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Municipal Management Innovations – The Case of Tirunelveli City Municipal Corporation

Complexities of municipal management in wake of increasing urbanisation and consequent urban growth as also the rising expectations of the local communities from municipal governments, has been compelling the city governments to adopt innova-

tive management systems for enhancing the effectiveness, efficiency and responsiveness of municipal governments. The City Municipal Corporation of Tirunelveli (CMCT) with a population of 4.11 lakhs in Tamil Nadu as well has adopted a series of innovations. These are mentioned below:

Interactive Voice response System (IVRS)

Interactive Voice Response System has been installed which enables the citizens to know the status of Property Tax payments and also to lodge complaints on streetlights and water supply. The system has the facility of interacting in both English and Tamil.

Privatisation of Street Light

The Corporation had been maintaining about 15,000 streetlights with its own staff, till 1999. The system was infested with problems and the Corporation used to receive a number of complaints from the public. The Municipal Councillors used to frequently raise this issue in the official meetings. Main reasons for deficiencies in street lighting were inadequate staff, low efficiency, lack of inter-departmental coordination and pilferage of materials. The Corporation used to spend about Rs. 6 million per annum on street lighting. Hence it decided to privatise maintenance of streetlights. An open tender was therefore floated and the maintenance was handed over to a contractor at an annual contract of Rs. 4.95 million for all the municipal wards in November 2000.

The Contractor is now attending

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Computerisation

CMCT has put in place computerisation that has enhanced the effectiveness of municipal functions. The functions now being performed by computer include redressal of public grievances, tax collection, payment of wages and salaries, personnel management, issuing of birth and death certificates, monitoring the collection of garbage on a daily basis, assessment of Property Tax, preparation of project cost estimates, evaluation of tenders and vehicle maintenance monitoring.

Common Tax Collection Centre

CMCT has proposed to set up a system of "pay-all tax-under-one-roof". BSNL and TNEB have agreed to have a common tax collection centre in one of the zonal offices. Work is under progress and the Centre is expected to start functioning by the end of November 2002.

the complaints within 72 hours of registration of complaints. Complaints can be made on telephone or in person in writing at the unit offices. In case the complaint is not attended to within the stipulated time, the contractor has to pay a penalty that increases each day. The Contractor is responsible for installing new lights and replacement of unworkable bulbs. After privatisation, the percentage of burning lights has increased and the Corporation has experienced a cost saving of Rs. 1.05 million per annum.

Green Channel System for Sanction of Building Plans

Sanction of building plans has been one of the most problematic areas of municipal governments. Building plans are not sanctioned for months and even years without a consideration. CMCT has therefore adopted an innovative way for sanctioning of building plans expeditiously. Building plans are now sanctioned by the Corporation for approved plots of land the same day after collection of fees, requires documents and an undertaking on a stamp paper of Rs. 20 that has to be signed by both the applicants and a licensed building surveyor. Applications for Green Channel clearance are received on every Friday and the sanctions given the same day.

Privatisation of Water Supply Head Works

The Corporation has a protected water supply system for each erstwhile municipal area of Palayamkottai, Tieunelveli and Melapalayam. Raw water is drawn from a river source. The total quantum of water drawn per day is around 39 MLD. Water supply schemes are maintained by the Corporation

The Corporation had taken over a newly created water supply headwork in one of the Corporation areas at Suthamalli. The total cost of operation and maintenance was about Rs. 48,000 per month. The added operation and maintenance cost apart, the maintenance of the headwork involved other

hardships as well. It was located at a long distance of ten kms from the town. This created other problems as well. Hence the Corporation decided to contract out the operations and maintenance of the headwork to a private operator. It is too early, however, to evaluate the impact of this initiative.

Solid Waste Management

i) Source Segregation

Segregation of waste at source is being implemented in this Corporation. All 13 wards of Thachanallur zone are taken in Ist phase. Corporation level consultative committee has been formed to monitor the progress of source segregation work under the chairmanship of Worshipful Mayor of this Corporation. To implement this scheme, ward level committee and street level committees have been formed. The councillors of the ward and SI, SS, NGOs and Self-help groups in the area are members of ward level committee. Sensitization training has been given to sanitary workers, ward level and street level committee. Door to door campaign is being launched from 1.10.2002.

Corporation Council has sanctioned to purchase 125 handcarts with 4 bins with different colours. From this 65 handcarts with 4 bins were allotted to Thachanallur zone at the rate of 5 per each ward. Out of 4 bins 3 are green coloured bins for collecting biodegradable waste and one white coloured for non-degradable waste.

ii) Compost Yard

Corporation has identified 100 acres of land in Ramayanpatti, which is 5 km. away from the Corporation limit. From 2000 onwards the garbage is taken to Ramayanpatti site. Presently, around 20 acres of land is earmarked for dumping the garbage out of 100 acres of Ramayanpatti land.

The land filled site was improved as indicated below:

- Chain link fencing was laid

around the 20 acres of land, which is earmarked for garbage dumping;

- Around 10,000 trees were planted around the 20 acres of land within the 100 acres;
- Trees planted around compost yard provide green cover and look;
- Weigh bridge has been constructed and garbage is being weighed every day;
- Road facilities, lighting facilities and water facilities have been made in landfill.

iii) Privatisation of SWM

Due to shortage of sweeping staff and due to development of more and more new colonies and extension areas, Corporation found it difficult to clean all areas regularly. Based on discussion in various forums, Corporation started concept of promoting residential associations to take up sanitation in their colonies by engaging private sanitary workers.

According to the above scheme, people welfare association of these colonies are made responsible for the collection of garbage and desilting of drains. The Corporation garbage lorries will collect this garbage from dumping points in these colonies.

Rain Water Harvesting

Based on Honourable Chief Ministers initiative, concept of rainwater harvesting is promoted by Corporation. Wall paintings, posters, handbills, broadcast of recorded message by BSNL telephones, AIR and telecast of slogan by local cable T.V. are resorted to create awareness. Corporation has succeeded in creating more than 2000 structure in Corporation offices, hospitals, schools, private residences failed bore wells etc.

Harmander Singh
Commissioner
City Corporation
Tirunelveli

Ludhiana Municipal Corporation Makes an Amazing Turnaround

Ludhiana Municipal Corporation (LMC) is perhaps the only municipal body in Punjab, making profits. The municipal body has good cash reserve after meeting all the liabilities.

As per the LMC's Municipal Commissioner, this has been possible by mobilisation of existing resources. A sea change has been witnessed in its functioning, right from mobilising the resources to the implementation of the development projects or enforcing the discipline.

The Ludhiana Municipal Corporation is the biggest of the four municipal corporations in the state of Punjab. The city council consisting of 70 municipal councillors duly acknowledged, the outstanding contribution of the Commissioner in turning Corporation into a profit-making institution.

Notably, it is for the first time in the LMC's history that a Municipal Commissioner has been interacting with his sub-

ordinates right from the lowest rung up to the zonal commissioners.

The Commissioner has started fixing responsibilities for employees and contractors. The Commissioner blacklisted 15 contractors, realized penalties from the erring contractors and issued show cause notices to 40 municipal employees. In order to ensure timely completion of the projects the contractor's work is being reviewed from time to time. There has been a sea change in the situation and the contractors are vying for the allotment of work. The cash reserves of the Ludhiana Municipal Corporation stand at Rs 105.82 million after meeting all the liabilities.

Ludhiana Municipal Corporation is also the first Corporation in entire north to have set-up biomedical waste disposal plant.

Orissa Government to Issue Tax Free Municipal Bonds Worth Rs 3.5 billion

The Orissa Government will issue tax-free municipal bonds worth Rs 3.5 billion at a coupon rate of 10.5 per cent. The funds so collected will be used for development works at the seven municipalities of Cuttack, Puri, Rourkela, Behrampur, Bhubaneswar, Sambalpur and Angul.

Kolkata based infrastructure finance company Srei International Finance Limited (SIFL) is vying for bagging the mandate for the tax-free bond with the maturities ranging from 7 to 10 years. The bond will primarily be placed with banks, financial institutions, insurance companies, provident funds as well as general public.

The funds so collected would be used to revamp the sewerage system in the seven municipalities at a total cost of Rs 4.2 billion. Rs 0.7 billion will be provided by the state government towards the project cost while the rest

of the funding will come from the bonds. The Netherlands Development Finance Company will provide around Rs 50 million for this project.

The Ministry of Urban Development and Poverty Alleviation will act as the nodal agency for processing the proposal for tax free municipal bonds, internal monitoring of the project account and escrow account. The funds for paying back the bonds will be raised by the state government through taxes and tolls. The taxes shall include new water tax, sewerage tax at 50 per cent of the water tax, and development tax in the seven cities of Orissa.

Besides, the state government will levy the toll on railway passengers travelling through or to these cities. Tourists availing hotel accommodation in hotels will also be paying for the development programme – the toll being part of their room rent that will be embedded in the room tariff.

The possibility of raising resources through a City Challenge Fund (CCF) that aims at encouraging transition towards sustainable and credit worthy institutional systems of municipal management and service delivery is

also being looked at by the state government. The city challenge fund assists in part funding the cost of developing an economic reform programme and economically viable projects to be undertaken by urban local bodies. The other possibility for the state government is Pooled Finance Development Scheme (PFDS) that provides credit enhancement to assist local bodies in assessing market borrowing on a credit worth basis.

Round Table on Municipal Accounting Reforms - Recommendations

The Indo-USAID Financial Institutions Reform and Expansion (FIRE) Project in collaboration with National Institute of Urban Affairs organized a Round Table on 'Municipal Accounting Reforms' on October 8, 2002 in New Delhi. The Round Table, which was attended by more than 100 representatives from central and state governments, municipal officials,



Institute of Chartered Accountants of India, World Bank, DFID, CIDA and USAID at New Delhi discussed new developments in Municipal Accounting Reforms. The organizers were particularly happy to note the overwhelming response for the seminar, which also demonstrated the interest and the relevance of the subject.

Mr. W. Martin, Acting Mission Director, USAID inaugurated the Round Table. In his inaugural address, he emphasized the need for changing the municipal accounting system from the existing cash basis system to accrual system.

Mr. N.D. Gupta, Former President, ICAI, in his address informed the gathering about the progress made by ICAI's Accounting Standards Board in developing accounting standards for governmental bodies. Mr. Gupta informed that a Technical Guide on municipal accounting has already been prepared by ICAI. He expressed his views on helping the ULBs to change their existing system to an appropriate improved system.

Mr. N. Bhattacharjee, Program Manager, RUDO, USAID, also ad-

ressed the seminar and emphasized the need to accelerate the pace of municipal accounting reforms.

Many distinguished persons from the field of municipal accounting, including foreign experts on the subject, addressed the Round Table. Dr. Gilbert Crain, formerly from the Government Finance Officers Association (GFOA) of USA and Canada, mentioned about the various phases through which the United States passed to bring about municipal accounting reforms. He said that such reforms are an evolutionary process and India should not wait for a major adverse event to start the reform process. He also suggested various alternatives available to India in developing accounting standards for ULBs, including the option to build on the standards set by the International Federation of Accountant's Public Sector Committee.

Speakers from different states of India, such as Tamil Nadu and Maharashtra along with the city of Bangalore dealt with the issues involved in transitioning from cash based accounting to an accrual system.

They outlined the progress made by their respective states and city in the implementation of accounting reforms. Dr. Rajivan from TNUDF emphasized the need for computerization of accounts and preparation of an accounting manual and implementation of the same on a pilot basis. Mr. Devraj, Project Director, TNUDF, informed that, in order to avoid any resistance to change from the municipal staff, the State of Tamil Nadu initially introduced very simple formats. He also emphasized the need for having a state level institution for scaling-up the new accounting manual in all the ULBs of the State. Mr. Srihari from Bangalore stressed the need for state governments to be convinced about the benefits of accounting reforms and the commitment and support required for capacity building and training from higher levels of governments to ensure speedy implementation of the reforms. Mr.R.S.Murali emphasized the need for having adequate MIS for all the stakeholders and making the budgeting process more scientific with the help of appropriate technology and citizen involvement.

Mr. Alok Shiromany and Mr. S.P. Aggarwal, FIRE project consultant, explained the key issues in the existing cash based accounting systems and the design of the new accrual accounting manuals developed for the ULBs of the State of Maharashtra, including the issues to date in piloting the manuals. Dr. Chakravarti from ICAI, in the context of an ongoing assignment for the Municipal Corporation of Delhi, stated that most of the basic data and information were available in different records of the Corporation and only a system to capture the same was required to be devised. ICAI's team was of the unanimous view that identification of opening balances and valuation of different assets and liabilities were the major problems in the transition from cash based accounting to an accrual system.

Mr. David Bean, Director of Research, Governmental Accounting Standard Board (GASB), USA, dealt with the background of GASB and its standard setting process. He discussed the primary features of GASB's new financial reporting model Statement No. 34 and its initial implementation. He also enumerated the transitional issues in implementing the new financial reporting model. He informed the audience about the implementation/user guides issued by GASB to guide and help users understand the new standards. Further, he mentioned the benefits for governmental bodies in following the accrual accounting.

Mr. Lee Baker, Chief of Party, FIRE (D) project, summed up the day's deliberations and enumerated six major recommendations to ensure successful implementation of state-wide municipal accounting reforms as follows: (1) Key benefits of reforms need to be identified by the State Governments; (2) Timely introduction of computerisation and preparation of accounting manuals; (3) Implementing the manuals on a pilot basis; (4) Creating the right legal framework; (5) Having the required state level

commitment and institutional support; and (6) Training at the local level.

HUDCO Ready to Offer Rs 60 Billion Package to Kerala

While inaugurating an interactive session on urban development schemes, the Union Minister for Urban Development informed that HUDCO is ready to offer a financial assistance of Rs 60 billion for various development activities in Kerala.

As per the Minister, the financial assistance would be canalised through Central Government-sponsored programmes, and Local Bodies in the state could directly avail of the funds. Capacity building is an important component of the aid package. Since the funding is based on the revenue model, this will result in eliminating the need for State Government guarantee. In order to ensure that the local bodies attain the required capacity for loan repayment, each project will be vetted for financial viability.

While revealing that the Central Government was prepared to finance a comprehensive development package for Sabrimala and an Rs 1 billion project to develop townships at Aakulam in Thiruvananthapuram and the Marine Drive in Kochi, the minister stressed the need to encourage private sector participation in urban development projects. As per the Minister, the state government has agreed to provide the land for proposed Habitat Centre in Thiruvananthapuram and the Centre would provide Rs 300 million for this project.

The Union Minister for Urban Development further added that the HUDCO had committed an amount of Rs 3.3 billion to convert 61,000 housing loans into HUDCO Niwas loans. The other projects identified by the Centre are Mega city and low-cost

sanitation and water supply scheme. While informing that the Centre was prepared to finance an ambitious State Government proposal to set up an Ayurveda Park that could catapult Kerala into a global destination for health tourism, the minister called upon elected representatives to rise above petty politics and work for the development of the State.

The State Chief Minister, while presiding over the meeting exhorted local bodies to initiate a reform package for the speedy implementation of infrastructure projects and avail of Central aid without waiting for State Government clearance. As per the State Chief Minister, the flexibility in the centrally sponsored schemes had opened a window of opportunity for Kerala.

The Chief Minister identified solid waste management to be a major challenge for urban development and as such the state government was finalising a cluster of projects to be implemented under the Clean Kerala programme. The Chief Minister pointed out the priority for development of the capital city region.

The Union Minister of State for urban development called upon the state government to prevent diversion of Central funds released for developmental activities. The Minister observed that a good road network was essential to the development of Kerala, and the Centre would finance the construction of an express highway from Mangalore to Thiruvananthapuram.

The HUDCO regional head, said that the organisation was looking forward to a long-term MoU with the local bodies in Kerala under public-private partnership model. As per its regional head, HUDCO is ready to fund the Cherthala-Kumarakom tourism corridor estimated at Rs 2 billion and the Ponnani-Kozhikode highway project costing Rs 3.5 billion. The other projects under HUDCO's consideration for funding are an IT park for IT-enabled services and various other projects in the tourism, health and education sectors.

On receiving a list of priority projects identified by the State Government and local bodies, the Union minister for Urban Development assured clearance being given for their funding in a month's time.

West Bengal Achievements Praised in World Development Report

The World Bank, in its World Development Report (WDR), has highlighted the role of two social developments in West Bengal that have contributed to the emergence of a sustainable development model in the Third World.

Keeping in touch with WDR, the World Bank called on heads of states, ministers, private sector leaders, and civil society representatives to 'World Summit on Sustainable Development' held in Johannesburg to come to the conclusion that poverty-reducing growth does not come at great cost to future generations.

As per WDR, governments should become more accountable and transparent, and ensure the poor people to obtain secure land tenure, as well as access to education, health care, and other basic services.

The WDR report cited the case of West Bengal, where the share of crop output increased from 50 per cent to 75 per cent when the Left Front administration stressed a law giving security of tenure to sharecroppers. With the result, annual growth in production of food grains in West Bengal rose from 0.4 per cent to 5.1 per cent, while elsewhere in India, they rose only from 1.9 per cent to 3.1 per cent.

The World Development Report pointed out that the civil society organisations contribute when they serve as a voice for dispersed interests and provide independent verification

of public, private and nongovernmental performance. For example, the Ramakrishna Mission works with youth clubs in 1500 villages in West Bengal and conducts needs assessments for development projects and identifies funding. Through this work, the Mission provides a voice for the poor, identifying and expressing development needs as seen by the community itself.

The WDR report also mentioned some other projects in India, like, Trust between agricultural extension agents and farmers led to significant improvement in the management of watersheds in Rajasthan, leading in turn to increased agricultural production and rising community incomes. In Mumbai, a novel approach has been tried where as a part of a project to improve the city's traffic and transportation system, an NGO alliance of slum dweller groups worked together to resettle 10,000 families who lived near railway tracks by giving assurances of secure tenure and basic amenities of water, sanitation, and electricity. Mumbai Metropolitan Regional Development Authority (MMRDA) co-operated in this effort while the NGO had built enough trust with the dwellers to persuade them to accept resettlement.

Similarly, in Pune, a residents' organisation used self assessment and community mobilisation to secure sanitation facilities in just a few years, serving about half of the city's one million slum dwellers.

Urban Development Ministry Allows Government Departments to Give CPWD the Go By

In order to encourage competition, as a first step the urban development ministry has decided to free all the government departments from the

mandatory requirement to hand over construction work costing less than Rs 50 million to CPWD.

As a result outsourcing would be encouraged as the CPWD gradually moves in line with privatisation goals of the government. As per the Union Minister for Urban Development, modification of the process known as GFR-136 would allow government departments to choose any contractor of their choice for projects costing less than Rs 50 million.

The Minister further added that private construction in other projects would also be encouraged if the department concerned obtains permission from the Urban Development Ministry. The Gadkari committee formed to work out a roadmap for turning the CPWD into a professional body made the suggestion for modification of GFR-136. In many cases, GFR-136 was acting against the interests of both the parties. The department concerned had no option to go to private contractors. At the same time CPWD was finding small projects unviable.

The first set of recommendations made by the committee has been accepted in full. The committee is expected to submit its second set of recommendations soon. Six sub-groups have been formed for in-depth study of certain issues. These have been asked to submit their views within six weeks. The committee would suggest measures to improve quality standards in the construction industry and emphasise the importance of performance audits.

As per the Urban Development Minister, the ministry's aim was to usher in improvement in construction quality and bring down costs for all government projects. The need of the hour was retraining, downsizing and functional flexibility in order to modernise CPWD and make it more efficient. The Minister informed that action would be taken within a week in cases where the ministry had to take decisions.

HDFC Reports Net Profits Up by 21 Per Cent in Q2, Agrees for 1: 1 Bonus

By approving a bonus issue in the ratio of one equity share for every share held, to be put up before the shareholders at an extraordinary general meeting to be held on December 2, 2002, the Housing Development Finance Corporation (HDFC) has outdone market expectations.

The bonus issue is first such issue by the company in its 25-year history and will result in HDFC capitalising Rs 1.22 billion of reserves to double its paid-up capital to Rs 2.44 billion.

The Board of Directors has also decided to consider buyback of up to 5% of the HDFC's paid-up capital. The idea of the buyback was to return excess capital to shareholders, since HDFC's Capital Adequacy Ratio (CAR) will cross 16% after the National Housing bank lowers the risk weightage for housing loans to 50% from the present level of 75%. The CAR following the buyback would be around 12.5% - 13%, adequate to meet two years of growth.

As per the HDFC's Managing Director, the terms of the buyback would be decided after the receipt of all regulatory approvals, including under section 77A(2) of the Companies Act 1956. The MD further added that based on the current regulations, the company cannot effect a buyback since its debt-equity ratio exceeds the maximum of 2:1 prescribed under section 77A of the Companies Act, 1956. Besides, the buyback would be subject to various clearances, including lowering of the risk weightage of housing loans by National Housing Bank.

As per the HDFC's Managing Director, the company has reported a 20.69 per cent increase in its net profit for the second quarter ended September 30, 2002, amounting to Rs 1.67 billion,

up from Rs 1.38 billion in the corresponding quarter. The increase in the company's bottom line followed the higher spread and a larger loan portfolio.

Kerala Government to Hike Building and Other Taxes Being Collected by Local Bodies

While releasing 'Urban Policy and Action Plan for Kerala', the Minister for Local Administration said that the state government is planning to hike building tax. Besides, it is also planning to revise other taxes being collected by local bodies. As per the Minister, the building tax had not been revised since 1988 and the cabinet sub-committee was examining the proposals of the Local Administration Department to revise the taxes being collected by the local bodies.

The state government has decided to ban the use of plastic bags in the state from November 1, 2002 by issuing a statutory order.

As per the Urban Policy, the government would constitute an Urban Regulatory Authority with statutory powers. The regulatory body's role will be to ensure private participation in municipal services, to maintain quality of services, and to ensure services being available at reasonable cost. It would be a forum for receiving complaints and suggestions on urban services.

To begin with, the regulatory body would take up the issues relating to the power and water supply of Thrissur Corporation. The Minister further added that urban areas would be prioritised and interim development plans prepared for the towns that were not being covered under development plans. In a time-bound manner, the traffic improvement and management schemes would be implemented.

Based on their present developments and the future economic development potential, the 58 statutory towns in Kerala have been classified under five categories. Kochi, Thiruvananthapuram and Kozhikode would be treated as priority cities with Kochi being the prime economic mode, getting the most priority status for convergence of infrastructure, the capital Thiruvananthapuram being considered as a special priority region and Kozhikode as the second priority city.

As per the Urban Policy, the urban agglomerations of Thiruvananthapuram, Kannur, Kollam, Alappuzha, Palakkad and Kottayam have been classified as third priority towns, while the remaining towns have been grouped as fourth priority towns depending on their potential for development and capabilities for economic development, indiscriminate conversion of low-lying urban areas should be regulated using policies framed on the basis of scientific studies.

As per the Minister, the state government proposed to introduce a unified legislation on town and country planning with wider provisions for preparation of State Spatial Development Plans, Regional Development Plans, District Development Plans, Urban Development Plans and Special Area Development Plans. Besides, an Urban Development Innovation Fund with specific guidelines for selection of projects would be created.

The Local Administration Minister informed that the urban land management would be made more effective. As per the Minister, development charges shall be levied on every land transaction, new construction and commercial venture coming up in the project area after the notification. It could be a one-time charge in the case of land transactions and new constructions, while in case of commercial ventures, the charges could be levied annually.

As per the Urban Policy, infrastructure availability in the area would

be considered as basis for defining the floor area ratio permissible. The urban policy envisages solid waste management, sewerage system, urban sanitation, conservation of heritage structures and open space and accounting reforms as well.

Smaller Housing Finance Companies Reluctant to Cut Loan Rates

If the commercial banks decide to pass on the benefit of the 50 basis point cut in the bank rate by the Reserve Bank of India (RBI), there is the likelihood of introduction of a fresh round of interest rate cuts in the housing finance sector.

As a consequence of such a decision, the equated monthly instalment (EMI) on a Rs 1 million loan for 15 year period would come down by almost 25 per cent from what it was four years ago. As a matter of fact, in August 1998, when the interest rate in housing finance was 15.25 per cent, the EMI on a Rs 1 million loan for 15 years worked out to Rs 14,424 on an annual basis. As on date, at 10.5 per cent, the same loan costs Rs 11270 on an annual basis. Once the interest rates are reduced even by 25 basis points, the EMI will further reduce to Rs 10,850.

Already a rate cut of 25 basis points has been announced by Housing Development Finance Corporation (HDFC). The other housing finance companies (HFC's) are following a 'wait and watch' policy on this issue. While discounting the HDFC reduction, these HFC's consider it to be the correction overdue since the other HFC's including ICICI had become more competitive.

As per the LIC Housing Finance director and chief executive, though presently it was not contemplating any rate cut, it would remain as competitive as any other bank or HFC in the

Housing finance category. As per other HFC officials, in case the commercial banks decide to cut their prime landing rate and pass on the benefit to the housing loans as well, the HFCs will have to cut the rates as well in order to remain competitive.

As per the Industry experts, though the State bank of India has already cut its deposit rate and made no simultaneous announcement of any cut in their lending rate, the bank is expected to announce a cut of at least 25 basis point in their lending rates. This shall make thing even more difficult for smaller and medium HFCs, since the cost of funds is very high for them.

According to the National Housing Bank's executive director, the bank does not plan to reduce its refinance rate immediately and since the smaller and medium housing finance companies depend upon NHB for their funds, they can not reduce the lending rates.

At present these HFCs are lending to the customers at about 12 per cent, while the rate at which they borrow funds from NHB is about 10 per cent. The bank rate cut will thus render these smaller HFCs even more uncompetitive.

CRISIL to Advise Delhi Government on Waste Project

CRISIL Infrastructure Services (CIS) has been roped in by the Delhi Government as an advisor for setting up an industrial waste management project.

CIS would advise the government to frame industrial waste management strategies and invite private companies to participate in the programme. The project would also extend to neighbouring states like Haryana and Uttar Pradesh. The project is going to be set up on a build-operate-and-manage-basis for a period of 25-30 years.

As per the executive director and chief operating officer of CRISIL, it has

recently received the mandate and feasibility study would soon be conducted in association with the government.

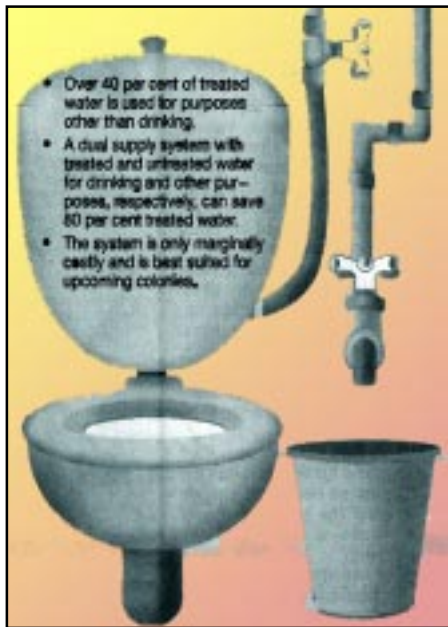
The Delhi Government has to select a private firm with technical capability to implement and operate the facility, the selection of technically capable operator be based on the cheapest tariffs quoted by the bidder.

According to the executive director and chief operating officer of CRISIL, Crisil Infrastructure Advisory would extend and enhance the Crisil franchise to areas of policymaking and economic development in the country. Further he added that Crisil would strive to become the advisor of first choice in the developing world in this chosen area of activity and planning to achieve a minimum revenue growth of 40 per cent per annum over the next five years, with a minimum gross margin of 40 per cent.

CRISIL has already assisted the Maharashtra government for setting up a facility in Taloja. It has consulted the Maharashtra State Industrial Development Corporation to develop the structure, define project scope, prepare bid documents and evaluate bids

High Time to Curb Drain on Clean Drinking Water – Dual Supply System Need of the Hour

Everyday, of the 600 million gallons drinking water supplied by the Delhi Jal Board, nearly 240 million gallons is used for purposes other than drinking, such as domestic chores including flushing of toilets. Even as the city's demand



Source : Times of India, November 11, 2002

for drinking water has increased by 20 MGD a year, the wastage is still continuing.

Though belatedly, nevertheless the city planners and developers have started considering a dual water supply system. Under this system, one supply will be of drinking water, while the other supply will cater to the requirement of water for washing and cleaning. The water to be supplied for washing and cleaning will be less-expensively treated water.

Under dual supply system, two separate water supply lines are provided to each dwelling unit. While the one that leads to the kitchen is for drinking and cooking, the other is the domestic water supply meant to be used for the toilets, bathroom etc. The drinking water saved in this manner can be diverted to the other needy areas.

The domestic water supplied under the dual supply system, is pumped from underground sources and a dose of disinfectants is added to it. This is then stored in ground-level tanks for complete disinfection. Later this is pumped into overhead tanks for distribution to homes. In more ad-

vanced dual supply systems, even the rainwater is recycled and stored in ground level tanks, thereby helping in conservation of underground water reserves.

As per the experts, a timely switchover to dual supply system would have saved colonies like Vasant Kunj from water scarcity. As per a research associate at the Centre for Science and Environment, the underground water in these colonies is unfit for drinking while Delhi Jal Board (DJB) doesn't have adequate drinking water to supply there. Give the circumstances, the is need for local residents making use of municipal water supply for drinking purposes, while using the underground water for the domestic chores. He further added

that internationally, there is practice to use recycled water or less-treated water for purposes other than drinking.

While citing the example of Frankfurt airport, where 90 per cent of water requirement is met with recycled water, the expert from the Centre for Science and Environment emphasised the need to emulate the successful models already implemented in Chennai and Chandigarh.

As a beginning, DDA introduced the dual supply system in Dwarka and Bakarwala. As a mater of fact, such a system has existed in some parts of Luytens' Delhi for years. As per DDA member Engineering, from now on, all houses being built in Dwarka will have a dual piping system. While welcoming this move on part of DDA, DJB

ICICI Bank to Mop Up Rs. 50 Billion Bond Issue

The Central Board of Direct Taxes has permitted ICICI Bank to mop up Rs 50 billion from the public under Section 88 of the Income Tax Act through the bond route. The purpose of the bond issue is to mop up funds with long-term maturity rather than normal fixed deposits.

The bank would be the first in the country, that too in the private sector, to get such permission. Earlier, this was only permissible to development financial institutions like IDBI, IDFC, and IFCI. ICICI Bank too was a development financial institution till it underwent a reverse merger with ICICI Bank to become a universal bank.

As per the ICICI Bank official, the final approvals from the SEBI and Reserve Bank of India are expected very soon. ICICI has already received umbrella approval for Rs 25 billion with a greenshoe option of an equal amount. The issue should hit the market in the middle of November.

It is learnt that the bank would fix the interest rate at slightly below 8%. Under Section 88 of the Income Tax Act, investors would be allowed to seek benefit at the rate of 15%. Therefore, the effective yield on the investments would be over 11%.

As per the ICICI official, the interest rate of their bond would be lower than IDBI's Flexibond rate. IDBI has already hit the market to raise Rs 6 billion, including the greenshoe option of Rs 3 billion. IDBI Flexibond's rate of interest is between 8.25% to 8.5%.

ICICI Bank plans to come out with a Deep Discount Bond having a maturity period of 15 years or more and Infrastructure Bonds with a three-year maturity and also plans to float a Regular Income Bond.

member (water) informed that the subsoil reserves in areas like Dwarka and Najafgarh are saline and by drawing groundwater, space created would get recharged with sweet rainwater.

As per the CEO of Delhi Jal Board, there were reasons for dual system not being introduced earlier. There had to be a set of guidelines before making dual supply system mandatory for new constructions. Besides, the dual water supply systems require a higher investment in infrastructure such as two parallel water lines and additional overhead tanks. The civic agencies cite this to be the prime reason for reluctance to introduce this system. But then, the experts do accede to the fact that once the infrastructure is in place, vast amounts in the range of 25 to 40 per cent would be saved on treatment costs.

Tamil Nadu Government Raises Water Tariff for Local Bodies

Tamil Nadu Government has raised water tariff ranging from around 30% for urban and rural local bodies and to 43 per cent for industrial unit, barring those located in Chennai. In addition, a new element, namely water tax has been introduced in rural areas. The decision to increase the water tariff has been made based on a proposal from the TWAD Board Managing Director.

Some urban local bodies manage their own water supply systems. As per an order issued in October by the Municipal Administration and Water Supply Department, the revisions came in to force with immediate effect and is applicable to 5 municipal corporations, 102 municipalities and

611 town panchayats, besides 12619 village panchayats, which buy water in bulk from the Tamil Nadu Water Supply and Drainage Board (TWAD), and collect charges from those who secure connections.

Since the administration is focused on cost recovery, a suitable surcharge on property tax is being levied as water tax for the water supplies made through public fountains in rural areas. The amount collected would be maintained in a separate account at the village panchayat level and the Directors of Rural Development and Town Panchayats have been directed to take follow-up action.

As per the order, the reason behind the increase is the proposed increase in electricity charges, for which the Tamil Nadu Electricity Board (TNEB) has moved the State Electricity Regulatory Commission, with a plea to effect the revision from December 1st, 2002. If the TNEB's proposal for tariff revision is implemented as it is, the cost of water production will go up by 79 paise per 1,000 litres. The local bodies may have to pass on the burden due increase in tariff to consumers.

For past four-five years, monthly flat rate for domestic consumption is from Rs 40 to Rs 60 in the municipal corporations and local bodies, while it is Rs. 20 to Rs 30 in town panchayats and village panchayats. The local bodies will have to adopt resolutions, specifying revised rates.

As per the sources, many chairpersons and councillors are against taking the "unpopular decision" and want the state government to issue another order on the charges to be collected from the consumers.

As per the order, in case of default by the local bodies on payment, the District Collectors will pay directly to the TWAD Board after deductions from the funds devolved to them.

"Cityscapes 2002" Global Convention on Agenda for Urban Infrastructure Reforms

A two-day workshop on "Cityscapes 2002" Global Convention on Agenda for Urban Infrastructure Reforms, held on 21-22 October 2002, was jointly organized by the Ministry of Urban Development and Poverty Alleviation and FICCI (Federation of Indian Chambers of Commerce and Industry). The lead partners were DFID and USAID and the supporting partners were the World Bank, HUDCO, Hiranandani Constructions Pvt. Ltd., Sulabh International Social Service Organisation, IDFC, and DDA.

The workshop was attended by the representatives from Central and State Governments, Mayors, Commissioners, and experts from various fields including industry etc. The municipal officials from New Zealand, South Africa, and Federation of Canadian Municipalities also attended the workshop.

Shri Ananth Kumar, Hon'ble Minister for Urban Development, inaugurated the workshop. The workshop aimed at creating a powerful platform for pushing urban sector reforms to revitalize India's cities and also create new opportunities for the urban poor. The major areas discussed during the workshop were Urban Infrastructure Finance; Legal and Institutional Framework for Urban Infrastructure; Catalytic Role of NGO's in Urban Infrastructure; Development of Urban Infrastructure: Country Experiences; Public-private Partnerships; Urban Waste Management; Management of Water Supply and Sanitation; and Planning for World Cities.

Eighth Session of The Conference of The Climate Change Convention (COP 8)

The Eighth Session of the Parties to the Climate Change Convention (COP 8) was held at New Delhi from October 23 to November 1, 2002. The session was attended by 5000 participants from 170 countries and numerous organizations. Hon'ble Prime Minister Shri Atal Bihari Vajpayee ji addressed the meeting and some 65 ministers from around the world participated in the high-level segment.

The New Delhi Climate Change conference adopted a number of decisions on the institutions and procedures of the Kyoto Protocol. The Protocol, which is expected to enter into force in the first few months of 2003, commits developed countries to reducing their overall emissions of carbon dioxide and other greenhouse gases during the period 2008-2012.

The Conference stressed that in addition to mitigation, high priority must be given to adapting to the adverse impacts of climate change. The Declaration reiterates the importance of carrying out all existing international commitments under the United Nations Framework Convention on Climate Change. It also calls for early ratification of the Kyoto Protocol. The Declaration further promotes less polluting energy and other innovative technologies. It urges governments to promote technological advances through research and development, to substantially increase renewable energy resources and

to promote the transfer of technologies that can help reduce greenhouse gas emissions in major economic sectors including through public sector and market-oriented approaches.

As per the Convention's Executive Secretary, "The New Delhi conference has achieved its main goal of further strengthening international collaboration on climate change while meeting the requirements of sustainable developments". She further said that, "Now the spotlight must focus on action to accelerate the transition to climate-friendly economies. Industrialized countries have only 10 years to meet their Kyoto emissions targets and the evidence today is that most of them still have a great deal of work to do to reduce their greenhouse gases".

One of the conference's biggest accomplishments was making the Protocol's Clean Development Mechanism (CDM) fully operational. The CDM will channel private-sector investment into emissions-reduction projects in developing countries. In this way, it will promote sustainable development in these countries while offering industrialized governments credits against their Kyoto targets. The first projects are now likely to be approved during the first quarter of 2003.

The conference also concluded three years of work on the procedures for reporting and reviewing emissions data from developed countries. The result is an unprecedented international

system for ensuring that national data on greenhouse gas emissions are comparable and credible. This is vital. Other conference decisions will advance the implementation of the Climate Change Convention. The meeting is providing guidance to the Global Environment Facility on the priorities for two new funds- the Special Climate Change Fund and a least developed country fund- that were established last year. These funds will help developing countries adapt to climate change impacts, obtain clean technologies and limit growth in their emissions. Delegates also agreed on improved guidelines for national communications from developing countries. Governments issue these communications on a regular basis in order to share information with others about their climate change policies and activities.

The Kyoto Protocol will enter into force 90 days after being ratified by 55 governments, including developed countries representing at least 55% of that group's 1990 carbon dioxide emissions. Ninety-six Parties have ratified, including developed countries accounting for 37.4% of CO2 emissions. Poland and the Republic of Korea announced their ratification at the Delhi conference. The Russian Federation and several other countries are expected to ratify in the near future, pushing this percentage over the threshold.

*Courtesy :
Website:<http://unfccc.int>*

URBAN INFRASTRUCTURE NEWS IN BRIEF

- Rs 12 Billion Aid for MP Urban Projects: The Asian Development Bank will provide financial assistance worth of Rs 12 billion for integrated urban development projects in six cities of Madhya Pradesh next year (2003). The projects will be executed in Bhopal, Indore, Gwalior, Jabalpur, Ujjain, and Ratlam. As per the financial advisor to ADB, the assistance would be granted for integrated development as well as improvement of civic amenities in the state. GHK, International, advisor to the ADB, is in the process of drawing up blueprints for the installation of new power plants.
- E-governance For UP: Following Andhra Pradesh's success in bringing Government services and public utilities closer to its citizens, Uttar Pradesh will soon commence its own version of e-governance. The Prime Minister is slated to inaugurate the service in his Lucknow constituency on October 2, 2002. The service will begin with six centres linked to one hub, where citizens will be able to pay bills for various public utilities like water, electricity, telephone, etc.
- The Bangalore Water Supply and Sewerage Board plans to set up two projects to generate 70 million litres per day (mld) of recycled water for non-potable purposes by December 2002. One of the projects is the Vrishbhavati Valley tertiary treatment plant with a capacity of 60 mld, set up by Degremont. The other plant, at Yalahanka, with a capacity of 10 mld, is being set up by OGV. Both these projects are being undertaken with French collaboration. These projects would cost Rs 987.6 million, of which HUDCO would provide Rs 550 million and the rest would come through French aid.

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Name.....

Occupation

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PhoneFax

The Editor

Urban Finance

National Institute of Urban Affairs

Core 4B, I & II Floor, India Habitat Centre, Lodhi Road

New Delhi - 110 003, India

Tel: : 91-11-24617543, 24643284, 24617517

Fax : 91-11-24617513

E-mail : niua@vsnl.com

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