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Management Innovations for Municipal Resource Mobilization in India

Background

With growing demand for basic urban services, urban local bodies (ULBs) in India are required to generate more revenues as a challenge to meet increasing expenses. Various ULBs have opted for management innovations

within the existing legal fiscal framework, to improve efficiency and strengthen the municipal revenue base. This paper reviews management innovations introduced by urban local bodies in India to generate municipal revenues. The objective of the paper is to share information about these innovations with a hope that these will have snowballing effect elsewhere as well.

The Municipal Corporation of Hyderabad (MCH) introduced SAS for Property Tax in 1999-2000. The corporation published advertisements in newspapers about the new system and involved the public in determining the tax by consulting resident welfare associations. Through this, the city increased the tax collection from Rs. 5.69 million in 1998-99 to Rs. 1008 million in 2000-01. Tax education and organized publicity campaigns helped the corporation to introduce the reforms.

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Property Tax Innovations

Property Taxes are the major source of revenue for ULBs in India. However, in most ULBs, all properties are not brought within the tax net, the valuation is not updated on a regular basis, and tax collection is far from satisfactory. Some of the ULBs have introduced administrative reforms that have led to increased Property Tax revenue. These are mentioned below.

Self-Assessment System (SAS): Several ULBs have introduced SAS to make Property Tax assessments simpler and transparent. This has helped the taxpayers to understand the assessment process and minimised discretionary elements in assessment of properties which used to be done in an arbitrary manner. It also increases taxpayers' involvement by making them responsible for assessment.

For the Bangalore Mahanagar Palike (BMP), after the abolition of Octroi, the Property Tax became the single largest revenue source. An optional SAS was introduced in April 2000. Under this scheme the citizens were allowed to determine their Property Tax on the basis of explicit guidelines. The purpose of this scheme was to provide user friendly, transparent tax assessment to citizens as well as to augment corporation's revenue. The Bangalore Agenda Task Force (BATF) supported the new method by creating public awareness. Approximately 60 per cent of the taxpayers went for this option. Coupled with rate revision it contributed to a quantum jump in tax collection from Rs.1130 million in 1999-2000 to Rs.1570 million in 2000-01. The Chennai and Indore

Municipal Corporations have also introduced SAS to increase their Property Tax revenues.

Improved Information Base: Several ULBs have improved the information about their Property Tax base. In 1997-98, the Chennai Corporation introduced a computerized information system for its properties and increased its Property Tax revenue by 50 per cent. The Indore Municipal Corporation (IMC) has computerized existing Property Tax records. The corporation carried out the physical survey of all the wards to identify properties that were not on record. This helped to increase the number of properties from 0.155 to 0.267 million.

Collection Drive: Ahmedabad launched special campaign to increase Property Tax bills by forming special teams to increase the revenue. These teams were given powers to disconnect water supply or drainage lines, attach property of defaulters and issue of warrants for non-payment of Property Tax. This led to a substantial increase in Property Tax collection. This in the case of Ahmedabad, increased from Rs. 470 million to Rs. 920 million between 1993-94 and 1995-96.

Outsourcing Bill Distribution: Tax administration is labor intensive and therefore sometimes the cost of collection exceeds the amount of revenue collected. Some ULBs outsource sub-processes in tax administration. The Municipal Corporation of Ludhiana (MCL) introduced a courier system for bill distribution and handed over their work to three private couriers. This brought savings of more than Rs. 2.5 million per year.

Asset Management

ULBs generally hold significant fixed assets in the form of real estate properties. Very few local bodies have exploited commercial potential of these properties to generate non-tax revenues. Most ULBs do not have proper inventory of assets and the registers are not updated on a regular basis.

Through an asset management exercise, MCL added about 800 properties worth about Rs. 1900 million to its assets. An asset inventory of the small town of Ramanagaram under the Karnataka Urban Development Project showed that the town has vendible assets excluding land and encroachments on public land worth Rs. 160 million. The Indore Municipal Corporation also prepared computer database of its 1150 properties and is developing a strategy for optimal use of the real estate assets. The Vijayawada Municipal Corporation's revenue from municipal properties is about Rs. 27 million, in lease fees per annum. This is about seven per cent of the corporation's total revenue. During 1999-00, the Surat Municipal Corporation generated Rs. 1820 million by selling a 34,000 square meter site.

Management Information System

Lack of database prevents ULBs from estimating their arrears and increasing their tax revenue. Some ULBs have adopted information technology to improve municipal revenues.

Computerizing Records: By simply computerizing water/sewerage and house tax billing, payments and receipts, the MCL discovered arrears worth Rs. 400 million. Since 1999, the IMC computerized records of Property Tax, water charges, trade licenses, rental properties, and municipal accounts. IMC contracted with a private computer agency to computerise its records on a build-operate-and transfer basis. Using information from the newly computerized programme and special collection drives, IMC increased its own revenues by nearly 45 per cent during 2000-2002.

The Mirzapur Municipality developed a new information system with Indo-Dutch Integrated Community Development Project. It computerized all existing property assessment and demand registers, and set them up on

local area computer network. In the very first year of the initiative, tax bills were issued for the first time in 17 years. By the third year, tax revenue had more than doubled. They created Property Tax maps for the first time in the city and this tool increased the number of registered properties by 44 per cent.

E-Governance: The Visakhapatnam Municipal Corporation (VMC) went a step further and took on the challenge of E-governance by putting its civic services online. In 2000, the VMC computerized property assessment records and transferred them to the server in the corporation office. The server was linked to the local bank branches where assesses can not only pay their dues but also, after entering the assessment number, get full information with updated calculation of demand and arrears along with the interest, if any. The system also enables the corporation to get demand and collection ward wise. The corporation increased its tax collection by over 50 per cent in one year. The Guntur Municipal Corporation has also carried out similar exercise of computerizing its records and linked them to local banks.

User Charges

In view of Limitations in stretching the tax sources, the non-tax sources are emerging as promising tools for resource generation. Attempts were made to introduce user charges to improve collections from non-tax sources. Various types of user charges levied by ULBs are mentioned below:

Levying Sewerage Charges: Several small ULBs in Tamil Nadu structured an innovative mechanism to finance construction of an under ground drainage system. Beneficiaries contributed connection fees that shared the capital costs of the scheme. This reduced the component of debt revenue. The Alandur Municipality built a 120 kms underground drainage and a sewage treatment plant of 24 MLD using these deposits. The Amrawati

Municipal Corporation in Maharashtra also built a sewerage scheme by levying sewerage charges.

Pay and Park Scheme: The BMP implemented this pay and park scheme in the central business district. In a pay and park scheme parking fees are based on duration of parking.

Eco Fee: The BMP council resolved to levy an “eco fee” on the persons using the municipal garden. The city collects this fee at the entrance of the garden but regulars can avail of a monthly pass scheme. Children and senior citizens are exempted. The existing fee structure such as hotel and restaurant fee, building license fee, cremation charges etc. were enhanced with a view to improve cost recovery.

Charges for Collecting Solid Waste: Various ULBs are levying solid waste charges for the use of public places according to the amount of waste generated from these places. The ULBs felt that the organizers of private functions in the marriage halls should pay for waste collection. In addition to generating revenue for solid waste management, this has improved cleanliness around the marriage halls. Similarly, some ULBs have levied lifting charges to remove debris from construction sites.

Fees for “Tatkal” Delivery of Services: Issuing of birth and death certificates and building permits are ULBs’ responsibilities. To simplify the process for applicants some ULBs in Tamil Nadu decided to mail birth certificates. Some municipalities in Tamil Nadu and West Bengal charge extra for the delivery of this certificate on priority basis. The Guntur Municipal Corporation streamlined issuance of building plans by providing that any applicant paying 25 per cent additional fee with an affidavit from licensed surveyor, gets approval across the counter. The public appreciates a convenient procedures and options for the quick delivery of service.

Advertisement Tax: Advertisement

Tax levied by the BMP resulted in a big leap from Rs.24.30 million in 1999-2000 to Rs.40.10 million in 2000-01 due to increased space under taxation by the construction of bus shelter, public toilets and other administrative measures. In case of MCH, advertisement charges have grown on account of the corporation’s aggressive auctioning of hoardings, bus shelter ads, road arches and footpath railings, etc.

Cable Charges: The Government of Tamil Nadu allowed ULBs to charge the cable TV operators for the use of public property. The urban local body charges the cable operators on per kilometer of cable length on an annual basis. In addition, the council collects from the cable operators a monthly fee of Rs. 15 per connection. The total revenue generated from these measures was about Rs.0.419 million in Gobichettipalayam municipality in 2000-01

Street Tax: The Pune Municipal Corporation in Maharashtra levies a street tax to help finance an elaborate scheme to improve traffic and public transportation. It is collected with Property Tax and is five per cent of annual rateable value.

Other Innovations

Revenue Improvement Action Plan: The State Government of Andhra Pradesh has initiated Revenue Improvement Action Plan (RIAP) for ULBs. An 18-point strategy has been given to all municipal commissioners to concentrate on revenue improvement programme. The revenue improvement drive was taken-up focusing on Vacant Land Tax, Advertisement Tax, Property Tax, water charges and duty on transfer of properties. The municipal resource mobilization measures in A.P. have helped the ULBs to increase their revenues by 10 to 17 per cent.

Tax Collection Centres: ULBs in Tamil Nadu organised special tax collection camps in a group of wards. Guntur, Vishakhapatnam and Tirunelveli Municipal Corporations

increased the number of collection centers and opened these centers on every second Saturday or Sunday so that citizens can easily visit these centers to make payments. They publicized this through all available media and fitted corporation vehicles with audio announcements and banners. Due to this publicity, in Tirunelveli Corporation alone 65 per cent of taxpayers paid their dues before the due date and the collection enhanced to Rs. 18.5 million within six months compared to Rs. 20 million collected in twelve months in the previous year.

Leasing and Regularising Municipal Assets: The Guntur Municipal Corporation regularized all the sublease municipal shops by collecting 30 per cent of land and shop construction value. The Vishakhapatnam Municipal Corporation leased out aquarium and marriage halls by fixing daily rents for them. Through this measure, corporation collected Rs. 8 million and was free from the liability of maintaining these properties.

Tax “Adalats”(Tax courts): Often Property Tax is vexatious and disputes end up in courts. Delays in solving such cases result in loss of revenues for ULBs. To avoid delays in settling Property Tax matters some ULBs have established tax “*adalats*”, to resolve the pending tax disputes and solving the problems quickly.

Conclusion

Increasing the municipal revenue is a major challenge for ULBs. Some ULBs have successfully implemented management innovations in revenue generation. Improved information systems, simplified billing and collection, better enforcement and public communication are the key words. The most important lesson learned is that the reform process needs commitment and support from elected leaders as well as from administrators.

- Chetan Vaidya and Hitesh Vaidya,
Indo-USAID FIRE (D) Project

High Court Quashes Octroi Abolition in Punjab, Verdict a Boon for State Government

The Punjab and Haryana High Court has set aside a “populist” decision of the previous Punjab government to abolish the levy of Octroi. The judgement has come as a blessing in disguise for the cash-strapped Punjab government. The state Chief Minister was finding it difficult to undo the decisions of the previous government, especially those taken to satiate politics of competitive populism. The new government seemed to be hesitant to roll back the populist decisions due to polling for the municipal bodies.

The decision to strike down the abolition of Octroi as unconstitutional will now pave the way for municipal bodies to once again, fend for themselves. Until now, the state government had to fund the municipal bodies to the tune of Rs 0.35 billion per month, to help them in discharging their duties.

Inheriting a debt-burden of Rs 620 billion, a legacy from the previous government, which prided in populist politics, the present state government, which came to power, recently has been trying to come to terms with the worst financial crisis. The previous government abolished Octroi with effect from December 1, 2001, with no clear-cut guidelines as to how the municipal bodies will generate revenue to compensate for the loss of revenue due to abolition of Octroi. As a result, the state government had to compensate the municipal bodies to the tune of Rs 4.3 billion annually.

Initially, following the decision of the state-government to abolish Octroi, the Centre had also promised short-term advance in shape of ways and means to the state government to tide over the crisis until such time an alternate source of revenue was found. Subsequently,

with the passage of time since the state government was unable to find a solution to generate revenue of the municipal bodies, even the union government adjusted the advances against the state’s dues on March 31, 2002, putting entire burden of Octroi abolition on the state.

The judgement quashing the impugned acts passed by the state legislature debarring the municipal bodies from collecting Octroi was pronounced by a division bench of the High court while disposing of a writ petition filed by some Municipal Councillors of Bathinda City. The High Court observed that the decision to abolish Octroi was arbitrary, unrealistic and it also violates the constitutional provisions. The petitioners had contended that after having abolished Octroi, the state government made no provisions for an alternative source of income for municipal bodies. The major resource crunch resulted in these municipal bodies becoming dependent on the state government even for payment of salaries. Besides, all developmental projects undertaken by the municipal bodies had come to a standstill.

The division bench observed that the acts of the then state government were an example of politics of staying in power at all costs, since the basic tenets of good governance had been clearly ignored in this case.

BMC Streamlines Property Tax Rules for Commercial Properties

By adopting a zone based four-slab system, the Brihanmumbai Municipal Corporation (BMC) has streamlined and simplified the assessment of rateable value (RV) and Property Tax of commercial and other non-residential properties. The Property Tax is usually calculated as a percentage of the rateable value (RV), which is the potential rent that a property can earn.

This has provided a welcome relief to litigating property owners in the city. The new method for determining rateable value is effective from April 1, 2002.

As per the recent circular issued by the BMC, Zone-I includes south Mumbai extending up to Worli, Zone-II extends from Worli to Bandra, Zone-III extends from Khar to Andheri in the west and from Parel to Sion in the east while Zone-IV extends from Jogeshwari to Dahisar in the west and Kurla to Mulund in the east.

As per the new method of fixing the rateable value (RV), rates for Zone-I would be Rs 12.50 per sq. ft per month, or the average of tax incidence in all disputed cases, which were resolved by an earlier circular on March 16, 2002.

Similarly, for Zone-II, the rateable value will be fixed in such a way that the amount of tax leviable will be Rs 9 per sq. ft per month. In the case of Zone-III, rateable value will be calculated to give a tax yield of Rs 6 per sq. ft; and finally in the case of Zone-IV, the rateable value will be fixed so as to give a tax yield of Rs 4 per sq. ft.

Earlier, the BMC circular dated 16th March 2002 was based on the same principles of fixing RV and Property Tax, but limited to those commercial properties “where complaints are pending with the department”. The circular dated 3rd April 2002 extends the principle of calculating RV and Property Tax in Mumbai to all rented commercial premises for the assessment year 2002-03.

In all disputed cases that were resolved as per earlier circular dated 16th march 2002, the caveat in the new assessment formula allows the department to use the average of tax incidence - whichever is higher – to determine RV and Property Tax. Consequently, if the dispute has not been resolved in the last assessment year, the new slab-system formula will be applied.

According to property consultants like Knight Frank India, there will be a rise in the property taxes from levels

prevailing before Maharashtra Rent Control Act came into force from April 1, 2001, it would be less than what was expected by the circular of June 2001, which hiked RV and property taxes five-folds.

For the properties assessed under the June 2001 circular, property owners were made to pay as much as 60 per cent of their annual rental income. This circular had given unbridled powers to assessment officers to re-evaluate the rateable values of properties exempted from the Maharashtra Rent Control Act. These included premises let to PSUs, and companies and MNCs, which had paid-up capital of Rs 10 million, or more. As a result, a building on Worli's Annie Beasant Road, earlier assessed to have a rateable value of Rs 0.6 million, was reassessed at Rs 20 million (more than 30-fold increase), under the June 2001 circular.

According to the lawyers specialising in rent and property disputes, the new formula for calculating RV and Property Tax would have to be sanctified by an amendment to Section 154 in the BMC Act. Further, the formula covers only non-residential properties, while the residential properties are still open to arbitrary assessment.

The BMC circular dated 25th September 2001 introduced some order in the assessment chaos. This circular introduced the concept of compensation, gross rent and net rent and as per the formula, effective property tax for residential properties

worked out to around 32 per cent of the property owners' annual compensation (receipts of the property owner excluding taxes), and while for non-residential properties the property tax worked out to around 38 per cent.

Bond Banks – Help for Municipal Bodies to Raise Own Funds

The Union Government is planning to promote virtual 'bond banks' to enable smaller municipal bodies tap the market through a state level intermediary or by forming a consortium. These Bond banks will also make it cheaper for smaller municipal corporations to access debt. The government is willing to permit the municipal bodies to issue tax-free bonds to the tune of Rs 5 billion, since the emphasis is being made on improvement of urban infrastructure.

However, since most of the smaller municipal bodies are not in a position to raise funds on their own, the proposed "bond banks" will assist these bodies in this regard. It is impossible for these municipal bodies to tap the market on their own, due to lack of documentation about assets, inadequate accounting practices and overstaffing. The existing urban Infrastructure development finance corporations at state level would act as the intermediary or the 'bond bank'.

Instead of depending on state

government dole-outs, the Centre wants the municipal bodies to raise funds from the market. The cost involved in this case would be shared equally between the state and the central government. On the other hand, the Reserve Bank of India (RBI) is not in favour of weak state governments providing guarantee indiscriminately for borrowings of municipal bodies and hence, the bid to work out a mechanism to provide access to funds while maintaining the pressure on municipal bodies to reform and turn commercially viable. As per the RBI, there does not seem to be need to set up new infrastructure for this purpose, since the plan involves processing costs only.

A number of municipal bodies including those from Mandya in Karnataka, Indore in Madhya Pradesh, Jamnagar in Gujarat and Vishakhapatnam in Andhra Pradesh are working out proposals to jointly raise funds with counter-parts in their neighbourhood through the new tool.

The new financing pattern based on United States model for raising the funds through the pooled financing framework would be cheaper and easier for smaller municipal bodies. In the US model, the smaller entities either form a consortium or use an intermediary to tap the capital market.

According to the Union Minister for Urban Development, smaller municipal bodies might use the funds raised for improving services provided by them and also revamp themselves. He expected each municipal body to function as a corporate body with social responsibilities.

Improving Access of Urban Services to the Urban Poor in Urban Infrastructure Projects of Sangli and Ludhiana

While developing plans for urban water supply and sewerage development, specifically as part of bankable or commercially viable projects, needs of poor are often not factored in due to their low paying capacity and welfare orientation of the city plans. On the contrary, sufficient evidence exists with regard to willingness of the poor to pay for good quality services. Not only are poor disposed towards paying for accessing water and sanitation services, they are currently doing so.

Bankable urban infrastructure projects can be both poor-friendly and simultaneously respond to their obligations vis-à-vis cost recovery. Under the Indo-US Financial Institution Reform and Expansion (FIRE-D) project, it is planned to demonstrate this strategy by developing an action plan to improve access of poor to urban basic services as part of water supply and sewerage projects in two cities, Ludhiana and Sangli.

Objective of the program is to mobilize demand and institutionalize procedures for low-income settlements to access basic services from local bodies on a sustainable basis. It envisages to address needs of the poor on a citywide basis as also to converge efforts of the multiple city partners towards achieving the vision of cities without slums.

During last fiscal year, while Hyderabad Municipal Corporation raised Rs 825 million, Rs 1 billion were raised through tax-free bonds by the municipal corporation of Ahmedabad through tax-free bonds.

Bangalore City Corporation Analysing New Self-Assessment Scheme

The proposed capital value system (CVS) of Property Tax based on new Self Assessment Scheme (SAS) is to be introduced within the next couple of months by the Bangalore City Corporation (BCC).

The civic body is in the process of carrying out a detailed analysis of the proposed new scheme. The analysis is to be completed very soon and is to be placed before BCC council. The various aspects taken into consideration while doing the analysis include different kinds of properties, values, old tax rates and the Probable Tax under the new Self Assessment Scheme.

Due to possibilities of phenomenal increase in the Property Taxes, the new scheme is already being criticised by the citizens and resident groups and hence the BCC decided to have a fresh look into the matter by ascertaining the impact of the new SAS on taxpayers.

According to the BCC Commissioner, it requires a lot of analysis to be done to ascertain how the new system reacts. Firstly, the civic body is to be convinced about the reasonability of the impact the scheme is going to make. As per the Municipal Commissioner, the civic body has the requisite data, which is being analysed and though it will be time consuming, yet the result will be effective. While doing the analysis, the existing rates will be compared with the new rates, capital value, categories of properties area wise and the categories of people who are most likely to be affected.

A few rate samples collected earlier by the BCC reflected that in a majority of cases, tax under the new scheme had shot up by more than 10 times. These samples were collected from 30 streets covering all the four zones, commercial areas, residential properties, nursing homes, *kalyana mandapams* and a star hotel. Surprisingly, tax rates under the proposed new scheme for residential properties showed an upward trend, while for the commercial establishments there was an indication of a drastic reduction in tax rates.

However, since BCC started its Property Tax collections for the current year from April 1, as an interim measure till the finalisation of the new scheme, the civic body asked the taxpayers to pay the taxes as per the old Self Assessment Scheme rates. As per BCC, difference in amount if any, will be either recovered or adjusted towards the next year's tax.

Maharashtra Plans to Set Up AMC – Investors Stay Away

The Maharashtra Government has approved plans to float an asset management company, which will help cities outside Mumbai to raise funds for infrastructure development by extending guarantees to these municipal corporations when they raise the funds from the market by issuing the bonds.

As per the state government officials, for many municipal corporations who don't have a sound financial record but need large funds in raising the money, such a guarantee from the Maharashtra Urban Infrastructure Fund (MUIF) will be of great help.

A recent study has found that local bodies need about Rs 78 billion to develop basic infrastructure projects but lack of capacity to mobilise resources results in paucity of funds, the main hurdle in providing proportionate infrastructural facilities in Maharashtra,

where the pace of urbanisation is faster. The formation of MUIF is expected to solve this problem, by helping such municipal bodies in overcoming their constraints and providing incentives for reforms.

MUIF will advise municipal bodies about various projects, help in preparing project reports and in raising funds. Besides taking care of financial support to fund the civic projects, MUIF will also serve as a nodal agency right from the stage of formulating the project, its management, operation and monitoring. MUIF is proposed to have a three-tier system – a Project Fund, a Reserved Fund for repayment of the advances and a Separate fund for partial assistance in the form of loan component. MUIF shall have an initial capital of Rs 1 million and would be supported by a contribution of Rs 0.51 billion. Initially, only "A" class municipalities would be eligible to receive assistance from MUIF. In order to ensure repayment to the lenders to these municipalities, MUIF will provide an escrow cover at a later stage.

Update on Municipal Bond

The Municipal Corporation of Hyderabad (MCH) has recently raised Rs.825 million from the capital market through City Development Bonds. MCH issued the bonds by availing of the tax-free municipal bond as provided for by the Union Ministries of Finance and Urban Development and Poverty Alleviation as an incentive to the investors in municipal bonds. The Municipal Corporation of Hyderabad has thus become the second city to issue tax-free municipal bonds. The Municipal Corporation of Ahmedabad was the first city government to have availed of tax-free municipal bonds by raising Rs 1 billion for water and sewerage projects in the beginning of this year.

The money raised by MCH through municipal bonds is to be used for providing urban infrastructure in the

city especially in slums. The tenure of the bond is seven years with a rate of interest of 8.5 per cent. The income accruing to the investors in the municipal bonds from the rate of interest will be exempt from Income Tax.

MCH has thus become the eighth city to raise funds from the capital market through municipal bonds. The cities that have accessed the capital market since 1997 through municipal bond issue include Ahmedabad (twice, Rs.1 billion in each issue), Bangalore (Rs. 1 billion), Ludhiana (Rs. 200 million), Nasik (Rs. 1 billion), Madurai (Rs.300 million), and Indore (Rs. 100 million). The city governments have thus raised about Rs 5.93 billion from the capital market through municipal bonds.

Karnataka High Court Passes Order on Water Tariff in Mysore

As a consequence to a batch of 13 writ petitions, the Karnataka High Court passed the judgement of great relevance to the citizens of Mysore, ordering that water consumers should be charged only for the actual measured consumption and not for estimated consumption.

While passing the order, the Honourable Judge quoted the Supreme Court decision of 1988, which lays down, that the “supply” for which the customer pays was the supply which was in fact, supplied to and consumed by the customer. The Apex Court also laid down that the consumer could not be charged on estimate basis. As such, the Honourable Judge of the Karnataka High Court declared the amended regulation as illegal, null and void and ordered the BWSSB to levy charges only for water actually supplied and consumed as indicated by the water meter.

According to the convenor of

Mysore Grahakara Parishath (MGP), the Water Department in Mysore was charging a minimum monthly tariff of Rs 45 for providing 28,000 litres of water to the consumer. Even when the consumer does not use 28,000 litres per month, he has to pay a minimum monthly tariff of Rs 45. As per the convenor, this tariff structure may be illegal, since it goes directly against the High Court judgement. Giving details of the High Court judgement, the convenor further said that the Bangalore Water Supply and Sewerage Board (BWSSB) amended its regulations in 1998, to charge consumers having water supply connections of size 20 mm or more for a minimum quantity specified against each size, or the actual consumption, whichever is higher. This resulted in the consumer paying for a specified consumption level, even if they used less water. As per the amendment effected by BWSSB, a consumer having a 50 mm connection had to pay for at least for 3 lakh litres of water per month.

Rajasthan State Government to Formulate Water Supply Schemes for Arid Areas

Hoping to save the ground water significantly in the scarcity-hit areas, the Rajasthan Government will soon formulate water supply schemes encouraging the use of surface and rainwater.

During the debate on the demand for supplementary grants for 2001-2002, the Public Health Engineering Department (PHED) Minister stated in the Assembly, that a dozen water supply schemes – mainly in Jaipur, Jodhpur, Udaipur, Bharatpur and Dholpur – were currently in operation, while the Centre’s sector reform scheme had been implemented in four districts.

The Minister called for people’s participation in the drive to supply water to remote areas to make it a

West Bengal Industrial Development Corporation to Float Bonds

To fund a monetary incentive scheme for the state’s small investors, West Bengal is floating public bonds worth Rs 500 million. The West Bengal Industrial Development Corporation (WBIDC), the nodal agency for industrialisation in the state of West Bengal, will issue the bonds. Initially, the Kolkata Metropolitan Development Authority (KMDA) will float the bonds. Depending upon its success, the state government would decide on increasing the issue size.

As per the WBIDC Chairman, the money raised from the bonds will be given to investors as an incentive for setting up units in the state. The bond proposal has already been ratified by the WBIDC executive body. Besides, the corporation has allocated Rs 140 million as financial assistance to small investors and plans to disburse a total sum of Rs 500 million, to be raised from the bonds, during the current fiscal year.

An interest rebate of 0.5 per cent will be given to those who repay the entire amount within the stipulated time, while those repaying 75 per cent of the loan on time would get an interest rebate of 0.25 per cent.

As per the West Bengal’s Municipal Affairs Minister, the government has already given KMDA the permission to float the bond and would stand guarantee for the bond. These bonds would carry an interest rate of between 11 to 12 per cent and will have a maturity period of seven years and the money thus raised will be spent on developing roads in Kolkata Metropolitan Area. Similar bonds would be issued for raising funds for developing infrastructure in the other parts of the state.

resounding success. In spite of several odds, the state government had made extensive arrangements for water supply. As per the minister, a “*Jalothan Yojna*” will shortly be launched in Nagaur, since the ground water table is depleting fast in the district. In addition special schemes would be sanctioned for Jalore, Barmer and Sawai Madhopur before June 2002.

The Rajasthan Government has decided to construct huge water tanks in all villages with a population of 4000 or more. The management of the tanks, pipelines, machines and power connections would be handed over to the residents of the villages with a population of 1500 or more.

Presently all the 222 towns, 37603 of the 37,889 villages and hamlets in the state have been benefited by drinking water. During the current financial year, the benefit would be extended to over 11,000 villages and hamlets. For 2983 fluoride-affected villages and hamlets, schemes worth Rs 5333.5 million under the Rajiv Gandhi National Drinking Water Mission have been sanctioned. Already, as many as 675 villages have been benefited.

Revival of the conventional water resources has been taken up and 13,087 wells and ponds have been renovated. Besides, 34,000 cases relating to repair of hand-pumps and drinking water were disposed of during the “*Prashasan Gaon ke Sang*” campaign. The Rajasthan Government has also formulated a contingency plan for summer to maintain adequate supply of drinking water.

National Water Resource Council (NWRC) Adopts Policy on Sustainable Utilisation of Water

The National Water Resources Council (NWRC) adopted the national water policy, which would integrate

water resources development and management for optimal and sustainable utilisation but exclude inter-state water disputes recently.

According to the water resources Minister, the revised and updated policy was unanimously adopted at a meeting of the Council chaired by the Prime Minister. After day long deliberations the Council resolved to adopt the revised national water policy with modifications as agreed to by the Council and directed for its circulation to all concerned. At the meeting attended by Chief Ministers and irrigation Ministers of the states, a resolution to name the policy as the National Water Policy 2002 was adopted.

The water resources Minister called it to be a landmark achievement for his Ministry. The Minister further added that the policy integrates quantity and quality aspects as well as environmental considerations for water through adequate institutional arrangements including setting up of appropriate “river basin organisations”.

The Prime Minister marked the policy as the beginning of the new era. He said the policy provided that to achieve the desired objectives, each state would have to formulate its own

state water policy backed with an operational plan of action. As per the Prime Minister, this has to be done in a time bound manner in two years. Furthermore, he expected the states to start working on this and come out with a workable action-plan.

According to the Prime Minister, the over-exploitation of ground water was largely due to the subsidies for power and diesel resulting in sharp lowering of water table in several regions. Hence there was a need for advocating appropriate group incentives to involve community action to recharge ground water.

The Prime Minister also informed that with the passage of Inter-State Water Disputes (amendment) Act by Parliament recently, it would expedite the settlement of the inter-state water disputes in a time bound manner, since the tribunals would have to give their final decision within a maximum period of six years.

Delhi Government Contemplates Pollution Cess

Delhi Government is planning to impose “pollution or environmental

World Bank Agrees to Fund Rs 4.71 Billion Water Project

As part of Rs 120 billion Karnataka Water Resource Consolidation Project for which the World Bank has released Rs 50 billion, the bank has agreed in principle to fund a Rs 4.71 billion project for augmentation of ground water resources by constructing “artificial recharge structures” in 58 taluks of Karnataka.

Under the ground water recharge programme, 50221 places have been identified where artificial recharge structures such as check dams, infiltration bore wells and percolation ponds will be

constructed for sustainability of ground water resources. The Department of Mines and Geology would implement the project. Efforts would be made to involve the people, particularly beneficiaries of the project.

According to the Minister of Mines and Geology, implementation of the project would help augmentation of ground water resources. The existing ground water extraction structures would yield water constantly, while drinking water wells would give optimum output of safe drinking water to villages.

cess” on all industries operating in the capital. This is being done to generate funds to implement the anti-pollution and environment related programmes on a large scale. It is thought, such a step would take the fight against pollution and environmental degradation further.

The Chief Minister of Delhi is keen that everyone, including the industries and people of Delhi, should contribute their bit for fighting the menace and make Delhi a better place. The idea of imposing cess has been mooted by the Chief Minister. Initially a corpus fund would be created for this purpose, to be strictly utilised for fighting pollution and related issues. This cess is on the lines of the cess imposed by the Centre on diesel and petrol for taking up road projects all over the country.

The concept was discussed during the meeting of the Delhi Cabinet recently and the Finance and Environment Departments have been asked to study the quantum of cess, which could be possibly imposed on industries. The new pollution/environment cess would probably be imposed across the board on all the existing and upcoming industries in the capital from the next financial year. Even non-polluting industries would have to pay the cess.

The idea behind this move is to involve those very people, who over a period of time were responsible for the present mess, actively in the war against pollution. A majority of industrial and trade associations, particularly the industrial estates and trade centres have been reluctant to take part in the initiative launched by the government. Failure of majority of the industrial associations to contribute their share for constructing 15 common effluent treatment plants (CETPs) to treat polluted water before being discharged into the Yamuna is a pointer in this regard. To ensure compliance of this directive, the Delhi Government is contemplating taking legal action.

In addition to the cess, the

government is also contemplating a certain amount of cess on vehicles, to be collected at the time of registration of a new vehicle before it hits the road. This cess could form part of the road tax deposited by vehicle owners with the State Transport Authority.

NOIDA Residents Launch Domestic Waste Management Project

A pilot project to collect domestic waste from over 1,500 NOIDA homes has been launched by the local residents. The waste is being collected from the doorstep. The project has been partly funded by NOIDA. Domestic waste collection, segregation, transportation, treatment, selling or otherwise disposing of in an environment-friendly manner is taken care of under this project.

As part of the project, the large unsightly garbage bins of the NOIDA Authority have been removed from the area around the houses. Each household pays about Rs 15 per month and the NOIDA contributes Rs 5000 per month. The local residents expect the project to break even soon or perhaps make a small profit. If the project succeeds, the Authority expects to extend it to cover the entire NOIDA city.

As per the Director of the domestic waste management wing of NOIDA’s Citizens Action Council, the project got initiated in Sectors 39, 40 and 41, on April 3, 2002, with Authority providing a 3,000 sq metre plot, in the green belt of Sector 50, for digging compost pits. The local residents have dug the pits and started putting in biodegradable waste for composting. It is expected, in a couple of months the compost would be ready to be sold to a wholesaler for Re 1 per kg. The non-biodegradable waste is being sold to *kabaris* who take it for recycling.

The collectors hired by the respective resident’s welfare

associations do the garbage collection and segregation. These collectors collect the waste from each house and segregate it. Nearly 80 per cent of the domestic waste, by volume is non-biodegradable, while each household generates about 1 kg of biodegradable waste every day. Ten cycle rickshaw pullers have been contracted to carry the biodegradable waste to composting site.

CRR I Report Confirms CNG Vehicles Less Polluting

The first ever study on in-use CNG vehicles in India by four scientists of Central Road Research Institute (CRR I) has confirmed that carbon monoxide and hydro-carbon emissions of in-use CNG vehicles are less than petrol and diesel vehicles.

The report titled “Emission characteristics of in-use CNG vehicles in Delhi” was based on evaluation of exhaust emissions under idle conditions of 846 CNG vehicles – both original equipment and retrofitted. The vehicles included 100 buses, 346 cars and 400 auto-rickshaws.

The norms fixed for the carbon monoxide emission for in-use and mass emission levels for auto-rickshaws and four-wheeler CNG vehicles are 4.5 per cent and 3 per cent by volume of exhaust respectively; this being just an extension of the idle norms of petrol vehicles as in Section 115 of the Central Motor Vehicle Rules.

The level of compliance with the emission norms was 100 per cent among the auto-rickshaws, while it was found to be lower at 85 per cent in cars and 81 per cent in buses. In over 70 per cent of the auto-rickshaws, Co levels were found to be less than 0.1 per cent in the exhaust and further, all the 400 CNG levels less than 3 per cent, while the official limit was 4.5 per cent. As an exception, a few of the cars had reported emission values of even 8 per cent.

Similarly in case of four-wheelers, 60 per cent of the CNG cars had Co levels below 0.5 per cent, while 75 per cent had Co levels below 2 per cent, while the official limit was 3 per cent. In case of CNG buses, Co level was recorded to be 0.5 percent, while 75 per cent were well within the limit of 3 per cent. In about half of the 100 buses, Co levels were below 0.5 per cent, while in 75 per cent Co levels were within the limit of 3 per cent. Some of the CNG buses had recorded Co levels to be 6 per cent.

The CRRI scientists also measured hydrocarbon levels of tailpipe emissions of CNG vehicles. Ninety per cent of the auto-rickshaws had recorded Hc level to be less than 400 part per million (ppm), while 75 per cent had Hc level less than 200 ppm.

Likewise, about 65 per cent of the CNG cars recorded Hc level to be 200 ppm, but a few cars had Hc level as high as 2,400 ppm. 60 per cent of the CNG buses recorded Hc level below 400 ppm.

When compared to the norms for in-use petrol vehicles published in a 2001 CRRI study, it was concluded that adoption of CNG technology led to reduction in Co level by 10 per cent and Hc level by 23 per cent, respectively.

The most significant reduction of 350 per cent for Co and 3,000 per cent for Hc was recorded in CNG three-wheelers.

As per the CRRI report, more exhaustive quantitative evaluation of emissions of CNG and technologically advanced conventionally fuelled vehicles is needed. This will help in overcoming most of the prevailing misgiving. Besides, this will also help in establishing CNG as

environment friendly and economic fuel.

The report added that the existing CNG chaos in Delhi is a big deterrent for promoting the use of CNG as alternative auto fuel. It suggested encouraging CNG use in conjunction with cleaner conventional fuels.

MCH Website Does Proud

The website of Municipal Corporation of Hyderabad (www.ourmch.com) has done the corporation proud by winning various awards recently.

The website, www.ourmch.com, has been chosen for this year's '2002-2003 Golden Web Award' instituted by the Web Masters and Designers (IAWMD), covering 145 countries. The IAWMD sponsors and affiliates include some of the world's largest and most respected companies like General Electric, Microsoft, Hertz, K-Mart, Amoco and other big companies.

According to the Additional Commissioner, MCH, "By winning the Golden Web Award there will be instant recognition and credibility to the site". Meanwhile, the corporation's website has also been selected for the 'Stockholm Challenge 2002' as among the 500 best websites from all over the world. The results will be announced very soon.

Stockholm Challenge is a unique award programme for pioneering IT projects worldwide. The award reflects, how information technology could be used to improve the quality of every day life. The programme is run by the city of Stockholm in cooperation with the European Commission.

As per MCH Additional Commissioner, "The Stockholm Challenge jury will base their evaluation on criteria like innovation, user need, accessibility and transferability while the focus will be on the benefit of the project on users".

Another feather has been added to MCH as its website has been awarded the 'Excellence Community Web Site Award' by arundel.org.uk, the most popular on-line guide to Arundel, West Sussex. The award was given to the site, as its content is up-to-date and relevant.

MCD Signed MoU With IDFC For Better Civic Services

The Municipal Corporation of Delhi (MCD) has entered into a Memorandum of Understanding (MoU) with Infrastructure Development Finance Company (IDFC) to upgrade and enhance its urban infrastructure services.

Having expertise in development of infrastructure, the IDFC, established in 1997, would help the MCD to find private funding for its commercially viable projects, besides assisting in framing financial policies and strategies for the Corporation.

The MoU envisaged looking into innovative methods to enable speedy and comprehensive development of urban infrastructure in the capital by ensuring active private-public participation.

The four main sectors where the IDFC would actively work with MCD include solid waste management-collection, transportation, treatment and disposal; land use commercialisation; urban transport; financial planning and development of urban-social infrastructure.

So far as land use commercialisation is concerned, the IDFC would formulate plans to develop vacant land for parking and other commercial use besides preparing database of properties to identify their market use, thus generating more revenue for the civic body.

While developing urban transport, emphasis would be on development on infrastructure projects including roads and flyovers, besides finding ways to optimise toll tax collection. For urban-social infrastructure development, emphasis would be on health and education sectors for maximum optimum utilisation of resources.

As per Mr. Rakesh Mehta, the MoU would help the MCD meet its resource gap through private funding of its projects and also get help in executing commercially viable projects, thus enabling the Corporation to provide better service to citizens. He hoped the step would make the Corporation's functioning more professional and efficient.

Competition Hots Up As Housing Loans Offer a Better Deal

The falling interest rate regime and a stagnant real estate market have together provided a large number of prospective property buyers an opportunity to realise the best value for their money.

Presently home loans up to Rs 10 million with negligible processing charges are available with some banks and housing finance companies. In the last five years, peak interest rates charged by these companies have come down to around 13 per cent from 18-20 per cent. Furthermore, the maximum tenure for repayment of such loans has gone up to 30 years.

In the present liberal fiscal regime, home loans for acquiring ready properties, plots, extension/improvement of already constructed houses and properties under construction, are available to people belonging to salaried class, the self-employed, the business community, or even the retired government employees.

The new lower interest rate regime is profiting fresh customers. Those who had availed housing loans earlier at much higher interest rates can now utilize the new interest regime by availing a balance loan transfer facility offered by various housing finance companies/banks, allowing conversion of an old loan with a higher fixed interest rate into a fresh loan with a low floating interest rate.

As per MD and CEO of ICICI Home Finance Company Ltd, a wholly owned subsidiary of ICICI Ltd, the liberal trend witnessed in the housing finance sector is likely to accelerate further in the coming years as well, and expects the entire industry to disburse a total housing loan of around Rs 220 billion in the current fiscal year as against Rs 140 billion disbursed in 2000-01; during fiscal year 2002-03 disbursement are likely to grow by at least 30 per cent.

The experts believe that the other factors helping to achieve this growth

include "increased professionalism of the builder community, changing profile of property aspirants and shrinking speculative activities in the real estate market". In the coming years, the interest rates would, by and large, remain stable. However, in case small saving interest rates are reduced beyond expectation then the interest rates will also fall steeply.

The senior executive of Birla Home Finance pointed out that in any case, with more than 30 players in the housing finance sector, competition is here to stay, which in turn would give rise to more and more lucrative opportunities for property aspirants in the coming years.

In the beginning of this year, around six companies which include HDFC, HUDCO, LIC Housing Finance, ICICI Home Finance, Corporation Bank and SBI have already softened their interest rates, with ICICI announcing a reduction in interest rates on fixed rate housing loans by 25 basis points with effect from January 7, 2002 besides lowering its processing and administration fee from 1.8 per cent to 1 per cent for resident Indians and from 2 per cent to 1.25 per cent for non-resident Indians, effective from January 10, 2002 respectively

Corporation Bank has increased maximum permissible loan period from 20 years to 25 years subject to the age of the flat/house proposed to be purchased by the customer and the other terms of the scheme. In some cases, the bank has also started charging interest on daily reducing balance basis as against its general practice of computing interest rates on a monthly reducing balance basis. The bank has decided to waive the processing charges on all housing loans sanctioned up to March 31, 2002.

Likewise, HDFC, Corporation Bank and SBI have cut their floating interest rates from 12 per cent to 11.5

per cent with effect from January 1, 2002. Besides, HDFC has also dropped lending rates on its fixed rate loans. From 1.8 per cent charged earlier, the HDFC has lowered the processing and administration fee to 1 per cent.

In past three months or so, HUDCO had already slashed interest rates twice and this time they have reduced the interest rates on housing loans by 25 basis points.

As per the CMD, HUDCO, the rate of interest is at its lowest and by mid-June, interest rates will firm up as banks are yet to reduce PLR and instead of housing rent eating away the hard earned money every month, it is better to get smart with one's money and utilize it in the most efficient way by taking the timely decision of building one's own house. A housing loan for this purpose, besides compelling for compulsory saving every month in the form of equated monthly instalments, would also help in saving a large amount on the direct tax front, since an individual can avail a deduction of up to Rs 0.15 million from his total income under section 24(2) of the Income Tax Act 1961 for interest paid on housing loan every year. The deduction is, however, available only in case the property is self occupied and not rented out by the assessee.

Besides, one can also claim a 20 per cent tax rebate under section 88 for repayment of the principal amount of the home loan up to Rs 20,000 every year.

LIC Housing Finance has also reduced the interest rates on individual housing loans. As per the revised structure, an interest rate is to be charged at 10.25 per cent on loans between Rs. 0.2 million and Rs 10 million for the period of up to five years and 12 per cent for the period of 11 to 15 years. The floating rate of interest on loans for all slabs and all terms is now uniformly fixed at 11.5 per cent. The processing and administrative fee has been reduced from 1.5 per cent to 1 per cent of the loan amount.

URBAN INFRASTRUCTURE NEWS IN BRIEF

- **World Bank Approves \$350 million for Andhra Pradesh, Karnataka Reforms:** The World Bank approved a total of US \$ 350 million to support the economic reforms projects in the two states of Andhra Pradesh and Karnataka with a combined population of 130 million people. The Second Karnataka Economic Restructuring Loan/Credit, a US \$ 100 million package and the Andhra Pradesh Economic Reform Loan/Credit, a US \$ 250 million package, support a far-reaching programme of economic and structural reforms already underway in these two states.

The assistance to Andhra Pradesh is co-financed by Department for International Development (DFID) of the United Kingdom, which is providing an additional grant of UK 65 million pounds. The World Bank reasoned that the Government of Andhra Pradesh had initiated some of the most far-reaching reforms in India in the areas of governance, power sector and expenditure management.

- **\$ 542 million World Bank Loan For Gujarat And Karnataka Projects:** India has bagged a \$ 541.7 million World Bank loan for two projects in Gujarat and Karnataka. The agreements, signed by the Centre and the World Bank, are for phase II of the Gujarat Emergency Earthquake Reconstruction Programme (\$442.80 million) and the Karnataka community-based tank management project (\$98.90 million). The loan, funded by International Development Association (IDA), would be without any interest obligation for a period of 35 years, with an annual service charge of 0.75 per cent. The government had earlier entered into an agreement with World Bank for reallocating \$ 400 million for existing IDA/IBRD projects in March 2001 to provide additional funds for Gujarat.

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