

STATUS REPORT ON URBAN REFORMS IN TAMIL NADU

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Over the past decade and a half, a series of reform initiatives have been initiated to address three glaring problems relating to urbanization in India: first, the increasingly rapid pace of urbanization and growth of urban populations across the country; second, the enormous gaps in urban infrastructure provision that are being described as a historical backlog and third, the serious challenges of urban governance, arising from the fact that urban bodies have been governed by state departments and various parastatal agencies for the past few decades. All the above problems are inter-related – the growth of urban centers and their populations, and the volume of funds needed to bring their infrastructure up to required levels spells out the need to foster functional autonomy and local responsibility in municipalities so that they can plan, design and finance their own development.

The trajectory of reform in urban governance in Tamil Nadu (TN) is older than that of the country as a whole. Reforms in Tamil Nadu can be traced back over three decades, to the entry of the World Bank into funding for the urban sector in the mid-1970s. The series of projects initiated as a result of this relationship (viz. the Madras Urban Development Projects (MUDP) 1 and 2; Tamil Nadu Urban Development Projects (TNUDP) I and II; and the Tamil Nadu Urban Development Fund (TNUDF)) carried clear agendas of bringing about institutional and policy changes in the sector. Although there were no explicit conditionalities laid down for funding under these projects, the guidelines for funding eligibility included criteria that were aimed at establishing the local body's financial viability and repayment ability.¹ In addition, these projects included components for institutional strengthening that were aimed to ensure the achievement of these criteria as a part of the ongoing implementation of reform in urban governance.

This trajectory of reform continued in 1994 with the passing of the state-level legislation in conformity with the 74th Constitutional Amendment in India (1993). It culminated with the launching of the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) at the center in 2005. The reforms envisaged by the JNNURM for urban centers across the country combined the institutional and financial measures pioneered in the TNUDP and TNUDF projects with the decentralization and governance measures mandated by the 74th Amendment.

¹ For instance, the TNUDF stipulates that only ULBs that maintain on an average, a ratio of total expenditure / total revenue (tax and regular non-tax revenue) less than one can apply. To ensure financial viability, it requires that the economic rate of return for a specific project should at least be 12 per cent. Again, it requires ULBs to maintain escrow accounts to ensure that user fees or tariff levied on a specific project is available for servicing of loans. Towards this ULBs are encouraged to charge user fees, increase property taxes and tariffs to increase their revenues.

This report examines the record of implementation of the JNNURM in Tamil Nadu. The mission has two components: projects and reforms. This report lays focus on the state's performance in terms of the *reforms* agenda, although it also discusses, in passing, the implementation of JNNURM projects in the state. In line with the approach of the Urban Infrastructure Reforms Facility (UIRF, of which this report is a part), it seeks to examine the record of reforms on their own terms, rather than taking an *a priori* position for or against the direction of reforms. Also in line with the UIRF approach, it examines the JNNURM package of reforms as part of a wider and longer-term regime of change, rather than a set of measures bounded by the time-frame and coverage of the mission.

Accordingly, the report is structured as follows: section A below discusses the historical backdrop of urban reforms in Tamil Nadu that lead up to and lay the grounds for the JNNURM regime of reforms. Section B then focuses in on the JNNURM itself. It first outlines the structure of the mission in terms of its components and its institutional framework in Tamil Nadu. It then provides an overview of JNNURM projects in the big mission cities, of the state and in small and medium towns (through the component called Urban Infrastructure Development Scheme for Small and Medium Towns, UIDSSMT). Section C moves on to examine the reforms component of the JNNURM. It provides an overview of the state's reported achievements on reforms in general, provides a brief discussion of some of the issues and challenges faced in implementing these reforms, and then proceeds to discuss in more detail three selected reforms: the introduction of accrual based accounting in all ULBs, encouragement of PPPs, and a package of pro-poor reforms including earmarking of funds for service to the urban poor, provision of services to the urban poor, and earmarking of land for the Economically Weaker Sections (EWS).

Material for this report has been compiled from a variety of sources. The sections tracing the history of urban reforms in TN have relied on secondary material such as articles, reports and government documents. The analysis of JNNURM programs and their implementation in TN draws on official reports (from the JNNURM website and TUFIDCO documents) as well as from some secondary sources. The analysis of reforms and their implementation in TN relies on material collected from official agencies and, importantly, from interviews with officials from nodal agencies such as TUFIDCO, DMA, TNUDF, parastatals like TNSCB, as well as with municipal officials and chairpersons. The findings and insights from town-level studies conducted under the aegis of the UIRF also contributed to these analyses. Insights of key informants and commentators from civil society have also been reflected in this report.

A. THE BACKDROP.

The generic term 'reform' has a specific meaning in the context of contemporary urban governance. This meaning has evolved and been established as part of particular historical processes and relationships, so that there is now a fairly strong consensus between governments, funding agencies, private sector stakeholders, and prominent sections of the citizenry on the normative substance as well as the direction of reform.

Tamil Nadu has been an important site for the evolution of experiments and institutions that have helped to establish the model of urban reforms that is dominant at a national level. Many of the core reforms mandated by Jawaharlal Nehru Urban Renewal Mission (JNNURM), such as the introduction of accrual-based accounting systems in Urban Local Bodies and the abolition of the land ceiling act, were accomplished in Tamil Nadu well before the introduction of the JNNURM. The state of Tamil Nadu is among the leading states in the country not only in the adoption of reforms, but in the implementation of infrastructure projects, as noted in a recent government document: "Tamil Nadu is one of the best performing states in the implementation of the Jawaharlal Nehru Urban Renewal Mission (JNNURM) and several of its completed projects are being benchmarked as worthy of being emulated. This is a matter of justifiable pride" (Policy Note, Municipal Administration and Water Supply Department (MAWS), 2010-11, p.3).

This section seeks to map the historical/institutional route through which this model of reform has arrived at its current consensus, and to identify its key ingredients.

A.1. What do we mean by 'reform' in the context of urban governance?

While the JNNURM has taken an unprecedented and bold step in pushing reforms as a standardized mission across the country, reforms per se, or even their imposition on state institutions in the form of fund conditionalities, are not new. The agenda of reform has been written into urban projects since at least the 1970s in Tamil Nadu, or rather, more specifically, in Chennai city, with the entry of the World Bank into projects in the urban sector, carrying missions of institutional and policy reorientation along with its funds. This relationship between Tamil Nadu's urban sectors and the World Bank has carried on into the decade of the 2000s, and played a strong role in institutionalizing several principles of urban reforms in various key state parastatals such as the TN Slum Clearance Board, the Chennai Metropolitan Development Authority (CMDA) and the TN Housing Board, as well as, in its later stages, in urban local bodies (ULBs). While tracking this trajectory of reform back to the 1970s in Chennai, we identify the major principles of reform that have come to shape the national urban reform agenda, but we also identify minor shifts in emphasis and orientation.

A.2. Historical trajectory of urban governance reforms in TN

A.2.1. World Bank-sponsored reformist projects in TN: MUDPs, TNUDPs and the TNUDF

One of the earliest interventions in the domain of urban infrastructure development in Tamil Nadu was the initiation of the Madras Urban Development Project (MUDP) in 1977 with a loan from the World Bank. Madras in the 1970s was considered "a suitable place to test and demonstrate the reformist theory of urban development, especially housing, for developing countries" (World Bank 1988, quoted in Joshi, 2003). The first MUDP project (MUDP I, 1977-1982), focused primarily on the city of Chennai, was meant to finance urban infrastructure sectors like transport and housing. The housing project included a component for poorer sections which was partly subsidised by a

revenue-generating housing component for higher income sections. The MUDP was extended for another 5 years (MUDP II 1983-1988) and included other infrastructure development components as well.

The MUDP projects introduced some pronounced shifts in the policies governing urban housing and slum development in Chennai. The dominant strategy of slum clearance at the time, which consisted of in-situ tenement construction, was replaced by a sites-and-services model offering secure tenure to slum residents (Raman, 2006). Financial sustainability was an important goal in these projects, and the principle of full cost recovery was introduced in sectors where costs were rarely sought to be recovered (Joshi 2003). The Bank's ideas about urban problems and their ideal solutions were articulated in a series of policy documents, *Urbanization* published in 1972, *Sites and Services Projects* published in 1974 and *Housing* published in 1975. These expressed a very coherent vision of what the Bank believed were the appropriate municipal policies to respond to the problems of urbanization faced by developing countries, especially shelter. Apart from financial sustainability, an important aspect of reform pushed by the Bank in these projects was the insulation of government bureaucracies and their policy-making mechanisms from political interference. The Bank attempted to impose these policies and reforms in all their urban sector projects. Indeed, from 1972 to 1986, sites-and-services projects and slum upgrading projects made up more than 70% of total shelter lending.²

The MUDPs were followed up by the Tamil Nadu Urban Development Project (TNUDP I) in 1988. The launch of the TNUDP I (1988-1997) coincided with the onset of liberalisation in India, and hence constituted an important means to push forward critical reforms in the provisioning of urban infrastructure and services. Under the TNUDP, a fund called the Municipal Urban Development Fund (MUDF) was set up to finance urban infrastructure investments, with a World Bank loan of Rs.167 crore, managed entirely by the state government. The fund operated for 8 years and extended loans of about Rs.200 crores to 74 Urban Local Bodies (ULBs) upto September 30, 1996.

The successful track record of the MUDF enabled GoTN to broaden the scope of the fund to attract private capital into urban infrastructure, and facilitate better performing ULBs to access capital markets (TNUDF website). The Tamil Nadu Urban Development Fund (TNUDF) was established in 1996 on a Public-Private Partnership (PPP) mode by the Government of Tamil Nadu in partnership with ICICI, HDFC and IL&FS, all of which are well-established Indian financial institutions with private equity ownership. The ownership pattern is: GoTN equity: 49%, ICICI 21%, HDFC 15%, IL&FS 15%. This reformed structure of the fund was a response to the perceived lower efficiency of the MUDF, and its vulnerability to bureaucratic interference. Its funds were transferred to the TNUDF, an institution which enabled entry of private domestic capital into urban infrastructure for the first time in the state. An important stated objective of TNUDF is to facilitate private sector participation in urban infrastructure through joint ventures and public-private partnerships. The fund operates with a line of credit from the

² Buckley and Kalarickal 16 & 17. From 1987 to 2005, only 15% of the total amount of money lent for shelter went to sites-and-services, although the figure is not strictly comparable because the total amount invested in shelter has also increased greatly in the last decade.

World Bank in order to bridge the demand-supply gap, provide for linking ULBs with capital markets and to instill a sense of market discipline in these bodies (ibid). The Tamil Nadu Urban Infrastructure Financial Services Ltd (TNUIFSL), an asset management company was floated and designated as the fund manager of TNUDF. The company's income was based on the amounts disbursed and was majority-owned by the three participating financial institutions (PFIs). The fund was overseen by a trust company, the TUIFC (elaborate), which operated as a board to the TNUDF, with representation of all major shareholders. The fund also operates a complementary window, the Grant Fund, to assist in addressing the problems of the urban poor. The Grant fund component was meant to finance infrastructure projects which directly benefit low income populations such as water supply and sanitation, to provide viability gap funding of sub-projects and to meet the cost of resettlement and Rehabilitation of projects financed by the TNUDF.

TNUDF-I was followed by TNUDF - II (1999-2004) which was implemented with a line of credit from the World Bank (of Rs. 500 crore) for financing urban civic amenities as well as for institutional strengthening. TNUDF-II's urban investment component for civic amenities was routed through TNUDF, thus establishing the required link between civic infrastructure financing and domestic capital markets. This project signalled an important shift from the government-led integrated urban development operations to a market-oriented financing intermediary operation (Joshi: 7). A Program Monitoring Unit (PMU) was set up by the GoTN to implement the institutional development component, while the urban investment component was handled by the TNUDF and TNUIFSL. TNUDF II came to an end in November 2004 and was rated 'satisfactory' by the World Bank based on its financial performance. Its financing models have been hailed as 'best practice' to be emulated in urban contexts across the country (ibid).

There were several aspects in which this series of projects evolved, expanded and extended the reach of urban reforms in Tamil Nadu. MUDP 1 and 2 covered only the Madras Metropolitan Area, TNUDF I covered all municipal corporations and municipalities in the state, while TNUDF II extended itself to encompass all ULBs including town panchayats across the state. MUDP focused primarily on financing infrastructure projects in one or two sectors, while the TNUDF I and II complemented project funding across a range of sectors with support for institutional strengthening, primarily in terms of building the managerial, financial and technical capacities of ULBs to mobilize finance from private capital markets. This was achieved through a combination of capacity-building inputs and loan conditionalities. Financing models were expanded from straightforward government funding to joint ventures, municipal bonds issued in private capital markets, pooled finance models, and others.

In 1996, a World Bank report dubbed TN a 'reform-oriented state' along with Andhra Pradesh, Gujarat, Karnataka and Maharashtra. By 2004, at the end of TNUDF II, the World Bank's policy prescriptions were strongly governed by what has been dubbed 'technocratic neoliberalism', a paradigm that pushed for deregulation of markets, privatization of municipal services, affordability, cost recovery and replicability. As Joshi (2003) argues, an intergenerational analysis of this series of World Bank-funded

urban development projects in TN reveal a slow paradigm shift, from projects focused on improving physical amenities and infrastructure with state assistance, to projects focused on creating the right institutional climate and capacity for ULBs to access private capital for infrastructure creation.

The current project, TNUDP III, launched in 2005, aims to further consolidate the achievement of the TNUDP II project. Like the TNUDP II, it comprises two components: an institutional development component and an urban investment component to be implemented through TNUDF. Mobilizing resources for basic urban infrastructure investments (water supply, sewerage and sanitation, solid waste management, roads, transport networks, storm water drains, street lighting) and providing incentives for investments in low income neighbourhoods through capital grants will be undertaken. This component also envisages securing other sustainable funding sources for urban infrastructure investment, through TNUDF and municipal bond issuance.

A.2.2. 74th Amendment and its Impact in Tamil Nadu

The 74th Amendment passed by the central government in 1992 attempted to i) bring in an elected political leadership at the municipality level, ii) devolve a set of functions and responsibilities, including planning, to local governments, in theory reducing their dependence on state government parastatals, and, iii) ensure a reliable flow of uncommitted funds to local bodies, to enable them to build up their financial autonomy, including their powers to borrow.

Tamil Nadu's conformity legislation in 1994 involved amending the District Municipalities Act of 1920 and its various Municipal Corporation Acts. It also brought Town Panchayats, hitherto governed as rural bodies under the Tamil Nadu Panchayats Act 1958, into the rubric of urban governance and the jurisdiction of the District Municipalities Act.

Three State Finance Commissions were appointed in Tamil Nadu in accordance with the provisions of the 74th Amendments. On the recommendations of these commissions, a routine devolution of funds from the state government to ULBs, currently amounting to 9% of the state budget, and a slow process of devolution of functions has been occurring over the years. The state now has 516 town panchayats, 148 municipalities and 6 municipal corporations, each with elected councils and leaders (mayors, chairpersons or presidents). Elections to all ULBs have been held three times since 1996. Staffing has been strengthened in ULBs. Several steps have been taken over the years to enhance the powers of ULBs to design, plan, implement and finance their own projects. For example, the administrative and technical sanction powers of councils have been enhanced, their capacity to prepare viable project proposals and procure contracts has been strengthened, and their taxation and revenue-raising powers have been increased (See the State Level Background Paper, TN, for more on these aspects).

Officials of the TNUDF and the TNUDP perceive the 74th Amendment as an important threshold in the progress of market-oriented reforms. According to them, key features of

the legislation have enabled ULBs to function as autonomous and viable economic units that are 'bankable' from a financial perspective. A former head of the TNUDF outlined these features. First, the existence of a political body and a political leader in every ULB allows for the articulation of demand-driven projects, as elected representatives can be taken as the proxy for local demand. Interestingly, while the World Bank-funded projects (MUDP and TNUDF) made strong efforts to insulate state services such as housing and transport from political influence, the 74th Amendment sought to relocate these services within a framework of local government headed by elected political heads. Second, based on the recommendations of State Finance Committees, municipalities have access to uncommitted flows of regular cash, which they can use to take loans for building infrastructure. In other words, the relatively stable revenue stream enabled by financial devolutions and own revenue sources enables municipalities to use debt finance for developing infrastructure. Third, there is at least a push toward reducing problems arising from 'functional fragmentation', so that basic services like water and sanitation are being gradually moved from the jurisdiction of parastatals like the Tamil Nadu Water and Drainage Board (TWAD) to ULBs. Spurred by these three achievements, several small and medium towns have, since 1996, begun to use opportunities opened up by projects like TNUDF. The most prominent example in Tamil Nadu is that of Alandur Municipality, which pioneered the now widely used model of constructing underground sewerage schemes in small/medium municipalities through raising a portion of the capital costs from residents, borrowing from the market, and repaying through user charges.

A.3. Summary: Core Components of Reform in Urban Governance

The set of reforms sketched above can be framed in two, not necessarily contradictory, ways. One, from the perspective of common citizens, the reforms that have been set in motion across the landscape of urban governance in Tamil Nadu can be argued to have created opportunities for improvements in urban amenities and for some voice in the governance of the town or city, leading perhaps to a better quality of life for all residents. A second perspective on reforms is the official one, the perspective of central and state governments looking at towns as potential engines of economic growth, and of donors, lenders and investors, looking for markets for financial and other products. Interestingly, while both approaches employ the language of local autonomy, empowerment of local bodies, responsiveness of municipal government to citizens' needs, and citizen participation, the perspectives of citizens are rarely voiced in the debates and discussions on reform. Rather than a convergence in meanings, goals and actions between citizens' and official perspectives, then, the current scenario suggests that the perspectives and priorities of state and national government and of donors, financiers and investors, has come to dominate. It is this perspective that defines the nature, orientation and priorities of reforms.

The impetus for reforms in Tamil Nadu appears to have been predominantly financial. The traditional dependence of municipalities on ad hoc and often unreliable or fluctuating grants from states, or on central government schemes such as Accelerated Urban Water Supply Scheme, City Investment Funds, and others, rendered municipalities incapable of responding to the challenges of growing urbanization and the scale of the backlog in

infrastructure. In addition, in a neoliberal context, where governments are backing away from directly providing basic services, and focusing more on creating conditions for markets and private investors to deliver these services, reforms reposition municipal infrastructure as a potentially lucrative market for private investment, both domestic and global. The main purpose of the reforms, starting with the 74th Amendment, then, can be said to be that of making urban bodies financially viable by creating local autonomy *for financial management*, by reducing geographic and functional fragmentation, and by creating a political leadership who can articulate local demand for projects and investments.

In summary, the core elements of reform that have carried through from the series of institutional innovations pioneered in TN, mediated through the 74th Amendment, into the national reform regime of the JNNURM, then, are the following:

- 1) A focus on institutional strengthening as the primary ingredient of improved service delivery;
- 2) A focus on financial viability and sustainability as the principle component of institutional strengthening. This includes reformed accounting practices as well as revenue structures in state agencies and ULBs;
- 3) A concerted thrust toward market-oriented modes of service delivery and financing. This orientation determines the meanings and goals of institutional strengthening and financial sustainability.
- 4) Encouragement of private sector participation in as many aspects of urban governance as possible;
- 5) Conferring functional autonomy on all units of urban governance so that they can operate as independent economic and financial entities with well-developed capacities;
- 6) Establishing mechanisms within this market-oriented framework to accommodate and provide for the urban poor. The underlying principles of these mechanisms have shifted from cross-subsidy to earmarking.

B. THE JNNURM REGIME.

Acknowledging that the advancement of urban economies depends on investments in physical infrastructure as well as in institutional and governance infrastructure, the Government of India in 2005 launched the Jawaharlal Nehru National Urban Renewal Mission (JnNURM). Through this centrally sponsored scheme the central government proposed to provide Rs.500 crore directly to 63 big cities in the country to finance urban development projects. The objective was to encourage systematic processes of city planning and to facilitate urban development along with reformed urban governance. Among the primary stated aims of the JNNURM was to stimulate private investment in municipalities. The JNNURM represented a merging and integration of the GOI's various municipal infrastructure funding schemes into a single mission targeted to cities

classified on the basis of population from the Census 2001. Cities with populations more than four million (omega cities) and those between one and four million (metropolitan cities) were selected for the core JNNURM programme.

The scheme has two sub-missions under which it transfers funds to cities. The first is the Urban Infrastructure and Governance (UIG) sub-mission, which finances development of water supply, sewerage, waste management, roads, storm water drains, public transport and the re-development of inner city areas projects. The second is the Basic Services to the Urban Poor (BSUP) sub-mission which finances the integrated development of slums, affordable housing for slum dwellers, and the provision of basic amenities to the urban poor.

Smaller cities and towns are assisted under a parallel mission launched simultaneously as part of the extended JNNURM, called the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT). This parallel mission also comprises the Integrated Housing and Slum Development Project (IHSDP), a housing scheme for cities and towns that are not covered under JNNURM.

All of these are of 7 years duration, from 2005 to 2012. The capital outlay provided under JNNURM regime surpasses all provisions made by the central government for urban development in the past.

Under this mission, significant funds have been provided for urban investments in the form of project funding, but their disbursements have been sought to be linked with the progress of a stipulated set of reforms. Thus, the mission represents an attempt by the Government of India to pressurize state governments to implement the provisions and spirit of 74th CAA by applying a set of conditionalities for sanctioning and disbursement of funds. These conditionalities are in the form of 23 reform measures to be implemented by states and urban bodies. Of these, 13 are mandatory – 7 at the state level and 6 at the ULB level. Ten are optional reforms, which means that they can be implemented in an optional time sequence. In other words, the state government or ULB can select any two reforms out of a set of 10 for implementation per year.

The JNNURM regime has a three-pronged agenda. The first prong, urban infrastructure development, aims to facilitate fast track development of efficient cities. The second is aimed at making cities livable by providing housing and basic services for the urban poor through redevelopment of slums, building low cost housing, and improving infrastructure in existing slums. The third aims to introduce a set of governance reforms. This includes a wide range of measures, from deregulation of urban land and housing markets, adoption of new systems of financial management, and cost recovery for provision of basic services, to community participation in urban governance.

B.1. OVERVIEW OF JNNURM PROGRAMMES IN TAMIL NADU

B.1.1. Structure of the Mission and Institutional Arrangements in Tamil Nadu

In accordance with the population criteria outlined above, Tamil Nadu has three core JNNURM mission cities, namely, Chennai, Coimbatore and Madurai. Chennai is identified as a ‘Mega City’, Coimbatore as an ‘Industrial Mega City’ and Madurai is to be developed as a ‘Heritage City’³. The two sub-missions of the JNNURM, namely Urban Infrastructure and Governance (UIG) and Basic Services for the Urban Poor are implemented in these three cities and their Urban Agglomerations. The UIDSSMT assists 115 towns and municipalities in the state, and the IHSDP assists 50 municipalities and 25 towns.

Tamil Nadu has two state-level nodal agencies (SLNAs) appointed by the state government to govern the implementation of various JNNURM components in the state. Tamil Nadu Urban Finance and Infrastructure Development Corporation (TUFIDCO) is the nodal agency for the UIG component of the JNNURM (big cities) and for the UIDSSMT (other cities and towns)⁴, while the Directorate of Municipal Administration (DMA) functions as the nodal agency for the BSUP sub-mission of the JNNURM and for the IHSDP.

B.1.1.1: Institutional Arrangements Governing the UIG and UIDSSMT in Tamil Nadu

Formed in 1991, TUFIDCO functioned in earlier years as a nodal agency for schemes sponsored by the Government of India, such as the low-cost sanitation scheme, the Nehru Rozgar Yojana, the Mega Cities Project and the IDSMT. The latter two were subsumed under the JNNURM rubric in 2005.

The main role of TUFIDCO as a nodal agency for the JNNURM is to route funds from the central and governments to ULBs. Detailed Project Reports (DPRs) for UIG and UIDSSMT projects, when prepared, are presented before the State-Level Sanctioning Committee (SLSC). The SLSC is supposed to meet twice a year, but in practice it meets only when there is a pile of DPRs ready for approval – in many recent years this has been once a year. Meetings are convened by TUFIDCO and chaired by the Minister of Local Administration. The committee comprises all relevant department heads (Secretary MAWS, Director of Municipal Administration, MD of Metrowater, Commissioner of Chennai Corporation, heads of other parastatals like TN Slum Clearance Board, TN Housing Board, CMDA, etc). TUFIDCO oversees and coordinates all measures needed to obtain sanction for projects and to secure and channelise the funds to ULBs; it also manages the loan component, maintains the revolving fund derived from it, and distributes this among ULBs.

The agency that prepares the Detailed Project Reports (DPRs) or project proposals varies by the sector involved. For projects involving solid waste management, and for construction of roads and (storm water) drains, activities that municipalities have long

³ NIUA and GoI. (n.d.). *PEARL group cities*. Retrieved June 6, 2011, from India Urban Portal: <http://www.indiaurbanportal.in/CityNetwork.aspx>

⁴ http://www.tn.gov.in/dtp/gopdf/11_9.pdf

managed themselves, ULBs prepare the DPRs themselves in consultation with the Directorate of Municipal Administration (DMA). For water and sanitation schemes, the state-run parastatal CMWSSB prepares the DPRs for Chennai and the ULBs in its metropolitan area. The TWAD Board prepares DPRs for water schemes in some municipalities and towns in the state, and also for some sewerage schemes, but several towns and municipalities have also acquired capacity and opted to independently prepare DPRs for water and underground drainage, sometimes with the assistance of consultants. A fund amounting to one percent of the project cost is granted by the central government, under the mission, for employing consultants to write DPRs.

DPRs are then routed via the Directorate of Municipal Administration (DMA) to TUFIDCO, which conducts a preliminary appraisal based on the JNNURM/UIDSSMT guidelines. The DPR, along with the appraisal report, is placed at SLSC for review. UIDSSMT projects are sanctioned directly by the SLSC after technical review, while JNNURM projects are forwarded to the GOI's Central Sanctioning and Monitoring Committee (CSMC). Technical appraisal of projects under the UIG component of the JNNURM, and the UIDSSMT, is done by the Central Public Health Engineering Organization (CPHEEO). In some cases, TUFIDCO constitutes its own in-house appraisal committee, comprising experts in the field, to prepare a preliminary report to place before the SLSC.

There are numerous monitoring mechanisms for the JNNURM. Apart from the in-house monitoring conducted by TUFIDCO, a third party Independent Review and Monitoring Agency (IRMA) has been set up as recommended by the GOI for the UIG and UIDSSMT. The contract for the IRMA in Tamil Nadu has been awarded to M/s Mahendra Consulting Engineers, Ltd., from a list of agencies compiled by the GOI. The work of this agency has commenced; a set of 12 projects under UIDSSMT have been taken up for monitoring and review, and reports have been submitted.

A Project Management Unit has also been established within TUFIDCO with six functional specialists as approved by the Government of India for the UIG. The same PMU functions for UIDSSMT.

B.1.1.2 Institutional Arrangements Governing the BSUP in Tamil Nadu

The Directorate of Municipal Administration (DMA) functioning under the Department of Municipal Administration and Water supply (MAWS), Government of Tamil Nadu is the state level nodal agency (SLNA) for the implementation of projects under Basic Services for Urban Poor (BSUP) and Integrated Hosing and Slum Development Project (IHSDP).

The DMA has set up a Project Management Unit (PMU) and 4 Project Implementation Units (PIU), 1 in the Slum Clearance Board, and 1 each in Chennai, Madurai and Coimbatore, to assist the ULBs in implementing the BSUP. One is being formed at the Directorate of Town Panchayats (DTP). Each PIU comprises 5 members each with expertise in technical, financial, information system, social work as well as research and training. The PIUs have been set up through calls for open tender, to provide technical

support to develop plans, reports, improve accounting practices, and in the implementation of projects. PIUs are also tasked with conducting surveys when needed.

Detailed Projects Reports developed by ULBs with the assistance of the DMA are sent to HUDCO for technical and financial appraisal, and then forwarded, along with HUDCO's comments and recommendations, to the Central Sanctioning and Monitoring Committee (CSMC) under the GOI's Ministry of Housing and Urban Poverty (HUPA).

In accordance with HUPA guidelines, BSUP projects are monitored through a Third Party Inspection and Monitoring agency (TPIMA). In Tamil Nadu, the TPIMA contract was awarded in three packages to: i) Mahindra Consulting Engineers Limited, Chennai for package 1 and 3, and ii) SGS India private limited, Coimbatore for Package 2.

B.2. JNNURM Programs in the 3 Metropolitan Cities of Tamil Nadu

B.2.1. City Development Plans

JNNURM guidelines require the formulation of a City Development Plan (CDP) by each Urban Local Body (ULB). A CDP is intended to constitute a vision of development for the city and should include information about policies, programmes, and financing plans to be implemented to achieve the developmental goals that the ULB envisages for the city. This is used as a baseline or reference point on existing infrastructure, around which future development of infrastructure can be based. This baseline facilitates an identification of projects to be undertaken in various priority sector areas and can be used as a measure of achievements in terms of outcomes and impacts, thus leveraging central and state government assistance.

The guidelines specify that the city development plans should be inclusive, and should be drafted in a participatory manner. However, the plans for Chennai, Coimbatore and Madurai Corporations were all developed by consultants. This raises questions on the participatory and inclusive nature of the CDPs, and whether the outcomes of the stakeholder consultation, if organised, were incorporated while deciding priority sectors for interventions through development of detailed project reports (DPRs)⁵. A major problem in making the plans was the multitude of overlapping functional jurisdictions of concerned institutions. For example, CMWSSB is responsible for the creation and maintenance of water and sewerage infrastructure in Chennai city and in several of the towns and cities within its metropolitan area; Tamil Nadu Water Supply and Drainage Board (TWAD) is responsible for these functions in other towns and cities across the state; and municipalities have also acquired some powers in these functions. The Town and Country Planning Department (TCPD) of the state government is responsible for preparing the master plans and comprehensive development plans while city corporations only have mandate to implement these plans. The JnNURM programme has placed the responsibility of preparing CDPs on municipal corporations ((Ramamoorthy, July 2009)

⁵ Dey, Paramita Datta. Et al. "Looking Back to Look Ahead: Background Paper on CDP Appraisals" National Institute of Urban Affairs. November 2006

Chennai CDP

Administrative Convergence

An appraisal of Chennai's CDP, conducted by Administrative Staff College of India (ASCI)⁶ as per guidelines of both the sub-missions, criticized the CDP for failing to clearly demarcate areas under the influence of the Chennai Metropolitan Area (CMA), in particular the various municipalities and town panchayats it comprised, from the Corporation of Chennai (CoC) and other civic authorities like the Chennai Metropolitan Development Authority (CMDA). Apart from the CoC and CMDA, the Chennai Metropolitan Water Supply and Sewerage Board (CMWSSB) and the Tamil Nadu Slum Clearance Board (TNSCB) are other key agencies that are involved in the delivery of public goods. The appraisal pointed to the lack of information about the current economic base of these municipalities and panchayats, its bias toward works in the main city and its failure to address the growth potential, employment, production, constraints and needs of the peripheral areas.

Institutional Capacities

Another independent review of the CDP's investment programme analyzed the capacities of the key agencies involved in Chennai and other ULBs within the CMA, and found a strong demand-supply mismatch with respect to infrastructure requirements across the city. They found that the CoC fared somewhat better financially than the other ULBs in that it was able to generate own revenues to finance infrastructure or to borrow from external markets. The adoption of reform measures requires a strong institutional framework, and agencies within the CMA, with the exception of the CoC, were found to be weak. The legal framework required to enforce reforms was considered strongest in the CMWSSB, which was also seen as having better capacity and skill to implement new projects. Surprisingly, the Tamil Nadu Slum Clearance Board (TNSCB), which is recognised as a key implementing agency for the sub mission of Basic Services for Urban Poor (BSUP), was ranked as weak in capacity and skills to implement new projects.⁷

Sectoral Approach

With as many as 13 water supply projects financed under the UIG component of JnNURM and 25 in smaller cities in state, water is one of the prioritised sectors in Tamil Nadu. The Chennai CDP places the responsibility on CMWSSB for these projects in Chennai but the lack of clarity, in terms of the institutional responsibility for areas that do not fall under jurisdiction of CMA raises doubts about the completion of coverage targets set in the CDP. Similar confusion about urban agglomerations and jurisdiction of sewerage treatment agencies exist, affecting the target for 100% sewerage coverage in the CDP.

⁶ ASCI. (May 2006). *Development Plan for Chennai Metropolitan Area under JnNURM : An Appraisal Report*. Hyderabad

⁷ GHK Consultants India Private Ltd and Taxila, SUSTAIN, HABICO. (September 2009). *City Development Plan Investment Program Review and Institutional Development Support*. Chennai: Cities Development Initiative for Asia ó CDIA, Corporation of Chennai.

B.2.1.2 Madurai CDP

Consultative Process

Although the Madurai Corporation is appreciated for initiating implementation of the City Technical Advisory group (CTAG) and City Volunteer Technical Groups (CVTG)⁸, doubts have been raised on the kind of consultations undertaken for preparation of CDP.⁹ Absence of documentation of various public consultations organised with municipal councillors, officials and identified stakeholders in the CDP raises questions about the utility and significance of the public inputs.¹⁰ Out of the 16 CDPs appraised by the National Institute for Urban Affairs (NIUA), the Madurai CDP was rated as 'average' with respect to conductance of stakeholder consultations for CDP preparation.

Functional Overlap

The CDP draws attention to the involvement of numerous agencies for the provision of basic services and infrastructure to citizens but fails to map the functional jurisdiction of each of these. For example, although the Madurai Municipal Corporation (MMC) is responsible for delivery (or providing) of water and sewerage facilities, Tamil Nadu Water Supply and Drainage Board (TWAD) is responsible for creating the required infrastructure needed for service provisioning. Faulty needs-assessment and demand-supply mismatch continues as the Town and Country Planning Department (TCPD) of the state government prepares the CDP while the mandate of implementing these plans lies with MMC. The CDP appraisal report points to the failure of the plan to mark the extent to which overlapping institutional jurisdictions are responsible for the deficiencies in the providing service.¹¹

Sectoral Approach

The CDP focuses on provisioning of water and drainage/sewerage facilities in all wards of the city. However, these priorities are reflected neither in projects being undertaken or implemented nor in their respective financial allocations. Projects worth Rs 2,361 crore have been financed through JnNURM, out of which proposed projects on behalf of MMC are worth Rs.898 crore, and allocations recommended for core services sector, namely water supply, sanitation, solid waste management, sewerage, storm water drainage and slum upgradation are Rs.548 crore only. Moreover, the JnNURM focus in Madurai was to develop it as a 'heritage city' but under the scheme, there are no funds for the restoration of monuments, nor does the CDP mention any heritage site in the city.¹²

⁸ DHAN Foundation. (March 2007). *JnNURM: Report of first regional workshop*. Madurai: Ministry of Urban Development and Ministry of Housing and Urban Poverty Alleviation, GoI.

⁹ <http://www.hindu.com/2006/09/07/stories/2006090707750500.htm> (Accessed on June 9, 2011)

¹⁰ Dey, P. D., & Gupta, S. (November 2006). *Community-oriented City Development Plans*. New Delhi: National Institute of Urban Affairs

¹¹ National Institute of Urban Affairs. (June 2006). *Appraisal of City Development Plan : Madurai*. New Delhi: NIUA

¹² Dey, P. D., Raghupathi, U. P., Thakur, S., & Gupta, S. (November 2006). *Looking Back to Look Ahead : Background Paper on CDP Appraisals*. New Delhi: National Institute of Urban Affairs

B.2.1.3 Coimbatore CDP

Consultative Process

The Coimbatore CDP fails to provide details of consultation meetings organised to collect inputs from various stakeholders (other than government), raising doubts whether these inputs were incorporation at all. The CDP is criticised for lack of convergence between organised stakeholder consultations and development of the city plan. The Coimbatore CDP was also rated by the NIUA as 'average' in this respect.¹³

Approach to Industrial Sector

JnNURM intends to develop city of Coimbatore as an 'Industrial Mega City' while the CDP falls short in incorporating the same either in vision for the city or projects to be undertaken in the next seven years. The plan fails to document growth of the number and type of industries, employment in industries and various services, and respective contributions to the economy which are imperative to establish the growth of the lead sector of the city's economy.¹⁴ The plan does not record the role and contribution of the informal sector in the city's economy as well as the overall environment status to further examine environment impacts of the growing industries.

B.2.2. Projects under JNNURM

The JnNURM projects are divided under two schemes: UIG (Urban Infrastructure and Governance) and BSUP (Basic Services for Urban Poor). The following table provides a break-up of the projects approved under each component for all mission 3 cities in the state.

Table 1: Summary of JNNURM projects and costs in Tamil Nadu:

Name of the schemes	Number of cities/towns	No. of projects approved	Total approved project cost (in Crore)
UIG	3	52	5612.407
BSUP	3	51	2335.83
UIDSSMT	115	223	882.7298

Source: Analysis based on the project implementation status UIG as on 30.11.2010; RTI received from Municipal Administration and Water Supply Department dated 02.05.2011 and UIDSSMT data from the MoUD website.

The table above shows that the UIG accounts for 71% of the total JnNURM fund, and the BSUP for 29%. The UIDSSMT component for small and medium towns, as the table above reveals, receives only a fraction of the funds allocated for the overall mission, pointing to the strong metropolitan bias in the mission structure.

¹³. National Institute of Urban Affairs. (JULY 2006). *Appraisal of City Development Plan : Coimbatore*. New Delhi: NIUA.

B.2.2.1. JNNURM Sub-Mission 1: Urban Infrastructure and Governance (UIG):

Chennai, being the largest of the three urban agglomerations under the program, was allocated 70% of the total UIG funds for the development of its infrastructure. By 30 Nov 2010, the city had utilised 97% of the released funds, while only 22% of the approved cost of the project had been released. Madurai was allocated 18% of the total approved cost under this scheme and has utilised 93% of the funds released to the urban local body. This suggests that both Chennai and Madurai have been utilising the funds well. Coimbatore has overspent by Rs 5554.35 lakh over the released amount, although it has been allocated only 12% of the total money allocated in the state under this program. These observations are borne out in Table B.2.1. in Annexure 1.

Sectoral break-up of projects city-wise:

Under the UIG project the money is being spent in six sectors in Tamil Nadu namely, water supply, solid waste management, underground sewerage, roads/ flyovers, storm water drainage and restoration of heritage.

Chennai has 39 projects, of which 16 are for underground sewerage projects. Chennai also has 3 road projects and 1 heritage project. The building of road infrastructure has already exceeded the approved amount and two projects are already completed, while restoration of Victoria Public hall is due in June 2011. Madurai and Coimbatore have only 8 and 5 projects respectively, in water supply, solid waste management, sewerage and drainage (none in roads or heritage projects). Laying storm water drains accounts for 34 % of the total funds under UIG in Tamil Nadu, chiefly benefiting Chennai. Water supply and sanitation together account for over 55 % of the total allocation. See table B.2.2 in Annexure for more details.

Water supply projects accounts for almost 28 percent of the investment in this scheme for the state. Chennai city accounts for 71 % of the state-wide investment in this sector, in which projects include a comprehensive water supply improvement scheme, the construction of sump-cum-pump house near Poondi reservoir, a water treatment plant which has recently been completed, and the seawater desalination plant in Minjur. In Madurai the check dam at Vaigai river to ensure water availability during the summer season and three other schemes in the adjoining municipalities has been completed. Now only a combined water supply scheme for the Madurai Urban Agglomeration area is remaining and is scheduled to be executed by March 2012. Coimbatore accounts for only 11 percent of the investment in this sector for improving the water supply scheme within the corporation and the adjoining 16 town panchayats in its urban agglomeration.

Storm water drains account for the highest investment in the UIG scheme in Tamil Nadu. Chennai accounts for over 75 percent of this investment for improving the micro and macro drainage system in all the basins. Madurai accounts for 13 percent of the investment in this sector for desilting the natural drains and improving and constructing new drainage lines, and Coimbatore gets only 12 percent of the investment.

In terms of solid waste, over 54% of the total investment in this sector is directed towards Chennai city, and another 9% to the neighbouring municipalities of Alandur, Tambaram and Pallavaram. Coimbatore accounts for 21 percent and Madurai 16 percent of the total investment in this sector.

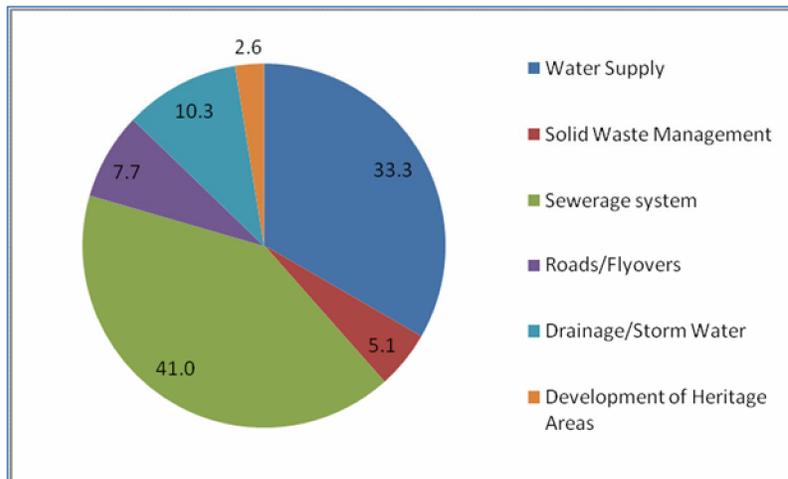
Underground sewerage accounts for 28 percent share of the total investment made under the UIG scheme. This component is largely targeted toward the suburban municipalities and towns in the Chennai Metropolitan Area which have no centralised sewerage facilities. In Coimbatore the investment is for a comprehensive underground sewerage scheme while in Madurai it is to renovate the existing sewerage system and develop sewerage in phase 3 areas.

Under roads and bridges, 6 road-under-bridges/ road-over-bridges are being built in Chennai, and a unique flyover has been built at Perambur which has exceeded the approved cost by 63 percent. A bridge across the Adyar river has been constructed at Alandur at a cost of 736.34 lakh, exceeding the approved cost of 548.3 lakh.

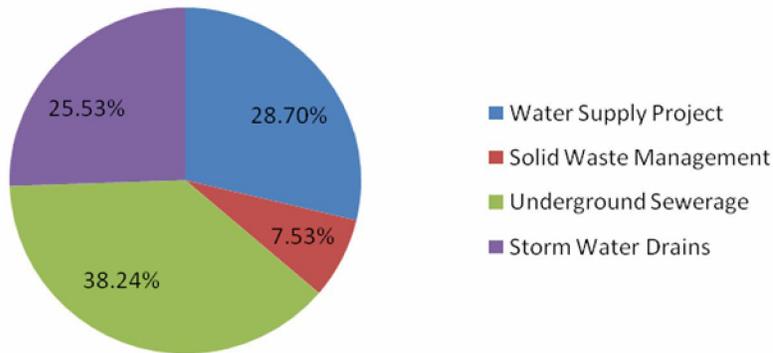
Under the heritage allocation for Chennai, the conservation and restoration of the famous Victoria Public Hall or the town hall is being funded. This building was built in 1880 by Namperumal Chetty and designed by Robert Chisholm in Indo- Saracenic architecture style. It has hosted many eminent speakers and is a landmark building abutting the railway station.

Figure 1: Sector wise categorization of JnNURM projects in the three cities (in %)

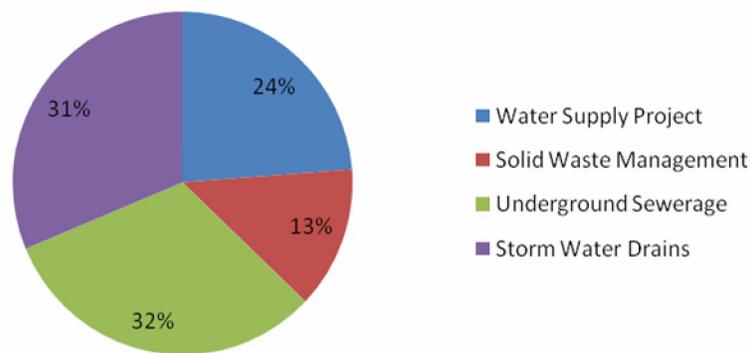
Chennai



Madurai



Coimbatore



B.2.2.2. Basic Services For The Urban Poor (BSUP):

Institutional Arrangements Governing the BSUP in Tamil Nadu

The Directorate of Municipal Administration (CMA) functioning under the Department of Municipal Administration and Water supply (MAWS), Government of Tamil Nadu is the state level nodal agency (SLNA) for the implementation of projects under Basic Services for Urban Poor (BSUP) and Integrated Housing and Slum Development Project (IHSDP).

The DMA has set up a Project Management Unit (PMU) and 4 Project Implementation Units (PIU), 1 in the Slum Clearance Board, and 1 each in Chennai, Madurai and Coimbatore, to assist the ULBs in implementing the BSUP. Each PIU comprises 5 members each with expertise in technical, financial, information system, social work as well as research and training. The PIUs have been set up through calls for open tender, to They provide technical support to develop plans, reports, improve accounting practices, and in the implementation of projects. PIUs are also tasked with conducting surveys when needed.

Detailed Projects Reports developed by ULBs with the assistance of the DMA are sent to HUDCO for technical and financial appraisal, and then forwarded, along with HUDCO's comments and recommendations, to the Central Sanctioning and Monitoring Committee (CSMC) under the GOI's Ministry of Housing and Urban Poverty (HUPA).

In accordance with HUPA guidelines, BSUP projects are monitored through a Third Party Inspection and Monitoring agency (TPIMA), In Tamil Nadu, the TPIMA contract was awarded in three packages to: i) Mahindra Consulting Engineers Limited, Chennai for package 1 and 3, and ii) SGS India private limited, Coimbatore for Package 2.

The three JNNURM mission cities namely Chennai, Coimbatore and Madurai are executing projects under Basic Services for Urban Poor (BSUP). As Table below shows, 91,318 dwelling units are being constructed under this scheme in the whole of Tamil Nadu. A total of 52 projects, costing Rs. 2332.62 crores have been approved by the CSMC for the 3 cities as of May 2011, of which 11 projects are in Madurai, 18 projects in Coimbatore and 23 projects in Chennai. Projects sanctioned for Chennai Urban Agglomeration include water supply schemes, underground sewerage schemes and integrated solid waste management at a cost of 1180.26 crore.

Table 5: BSUP projects approved in the three cities

Cities	No. of DPRs sent	No. of projects approved	Project cost (in crore)	Approved project cost (crore)	Fund Received in crore)	Fund Utilised (in crore)
Chennai	36	23	1510.37	1373.3	612.51	491.8
Madurai	11	11	379.21	384.44	216.09	182.68
Coimbatore	18	17	574.79	574.89	178.59	184.1
Total	65	51	2464.37	2332.63	1007.19	858.58

Source: Analysis based on the RTI received from MAWS Department dated 02.05.2011.

Under the BSUP, as table 6 shows, six relocation projects are being implemented by the TNSCB (Tamil Nadu Slum Clearance Board), 27 by the DMA and 18 by the DTP (Directorate of Town and Country Planning).

Table 6: Implementing Agencies for the BSUP

Implementing agency	No. of projects	Housing units	Infrastructure works	Project cost (in crores)
TNSCB	6	13	13	1208.54
Directorate of Mun. Admn. (DMA)	27	2952	2952	1072.34
Directorate of Town Panchayats (DTP)	18	249	249	46.42
Total	51	3214	3214	2327.30

Source: MAWS Policy Note 2010-2011

Table 7: Sector-wise break down of BSUP projects in the three cities.

Name of the cities	Housing		Infrastructure	
	Number of units sanctioned	Number of units completed	Number of work sanctioned	Number of work completed
Chennai	37787	3522	2471	2082
Madurai	25894	9050	212	191
Coimbatore	27637	4934	503	279
Total	91318	17506	3186	2552

Source: Analysis based on the RTI received from Municipal Administration and Water Supply Department dated: 02.05.2011.

BSUP projects city-wise:

Madurai: The ULB had sent 11 DPRs of which nine involve construction of 24,328 houses and 1,566 slum tenements at a cost of Rs.384.44 crore. A package of Rs,26.86 crore has been given to 21 slums in phase 1 and another Rs.103.58 crore for laying housing infrastructure in phase 2. All the DPRs have been approved by the steering committee and the government.

Coimbatore: The city has 17 approved DPRs of which 14 involve construction of 23,797 houses and 3,840 slum tenements at a cost of Rs.574.89 crore. A detailed project report for 18 slums is being made at an additional cost of Rs.58.82 crore and another Rs.199.95 crore for construction of housing and infrastructure in phase 2. The city had sent 18 DPRs and the construction of 204 slum tenements at Sugunapuram costing 6.01 crore has been referred back.

Chennai: Out of the 23 approved projects, 13 were reverted back to the SLNA by the steering committee. The city is providing infrastructural facilities to 186 slums, while projects for providing the same facilities for another 236 slums have been referred back. The projects referred back are mostly housing and infrastructure projects in the suburban areas of Chennai in Kancheepuram and Thiruvallur district. This return of 13 out of 36 DPRs, all of which were from the municipalities, highlights the need for capacity-building in formulation of projects at the municipal level.

Till April 2011, the total funds received by the ULBs are 877.5491 lakh, of which 858.6009 lakh has already been utilised.

B.3. URBAN INFRASTRUCTURE DEVELOPMENT FOR SMALL AND MEDIUM TOWNS (UIDSSMT)

As mentioned above, the UIDSSMT is a parallel scheme of the JNNURM, designed to assist small and medium towns (SMTs) or, in other words, the non-metro or non-JNNURM towns and cities in the state to develop their infrastructure base. The institutional arrangements governing the implementation of the UIDSSMT scheme are the same as for the JNNURM UIG, with TUFIDCO as the nodal agency. These arrangements are outlined on pages 10-11 above.

Tamil Nadu received funds for 123 projects for 115 towns under the UIDSSMT, at a cost of Rs. 882.72 crore. The sectorwise break-up of sanctioned projects is as follows:

Roads	44
Water Supply	71
Underground drainage (UGD)	6
Solid Waste Management (SWM)	1
Drains	1
Total	123

The structure of funding in UIDSSMT is 80% grant from the center, 10% from the state, and the remaining 10% to be raised by the ULB from internal resources or from loans. As table 8 below shows, around 75% of the projects and about 60% of costs were sanctioned in the first two years of the mission period, with the pace of project sanctioning petering off by the 5th year. In the 7th SLSC meeting in November 09, 10 UGD projects were dropped and 9 new projects (8 water and 1 UGD) were sanctioned. The first instalment of 90.95 crore for the 9 newly sanctioned projects is awaited.

Table 8: Details of fund sanctioned by GOI for SLSC-recommended projects:

	SLSC/Date	No. of projects sanctioned	Project cost (in crores)	GOI share (in crores)	GTN share (in crores)	ULB share (in crores)
2006-2007						
1.	First SLSC, 24/07/06	25	143.38	114.70	14.34	14.34
2.	Second SLSC, 1/12/06	53	99.49	79.59	9.95	9.95
3.	Third SLSC, 24/02/07	18	295.31	236.25	29.53	29.53
	Subtotal	96	538.18	430.54	53.82	53.82
2007-2008						
4.	Fourth SLSC, 17/03/08	14	81.97	65.58	8.20	8.19
2008-2009						
5	Fifth SLSC, Feb 2009	3	35.18	28.14	3.52	3.52
2009-2010						
6	Sixth SLSC, 10/02/2010	0	0	0	0	0
2010-2011						
7.	Seventh SLSC, 27/09/2010	9	227.39	181.92	22.74	22.74
	Grand Total	122	882.72	706.18	88.27	88.27

The completion status of these projects as of March 2011 is as follows:

Table 9: Status of Progress of UIDSSMT Projects, March 17, 2011.

Sectors	Water Supply	UGD	SWM	Roads	Drains	Total
Projects sanctioned	71	6	1	44	1	123
Completed	44	1	1	41	1	88
In progress	8	3	0	2	0	13
To be commenced	19	2	0	0	0	21

Fifty two towns and municipalities have claimed DPR preparation costs amounting to a total of 343.51 lakh. These were primarily for water supply and underground drainage projects.

Ten UGD schemes sanctioned in the fifth SLSC meeting held in Feb 2009 were dropped because of non-availability of land for sewage treatment plants (STPs), pumping stations and/or due to public objections to the forced capital contributions and user charges.

Another 19 (6 WS and 13 UGD) have been withdrawn out of the 22 approved by the SLSC due to exhaustion of mission period allocations. Nine new projects were proposed to be implemented from the Rs. 181.91 crore saved from the 10 dropped projects. The funds released for these 10 were supposed to be refunded with interest to the GOI. The state government argued that this was tantamount to levying penalty on the state, and wanted to retain/adjust this amount against the 9 new projects. The GOI refused, and the SLSC agreed to refund the money and freshly propose the new projects.

B.3.1. Infrastructure Development Scheme for Small And Medium Towns (IDSSMT):

This scheme parallels the BSUP scheme of the JNNURM in its focus on housing and basic services for the urban poor, and is aimed at SMTs or non-JNNURM towns and cities. In Tamil Nadu, the IDSSMT has 218 approved projects in 115 towns (the highest amongst all states). For 95 of these projects, the second installment has been approved, while 123 projects have gained approval for the first installment. The total approved cost of projects in this scheme is 882.7298 crores, of which 698.7868 crores has been released and 498.52 crores has been spent as on June 2010.¹⁵

B.3.2 Integrated Housing and Slum Development project (IHSDP) :

Municipalities and small towns submitted 248 DPRs under the IHSDP scheme, but 164 DPRs were either deferred approval or returned back. Some of the towns and municipalities resubmitted the DPRs, which were approved subsequently. Presently 84 DPRs for a value of Rs 515 crores have been approved. Rs 281.99 crores have been released so far by Government of India from its share of Rs 372 crores. More than 37000

¹⁵ <http://www.urbanindia.nic.in/programme/ud/uidssmtbody.htm>

dwelling units will be constructed across Tamilnadu through this scheme. Here again, the fact that many municipalities have had to resubmit their DPRs reveals the need for improving capacity for such project implementation at the municipal level.

Under the IHSDP scheme, apart from constructions undertaken by agencies under the government, an individual from the BPL category can avail grants upto 90% of the cost of constructing a house if he/she owns adequate land for constructing a house. The title should be free of encumbrance and should not fall in an objectionable area. A senior official maintained that the government has also relaxed the rules for providing title deeds to individuals who have encroached on government held land in non-objectionable areas. Whereas earlier it was required that the applicant prove residence on the site for over 10 years, this has now been reduced to 3 years. Once the title has been verified, the proposal is passed through the SLNA to CSMC and with its approval, 80% of the cost is provided from the grant amount in three installments, while 10% is contributed by the state government and the rest is borne by the beneficiary.

The official pointed out that while in the earlier stages, lands falling in objectionable areas were also forwarded for approval, legal issues were encountered that delayed the project, therefore the municipalities are concentrating on those applicants whose titles are free of all encumbrances and do not fall under any objectionable area like water bodies etc.

C. THE STATUS OF REFORMS IN TAMIL NADU

The above section, in outlining the status of projects in the JNNURM and its partner schemes, provided a backdrop for the core topic of report, the reform agenda of the JNNURM, or more precisely, of its UIDSSMT component. This section, then, takes up the discussion. First it provides the government's own report of compliance with the JNNURM mandated reforms, as contained in official documents. Next, it draws on material from interviews, studies and commentaries, to provide some idea of the challenges and gaps that lie beneath the official report of compliance on the overall set of reforms. Third, it identifies a sub-set of 3 reforms and provides a more detailed analysis of the performance of SMTs in Tamil Nadu in these reforms, again drawing on interviews, studies and commentaries.

C.1 TAMIL NADU'S PERFORMANCE IN URBAN REFORMS: THE OFFICIAL REPORT

The two tables below (Tables C.1 and C.2) give the official reported status of reforms in Tamil Nadu, as contained in the latest quarterly report submitted by the state-level nodal agency TUFIDCO to the central Ministry of Housing and Urban Development in New Delhi. Table C.1 deals with the state-level reforms, mandatory as well as optional, and is prepared by TUFIDCO in consultation with the state government. The 'Remarks' contained in the last column of this report convey the government's description of the extent of achievement of its reform goals and the problems and challenges faced in complying with the JNNURM reform mandates.

Table C.2 shows the official status of ULB-level reforms, and is taken verbatim from the summary report prepared by TUFIDCO which is based on the quarterly compliance reports submitted by ULBs.

Table C.1: Official Report of Compliance with JNNURM State-Level Reforms in Tamil Nadu

STATE LEVEL REFORMS (MANDATORY & OPTIONAL) STATUS AS ON 31.3.2011

STATE MANDATORY.					
S. No.	NAME OF REFORMS	ORIGINAL AGREED YEAR	REVISED YEAR	ACHIEVE DYESINO	REMARKS
1	Implementation of 74 th Constitutional Amendment Act.	2007-2008	2009-2010	YES	Out of 18 functions, 17 functions already been transferred except fire services. (10 fully transferred and 7 partly transferred). A highlevel committee constituted under the Chairmanship of Hon'ble Minister of RD&LA for devolution of powers to ULBs. The recommendations were already implemented by Government of Tamilnadu. DPC election held in April '2007. Constitution of MPC in the state has been introduced in the TN Legislative Assembly on 21.7.2009. TN Govt. Gazettee Notification issued vide no.211, dated, 17.8.2009. This is applicable to mission cities of Madurai & Coimbatore as well. The Draft TN MPC Rules has been prepared. The conduct of election to MPCs to be finalised.
2	Assigning or associating elected ULB with city planning functions.	2007-2008		YES	ULBs integrated with City Planning functions. Most of the service deliveries & functions were transferred to ULBs. Development plan of the towns were placed before the DPC & to be placed before the proposed MPC. Chennai Corporation Commissioner represents the interests of the local body in Chennai Metro Politan Development Authority (CMDA) and is one of the Board of Directors of CMWSSB.
3	Repeal of Urban Land Ceiling and Regulations Act.	2005-2006		YES	Already implemented. Tamil Nadu Land Ceiling and Regulation, 1978 has been repealed by the Tamil Nadu Act of 20 of 1999. Consequent to the repeal of ULCRA about 1900 ha. of land has been released.
4	Enactment of public disclosure law.	2007-2008		YES	For Rules & Regulations on PDL notifications orders issued vide TN Government Gazettee, dated, June '9, 2009, which has come into force from 1st September'2009
5	Reforms of Rent Control Laws balancing the interest of land lords and	2009-2010	2011-12	YES	Only 52 properties come under this Act & 15 cases are pending in the court. The Tamiinadu Buildings (Lease & Rent Control) Act, 1960 as amended by the TN Act 23 of 1973 comprises of regulation of letting of Accommodation, control of rents & prevention of unreasonable eviction. The present Act is taken care off the interest of both the property owners & tenants. Also based on the request from the Government, Dr. Ambedkar Law University take up the investigative research study on the existing rent control legislation of Tamil Nadu & related acts at National & State level. It is under way.
6	Reduction of stamp duty to 5%.	2009-2010	2011-12	NO	Already GTN has reduced Stamp Duty from 13% to 8%. Out of this 8%, 6% is the Stamp duty for & 2% is the surcharge on Stamp duty. The 2% surcharge on Stamp Duty is being collected and passed on to the ULBs, which is utilized for activities of the Local bodies. During 2007-2008 Rs. 186.66 crores, 2008-2009 Rs. 203.18 crores, & 2009-2010, RS. 240.17 crore have been collected towards surcharge & credited to concern ULBs.
7	Enactment of community participatio law to instutionalise citizen participation and introducing concept of area Sabha in urban areas.	2008-2009	2009-10	YES	TN Municipal Laws (Amendment) bill, 2010 has been passed in the TN Legislative Assembly and the assent of the Governor received on the 26th Novemeber'2010. It was published in the TN Government Gazette Extraordinary vide no.363 of November'29,2010. Preparation of the rules under this act is in process.

OPTIONAL REFORMS					
SI. No.	REFORMS	ORIGINALLY AGREED YEAR	REVISED YEAR	ACHIEVED/YES/NO	REMARKS
1	Simplification of legal procedural framework for conversion of agricultural land for non-agricultural purpose (State Level).	2006-2007		YES	Conversion take place under TN Town & Country Planning Act, 1971 and the land owner has to apply to the Local Planning Authority and State Government. The process of conversion will be completed within six months. Present procedure for conversion is simplified with existing Acts/Laws and no amendment is necessary.
2	Provision of rain water harvesting in all building (State Level).	2005-2006		YES	Rain water harvesting has been made mandatory as per TN District Municipalities building rules 1972, Rule 3A & 3B on Rain Water Harvesting were amended vide G.O.Ms.No.138 MA&WS Dept, dated: 1 1.10.2002. 90% of the houses in Tamil Nadu has been provided with Rain Water Harvesting Structures and the building plans include the RWH Structures and a deposit of Rs.1000 is collected by the ULB which is released after ensuring the RWH provisions are made in the buildings.
3	Introduction of Proper Title Certification system.		2011-12	NO	Since some complexities are involved in the completion of the reform, like coordination needed from various departments for which it will take more time and it may not be possible to complete before the mission period.
4	Revision of By-Laws for Streamlining building approval process (State Level).	2008-2009	2009-10	YES	Mission Cities of Chennai, Madurai, Coimbatore have introduced Computerised Auto OCR to quicken plan approval. Also other local bodies have taken various measures for on line processing of Building plan approval.
5	Earmarking of 20-25% of developed land for EWS & LIG in all housing projects.		2011-12	YES	In Tamil Nadu Housing Board earmarks 40% of the developed plots earmarked for EWS and LIG is in existence. TN Slum Clearance Board has earmarked developed lands mostly for EWS & LIG. In the Development Control Regulations of CMDA & DTCP provides at least 10% of developed plots for EWS, which is in existence.
6	Introduction of process of registration of land and property.	2007-2008		YES	About 558 Sub-Registrar Offices have been fully Computerized & for remaining 10 offices in the state is being done. At present Sub Registrar Offices are connected through internet. It was proposed to adopt Wide Area Net Work (WAN) system through TN State Wide Area Network (TNSWAN)
7	Byelaws on reuse of reclaimed water.	2008-2009		YES	Amendment has been issued to rule 17-A sub rule (ii) of TN District Municipalities Building, Rules vide G.O.Ms.No.146, MA&WS Dept., dated, 9.6.1999. The Reuse of recycled water is being insisted in the case of special buildings. Provision has been made for recycling the water from the bathrooms & Wash Basins, and reuse the same as per section 17-A of the TN District Municipalities Buildings Rules, 1972. There are byelaws adopted in 2002 and the G.O. was issued in 2002 insisting on reuse of sullage water for bathroom, kitchen, garden etc.,
8	Administrative Reforms.	2008-2009		YES	Govt. of TN has created special Municipal services in the cadres viz., TN Municipal Commissioners service, Municipal Commissioners' sub-ordinate service, Municipal Engineering services, Municipal Corporations Public Health service rules, etc., To streamline the process for Public Disclosure, the PDL enacted. In the property tax collection major city municipal corporations & ULBs achieved Coverage & Collection ratio & similarly the user charges reform have also been achieved. Government order indicating that the Establishment Expenditure should not be more than 49% of total revenue of the ULBs. Privatisation of primary collection of the Solid waste, Operation and Maintenance of street lights and pumping stations are important initiatives taken by the ULBs to reduce the establishment expenditure.

9	Structural Reforms.	2008-2009		YES	Organisational & Structural improvements are already implemented and ongoing practice. Functional Heads in ULBs have been delegated with more powers. As part of inter institutional structural reform initiatives establishing combined compost yard and water supply system are already under implementation. Filling higher technical posts with qualified personnel and introduction of technology are under implementation. The functions of the staff were already demarcated based on the sadasivam commission. Inter agency co-ordination and accountability are achieved in the district with the help of DPC.
10	Encouraging Public Private Partnership.	2008-2009		YES	Key initiatives include outsourcing of SWM, maintenance of street lights pumping stations and STP maintenance, hiring of vehicles etc., and further extension of these initiatives are in practice. Recently completed projects of gasifier crematoria in TamilNadu are being constructed in the ULBs under PPP mode. A PPP cell is set up in the Finance Department of the State Government to give guidance to this projects.

Source: TUFIDCO Quarterly Report to MOUD.

Table C.2 Official Report of Compliance with ULB-Level Reforms in Tamil Nadu

	Reform	Achievement
1.	Municipal Accounting Reform	Under the implementation of this reform almost all the ULBs were achieved the Double entry system of Accounting. Most of the ULBs published the status of the audited accounts completed. Out come budget and instituting internal audit mechanism introduced in the ULBs.
2.	Property Tax Reforms	As directed in the reform, most of the ULBs have achieved Coverage (85%) & Collection (90%) ratio. Arrear collection also bring down to less than or equal to 10% of current demand for previous year.
3	User Charges	As mentioned in the reform, many ULBs were achieved full recovery of O&M costs from User Charges on Water supply/ UGS/ SWM. Also for Metering system, Non Revenue Water, Un Accounted fro water, water audit, leakage detection studnes, etc., ULBs taken steps to adopt these system.
4	Internal Earmarking of funds to Urban Poor	As mentioned in the reform, many ULBs have allocated 25% earmarking to their municipal budget shown as separate head on delivery of services to UP on the total ULB revenue. Also book the expenditure on delivery of services to UP in their budget.
5	Implementation of E-Governance	As mentioned in the reform, many ULBs have completed the online workflow/citizen interface & completed many modules like property tax, birth & death registration, building plan approval, citizen grievance monitoring, etc. Completion of other modules are also under progress.
6	Provision of Basic Services to Urban Poor	As mentioned in the reform, many ULBs have already provided all basic services to the UP, i.e., Water Supply, Sanitation, Road facility, Street light etc. Steps are being taken to extend other basic services also to UP like primary health care, primary education, support for livelihoods.

Source: TUFIDCO Quarterly Report to MOUD

C.2. ISSUES AND CHALLENGES IN IMPLEMENTING REFORMS IN TN.

While the above table presents a picture of ready compliance with the reform mandates and an almost full achievement of the targets, ground realities are, needless to say, more muddy and problematic. Interviews with political leaders as well as officials at various levels of state and municipal institutions suggest that particular reforms have posed challenges, requiring substantial ongoing support and guidance from the SLNAs. TUFIDCO officials said that in initial stages there was a widespread feeling of uncertainty and confusion among municipal staff, who did not understand the purpose and intent of the reforms. One official said “Many of these staff are close to the ground, they have come to their posts mostly by promotion from junior ranks, so all this is very new to them.” TUFIDCO has conducted several capacity-building workshops and trainings for municipal engineers and commissioners, including on reform aspects.

According to this official, reporting on the reforms compliance was a very challenging task for these cadres: “they suffered a lot, they did not understand what they were supposed to do.” In 2006/2007, the GOI circulated a format for quarterly progress reports that ULBs have to submit, which tracks the status of projects as well as of reforms. Guidance was also received from institutions like ASCI and NIUA; all this has contributed to a higher capacity at the ULB level to implement and report on reforms.

Some reforms, as described above, were already part of the operating framework of ULBs before the launching of the JNNURM. For example, the first mandatory state-level reform, namely implementation of the 74th Amendment, has been underway in the state more or less continuously from the late 1990s. The same applies to the first mandatory ULB-level reform, namely introducing changes to municipal accounting systems.

Some reforms have been implemented in part, like the imposition of user charges. These are mostly charged in water, where a flat rate of Rs. 50 a month continues to be charged in most areas for domestic use, while industrial and commercial consumers are metered and charged according to usage. For sewerage, charges of about Rs. 100 a month are levied where underground systems exist. For solid waste management, some ULBs levy a small charge, but many dispute this requirement, claiming that a proportion of the property tax is already being levied to take care of this function.

There are three reforms that have been marked as particularly challenging at the official level, and remain in a “pending status” (see table C.1 above). The first is the Introduction of Property Title Certification. According to state government officials, implementation of this reform involves an inordinate degree of difficulty and cost, and a high level of coordination between various departments such as registration, revenue, housing, municipal administration. As the table above shows, the government has indicated that this reform “may not be possible to complete before the mission period.”

The second is the requirement for earmarking of 25% of land for EWS sections. SLNA and state government officials declare that while housing agencies in the government sector such as the TNHB and CMDA already earmark significant proportions of the land they develop for the EWS, it is impossible to get private developers to do this unless the government forces them through legislation or other means.

The third reform that the state has not been able to implement up to the required benchmark is that of bringing the rate of stamp duty on property transactions down to 5%. The rate of stamp duty in TN is currently at 8%. The state government, according to officials we interviewed, is resisting a further reduction, as this duty constitutes an important source of state revenues, including the surcharge of 2% that is passed on to local bodies. As one official commented, the inflow of funds from the JNNURM for TN amounts to only about Rs.1000-2000 crore, as against the Rs. 5000-6000 crore that the state would stand to lose from fully implementing this reform.

C.3. AN INDEPTH EXPLORATION OF THREE SELECTED REFORMS

The three reforms selected for a closer study in this report are: 1) Implementation of accrual-based accounting systems in all ULBs; 2) Encouraging PPPs, and 3) the package of three pro-poor reforms: earmarking of land and of funds for EWS, and providing basic services for them.

The first two were chosen because of their long established precedent in this state. Tamil Nadu is regarded as among the leading states in the country in implementing the double-entry system of accounting in ULBs, and in encouraging public-private partnerships in urban governance, both as part of TNUDF-related projects since the 1990s.

The third reform, or rather the composite package of reforms dealing with the earmarking and provision of land and services for the urban poor, has been chosen because the state has both asserted and demonstrated substantial difficulties in complying with this set of reforms.

C.3.1. Introducing Accrual-based Double-Entry Accounting Systems in ULBs:

The purpose of this reform is to get ULBs to employ uniform, modern and transparent accounting norms in line with internationally accepted best practices. This is expected to facilitate easier study and analyses of income and expenditures, and hence the surplus patterns, thereby enabling third parties to estimate a ULB's capacity to take on loans in a viable way. This could be on the basis of the overall budgetary picture or indeed on the basis of sub-modules that represent steady flows. This would also facilitate rating to be undertaken for the purposes of floating debt.

C.3.1.1. Early Steps in Implementation

Tamil Nadu is the first state to successfully implement accounting reforms by way of shift to accrual based accounting systems from the traditional cost based accounting system in all town panchayats, municipalities and corporations in the state. In this, it was supported by the FIRE-D programme of USAID among others. The process was initiated by the GoTN through the constitution of a committee chaired by a retired Joint Director of the Local Fund Audit in January 1998. State officials asked the FIRE-D project to help the committee develop a manual and implement the new accounting and financial reporting system throughout the state. At that time, there were no standards for ULBs in the country which could be followed.

The committee submitted its first draft of an accounting system manual for all ULBs in the state in June 1998. This draft was discussed in detail with the Commissioner of Municipal Administration, the Director of Local Fund Audit, and the CEO of TNUIFSL. The ULBs in the state were divided into 25 groups based on location and size. TNUDP-II was in charge of overseeing implementation of the new accounting system. It contracted with 25 chartered accountant firms to assist ULBs introduce the new accounting manual. In March 2000, TNUDP-II, with technical and financial support from the FIRE-D project, conducted a three-day program to train staff of each municipality, and a one-day orientation to familiarize accounting firms with the functioning of ULBs and the proposed municipal accounting system. A qualified chartered accountant and an accountant visited each ULB to assist in implementation of the new accounting system for 18 months. These firms continue to be engaged to provide on-the-job training, trouble-shooting, and to help prepare financial statements based on the new system.

Initially piloted in 2 corporations and 10 municipalities in 1999, this reform was soon scaled up to all the ULBs in the state in 2000. While the starting position for Tamil Nadu was thus better than in other states due to the tradition of strong accounting, the change sought to be achieved is nonetheless significant, and required strong commitment from GoTN. For example, chartered accountants were hired to assist in implementing the transition. Subsequent visits by monitoring agencies to several ULBs have come to a consensus that there have been substantial changes in the ULBs. They contend that computerization of accounts has reduced the time to close the accounts, and morale of municipal accountants has improved because they have access to computers for their work. Not only have municipal accounts been computerized, but information kiosks for use by the public have also been introduced in all municipalities and corporations, providing residents with information on the amounts due for property tax and water charges, for example, at computer terminals provided at tax payment centers. Government Orders have been issued requiring municipalities to offer payment only through these automated centers. This provides transparency to taxpayers and reduces the elements of discretion exercised by tax collectors in their interface with the public.

Since the transition in the accounting system and computerization went together, training programmes for ULB staff on both these domains constituted a major initiative by the Project Monitoring Unit (PMU). The Implementation Completion Report of the WB for

TNUDP II gives an idea about the extent of training provided. Under the project, 11,400 training man days were provided per year. This compares to an average of 400 per year in the period 1996-2000. An external evaluation of the training program (prepared by the Madurai Institute of Social Sciences) indicates that 71% percent of 160 revenue officials in ULBs interviewed were either fully or partially familiar with the new accounting system. For a sample of 25 ULBs, the number of audits taking thirty days or less increased from 8% to 32%, and the number of audits taking between 91 and 200 days declined from 28% to 12%.

C.3.1.2. Ongoing Challenges in Implementation

Our own visits to some of the ULBs however highlight problems with the implementation of the accrual based accounting system. For one, in quite a few ULBs, when computers are damaged, there are hardly any mechanisms to restore the system. Further, many local officials concede that while the quality of training was good, it was not sustained and not spread well among the staff. Thus, when the person trained is retired or transferred, it is difficult to find replacement staff who are equipped to handle the accounting system. Frequent power cuts mar the efficiency of the working of the system. The Bank's ICR too points to some of the limitations. It is disappointing to note, however, that the audit lag for ULB accounts remains significant. Only 4 of a total of 102 municipalities have completed their audits for 2003-2004 as of November 2004, and 34 have been completed for 2002-2003. Reducing the audit lag was not explicitly targeted under the institutional development component, but it is important to the ultimate goal of achieving market access.

The implementation of the training component was delayed for some time, and much of the training took place in the last year of the project implementation. The actual number of man days of training provided undershot the targets in the Project Implementation Plan (PIP) by about 36%. Costs per participant were roughly as planned. Delays in mounting the training component and difficulties in freeing up staff from their immediate work responsibilities were the key constraints to reaching the training objectives fully. For the design of future projects, it should be noted that the external evaluation consistently noted that the trainees would have preferred more use of local language rather than English in the training courses.

C.3.2. Encouraging Public-Private Partnerships

The GoTN has facilitated the working of public private partnerships in several ways. Apart from passing the conformity legislation for the 74th amendment in 1994, it has also drafted the Tamil Nadu Urban Local Bodies (TNULB) Act of 1998 which, however, was stalled in 2000 soon after the Rules were drafted, due to strong resistance from trade unions to its potential for reduction in public sector employment. The Act was never implemented and continues to be held in abeyance until the present. Proponents of reforms including the World Bank contend that the decision to delay implementation of the TNULB Act will continue to work against better decentralization efforts in the state.

To facilitate the working of the TNUDF, a PPP-model fund, GoTN provided it with access to intercepts of State transfers to ULBs for a major program of improving municipal roads, and this greatly facilitated high recovery debt rates from ULBs. The fund has also been permitted to put in place special recovery mechanisms such as escrow accounts of property tax, water charges and other ULB revenues to ensure that private investors are assured of returns to their investments.

C.3.2.1. Early steps in Implementation: PPPs and Working of the TNUDF

The TNUDF was the first public-private joint financial intermediary in the country that specialized in municipal financing without State government guarantees. In addition to acting as disbursing of funds, TNUDF also sought to build financial discipline by imposing rigorous financial and technical assessment of projects put forth by the ULBs. As the World Bank project appraisal document points out the TNUDF has been a success story in many ways. Other studies too point to this.¹⁶

- a) The TNUDF was able to process loans more rapidly than its government predecessor. Within a little over a year after it began to function, TNUDF could approve loans worth about Rs. 1,500 million, compared to approvals of Rs. 2000 million made over eight years of operation of its predecessor, the Municipal Urban Development Fund of Tamil Nadu (MUDF) created under the MUDP.
- b) In terms of loan recovery too, it registered remarkable recovery rates comparable to the rates achieved by the MUDF. Till the end of the financial year 2008, it had a recovery rate of 100 per cent.
- c) Project preparation costs were reduced from over 13% of project costs under the MUDF to about 7.5% in this project. This roughly translates into savings of Rs. 230 million (over US\$ 5 million) over the project period.
- d) Cost overruns on the larger ULB sub-projects were about 3% under the project, as opposed to 10% otherwise.
- e) Projects were executed more rapidly under this fund than when executed by government departments. For example for many roads projects, they were completed in two to three months, whereas these often took over a year when executed by the state road department.
- f) Importantly, TNUDF pioneered the practice of obtaining advance deposits from users in some water and sewerage projects from ULBs to reduce to cost of raising capital for these projects. Several ULBs raised their water tariffs in response to TNUDF evaluations of the financial viability of their proposed projects. In some cases, this has resulted in

¹⁶ Within India, the TNUDF has established itself as one of the best run municipal funds in the world. (Jain 2004, pg 130).

increased revenues. In others, however, revenues declined due to reduced collection efforts. Nonetheless, TNUDF's efforts to improve resource mobilization have contributed to sending a message to ULBs and their constituents about the links between cost recovery and services.

g) TNUDF has successfully demonstrated three types of resource raising:

i) The Revenue Bond of Madurai, the first of its kind in India by a Municipal Corporation, provided for debt for the asset being serviced by the revenue generation from the asset, without resorting to the general revenues of the Corporation. This was facilitated by TNUFSL. The size of the issue was Rs.29 crores.

ii) The Government of Tamil Nadu, in order to reform the capital market access at the municipal level, formed the Water and Sanitation Pooled Fund (WSPF) on a consortium basis. This fund pools credit risks of participating entities and makes capital market access feasible for small and medium sized ULBs. The first bond issue of Rs.30.41 crores saved a sizable amount in debt servicing by ULBs, thereby freeing up their resources for further augmentation of civic amenities. USAID extended guarantee to the extent of 50% of the principal for this bond issue. The WSPF achieves the three-fold purpose of funding infrastructure viz., institutionalized mechanism, affordable cost of funding and a non-guarantee mode of raising resources for urban infrastructure. Thirteen ULBs participated in this consortium. This pooled financing structure is the first of its kind in India and it thus established a major link between city civic need and capital market.

iii) TNUFSL has facilitated the floating of the bond issue of CMWSSB to the extent of Rs.42 crores. This is the first tax free bond issue by the CMWSS Board through capital market access. This bond is in the nature of general obligation bond, where the general revenues of CMWSSB are used to service the debt.

Demand Side Interventions:

The TNUDF also sought to reform the demand side through a number of initiatives, especially with a view to improve the capacity of ULBs to compete for funds and borrow from the market. A major component of this was institution building in municipalities, supported primarily through preparation of City Corporate Plans, GIS studies, and preparation of manuals for engineering and accounting. The component also included support for introduction of accrual based accounting and computerization, moves that are seen as essential to ensuring transparency and financial discipline. This was very much in tune with the 74th amendment with its emphasis on devolution of greater resources and responsibilities to ULBs.

Institutional reforms also included support for urban reforms through sponsoring of two studies, (1) a management audit of selected ULBs to develop a phased program of institutional reform on staffing and personnel policies and streamlining of procedures; and (2) a study to clarify roles between ULBs and line agencies with direct responsibility for urban service delivery in municipal jurisdictions.

The Fund approval and disbursement ranges from commercially viable projects such as market complexes to civic amenities such as water supply, storm water drains, solid waste management underground drainage etc. The following table provides an idea of the range of schemes funded by the TNUDF.

Portfolio of Cumulative Sanctions by TNUDF till 2007-08.

S.No	Sector	Rs. in Crores	In %
1	Solid Waste Management	34.52	2.23
2	2 Sewerage & Sanitation	610.36	39.5
3	Water Supply	367.96	23.82
4	Roads, Bridges, Storm Water Drains	486.90	31.5
5	Bus Stations & Markets	40.63	2.63
6	Others	4.81	0.31
	Total	1545.18	100

Source: <http://www.tnudf.com/documents/ar0708.pdf>

ULB performance on own revenues shows a more mixed picture. Only water charges (accounting for less than 10% of total revenues in ULBs) have increased at rates that exceed inflation. The property tax, the main own revenue source for ULBs, has only increased at about 5%, and in municipalities.

The TNUDF has facilitated several successful infrastructure projects on a PPP mode. In addition to mobilization of capital through issue of revenue bonds for the Madurai Ring Road, the Karur Toll Bridge and the Alandur Underground Sewerage Scheme are two major accomplishments of the PPP model.

The government has been active in promoting PPPs through other vehicles as well in the water and road sectors. The Tamil Nadu Water Investment Company (TWIC) has been launched as a PPP between the GoTN and IL&FS to supply water to domestic and industrial consumers in the export town of Tiruppur. A company, New Tiruppur Area Development Corporation Ltd (NTADCL) has been floated as a Special Purpose Vehicle for this purpose. Water is pumped from a river and then distributed to the town that has been facing shortage of water for both drinking and industrial use. The large number of dyeing and bleaching factories in the area use high volumes of water, and the scheme sought to cross subsidise domestic consumers by charging industrial users. However, problems have arisen over rates charged to industrial users, with industries arguing that rates being charged by the company are higher than those originally agreed upon, and the company contending rate-hikes have been necessitated due to time and cost overruns.

The Tamil Nadu Road Development Company Ltd (TNRDC), incorporated in May 1998, is a 50:50 joint venture between Tamil Nadu Industrial Development Corporation Ltd (TIDCO) and IL&FS. In November 2009, Tidel Park Ltd (TIDEL) completely acquired the equity shares of TNRDC held by IL&FS (Rs 5 crore each as share capital). TIDEL

Park is an IT park promoted jointly by Tamil Nadu Industrial Development Corporation (TIDCO), Electronics Corporation of Tamil Nadu Limited (ELCOT), both fully owned organisations of GoTN. So, TNRDC is at present a 50:50 joint venture company of TIDCO and TIDEL. TNRDC was set up with the mandate of developing initiatives in the road sector by catalyzing private sector resources and investments under Public-Private Partnership (PPP) framework. It has launched and completed successful projects like the East Coast Road linking Chennai to Puducherry and the IT Corridor that is home to several leading IT firms and new high end residential hubs. The Chennai Outer Ring Road project has been launched as well. TNRDC has been appointed as the Managing Associate for this project. The work has been awarded to M/s GMR Chennai Outer Ring Road Private Limited. It is planned to commence work in March 2010 and complete by September 2012.

Smaller-scale PPPs

The policy of encouraging PPPs has also taken on a wider meaning in the governance of municipal infrastructure at smaller scales. Officials of the DMA and TUFIDCO cited the involvement of a wide range of non-governmental entities in municipal services and maintenance as examples of PPPs. Groups of NGOs, trusts, self-help groups and even individuals have been encouraged to enter into contracts with municipal bodies for a range of activities. For example, after constructing modern gasified crematoria in about 60 municipalities and towns since 2006, the state government issued instructions that local bodies should form trusts involving reputed service organizations, who would maintain the crematoria, charge a fee for their use, and maintain a corpus fund to cover the costs of maintenance. Self-help groups and other local associations are being invited to manage solid waste in towns, on the basis of agreements with local bodies that allow them to collect small fees from households for their services and to bring segregated waste to the municipal facilities. This model has worked successfully in many instances, such as in Namakkal municipality. In most local bodies, maintenance of street lights, parks, and sewage treatment plants are being done by private parties, ranging from small local firms to SHGs, resident associations and NGOs.

C.3.2.2. Ongoing Challenges in Implementation

Officials of nodal agencies and the DMA also pointed, however, to a range of practical problems encountered in PPP efforts in municipalities and larger cities. A major problem, according to these officials, was that of weak capacity and experience in the private sector, coupled with an over-cautious procurement approach on the part of state officials. According to TUFIDCO officials, this cautious approach meant that officials issued calls for tender based on minimum amounts of experience that contractors should have, in the hope that this would ensure delivery of reliable outputs. However, very few firms in India possessed that kind of experience and capacity. In sectors like water and sewerage in particular, ULBs face difficulties obtaining adequate responses to calls for tender, even after 2-3 calls, and the gestation period of the tendering process tends to get extended for long periods. According to one TUFIDCO, there are only about 17 private firms with the required qualification and experience in civil contracts across India, hence they can afford to be selective. These contractors tend to bid only for the lucrative mega-

projects that are appearing in many cities, like highways, Metro Rail, airport modernization, IT parks etc. For example, Larsen and Toubro, which has been a long-time contractor for civic infrastructure projects in Chennai and Tamil Nadu, no longer comes forward for smaller infrastructure projects, and has not tendered for a single JNNURM or UIDSSMT project.

Steps to encourage PPPs at the municipal level therefore often come down to venal measures like diluting tender conditions. However, local political competition often creates additional problems in PPP projects, especially where contractors favored by ULB councils or powerful politicians deliver lower quality services. A commonly emerging phenomenon is that of deteriorating performance of second generations of contractors for a given service, who perform worse than the first due to undercutting and underquoting on tenders. This was seen, for example, in solid waste management contracts in many ULBs, including in Chennai. PPP projects like underground drainage have been successful in certain instances, such as Alandur and Valsaravakkam, for reasons that are context-specific, but they have been unsuccessful in a larger number of cases, particularly in the south of the state.

According to TUFIDCO officials, the need was to encourage a large number of private players to come forward, and to identify potential players in each sector. Institutional support is inadequate. To develop tender protocols for PPP toilets, officials had to go to Delhi to access documents. A PPP cell has been set up in the Finance Dept to give guidance, but it only scrutinizes proposals. Readymade packages are needed to make tendering process easier.

C.3.1.. Earmarking and provision of land and services for the urban poor (a composite of 3 pro-poor reforms)

Under the reforms agenda of JNNURM, three pro-poor reforms have been formulated. They are a) internal earmarking of municipal budgets for services targeted to serve the urban poor, b) provision of basic services for the urban poor and c) earmarking of 20%-25% of land in all housing projects for economically weaker sections

C.3.3.1. Internal Earmarking of Funds within ULB Budgets

Internal earmarking of funds within the budget of every municipal body for providing basic services to the poor is a mandatory reform at the municipal level. This reform is intended, at one level, to establish accounting practices in ULBs that would increase transparency in levels of expenditures for the poor. At another level, it is aimed at setting apart funds allocated for the poor from other expenditure heads. The reform calls for a mandated percentage of revenue generated by the municipality ó the percent recommended by the Administrative Staff College of India (ASCI) is 20-25% -- to be placed within a special fund called the BSUP fund. The fund is meant to be non-lapsable, thereby ensuring that the money put into it is not diverted for other expenditures or returned to the municipality's general fund due to partial utilization.

The reform is aimed at institutionalizing the provision of basic services in slums and poor neighbourhoods which might otherwise be neglected by ULBs that are cash-strapped. While the actual funds that might flow from the municipal body's internal revenue might be small when compared to grants and aids from central and state governments, this earmarking would establish a system whereby, even after the central and state schemes are completed, a robust fund exists for the provision of basic services and maintenance of infrastructure in slum areas.

While this remains a municipal level reform, the guideline documents¹⁷ from the JNNURM mission directorate in Ministry of Housing and Urban Poverty Alleviation (MHUPA) insists that in order to maintain consistency, the state should enact necessary amendments to municipal budgeting laws. The Ministry has also come up with a guideline document on a model legislation to implement this reform (Annex 2).

Tamil Nadu claims to have complied with this reform. It claims that municipal bodies already spend more than 25% on schemes and projects in poor neighbourhoods and slums. It claims that the government has passed a GO (GO 167 dt 15.4.2008 Department of Municipal Administration and Water Supply) which directs municipal bodies to earmark a separate fund for basic services provided to the urban poor. This GO is primarily an order instructing municipal bodies to improve their accounting practices and preparation of budgets. The DMU report of JNNURM (Annex 3) maintains that the three mission cities that fall under the BSUP have achieved an internal earmarking of 20% to 25%. But this has neither been mandated by legislation or passed through a resolution of the council. An official in the Tamil Nadu government indicated that the government was not inclined to enact an amendment to the Corporation Acts or the District Municipalities Act to make internal earmarking a mandatory practice. It believed that such legislation would cripple cash-strapped municipalities that are struggling to meet their expenditure commitments and would not allow them the needed flexibility to manage their financial situation. Thus this reform has not been fully complied with though in practice, the CMA claims that more than the prescribed amount is spent on economically weaker sections.

C.3.3.2. Provision of Basic Services to the Urban Poor

Provision of basic services for the poor is another important pro-poor reform in the list of JNNURM conditionalities and is connected with the above reform. This is a mandatory reform at the ULB level and calls for the ULBs to provide basic infrastructure including affordable housing, security of tenure, basic amenities, primary schools and health care in slum and poor neighbourhoods. The expected outcome from implementation of this reform is an improvement in the lives of the poor, bringing them into the mainstream and creating opportunities for them to seek better income. Reform proponents argue that it would also be beneficial to the ULBs themselves, as it would result in improvements to the environmental and aesthetic conditions of these areas, thereby making them more

¹⁷ Primer on Internal Earmarking of Funds for Services to Poor, JNNURM website (<http://jnnurm.nic.in/nurmudweb/Reforms/Primer.htm>)

attractive for investments. The reform document¹⁸ stipulated that services like housing, water supply and sanitation should be provided at an affordable cost. Security of tenure is an essential part of this reform and the proponents maintain that this would enable the poor to voice their issues and grievances by providing them legal access to services.

TNSCB claims that the beneficiaries gain title over the tenements being built under BSUP from day one. The land remains vested with the board. An official at the board maintained that this was necessary to prevent the sale of the lands to real estate developers and to curb the practice of slum dwellers selling their allotments and returning to inner city slums. Unlike in earlier schemes, where the households had to pay all the installments spread over 20 years before they could claim title over their tenement, under the BSUP schemes, the beneficiaries gain title from the day of possession. This is achieved by tying up the contribution of beneficiaries (10% of the total cost) to loans taken by TNSCB from nationalized banks.

Much ambiguity remains on the issue of providing services to these tenements. Most of the tenements are being built on areas under the jurisdiction of municipalities. Some of the tenements are also being built in village panchayats that are not part of JNNURM or UIDSSMT. Presently the slum board levies a flat rate of Rs 50/- from the tenements (constructed under schemes prior to BSUP-JNNURM) for provision of sewage and water supply. While TNSCB officials maintain that the responsibility for provision of services would fall on the local bodies, ULBs are not sure if they will be taking over the cost of providing water and sanitation for these tenements. As no tenement being constructed under the BSUP schemes has yet been allotted to slum dwellers the issue of who will provide services to these tenements has not arisen in practice. But in the absence of a clear mandate to ULBs to set aside funds for provision of services to EWS households, this might become a contentious issue between residents, the TNSCB and ULBs once the tenements are occupied and demand for services increase. A chairman of a municipal council maintained that it was not politically expedient to raise taxes or levy user charges in order to recover the full cost of O&M, even from middle income groups. He maintained that there was significant resistance to any increase in property tax. In this situation it might be difficult for ULBs to significantly cross subsidize the cost of sanitation and water supply to BSUP allotments. Secondly, tenements coming up on areas under village or town panchayats might find the cost of providing services to large sections of slum households resettled from corporation areas to be overwhelming given their financial capacity. If this issue is not settled soon, the reform objective of providing affordable services to the poor many remain unfulfilled at the end of the mission period.

Municipalities falling within urban agglomerations of mission cities have also been implementing projects under BSUP. But numerous complaints have been raised by slum-dwellers in inner city settlements as well as in resettlement colonies on the urban peripheries, that adequate water supply, sanitation and drainage facilities have not been

¹⁸ Provision of Basic Services to the Poor, JNNURM website
(<http://jnnurm.nic.in/nurmudweb/Reforms/Primers/Mandatory/6-PBSUP.pdf>)

provided in their localities. A recent report¹⁹ on Chennai's largest slum resettlement site in Kannagi Nagar, Thoraipakkam, where over 15,000 families have been relocated from city slums since 2000, pointed to the abysmal provision of basic services including child care, health centers and primary schools. Similar issues have been raised in media and other reports periodically. The reform guidelines of JNNURM specifically mentions that slum dwellers settled in far off sites can be resettled only after basic infrastructure facilities have been provided at the resettlement site. Thus the implementation of this reform remains partial in the absence of mandated processes that secure tenure of households and provide residents with legal frameworks to access services at affordable cost.

C.3.3.3. Earmarking of Land for Economically Weaker Sections

The third reform aimed at benefiting the urban poor is the mandate to earmark 20%-25% of land in public and private housing projects for the economically weaker sections. Officials in TNSCB clearly maintained that all projects taken up by the board in the three cities falling under JNNURM are resettlement schemes. Slum dwellers living in the heart of the city are being resettled in the peripheries in order to remove encroachments on objectionable areas like water bodies, river or canal margins, or roads. Further, the officials maintained that encroachments on lands meant for public purpose projects are also being evicted to the outskirts. The officials maintained that in situ redevelopment is not possible in these cities as lands were not available. But the irony of this is that the reform mandate of setting apart 20%-25% of land in all housing projects was meant precisely to address the issue of availability of land in cities for EWS and LIG households.

While the DMA report on the BSUP maintains that Chennai, Madurai and Coimbatore have implemented the reform partially by mandating an earmarking of 10%-15% of land, our discussions with officials in TUFIDCO and CMA reveal that the reform has not been implemented in its spirit and that there remains a considerable amount of hesitation in pursuing it. More than one official commented that that it was "practically not possible" to implement this reform. They maintained that in housing projects implemented by the government, through agencies like the TNSCB, TNHB and CMDA, up to 40% of land or houses were targeted at the poor (EWS and LIG categories). Thus, they maintain, the government sector has exceeded the 25% earmarking. But private builders and land developers have resisted this move to set apart land for poor income groups in their housing projects. In our conversations with the officials, they made it clear that the private builders have not accepted the idea that different income groups could live in close mutual proximity. One official even reported that some private builders have expressed the view that having poor settlements in the vicinity would discourage upper middle and high income customers from investing in their projects. While the central government report highlights ways in which such regulations could be made attractive to the private developers, the officials in Tamilnadu did not recall any such proposals being placed before the construction consortiums. The CMDA, in its Second Master Plan for

¹⁹ Report of the Fact Finding team on Forced Evictions and Resettlement of Slum Dwellers in Chennai, PUCL (Tamilnadu and Pondicherry)

the Chennai Metropolitan area, has proposed that all housing developers earmark 10% of land for EWS on all projects with a land area of more than 1 hectare. While this is still to be made compulsory, 10% land in cities like Chennai with nearly 30% slum dwellers might not solve the problem.

The three reforms meant to improve the living conditions of the urban poor are inter connected. The pressure to resettle slums in urban peripheries is the result of ineffective implementation of the urban land ceiling act that resulted in large tracts of land from being recovered for housing the urban poor. The Urban Land (Ceiling and Regulation) Act was repealed in Tamilnadu much before JNNURM mandated its repeal. But by circumventing the reform objective of earmarking land in housing projects, the state government is unwilling to appropriate land lying within corporation limits for the use of economically weaker sections. This has resulted in TNSCB having to construct tenements in under serviced areas. In order to service these upcoming tenements, the ULBs have to earmark a significant portion of their resource to the economically weaker sections, but the state has not legislated the earmarking of budget and setting up of an exclusive non lapsable BSUP fund, citing the need for greater flexibility in financial management of cash strapped ULBs. This in turn jeopardizes the ability of slum dwellers and EWS households to access adequate basic services like water, sanitation and solid waste management at affordable prices. Thus the lack of effective and full implementation of any one reform will result in the overall failure of BSUP mission.

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ANNEXURE 1

Table B.2.1: Details of the UIG

Name of the cities	Total number of projects	Number of projects completed	Approved cost of project (in Lakhs)	Total Amount released in the A/C (in Lakhs)	Utilisation as per quarterly progress in December (in Lakhs)	% of amount released against approved cost	% of amount utilised against released
Chennai	39	5	390093.99	86124.01	83319.59	22%	97%
Madurai	8	4	98630.05	40939.6	37929.73	42%	93%
Coimbatore	5	0	72516.66	26266.43	31820.78	36%	121%
Total	52	9	561240.7	153330.04	153070.1	27%	100%

Source: Analysis based on the project implementation status of UIG on mission website as on 30.11.2010.

Table B.2.2.: Summary of UIG projects sector-wise in the 3 cities as on 30.11.2010

S.No	Sector	Number of Projects				Approved cost of project (in Lakhs)	Total Amt. released including central, state, and ULB share	Utilisation as per quarterly progress in December
		Chennai	Madurai	Coimbatore	Total			
1	Water Supply	13	5	2	20	154842.92	63333.2	71957.84
2	Solid Waste Management	2	1	1	4	47033.25	15543.66	18761.49
3	Underground Sewerage	16	1	1	18	157830.97	39037.69	33843.24
4	Road/ Flyovers	3	0	0	3	8276.6	6394.99	9990.69
5	Storm Water Drains	4	1	1	6	192646.96	28944.25	18283.6
6	Heritage	1	0	0	1	610	76.25	233.24
	Total	39	8	5	52	561240.7	153330.04	153070.1

Source: Analysis based on the project implementation status furnished by MoUD website as on 30.11.2010.

Table B 2.3: Summary of Finances of UIG projects, sector-wise in the 3 cities as on 30.11.2010

Sector: Water Supply	Chennai	Madurai	Coimbatore	Total
Total number of projects	13	5	2	20
Number of Projects completed	3	4	0	7
Approved cost of project (in Lakhs)	109279.1	28307.17	17256.66	154842.9
Total amt. released incl. central, state & ULB share	42299.14	13413.49	7620.57	63333.2
Utilisation as per quarterly progress in December	51333.66	10287.64	10336.54	71957.84
Sector: Storm Water	Chennai	Madurai	Coimbatore	Total
Total number of projects	4	1	1	6
Number of Projects completed	0	0	0	0
Approved cost of project (in Lakhs)	144791	25181	22675	192647
Total amt. released incl. central, state & ULB share	19137.57	9806.68	0	28944.25
Utilisation as per quarterly progress in December	4888.38	13,375.22	20	18283.6
Sector: Solid Waste Management	Chennai	Madurai	Coimbatore	Total
Total number of projects	2	1	1	4
Number of Projects completed	0	1	0	1
Approved cost of project (in Lakhs)	29953.25	7429	9651	47033.25
Total amt. released incl. central, state & ULB share	86124.01	4019.93	7179.59	97323.53
Utilisation as per quarterly progress in December	83319.59	4,489.97	8,161.93	95971.49
Sector: Underground Sewerage	Chennai	Madurai	Coimbatore	Total
Total number of projects	16	1	1	18
Number of Projects completed	0	0	0	0
Approved cost of project (in Lakhs)	97184.09	37712.88	22934	157831
Total amt. released incl. central, state & ULB share	13871.92	13699.5	11466.27	39037.69
Utilisation as per quarterly progress in December	10764.03	9,776.90	13,302.31	33843.24
Sector: Road Flyovers	Chennai	Madurai	Coimbatore	Total
Total number of projects	3	0	0	3
Number of Projects completed	2	0	0	2
Approved cost of project (in Lakhs)	8276.6			8276.6
Total amt. released incl. central, state & ULB share	6394.99			6394.99
Utilisation as per quarterly progress in December	9990.69			9990.69
Sector : Heritage	Chennai	Madurai	Coimbatore	Total
Total number of projects	1	0	0	1
Number of Projects completed	0	0	0	0
Approved cost of project (in Lakhs)	610			610
Total amt. released incl. central, state & ULB share	76.25			76.25
Utilisation as per quarterly progress in December	233.24			233.24

Source: Analysis based on project implementation status UIG as on 30.11.2010

List of Projects completed between 2010-2011

Sr no.	Municipality	Project Sector	Cost of project	Date of Sanction
1	Rajapalayam	Roads and Drains	913.00	24-Jul-06
2	Sankaran Koil	Roads and Drains	293.30	16-Dec-06
3	Gobichettipalayam	Roads and Drains	215.50	24-Jul-06
4	Nammakal	Solid Waste Mgmt	358.25	16-Dec-06
5	Aranthangi	water supply	340.00	24-Jul-06
6	Maraimalai Nagar	Underground Drainage	375.00	16-Dec-06
7	Maraimalai Nagar	water supply	254.00	16-Dec-06
8	Vickramasingapuram	water supply	246.00	24-Jul-06
9	Nammakal	water supply	990.50	24-Jul-06
10	Sriviliputhur	water supply	2949.19	24-Jul-06
11	Gudalur	water supply	525.00	24-Jul-06
	Total		7459.74	

List of municipalities in which underground drainage projects were dropped

Sr No	Municipality	Cost of project (Rs in lakhs)
1	Labaikudikadu	99.70
2	Bodinayakanur	2628.81
3	Aranthangi	2397.54
4	Thiruthuraipoondi	1523.11
5	thiruthuraipoondi	3123.61
6	Gudiyatham	1815.36
7	Thiruvathipuram	5155.33
8	Hosur	4006.07
9	Thirupathur	1219.65
10	Sevilimedu	770.34
	Total	22739.52

Projects proposed by TN in place of dropped projects

Sr No	Municipality	Cost of project (Rs in Lakhs)
1	Kovilpatti	7060.14
2	Kayalpattinam	2967.00
3	Vandavasi	930.62
4	Karaikudi	1391.83
5	Dharapuram	918.29
6	Attur	458.97
7	Thiruchengodu	603.55
8	Nagercoil	6556.47
9	Cumbum	1852.60
	Total	22739.47

List of 19 projects that were withdrawn due to exhaustion of mission period allocation

Sr No	Municipality	Type of Project	Cost of project (Rs in lakhs)
1	Salem	water supply	28309.00
2	Melur	water supply	2519.33
3	Thirvanamalai	water supply	3452.62
4	Cumbum	water supply	1402.65
5	Kovilpatti	water supply	4446.42
6	Pallipalayam	water supply	955.26
7	Sattur	Underground Drainage	2360.00
8	Karaikudi	Underground Drainage	4799.63
9	Mannargudi	Underground Drainage	5929.71
10	Pollachi	Underground Drainage	5150.00
11	Nagercoil	Underground Drainage	7000.00
12	Kodaikannal	Underground Drainage	8753.97
13	Kadayanallur	Underground Drainage	2317.76
14	Periyakulam	Underground Drainage	1064.10
15	Palani	Underground Drainage	4100.43
16	Gudiyatham	Underground Drainage	702.47
17	Keelakarai	Underground Drainage	2175.00
18	Sivakasi	Underground Drainage	3885.87
19	Melur	Underground Drainage	2621.00
	Total		91945.22

Year wise list of projects submitted for 2nd installment from Gol

Year	No. of Projects submitted	No. of UC for 2nd Install. sent to Gol for the projects	2nd Install. received	Approved Cost (Rs in Crores)	Completed	ongoing	To commence
2006-2007	96	93	92.00	538.18	88	8	0
2007-08	14	3	3.00	81.97	0	4	10
2008-09	3	0	0.00	35.18	3	0	0
2009-10	9	0	0.00	227.39	0	0	9
Total	122	96	95.00	882.72	91	12	19