

## **NATIONAL CAPITAL REGION PLANNING BOARD**

1. The National Capital Region Planning Board (NCRPB) was constituted on 28 March 1985 under the provisions of the National Capital Region Planning Board Act, 1985. The preamble of the Act stipulates: “An Act to provide for the constitution of a Planning Board for the preparation of a plan for the development of the National Capital Region (NCR)<sup>1</sup> and for coordinating and monitoring the implementation of such plan...”. NCRPB, under the chairmanship of the Union Minister of Urban Development has 21 members of the re-constituted Board and the 10 co-opted members. Section 8 (f) of the NCRPB Act empowers the Board to select, in consultation with the State Governments concerned, any urban area outside the NCR having regard to its location, population and potential for growth, which may be developed as a counter magnet area (CMA) in order to achieve the objectives of the Regional Plan. The Regional Plan 2001, prepared by the NCR Planning Board, incorporated the concept of developing CMAs for reducing in-migration into Delhi. Under the Regional Plan, five CMAs were identified namely Hissar (Haryana), Bareilly (Uttar Pradesh), Kota (Rajasthan), Patiala (Punjab) and Gwalior (Madhya Pradesh). Recently, the following additional cities have been incorporated under CMAs: Dehradun (Uttarakhand), Ambala (Haryana), and Kanpur (Uttar Pradesh).

2. The main functions of the NCRPB are elucidated in Section 7 of the NCRPB Act. Two of the core functions listed in the Section are (i) to ensure proper and systematic programming by the participating States and the Union Territory in regard to project formulation, determination of priorities in the NCR or sub-regions and phasing of development of the NCR in accordance with stages indicated in the Regional Plan; and (ii) to arrange for, and oversee, the financing of selected development projects in the NCR through Central and State Plan funds and other sources of revenue. As per section 7(e) of the NCRPB Act, NCRPB is also responsible to arrange for and oversee financing of selected development projects in the NCR and in CMAs. In fulfillment of its mandate, the NCRPB has been playing a significant role in the development of infrastructure in the NCR by financing infrastructure development projects selected under powers vested in it by section 8(e) of the NCRPB Act. These projects cover a wide spectrum of basic infrastructure development, sewerage, drainage and solid waste management, water supply, power, transport, hospitals, abattoir and civic centre.

3. NCRPB provides financial assistance in the form of interest bearing loans to State Government and implementing agencies for projects pertaining to the power sub-sector (generation, transmission, distribution, sub-stations); water sub-sector (bulk water supply, water distribution and conservation); sanitation, effluents, and solid waste disposal (sewage treatment plants, sewage lines, storm water drainage, low cost sanitation and public toilets, effluent treatment and solid waste disposal); land development and construction of buildings (land development, residential buildings, institutional buildings and commercial buildings); social infrastructure (dispensaries, hospitals, schools, etc.); transportation (transport facilities, roads, robs, and flyovers, etc.); industrial estates, technology parks, etc.; and others (parks, greens, monument conservation and tourism).

4. All requests for loan assistance made by constituent State Governments, urban local bodies (ULBs) and other parastatals of the state governments of the NCR, are to be accompanied by three sets of final detailed project reports (DPRs) and a soft copy, routed to

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<sup>1</sup> The total area of the National Capital Region is 33,578 sq. kms. excluding the area of Counter Magnet Areas (CMAs). The National Capital Territory of Delhi is less than 4.5% of the NCR.

NCRPB, Delhi via its respective NCR Cells constituted in each of its subregions. The pattern of loan assistance provided by the NCRPB is 25:75; 25% being the borrowing agency's contribution and a maximum 75% of the project cost being the loan from the NCRPB. NCRPB provides long term loans of 10 years tenure with two years moratorium in payment of principal and carries interest rate of 8.25% or 9.5% per annum. In addition, NCRPB also provides a total rebate of 1.5% for various performance parameters.

5. The broad methodology for project sanctions thus includes:

- (i) Submission of three sets of DPRs (hard copy) with soft copy to the NCR Cells with a loan request as per the loan application form downloadable from NCRPB's website ([www.ncrpb.nic.in](http://www.ncrpb.nic.in)).
- (ii) Presentation of the project submitted by the implementing agency.
- (iii) Appraisal by the NCRPB empanelled national institutes.
- (iv) Interactive process (amongst implementing agency making the loan request, NCRPB officials, and national institutes appraising the DPR).
- (v) On receipt of final appraisal report from national institutions the projects are taken up in the Project Sanctioning and Monitoring Group (PSMG) meeting under the chairmanship of the Secretary, Ministry of Urban Development (MOUD).<sup>2</sup>

6. After sanctioning of the project in the PSMG meeting, loans are released on submission of various documents such as loan agreement, security documents including state government guarantee, bank guarantee and escrow agreement and mortgage of property in lieu of state government and/or bank guarantee. In case of loan to the State Government, an undertaking is obtained for providing adequate budget allocation towards repayment of loan installment and interest thereon every year until the payment of final installment is made.

7. **Overview of NCRPB Project Cycle.** Implementing agencies (IAs) prepare the DPRs and submit to NCRPB through concerned department of state government NCR cell for financing. Preliminary examination of the proposal is conducted with respect to (i) availability of funds, (ii) conformity to Regional Plan/Functional plan/Master Plan and (iii) importance and priority of work. Thereafter, a detailed examination about technical feasibility, cost reasonability, financial viability and good engineering design, etc. is carried out by one of the National Institutions (NIs) empanelled by NCRPB on annual contract basis for appraisal. NIs review DPRs, may make site visits if necessary and interact with sub-borrowers through NCRPB and ensure necessary modifications are effected by sub-borrowers and then prepare and submit an appraisal report. NCRPB will review the appraisal report and comment, if any, and then the NI will prepare final appraisal report.

8. Project Sanctioning and Monitoring Group 1 (PSMG1) under the chairmanship of the Secretary, (MOUD) will consider the loan proposal and has authority to sanction loans more than Rs50 million. Project Sanctioning and Monitoring Group 2 (PSMG2), under the chairmanship of the Member Secretary, NCRPB has authority to sanction loans up to Rs 50 million. NCRPB gives loans up to a maximum of 75% of the project cost and balance cost is shared by state and /or IA.

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<sup>2</sup> The PSMG of the Board have been constituted to identify individual projects against schemes approved by NCRPB for funding by NCRPB, to release installments for the same and for carrying out a constant review of the progress of the projects. The functions, powers and duties of the Board are delegated to PSMG.

9. After approval of the loan by the PSMG, an administrative and financial sanction is issued along with the terms and conditions and the loan agreement is signed. Thereafter, the first installment of loan as per cash flow requirement approved under the DPR is released. After utilization of the amount, sub-borrower submits utilization certificate of loan amount and utilization of own share amount and makes a request for second installment. NCRPB deputs a team for physical verification of works and second installment is released on basis of the verification report. On completion of work final utilization certificate (UC) is submitted along with detail of physical infrastructure created. Monitoring of works is done through monthly and quarterly progress reports in prescribed formats and in PSMG meetings. Loan repayment period is generally 10 years with a 2 year moratorium on principal amount.

10. A summary of income and expenditure statement of NCRPB is given in Table 1 below.

**Table 1. Income and Expenditure Account for the Year Ended March 31, 2009  
(Consolidated) (Million Rs)**

Item	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Income</b>					
1 Interest earned from loan portfolio	809.3	660.9	740.8	949.2	1321.5
2 Other interest earned	381.7	475.4	374.2	191.8	80.2
Grant in aid from Ministry of Urban 3 Development	18.3	17.7	19	18.7	23.5
4 Other income	0.2	1.1	6	0.9	10.7
<b>Total</b>	<b>1209.5</b>	<b>1155.1</b>	<b>1140</b>	<b>1160.6</b>	<b>1435.9</b>
<b>Expenditure</b>					
4 Expenditure on borrowings	413.9	391.3	157.2	38.5	217.7
5 Other expenditures	111.3	30.9	34	44.1	59.3
6 Provisions	261.3	246.9	319.1	0	50.6
7 Transfer to bond redemption reserve					285
8 Transfer to NCRPB corpus	423	486	629.7	1078	823.3

NCRPB = National Capital Region Planning Board

11. As a financier, NCRPB is to facilitate financing of the investments in the region, and in pursuance of this, NCRPB has provided loans to 230 projects (part of the regional plan) at a cost of INR 59,950 million (sanctioned). The subregion wise break down of projects financed by NCRPB is given in Table 2 and by States in Table 3. These loans have been advanced out of grants received from the Government, Delhi Government, internal accruals and market borrowings. The loans are either guaranteed by state governments or escrowed and are advanced at a concessional interest rate of above 100-200 basis points (bps) below states borrowing costs. The interest rates and tenor are fixed by the Board in consultation with MOUD.

**Table 2. Sub-Region Wise Break Up of Projects Financed by the NCRPB  
(as of March 2009) (INR in million)**

S.No.	States	Status	No. of projects	Estimated cost	Loan sanctioned	Loan released by NCRPB
1	Haryana [including CMA- Hissar]	Ongoing	103	88,670	35,410	19,480
		Completed	39	18,440	6,760	5,890
		<b>Sub Total</b>	<b>142</b>	<b>107,110</b>	<b>42,170</b>	<b>25,370</b>
2	UP [including CMA- Bareilly]	Ongoing	8	7,590	5,170	3,390
		Completed	45	13,730	4,110	3,550

S.No.	States	Status	No. of projects	Estimated cost	Loan sanctioned	Loan released by NCRPB
	<b>Sub Total</b>		<b>53</b>	<b>21,310</b>	<b>9,280</b>	<b>6,940</b>
3	Rajasthan [including CMA-Kota]	Ongoing	3	9,620	2,140	2,140
		Completed	23	3,260	1,290	1,260
	<b>Sub Total</b>		<b>26</b>	<b>12,880</b>	<b>3,440</b>	<b>3,400</b>
4	NCT-Delhi	Ongoing	2	5,210	3,100	3,100
		Completed	0	0	0	0
	<b>Sub Total</b>		<b>2</b>	<b>5,210</b>	<b>3,100</b>	<b>3,100</b>
5	CMA –Patiala in Punjab	Ongoing	2	1,260	950	740
		Completed	1	190	10	10
	<b>Sub Total</b>		<b>3</b>	<b>1,450</b>	<b>960</b>	<b>750</b>
6	CMA –Gwalior in M P	Ongoing	1	300	220	220
		Completed	3	1,040	790	790
	<b>Sub Total</b>		<b>4</b>	<b>1,340</b>	<b>1,010</b>	<b>1,010</b>
	<b>Total</b>	Ongoing	<b>119</b>	<b>112,640</b>	<b>46,990</b>	<b>29,070</b>
		Completed	<b>111</b>	<b>36,650</b>	<b>12,970</b>	<b>11,500</b>
	<b>Grand Total</b>		<b>230</b>	<b>149,290</b>	<b>59,950</b>	<b>40,570</b>

CMA = counter magnet area, MP = Madhya Pradesh, NCT = National Capital Territory, NCRPB = National Capital Region Planning Board

**Table 3. Distribution of Financing by States (as of 30 March 2009)**

State	Loans used (including repaid INR Million)	% of total	Loans Disbursed INR in Million (ongoing)	% of total	Loans outstanding in INR Million
NCT – Delhi	3,100	7.64	3,100	10.66	2,400.54
Haryana	25,370	62.53	19,480	67.01	15,740.91
Rajasthan	3,400	8.38	2,140	7.36	2,100.89
Uttar Pradesh	6,940	17.11	3,390	11.66	1,950.26
Punjab/MP (CMA)	1,760	4.34	960	3.31	130.79
<b>Total</b>	<b>40,570</b>	<b>100.00</b>	<b>29,070</b>	<b>100.00</b>	<b>22,350.39</b>

CMA = counter magnet area, MP = Madhya Pradesh, NCT = National Capital Territory

12. **Business Strategy – Typology of Financing.** A study of the Regional Plan suggests that there are three types of infrastructure contemplated: (i) regional that include large investments in power, highways; (ii) subregional that include interstate connectivity and environment investments; and (iii) city level urban investments. These have been estimated as Rs1,937,520 million. While this is a macro assessment, NCR as well as the States have defined sectoral investment needs. The strategic role of NCRPB for these three different types of investments are as follows:

- (i) **Regional large investments.** NCRPB's role is more significant as planner as the investments needs are huge, and NCRPB's ability to finance and overall contribution to such large projects in power and national highways will be minor.
- (ii) **Sub-regional investments.** NCRPB's role would be more significant as a financier, incentivizing investments by various states to achieve coherence in the region. State roads which connect across states, aquifer and green belt protection investments would be typical examples requiring both detailed planning as well as substantial investments.

- (iii) **City level investments.** These include environment enhancing as well as growth promoting – where the materiality of NCRPB financing is expected to be high and planning relatively medium to high, especially after the 74th Constitutional Amendment. The use of State budget as a fall back would be appropriate in this context, given the externality argument.

13. **Business options.** Based on the analysis, NCRPB has three business options: (i) normative planning and demand driven financier; (ii) planner of relevance and market making financier; and (iii) traditional financial intermediary.

- (i) **Normative planning and demand driven financier.** The main features of this option include unlimited liability of the Government, administered pricing, implicit subsidies and low leverage and financing based on State budgets. NCRPB could continue the existing business model with marginal improvements in its planning and financing role. The additional line of credit would essentially support the continuance of NCRPB as supplier of lower cost credit allowing blends of tenor and pricing with Government grants.
- (ii) **Planner of relevance and market making financier.** NCRPB is faced with three types of financing and planning situations: (a) in sectors such as power and highways where its financing is likely to be marginal but planning and coordination useful; (b) interstate investments which generate externalities-both environment enhancing such as solid waste and water management and growth inducing such as interstate connectivity, in this category NCRPB would be a planner and financier of equal importance; and (c) city level infrastructure where NCRPB financing (currently the lowest) would be the most material.
- (iii) **Traditional financial intermediary.** In this option, NCRPB could continue the mandate of finalizing its sub regional plans while moving towards standardized structures of a financial intermediary. NCRPB is expected to convert to a Company under the Companies Act, 1956 and continue its planning and also lending functions. As a Financial Institution under the supervisory control of the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), etc., it would need to meet the various regulations stipulated by RBI, SEBI, Companies Act, and other regulators in this regard. It would also be liable to pay income tax on its income, which it is today exempt. Also, one of the consequences of its conversion into a Company is that the accumulated Capital Funds (grants and internal accruals) need to be restructured as Equity Capital and shares would need to be allotted to its constituents.

14. While the option of traditional financial intermediary was considered, due to the potential conflict between its role as a financial intermediary and as a planning agency, it has been determined that NCRPB will not take on the role of a traditional financial intermediary. Therefore, Option II of "Planner of Relevance and Market Making Financier" was found to be the right business strategy to achieve NCRPB's mandates most effectively.