

## Chapter 10 Conclusion and recommendation

### 10.1 Conclusion

- JNNURM was launched in December 2005 with the objective of reforms driven, fast track development of cities across the country, with focus on efficiency in urban infrastructure, service delivery mechanism, community participation and accountability of ULBs / Parastatal agencies towards citizens. It envisaged total investment of more than ₹ 1,00,000 crore, of which Central Government's share was to be ₹ 50,000 crore to address deficiencies in urban infrastructure and service delivery. The mission period was for seven years (2005-2012). MoUD was the nodal ministry for UIG and UIDSSMT and MoHUPA was the nodal ministry for BSUP and IHSDP.
- We observed that a total of 1517 and 1298 housing and urban infrastructure projects respectively were approved for implementation between 2005 and 2011. However as on 31 March 2011, in respect of housing projects, only 22 out of the 1517 approved projects were completed. The status of dwelling units within these housing projects was only marginally better but remained low as only 26 per cent of approved dwelling units had been completed. In respect of urban infrastructure projects, we observed that out of 1298 projects approved, only 231 projects (18 per cent) were completed.
- Other than execution of housing and urban infrastructure projects, it was also intended to strengthen the ULBs in terms of their structure, composition, financial resources, functions and powers. The scheme required each State Government, ULB and the Central Government to enter into a Memorandum of Agreement (MoA) whereby they would indicate their commitment to implement the mandatory and optional reforms, in alignment with the 74th Constitutional Amendment towards increased transparency and better governance. However, in the selected States/UTs, we observed that all the mandatory and optional reforms were not implemented as per the commitments made in the MoA. Thus, the objective of bringing about reforms in institutional, financial and structural governance structure of the ULBs to make them efficient, accountable and transparent could not be achieved as had been envisaged.
- The audit findings of the implementation of the scheme in the execution of 216 selected projects for the period from 2005-06 to 2010-11 indicated various deficiencies. It was observed that only 11 out of 216 selected projects had been completed. The majority of projects were incomplete. This included deficient preparation and appraisal of detailed projects, non-availability of land, escalation in costs, change in design and scope etc. In the housing projects, many dwelling units remained incomplete primarily for want of land. The beneficiaries had not been identified in few cases, and there were deficiencies in the process of selection of beneficiaries leading to risks of ineligible beneficiaries getting the benefits of JNNURM. In those dwelling units which had been completed, we found instances where these had still not been occupied. In respect of the water supply, sewerage, storm water drainage and roads and flyovers, the projects were getting delayed because of non availability of land and requirement of clearances. There were deficiencies in awarding of work. A few cases of unauthorized and irregular expenditure and even instances of undue favour to contractors also came to light. Due to the delays in implementation of the projects, there were many cases of blockade of funds due to purchase of machinery/equipment which was not put to use. The reasons for the blockade indicated that the executing agencies had not planned the projects properly.

- The framework in the States envisaged setting up of SLNA and specialized bodies such as program management units (PMU) and project implementation units (PIU). We observed that SLNAs were appointed after considerable delay and continued to be short of staff. The PMUs and PIUs were intended to strengthen the capacity of the SLNA and the ULBs. However, we observed that in certain states these specialized units had not even been set up. Even in the States/UTs where they were established, their role remained limited.
- The Central Government was to make its allocation as had been envisaged by the Planning Commission. However, we found that against total allocation of ₹ 66084.66 crore made by Planning Commission, GoI made an allocation for ₹ 37070.15 crore out of which ₹ 32,934.59 crore were released upto 31 March 2011. There were delays in releasing these funds to the states and the guidelines did not contain any directions to stipulate the time in which such releases should be made. The flow of funds also showed that there was a rush of expenditure in the last quarter and particularly in the month of March. The scheme had envisaged the ULBs/parastatal should share the expenditure in execution of projects. However, in most States/UTs, it was observed that the ULB share was either not released or was less than the stipulated amount.
- It was also felt that the JNNURM guidelines had been deficient as they did not give adequate advisory to states regarding the parking of funds and the utilization of interest thereof. There was no uniformity in utilizing interest earned on parked funds amongst the States/UTs and the revolving fund had also not been created in almost all the States. UCs amounting to ₹ 10,032.13 crore were pending with MoHUPA and MoUD.
- Regarding the monitoring and evaluation by the ministries, we observed that the ministries had not equipped themselves in terms of staff or technology to oversee and monitor a project of this magnitude. Their attempts to get more staff were late to say the least. On the use of technology, though the MoUD had envisaged a web enabled program for monitoring and evaluation which would have captured the physical and financial progress of JNNURM projects in reality, we found that the system did not succeed. We observed that the Third Party Inspection and Monitoring mechanism as envisaged in the scheme was not properly implemented in many of the states.

### **Recommendations**

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

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



(A.M. BAJAJ)

Principal Director of Audit  
Economic & Service Ministries

New Delhi

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Countersigned



(VINOD RAI)

Comptroller and Auditor General of India

New Delhi

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