

**CENTRALLY SPONSORED SCHEME OF
INFRASTRUCTURAL DEVELOPMENT IN
MEGA CITIES**

GUIDELINES



**Ministry of Urban Affairs and Employment
Department of Urban Development
Government of India
New**

**CENTRALLY SPONSORED SCHEME OF INFRASTRUCTURE
DEVELOPMENT IN MEGA CITIES**

GUIDELINES FOR IMPLEMENTATION

I. BACKGROUND:

1.1 The Ministry of Urban Affairs and Employment had been receiving Presentations from various State Governments, Mayors of Metropolitan Cities, etc. for provision of Central Assistance for tackling the problems faced by the Mega/metro Cities such as Calcutta, Bombay, Madras, Hyderabad and Bangalore. Frequently, arguments have been advanced that many problems in these cities are due to massive migration from rural areas and smaller towns all over the country on which the city authorities have little control. Further, these cities are the engines of economic growth and have been greatly contributing to the national productivity and generation of resources for planned economic development. This Ministry had approached the Planning Commission regarding the possibility of Central Assistance for the four super metros, also drawing attention to the recommendations of the National Commission on Urbanisation in its report 'that Delhi, Calcutta, Bombay and Madras be declared as national cities and that a fund be created and administered through a specialised institution for the development of these cities.' The NCU had recommended Rs. 500 crores for each of the cities which might be allocated during the 7th and 8th Five Year Plans for the purpose of infrastructural development. However, the Planning Commission was not in favour of providing funds from the Centre to particular cities and indicated that any Central assistance to metro development projects should form part of the State Development Plan.

1.2 However, the Planning Commission has been, from time to time, allocating sums on case-to-case basis as Special Central Assistance to the State Governments to tackle the problems of infrastructural development in Mega Cities. Since it was felt that there was need to move to a more structural form of Central Assistance to Mega Cities, discussion was held between the State Government representatives, the planning Commission and the Ministry of Urban Affairs and Employment in August, 1992 followed by another in December, 1992. The Centrally-sponsored Scheme of Infrastructural Development in Mega Cities emerged as a result of these exercises and the Planning Commission circulated an outline of the Scheme in May, 1993. The Ministry of Urban Affairs and Employment was requested to examine and convey the views on the Scheme/Projects to the Planning Commission so that the full Planning Commission could consider the proposal. The Ministry of Urban Affairs and Employment conveyed its agreement with the broad parameters of the Scheme and recommended the project reports submitted by the State Governments in respect of Bombay, Calcutta and Madras. The Planning Commission also requested to consider the inclusion of Hyderabad and Bangalore considering the nature

of activities, present population, urban growth rate, estimated population in 2000 and cosmopolitan character of these cities and also their contribution towards the national development/economy.

The Mega City Scheme was cleared by the Planning Commission in a meeting under the chairmanship of Prime Minister.

2. SALIENT FEATURES OF THE MEGA CITY SCHEME:

2.1 The main features of the Scheme which have been worked out based on the decisions arrived at the meetings of the Expenditure Finance Committee on 11.11.94 and 10.1.95 on the outlines prepared by the Planning Commission and the Minis., of Urban Affairs and Employment and approved by the Cabinet Committee on Economic Affairs are briefly stated below:

- i. The Scheme would be applicable to Bombay, Calcutta, Madras, Bangalor and Hyderabad.
- ii. The Scheme would be administered through the Ministry of Urban Affairs and Employment and funds would be channelised through a specialised institution/nodal agency at the State level.
- iii. The sharing between Central and State Governments would be in the ratio of 25:25 and the balance 50% is to be met from institutional finance, through financing institutions and capital market. Borrowing could be either by the nodal agency or by the implementing agencies. Project land and private investment could partially substitute institutional finance subject to overall parameters of the project under consideration.
- iv. The funds from Central and State Governments will flow directly to the specialised institution/nodal agency as grant. The nodal agency will constitute a revolving fund with the help of Central and State shares out of which finance could be provided to various agencies such as Water and Sewerage Boards, Municipal Corporations, etc.

Project-based loans at variable rates of interest - with a judicious mix of grants (subject to a maximum of 20% of Central and State shares) and loans - will be given by the nodal agency to various implementing institutions. This will be based on due financial appraisal of projects by banks/financial institutions (wherever loans from financial institutions are availed of) and in such a manner that after accounting for interest on borrowed capital, appraisal/processing /servicing and related costs, a minimum of 75% remains in the corpus of the nodal agency at the end of the 9th Plan. The objective is to create and maintain a fund for the development of infrastructural assets on a continuing basis.

- v. The nodal agency would provide project-related finance for urban

infrastructure including water supply, sewerage, drainage, sanitation, city transport networks, land development, slum improvement, solid waste management, etc.

(b) Finance would not be provided under the Scheme for power, telecommunication, rolling stocks like buses and trams, primary health/education, projects of minor nature which can be easily implemented out of local funds, MRTS/ LRTS projects or projects which are highly capital-intensive and long duration projects and for long-term studies, etc.

(c) Only projects of regional or city-wide significance which are in accordance with the Regional Metropolitan Master/Development Plan will be assisted and local projects which are ordinarily handled by the municipal bodies, water authorities, etc. by their normal budgets and are likely to have limited impact shall not be considered.

An illustrative list of projects that could be considered under the Scheme is enclosed.

- vi. The nodal agency will be required to open and maintain a separate bank account in a commercial bank for the receipt and expenditure of all money to be received/ spent under this Scheme. They will also maintain borrowing-institution-wise and project-wise accounts under the Scheme. The revolving fund may be graduated to a Metropolitan/State Urban Infrastructure Development Fund in due course.
- vii. Staff/administrative costs of the nodal agency will be borne by the State Government/nodal agency and will not be charged to the revolving fund.

The projects to be included under the Scheme would be under three categories:

- (a) Projects which are remunerative bankable projects which are commercially viable and profitable;
- (b) Projects for which user charges could be levied as also other essential (but not amenable to user charges) projects where cost recovery in the sense of meeting the operation and maintenance costs and a part of the capital cost is expected through direct/indirect revenue generation;

For the category (b), funding will be available at stipulated rates of interest lower than the market rate of interest, but there will be no grants.

- (c) Projects for basic services where very low or nil returns are expected - projects which are absolutely essential for upgradation of the quality of living in a Metro city but where user charge; cannot be recovered. For this set of projects, two subsets could be considered. The first subset, consisting of projects on basic services but not directly related to poverty alleviation, could be funded on nominal rate of interest of say, 3 to 5%. The second sub-

set which could involve a grant component should include urban poverty alleviation. Funds not exceeding 20% out of the grants from Central and State Governments could, however, be UTILISED as grant. For these projects, internal resources of implementing agencies could be substituted for institutional finance if the latter is not forthcoming.

The nodal agency may first decide on the bankable projects and to the extent, surpluses could be generated in such projects, grants may be made available for basic/non-remunerative services on a project-to-project consideration of merit.

To ensure viability of the institution described at 2.1 (ii), the above three categories of projects would be financed in a judicious mix. No fixed ratio is stipulated although the rough indication for the shares of the three categories [2.2(A), 2.2(b) and 2.2(c)] in the total project costs could be in the ratio of 40:30:30; what is important is that the overall package (rather than each project) should be viable in the sense of creating a sizable corpus for future investment.

3. NODAL AGENCIES

3.1 The State Governments are **retired** to designate one institution as the coordinating and monitoring agency for the entire range of Mega City Project activities. The following agencies are since chosen to be the nodal agencies:

Bombay:	Bombay Metropolitan Region Development Authority (BMRDA)
Calcutta:	Calcutta Metropolitan Development Authority (CMDA)
Madras:	Madras Metropolitan Development Authority (MMDA)
Hyderabad:	Hyderabad Urban Development Authority (HUDA)
Bangalore:	Karnatka Urban Infrastructure Development Finance Corporation (KUIDFC)

The State Governments are free to choose an alternative agency such as Urban Infrastructure Development Finance Corporation -with a company form of management as the nodal agency. These nodal agencies will monitor resource mobilisation and the implementation of various projects and will be responsible for the creation of a revolving fund. This will necessitate that funding of all the three categories mentioned in pan 2.2 and not those limited to categories 2.2(b) and 2.2(c) should be posed by the implementing agencies to the nodal agencies. The latter will have to assess clearly the revenue generation capacity of the various project components posed by implementing agencies. Each individual component may provide full cost recovery but the overall viability of the

basket of projects has to be ensured. This will involve restructuring/levying of user charges/tapping a portion of general incremental revenues accruing to local authorities due to the projects taken up under the Mega City Scheme through suitable state/local policies. Specific guidelines/instructions would have to be issued by the State Governments to urban local bodies/implementing agencies in this regard.

3.2 An important pre-requisite for the success of the Scheme will be a clear statement, by the State Government, of the coordinating and fund management role of the nodal agency in relation to the implementing agencies. If the nodal agency performs the coordinating/fund management as well as planning/development roles the two types of functions should be clearly distinguished and not mixed up in any manner.

4. INSTITUTIONAL MECHANISM;

4.1 The projects under the scheme will be sanctioned by, a Sanctioning Committee to be constituted at the State level with the following composition:

- 1. Secretary of the state Urban Development/Municipal Administration Department dealing with the Mega City Scheme**
- 2. Secretary, State Finance Department**
- 3. Chief Executive of Mega City Project Authority (Nodal Agency)**
- 4. Joint Secretary (UD), GOI M/O Urban Affairs and Employment**
- 5. Representative of the Planning Commission**

For projects where HUDCO/other financial institution would be interested in funding, a representative of HUDCO/other financial institution would be a special invitee to the meetings of the Sanctioning Committee.

4.2 The terms of reference of the State level Sanctioning Committee will include the following:

- a. Examine and approve projects submitted by the implementing agencies (including the nodal agency itself under the Mega City Scheme, keeping in view the basic Scheme objectives, the broad parameters laid down and the guidelines issued by Ministry of Urban Affairs and Employment from time to time in this regard;**
- b. Periodically monitor the implementation of various projects taken up under the Scheme;**
- c. Review the implementation of the Scheme and ensure that the programmes taken up are in accordance with the guidelines laid down.**
- d. Consider issues raised by the implementing agencies from time to time and take appropriate action; if necessary obtain the advice of Ministry of Urban Affairs and Employment/Planning Commission.**
- e. Recommend to the Government of India through the State Government concerned**

for release of Central assistance.

f. Other matters as the State Government may consider appropriate.

4.3 The Sanctioning Committee will meet as often as required.

4.4 The implementing/nodal agencies will be required to prepare project reports under the Scheme for the consideration of the Sanctioning Committee in respect of each project showing the financing pattern proposed in terms of grants, loans from financial institutions/banks and Mega City funds, applicable rates of interest, revenue generation (direct and indirect) expected, manner of cost recovery and repayment of loans, financial/social cost benefit analysis, etc. The reports should give the justification for the projects selected in relation to the Metropolitan Development Strategy/long-range Metropolitan Investment Plans (envisaged in the Constitution 74th Amendment Act). The number of projects to be selected should be limited and only those which are of major significance from the Metro Master Plan/Development Plan point of view need to be given priority. Maintenance works are not permissible and only capital projects which create new assets or remove bottlenecks in the utilisation of old assets should be selected. A guiding principle will be that every metrocity has its own problems and therefore, schemes and projects have to be in the context of problems existing in each metropolis.

5. RELEASE OF CENTRAL ASSISTANCE:

5.1 Release of Central assistance will be based on the recommendation by the Sanctioning Committee to GOI through the State Governments. The projects which do not fulfil the guidelines or which fall within the negative list of projects indicated by Ministry of Urban Affairs and Employment will not be eligible for Central assistance Release, will be based on appraisal reports by banks/financial institutions and the recommendations of the Sanctioning Committees thereon. Actual releases by the Ministry of Urban Affairs and Employment to a nodal agency will depend on (i) project performance including utilisation of funds released earlier, (ii) availability of State share, (iii) conformity of proposed projects to Scheme guidelines, (iv) mobilisation of 50% institutional finance and (v) progress of policy reforms envisaged under the Scheme which is expected to be a vehicle of urban sector reforms as envisaged by the Constitution (74th) Amendment Act.

5.2 Funds will be made available from Central Government for two purposes: (i) projects conforming to the Scheme guidelines and (ii) expenditure on project preparation and project-related studies/ research/evaluation/plans, etc.

6. MONITORING OF THE MEGA CITY SCHEME:

The Ministry of Urban Affairs and Employment will be monitoring the progress of the Scheme and the urban sector reforms through suitable informal reviews and reporting mechanisms.

These guidelines are only indicative and not exhaustive and may be modified the Ministry of Urban Affairs and Employment as lessons are available from experience. The Scheme being the first of its kind needs careful handling at various levels since its replication/continuance will depend very much on the success achieved during the next few years. The State Governments should strengthen the nodal agencies suitably (particularly, with regard to project appraisal and financial management) to enable them to discharge their coordinating and fund-management functions effectively. They should consider dovetailing of different urban infrastructure schemes in the State/Central sectors with the Mega City Scheme so as to have a synergistic effect on solution to the problems of metropolitan infrastructure. The need for effecting financial and institutional reforms as the Scheme proceeds is recognised and such reforms may be given top most priority by the State Governments/nodal agencies as envisaged in the Constitution (74th) Amendment Act, 1992. The Mega City Scheme is to be promoted as a vehicle for urban sector reforms. The Ministry of Urban Development will develop an urban reforms agenda in consultation with the State Governments for follow-up action.

9
Illustrative List

Government of India
Ministry of Urban 'Affairs & Employment

Mega City Programme

Illustrative List of projects which may be considered for financing under the Mega City Programme.

1. Development of urban fringes (These areas are generally neglected and new slums often come up in these areas.)
2. Urban r h i (i.e. redevelopment of inner (old) city areas) this would include items like widening of narrow streets, shifting of industrial/commercial establishments from non-conforming (innercity) areas to 'conforming' (outer-city) areas to reduce congestion, replacement of old and worn-out water pipes by new/ higher capacity **ges**, renewal of sewerage/drainage/solid waste disposal systems, etc Land Acquisition **costs** will not be financed under this component of the programme.
3. Increasing the provision of serviced land and sites/houses at affordable ~~costs~~ specially for the urban poor to meet the growing urban needs. However, the construction cost of the housing units will not attract any grant assistance under the Mega-City Programme and reduction of costs of such units for the poor should be brought **about** through mechanisms like cross-subsidisation, HUDCO's scheme of land bank for the shelterless', MHADA'S scheme of land-sharing and pooling to reduce the acquisition **costs**, etc.
4. slum improvement and rehabilitation projects.
5. Laying/improvement/widening of arterial/ sub-arterial roads within the metropolitan ~~areas~~ to remove transport bottlenecks:
6. Laving of ring roads/outer ring roads and by-oasses around mega cities. provided certain cost recovery measure like tolls are built into such schemes.
7. Construction and development or expansion of "truck terminals
8. Improvements to the water-supply and sewerage and drainage systems in the city. provided they are not too capital-intensive and enhanced user charges are built into the scheme.
9. Solid waste ~~disposal~~ schemes and setting up of urban waste qcomposting plants in the city to convert garbage (biodegradable portion) into manure.
10. Environmental improvements and sanitation and city beautification schemes,

11. Construction of large commercial and trade complexes and National/International Convention centre, World Trade and Exhibition Centres and the like, provided they are shown to be financially and commercially viable.

12. Construction of buildings like Working Womens' hostels. tourist completes (but not hotels), barat ghars, old age and destitute Children's homes, night shelters with community toilets, etc. provided their necessity and viability is established.

?

FOR INDIVIDUAL PROJECTS

A. PHYSICAL DATA

1. S. No. :
2. Name _____
3. Category _____
- A B C
4. Project Report prepared by _____
5. Brief justification : _____

6. LAND

a) EXTENT of Land Requirement : _____ sq.meters

b) Position on land availability :

- i) Owned by implementing agency
- ii) To be alienated from any other Govt. agency
- iii) To be acquired from private parties
- iv) Mix of the above

c) Time Frame for land to be in position Y _____ N _____

d) Cost of land required for the project : Rs. _____ lakhs

e) If the land is proposed to be adjusted against Institutional Finance, value proposed to be adjusted. : Rs. _____ lakhs

7. Implementation Period _____ Yes _____ N

S.No.	Major Milestones	S date of commencement	Scheduled date of completion
1.			
2.			
3.			
4.			
5.			
6.			

PROJECT SCHEDULED TO BE COMMISSIONED BY (Date)

8. Does the project used amendment to an existing law or anactment of a new legislation?

Y N

If Y, please specify :

Time by which expected : _____

FOOTNOTE

3. Categories:

- A: Commercially viable
- B: User-charge based
- c: Basic services

Strike out whichever is not applicable.

4. Implementing Agency or Consultant (specify name)

5. (Not exceeding 5 lines)

6. 6 major milestones may be indicated (e.g.) for a commercial copies.

- i) Land in position
- ii) Pinalisation of design and bid packages
- iii) Tender finalisation/Award of contract.
- iv) Tariff finalisation.
- v) Enactment of legislation as required
- vi) Physical completion of facility).

B. FINANCIAL DATA

(rS. in Lakhs)

1. Total Cost _____

2. Source of funds

a) To Nodal Agency

b) To Implementing Agency

Source	Amount	Rate of interest (%)	Source	Amount	Rate of interest (%)
GOI					
State Govt.					
Fin. Institution					
Total			Total		

i) If there is a grant component being received by implementing agency, (permissible in respect of 'C' category projects only), please specify the quantum Rs. _____

ii) Private sector investment is permitted against this component. This may be indicated, in case it is used. In case of category 'C' projects, internal generation can be used against FI components. This may be indicated in case it is applied.

3. Schedule of Drawal by Implementing Agency from Nodal Agency (Qr. ending)

GOI										
State Govt.										
Financial Institution										
Total										

4. Income generation/Repayment schedule proposed by Implementing Agency :

Year						
Generation of Revenue projected						
Amount to be repaid						

5. Based on DCF Analysis (Factor 14) for a span of 20 years for category (A) and 10 year⁶ for categories (b) and (c) projects (Discount Factor is for the whole project cost).

NPV'

IRR

Signature

Designation-

Agency

Progress Report on the Implementation of the Centrally Sponsored .scheme of infrastructure Development in Mega Cities for the Quarter of.....

Name of Mega City:

Name of Nodal Agency:

PROFORMA I

Projects cleared in Sanctioning COMMITTEE Meeting by Category

Category A (Commercially

(Rs.in)

S.No.	Name of Project	Project Implementing Agency	Approved Project cost	Financing Pattern			Expenditure Incurred		
				Grant	Loan	Rate of interest at which lent	Upto the end of previous quarter	During the Quarter	By the end of current quarter
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1.									
2.									
3.									
Total									

Total

Category B (User Charge Based)

1.

2.

3.

Total

Category C (Basic Services)

1.

2.

3.

Total

Grand Total

PROFORMA-II

Name of mega City

Name of Nodal Agency :

Quarter

IIA : Funds received into the Mega City Account No _____ at Bank _____
(Rs. in _____)

	<u>Govt. of India Share</u>		<u>State Government Share</u>		Institutional Finance borrowed	Rate of Interest	Total Mega City Fund
	For Technical Assistance	For Projects	For Technical Assistance	For Projects			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

1993-94

1994-95

1995-96

1996-97

1997-98

Upto previous Month

During the Month

By the end of the Month

Quarter:

IIB : Funds released into the Mega City Account No. -----at Bank -----

(Rs. In)

	To Mega City Development Wing				To other Implementing Institutions			
	For Technical Assistance	For Projects			For Technical Assistance:	For Projects		
	(Grants)	Grants	Loans	Rate of Interest	(Grants)	Grants	Loans	Rate of Interest
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

1993 - 94

1994 - 95

1995 - 96

1996 - 97

1997 - 98

Previous Month

During the Month

By the end of the Month

Name of Mega City:

Name of Nodal Agency:

Quarter:

Ilc : Recoveries made into the Revolving Fund Account No..... ..at Bank..... ..

(Rs. in)

From Mega City Development Wing
Targetted Actual

From other implementing Agencies
Targetted Actual

1993-94

1994-95

1995-96

1996-97

1997-98

upto the Previous Month

During the Month

By the end of the Month

Proforma -iii

Project-wise Drawais by Implementing Agency

Quarter:

(Rs in)

S.No.	Name of Project	Project Implementing Agency	Drawl					
			<u>GOL Share</u>		<u>State Share</u>		<u>Institutional Finance</u>	
			Targetted	Actual	Targetted	Actual	Targetted	Actual

the
Previous Month

During the
Month

By the end
of the Month

Proforma-IV

Projectwise Institutional Financing Details

Quarter:

(Rs In)

1. Name of Project	Project Implementing Agency	Name of Institution	Financing	Amount borrowed by the end of the Month	Rate of interest	Amount repaid	Balance Due
--------------------	-----------------------------	---------------------	-----------	---	------------------	---------------	-------------

Proforma-V

Quarter

Projectwise Revenue Generation/Repayment of Loans by Implementing Agencies

(Rs.in)

Name of Project Implementing Agency	Revenue Generation		Reoavments		
	Targetted	Actiial	Due	Actual	Outstanding
	Upto the Previous Month				
	During the Month				
	By the end of the Month				
				