

**INTEGRATED
DEVELOPMENT
OF
SMALL
AND
MEDIUM
TOWNS
(IDSMT)**

REVISED GUIDELINES - 1995



**Government of India
Ministry of Urban Affairs & Employment
Department of Urban Development
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1. INTRODUCTION

1.1 The Centrally-sponsored Scheme of Integrated Development of Small and Medium Towns (IDSMT) was initiated in the Sixth Plan (1979-80) and has continued in the Seventh and Eighth Plans. Its main objective has been to slow down migration from rural areas and smaller towns to large cities by the development of selected small and medium towns which are capable of generating economic growth and employment. Generally migration takes place from villages and towns to cities in search of employment and income opportunities. "Poverty-push" and "prosperity-pull" factors coupled with the expectations that cities offer diverse opportunities for jobs and better living conditions are primarily responsible for this. In addition, there are "prosperity-push" conditions, leading to surplus labour due to modernisation of agricultural practices. The National Commission on Urbanisation has documented evidence in support of "prosperity-push", "poverty-push" and "prosperity-pull" types of migration in various parts of the country. The IDSMT Scheme; by strengthening small and medium towns as regional growth centres aims at reducing migration to large and metropolitan cities. Through the establishment of complementary, linkages between villages, towns and cities, it envisages a harmonious pattern of settlements.

1.2 During mid-term appraisal of the 8th Five year Plan, certain changes in the existing guidelines for the implementation of the IDSMT Scheme were called for on several considerations. These include the enactment of the Constitution (74th Amendment) Act, 1992 and Economic Reforms which emphasise the strengthening of infrastructure and service facilities in growth centres with a view to enhancing their capacity to attract private investment. Accordingly, the existing IDSMT Scheme Guidelines have been revised. The Revised Guidelines are detailed below.

2. OBJECTIVES

The Objectives of the IDSMT Scheme are :

- a) Improving infrastructural facilities and helping in the creation of durable public assets in small and medium towns having potential to emerge as regional centres of economic growth and employment, thereby reducing the incentives for people belonging to rural and smaller urban areas to migrate to bigger cities and towns for jobs.
- b) Decentralising economic growth and employment opportunities and promoting dispersed urbanisation while taking due advantage of the functional interlinkages between villages, towns and cities through a regional planning approach.
- c) Increasing the availability of serviced sites for housing, commercial and industrial uses and promoting the principles of planned and orderly spatial development.

- d) integrating spatial and socio-economic planning as envisaged in the Constitution (74th Amendment) Act, 1992 and preparing and implementing Town/City Development Plans.
- e) Promoting resource-generating schemes for the urban local bodies to improve their overall financial position and ability to undertake long-term infrastructure development programmes on their own as well, as to repay the borrowed capital and usher in necessary municipal reforms.

3. COVERAGE

3.1 IDSMT will be applicable to towns/cities with population upto 5 lakhs subject to the stipulation that about 1/3rd of the total amount available each year for the Scheme as a whole will be allocated to towns with less than 50,000 population. Towns are categorised for the purpose of assistance under IDSMT as follows:

Population	Category
Less than 20,000	A
20,000- 50,000	B
50,000- 100,000	C
100,000- 300,000	D
300,000 - 500,000	E

IDSMT will not be applicable to towns covered under the Prime Minister's Integrated Urban Poverty Eradication Programme (IUPEP), i.e., Category C. For these towns, projects will be taken up following both the IDSMT and IUPEP guidelines (to the extent possible).

3.2 Keeping the objectives of the constitution (74th Amendment) Act in view, the Scheme will apply only to those towns where elections to the local bodies have been held and elected bodies are in position.

3.3 In the selection of towns having potential for development as regional growth centres under IDSMT, preference will be given to headquarters of districts, followed by mandi towns and industrial growth centres (identified by the Ministry of Agriculture and Industries respectively) tourist places, pilgrim centres, etc. While the Scheme will not cover the industrial estates, industrial growth centres could be covered, taking due care to avoid overlapping in the provision of infrastructure provided under IDSMT and Growth Centre Scheme of the Dept. of Industrial Development. The State Governments shall identify towns in accordance with their State Urban Development Strategies. Indicative guidelines for the identification of towns to be included under IDSMT Scheme are at Annex I

3.4 Towns with a population less than 20,000 are more rural in character than urban. However, where such centres are classified as towns as per 1991 Census and are recognised as potential growth centres. Central assistance could be extended under IDSMT.

4. COMPONENTS

4.1 The components for assistance under IDSMT will include works as per City/Town Development/Master Plans which may have city/wnwide significance. An illustrative list is:

- Strengthening of Master Plan road facilities including ring, arterial bypass/link roads and small bridges,
- Sites and services,
- Development of bus/truck terminals,
- Construction/upgradation of Master Plan drains including Stormwater channels,
- Solid waste management,
- Development of market complexes/shopping centres.
- Provision of tourist facilities,
- Development of City/Town Parks,
- Street lighting for Master Plan roads,
- Slaughter houses,
- Major public amenities like Gardens, Playgrounds, Marriage halls, Pay-and-use toilets, etc.
- Cycle/Rickshaw stands,
- Traffic improvement and management schemes,
- Construction of retaining walls and slope stability measures in hill station towns,
- Social amenities, especially for the poorer sections.

4.2 Schemes for water supply in the IDSMT towns are to be undertaken/supported under the HUDCO/LIC/Externally-aided infrastructure lending programmes and the Centrally-sponsored AUWSP Accelerated Urban Water Supply Programme (applicable to towns having less than 20,000 population).

4.3 The cost of land owned by the State Government or the local bodies will not be funded under IDSMT. Cost of land could only form part of the project cost in cases where land would have to be acquired from private parties. However, in such cases, the Central assistance will be subject to a ceiling of 25% of the cost of acquisition. Advance action should be initiated by the city/town concerned before the IDSMT project proposals are drawn up and the stage of acquisition

indicated in the project report. Sites and services projects could be included subject to the condition that titles to land are available and without dispute. Funding for serviced sites should be of a short-term nature so as to encourage the implementing agencies to develop land at a faster pace.

4.4 No wage employment component will be considered for funding under IDSMT, keeping in view the Scheme objectives. Similarly, no staff cost will be permissible.

4.5 The implementing agencies have to adopt a basket-type approach so that the expenses incurred on non-remunerative projects and for the weaker sections are made up through adequate returns from remunerative components such as markets, shopping centres, bus and truck terminals, etc. The indicative ratio between commercial, cost recovery or user-charge-based and non-remunerative projects is 40:30:30. However, this could be different for different size classes of towns depending on town priorities and the loan component involved.

5. FINANCING PATTERN

5.1 The financing pattern under the IDSMT Scheme is shown in the table below:

(Rs. in lakhs)				
Category of Town (Population)	Project cost	Central Assistance (Grant) Maximum	State Share (Grant)	HUDCO/ Financial Institution Loan/ Other Sources
A (< 20000)	100	40	32	20 (20%)
B (20000-50000)	200	90	60	50 (25%)
C (50000-100000)	350	150	100	100 (29%)
D (1 - 3 Lakhs)	550	210	140	200 (36%)
E (3 - 5 Lakhs)	750	270	180	300 (40%)

The project costs indicated above are based on a "Minimum Project Cost" concept, higher project size being conditional upon the availability of higher loan/ other resources including municipal share. The objective is to see that the available funds are not spread out too thinly and the desired objectives of "integrated" development of regional centres of economic growth and employment with the required infrastructural and service facilities are achieved.

5.2 While there is a limit on Central assistance, there will be no ceiling on the amounts that could be made available from the State Governments/Local Bodies from out of their own resources/Institutional Financing Agencies so as to make the projects viable and enable "integrated" development.

5.3 Considering the geographical and other factors in difficult tracts, e.g., in Jammu and Kashmir Himachal Pradesh and North-Eastern States. suitable modifications to the criteria prescribed will be made by the Ministry of Urban Affairs and Employment in consultation with the Planning Commission

5.4 In the formulation and implementation of IDSMT projects, the State Governments and, focal bodies should involve the private sector or adopt public-private partnerships to the extent possible. The modalities of involvement of the private sector would need to be spelt out in the IDSMT project report. Private funding, could be a substitute for, the institutional finance envisaged under the IDSMT Scheme:

6. RELEASE OF CENTRAL ASSISTANCE

6.1 The share from the Central Government under the IDSMT Scheme would be passed on to the State Government as grant. Both the central and State shares will flow, as grants to a special Revolving Fund at the municipal level. However depending on the nature of projects, only 25% of the amounts given by the central and State Governments could be accounted for as outright grant from the 'Fund in the case of non-remunerative projects. The remaining 75% amount would be treated as a corpus to be returned to the revolving fund for self-sustaining development. Keeping the fragile revenue base of small and medium towns in view, the flowback of money to, the Fund in case of towns in categories A and B would be within a period 10 years. For other of towns it would be 7 years. Cost recovery (direct and indirect) has to be built into the projects so that the Revolving Fund will be able to support' infrastructural projects on a continuous basis. Thus, while the Central and State shares under the IDSMT Scheme will be grant, as far' as projects are concerned, resources must be recovered through suitable mechanisms such as rents, premium/deposits collected, sale proceeds, user charges betterment levies, impact fees, development charges, property tax hike, etc. and part of these recoveries will be credited to the Revolving Fund.

6.2 The amount released as central grant will be routed through the state Government or a special agency to be designated by it to ensure accountability and proper maintenance of accounts. The state Governments/Union Territory Administrations would identify the financial institutions which have expressed interest in funding the required investment and send their financial appraisal reports to Government of India while submitting' proposals for release of Central assistance.

6.3 Actual releases from Central Government will depend on: (i) project performance including utilisation of funds released earlier, (ii) availability of State share, (iii) conformity of the proposed projects with the Scheme guidelines including the criteria for the creation of municipal 'devolving Fund, (iv) mobilisation of institutional finance. and (v) progress of policy reforms, envisaged under the Scheme which is expected to 'be a vehicle of urban sector reforms as contemplated in the Constitution (74th. Amendment) Act.

6.4 Central share will be released as instalments: For release of second and subsequent instalments, all the categories of towns must satisfy the condition that qualifying expenditure for release of subsequent instalments exceeds 70% of the Central assistance plus State share released earlier.

6.5 Separate account books for Central assistance, State share and for loans from financing institutions should be maintained by the local bodies in respect of the approved programmes and these should not be mixed up with any other funds. The IDSMT funds will have to be credited to a separate bank account which may be operated jointly by the Chief Executive of the Local Body/Town Planner or an officer designated by the State Government.

7. STATE URBAN DEVELOPMENT STRATEGY

7.1 The State Governments are required to formulate State Urban Development Strategy for the next 10 years and give comprehensive reasoning for proposing towns under the IDSMT Scheme. The selection has to be done carefully after studying in depth the stage of development, growth potential, employment generation capacity, centrality, nodal functions, relative importance of towns in their regional setting. etc. The States are required to submit the list of selected towns in order of priority along with brief proposals in prescribed formats and copies of their State Urban Development Strategy papers to the Ministry of Urban Affairs and Employment. The Strategy will include spatial/regional, socio-economic, institutional and financial strategies for urban development.

7.2 Indicative guidelines for the preparation of State Urban Development Strategy Paper are provided at Annex II. Based on these guidelines, State Governments will identify the list of priority small and medium towns which could be developed as growth centres, keeping the long-term interests of decentralised urban development in view. Once the list is prepared/approved it will not be changed for the next five years.

8. STATE/DISTRICT/CITY/TOWN LEVEL URBAN DEVELOPMENT PLANS

8.1 In accordance with the State Urban Development Strategy and Town/City Master Plans, the Town/City Development (Investment) Plans are to be prepared by the municipalities in the spirit of the Constitution (74th Amendment) Act. To enable the preparation of such Plans and project reports under the IDSMT Scheme, advance grant-in-aid will be available to State Government/Municipalities (through the State nodal agencies) on a 60 [Central grant]: 40 (State grant) basis with total cost restricted to Rs. 3 lakhs in the case of towns with population upto 50,000. Rs.4 lakhs for towns with population between 50,000 and 1 lakh. Rs.5 lakhs for towns with population between 1 and 3 lakhs and Rs.6 lakhs for towns with population between 3 and 5 lakhs under the Central Urban Infrastructure Support Scheme (CUISS). Additional requirements, if any, shall be met by the municipalities concerned locally. 50% of the Central grant will be released as

mobilisation amount on receipt of proposal by the Ministry of urban Affairs and Employment through TCPO and the rest will be released after the approval of the IDSMT projects.

8.2 Release of a central grant-in-aid under CUISS will be dependent on availability of State share and also submission of proposals conforming to development plan/project preparation guidelines to be formulated by MUA&E. These funds can not be used for the preparation of general purpose master plans and will be confined to the preparation of development or investment plans and IDSMT project reports.

8.3 The Town/City Development Plans should take into account the long-term/medium-term development needs of the cities/towns, peripheral areas and the region and State Urban Development Strategy. They should be based on a participatory approach, involving community groups, Non-Government and Community-based Organisations, etc.

8.4 Indicative guidelines for the preparation of Town/City Development Plans are provided at Annex III.

9. STATE/MUNICIPAL URBAN DEVELOPMENT FUND

9.1 It is suggested that the State Governments create a State Urban/Municipal Development Fund at the State level as a part of the reform exercises undertaken in the context of the Constitution (74th Amendment) Act, 1992 so as to provide a capital base for promoting infrastructure development on a continuous basis. The State Urban Development Fund could consist of a mix of selected/earmarked Government Grants and loans from the market, secured with the grant funds used as base/equity. Loans for IDSMT schemes may be made available through this source in case institutional finance is not forthcoming. Loans from the State Urban/Municipal Development Fund may be sanctioned to municipalities at varying rates of interest depending upon the size of municipality and subject to stipulated municipal performance. Similar Funds could be created at the level of IDSMT and non-IDSMT municipalities from out of municipal resources.

9.2 The objectives behind the State Urban Development Fund/Municipal Development Fund are to earmark and systematically channelise funds for infrastructure development so as to give effect to State/Town Development Plans. The Funds will also enforce financial discipline in municipalities and will supplement the efforts under IDSMT.

10. STATE URBAN DEVELOPMENT AGENCY

10.1 It is suggested that State Urban Development Agency (SUDA)/Urban Development Finance Corporation or a similar institution be constituted at State level to handle all the funds released under Centrally-sponsored and State Plan

schemes, manage State Urban Development Fund, coordinate and monitor various urban development programmes. The Agency could be registered as a Society/Company and may have Minister (Urban Development)/Chief Secretary as the Chairman, Secretary (Urban Development) as Vice-Chairman, Director(Local Affairs)/any other suitable officer as Chief Executive Officer and full-time Project Officer, Finance Specialist, Data and Training Manager and some subject-matter specialists. All the Heads of Departments such as Director (Town Planning), Chief Engineer (Public Health), Managing Director, Water Supply and Sewerage Board, etc., could be ex-officio members of the Agency. The Governing Body of the institution may have Secretaries of other Departments, representatives of NGOs and executives of private sector institutions specialising in infrastructure provision, etc., as members. The Agency/institution will monitor the implementation of the State Urban Development Strategy, State urban Development Action Plan and projects. States may take appropriate decision in regard to the suggested institutional framework.,

10.2 The coordination, monitoring and evaluation of the IDSMT/urban development projects at the District level may be undertaken by the District Collectors through District Urban Development Agencies or Monitoring Cells. These Agencies/Cells may focus on smaller towns and cities, leaving the monitoring of schemes in the case of bigger cities to the Municipal Corporations. The Agencies/Cells may assist the District Planning Committees constituted under the Constitution (74th Amendment) Act.

11. REGIONAL/PERIPHERAL DEVELOPMENT

In the spirit of the objectives of IDSMT, the City/Town Development Plans may comprise plans for growth centres, their peripheries covering a certain radius and linkages with other important centres in the region. The funds for peripheral development and link roads may be tapped from schemes such as Jawahar Rozgar Yojana (JRY) on "convergence" basis. The District Planning Committees/Urban Development Agencies/Monitoring Cells will have to take appropriate action.

12. URBAN/MUNICIPAL POLICY REFORMS

It is expected that as supplementation to efforts under IDSMT, State Governments would pursue suitable policies of fiscal and institutional reforms in the municipal sector so as to ensure that the problems of infrastructure deficiencies are addressed in a systematic manner. The Agenda and action plans for reforms should be discussed in the State Urban Strategy and Town Development Plans/Project Reports.

13. SCHEME APPRAISAL

13.1 TCPO will be the nodal agency for appraisal of IDSMT project proposals. Municipalities/State Governments will submit project reports to TCPO at least days before the date of the Sanctioning Committee Meeting. Indicative guidelines

for the preparation of IDSMT project reports are given at Annex IV. TCPO will scrutinise the proposals and present appraisal reports to the IDSMT Sanctioning Committees at the State level. While appraising, TCPO will ensure that:

- i) The proposed components are in accordance with the IDSMT guidelines,
- ii) They are in conformity with the State Urban Strategy and priorities of the State Govts./UTs.
- iii) They meet the present and future demand of the town in terms of urban services and utilities.
- iv) They are in conformity with the Master Plan/Development Plan of the town.
- v) The proposals include action plans for cost recovery, revolving fund and municipal reforms.

13.2 The Municipalities/State Governments are also required to send proposals to HUDCO/other financial institutions regarding the institutional finance requirements. HUDCO/financial institutions may look into the following aspects while appraising the proposals for the loans component:

- i) Suitability of technology,
- ii) Cost-benefit estimates,
- iii) Financial viability/returns of projects, etc.
- iv) Financial soundness/resource mobilisation plans of borrowers.
- v) Loan repayment and revolving fund generation schedule.

13.3 Summary of the appraisal reports for projects along with recommendations of the IDSMT Sanctioning Committee and consent letters from HUDCO/financial institution regarding making the institutional finance component available will be submitted by the State Government/nodal agency to the Ministry of Urban Affairs and Employment through Chief Planner, TCPO for consideration of release of Central assistance.

13.4 Indicative guidelines for the preparation of Project Reports by municipalities/States are given at Annex IV.

14. MODE OF SANCTION

14.1 A Sanctioning Committee at the State level will consider the IDSMT appraisal reports submitted by TCPO/HUDCO/financial institutions. After approval by the Sanctioning Committee, recommendations (along with Minutes of Meeting) will be sent to the the Ministry of Urban Affairs and Employment through TCPO for release of Central assistance.

14.2 The composition of the IDSMT Sanctioning Committee at the State level will be as follows:

Secretary, Urban Development/Local Government (in charge of IDSMT)	Chairman
secretary, Finance	Member
Director (Town & Country Planning)	Member
Commissioner/Director (Municipal Admn.)	Member
Representative of MUA&E	Member
Representative of Planning Commission	Member
Representative of TCPO	Member
Representative from Financial institution/HUDO	Invitee

The State Governments may make changes in the composition of the State Government representatives, in case so desired. Either Director (Town and Country Planning) or Director (Municipal Administration) could be made the convener. The Ministry of Urban Affairs and Employment will communicate the names of the representatives from MUA&E, TCPO and the Planning Commission to the State Governments.

14.3 The terms of reference of the Sanctioning Committee will include the following:

- a. Examine and approve IDSMT project reports submitted by the local bodies taking into account the appraisal reports;
- b. Periodically monitor the progress of funds mobilisation and implementation of various projects taken up under the Scheme;
- c. Review the implementation of the Scheme keeping in view its broad objectives 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 MUA&E/Planning Commission.
- e. Recommend to MUA&E through State Government and TCPO the release of Central assistance.
- f. Review the progress of Municipal Reforms and take up other matters as the State Government may consider appropriate.

14.4 The Sanctioning Committee will clear projects keeping in view the basic objectives, the broad parameters laid down and the guidelines issued by Ministry of Urban Affairs and Employment from time to time in this regard. The purpose of the Scheme is to provide the essential infrastructure which will upgrade the quality of infrastructure in the selected growth centres. The projects which do not fulfil the guidelines or which fall within the negative list of projects indicated by the Ministry will not be eligible for Central assistance.

14.5 The Sanctioning Committee will consider projects relating to new towns and in the case of old towns, new projects only. On the basis of report received by Government of India from the State Governments through TCPO, the Joint Secretary (UD) would be competent to release second and further instalments of Central assistance for the ongoing schemes sanctioned in previous years.

14.6 The funds allocated for one component shall not be diverted to any other component, nor can funds allotted to one town be diverted to another town without approval from Government of India.

15. ASSISTANCE FOR PREPARATION OF PROJECT REPORTS/FEASIBILITY STUDIES

15.1 The State Governments/UT Administrations would identify the local bodies which require financial assistance for preparation of Development Plans/feasibility studies/project reports for infrastructure development. Funding from the Central Government will be as indicated in Section 6. The State Governments/Municipalities are free to employ consultants or take assistance of the Central Town and Country Planning Organisation (TCPO) in this regard. They are required to indicate agencies which will take up consultancy for which financial assistance is required. Detailed terms and conditions, nature of job, requirement of funding and time frame, etc. will need to be spelt out in proposals for funding

15.2 Proposals for grant-in-aid under CUISS should be submitted to the Chief Planner, TCPO, New Delhi. TCPO will scrutinise the proposals based on the guidelines of IDSMT and CUISS and assessment of, the technical capabilities and economic base of the towns, and submit to MUA&E for consideration.

16. MONITORING AND EVALUATION

The monitoring and evaluation of projects under the IDSMT Scheme will be carried out by TCPO. Quarterly progress reports should be submitted by the State/UT Governments/nodal agencies/municipalities to Chief Planner. TCPO in the prescribed formats. TCPO will keep the Ministry informed about the progress under IDSMT Scheme. Inspections of projects would be carried out by officers of TCPO/MUA&E. Physical and financial progress will be reviewed at regular intervals by the Ministry of Urban Affairs and Employment with State/UT representatives. TCPO will be responsible for preparing a status report on the IDSMT in consultation with MUA&E every year (by 30th April).

17. TRAINING AND CAPACITY BUILDING

The Central and State Governments will make continuous efforts for training and upgradation of the skills of the personnel dealing with the preparation of project reports and implementation of the IDSMT Scheme. Short-term orientation work-

shops/courses will be arranged by TCPO/HIJDCO for this purpose. The funding for training will be available under the research and training budget of Ministry of Urban Affairs & Employment. TCPO will be the nodal agency for training under IDSMT Scheme.

18. MISCELLANEOUS

18.1 The assistance for the towns in respect of projects, already approved under the IDSMT Scheme from the Seventh Plan onwards would continue according to the old financing pattern depending on the commencement of projects, their completion schedule and annual budgetary provisions including availability of State share. However, such towns will be eligible for additional projects under the revised IDSMT Guidelines, if they satisfy these Guidelines, Central assistance under the old and new patterns in that case will not exceed the maximum permissible.

18.2 The projects approved under earlier financing pattern for which State share is not released and which are not commenced by 1995-96 will not be eligible for further release of Central assistance.

18.3 The Ministry of Urban Affairs and Employment will effect changes in the IDSMT Scheme guidelines, other than those affecting the financing pattern as the Scheme proceeds, if such changes are considered necessary.