

## **EXECUTIVE BRIEF**

### 1.1 The main objectives of the study are :

- i) To critically examine the implementation process of selected projects under IDSMT programmes;
- ii) To identify the reasons for inordinate delays in executing the projects
- iii) To examine the extent of cost overruns
- iv) To identify the reasons for poor financial returns if any
- v) To suggest ways and means to eliminate or reduce delays and to ensure reasonable returns from the projects.
- vi) To assess the impact of various components implemented under IDSMT scheme on the overall development of the town.
- vii) To study the problems in terms of project formulation, implementation and monitoring of IDSMT scheme in the state of Karnataka and Uttar Pradesh.

### 1.2 The required data and information for the study have been obtain from :

- i) Karnataka state – Directorate of Municipal Administration, Bangalore.
- ii) Uttar Pradesh state – Department of Town and Country Planning, Lucknow.
- iii) Town and Country Planning Organisation, Govt. of India, New Delhi.
- iv) Data for the sample towns was collected from officials and the records through structured schedule.
- v) Detailed discussions were also held with state nodal agency in the two states.
- vi) The study is benefited by the Professional Group Meeting where the discussion paper on the study was presented.

### 1.3 The Approach for the study

The analysis is carried at two levels viz., Macro analysis of towns covered under the IDSMT scheme in Karnataka and Uttar Pradesh to assess the physical and financial achievements in respect of the approved programmes, and a micro-analysis of sample towns to analyse the impact of IDSMT scheme on the overall development of each town.

- 2.1 The guidelines for IDSMT were revised during the 8th Plan period which has increased the scope of the scheme by including many new components eligible for funding. The approved cost was revised and it varied based on population size of towns. The financial institutions like HUDCO were made to participate in funding the IDSMT scheme. Further, the towns with 3 to 5 lakhs population were made eligible for financing under the scheme. The financial assistance to the towns by the central and state governments was made grant-in-aid for the new towns and the concept of a revolving fund was introduced for the future developmental needs of the towns.
- 2.2 In 8th Plan period that the concept of priority towns and preparing the list of priority towns emerging from the urbanisation strategy was evolved. Further, the system of allocating towns was evolved depending on the size of population of states. Thereby bigger states could cover more number of towns under the scheme.
- 2.3 In Karnataka the Dept. of Town Planning was made the nodal agency for implementing and monitoring the scheme. This department was entrusted with the preparation of project reports for the towns. In 1986, the scheme was transferred to the Directorate of Municipal Administration and in 1995 it was transferred to the Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC). In U.P. the Department of Town and Country Planning is the nodal agency for IDSMT at state level from the inception of the scheme. The Asst. Town Planner posted in each commissionerary is responsible for the planning, execution of IDSMT scheme as well as preparation of master plans for the towns.
- 3.1 In Karnataka 76 towns were covered under IDSMT scheme up to 1996-97 of which about 30 per cent of towns were covered during the 8th Plan period.
- 3.2 In Karnataka the 6th Plan towns allocated 52 per cent of the approved cost for site and services, but the allocation for the item was 21 per cent for 7th Plan towns, 30 per cent for Annual Plan towns and 46 per cent for 8th Plan towns. The allocation for traffic and transportation was about 10 per cent over the Plan periods. The allocation for commercial schemes varied between 10 and 68 per cent for the towns approved under different Plan periods.
- 3.3 An analysis of performance of towns by size class has shown that smaller towns performed better in Karnataka. IDSMT towns with less than 50,000 population have

reported better achievement in land acquisition, road construction, and construction of shops compared to bigger towns.

- 3.4 Income generated from the implementation of residential and commercial components show that residential component generated more income than commercial component. The 6th Plan towns spent an amount of Rs.482.24 lakhs on site and services and obtained Rs.1095.5 lakhs through selling the plots.
- 3.5 The financial viability is worked out for 6th Plan towns commercial component as well as for the entire scheme. The IRR is 10 per cent for commercial component at 5 per cent for the entire scheme. As the interest rate fixed for 6th Plan towns was 5 per cent, the scheme as a whole is financially viable.
- 4.1 In Uttar Pradesh 85 towns were covered under IDSMT scheme up to the end of 1996-97 which account for 12 per cent of towns in the state. There appears to be regional imbalances in the selection of towns for the scheme.
- 4.2 Site and services accounted for 40 per cent of approved cost for the 6th Plan towns and the share reduced to 17 per cent and 24 per cent for the 7th and annual Plan towns, respectively. The allocation for traffic and transport component was about 20 per cent for the towns over the Plan periods. The commercial component accounted for 38 per cent of the approved programmes for 6th Plan towns and it has increased to around 55 per cent for the later Plan towns. The allocation for miscellaneous component varied between 3 and 4 per cent over time.
- 4.3 An analysis of performance of towns by size class has shown that bigger towns performed better in U.P. Achievement in residential and commercial schemes of bigger towns was double the achievement of smaller towns.
- 4.4 Income generated from the implementation of residential and commercial components show that commercial components have generated more income than the investment. Though site and services generated income, it was not sufficient to meet the investment as the sites were allotted to weaker sections at subsidised prices to meet the social obligation.
- 4.5 The financial viability is worked out for the 6th Plan towns for the commercial component as well as for the entire scheme. The IRR is 11 per cent for commercial

component at 5 per cent for the entire scheme. As the interest rate fixed for 6th Plan towns was 5 per cent, the scheme as a whole is financially viable.

- 5.1 From among the sample towns, Hassan exceeded its approved cost in some components and still not completed many components. Barabanki reported better physical achievement within the approved cost in all components except in transport nagar. Barabanki has no overrun of cost or time, but Hassan has both cost and time overrun. Both towns have generated good income from the assets created.
- 5.2 Kushal Nagar could complete only 45 per cent of its physical target in development of plots and shops because of land dispute. Bahraich has implemented only its traffic component and reported land was the constraint to implement other components. The partial achievement in Kushal Nagar was at increased cost. Bahraich, implemented only one component without cost escalation.
- 5.5 Ranebennur's physical achievement was 60 to 90 per cent in different components and its expenditure was 67 per cent of target. Lakhimpur also could not complete all components and its cost did not exceed approved unit cost. Both the towns showed time overrun.
- 5.6 Holenarasipur has not completed its residential as well as commercial components. The unit cost for completed work on residential plots was more than the approved cost per unit. Sultanpur completed 4 shopping schemes, one night shelter and construction of proposed roads. Its pending items include Transport Nagar, one residential scheme and one shopping complex, but no overrun of cost was observed. Holenarasipur has shown cost and time overrun and Sultanpur has shown only time overrun.
- 5.7 Badami town and Gola Gokarnnath towns were selected from the 8th Plan towns. Both have started the implementation of the scheme. Both towns were confident of completing the scheme within the time and cost.
- 6.1 Sample towns of Uttar Pradesh have shown better performance that sample towns of Karnataka. U.P. towns did not report cost overrun, but there was time overrun in three towns. Karnataka town reported higher unit cost of expenditure in 3 towns and time overrun in all towns.

7.1 Most of the towns approved under the scheme during the 8th Plan period have not reported tangible progress.

7.2 The earlier bottleneck of IDSMT scheme to a large extent were taken care of in the revised guide lines of the scheme. The outlays for the towns will now be based on the population size of towns. Secondly, the assistance will be in the form of grant-in-aid and the income generated by the scheme will go to a corpus fund which will be available to the towns for further developmental activities.

7.3 On the basis of the present study the following aspects need attention :

- The preparation of the project report : At present, a grant is available for the preparation of the project report. The project report should be prepared by a professional body based on demand survey, feasibility survey and a survey of the town's hinterland.
- The project proposal should be discussed and approved by the local body so that the local body will be well prepared to solve the problems that are likely to come up in the course of implementation of the scheme and the implementation may not deviate from the proposal.
- Most of the towns do not possess the expertise to implement the IDSMT scheme. Local bodies may be permitted to execute the work through a professional group at the rate fixed by state.
- There should be a panel of experts who can plan, implement IDSMT projects on a turnkey basis at state level. Norms for execution of various works may be fixed at Central level to maintain the quality of work and enable proper, quick and efficient scheme implementation.
- The guidelines of the scheme must be made clear to the local bodies by orientation programmes so that they can implement the programme more effectively within the framework of the scheme.
- Reporting progress of the scheme should be standardised in such a way the monitoring of the scheme will be more effective. The progress report should contain information on the present status of work, reasons for stoppage of work, whether the facility is being used by the intended beneficiaries, income generated by components, mode of disposal of assets, and utilisation of income generated.
- There should be only one department at state level to monitor the IDSMT

scheme and to report progress from time to time. This department should be equipped to advise the towns on various problems of implementation and should have expertise to solve problems.

- Monitoring mechanisms both at the centre and state levels, need strengthening. Equal importance should be given for obtaining and scrutinising the progress reports as well as for physical verification of progress at town level and providing technical advice on the spot.
- The monitoring agency should review the projects with the stipulated norms and any deviation from the norms should be reported to the state.
- There should be a town level review meeting at least once in two months. The monitoring team should attend these meetings and sort out the difficulties faced by the ULBs. It should suggest alternative plans and look to the feasibility of alternative sites if the local bodies have problems in acquiring the proposed sites and also advice them on the ways and means of obtaining higher returns on the assets created.
- The monitoring team should also visit projects already completed to ensure proper maintenance of assets.
- There should be a time frame within which the project should be implemented. Time may be fixed for implementation of each component. Implementation of any component which extends beyond a reasonable time should be reviewed at state level and suitable modifications may be suggested for completion of the component.
- There should be an in-built provision for maintenance of the assets created by local bodies. A certain portion of the rent should be earmarked for maintenance.
- The income generated were utilised by towns for different purposes like financing other schemes, payment of salaries or meeting administrative expenditure. As there are no guide lines some towns are keeping it in a separate bank account which remained unutilised. Policy guidelines are to be formulated for the utilisation of income generated by the assets created by the IDSMT scheme.
- There is a need to streamline the release of Centre and State funds to local bodies. It was observed that the amount from the Central releases is transferred to local bodies without much delay, while the transfer of matching contribution from the State was taking more time.
- The Revised IDSMT Guidelines permit towns which were covered under the

earlier Plan to go for the second funding. The towns which could not complete their proposed programme should be encouraged to avail the benefits of the schemes for the second time. This provision may come in the way of covering more number of new towns. As far as possible the second funding should be discouraged. In a way it is rewarding inefficiency.

- Looking to the financial viability of the scheme, the local bodies may not be in a position to meet the interest rates of financial institutions if they borrow funds from these institutions. Hence borrowing funds from the financial institutions should be made optional. Staggering of implementation of the components and taking up the remunerative components in the first instance may help local bodies to generate internal funds and there may not be any necessity to approach financial institutions for funds.
- Towns which are generating income from the assets of the scheme and have not returned the loan may be asked to transfer such income to a revolving fund which may be used to create income generation assets to the local body.
- The State Governments may provide subsidy to the ULBs for the plots developed and distributed to the weaker sections as these sections may not purchase plots at market rate.
- Restrictions may be imposed on private developers or voluntary agencies developing land to earmark a fixed percentages of sites for EWS and LIG categories.