

ASIAN DEVELOPMENT BANK

TA NO. 7055-IND: Capacity Development of National Capital Region Planning Board
(NCRPB) – Package 1 (Components A and C)

DRAFT FINAL REPORT

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Submitted By:

Infrastructure Professionals Enterprise (P) Limited, India

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Tamil Nadu Urban Infrastructure Financial Services Limited, India

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1 PROJECT BACKGROUND

1.1 Rationale for the current TA

1. The current ADB Technical Assistance (TA) to National Capital Region Planning Board (NCRPB) aims to strengthen the capacity of the Board in the areas of planning for urban infrastructure and imparting necessary skills to conceive, design, develop, appraise, finance and implement bankable infrastructure projects. This TA further aims to strengthen the capacity of state level NCR Planning and Monitoring Cells, and other implementing agencies involved in implementing the NCR Regional Plan 2021. Therefore, this TA is expected to assist NCRPB in preparing a future road map and maximizing its potential in regional planning and infrastructure financing including possible loan assistance from ADB.
2. Broadly, areas of intervention under Package-1 (Component A & C) of this TA has been classified into (i) improvements in financial management (ii) leveraging resources and improvements in treasury operations; (iii) Business Process Reengineering (BPR) and developing the road map to acquire an Enterprise Resource Planning Facility (ERP); (iv) strengthening credit processes through superior project risk appraisal and risk management; (v) mainstreaming Public Private Partnerships (PPPs) into NCRPB operations; (vi) capacity building for translating the vision of regional planning-2021 into reality; and (viii) development of Human Resource (HR) plan.
3. Infrastructure Professionals Enterprise Pvt. Ltd. (IPE) in partnership with the Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) commenced the Package-1 (Components A & C) of the TA activities on 13 October 2008. Inception and interim reports outlining the deliverables and road maps were submitted on December 12, 2008 and May 15, 2009 respectively. Whereas, the inception report diagnosed areas for further intervention during the course of this TA¹, the interim report provided snapshot of all manuals, toolkits and HR Plans prepared for strengthening the capacity of NCRPB and enhancing its operational effectiveness.

1.2 NCRPB's perspective as captured during the consultative process

4. The TA consultants have had several rounds of discussions and interactions with key officials of NCRPB and NCR cells to understand their perspective and vision for such a strategic organisation. A detailed assessment was also carried out of NCRPB's operations and business positioning to identify their strengths and weaknesses, if any, through process of constructive brainstorming and conscientious capacity building. Based on these consultations and assessment, a SWOT analysis was presented to NCRPB during the inception phase.
5. Briefly stated, NCRPB has strong and committed management backed by the Government of India. However, SWOT indicates that the full potential of NCRPB has not been realized. Converting a hierarchy of plans into programmes, activities and into bankable projects constitutes an extremely complex task. There is limited implementation of planning hierarchy, leading to development that is not aligned to the regional plan. On the financing side, there is limited project origination activity and little leveraging of NCRPBs financial and good will resources. Enhancing the scope and mandate of the revolving fund represents an ongoing challenge.
6. Notwithstanding the current limitations, NCRPBs presence as a National Capital Region planning and financing body presents many opportunities. With Technical Assistance, NCRPB should be able to delineate a more robust business model. The team asserts that the NCRPB business model presented in the final business plan will entail increasing project origination skills and encouraging innovative financing structures. Furthermore, NCRPB should build on its well-established planning

¹ Captured and presented in a separate volume titled “**diagnostic report**”

skills to ensure that National Capital Region development smoothly dovetails into the overarching regional plan.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • High Powered Board and Committed Leadership; • Competent and Professional Staff; • Strong Government Support; • Reasonably Strong Act and Legal basis; • Comprehensive Regional Plan with growth and thrust areas identified; • AAA Rating from Credit Rating Agencies; • Loan Portfolio with No Delinquency; • Strong knowledge base about NCR - Cumulative lessons from experience that are very valuable; • Established track record of 23 years in enabling projects to be developed and financed in NCR; • Well-managed and large NCRPB Fund (Corpus) for promoting infrastructure development. 	<ul style="list-style-type: none"> • No hierarchy of plans; • Limited proactive development of projects; • Lack of diversified funding sources; • Huge workload on existing staff; • Rudimentary MIS; and, • Low level of support from NCR cells;
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Huge Market for Infrastructure Development; • Government mandate for reducing pressure on urban settlements; • Strong Multi-Lateral and bi-lateral interest in NCRPB; • Expanding cities and towns and the inevitable urbanization; • Technological advances and newer tools available for regional planning and financing of urban infrastructure projects; • Important role for NCRPB is fostering balanced development in NCR; and • Huge opportunity for infrastructure development in rural areas of the NCR. 	<ul style="list-style-type: none"> • Current pressure in macro-economic environment; • Competition from other financiers in infrastructure; and, • Possible Political interference.

7. Our approach to this capacity building assignment evolved over the duration of the project, though it is largely based on the issues identified during the inception phase. All the outputs delivered as part of the capacity building exercise are the detailed outcomes of business process re-engineering carried out by our team members, which are presented in the following section.

1.3 Evolution of Approach to Capacity Building

Issues identified during Inception	Recommended solutions	TA Outputs
<p>Clearer vision and strategic direction: NCRPB is performing two primary operations: 1) planning; and, 2) lending. While modestly successful in its two pronged approach, there appears to be a lack of strategic multi-year direction. .</p>	<p>NCRPB should develop a detailed business plan with both short-term and long-term goals with alternative approaches for achieving the stated goals.</p>	<ul style="list-style-type: none"> • Strategic Business Plan
<p>Financial Management and Treasury Operations needs to be aligned to best practices: NCRPB financial management and treasury operations serve the basic requirements of a compact revolving financial fund. While NCRPB treasury operational practices are consistent with government guidelines there is substantial scope for realigning the treasury operations with best practices in the market and RBI recommended operations. Briefly stated, the treasury lacks a well conceived financial plan – as such the budget is not realistic (i.e. the budget is not geared for achieving realistic outcomes).</p>	<p>Financing Plan and related systems for treasury and financial management need to be put in place.</p>	<ul style="list-style-type: none"> • Financing Plan • Financial management Manual • Development of TOR for procurement of Actuary; • Aligning accounting systems with best practices- Preparation of modern Chart of Accounts • Treasury Operations Manual
<p>Modest Project Development and Appraisal Capacities: Though NCRPB prepares the regional plan and finances projects for its implementation, it suffers from lack of in-house capacity for project appraisal, monitoring and evaluation. The existing one-man window for promoting project formulation and development, project evaluation, monitoring of project implementation and feedback is insufficient. This has led the Board to outsource some of the project appraisal functions to the national level institutions. The process of project appraisal by these institutions is time-consuming. Perusal of a few reports has revealed gaps in project appraisal. Further, the Board does not have an effective computer based system for monitoring of projects.</p>	<p>Strengthening appraisal procedures and setting up a project development facility to assist states and implementing agencies in project preparation.</p>	<ul style="list-style-type: none"> • Project Appraisal Manual • Detailed note on Project Development Facility • Project Management and Information Systems
<p>Need for effective implementation of Regional Plan: The Regional Plan needs to be disaggregated into Sub-Regional Plans, Master Plans and projects by the implementing agencies in the constituent states. Preparation of hierarchy of plans by constituent states is presently constrained by the inter-state nature of the NCR, wherein effective coordination and compliance to the requirement of disaggregating the Regional Plan is difficult. Even after 3 years, after approval of the Regional Plan 2021, constituent states have not commenced preparation of sub-regional plans</p>	<p>Reviewing international best practices on this issue may serve as starting point for facilitating better regional planning efforts. Use of remote sensing MIS tools like GIS may also facilitate better monitoring and enforcement.</p>	<ul style="list-style-type: none"> • International Study tours to similar capital regions in Asia (Seoul, Kuala Lumpur and Singapore) and Europe (London and Madrid) • Note on GIS technology

Issues identified during Inception	Recommended solutions	TA Outputs
despite offer for financial assistance for procurement of consultants by the Board.		
<p>Limited Loan Products: NCRPB currently has a single product offering on the financial assistance side – concessionary loans with tenure of ten years and a moratorium period of two years. Further, interest payments and principal repayments are on an annual basis. There is definitely a need to look at using the revolving fund corpus available with NCRPB more effectively in achieving organisational goals by designing financial products ranging from project development grants, annuity support for PPP projects, concessionary loans with different maturities, quasi equity products to facilitate state government participation in PPP projects, and some loans at market rates.</p>	<p>Preparation of detailed financing plan along with a product strategy recommended.</p>	<ul style="list-style-type: none"> • Financing Plan • Identification of alternative funding sources in order to widen product portfolio;
<p>Limited Risk Management Capacity: As a government controlled revolving fund, NCRPB does not have a well-documented risk management framework. If it intends to expand its lending portfolio and offer additional products, it needs to install a pre-emptive (and well documented) risk management policy.</p>	<p>Development of a customised risk management framework.</p>	<ul style="list-style-type: none"> • Risk Management Manual
<p>Under-leveraged NCRPB Fund: The NCRPB Fund has largely been built up from grants from the Government of India and the Government of Delhi. Borrowing has also been in the form of bonds, which require government permission. Even the proposed borrowings from ADB and other multilateral agencies would require government support. Given competing demands from other stakeholders, the Government of India may not be in a position to increase grant allocations or provide guarantees for a large amount of multilateral borrowings to NCRPB significantly. Therefore, NCRPB needs to leverage its AAA credit rating and explore other sources of financing from the domestic market in order to meet its stated objective of supporting Rs.15000 crore of projects as proposed for the 11th Five-year plan ending in 2012.</p>	<p>Determine the extent of leveraging that can be supported under the current business model and explore alternative business models to sustain enhanced leveraging.</p>	<ul style="list-style-type: none"> • Financing Plan and model
<p>Little Flexibility in Deployment of Funds. Surplus funds have to be deployed in accordance with the Ministry of Finance guidelines. Therefore, it may be sufficient to look at improving existing processes in the treasury function rather than suggest sophisticated treasury management systems and use of derivatives etc. NCRPB clearly would not get the government support to deviate from the guidelines given by the Ministry of</p>	<p>There is a need to align even the concessionary lending rates with movement in market rates.</p>	<ul style="list-style-type: none"> • Floating rate loans have also been recommended as part of the product strategy in the Financing Plan.

Issues identified during Inception	Recommended solutions	TA Outputs
<p>Finance to all entities owned/controlled by the government. NCRPB currently lends to states and state agencies at concessionary rates decided by the Board with Government approval and rate revisions are not linked to movement in interest rates in the financial markets. This leads to a situation where demand for NCRPB funds shoots up significantly when there is a huge differential between NCRPB's own rates and market rates and vice-versa.</p>		
<p>Proactive development in Public Private Partnership (PPP) capacity: The demand for resources – both human and financial – being very large, the Board needs to adopt public-private partnership (PPP) as a tool for leveraging its resources and enhancing service delivery. This again requires skills for procurement and management of PPP. The Board needs to develop these skills. While NCRPB is constrained to fund private operators, they could still act as facilitators of developing PPP projects in the NCR and could fund states in their share of contribution to the PPP projects. Public private partnerships should also be explored by the NCRBP for strengthening its own operations (e.g. outsourcing asset management to public private entity).</p>	<p>Mainstreaming PPP initiatives into NCRPB operations is essential for NCRPB to meet its objectives of supporting large number of projects in the NCR. In order to meet this objective, it is recommended that NCRPB should set-up a PPP cell within its proposed project development facility.</p>	<ul style="list-style-type: none"> • Strategies for mainstreaming PPP at NCRPB; • PPP Toolkit; • Model PPP Contracts; • Criteria for screening PPP projects;
<p>Skill Constraints at NCRPB and Action Agencies: Lack of capacity of NCRPB and their action agencies for preparation of Sub-Regional Plans, Master Plans, and Project Plans constitutes another factor that adversely affects an effective implementation of the Regional Plan. The skills required to conceive, design and develop the hierarchy of plans and convert them into programmes, activities and projects is inadequate amongst the action agencies. They also lack capacity in project management and the processes involved in project planning and management. This results in lack of well structured bankable projects. The number of well-structured and bankable projects is limited in relation to the Board's ability to provide finance for implementation of projects.</p>	<p>Set-up a project development facility manned by specialists. Developing sustainable capacity building plan and identifying partner institutions for training; Provisions for engaging sector experts through short-term consultancies;</p>	<ul style="list-style-type: none"> • Detailed note on Project Development Facility • Draft MOU for appointing partner institution for training; • Training Calender; • HR Management Plan
<p>Rudimentary Management Information Systems (MIS): At the outset, it must be mentioned that NCRPB has managed quite effectively despite its basic MIS. However, a lot of time is spent on data collection, reconciliation, updating and analysis.</p>	<p>Using IT processes such as BPR to come-up with intermediate and long-term solutions to meet the need of growing organisation.</p>	<ul style="list-style-type: none"> • Loan Tracking Software; • Web enabled PMIS; • Road map for ERP • ERP based Tally for improving financial management and accounting systems

8. The following chapter presents a detailed analysis of the outputs developed as part of this capacity building TA as well as the outcomes achieved by the TA so far. The concluding chapter "Road Map for NCRPB" recommends a future strategy for NCRPB to achieve its potential while also pointing out challenges that NCRPB may face while implementing this road map.

2 CAPACITY BUILDING OF NCRPB THROUGH TA SUPPORT AND OUTCOMES

9. The organisation is in the process of a total revamp wherein there is a paradigm shift from the traditional practices towards adopting more modernized tools and mechanisms to increase efficiency and effectiveness in its operations. To facilitate its ability to 'think-and-act' on a fast-tracked basis, support has been provided through the current ADB TA in the following areas to NCRPB.

2.1 NCRPB Vision and Business Strategy

10. In line with the changing macro economic situations and present business opportunities, NCRPB is now looking at further strengthening its role in driving economic growth in the region. Given the strong government support and legal statutes enshrined in the NCRPB Act; committed leadership and a highly competent and professional staff with a strong knowledge base about the NCR, NCRPB is in a position to effectively foster balanced development. Furthermore, with a well-managed and large fund for supporting infrastructure investments, NCRPB has a track record of 23 years in enabling projects to be financed in NCR it is commendable that NCRPB has built such a huge loan portfolio with no delinquency.

11. In addition to this, the NCRPB Act enacted by Parliament also provides for immense powers to NCRPB putting it at an extremely strong position not only to undertake the traditional role of planning and financing, but also to leverage its position to make the most of the changing landscapes and huge opportunities in the emerging infrastructure sectors. NCRPB should also explore alternate ways to attract borrowers and go beyond its traditional scope of work to build and strengthen its position in all emerging and upcoming areas in the developmental sphere.

2.1.1 NCRPB Strategic Business Plan

12. The business plan prepared under this TA delineates the transformation of NCRPB from a planning and advisory body to an entity which plays a key role in driving economic growth in the region through promoting investments in iconic projects.

13. This business plan not only identifies potential business opportunities for infrastructure, but also suggests robust and innovative strategies to implement the road map for pioneering interventions. The plan emphasizes on a "thinking out of the box" approach wherein NCRPB would make an everlasting impact on the socio, economic and political canvass of the NCR. The plan not only details the current paradigm of NCRPB, but also provides a reasonably clear understanding of where NCRPB is headed in the future and outlines systems that would be required for operating effectively and efficiently – especially, at the scale proposed and also for the kind of financial products and processes envisaged. The plan evaluates the existing business opportunities and suggests corresponding strategies such as diversifying the resource base by borrowing from multilateral and bilateral agencies, and better liquidity management through short-term credit from commercial banks.

2.2 Financing Strategy and Credit Assessment of Borrowers

14. The NCRPB Fund has been built up over the years with non-lapsable grants from the Government of India (GOI) and Government of Delhi (GOD) as well as internal accruals from interest income earned on concessionary loans. In addition, the Board has resorted to market borrowings

NCRPB Vision

Develop the National Capital and its surrounding areas as a region of global excellence with Delhi-centric emphasis to disperse/reduce pressure on the Capital's infrastructure

NCRPB Mission

To contribute to improvement in urban quality of life in the National Capital Region by facilitating efficient urban infrastructure asset creation and provision of urban services through innovative project development, independent appraisal & sustainable financing.

through private placement of bonds. These bonds have been rated AAA by CRISIL (subsidiary of Standard & Poor's) and AAA (SO) by FITCH Ratings. Subsequently, NCRPB has also received LAAA rating from ICRA for its proposed bond issue.

15. NCRPB Fund has cumulative funds of around Rs 1800 crore as of March 2008, of which yearly internal accruals are Rs 100 crore approximately. However, in order to support projects aggregating to Rs 15,000 crore for the 11th Five-year Plan (2007-2012) NCRPB needs to leverage its existing credit position and explore other sources of financing.

2.2.1 Financing Plan

16. This report on 'Financing Plan for NCRPB' has been prepared in the context of changing landscape for infrastructure planning, development and financing in the NCR region. This report draws from the Diagnostic Study submitted as part of the Inception Report to Asian Development Bank under this TA. This Financing Plan is part of the overall Business Plan under preparation for NCRPB and addresses issues related to resource raising. It does not address implementation issues particularly those relating to organizational structure and human resources. All aspects are covered in detail in the Strategic Business Plan.

NCRPB Product Portfolio

It is recommended that NCRPB should expand the product portfolio to include innovative fund and non fund based products, in addition to the existing fund based products. Other recommendations include undertaking project development activities and appraising projects rigorously from the perspective of economic sustainability and financial viability. The financing plan also recommends the use of PPP frameworks wherever feasible and could also provide the initial seed capital for project development/ preparation.

2.2.2 Criteria for Financial Assessment of Borrowers

17. NCRPB rules empower the Board to sanction assistance to participating state governments, urban development authorities, housing boards and such other authorities of the state government for implementing the sub-regional plans and project plans or for developing the counter-magnet areas. The borrowing entities therefore are the local (sub-national) authorities/governments, urban development authorities, statutory bodies set up by the state governments, the utility boards or corporations and special purpose vehicles sponsored by the above.

18. It is therefore essential to identify the broad parameters to assess creditworthiness of the borrowers over and above the detailed project evaluation for the projects sponsored by them. This document provides a three tier credit appraisal process which looks at the project risks, borrower creditworthiness and finally credit enhancements and security mechanisms structured for the specific borrowing program from NCRPB.

2.2.3 Credit Enhancements

19. Most of the NCR borrowers are either state government entities or departments of state governments. Typically, most of these borrowers are backed by a letter of comfort or guarantee from state governments. In this context, we have developed a framework for evaluation of finances of state governments which may be periodically updated by NCRPB. Therefore, financial appraisal of NCRPB projects involves a two-level approach where the project is first examined for financial viability and then the credit quality of the enhancement provided by the state government is assessed separately. This methodology has been adopted in all the sample appraisals.

2.3 Improving Financial Management Process

20. Based on the diagnostic study of existing financial policies and systems being practiced in NCRPB, the following recommendations were made:

- a. Use of ERP based Tally 9. NCRPB should completely migrate to computerised accounting system using latest version of available standard accounting softwares. It is recommended that the latest "Tally 9 Release 2.14" be used. Tally 9 (Release 2.14) has budget features. NCRPB could prepare its annual budgets into Tally 9 and undertake budget variance analysis on a routine basis. Furthermore, NCRPB can undertake more detailed financial (budget) analysis by using Excel's analytical features.
- b. Procurement of Actuary. In the absence of actuarial valuation, the liability on (i) provisions for General Provident Fund, Gratuity, Pension; (ii) liability towards gratuity payable on death/retirement of employees; and (iii) provision for accumulated leave encashment are accounted for in books of the Board on cash basis. It is always prudent to provide for pension and other employee related non-salary liabilities on a scientific basis.
- c. Strengthening Internal Control through (i) Control Environment (ii) Risk Assessment by setting its mandated objectives, integrated with revenue and cost containment goals and other activities, including establishment of mechanisms to identify, analyse, and manage related business and operating risks, (iii) Control policies and procedures to help ensure that the actions identified by management as necessary to address risks and obtain the specified goals effectively; (iv) Information and Communication systems to capture and exchange the information needed to conduct, manage and control the NCRPB's operations; (v) Monitoring, for the system to react dynamically, changing as conditions warrant.
- d. Preparation of regular periodic accounts and necessary ratio analysis for monitoring financial health of NCRPB is essential for NCRPB. As such, an effective financial reporting system needs to be designed for meeting the needs of all stakeholders of the Board including rating agencies. Such reporting systems shall become an integral part of MIS being designed under the on-going ADB project.

2.3.1 NCRPB Financial Management Manual (FMM) (Volume I and II)

21. The manual assembles existing as well as recommended policies and guidelines in respect of financial management of National Capital Region Planning Board (NCRPB). The financial policies contained therein serve as guidelines for both the financial planning and internal financial management of the NCRPB.

22. The financial management policies and guidelines in this manual are informed by the best practices in financial management and are in compliance with guidelines of Asian Development Bank (ADB), Comptroller and Auditor General of India (C&AG), Public Expenditure Financial Accountability Program (PEFA), Reserve Bank of India (RBI) and General Financial Rules. These guidelines also meet the specific benchmarks of credit rating agencies like ICRA and CRISIL.

2.3.2 Preparation of TOR for Procurement of Actuary

23. As part of the FMM recommendations, IPE assisted NCRPB in identifying and procuring consultant for actuarial valuation.

24. The TOR was prepared with the objective to conduct an actuarial assessment of Retirement Benefits (consisting of Gratuity, Pension Funds) for provisioning in the accounts for the year ending March 31st, 2009 for all eligible employees in conformity with the following:-

- a. Accounting Standard No. 15 and
- b. Guidance Note 26 (GN 26) issued by Institute of Actuaries in India.

25. Since the provisioning is intended to be applied consistently in future years as well, though on updated basis, NCRPB has requested estimate for the actuarial services for the FY 2008-09 and also for each of subsequent four financial years.

26. This exercise is now complete and NCRPB has made the necessary provisions towards pension, provident fund and gratuity.

2.3.3 Preparation of Chart of Accounts

27. A detailed Chart of Account (CoA) is being prepared based on the recommendations and codification structure provided in the FMM. The proposed Chart of Account captures the 'Revenue Income', 'Revenue Expenditure', 'Capital Fund and Liabilities' 'Capital Expenditure and Assets'. It also provides sub-codes for 'Major and Minor Heads' and 'Detailed Heads'. Expansion of Chart of Accounts will be designed for 'Fund', 'Type of Income and Expenditure (Plan-Non Plan)' and 'Functions' while implementing the 'Tally' Software.

2.3.4 Implementation of ERP based Tally 9

28. Some of the benefits to NCRPB due to the ERP based Tally 9 system include: (i) unlimited Cost/Profit Centres with power project oriented reporting – enabling multi-dimensional analysis and comparatives, with an unlimited classification of analysis criteria; (ii) timely calculation of interest on loans, based upon certain set criteria or specified dates and time periods, payments as per given parameters and generation of reminder letters; (iii) ready availability of ratio analysis; (iv) ready availability of completed financial statements during the year and preparation of financial statements by 15th of April to meet deadline of annual financial statements to government by May 31st; (v) faster processing of payroll with computerized pay-slips; and, (vi) meeting statutory requirements regarding TDS and service tax. Tally 9 will also facilitate in customising various financial reports in defined formats by CA&G.

2.4 Aligning Treasury Operations to best practices

29. The NCRPB defines its treasury management activities as the management of its cash flows, its banking, money market (where applicable) and capital market transactions (bonds, loans); the effective management and control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

30. The credit quality of NCRPB's asset portfolio is quite weak despite a history of no delinquency. The analysis made in the Financing Plan shows that once other factors are assumed, the quantum of borrowing that can be supported under the current NCRPB business model is much lower. NCRPB staff should use the financial model developed as an attachment to the Financing Plan to dynamically decide on funding sources and capital structure.

Need for Long-Tenor Funds

There is a need to provide long tenor funds to implement infrastructure projects since such projects are long gestation where stable cash flows are seen 5-7 years after the project award. The financing currently available in the market is often short-term and has frequent interest rate resets. This results in interest rate risk and liquidity risk in case the project promoters are not able to refinance the loans. The maximum tenor available in the Indian market is 15 years with 2-3 year resets.

Adopting a market responsive on-lending regime

There may be a situation where the absorption capacity of projects and borrowers for long tenor financing (linked to multilateral sources of finance) may not be high due to competition from such intermediaries. NCRPB should attempt to have a diversified resource base and a low blended cost of resources. This risk can be mitigated by diversifying NCRPBs product base and having the flexibility to alter on-lending rates across products in line with prevailing market rates. There is a need to move away from the present fixed interest rate regime to a more market-responsive on-lending regime. The strategies for the same have been discussed in the Financing Plan

2.4.1 Treasury Management Manual

31. The NCRPB Treasury Manual (TM) assembles existing as well as recommended policies and guidelines in respect of treasury management of NCRPB. The treasury policies contained therein serve as guidelines for NCRPB with respect to its borrowing, cash and risk management activity.

32. This manual contains four sections: (i) Introduction; (ii) Existing Financial Assistance & Fund Framework; (iii) Treasury Risk Management Practices; and, (iv) Schedules to the Statement on Treasury Management Practices.

33. In each section, the best practices are explained. Existing operating systems and practices (or lack of same) at NCRPB are also briefly described. Further, suggested plan of action or recommendations have been provided to upgrade the existing treasury system.

2.5 Improving BPR and development of an ERP facility

34. A lot of time of NCRPB staff is spent on data collection, reconciliation, updation and analysis. There are several issues with regard to the existing MIS, including, but not limited to:

- ✓ Multiple and diverse systems are used (packages, manual data and a combination of these) and a lot of time is spent on data entry, updation, reconciliation and verification;
- ✓ Packages are very basic and cannot easily handle complex and diverse data;
- ✓ Data retrieval and analysis are also quite laborious as they are not pre-programmed and the same or similar operations may have to be done each time (on excel) when the same/similar information is required. This makes the task of data manipulation and analysis quite tedious;
- ✓ Physical records are growing, space is becoming a constraint and data retrieval is a problem. There is no reliable and valid means to collect, store and transmit data from field, especially at the state level; and,
- ✓ Standard data back-up procedures are lacking.

35. An assessment of existing Management Information System (MIS) covering (a) Project Monitoring and Coordination (PMC) Wing; (b) Finance and Accounts Wing; (c) Planning Wing, and (d) Administration had been completed and presented in the diagnostic study. Based on the existing MIS framework, processes were mapped, following which, user requirements have been analysed and compiled as a User Requirement Document.

2.5.1 Process Document with Maps and BPR suggestions

36. This document captures the 'As Is' process being followed in NCRPB and user requirements to implement an ERP system to

- a. Understand how processes interact in NCRPB;
- b. Locate process flaws that are creating systemic problems;
- c. Evaluate which activities add value for the customer;
- d. Mobilize teams to streamline and improve processes; and
- e. Identify processes that need to be reengineered

2.5.2 MIS Good Practices Manual for ERP Developers

37. This manual provides guiding principles with alternative options for ERP system developers. Some of the generalized good practices are captured here and these could be flexibly accommodated in the system, permitting actual choice to the system administrator at NCRPB in defining parameters;

2.6 Enhancing Project Development and Appraisal capacities

38. Financial Intermediaries (FI) like NCRPB play an important role in building infrastructure and bridging financing gaps by driving reforms. In order to efficaciously mainstream the dual functions of

planning and financing and to maximize efficiency in outputs, this project appraisal manual is developed to assist NCRPB and its partners in developing effective and efficient projects which would optimize their operations. Based on diagnostic study, it is felt that while systems and processes are largely in place, certain improvements will facilitate NCRPB in matching international best practice standards.

2.6.1 Project Appraisal Manual (Volume I)

39. The objective of the NCRPB project appraisal manual is to offer guidance to NCRPB and its partner institutions with respect to project appraisals. In this regard, this manual has been written with a view to meet the needs of a wide range of users, including desk officers of the NCRPB, civil servants in the National Capital Region (NCR) and consultants engaged in the preparation or evaluation of investment projects. This manual also ensures a uniform conceptual framework, and presents appraisal templates to be followed among practitioners at NCRPB.

2.6.2 Supporting Volumes (II & III)

40. In addition to Volume I, a companion Volume II is prepared which provides additional details with respect to project documentation and case studies. For the practitioner who wishes to go into the subject matter more thoroughly "the Project Appraisal Practitioner's Guide" produced by Duke University and USAID's REFORM Project has been recommended and submitted as Volume III.

2.7 Mitigating Risks

41. There are many management approaches to fulfil the value-for-money objective, such as benchmarking with performance indicators, and best practice, etc. One of the major ways to achieve the value for money objective is to bring risk management into governmental business development. Without a good risk management process, NCRPB and local government authorities are unlikely to achieve competitive advantage and excellent performance. The objective of the NCRPB Risk Management manual reflects specific requirements of NCRPB to offer guidance on risk management.

2.7.1 Risk Management Framework and Risk Manual

42. This manual should be viewed primarily as a tool for addressing risk management and has been prepared with a view to meeting the needs of a wide range of users, including desk officers of the NCRPB, civil servants in the National Capital Region and consultants in the preparation or evaluation of projects.

43. This document is part of a suite of guidance material (i.e. Project Appraisal Manual, PPP Manual) issued by the NCRPB to provide guidance on key technical issues that arise from the development and implementation of public sector investment projects and public private partnerships in the National Capital Region. The document (i) introduces risk and risk management in a project development and public private partnership (PPP) context; (ii) identifies major risk relevant to PPP projects and outline the associated commercial issues; (iii) increases NCRPB's understanding of risk allocation and the likely objectives of public and private parties when negotiating risk allocation; and,

Project Development Fund

NCRPB has been so far depending on sub-projects posed to them for funding. A pro-active role on marketing or developing sub-projects has been lacking. To address this issue and enable NCRPB to generate projects finally resulting in continuous flow of projects for lending, it is suggested to have an in-house fund, viz., a 'Project Development Fund'.

This fund should be exclusively used for developing subprojects, and for providing technical assistance for various departments / local bodies for developing projects, which shall invariably be within the Regional Plan, 2021. The recommended PDF would have various sources of funds and a definite use.

(iv) indicates the government or NCRPB's preferred position on allocating major risks and offers guidance to practitioners on how these risks should be addressed in their particular project.

2.8 Mainstreaming Public Private Partnership in NCRPB operations

44. As NCRPB is playing a major role in planning and creation of infrastructure in NCR, it is proposed that NCRPB should take the lead in promoting investments through PPP frameworks by catalyzing private investments in the region. In addition to leveraging the available funds with NCRPB by facilitating private sector investment, implementing projects in PPP frameworks have the potential to access advanced technologies and improve efficiency in project operations. It is therefore important for NCRPB to adopt and implement best practices in project development, project structuring, managing the bidding process, contract negotiations and contract monitoring and evaluation, and post award of project accordingly.

2.8.1 PPP Toolkit

45. The objective of the PPP toolkit reflects specific requirements of NCRPB to offer guidance on public private partnerships. This toolkit should be seen primarily to facilitate public private partnerships. This toolkit has been written with a view to meeting the needs of a wide range of users, including desk officers of the NCRPB, civil servants in the National Capital Region and consultants in the preparation or evaluation of public private partnership (PPP) projects. Its primary objective is to ensure a broad PPP conceptual framework and a common language among PPP practitioners at NCRPB and the various government departments that comprise the National Capital Region (NCR).

PPP Project Development Cell

For the purpose of screening and reviewing potential PPP projects, NCRPB will require initiating a dedicated Project Development Cell which will assist in identifying and developing PPP projects in consultation with state entities. This cell will also assist NCRPB in structuring, appraising and approving projects. The Project Development PPP Cell may be constituted by members of the state government, NCRPB and experts from relevant sectors.

46. This manual was designed to assist the NCRPB and NCR government bodies in determining when public private partnerships should be considered in the delivery of services; provide guidelines on how NCRPB and NCR government bodies can prepare themselves for the delivery of services using public private partnerships; and, sets out recommended guidelines for each stage of the partnership building process.

2.8.2 Model Contracts

47. As part of PPP toolkit, model PPP contracts were developed for four infrastructure sectors namely water supply, sewerage, solid waste management and roads. These model contract agreements were developed based on the past experiences of various state and central PPP projects, including learning from TNUDF experience. The road sector agreements are the standard PPP agreements developed by NHAI. These agreements are more generic in nature and can be customised to PPP projects in the respective sub sectors.

2.9 Implementing GIS

48. At a meeting on 5th March 2009, NCRPB and Project staff discussed elements of the proposed Action Plan for GIS with a view to determine the overall use and operation of the proposed GIS system. It was agreed that the NCRPB would constitute a committee to discuss the means of procuring professional expertise in setting up the GIS system. The NCRPB would then be able to decide whether this assistance should come from an independent GIS expert, a local specialist GIS company; or a government agency with extensive GIS experience.

49. However, it was agreed that the GIS would not only be intended for use at regional plan level but would also be utilised for the collection and analysis of data for use by the States in the preparation of sub-regional and development plans. This has significant implications for the level of detail required and hence the high quality of the initial remote sensing to be acquired.

2.10 Managing Human Resource (HR)

50. The HR plan looked at existing staffing levels and suggested new recruitments based on proposed financing plan and business strategy which envisages significant growth in NCRPB funding in creation of a technical assistance/project development facility. NCRPB wanted a model based on enhanced outsourcing and scale down proportion of permanent recruits. Further, with the proposed ERP systems, it was felt that support staff would need to be re-trained and re-deployed.

2.10.1 HR Gap Analysis and Findings

51. This Report deals with human resources of the National Capital Region Planning Board (NCRPB) for (i) analysing the existing gaps in human resources and (ii) suggesting a strategy for its management so that planning for regional development and implementation of the Regional Plan are carried out smoothly and effectively.

2.10.2 HR Management Plan

52. This report deals with Human Resource Management and Development Plan for NCRPB. In brief, it discusses human resource management with respect to (i) human resource planning, (ii) recruitment, (iii) promotion, (iv) human resource development, (v) performance management, and (vi) institutional incentives

2.11 Improving Organisation Effectiveness through Capacity Building

2.11.1 Training workshop on Project Appraisal: Processes and Procedures (5 June 2009)

53. The objective of this learning event was to enhance knowledge and skills of participants so that they could be in a position to do financial appraisal of projects. At the end of this Training Course, the participants were expected to be able to:

- a. Learn concepts and tools for financial appraisal of projects;
- b. Apply these concepts and tools in financial appraisal of projects; and
- c. Acquire knowledge and skills for ensuring development of financially sound and bankable projects.

54. The discussions and case studies were followed by examples using Microsoft Excel wherein concepts like time value of money, internal rate of returns, and cost of capital including weighted average cost of capital were explained in the context of an assumed bus stand project. This session included a class room teaching method wherein the entire process of project development was explained thoroughly along with concepts such as gearing as well as foreign currency risks in loan exposure from donors.

55. However, presence of a mixed audience which included planners, there is a need for another possible statistical session wherein such financial concepts could be explained in greater detail with examples.

2.11.2 Training workshop on Business Process Reengineering (5 May 2009)

56. A training workshop was conducted at AMDA with the objective to build in-house capabilities of key NCRPB officials in Business Process Re-engineering (BPR), which will further help the organisation achieving continual process improvement. In order to remain competitive with the other financial intermediaries, NCRPB will need to continually improve and streamline processes.

57. Group exercises were conducted in order to improve the NCRPB project appraisal process and loan approval procedures by using the following steps: (i) eliminating or minimising non-value-added steps; (ii) Moving inspection points forward and/or eliminating the need for inspection points altogether; (iii) reducing handoffs; (iv) reducing controls; (v) eliminate unnecessary task specialisation; (vi) fixing all loopholes; (vii) conducting a cycle-time study and comparing with best practices and industry standards; (viii) designing a parallel process; and (ix) automate and mechanise steps in the process.

2.11.3 Training Workshop on Project Appraisal tools and Techniques (2-3 July 2009)

58. Equipping participants with knowledge and skills required for financial appraisal of projects constitutes the prime objective of the Workshop. The Workshop included three training Modules viz. (i) Concepts and Tools of Financial Appraisal of Projects, (ii) Use of Excel in Financial Appraisal of Projects, and (iii) Application of Concepts and Tools in project appraisal through simulated project cash flows. At the end of the Workshop, the participants were expected to learn:

- concepts and tools for financial appraisal of projects;
- Appraise the infrastructure projects by using Excel Spread Sheet;
- Apply the concepts and the tools of financial appraisal of projects;
- Acquire knowledge and skills for ensuring development of financially sound and bankable projects; and
- Financially appraise the infrastructure projects by using the Excel Spread Sheets.

2.11.4 Exposure to International Best Practices

59. Best Practice study tours were conducted for staff of NCRPB and implementing agencies with the objective to expose the key officials to learn and adopt the best practices from Asia and Europe while preparing projects financed through NCRPB. The first tour included travel to Singapore, Malaysia and Seoul, while the second tour included travel to London and Madrid.

60. Insights to the planning processes at the Greater London Development Authority, review of preparations for Olympic bid by Madrid City Council, innovative service delivery mechanism in large cities such as Seoul and Kuala Lumpur, and use of GIS tools to support the integrative regional planning are some of the key lessons for NCRPB. Further, awareness and exposure to international best practices have provided with tested solutions for the problems faced by NCR.

3 ROAD MAP FOR NCRPB

61. NCRPB is in transition phase wherein it is in the process of transforming itself completely from a mere planning and financing entity to an organisation which plays a catalytic role in the growth and development of the NCR Region. To ensure that NCRPB is able to effectively perform the various demanding and competing roles envisaged for it, it is essential that NCRPB follow an extremely disciplined and “change driven approach” with adequate flexibility to continuously adapt to rapidly changing business environments and needs.

3.1 Suggested Recommendations

62. The success of the envisaged role lies in effectively accomplishing the underlying initiatives in a phased manner. The operational plan (Chapter 8 of Strategic Business Plan) has detailed the short term (till 2010), medium term (2010-2012) and long term approaches (beyond 2012) after a thorough analysis and detailed consultations and it is vital that the time lines are adhered to.

63. **HR Management.** As pointed out earlier, in view of the gaps in the existing organisational structure as well as the anticipated volume of business of NCRPB, the suggested staff positions need to be filled up on a priority basis. Keeping in mind the concern for right sizing of government and Fiscal responsibility and Budget Management Act as well as the recommendations of the Sixth Pay Commission, outsourcing and minimal recruitment are suggested to strengthen the internal institutional capacity and thereby build a strong organisational base. [Refer HR Gap Analysis and Management Plan]

64. **Continuous Capacity Building.** Furthermore, in a rapidly changing macro economic environment, despite being highly competent and committed, the importance of regular in house training of NCRPB staff can not be over emphasised. It is well established that such regular trainings in the form of seminars, workshops and study tours for human resource development would not only add an additional dimension to the overall functioning to the organisation, but also lead to incorporating national and international best practices for ensuring a growth fostering environment.[Refer training calendar and identified areas of training, Sample Appraisals, Financial Templates for Appraisal]

65. **Process Improvements.** NCRPB is already in the process of Business Process Re- Engineering by moving towards adopting a complete modernised structure with state of art technology and techniques for greater efficiency and effectiveness. NCRPB is currently migrating to tools such as the latest version of Tally software, MIS, GIS using Remote Sensing and it is expected that an appropriate ERP system for the organisation would soon be in place. These initiatives would be extremely essential to develop an integrated knowledge platform at NCRPB to facilitate quick and effective decision making. [Refer Best Practice notes on MIS, and Road Map for GIS]

66. **Diversifying Product Portfolio.** The increased focus now needs to be on “out of the box” thinking and a pro active approach to develop innovative mechanisms to exploit the available spectrum of opportunities. NCRPB should go beyond the traditional sources of finance in the form of government grants and explore alternative financing such as funds from multilateral and bilateral agencies such as the ADB, World Bank, KfW, JBIC and DFID. It could also consider enhanced level of borrowing from the capital markets. It could also enter into MoU arrangements with other players such as PFC, HUDCO and IDFC for co- financing. The product portfolio needs to be diversified to include a range of fund based products including debt for PPP projects and non fund based products such as credit guarantees. Other options could include providing long tenor funds for infrastructure projects. [Refer Financing Plan, Treasury Operations Manual and Strategic Business Plan]

67. **Prudent Lending Practices.** In addition to adopting these strategies for resource mobilisation, it is also imperative that NCRPB practices extreme prudence in the present lending practices. The Project Appraisal Manual has outlined a number of best practices which could be followed for effective financial intermediation. The Financial Management Manual also suggests standard accounting practices and procedures which could be looked into to strengthen the financial management in the organisation. This once again highlights the need for undertaking internal training and capacity building initiatives. Given the extremely committed management and a motivated and change driven staff, this could be easily accomplished. [Refer Project Appraisal Manual, Risk management Framework, and Financial Management Manual]

68. **Establishing Project Development Fund.** An innovative approach suggested in the business plan is conceptualising and operationalizing a revolving project development facility. It is proposed that NCRPB support project preparation activities such as conducting feasibility studies, preparing detailed project reports, and structuring PPP projects to foster demand for financial assistance. This would ensure a pipeline of well structured and bankable projects. The required team for this could be outsourced and mobilised at the earliest and it is recommended that the internal staff be continuously involved in all activities of this facility, not only to guide the direction and monitor the progress, but also to build internal professional capacity, thereby eliminating the need for future recruitment.[Refer Project Appraisal Manual and Detailed Note on Project Appraisal]

69. **Promoting PPP Projects.** The importance of Public Private Partnerships (PPP) in infrastructure is recognised the world over. PPP in India is still at a nascent stage with immense potential. ADB is already supporting a number of ministries in developing the capacity to prepare, evaluate and appraise PPP in infrastructure projects in conformity with international best practices and improving progress monitoring through comprehensive databases. NCRPB should fully explore possibilities of not only financing, but also structuring large PPP projects in the core infrastructure sectors of Water Supply and Sanitation, SWM, and Roads. NCRPB could also consider undertaking financial closure of a few iconic projects having inter-state jurisdictions wherein NCRPB's role as a nodal agency would be to set-up dedicated Special Purpose Vehicles (SPV) and arrange for seed-capital from key stakeholders. [Refer PPP Toolkit, Model Contracts and Project Appraisal Manual]

Considering the scale of operations of NCRPB and the level of preparedness for ERP implementation, it is suggested that the proposal for a full fledged ERP model be postponed for some time until the business plan of NCRPB is agreed and implemented and smaller improvements proposed are stabilised.

Under the current TA support, a brief Requirements Specification for ERP and an RFP for the purpose are being developed, which the NCRPB could use for contracting an ERP solution vendor in future.

70. **Strengthening NCRPB systems through use of IT.** The model of developing an integrated ERP system for NCRPB may need to be broken up into three phases –

- Phase I: Enhancing current systems using simple software and solutions,
- Phase II: Integrating them into a holistic system using software to bridge them and
- Phase III: Based on the learning of this phase, contract an ERP solutions vendor who will develop customized software to meet the needs of the NCRPB and its new business plan.

71. As part of the outputs of this TA, we are in the process of implementing Phase-I and Phase-II. We will also provide the draft RFP for ERP which will enable NCRPB to move to the third phase, when required, easily.

3.2 Key Challenges

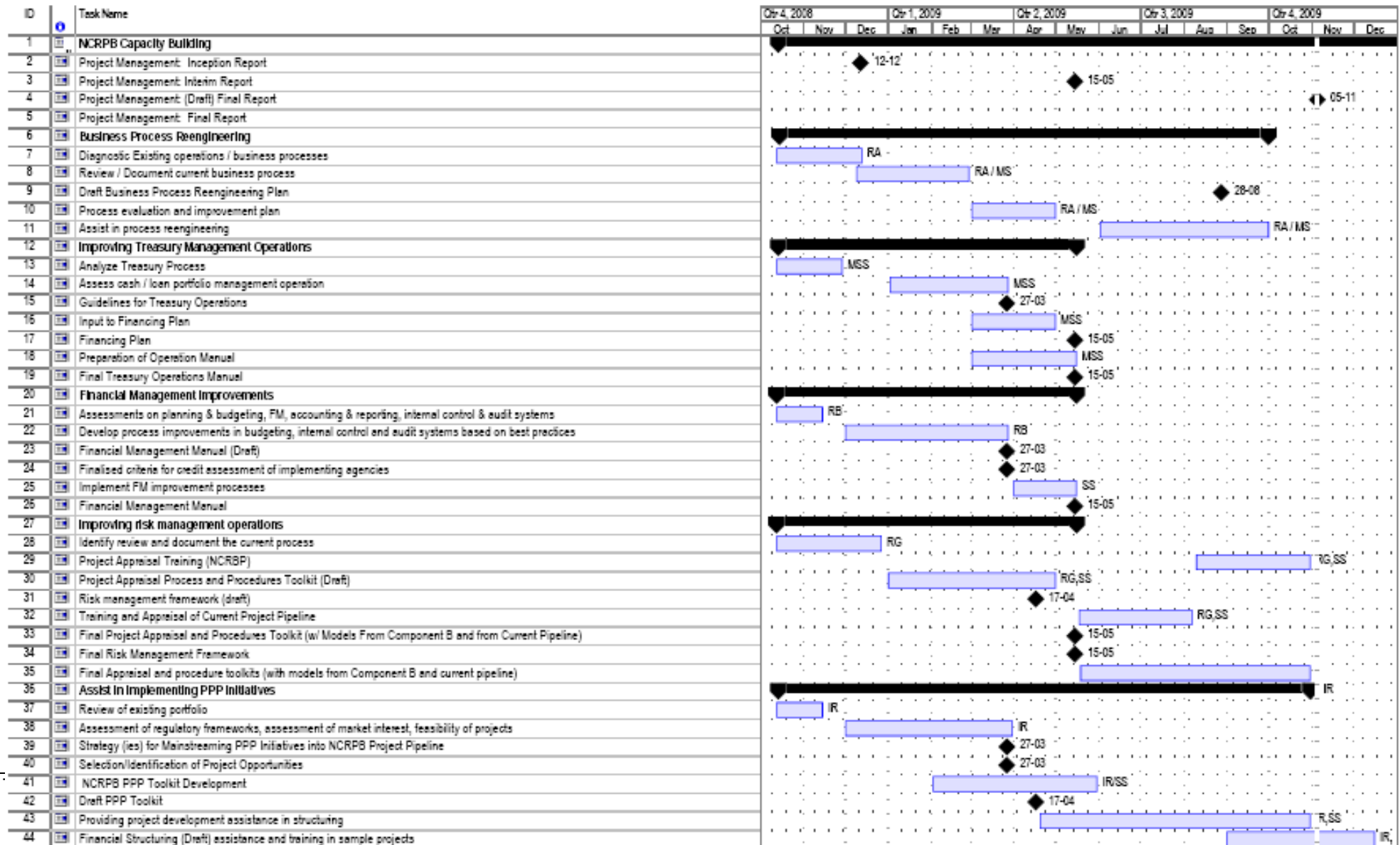
72. As NCRPB embarks on an aggressive strategy to transform itself, it is vital that it undertake the proposed reforms to create an enabling environment for change. However, the strategies outlined in

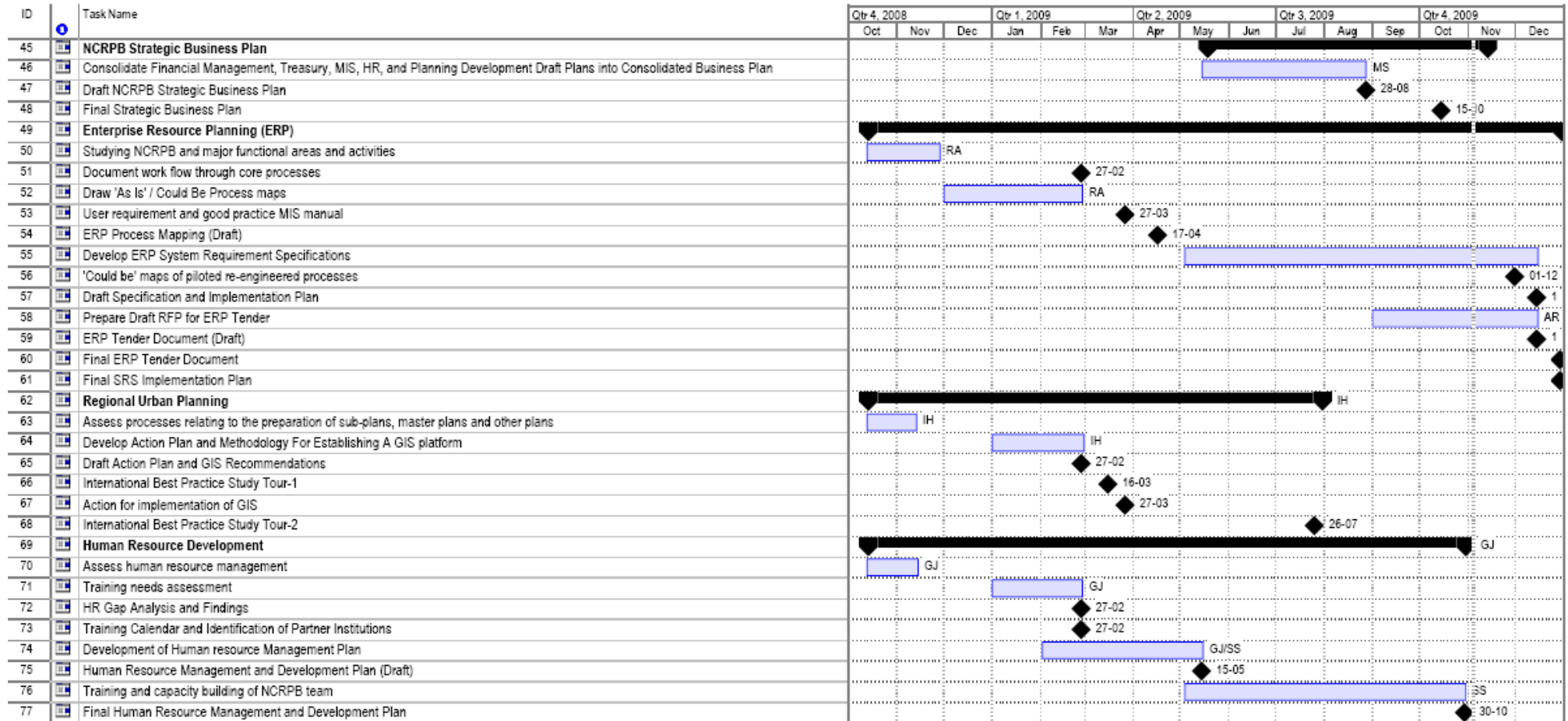
the business plan are a necessary but not a sufficient condition to ensure progression on the stipulated growth path. For NCRPB to achieve its vision, it is equally important that both, the management and staff of the board have a sense of ownership to the organisation and are continuously motivated to ensure effectiveness and success all its endeavours. However, some of the key challenges that NCRPB may face while implementing the proposed strategic business plan have been enunciated below:

- a. Transforming the organization to take on a highly pro-active approach to regional development;
- b. Leveraging the full potential of the NCRPB fund;
- c. Continuous innovation to develop new financial products;
- d. Successful implementation of the proposed Project Development Facility;
- e. Using technology tools to enable the organization to achieve its stated objective more efficiently and effectively, and
- f. Continued support from Government of India and state governments in achieving its regional development goals;

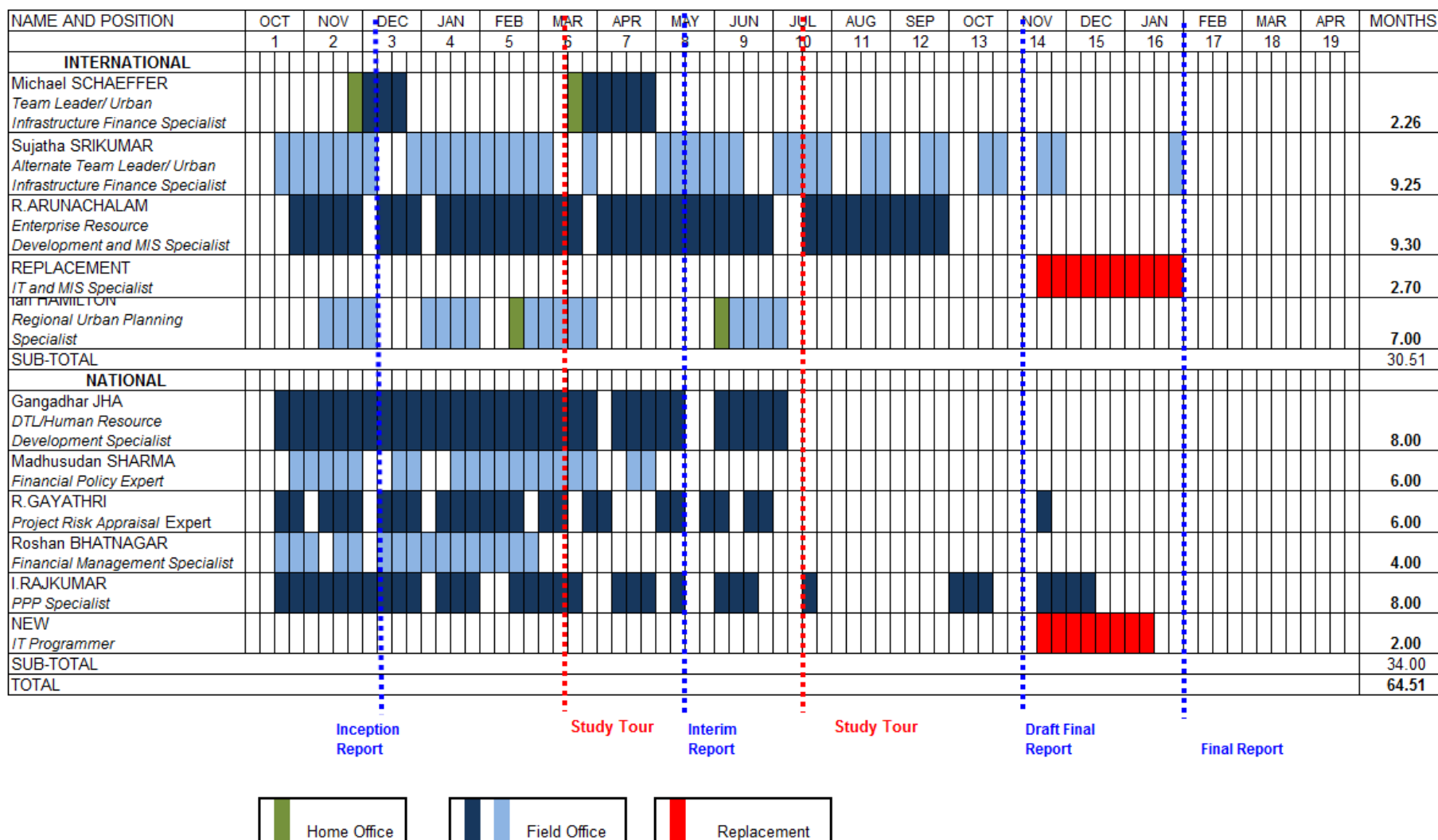
ANNEXES

Annex 1: Work Plan





Annex 2: Personnel Inputs



Annex 3: Deliverable Status

Sl. No	Deliverable	Presentation Held	Comments	Action	Date of Submission
1	Sample Appraisals				27-Oct-09
2	Strategic Business Plan				11-Sep-09
3	International study tour-II		Concluded on 26-Jun-09	Meetings organised with relevant institutions in London and Madrid	15-Jun-09
4	Interim Report				14-May-09
5	HR Management Plan	22-Apr-09	To incorporate provision for appointing free lance consultants for sector studies and project development; develop a model TOR for appointment of a nodal agency for regular capacity building	Options included for procuring independent consultants on need basis and a model MOU developed for strategic tie-up for capacity building activities of NCRPB staff	14-May-09
6	Financing Plan	02-Apr-09	NCRPB requested increasing the funding amount. Changes incorporated	Revised report submitted	27-Apr-09
7	Criteria for credit assessment of implementing agencies	08-Apr-09	Included as separate deliverable and in project appraisal manual. No comments from NCRPB.	Have submitted with revised Project Appraisal Manual – April 10, 2009.	27-Apr-09
8	Financial Management Manual	14-Apr-09	Suggestions received	Suggested improvements to be implemented in the draft final phase	27-Apr-09
9	Project Appraisal Process and Procedures Toolkit	08-Apr-09	Comments received from ADB/NCRPB and changes incorporated	Have adjusted Project Appraisal Manual for donor compliance.	27-Apr-09
10	HR Gap Analysis and Findings	21-Apr-09		Reviewed and suggestions incorporated	23-Apr-09
11	International study tour-I		Concluded on 12-Apr-09	Meetings organised with relevant institutions in Singapore, Malaysia and Seoul	02-Apr-09
12	Draft Action Plan and GIS Recommendations	15-Jan-09	Under Implementation through NRSA support	Committee constituted on GIS by NCRPB. TOR for a GIS expert developed and submitted	27-Mar-09
13	Training Calendar and Identification of Partner Institutions		Reviewed and suggestions incorporated	Training initiated and MOU for partner institutions to be finalised by NCRPB	27-Mar-09

Sl. No	Deliverable	Presentation Held	Comments	Action	Date of Submission
14	Guidelines for Treasury Operations	14-Apr-09	No comments	To be implemented by NCRPB over long-term in line with its funding strategy.	27-Mar-09
15	User Requirements and Good Practice MIS Manual	02-Jul-09	No comments	No further action required	27-Mar-09
16	Strategy (ies) for mainstreaming PPP Initiatives into NCRPB Project Pipeline	06-Apr-09	Reviewed and suggestions incorporated.	Review of existing pipeline by PPP expert	27-Mar-09
17	Risk Management Framework	06-Apr-09	NCRPB commented that they would like to see one risk management framework as per the annex. IPE has developed a Risk Management Matrix as per NCRPB's request and inserted in annex to manual. Other elements of manual.	Training will be conducted in the draft final phase.	27-Mar-09
18	PPP Toolkit	06-Apr-09	NCRPB commented that they would like to have more details regarding institutional framework and processes for their institution. Further, they wanted a PPP evaluation criteria matrix, contracts, and NCRPB specific examples.	Reviewed and suggestions incorporated including a separate volume for model contract documents.	27-Mar-09
19	ERP Process Mapping with document on work flow through core processes and BPR Suggestions	05-May-09	Document Accepted by NCRPB and No Further Action Required.	No further action with respect to this analysis required	27-Feb-09
20	Inception Report	30-Jan-09	The report was originally submitted on 01-Dec-08 as a single volume document.	Diagnostic Report was made separate volume as a stand alone document capturing NCRPB's current operations and capacities.	13-Dec-08
21	Diagnostic Report	30-Jan-09			12-Dec-08

Annex 4: Strengthening NCRPB Systems Through Use of IT

The Terms of Reference (TOR) for the assignment envisage using IT as a central tool for strengthening systems and developing capacity within NCRPB. The role in the TOR for the ERP and MIS Specialist was to:

- i) Streamline and standardize core administrative and financial processes through re-engineering;
- ii) Address NCRPB business requirement by providing technology, tools and training to functional managers to plan, budget, implement and monitor performance better;
- iii) Assist in defining and selecting an ERP software to meet the above requirements;

Role of IT

The role of IT is hence facilitative and would build on the systems review, business process re-engineering and new initiatives that are being developed for the business functions of NCRPB. For this purpose, a detailed mapping and re-engineering of business processes was carried out and based on discussions, priority areas identified which could be developed even before the full-fledged ERP is designed. Accordingly, systems were developed for:

- Loan Tracking (with Visual Basic frontend with Access backend)
- Project Management Information System (Web-based, php and ajax)
- Redesigned website for NCRPB with interactive features like forum, employee login etc.

Functions of NCRPB

The overall function of NCRPB is of infrastructure planning, funding and oversight in the states comprising of the National Capital Region (NCR). Accordingly, its business roles can be as below:

<u>Planning</u>	<u>Financing</u>	<u>Monitoring</u>
<ul style="list-style-type: none"> • Develop integrated plans for NCR • Promote decongestion of Delhi and balanced growth of other areas • Build capacity of states / ULBs / Dev agencies to prepare plans and implement 	<ul style="list-style-type: none"> • Channelise funds for development of NCR • Assist agencies to prepare project proposals in line with plans • Sanction funds and recover with interest • Optimise revenue from parked funds in treasury 	<ul style="list-style-type: none"> • Record progress against projects sanctioned – physical and financial • Monitor development of NCR, in line with Plan • Support and course correct other agencies in meeting NCR plan objectives

SUPPORT SYSTEMS
Accounting: Maintain records of all financial activities; Payroll: Maintain staff attendance, salary payments, payslip, deductions etc. Statutory compliances: TDS, PF etc. Decision Support: MIS to allow quick response to Parliament questions and facilitate evidence based decision making Transparency: Display on website- all disclosure requirements in line with RTI

The organisation is medium in size – with staff strength of about 50, loan portfolio of Rs. 1,800 crores and a bank cash balance of about 250 crores. Although NCRPB has the potential to increase its operations significantly, current operation of NCRPB makes it a medium sized project development and financing institution.

Current Practices

Current practices in NCRPB in different functional areas include:

- Using office software (such as Excel for calculating loan interest) etc;
- Using Tally accounting package for maintaining its accounts;
- Manually collecting information when required to answer special project/infrastructure queries raised in parliament;

Priority intervention Areas

The priority areas for streamlining using technology have been identified as follows:

- Loan Tracking
- Accounting
- Payroll
- Project reporting
- Planning data
- Other areas (like document management, salary payment through bank etc.)

This is analyzed further and recommendations given in Appendix to this note.

In Summary

The model of developing an integrated ERP system for NCRPB may need to be broken up into three phases –

- Phase I: Enhancing current systems using simple software and solutions,
- Phase II: Integrating them into a holistic system using software to bridge them and
- Phase III: Based on the learning of this phase, contract an ERP solutions vendor who will develop customized software to meet the needs of the NCRPB and its new business plan.

As part of the outputs of this TA, we are in the process of implementing Phase-I and Phase-II. We will also provide the draft RFP for ERP which will enable NCRPB to move to the third phase, when required, easily.

Appendix–Recommendation on Interventions

Area	Current status	Ideal Solution		Recommendation
Loan Tracking	Records of loans maintained in Excel	Develop customized loan management software integrated with accounting system and part of the ERP software. It would have features like loan calculation, recovery tracking, loan revisions etc.		Since the number of loans and amount is not very high, instead of an integrated software, we could consider a standalone desktop software with a bridge to link it with the accounting system. The Loan Tracking software developed will be enhanced to provide these features.
		(+) <ul style="list-style-type: none"> Fully customized to NCRPB Integration with ERP will keep all records updated 	(-) <ul style="list-style-type: none"> High lead time for development Alignment with ERP takes time 	
Accounting	Tally 7 being used	Develop fully customized accounting software which will be integrated with the ERP software.		NCRPB has a simple accounting process and may do with a slightly advanced version of a On the Shelf (OTS) software. This has the advantage of familiarity, quality and compatibility with earlier data. Tally ERP 9 has several enhancements over the earlier version and several features (such as return filing, Service Tax, TDS etc) are inbuilt in it. Tally ERP 9 would of course need some customisation which is now possible through Tally certified programmers.
		(+) <ul style="list-style-type: none"> Fully customized to NCRPB Can add on newer features as needed Integration with ERP will keep all records updated 	(-) <ul style="list-style-type: none"> Lead time for development Testing and certification of software critical New system will need time for familiarity 	
Payroll	Done using generic office software	Develop customized Payroll software which can be integrated with the ERP later.		Tally ERP 9 mentioned above has a payroll feature built in. This is fully integrated with the accounting system. The payroll features will of course need some customization for NCRPB use.
		(+) <ul style="list-style-type: none"> Fully customized to NCRPB Can add on newer features as needed Integration 	(-) <ul style="list-style-type: none"> Lead time for development Testing and certification of software critical 	

Area	Current status	Ideal Solution		Recommendation
		with ERP will keep all records updated		
Project Reporting	Manual reports sought, analysis made and review carried out	Develop a software which will be integrated with the loan tracking and ERP software allowing online reporting of project progress by the various states and agencies.		We suggest a web based Project Management Information System (PMIS) to carry out this task. It will allow online reporting by states / agencies including submission of UCs and SOEs. It will also have inbuilt analysis and dashboard tools which would help in reviewing the performance. This software would be linked at the backend with the loan tracking software and allow review, reporting and analysis.
		(+) <ul style="list-style-type: none"> • Fully customized to NCRPB • Complete availability of records without delay • Automatic reviews and analysis / reports 	(-) <ul style="list-style-type: none"> • Physical documentation may still be needed • Change in ways of working for reporting agencies 	
Planning data	Data needed for planning is collected from agencies as and when required.	Develop an online planning system integrated with GIS and allowing all agencies to upload their data. This will enable a single window approach to all planning information in the NCR.		This would need a GIS base (or alternative), a database structure, past data and an updation system. Currently, NCRPB is working on GIS for NCR with the NRSA. We recommend that details of the planning system could be worked out after stabilization of GIS. Thereafter, a planning software would need to be developed as a web-based system and linked to the planning process
		(+) <ul style="list-style-type: none"> • Single database for planning with time series data • Automatic calculations and updation of figures (such as population) etc. • No delay in updation 	(-) <ul style="list-style-type: none"> • Data needs to be maintained and updated by the agencies • Quality of data may need verification • Linkage of data with planning process critical to establish 	
Other processes	Various states of automation and technology use	A document management system should be developed which will enable all files, orders, documents to be tracked and disclosed in accordance with RTI		Some small areas such as website, salary payment etc. can be addressed immediately. Other things like a document

Area	Current status	Ideal Solution	Recommendation
		<p>The NCRPB website should be enhanced allowing greater interactivity (with citizens and agencies), voluntary disclosure and updated progress on all fronts.</p> <p>In addition to this, other process improvements can be started to facilitate the use of technology and promote efficiency. Some areas could be direct salary payment through bank, attendance management etc.</p>	<p>management system would need to be developed.</p>
ERP	Planned for implementation	<p>An agency identified for developing and implementing an ERP solution integrating all aspects of NCRPB's business processes, within a specified time frame.</p>	<p>Considering i) the scale of operations of NCRPB and ii) the level of preparedness for ERP implementation, it is suggested that the proposal for a full fledged ERP model be postponed for some time until the business plan of NCRPB is agreed and implemented and smaller improvements proposed are stabilised.</p> <p>We will develop a brief Requirements Specification for ERP and prepare an RFP for the purpose which the NCRPB could use later for contracting in an ERP solution vendor.</p>