6

STANDING COMMITTEE ON URBAN AND RURAL DEVELOPMEN

(1996-97)

ELEVENTH LOK SABHA

MINISTRY OF URBAN AFFAIRS & EMPLOYMENT

(DEPARTMENT OF URBAN DEVELOPMENT)

MEGA CITY SCHEME

SIXTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

April 1997/Chaitra 1919 (Saka)

COMMITTEE ON URBAN & RURAL DEVELOPMET
(1996-97)

CORRIGENDA TO THE SIXTH REPORT ON MEGA CITY SCHEME

PAGE	Para	LINE	FOR	READ
(iii)	-	12	Shri Sankar Prasad Jaiswal	Shri Shankar Prasad Jaiswal
	-	24	Shri Subroto Mukherjee	Shri Subrata Mukherjee
	-	25	Shri T. Govindhan	Shri T. Govindan
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(ELEVENTH LOK SABHA)

MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT (DEPARTMENT OF URBAN DEVELOPMENT)

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Presented to Lok Sabha on 11.4.1997
Laid in Rajya Sabha on 22.4.1997

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NEW DELHI

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CONTENTS

STANDING COMMITTEE ON URBAN & RURAL DEVELOPMENT (1996-97)

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26. Shri Anant G. Geete
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29. Shri Surjit Singh Barnala
30. Shri Jai Parkash

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*32. Shri Sushil Barongpa

33. Shri V. Rajeshwar Rao
34. Shri Radhakrishan Malviya
35. Shri Sitaram Kesri
36. Shri O.P. Kohli
37. Shri Suryabhan Patil Vahadane
38. Shri Jagdambi Mandal
39. Shri Bhagaban Majhi
40. Shri Nilotpal Basu
41. Shri V. Rajan Chellappa
42. Shri Solipeta Ramachandra Reddy

@43. Shri Joy Nadukkara

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* Nominated *w.e.f.* 5.11.96 *vice* Shri Ajit P.K. Jogi ceased to be a Member of the Committee.

@ Ceased to be Member of the Committee Consequent upon his retirement from Rajya Sabha *w.e.f.* 21.4.1997.

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8. Shri D. Venugopal
9. Shri Jai Parkash
10. Shri Sushil Barongpa
11. Shri V. Rajeshwar Rao
12. Shri Joy Nadukkara

INTRODUCTION

I, the Chairman of Standing Committee on Urban and Rural Development (1996-97) having been authorised by the Committee to submit the Report on their behalf, present the Sixth Report on Mega City Scheme. The subject was entrusted to a Sub-Committee of Standing Committee on Urban and Rural Development.

2. The Sub-Committee took evidence of the representatives of the Ministry of Urban Affairs and Employment (Department of Urban Development) on 3rd & 15th October, 1996 and 28th January, 1997 and Ministry of Finance (Deptt. of Economic Affairs) on 14th October, 1996. The Sub-Committee also took evidence of the representatives of Planning Commission on 14th October, 1996 and Housing & Urban Development Corporation on 15th October, 1996.

3. The Committee wish to express their thanks to the Ministry of Urban Affairs & Employment (Department of Urban Development), Ministry of Finance, Planning Commission and Housing & Urban Development Corporation for placing before them the requisite material in connection with examination of the subject.

4. The Report was considered and approved by the Sub-Committee at its sitting held on 10th March, 1997 and adopted by the full Committee at their sitting held on 18th March, 1997.

5. The Committee wish to express their thanks to the officers of the Ministry of Urban Affairs & Employment and Ministry of Finance, Planning Commission and HUDCO who appeared before the Committee and placed their considered views. The Committee place on record their appreciation of the work done by the Sub-Committee of the Committee on Urban & Rural Development. They would like to place on record their sense of deep appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

NEW DELHI;
April 9, 1997
Chaitra 19, 1919 *(Saka)*

SONTOSH MOHAN DEV,
Chairman,
Standing Committee on Urban and Rural Development.

CHAPTER I

INTRODUCTORY

Conceptual Background

The National Commission on Urbanization in its report had recommended "that......Delhi, Calcutta, Bombay and Madras be declared as national cities and that a fund be created and administered through a specialized institution for the development of these cities," Many problems in the Mega/Metro cities such as Calcutta, Bombay, Madras, Hyderabad and Bangalore are due to massive migration from rural areas and smaller towns all over the country on which the cities have little control. Apart from migration, the 'Comparative prosperity' pulls towards the cities and 'poverty push' away from the rural areas, their regional nature as well as specific city—specific problems related to each of these Mega Cities *e.g.* the background of refugee influx and as gateway to Eastern and North-Eastern India in Calcutta, the importance of Mumbai as the Commercial Capital and historic role of Chennai in South etc. were strong enough reasons for extending special allocations prior to the formal launch of the Mega City Scheme. These cities are the engines of economic growth and have been greatly contributing to the national productivity and generation of resources for planned economic development.

1.2 The Centrally-sponsored Scheme of Infrastructure Development in Mega Cities has been started from 1993-94 as a result of joint exercises between the Planning Commission and the Ministry of Urban Development, now Ministry of Urban Affairs & Employment, since it was felt that there was need to move to a structured form of Central Assistance to Mega Cities. The Mega City Scheme was cleared by the Planning Commission in a meeting under the Chairmanship of Prime Minister on 23rd July, 1993.

1.3 Detailed Guidelines have been issued by the Ministry of Urban Affairs & Employment for implementation of the Mega City Scheme based on the approval by the Cabinet Committee on Economic Affairs March, 1995. (Annexure I).

1.4 Asked about the background based on which the Mega City Scheme was approved for implementation, the Planning Commission in a note stated :—

"The Ministry of Urban Affairs and Employment had been receiving representations from various State Governments, Mayors of Metropolitan Cities, etc. for provision of Central assistance for tackling the problems faced by the Mega/Metro cities such as Calcutta, Bombay, Madras, Hyderabad and Bangalore and many problems in these cities are due to massive migration from rural areas and smaller towns all over the country on which the city authorities have little control. These cities are the engines of economic growth and have been greatly contributing to the national productivity and generation of resources for planned economic development.

The National Commission on Urbanization had recommended Rs. 500 crores for each of the cities which might be allocated during the Seventh and Eighth Five Year Plans for the purpose of infrastructure development. However, the Planning Commission was not in favour of providing funds from the Centre to particular cities and indicated that any Central assistance to metro development projects should form part of the State Development Plan.

The Planning Commission had been, from time to time, allocating sums on case-to-case basis as Special Central assistance to the State Governments to tackle the problems of infrastructural development in Mega Cities. Since it was felt that there was need to move to a more structural form of Central Assistance to Mega Cities, the Centrally sponsored scheme of Infrastructural Development in Mega Cities emerged."

1.5 The broad objectives of the Mega City Scheme are :—

(i) undertaking infrastructure development projects of city-wide/ regional significance in selected mega cities, covering a wide range of components like water supply and sewerage, roads and bridges, city transport, solid waste management, land development, training, etc.; and (ii) enabling the mega city scheme nodal agencies to create a Revolving Fund for infrastructure development on a sustained basis with appropriate direct and indirect cost recovery methods by the year 2002 the last year of Ninth Five Year Plan.

1.6 Cities with more than 4 million population according to 1991 Census (excepting Delhi—the national capital) are eligible for coverage under the Scheme. Thus, the Scheme applies to Mumbai, Calcutta, Chennai (Madras), Hyderabad and Bangalore.

1.7 When asked as to what extent the objectives set forth under this Scheme have been attained the Ministry in a written reply stated :—

"The broad parameters of the Scheme were originally worked out by the Planning Commission and Central assistance was released by the Planning Commission during 1993-94. It was only from 1994-95 that the Ministry started providing budgetary support and formulated detailed guidelines for the Scheme. These guidelines were circulated to the State Governments during 1995. The Scheme envisages (i) infrastructural development which generally involves long gestation periods, and (ii) certain reforms which are bound to take a number of years to yield appreciable results. Therefore, it is too early to evaluate the Scheme and assess the achievements at this point of time. As per the Scheme Guidelines, the Mega City Scheme Revolving fund which is envisaged to be vehicle for promoting the much-needed infrastructure in a mega city on a continuing basis is to be established by the year 2002, the last year of the Ninth Five Year Plan."

1.8 The Committee note that Government of India started the Centrally Sponsored Scheme of Infrastructural Development in cities in 1993-94 with more than 4 million population as per 1991 census. The Scheme was a result of the joint exercise between the Planning Commission and Ministry of Urban Affairs & Employment. The report of the National Commission on Urbanisation (NCU) recognized the fact that most of the problems of Mega/Metro cities are the result of unbridled migration from rural areas & smaller towns on which the Mega Cities have little control. A need for creation of a fund for the development of the Mega Cities of Mumbai, Calcutta, Chennai, Hyderabad and Bangalore was felt as these cities are considered to be the engines of economic growth and the quantum of generation of resources for planned economic development is quite substantial.

1.9 Further, the Committee note that the Mega City Scheme was launched with the twin objectives of enabling the Mega Cities to undertake infrastructure development projects of city-wide/regional significance and creation of a Revolving fund in

which funds could flow from appropriate direct and indirect cost recovery methods on a sustained basis. However, the Committee are distressed to observe that the detailed guidelines have been issued by the administrative Ministry only in August, 1995 after the Cabinet Committee on Economic Affairs approved the Scheme in March, 1995. The Committee find that considerable loss of time of over two years has occurred in launching of the Scheme and issue of Guidelines to the State Governments/Nodal Agencies which were supposed to implement the Scheme. The Committee in this connection would like to refer to their recommendation made in the 2nd Report (1996-97) on Demands for Grants of Department of Urban Employment & Poverty Alleviation wherein they took a serious view of the time lag in announcement and launching of Schemes and desired that in future necessary steps to implement the Scheme may be taken within a period of three months at the most. The Committee, therefore, cannot but conclude that the Ministry of Urban Affairs & Employment and Planning Commission failed to do the ground work for formulating a Scheme which was in operation in a different form prior to 1993-94. They desire that such underpreparedness in formalizing schemes should be avoided to obviate possible poor results in the early phases, however, small they may be.

Continuation of the Scheme in Ninth Plan

1.10 The Committee understand that all the State Governments/ Nodal Agencies implementing projects under the Mega City Scheme desire that the Scheme should certainly be continued in the Ninth Five Year Plan and could also roll on to the Tenth Plan.

1.11 When asked whether the Mega City Scheme would be continued in the Ninth Five Year Plan, the representative of the Ministry replied :—

> "This Scheme will be continued may be for another five or ten years. It would have been in operation for about four years and it will continue in the Ninth Plan. We have already represented to the Planning Commission on this. It may be continued in the Tenth Plan also. During the Tenth Plan, more cities will qualify even in the four million plus category. In the two million plus category, cities like Pune, Kanpur and Ahmedabad are fit for inclusion under this scheme."

1.12 When asked further whether a final decision in this regard has been taken by Government the Secretary, Department of Urban Development stated :—

"Not yet,......the Scheme will have to be continued. Our Minister of State has taken up the matter with the Deputy Chairman, Planning Commission and there is a fair indication from the Planning Commission side that the scheme will be continued.

So, it appears to me that the scheme will have to be continued for these five cities in the Ninth and Tenth Plans. Then only adequate justice can be meted out."

1.13 Asked whether the Mega Cities Scheme would be continued in the Ninth Plan, the representative of Planning Commission during evidence stated thus :—

"When you ask whether it is going to continue in the Ninth Plan, the position is that we have got the directives and we have examined it. Since the Ministry supported it, the Chief Ministers will be able to review their position. When you have marked something and done some basic work, you have to complete the work. Conceptually, if something is created, I would call it creating a liability in that sense. You cannot wish it away. Some agency or the State Government has to do the completion exercise and I do not know whether this is going to be continued. I must explain the whole thing because we do not want to be misunderstood. This is the present status."

1.14 When asked about the views of HUDCO with regard to continuance of the Mega City Scheme in the Ninth Plan, CMD, HUDCO replied:

"It should be continued. As a Member of the Sub-Group for the Ninth Five Year Plan for infrastructure, we have made this recommendation that this scheme should be continued in the Ninth Five Year Plan Period.'

1.15 The Committee observe that though the Mega City Scheme was started in 1993-94, it is just about gaining the momentum to stabilize itself as a Scheme which in fact recognizes the need for providing infrastructure to the development needs of the ever growing and teeming Megapolises of Mumbai, Chennai, Calcutta, Hyderabad and Bangalore-the cities considered to be the engines of

economic growth and are contributing in a substantial way for planned economic development in the country. The Committee, further, observed during their interaction with the State Governments/ Nodal Agencies implementing the projects under Mega City Schemes that as the Scheme is just about gaining momentum, it should be continued in the Ninth Five Year Plan and could possibly roll on to the Tenth Plan, if felt necessary. The Committee find that problems of infrastructure development in these cities are very complex and require timely resolution. Some of these problems are of a general nature, while some of them arise out of the specification associated with the specific history of evolution of each of these cities. Further, HUDCO as the only financial institution funding projects under the Scheme also, is of the opinion that the Scheme should be continued in the Ninth Five Year Plan so that the present endeavour could produce positive results. The Committee, therefore, desire that the Mega City Scheme should be continued in Ninth Five Year Plan and if felt necessary could continue in the future plans.

1.16 The Committee has also observed that while the Mega City Scheme is intended for cities having population of more than 4 million and while there is also a scheme of the Ministry of Urban Development known as IDSMT for cities having population between 20,000 and 5 lakhs, there are no schemes for cities having population between 5 lakhs and 40 lakhs. The Committee feel that this gap in terms of plan intervention through any properly defined scheme to facilitate the development of Urban infrastruture in such big cities with population ranging from 5 lakhs to 40 lakhs will only lead towards over crowding of Mega cities. Therefore, the Committee recommed that some suitable scheme be formulated by the Ministry in consultation with the Planning Commission to cover cities having population of 5 lakhs to 40 lakhs.

1.17 The Committee feel that more cities would have grown in terms of population and as such would like that such cities having the stipulated population of 4 million or nearabout should also be covered under the scheme.

CHAPTER II

PROJECTS

The Mega City Scheme is being implemented in Mumbai (Bombay), Calcutta, Chennai (Madras), Bangalore and Hyderabad.

2.2 The Mega City Scheme Nodal Agencies are as follows :—

(i) Mumbai (Bombay) (Maharashtra)
Mumbai Metropolitan Region Development Authority,—MMRDA.

(ii) Calcutta (West Bengal)
Calcutta Metropolitan Development Authority,—CMDA.

(iii) Madras (Chennai) (Tamil Nadu)
Metropolitan Infrastructure Development Corporation,—MIDC.

(iv) Hyderabad (Andhra Pradesh)
Hyderabad Urban Development Authority, HUDA.

(v) Bangalore (Karnataka)
Karnataka Urban Infrastructure Development Finance Corporation, KUIDFC.

Categories of Projects

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

(a) Projects which are remunerative bankable projects which are commercially viable and profitable:

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

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

(c) Projects for basic services where very low or nil returns are expected : Projects which are absolutely essential for upgradation of the quality of life in a Mega City but where user charges cannot be recovered.

For these set of projects, two sub-sets could be considered. The first sub-set, consisting of projects on basic services but not directly related to poverty alleviation, could be funded on nominal rate of interest of say, 3 to 5%. The second sub-set which could involve a grant component should include urban poverty alleviation.

Funds not exceeding 20% out of the grants from Central and State Governments could, however, be utilized as grant. For these projects, internal resources of implementing agencies could be substituted for institutional finance if the latter is not forthcoming.

2.4 The above three categories of projects would be financed in a judicious mix to ensure viability of the nodal agency. No fixed ratio is stipulated although the rough indication for the shares of the three categories in the total project costs could be in the ratio of 40 : 30 : 30. The overall package (rather than each project) should be viable in the sense of creating a sizable corpus for further investment.

An illustrative list of projects that could be taken up under the Scheme is at Annexure–II.

2.5 Projects under the Scheme are to be sanctioned by a State level Sanctioning Committee. The composition of the Sanctioning Committee constituted by each State is as per the following pattern :—

(i) Secretary of the State Urban Development/Municipal Administration Department dealing with Mega City Scheme – Chairman.

(ii) Secretary, State Finance Department – Member

(iii) Chief Executive of Mega City Project Authority (Nodal Agency, Member

(iv) Joint Secretary (Urban Deptt.), Govt. of India, Ministry of Urban Affairs & Employment – Member

(v) Representative of Planning Commission – Members

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

2.6 The Mega City Scheme Nodal Agencies have so far approved 154 projects in the five Mega Cities upto 30.6.96. The details of the projects approved in each of the five Mega Cities is at Annexure III to VII.

2.7 The following table provides the details of projects approved and Projects in Progress :

Number of projects under Mega City Scheme as on 30.6.1996*

Name of Mega City	No. of Projects*@ Approved	No. of Projects Taken up/in Progress	No. of Projects completed (15.9.96)
Mumbai (Bombay)	22	14	—
Madras (Chennai)	41	16	11
Hyderabad	15	08	—
Bangalore	20	04	—
Calcutta	56	53	—
Total	154$	95$	11

* The Mega City Projects are meant for implementation during the 8th and 9th Plans. The likely dates for completion of the projects taken up so far is 1998-2000.

@ The details of the projects approved in each Mega City is at Annexure III to VII.

$ At the time of factual verification of the Report, the Ministry of Urban Affairs & Employment stated that total No. of Projects Approved are 153 in place of 154 & Total No. of Projects taken up/in progress 89 in place of 95.

2.8 The details of the estimated cost projects approved by State Level Project Sanctioning Committees, Category-wise is as under :—

Estimated Cost of Projects approved by State Level Project Sanctioning Committees upto 31.3.96

(Rs. in crores)

Name of the Mega City	Category 'A' (Commer-cially viable)	Category 'B' (User charge based)	Category 'C' (Basic Services)	Grand Total
Mumbai (Bombay)	47.65 (17.86%)	141.61 (53.07%)	77.57 (29.07%)	266.83
Madras (Chennai)	28.64 (21.55%)	86.72 (65.24%)	17.57 (13.22%)	132.93
Hyderabad	127.18 (50.66%)	38.00 (15.13%)	85.99 (34.24%)	251.17
Bangalore	70.17 (26.96%)	45.50 (17.48%)	144.56 (55.55%)	260.23
Calcutta	52.20 (15.61%)	254.64 (76.23%)	27.66 (8.27%)	334.50
Total	325.84 (26.16)	566.47 (45.48%)	353.35 (28.36)	1245.66

(Figures in parentheses are percentages to the Grand Total)

2.9 When asked about the number of projects which were in-hand in each of the Mega City at the time of allocation of Rs. 700 crores in 1993-94, the Ministry in a written note stated that when the Mega City Scheme was formulated, the Mega City Scheme Nodal agencies had not prepared individual project reports for specific schemes. However, based on the project reports received from State Governments, the following broad indications were projected as the total cost of projects to be taken up during the 8th and 9th Plan periods.

Sl. No.	Mega City	Total Cost of Projects proposed for 8th and 9th Plans
1.	Mumbai	Rs. 1217 Crores
2.	Calcutta	Rs. 1251 Crores
	(Subsequently revised to Rs. 1600 Crores)	
3.	Madras (Chennai)	Rs. 914 Crores
4.	Hyderabad	Rs. 913 Crores
5.	Bangalore	Rs. 805 Crores

2.10 The Committee during the interaction with the State Nodal Agencies observe that while urban development as a whole and the Mega City Scheme in particular envisages a holistic approach, the very nature of some of these nodal agencies and the infrastructure available to them raises questions about their adequateness to address the kind of concerns that the scheme is expected to face *e.g.* Metropolitan Infrastructure Development Corporation (MIDC) of Chennai appears it was specifically created to address to this kind of scheme, whereas MMDA (Madras Metropolitan Development Authority) renamed as Chennai Metropolitan Development Authority (CMDA) appears to have been invested with the experience of Regional Urban Planning and Development which is very necessary to address the nature of issues arising out of tasks of planning and coordination of Mega City Scheme. Apart from increasing administrative cost due to multiplication of agencies the nature of new agencies also appear to be over stressing the financial aspect of the scheme at the cost of other aspects.

2.11 The Committee further note that in Madras and Hyderabad Mega City, Category 'A' type of projects have been given precedence over Category 'B' and 'C' type of projects. The above position as explained in Annexures VI and VII is as below :

Madras	Total number of projects	—	41
	Category A	—	20
	Category B	—	4
	Category C	—	17
Hyderabad	Total number of projects	—	15
	Category A	—	6
	Category B	—	3
	Category C	—	6

It appears that the Sanctioning Committee while approving the projects is giving precedence to the financial aspects and ignoring other aspects which reinforces quality of urban life. The Committee would like that projects and other schemes should be financed in a judicious mix for the integrated development of the Mega Cities.

2.12. The Committee note that Mega City Scheme is being implemented in the five Metro/Mega Cities of Mumbai, Calcutta, Chennai, Hyderabad & Bangalore with projects falling under the categories of remunerative or bankable, projects where certain user charges could be levied and projects for basic services entirely dependent on Grants from Central/State Govts. These projects are sanctioned by a State Level Sanctioning Committee comprising officials of the State Govts./Nodal agencies implementing projects/ Central Govt. including Planning Commission and representatives of financial Institutions as special invitiees. Since the inception of the Scheme in 1993-94, 154 projects costing Rs. 1245.66 crores in the five Mega Cities have been approved by the State Level Sanctioning Committees upto 30.6.96 for implementation by the Nodal agencies, while 11 projects (as on 15.9.96) have been completed in only Chennai. The Committee are surprised to note that at the time of starting the Scheme, there were no individual project reports available for specific schemes while Planning Commission had allocated Rs. 700 crores for the five cities based on the broad indication of the total cost of projects of approx. Rs. 5000 crores that could be taken up during the 8th and 9th Plan. The Committee can only conclude that no proper projects were on hand at the time of inception and clearance of the Scheme by the Planning Commission. They, therefore, are of the view that proper planning was lacking both on the part of the Planning Commission and the nodal Ministry of Urban Affairs & Employment and therefore, caution that such an attitude should not recur in future and that without adequate planning and preparing the ground work *viz.* preparation and formulation of guidelines, no scheme should be launched for implementation.

2.13 The Committee during the course of its examination of the subject with several State Govts./Nodal Agencies have observed that a near unanimous view has emerged with regard to the necessity of reviewing the guidelines formulated for implementation of the Scheme on the basis of the experience gained so far.

2.14 When asked whether the Ministry intends to review the guidelines formulated for implementation of the Schemes based on the progress made so far the Ministry in a written note stated :

"No. The Guidelines for the Centrally sponsored Mega City Scheme were issued in 1995. When the parameters of the schemes were worked out by the Planning Commission and Ministry of Urban Affairs and Employment, the time horizon of 8th and the 9th Plan periods was taken into account explicitly. Accordingly, the creation of a Revolving Fund under the Mega City Scheme is proposed for constitution at the Mega City Scheme Nodal Agency level under the Scheme Guidelines only by 2002 A.D. In this background, the Ministry does not intend to review the Guidelines for the Scheme as it is too early to assess the impact of the Scheme".

2.15 Asked further, if any requests from State Governments/Nodal Agencies implementing Mega City Scheme for review of the guidelines formulated by the Ministry have been received and the broad areas of changes in guidelines requested, the Ministry stated that in general, the Mega City Scheme Nodal Agencies/State Governments have requested not to insist on 50% share of total project costs as institutional finance as they are facing difficulties regarding mobilzation of loans from financial institutions/banks. Particular requests have been put forward by the Calcutta and Hyderabad Mega City Scheme nodal agencies in this regard. However, the Ministry is of the view that the problems are basically due to lack of appropriate cost recovery policies by the Mega City Scheme Nodal/Implementing Agencies. Since, the building up of the Revolving Fund through adoption of direct and indirect cost recovery methods is an important objective of the Scheme, there is no contemplation to reduce the share of institutional finance. Moreover, when Central and State shares are flowing as grants, it is expected that the Nodal/Implementing Agencies use these grants as 'Seed Money' to "leverage funds" from the market to multiply the budgetary support available to undertake a bigger programme of infrastructure investment.

2.16 The Committee note that several State Govts./Nodal Agencies implementing the scheme have felt that the guidelines formulated by the Nodal Ministry of Urban Affairs & Employment require a review with regard to the stipulations in respect of the share of institutional finance as also the need to have more flexible approach with respect to the basket of projects in terms of A, B & C categories taken up for implementation. They find that the nodal agencies are particularly finding it difficult to raise the 50% share of institutional finance primarily owing to the high rates of interest being charged by the agencies coming forward to fund projects.

The Committee further find that the Ministry does not intend to review the guidelines on the simple plea that the problem of funding is due to lack of appropriate cost recovery policies of the nodal agencies. The Committee cannot but overlook the fact that unlike other Centrally sponsored schemes none of the five concerned State Governments have defaulted in providing matching amount in their respective budgets as stipulated in the guidelines of the scheme. But it is also a fact that the menu of options for the cost recovery aspect has to be extremely flexible but unfortunately the nature of financial institutions do not enable them to appreciate this reality. They are, therefore, constrained to further note that it is not the only reason for poor response of institutional funding agencies. It may be pointed out that high rates of interest being charged by the financial institutions is driving away the nodal agencies from securing funds from financial institutions as also the fact that cost recovery steps cannot be initiated in areas where the projects under the Scheme tend to upgrade the facilities available in Mega Cities as in the case of Calcutta where most of the projects like water works, sewerage disposal and solid waste disposal works are only adding to the existing facilities but do not add any additional features to these. The Committee, therefore, are of the view that the Ministry should take steps to undertake a mid-term review of the working of the scheme to make it suitable to the local needs by reviewing/ recasting certain grey areas in the guidelines.

Perspective Planning

2.17 The Mega City Guidelines (Para 4.4) indicates that the projects taken up for implementation are to be dovetailed with City/State level perspective plans, Metropolitan Plans and Investment Plans.

2.18 On the question of any guidelines to States in respect of integration of the projects under implementation in this Scheme with a perspective plan, the representative of the Ministry stated during evidence that no State really draws up a perspective plan. In fact, the expertise for drawing up perspective plans is conspicuous by its virtual non-existence at all levels throughout the country.

Secondly, the actual developments on the ground are so rapid that they often do not correspond to any plan. They just come up in response to actual developments which are often dictated by market forces, whether it is encroachment of land in urban areas by various constructions or it is due to private sector initiative which is not permitted by any specific plan, which the Central Government or a quasi-Government authority like a city administration might draw up So, while the guidelines do suggest that there must be perspective plan, in practice at the city level, this kind of an exercise is not taking place. Even now, we are struggling with the formulation of guidelines for the metropolitan development plans which will cover not only the city but also the surrounding rural areas. The city master plans include only the land use plans, without any investment plan.

2.19 On the question of necessity of long term perspective planning for projects under the Mega City Scheme, CMD HUDCO stated during evidence as under :

"We in HUDCO are also of the opinion that this Mega City project is not just a collection of schemes. It is a total plan, long-term plan, for the improvement in the city infrastructure. These are only giving as part of that long term project. That is our understanding."

2.20 When asked whether there should be some changes in the guidelines, the representatives further stated :

"There are some guidelines. I feel that the guidelines should be made a part of the integral guidelines. There has to be a total long term plan for the improvement of the city. This can then only deal with the situation effectively."

2.21 The Committee's examination of the project revealed that the Mega City Scheme guidelines are on very general terms specially with regard to the need for correlating the projects taken up for implementation under the scheme with the long term perspective plans for the City/Metropolitan/State Master Plans. The Committee are surprised to note that no State has drawn up any perspective plan and that the Ground Level situation is akin to having a knee jerk approach towards planning as such to the various problems coming up before the city administrations. Urban development, today, in so far as the Mega Cities are concerned, is reactive rather than

pro-active. This implies that not only is the scale of investment for urban infrastructure totally inadequate but being disjointed and piecemeal, they do not result in any significant impact in term of return on their investments. According to HUDCO the Mega City Scheme projects should not be mere collection of schemes but should form a part of the long term plan for improvement of infrastructure available in a Mega City as also the fact that they should be made integral part of long term plans to let the city administration deal with the problems effectively. The Committee, cannot but agree with the views of HUDCO which till now is the one and only major financial institution that has come forward to fund projects under the scheme in most of these Mega Cities. The Committee need hardly emphasize that dovetailing of the Mega City Projects with a master/ perspective plan and investment plan stand at the root of successful implementation of the Mega City Scheme projects which would go a long way in improving the quality of urban life in the Mega Cities. They, therefore, desire that the Scheme guidelines be suitably modified to stress the importance of the need to prepare master plans/perspective long term plans to attain the goal of all round development of the Mega Cities under the scheme.

CHAPTER III

FINANCE & RESOURCE GENERATION FOR THE SCHEME

Financing Pattern

The Financing pattern under the Mega City Scheme is : 25% Central share; 25% State Share; 50% Institutional Finance. For non-remunerative/service-oriented projects, internal resources can substitute institutional fiance. The funds from Central and State Governments will flow directly to the nodal agency for the Scheme as grant to build a base for the constitution of a revolving fund out of which finance would be provided to various agencies such as Water and Sewerage Boards, Municipal Corporations, Municipalities, etc. Project land and private investment could partially substitute institutional finance subject to the overall parameters of the project under consideration.

3.2 Urban infrastructure schemes eligible for funding under the Mega City Scheme include: water supply, sewerage, drainage, sanitation, city transport networks, land development, slum improvement, solid waste managment, etc. Finance is not to be provided for power, telecommunication, rolling stocks like buses and trams, primary health/ education, projects of minor nature which can be easily implemented out of local funds, Mass Rapid Transit System/Light Rail Transit System Projects or projects which are highly capital-intensive and long-duration projects and for long term studies, etc.

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

An illustrative list of projects that could be considered for financing under the Scheme is at Annexure–II.

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

3.5 When asked what is the total amount available in the revolving fund constituted for financing of projects under the Scheme in respect of each Mega City where the Scheme is being implemented so far, in each year of the 8th Plan, the Ministry in a note stated that the Mega City Scheme guidelines were circulated to the Mega City Scheme Nodal Agencies/State Governments during 1995. The Revolving Fund is to be constituted over a period of time and during the initial years, there is bound to be no cost recovery as the completion of projects will take time and loan repayment will have to start, after projects are completed. First the loans are to be repaid before squeezing in any surplus for Revolving Fund. As per the Mega City Scheme Guidelines, the Mega City Scheme Revolving Fund which is envisaged to be the vehicle to promote the much needed infrastructure in a mega city on a continuing/sustained basis is to be established by the year 2002, the last year of the 9th Five Year Plan. It is too early for the Nodal Agencies to recover costs and build the revolving fund as most of the projects are not completed. However, separate accounts have been opened by all the Nodal Agencies for crediting funds received under the Mega City Scheme for revolving fund purpose.

Plan Outlay & Release of Funds

3.6 The 8th Plan indicated a national outlay of Rs. 700 Crores for the Scheme (Bombay Rs. 200 Crores, Calcutta Rs. 200 Crores, Madras Rs. 100 Crores, Hyderabad Rs. 100 Crores and Bangalore Rs. 100 Crores). During 1993-94, an amount of Rs. 70 Crores was released by the Planning Commission treated as Central Government's Share for the Scheme. During 1994-95, Rs. 74.5 Crores were released to the five mega cities as Central share (Bombay Rs. 16.1 Crores, Calcutta Rs. 16.1 Crores, Madras Rs. 11.1 Crores, Bangalore Rs. 20.1 Crores and Hyderabad Rs. 11.1 Crores).

3.7 An amount of Rs. 50 Lakhs (Rs. 10 lakhs each for the five mega cities) was released for undertaking preliminary studies/project preparation exercises. An amount of Rs. 8 lakhs each was also released to the five mega cities for taking up feasibility studies, preparation of Mega City Development Plans, etc.

3.8 The Committee note that the finance pattern for the Mega City Scheme provides for funding from the Central and State Governments in ratio of 25% each and balance 50% from institutional finance. The scheme debars the funding for mega infrastructural projects which are highly capital intensive and of long gestation periods. Finance for projects under the scheme is devoted to regional/ city-wide significance conforming to Regional/Metropolitan/Master Plans of the city concerned. A basket type of approach is envisaged for the projects with the cost of projects to be distributed in ratio of 40 : 30 : 30 in respect of A, B & C category of projects without jeopardizing the viability of the nodal agencies implementing the projects.

Further, the funds from Central and State Govts. are to flow directly to the nodal agency at the city level as Grants to be used for creation of a Revolving Fund which in turn could finance projects in future. However, the Committee regret to find that there is a serious mismatch between the schedule of completion of projects with that of a seven year time frame projected for creation of the Revolving Fund at the Mega City level. They are constrained to point out further that assuming there are no cost recoveries possible during the initial years, how the Revolving Fund is sought to be put in place by the year 2002. In the Committee's view mere opening of account by Mega City Scheme nodal agencies for creating fund received under the revolving Fund mechanism would not suffice. The Committee desire Government to clearly specify in the guidelines the modalities for creation of Revolving Fund as they are ambiguous in the context of creating 75% funds to be retained as corpus of the nodal agency.

3.9 A sum of Rs. 70 crores for 1993-94, 74.5 crores for 1994-95, 83.5 crore for 1995-96 and 84 crore for 1996-97 has been released allocated as Central share to the five Mega Cities totalling Rs. 312.00 crores.*

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* At the time of factual verification of the Report, the Ministry of Urban Affairs & Employment stated that 'A sum of Rs. 70.50 crores for 1993-94, 74.50 crores for 1994-95, 83.90 crores and 60.90 crores for 1996-97 has been released as Central share to the five Mega Cities totalling Rs. 289.80 crores.'

3.10 The following table indicates the release of Central and State share and mobilization of institutional finance upto 1995-96.

Release of Central and State share and Mobilisation of Institutional Finance.

Name of Mega City		1993-94	1994-95	1995-96	Total	Institutional Finance #
Mumbai	CS	20.00	16.00	18.00	54.00	33.29 (HUDCO)
	SS	20.00	—	20.00	40.00	
Total		40.00	16.00	38.00	94.00	
Madras	CS	15.00	11.00	17.00	43.00	None
	SS	15.00	15.00	20.00	50.00	
Total		30.00	26.00	37.00	93.00	
Hyderabad	CS	15.00	11.00	15.50	26.50	
	SS	15.00	Proceeed	of Valuable	land sale	
Total		30.00	11.00	15.50	56.50	
Bangalore	CS	—	20.00	15.00	35.00	None
	SS	—	20.00	15.00*	35.00	
Total			40.00	30.00	70.00	
Calcutta	CS	20.00	16.00	18.00	54.00	None
	SS	22.37	58.67**	20.00	101.04	
Total		42.37	74.67	38.00	155.04	

CS — Central Share
SS—State Share

*Approved but not released
**Include other funds released to CMDA also.

At the time of factual varification of the Report, Housing & Urban Development Corporation (HUDCO) stated that Total amount of institutional finance released upto 31.3.97 is Rs. 119.16 crores in respect of the Five Mega Cities.

3.11 Certain State Governments have represented against Government's decision to treat the Special Central Assistance given in 1993-94 as a part of the allocations under the scheme, when asked the reasons for the, same Ministry of Urban Affairs & Employment in reply stated that the Government of Andhra Pradesh and the Government of West Bengal have represented against the Government's decision to treat the Government of India's share released as Special Central Assistance under the Mega City Scheme during 1993-94 (by the Planning Commission) as part of the allocations under the scheme. The ground cited is that under the Mega City Scheme Guidelines, Govt. of India's assistance is to be provided as 100% grant whereas Special Central Assistance comprises of 30% grant and 70% loan.

3.12 Asked further the action Government have taken on such requests from State Governments/implementing agencies, the Ministry further stated that the Ministry of Urban Affairs & Employment had taken up the matter with the Planning Commission and Ministry of Finance to treat the Central Share released by the Planning Commission to various Mega Cities during 1993-94 as grant. However, the Ministry of Finance has not agreed with the proposal of the Ministry.

3.13 On the question of release of funds from Central Government as envisaged by the Planning Commission for the 8th Plan period, the representative of Ministry of Finance stated during evidence:

"From the Finance Ministry, the position is that the Central budget provides an overall budgetary support to the Planning Commission and then allocation across the Ministries and across individual schemes is determined by the Planning Commission, in consultations with the individual Ministries. We are told that in 1993-94, which was the first year in which money was asked for, Rs. 70 crore were released under the plan. In 1994-95, Rs. 74.50 crore were released and in 1996-97 the budget assumes an allocation of Rs. 84 crore, which probably will be released during the course of the year by the concerned administrative ministry because this amount has been included in the budget.

We are also given to understand that the scheme was finalized and approved only after February, 1995 and therefore, the Eighth Plan objective of having an outlay of Rs. 700 crore probably could not materialize."

3.14. When asked to clarify as to what is the exact position with regard to release of allocations for the Scheme, the representative of Planning Commission stated during evidence as follows :

"The Planning Commission does not handle this release of money. The release is handled by the Ministry."

3.15 As regards the allocations in the Budget for Centrally Sponsored Schemes, the Ministry of Finance stated that it is the Planning Commission which decides the allocation. The Planning Commission in turn states that it is the administrative ministry which does the allocation.

3.16 When asked as to what is the exact position and why out of an outlay Rs. 700 crore, so little was allocated for this Scheme, the representative of the Deptt. of Urban Development stated during evidence as follows:

"The project was conceived by the Planning Commission. The first year's grant was directly given by the Planning Commission as special Central assistance. After that it was transferred to the Ministry of Urban Development. The tentative allocation of Rs. 700 crores was also decided by in Planning Commission. On the basis of Rs. 700 crore of allocation. We see each year how much money should be given in full five years of plan. So, if we divide Rs. 700 crore by five it will come to Rs. 140 crore. Therefore, we asked for the proportionate amount from the Planning Commission. For example, if we take a macro view, last year when we asked for Rs. 1051 crore, we were given Rs. 552.50 crore. Since allocation of a certain crores of rupees has been given, we have to ensure that the proportional quota is given for the particular scheme. What we ask from the Planning Commission is rarely given to us. With the result we have to reduce the allocation for various schemes. This has been the case with the Mega City Project also. For example, when we asked for Rs. 1050 crore, they say that they can give only Rs. 552.50 crore. Then we are supposed to allocate this to different projects in our Ministry and a proportionate cut is applied to all the schemes. With the result, this allocation for the current plan period will not be sufficient and the projects remain under-funded. So, basically what is happening is that total allocation are never being given to any particular project in full and the schemes have suffered on that account."

3.17 When asked as to who would be responsible for under funding, the witness further stated that actually it is the problem of general constraint of resources which a developing country like India faces and who is responsible for this constraint of resources, is not easy to answer. But essentially it can be said that the Finance Ministry takes on overall view about how much budgetary deficit is to be permitted, on the capital and revenue accounts.

3.18 On the question of the rationale of fixing the share of institutional finance for the Mega City Scheme at 50% to be raised by the States viewed in the context of very poor credit rating of the Nodal Agencies/State Governments, the Planning Commission in a note stated:

"The NCU had suggested the setting up of a National Metropolitan Bank with equity support from the Government and with linkages with the corresponding State organizations. The emphasis in the final recommendation was to provide assistance to projects which can be institutionally supported and with built-in cost recovery. This was deliberated upon and it was felt that the project related financing for the Mega cities could preferably be through an institutional mechanism, which would receive contributions from the Central Government and the State Government. Such an institution could also be permitted to raise funds from market or borrow from institutions.

The Nodal agencies have been created under Urban Development/ Town Planning Acts and are statutory bodies. The actual implementation of the projects may, however, be undertaken by other agencies including the Metropolitan Development Authorities themselves, Municipal Corporations, Metropolitan Water Supply and Sewerage Boards, Tourism Development Corporations, Slum Clearance Boards, Housing Boards, etc."

3.19 The Committee note that Mega City Scheme envisaged an 8th Plan outlay of Rs. 700 crores—Rs. 200 crore for Mumbai & Calcutta and Rs. 100 crores each to Chennai, Hyderbad and Bangalore. The Central share released upto 1996-97 to the five Mega Cities stands at Rs. 311.50 crores. However, the Committee are distressed to note that the actual release of funds from the Centre has not even touched the half way mark of Rs. 350 crores upto the year 1996-97. On the contrary, except for Mumbai, all other State Governments have matched their equal share towards project cost and States like Tamil Nadu and West Bengal have contributed much more than their shares. They are further anguished to note that between the Ministry

of Finance and Urban Affairs & Employment and the Planning Commission none is able to throw any light as to which of these Ministries is responsible for under funding and consequent poor performances. The Committee are perturbed to note that the onus for all this is being attributed to the overall position of budgetary deficit of the Central Government. The Committee are of the firm opinion that low allocations result in vicious cycle of under spending and further lower allocations in subsequent years. The Committee therefore, desire that allocations envisaged at the time of formulation of schemes should be adhered to the extent possible so that the desired results are attained and the objectives of the scheme do not get diluted leading to failure of the scheme as such.

The Committee further observe that Mega Cities are required to furnish the Utilisation Certificate at the time of requisitioning the next instalment. They view that the said scheme is meant for creating infrastructure assets which have long gestation period. The with holding of money by the Centre on the pretext of non furnishing Utilisation Certificate would result in the delay of completion of projects thereby causing time and cost overruns. The Committee cannot overlook the importance of proper monitoring of the scheme by way of requiring the Utilisation Certificates by the concerned Mega Cities but they would also like that a more flexible approach should be adopted by the Centre and funds are released timely to the concerned Mega Cities.

3.20 The Committee note that the funds released by Centre to Calcutta and Hyderabad as Special Central Assistance before issuance of guidelines are deemed as part of the central share given under the scheme. The Committee don't accept this position as funds given under Special Central Assistance are loan whereas the central share under the Scheme is the grant component.

Further, the Committee note that stipulation of institutional financial share at 50% of project cost to be arranged by the States/ Nodal Agencies in the context of poor credit rating of implementing agencies is a basic flaw of the finance pattern of the scheme. Accordingly, the poor viability of the Nodal Agency is leading to a situation where funds from financial institutions are hard to come and whatever little funds is forthcoming is at exorbitant rates of interest. The interest rates in turn are high owing to the fact that financial institution are to borrow funds from open market. The Committee, therefore, recommend that the stipulation of 50% of funds from institutional finance is not justified and States be permitted

the flexibility depending on the situation prevailing locally at the Mega City level.

Mobilization of Institutional Finance

3.21 The Mega City Scheme envisages mobilization of institutional finance at the level of 50% of project costs by the States/Nodal Agencies. Apart from HUDCO none of the other financial institutions have come forward to participate in the projects under the scheme.

3.22 On the extent to which the States have been able to raise the balance 50% of funds during the 8th Plan from the Institutional funding agencies, the Ministry in reply stated that The Mumbai Mega City Project has been able to raise institutional finance amounting to Rs. 33.29 crores from HUDCO. The Calcutta Metropolitan Development Authority has been able to raise more than Rs. 40 crores by way of issuing of Non-SLR Bonds. The amount raised by Madras Mega City Project by way of institutional finance till now is Rs. 43.35 crores. Other Mega City Scheme Nodal Agencies have not been able to mobilize adequate institutional finance. However, they have submitted proposals to HUDCO and other financial institutions. It is likely that they will be able to secure a sizeable amount by way of institutional finance during 1996-97.

3.23 When asked what is the experience with regard to the mobilization of institutional finance, the representatives of Ministry of Urban Affairs and Employment stated during evidence as follows :

> "Regarding institutional finance, there is a problem because HUDCO is the only major agency which provides money for urban infrastructure today on a substantial scale. There are others like ILFS which is a private company. There are institutions like IDBI and IFCI but not many projects are financed by them. For water supply, LIC is there. Some banks have also come forward. Things are improving. With the recent announcement of Infrastructure Development Finance Corporation by the Union Finance Minister it should help further. It is supposed to have an authorized capital of Rs. 5,000 crore which will be built up over a period of time. We have pinned a lot of hope on it. We have written to the Finance Ministry to have a niche for the urban infrastructure finance. The letter has already been sent by our Minister to the Finance Ministry that they should provide Rs. 1000 crore per year for urban infrastructure from this Body. The Body will be refinancing and financing."

3.24 Asked about the response of financial institutions with regard to financing of projects under the Scheme, the Ministry of Urban Affairs and Employment replied that the Mega City Scheme Nodal Agencies have reported to be facing major problems in the mobilization of resources from financial institutions. This Ministry has taken up with the Housing and Urban Development Corporation (HUDCO), requesting it to come forward and provide the needed institutional fund requirements under the scheme. HUDCO has agreed to consider requests from the Mega City Scheme Nodal Agencies. Proposals for availing HUDCO loan from several Mega City Scheme Nodal Agencies are now under processing by regional offices of HUDCO.

3.25 When asked further if the States have represented about the high rates of interest being levied by financial institution adversely affecting the viability of project under the scheme, the Ministry in reply stated :

"Yes, Generally, funding for infrastructure projects is available at more than 18% interest rates. Agencies like HUDCO which borrow from the market at market rate of interest cannot finance infrastructure projects at below market rates. This is because HUDCO has to subsidize loans for weaker section housing and this subsidization is not possible if loaning for infrastructure is also to be subsidized. The views of the Ministry are that since 50% of the funds under the Mega City Scheme are available as Grants from the Central and State Governments, the Nodal Agencies should be in a position to adopt sound cost recovery policies and raise the remaining funds from the open market. Further subsidizaton is not desirable."

3.26 Asked further if the Ministry received any requests from State Governments/Nodal agencies for change in financing pattern/ratios devised for the scheme, the details of changes sought by States and the action Government have taken in this regard, the Ministry of Urban Affairs and Employment replied in a detailed note :

"Generally, during meetings and discussions, the State Government/ Nodal Agency officials of West Bengal and Andhra Pradesh have expressed opinion that the 50% institutional finance component may not be made compulsory and that the share of service-oriented projects in the basket of Mega City Projects should be increased to more than 30% (under the Mega City Scheme, the indicative shares of remunerative, user charge-based and service-oriented/non-remunerative projects are 40 : 30 : 30).

The problem of inadequate mobilization of institutional finance is basically due to inappropriate cost recovery. The Mega City Scheme adopts a "basket-type" approach, meaning that some individual projects may not be financially viable. But the basket as a whole should be so. It is stipulated than to the extent the remunerative schemes generate adequate surplus, a certain percentage of non-remunerative projects can be financed while making the overall basket of projects financially viable. Cost recovery and judicious project mix, adopting a basket type approach are critical parameters of the Mega City Scheme on which the concept of creating a Revolving Fund for self-sustaining infrastructure development in Mega Cities on a continuous basis without depending on budgetary sources is based. Accordingly, the Government of India has not agreed to change the Guidelines regarding institutional finance and project mix which lie at the heart of the Scheme."

3.27 On the question of serious problems of resource mobilization through financial institutions for the Mega City Scheme, the representatives of Ministry of Finance stated in a detailed reply during evidence as follows :

"There has been a progressive liberalization in the guidelines issued by the RBI from 1993 onwards which has, at the policy level, enabled the banks to consider financially bankable and commercially viable schemes. Earlier there was a restriction that an individual bank could not sanction more than Rs. 50 crore for each project, but that ceiling has been removed now. Earlier a consortium of banks could provide funds up to Rs. 200 crore but now that has also been raised to Rs. 500 crore. For the power sector infrastructure projects, the ceiling has been raised to Rs. 1,000 crore. For projects costing more than Rs. 500 crore, the requirement is that the banks can also finance these projects alongwith the all-India financial institutions, subject to the share of all banks put together, not exceeding Rs. 500 crore and subject to the guideline relating to the prudential exposure which the Reserve Bank has provided, which among other things, provides that the lending to a particular borrower should not be more than 25 per cent of the net worth of that borrower and the exposure of the banks or the financial institutions to the sector as a whole should not exceed 15 per cent. So, these types of prudential norms have been provided by the RBI.

Upto 1994, banks were permitted, under the overall permission of the RBI, to lend only to the private sector projects but now, since October, 1994, the banks have been permitted to provide assistance on this basis to the public sector undertakings also, subject to the public sector undertaking being a commercial organization and also subject to its posing a viable project which could repay the loan from the income generated from the returns of the project and not from any budgetary support."

3.28 Asked whether the State Government/Nodal Agencies had apprised the Ministry about the difficulties being experienced by them about raising funds from the financial institutions, the Ministry of Urban Affairs and Employment stated that West Bengal, Andhra Pradesh and Karnataka have reported regarding problems in mobilization of institutional finance.

The difficulties being experienced in raising resources from financial institutions include : non-availability of long-term finance, high interest rate, inadequate cost recovery and lack of State Guarantee for loans. A general complaint by the financial institutions is that the Nodal Agencies are not proposing enough cost recoveries so as to service the debts and generate surpluses for the Revolving Fund.

3.29 Project land and private investment could partially substitute institutional finance subject to the overall parameters of the project under consideration. However, no Mega City has been able to induce private sector for undertaking projects based on public-private partnership formats such as build-own-transfer (BOT), build-own-operate-transfer (BOOT), etc.

3.30 When asked in what way funds could be raised by Nodal Agencies for funding Mega City projects through institutional means, the representative of Ministry of Finance stated during evidence as noted below :

"One issue which needs to be recognized is that investments of this nature require very long-term funds. The long-term funds which are available with the banks or even with the financial institutions are not of that maturity. So, the banks and the financial institutions have to keep in mind that there is no major mismatch between the maturity of their loans and the maturity of their resource. So, this Mega City type of projects require very long-term loans. The banks' and the financial institutions' funds do not match with the maturity structure required. Under the overall priority that is attached to finance of infrastructure, RBI has permitted the banks and financial institutions to provide term loans for this type of projects.

One suggestion which has been made by our financial institutions and by RBI also is that for funding the Mega City type of projects, one option that could be explored is the issue of long-term bonds. The debt market has become a very active mechanism for meeting the financing needs for investment purposes. So, long-term bonds could be floated by the individual or by the Nodal Agency and they could use these long-term funds for investment. Of course, there could be some consideration by Government for providing some tax concession for raising these long-term funds.

Secondly, the pension and provident fund moneys are traditionally known to be funds which are of a very long-term nature. That is another area which could be explored by the Nodal Agencies, if they could tap pension and provident fund moneys for the type of long-term investment needs that they have. Another area which can be explored is the funding by multilateral banks."

3.31 On the question of private sector investment in the Mega City Scheme the representative of the Ministry replied during evidence that in fact in the guidelines, there is a provision about it which says that the sharing beween the Central and the State Government is 25 per cent and the balance fifty per cent is to be met from institutional finance and capital market. The private investment could essentially succeed in remunerative schemes but would not come for social sector projects.

Actually, agencies are not spending much of the money given by the Central Government or the State Governments on projects of remunerative type. In fact, major portion of the Central Govt. and the State Government money is going in for the third category that is, the social services. In the case of first category projects, shares of the Centre and the State Government are not availed normally. Only difference is, these remunerative projects are being implemented by governmental agencies. We are asking them, under the guidelines, to involve the private sector.

3.32 When enquired as to the existing position with regard to mobilizing resources by imposition of tax, levy, cess, etc. to fund projects which are entirely dependent on grants under the Mega City Scheme, the Ministry in a note stated that in respect of funding of projects that are entirely dependent on grants under the Mega City Scheme, limited efforts have been made by Mega City State Governments for adoption of indirect methods of cost recovery through imposition of tax, levy, etc. The Andhra Pradesh Government has issued orders for levying of special development charges in Hyderabad with a view to mobilizing funds for the Mega City Scheme Revolving Fund. It is expected that the Hyderabad Urban Development Authority which is the Nodal Agency for the Hyderabad Mega City Scheme will get about Rs. 15 crores per year through these development charges. Other Mega City Scheme Nodal Agencies are yet to initiate innovative measures of recovery in this regard.

3.33 The Committee note that the Mega City Scheme Guidelines provide that project land and generation of private investment can partially substitute for institutional finance. However, it is regrettable to point out that so far nothing substantive has been done by any of the Mega City Nodal agencies for undertaking projects based on public-private partnerships such as BOT, BOOT and BOLT etc. Ministry of Finance has suggested that since long term funds are required for the purpose of Mega City projects, the financial institutions could issue long term bonds with certain tax concessions while the second option is to gain access to pension and Provident Fund moneys which are of long term nature. Secondly, funding by multilateral external borrowings too could be explored for the purpose. Besides these, the Committee feel that Government should encourage the States to use innovative methods of raising resources by imposition of special levies as is being done by HUDA in Hyderabad by way of levying special development charges through which the agency expects to raise Rs. 15 crores per annum on this account alone. The Committee, therefore, urge the Government to take steps to assist the Nodal Agencies in generating resources through innovative means which would also go a long way in improving the viability of the Nodal Agencies in the long run.

3.34 The Committee, after examination have found that there is no appropriate Financial Institution to refinance the Mega City Scheme. HUDCO is the only institute to refinance the Scheme which is primarily dependent on market borrowing. The cost of deposits with HUDCO are so high that HUDCO could provide the finance including service charges at the rate of interest *i.e.* is very high as

19%. Therefore, unless the cost of deposit with HUDCO comes down, they cannot finance the scheme at lower rate of interest. The Committee observe that at present there is no appropriate refinancing agency on the pattern of NABARD for the rural areas and therefore would like to recommend that necessary changes in the HUDCO meadate should be made so that resources are available at the reduced cost of deposits to refinance the programmes under the scheme.

Further, the Committee note that HUDCO applies the uniform approach to provide finance to different types of urban areas *viz.* Developed Area, Panchayat Area, Town Area etc. under the same Mega City. The Committee feel that HUDCO should provide finance at differential rate of interest keeping in view the type of area and their level of development and urban services for which finance is given so that integrated development takes place in such areas.

CHAPTER IV

IMPLEMENTATION & MONITORING

Ministry of Urban Affairs & Employment monitors through informal reviews and reporting mechanisms the progress of implementation of the Scheme as also urban sector reforms and sort out issues.

4.2 When asked as to how many times Government have held informal reviews on the implementation of projects under the scheme since the inception of the scheme with nodal agencies, the Ministry in a written reply stated that Review Meetings at Delhi have been held on 6.5.1994 and 10.10.1995.

Under the Mega City Scheme Guidelines, the State Level Sanctioning Committees are competent to sanction, review and monitor projects. Every time a Sanctioning Committee meeting takes place, the Government of India officers (from the Ministry and Planning Commission) informally review the progress of the Scheme. Such meetings have taken place as follows :

Name of City	*Dates of Meetings*
Calcutta	19.10.95, 2.12.95 & 23.2.96
Mumbai	5.1.96
Chennai	4.9.95, 8.1.96 & 1.11.96
Hyderabad	6.11.95 & 8.1.96
Bangalore	22.5.95, 22.12.95 & 12.3.96

4.3 Asked to indicate the outcome of the reviews, the details of problem areas identified and corrective measures suggested by Government to nodal agencies, the Ministry further stated that the reviews have been useful for sorting out various problems. For example, based on reviews of Calcutta, Chennai and Bangalore Mega City Projects, D.O. letters have been addressed from the Secretary to the concerned Chief Secretaries regarding release of State's share, adoption of direct and indirect cost recovery methods so as to implement the

Mega City Scheme as per the stipulated guidelines etc. Based on various reviews and ascertaining the problems regarding institutional finance, the Ministry has taken up the matter with the Chairman, HUDCO. HUDCO has agreed to finance the entire requirements under the Mega City Scheme provided financially viable projects with appropriate cost recovery methods are posed to them.

4.4 When asked as to what is the role of Planning Commission in monitoring the progress of the Scheme, the representative of Planning Commission stated during evidence that there is the umbrella Ministry, that is the administrative Ministry. The Planning Commission also makes an effort. But we do not have a parallel machinery that will try and independently do the Ministry's task. We have other divisions like the Project and Evaluation Organisation. Once in a while we request them to make a project evaluation of a particular project in a particular area. They have come forth in an impartial way. But the regular monitoring is done with the help of the officers of the Ministry. Of late, we have been trying to devise systems whereby the monitoring becomes not only a little more routine, but also effective. We have been therefore, writing to the Ministry that when they get the feedback in the report they should give the true picture of what is happening on the ground. So, we try to ensure that you get the physical progress report alongwith the financial progress report. Then you can come to a conclusion as to where exactly the project stands and what is to be done about it. To answer the point as of now, as per the present arrangement, it is the Ministry that looks after this.

4.5 The Committee note that Mega City Scheme guidelines entrusted the monitoring of the progress of the Scheme to the State Level Sanctioning Committee while the Ministry just holds informal reviews. They are constrained to observe that though the Scheme is entering its fifth year (1997-98) of operation, the Ministry has held only two meetings at Delhi on 6.5.94 and 10.10.95 to review the progress of the Scheme. No review meeting was held by the nodal Ministry of Urban Affairs & Employment after 10.10.95 so far. It is also pertinent to note here that some of the State Sanctioning Committees have held only one meeting as in the case of Mumbai and none of the State Sanctioning Committee have held more than 3 meetings.

The Committee cannot but conclude that the review meetings have been very few and far between and that basically these meetings

held by the State Sanctioning Committee have been held primarily to sanction projects under the Scheme. They are of the opinion that more review meetings would have accelerated the progress of the projects under the Scheme. The Committee, therefore, desire that nodal Ministry of Urban Affairs & Employment should hold frequent review meetings and also direct the States to tone up the functioning of the State level Sanctioning Committees entrusted with the responsibility of monitoring and review of the progress of projects under the Scheme. The Committee would like to be apprised of the action taken by the Government in this regard.

CHAPTER V

PROBLEM AREAS

The Committee during the course of examination of the subject Mega City Scheme being implemented by the State Governments of Andhra Pradesh (Hyderabad), Karnataka (Bangalore), Maharashtra (Mumbai), Tamil Nadu (Chennai) and West Bengal (Calcutta) have come across certain peculiar problem areas hindering the effective implementation of projects by the State Govts./Nodal Agencies implementing the Mega City Scheme.

5.2 Some of the major problem areas, apart from the conceptual ones discussed in the preceding chapters have been briefly discussed in the succeeding paragraphs.

5.3 Asked as to what were the shortcomings observed and what changes are proposed to improve the implementation of the Scheme, the Ministry of Urban Affairs & Employment stated that shortcomings with regard to appraisal of the projects posed to the Sanctioning Committee and tie up of institutional finance were observed. It has been proposed that the TCPO may appraise the projects and no fresh sanctions be made in the absence of proper financial appraisal/tie up. At the two day workshop on Mega City projects held at Calcutta on September 17-18, 1996 it was *inter-alia,* agreed that the scheme needs to be made more flexible to suit local requirements.

5.4 The Committee note that one of the shortcomings observed and recognized by the Government in the implementation of Mega City Scheme is in the areas of proper appraisal of projects posed to the Sanctioning Committee and arranging institutional finance for them. The Committee further note that at a two day workshop on the Mega City projects held at Calcutta in September, 1996 it was also agreed upon that the Scheme needs to be made more flexible to suit the local requirements. The Committee desire that Government should take appropriate steps to make the Scheme more flexible as agreed upon in the workshop at the earliest. They would like to be apprised of the steps taken in this direction.

5.5 The Mega City Scheme guidelines recognize the need for effecting financial and institutional reforms as the Scheme progresses. These reforms are to be given top priority by the State Govts./nodal agencies as envisaged in the Constitution 74th Amendment Act since the Mega City Scheme is to be promoted as a vehicle for Urban Sector reforms.

5.6 Asked in what way the elected local self-Governments will be involved in having their impact on the scheme, the representative of the Ministry of Urban Affairs & Employment stated during evidence that the Mega City Scheme is meant for the metropolitan area which has got a jurisdiction over a very large geographical area. For example, the CMDA has a very large jurisdiction to take care of. The CMDA is acting as a nodal agency. So, it is up to them to involve the representatives whenever they conceive some projects. For example, some projects are implemented by the Water Boards. The Water Board in Hyderabad is chaired by the Chief Minister. So, at that level only interaction can take place.

5.7 When asked whether some broad indication was given about any time schedule for creation of these Metropolitan Planning Committees, in the Mega Cities, the representative of Deptt. of Urban Development stated during evidence that the 74th Amendment Act is not specific as to what should be the limit period by which these Committees are to be constituted. But these are the mandatory provisions and these provisions are very new in the country. We also conducted a study through a Committee and the Committee has already given the report about how to operationalise the provisions in the Constitution regarding District Planning Committees and Metropolitan Planning Committees. The Minister of Urban Affairs and Employment and Minister of Rural Areas and Employment will discuss and we will hold a joint meeting and this is likely to take place in December or January. There are certain issues which are yet to be clarified and we are working on that. Perhaps in January, we will be able to have this meeting after which we can indicate some guidelines as to what could be the composition, what could be the function, how the district planning process can be linked with the national planning process. These are being worked out.

5.8 On the question of giving more powers to Urban Local Bodies to levy tax on Central and State Government properties in the areas of ULBs, the representative of the Ministry during evidence stated:

"I think, it is very long overdue because you cannot run municipalities on property tax and that too administered in such an irrational measure."

5.9 The Committee note that Mega City Scheme guidelines recognize the need for effecting financial and institutional reforms as envisaged in the Constitution 74th Amendment Act to enable to promote the Scheme as a vehicle for urban sector reforms. They are of the considered opinion that these financial and institutional reforms envisaged in the 74th Constitution Amendment Act through the promotion of the Mega City Scheme can not be attained unless the Urban Local Bodies (ULBs) are involved in the implementation of the projects under the Scheme. The Committee's examination of the Scheme revealed that the involvement of ULBs and their elected representatives is very minimal at present. Apart from the Metropolitan Planning Committees, the District Planning Committees are yet to be operationalised in most of the places. Also, no fixed time limit has been set for the same under the Act. They further note that a Committee was set up by Government which reported on the manner in which these Distt./Metropolitan Planning Committees could be operationalised. The Committee strongly feel that Govt. should take steps to expedite the process of operationalising the provisions of the Act for creation of Distt./ Metropolitan Planning Committees to make them take part effectively in implementing the projects under the Mega City Scheme as also devolve more powers to ULBs so that they could contribute to raise resources thereby helping to operationalise the Revolving Fund which is one of the prime objectives of the Mega City Scheme. The Committee may be apprised of the steps taken by Government in this respect.

5.10 The Committee note that the key to success for Mega City Scheme is the all-round empowerment of the Urban Local Bodies (ULBs). The proper devolution of revenue raising powers is most crucial to the process. While ULBs will have to move towards the tariffication of its services and the consequent fee based income. Of course, given the context of varying level of income and economic empowerment of the citizenry, these tariffs will have be graded making cross subsidy an inbuilt element of such an exercise. It is on this increased financial self reliance and improved financial

management that the credit worthiness of the ULBs can be strengthened. This will lead to the reinforcement of ULB's capacity to mobilise additional resource for the market which is crucial for facing the challenges of urban infrastructure and improved quality of life. But these efforts cannot exclude the need for augmenting the revenue earning from the property tax. The Committee feel that the continuous inability of ULB's to tax the properties of Central & State property is not in tune with the declaration of devolution of financial powers as enshrined in the constitutional 74th Amendment. The Committee would therefore like to recommend that the Government should make suitable legislative amendment to rectify the errors.

5.11 The Committee from their experience gathered by the on-the-spot study visit to the concerned five Mega Cities have observed that ULBs the main implementing agencies of the projects under the scheme have neither the financial nor technical expertise for project appraisal and project evaluation. They are not equipped with the latest updated technology to execute these projects. The Committee feel that due to lack of financial and technical expertise, lot of burden is coming on the nodal agencies which is adversely affecting the implementation of the projects. Another area of concern is the maintenance of assets created under the Scheme. The financial and technical inability of ULB's is adversely affecting the credit worthiness which is essential to mobilise additional resources from the market to face the challenges of urban infrastructure and urban quality of life. Besides it also affects the maintenance of assets too. In these circumstances, the Committee would like to recommend that Government should take the necessary measures for capacity building of Urban Local Bodies within the parameters of the Scheme. They would also like that there should be some inbuilt mechanism in the guidelines to provide certain fixed percentage of funds for maintenance of infrastructure/assets created under the Scheme.

Acquisition of surplus land for Project Finance

5.12 Asked whether the Ministry has ever contemplated to acquire surplus land in Mega Cities under the control of various other Ministries *viz.*, Railways, Defence, Surface Transport, etc. for financing of projects under the Scheme, the measures envisaged in this regard and the reasons for not doing so, the Ministry of Urban Affairs & Employment in a detailed note stated:

"No, under the Mega City Scheme guidelines, the Mega City Scheme nodal agencies are responsible for planning, formulation, land acquisition, project implementation, cost recovery and building up of revolving funds:.All aspects of implementation of the Scheme have been delegated to the State level/nodal agencies. In the spirit of decentralization ushered in by the 74th Constitution Amendment, even no 'formal' review of the Scheme is contemplated at the Govt. of India level. 75% of the funds required under the mega city programmes is to be arranged by the State Governments and Govt. of India is to bear only a 25% share. The aim of the Mega City Scheme is to promote certain reforms at the State/City level with a view to enabling State/City level agencies to undertake sustainable infrastructure development programmes in mega cities. The Scheme basically concerns with infrastructure development strategy to enable the mega cities to have access to institutional finance/market funds for infrastructure development. Thus, the issues of acquisition of surplus land under the control of various Ministries are not directly connected with the implementation of the Mega City Scheme Nodal agencies. The Scheme is new and the Mega City Scheme which is the task of State Governments/ Nodal agencies are currently preoccupied with matters such as developing viable projects, arranging institutional finance and adopting user changes and indirect benefit taxes. It will be up to the State Governments/Nodal agencies to consider the question of acquisition of land needed for mega city projects and take up the matter with the Government of India, if needed. So far, no formal proposal has been received from any State Government requesting for GOI's land for any of the identified mega city scheme projects."

5.13 Asked as to what are the problems being faced by the States in acquiring land for Mega City Scheme projects and whether any State Government had requested the Central Government to amend the Urban Land Ceiling Act, the Secretary, Urban Development during evidence stated as follows:

"The existing Act is not a progressive Act. I think, there is need to amend it. We are actually in the process of doing it. We want to make exemptions from the urban land ceiling almost automatic subject to fulfilment of certain conditions. That is the limited objective. It is long overdue. We are working in that direction.

Karnataka is the only State where both the Houses of its Legislature have passed a resolution empowering the Central Government to take up amendment to the Urban Land Ceiling Act. The West Bengal Government has actually done this on its own. But that suggestion has not been generally favoured by many of the State Governments. It is one of our priorities. We are taking up the amendments to the Urban Land Ceiling Act in a comprehensive way. The exercise has been done before. The Government of India very recently in the month of December have set up a Committee under my chairmanship consisting of seven or eight Secretaries from different State Governments and a couple of experts. We are trying to give our recommendations during the Budget Session so that the Law Ministry can formulate the draft amendments. It is based on their recommendation that we will be in a position to submit our report to the Government."

5.14 On the question of non-utilization/under utilization of vacant Urban Lands with Central/State Governments in these cities, the representative of the Ministry stated during evidence as follows :

"We are working on a general scheme of utilization of urban land as a resource, particularly in the metropolitan cities which will include five mega cities also. This matter has been considered more than once by the Cabinet and every time an apprehension was expressed that if we convert this land into cash, we would use away that scarce, costly resource. It was not necessarily the only idea. There was also an apprehension that we could use that land which will be very costly in a particular manner, not bothering about the long-range needs of the Ministry. We will consider that and we will take this matter back to the Cabinet again. We are in the process of doing it".

5.15 The Committee during their visit to respective Mega Cities have observed that land is the major area of concern in those Mega Cities except in Hyderabad where due to historical reasons land is available. They feel that during the recent years the prices of land have skyrocketed. It is observed that large tracts of land are available with the different Central Government agencies lying unutilised. The Committee would like to recommend that such land which don't confirm to the old land use plan and is lying unutilised should be put for productive use as a major resource for infrastructure-building in conformity with the existing laws of the country. This will certainly go a long way in creation of in durable infrastructure for Mega Cities.

The Committee also note that there are several bottlenecks present in the acquisition of land for implementation of projects under the

Mega City Scheme by the nodal agencies. They further observe that certain cases remain pending in the courts for a pretty long time. Consequently the Government as well as the affected persons are deprived of timely benefits which might accrue to them by virtue of that land.

5.16 The Mega City Scheme guidelines entail the responsibility for acquisition of land for purposes of project implementation on the nodal agencies. One major hindrance in the acquisition of land is the present Urban Land Ceiling Act (ULCA) which in the opinion of many state Govts./Nodal agencies is the main stumbling block in the acquisition of surplus land for financing projects under the Scheme. The Committee further note that to remove the anomalies in ULC Act, a Committee headed by Secretary, Urban Development was set up and that they are in the process of giving their recommendation shortly to enable the law Ministry to formulate draft amendments to the Act. The Committee are of the view that land as a scarce resource, could be used as capital to finance projects under the Scheme since many Central Government Ministries own large tracts of surplus land given by the State at some point of time for certain specific purpose which at present are lying unutilised/ underutilised. They desire that the Committee headed by Secretary, Urban Development should expedite its recommendations in respect of formulating amendments to ULC Act, so that a comprehensive legislation is brought forward to amend the Act. The Committee would like to be informed of the action taken by Government in the matter.

The Committee also note that they in their 8th Report had recommended to explore the possibilities of simplifying the judicial process for speedy decisions of the cases pending in different courts of the country under Land Acquisition Act. They would like to reiterate their earlier recommendation and would like that it should be considered while formulating the amendments to the proposed Urban Land ceiling Act.

Excise levies on pre-fabrication activities

5.17 The Committee are given to understand that pre-fabricated technology is being increasingly used in the Mega City Projects. This is necessary for bringing down the project time and improving the quality. As per the last Budget (1996-97), this pre-fabrication has become a manufacturing activity. This is resulting in huge cost escalation in that the differential which comes in the way of excise, is actually pushing up the project cost.

5.18 When asked if the Ministry considers the levy of excise duty by Centre on the prefabrication activities a part of the Mega City Projects pushing up the project costs, the Secretary, Department of Urban Development stated during evidence as follows :—

"We shall take it up with the Finance Ministry. They are, of course, guided by the concern of raising resources. If this adversely affects the pre-fabricated technology, we will have to find out a *via* media and the large scale use of it. We shall also go into these aspects"

5.19 The Committee note that pre-fabrication technology is increasingly being used by many of the Nodal Agencies implementing projects under the Scheme to complete projects such as Construction of fly-overs, bridges etc. expeditiously to avoid time and cost over runs as also to minimize the disruption of traffic during construction. However, the Committee are constrained to observe that, the last Union Budget (1996-97) has treated this use of pre-fabricated technology as manufacturing activity and levied excise duties on the same resulting in huge cost escalation of projects under the Mega City Scheme to the extent of more than 20%. The Committee are of the opinion that the pre-fabrication activities should be exempted from the above excise provisions as they are only part of the overall project constructions. This is all the more important when viewed in the context of growing urbanization and problems associated with it. The Committee, therefore, desire the Ministry of Urban Affairs & Employment to take-up the matter with the Ministry of Finance and apprise the Committee of the results of the efforts made in this regard at an early date.

5.20 Several State Govts./Nodal Agencies implementing the Mega City Scheme have during the informal discussion with the Committee stated that there is no mechanism for interaction/exchange of views amongst the different nodal/implementing agencies executing projects under the Scheme for updating information/skills etc.

5.21 When asked about the availability of any standing mechanism for the formal exchange of views and upgradation of skills etc. amongst the various Nodal agencies implementing the scheme, the representative of the Ministry stated during evidence that there is no standing mechanism for the purpose. Even though the officers of the Ministry attend seminars, conferences, meetings etc. and report back. Based on their observations follow-up action is taken whereas applicable and suitable to the conditions prevailing in the cities etc.

5.22 The Committee's examination of the Mega City Scheme revealed that there is total absence of interaction between the nodal agencies implementing the Scheme on aspects of mutual interest. There is also no institutionalized mechanism by which different nodal agencies could come together, discuss and deliberate upon their achievements, shortcomings and systemic deficiencies encountered during implementation of projects. This is resulting in a situation where each nodal agency is in a proverbial position akin to that of a frog in a well each not knowing what the other outside is doing.

5.23 The Committee, therefore, desire the Government to set up an apex institute of Urban Development at the national level which could give exposure to the men at the grassroot level, tone up their skills, coordinate and provide a forum to interact to various agencies engaged with the task of urban development throughout the country. This organization could be set up on the lines of National Institute of Rural Development, Hyderabad. The Committee desire to be informed of the action taken in this regard.

NEW DELHI;
April 9, 1997
Chaitra 19, 1919 *(Saka)*

SONTOSH MOHAN DEV,
Chairman,
Standing Committee on Urban and Rural Development.

ANNEXURE I

K-14011/35/92-UD III
Government of India
Ministry of Urban Affairs and Employment

CENTRALLY SPONSORED SCHEME OF INFRASTRUCTURAL DEVELOPMENT IN MEGA CITIES

GUIDELINES FOR IMPLEMENTATION

I. Background :

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

1.2 However, the Planning Commission has been, from time to time, allocating sums on case-to-case basis as Special Central Assistance to the State Governments to tackle the problems of infrastructural development in Mega Cities. Since it was felt that there was need to move to a more structural form of Central Assistance to Mega Cities, discussion was held between the State Government representatives, the Planning Commission and the Ministry of Urban Affairs and Employment in August, 1992 followed by another in December, 1992. The Centrally-sponsored Scheme of Infrastructural Development in Mega Cities emerged as a result of these exercises and the Planning Commission circulated an outline of the Scheme in May, 1993. The Ministry of Urban Affairs and Employment was requested to examine and convey the views on the Scheme/Projects to the Planning Commission so that the full Planning Commission could consider the proposal. The Ministry of Urban Affairs and Employment conveyed its agreement with the broad parameters of the Scheme and recommended the project reports submitted by the State Governments in respect of Bombay, Calcutta and Madras. The Planning Commission was also requested to consider the inclusion of Hyderabad and Bangalore considering the nature of activities, present population, urban growth rate, estimated population in 2000 and cosmopolitan character of these cities and also their contribution towards the national development/economy.

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

2. Salient Features of the Mega City Scheme:

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

(i) The Scheme would be applicable to Bombay, Calcutta, Madras, Bangalore and Hyderabad.

(ii) The Scheme would be administered through the Ministry of Urban Affairs and Employment and funds would be channelised through a specialised institution/nodal agency at the State level.

(iii) The sharing between Central and State Governments would be in the ratio of 25 : 25 and the balance 50% is to be met from institutional finance, through financing institutions and capital market. Borrowing could be either by the nodal agency or by the implementing agencies. Project land and private investment could partially substitute institutional finance subject to overall parameters of the project under consideration.

(iv) The funds from Central and State Governments will flow directly to the specialised institution/nodal agency as grant. The nodal agency will constitute a revolving fund with the help of Central and State share out of which finance could be provided to various agencies such as Water and Sewerage Boards, Municipal Corporations, etc.

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

(v) (a) The nodal agency would provide project-related finance for urban infrastructure including water supply, sewerage, drainage, sanitation, city transport networks, land development, slum improvement, solid waste management, etc.

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

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

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

(vi) The nodal agency will be required to open and maintain a separate bank account in a commercial bank for the receipt and expenditure of all money to be received/spent under this Scheme. They will also maintain borrowing—institution-wise and project-wise accounts under the Scheme. The revolving fund may be graduated to a Metropolitan/State Urban Infrastructure Development Fund in due course.

(vii) Staff/administrative costs of the nodal agency will be borne by the State Government/nodal agency and will not be charged to the revolving fund.

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

(a) Projects which are remunerative-bankable projects which are commercially viable and profitable;

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

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

(c) Projects for basic services where very low or nil returns are expected—projects which are absolutely essential for upgradation of the quality of living in a Metro city but where user charges cannot be recovered. For this set of projects, two sub-sets could be considered. The first sub-set, consisting of projects on basic services but not directly related to poverty alleviation, could be funded on nominal rate of interest of say, 3 to 5%.The second sub-set which could involve a grant component should include urban poverty alleviation. Funds not exceeding 20% out of the grants from Central and State Governments could, however, be utilised as grant. For these projects, internal resources of implementing agencies could be substituted for institutional finance if the latter is not forthcoming.

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

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

3. Nodal Agencies :

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

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

The State Governments are free to choose an alternative agency such as Urban Infrastructure Development Finance Corporation—with a company form of management—as the nodal agency. These nodal agencies will monitor resource mobilisation and the implementation of various projects and will be responsible for the creation of a revolving fund. This will necessitate that funding of all the three categories mentioned in para 2.2 and not those limited to categories 2.2 (b) and 2.2 (c) should be posed by the implementing agencies to the nodal agencies. The latter will have to assess clearly the revenue generation capacity of the various project components posed by implementing agencies. Each individual component may not provide full cost recovery but the overall viability of the basket of projects has to be ensured. This will involve restructuring/levying of user charges/tapping a portion of general incremental revenues accruing to local authorities due to the projects taken up under the Mega City Scheme through suitable state/local policies. Specific gudelines/instructions would have to be issued by the State Governments to urban local bodies/ implementing agencies in this regard.

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

4. Institutional Mechanism:

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

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

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

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

(a) Examine and approve projects submitted by the implementing agencies (including the nodal agency itself) under the Mega City Scheme, keeping in view the basic Scheme objectives, the broad parameters laid down and the guidelines issued by Ministry of Urban Affairs and Employment from time to time in its regard;

(b) Periodically monitor the implementation of various projects taken up under the Scheme;

(c) Review the implementation of the Scheme and ensure that the programmes taken up are in accordance with the guidelines laid down.

(d) Consider issues raised by the implementing agencies from time to time and take appropriate action; if necessary obtain the advice of Ministry of Urban Affairs and Employment/ Planning Commission.

(e) Recommend to the Government of India through the State Government concerned for release of Central assistance.

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

4.3. The Sanctioning Committee will meet as often as required.

4.4 The implementing/nodal agencies will be required to prepare project reports under the Scheme for the consideration of the Sanctioning Committee in respect of each project showing the financing pattern proposed in terms of grants, loans from financial institutions/ banks and Mega City funds, applicable rates of interest, revenue generation (direct and indirect) expected, manner of cost recovery and repayment of loans, financial/social cost benefit analysis, etc. The reports should give the justification for the projects selected in relation to the Metropolitan Development Strategy/long-range Metropolitan

Investment Plans (envisaged in the Constitution 74th Amendment Act). The number of projects to be selected should be limited and only those which are of major significance from the Metro Master Plan/ Development Plan point of view need to be given priority. Maintenance works are not permissible and only capital projects which create new assets or remove bottlenecks in the utilisation of old assets should be selected. A guiding principle will be that every metro city has its own problems and therefore, schemes and projects have to be in the context of problems existing in each metropolis.

5. Release of Central Assistance:

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

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

6. Monitoring of the Mega City Scheme:

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

7. Miscellaneous:

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

Illustrative List

Government of India

Ministry of Urban Affairs & Employment

MEGA CITY PROGRAMME

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

1. **Development of urban fringes.** (These areas are generally neglected and new slums often come up in these areas.)

2. **Urban renewal** : (i.e. redevelopment of inner (old) city areas). (this would include items like widening of narrow streets, shifting of industrial/commercial establishments from non-conforming (inner-city) areas to 'conforming' (outer-city) areas to reduce congestion, replacement of old and worn-out water pipes by new/higher capacity ones, renewal of sewerage/drainage/solid waste disposal systems, etc). Land Acquisition Costs will not be financed under this component of the programme.

3. **Increasing the provision of serviced land and sites/houses, at affordable costs, specially for the urban poor, to meet the growing urban needs.** However, the construction cost of the housing units will not attract any grant assistance under the Mega City Programme and reduction of costs of such units for the poor should be brought about through mechanisms like cross-subsidisation, HUDCO's scheme of land bank for the shelterless', MHADA's scheme of landsharing and pooling to reduce the acquisition costs, etc.

4. **Slum improvement and rehabilitation projects.**

5. **Laying/improvement/widening of arterial/sub-arterial roads within the metropolitan areas to remove transport bottlenecks.**

6. **Laying of ring roads/outer ring roads and by-passes around mega cities, provided** certain cost recovery measure like tolls are built into such schemes.

7. **Construction and development or expansion of "truck terminals".**

8. **Improvements to the water-supply and sewerage and drainage systems in the city** provided they are not too capital-intensive and enhanced user charges are built into the scheme.

9. **Solid waste disposal schemes and setting up of urban waste composting plants in the city** to convert garbage (biodegradable portion) into manure.

10. **Environmental improvement and sanitation and city beautification schemes**

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

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

ANNEXURE III

PROGRESS OF MEGA CITY SCHEME

Name of Mega City : MUMBAI

Sl. No.	Name of Project	Type of Project	Implementing Agency	Approved Project Cost (Rupees crores)			Expenditure by 30.6.96 (Rupees crores)
				Grant	Loan	Total	
1.	Land Development at Khargar	A	CIDCO	—	27.90	27.90	1.96
2.	Shivaji Maidan & Market Complex	A	TMC	—	1.50	1.50	—
3.	Development of Commercial Complex at Goadevi	A	TMC	—	3.00	3.00	—
4.	Shopping Complex cum Town Hall	A	KMC	—	6.00	6.00	1.72
5.	Truck Terminus	A	KMC	—	5.00	5.00	—
6.	Sport Complex	A	KMC	—	4.25	4.25	0.59
7.	Electric and Gassified Crematoria	B	MCGB	—	4.65	4.65	—

Sl. No.	Name of Project	Type of Project	Implementing Agency	Approved Project Cost (Rupees crores)			Expenditure by 30.6.96 (Rupees crores)
				Grant	Loan	Total	
8.	Street Lighting	B	BEST	—	60.00	60.00	12.05
9.	Road bridge at Airoli Phase-I	B	CIDCO	—	49.46	49.46	50.32
10.	Kalwa Bridge	B	TMC	—	24.00	24.00	17.71
11.	Art Gallery/ Museum Conference Centre	B	KMC	—	3.00	3.00	0.02
12.	Diesel Crematorium	B	KMC	—	0.50	0.50	0.20
13.	Development of Nodal Bus Station	C	BEST	0.32	—	0.32	—
14.	Upgradation of Existing Relief Shelter	C	BEST	1.62	—	1.62	—
15.	Bus Stop on Eastern & Western Express Highway	C	BEST	2.86	—	2.86	—

Sl. No.	Name of Project	Type of Project	Implementing Agency	Approved Project Cost (Rupees crores)			Expenditure by 30.6.96 (Rupees crores)
				Grant	Loan	Total	
16.	Palm Beach Road Phase-I	C	CIDCO	7.00	46.89	53.89	39.06
17.	Underpass at Vashi Node	C	CIDCO	3.15	—	3.15	0.93
18.	Street Lighting	C	TMC	3.30	—	3.30	1.31
19.	ROB on Kalyan Shil Road at Patri Pool	C	KMC	4.00	—	4.00	0.10
20.	Sanitation Prog.	C	NMMC	2.07	—	2.07	1.97
21.	Street Lighting	C	NMMC	1.36	—	1.36	—
22.	Slum Improvement and Redevelopment	C	NMMC	2.75	2.25	5.00	1.69
	GRAND TOTAL					266.83	129.632

Category 'A'—Remunerative Category 'B'—User Charge based Category 'C'—Social service oriented/non-remunerative CIDCO—City and Industrial Development Corporation TMC—Thane Municipal Corporation KMC—Kalyan Municipal Corporation MCGB—Municipal Corporation of Greater Bombay NMMC—Navi Mumbai Municipal Corporation. BEST—Bombay Electricity Supply and Transport Undertaking.

ANNEXURE IV

CALCUTTA METROPOLITAN DEVELOPMENT AUTHORITY

Status of Megacity Projects as in 1995-96
(Qr. ending Mar'96)

(Amount in Rs. Lac)

Sl. No.	Project Name in Short	Category	Estimated cost	GOI share	GOWB share	I.F./ State Gov. Loan	Expndr.* During 1995-96 (upto) 31.3.96)
1	2	3	4	5	6	7	8
	WATER SUPPLY						
	Water supply schemes for Municipal & Non-Municipal Areas within CMA						
1.	MADHYAMGRAM	B	244.42	61.11	61.11	122.20	212.08
2.	RAJARHAT	B	671.12	167.78	167.78	335.56	75.65
3.	UTTARPARA	B	197.60	49.40	49.40	98.80	49.58
4.	NABAGRAM	B	77.29	19.32	19.32	38.65	8.25

1	2	3	4	5	6	7	8
5.	NUNGI SHYAMPUR	B	88.27	22.00	22.27	44.00	55.40
6.	JATIA, GANIPUR & NABAPALLY	B	101.53	25.38	25.38	50.77	10.59
7.	BALLY, BANKRA, SARENGA & ABHOYNAGAR BALANAGAR	B	154.47	38.61	38.61	77.25	70.84
8.	ANDUL MOIHARY	B	58.98	14.75	14.74	29.49	6.14
9.	BAURIA, ULUBERIA, CHENGAIL	B	141.52	35.38	35.38	70.76	63.23
10.	DEULPARA	B	128.10	32.03	32.02	64.05	54.79
11.	SOURCE AUGMENTATION OF VARIOUS EXISTING SCHEMES	B	108.57	27.14	27.14	54.29	40.40
12.	SERAMPORE T. PLANT INTEGRATION (Ph-II)	B	670.00	167.50	167.50	335.00	309.86
13.	IPROVEMENT OF W.S. IN JADAVPUR-BEHALA	B	2514.00	628.50	628.50	1257.00	122.64
14.	UNDERGROUND RESERVOIRS AT SALT LAKE & LAKE TOWN	B	1413.30	353.35	353.35	706.60	228.84
15.	NEW SUPPLY LINES AND SOURCES FOR STABILISATION OF MUNICIPAL WATER SUPPLY (Ph-I)	B	2561.50	390.38	390.38	780.74	379.15
16.	AUGMENTATION OF GARDEN REACH T.P.	B	5907.00	1953.50	1953.50	2000.00	6.64

1	2	3	4	5	6	7	8
17.	STABILISATION OF HOWRAH WATER WORKS	B	211.00	52.75	52.75	105.50	34.20
18.	BOOSTING STATION AT MD. ALI PARK	B	538.00	134.50	134.50	269.00	50.00
	Sub Total of Water Supply						1778.28
	TRAFFIC & TRANSPORTATION						
19.	KONNAGAR RLY. UNDERPASS	B	350.00	67.50	67.50	175.00	89.05
20.	WIDENING OF RLY. U/P AT ULTADANGA	B	453.18	113.30	113.30	226.58	0.20
21.	SALKIA FLY OVER	B	485.00	121.25	121.25	242.50	0.00
22.	GARIA STATION ROAD	B	69.24	17.31	17.31	34.62	25.00
23.	STRENGTHENING—B.K. EXP. WAY	B	317.52	79.38	79.38	158.76	107.48
24.	IMPROVEMENT OF STREET LIGHTING IN CMA (Pt. I)	B	64.59	16.15	16.15	32.29	30.56
25.	R.B. CONNECTOR WIDENING	B	508.93	127.23	127.23	254.47	15.32
26.	IMPROVEMENT OF CITY ROADS IN CMC	B	350.00	87.50	87.50	175.00	86.00
27.	IMPROVEMENT OF ROADS IN MUNICIPAL TOWNS	B	2751.52	687.88	687.88	1375.76	553.12
28.	GARIA BRIDGE	B	218.41	54.60	54.60	109.21	23.77
29.	IMPROVEMENT OF STREET LIGHTING (Ph-II)	B	168.38	42.10	42.10	84.16	78.41

1	2	3	4	5	6	7	8
30.	IMPROVEMENT OF ROADS AROUND HOWRAH MAIDAN AREA	B	158.50	39.63	39.62	79.25	85.00
31.	WIDENING OF LMBP (FROM CAPTAIN BHERRY TO P.C. ROTARYS S.L. It. ENTRY TO B.M. ROAD)	B	577.00	144.25	144.25	286.50	61.12
32.	WIDENING OF EMBP (FROM P.C. ROTARY TO R.B. ROTARY)	B	797.00	199.25	199.25	398.50	0.40
33.	CONSTRUCTION OF P.A. SHAH ROAD	B	1513.00	378.25	378.25	756.50	28.58
34.	BRIDGE OVER FATESHAH CANAL	B	42.34	10.59	10.59	21.16	1.33
	Sub Total of Traffic & Transportation						1185.34
	SEWERAGE & DRAINAGE						
35.	BANGUR AVENUE SEWERAGE	C	124.39	31.10	31.10	62.19	34.51
36.	PUBLIC CONVENIENCES	C	100.00	50.00	50.00	0.00	15.00
37.	IMPROVEMENT OF LEAD CHANNEL-I LTC. IN TP BASIN (CMW & SA)	C	38.59	19.30	19.29	0.00	10.02
38.	IMPROVEMENT OF BRANCH CHANNEL OF TP BASIN (I & WD)	C	62.26	31.13	31.13	0.00	33.11
39.	SEWERAGE IN CMC WARD 111-112 (Pt.)	C	771.00	385.50	385.50	0.00	231.82

1	2	3	4	5	6	7	8
40.	DRAINAGE SCHEME FOR BELLELIOUS RD.	C	43.81	21.91	21.90	0.00	20.94
41.	CONVERSION OF LATRINES IN MUNICIPAL AREA	C	655.45	327.72	327.73	0.00	50.24
42.	REMOVAL OF DRAINAGE CONGESTION IN HMC WARD NOS. 3, 8 & 50	C	103.11	51.56	51.55	0.00	28.05
43.	REMOVAL OF DRAINAGE CONGESTION IN BEHALA INDUSTRIAL ESTATE	C	10.20	5.10	5.10	0.00	4.81
44.	RENOVATION OF TAPSIA DRAINAGE P.S.	C	88.00	44.00	44.00	0.00	23.77
45.	REMOVAL OF DRAINAGE CONGESTION IN NANDANNAGAR	C	33.66	16.83	16.83	0.00	25.51
46.	REMOVAL OF DRAINAGE CONGESTION AROUND HOWRAH MAIDAN AREA	C	62.00	31.00	31.00	0.00	31.60
47.	IMPROVEMENT OF BAGHJOLA KHAL (UPPER) Ph-I	C	42.33	21.16	21.17	0.00	10.00
48.	IMPROVEMENT OF BAGHJOLA KHAL (UPPER) Ph-II	C	65.69	32.85	32.84	0.00	15.00
	Sub Total of Sewerage & Drainage						534.38

1	2	3	4	5	6	7	8
	SWM .						
49.	STRENGTHENING OF SWM IN CALCUTTA	C	222.23	111.12	111.11	0.00	30.00
	HOUSING AND AREA DEVELOPMENT						
	MIG HOUSING AT BAISHNABGHATA PATULI	A	1763.02	325.19	325.19	992.09	2.16
	AREA DEVELOPMENT AT KASBA	A	1012.25	253.06	253.06	506.13	92.16
	Sub total of Housing and Area						94.32
	GRAND TOTAL						3622.32

* Expenditure reported as on 30.6.1996 is Rs. 84.93 crores. Project-wise details of expenditure are awaited from the Nodal Agency.

Profit element of Rs. 120.55 Lakh included.

ANNEXURE V

PROGRESS OF MEGA CITY SCHEME

Name of Mega City : BANGALORE

Sl. No.	Name of Project	Type of Project	Implementing Agency	Approved Project Cost (Rupees crores) Grant	Loan	Total	Expenditure by 31.3.96 (Rupees crores)
1	2	3	4	5	6	7	8
1.	Shifting of Iron and Steel Market from City to Kondasapura near K.R. Puram	A	BDA	—	32.85	32.85	—
2.	Construction of Truck Terminal on Bangalore Hosur Road	A	DDUTTL	—	7.00 (Rs. 16.65 crs. by Implementing Agency)	23.65	—
3.	Extension of Madivala Market Complex	A	BCC	—	13.67	13.67	—

1	2	3	4	5	6	7	8
4.	Crematorium at Banashankary	B	BCC	—	1.05	1.05	—
5.	Crematorium at Anruthally	B	BCC	—	1.19	1.19	—
6.	Crematorium at Bommanhally	B	BCC	—	1.05	1.05	—
7.	Crematorium at Beggars Colony	B	BCC	—	1.26	1.26	—
8.	Improvement to Water Supply Distribution	B	BWS&SB	—	6.75	8.44 (Rs. 1.69 crs. by Implementing agency)	—
9.	Providing Booster Pumps	B	BWS&SB	—	1.06	1.33 (Rs. 0.27 crs. by Implementing agency)	—
10.	Water Storage/ Ground level reservoir and overhead tanks	B	-do-	—	13.68	17.10 (Rs. 3.42 crs. by Implementing agnecy)	

1	2	3	4	5	6	7	8
11.	Laying of Trunk Mains in the city	B	BWS&SB	—	6.82	8.53 (Rs. 1.71 crs. by Implementing agency)	—
12.	Providing DG sets at HGR	B	-do-	—	0.73	0.91 (Rs. 0.18 crs. by Implementing agency)	—
13.	Providing Pumpsets	B	-do-	—	0.73	0.91 (Rs. 0.18 crs. by Implementing agency)	—
14.	Installation of capacitors and booster transformers	B	-do-	—	2.98	3.72 (Rs. 0.74 crs.) by Implementing agency)	
15.	Rejuvenation of Kempambudhi Tank	C	BCC & BWSSB	0.13	0.52	0.65	—
16.	Regional Park at Tavarekere	C	BCC	0.18	0.74	0.92	—

1	2	3	4	5	6	7	8
17.	Sirsi circle to Town Hall Flyover	C	BCC	—	60.00	94.00 (Rs. 34.00 crs. by Implementing agency)	—
18.	Grade separator at Richmond circle	C	BCC	—	37.73	37.73	0.006
19.	Development J.P. Park, Yeshwanthpur	C	BCC	—	2.86	2.86	0.0031
20.	Intermediate Ring Road between Airport Road and Koramangala	C	BDA	—	8.40	8.40	0.009
	Total			0.31	201.07	260.22 (58.84 crs. by implementing Agencies)	0.0181

*BDA : Bangalore Development Authority
DDUTTL : D. Devraj Urs Truck Terminal Ltd.
BCC : Bangalore City Corporation
BWSSB : Bangalore Water Supply and Sewerage Board

ANNEXURE VI

MADRAS MEGA CITY PROJECT

PROJECTS CLEARED BY SANCTIONING COMMITTEE

1994-96

Sl. No.	Name of the Project	Category	Implementing Agency	Est. cost (Rs. in lakhs)	Date of commencement	Expenditure incurred upto March 96 (Rs. in lakhs)
1	2	3	4	5	6	7
1.	Common Amenity Building at Koyambedu	A	MMDA	212.5	Feb. 95	146.70
2.	Widening of R.K. Mutt Road Bridge	C	Madras Corporation	44.00	1.2.96	47.75
3.	Widening of Gandhi Irwin Bridge	C	-do-	22.5	Jan. 1995	22.50
4.	Foot Over Bridge at Gengu Road	C	-do-	25.0	Jan. 95	32.20

1	2	3	4	5	6	7
5.	Shopping Complex at Indra Nagar	A	-do-	84.0	28.1.94	91.05
6.	Shopping Complex at Brewary Road	A	-do-	49.0	30.5.94	54.00
7.	Shopping Complex at EVR Salai	A	-do-	45.0	25.5.94	51.43
8.	Shopping Complex at Shenoy Nagar	A	-do-	40.0	11.5.94	45.26
9.	Shopping Complex at Dr. Nair Road	A	-do-	45.0	16.4.94	36.42
10.	Storage Reservoir at Valluvarkotta	B	MMWSSB	793.66	Nov. 94	544.33

1	2	3	4	5	6	7
11.	Storage Reservoir at Triplicane	B	MMWSSB	1070.19	4.8.95	40.59
12.	Storage Reservoir at Kannappar Thidal	B	-do-	691.06	Aug. 95	1.98
13.	Clear Water Transmission from Red Hills to Porur	B	-do-	6116.00	Aug. 95	2791.29
14.	Laying of Sewer Mains in Kolathur	C	-do-	1100.00	31.5.95	1078.07
15.	MMDA Tower II	A	MMDA	1500.00	Jan. 96	391.07
16.	Widening of Gandhi Irwin bridge	C	-do-	22.50	work in progress	22.50

1	2	3	4	5	6	7
17.	Construction of Sunkuvar street bridge across buckingham canal	C	Madras Corporation	45.00	Work in progress	35.12
18.	Office Complex at Pudu Street	A	Alandur Municipality	30.00	Planning stage	—
19.	Office Complex on 2nd floor of Super Bazar	A	-do-	48.00	-do-	—
20.	Daily Market at Nehru Nedunchalai	A	-do-	37.00	-do-	—
21.	Improvements to MGR Road	A	-do-	26.00	-do-	—
22.	Improvements to Erikkarai Road	C	-do-	10.00	-do-	—

1	2	3	4	5	6	7
23.	Improvements to Balaji Nagar Road	C	Alandur Municipality	14.00	Planning stage	—
24.	Improvements to Thillai Ganga Nagar Road	C	-do-	6.00	-do-	—
25.	Constn. of open canal for Veerangalodai & mini RCC	C	-do-	30.00	-do-	—
26.	Office Complex in Municipal Office Premises	A	Tambaram Municipality	45.00	-do-	—
27.	Office Complex in 2nd floor of Municipal Office	A	-do-	22.00	-do-	—

1	2	3	4	5	6	7
28.	Shops at 1st floor at Shanmugam Road	A	-do-	25.00	-do-	—
29.	Improvements to Daily Market	A	-do-	30.00	-do-	—
30.	Improvements to Gandhi Road	C	-do-	47.00	-do-	—
31.	Improvements to Suddhananda Bharathi Salai	C	-do-	30.00	-do-	—
32.	Development to Irumbuliyur Salai	C	-do-	37.00	-do-	—
33.	Office Complex in Municipal Office premises	A	Ambattur Municipality	455.00	-do-	—

1	2	3	4	5	6	7
34.	Office-cum-Commercial Complex at MTH Road	A	Ambattur Municipality	52.50	Planning stage	—
35.	Improvements to Link Road between Ambattur Railway Station and Pattarvakkam	C	-do-	58.00	-do-	—
36.	Shopping Complex at Kilkattalai	A	Pallavaram Municipality	61.00	-do-	—
37.	Office Complex in 2nd floor of Municipal Office	A	-do-	30.00	-do-	—
38.	Kalyana Mandapam at Radha Nagar	A	-do-	55.00	-do-	—

1	2	3	4	5	6	7
39.	Improvements to Durga Road	C	-do-	84.50	-do-	—
40.	Improvements to Radha Nagar Main Road	C	-do-	60.50	-do-	—
41.	Improvements to Storm Water drainage system	C	-do-	94.00	-do-	—
	GRAND TOTAL			13293.00		448.69
				Rs. 132.93 Cr.		

Sharing pattern involving Government's grant and loan varies between projects. As reported by Metropolitan Infrastructural Development Corporation, the expenditure as on 15.9.1996 is Rs. 94.54 crores.

ANNEXURE VII

PROGRESS OF MEGA CITY SCHEME

Name of Mega City : HYDERABAD

Sl. No.	Name of Project	Category of Project	Implementing Agency	Approved Project Cost (Rupees crores)			Expenditure by 30.6.96. (Rupees crores)
				Grant	Loan	Total	
1	2	3	4	5	6	7	8
1.	Ameerpet Commercial Complex	A	HUDA	—	3.88	3.88	—
2.	Water Supply and sewerage scheme & SB	A	HMWS & SB	—	100.00	100.00	—
3.	Feeder Mains and internal water supply system	A	-do-	—	12.00	12.00	—

1	2	3	4	5	6	7	8
4.	Modern Centrally air conditioned shopping complex Bank Street, Hyd.	A	MCH	—	1.50	1.50	—
5.	Office Complex at Dar-ul-Shifa	A	MCH	—	1.50	1.50	—
6.	Modern Market in place of Mands Market, Secunderabad	A	MCH	—	7.00	7.00	—
7.	Sahebnagar S&S	B	HUDA	4.50	5.50	10.00	1.40
8.	Manikonda S&S	B	HUDA	—	—	—	0.01
9.	Construction of Flyovers in twin cities of Hyderabad and Secunderabad	B	HUDA	—	2.80	2.80	—

1	2	3	4	5	6	7	8
10.	Necklace Road Project Ph. I	C	HUDA	20.00	—	20.00	13.36
11.	Necklace Road Phase-II	C	HUDA	16.00	—	16.00	—
12.	Flyovers	C	HUDA	22.00	—	22.00	1.43
13.	Parallel bridge Moosi River	C	HUDA	8.00	—	8.00	—
14.	Parks and play-grounds	C	MCH	1.00	—	0.07	
15.	Road overbridge and road under-bridges	C	MCH	2.85	16.14	18.99	—
16.	Megacity Research & training	—	—	—	—	0.03	
	GRAND TOTAL					223.77	16.20

As reported by Hyderabad Urban Development Authority, the expenditure as on 15.9.1996 is Rs. 52.95 crores. The information on project-wise details is awaited.

APPENDIX

STATEMENT OF OBSERVATIONS/RECOMMENDATIONS

Sl. No.	Para No.	Recommendation
1	2	3
1.	1.8	The Committee note that Government of India started the Centrally Sponsored Scheme of Infrastructural Development in cities in 1993-94 with more than 4 million population as per 1991 census. The Scheme was a result of the joint exercise between the Planning Commission and Ministry of Urban Affairs & Employment. The report of the National Commission on Urbanisation (NCU) recognized the fact that most of the problems of Mega/Metro cities are the result of unbridled migration from rural areas & smaller towns on which the Mega Cities have little control. A need for creation of a fund for the development of the Mega Cities of Mumbai, Calcutta, Chennai, Hyderabad and Bangalore was felt as these cities are considered to be the engines of economic growth and the quantum of generation of resources for planned economic development is quite substantial.
2.	1.9	Further, the Committee note that the Mega City Scheme was launched with the twin objectives of enabling the Mega Cities to undertake infrastructure development projects of City-wide/regional significance and creation of a Revolving fund in which funds could flow from appropriate direct and indirect

1	2	3
		cost recovery methods on a sustained basis. However, the Committee are distressed to observe that the detailed guidelines have been issued by the administrative Ministry only in August, 1995 after the Cabinet Committee on Economic Affairs approved the Scheme in March, 1995. The Committee find that considerable loss of time of over two years has occurred in launching of the Scheme and issue of Guidelines to the State Govts./Nodal Agencies which were supposed to implement the Scheme. The Committee in this connection would like to refer to their recommendation made in the 2nd Report (1996-97) on Demands for Grants of Department of Urban Employment & Poverty Alleviation wherein they took a serious view of the time lag in announcement and launching of Schemes and desired that in future necessary steps to implement the Scheme may be taken within a period of three months at the most. The Committee, therefore, cannot but conclude that the Ministry of Urban Affairs & Employment and Planning Commission failed to do the ground work for formulating a Scheme which was in operation in a different form prior to 1993-94. They desire that such underpreparedness in formalizing scheme should be avoided to obviate possible poor results in the early phases, however, small they may be.
3.	1.15	The Committee observe that though the Mega City Scheme was started in 1993-94, it is just about gaining the momentum to stabilize itself as a Scheme

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		which in fact recognizes the need for providing infrastructure to the development needs of the ever growing and teeming Megapolises of Mumbai, Chennai, Calcutta, Hyderabad and Bangalore-the cities considered to be the engines of economic growth and are contributing in a substantial way for planned economic development in the country. The Committee, further, observed during their interaction with the State/ Governments/Nodal Agencies implementing the projects under Mega City Schemes that as the Scheme is just about gaining momentum, it should be continued in the Ninth Five Year Plan and could possibly roll on to the Tenth Plan, if felt necessary. The Committee find that problems of infrastructure development in these cities are very complex and require timely resolution. Some of these problems are of a general nature, while some of them arise out of the specification associated with the specific history of evolution of each of these cities. Further, HUDCO as the only financial institution funding projects under the Scheme also is of the opinion that the Scheme should be continued in the Ninth Five year Plan so that the present endeavour could produce positive results. The Committee, therefore, desire that the Mega City Scheme should be continued in Ninth Five Year Plan and if felt necessary could continue in the future plans.
4.	1.16	The Committee has also observed that while the Mega City Scheme is intended for cities having population of more than

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		4 million and while there is also a scheme of the Ministry of Urban Development know as IDSMT for cities having population between 20,000 and 5 lakhs, there are no schemes for cities having population between 5 lakhs and 40 lakh. The Committee feels that this gap in terms of plan intervention through any properly defined scheme to facilitate the development of urban infrastructure in such big cities with population ranging from 5 lakhs to 40 lakhs will only lead towards over crowding of Mega Cities. Therefore, the Committee recommend that some suitable scheme be formulated by the Ministry in consulation with the Planning Commission to cover cities having population of 5 lakhs to 40 lakhs.
5.	1.17	The Committee feel that more cities would have grown in terms of population and as such would like that such cities having the stipulated population of 5 million or near about should also be covered under the scheme.
6.	2.10	The Committee during the interaction with the State Nodal Agencies observe that while urban development as a whole and the Mega City Scheme in particular envisages a holistic approach, the very nature of some of these nodal agencies and the infrastructure available to them raises questions about their adequateness to address the kind of concerns that the scheme is expected to face e.g. Metropolitan Infrastructure Development Corporation (MIDC) of Chennai appears it specifically created to address to this

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		kind of scheme, whereas MMDA (Madras Metropolitan Development Agency) renamed as Chennai Metropolitan Development Agency (CMDA) appears to have been invested with the experience of Regional Urban Planning and Development which is very necessary to address the nature of issues arising out of tasks of planning and coordination of Mega City Scheme. Apart from increasing administrative cost due to multiplication of agencies the nature of new agencies also appear to be over stressing the financial aspect of the scheme at the cost of other aspects.
7.	2.11	The Committee further note that in Madras and Hyderabad Mega City Category 'A' type of projects have been given precedence over Category 'B' and 'C' type of projects. The position as explained in Annexure is as below :—

Madras	Total number of projects	— 41
	Category A	— 20
	Category B	— 4
	Category C	— 17
Hyderbad	Total number of projects	— 15
	Category A	— 6
	Category B	— 3
	Category C	— 6

It appears that the Sanctioning Committee while approving the projects is giving precedence to the financial aspects and ignoring other aspects which reinforces

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		quality of urban life. The Committee would like that projects and other schemes should be financed in a judicious mix for the integrated development of the Mega Cities.
8.	2.12	The Committee note that Mega City Scheme is being implemented in the five Metro/Mega Cities of Mumbai, Calcutta, Chennai, Hyderabad & Bangalore with projects falling under the categories of remunerative or bankable, projects where certain user charges could be levied and projects for basic services entirely dependent on Grants from Central/State Governments. These projects are sanctioned by a State Level Sanctioning Committee comprising officials of the State Government/Nodal Agencies implementing projects/Central Government which including Planning Commission and representatives of financial institutions as special invitees. Since the inception of the Scheme in 1993-94, 154 projects costing Rs. 1245.66 crores in the five Mega Cities have been approved by the State Level Sanctioning Committees upto 30.6.96 for implementation by the Nodal Agencies, while 11 projects (as on 15.9.96) have been completed in only Chennai. The Committee are surprised to note that at the time of starting the Scheme, there were no individual project reports available for specific schemes while Planning Commission had allocated Rs. 700 crores for the five cities based on the broad indication of the total cost of projects of approx. Rs. 5000 crores that

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		could be taken up during the 8th and 9th Plan. The Committee can only conclude that no proper projects were on hand at the time on inception and clearance of the Scheme by the Planning Commission. They, therefore, are of the view that proper planning was lacking both on the part of the Planning Commission and the nodal Ministry of Urban Affairs & Employment and therefore, caution that such an attitude should not recur in further and that without adequate planning and preparing the ground work *viz.* preparation and formulation of guidelines, no scheme should be launched for implementation.
9.	2.16	The Committee note that several State Govts./Nodal Agencies implementing the scheme have felt that the guidelines formulated by the nodal Ministry of Urban Affairs & Employment require a review with regard to the stipulations in respect of the share of institutional finance as also the need to have more flexible approach with respect to the basket of projects in terms of A, B & C categories taken up for implementation. They find that the nodal agencies are particularly finding it difficult to raise the 50% share of institutional finance primarily owing to the high rates of interest being charged by the agencies coming forward to fund projects.
		The Committee further find that the Ministry does not intend to review the guidelines on the simple plea that the problem of funding is due to lack of appropriate cost recovery policies of the

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		nodal agencies. The Committee cannot but over look the fact that unlike other Centrally sponsored schemes none of the five concerned State Governments have defaulted in providing matching amount in their respective budgets as stipulated in the guidelines of the scheme. But it is also a fact that the menu of options for the cost recovery aspect has to be extremely flexible but unfortunately the nature of financial institutions do not enable them to appreciate this reality. However, they are, therefore, constrained to further note that it is not the only reason for poor response of institutional funding agencies. It may be pointed out that high rates of interest being charged by the financial institutions is driving away the nodal agencies from securing funds from financial institutions as also the fact that cost recovery steps cannot be initiated in areas where the projects under the Scheme tend to upgrade the facilities available in Mega Cities as in the case of Calcutta where most of the projects like water works, sewerage disposal and solid waste disposal works are only adding to the existing facilities but do not add any additional features to these. The Committee therefore are of the view that the Ministry should take steps to undertake a mid-term review of the working of the scheme to make it suitable to the local needs by reviewing/recasting certain grey areas in the guidelines.
10.	2.21	The Committee's examination of the project revealed that the Mega City

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		Scheme guidelines are on very general terms specially with regard to the need for correlating the projects taken up for implementation under the Scheme with the long term perspective plans for the City/Metropolitan/State Master plans. The Committee are surpirsed to note that no State has drawn up any perspective plan and that the Ground Level situation is akin to having a knee jerk approach towards planning as such to the various problems coming up before the city administrations. Urban development, today, in so far as the Mega Cities are concerned, is reactive rather than pro-active. This implies that not only is the scale of investment for urban infrastructure totally inadequate but being disjointed and piecemeal, they do not result in any significant impact in term of return on their investments. According to HUDCO the Mega City Scheme projects should not be mere collection of schemes but should form a part of the long term plan for improvement of infrastructure available in a Mega City as also the fact that they should be made integral part of long term plans to let the city administration deal with the problems effectively. The Committee, cannot but agree with the views of HUDCO which till now is the one and only major financial institution that has come forward to fund projects under the scheme in most of these Mega Cities. The Committee need hardly emphasize that dovetailing of the Mega City Projects with a master/perspective plan and investment

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		plan stand at the root of successful implementation of the Mega City Scheme projects which would go a long way in improving the quality of urban life in the Mega Cities. They therefore desire that the Scheme guidelines be suitably modified to stress the importance of the need to prepare master plans/perspective long term plans to attain the goal of all round development of the Mega Cities under the scheme.
11.	3.8	The Committee note that the finance pattern for the Mega City Scheme provides for funding from the Central and State Governments in ratio of 25% each and balance 50% from institutional finance. The scheme debarrs the funding for mega infrastructural projects which are highly capital intensive and of long-gestation periods. Finance for projects under the scheme is devote to regional/ city-wide significance conforming to Regional/Metropolitan/Master Plans of the city concerned. A basket type of approach is envisaged for the projects with the cost of projects to be distributed in ratio of 30 : 30 : 30 in respect of A, B & C category of projects without jeopardizing the viability of the nodal agencies implementing the projects. Further, the funds from Central and State Governments are to flow directly to the nodal agency at the city level as Grants to be used for creation of a Revolving fund which in turn could finance projects in future. However, the Committee regret to find that there is a serious mismatch

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		between the schedule of completion of projects with that of a seven year time frame projected for creation of the Revolving Fund at the Mega City level. They are constrained to point out further that assuming there are no cost recoveries possible during the initial years, how the Revolving Fund is sought to be put in place by the year 2002. In the Committee's view mere opening of account by Mega City Scheme nodal agencies for creating fund received under the Revolving Fund mechanism would not suffice. The Committee desire Government to clearly specify in the guidelines the modalities for creation of Revolving Fund as they are ambiguous in the context of creating 75% funds to be retained as corpus of the nodal agency.
12.	3.19	The Committee note that Mega City Scheme envisaged an 8th plan outlay of Rs. 700 crores—Rs. 200 crores for Mumbai & Calcutta and Rs. 100 crores each to Chennai, Hyderabad and Bangalore. The Central share released upto 1996-97 to the five mega cities stands at Rs. 311.50 crores. However, the Committee are distressed to note that the actual release of funds from the Centre has not even touched the half way mark of the Rs. 350 crores upto the year 1996-97. On the contrary, except for Mumbai, all other State Governments have matched their equal share towards project cost and States like Tamil Nadu and West Bengal have contributed much more than their shares. They are further anguished to note that between the Ministry of Finance and

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		Urban Affairs & Employment and the Planning Commission none is able to throw any light as to which of these Ministries is responsible for under funding and consequent poor performances. The Committee are perturbed to note that the onus for all this is being attributed to the overall position of budgetary deficit of the Central Government. The Committee are of the firm opinion that low allocations result in vicious cycle of under spending and further lower allocations in subsequent years. The Committee therefore, desire that allocations envisaged at the time of formulation of schemes should be adhered to the extent possible so that the desired results are attained and the objectives of the scheme do not get diluted leading to failure of the Scheme as such.
		The Committee further observe that Mega Cities are required to furnish the Utilisation Certificate at the time of requisitioning the next instalment. They view that the said scheme is meant for creating infrastructure assets which have long gestation period. the stop of money by the Centre on the pretext of not furnishing Utilisation Certificate would result in the delay of completion of projects thereby causing time and cost overruns. The Committee cannot overlook the importance of proper monitoring of the scheme by way of requiring the Utilisation certificates by the concerned Mega Cities but they would also like that a more flexible approach should be

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		adopted by the Centre and funds are released timely to the concerned Mega Cities.
13.	3.20	The Committee note that the funds released by Centre to Calcutta and Hyderabad as special Central Assistance before issuance of guidelines are demand as part of the Central share given under the Scheme. The Committee don't accept this position as funds given under Special Central Assistance are loan whereas the Central share under the Scheme is the grant component.
		Further, the Committee note that stipulation of institutional financial share at 50% of project cost to be arranged by the States/nodal agencies in the context of poor credit rating of implementing agencies is a basic flaw of the finance pattern of the Scheme. Accordingly, the poor viability of the nodal agency is leading to a situation where funds from financial institutions are hard to come and whatever little of funds is forthcoming is at exorbitant rates of interest. The interest rates in turn are high owing to the fact that financial institutions are to borrow funds from open market. The Committee, therefore, recommend that the stipulation of 50% of funds from institutional finance is not justified and States be permitted to the flexibility depending on the situation prevailing locally at the Mega City level.
14.	3.33	The Committee note that the Mega City Scheme guidelines provide that project

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		land and generation of private investment can partially substitute for institutional finance. However, it is regrettable to point out that so far nothing substantive has been done by any of the Mega City Nodal agencies for undertaking projects based on public-private partnerships such as BOT, BOOT and BOLT etc. Ministry of Finance has suggested that since long term funds are required for the purpose of Mega City projects, the financial institutions could issue long term bonds with certain tax concessions while the second option is to gain access to pension and Provident Fund moneys which are of long term nature. Secondly, funding by multilateral external borrowings too could be explored for the purpose. Besides these, the Committee feel that Government should encourage the States to use innovative methods of raising resources by imposition of special levies as is being done by HUDA in Hyderabad by way of levying special development charges through which the agency expects to raise Rs. 15 crores per annum on this account alone. The Committee, therefore, urge the Government to take steps to assist the nodal agencies in generating resources through innovative means which would also go a long way in improving the viability of the nodal agencies in the long run.
15.	3.34	The Committee, after examination have found that there is no appropriate Financial Institution to refinance the Mega Scheme. HUDCO is the only institute to refinance the Scheme which is primary

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		dependent on market borrowing. The cost of deposits with HUDCO are so high and HUDCO could provide the finance including service charges at the rate of interest *i.e.* very high as 19%. Therefore, unless the cost of deposit with HUDCO comes down, they cannot finance the scheme at lower rate of interest. The Committee observe that at present there is no appropriate refinancing agency on the pattern of NABARD for the rural areas and therefore would like to recommend that necessary changes in the HUDCO mandate should be made so that resources are available at the reduced cost of deposits to refinance the programmes under the scheme. Further the Committee note that HUDCO applies the uniform approach to provide finance to different types of urban areas *viz.* Developed Area Panchayat Area, Town Area etc. under the same Mega City. The Committee feel that HUDCO should provide finance at differential rate of interest keeping in view the type of area and their level of development and urban services for which finance is given so that integrated development takes place in such areas.
16.	4.5	The Committee note that Mega City Scheme guidelines entrusted the monitoring of the progress of the Scheme to the State level Sanctioning Committee while the Ministry just holds informal reviews. They are constrained to observe that through the Scheme is entering its fifth year (1997-98) of operation, the

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		Ministry has held only two meetings at Delhi on 6.5.1994 and 10.10.1995 to review the progress of the Scheme. No review meeting was held by the nodal Ministry of Urban Affairs & Employment after 10.10.1995 so far. It is also pertinent to note here that some of the State Sanctioning Committees have held only one meeting as in the case of Mumbai and none of the State Sanctioning Committee have held more than 3 meetings.
		The Committee cannot but conclude that the review meetings have been very few and far between and that basically these meeting held by the State Sanctioning Committee have been held primarily to sanction projects under the scheme. They are of the opinion that more review meetings would have accelerated the progress of the projects under the Scheme. The Committee, therefore, desire that nodal Ministry of Urban Affairs & Employment should held frequent review meetings and also direct the States to tone up the functioning of the State level Sanctioning Committees entrusted with the responsibility of monitoring and review of the progress of projects under the Scheme. The Committee would like to be apprised of the action taken by the Government in this regard.
17.	5.4	The Committee note that one of the shortcomings observed and recognized by the Government in the implementation of Mega City Scheme is in the areas of proper appraisal of projects posed to the

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		Sanctioning Committee and arranging institutional finance for them. The Committee further note that at a two day workshop on the Mega City projects held at Calcutta in September, 1996 it was also agreed upon that the Scheme needs to be made more flexible to suit the local requirements. The Committee desire that Government should take appropriate steps to make the Scheme more flexible as agreed upon in the workshop at the earliest. They would like to be apprised of the steps taken in this direction.
18.	5.9	The Committee note that Mega City Scheme guidelines recognize the need for effecting financial and institutional reforms as envisaged in the Constitution 74th Amendment Act to enable to promote the Scheme as available for urban sector reforms. They are of the considered opinion that these financial and institutional reforms envisaged in the 74th Constitution Amendment Act through the promotion of the Mega City Scheme can not be attained unless the Urban Local Bodies (ULBs) are involved in the implementation of the projects under the Scheme. The Committee's examination of the Scheme revealed that the involvement of ULBs and their elected representatives is very minimal at present. Apart from the Metropolitan Planning Committees the District Planning Committee are yet to be operationalised in most of the places. Also, no fixed time limit has been set for the same under the Act. They further note that a

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		Committee was set up by Government which reported on the manner in which these Distt./Metropolitan Planning Committee could be operationalised. The Committee strongly feel that Government should take steps to expedite the process of operationalising the provisions of the Act for creation of Distt./Metropolitan Planning Committee to make the in-take part effectively in implementing the projects under the Mega City Scheme as also devolve more powers to ULBs so that they could contribute to raise resources thereby helping to operationalise the Revolving Fund which is one of the prime objectives of the Mega City Scheme. The Committee may be apprised of the steps taken by Government in this respect.
19.	5.10	The Committee note that the key to success for Mega City Schemes is the all-round empowerment of the Urban Local Bodies (ULBs). The proper devolution of revenue raising powers is most crucial to the process. While ULBs will have to move towards the tarriffication of its services and consequent fee based income. Of course, given the context of varying level of income and economic empowerment of the citizenry, these tariffs will have be graded making cross subsidy an inbuilt element of such an exercise. It is on this increased financial self-reliance and improved financial management that the credit worthiness of the ULBs can be strengthened. This will lead to the reinforcement of ULB's

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		capacity to mobilise additional resource for the market which is crucial for facing the challenges of urban infrastructure and improved quality of life. But these efforts cannot exclude the need for augmenting the revenue earning from the property tax. The Committee feel that the continuous inability of ULB's to tax the properties of Central & State property is not in tune with the declaration of devaluation of financial powers as enshrined in the constitutional 74th Amendment. The Committee would therefore like to recommend that the Government should make suitable legislative amendment to rectify the errors.
20.	5.11	The Committee from their experience gathered by the on-the-spot study visit to the concerned five mega Cities have observed that ULBs the main implementing agencies of the projects under the scheme have neither the financial nor technical expertise for project appraisal and project evaluation. They are not equipped with the latest updated technology to execute these projects. The Committee feel that due to lack of financial and technical expertise, lot of burden is coming on the nodal agencies which is adversely affecting the implementation of the projects. Another area of concern is the maintenance of assets created under the Scheme. The financial and technical inability of ULB's is adversely affecting the credit worthiness which is essential to mobilise additional resources from the market to

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		face the challenges of urban infrastructure and urban quality of life. Besides it also affects the maintenance of assets too. In these circumstances the Committee would like to recommend that Government should take the necessary measures for capacity building of Urban Local Bodies within the parameters of the Scheme. They would also like that there should be some inbuilt mechanism in the guidelines to provide certain fixed percentage of funds for maintenance of infrastructure/assets created under the Scheme.
21.	5.15	The Committee during their visit to respective Mega Cities have observed that land is the major area of concern in those Mega Cities except in Hyderabad where due to historical reasons land is available. They feel that during the recent years the prices of land have skyrocketed. It is observed that large tracts of land are available with the different Central Government agencies lying unutilised. The Committee would like to recommend that such land which don't confirm to the old land use plan and is lying unutilised should be put for productive use as a major resource for infrastructure-building in conformity with the existing laws of the country. This will certainly go a long way in creation of in durable infrastructure for mega Cities.
		The Committee also note that there are several bottlenecks present in the acquisition of land for implementation of projects under the Mega City Scheme by

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		the nodal agencies. They further observe that certain cases remain pending in the courts for a pretty long time. Consequently the Government as well as the affected persons are deprived of timely benefits which might accrue to them by virtue of that land.
22.	5.16	The Mega City Scheme guidelines entail the responsibility for acquisition of land for purposes of project implementation on the nodal agencies. One major hindrance in the acquisition of land is the present Urban Land Ceiling Act (ULCA) which in the opinion of many state Governments/Nodal agencies is the main stumbling block in the acquisition of surplus land for financing projects under the Scheme. The Committee further note that to remove the anomalies in ULC Act, a Committee headed by Secretary, Urban Development was set up and that they are in the process of giving their recommendation shortly to enable the law Ministry to formulate draft amendments to the Act. The Committee are of the view that land as scarce resource, could be used as capital to finance projects under the Scheme since many Central Government Ministries own large tracts of surplus land given by the State at some point of time for certain specific purpose which at present are lying unutilised/underutilised. They desire that the Committee headed by Secretary, Urban Development should expedite its recommendation in respect of formulating amendments to ULC Act, so that a comprehensive legislation is brought

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		forward to amend the Act. The Committee would like to be informed of the action taken by Government in the matter. The Committee also note that they in their 8th Report had recommended to explore the possibilities of simplifying the judicial process for speedy decisions of the cases pending in different courts of the country under land Acquisition Act. They would like to reiterate their earlier recommendation and would like that it should be considered while formulating the amendments to the proposed Urban Land Ceiling Act.
23.	5.19	The Committee note that pre-fabrication technology is increasingly being used by many of the Nodal Agencies implementing projects under the Scheme to complete projects such as Constitution of fly-overs, bridges etc. expeditiously to avoid time and cost over runs as also to minimize the disruption of traffic during construction. However the Committee are constrained to observe that, the last Union Budget (1996-97) has treated this use of pre-fabricated technology as manufacturing activity and levied excise duties on the same resulting in huge cost escalation of projects under the Mega City Scheme to the extent of more than 20%. The Committee are of the opinion that the pre-fabrication activities should be exempted from the above excise provisions as they are only part of the overall project constructions. This is all the more important which viewed in the

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		context of growing urbanization and problems associated with it. The Committees, therefore, desire the Ministry of Urban Affairs & Employment to take-up the matter with the Ministry of Finance and apprise the Committee of the results of the efforts made in this regard at an early date.
24.	5.22	The Committee's examination of the Mega City Scheme revealed that there is total absence of interaction between the nodal agencies implementing the Scheme on aspects of mutual interest. There is also no institutionalized mechanism by which different nodal agencies could come together, discuss an deliberate upon their achievements, shortcomings and systemic deficiencies encountered during implementation of projects. This is resulting in a situation where each nodal agency is in a proverbial position akin to that of a frog in a well each not knowing what the other outside is doing.
25.	5.23	The Committee, therefore, desire the Government to set up an apex institute of Urban Development at the national level which could give exposure to the men at the grassroot level, tone up this skills, coordinate and provide a forum to interact to various agencies engaged with task of urban Development throughout the country. This organization could be set up on the lines of National Institute of Rural Development, Hyderabad. The Committee desire to be informed of the action taken in this regard.