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Urban Infrastructure Development Scheme for Small and Medium Towns Guidelines, 2005

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1. INTRODUCTION

1.1 Urban infrastructure Development Scheme for Small & Medium Towns aims at improvement in urban infrastructure in towns and cities in a planned manner. It shall subsume the existing schemes of Integrated Development of Small and Medium Towns (IDSMT) and Accelerated Urban Water Supply Programme (AUWSP).

2. OBJECTIVES

The objectives of the scheme are to:

- a) Improve infrastructural facilities and help create durable public assets and quality oriented services in cities & towns
- b) Enhance public-private-partnership in infrastructural development and
- c) promote planned integrated development of towns and cities.

3. DURATION OF THE SCHEME

The duration of the Scheme will be for seven years beginning from 2005-06. An evaluation of the outcomes of the Scheme will be undertaken before the commencement of the 11th Five Year Plan and, if necessary, the scheme would be suitably calibrated.

4. COVERAGE

4.1 The scheme will apply to all cities/towns as per 2001 census, excepting cities/towns covered under Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

4.2 Allocation of funds among states will be on the basis of the state's urban population (excluding cities covered under JNNURM) to total urban population in the country (excluding cities covered under JNNURM).

4.3 States may allocate funds to towns/cities based on similar formula. However, funds would be provided to only those towns and cities where elections to local bodies have been held and elected bodies are in position.

4.4 The State Governments may prioritize towns and cities on the basis of their felt-need. While prioritizing towns, States would take into account existing infrastructure, population of Scheduled Castes/Scheduled Tribes and special problems like hilly terrain.

5. COMPONENTS

5.1 The components for assistance under the scheme will include all urban infrastructure development projects including water supply and sewerage. Land cost will not be financed except for acquisition of private land for schemes/ projects in the North Eastern States & hilly States viz. Himachal Pradesh, Uttarakhand and Jammu & Kashmir.

5.1.1 Admissible Components:- The Scheme will cover the following areas:-

i) Urban Renewal i.e redevelopment of inner (old) city areas [this would include items like widening of narrow streets, shifting of industrial/commercial establishments from non-conforming (inner-city) to 'conforming' (outer-city) areas to reduce congestion, replacement of old and worn-out water pipes by new/higher capacity ones, renewal of sewerage/drainage/solid waste disposal systems, etc.

ii) Water Supply (including de-salination plants) and sanitation

iii) Sewerage and Solid Waste Management

iv) Construction and improvement of drains/storm water drains

v) Construction/Upgradation of roads, highways/expressways

vi) Parking lots/spaces on Public Private Partnership basis

vii) Development of heritage areas

viii) Prevention & rehabilitation of soil erosion/landslides only in case of Special Category States where such problems are common and

ix) Preservation of water bodies.

5.1.2 Inadmissible Items

a) Power and telecommunication works,

b) Rolling stock like buses and trams,

c) Health and educational institutions,

d) Urban Transport (MRTS, LRTS etc.)

e) Wage employment programme and staff component

f) Maintenance works

5.2 While sanctioning projects for slum improvement, State Level Sanctioning Committee would ensure that there has not been any duplication of efforts from other sources. For this purpose the implementing agencies are required to submit requisite certificate.

6. FINANCING PATTERN

6.1 The sharing of funds would be in the ratio of 80:10 between Central Government & State Government and the balance 10% could be raised by the nodal/implementing agencies from the financial institutions. Implementing agencies may substitute internal resources for funds to be raised from financial institutions. However, in case of cities/towns in North Eastern States and Jammu & Kashmir sharing of funds would be in the ratio of 90:10 between Central & State Government.

6.2 The State Level Sanctioning Committee may sanction projects upto 3 times of central share subject to availability of funds. The Committee would assign higher priority to projects of (i) Water Supply (including de-salination plants) and sanitation, (ii) Sewerage and Solid Waste Management, (iii) Road Network and (iv) Construction and improvement of drains/storm water drains.

6.3 Cities/towns/Parastatals will be sanctioned project-based grants/loans which in turn would leverage, to the extent feasible, additional resources from financial institutions/private sector/capital market.

6.4 Funds from MPLAD/MLALAD could be used towards project cost and to that extent, the loan component/state share could be suitably reduced.

6.5 The scheme will be implemented through a designated State level nodal agency.

7. RELEASE OF CENTRAL ASSISTANCE

7.1 Central assistance (grant) released will go directly to the nodal agencies identified by the State government as Additional Central Assistance.

7.2 Release of Central share to nodal agency will be in two instalments and will depend on availability of State share and submission of utilization certificates within 12 months of the closure of the financial year in accordance with the provisions of General Financial Rules.

7.3 The criteria for release of funds will be as under:-

- 50% of the Central share will be released on signing of Memorandum of Agreement to the State nodal agency, after ascertaining availability of State share.
- Balance 50% of the central share would be released on submission of Utilisation Certificates by nodal agency for 70% of funds (Central & State grants) released earlier.
- State level nodal agency will, however, release funds in the following manner:
 - 25% of Central grant on ascertaining availability of State share;
 - Balance Central grant after release of State grant and after assessment of progress of implementation of reforms.

8. REVOLVING FUND

8.1 The grant from Government of India and State Government will flow to the nodal agency designated by State Government. The nodal agency will disburse central assistance to ULBs or para-statal agencies as the case may be, as soft loan or grant-cum-loan or grant. However, in case of sanction of loan or grant-cum-loan, the same 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 further investment in infrastructure projects. At the end of the Scheme period, the Revolving Fund may be graduated to a State Urban Infrastructure Fund.

8.2 State Level Sanctioning Committee would decide period of plough back of grant into the Revolving Fund.

8.3 State Level Sanctioning Committee would sanction projects for infrastructural development of cities and towns out of revolving fund in the same manner as projects are sanctioned out of corpus created out of Central and State grants.

9. INCENTIVES

After due assessment of status of implementation of activities for which incentives are sought, State Level Sanctioning Committee may sanction additional central grant upto a maximum of 5% to incentivise implementing agencies as indicated below:

- 1.5% for preparation of Detailed Project Report
- 1.5% for training and capacity building relating to project/ scheme
- 1% for bringing about efficiencies in the projects
- 1% for adoption of innovative approaches and adoption of proven and appropriate technologies

10. STATE LEVEL NODAL AGENCY

10.1 The State Government may designate any existing institution as nodal agency for implementation of the scheme.

10.2 The nodal agency will be responsible for the following:-

- (i) Inviting project proposals from ULBs/Para-statal/Implementing agencies;
- (ii) Techno-economic appraisal of the projects either through in-house expertise or by outside agencies through outsourcing;
 - Management of funds received from Central and State Governments;
 - Disbursement of the funds as per the financing pattern given in the guidelines;
- (v) Furnishing of utilization certificates within 12 months of the closure of the financial year and quarterly physical & financial progress reports to the Ministry of Urban Development;
- (vi) Maintenance of audited accounts of funds released to ULBs and implementing agencies
- (vii) Monitoring of implementation of reforms and infrastructure projects

11. PROJECT APPRAISAL

11.1 Urban Local Bodies and implementing agencies including para-statal agencies, will submit detailed project reports to the designated State Level nodal agencies for appraisal.

11.2 The State Level nodal agency will forward the appraised projects to MOUD, Planning Commission and TCPO so as to reach at least 15 days before the meeting of State Level Sanctioning Committee for enabling their representatives to offer their comments/views on the projects in the meeting.

12 STATE LEVEL SANCTIONING COMMITTEE (SLSC):

12.1 The composition of the State Level Sanctioning Committee (SLSC) may be as follows:

Secretary, Urban Development /Municipal Admn./Local self Governments	- Chairman
Secretary, Finance	- Member
Secretary, Planning	- Member
Secretary, Works/ Engineer-in-Chief of PWD.	- Member
Director (Town & Country Planning)/ Chief Town Planner of the state	- Member
Director, Municipal Administration.	- Member
Representative of M/o Urban Development	- Member
Representative of I.F. Division, M/o Urban Dev	- Member
Representative of Planning Commission	- Member
Representative of TCPO	- Member
Representative of NCR Planning Board, New Delhi (in case of States of Haryana, Uttar Pradesh and Rajasthan)	- Member
Chief Executive of the State Level Nodal Agency	- Member-Secretary

12.2 SLSC will ensure the following:

a. Examine and approve project reports submitted by the local bodies/implementing agencies including para-statal agencies, taking into account the appraisal reports; The Committee will assign higher priority to projects relating to water supply including sanitation, sewerage, solid waste management, road network and drainage.

b. Periodically monitor the progress of sanctioned projects/ schemes including funds mobilization from financial institutions.

c. Review the implementation of the scheme keeping in view its broad objectives and ensure that the programmes taken up are in accordance with the guidelines laid down.

d. Review the progress of urban reforms being undertaken by ULBs/Parastatals/implementing agencies.

12.3 SLSC shall meet as often as required but shall meet at least thrice in a year without fail and review the progress of ongoing projects and sanction new projects.

13. URBAN REFORMS

The main thrust of the revised strategy of urban renewal is to ensure improvement in urban governance so that Urban Local Bodies (ULBs) and para-statal agencies become financially sound with enhanced credit rating and ability to access market capital for undertaking new programmes and expansion of services. In this improved environment, public-private participation models for provisioning of various services would also become feasible. To achieve this objective, State Governments, Urban Local Bodies and para-statal agencies will be required to accept implementation of an agenda of reforms. The proposed reforms shall broadly fall into two categories:-

- i) Mandatory reforms
- ii) Optional reforms

All the mandatory and optional reforms shall be implemented by the State/ULB/Para-Statals within the Scheme period.

13.1 MANDATORY REFORMS

There will be two sets of mandatory reforms. Core reforms at ULB/Parastatal level aim at process re-engineering through deployment of technology to enable more efficient, reliable, timely services in a transparent manner. The other set of reforms are framework related at State level.

13.1.1 Reforms at Urban Local Body / Parastatal

- i) Adoption of modern, accrual-based double entry system of accounting in Urban Local Bodies / Parastatals
- ii) Introduction of system of e-governance using IT applications like, GIS and MIS for various services provided by ULBs / Parastatals.
- iii) Reform of property tax with GIS, so that it becomes major source of revenue for Urban Local Bodies (ULBs) and arrangements for its effective implementation so that collection efficiency reaches at least 85% within next seven years.
- iv) Levy of reasonable user charges by ULBs/Para-statals with the objective that full cost of operation and maintenance or recurring cost is collected within next seven years. However, cities/towns in North East and other special category States may recover at least 50% of operation & maintenance charges initially. These cities/towns should graduate to full O&M cost recovery in a phased manner.
- v) Internal earmarking within local body, budgets for basic services to the urban poor.
- vi) Provision of basic services to urban poor including security of tenure at affordable prices, improved housing, water supply, sanitation and ensuing delivery of other already existing universal services of the Government for education, health and social security.

13.1.2 Reforms at State Level

- i) Implementation of decentralization measures as envisaged in 74th Constitution Amendment Act. States should ensure meaningful association/engagement of ULBs in planning function of para-statals as well as delivery of services to the citizens.

- ii) * Repeal of Urban Land Ceiling and Regulation Act.
- iii) * Reform of Rent Control Laws balancing the interests of landlords and tenants.
- iv) Rationalisation of Stamp Duty to bring it down to no more than 5% within next seven years.
- v) Enactment of Public Disclosure Law to ensure preparation of medium-term fiscal plan of ULBs/Parastatals and release of quarterly performance information to all stakeholders.
- vi) Enactment of Community Participation Law to institutionalize citizen participation and introducing the concept of Area Sabha in urban areas.
- vii) Assigning or associating elected ULBs with “city planning function”. Over a period of seven years, transferring all special agencies that deliver civic services in urban areas to ULBs and creating accountability platforms for all urban civic service providers in transition.

* **Note:** In respect of schemes relating to water supply and sanitation, the under mentioned State level mandatory reforms may be taken as optional reforms:-

- i. Repeal of Urban Land Ceiling Act
- ii. Reform of Rent Control Act

14. OPTIONAL REFORMS (State and ULB/Para-statal level)

- i) Revision of bye-laws to streamline the approval process for construction of buildings, development of sites etc.
- ii) Simplification of legal and procedural frameworks for conversion of agricultural land for non-agricultural purposes.
- iii) Introduction of Property Title Certification System in ULBs.
- iv) Earmarking at least 20-25% of developed land in all housing projects (both Public and Private Agencies) for EWS/LIG category with a system of cross subsidization.
- v) Introduction of computerized process of registration of land and property.
- vi) Revision of bye-laws to make rain water harvesting mandatory in all buildings and adoption of water conservation measures.
- vii) Bye-laws for reuse of recycled water.
- viii) Administrative reforms i.e. reduction in establishment by bringing out voluntary retirement schemes, non-filling up of posts falling vacant due to retirement etc., and achieving specified milestones in this regard.
- ix) Structural reforms
- x) Encouraging Public Private Partnership

Note: Any two optional reforms to be implemented together by State & ULBs/Parastatals in each year.

15. MONITORING

- i) Ministry of Urban Development will periodically monitor the scheme through designated Officer of this Ministry for each State/UT.
- ii) State level nodal agency would send quarterly progress report to the Ministry of Urban Development through TCPO.
- iii) SLSC would ensure quarterly monitoring of various projects sanctioned under the programme.
- iv) A Monitoring Committee under the chairmanship of Joint Secretary (Urban Development) in the Ministry of Urban Development would monitor the progress every quarter.
- v) Secretary (UD) would review progress of the programme twice a year.
- vi) TCPO will be responsible for preparing a status report on the scheme in consultation with MOUD every year (by 31st May). All the mandatory and optional reforms shall be implemented by the State/ULB/Para-Statals within the Scheme period.

16. TRAINING AND CAPACITY BUILDING

The Central and State Governments will make continuous efforts for training and up-gradation of the skills of the personnel responsible for the project and the elected representatives. State Government may organize suitable training as well as capacity building programmes through reputed institutions in the field. The same will form part of DPR to be submitted by implementing agency.

17. MEMORANDUM OF AGREEMENT (MoA)

Implementation of all mandatory and at least two optional reforms in each year of the Scheme by cities/towns will be a condition precedent to access central grant under the scheme. All the reforms (mandatory as well as optional) shall be required to be implemented during the scheme period i.e seven years. The State Governments/ State level nodal agencies will execute Memorandum of Agreement (MoA) with Government of India indicating their commitment to implement identified reforms. MoA would spell out specific milestones to be achieved for each item of reform. Signing of MoA will be a necessary condition to access Central assistance. ULBs/Para-statals will sign MoA with State Level Nodal Agency. The MoA shall be submitted along with the Detailed Project Report.

18. OUTCOMES OF THE SCHEME

On completion of the Scheme period of seven years, it is expected that ULBs/Parastatals will achieve the following outcomes:-

- (a) Modern and transparent budgeting, accounting, financial management systems, 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/para-statals resulting in reduced cost and time of service delivery processes.

19 MISCELLANEOUS

19.1 It will be the responsibility of Urban Local Bodies/Para-statals and implementing agencies to keep an inventory of assets created and also to maintain and operate the assets and facilities created.

19.2 The implementing agencies at the ULB/Para-statal level will be required to open and maintain separate bank account for each project in a commercial bank for receipt and expenditure of all money to be received and spent. ULBs/Parastatal/implementing agencies should maintain registers for utilization of funds separately for Central and State share and loan from financial institutions.

19.3 The nodal agency will maintain institution-wise and project-wise accounts under the scheme.

19.4 Projects taken up under the on-going schemes during last five years beginning from 2000-2001 will continue to be funded as per the existing guidelines of IDSMT & AUWSP Schemes till completion of those projects.

19.5 Ministry of Urban Development in consultation with Ministry of Finance and Planning Commission may effect changes in the scheme guidelines, other than those affecting the financing pattern as the scheme progress, if such changes are considered necessary.