haridwar, Uttarakhand. The MoUD have informed (May 2012) that the work had been awarded.

174. Asked to state the reasons for not starting 2 out of 11 selected solid waste management projects, the MoUD explained as under:—

“The State of Bihar has informed with regard to Municipal Solid Waste Management for Patna Town that — The Municipal SWM under this scheme was undertaken in 9 wards of Patna Municipal Corporation with effect from January 2010. The work was outsourced to M/s A2Z. Subsequently the matter has become *sub-judice*. The bid process by PMC to appoint agency is on.

Integrated Solid Waste Management Project, UIG, Haridwar, Uttarakhand.

The State of Uttarakhand has informed as under:—

In respect of Solid Waste Management Haridwar, initially the tendering process got delayed due to objections from Local Public and Ashrams on imposing of the USER charges. Later the tenders were called but dispute among the bidders led the matter to the High Court. High Court awarded Stay Order on the project. However, in May 2012 as per direction of the High Court, the work was awarded to M/s KRL Infrastructure Pvt. Ltd. The process of procuring machines and equipments is in progress. ULD has committed to complete the project before March 2014. EIA hearing has been done and door to door in one ward has been started.”

175. Throwing more light on the issue, the Secretary, MoUD deposed before the Committee as under:—

"Actually, we are working with the States for drainage projects also, but as things are, we give freedom to the States to choose. It has so happened that the most popular scheme is water supply; the second choice is roads; and third is drainage and solid waste management is the most neglected. Though people talk about solid waste management, but now only major States have stated giving attention for major cities. Otherwise, the percentage of ACA going for solid waste is as low as 7 per cent."

176. He added:—

"Sir, my submission is that we have taken up certain initiative in solid waste management. If you kindly give us an opportunity in a separate meeting, then we will explain it and also take guidance from you on how to go further. But we are going in a very big way in recycling the waste, whether it is sewerage; whether it is solid waste of normal tyre; or it is construction and demolition waste. Of course, there are e-waste and plastic waste and so on, but the normal household solid waste; the green waste; construction and demolition waste; and sewerage waste are the four priorities."

177. About the further progress in the projects, the MoUD submitted as under:—

"Two projects in Solid Waste Management were sanctioned for Patna, Bihar and physical progress in r/o these projects are 13% and 51% respectively. Integrated Solid Waste Management Project, UIG, Haridwar, Uttarakhand: As per the report submitted by State Government, Physical progress for SWM project, Haridwar is 30%."

178. The Committee desired to know the latest position of the completion of the remaining 9 projects and the efforts made to expedite completion of these projects. In reply, the MoUD submitted that 3 out of these 9 projects have been completed and remaining 6 projects are at various stages of completion. The Ministry, however, could not furnish anything on the efforts made to expedite completion of these projects.

(vi) Delays in Completion of Solid Waste Management Projects for Want of Environment Clearance and/or Availability of Land

179. Audit came across 3 cases in 3 States where there was delay in completion of Solid Waste Management Projects due to non-availability of land, environment and forest clearance, non-clearance of site and public agitation.

180. The Committee desired to know the reasons for delay in obtaining environment and other clearances as well as in ensuring availability of land for the projects. The MoUD in their reply apprised as under:—

"Rohtak

State Government has informed that there was delay in issue of environmental clearance and now environment clearance in r/o Rohtak SVVM has been obtained

from Pollution Board Haryana and work has started at site. 48% of work has been completed.

Hazaribagh

State Government has stated that non-availability of land-fill sites for SWM project in Hazaribagh has been the main reason for slow progress of the project. Now, work has been started and physical progress is 10%.

Tura

State Government stated that Tura town falls in category B 1 of the Environment Impact Assessment Notification, 2009. In this regard, form-1 for environment clearance was submitted to State Expert Appraisal Committee (SEAC) and the Meghalaya State Pollution Control Board on 19.06.2008. After this, the EIA/EMP was prepared by the consultant as per the TOR issued by the SEAC and submitted to State Environment Impact Assessment Authority (SEIAA) whose term expired in July 2010. The matter was referred to State Pollution Control Board for conducting public hearing. The work has been started and physical progress is 92%.

Shimla

The State Government stated that the work of Solid Waste Treatment Plant was awarded on PPP mode to Mis Hangers Biotech, Mumbai. The Environment Impact Assessment (EIA) is being pursued with HP State Pollution Control Board. After obtaining the EIA clearance the plant will be fully made functional.

As per JNNURM guidelines, the projects are implemented by the State Government as per the extant rules & procedures. It is for the State Government to take relevant clearances and ensure availability of land. All such issues are to be conceptualized and tackled at States level. However, keeping in view learning of the implementation of the JNNURM, the MoUD has been insisting upon availability of land and spade work for technical clearances before the implementation of the projects."

(vii) Blocking of Funds due to Idling of Machinery and Equipment

181. In 4 cases of Solid Waste Management Projects in 3 States, JNNURM funds amounting to ₹ 3.41 crore remained blocked due to non-utilisation of equipment following non-construction of compost plant, shortage of staff, purchase of vehicles without requirement and non-completion of solid waste plant.

182. The Committee enquired about the reasons for non-utilisation of the machinery and equipment. In reply, the MoUD explained as under:—

"It is reiterated that as per guidelines, projects in JNNURM are to be implemented/ monitored by the State Government with the help of the ULBs/ Parastatals in terms of rules/procedures of the State Governments/UTs. The implementing Agencies are responsible for purchasing of equipment and machinery and to get better use and utilized them properly. Such issues are

supposed to be settled by the States with their respective AGs, as submitted earlier in the light of the fact that this performance audit report is a consolidated report on the audit of all the States/UTs. Moreover, Advisory has been issued by the Ministry for maintenance of financial propriety while implementing the projects and States had been advised to follow the State Financial and Procurement Rules strictly in implementation of the projects.

In an Advisory issued on May, 29, 2012, it had been brought out that "Projects under the Mission are prioritized and prepared by the States and submitted to the Government of India for approval/sanction. It is therefore the responsibility of the States to implement projects with a view to maximizing economy, efficiency and effectiveness which includes *inter-alia* the following:—

- Ensuring availability of land.
- End to end implementation to make sure that all activities be taken in time so that services to be accrued from these projects are effectuated.
- Institutionalization of robust monitoring mechanisms.
- Adherence to procurement and contractual rules and regulations of the concerned State/UT.

Further, they had also been advised to settle the matter or to get the matter resolved as per the extant rules and procedures with the respective State AGs."

183. On being asked about the latest status of utilization of these machinery/equipment, the MoUD failed to furnish any reply.

(viii) Wasteful Expenditure due to Change of Project Site

184. In Rohtak, Haryana, an expenditure of ₹ 1.76 crore was incurred on solid waste management project. After work had already progressed in the site already chosen, the site was changed (March 2009) by the State Government rendering the expenditure of ₹ 1.76 crore infructuous.

185. Asked why was there a change of site for the solid waste management project in Rohtak thereby incurring a loss of ₹1.76 crore, the MoUD submitted as under:—

"As per guidelines, projects in JNNURM are to be implemented/ monitored by the State Government with the help of the ULBs/Parastatals in terms of rules/procedures of the State Govt./UTs. The site selection and execution of projects is done by the State Governments. The commitment of Central Government remains intact and any cost over-run has to borne by the State Government/ implementing agency. There is no impact on the central share commitment. Corrective action if any, is required to be taken by the respective States/UTs as per their existing rules/procedures and following of codal formalities as the projects under JNNURM are implemented by the States/UTs.

As regards Rohtak SWM project, State Government has informed that the environment clearance in R/o Rohtak SWM has been obtained from Pollution Board Haryana and work has started at site. 48% of work has been completed."

186. Further enquired whether any responsibility had been fixed in this regard, the MoUD could not furnish any reply.

(ix) Status of Completion of Selected Sewerage Projects

187. Out of 56 selected sewerage projects 3 had not even been started, 1 project was abandoned and 5 projects were deferred. Only 4 were complete and the remaining 43 projects were under various stages of completion.

188. The Committee enquired about the delay in completion of 43 selected sewerage projects and their present status. In reply, the MoUD stated as under:—

"In a number of such projects, the work of sewerage lines take time especially in areas where roads and lanes are very narrow and congested. These lines have to be laid very meticulously as correct levels. Moreover the existing soak pits and septic tanks have to be deactivated and tackled in order to establish connections to the new sewerage network. 11 projects have been completed and physical progress in r/o almost all remaining projects is more than 50%."

189. Further, the Committee desired to know the action taken by the Ministry in cases where the projects were not stated and the effective steps taken by the Ministry to expedite completion of these projects. The MoUD in their reply explained as under:—

"As per guidelines, projects in JNNURM are to be implemented/ monitored by the State Government with the help of the ULBs/Parastatals in terms of rules/ procedures of the State Governments./UTs. It is the States that are assigned the work of completion of projects either through the ULB or through a para statal and reviewed by States from time to time as per the guidelines by the State Level SLNA. The MoUD has been constantly reviewing the implementation of projects. Intensive monitoring is one of the steps taken by the Ministry to expedite completion of these projects at various levels. The Ministry conducted review meetings with the State Secretaries, SLNAs and Parastatal agencies from time to time for timely completion of the projects. The progress of the projects are also reviewed through the Quarterly Progress Reports (QPR) submitted by the State Governments and also IRMA Reports.

The fund flow of the project is linked to the implementation of reforms and realization of funds and fiscal progress of the projects. As per the UIDSSMT guidelines, TCPO is the monitoring agency for the projects sanctioned under UIDSSMT in small and medium towns and representatives from TCPO have been deputed to the States to monitor the projects wherever felt necessary.

33 non-starter/slow moving UIG projects and 20 non starter/slow moving UIDSSMT projects were withdrawn. ACA released for these projects is being adjusted/recovered from the States/UTs."

(x) Irregularities in the Award of Sewerage Projects

190. In respect of Sanitary and Sewerage System for Bilaspur, UIDSSMT, Chhattisgarh, it was observed that the 9782.231 cu.m. hard rock excavated during the digging of trench for laying of pipes was not accounted for in material at site in the

records. According to State Public Works Department Schedule of Rates, 2010, rate for supply of hard rock was ₹ 639.00 per cu.m. The value of the hard rock amounting to ₹ 62.51 lakh was not accounted for in the accounts of the work. During exit conference, the Department accepted (29 October 2011) the audit observation and stated that excavated hard rock was consumed by the contractor in the same work and agreed to recover the cost.

191. In the Sewerage Project, UIDSSMT, Mussoorie, Uttarakhand interest free mobilization advance of ₹ 1 crore was given to the contractor by Uttarakhand Peyjal Nigam, Dehradun in respect of the work for laying of sewerage line in different zone of Mussoorie under UIDSSMT. This was contrary to Uttarakhand Procurement Rules, 2008, which contemplated interest on mobilization advance till the amount is deducted or adjusted.

192. It was observed in respect of UIDSSMT — Sanitary and Sewerage System for Bilaspur, Chhattisgarh and sewerage treatment plant, that ₹ 26.15 crore was paid as mobilization advance to the two contractors though mobilization advance was not to be paid as per the terms of contracts. This resulted in undue aid of ₹ 26.15 crore to the contractors and loss of interest of ₹ 8.63 crore at the rate of 14 per cent per annum.

193. In respect of Sewerage Treatment Plant work of Ahmedabad Municipal Corporation in Gujarat, Audit observed that in the price bids for construction of 60 MLD capacity Sewage Treatment Plant (STP) at Pirana old site opened in April 2007, the L1 agency quoted at ₹ 24.70 crore (inclusive of O & M cost and power loading) against the estimated cost of ₹ 21.75 crore. The negotiated offer stood at ₹ 22.84 (2.15 per cent above the prevailing market rate), but the Municipal Corporation rejected (May 2007) the offer on the ground that it was at a higher side. On opening (July 2007) price bids on second attempt, L1 agency quoted at ₹ 24.66 crore (construction and O&M costs) and brought down to ₹ 24.11 crore after negotiation. On a proposal of the Municipal Corporation (July 2007), the Standing Committee accepted the tender (July 2007) and the Letter of Intent was issued (August 2007). Thus, injudicious rejection of tender at ₹ 22.84 (at just 2.15 per cent above the prevailing market rate) and acceptance of another offer at ₹ 24.11 crore (July 2007) in less than 90 days resulted in avoidable expenditure of ₹ 1.27 crore.

194. In the above context, the Committee desired to know the reasons and justifications for instances of irregular payments, incurring of expenditure in contravention to JNNURM guidelines, irregular payment of mobilization advances, undue benefit to contractors and action taken against those responsible for these irregularities. In reply, the MoUD stated as under:—

"MoUD has been impressing upon the States and advising them for following of all financial procurement rules. The Ministry has also *vide* letter No. K14012/46/2012- NURM - I dated 3rd May, 2013 and 7th March, 2013 reiterated its advise, to the States on deposition of utilization of interest ,accrued on on-going projects sanctioned under UIG Sub-Mission of JNNURM and Omnibus request to he States based on Draft Report of Performance Audit of JNNURM had also been issued and the States had been requested to settle as per the extant guidelines

and procedures to resolve the issue With respective State AGs. It is reiterated that project implementation and its execution are done by the States / ULBs. Hence such issues are required to be settled by the States with their respective AGs. The Ministry has issued necessary advisories to the States/UTs."

(xi) Lack of Transparency in Tendering

195. During evidence, the Committee sought views of the representatives of the Ministries on the problems, deficiencies and lack of transparency in the tendering of Urban Infrastructural Projects and mooted the idea of e-tendering. In reply, the Secretary, Urban Development deposed as under:—

"In terms of tendering, etc., of course it is a State specific.... The State Governments must take charge because the issues are so very intricate that it is not possible to regulate whole of India sitting in Delhi."

196. The Committee further enquired whether the mechanism of e-tendering has been implemented for awarding contracts, for urban infrastructure development under JNNURM, the MoUD in their reply apprised as under:—

"Urban Development is a State Subject. The procurement for the projects approved under JNNURM is done as per the State's procurement policy. In many States, the procurement policy mandates adoption of e-tendering mode for procurement for projects."

197. The Ministry further stated in this regard as under:—

"JNNURM was launched in 2005. On that time, there was no mechanism of e-tendering for procurement issued by the Government of India. States/UTs were implementing their own procurement policy and the procurement for the projects approved under JNNURM is done as per the State's procurement policy. The Government of India through Department of Expenditure, Ministry of Finance framed a mechanism for e-tendering in the year 2012 (<http://eprocure.gov.in>). Thereafter, a number of States has developed their e-procurement policy on the line of Government of India. Projects sanctioned under JNNURM are implemented by ULBs. But, a number of ULBs in the Country do not have proper infrastructure for starting e-tendering mechanism such as availability of computer with internet etc."

(xii) Status of Completion of Selected Roads/Flyovers/Rail Over Bridges/Mass Rapid Transport System and other Urban Transport Projects

198. As per the Audit, there were 19 projects selected under this category which included 4 MRTS, 14 road and flyover projects and 1 other transport project. Out of these, 15 were under UIG and 4 were under UIDSSMT. Out of these selected projects, 1 project was abandoned and 2 projects were withdrawn. Only 3 projects were complete. The remaining 13 were under various stages of completion.

199. When asked to explain the reasons for abandoning 1 project and withdrawing 2 projects out of the 19 selected projects, the MoUD explained as under:—

"The project of Roads & Flyover at Rampur, Uttar Pradesh under UIDSSMT was abandoned by the State Government on the ground of adoption of the project by NHAI. With respect to the project — "Construction of grade separator at Ring Road Nagavara Junction", KUIDFC, SLNA for the State of Karnataka, has informed that the SLEC, in its 14th Meeting held on 05.12.2009 withdrew the project as the water table at this location was very high and directed the Bangalore Development Authority (BDA) to take up the construction of Flyover at this junction with its own funds. The CSMC in its 83rd Meeting held on 05.03.2010 approved the withdrawal of the aforesaid project.

With respect to the project — "Construction of Underpass at RV Teachers' College", KUIDFC, SLNA for the State of Karnataka, has informed that the SLEC, in its 9th Meeting held on 18.03.2008 noted the request of BBMP, implementing agency, that the project had run into difficulty since it could not be aligned with the Metro rail work in the area and its commitment to surrender the 1st installment of ₹ .1.68 crore (GoI Rs.1.18 crore & GoK ₹ .0.55 crore) along with interest earned on parking of funds. The CSMC in its 56th Meeting held on 29.09.2008 approved the withdrawal of the aforesaid project."

200. On being enquired whether any responsibility has been fixed in this regard, the MoUD could not furnish any reply.

201. Further asked to state the latest status of the remaining 13 projects, the MoUD in their reply stated that 1 project had been completed, 11 projects were in progress while 1 project had been closed.

202. During evidence, the Committee specifically pointed out lapses/deficiencies in operating buses under the JNNURM especially the failure to make the buses ply on the roads even after there had been purchases and announcing that a certain number of buses would be allocated to such and such districts. The Secretary, Urban Development submitted as under:—

"We are reviewing, Sir. Things are improving. We insist on city getting involved in operating buses. Governments are not used to delegating powers to the cities. This confusion took some time to get resolved."

203. He added:—

"State specific SPV should be formed. It took some time. Buses came but SPV was not ready. SPV is ready but to recruit staff, the State Government regulates everything. Local municipality has no power to do anything solid except cleaning road and all that."

204. He further stated:—

"Money we give but they do not have the power. Now, things are improving. Many things have got resolved but it took some time. When it was started, it was the nascent year of the project. So, it took time."

205. To a query regarding lack of funds with the State Government affecting implementation of such projects, the Secretary, Urban Development replied as under:—

“The point is that these are all public service projects; water supply, sewerage and bus services. If the State Government will not allow the user charges to be levied and collected, then merely giving contract will not work. Therefore, we are insisting that you can give bus but somebody has to put diesel in the bus, somebody has to pay salary to the driver and somebody has to pay for insurance and repair and maintenance. That cannot come by the Government of India grant. It has to be paid by the people who are using the bus.”

206. The Secretary, Urban Development presented another problem regarding the operating of buses as under:—

"The problem we are facing along with the States is that there is an acute shortage of bus manufacturers and bus availability."

207. He added:—

"It is absolutely necessary if you want quality buses. We have got standards. The moment you say low floor buses, with this seating arrangement, comfort for the elderly and all that, immediately buses are not available. It is an absolutely sellers' market. You can get cars off the shelf. You pay one Rupee and take the car home but here you pay fifty percent and still you have to wait for six months to get the buses. That is why we are struggling with the system and trying to promote buses."

208. When the Committee pointed out the need for using buses of different sizes in different cities and towns, the Secretary, Urban Development deposed in evidence as under:—

"We have issued fresh guidelines in the month of August. After the Cabinet approval came we could sanction mini and large buses, articulate buses where two buses join together which looks like a train coach. This is also permitted now."

(xiii) Urban Renewal Projects

209. Audit observed that out of 532 projects approved under UIG, upto 2010-11, only 11 projects were related to urban renewal *i.e.* redevelopment of old city areas. Even out of these 11 projects, only 2 projects, both in Bhopal, had been completed, 8 projects were still in progress whereas 1 project of Cochin approved in 2009-10 remained a non starter even after lapse of more than 1 year of approval. In respect of UIDSSMT, out of 766 projects approved upto 2010-11, only a meager 10 urban renewal projects had been approved for 10 cities. Even out of these 10 projects, only 1 project in Kolhapur, Maharashtra could be completed and in the remaining 9 projects, the work was in progress. The MoUD replied that it was for the States to prioritize the project and submit the same to the Ministry for consideration/approval.

210. In the above context, the Committee enquired as to why out of 532 projects approved up to 2010-11 under UIG only 11 projects related to urban renewal.

The MoUD in their reply stated as under:—

"The guidelines of JNNURM envisaged the Main thrust on infrastructure projects relating to Water Supply, Sewerage, Solid Waste Management, road network, urban transport & redevelopment of inner city. It is the States Which has to conceptualise and prioritise their projects in admissible sectors, as per JNNURM guidelines, according to their felt needs and availability of resources and submit the same to the Ministry for consideration/approval. These projects were approved based on the recommendation made by the State/UT Governments."

211. Asked to state the reasons for completing only 2 urban renewal projects under UIG, the MoUD replied that as on 20th October 2014, 4 out of 10 urban renewal projects sanctioned under UIG had been completed. Another 5 projects had been reported to be at different stages of completion. In a majority of the cases, the delay in completion of projects was in view of delay in removal of encroachments from the project sites. The State Governments had been requested to give reasons for delay specifically in these cases.

212. Enquired about the reasons for approving only 10 urban renewal projects out of 766 projects approved upto 2010-11 in respect of UIDSSMT, the MoUD in reply informed as under:—

"Under UIDSSMT of JNNURM, the selection and submission of projects on priority for funding is done by respective State Governments/UTs. The Ministry sanctions projects subject to technical appraisal and allocation of State/UTs share and availability of funds".

213. On being asked to explain as to why only 1 project in Kolhapur, Maharashtra could be completed out of 10 urban renewal projects under UIDSSMT, the MoUD submitted as under:—

"As on 31.10.2013, six (06) projects (2 in Jammu and Kashmir, 2 in Maharashtra, 1 in Madhya Pradesh and 1 in Rajasthan) have been completed including Kolhapur in Maharashtra under UIDSSMT. Various reasons for slow progress of the projects as reported by States are (a) land acquisition problem and litigation, (b) faulty DPRs and (c) non-receipt of approvals from various agencies like Environment, Defence, NHAI and Railways."

214. When asked to state the reasons for not taking up effective steps to ensure approval of adequate number of urban renewal projects, the MoUD in reply explained as under:—

"As explained in para 210, It is for the States to conceptualise, draw & prioritise the projects, according to their needs and availability of resources and submit the same to the Ministry for consideration/approval. CSMC approves these projects based on the recommendation made by the State/UT Governments, technical appraisal, adherence to guidelines and availability of funds. Redevelopment/urban renewal is one of the admissible sectors. Other Sectors are Water Supply, sewerage, drainage, solid waste management — and it is for the States to prioritise the projects in the Sectors as per the need, requirement of the ULBs. Under UIDSSMT the selection/recommendation of projects is made

by the State Government on the basis of their felt need and accordingly projects were approved in order of the Priority of the States /UTs.

IX. Financial Management

(i) Delay in Release of ACA after Approval of Project

215. Audit scrutiny has revealed that 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. However, 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 by Audit revealed that there were delays in release of funds from the Central Government to the respective SLNAs.

216. In 15 cases out of 53 test checked cases under BSUP, the time taken in release of the first installment ranged from 2 to 15 months from the date of approval of these projects. In 21 out of 29 test checked cases under IHSDP, the time taken in releases of the first installment ranged from 1 to 8 months from the date of approval of these projects. Similarly, in 31 out of 532 projects under UIG approved by March 2011, there was time taken ranging from 4 to 15 months in release of first installment from the date of approval of the projects. Under UIDSSMT, in 20 out of 35 projects selected for detailed examination, there were delays ranging from 3 to 27 months in releasing funds from the date of approval of projects.

217. In the above context, the Committee enquired about the non-specification of any time frame within which financial releases were to be made after the project was approved in the Guidelines. The MoUD in their reply stated as under:—

"Release of funds to the projects is recommended in accordance with the stipulations of guidelines and also utilisation, financial and physical progress. Effort is made to ensure early fund release within four corners of approved guidelines."

218. In their reply, the MoHUPA submitted as under:—

"The funds under the scheme are released as ACA through Ministry of Finance. Ministry recommends the release of ACA as soon as projects are approved by CSMC and compliances are provided by State Government as envisaged by the CSMC at the time of approval. Since release of ACA involves various divisions of Ministry, it is not possible to specify any timeframe but it is submitted the Ministry has been recommending release of ACA as soon as projects along with the compliances are approved."

219. Asked to elaborate on the timeframe adopted by the Ministries for the financial releases, the MoUD in their reply stated as under:—

"After approval of a project by the CSMC / Ministry, as per approved guidelines, immediate requests were sent to the Ministry of Finance for release of Government of India share as ACA to the States."

220. In their reply, the MoHUPA stated as under:—

"As JNNURM is implemented as a project based ACA scheme, the releases are made based on submission of projects by States and pace of implementation of the same. Normally when completed UCs is submitted by the State it takes 15 days to approve in CSMC meeting and next 15 days to release the ACA to the State. Therefore, on an average one month is taken for release of ACA from the date of submission of completed UCs."

221. The Committee further enquired about the reasons for delay in release of Additional Central Assistance funds after approval of project from the Central Government to the respective State Governments/SLNA. In their reply, the MoUD informed as under:—

"The delay in release of ACA is mostly due to delay in submission of the requisite documents by the State. The documents regarding the fulfilment of conditions prescribed while approving the projects under UIG scheme have to be submitted by the State after which the first instalment is released to it. The projects under UIDSSMT are approved by the State Level Sanctioning Committee (SLSC). The minutes of SLSC Meetings approving the projects, timelines for implementation of reforms, technical clearances of the projects, priority of the projects within available allocation for the State and confirmation of matching share are to be received and scrutinised by MoUD before recommending to Ministry of Finance for release of first instalment. In most of the cases, initially the allocation for the State was exhausted, and funds were released after additional allocation amounting to Rs.5000 crore was provided by Government of India."

222. The MoHUPA in their reply stated as under:—

"So far as release of ACA is concerned, once the project is approved, the ACA is recommended as soon as possible after getting approval of the Minutes from the Competent Authority. In few cases, however, when the project/installment is conditionally approved, the recommendation of ACA is made only on receipt of compliance report from the State/SLNA, which results in delay of release of ACA in few cases. Further, as funds under ACA are available with and released by Ministry of Finance this procedural aspect could be attributed also as one reason for delay in few cases."

(ii) Non-release of Matching Share by State Governments

223. The ACA for the projects under JNNURM is released by the Ministry of Finance / Ministry of Home Affairs on the basis of recommendation of the MoUD and the MoHUPA as the case may be, directly to the States/UTs. The State Governments were required to release the same amount to ULBs/Implementing agencies immediately with their matching share. The scrutiny of the records of SLNAs as well as ULBs by Audit revealed that there were delays in releasing the matching share to the implementing agencies by some State Governments. The MoUD replied (May 2012) that advisory has been issued to the States to release their Share on time as per existing JNNURM guidelines.

224. The Committee enquired about the delay in release of funds/matching share by the State Governments to the implementing agencies and the steps taken to ensure timely release of matching share by State Governments. the MoUD in their reply intimated as under:—

"The Government of India took effective steps to ensure that matching share is released by the States by making one of parameters to confirm release of State's share before processing claims of the States for release of subsequent instalments of ACAs to the States."

225. In their reply, the MoHUPA stated as under:—

"The responsibility of releasing adequate State share timely is with the State Government. By and large State Governments have released their share on time but in few cases procedural delay on account of inadequate provision in budget, submission of UCs etc., has been reasons for delay in release of fund by State Government. Government of India has been constantly pursuing with the State Government to release their share and next instalment of Government of India is released only after ensuring that States and ULBs have released their matching share for the project."

226. The MoHUPA further stated as under:—

"State Governments are expected to release their share expeditiously to ULBs along with Central Government share already released. It is difficult for the Ministry to enforce strict timelines on State and monitor the same. Nevertheless while releasing the next installments, Ministry ensures that matching share of State Government is already released to ULB, without which Ministry does not release its share. It is further submitted that due to cost escalation which Central Government does not bear, the overall share of States had increased significantly."

227. During evidence, the Secretary, Housing and Urban Poverty, Alleviation apprised the Committee in this regard as under:—

"It is some kind of hope that, of late, a number of State Governments have come forward and have given additional share to complete the buildings for which the Government of India could not have given additional funds. In this process, we are hoping to complete another 3.5 lakh dwelling units with some cancellation which have already taken place. On the remaining non-starter units, the States have promised that they will be completing."

(iii) Diversion of JNNURM Funds

228. Audit came across 7 cases in 7 States/UTs where the JNNURM funds to the tune of ₹ 9.86 crore meant for housing projects were diverted for purposes other than those admissible under JNNURM and in some cases even for non-JNNURM purposes. In these cases, the Ministry replied that the States/UTs concerned would be asked to transfer the amount back to the project account. Further, there were 8 cases in 6 States where the funds of ₹114.68 crore earmarked for urban infrastructure projects had been diverted under similar circumstances.

229. Committee enquired about the reasons for diversion of JNNURM funds meant for housing projects for non-JNNURM purposes, recovery of the diverted funds and mechanism put in place, if any, to check such diversion of funds. In reply, the MoHUPA stated as under:—

"Central Funds under the JNNURM Scheme are released in the form of ACA through State Government. Therefore all checks and balances which are available for funds released through State budget are provided in the scheme. In spite of that, in few cases it has been reported that funds have been used for some other purposes. Government of India has taken up with the State Government very strongly. State Government of Maharashtra has deposited the diverted amount in the concerned account. However, few State Governments Tamil Nadu, Karnataka, Jharkhand have not responded. The Ministry is following up the matter with the State Governments. It is primarily the responsibility of State Governments to utilize the funds for the projects for which they have released and only few State Governments have diverted nominal ACA for other purpose. Since there are only few minor instances came to the notice of the Ministry, the matter has been followed up with the erring State Governments."

230. Regarding the final outcome of the Ministry's follow up action, the MoHUPA in their reply explained as under:—

"With regard to this incidence quoted in the Audit Para following explanations from the State is submitted:—

- i. With reference to diversion of ₹ 4.63 crore in respect of project at Tirupati, Andhra Pradesh, it has been reported that the ULB and the State Government will deposit the fund to the project.
- ii. With reference to diversion of ₹ 0.22 crore in connection with slum rehabilitation project at Chandigarh, it is to mention that the UT has not claimed DPR reimbursement for the projects and whenever the claim for the same is received it will be re-imbursed as per extant guidelines so as to regularize the expenditure.
- iii. The State Government of Haryana has informed that 'Municipal Corporation, Faridabad had already recouped an amount of ₹3.28 crore into the JNNURM funds from its own sources. Hence, Para may be dropped'.
- iv. State Govt. *vide* letter dated 22.10.2013 has informed that 'there was temporary diversion of fund for preparation of DPR due to paucity of fund at Ranchi Municipal Corporation level at that point of time. Since the Govt. has already released fund, the matter stands resolved as to the diversion has been appropriated by depositing back the sum to the concerning account by the ULB'.
- v. The State Govt. of Jammu & Kashmir *vide* letter dated 25.04 2014 has informed that as reported by Executive Officer, MC Parole, there is no

diversion of funds under construction of community toilets. Moreover, land was not available where slum dwellers lived. The then President of the Municipal Committee, Parole with the consent of Public/representatives of the wards proposed the sites *viz.* Hospital, Toll Plaza and Cattle Pond at Parole for construction of Community toilets.

It has also been reported that the community toilet at proposed sites *i.e.* Hospital, Toll Plaza and Cattle Pond at Parle have been constructed. It is worthwhile to mention here that there is no diversion of JNNURM funds as reported for any non-JNNURM scheme. It is submitted that outstanding diversions, if any, would be adjusted against next release to the respective State Governments."

231. The Committee then enquired about reasons for diversion of funds for urban infrastructure projects for purposes other than those admissible under JNNURM and for non-JNNURM Projects. In reply, the MoUD elaborated as under:—

"The execution of the projects approved under JNNURM is responsibility of the State Govt. which implements the projects as per the rules/procedure prevailing in the State Govt. In case of any mis-utilization of funds or any deviation is observed or reported the State Governments are requested to look into such matters for taking remedial and corrective action thereon.

The replies received from the Govt. of Assam and Andhra Pradesh are as under:—

The Government of Assam has clarified that the land acquisition cost of the South Guwahati West Water Supply Project was not included in the approved DPR hence the amount was provided by the State Government through separate administrative approval on 1.10.2010. Hence acquisition of private lands was made without involving the project fund. The Assam Government has been asked to provide copies of the relevant documents for vetting by the MoUD and submission to Audit.

SLNA, A.P. has informed that an amount of ₹ 78.38 crore has been recouped by making payment of JNNURM bill from the funds available under Godavari Drinking Water Supply Scheme Phase —I (Maulana Abul Kalam Hyderabad Sujala Sravanthi Scheme).

The response from the States of Odisha, Haryana and Tamil Nadu has been requested."

232. The Committee further desired to know the level at which the decision to divert the funds was taken; reasons as to why the Ministry failed to check the diversion of funds; and whether responsibility had been fixed for diversion of funds. The MoUD in their reply explained as under:—

"The JNNURM is ACA to the State Plan. The projects are implemented by the States in accordance with their financial rules and procedures. The Govt. of India has been requesting the State Governments/UTs to adhere to all financial principles while implementing the projects. GoI has also asked the States to

ensure fiscal discipline, including non-diversion of funds. Replies received from some of the States are as under:—

Haryana

It has been informed by the State of Haryana that the amount of ₹ 203.86 lakh has already been reimbursed in the head of JNNURM of State Govt.

Himachal Pradesh

As per the directions of the Hon'ble High Court of HP in CWP No. 56/2009, the change of land use was obtained from GoI under FCA, 1980. On the request of Forest Department, the funds amounting to ₹ 1.91 crore were deposited on account of compensatory afforestation, NPV and cost of trees. Accordingly State fund Were sanctioned by the Govt. of HP for the above said purpose. As such no JNNURM/Central Funds were diverted for this purpose.

Specific replies of the State Governments have been asked for which replies are awaited."

233. Thus, it could be seen from the replies submitted by the MoUD that the Ministry merely furnished replies received from the State Governments concerned and remain silent on other aspects on which classifications were sought from them by the Committee.

(iv) Creation of Revolving Fund

234. Creation of a Revolving Fund was envisaged to leverage market funds for financing further investment in infrastructural projects in the case of UIG/UIDSSMT and for meeting Operations and Maintenance expenses of assets created in the case of BSUP and IHSDP. However, this Fund had not been created by the SLNAs in 25 States/UTs. In 2 States (Tamil Nadu and West Bengal) it was created partially. In 2 States, (Assam and Uttar Pradesh), though it was created, yet the same was utilized for meeting the expenses for preparation of DPRs/Project Management Consultancy Charges and execution of roads respectively. The MoUD accepted (May 2012) the audit observations that the fund was not created by several States.

235. In the above context, the Committee desired to know the reasons for deficiencies in creation and management of revolving fund. The MoUD in their reply stated as under:—

"As per Para 19 of approved guidelines, creation of revolving fund is to be done by the State. The adherence to the guidelines is based on the financial management of the State. However, grant-cum-loan may be sanctioned in such a manner that 25% of Central and State grant put together is recovered and ploughed into Revolving Fund to Leverage market funds for financing of further investment in infrastructure projects. At the end of the Mission period, the Revolving Fund may be graduated to a State Urban Infrastructure Fund. The same has been clearly specified in the Scheme guidelines to be followed by States and Cities. Ministry has stressed on necessity by States of creation of such Fund through workshops on Pooled Finance. Further action is dependent on States taking up the activity as per their internal Rules & procedures."

236. In their reply, the MoHUPA submitted as under:—

“Revolving funds were to be created from 10% of the funds released by SLNA as soft loan or grant-cum-loan. In the case of Ministry's project *i.e.* BSUP & IHSDP, State Governments and Central Government released money to the ULBs in the ratio of their share as grants. It was not released as a soft loan; therefore revolving fund was not to be created. Moreover, in the case of this Ministry, project beneficiary contribution of minimum 12% and ULB contribution was also ensured. It is also brought to the notice that revolving fund as a reform condition was to be created by MoUD.”

(v) Parking of Funds

237. The State Government was required to release the ACA amount along with their matching, share immediately to the implementing agencies. However, in 9 cases in 9 States/UTs, JNNURM funds to the tune of ₹637.23 crore were parked by SLNAs or ULBs.

238. The Committee specifically enquired why were the funds parked by SLNAs or ULBs though it was required to be released to the implementing agencies along with the matching share. The MoUD replied that the necessary advisory had been issued.

239. In their reply, the MoHUPA informed as under:—

“ACA is released project-wise to the ULBs through State Governments. The first instalment of ACA is released on sanction by Government of India and submission of final DPR along with compliances of observations, if any, by CS MC. In few cases after fund is released by State Government to ULBs, fund does not get utilised immediately because of hindrances to start of project on ground like availability of land, court cases etc. Therefore for some time fund remains with ULBs. It is submitted that it should not be treated as parking of funds as ACA was released as per the guidelines and because of certain ground situations there was delay in start of the project and utilization of ACA.”

240. On being enquired about the remedial measures taken in this regard, the MoUD in their reply stated as under:—

“MoUD has informed all the States to credit interest earnings on the ACA for the ongoing projects parked with them, into the relevant accounting head meant for interest receipt of GoI, in order to bring back the same to Consolidated Fund of India.”

241. In their reply the MoHUPA apprised as under:—

“Ministry has cancelled all non starter projects and has asked States to either refund the ACA or adjust the ACA against future releases. Moreover, Ministry after taking note of this situation is thinking of releasing money to States in lump-sum instead of project-wise so that State Governments can release money to only those projects which are ready to start on ground.”

(vi) Utilisation of Interest

242. In the JNNURM Guidelines issued by the Ministries, no specific instructions regarding the strategy for utilization of interest earned on the amount deposited into Bank were mentioned. Audit observed that 22 out of 30 States/UTs earned the interest on the amount deposited into Bank to the tune of ₹ 210.35 crore up to 31 March, 2011 and in the remaining 8 States, amount of interest could not be calculated in Audit because the amount was not shown to audit or the amounts were deposited into non-interest bearing accounts.

243. The MoUD intimated (April 2012) that as per their record, the States had earned interest of ₹ 226.58 crore upto 31 December, 2011. However, the Ministry did not intimate the status/details of utilisation/adjustment of this amount. The MoUD further intimated (May 2012) that Ministry of Finance had issued instructions for adjustment of unutilized ACA and interest thereon in the case of non-starter projects only, which were reportedly communicated to the States. As far as interest earned on ongoing projects was concerned, the matter was referred to the Ministry of Finance (Department of Expenditure) in consultation with Internal Finance Division. However, the Ministry of Finance issued instructions regarding utilisation of interest earned only in September 2011 and the MoUD did not provide details of interest adjusted in respect of instances pointed out by Audit. Audit scrutiny further revealed that in some cases, the interest amount was even utilized for purposes not contemplated in the JNNURM Guidelines.

244. The Committee enquired about the reasons for not mentioning specific instructions regarding utilization of interest earned on the amount deposited into banks. The MoUD replied as under:—

“The MoUD *vide* correspondence of 3rd May, 2013 has advised the States for adoption of financial discipline. It has also given specific O.M. of 7th March, 2013 on utilization of interest accrued on ongoing projects sanctioned under UIG Sub-Mission of JNNURM and give the accounting heads for purpose of deposition of interest accrued.”

245. In their reply, the MoHUPA submitted as under:—

“The instructions regarding use of interest on unutilized ACA were received by this Ministry from Ministry of Finance in September, 2011 and those instructions were issued to the concerned States. Since this scheme is being implemented as the Additional Central Assistance scheme, Ministry of Finance releases the ACA on the recommendation of this Ministry. Therefore, when the instructions of Ministry of Finance were received they were communicated to the concerned State Governments.”

246. Asked to state the total interest amount earned so far on JNNURM funds deposited into banks and the Ministries plan to utilize this amount, the MoUD in their reply informed as under:—

“Such details on the interest earned in each project account not readily available with the Government of India and would be available with the

State Governments / UTs/ULBs only. Once such thing comes to the knowledge of the Ministry, appropriate action is taken. It is reiterated that necessary advisory has been issued to the States/UTs in this regard.”

247. The MoHUPA in their reply stated as under:—

“Ministry does not have the figure of total interest earned on JNNURM funds deposited in the bank. It is submitted that as per instructions of Ministry of Finance, interest earned on unutilized ACA is to be deposited back with the Government of India and since most of the projects are still under implementation, States are utilizing the ACA released to them as per the programme.”

248. Further, the Committee enquired why were effective steps not taken to oversee that the interest amount was being utilized for the purposes contemplated in the JNNURM Guidelines. The MoUD in their reply apprised as under:—

“Instructions for Utilization of interest have been issued by the Ministry to the States. Hence, effective steps have been taken to utilize these interests so earned on the project amount released to the States.”

249. In their reply, the MoHUPA intimated as under:—

“As per the direction of Ministry of Finance, Department of Expenditure *vide* O.M. No. 59(4) PF-I/2006(Pt) dated 28th January, 2013, the interest amount of unutilized ACA is to be recovered into the relevant accounting head in order to bring back the same to Consolidated Fund of India. Therefore, its use for JNNURM activities is not permissible. It is also submitted that most of the projects are still under implementation and completion period for the implementation has been extended up to 31 March, 2015 and ULB & States are utilizing the ACA released to them.”

250. Regarding the final action taken, the MoHUPA in their reply explained as under:—

“The Ministry of Finance *vide* its O.M. No. 59(5) PF-1/2010 dated 21st September, 2011 Para 2 (i) has intimated the following:—

“The principal amount of unutilised ACA lying with the State may be adjusted against the fresh project(s) or ongoing projects of that particular State only. Adjustment be made to the extent of installment of admissible ACA, with any excess amount of unutilized ACA being liable for adjustment in subsequent instalments.”

This Ministry taking into account the directions received *vide* O.M. cited above, has adjusted unutilized Central ACA because of cancellation of projects or curtailment of DUs in the subsequent installments of ongoing projects.

So far as interest earning on ACA for ongoing projects is concerned, this Ministry *vide* its letter No. G-20011/1/2009-BSUP/JNNURM (Part) (FTS 2930) dt. 18th February, 2013 has forwarded Ministry of Finance direction for credit of interest earnings on ACA in the relevant accounting head for interest receipt of Government of India.

“Taking note of the suggestion given by CAG, Ministry in its future schemes is contemplating releasing the funds to States giving flexibility to the States for further release to ULBs on the basis of progress of projects in ULBs so that the fund does not remain lying unutilised with ULBs. With this flexibility, State can release funds to fast moving projects expeditiously. Central Government will release further installments to States on utilisation of earlier instalments and UCs.”

(vii) Non-refunding of ACA in Respect of Abandoned/Withdrawn Projects

251. Audit pointed out cases in which projects were abandoned or withdrawn and the ACA released to the State Governments/ULBs/implementing Agencies remained unutilized and was not refunded to the Government of India. In respect of abandoned projects, an amount of ₹ 44.79 crore released as ACA was not refunded and in respect of withdrawn projects, the quantum of such amount was ₹ 309.29 crore.

252. Asked to state the total number of abandoned/withdrawn projects under JNNURM, the amount involved in these projects and the amount released so far for these projects, the MoUD in their reply submitted as under:—

“Under UIG, 33 projects amounting to ₹ 2832.23 crore entailing ACA of ₹ 1343.73 crore which were sanctioned under JNNURM were later withdrawn/dropped by the respective State Governments. ₹ 220.33 crore was released as ACA for these projects. Under UIDSSMT a total of 15 projects valuing ₹ 349.07 crore were dropped due to implementation issues involving ACA released to the tune of ₹ 140.97 crore. Against these 15 dropped projects, 13 fresh projects valuing ₹ 371.90 crore were taken up by respective States. An ACA of ₹ 154.70 crore has been released after adjusting the ACA released against the aforesaid dropped projects.”

253. In their reply, the MoHUPA stated as under:—

“As on 17.10.2013, a total of 24 and 55 projects have been abandoned/cancelled under BSUP and IHSDP projects respectively. The total project cost involved in these 79 projects is ₹ 3044.20 crore. ACA to the tune of ₹ 407.61 crore was released under these projects and after the cancellation, a major part amounting to ₹ 279.54 crore has been recovered back.”

254. Apprising the final action taken, the MoHUPA further intimated as under:—

"All the non-starter projects have been cancelled by the Ministry. A total of 71 and 102 projects have been cancelled being non-starter under BSUP and IHSDP respectively. The total project cost involved in these 173 projects is ₹ 5671.36 crore. ACA to the tune of ₹ 619.63 crore was released under these projects which have been/is being adjusted against future releases. In case of States where future releases are not expected, they are directed to refund the released amount with interest.”

255. The Committee further enquired why did the Ministry not ensure refund of ACA in respect of abandoned/withdrawn projects. The MoUD in their reply informed as under:—

“Ministry of Finance adjusts released ACA for withdrawn/dropped projects against subsequent releases being made for other on-going projects in that State. As on 30.09.2013, the ACA released for 10 of the withdrawn/dropped projects amounting to ₹ 81.79 crore has already been adjusted. The adjustment of ACA released for remaining 23 projects is under process.”

256. Furnishing further progress regarding adjustment of ACA, the MoUD stated as under:—

“The Ministry has withdrawn 33 UIG and 20 UIDSSMT projects. Total ACA released against these projects is ₹ 420.08 crore. Out of which, an amount of ₹ 106.14 crore has already been adjusted. The balance amount of ACA pending to be recouped would be adjusted either from the subsequent instalments of ACA in respect of projects sanctioned during the transition phase or any other project which may be launched by the Government of India in future. The States have also been requested to refund the ACAs so released in respect of these projects.”

(viii) Non-adherence to the Guidelines for Release of Central Assistance

257. The Audit scrutiny of the appraisal notes, minutes of meeting and recommendation and release files of the MoHUPA for test checked 29 projects revealed that the conditions for release of ACA was not verified in any of the projects sanctioned. The certificate regarding depositing of State share in separate account was not found recorded anywhere in the above records produced for audit scrutiny. On being pointed out by audit, the MoHUPA called for information from the States and intimated to Audit that the States have confirmed about fulfilment of the condition. However, the fact remains that the conditions were not verified prior to release of first instalment.

258. The Committee enquired the reasons for not ensuring adherence to the guidelines for release of Additional Central Assistance. The Ministry replied as under:—

“For BSUP and IHSDP component of JNNURM, the initial release of first installment (50% in case of IHSDP and 25% in case of BSUP) is recommended for release after the State signs tripartite Memorandum of Agreement and the project is approved by CSMC. These projects are approved only after appraisal is done, which amongst other aspects also includes check for compliance to guidelines. Memorandum of Agreement signed by the State is also a commitment by the State for adhering to the guidelines of the scheme. The State Government is relied upon to follow proper process. The next installment of ACA is released upon utilization of Central Government share, State share and ULB share as approved for the project. Physical progress is also checked before release of next installment. Hence, all guidelines were adhered to in letter and spirit.”

259. Subsequently, the Ministry submitted as under:—

“BSUP guidelines stipulates that release of 1st instalment of GoI share for projects would be made after approval of projects by CSMC, submission of final

authenticated copy of DPRs and compliance of any other condition, if any, imposed by CSMC. State share release is checked and ensured while considering the case for second and subsequent instalments. Inadvertently the guidelines of BSUP have been followed in case of IHSDP also. Nevertheless, it is reiterated that State Government has released its share against 1st instalment before Gol released its second instalment.”

(ix) Rush of Expenditure at Central Level

260. In terms of Rule 56(3) of the General Financial Rules, rush of expenditure is regarded as a breach of financial propriety and should be avoided. The expenditure may be restricted to 15 per cent during the month of March and 33 per cent during the last quarter of financial year. Analysis of the sanction orders issued by the Ministry of Finance (MoF) and Ministry of Home Affairs during 2005-06 to 2010-11 for release of funds to various States/ Union Territories under JNNURM by Audit revealed that the above provisions werenot adhered to in the years 2005-06 to 2010-11 and huge quantum of funds were released during the last quarter of financial year, especially during the month of March of the relevant year as detailed below:—

(₹ in crore)

Year released	Total ACA	Release made in last quarter	Percentage	Release made in the month of March	Percentage
1	2	3	4	5	6
UIG (MoUD)					
2005-06	90.11	90.11	100	90.11	100
2006-07	1262.96	561.41	44.45	232.16	18.38
2007-08	2529.84	1357.58	53.66	758.74	29.99
2008-09	4544.47	1749.13	38.49	446.05	9.82
2009-10	3977.88	1050.9	26.42	734.82	18.47
2010-11	1930.93	1201.13	62.2	849.13	43.98
Total	14336.19	6010.26	41.92	3111.01	21.70
UIDSSMT (MoUD)					
2005-06	87.47	87.47	100	87.47	100
2006-07	1248.97	921.43	73.78	657.17	52.62
2007-08	1204	627.58	52.12	532.2	44.2
2008-09	3280.26	2621.27	79.91	1524.97	46.49
2009-10	298.82	249.76	83.58	213.28	71.37
2010-11	1223.44	232.67	19.02	216.26	17.68
Total	7342.96	4740.18	64.55	3231.35	44.00
BSUP (MoHUPA)					
2005-06	72.14	72.14	100	72.14	100
2006-07	901.78	560.92	62.2	429.22	47.6
2007-08	1192.8	844.81	70.83	434.41	36.42
2008-09	1582.92	1148.83	72.58	927.2	58.58

1	2	3	4	5	6
2009-10	1338.37	790.69	59.08	414.31	30.96
2010-11	1925.4	872.4	45.32	699.03	36.31
Total	7013.41	4289.88	61.16	2976.31	42.43
IHSDP (MoHUPA)					
2005-06	0	0		0	
2006-07	492.62	470.04	95.42	328.2	66.62
2007-08	792.24	401.27	50.65	156.47	19.75
2008-09	1296.2	887.84	68.5	809.41	62.44
2009-10	780.72	333.21	42.68	160.66	20.58
2010-11	880.25	581.33	66.04	432.96	49.19
Total	4242.03	2673.69	63.02	1887.7	44.50

261. As funds were being released by the Ministry of Finance/Ministry of Home Affairs at the fag end of the year, the State/UT Governments were consequently, releasing the funds to the implementing agencies very late.

262. The MoUD in their reply stated (May, 2012) that during 2005-06 allocation of ₹ 90 crore was provided in the last quarter on the launch of JNNURM in December, 2005. During 2006-07, 2007-08 and 2008-09 also additional allocation of ₹ 300 crore, ₹ 500 crore and ₹ 2400 crore respectively provided in the last quarter of the financial year leading to higher utilization of funds in the last quarter. The MoUD further stated that due to slow progress of reforms, the releases were withheld and on approval of relaxation on achievements, most of the funds were released during last quarter in March, 2011.

263. The MoHUPA replied (April, 2012) that JNNURM was being run in a mission mode and as such the scheme of things permit release of part of ACA upfront on sanction of projects and subsequent instalments on utilization of previous releases and progress of reforms. The MoHUPA also stated that the funds were being released as and when the new projects were sanctioned or on receipt of UCs from the States irrespective of the fact that these were received in the month of March or May of a particular financial year. It further stated that the releases were demand driven while sticking to overall seven year allocation for a State.

264. In the above context, the Committee enquired as to why were huge quantum of funds released during the last quarter of each financial years especially during the month of March and why could the Ministry not prevent such violation of fiscal discipline. The MoUD in their reply explained as under:—

“The recommendation for release of ACA is dependent on the submissions of the proposals for sanction of new projects, utilization certificates in respect of ongoing projects and necessary documents by the State Government. The Plan Funds of JNNURM in the form of ACA to the States are sanctioned and released by the Ministry of Finance, which takes care of their own guidelines on 'rush of expenditure during the last quarter of the financial year. The Mission was launched

in December, 2005 and hence all the expenditure of ₹ 90.11 crore was to be released only in the last quarter of the Financial Year *i.e.* 2005-06. During 2006-07, 2007-08 and 2008-09, additional allocation of ₹ 300 crore, ₹ 500 crore and ₹ 2400 crore respectively were provided in the last quarter of the financial year, leading to higher utilization of funds in the last quarter. The progress of reforms was slow. Consequently the releases of instalments could not take place. Subsequently, on 01.12.2010, the Cabinet approved relaxation on achievements of reforms and allowed release of funds subject to withholding 10% of ACA under UIG. Therefore most of the funds were released during last quarter especially in March, 2011. Briefly stated, the release of funds to the projects depends upon completion of documentation, physical and financial progress in the project and approval of the competent authority.”

265. In their reply, the MoHUPA stated as under:—

“It is submitted that in few years especially 2008-09, 2010-11 and 2012-13, the expenditure in the month of March is much more than expenditure in other months. The expenditure is dependent on submission of Utilisation Certificates by States and ULBs. It may be noted that construction activities get picked up after monsoon and utilisation certificate is submitted generally from November to January, therefore, leading to some bunching of expenditure in last month of financial year. Ministry has taken note of this and along with ULBs and States will make efforts to spread out expenditure more evenly in future.”

(x) Utilization Certificates

266. According to Audit, 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 2011 and March 2011 respectively were outstanding in the MoUD and the MoHUPA from the States/UTs.

267. On the query concerning timely submission of Utilization Certificates and action taken to ensure strict compliance of the provisions of timely submission of Utilisation Certificates, the MoUD in their reply stated as under:—

“The Ministry considered releases of subsequent instalments of ACA only after receipt of Utilisation Certificates. The States continued claims of subsequent instalments based on the Utilisation Certificates only. The State Governments were time and again requested to submit UCs in time. However, the States could submit these UCs only after utilisation of funds for project implementation and in any circumstances; the States could not have been in a position to submit UCs without utilising funds released for the projects. Hence, it is a fact that no instalment of ACA was released without receipt of Utilisation Certificates.”

268. In their reply, the MoHUPA apprised as under:—

“Under the scheme, Ministry has not asked for the UC for the released amount in earlier years as a separate activity. UCs are submitted by implementing agencies for the release of next instalment. Therefore, implementing agency *i.e.* State Government and ULB submit the UC of atleast 70% of the Central Government

release along with matching share of State and ULB before claiming the next instalment. Under IHSDP, Central Assistance is released in two instalments and under BSUP Central Assistance is released in 4 instalments. Therefore, it is submitted that UC of earlier release are ensured at the time of release of next instalment and UC of total Central Assistance would be ensured at the time of project completion.”

269. As reasons for not following the provisions of Rule 42 (1) of GFR, the Ministry submitted as under:—

“It is submitted that under this scheme grants are released by the Ministry for specific projects and next instalment become due only after utilising the prescribed percentage of earlier released instalment including state and ULB share. UCs are envisaged at the time of submission of proposal. Subsequent instalments and final UC is expected at the time of completion of the project.”

270. Further the Committee enquired about the steps taken for rationalization of fund-flow arrangements *i.e.* from the Centre to implementing agencies *via* SLNA/ States/UTs, in timing and quantum as per ground level status of projects to ensure minimum unspent/excess amount outside Government accounts. The MoUD in their reply stated as under:

“The funds are sanctioned based on the physical and financial progress in the projects and adherence to guidelines. Both these aspects are duly assessed while processing the Utilisation Certificates. The GFR format for UC duly captures the physical and financial progress in the project. Moreover, it is also mandatory to submit the SLNA Appraisal of latest IRMA Report which certifies the latest physical and financial progress along with the Utilisation Certificate. The Guidelines of UIDSSMT explicitly mention about the fund flow for the projects implemented by the State Government and ensures its implementation. The financial progress is invariably looked into while considering release for 2nd subsequent instalment of ACA for the projects.”

271. In their reply, the MoHUPA elaborated as under:—

“As explained earlier, the Central ACA is recommended for release once the Utilization Certificate of the respective instalment of the concerned BSUP/IHSDP project is received from the SLNA/ULB. The actual utilization of fund is based on the ground level progress achieved and utilization of funds. No time-frame however can be prepared at this level. The CSMC/CSC while approving projects consider time-frame of completion of projects, but in practical terms it has been observed that the ground realities differ due to various reasons, approvals *e.g.* issues related to collection of beneficiary share, land clearance etc. Despite best efforts at the Central level, monitoring of utilization of Central ACA at the ULB level is difficult. The Central ACA is released as per the Financial Cost sheet approved at the time of sanction of DPR as such the excess ACA is not released to the State Governments. However, in cases, where the State proposes revision of DPRs or deletion of DUs in a project, the ACA released earlier as per original sanction, become excess release to the State. This Ministry as per the instructions

issued by the Department of Expenditure adjusts the excess released ACA in other BSUP and IHSDP projects within the State through Department of Expenditure, Ministry of Finance. Thus efforts are made that no excess ACA is available with the State Governments at any given point of time.”

X. Monitoring and Evaluation

(i) Inadequate Monitoring by the Ministries due to Paucity of Staff

272. As per the scheme guidelines, the MoUD and MoHUPA were to periodically monitor their respective components through designated officers for each State/UT. In the MoUD, there was a Mission Directorate set up exclusively for JNNURM. The Directorate had three directors as on October 2010, who were responsible for all the States/UTs where JNNURM was being implemented. In respect of their assigned States/UTs, the directors were assigned, *inter alia*, examination of CDPs, scrutiny of DPRs for consideration of CSMC, examining the reports of the appraisal agencies, review of reforms, monitoring the implementation of projects etc.

273. However, 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 the Ministry. The Ministry felt that the augmentation of the staff had not kept pace with the increase of workload of the Directorate. It was also observed from the records of the MoUD that they had put up proposals in 2008 to the Administration Wing of the MoUD and few staff were posted thereafter. The proposal for additional staff was made in 2008, while the scheme was launched in 2005.

274. In the MoHUPA, against the proposal for creation of one post of Mission Director, 2 posts of Director / Deputy Secretary (DS), 1 post of Deputy Director (DD) and 2 posts of Under Secretaries (US), 1 post of each was created. Till August 2007, 1 DS / Director had been holding the additional charge of JNNURM in addition to other work in the MoHUPA. For implementation of IHSDP, it was decided that the existing officers and staff dealing with the National Slum Development Programme (NSDP) and Valmiki-Ambedkar Awas Yojana (VAMBAY) would be utilized, as these 2 schemes were subsumed in IHSDP. However, NSDP staff was not deployed and four staff members from VAMBAY, 1 each in the grade of Section Officer, Assistant, LDC and Peon were deputed.

275. In the above context, the Committee desired to know the reasons for not creating additional staff to periodically monitor the respective components of JNNURM and the Ministries' failure to augment their monitoring staff to keep pace with the increased work load of the Mission Directorate. The MoUD in their reply explained as under:—

“The Mission was launched in December 2005 for a period of 7 years and subsequently it has been extended for 2 years *i.e.* upto 31.3.2014. However, when the creation of JNNURM was launched, it was decided that the staff in the Directorate would be provided from within the sanctioned strength of the Ministry by internal mobilization. When the work of the Mission Directorate increased

the issue for posting of manpower in JNNURM was taken up from time to time and after a prolonged correspondence with the MoUD and the Ministry of Finance, against the projected requirement of 44 posts, 18 posts in various grades were sanctioned on 11/5/2011. Subsequently, when the work of the Mission further increased due to additional activities, such as capacity building activities, the matter for strengthening of Mission Directorate was again taken up for creation of 25 additional posts, however, the Ministry of Finance agreed for sanction of only 10 posts *vide* their sanction ID dated 6/6/2013. From the above, it is evident that as far as the Mission Directorate is concerned the matter for sanctioning of the manpower, the proposals were initiated from time to time to keep pace with the increase of workload."

276. In their reply, the MoHUPA stated as under:—

"The Ministry had made concerted efforts to augment the staff strength of the JNNURM Mission Directorate. However, proposals could not fructify due to various reasons."

277. On being asked about the Ministries' failure to anticipate their role well in advance to handle a scheme of such magnitude, the MoUD replied as under:—

"JNNURM being an ACA to the State Plan, monitoring of projects & reforms is to be done by the States. Hence, the resource personnel at the Ministry was kept at low end. However, from the above, it is evident that as far as the Mission Directorate is concerned the matter for sanctioning of the manpower, the proposals were initiated from time to time to keep pace with the increase of workload. The issue highlighted by the Audit has been noted and will be kept in mind while launching such urban projects/ schemes in future."

278. In their reply, the MoHUPA submitted as under:—

"Ministry is continuously pursuing with Ministry of Finance for creation of adequate staff for managing such a huge scheme. Ministry has anticipated its work load and asked for creation of 22 posts which were bare minimum but Ministry of Finance approved only 13 posts. Not creating enough staff strength for the scheme is not the result of either lack of anticipation or lack of persuasion on behalf of the Ministry. Even for its new scheme RAY, Ministry has been pursuing with Ministry of Finance vigorously for creation of bare minimum additional posts and has not met with success till now."

279. When enquired as to why was the staff of NSDP intended to be utilized for JNNURM not deployed in the MoHUPA, the Ministry in their reply apprised as under:—

"MoHUPA, not being the cadre controlling authority for managing the organized services, face in-adequate manpower. The staff of VAMBAY and NSDP identified for IHSDP component of JNNURM could not be dedicated for IHSDP, as the other Division from where the staff was taken back were already understaffed."

(ii) Delays in Furnishing Quarterly Progress Report by States

280. The scheme envisaged that the SLNAs would send Quarterly Progress Reports (QPRs) to the MoUD and the MoHUPA. QPRs were intended as an input at

the time of the subsequent release for projects. Audit observed that there were delays in receipt of the QPRs. In some cases QPRs were not received at all.

281. The Committee enquired about the reasons for not ensuring timely submission of Quarterly Progress Reports of projects being implemented and action taken when the States failed to furnish timely Quarterly Progress Reports. The MoUD in their reply stated as under:—

"Quarterly Progress Reports (QPRs) are received regularly from most of the States. However, some States are irregular in sending the same for many reasons including lack of staff and inadequate capacity, as reported by the States. Continuous follow up is conducted by the Ministry."

282. In their reply, the MoHUPA intimated as under:—

"Ministry apart from persuading State Governments cannot take any other action for non-submission of timely QPRs and other progress report. While releasing the next installment, it is ensured that updated information of the project is available."

283. Subsequently, the MoHUPA submitted as under:—

"Ministry has been insisting with the State Governments for submission of MPR and QPR. In case of non-submission, issue has been taken up with State Government through meetings and letters. Further, in addition to this mechanism of monitoring of MPR and QPR, Ministry has developed online monitoring system to upload progress of projects. Ministry has already taken extensive capacity building measures for the States and cities to enable them to update project-wise information on this online monitoring system."

(iii) Non-seeking of Timely Completion Reports

284. 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 was not being sent to the Ministry. As per the Ministry's record, 105 projects under UIG had been completed upto March 2011 whereas status of completion from 3 States/UT (Delhi, Maharashtra and Madhya Pradesh) for only 10 projects were received in the Ministry (May 2010). It was also observed that the MoUD did not take up the matter of submitting completion report with the States and only on 1 November 2011, the States were reminded (those States and for those projects for which all 4 installments had been released) to send Financial Closure Certificate/Completion Certificate or the current status of the project as the case may be. As such the MoUD did not use scrutiny of 'Completion Report' as a tool for monitoring.

285. The MoUD replied (May, 2012) that a formal completion certificate is usually issued after successful trial run of the project and only a few of the completed projects had successful trial runs.

286. Asked to explain the reasons as to why did the MoUD not insist on furnishing of completion report in cases of completed projects, the Ministry submitted as under:—

"Ministry is always insisting for furnishing of completion Certificates for all the projects reported to be physically completed by States/UTs. Completion reports

in respect of 134 UIG and 242 UIDSSMT projects are available with the Mission Directorate. Information on completion of projects is also incorporated in the QPRs submitted by the States/UTs and IRMA reports."

287. In evidence the Secretary, Urban Development apprised the Committee on the imperfect reporting by States as under:—

"In 2010-11, 2011-12, 2012-13 and almost one-third of 2013-14, there has been a regular hammering. I personally discuss it with the State Principal Secretaries. Half of the time their reporting is imperfect. They have achieved reform; they do not report. They are not reading what they are writing. They often simply sign and send the papers. This is one side; the other side is that after working closely with them we could resolve the information gap. We have also made measurable calibration of reforms. Otherwise, the interpretation was also different from our side and their side as to what is the achievement of reform. They were not aware of how to report. So, we made four to five measurable indicators for each reform. Then they could answer with supporting document, which we could verify very clearly. Moreover, they took initiative also."

(iv) Non-achievement of the Objective of Constitution of Technical Advisory Group

288. 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. The Technical Advisory Group (TAG) for UIG was constituted on 27 February, 2006 and it was stipulated that 'National Technical Advisor (NTA)' who was the Chairperson of TAG would be a special invitee to CSMC. TAG was required to meet at least once in a month *i.e.* 12 meetings in a year. However, against 60 meetings required to be held during March 2006 to March 2011, only 37 meetings were held by TAG. Further, TAG was required to help the Mission to create City Voluntary Technical Corps (CVTC), to take peoples' participation forward, in each Mission City. However, out of 65 Mission Cities, CVTC have come up only in 14 Mission Cities, as of August 2011. The NTA constituted by the MoUD was to be a special invitee to CSMC meetings of the MoHUPA. However, the MoHUPA intimated (July 2011) that NTA had not been invited in the CSMC /CSC meetings of BSUP and IHSDP.

289. The Committee enquired about the reasons for holding only 37 meetings out of 60 meetings stipulated during the period March 2011 and failure to utilize Technical Advisory Group fully while implementing JNNURM. The MoUD in their reply stated as under:—

"The TAG has been created to help create City Voluntary Technical Corps (CVTC) to encourage private sector participation and citizens involvement. Reportedly TAG helped in creation of CVTC only in 14 Mission Cities. The TAG has been requested to give report on the work done and evaluate efficacy of TAG. Such report is still pending. As per the view of Mission Directorate in the present context the TAG may not have its relevance, since the present phase

is likely to end on 31.3.2014. However, continuation of such advisory group will be deliberated upon with all the concerned authorities — while formulating contours of JNNURM, Ph-II, as and when launched."

(v) Non-appointment of Independent Review and Monitoring Agency (IRMA) and Third Party Inspecting and Monitoring Agency (TPIMA)

290. To review and monitor process in the Mission Cities and 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), the 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, the MoHUPA had also evolved such mechanism to appoint Third Party Inspecting and Monitoring Agencies (TPIMA) for review and monitoring in respect of BSUP and IHSDP projects. It was necessary that each project is 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.

291. During audit in the MoUD, it was ascertained that only 27 States / UTs had appointed IRMA for third party monitoring of the projects under UIG and UIDSSMT. It was not appointed in Bihar, Dadra and Nagar Haveli, Daman and Diu, Delhi, Himachal Pradesh and Nagaland. There was no project approved under UIG and UIDSSMT in Andaman & Nicobar Islands and Lakshadweep. The MoUD could not intimate as to whether all the projects in the 27 States/UTs had been covered or not. The MoUD checked only compliance of guidelines regarding 'appointment of IRMA' at the time of appraising the proposal for the selection of IRMA and did not ensure compliance of other guidelines like cross-verification with information provided by SLNA/DEA to identify issues/constraints in project implementation and thereby enabling 'corrective action by periodical review of the reports.

292. 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. The mechanism of IRMA, to be utilized for better project quality; time and cost control; value for money procurement; improved budgeting planning and funds flow in the project; and measurement of project outputs and impact was found not to be used by the MoUD in an effective manner.

293. Further, TPIMA had been appointed by 21 States/UTs as of January 2012, and the same had not been appointed in Arunachal Pradesh, Bihar, Dadra & Nagar Haveli, Daman & Diu, Jharkhand, Meghalaya, Punjab and Sikkim. It was observed that 8 out of 58 BSUP projects and 3 out of 30 test checked IHSDP projects in the MoHUPA had not been covered by State appointed TPIMA. There was a delay of more than 3 years in appointment of TPIMA from the date of approval of TPIMA *e.g.* the project — "Housing for Urban Poor at Bawana, Narela and Bhorgarh, in Delhi". The project was approved on 13 June, 2007 whereas TPIMA was appointed on 31 January, 2011.

294. In addition, 2 agencies had been appointed as Central TPIMA to inspect 126 projects on sample basis from various States /UTs. Subsequently Central TPIMA had been extended to cover 4 North-Eastern States namely Arunachal Pradesh, Tripura, Meghalaya and Sikkim. Central TPIMA also covered the UT of Chandigarh completely. Jharkhand, Goa, Andaman & Nicobar Islands, Dadra & Nagar Haveli and Daman & Diu were still uncovered by any TPIMA. The MoHUPA in their reply (January 2012) stated that it had been pursuing with States to appoint TPIMA for all projects.

295. Audit scrutiny further revealed that out of 58 test-checked BSUP projects and 30 IHSDP projects, TPIMA reports had not been received in respect of 29 projects and 19 projects respectively. In some cases, the IRMA and TPIMA concerned did not carry out adequate site visits and submit their reports. Further, there were also cases, where their recommendations were not acted upon.

296. In the above context, the Committee desired to know as to why IRMA/ TPIMA were not appointed in all the States/UTs for effective monitoring of projects as well as the reasons for delay in their appointment. The MoUD in their reply explained as under:—

"The following are some of the reasons, as informed by the State Governments, for delay in appointment of IRMAs:—

- (i) Non-responding by the agency to the advertisements issued by the State resulting re-advertisement of the proposals.
- (ii) Some of the States were required to resubmit the proposals since the procedures for appointment of IRMA were not followed.
- (iii) During an assessment in the year 2009, it came to light that some of the States were not able to appoint IRMA on their own, hence an exercise was conducted by the Government of India itself to select various agencies by following the proper rules and procedures and IRMAs were selected for 13 States and their names recommended to the States for entering into agreement and for appointment of IRMA.
- (iv) Delay in signing of agreement contract by the SLNA and IRMA etc.

However, as on date IRMA in all the States have been appointed."

297. In their reply, the MoHUPA stated as under:—

"As per the guidelines, it was the responsibility of State Government to appoint TPIMA. TPIM reports are analysed by TPIM Cells and the observations of TPIMAs are discussed in the meeting in presence of State representatives so as to take necessary, corrective and remedial steps for proper execution of projects and ensuring the quality of projects. The Ministry has emphasized time and again that 2nd Installment of IHSDP and 3rd/4th instalment of BSUP is not released in a project without report of TPIM/Quality report and comments of SLNA thereon so as to ensure the quality of projects and the remedial actions for rectifying the defects, if any. As on date, all the States have appointed TPIM."

298. Further, the Committee enquired why had IRMA and TPIMA not been used effectively for the implementation of JNNURM and how do the Ministry plan to utilize them effectively. In reply, the MoUD submitted as under:—

"The IRMA (Independent Review and Monitoring Agency), periodically visits the sites of projects and reports to the Government of India and State Governments on all aspects including physical and financial progress of the projects. Before release of any subsequent installments of ACA, the reports of IRMA are taken into consideration. Their suggestions are also noted by the States / Implementing Agencies for compliance and taking suitable measures for implementation of projects."

299. During evidence, while conceding that some States have not been able to appoint TPIMA, the Secretary, Housing and Urban Poverty Alleviation apprised the remedial measures taken in this regard as under:—

"There was also a mention about quality monitoring and quality control. We have a system of third party monitoring, what you call the TPIMA Management Systems, wherein a TPIMA Report is required for release of each installment. That TPIMA Report is a technical report which is prepared after a visit to the site. The observations have been that a couple of States have not been able to appoint the TPIMA, like Punjab and Haryana and some other States like Assam. So, what we have done is in the last one year for North-eastern States and for Assam we have allowed them to use the TPIMA that has been appointed by the Government of India. We have also allowed the Punjab Government to use the TPIMA appointed by the Government of India because Punjab was a late starter in the JNNURM. They did not want to participate in the Programme till about two years ago. Now, they have got a few programmes sanctioned. This system will also continue in the new Programme."

(vi) Programme Monitoring and Evaluation System (PMES)

300. The Mission Directorate, MoUD implemented a web enabled Programme Monitoring and Evaluation System (PMES) for JNNURM. The PMES was stated to be designed to capture the physical and financial progress aspects of JNNURM projects, both as reported by the PEA and the IRMA. PMES consisted of different modules such as CDP, DPR, appraisal etc. and these Modules were stated to be interlinked. By the time PMES was made operational in 2008, more than 300 projects had already been approved under JNNURM (UIG). The audit in selected States/UTs indicated that the States/UTs hardly used the PMES.

301. The MoUD in their reply (April, 2012) confirmed the audit observations and intimated that PMES had been closed with effect from 31 March 2012 and the deficiencies in PMES would be taken care of in Project Monitoring and Information System (PMIS).

302. In the above context, the Committee enquired from the MoUD reasons for non implementation of PMES effectively in all the States/UTs covered under JNNURM.

In reply, the MoUD stated as under:—

"PMES was formulated as an online system where the participation of State/UTs and the ULBs was vital. Adequate training was given to the concerned officials of ULBs and States to make online data entry into PMES. But due to inadequate response of the States and ULBs, PMES could not be used effectively."

(vii) Inadequate Monitoring by State Level Committee (UIG&BSUP)/State Level Coordination Committee (IHSDP)/State Level Sanctioning Committee (UIDSSMT)

303. The primary role of the State Level Steering Committee (SLSC) for UIG and BSUP was to decide and prioritize the projects under JNNURM. It also had a role in monitoring the implementation of the projects and review the progress of urban reforms in the States/UTs. As per UIDSSMT guidelines, the State Level Sanctioning Committee shall meet as often as required but at least thrice in a year without fail and review the progress of ongoing projects and sanction new projects. As per IHSDP guidelines, the State Level Coordination Committee (SLCC) shall meet as often as required but at least once in a quarter to review the progress of ongoing projects and for sanction of new projects.

304. During the audit of selected States/UTs, it was observed that sufficient number of meetings of the State Level Sanctioning Committee/SLCC were not organised for monitoring the implementation of the projects and review the progress of urban reforms in the States. In Haryana, only 4 meetings of State Level Sanctioning Committee and 1 meeting of State Level Steering Committee were held during 2007-11. No system of State level monitoring of the projects existed in Delhi. In Delhi, it was seen that there was no mechanism to monitor the reforms at State/ULB level. Only 2 meetings of SLSC were held in respect of UIG and BSUP during 2007-11 in Madhya Pradesh. No meeting of SLSC was conducted in Puducherry after 2009-10. Discussions were held in Assam on appraisal of progress of the project works but action taken/suggested for speeding up the project works were not found on record or documented. Similarly in Daman and Diu though various meetings at the State Level were conducted under the chairmanship of UT Administrator during the period from 2008-09 to 2010-11, the project is yet to take off.

305. The MoUD replied (May, 2012) that it is the responsibility of the State Government to hold SLSC meetings and they had been continuously advised to hold meeting for review and monitoring of implementation of projects as well as urban sector reforms.

306. In the above context, the Committee desired to know the periodicity of calling Monitoring Committee meeting for JNNURM and number of Monitoring Committee meetings each at Central and State levels expected to be held so far as per this schedule. The MoUD in their reply appraised as under:—

"As per the guidelines of UIG subcomponent of JNNURM, among other mechanism for monitoring of projects, at the Central level, the CSMC may meet as often as required to sanction and review/monitoring progress of projects sanctioned under the Mission. The CSMC is headed by the Secretary (UD), Government of India. Generally, CSMC meetings take place once in a month

depending on the proposals submitted by the State Governments for sanction of new projects and release of subsequent installments of the Additional Central Assistance (ACA) to the States. Till 30th September, 2013, 126 number of such CSMC meetings have been held for sanction of projects and installments including monitoring of UIG projects. As per guidelines under UIDSSMT, it has been stipulated that State Level Sanctioning Committee (SLSC) shall meet at least thrice in a year without fail and review the progress of ongoing projects and sanction new projects. The meeting of SLSC is a continuous process. However, the periodicity of meeting of SLSC varies from State to State."

307. In their reply, the MoHUPA stated as under:

"There is no fixed schedule for holding CSMC/CSC Meetings. This depends upon the proposals submitted by the States/UTs as on date, there have been 147 CSMC and 143 CSC meeting since the inception of the scheme, On an average, CSMC and CSC meeting been held twice a month upto 2011-12 and thereafter CSMC and CSC meetings have taken place on an average once in a month. It may be noted that new projects were approved till 31st March, 2012 and now these meetings are taking place for release of further installments in the already approved projects."

308. Asked to state the total number of Monitoring Committee meetings held each at Central and State Levels so far, the main problems/hindrances identified in these Monitoring Committee meetings and plan to overcome them, the MoUD informed as under:—

"At the Central level, as on 30.09.2013, 126 meetings of the Central Sanctioning and Monitoring Committee (CSMC) have taken place. At the State level, it is stipulated that the State Level Sanctioning Committee (SLSC) would meet at least thrice a year to review the progress of on-going projects. Periodicity of such meetings varies from State to State. No data-base of State Level meeting is available. In the review meeting, the main problems identified with respect to implementation of projects relate to land acquisition, clearances etc. For reform implementation the main difficulty has been in getting legislative and competent administrative approval. Each State has been taking up the issue of various clearances with Railways, Defence at their level. The projects can be facilitated only if time-bound clearances are ensured by requisite authorities. Till date 135 CMC meetings have been held at the Government of India level. All required actions including making requests to MoF for release of funds to the States have been taken pursuant to deliberations in Such CSMC meetings. The SLSC meetings are held at States level and these data base are not available with the Mission Directorate. The States have been requested to provide data base relating to SLSC meetings. These can also be directly settled by the States with their respective AGs."

(viii) Need to Strengthen the Monitoring of JNNURM Projects

309. The Committee enquired about the steps initiated to monitor implementation of JNNURM projects with a view to analyzing the causes of delays more closely and

resolving hindrances so as to ensure timely completion of these projects. The MoUD in their reply explained as under:—

“The Mission Directorate constantly monitors implementation of projects and reforms. A number of steps have been taken as part of this endeavour:

- (i) A system of Quarterly Progress Reports (QPR) is in place to monitor implementation of projects and reforms.
- (ii) Central Sanctioning and Monitoring Committee (CSMC) reviews the progress of implementation of the Mission every month. The representatives from select States/UTs are asked to attend these meetings with a view to review and expedite the implementation of the Mission.
- (iii) Meetings of the State Secretaries of Urban Development are held under the Chairmanship of Secretary (UD) where the implementation of the Mission is reviewed.
- (iv) There are Regional Review Meetings by Secretary (UD) for different regions of the country.
- (v) Correspondences at the level of Secretary (UD) are written to the Chief Secretaries of the States/UTs bringing to the notice issues requiring urgent action.
- (vi) Capacity building measures such as conducting Rapid Training Programme of the officials of ULBs/parastatals, supporting Programme Management Unit (PMU) at the State level and Project Implementation Unit (PIU) at the ULB level, and Independent Review and Monitoring Agency (IRMA) at the State level, preparing and providing toolkits for preparation of CDPs, DPRs along with their reimbursement etc. has been taken by the Mission Directorate.
- (vii) The reform appraisal agencies have been asked to hand hold the States/ULBs in order to facilitate the reforms process.
- (viii) The Reform primers have been prepared by the Mission Directorate and disseminate to the State/ULBs to facilitate understanding of reforms.

The status of reforms and project implementation of the already sanctioned projects of a State/UT is considered by the CSMC at the time of sanctioning of a new project or any second or subsequent installment of funds.”

310. In their reply, the MoHUPA Stated as under:—

“The main reasons of the delay are as follows:—

- Projects have witnessed large cost escalations, due to rising prices of steel and cement amongst other factors, States and Urban Local Bodies are not able to meet such cost escalation. Government of India, under the JNNURM Scheme has decided not to fund any cost escalations;

- In IHSDP component, cost ceiling was artificially imposed at ₹ 80,000 per Dwelling Unit which was revised in 2009 to ₹ 1 lakh per DU effective from 1.4.2008. This ceiling translated to a heavier burden on the States / ULBs resulting in stalling of projects. Instead actual cost under IHSDP was also higher than ₹ 1 lakh and this coupled with large cost escalation, has very adversely affected the progress of IHSDP projects especially in the States / ULBs which are not able to fund the enhanced cost;
- Difficulties in making slum residents temporarily relocate in the case of *in situ* projects;
- Inability of beneficiaries to contribute their share; and
- Lack of availability of litigation-free land.

It can be seen that the reasons for delay are primarily non-availability of land, cost escalation and reluctance of beneficiaries. These issues related to the ground situation in each city are required to be sorted out at the city level. Though Ministry, while monitoring, tries to find solution for such issues, if possible."

311. Replying to a specific query as to whether the monitoring of JNNURM projects have been strengthened so that there are no diversion of funds to ineligible beneficiaries/schemes, the MoHUPA submitted as under:—

"The Ministry and the CSMC have been advising the States from time to time that a 3 Tier monitoring shall be done for BSUP/IHSDP projects. At the lowest level, ULB/ monitoring agencies should monitor the implementation of the projects. The second tier of monitoring is at the State level where the SLNA is required to monitor the implementation as per its role envisaged in the guidelines. The third tier of monitoring is the TPIM Agencies appointed by the States. The States are following this rigorous monitoring in general and at the time of sanction of 3rd and 4th installment under BSUP and 2nd installment under IHSDP, Government of India ensures that the TPIMA Report are analysed by SLNAs and their comments upon the physical and financial progress and quality aspects of the project before release of further instalments."

312. The Committee further enquired whether any responsibility had been fixed for lapses in monitoring JNNURM. In their reply, the MoUD stated as under:—

"The progress of projects and reforms is constantly monitored at the level of Government of India. The Constitutional provisions stipulate urban development and local bodies to be a subject matter of the State Government. The MoUD has been working with these stipulations. Both projects and reforms are implemented by State Governments as per the extant laws, rules and procedures. There is no lapse in monitoring of the projects as far as Government of India is concerned."

313. On being pointed out that lapses in monitoring had been brought out in chapter 9 of the Audit Report, the MoUD stated as under:—

"It is reiterated that the Ministry has been monitoring the implementation of projects on the basis of QPRs, IRMA reports, RAA reports, review meetings,

communications, visits etc. Unlimited number of communications have been sent to the States/UTs to expedite completion of projects and achievement of reforms within the stipulated guidelines."

314. When asked to explain steps taken to supplement the earlier initiatives to strengthen Monitoring and Evaluation aspects, the MoHUPA elaborated as under:—

"One of the reasons highlighted by PAC for inadequate monitoring is paucity of staff at the Ministry. It is already submitted in written response that in spite of Ministry's continuous persuasion for creation of adequate staff for managing such a huge scheme, the proposals could not fructify.

However, Ministry has been monitoring the progress of projects approved through MPRs and QPRs. PAC has also observed that submission of MPRs and QPRs have not been very regular. As already submitted, Ministry has been insisting with the State Governments for submission of MPR and QPR. In case of non-submission, issue has been taken up with State Government through meetings and letters.

The Mission Directorate has also empanelled Agencies to play the role of TPIMA under JNNURM for third party appraisal and monitoring.

A Management Information System (MIS) has been designed in this Ministry to capture physical and financial progress of JNNURM projects. The information provided by MIS is cross verified with independent reports from TPIMA to identify all the constraints and issues in the project implementation and to enable timely corrective action if necessary. TPIM enables this Department in achievement of the following:—

- Better Project Quality
- Cost Control
- Time Control
- Improved Planning and Budgeting
- Control over Fund Flow and Utilization
- Measuring Project Outputs
- Measuring impact of JNNURM

Besides these, Central Sanctioning and Monitoring Committee (CSMC) and Central Sanctioning Committee (CSC) approve the projects under BSUP and IHSDP respectively and sanction the first instalment on the basis of duly approved Detailed Project Reports (DPRs) submitted by the States/UTs and subsequent instalments on receipt of Utilization certificates from the State Governments of the earlier instalments released."

XI. States/UTs which have been successful in implementing JNNURM

315. The Committee desired to know the States/UTs which had been successful in implementing JNNURM and the Ministries plan to emulate their success stories in

other States/UTs. The MoUD in their reply stated as under:—

“It is reiterated that projects under JNNURM are implemented by the State Governments/UTs. Some of the States viz. Andhra Pradesh, Arunachal Pradesh, Gujarat, Himachal Pradesh, Karnataka, Manipur, Rajasthan and Tamil Nadu are the States which can be attributed as successful in so far as implementation/ completion of projects *vis-a-vis* total number of projects approved are concerned (completion around 50%). The best practices as reported/noticed are shared with the other State Government/UT during the review meetings and other forums.”

316. In their reply, the MoHUPA submitted as under:

“Some of the States are able to implement these projects faster *vis-à-vis* others. The reasons of delay as reported by States are primarily non-availability of land, capacity of ULBs to prepare DPR and slow tenders to appoint contractor and supervise these work. States which have strengthened ULB with better financial conditions are able to implement these projects more speedily. Ministry has been impressing upon State Governments to strengthen ULB so that such projects can be implemented expeditiously.”

317. During evidence, the Committee sought views of the MoUD on the point that the condition of development of a municipal life, the type of municipalities and management that was needed in the North-Eastern or the Himalayan States were very much different from what were in the plains or the advanced States. The Secretary, Urban Development submitted as under:—

“Actually, they were saying like that, but we have gone into the issue proper as to what exactly is required. It turns out that it is not that it is insurmountable for them. For example, the question is that the stamp duty be reduced to 5 per cent because we think that as a principle high rate of stamp duty leads to leakages and inhibits urban development in a systematic manner. For example, the user charge on water is one major problem. The North-Eastern States are not willing to levy user charges. Nothing is there that distinguishes them from the rest of India. You are giving water and you pay charges. You are doing the sewage cleaning and you levy charges. They are not willing to levy property tax, and there is no good reason for them not to.”

318. On being enquired about the steps taken in this regard, the MoUD in their reply stated as under:—

“Most of the Municipalities in North-East or the Himalayan States have been formed very recently. In comparison, the Municipalities in some States were formed long back like Gujarat, Maharashtra, A.P. etc. These have evolved over time and gained competence in managing municipal affairs on their own, whereas the recently-created municipalities in North-East and Himalayan States are still learning and comparatively more dependent on the State Governments. Hence, JNNURM has considered bracketed these States under special category and relaxed some norms for achieving reforms. Cities in the North-East and other special category States have to recover only 50 per cent of O&M charges, as

compared with 100% O&M cost recovery mandated for the rest of Mission Cities.

As per Government decision of date 31st May, 2012 achievement of reforms has been delinked for UIDSSMT for ongoing projects in North-East and J&K.”

XII. Measures which would have ensured better implementation of JNNURM projects

319. The Committee sought the opinion of the Ministries on the arrangements with which the implementation of JNNURM could have been better. The MoUD in their reply apprised as under:—

“Professionally skilled and strengthened Mission Directorate was a pre-requisite for implementation of the JNNURM which can give handholding to States and ULBs. Along with this, handholding of States would be required at the inception stage which would then had a capacity building at the urban local body level *i.e.* project identification, identification of problems, surveys, project conceptualization, preparation of DPRs, implementation of projects and asset management. The ULBs also require staff equipped in financial, technical and administrative matters to implement all the reforms in a time bound manner.

There are around 5000 towns which need support under UIDSSMT for improvement in urban infrastructure in view of fast urbanization. However, the total allocation for JNNURM is very less and cannot cater to the needs of urban infrastructure and increasing urban population. The creation of Municipal cadre and professionalization of Municipal services in the ULBs are key to urban governance and based on the learning so far, it is the endeavour of the Ministry to stress for the same to have better implementation of JNNURM.”

320. In their reply, the MoHUPA submitted as under:—

“The implementation of JNNURM component of BSUP & IHSDP would have been better if we have allowed cost escalation on account of tendered cost and escalation because of building material. Artificial ceiling of Rs.1 lakh under IHSDP was a big damper. Inadequate staff in Ministry at Government of India level is also one of the major issue. The releases which were made through Ministry of Finance in 4 installments in BSUP projects also caused delay in reaching the money to the concerned ULB which certainly affected the progress of the project. Rehabilitation of the slums is a complex social issue where the consent of all beneficiaries is paramount. In many cases, over a period of execution the consent of beneficiary, which was given earlier, was not implemented in Practice and beneficiary refused to vacate or shift to new place.”

321. The Ministry further submitted as under in this regard:—

“Establishment of a single directorate in a single Ministry for all the four components of JNNURM instead of the two directorate in two separate Ministries in-charge of the mission would have been a better arrangement.”

322. Pointing out that DPR examination should have been done more extensively and thoroughly, the Committee enquired whether there was any Committee to do such things. In reply, the MoHUPA stated as under:—

“There is a Central Sanctioning and Monitoring Committee for BSUP projects and a Central Sanctioning Committee for IHSDP projects set up under the Chairpersonship of Secretary (HUPA) to appraise and sanction the DPRs submitted by the States/UTs. DPRs are prepared by States/UTs with the technical expertise either available in-house or through appointment of technical consultants which is also supported by the Ministry. Once prepared, DPRs are submitted to the Ministry which are appraised by the 2 appraisal agencies designated by MoHUPA *i.e.* HUDCO and BMTPC. The appraisal agencies, appraise the DPRs, discuss with the State Government representative/consultants regarding queried raised or shortcomings with regard to availability of documents etc. and review the cost estimates so that revised DPRs can be placed before the CSMC for consideration. CSMC goes through all the components of DPRs, takes into account concerns of appraisal agency and if satisfied accord approval/conditional approval or defer the project for State Government to incorporate comments. In case of conditional approvals, the States are required to submit all the information/undertaking complying the conditions based on which the same is considered approved and fund is released.”

323. When asked to explain as to why the Ministry were intruding in the matters pertaining to the State List like Property Tax, Stamp Duty, Rent Control Act, etc. the MoHUPA replied as under:—

“The Ministry has mandated certain reform conditionalities which States agree to undertake through signing of Memorandum of Agreements (MoAs). However, the Ministry only issues advisories and model laws to help States expedite the process of implementation of these reforms. These are not intrusive in nature.”

324. In this regard, the Secretary, Urban Development clarified in evidence as under:—

“There is no intention of any kind of interference with the State Government or the urban local bodies. The idea was to handhold the efforts in making the urban local bodies self-sustainable. It was an effort to motivate them to take up reforms.”

325. On being pointed out that the structure of JNNURM is faulty as it mostly dependent on the States/ULBs which already were having low capacity resources, the MoHUPA explained as Under:—

“Land and colonisation are State subjects as per the Constitution. Hence, the schemes of GoI related to housing to a large extent are not obligatory on them. Further, these schemes *e.g.* RAY, JNNURM etc are contingent upon the States/UTs signing and MOA for implementing the same and ageeing to the reform conditionalities. In this it is assumed that the States already have the capacity to implement the schemes. However, as part of the schemes modalities, the GoI is also providing for additional funding support for augmenting manpower at the

State and City level (through establishment of PMU/PIU/State and City level technical cells), conducting of regular workshops/training /capacity building programmes to handhold States/Cities, preparation of detailed project reports and plans as mandated under the schemes.”

326. Further, the Committee enquired as to why were consultations with the stakeholders not done adequately. In reply, the MoHUPA apprised as under: —

“A number of consultations with States/UTs, ULBs along with research institutions, think-tanks, bilateral-multi lateral agencies, practitioners in the field, NGOs/CBOs and civil society organisations have been held in formulation of the scheme and periodic revisions/amendments in the scheme. Guidelines/toolkits, best practices etc. have been compiled based on the feedback from various stakeholders. Further, formulation of plans mandate participation of all stakeholders within the city/ULB jurisdiction. Further, community participation at every stage is encouraged by the Ministry in implementation of the scheme.”

PART II

OBSERVATIONS AND RECOMMENDATIONS

1. Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched by the Government of India on 3rd December, 2005 as a reform-driven, fast track programme to give focused attention to the improvement of severely stressed infrastructure and basic services to the poor living in the identified 927 cities and towns of India so as to enable them to realize their full potential with focus on efficiency in urban infrastructure/service delivery mechanisms and through community participation and enhanced accountability of Urban Local Bodies (ULBs)/Parastatal agencies towards citizens, thus becoming true engines of growth. It envisaged a total investment of more than ₹ 1,00,000 crore during a 7 year period from 2005-06 to 2011-12 with a committed Central Government share of ₹ 66,084.65 crore. 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 which comprise 35 cities with million plus population, other State capitals and cities of heritage and tourism importance across the country. The main thrust of UIG was on infrastructure projects relating to water supply and sanitation, sewerage, solid waste management, road network, urban transport and redevelopment of old cities whereas that of BSUP was on integrated development of slums through projects for providing shelter, basic services and other related civic amenities. In respect of non-Mission Cities, there were two components namely: (i) 'Urban Infrastructure Development Scheme for Small and Medium Towns' (UIDSSMT) and (ii) 'Integrated Housing and Slum Development Programme' (IHSDP) with the same broad objectives as envisaged in UIG and BSUP. The Ministry of Urban Development (MoUD) is the nodal Ministry for UIG and UIDSSMT while that of BSUP and IHSDP is the Ministry of Housing Urban Poverty Alleviation (MoHUPA). Against this background, a Performance Audit of the implementation of the JNNURM for the period 2005-06 to 2010-11 was conducted by the C&AG of India between April 2011 and November 2011. It covered the audit of the MoUD and the MoHUPA and interaction with other stakeholders like the Ministry of Finance, the Ministry of Home Affairs and the erstwhile Planning Commission at the Government of India level and the audit of State Government Departments, State Level Nodal Agencies and Urban Local Bodies/Parastatal agencies at the State Level. The audit sample comprised 216 projects in 39 Mission Cities and 46 cities and towns other than Mission Cities spread over 25 States and 5 UTs. Out of these 216 projects, there were 82 housing projects and 134 urban infrastructure projects. The Performance Audit highlighted various shortcomings/lapses in the implementation of the Mission *viz*, release of less budgetary allocation than envisaged, non-completion of majority of approved projects, very few projects for re-development of old cities, non-establishment of/inefficient Programme Implementation Units in

several States, shortcomings in implementation, financial management, and monitoring of both housing and urban infrastructure projects as well as reforms meant to strengthen the ULBs/Parastatals. These and other relevant issues have been dealt with in the succeeding paragraphs.

2. Shortfall in Release of Additional Central Assistance : The Committee are concerned that there had been huge shortfalls in allocation and release of Additional Central Assistance by the Central Government for JNNURM. Against an allocation of ₹ 66,084.65 crore envisaged by the Planning Commission for JNNURM during the Mission period 2005-06 to 2011-12, a budgetary allocation of ₹ 45,066.23 crore was made and against this allocation, only ₹ 40,584.21 crore had been released in respect of UIG, UIDSSMT, BSUP and IHSDP upto 2011-12. In the case of UIG, the shortfall was as high as 94.86 percent in Goa and there were 14 States/UTs where the releases were short by more than 50 per cent. Though the MoUD claimed that substantial progress had been shown by the States in the later half of the Mission, the Secretary, Urban Development conceded during evidence that as all the reforms were not achieved during the given period, the Government had decided to withhold 10 per cent of the ACA, to be released once the reforms were achieved by them. As remedial measures, the Government had also appointed the Reform Appraisal Agencies to monitor the progress of the reforms and submit their reports periodically to the Ministry. The States had also been reportedly requested to expedite submission of UCs for claiming second instalment of ACA for the projects and complete the projects. The Ministry of Housing and Urban Poverty Alleviation also apprised the Committee on various measures taken by them to facilitate States/UTs in setting up technical support structure and conduct capacity Building Programmes so that the State/Parastatal/Urban Local Body officials are trained in project formulation, designing, implementation and monitoring for successful implementation of JNNURM. The Ministry further informed that to avoid procedural delays, they propose to release the ACA directly *w.e.f.* 2014-15. However, the Committee find that even after taking up these remedial measures, there still exist huge shortfalls in releasing ACA for all the four components of JNNURM as on 30.09.2013 *i.e.* ₹ 20,040.49 crore released for UIG projects against the sanctioned ACA of ₹ 27,893 crore, ₹ 9,708.59 crore for UIDSSMT Projects against the sanctioned amount of ₹ 11,313.60 crore; and ₹ 17,639.6 crore for BSUP and IHSDP projects out of ₹ 20,169.32 crore. The Committee also note that the MoUD provided another figure of ₹ 21,732.13 crore for UIG projects as total release for the same date *i.e.* 30.09.2013 and feel that the MoUD owes an explanation to them with respect to mismatch of figures concerning funds released for UIG because it shows a casual approach on their part in maintaining data appropriately. Further, the Committee are of the opinion that withholding 10 per cent of ACA for not completing the requisite reforms would further hold up the completion of projects. The Committee, therefore, desire that the two Ministries continue in their efforts to find and remove stumbling blocks both at the Central and State levels, take strict action against the defaulting States and ensure proper utilization of sanctioned funds and timely release of subsequent instalments. The Committee would like to be apprised of the latest status on the ACA released to States/UTs subsequent to various remedial measures taken by the Ministries concerned, particularly the Reform Appraisal Agencies, alongwith the reports, if any, submitted by these agencies.

3. Delay in Completion of Projects : The Committee are distressed to find that as per the audit report, only 253 projects consisting 8.98 per cent of the total 2482 JNNURM projects approved upto 31 March, 2009 could be completed within the average period of completion of 2 years *i.e.* by 31 March, 2011. Even later, despite taking remedial measures and engaging with the States and Municipalities through review meetings, various communications, video conferencing, Independent Review and Monitoring Agencies, workshops for expediting the completion of the remaining projects, the MoUD could complete only 46 per cent of their UIG and UIDSSMT projects as on 30th September, 2013. The record of the MoHUPA was hardly better as they could complete only 8,44,062 Dwelling Units (DUs), constituting 58.6 per cent of the total 14,41,231 DUs sanctioned while cancelling 173 projects and curtailing non-started DUs in 526 projects by 15th September, 2014. Consequently, the mission period for the MoUD and the MoHUPA was extended upto March 2014 and March 2015 respectively. The MoUD could not achieve the revised target also, since out of 539 UIG and 806 UIDSSMT projects approved during 2005-12, only 247 UIG and 454 UIDSSMT projects had been completed as on 31st August, 2014 and 33 UIG projects and 15 UIDSSMT projects had been withdrawn. Main reasons for the delay in completion of the projects cited by the Ministry were land acquisition issues, litigation matters, shifting of utilities, delay in obtaining statutory permission from Defence, Railways, Environment and Forests and other regulatory Departments, delay in claiming second installments by States for non-implementation of urban sector reforms, imposition of impracticable cost ceiling, cost overruns and cost escalation in steel and cement sector, non-availability of technical manpower at ULBs, changes in site location due to ground realities, difficulties in relocating slum dwellers and inability of beneficiaries to contribute their share. The Committee wonder why these issues were not taken care of when the Mission was conceptualized with a view to equipping the implementing agencies with adequate preparedness to surmount the challenges that may arise in the course of the implementation of Mission. While deploring this lapse, the Committee hope that now since both the Ministries have learnt suitable lessons from their experience, there is a need to put in extra efforts to complete the remaining projects without further loss of time. The Committee would like to have the details of the specific action taken in this direction as well as targets achieved at the end of the extended Mission period.

4. Adverse Impacts due to Non-completion of JNNURM Projects : The Committee express concern over the fact that various adverse impacts have emanated due to the non-completion of JNNURM Projects. These include cost escalation in view of time overrun, stagnation of the service delivery levels which would have increased upon completion of projects and inconvenience and hardships to general public. In evidence, the Secretary, Urban Development submitted that all cost escalations were to be borne by the State Governments and the Ministry did not take note of it. The Committee cannot see infallibility of such a decision since JNNURM is a fast tracked reform linked programme guided by the Centre and most of the States are found to be ill equipped with the result that they have been struggling to accomplish the reforms in order to complete the projects. Moreover, the Mission was launched without assessing the States' ability to implement the reforms which caused the delay in completing the projects, and

consequent cost escalation. Even the fixation and imposition of the cost ceilings especially for the Dwelling Units was questionable. The Committee, therefore, would counsel the Government to desist from putting the entire burden of cost escalation on the States as a matter of routine and instead take due care and attention while approving the projects, to all the attendant factors including capability of the States to bear the financial burden. At the same time, in exceptional cases where there is laxity despite availability of resources is proven, the offending States should be penalized by making them bear the cost escalation.

5. Delay in Establishment of Project Management Units and Project Implementation Units : The Committee note that the Programme Management Units (PMUs) were to be established to assist the State Level Nodal Agency (SLNA) in discharging their roles and responsibilities of appraisal of projects submitted by Urban Local Bodies (ULBs)/Parastatal agencies, monitoring physical and financial progress of projects and implementation of reforms and to enhance capacity of SLNA by extending technical and advisory support etc. Similarly, Project Implementation Units (PIUs) were to be created as operative units to supplement and enhance the skill mix of the ULBs. However, these two crucial units were neither established nor allowed to function properly. While the PMUs were not established in 9 States/UTs, the PIUs were not created in 10 States. In the States/UTs where they had been set up, it was observed that they were not performing the multifarious functions assigned to them and even found to be assigned tasks other than those stipulated in their scope of work. There were also vacancies in these Units in many States while some States attempted to appoint them towards the closure of scheme. The Committee deplore such mechanical and perfunctory manner of implementing JNNURM which deprived the projects of the intended benefit of professional expertise. The MoUD submitted that they came up with the guidelines of PMU in 2007 which stipulated that the support, *i.e.* reimbursement of cost incurred on these Units by the Government of India, was for 3 years because of which 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/ULB level resulted in delays and inadequate manpower in the Units. The Ministry took the stand that the responsibility for delaying establishment of PMU/PIUs lies with the State Governments/SLNAs and that the Ministry had already issued toolkit and advisories in this regard. The Committee cannot accept such a stand of the Ministry since they ought to have ensured professional support to the ULBs through the technical and managerial expertise of the PMUs and PIUs for successful implementation of JNNURM. As it turned out, the role of the two central Ministries virtually ended with approving plans/projects, sanctioning funds and asking the States to complete the projects. This sort of unprofessional project management is sheer abdication of responsibility and is bound to lead to failures and wastage of money. Both the Ministries should have taken proactive action to lead from the front, make the formation and functioning of the PMUs and PIUs a precondition for starting projects and assessing of funds and ensure the States compliance with these preconditions/guidelines/procedures to ensure successful implementation of the Scheme, failing which there was no point in launching a scheme of such gigantic magnitude. The Committee Would like the Ministry to take suitable lessons from this lapse and make suitable amendments, whenever and wherever necessary in future.

6. Conduct of Elections in ULBs : As yet another lapse in the implementation of JNNURM the Committee find that though regular conduct of elections in ULBs was a mandatory reform under JNNURM, in 6 States *i.e.* Arunachal Pradesh, Assam, Jammu and Kashmir, Jharkhand, Meghalaya and Nagaland, elections had been irregular, while in Sikkim, elections were held for the first time in 2010 *i.e.* 5 years after launching JNNURM. The Ministry could not furnish any plausible reason for this lapse and attributed even the holding of elections in these States an achievement for JNNURM. However, the Committee feel that the MoUD failed to ensure fulfillment of JNNURM mandate. As a new National Urban Renewal Mission is likely to take off soon, the Committee recommend the Ministry of Urban Development to sensitize the States about the need for fulfilling the JNNURM mandate of holding regular elections in their local-urban bodies and extend every possible guidance and assistance in the matter. The Committee also desire to be apprised of the present position with respect to conduct of elections in ULBs in these States.

7. Failure to Transfer 12th Schedule and City Planning Function : The Committee are distressed to find that only 11 out of 31 States/UTs could transfer all 18 functions under 12th Schedule to their ULBs, which are *sine quo non* for urban renewal and rejuvenation of their ULBs. In Arunachal Pradesh, Jammu and Kashmir and Meghalaya, not a single function was transferred while in Sikkim and Nagaland only one function was fully transferred. Further, even though JNNURM reform agenda sought to implement Article 243W of the Constitution by transferring the city planning function from the States to the ULBs, this reform was not implemented in 16 States/UTs *i.e.* Arunachal Pradesh, Bihar, Chandigarh, Delhi, Goa, Jammu and Kashmir, Jharkhand, Manipur Meghalaya, Mizoram, Nagaland, Puducherry, Punjab, Sikkim, Uttarakhand and Uttar Pradesh. Though the Ministry informed that States have evolved a mechanism to associate ULBs with Parastatal agencies to perform functions like Urban Planning, Urban Forestry and Fire Services, the Committee believe that these functions, being related to local municipal services can be best managed by the ULBs themselves. This not only creates local accountability of the ULBs towards the electorate in those areas, where citizens expect their local government to act, but also equips the ULBs to influence the development and management of the city areas. The Committee, therefore, consider the failure to transfer 12th Schedule and city planning functions to ULBs a major stumbling block in the implementation of JNNURM. The Committee have now been informed that the defaulting States could not transfer these functions to their ULBs since they were not in a position to perform them due to capacity constraints and accordingly the States/UTs had been advised to expedite formulation of a Municipal Cadre. Reportedly 14 States have constituted Municipal Cadre. The Committee welcome such a positive approach and would like the Ministry to take further appropriate action to guide, assist and prevail upon the States/UTs to urgently equip their ULBs with the requisite skilled/professional manpower to ensure successful implementation of the tasks entrusted to them. The Committee desire to know the latest status on Municipal Cadre in all States/UTs as well as transfer of 12th Schedule functions to ULBs in States other than 12 States, which already reported so.

8. Accounting System : The Committee are constrained to note that out of

the 66 ULBs/Parastatals which had committed to implement the reform to shift to accrual based double entry accounting by 2010-11, only 44 ULBs/Parastatals had implemented the reform. This is yet another glaring failure in the implementation of JNNURM since it is imperative to have improved/modern municipal accounting system to achieve better financial management and transparency. The MoUD conceded that eight years of implementation of JNNURM had exposed major lacunae within the ULBs in terms of capacity and resources which were highly inadequate to implement urban reforms. Enormous challenges were involved in migration from cash based accounting towards accrual based double entry system which require advance technical skills and several ULBs lacked the capacity to implement this reform. This once again reinforces the Committee's observation that JNNURM was launched without analyzing actual ground realities and that professional cadre is urgently required for efficient functioning of ULBs. The Committee deplore that an ambitious and complex scheme was imposed on the unprepared ULBs which were not ready for the task. As mentioned in the previous recommendation, the Ministry had asked each State/UT to constitute a Municipal Cadre including accounts cadre and appointed Reform Appraisal Agencies to review the implementation of reforms in the States/UTs. The Ministry also claimed that they had been supporting capacity building of States/UTs and ULBs through development of Training Manual and Comprehensive Capacity Building Programme. These steps should have been conceptualized while formulating JNNURM and put in place before launching the Mission so that the ULBs are adequately empowered for ensuring successful implementation of the various projects. Nevertheless, the Committee desire that the Ministry should make earnest efforts in this direction with a view to achieving the mandatory reform of migrating towards accrual based double entry accounting system by the ULBs at the earliest so that the next phase of JNNURM could witness a better success rate.

9. Failure to Achieve the Reforms of 85 Per cent Property Tax Coverage - Efficiency and 90 Per cent Collection Efficiency of Property Tax : The Committee are dismayed to note that though property tax is the single most important source of revenue for ULBs, 28 out of 51 ULBs/Parastatals, which had committed to implement the mandatory reform of 85 percent property tax coverage efficiency by 2010-11 could not implement it. Further, out of 39 Mission Cities selected for audit scrutiny, only 7 cities could put in effect the requisite GIS database of properties intended for having a full record of properties in the city and bring them under the tax net. The Committee have been informed that these reforms involved putting in place a comprehensive property database to ensure complete property mapping and bringing all properties under the tax net including online systems which will make payment of taxes hassle free but these activities consume a considerable amount of time. The Committee deplore the Ministry for having failed to initiate handholding exercise for this reform at the time of the launching of JNNURM. Further, the Committee find that only 19 out of 42 ULBs/Parastatals which had committed to implement the reform of 90 per cent collection efficiency of property tax could accomplish the feat by 2012 ostensibly due to the reform being complex. The failure on this count continued unabated as even by 2014 *i.e.*, 9 years after JNNURM was launched, only 30 ULBs had achieved this reform. For 85 percent coverage of property tax, 42 ULBs reportedly achieved the reform and 52 ULBs

reported More than 50 per cent collection efficiency. As, remedial measures for these failures, the Ministry had circulated a toolkit and had been providing hand holding support, conducting workshops and to enhance capacities. The Committee doubt the efficacy of these measures which should have been taken well before the Mission was set in motion. Considering that there exists a widespread lacuna in collecting the property tax, the Committee urge upon the Ministry to take more serious efforts to achieve these reforms not only in all the Mission Cities but also in all the remaining cities and towns in the Country too, so as to strengthen the financial position of the ULBs towards achieving better implementation of JNNURM and other related schemes.

10. Introduction of Property Title Certification System in ULBs : Recognizing the adverse effects of the manual system of registration, JNNURM had sought to introduce property title certification system in ULBs to enable the cities move towards guaranteed title systems thus creating a public record of titles which would timely describe the property as well as the title and has a system for reflecting any transaction in real time. Disappointingly however, none of the cities had achieved this reform. The Ministry submitted that this reform was a complex reform more so as land was a State subject. The Ministry further stated that the Department of Land Resources, Ministry of Rural Development which were responsible for the matter had taken steps to facilitate this reform. The Committee feel that it was a lapse on the part of the Ministry not to have analysed threadbare the complexities of the reform especially the coordination with the Department of Land Resources before including the same in JNNURM so that those factors preventing smooth implementation of the reform are timely identified and eliminated. While criticizing such a grave lapse, the Committee desire the Ministry to devise necessary procedures, in coordination with line Ministries/Departments concerned and make it imperative for the States to introduce property title certification system in their ULBs while implementing JNNURM.

11. Failure to Achieve 100 Per cent Cost Recovery in Respect of Water Supply and Solid Waste Management Projects : The Committee are perturbed that out of 39 Mission Cities selected for audit scrutiny, only 7 and 5 cities could achieve the mechanisms for collection of user charges for water supply and solid waste management respectively with the objective to meet the cost of operation and maintenance thereof despite these being mandatory reforms under JNNURM. The Ministry contended that while reforms implementation had been a challenge, most of the smaller cities had inadequate capacity in terms of finance and human resources which had led to slow achievement of reforms. The Committee feel that with proper ground work, careful planning and meticulous execution, these reforms could not have been difficult to achieve and the Ministry erred in not foreseeing them and taking advance action. Since levying of user charges is indispensable for ensuring an uninterrupted water supply and operation of solid waste management projects, the Committee would like the Ministry to prevail upon the States to make their ULBs formulate reasonable user charge policy, introduce volumetric/telescopic tariff and revise and realize tariff on time bound basis, if found necessary, towards achieving 100 per cent operation and maintenance cost recovery of the schemes/projects concerned.

12. Failure to Implement Enactment of "Public Disclosure Law" : JNNURM envisaged the enactment of Public Disclosure Law to ensure release of quarterly performance information about the municipal governance to all stakeholders. The goal of such an initiative was to institute transparency and accountability in the functioning of municipalities through publication of information pertaining to personnel, particulars of administrative structure, finances and operations. The Committee are, however, concerned that till 2010-11, the MoUD could not prevailed upon 21 out of 31 States/UTs to implement such a basic State level mandatory reform even after obtaining assurance from them to implement the reform. The Ministry claimed that in these States, due to administrative exigencies, draft bills were still pending at the State cabinet for approval and advisory had been issued to them. The Ministry have since informed that 26 out of 31 States have implemented this reform. The Ministry further submitted that all the ULBs/States had also been covered under the RTI Act, 2005. The Committee feel that mere issuance of advisory could not make the States fall in line. The Committee also criticize the Ministry for trying to divert attention of the Committee from this lapse by referring to the RTI Act, 2005, which is a need based system to get information by an individual user whereas the Public Disclosure Law is to bring out transparency through a mandatory public disclosure on the part of municipal governance. This exposes the Ministry's cavalier attitude to achieve the mandatory reform of enacting Public Disclosure Law which could have been instrumental in containing bribery, corruption, graft and other sort of irregularities in the implementation of JNNURM projects. The Committee, therefore, recommend the MoUD to make it incumbent upon the States/ULBs to make available regular information on ULB activities *suo-motu* to public through mandatory enactment of Public Disclosure Law in such a way that the nature, mode and extent of implementation of the disclosure is evaluated to verify whether they are disclosing information as envisaged under the rules.

13. E-Governance : The Committee are perturbed to note that out of 63 ULBs/Parastatals which had committed to implement the E-Governance reform by 2010-11, only 27 ULBs/Parastatals could implement this reform. Further, it was found that e-governance was put into practice only in 11 out of 39 Mission Cities selected for audit scrutiny. The Committee have been informed that due to capacity constraints at the Municipal level and complexity of some modules, several ULBs were not in a position to implement this reform. The Committee believe that the objective of this reform of achieving e-governance in ULBs/Parastatals was to improve the system of governance and make it efficient as well as transparent by using IT applications to make the ULBs more efficient and effective in delivering services to the citizens. Thus, implementation of this reform was expected to benefit the ULBs as well as the citizens by simplifying systems and processes. Failure to implement this reform poses a major challenge in ensuring successful implementation of JNNURM. The Committee, therefore, urge upon the Ministry to take more energetic concrete action to ensure implementation of e-governance reform by all the ULBs/Parastatals in all the Mission Cities at the earliest.

14. Failure to Implement Reforms Pertaining to Land and Property : The Committee are shocked that the MoUD could not ensure implementation of such basic reforms as revision of building bye-laws, introduction of computerized process

of registration of land and property, rent control laws and rationalization of stamp duty to 5 per cent which were initiated as parts of JNNURM. To illustrate, 21 out of 63 ULBs/Parastatals which had committed to implement the reform for revision of building bye-laws for streamlining the approval process by 2010-11, did not implement it. Even after about 3 years, only 58 out of 65 ULBs could achieve this reform. Similarly, 14 ULBs/Parastatals could not introduce computerized process of registration of land and property despite committing to implement the reform by 2010-11. The situation did not improve in the succeeding years as only 52 out of 65 ULBs reported achievement of this reform by 2014. Further, as many as 16 States/UTs which had committed to implement the reforms of Rent Control Laws by 2010-11, failed to implement it. Even by March 2014, 9 States could not achieve this reform. Furthermore, 13 States/UTs could not rationalise Stamp Duty to 5 percent even though JNNURM required this reform on the ground that a reduction in the rate would help to develop a healthy real estate market by providing boost to the economy, reduce the undervaluation and size of the black money and increase revenues both for the States as well as the ULBs. There is apparent lack of communication between the Ministry and the States. While many States were reluctant to reduce the stamp duty rates to the level of 5 percent apprehending a fall in the States revenue, the Ministry included this reform for implementation under JNNURM after realizing that high rates of stamp duty lead to undervaluation of properties resulting in substantial loss of revenue to the States and ULBs. These facts clearly reveal that no appreciable effort had been initiated by the Ministry during the first few years of JNNURM to convince the States/UTs to implement and achieve the reforms. The Committee denounce these failures in the strongest terms. As an afterthought, however, the Ministry are stated to have embarked upon a Rapid Training Program on Governance and Reforms and more than 3800 persons have undergone training. The Committee would like to know if the aforesaid reforms are achieved in all the Mission Cities/States/UTs concerned at the end of the extended period of Mission in March, 2014.

15. Absence of Linkages between City Development Plans and Detailed Project Reports : The Committee note that preparation of City Development Plans and Detailed Project Reports by States/UTs/ULBs/Parastatals for every identified Mission City were crucial stages for approving projects under JNNURM in order to achieve its objectives. The MoUD had also developed toolkits for preparation of CDPs and DPRs. While CDP was a comprehensive document for the planned urban perspective framework for a period of 20-25 years with 5 yearly updates within which projects were identified, DPRs depicted all relevant information; detailed drawings; topographical survey and soil investigation; economic and financial analysis; planning and design criteria; environmental impact assessment; map of city showing existing and proposed flyovers and road network; schedule of rates, detailed measurement and basis of adoption of rates, operation and maintenance cost; phasing of expenditure etc. DPR was to be scrutinized together with CDP during appraisal of projects at Central level. Despite these clear cut instructions, the Committee find much to their consternation that in the selected States/UTs, the CDPs and DPRs were not always comprehensive and complete and in some cases, the DPRs of individual projects had no co-relation with the CDPs. Other deficiencies like lack of details about availability of land, non preparation of DPRs, inflating of

costs, implementation of projects in non-Mission Cities were also noticed by Audit. The Committee were informed by the Ministry in this connection that many States and cities had not prepared DPRs as these were capital intensive and allocation within the JNNURM was not sufficient for taking up these works. This is untenable since the Mission had specific components including various works which could not be undertaken without proper DPRs. Moreover, the Ministry also could not provide any convincing reply for such serious lapse as approving deficient and incomplete DPRs by their appraisal agencies. The Committee observe that very often the root causes of this lapse was carelessness of the authority responsible for preparing CDPs and DPRs, untimely transfer/removal of such an authority and non-involvement all the stakeholders in the whole exercise. Besides, there had been instances of unrealistic town planning by the Consultants who were not aware of the pulse of the city and prepared the plan while remaining detached from the ground realities. The Committee feel that approving deficient/incomplete DPRs is not less than an act of grave negligence and responsibility should be fixed on the officials concerned. The Committee also urge the Ministries to provide all necessary assistance to the States and prevail upon them to involve all the stakeholders in the preparation of CDPs and DPRs so that there is no further lapse in the matter. The Committee further recommend both the Ministries to consider excluding incorrigible States/Mission Cities from the next phase of JNNURM.

16. *Lapses in Implementation of Housing Projects* : The Committee are concerned that implementation of housing projects under JNNURM had been extremely tardy and beset with lapses and deficiencies. As of September, 2014, 41.5 percent of the total 14,41,231 DUs either remained incomplete or curtailed primarily for want of land and out of the 8,44,062 DUs completed, as many as 2,23,988 DUs had not been occupied. In 6 major States *i.e.* Andhra Pradesh, Gujarat, Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal, which had taken the lion's share *i.e.* 69 percent of the total ₹ 11,349.48 crore released as ACA for BSUP and IHSDP project as of June 2011, the progress of housing projects was slow. In these States, 56 per cent and 66 per cent of DUs under BSUP and IHSDP respectively remained incomplete. The Committee were apprised that the slow progress of completion of DUs was due to large cost escalations, imposition of unrealistic cost ceiling at ₹ 80,000 to ₹ 1 lakh per DU, inability of States/ULBs to fund the enhanced cost, difficulties in relocating slum dwellers, inability of beneficiaries to contribute their share etc. This is another manifestation of lapses and negligence of the authorities concerned in the MoHUPA right from the approval of DPRs to sanction of funds and the monitoring of the projects. The Committee deplore the Ministry for this lapse especially for approving the housing projects without ensuring litigation free land for the projects and imposing unrealistic cost ceiling per DU, which was not based on actual market conditions and did not accommodate cost escalations. However, the Committee find that the delay in completion of the DUs played a crucial role in causing cost escalations. While there is a need to fix a more realistic cost ceiling, every care and precaution also needs to be taken to prevent artificial inflation of cost which is rampant in Government projects and if possible, to reduce the per Unit cost. For this, more economical technologies and methods suitable for the Country's climatic conditions and arrangement for building DUs should be explored. If feasible, Such a scheme should be opened to

private sector and Philanthropic organisations for their contribution. Regarding low rate of Occupation *i.e.* 53 percent of the completed DUs, the Committee have been informed that the delay was mainly on account of beneficiaries' reluctance to shift to a new location. This signifies that the slum dwellers or urban poor feel somewhat alienated from the Mission, especially the housing projects. The Committee impress upon the Ministry to advise the States to earnestly involve the slum dwellers who are the main stakeholders of the Mission while planning such projects as issues concerning their livelihood and homestead impact their willingness to shift to new locations. To increase the occupancy of the completed DUs, the Committee also recommend the Ministry to find innovative measures, as in the case of Chandigarh, where JNNURM houses have been given on rent to the slum dwellers.

17. Lapses in Identification of Beneficiaries for Housing Projects : In many cases in Arunachal Pradesh, Bihar, Himachal Pradesh, Gujarat, Karnataka, Puducherry, Uttar Pradesh, Kerala, Nagaland, Haryana, Chhattisgarh, West Bengal and Tamil Nadu, either the beneficiaries of housing projects had not been identified or there were deficiencies in the process of selection of beneficiaries leading to the risks of ineligible beneficiaries getting the benefits of JNNURM. To illustrate, in the IHSDP Project in Ramnagara, Karnataka, there were 444 beneficiaries in the DPR but the project proposal was for construction of 1800 houses. Under BSUP/IHSDP projects in Lucknow and Ghaziabad, Uttar Pradesh, 295 houses constructed under the scheme were allotted to the beneficiaries other than those mentioned in the DPR. In respect of BSUP, Kochi Phase-II-Individual houses, Kerala, the beneficiaries of three colonies (Panayapally, Pattathiparampu and Chilavannur) were corporation employees with regular source of income who were not eligible for assistance under the scheme. The Committee believe that the importance of identifying the correct beneficiaries is absolutely critical for attaining the objectives of the scheme. In order to prevent the risk of ineligible beneficiaries deriving benefits of this scheme intended for the urban poor, the Committee recommend the Ministry to make concerted efforts to encourage the use of bio-metric identification procedure by the States as well as to give wide publicity to schemes and their beneficiaries through local newspapers and social media and introduce community audits to ensure that only the eligible beneficiaries are provided housing under JNNURM. Further, the Ministry should review the status of all housing projects, step up the efforts to make allotment to eligible beneficiaries and consider giving incentives to the successful States. The Committee also desire to be apprised whether the houses given to the ineligible beneficiaries identified by the C&AG could be transferred to the eligible beneficiaries by the States concerned. They would also like to know whether allotment policy on the matter has since been formulated/ formalized in all the States including NCT of Delhi.

18. Action Programme for Controlling Mushrooming of Slums : The Committee note that a new mission called Rajiv Awas Yojana is being implemented for the period 2013-2022 by the MoHUPA as replacement of JNNURM with an aim to control the mushrooming of slums in various towns. This scheme reportedly is based on an appropriate, corrective and promising approach to cure and prevent the ills of Uncontrolled slum growth in towns especially after the JNNURM debacle. It aims to construct 1 million houses with a unit cost limit of upto ₹ 4lakh. The Committee,

however, doubt the efficacy of this scheme given the fact that almost all the towns are not yet equipped with matching manpower and resources to realize the objectives of such a scheme. The Committee would like the Ministry concerned to take enough precaution, learn suitable lessons from their experience of implementing JNNURM and also take into account the Observations and Recommendation of the Committee on the subject so that all the necessary ground work is properly done, suitable mechanisms put in place well in advance and a seamless monitoring and implementation of Rajiv Awas Yojana is ensured. The Committee desire to be apprised of the budget and targets set under the Scheme.

19. Delay in the Implementation of Urban Infrastructure Projects : The Committee are perturbed to note that implementation of urban infrastructure projects under JNNURM such as Water Supply; Storm Water Drainage; Solid Waste Management; Urban Transport including Roads and Flyovers, MRTS; Heritage Development of Area; Preservation of Water Bodies; Urban Renewal; and Parking Lots and Spaces was delayed because of non availability of land, requirement of clearances from various authorities like Railways, NHAI, Defence, Environment and Forests, lack of capacity of ULBs, delay in procurement process etc. As on 31st August, 2014, only 242 out of 539 UIG projects and 454 out of 806 UIDSSMT Projects had been completed with an overall completion ratio of 52 percent taking both sub components. To give scheme-wise details, out of the projects selected for Audit scrutiny, 61 percent and 36 percent of Water Supply Projects under UIG and UIDSSMT respectively; 55.5 percent of Solid Waste Management Projects; 57 percent of Sewerage Projects; 58 percent of Roads/ Flyovers/Rail over Bridges/Mass Rapid Transport System and other Transport Projects remained incomplete while many others either did not start or were abandoned/withdrawn/closed. There were other cases of lapses and failures in the implementation of urban infrastructure projects. For example, the benchmark laid down by the MoUD requiring 100 percent water supply connection supplied all through 24 hours in 5 Mission Cities of Kolkata, Asansol, Dhanbad, Greater Mumbai and Patna could not be achieved. In 4 cases of Solid Waste Management Projects in 3 States, JNNURM funds of ₹ 3.41 crore remained blocked due to non-utilisation of equipment following non-construction of compost plant, shortage of staff, purchase of vehicles without requirement and non-completion of solid waste plant. In Rohtak, Haryana, the site of a solid waste management project was changed midway rendering an expenditure of ₹ 1.76 crore infructuous. In respect of Sanitary and Sewerage System for Bilaspur, UIDSSMT, Chhattisgarh, an undue benefit of ₹ 62.51 lakh was extended to the contractor, however, at the instance of Audit, it was agreed to recover the amount. In the Sewerage Project, UIDSSMT, Mussoorie, Uttarakhand, interest free mobilization advance of ₹ 1 crore was given to the contractor against the provisions of Uttarakhand Procurement Rules, 2008. An amount of ₹ 26.15 crore was also paid as mobilization advance to the two contractors in violation of the terms of contracts of UIDSSMT — Sanitary and Sewerage System for Bilaspur and Sewerage Treatment Plant. In respect of Sewerage Treatment Plant work of Ahmedabad Municipal Corporation in Gujarat, injudicious, rejection, of tender at ₹ 22.84 at just 2.15 percent above the prevailing Market rate and acceptance of another Offer at ₹ 24.11 crore in less than 90 days resulted in avoidable expenditure of ₹ 1.27 crore. In this Connection, the Ministry

Submitted before the Committee that the projects were implemented by the States and thus they were responsible for the delays, lapses and failures in the implementation of Urban infrastructure projects. This is untenable in the Committee's view. While it is a fact that the delays, lapses and failures were due to improper planning and implementation by the implementing agencies, the same were approved, assisted, funded and guided by the Ministry and hence the Ministry cannot shirk their share of responsibility for miserably failing in these aspects. Even when the Committee enquired about any responsibility fixed on serious matters like change of Solid Waste Management project site in Rohtak, Haryana, no reply was furnished by the MoUD. Thus, the Committee observe that the current system of implementing urban infrastructure projects under JNNURM is faulty and needs to be introspected and recast. The Committee, therefore, urge upon the Ministry to make concerted efforts to analyse the causes of delays, lapses and failures more intensely and find their solutions. Strict follow up action also needs to be taken to ensure timely completion of projects under the Schemes. As the Committee were assured that initiatives in the field of recycling solid waste for 4 types of wastes were being contemplated, they would also like to have a note on its progress till date.

20. Need for introducing e-tendering : The Committee observe that timelines and implementation of urban infrastructure projects was severely affected by the problems arising out of the present tendering process, which is widely considered as complex and non-transparent. If there is transparency and the Ministry formulate a clear cut system of giving tenders, much of the problems would be solved resulting in faster implementation of projects. The Committee, therefore, recommend the Ministry to make it incumbent upon the States to switch over to e-tendering at the earliest. As the Ministry of Finance have already framed a mechanism for the same in 2012, the Committee would like to be apprised of the States which have since adopted it for undertaking works meant for JNNURM.

21. Lapses and Deficiencies in Operating Buses under JNNURM : The Committee are concerned to find various lapses/deficiencies in implementing the programme pertaining to operation of buses under JNNURM across the States/UTs. Even after purchasing buses by the States and announcing that a certain number of buses will be allocated to such and such districts, nothing had happened in reality. The Secretary, Urban Development while admitting in evidence that they were reviewing the matter, explained that when the buses came, SPV which was essential for operating the buses was not ready and when SPV was ready, the State Government regulated everything regarding recruitment of Staff leading to delay. The Committee feel that these issues had arisen due to lack of concerted efforts by the Ministry and absence of coordination with the States. The Committee would like the Ministry to speed up their efforts to remove the impediments in this regard and put in a place a suitable mechanism for ensuring better coordination with the States. The Committee have also been informed that there had been acute shortage of bus manufacturers and bus availability, specially the low floor buses with convenience features for senior citizens. The Committee do not see this as a major problem since there has been a substantial increase in the number of companies manufacturing buses in the Country in recent years. Even in the worst case, the Committee feel that such a problem can be sorted out by

entering into special agreement/contracts with bus manufacturers even by floating global tenders. Further, keeping in view the varying physical features and conditions of the Country's cities and towns, particularly the limited capacity of roads to accommodate heavy/large vehicles, even in cities like Delhi, the Committee would also like to stress the need for consulting experts on urban transport on using buses of convenient sizes/capacities and urge the Ministry to take fast action on the matter.

22. *Inadequate Urban Renewal Projects* : The Committee disprove the fact that even though urban renewal is one of the cardinal objectives of JNNURM, only 11 such projects were approved out of 532 projects under UIG upto 2010-11. Even out of these 11 projects, only 2 projects had been completed as in 2012. In respect of UIDSSMT, out of 766 projects approved upto 2010-11, only a meager 10 urban renewal projects had been approved and out of these 10 projects, only 1 project could be completed by 2012. No appreciable improvement took place in the succeeding years as only 4 out of 10 urban renewal projects sanctioned under UIG had been completed as on 20th October, 2013. The Committee cannot accept the contention of the MoUD that it was for the States to conceptualize and prioritize the projects and submit the same to the Ministry for consideration/ approval since 'Urban Renewal Projects' was one of the principal objectives of the Mission. The Committee feel that in almost all major cities, old heritage areas are in a state of total neglect and thus, the Ministry should have undertaken proper handholding exercise to guide the States for taking up projects concerning re-development of old city areas. Terming it as a major lapse, the Committee like to caution the Ministry not to repeat such mistakes in future and if possible take suitable action even at this stage to get the pending projects completed with due prioritization under JNNURM.

23. *Delay in Release of ACA After Approval of Project* : As a matter of concern, the Committee find that there had been delays in releasing Additional Central Assistance from 2 to 27 months to the States/SLNAs in the test-checked cases and the guidelines did not contain any directions to stipulate the time within which such releases should be made. The MoUD submitted that release of funds to the projects is recommended in accordance with the stipulation of guidelines and based on utilization, financial and physical progress and that effort was made to ensure early release of fund within approved guidelines. They further submitted that after their approval of a project, immediate requests were sent to the Ministry of Finance for release of Government of India share as ACA to the States and the delay in release of ACA was mostly due to delay in submission of the requisite documents by the States. The MoHUPA submitted that since release of ACA involved various divisions of the Ministry, it was not possible to specify any timeframe but the Ministry had been recommending release of ACA as soon as projects along, with the Compliances are approved. In few cases, however, When the project/instalment is conditionally approved, the recommendation of ACA is made only on receipt of compliance report from the States/SLNAs, which results in delay in release of ACA. Further, as funds under ACA are available with and released by the Ministry of Finance this Procedural aspect could also be attributed as a reason for delay. The Committee are of the opinion that the best way to cut delays is to shift to an on-line system of submission of progress of projects by the States as well as monitoring in the Ministries of Finance, UD and HUPA for a

simultaneous and synchronized approach. As most of the States and the Central Ministries are implementing e-Governance, the Committee expect that now the JNNURM funds would be released immediately after the approval of the respective projects.

24. Non-release of matching share by State Governments : The Committee are worried that implementation of JNNURM projects in some States had been severely affected by non-release of mandatory matching share by the State Governments to the implementing agencies. The Ministry of Urban Development claimed that they took effective steps to ensure that matching share was released by the States by making the release of State's share as one of the requisite parameters for processing claims of the States for release of subsequent instalments of ACAs to the States. The Ministry of Housing and Poverty Alleviation submitted that procedural delays on account of inadequate provision in budget, submission of Utilisation Certificates etc. had been reasons for delay in release of fund by the State Government. Admitting that it was difficult for them to enforce strict timelines on the States and monitor the same, the Ministry informed that while releasing the next instalments, they ensured that matching share of the State Government was already released to ULBs without which the Ministry did not release their share. The Committee observe that some States genuinely face financial crunch and thus are unable to release their matching share for JNNURM projects. Consequently, the implementation of JNNURM projects in these States had been severely hit despite spending initially huge sums of money. In view of the crisis emanating from this issue, the Committee desire that in its extended period, JNNURM should be implemented in a phase-wise manner across the length and breadth of the Country, involving first those States which have put in place a well evolved mechanism as well as reforms to ensure its successful implementation.

25. Diversion of JNNURM Funds : The Committee notice that the Audit had found 7 cases in 7 States/UTs where the JNNURM funds to the tune of 9.86 crore meant for housing projects were diverted for inadmissible purposes even for non-JNNURM purposes. In another case, JNNURM funds worth ₹ 1.22 crore were distributed amongst 407 unverified beneficiaries under the IHSDP project, Parole (Kathua), Jammu and Kashmir. Further, JNNURM funds to the tune of ₹ 114.68 crore meant for urban infrastructure projects had been diverted for non admissible purposes in 8 cases in 6 States and the Ministry failed to obtain reasons therefor from the defaulting States. Considering such cases a grave violation of financial procedures and guidelines, the Committee desire that all these cases of illegal diversion of JNNURM funds should be probed and appropriate action taken against the erring officials and the State Governments concerned. The Committee desire to be apprised of the progress on the matter and recoveries made so far. Further, the Committee recommend that the monitoring of the execution of projects should be strengthened so that there is no fund diversion to in-eligible beneficiaries/schemes.

26. Financial Mismanagement : The Committee are perturbed that there had been a plethora of cases of mismanagement of JNNURM funds thereby indicating that both the Ministries failed to enforce fiscal discipline on the States/ULBs. The Revolving Fund meant to be created from 10 per cent of the funds released by SLA, for leveraging market funds to finance further investment in

infrastructural projects in the case of UIG/UIDSSMT and to be utilized for meeting Operations and Maintenance expenses of assets created in the case of BSUP and IHSDP, had not been created by the SLNAs in 25 States/UTs. Though it was created in very few States, yet the same was utilized not for its original purpose but for meeting expenses for preparation of DPRs/Project Management consultancy charges, etc. Audit had also found that in 9 cases in 9 States/UTs, JNNURM funds to the tune of ₹ 637.23 crore were parked by SLNAs or ULBs instead of releasing those to the implementing agencies. Audit pointed out that the States had earned interest of ₹ 226.58 crore upto 31st December, 2011. The Ministry could not intimate the details of utilisation/adjustment of this amount or its being credited into the Head meant for interest receipt of the Government of India; as per guidelines of the Ministry of Finance. Subsequently, both the Ministries submitted that they did not have the figure of total interest earned on JNNURM funds deposited in the banks. Thus, the Committee observe that the JNNURM guidelines were not accompanied by appropriate advisory to the States regarding parking of funds and the utilisation of interest earned thereof. The Committee also find that an amount of ₹ 44.79 crore released as ACA for projects which were later abandoned was not refunded to the Government of India and in respect of the withdrawn projects, the quantum of such amount was ₹309.29 crore. Later, the Ministry claimed that a major part of this amount had been recovered/adjusted. The MoHUPA also failed to verify adherence to the conditions/guidelines for release of ACA prior to the release of the first instalment in any of the test checked 29 projects. Further, the flow of funds showed that there was a rush of expenditure ranging from ₹ 19.2 per cent to 100 per cent in the last quarter and particularly in the month of March at Central level during the years 2005-06 to 2012-13, much against the General Financial Rule 56(3). As funds were being released by the Ministry of Finance/Ministry of Home Affairs at the fag end of the year, the State/UT Governments were in turn releasing the same to the implementing agencies very late leading to delays and problems in the implementation of the projects. Furthermore, Utilisation Certificates amounting to ₹ 10,032.13 crore were pending with the MoUD and the MoHUPA. An analysis of the causes of these financial irregularities indicates lack of concerted efforts from both the Ministries : While these facts, established, beyond doubt, that the financial management under, JNNURM had comprehensively failed and required innovative remedial measures and restructuring, in almost all these cases, the Ministries have merely issued advisories for rectifying the lapses, deficiencies and shortcomings, that too only at the instance of Audit. It also showed that the Ministries' internal mechanism could not detect the financial mismanagement of the Mission funds, despite being well-aware of the very limited capabilities of the States to handle the scheme. Since observing fiscal discipline is paramount for success of any scheme, the Committee desire that both the Ministries should introduce a zero tolerance policy at all levels in respect of fiscal indiscipline, monitor the fund flow arrangement in real time from the Centre to the implementing agencies *via* the SLNAs/States/UTs as per ground level progress of projects, to ensure minimum unspent/excess amount outside Government accounts. Further, the Committee would like the Ministries to reiterate the provisions of timely submission of the Utilisation Certificates and advise the States/UTs to strictly comply with them.

The Committee would like to be apprised of the total amount released and unutilized/unrefunded amount of ACA, if any, left at the end of the extended period of JNNURM in March, 2014.

27. Inadequate Monitoring by the Ministries due to paucity of Staff : The Committee are shocked to find that the requisite personnel for monitoring of the implementation of JNNURM remained hopelessly inadequate throughout the entire period. Even the Mission Directorates in both the Ministries had not been equipped with adequate staff to oversee and monitor a project of this magnitude. The Ministries' efforts to get more staff were hardly successful as can be gauged from the fact that the MoUDs' proposal for additional staff was made in 2008 while the scheme was launched in 2005 and till August, 2007, only 1 Director/DS had been holding the additional charge of JNNURM in addition to other work in the MoHUPA. Surprisingly for such a mega project, the Ministry of Finance agreed to sanction only 28 posts against the requirement of 69 posts in the MoUD and 13 posts against the bare minimum requirement of 22 posts in the MoHUPA. The Committee understand the need for observing austerity measures in the Government but in this case, it was at the cost of compromising the overseeing and monitoring of a mega scheme like JNNURM which cater to hundreds of cities and towns throughout the Country. The Committee feel that the Ministries should have taken up the matter of staff at the highest level to prevail upon the Ministry of Finance. They expect so when similar situations arises in the next phase of JNNURM/such other scheme so that adequate manpower is made available for ensuring proper monitoring of a scheme of such magnitude.

28. Lapses in the Monitoring of JNNURM : The Committee are pained to observe that monitoring of the implementation of JNNURM was not effective. There were not only delays in receipt of Quarterly Progress Reports by the Ministries from SLNAs but also cases of non-receipt of the same. The objective of constitution of Technical Advisory Group (TAG) was not achieved. Against 60 TAG meetings required to be held during March, 2006 to March, 2011, only 37 meetings were held. Peoples' participation in the Mission could not be taken forward as City Voluntary Technical Corps were created in only 14 out of 65 Mission Cities. The National Technical Advisor, who was the chairperson of TAG, had not been invited in CSMC/CSC meetings of BSUP and IHSDP, quite against the requirement. While the Independent Review and Monitoring Agency (IRMA) and Third Party Inspection and Monitoring Agency (TPIMA) had not been appointed in many States/UTs, the same had not been properly utilized in the States/UTs where they had been appointed. As such, the mechanism of IRMA to be utilized for better project quality; time and cost control; value for money procurement; improved Budgeting planning and funds flow in the project; and measurement of project outputs and impact was not used by the MoUD in an effective manner. Similar situation happened in the case of TPIMA. On the use of technology, though the MoUD had envisaged a web-enabled Programme for Monitoring and Evaluation stem (PMES) which would have captured the physical and financial progress of JNNURM projects in reality, the System did not succeed due to inadequate response of the States and ULBs. Ironically, by the time PMES was made operational in 2008, more than 300 UIG projects had already been approved under JNNURM. Further, sufficient number of meetings of the State

Level Sanctioning Committee and State Level Coordination Committee were not organized for monitoring the implementation of the projects and reviewing the progress of urban reforms in many States/UTs especially in Haryana, Delhi, Madhya Pradesh, Puducherry, Assam, Daman and Diu etc. Peculiarly, the MoUD attributed all these lapses and failures to the States and maintained that there was no lapse in monitoring of the projects as far as Government of India is concerned as they had sent unlimited number of communications to the States/UTs to expedite completion of projects and achievement of reforms within the stipulated guidelines. This is untenable since the Ministries were supposed to keep a close watch on the implementation of JNNURM by the States/UTs at every stage, identify problematic areas, find ways and means and guide them to ensure successful implementation of the scheme, but they miserably failed to do so. Interestingly, the above stand of the MoUD is contradicted by the MoHUPA when they submitted that one of the reasons for inadequate monitoring was paucity of staff at the Ministry. The Committee consider this paucity of staff as a major failure of both the Ministries as they should have pursued the matter with adequate reasoning and convincing explanation when the Ministry of Finance refused to sanction the requisite number of staff for monitoring JNNURM. The Committee, therefore, urge both the Ministries to sincerely introspect the lapses, deficiencies and failures in monitoring JNNURM both at the Government of India as well as at the State/UT levels and address the same at the earliest.

29. Need for Emulating States/UTs which have been Successful in Implementing JNNURM : The Committee observe that some of the States like Andhra Pradesh, Arunachal Pradesh, Gujarat, Himachal Pradesh, Karnataka, Manipur, Rajasthan and Tamil Nadu had been relatively successful in so far as implementation/completion of projects *vis-à-vis* total number of projects approved are concerned. The Committee would like both the Ministries to study the success stories and best practices of these States, refine them and make the remaining States/UTs adopt them so as to ensure successful implementation of JNNURM across the country.

30. Need for Different System in North Eastern and Himalayan States : The Committee observe that the condition of development of an municipal life, the type of Municipalities and management that is needed in the North-Eastern and the Himalayan States are very much different from those in the plains and the economically advanced States. The MoUD themselves admitted that most of the Municipalities in the North-Eastern or the Himalayan States have been formed very recently and are still learning and comparatively more depended on the State Governments. In comparison, the municipalities in more developed States like Gujarat, Maharashtra and Andhra Pradesh were formed long back and have evolved over time and gained competence in managing municipal affairs on their own accordingly, JNNURM had considered bracketing the North-Eastern and the Himalayan States under Special Category and relaxed some norms for achieving reforms. For example, cities in these States had to recover only 50 per cent of Operation and Maintenance charges as compared with 100 per cent cost recovery mandated for the rest of Mission Cities. Further, as per the Government

decision of 31st May, 2012, achievement of reforms was delinked for ongoing UIDSSMT projects in North-Eastern States and Jammu and Kashmir. While welcoming such initiatives, the Committee would like the Ministries concerned to have a different system for North Eastern and Himalayan States in implementing a scheme like JNNURM so that these backward States are given a level playing field.

31. Measures for Ensuring Better Implementation of JNNURM Projects :

The MoHUPA claimed that a number of consultations with States/UTs, ULBs along with research institutions, think-tanks, bilateral-multi lateral agencies, practitioners in the field, NGOs/CBOs and civil society organisations have been held in formulation of the scheme and periodic revisions/amendments in the scheme. Guidelines/toolkits, best practices etc. have been compiled based on the feedback from various stakeholders. Further, formulation of plans mandate the participation of all stakeholders within the city/ULB jurisdiction and community participation at every stage is encouraged by the Ministry in implementation of the scheme. In spite of all these, JNNURM turned out to be a trial and error exercise thereby putting a question mark on the authenticity of the claims made by the Ministry. The Committee believe that professionally skilled and strengthened Mission Directorate which can give handholding to the States and ULBs was a pre-requisite for implementation of JNNURM. Along with this, handholding of the States would be required at the inception stage which would then ensure a capacity building at the ULB level *i.e.* project identification, identification of problems, surveys, project conceptualization, preparation of DPRs, implementation of projects and asset management. The ULBs also require efficient staff with expertise in financial, technical and administrative matters to implement all the reforms in a time bound manner. The creation of Municipal Cadre and professionalization of Municipal services in the ULBs are keys to urban governance on which despite the Ministry's advisory, very few States took interest. All these should have been ideally ensured before launching JNNURM. Nevertheless, the Committee would like both the Ministries to make concerted efforts at least now to ensure that these measures are successfully implemented and a paradigm shift in the overall implementation of JNNURM is achieved. Mission Directorates in both the Ministries need to work in synchronization for optimal achievement of targets. The Committee also find that the total allocation for JNNURM is comparatively less and is insufficient for the ambitious targets on urban infrastructure as well as increasing urban population in view of fast urbanization. This was one of the key factors for imposition of unreasonable artificial ceiling and consequent cost escalation with cascading effect. However, it is disheartening to note that the Union Budget 2015-16 proposes to decrease the allocation of JNNURM, in view of its tardy progress. Considering these constraints and inability of many of the States/UTs/ULBs to comply with the guidelines/instruction/advisories of the Central Government, the Committee feel that though JNNURM had a laudable objective of revitalizing the Indian cities and towns, yet the Ministries concerned and participating States/UTs could not evolve a well coordinated

mechanism to implement and monitor the same. Neither any clear-cut benchmarks and standards were put in place nor any real-time check was carried out to assess the capacity of States to handle a Scheme of this magnitude. As the Scheme likely to continue, the Committee urge both the Ministries to study best international practices in implementing a scheme like JNNURM for urban areas and suitably formulate and assimilate those in implementing such schemes in the Country in future.

NEW DELHI;
27 April, 2015

7 Vaisakha, 1937 (Saka)

PROF. K.V. THOMAS
Chairperson,
Public Accounts Committee.

ANNEXURE I

STATE-WISE LIST OF MISSION CITIES UNDER JAWAHARLAL NEHRU
NATIONAL URBAN RENEWAL MISSION (REFERS TO
PARAGRAPH NO. 3 OF THIS REPORT)

Sl. No.	Name of the State	Name of the City
1	2	3
1.	Andhra Pradesh	Hyderabad
2.	Andhra Pradesh	Tirupati
3.	Andhra Pradesh	Vijayawada
4.	Andhra Pradesh	Vishakhapatnam
5.	Arunachal Pradesh	Itanagar
6.	Assam	Guwahati
7.	Bihar	Bodhgaya
8.	Bihar	Patna
9.	Chandigarh	Chandigarh
10.	Chhattisgarh	Raipur
11.	Delhi	Delhi
12.	Goa	Panaji
13.	Gujarat	Ahmedabad
14.	Gujarat	Porbunder
15.	Gujarat	Rajkot
16.	Gujarat	Surat
17.	Gujarat	Vadodara
18.	Haryana	Faridabad
19.	Himachal Pradesh	Shimla
20.	Jammu and Kashmir	Jammu
21.	Jammu and Kashmir	Srinagar
22.	Jharkhand	Dhanbad
23.	Jharkhand	Jamshedpur
24.	Jharkhand	Ranchi
25.	Karnataka	Bangalore

1	2	3
26.	Karnataka	Mysore
27.	Kerala	Cochin
28.	Kerala	Thiruvananthapuram
29.	Madhya Pradesh	Bhopal
30.	Madhya Pradesh	Indore
31.	Madhya Pradesh	Jabalpur
32.	Madhya Pradesh	Ujjain
33.	Maharashtra	Greater Mumbai
34.	Maharashtra	Nagpur
35.	Maharashtra	Nanded
36.	Maharashtra	Nashik
37.	Maharashtra	Pune
38.	Manipur	Imphal
39.	Meghalaya	Shillong
40.	Mizoram	Aizawl
41.	Nagaland	Kohima
42.	Orissa	Bhubaneshwar
43.	Orissa	Puri
44.	Puducherry	Puducherry
45.	Punjab	Amritsar
46.	Punjab	Ludhiana
47.	Rajasthan	Ajmer-Pushkar
48.	Rajasthan	Jaipur
49.	Sikkim	Gangtok
50.	Tamil Nadu	Chennai
51.	Tamil Nadu	Coimbatore
52.	Tamil Nadu	Madurai
53.	Tripura	Agartala
54.	Uttar Pradesh	Agra
55.	Uttar Pradesh	Allahabad
56.	Uttar Pradesh	Kanpur
57.	Uttar Pradesh	Lucknow
58.	Uttar Pradesh	Mathura

1	2	3
59.	Uttar Pradesh	Meerut
60.	Uttar Pradesh	Varanasi
61.	Uttarakhand	Dehradun
62.	Uttarakhand	Haridwar
63.	Uttarakhand	Nainital
64.	West Bengal	Asansol
65.	West Bengal	Kolkata

GLOSSARY OF TERMS

SI. No.	Abbreviation	Full Form
1	2	3
1.	ACA	Additional Central Assistance
2.	BBMP	Bruhat Bengaluru Mahanagara Palike
3.	BDA	Bangalore Development Authority
4.	BMTPC	Building Materials and Technology Promotion Council
5.	BSUP	Basic Services to the Urban Poor
6.	C&AG	Comptroller and Auditor General
7.	CAA	Constitution Amendment Act
8.	CCEA	Cabinet Committee on Economic Affairs
9.	CDP	City Development Plan
10.	CPHEEO	Central Public Health and Environmental Engineering Organisation
11.	CPWD	Central Public Work Department
12.	CSC	Central Sanctioning Committee
13.	CSMC	Central Sanctioning and Monitoring Committee
14.	CSR	Corporate Social Responsibility
15.	CVTC	City Voluntary Technical Corps
16.	DEA	Department of Economic Affairs
17.	DEAS	Double Entry Accounting System
18.	DPC	District Planning Committee
19.	DPR	Detailed Project Report
20.	DU	Dwelling Unit
21.	EIA	Environment Impact Assessment
22.	EMP	Environmental Management Plan
23.	EWS	Economically Weaker Section
24.	FAR	Floor Area Ratio
25.	FCA	Forest Conservation Act

1	2	3
26.	GDP	Gross Domestic Product
27.	GFR	General Financial Rules
28.	GIS	Geographic Information System
29.	GMC	Guwahati Municipal Corporation
30.	GoI	Government of India
31.	GoK	Government of Karnataka
32.	HUDCO	Housing and Urban Development Corporation
33.	IA	Implementing Agency
34.	IHSDP	Integrated Housing and Slum Development Programme
35.	IRMA	Independent Review and Monitoring Agency
36.	JNNURM	Jawaharlal Nehru National Urban Renewal Mission
37.	KUIDFC	Karnataka Urban Infrastructure Development and Finance Corporation
38.	LIG	Lower Income Group
39.	MIS	Management Information System
40.	M/o	Ministry of
41.	MOA	Memorandum of Agreement
42.	MoHUPA	Ministry of Housing and Urban Poverty Alleviation
43.	MoUD	Ministry of Urban Development
44.	MPC	Metropolitan Planning Committee
45.	MPR	Monthly Progress Report
46.	MRTS	Mass Rapid Transport System
47.	NGO	Non Governmental Organisation
48.	NHAI	National Highways Authority of India
49.	NOC	No Objection Certificate
50.	NPV	Net Present Value
51.	NSDP	National Slum Development Programme
52.	NTA	National Technical Advisor
53.	O&M	Operation and Maintenance
54.	PDL	Public Disclosure Law
55.	PIU	Project Implementation Unit
56.	PMC	Patna Municipal Corporation
57.	PMES	Programme Monitoring and Evaluation System
58.	PMIS	Project Monitoring and Information System

1	2	3
59.	PMU	Programme Management Unit
60.	QPR	Quarterly Progress Report
61.	RAA	Reform Appraisal Agency
62.	RAY	Rajiv Awas Yojana
63.	RTI	Right To Information
64.	RTP	Rapid Training Programme
65.	SEAC	State Expert Appraisal Committee
66.	SEIAA	State Environment Impact Assessment Authority
67.	SLCC	State Level Coordination Committee
68.	SLEC	State Level Expert Committee
69.	SLNA	State Level Nodal Agency
70.	SLSC	State Level Steering Committee
71.	SOR	Schedule of Rates
72.	SPV	State Purpose Vehicle
73.	STP	Sewage Treatment Plant
74.	SWM	Solid Waste Management
75.	TAG	Technical Advisory Group
76.	TCPO	Town and Country Planning Organisation
77.	TOR	Terms of Reference
78.	TPIMA	Third Party Inspecting and Monitoring Agency
79.	UC	Utilisation Certificate
80.	UD	Urban Development
81.	UIDSSMT	Urban Infrastructure Development Scheme for Small and Medium Towns
82.	UIG	Urban Infrastructure and Governance
83.	ULBs	Urban Local Bodies
84.	UT	Union Territory
85.	VAMBAY	Valmiki Ambedkar Awas Yojana

APPENDIX I

MINUTES OF THE ELEVENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2013-14) HELD ON 11TH SEPTEMBER, 2013

The Public Accounts Committee sat on Wednesday, the 11th September, 2013 from 1500 hrs. to 1645 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Dr. Murlī Manohar Joshi — *Chairperson*

MEMBER

Lok Sabha

2. Shri Anandrao Adsul
3. Shri Ramen Deka
4. Dr. M. Thambi Durai
5. Dr. Sanjay Jaiswal
6. Shri Abhijit Mukherjee

Rajya Sabha

7. Shri Prakash Javadekar
8. Dr. V. Maitreyan
9. Smt. Ambika Soni

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri Abhijit Kumar — *Director*
3. Shri S.L. Singh — *Under Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

1. Ms. Usha Sankar — Dy. CAG (Commercial and Chairman, Audit Board)
2. Shri Gautam Guha — Director General of Audit (Commercial - I)
3. Shri A.M. Bajaj — Principal Director (Economics & Service Ministries)
4. Shri Purushottam Tiwary — Principal Director (PAC)

Representatives of the Ministry of Urban Development

1. Dr. Sudhir Krishna — Secretary
2. Dr. Ashok Singhvi — Joint Secretary (UD)
3. Shri Naresh Salecha — Joint Secretary & FA

Representatives of the Ministry of Housing and Urban Poverty Alleviation

1. Shri Arun Kumar Misra — Secretary
2. Shri Sanjeev Kumar — Joint Secretary & MD (JN&RAY)
3. Shri V.P. Baligar — CMD, HUDCO
4. Dr. Shailesh Kr. Aggarwal — ED, BMTPC
5. Ms. Usha P. Mahavir — GM (Projects), HUDCO

2. At the outset, the Chairperson welcomed the Members and the representatives of the Office of the Comptroller and Auditor General of India, the Ministry of Urban Development and the Ministry of Housing and Urban Poverty Alleviation to the sitting of the Committee. Apprising that the meeting had been convened to take oral evidence of the representatives of the Ministry of Urban Development and the Ministry of Housing and Urban Poverty Alleviation on the subject 'Jawahar Lal Nehru National Urban Renewal Mission' based on the C&AG Report No. 15 of 2012-13, the Chairman impressed upon the witnesses not to disclose the contents of the deliberations of the Committee to any outsider, especially to the members of the print and electronic media.

3. The Secretary, Urban Development then gave a brief background and the implementation of the Mission. With the permission of the Chairman, he made a power point presentation highlighting different aspects of the Mission pertaining to his Ministry viz., objectives, components and structure, approval status of UIG and UIDSSMT projects, Performance Audit observations and responses, urban transport, structure of project implementation, implementation of reforms, implementation of urban infrastructure projects, financial management, monitoring and evaluation etc.

4. Thereafter, the Secretary, Housing and Urban Poverty Alleviation explained the issues concerning housing infrastructure projects being implemented under the Mission.

5. Expressing dissatisfaction over non-benchmarking of different towns/cities for the project implementation of the Mission, the Chairman sought to create a different system for development in these towns and cities, prioritization of projects keeping in view the limited resources to meet the main demands and find ways and means to reduce the cost of construction of houses under the scheme.

6. Thereafter, the Committee raised various queries on the lapses, deficiencies and shortcomings in the implementation of the Mission particularly on the delay in completion of housing and urban infrastructure projects, cost escalation, deficiency in the monitoring of projects etc. The representatives of the Ministry of Urban Development and the Ministry of Housing and Urban Poverty Alleviation attended to the queries raised by the Committee.

7. As some queries required detailed and statistical reply/information, the Chairman asked both the Secretaries to furnish the requisite written reply expeditiously. The Secretaries assured that they would comply.

8. As the evidence remained inconclusive, the Committee decided to take further evidence of the representatives of the Ministry of Urban Development and Ministry of Housing and Urban Poverty Alleviation based on the appraisal of post-evidence replies from both the Ministries.

9. The Chairman, then thanked the representatives of both the Ministries for appearing before the Committee and furnishing the available information on the questions asked. The Chairman also thanked the representatives of the office of the C&AG of India for providing valuable assistance to the Committee in the examination of the subject.

The witness, then, withdrew.

A copy of the verbatim proceedings of the sitting was kept on record.

The Committee, then, adjourned.

APPENDIX II

MINUTES OF THE FIFTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2014-15) HELD ON 08TH OCTOBER, 2014.

The Committee sat on Wednesday the 08th October, 2014 from 1430 hrs. to 1540 hrs. in Room No. '62', Parliament House, New Delhi.

PRESENT

Prof. K. V. Thomas — *Chairperson*

MEMBERS

Lok Sabha

2. Shri Nishikant Dubey
3. Shri Bhartruhari Mahtab
4. Shri Janardan Singh Sigriwal

Rajya Sabha

5. Dr. Satyanarayan Jatiya
6. Shri Shantaram Naik
7. Shri Sukhendu Sekhar Roy

SECRETARIAT

1. Shri A. K. Singh — *Joint Secretary*
2. Shri Jayakumar T. — *Additional Director*
3. Shri S.L. Singh — *Under Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

1. Dr. Prasenjit Mukherjee — Dy CAG
2. Shri P. Sesh Kumar — Director General
3. Shri P.K. Mishra — Director General
4. Shri A.M. Bajaj — Principal Director
5. Shri P. Tiwary — Principal Director

Representatives of the Ministry of Urban Development

- | | | |
|------------------------------|---|---------------------------|
| 1. Shri Shankar Aggarwal | — | Secretary |
| 2. Shri Durga Shankar Mishra | — | Addl. Secretary |
| 3. Shri Neeraj Mandloi | — | Joint Secretary (UD & MD) |
| 4. Shri C.K. Khaitan | — | JS (UT) |
| 5. Shri Praveen Prakash | — | JS (W) |

Representatives of the Ministry of Housing and Urban Poverty Alleviation

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| 1. Ms. Anita Agnihotri | — | Secretary |
| 2. Shri K.B.S Sidhu | — | JS (Housing) |
| 3. Ms. Jhanja Tripathy | — | JS & FA |

2. At the outset, the Chairperson welcomed the Officers of the C&AG of India and the representatives of the Ministries of Urban Development and Housing and Urban Poverty Alleviation to the sitting of the Committee. Apprising that the meeting had been convened to have further oral evidence on the subject "Jawaharlal Nehru National Urban Renewal Mission (JNNURM)" based on the C&AG Report No. 15 of 2012-13, Union Government (Performance Audit), he observed that the JNNURM laid the foundation of systematic development of infrastructure from the perspective of integrating the poor with the service delivery system and the intent and willingness of the Government got reflected in the importance accorded to the Mission in terms of fund allocation. However, there had been clear lack of administrative will to convert this popular vision into reality. Further, outlining various lapses/shortcomings/irregularities/deficiencies in the implementation of the Mission, the Chairperson clearly pointed out that the Mission need to strengthen the participation of community in the planning as well as implementation of the Mission activity at the slum level. He also observed that though the responsibility of the implementation lied with the State Governments, it was for the Ministries to have — (a) strong monitoring system; (b) clear guidelines for the Mission with zero tolerance policy; and (c) a better fund-flow arrangements to ensure success of JNNURM. Thereafter, he asked the Secretaries to give an overview of the Mission and the measures taken by the Ministries to overcome the shortcomings/deficiencies pointed out by the Audit so as to make the Mission more effective and useful. The Chairperson also drew the attention of the representatives to the confidentiality of the matter till the report was presented to the House.

3. The Secretaries of the Ministries of Urban Development and Housing and Urban Poverty Alleviation then gave power point presentations on the Audit findings and the response of the Ministries thereon. Some Members expressed serious concern that JNNURM involves various State subjects, reforms of which are being initiated by the Centre. The representatives of the Ministries informed that the main reasons for delay in execution of the JNNURM projects were litigations, delay in land acquisition,

delay in obtaining statutory permissions/clearances from the Ministries of Defence, Railways, Environment and Forests, shifting of utilities and inadequate capacity building capabilities at the level of urban and local bodies. The Secretary, Ministry of Housing and Urban Poverty Alleviation admitted that if there had to be a Government funded programme for housing for the urban poor, then the participation of the poor in planning and implementation of the programme, choosing the location of the projects as well as the availability of land was very important.

4. The major issues highlighted by the Members *inter-alia* included — non issuance of advisories to the State Governments while preparing DPR; approval of deficient DPR; in-active participation of the Ministries in the implementation of the Mission; non-pursuing of remedial measures to achieve the reforms of 85 percent coverage of Property Tax by Urban local bodies; improper monitoring of the projects; and non-starting of 5 projects out of 37 selected projects for water supply etc.

5. As regards the various initiatives taken under JNNURM, the Secretary, Ministry of Urban Development informed that the Ministry was taking four big initiatives which *inter-alia* included the Swachh Bharat Mission with the aim of making the entire country clean by 2nd October, 2019; HRIDAY Scheme to rejuvenate the soul of towns which are culturally important; a new Mission of Urban renewal of 500 cities on the basis of the lessons learnt from JNNURM; and the development of 100 smart cities.

6. The Chairperson directed that all the suggestions made by the C&AG should be given due consideration while formulating and implementing the new missions of the Ministries. As some queries required detailed and statistical information, the Chairperson asked the representatives of the Ministries to furnish written reply to the Secretariat at the earliest.

7. The Chairperson thanked the representatives of the Ministries for appearing before the Committee and the representatives of the Office of the C&AG of India for providing assistance to the Committee in the examination of the subject.

The witnesses, then, withdrew.

A copy of the verbatim proceedings was kept on record.

The Committee, then, adjourned.

APPENDIX III

MINUTES OF THE NINETEENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2014-15) HELD ON 9TH APRIL, 2015

The Committee sat on Thursday the 9th April, 2015 from 1430 hrs. to 1700 hrs.
in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Prof. K. V. Thomas — *Chairperson*

MEMBERS

Lok Sabha

2. Shri S.S. Ahluwalia
3. Shri Nishikant Dubey
4. Shri Gajanan Kirtikar
5. Shri Bhartruhari Mahtab
6. Shri Dushyant Singh
7. Shri Janardan Singh Sigriwal
8. Shri Shiv Kumar Udasi
9. Dr. Kirit Somaiya
10. Shri Anurag Thakur

Rajya Sabha

11. Shri Bhubaneswar Kalita
12. Shri Shantaram Naik

SECRETARIAT

1. Shri A. K. Singh — *Joint Secretary*
2. Smt. Anita B. Panda — *Director*
3. Shri Jaya Kumar T. — *Additional Director*
4. Shri S.L. Singh — *Under Secretary*
5. Smt. Anju Kukreja — *Under Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

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| 1. Shri A.K. Singh | — | Dy. CAG(RC) |
| 2. Smt. Shubha Kumar | — | Director General (RC) |
| 3. Shri Satish Loomba | — | Director General |
| 4. Shri L.S. Singh | — | Principal Director (PAC) |

Representatives of the Ministry of Health and Family Welfare

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| 1. Shri B.P. Sharma | — | Secretary |
| 2. Dr. Jagdish Prasad | — | D.G.H.S |
| 3. Shri N.S. Kang | — | AS&DG (CGHS) |

Representatives of the Ministry of Chemicals and Fertilizers (Department of Pharmaceuticals)

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| 1. Dr. V.K. Subburaj | — | Secretary |
| 2. Shri Kalyan Nag | — | Adviser (Cost), NPPA |

Representative of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals)

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| 1. Shri Surjit K. Chaudhary | — | Secretary |
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2. At the outset, the Chairperson welcomed the Members and the representatives of the Office of the C&AG of India to the sitting of the Committee. The Chairperson then apprised the Members that during the sitting, the Committee would take further oral evidence of the representatives of the Ministry of Health and Family Welfare and Ministry of Chemicals and Fertilizers (Departments of Pharmaceuticals and Chemicals and Petrochemicals) on the subject "Procurement of Allopathic drugs in CGHS" based on Para No. 6.3 of the C&AG Report No. 19 of 2013 in the first instance. Thereafter, the Committee would consider three draft Reports for adoption.

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| 3. *** | *** | *** |
| 4. *** | *** | *** |
| 5. *** | *** | *** |
| 6. *** | *** | *** |

The witnesses, then, withdrew.

A copy of the verbatim proceedings of the sitting was kept on record.

7. The Committee then took up the following draft Reports one by one for consideration:

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| (i) *** | *** | *** |
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