

# Urban Infrastructure Development Scheme for Small & Medium towns (UIDSSMT)

Overview and salient features

2009

## OVER VIEW

Urban Renewal is one of the thrust areas in the National Common Minimum Programme of the Government and accordingly Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched on 3rd December 2005 with an investment of Rs.1,00,000.00 crores in Mission period of seven years beginning 2005-06. Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) is one of the components of JNNURM. The Mission is the single largest initiative of the Government of India for planned development of cities and towns.

Out of the total population of 1027 million as per Census 2001, about 285 million live in urban areas in India. The process of urbanization has gathered considerable momentum over the last 50 years. The proportion of urban population to total population has increased from 17 percent in 1951 to 28 percent in 2001 and this ratio is expected to cross 40% by 2021.

Cities and towns are emerging as centres of domestic and international investments where most of the commercial activities take place. The present contribution of cities and towns in country's Gross Domestic Product (GDP) is 55% and it is estimated that cities and towns/urban areas will contribute to about 65% of GDP by 2011.

The higher productivity of any urban area depends on the availability and quality of infrastructure services. Urban economic activities are dependent upon urban infrastructure like roads, water supply, power, telecommunication, mass transportation and other civic infrastructure like sanitation and solid waste management.

Massive urban growth has led to complex problems of inadequacy of basic urban services. About 21% of urban population is living in squatter settlements where access to the basic services is very poor or very substandard. About 80% of population living in urban areas though has access to safe drinking water but there are severe deficiencies in regard to equitable distribution of water. As per estimates about 46% of households have water borne toilets while only 36% are connected with public sewerage system. Almost half of the solid waste generated in towns & cities remains uncollected. The town roads are inadequate to meet the growing traffic demand which in turn leads to traffic congestion. Inadequacy of minimum basic services in urban areas has resulted in deterioration of quality of life. The infrastructure development could not keep pace with rate of urbanization. The Urban Local Bodies (ULB) and Municipal Corporation are primarily responsible for providing minimum basic services to the inhabitants. The ULBs/Municipal Corporations are unable to cope up with the increasing demand of providing quality urban services in towns and cities due to lack of resources. From time to time Government of India provided central assistance through number of centrally sponsored schemes like Accelerated Urban Water Supply Programme, Low Cost Sanitation Programme, Mega City Scheme,

National Slum Development Programme, Swarna Jayanthi Shahari Rozgar Yojana, Valmiki Ambedkar Awas Yojna and Scheme for Integrated Development of Small and Medium Towns.

In order to bridge the resource gap that cities and towns are facing today, the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched. JNNURM is a Mission mode approach that integrates the two pressing needs-massive investments/resource required for infrastructure development and at the same time urban reforms those are required to sustain big investments. JNNURM is a reform oriented Government of India assisted fund which would be provided as a grant to a set of 63 identified large cities in the country and will cover all other census towns under Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) a component of JNNURM. The Mission aims to encourage reforms and fast track infrastructure development. The focus is on efficiency in urban infrastructure and services delivery mechanism, community participation, accountability of ULBs / Parastatal agency towards citizens.

Urban Infrastructure Development Scheme for Small & Medium Towns (UIDSSMT) subsumed the existing schemes of Integrated Development of Small and Medium Towns (IDSMT) and Accelerated Urban Water Supply Programme (AUWSP). The objectives of the Scheme are:

1. Improve infrastructural facilities and help create durable public assets and quality oriented services in cities & towns,
  - Enhance public-private-partnership in infrastructural development and
  - Promote planned integrated development of towns and cities.

All towns/cities as per 2001 census except 63 Mission cities/Urban Agglomeration covered under JNNURM are eligible to be covered under the scheme. The components for assistance under the Scheme include all urban infrastructure development projects such as water supply, roads, parking space, drainage, solid waste management, sewerage, urban renewal, preservation of water bodies and prevention of soil erosion.

## **1.2 OPERATIONAL MECHANISM**

As per UIDSSMT Guidelines, Urban Local Bodies are required to prepare the Detailed Project Reports (DPRs) keeping in view the priorities of development and critical problem in the respective town and submit the same to the identified State Level Nodal Agency (SLNA). The SLNA is required to appraise the DPR either in house or through outsourcing or through State Level Technical Agencies. After appraisal, SLNA will submit the Appraised Reports to the State Level Sanctioning Committee (SLSC). The SLNA/SLSC will send copies of the Appraised Reports to all the members of the SLSC including Ministry and TCPO for their views 15 days in advance to the meeting of the SLSC. All the projects

are considered by the SLSC and approved. On approval by SLSC, the minutes along with recommendation are sent by the State Govt. to the Ministry of Urban Development. On receipt of Minutes from SLSC the MOUD process the proposal for release of central assistance, sign the Memorandum of Agreement (MOA) for urban reforms with State Govt. and send the release proposal to Ministry of Finance.

The sharing of funds is in the ratio of 80:10 between Central Government & State Government and the balance 10% could be raised by the nodal / implementing agencies including ULBs from the internal resources or 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.

Fifty percent of the Central share (Additional Central Assistance) is released on signing of Memorandum of Agreement with the State Government / State Level Nodal Agency, after ascertaining availability of state share. Balance 50% of the central share is released on submission of Utilization Certificates by nodal agency for 70% of funds (Central & State grants) released earlier. 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% as incentive to implementing agencies.

Ministry of Urban Development monitors the scheme periodically. Monitoring Committee under the chairmanship of Joint Secretary (UD) monitors the progress. State Level Nodal Agency are required to send quarterly progress report to the Ministry of Urban Development through Town and Country Planning Organization which are to be scrutinized by TCPO and prepare status report from time to time. SLSC is to ensure quarterly monitoring of various projects sanctioned under the programme.

At the end of the year, Town and Country Planning Organisation (TCPO) is to prepare status report on the Scheme in consultation with Ministry of Urban Development every year. The present status report includes cumulative status of last three years as well as separately for the FY 2007-08.

# **GUIDELINES- *Salient Features***

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## **2.1. Introduction**

Urban infrastructure Development Scheme for Small & Medium Towns was launched on 3.12.2005 for improvement in urban infrastructure in towns and cities in a planned manner. It subsumed the erstwhile schemes of Integrated Development of Small and Medium Towns (IDSMT) and Accelerated Urban Water Supply Programme (AUWSP).

## **2.2. Objectives**

The objectives of the scheme are to:

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

## **2.3. Duration of the Scheme**

The duration of the Scheme will be for seven years beginning from 2005-06.

## **2.4. Coverage**

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

## **2.5. Components**

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

**Admissible Components:- The Scheme 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.

### **Inadmissible Items**

- i) Power and telecommunication works,
- ii) Rolling stock like buses and trams,
- iii) Health and educational institutions,
- iv) Urban Transport (MRTS, LRTS etc.)
- v) Wage employment programme and staff component
- vi) Maintenance works

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.

## **2.6. Financing Pattern**

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.

## **2.7. Release of Central Assistance**

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

Release of Central share to nodal agency will be in two installments 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.

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.

## **2.8 Revolving Fund**

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.

## **2.9. 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

## **2.10 State Level Nodal Agency**

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

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;
- iii) Management of funds received from Central and State Governments; Disbursement of the funds as per the financing pattern given in the guidelines;
- iv) 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;
- v) Maintenance of audited accounts of funds released to ULBs and implementing agencies.
- vi) Monitoring of implementation of reforms and infrastructure projects

## 2.10. Project Appraisal

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

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.

## 2.12 State Level Sanctioning Committee (SLSC):

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	-	Member
<i>(in case of States of Haryana, Uttar Pradesh and Rajasthan)</i>		
Chief Executive of the State Level Nodal Agency	-	Member-Secretary

SLSC shall meet as often as required but shall meet at least thrice in a year and would examine and approve project reports, periodically monitor the progress of



sanctioned projects, review the implementation of the scheme, review progress of urban reforms.

## **2.13 Urban Reforms**

As per the Scheme Guidelines State Governments have to commit to undertake urban reforms both at state level and Urban Local body level. The urban reforms to be carried out by the State Governments are as under:

### **(A) Mandatory Reforms**

#### **(I) Reforms at Urban Local Body / Parastatal**

- (i) Adoption of modern, accrual - based double entry system of accounting.
- (ii) Introduction of system of e-governance.
- (iii) Increase Property Tax collection to at least 85% within next seven years.
- (iv) Collection of full cost of operation and maintenance or recurring cost 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 ensuring delivery of other already existing universal services of the Government for education, health and social security

#### **(II) Reforms at State Level**

- (i) Implementation of 74<sup>th</sup> Constitution Amendment Act. 1992
- (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.

## **(B) 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 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) 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
- (ix) Structural reforms
- (x) Encouraging Public Private Partnership.

All the mandatory and optional reforms shall be implemented by the State/ULB/Para-Statals within the Scheme period (list of reforms as mentioned in guidelines).

### **2.14 Monitoring**

- Ministry of Urban Development will periodically monitor the scheme through designated Officer of this Ministry for each State/UT.
- State level nodal agency would send quarterly progress report to the Ministry of Urban Development through TCPO.
- SLSC would ensure quarterly monitoring of various projects sanctioned under the programme.
- A Monitoring Committee under the chairmanship of Joint Secretary (Urban Development) in the Ministry of Urban Development would monitor the progress every quarter.
- Secretary (UD) would review progress of the programme twice a year.
- 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.

### **2.15 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.

## **2.16 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-statal will sign MoA with State Level Nodal Agency. The MoA shall be submitted along with the Detailed Project Report.

## **2.17 Outcome of the schemes**

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

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

## **2.18 Miscellaneous**

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.

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.

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

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.