

Critical analysis of Schemes for provisions of urban facilities in rural areas (PURA)

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Abstract Agriculture is the principal occupation of the rural people of our country and about majority of rural population earns their livelihood on the basis of agriculture and agriculture related activities. Agriculture sector is facing very tough condition and farmers, the backbone of our economy is crumbling under cost escalation & inflationary pressures. It is now overcrowded and the problem of disguised unemployment has become very acute in this sector. This new doctrine has been conceptualized as providing Urban facilities in Rural Areas (PURA) consisting of four connectivity's; physical, electronic, knowledge and there by leading to economic connectivity to enhance the prosperity of clusters of villages in the rural areas.

Key Words: PURA, GDP, Pilot Project, Rural-Urban Divide, MoRD, DRDM, Poverty Alleviation.

1. INTRODUCTION

Indian cities are fading to provide a basic standard of living to their urban residents, and life could become harder as cities develop. As the municipal population and its per capita incomes increase, demand for every key service will increase five to sevenfold in cities of every size and type. If India stays to invest in urban infrastructure at its current rate - very low by international comparison -- congestion and urban decay will result. India urgently needs to adopt a new approach to manage urbanization.

Urban India today is disseminated in shape with a assorted range of large and small cities, spread widely around the country. To address the issue of sprawl, India should continue to aim at a distributed model of urbanization because this suits its federal structure and also helps to ensure that migration movements are not balanced towards any particular city or cities. To shift the migration from rural to urban areas, it is necessary to provide basic amenities and facilities in

rural areas which are similar to those in urban areas. Schemes like provisions of urban facilities in rural areas attempt to bond these gaps in order to ensure that the rural areas have services which are at par with those in urban India. This would help in whittling down the migration from rural to urban areas.

1.1 About PURA

Nonexistence of means of support opportunities, up-to-date amenities, and services necessary for decent living in rural areas results in a sense of scarcity and disappointment amongst a large percentage of population and leads to migration of people to urban areas. This is mostly due to the giant variances in the availability of physical and social infrastructure in rural and urban areas. In instruction to address these issues, the Government has launched various schemes at different points of time. However, due to several reasons, the impact has not been very visible. The conveyances of these schemes were not simultaneous and although huge sums were earmarked for capital expenditure, very little resources were spent on the operation and preservation of the assets. Correspondingly, these schemes functioned separately and the standards set for infrastructure services delivery in the rural areas were faraway below those set for the urban population.

Henceforth, spite of quite a few schemes, there continuous to be a substantial flow of migration from the rural to urban areas. In direction to catalyze the convergence between different infrastructure schemes and create a new model for management of urban services in the rural areas, the Provision for Urban Amenities in Rural Areas Scheme has been developed.

1.2. Objective of the Scheme

The scheme was to provide urban amenities and livelihood openings in rural areas to bridge the rural-urban divide, thereby it can reduce migration from rural to urban areas.

1.3. Aim of the Scheme

To achieve “all-inclusive and quicker development of compact areas around a potential growth Centre in a Panchayat (or group of Panchayats) through PPP by providing livelihood opportunities and urban amenities to improve the quality of life in rural areas.” The PURA Scheme (provision of Urban Amenities in Rural Areas) envisages rapid growth of rural India -- given enhanced connectivity and infrastructure, the rural population would be empowered and enabled to create opportunities and livelihoods for themselves on a sustainable and growing basis.

2. Salient features of the scheme

The key characteristics of the scheme are:

1. Simultaneous delivery of key infrastructure in villages leading to optimal use of resources
2. Provision of funds for O&M of assets for 10 years post-construction, along with capital investment for creation of assets
3. Transformation of several schemes into a single project, to be implemented as per set standards in a defined timeframe, with the requirements of each scheme being kept intact
4. Combining livelihoods creation with infrastructure development
5. Enforcement of standards of service delivery in rural areas almost at par with those obtaining in urban areas
6. Enforcement of service standards through a legally binding arrangement

3. Pilot phase of PURA

The pilot phase of PURA was implemented from the year 2004-05 to 2006-07, with the consent of the Planning Commission and a total budget of Rs.30 crores. Seven clusters were selected in seven states, with a budget of Rs. 4-5 crores per cluster. The identified agencies for the implementation of PURA projects were responsible for providing village-level connectivity relating to basic services, transport, power, electronic knowledge and market and providing drinking water and healthcare facilities.

The implementation of the pilot phase did not yield the desired results as it faced the following issues:

1. The pilot projects lacked a detailed business plan, which would have identified the potential of each project. In addition, the delivery of the projects was patterned on the conventional mode of scheme delivery. These two factors ensured limited participation by private sector entities.
2. The pilot projects were predominantly infrastructure-oriented, with limited attention being given to the implementation of economic activities, which would have improved the standard of living of the local populace.
3. The criteria for the selection of the clusters did not factor the growth potential of that area.
4. In addition, there was no ownership at the State Government level and the entire implementation lacked an appropriate institutional structure with dedicated professional support.
5. Finally, there was no convergence with other schemes of rural development or other departments.
6. Given the experience of the pilot projects, the Planning Commission undertook an appraisal of the projects in 2007. After appraising in 2007, the Planning Commission advised redesigning PURA as a demand-driven PPP scheme with the following key features:

7. Selection of lead agency/anchor partner with a clear articulation of the roles, rights and responsibilities of the lead agency;
8. Selection of clusters on the basis of economic growth potential;
9. Commitment of the State Government for facilitation support;
10. Financial outlay for a PURA cluster to the tune of Rs. 70-80 crores, with the Central Government participation being limited to Rs. 20-25 crores;
11. Focus on livelihood opportunities; and
12. Creation of a sustainable revenue model to encourage commercial banks and the private sector to participate.

3.2. PURA Project Transaction Structure

There exist two main relationships in the project, viz.,

(1) Relationship between the Gram Panchayat, the District Rural Development Authority (DRDA), and Project Special Purpose Vehicle (SPV) for the development of the PURA Project; and

(2) Relationship between the Ministry of Rural Development (MoRD), the State Government and the Project SPV. These relationships are governed by the Concession Agreement and the State Support Agreement respectively and shall be operational for a concession period of 13 years. Out of the total concession period, three years are allocated for the development of the project facilities and 10 years for operating and maintaining the same. The following transaction structure was conceived to implement the project.

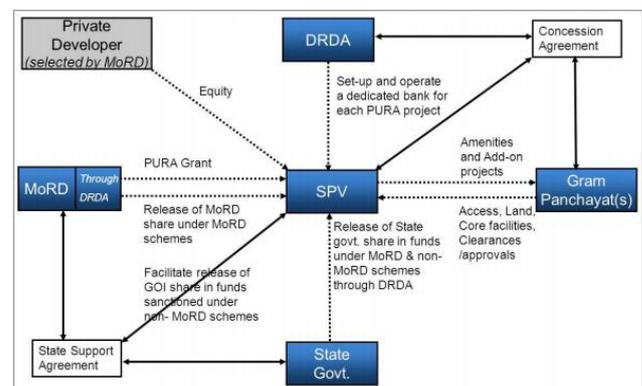
The Ministry of Rural Development (MoRD) adopted a two-stage process to select bidders for awarding the project. The first stage (the "Qualification Stage") of the process involved qualification of interested parties in accordance with the provisions of the Expression of Interest (EOI) issued by MoRD. MoRD issued the EOI on

15th April 2010 and received 93 responses. Based on the evaluation of the EOIs, it short-listed 45 bidders (short-listed bidders) for the Request of Proposal (RFP) stage

In the RFP stage of the bidding process, the short-listed bidders were evaluated on the basis of their technical capability in terms of infrastructure experience and community-oriented project experience, and assigned scores as per the evaluation methodology followed for the RFP. The short-listed bidders were required to submit a concept plan, detailing the components envisaged under the PURA Scheme and in line with the philosophy of the PURA scheme. The concept plans received from various short-listed bidders were evaluated by a Project Screening and Monitoring Committee established by MoRD; the plans were scored and ranked as per the criteria set out in the RFP. The bidders would then be ranked on the basis of their total scores, i.e., their experience score and their concept plan score. The highest-rank bidders would be issued the Letters of Intent. The following figure depicts the scoring methodology adopted by MoRD.

In response to the final RFP documents, nine short-listed bidders responded by submitting 14 bids. Upon the evaluation of the bids, MoRD qualified 11 bids which met the eligibility requirements of the RFP document. MoRD issued the Letters of Intent to the qualified bidders and asked them to prepare the detailed project reports for their respective PURA projects.

Fig. 1. Selection Process for Private developers



Source: MoRD (Final Report On working)

4. Current status of the project

The Detailed Project Reports (DPRs) have been submitted by the qualified bidders to the MoRD. MoRD has undertaken the evaluation of the DPRs and has recommended certain revisions in the DPRs. The qualified bidders have submitted their revised DPRs, which are currently under evaluation by MoRD. Post the evaluation of the DPRs, the results will be presented to the Inter-Ministerial Empowered Committee (EC) constituted for the project. Once the DPRs are approved by the competent authority, MoRD shall issue a Letter of Award to only those projects, whose DPRs have been approved by the EC. Post the issue of the letters of Award, the concession and state support agreements shall be executed.

5. Challenges faced during the Pilot Phase

The issues with the current design of PURA have been classified into five categories, the details of which are presented herewith.

5.1. Issues relating to the convergence of various schemes

a. There is a lack of funding for various capital-intensive mandatory activities under the MoRD schemes. For instance, there is no provision under the TSC Scheme for the development of a sewage treatment plant. In addition, there are no schemes pertaining to the development and maintenance of village streets and storm water drainage. The lack of funds for these activities limits the coverage of facilities in the PURA cluster.

b. There are differences between the specifications given out in the scheme guidelines vis-à-vis the specifications for the PURA projects, highlighted in the bid documents. An assessment of the specifications may be undertaken to formalize the same for future PURA projects. c. The current approval process for activities under non-MoRD schemes is twofold. The first step is the independent sanction of the project proposal by the concerned ministry and then its approval by the Empowered Committee for PURA projects. There needs to be a better co-ordination

procedure for granting approvals to projects under non-MoRD schemes, to ensure single-window clearance for the bidders.

d. A guideline can be given to future bidders regarding the potential non-MoRD schemes that could be integrated within the PURA projects. This guideline could be a useful databank for the bidders and reduce their efforts in searching for the relevant scheme for their cluster.

e. It will be necessary to arrive at an optimal size and number of the villages to be covered under a PURA project to ensure a holistic approach for all.

5.2. Implementation challenges associated with PURA projects

a. There is an imperative need for officials of the Gram Panchayat and the District Administration to undertake capacity-building activities. This capacity-building is aimed at providing the officials with the necessary skill-sets to meet their obligations under the Concession Agreement and State Support Agreement. A possibility of handholding by the MoRD in the pilot phase may be undertaken to achieve smooth implementation of the projects.

b. An accurate baseline survey is crucial to determine the PURA grant for the project. It may be explored to provide the broad contents of the baseline survey to the bidders as a standard document.

c. Given the diverse backgrounds of the bidders, it may be considered to provide standard technical solutions (like sample designs of various structures) as a manual to the bidders. Such a reference document would enable standardization of the DPRs and enable a smoother approval process for MoRD.

d. In addition to technical solutions, it may be considered to provide a manual of various innovative (but cost-effective) technologies. These could be adopted by the bidders in their projects.

5.3. Challenges to be addressed while up-scaling the PURA Scheme

These challenges are broadly summarized below:

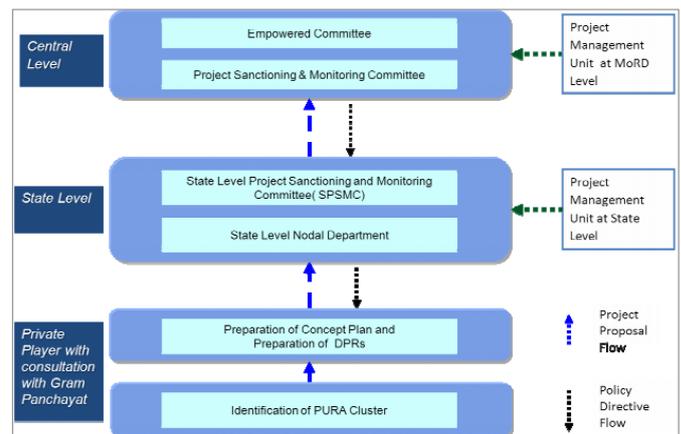
- a. Scheme Coverage
 - Linking of outputs under PURA to the overall development of the rural areas
 - Arriving at a size and number of the villages to be covered under PURA
 - Incorporation of the industry point of view on the up-scaling of the scheme
- b. Institutional Structure
 - Defining the outcome expected from the scheme
 - Upgrading the current skeletal machinery to cater to the requirements of implementation of the scheme; in addition, defining the process of scaling up the scheme
 - Developing an institutional assessment mechanism for the projects
 - Developing a mechanism for independent monitoring and evaluation of the projects
- c. Funding Requirements
 - Identification of the investment requirement for the XIIth Plan
 - Estimation of the amount of investment required, both from the private sector side and the government
 - Development of a mechanism that can be adopted by the government to leverage their funding to enhance value
 - Development of a mechanism to ensure security for the investment undertaken

6. Implementation structure for the PURA

Scheme In order to ensure upscaling of the PURA Scheme, it would be necessary for the State Governments to lead the entire process of managing PURA projects. The key activities would involve undertaking the procurement process for selection of the private developer, facilitating/interacting with the private players in due course of preparation of concept plans and DPRs, and undertaking its obligations under the Concession Agreement and State Support

Agreement. Further, the State Governments would need to identify their nodal departments and build capacities of these nodal departments to handle PURA projects. In addition, to ensure higher accountability from the State Governments, the Working Group recommends a funding pattern for PURA Grant in the ratio of 80:20, with 80% of the funding for PURA Grant coming from MoRD and 20% coming from the concerned State Government. The role of MoRD will be that of a facilitator and the final approving and monitoring authority of the PURA projects. The Working Group also recommends the adoption of an institutional structure on the lines of the Pradhan Matri Gramin Sadak Yojana (PMGSY), for the upscaling of the PURA Scheme. A possible structure that may be considered for the implementation of PURA is as follows:

Fig. 2. Structure for Implementation of PURA



Source: MoRD (Final Report On working)

7. Investment requirement

PURA has a great potential to be scaled up in the country. It can be scaled across to 3000 census towns or different non-municipal block headquarters to ensure the spatial distribution of urban amenities in rural areas. The central and state governments spend a huge sum on the development of infrastructure and related amenities in rural areas. Bulk of the capital expenditure under the PURA Scheme would come from the existing/new schemes related to rural development. With an additional investment of around Rs. 10,000/- per capita by the government, the PURA

model is expected to create new paradigms of service delivery in rural areas through the PPP mode and ensure long-term sustainability of assets and amenities.

The scaling up will also depend on the ability of MoRD to dovetail finances from various government ministries under different schemes. The sources of funding for the capital expenditure shall be from MoRD schemes, non-MoRD schemes, state governments, and the private sector. The source of funding for the operating expenditure shall be from the private sector and the capital grant under the PURA Scheme.

Assuming a total number of 3000 PURA projects and each project entailing an investment of Rs. 125 crores, the total investment requirement would be Rs. 3,75,000 crores. Of this, Rs. 1,25,000 crores would be the contribution of the private sector, a similar amount would come from different MoRD and non-MoRD schemes, and an equal amount from the PURA Grant. Keeping a resource sharing ratio of 80:20 would mean a requirement of Rs. 100,000 crores under the PURA Grant Scheme Fund from the Government of India.

It is proposed to undertake 500 PURA projects during XII Plan period which will entail Rs. 16,700 crores under PURA grant scheme fund for Central Government.

8. Composition of a PURA project

The infrastructure and amenities to be provided, operated, and maintained under the PURA Scheme by the private developer shall comprise the following:

Fig. 3. Amenities Provided Under PURA

Mandatory - under MoRD schemes	Under non MoRD schemes as local conditions permit (Illustrative list)	Add-on projects to generate economic and livelihood opportunities* (Illustrative list)
<ul style="list-style-type: none"> ▪ Water and sewerage ▪ Village streets ▪ Drainage ▪ Solid waste management ▪ Skill development ▪ Development of economic activities 	<ul style="list-style-type: none"> ▪ Village street lighting ▪ Telecom ▪ Electricity generation, etc. 	<ul style="list-style-type: none"> ▪ Village linked tourism ▪ Integrated Rural Hub, Rural Market ▪ Agri – common service centre and warehousing ▪ Any other rural economy based project

Source: MoRD (Final Report On working)

Currently, the choice of selection of the non-MoRD schemes is left to the private player. This has resulted in co-ordination issues, as highlighted in section 3.1 above. Based on the experience in the pilot phase, the Working Group has suggested the creation of a basket of non-MoRD schemes covering several line ministries. The private player will have the freedom to choose any number of schemes from this basket and integrate in the proposal.

This would facilitate MoRD to have a dialogue with these line ministries to have necessary provisions in the relevant scheme guidelines and to ensure a single-window clearance of PURA projects and availability of scheme funds to the private player. With this initiative, convergence of non-MoRD schemes would become easier, thereby reducing the overall time frame of project preparation.

9. Sources of Financing

The financing structure for PURA Scheme is expected to be a combination of the following:

- Existing schemes under the purview of MoRD would be channelized to PURA project;
- Scheme funds from the Non MoRD Schemes, which are available on-tap; and
- A viability gap support limited to 35% of project cost of a PURA project

It is proposed that the PURA grant quoted by the private developer would be disbursed in four installments over the construction period of three years. The payment mechanism of PURA Grant is as follows:

- 1 st installment- 25% - On signing of the concession Agreement;
- 2 nd installment- 25% - On having utilized and spent at least 50% (fifty percent) of the Capital Component of the Project Cost on the Project as certified by the statutory auditor of the Concessionaire and agreed to by the Independent Engineer;

- 3rd installment- 25% - On having utilized and spent at least 75% (seventy five percent) of the Capital Component of the Project Cost on the Project as certified by the statutory auditor of the Concessionaire and agreed to by the Independent Engineer; and

- Final installment- 25% - On the issuance of the Project Completion Certificate by the Independent Engineer.

10. PURA has some distinct features

- It aims at a comprehensive development of rural areas to generate urban- level incomes, and not mere "Poverty alleviation".
- It plans for an investment at urban levels and not the much lower amounts that prevails at present.
- It aims to generate employment for the educated, thereby, halt and even reverse rural-urban migration.
- It treats quality infrastructure as the prerequisite and not the consequence of development.
- It seeks modern industry, investment in social and commercial service instead of rural handicrafts and agri-based small industry.
- It relies on private initiative. It is a for-profit enterprise not dependent on subsidy from the government.

9.1 Here some operational PURAs have been discussed

In the first phase, the Ministry of Rural Development implemented seven pilot projects from 2004-05 to 2006-07, with a total outlay of Rs 3 billion in the states of Assam (Gohpur), Andhra Pradesh (Rayadurg), Bihar (Motipur), Maharashtra (Basmath), Rajasthan (ShahPURA), Orissa (Kujanga) and Uttar Pradesh (Bharthana). It is possible to get an insight of PURA by studying few of the operational PURAs which are functioning in different parts of the country.

9.1.1. Loni Model (Maharashtra)

Loni PURA is situated in Maharashtra where a participative model of integrated rural development

has come up among 44 villages with the population of 80,000. The Loni PURA model has been pioneered by Pravara Medical trust. The concept is people centric development for social transformation. The thrust area of development has been on comprehensive Medicare particularly for women and children, need based health education and econnectivity to the farmers. The complex has created 27 educational and vocational institutions consisting of schools, colleges, and polytechnic and ITI including medical and engineering colleges. They have created sugar factory, biogas plants, chemical plants and power projects. They have large number of self-help groups for providing low interest loan for the weaker sections in the society.

9.1.2. Outcome of Loni PURA

- Road connectivity's to 44 villages (12000 sq.km)
- 80,000 people benefitted.
- Increase in literacy rate from 63% to 83%.
- Reduction in crude birth rate from 2.3% to 2%.
- Reduction in mortality rate and medical complex.
- 15-20 % better standard of living than overall Ahmednagar district.

10. CONCLUSION

PURA is a scheme for the wealth creation. It was envisaged by former President Dr. A.P.J. Kalam as a self-sustainable and viable model of service delivery in rural areas to be managed through an implementation framework between local people, public authorities and the private sector. This scheme envisages twinning of rural infrastructure development and management with economic re-generation activities and is the first attempt at delivering a basket of infrastructure and amenities through PPP in the rural areas. It is an effort to provide a different framework for the implementation of rural infrastructure development schemes and harness private sector efficiencies in the management of assets and delivery of services. This would perhaps be the first such attempt at PPP in integrated rural infrastructure development and

management in the world. The rural to urban migration is a constant cause of worry and rural people have been living without proper amenities (slums) and facing a lot of problems.

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