CHANGING THE URBAN FACE OF KARNATAKA
Evidence from Three Urban Development Programmes

Kala S. Sridhar • Venugopala Reddy • Pavan Srinath
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PAVAN SRINATH
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Study done by Kala Seetharam Sridhar, Venugopala Reddy, and Pavan Srinath for the Public Affairs Centre and the Expenditure Reforms Commission, Government of Karnataka

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ACRONYMS AND ABBREVIATIONS

AC  Asbestos Cement
AE  Assistant Engineer
AEE Assistant Executive Engineer
APL Above Poverty Line
AUWSP Accelerated Urban Water Supply Programme
BBMP Bruhat Bengaluru Mahanagara Palike
BPL Below Poverty Line
BPO Business Process Outsourcing
CAO Community Affairs Officer
CO Community Organizer
CDP City Development Plan
CDS Community Development Society
CFL Compact Fluorescent Lamp
CMC City Municipal Council
CMSMTDP Chief Minister’s Small and Medium Towns Development Programme
CNC Computer Numerical Control
CPHEEO Central Public Health and Environmental Engineering Organization
CSC Community Service Centre
DC Deputy Commissioner
DI Ductile Iron
DK Dakshina Kannada
DLP Defects Liability Period
DMA Directorate of Municipal Administration
DPR Detailed Project Report
DTP Desk Top Publishing
DUDC District Urban Development Cell
DWACUA Development of Women and Children in Urban Areas
DWT Discrete Wavelet Transform
EE Executive Engineer
<table>
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<th>Acronym</th>
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<tr>
<td>EMD</td>
<td>Earnest Money Deposit</td>
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<td>ERC</td>
<td>Expenditure Reforms Commission</td>
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<td>EIUS</td>
<td>Environmental Improvement of Urban Slums</td>
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<td>FGD</td>
<td>Focus Group Discussion</td>
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<td>GoK</td>
<td>Government of Karnataka</td>
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<td>GoI</td>
<td>Government of India</td>
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<td>GLSR</td>
<td>Ground Level Service Reservoirs</td>
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<td>JP</td>
<td>Horse Power</td>
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<td>HESCOM</td>
<td>Hubli-Dharwad Electricity Supply Company</td>
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<td>HQ</td>
<td>Headquarters</td>
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<td>ICT</td>
<td>Information and Communication Technology</td>
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<td>IDSMT</td>
<td>Integrated Development of Small and Medium Towns</td>
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<td>IRMA</td>
<td>Independent Review and Monitoring Agency</td>
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<td>ITI</td>
<td>Industrial Training Institute</td>
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<td>JE</td>
<td>Junior Engineer</td>
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<td>JNNURM</td>
<td>Jawaharlal Nehru National Urban Renewal Mission</td>
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<td>KEONICS</td>
<td>Karnataka State Electronics Development Corporation Limited</td>
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<td>KFC</td>
<td>Karnataka Finance Corporation</td>
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<td>KMRP</td>
<td>Karnataka Municipal Reforms Project</td>
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<td>KSCB</td>
<td>Karnataka Slum Clearance Board</td>
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<td>KTPP</td>
<td>Karnataka Transparency in Public Procurement</td>
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<td>KUIDFC</td>
<td>Karnataka Urban Infrastructure Development Finance Corporation</td>
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<td>KUWSD</td>
<td>Karnataka Urban Water Supply and Drainage Board</td>
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<tr>
<td>KV</td>
<td>Kilo Watts</td>
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<tr>
<td>LPCD</td>
<td>Litres Per Capita Daily</td>
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<td>L&amp;S</td>
<td>Loan and Subsidy</td>
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<td>MBC</td>
<td>Micro-Business Centre</td>
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<td>ME</td>
<td>Micro Enterprise</td>
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<td>MIS</td>
<td>Management Information System</td>
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<td>MNY</td>
<td>Mukhya Mantri Nagarothana Yojana</td>
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<td>MLA</td>
<td>Member of the Legislative Assembly</td>
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<td>MLALAD</td>
<td>Member of Legislative Assembly Local Area Development</td>
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<td>MLC</td>
<td>Member of Legislative Council</td>
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<td>MP</td>
<td>Member of Parliament</td>
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<td>MPLADS</td>
<td>Member of Parliament Local Area Development Scheme</td>
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<td>MS</td>
<td>Mild Steel</td>
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<td>MoA</td>
<td>Memorandum of Association</td>
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<td>MoU</td>
<td>Memorandum of Understanding</td>
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<td>Abbreviation</td>
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<tr>
<td>MOUD</td>
<td>Ministry of Urban Development</td>
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<td>MoHUPA</td>
<td>Ministry of Housing and Urban Poverty Alleviation</td>
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<tr>
<td>NA</td>
<td>Not Applicable</td>
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<tr>
<td>NCU</td>
<td>National Commission on Urbanization</td>
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<td>NHC</td>
<td>Neighborhood Committee</td>
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<td>NHG</td>
<td>Neighbourhood Group</td>
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<td>NRU</td>
<td>Nehru Rozgar Yojana</td>
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<td>O&amp;M</td>
<td>Operations and Maintenance</td>
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<tr>
<td>PMIUPEP</td>
<td>Prime Minister’s Integrated Urban Poverty Eradication Programme</td>
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<td>PPP</td>
<td>Public Private Partnership</td>
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<td>PVC</td>
<td>Polyvinyl Chloride</td>
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<td>PWD</td>
<td>Public Works Department</td>
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<td>QPR</td>
<td>Quarterly Progress Report</td>
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<td>RCC</td>
<td>Reinforced Cement Concrete</td>
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<td>SC</td>
<td>Scheduled Castes</td>
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<td>SFC</td>
<td>State Finance Commission</td>
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<td>SHGs</td>
<td>Self-Help Groups</td>
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<td>SJSRY</td>
<td>Swarna Jayanthi Shahari Rozgar Yojana</td>
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<td>SLNA</td>
<td>State Level Nodal Agency</td>
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<td>SLSC</td>
<td>State Level Sanctioning Committee</td>
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<td>SR</td>
<td>Schedule of Rates</td>
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<td>ST</td>
<td>Scheduled Tribes</td>
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<td>STP</td>
<td>Sewerage Treatment Plan</td>
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<td>STEP-UP</td>
<td>Skill Training for Employment Promotion Amongst Urban Poor</td>
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<td>SWD</td>
<td>Storm Water Drainage</td>
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<td>SWM</td>
<td>Solid Waste Management</td>
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<td>TCGs</td>
<td>Thrift and Credit Groups</td>
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<td>T&amp;CS</td>
<td>Thrift and Credit Societies</td>
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<td>TCPO</td>
<td>Town and Country Planning Organization</td>
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<td>ToR</td>
<td>Terms of Reference</td>
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<td>TMC</td>
<td>Town Municipal Council</td>
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<td>TP</td>
<td>Town Panchayat</td>
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<td>UBS</td>
<td>Urban Basic Services</td>
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<td>UBSP</td>
<td>Urban Basic Services for the Poor</td>
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<td>UC</td>
<td>Utilization Certificate</td>
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<td>UCDN</td>
<td>Urban Community Development Network</td>
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<td>UDA</td>
<td>Urban Development Authority</td>
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<td>UDD</td>
<td>Urban Development Department</td>
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Evidence from three urban development programmes

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<th>Acronym</th>
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<td>UIDAI</td>
<td>Unique Identification Authority of India</td>
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<td>UIDSSMT</td>
<td>Urban Infrastructure Development Scheme for Small and Medium Towns</td>
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<td>ULB</td>
<td>Urban Local Body</td>
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<td>UNICEF</td>
<td>United Nations Children’s Emergency Fund</td>
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<td>UPA</td>
<td>Urban Poverty Alleviation</td>
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<td>USEP</td>
<td>Urban Self Employment Programme</td>
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<td>UT</td>
<td>Union Territory</td>
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<td>UWEP</td>
<td>Urban Wage Employment Program</td>
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<td>UWSP</td>
<td>Urban Women Self-Help Programme</td>
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Preface

This study has its genesis in a study Public Affairs Centre did for the Expenditure Reforms Commission, Government of Karnataka, on evaluation of three programmes – one centrally-sponsored infrastructure development programme, the Urban Infrastructure Scheme for Small and Medium Towns (UIDSSMT), one state-funded infrastructure programme, the Mukhya Mantrigala Nagarothana Yojane (MMNY), and a centrally-sponsored urban poverty alleviation programme, the Swarna Jayanthi Shahari Rozgar Yojana (SJSRY).

The ERC wanted to know if centrally sponsored infrastructure schemes were any different from the state-sponsored schemes in terms of their cost-effectiveness. We found that centrally sponsored schemes are much better in terms of contracting, since we found their agreements to be more complete in terms of the time frame, budget, output and outcomes to be accomplished as a result of various projects. In the drawing of contracts, the state-run programmes left much to be desired, since the contract referred to various other agreements to be deemed as part of the contract, and contractors’ liability clauses were not clearly defined. However, in terms of programme implementation, we found that state-sponsored schemes are much better since the infrastructure is eventually locally owned and used. Further, we found that the cities were much better compared to the state as far as the implementation of reforms (specified by the UIDSSMT and the JNNURM) are concerned. The state was unable to implement many reforms required of it, and blamed the Centre for not releasing the funds, whereas the cities had implemented most of the reforms required of them and had finished projects ahead of schedule. We find that cities’ resources (in terms of personnel and finances) need to be stepped up to enable them to implement infrastructure projects in a better way.

In addition to the above, we also did a study of several problems which occur in the implementation of projects as in a principal-agent framework taking into account the risk of incomplete contracts, perverse incentives, collusion between contractors,
and information asymmetries, among other things, as they apply to the above-mentioned programmes. We analysed the fund flows, reporting mechanisms and the planning processes to identify bottlenecks and found fault-lines in the form of loose reporting requirements in the poverty alleviation scheme (SJSRY) that lead to inefficient expenditure.

The recommendations of this report were incorporated in the Expenditure Reforms Commission’s Third Report to the Government of Karnataka in May 2011, and we look forward to the Urban Development Department taking our recommendations into consideration.

We thank the ERC Chairman for his personal interest in entrusting the study to PAC, and his comments at various stages. Thanks are also due to the members of the ERC for their comments when a presentation was made of the draft findings in March 2011. Thanks are due to Samuel Paul for his honorary advice for the study and to R. Suresh for his interest and support of the study. Thanks are also due to Koshy Mathew for his editing and coordinating the publishing of this report.

Kala Seetharam Sridhar
A. Venugopala Reddy
Pavan Srinath
Executive Summary

In this study, we examine three urban development programmes, i.e., Swarna Jayanti Shahari Rozgar Yojana (SJSRY) (a centrally-sponsored urban poverty alleviation programme), Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT), which is a centrally-sponsored programme to boost infrastructure in small and medium towns of the country, and a state-sponsored (Government of Karnataka (GoK)) infrastructure programme, the Mukhyamanthrigala Nagarothana Yojane (MNY).

According to our ToR for the ERC, we conducted expenditure analysis of the above-mentioned programmes including an analysis of unit costs, budget analysis of expenditure, and utilization of expenditure, in the various programmes. We mapped the process of fund flows and mechanisms used to make the expenditures efficient and cost effective and have suggested measures to fill the gaps in this regard.

We studied the above programmes and their components taking the cases of Mysore city corporation (for the Special ₹100-crore package programme and the SJSRY), the cases of Bhalki (northern part of the state), Kollegal (southern part of the state), Chitradurga (eastern part of the state), Siddapura (western part of the state) and Mulki (western part of the state) for studying the SJSRY, CMSMTDP and UIDSSMT (in the case of Mulki and Siddapura), in consultation with the Chairman, ERC.

Teams from Public Affairs Centre visited each of the above cities/towns to evaluate the programmes and obtained all relevant documents. We also had several meetings with officials at the Directorate of Municipal Administration and Karnataka Urban Water Supply and Drainage Board to understand the process of fund flows and mechanisms of programme implementation. We developed detailed questionnaires for each of the programmes to enable us to assess various aspects of the terms of reference for the study before our field visits. In addition to the city officials who
were our primary liaison and helped us to obtain the information, we also talked to stakeholders (the public) who were directly impacted by the programme, randomly. Further, we had a chance to talk to the contractors who implemented the works.

In the case of SJSRY which is an urban poverty alleviation programme, given it is slightly different from an infrastructure programme (since it is an ongoing programme and there are no completed works in that sense), the beneficiaries are much more targeted than in the case of the other programmes, the methodology we followed was slightly different. We did focus group discussions (FGDs) of stakeholders systematically for the SJSRY in each of the cities where we visited.

We have come up with recommendations in the above areas, based on our study of selected programmes and projects. While we have found several loopholes in the planning and allocation, project approval, contracts and MoUs, project implementation and supervision, consisting of cost and time overruns, and monitoring outcomes in each of the above programmes, and have made recommendations to rectify those, only important findings and recommendations with respect to each of the programmes studied, are listed here.

MNY

With respect to the MNY, we have found based on our study, that cities have implemented infrastructure projects with great interest and enthusiasm, since they are eventually locally owned and used. We found these projects have a positive impact on the community, facilitated the mobility of residents and have improved the ambience of the neighborhood.

We find that while the ₹100-crore programme mandates that the funds be used for ‘large-scale’ projects only, what is considered as ‘large-scale’ is really discretionary and varies from a few millions to billions. It is better if the UDD guidelines were to be made more specific. We also recommend that the final projects which find place in the action plan need to reflect local priorities and preferences and be made part of an integrated city development plan, or part of a larger vision for the city.

To increase the cost effectiveness of projects, we recommend that only physical quantities of the outputs could be specified to the contractors, without divulging the financial estimates involved. This could lead to more competition among contractors where younger and newer contractors could implement projects/works more cost-effectively. Further, we recommend that the smaller cities be equipped with more resources to enable them to recruit more personnel.
The third party inspection report, while being done competitively by the cities, and conducted at every stage of project implementation (where raw materials are tested), can be made more transparent by including the intermediate steps involved when the third party consultant certifies something as being unsatisfactory.

In the case of many projects/works under both the special ₹100-crore programme and the CMSMTDP, while physical closure was attained, financial closure was not attained in many projects with the result that the local government was still expecting funds from the state government, and the contractor had completed the work using some part of his own funds. There were instances of several projects where it was completed ahead of schedule. On average, the delay in payment to contractors from the city (or to the ULB from the DMA) was only 3.7 months although in some cases (Siddapura) the delay was as much as seven months from the time the work was completed until our field visit (August or September). We recommend easy and expedited flow of funds to the ULBs from the UDD. Speedy flow of funds to ULBs would enable them to attain financial closure and focus their attention on operation and maintenance and focus on other projects.

**UIDSSMT**

As it applies to the UIDSSMT as well, we have summarized our most important findings and recommendations. We recommend that agreements should lay forth a defective liability clause which will set out the length of the defects liability period, the scope of defects the Contractor is obliged to remedy and any part of the contract sum retained by the employer as surety for the performance of the remedial work. There also needs to be a set procedure as to the manner followed in notifying defects to avoid any disputes between the contractor and the procuring entity.

As with both the components of the MNY, we found that even with respect to the UIDSSMT, more engineers need to be recruited to reduce the burden and some training in e-tendering and e-payment conducting it online would be helpful for better implementation of similar programmes in the future.

**SJSRY**

In our study of the SJSRY scheme in general and the USEP (Loan & Subsidy) component in particular, we found the most important problem to be one of those above the poverty line posing as urban poor. One of the reasons for this is that the survey of the urban poor was done in 1998. We recommend that the new survey of the urban poor be listed as a priority and be conducted as soon as possible. Further, we recommend that the DMA decrease the financial allocation for poorly performing
ULBs (i.e., those with large closing balances from the previous year) while setting higher physical targets.

There is a lack of clarity regarding the setting of physical targets for each ULB. The physical targets don’t take into account the unutilised money from previous years that are still present with the ULBs. Hence we recommend that physical targets be set/revised based on both the releases for the current year, and for the unutilised funds remaining with the ULBs. We also find that it is crucial that marketing and technical support be given to beneficiaries under USEP, UWSP (L&S) and STEP-UP for greater impact. Further, to increase the impact of government schemes on the urban poor, we recommend that the government encourage contractors to hire local labor (from among the urban poor) under the urban infrastructure development schemes, subject to their availability. There is insufficient monitoring of the ultimate outcome of the scheme: the raising of beneficiaries above the poverty line. There is little or no follow up done on whether the beneficiaries of the scheme successfully lead poverty-free lives upon receiving the benefits of the SJSRY. We recommend that like in the infrastructure schemes, an independent third party be recruited which monitors the eventual outcome of the scheme.
Introduction, Objectives and Methodology

The world population is expected to become two-third urban by 2025. While the urbanization phenomenon is widely accepted as being an inevitable by-product of development, there are many undesirable outcomes that have resulted from urbanization. With increasing population and demand for urban infrastructure services, the capacities of local governments in many countries are over-burdened. While the Jawaharlal Nehru National Urban Renewal Mission for the 63 largest and important cities has been initiated in 2005, there is a need to move growth away from the largest cities towards the smaller and medium towns. Some urban infrastructure and poverty alleviation programmes such as the Urban Infrastructure Scheme for Small and Medium Towns (UIDSSMT) and the Swarna Jayanthi Shahari Rozgar Yojana (SJSRY) have been initiated for the smaller and medium towns in the country. However, little is known about their functioning and effectiveness. Hence there is a need to evaluate urban poverty alleviation programmes and urban development programmes in the smaller and medium towns of the country.

In this study, we study three urban development programmes, i.e., Swarna Jayanti Shahari Rozgar Yojana (SJSRY) (a central government-sponsored urban poverty alleviation programme), Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT), sponsored by the central government to boost infrastructure in small and medium towns of the country, and the Mukhyamanthri Nagarothana Yojane (MNY) a Government of Karnataka (GoK) infrastructure programme.

Objectives

The objectives of our study were as follows:

1. To conduct expenditure analysis of the above-mentioned programmes. It covered the following aspects:
a. Budget analysis of various heads of expenditure, including analysis of the 
process of determining unit cost of various activities under a project.

b. Utilization of expenditure, by examining outputs to study if there were 
output measures of schemes chosen and, if yes, whether they were adequate 
and whether systems for effective monitoring of outcomes were in place.

c. Norms, if any, were used in allocating and monitoring expenditure.

2. To map the processes used to make the expenditures efficient and cost-effective 
and suggest measures to fill the gaps in this regard.

3. To study the processes and/or mechanisms for implementing the programmes 
under the selected schemes. This included the following:

a. Identification of technical and non-technical personnel required;

b. Defining the responsibilities of the personnel and providing technical 
support and required training for upgradation of knowledge and skill of 
such personnel;

c. Mechanisms for monitoring the way implementation of programmes 
occurred in the field.

4. To study the Memorandums of Association (MoA) or the terms of entrustment 
of the task of implementation between the specified agencies to study various 
aspects of such appointment of agents for execution of schemes, since the 
UDD’s projects were implemented through specified agencies.

Methodology

We studied a sample of projects taken up under each of these schemes which has 
been completed or nearing completion to examine the issues mentioned above. The 
sample of cities we chose for each of the programmes was determined in consultation 
with the Chairman, ERC. We studied the above programmes and their components 
taking the cases of Mysore city corporation (for the special ₹100-crore package 
programme and the SJSRY), the cases of Bhalki (northern part of the state), Kollegal 
(southern part of the state), Chitradurga (eastern part of the state), Siddapura (western 
part of the state) and Mulki (western part of the state) for the SJSRY, CMSMTDP 
and UIDSSMT (in the case of Mulki and Siddapura).

The sample of cities/towns chosen is representative of all geographic regions of 
the state. Within each of these programmes, specially the MNY and the UIDSSMT, 
we reviewed the full list of ongoing and completed projects (division-wise progress
Evidence from three urban development programmes

We obtained evidence from the DMA and the ULB, and chose a sample of completed works based on their sector (roads, drains, sub-ways, grave yards, street lights or solid waste management), and monetary value of the estimated cost of the works. Prior to the actual field visits, a pilot visit was also made to the Anekal TMC to determine the nature of data and information available.

Teams from Public Affairs Centre visited each of the above cities/towns to evaluate the programmes. First, we visited various departments and officials in the Directorate of Municipal Administration (for the SJSRY and the MNY) and KUWSDB (Karnataka Urban Water Supply and Drainage Board) for the UIDSSMT) to understand the process of fund flows for each of the programmes so that it gave us some idea of the offices in the cities with whom we needed to meet. We developed detailed questionnaires for each of the programmes to enable us to assess various aspects of the terms of reference for the study and sent them to the respective cities/towns before our visit to each of the cities/towns. These questionnaires are found in the appendices to the respective programme chapters. In addition to the city officials who were our primary liaison and helped us to obtain the information, we also talked to stakeholders (the public) who were directly impacted by the programme, randomly. Further, we had a chance to talk to the contractors who implemented the works. A few representative pictures of our visit are appended at the end of every chapter.

In the case of SJSRY, which is an urban poverty alleviation programme, it is slightly different from an infrastructure programme (since it is an ongoing programme and there are no completed works in that sense), the beneficiaries are much more targeted than in the case of the other programmes, the methodology we followed was slightly different, hence the methodology followed for SJSRY is described further in Chapter 4. We conducted focus group discussions (FGDs) of stakeholders systematically for the SJSRY in each of the cities we visited.

We have come up with recommendations in the above areas, based on our study of selected programmes and projects which are summarized at the end of every chapter.

Overview of Report

This report is organized as follows: First, we describe the programme which is state-sponsored and state-centric in its focus, the Mukhyamanthrigala Nagarothana Yojane (MNY) (Chapter 2), followed by the study of a centrally sponsored scheme, the UIDSSMT (in the ratio of 80 per cent (centre): 10 per cent (state): 10 per cent (ULB)) (Chapter 3), followed by our study of another centrally sponsored programme,
the urban poverty alleviation programme, the Swarna Jayanthi Shahari Rozgar Yojana (75 per cent (centre): 25 per cent (state)) (Chapter 4). Our summary of findings and related policy recommendations for the respective programmes are covered in each of the chapters at the end.
The Case of Mukhyamanthrigala Nagarothana Yojana (MNY)

Background to the MNY

In Karnataka, apart from Bangalore, there are seven city corporations, 44 city municipal councils, 94 town municipal councils, and 68 town panchayats. The rapid pace of urbanization in Karnataka has left a huge ‘infrastructural deficit’ in all the cities/towns. To address these infrastructural gaps, focus upon all-round development of cities/towns, create and expand municipal services and for the benefit of the smaller towns and cities in the state, the Government of Karnataka started the Mukhyamanthrigala Nagarothana Yojane (MMNY) in its budget for 2008-09 (continued in 2009-10 and 2010-11). It was decided to provide ₹6 billion under this scheme for specific development programmes such as drinking water, sewerage system, and road development. Thus while the Swarna Jayanthi Shahari Rozgar Yojana (SJSRY) and Urban Infrastructure Scheme for Small and Medium Towns (UIDSSMT) are sponsored by the central government (with state share), but are state-centric in their focus, the MNY is state-sponsored and state-centric in its focus. Although the MNY was announced in 2008-09, it is a combination of several existing special schemes which had been in existence for sometime and these entail construction of roads, bridges and tourism complexes within city limits.

The MNY has two components: one is the special ₹100-crore package programme for the seven city corporations in the state (apart from Bangalore) and the other one is the Chief Minister’s Small and Medium Towns Development Programme (CMSMTDP). We have studied both these components taking the cases of Mysore city corporation for the special ₹100-crore package programme, and taking the cases of Bhalki (northern part of the state), Kollegal (southern part of the state), Chitradurga (eastern part of the state), Siddapura (western part of the state) and Mulki (western
part of the state, also containing a completed project as part of the UIDSSMT) for the CMSMTDP.

Thus far, about 1,370 works have been undertaken under the ₹100-crore programme for each of the seven city corporations. Under the CMSMTDP, as of January 2011, 21 district-headquartered ULBs (CMCs) had got ₹150 million each, 148 taluk-headquartered ULBs had got ₹50 million each and the remaining 42 ULBs managed to get ₹20 million crore each. As of end-January 2011, a total allocation of ₹14.54 billion had been made for this programme, with 8,087 works approved, out of which 2,645 works covering road and drainage, water supply, welfare of minorities such as of SC & STs, and improving infrastructure facilities in slum areas have been completed as part of the CMSMTDP. Both these components of the MNY are evaluated in this chapter.

The Special ₹100-crore Programme

In the budget for 2008-09, the GoK decided to release a special grant of ₹100-crore to each of the second grade cities of the state including Mysore, Mangalore, Belgaum, Hubli-Dharwad, Davangere, Bellary, and Gulbarga city corporations, over a period of two years. The objective was to promote them as faster urban growth centres thereby reducing pressure on Bangalore. It was declared that grants amounting to ₹500 million would be released in 2008-09 to each of these cities. In the budget for that year (i.e., 2008-09), ₹250 million was provided for each of these corporations.

In order to facilitate appropriate utilization of funds by formulating specific development plans by the corporations, a committee was formed with the district in-charge minister as the chairman and the members of parliament (MPs), members of the legislative assembly/council (MLAs/MLCs) in the jurisdiction of the corporation, mayor/deputy mayor, commissioner of the respective corporations and the commissioner, urban development department, as members, and the district commissioner as member-secretary.

Guidelines of the Programme

The government order for the special ₹100-crore programme mandated that when the committee selects a particular work, it should give priority to the provision of drinking water and sewage works, which have not yet been undertaken in particular areas of the city, cases where sewerage treatment plants (STPs) are formed but sewage pipes have not been installed and vice-versa, incomplete works related to the roads, development of important bridge roads, construction of fly-overs, expansion of roads
and other such important works. The government order specified that the said committee should recognize the works to be undertaken in the jurisdiction of the corporation in accordance with the following guidelines:

1. The works should be related to core municipal services and large scale works.

2. Small-scale work in different wards coming under the jurisdiction of the corporation should not be considered, only large-scale works should be selected.

3. Priority should be given to works related to supply of drinking water, sewage system, large rain water drains and development of trunk roads.

4. Priority should be given to works that have been ignored for a long time due to lack of funds.

The government guidelines specified that an Action Plan not exceeding ₹100-crore related to this programme should be formulated and, with the consent of the committee, sent for final approval of the state’s Urban Development Department. The member-secretary of the committee, the District Commissioner, facilitates to present the Action Plans before the committee and to take approval of the same. After the plans have been approved by the committees, the state government would release the necessary grants into a special account, which would be opened by the district commissioner for this purpose. The District Commissioner would be solely responsible for the management/utilization of this grant and supervision of works, implementation, and their completion should be undertaken in coordination with Karnataka City Water Supply and Sewage Board, in accordance with Karnataka Transparency Act. The government order mentioned that it was the responsibility of the District Commissioner to obtain the Utilization Certificate from the related authorities.

The government order also specified the following additional terms and conditions to guide the utilization of the grant:

1. During the implementation of these works, Bruhat Bengaluru Mahanagara Palike, which is the Work Implementation Authority, should nominate a third party independent consultant, to evaluate the quality of the works undertaken.

2. The respective corporations should publish the details of the supposed and final work, amount of the tender, name of the tender-holders, and other details in the website/area of the work undertaken and hoardings containing these details should be displayed in ‘proper’ places to be noted by everyone.
Process of Fund Flows and Requirements

There are several steps taken by the Directorate of Municipal Administration (DMA) to ensure quality in the creation of assets under this programme. The ULB is required to utilize the services of a third party agency for inspection of the completed work. Actually, based on our discussions in Mysore, the quality check and the third party inspection is done at every stage of the inputs, since the raw materials need to pass through quality check. There is also an e-tendering process which is mandatorily required for projects greater than ₹1 million in value. This ensures that the bidding process is competitive, and is not tampered with. The ULB is required to display work details/status on their website. Thus there is supposed to be an effective contract management system to overcome time and cost overruns.

Figure 2.1 summarizes the process of fund flows for the special ₹100-crore programme, a generic one for the seven city corporations. Since this is a purely state-sponsored and state-centric programme, the funds are released from the state’s department of finance to the DMA which, in turn, in discussion with the state’s
Evidence from three urban development programmes

We found the liability of the contractors is specified not in the KTPP Act of 2000, but in the Karnataka PWD Code, Clause 2 (d). Clause 2 (a) specifies that the Executive Engineer shall issue a written order to the successful bidder to commence the work. The contractor shall enter upon or commence any portion of work only with the written authority and instructions of the Executive Engineer. Without such instructions the Contractor shall have no claim to demand for measurements of or payment for, work done by him. Clause 2(b) of the KPWD code specifies that the time allowed for carrying out the work as entered in the tender shall be strictly observed. It shall be reckoned from the date of issue of written orders to commence work. The work shall throughout the stipulated period of the contract be proceeded with, with all ‘due diligence’.

There is an action plan drafting committee in the city corporation which consists of the commissioner, engineer and other important officials. The condition for release of grants from the DMA to the ULB is a 80 percent utilization certificate from the ULB. Typically, the funds are released by the DMA to the ULBs in many instalments. ULBs have to submit a monthly progress report on each of the works.

The ULB, from its side, solicits technical and financial proposals for the works (projects). Whatever is less than ₹1 million is considered a ‘work’ whereas works with greater than ₹2.5 million are considered ‘projects.’ Typically, for any given work or project, tenders are floated. Among the technically qualified proposals, the lowest financial bid is selected for implementing the project. There is a tender scrutiny committee in all the cities which sets some pre-bid qualification criteria such as a minimum annual turnover, minimum of two years of experience with a project greater than ₹10 million, if the project size is ₹10 million and similar works which have been completed by the contractor.

The ULB is required to submit a monthly report to the DMA regarding the progress on its various works/projects approved under the programme. In case a project or work is not completed on time, a nominal fine is slapped and an extension is granted if there are genuine reasons (such as those relating to land acquisition, and opposition to felling of trees). Any inaction or failure to meet targets by the city is penalized according to rules specified by the Karnataka Transparency in Public Procurement (KTPP) Act of 2000. We did look at this Act and found that it does not lay down the liability of the contractors, but rather the onus is on the government officials.¹ This Act provides for ensuring transparency in public procurement of goods and services by streamlining the procedure in inviting, processing and accepting tenders by ‘procurement entities’ (public servants or government officials).

¹ We found the liability of the contractors is specified not in the KTPP Act of 2000, but in the Karnataka PWD Code, Clause 2 (d). Clause 2 (a) specifies that the Executive Engineer shall issue a written order to the successful bidder to commence the work. The contractor shall enter upon or commence any portion of work only with the written authority and instructions of the Executive Engineer. Without such instructions the Contractor shall have no claim to demand for measurements of or payment for, work done by him. Clause 2(b) of the KPW D code specifies that the time allowed for carrying out the work as entered in the tender shall be strictly observed by the contractor. It shall be reckoned from the date of issue of written orders to commence work. The work shall throughout the stipulated period of the contract be proceeded with, with all ‘due diligence’.
We also found section 4 of the K TPP Act lays down exceptions to applicability:

- Natural calamity situations;
- Only one seller, no substitutes, no alternatives;
- Where goods have once been bought but now more is required;
- Goods procured from the government or departments of the government;
- Goods procured by the government or departments of the government.

Further, we found that section 20 of the Act grants immunity to officers in any action of ‘good faith’. Section 23 lays down the penalty for anyone who contravenes the provisions of the Act or rules, shall be punishable with imprisonment for a term which may extend to three years and with fine which may extend to ₹5,000.

**Progress in the Special ₹100-crore Programme**

Table 2.1 summarizes the progress under this programme for all the municipal corporations in the state.

The utilization of the funds in some cities such as Bellary is greater than 100 percent indicating that they were able to leverage their own funds with those received under the special ₹100-crore programme. Leaving Bellary, the utilisation of funds is in the range of 75 per cent (Belgaum) to 95 per cent (Davangere). This utilisation is...
Evidence from three urban development programmes

Table 2.1: Summary of Financial Progress, Special ₹100-crore Programme, All City Corporations, February 2011

<table>
<thead>
<tr>
<th>Sl No.</th>
<th>Municipal Corporation</th>
<th>Released funds (in ₹ million)</th>
<th>Utilized funds (in ₹ million)</th>
<th>% Utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Davanagere</td>
<td>910</td>
<td>860.00</td>
<td>94.50</td>
</tr>
<tr>
<td>2</td>
<td>Bellary</td>
<td>900</td>
<td>903.26</td>
<td>100.30</td>
</tr>
<tr>
<td>3</td>
<td>Mangalore</td>
<td>860</td>
<td>757.56</td>
<td>88.10</td>
</tr>
<tr>
<td>4</td>
<td>Hubli - Dharwad</td>
<td>880</td>
<td>747.46</td>
<td>84.93</td>
</tr>
<tr>
<td>5</td>
<td>Gulbarga</td>
<td>710</td>
<td>610.00</td>
<td>85.90</td>
</tr>
<tr>
<td>6</td>
<td>Mysore</td>
<td>710</td>
<td>577.62</td>
<td>81.35</td>
</tr>
<tr>
<td>7</td>
<td>Belgaum</td>
<td>550</td>
<td>410.24</td>
<td>74.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>5,520</strong></td>
<td><strong>4,866.16</strong></td>
<td><strong>88.15</strong></td>
</tr>
</tbody>
</table>

Source: Directorate of Municipal Administration

Figure 2.2: Number of Works Approved and Completed, Special ₹100-crore Programme, All City Corporations, February 2011
especially encouraging because it shows that the funds were much needed for projects which were likely to be neglected in the cities earlier.

**Physical Progress of the Special ₹100-crore Programme for all City Corporations**

As of February 2011, while the highest number of works approved was in Davangere, the city corporations in which a majority of the works had been completed are Bellary, Gulbarga and Mysore (see Figure 2.2). In Belgaum we note a steep deviation in the number of works approved and those that were completed. We are unable to explain this since we did not study that city for this programme.

**Sector-wise Allocation**

Figures 2.3 and 2.4 respectively show the sectoral allocation of funds deployed as part of the special ₹100-crore programme in the state (seven city corporations) and in Mysore, the city that has been chosen for study of the programme. As is evident, the bulk (69 per cent) of the spending at the state level (taking into account the seven city corporations) in this programme is on roads and drains, followed by others (consisting of street lights, aquarium, traffic signals, and Kala Bhavan). Mysore also follows this allocation of sectoral spending quite closely, spending the largest
proportion (56 per cent) of its funds on roads and drains, but spending a little more on others (18 per cent) and gardens (12 per cent).

The team from Public Affairs Centre visited Mysore during July 26-28, 2010 for evaluating this ₹100-crore grant programme in Mysore (and visited Kollegal to evaluate the functioning and implementation of the CMSMTDP).

Implementation of the Programme in Mysore

Under the special ₹100-crore programme, Mysore has completed a total 138 works covering various sectors – roads, drains, pedestrian subways, and graveyards. We chose four works based on the cost completed and the sector (road, drain or subway). We developed a format which we asked the city to fill-up for every work completed (attached in Appendix 3 to Chapter 3 on the UIDSSMT since the MNY and the UIDSSMT are similar in nature). We also contacted every contractor who executed each of the works. Table 2.2 summarizes the four works we chose from the list of 138 works completed in Mysore under this programme. The biggest work (in terms of monetary value) related to the construction of a pedestrian sub-way on Sayyaji Rao Road, costing ₹10 million. The smallest work related to a road improvement costing ₹1.03 million. Hence we chose a range of works reflecting different sectors and varying costs.

Figure 2.4: Mysore – Sectoral Spending, Special ₹100-crore Programme, All City Corporations, February 2011
We observed that the estimated costs for non-road projects (which include a combined road and drain work and a pedestrian subway) are much higher than they are for road projects (Table 2.2).

<table>
<thead>
<tr>
<th>Sector</th>
<th>Name of Work</th>
<th>Estimated Cost from Action plan (in ₹ mn.)</th>
<th>Tender Cost (in ₹ mn.)</th>
<th>% Cost Overruns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road and Drain</td>
<td>Construction of drain and providing asphalting to Seetharama Rao Road in Ward No. 3</td>
<td>1.00</td>
<td>1.04</td>
<td>4.00</td>
</tr>
<tr>
<td>Road</td>
<td>Improvement of Road Arunodaya ITI College right side cross road from 11th to 13th cross at Jantha Nagar Ward No. 24</td>
<td>1.00</td>
<td>1.02</td>
<td>2.70</td>
</tr>
<tr>
<td>Walkway</td>
<td>Construction of pedestrian sub-way at Sayyaji Rao Road near BATA</td>
<td>10.00</td>
<td>10.39</td>
<td>3.90</td>
</tr>
<tr>
<td>Road</td>
<td>Improvements to Pulikeshi Main Road in Mysore City</td>
<td>7.50</td>
<td>8.16</td>
<td>8.85</td>
</tr>
<tr>
<td>Average, Road Projects</td>
<td></td>
<td>4.25</td>
<td>4.59</td>
<td>5.78</td>
</tr>
<tr>
<td>Average, Non-Road projects</td>
<td></td>
<td>5.50</td>
<td>5.71</td>
<td>3.95</td>
</tr>
<tr>
<td>Average, all projects</td>
<td></td>
<td>4.87</td>
<td>5.15</td>
<td>4.86</td>
</tr>
</tbody>
</table>

By making this comparison we understand that costs and technical specifications across sectors can vary widely. We observed that the tender amounts for all works (irrespective of the sector) are higher than the estimated cost from the action plan. On average, while the estimated cost from the action plan for the selected works, is only ₹4.875 million, the approved tender cost is ₹5.155 million (Table 2.2), accounting for a five per cent cost over-run. The maximum cost over-run was nine per cent (Pulikeshi road improvements) and at the minimum, the cost over-run was 2.7 per cent (again another road project). We discuss later how Mysore compares with other cities in the special ₹100-crore programme regarding cost over-runs.
Evidence from three urban development programmes

Given that a competitive bidding and tendering process was used, the fact that tender amounts are higher than estimated costs means that even the lowest tender amounts were higher than the estimated costs. The estimated costs for the works (quoted in the action plan) are arrived at by using a standard schedule of rates, published by the state Public Works Department (PWD). Based on our discussions with the Mysore city corporation officials, we found that whenever works require excavation (as in the case of a pedestrian subway), or land acquisition, or felling of trees, there is uncertainty regarding the time frame and the budget.

Overall, on average, for both the road projects in Mysore completed under the special ₹100-crore programme, we found that the total time taken from submitting the action plan to the tender agreement was 75 days (or 2.5 months). For the combined road and drain project, this was much higher, being five months (158 days) and the actual completion of the work was also delayed by a month. According to the officials we talked to, the work could not be completed as agreed in the tender agreement period due to shifting of a pipe line. The time period from the submission of action plan to the tender agreement was the shortest (at 2.5 months) for the pedestrian walkway project. Interestingly, the work with the maximum cost over-run was the one with the minimum time delay, and completed 1.5 months ahead of schedule.

The city makes payment to the contractor only after a third party inspection certifies satisfactory completion of the work. We examined all third party inspection reports which provided detailed technical assessment (with engineering specifications).

We recommend that intermediate reports (including instances when the third party finds fault with the works completed) be made part of the documentation for every work so that the contractors’ quality of work can be tracked. Further, the current completion reports are comprehensive in the sense that they refer to the technical quality of all materials used. We recommend that the summary of an overall assessment consisting of norms, specifications, standards and whether they have been complied with, whether the outputs were delivered on time within the cost agreed upon, the reasons for delays, if any, and any action taken against undue delays, if applicable, be provided by the third party independent consultant. We did not find

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2 We found that all third party inspection reports certify satisfactory completion of the work, for the various components (iron, steel, cement, jelly and so forth). This sounded too good to be true, to us. Hence when we probed further into this, we found that there are certain intermediate steps in which when the third party finds some fault with the work or the quality of material used, they convey that informally to the city and the contractor who then rectifies the work and a final satisfactory completion report is issued.
such an overall assessment or summary check as a completion report for any project/work which we selected.

Further, we recommend that there should be a cost to the contractor for not completing works on time. For instance, as clause 2(d) of the state’s PWD code stipulates, these costs could take the form of a liability on the part of the contractor a penalty equal to some percentage of the estimated cost of the remaining work assessed according to the programme, for every day that the due quantity of work remains incomplete. Unless such clauses are made part of the agreement between the city and the contractor, there are no disincentives for non-performance or for delayed delivery of outputs.

**Budget Analysis of Heads of Expenditure**

Based on information from the contractors to whom the various works were outsourced, we examined expenditure on various heads by them. This is summarized in Table 2.3.³

We divided the expenditure on the project by the contractor into three parts: salaries and wages, materials, and equipment. On average, materials (or inputs such as cement or steel) constitute nearly two-thirds of expenditure on all projects, with the walkway project spending the most there (73.15 per cent). Typically, we find salaries and wages constitute slightly less than one-third of their expenditure on all projects, with capital equipment (such as tractors or other paraphernalia) accounting for only 4 percent of the total expenditure. It seems that the walkway project spent the least proportion (less than 20 per cent) on salaries and wages, and the most (73.15 per cent) on materials, given that pre-fabricated structures were used. On the other hand, all road projects spent about 30 per cent of their total expenditure on salaries and wages. On average, the non-road projects (including the combined road and drain project) spent even less on salaries and wages (27 per cent) than those on road projects, hence there is every reason to believe that these projects were executed in a cost-effective manner.

³These are not based on ledgers of account or audited financial statements with the contractors; these are based on approximate percentages provided to us by them. Hence it is possible to work backwards and arrive at expenditure figures. It might be relevant to note PAC’s ToR for the ERC reads as follows: “..conduct budget analysis of various heads of expenditure, including analysis of process of determining unit cost of various activities under a project...” This applies to all works under the MNY and the UIDSSMT, where contractors were involved.
Evidence from three urban development programmes

Table 2.3: Analysis of Various Heads of Expenditure, Selected Projects, Special ₹100-crore Programme, Mysore

<table>
<thead>
<tr>
<th>Sl No</th>
<th>Sector</th>
<th>Name of Work</th>
<th>Salaries and Wages</th>
<th>Materials</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>% of Expenditure</td>
<td>% of Expenditure</td>
</tr>
<tr>
<td>1</td>
<td>Road and Drain</td>
<td>Construction of drain and providing asphalting to Seetharama Rao Road in Ward No. 3</td>
<td>35.38</td>
<td>60.67</td>
</tr>
<tr>
<td>2</td>
<td>Road</td>
<td>Improvement of Road Arunodaya ITI College right side cross road from 11th to 13th cross at Jantha Nagar Ward No. 24</td>
<td>38.95</td>
<td>58.13</td>
</tr>
<tr>
<td>3</td>
<td>Walkway</td>
<td>Construction of pedestrian sub-way at Sayaji Rao Road – near BATA</td>
<td>19.25</td>
<td>73.15</td>
</tr>
<tr>
<td>4</td>
<td>Road</td>
<td>Improvements to Pulikeshi Main Road</td>
<td>27.63</td>
<td>72.26</td>
</tr>
<tr>
<td></td>
<td>Average, All projects</td>
<td></td>
<td>30.30</td>
<td>66.05</td>
</tr>
<tr>
<td></td>
<td>Average, Road projects</td>
<td></td>
<td>33.00</td>
<td>65.00</td>
</tr>
</tbody>
</table>

Unit Costs

When we discuss unit costs, a few conceptual differences between what we observe and what we need, are in order. What we observe in the city’s or service providers’ budgets is actual expenditure on the selected services, whereas what we are actually interested in, is the cost of providing them, as pointed out by Chernick and Reschovsky (2004). There are several reasons why we may expect it to be a methodological challenge to separate costs from expenditure. Expenditure could differ across local governments due to exogenous factors such as topography. The cost of providing water in elevated areas (such as Bangalore, which is 930 metres above sea level) would

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be higher than that they would be in low-lying areas (see Sridhar and Mathur (2009)).

Further, the relative dryness or wetness of an area (rainfall) is a determinant of expenditure on various urban services (especially water supply). Finally, the vector of relevant input prices a city is faced with also determines the cost of providing services (for instance, the cost of electricity to pump up water from a low-lying source, relative to the location of the city).

Thus actual spending (or expenditure) on a public service by a city could be due to a number of different reasons, of which cost is just one. The costs of providing public services are determined by the price of inputs, and exogenous factors such as topography which aggravate or reduce the costs of providing services, as highlighted above.

Actual spending on public services is determined by other factors, in addition to costs. Spending on local public goods is determined by their desired level, likely to be different for different income groups. See de Bartolome and Ross (2003), for an analytical framework that describes why this would be true. In general, this is also well-known from Tiebout (1956). Specifically, we expect willingness to pay for local public goods such as water to increase with income and/or education.

Further, some local governments that are more efficient spend less for every unit of the public service delivered, when compared to less efficient ones. The size of the local economy could be a factor in determining scale economies for certain services. Other factors determining the efficiency of service provision are the degree of privatization in service delivery. Typically, private provision of services is known to have cut costs in many Indian cities. This is because public recruitment of personnel is expensive, and there is no explicit performance appraisal, making public provision of services inefficient.

Naturally, a big methodological challenge is to separate that part of expenditure attributable to preferences, and that because of costs (this includes input prices, topography and inefficiencies). Technical considerations sometimes prevented us from comparing unit costs across projects within the same city and certainly across cities. Having noted these differences, we use the terms ‘cost’ and ‘expenditure’ interchangeably here.

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Findings

We solicited information from the cities regarding the physical targets (kilometres of road, or the length and width of the road or drain to be constructed) which were supposed to be achieved against each of the expenditures with the result that we were able to compute unit costs for most works. We do this with the understanding that unit costs might not be strictly comparable for all cities, given that the topography, soil and other conditions might differ. Within a city it might be appropriate to compare unit costs across works or projects, since we control for these other factors which can confound unit costs.

We found that financial closure was not attained in many projects under the ₹100-crore programme (as with the other programmes) with the result that the ULB was still expecting funds from the state government, and the contractor had completed the work using some part of his own funds. Hence we decided to use the tender cost (rather than the actual expenditure or the estimated cost from the action plan) to determine unit costs.

For the two road projects we studied in Mysore under the special ₹100-crore programme, the unit (tender) cost of constructing one square metre of road turned out to be ₹697 on average. We noted that the size of the two road projects varied greatly even on the basis of their action plans. One road project’s estimated cost was only ₹1.0 million (for improving 1,687 square metres of road) whereas the other one was ₹8.1 million (for making improvements to 10,400 square metres of road). However, there is no reason to believe that the unit costs would be different within the city (excepting technical specifications). In fact, we expected the unit cost in the larger project (for ₹8.1 million, improvements to Pulikeshi Road) to be lower, given scale economies. Interestingly, however, the larger project of the two (in terms of physical target), the improvements to a road (10,400 square metres) cost more than the average, being ₹785 per square metre, whereas the smaller road project involving improvements to a road (for 1,687 square metres of road in ward number 24) cost only ₹609 per square metre. This defies the assumption that scale economies exist in large projects. Incidentally we noted that the one with the higher unit cost (larger project) was also the project which was completed ahead of schedule. It is possible that such efficient projects have a cost premium. The cost-overrun (the difference between the tender cost and the original estimated cost in the action plan) was greater than eight per cent in this larger project, compared with only a three per cent over-run in the case of the other road project (which had a lower unit cost but was delayed by four months).
The above discussion regarding variations in unit costs should be read with caution because technical specifications of different projects/works might vary widely (with some having more foundation depth and so forth). Since we do not have detailed technical information regarding these projects, we are unable to remove their confounding effects on the costs.

Cost and Time Over-runs

We computed cost and time over-runs in the case of these four selected works (or projects). The cost over-run was calculated as the difference between the estimated cost in the action plan, and the approved tender cost. All the works had cost over-runs with the maximum cost overrun (of 8.9 per cent) being in a project of size of ₹8.1 million (the road project discussed above). The least cost over-run (of 2.7 per cent) was in a project of ₹1.0 million value (again a road project). The average cost over-run over all projects was five per cent. There was no difference between the cost over-run of a combined road and drain project (which was four per cent) and a walkway (3.9 per cent).

We examined time over-runs by studying the difference between the due date for completion of work and the actual date of completion, based on the tender agreement. Of the four works we selected, one (the pedestrian walkway project 3, Table 2.2) was completed on time and one was completed ahead of time (a road project – project 4, see Table 2.2). The project with the maximum time over-run was a road work which was supposed to be completed in April 2009 but which was completed only in August that year. The delay was due to pipe line work which was in progress and had to be resumed and completed after the completion of the pipe line work. Interestingly, we found the delay (by a month) in the other project (the first project in Table 2.2, which is a combined road and drain project) was also due to shifting of

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8 Generally, cost overrun is worked out with reference to project cost (as per Detailed Project Report or the final bid price) and the actual cost. Cost overrun normally follows time overrun and consequent escalation in costs due to delays in implementation. There could also be cost over-runs due to revision of Schedule of Rates (SR). In the case of the UIDSSMT in the following chapter, we also observed cost over-runs due to lack of adherence to mandatory reforms, which does not apply in this case. Further, in a study of this nature, when the ToR is given, it is assumed that they can be addressed subject to the availability of certain data. Until we got to the field, we did not know that many projects had not attained financial closure, and contractors were not paid their final installments, with the result that we were not able to get data on final expenditures, hence we could not define the cost over-run to be the difference between the estimated cost and actual cost.
Evidence from three urban development programmes

a pipe line. This is consistent with evidence presented by Singh (2010) who examines causes of time and cost over-runs in 894 infrastructure projects in 17 different sectors (most of which were publicly funded and managed projects, with only a few road projects being PPPs) in the country, and finds that road projects were most likely delayed due to problems with land/property acquisition, shifting of power lines, water lines, sewer lines, and approval of underpasses.

Based on our discussions with the Mysore city corporation officials, there were some instances when the action plans had to be resubmitted due to technical considerations (as it happened in the case of a ₹ 70 million project) (not chosen by us since it was not completed). While the guidelines for the programme mention that priority should be given for drinking water projects, the ones we chose ended up being road works, since they are more likely to be completed sooner, when compared with water works.

We computed cost over-runs for all cities in the special ₹ 100-crore programme, to observe how Mysore compares with the other cities. Table 2.4 summarizes this.

Table 2.4: Cost Over-runs, All City Corporations, Special ₹100-crore Programme

<table>
<thead>
<tr>
<th>City Corporation</th>
<th>Cost Over-runs*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mysore</td>
<td>-0.24%</td>
</tr>
<tr>
<td>Mangalore</td>
<td>-3.77%</td>
</tr>
<tr>
<td>Hubli-Dharwad</td>
<td>3.68%</td>
</tr>
<tr>
<td>Bellary</td>
<td>5.23%</td>
</tr>
<tr>
<td>Gulbarga</td>
<td>-4.21%</td>
</tr>
<tr>
<td>Belgaum</td>
<td>-0.70%</td>
</tr>
<tr>
<td>Davanagere</td>
<td>1.00%</td>
</tr>
<tr>
<td>Average, all cities</td>
<td>0.14%</td>
</tr>
</tbody>
</table>

Source: Directorate of Municipal Administration and Authors’ Computations.

* Cost over-runs are computed as the difference between the estimated cost of a project, based on the approved Action Plan and the approved tender amount. The cost over-runs have been computed only for those projects for which data were complete, as of February 2011.

Based on Table 2.4, the city with the maximum cost over-run is Bellary, and the city the with the minimum cost over-run is Gulbarga. In Mysore, it does seem that our sample gave an overestimate of the cost over-run for projects in the city, since, overall, taking all projects into account, there is no cost over-run. In fact, the approved tender amounts in Mysore were lower than the estimated cost, as approved in the action plan. Table 2.4 summarizes that, on average, there is a positive cost over-run of 0.14 per cent, taking all seven cities into account. However, it should be remembered that our objective was not to choose a representative sample, but to choose a sample of projects based on our judgment, for purposes of in-depth study.

Limitations of the Monitoring Process

While the GoK guidelines specify that the Bruhat Bengaluru Mahanagara Palike (BBMP) should identify/nominate a consultant for third party inspection of completed works, we found that the cities use their own system and bidding process to identify the third party consultant to evaluate the completed works. We found that this was a problem with the guidelines themselves which we confirmed after discussions with the state’s urban development department which drafted these guidelines. Since BBMP is itself an implementing agency, there is no reason why the other cities should be content with a consultant identified or nominated by the BBMP to evaluate their works, when in fact some cities may have more qualified and competent personnel to assess the completed works. Hence the GoK’s guidelines with respect to the third party consultant for the special ₹100-crore programme need to be amended appropriately. We recommend that the urban development department develop a pool/panel of experts as evaluators of programmes for every division in the state so that they may be called upon to evaluate programmes of the urban development department in their respective divisions.

We also noted the guidelines specify that the funds from the special ₹100-crore programme should be used only for ‘large-scale’ projects. However, we found, based on our field visits, that what is considered as ‘large-scale’ is really discretionary, since we found projects of a few lakhs and of several crores in the same category.

Study of Agreements

Further, we examined the agreements between the Mysore city corporation and the various contractors for executing the selected works. We noted that some (the higher value contracts) are in English and the others (lower value contracts) are in the local language, Kannada. Having said this, we noted that the ones in Kannada were much more complete than the English ones. The agreements in Kannada specify a time
Evidence from three urban development programmes

frame (e.g., a month) within which the work has to be completed, in a satisfactory manner. It also defines the roles and responsibilities of the contractor in a better manner (e.g., supply of inputs, maintenance of accounts) than the English version does. The English version of the contract for the larger projects require a large number of other documents (e.g., tender calls and notices, work orders and so forth) to be read in tandem with the agreement, hence much more cumbersome to understand. We have included a detailed analysis of the three agreements (a table for each) we obtained in Appendix 1A.

However, both kinds of agreements (for the smaller works and larger projects) contain the specification of the output expected (such as construction of drain and providing asphalting to Seetharama Rao road in Ward No. 3). However, the dimensions of the expected output (such as kilometres of road or drain) are not mentioned directly in this contract. In the bigger contracts, these parameters are usually mentioned in the list of documents which are deemed to be part of the agreement (letter of acceptance, notice to proceed with the works, contractor’s tender, contract data, specification of output, drawings, bills of quantities and other documents listed in the contract data as forming part of the contract). We found both kinds of contracts also mention the estimated cost (approved cost, actual tender cost, and expenditure to date) of the work to be completed. Appendix 1A contains three tables which highlight the parameters which we are interested in (time frame, output, cost and other specifications), which analyze whether the parameters were present either in the agreement or in other related documents deemed to be part of the agreement, for the three works for which we were able to obtain an agreement and other documents.

Further, while we found that tenders for all projects were floated and a competitive bidding process was followed, it so happened that most of the contractors who were awarded the works had been associated with the city for a long period of time. It is plausible to believe that since there were also a number of pre-bid qualification criteria with which the older contractors are familiar with, the same contractors would be able to bid successfully. One suggestion we have is to make the tendering process friendly to new and fresh incumbents, since that may have cost implications, as we explain later.

Personnel and Training

We also obtained information from the Mysore city corporation regarding personnel whose services were being used exclusively for implementation of the ₹ 100-crore
Changing the Urban Face of Karnataka

programme. The Mysore city corporation nearly has 1,500 employees on its rolls. Out of these, only three technical personnel (engineers) are full-time, and roughly 25 per cent time of 43 technical personnel (who are also involved with the JNNURM and other projects) and 25 per cent each of 10 non-technical personnel (accounts, audit, health, secretarial/clerical and related skills) are involved with the implementation of the ₹100-crore programme. Based on our discussions with the concerned officials, there is no shortage of personnel to implement the programme.

We also questioned the city regarding what kind of training (e.g., training in ICT, planning, engineering drawing, and so forth) has been received by any of the personnel involved in the last few years, and if yes, whether it has been helpful. No kind of training has been received by any personnel over the last several years. Based on our understanding of their skills, training in e-auctions and conducting it online would be helpful for better implementation of similar programmes in the future.

Chief Minister's Small and Medium Towns Development Programme (CMSMTDP)

Karnataka is the fourth most urbanized state in the country with 34 per cent of its population urbanized, and 52.73 million in its urban areas. This urbanization has left a number of infrastructure gaps which need to be filled. Realizing the need for filling these infrastructural gaps in the small and medium towns of the state, the state government felt the need to improve the state of municipal services in such towns. Thus while the special ₹100-crore package programme targets the seven large municipal corporations, the CMSMTDP targets the smaller and medium towns in the state.

Consistent with this, in the budget for 2009-10, the Government of Karnataka gave its approval for implementation of the CMSMTDP in all 211 ULBs of the state with a total cost of ₹14.11 billion and it was decided to draw funds from the urban development department budget grants (SFC grants of ₹3.50 billion out of which ₹1.50 billion was to be released during 2009-10), additional grants through the state budget (₹3.50 billion out of which ₹1.50 billion was to be released during 2009-10) and loans borrowed through the Karnataka Urban Infrastructure Development Finance Corporation (KUIDFC) (₹7 billion out of which ₹3 billion was to be released during 2009-10).

Programme Guidelines

Following are the guidelines of the CMSMTDP programme:

1. The programme funds were to be utilized for implementing City Development Plans (CDPs). The government order notes that of the 215 ULBs, 199 have CDPs ready or nearing finalization.
2. Works relating to core urban services such as water supply, sewerage, storm water drainage, roads, footpaths, side-drains, street lights, solid waste and slum upgradation shall be taken for implementation.

3. Taking into account the local needs and priorities, the towns should prepare an action plan. The draft action plans for all towns should be placed before the deputy commissioner of the district for approval by the minister-in-charge of the district. The deputy commissioner of the district is held responsible for preparation of a consolidated action plan for all towns in the district.

4. The selection and prioritization of works would be as follows: water supply, sewerage, urban drainage, solid waste management, roads, footpaths and side-drains, slum upgradation, and street lighting followed by other infrastructure works.

5. A minimum of 20 per cent of the budget would have to be spent for slum upgradation and the urban poor.

6. The sectoral requirement should be addressed in a comprehensive manner and should not be split.

Figure 2.5: Process of Fund Flows and Reporting Requirements in CMSMTDP
7. The work shall be implemented in accordance with the approved action plan through ULBs or other approved agencies, according to rules mentioned in the KTPP Act.

We have had several discussions with officials at the Directorate of Municipal Administration which is the nodal agency for implementing this programme and the flow of funds in this programme is as follows: The state’s finance department will allocate the requisite funds to the urban development department (UDD) for programme implementation. Funds released will be transferred from the UDD to the deputy commissioners who are held responsible for the successful implementation of the scheme and submission of utilization certificates and completion reports. The system of third party inspection is to be strictly followed by all implementing agencies.

Figure 2.5 summarizes the process of flow of funds and reporting requirements at the different levels of administration for the CMSMTDP programme. The figure summarizes diagrammatically what has been described. Many components are quite similar to the special ₹100-crore programme. The final implementing agencies are the contractors at the end of the value chain. There is a third party monitoring agency which independently evaluates the contractor’s work and submits a completion report.

<table>
<thead>
<tr>
<th>Table 2.5: Allocation of Funds to Towns in CMSMTDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>District head quarters having CMCs</td>
</tr>
<tr>
<td>ULBs in Taluka Head quarters/Non District head quarter CMCs</td>
</tr>
<tr>
<td>ULBs in small towns</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Progress of the CMSMTDP in All Towns of Karnataka**

Table 2.5 summarizes the allocation of funds to towns of various sizes in the state, under the CMSMTDP.

Figure 2.6 shows that a majority (44%) of funds in the CMSMTDP, is spent on roads and drains, followed by ‘others’ similar to what we find in the special ₹100-crore programme.
Evidence from three urban development programmes

In addition, we also obtained from the DMA data which enabled us to examine sector-wise allocation of funds in the selected cities of our study. Figures 2.7-2.11 summarize the sectoral allocation of funds in the five selected cities – Kollegal, Siddapura, Mulki, Bhalki, and Chitradurga.

Figures 2.7 to 2.11 also show that in nearly all our selected cities – Kollegal, Siddapura, Bhalki, and Chitradurga – 50 per cent or more of the CMSMTDP funds

Figure 2.6: Sectorwise Allocation of Funds under the CMSMTDP, All Towns in the State

Figure 2.7: Sectorwise Allocation of Funds under the CMSMTDP, Kollegal
were spent on roads, with the other major proportions going towards water supply or slum development. Mulki was an exception in that a majority of CMSMTDP funds there were used for water supply, followed by that on roads and slum development, similar to the other cities. This shows that the need of the hour in most cities is to improve roads and mobility.

Figure 2.8: Sectorwise Allocation of Funds under the CMSMTDP, Siddapura

Figure 2.9: Sectorwise Allocation of Funds under the CMSMTDP, Mulki
Budget Analysis of Various Heads of Expenditure

Since all the ULBs outsource the works to contractors, we could obtain a disaggregated analysis of the budgets only from the contractors who implement the work and, that also only from those we were able to contact. Based on our analysis (see Table 2.6),
Changing the Urban Face of Karnataka

on average, taking into all projects under the CMSMTDP, more than half (58 per cent) of the expenditure was on material (such as steel, petroleum, iron, jelly, stones and so forth).

More than one-fifth of the expenditure (21 per cent) was on equipment such as mixers and tractors. Less than one-fifth (18 per cent) of contractors' total expenditure on the project was on salaries. This means that the contractors squeeze their resources to execute their project, similar to what we found in the special ₹100 crore component of the MNY. The maximum proportion of expenditure spent on salaries was 35 per cent in a work in Siddapura. There was no cost over-run in this project, which means that projects were being implemented in the predetermined way (as proposed in the action plan). The works are also outsourced by cities in a competitive manner, by calling for tenders. Also, everywhere, we checked with the contractors individually (without the city officials being present) whether they had to pay a bribe to get the project. The response was in the negative.

Unit Costs

We were interested in examining what projects are more cost-effective within the CMSMTDP, keeping in mind that topographical constraints and technical considerations play an important role there when comparing these costs across cities. In general, we found road projects to be less expensive when compared with other projects such as those in solid waste management, with the unit (tender) cost of a road project (per square metre of road completed) being only ₹619 when compared with ₹57,463 per unit of the work when all projects (street lights and solid waste management) are taken into account. However, in terms of unit cost, the least cost project was not a road project (at ₹190 per unit for constructing an engineering land fill site in a compost yard, Siddapura). The least cost road project in terms of unit cost was a Kollegal road improvement project at ₹223 (see Table 2.5). While the maximum road project cost only ₹1,640 per square metre of road improved or built, the maximum ‘other’ category project cost ₹460,000 per kilometre of shifting and erection of electrical poles in Siddapura.

We also compared the CMSMTDP unit costs with those under the special ₹100-crore package programme. While the average unit cost of the road projects in the special ₹100-crore programme is ₹697 per square metre, the unit cost of the road projects under the CMSMTDP is only ₹619 per square metre of road constructed. It should also be remembered that the average unit cost for CMSMTDP road projects is based on nearly 15 works completed in the various cities chosen for this study,
Table 2.6: Budget Analysis of Various Heads of Expenditure, CMSMTDP

<table>
<thead>
<tr>
<th>Town</th>
<th>Work completed</th>
<th>% Expenditure on Labour</th>
<th>% Expenditure on Materials</th>
<th>% Expenditure on Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Siddapura</td>
<td>Construction of compound wall at Western side of compost yard in Hosur village Sy.No-205</td>
<td>35</td>
<td>55</td>
<td>10</td>
</tr>
<tr>
<td>Siddapura</td>
<td>Construction of Steel Grills container for collection of plastics in compost yard</td>
<td>20</td>
<td>70</td>
<td>10</td>
</tr>
<tr>
<td>Siddapura</td>
<td>Construction of Compost Pit for collection of Bio-medical wastes in compost yard</td>
<td>10</td>
<td>25</td>
<td>65</td>
</tr>
<tr>
<td>Siddapura</td>
<td>Construction of Engineering land fill site in compost yard</td>
<td>10</td>
<td>25</td>
<td>65</td>
</tr>
<tr>
<td>Mulki</td>
<td>Improvement of road from Chitrap Kalsanka to Gajani</td>
<td>15</td>
<td>60</td>
<td>25</td>
</tr>
<tr>
<td>Bhalki</td>
<td>Improvements and asphalting to road from (1) Balaji Temple to Baswehshwar Chowk and (2) Dr. Ambedkar Chowk to Base in Bhalki Town.</td>
<td>20</td>
<td>60</td>
<td>20</td>
</tr>
<tr>
<td>Bhalki</td>
<td>Improvements and asphalting to road from Subash Chowk to Railway Station in Bhalki Town.</td>
<td>20</td>
<td>60</td>
<td>20</td>
</tr>
<tr>
<td>Bhalki</td>
<td>Improvements to road from Seventh Day School to Railway Gate in Bhalki Town.</td>
<td>20</td>
<td>60</td>
<td>20</td>
</tr>
<tr>
<td>Bhalki</td>
<td>Improvements to road from Math Mallikarjun House to Saidapurwadi Cross in Bhalki Town.</td>
<td>20</td>
<td>60</td>
<td>20</td>
</tr>
<tr>
<td>Kollegal</td>
<td>Granular base for Rajiveenagar 1st cross road</td>
<td>19</td>
<td>68</td>
<td>4</td>
</tr>
<tr>
<td>Kollegal</td>
<td>Construction of drain at right side of Rajiveenagar 1st cross road</td>
<td>24</td>
<td>59</td>
<td>9.5</td>
</tr>
<tr>
<td>Kollegal</td>
<td>Construction of drain at left side of Rajiveenagar 1st cross road</td>
<td>24</td>
<td>58</td>
<td>9.5</td>
</tr>
</tbody>
</table>
whereas the unit costs for the ₹100 crore programme are based on two road works completed in Mysore. However, it should be mentioned that even in the CMSMTDP (as with the ₹100 crore programme), financial closure was not attained in many projects with the result that the local government was still expecting funds from the state government, and the contractor had completed the work using some part of his own funds. Hence we decided to use the tender cost (rather than the actual expenditure or the estimated cost from the action plan to determine unit costs).

We chose four cities to study works completed under the CMSMTDP – Siddapura, Mulki, Bhalki, Chitradurga and Kollegal. In Siddapura, we chose 12 completed works (covering roads, drains, solid waste management and street lighting) packaged into five different contracts. In Mulki, we chose four completed works comprising two in roads and two drain projects, packaged in two contracts. In Chitradurga, we chose four completed works (covering roads, drains and street lights). In Bhalki, four completed works (all in roads) were chosen. In Kollegal, we chose six completed works covering roads and drains.

In our analysis of unit costs, we looked at works completed sector-wise. First, we take the instance of roads. Even here, as in the earlier cases, we choose the approved tender cost as our estimate since, if projects have not attained financial closure, the actual expenditure to date will be misleading as a measure of costs. Overall, the unit cost to build a square metre of road under the CMSMTDP (taking into account all cities) is roughly ₹619. Table 2.7 summarizes the variations across the various cities in terms of unit cost for completed road works along with various summary statistics.

Keeping in mind that unit costs are determined by a number of considerations including topography (and not just by efficiency), we find that as far as roadworks are concerned, in terms of average unit cost, Chitradurga is the highest (at ₹1,275 per
Evidence from three urban development programmes

The road project involved upgradation of 880 square metres of road and a culvert. The lowest unit cost summarized in Table 2.7 is in Kollegal (₹223.31 per square metre of road), where the work involved improvement of 4,480 square metres of road. Thus, here, economies of scale seem to have an effect on reducing the unit cost, whereas we found that in the case of the special ₹100-crore programme, scale economies did not have an impact in reducing the unit cost.

Overall, between the special ₹100-crore programme and the CMSMTDP, we found that the special ₹100-crore programme costs more per unit (₹697 per square metre) of roads than the CMSMTDP. We are not making attempts to explain these variations here. It could well be the case that topographical constraints make it more difficult to implement certain projects more than others.

**Programme Implementation**

When the cities outsource the work of various projects, they announce a call for tenders in a state level newspaper and the district’s tender bulletin. Sometimes these are done online, although in Kollegal the city officials did not have the requisite skills to evaluate them online. This is an area where we found capacity-building of city personnel would help them to implement works in a cost-effective manner. Pre-bid qualification criteria are applicable to projects/works of value greater than ₹5 million (none in Kollegal). There are several classes of contractors – class A contractors as defined by the state’s Public Works Department are engineering graduates with experience (who can get upto ₹1.0 million bank guarantee), class B contractors are fresh engineering graduates (who are eligible to get upto ₹500,000 bank guarantee); class ‘C’ contractors are diploma holders (who can get upto ₹200,000 as guarantee) and class ‘D’ contractors are those

### Table 2.7: Unit Costs of Road Projects under CMSMTDP

<table>
<thead>
<tr>
<th>Town</th>
<th>Average unit cost (in ₹) per sq. mtr.</th>
<th>Minimum unit cost (in ₹) per sq. mtr. of road</th>
<th>Minimum unit cost (in ₹) per sq mtr. of road</th>
<th>Number of completed road works selected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Siddapura</td>
<td>563.19</td>
<td>774.32</td>
<td>360.42</td>
<td>3</td>
</tr>
<tr>
<td>Mulki</td>
<td>270.67</td>
<td>270.67</td>
<td>270.67</td>
<td>1</td>
</tr>
<tr>
<td>Chitradurga</td>
<td>1,275.41</td>
<td>1,640.83</td>
<td>909.99</td>
<td>1</td>
</tr>
<tr>
<td>Bhalki</td>
<td>608.11</td>
<td>779.63</td>
<td>462.34</td>
<td>4</td>
</tr>
<tr>
<td>Kollegal</td>
<td>430.03</td>
<td>606.06</td>
<td>223.21</td>
<td>4</td>
</tr>
<tr>
<td>Average, all</td>
<td>629.48</td>
<td>950.21</td>
<td>445.33</td>
<td>13</td>
</tr>
</tbody>
</table>

square metre of road and a culvert).
with no formal education (who can get up to ₹100,000 bank guarantee), but with proven experience. While all these types of contractors are eligible for implementing works less than ₹200,000, only first class contractors (meaning class A contractors) in the case of most of the cities are involved in implementation of works.

We observed one interesting aspect of the tendering process which has an impact on the cost-effectiveness of projects/works. The physical quantities to be delivered (for instance a certain length and width of a road) and the schedule of rates for various items (required for work completion) are provided to the contractors. This is an interesting contrast to the centrally-sponsored scheme, Urban Infrastructure Scheme for Small and Medium Towns (UIDSSMT) in which the Karnataka Urban Water Supply and Sewerage Board (KUWSDB) discloses only the physical quantities, but not the financial rates to the contractors. Hence, the KUWSDB has been able to get some contracts at very low rates (where a young contractor wanted to undercut himself and had quoted a rate about 8-9 per cent lower than the estimated costs of the project). Of course, the project was awarded to him. While most contractors are aware of the standard PWD schedule of rates, the estimated costs of works do increase due to various external factors such as global commodity or input price increases. Thus it is possible that young contractors who wish to build an initial reputation for themselves would be able to implement projects more cost-effectively than other existing large-scale contractors. Hence, we suggest that as in the case of the centrally-sponsored schemes, ULBs divulge only the physical quantities to be delivered to observe the impact on costs. This process, as discussed earlier, is also friendlier to newer and younger incumbents to the profession.

We found that in most of the cities where we visited, while works/projects had attained physical closure, they had not attained financial closure. This was because the funds necessary for payment to contractors were not released by the cities. For instance, in Kollegal, the SMTDP funds (₹30 million) were scheduled to be released in three instalments, thus far, slightly more than half (only ₹16.6 million) out of the ₹30 million had been released. Another example is Siddapura TP where, in a total of two instalments, ₹32 million had been released, but ₹9 million was remaining with the DMA. All works were however physically completed. In most cities, this essentially resulted in a situation where the contractors finished the projects/works physically with their own funds, until such time the funds arrived from the state government.

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10 We were given to understand that the PWD schedule of rates for civil works (such as roads and drains) was revised every year, whereas the schedule of rates for water supply was revised once every three years.
Personnel

Under the CMSMTDP, ULBs have to inform the DMA online the progress regarding various works once a week (usually Monday). The physical inspection of ongoing projects and their implementation in all cities where we visited is done by assistant executive engineers from the urban local bodies. In most of the cities, there is only one engineer (or diploma holder) who oversees the work. But he has other jobs as well (work of the State Finance Commission (SFC) projects and so forth). There is help available from the District Urban Development Centre (DUDC) with respect to work inspection. In the smaller cities, usually there is only one accountant, one data entry operator (which was outsourced in the case of Kollegal since the municipality did not have the skills in-house) and another person to do the odd jobs such as printing, photocopying, and errand-running. In the case of Siddapura, there was one accountant who had been trained to do the double entry system of accrual accounting (required as a mandatory reform under the UIDSSMT) but who had resigned, hence they were hard-pressed to find another accountant with similar skills, or had to recruit another and train him/her.

Hence, we find the smaller cities are severely starved of personnel in the form of engineers, data entry operators and case workers. In some cities computer training with a focus on online tendering and other software would certainly help which could enable e-tendering to take off. Further, where there are no engineers (but only diploma holders), cities would benefit with training to design drawings and structures, especially for major works.

But despite the personnel and resource limitations the city had, it was admirable that the smaller cities had completed most of their mandatory reforms required as part of the UIDSSMT.

For building roads, the Indian Road Congress norms are followed. Broadly, single lanes with have to have a width of 3.75 metres, intermediate lanes 5.5 metres and double lane roads, 7.5 metres.

Contracts and Work Orders

We examined not only agreements between cities and the contractors, but also work orders. While the agreement lays down the conditions of the contractor to the ULB, the work order, which is set by the procuring entity (in this case, the ULB) to the contractor is also important. We found that the contract and work orders both specify the parameters we are interested in – output, time frame, and costs. Appendix 1B, 1C and 1D contain systematic analyses of contracts (wherever we obtained them)
respectively, for Kollegal, Bhalki and Siddapura.

While some clauses in the work order might seem detrimental from a contractor’s perspective, from a cost-effectiveness point of view, they favour the government. For instance, work orders obtained from Siddapura stipulate that all damages up to a time period of two years from receiving the final bill on the contractor’s behalf would be handled at his own expense. Further, in case of any delay, discretion lies with the city engineer to cancel the contract and terminate proceedings. Again, all damages relating to electric cables, telephone lines, pipelines or any other public property would be fixed at the contractor’s expense. We also found some evidence of quality parameters. The relevant parts in a contract awarded by Siddapura reads, “... the quality of the materials would be of the certified breed. All certificates pertaining to the quality of the materials used would be in possession and would be submitted to the party required of so.” Also, as a quality check on the work of the contractor, the “... use of (m)achinery in the process of mixing of concrete, use of vibrators, and steel centralizers, is a mandate.” Further, quality checks present in the work orders mandate that the “... use of iron should be preceded by suitable measurement checks, and approval. Written submission needs to be made, before the use of concrete.”

However, we found the conspicuous absence of any reference to, or the approach to be taken in the event of, disputes in the agreement.

Monitoring

There is a third party inspection done by agencies identified by the city and approved by the district commissioner at every stage of the work completed. Field supervision is conducted in the form of three or four field visits by the city engineer daily.

We rarely identified any time over-runs with works completed under the CMSMTDP. Cities where we identified time over-runs were Siddapura (where there was an average time delay of about 38 days) and Mulki (where the average time overrun was nearly 110 days). In Bhalki and Kollegal, all projects (at least the ones we ended up selecting) were completed ahead of schedule. In Chitradurga, we did not have information on the scheduled date of completion of the works, only the actual dates of completion, hence we were not in a position to compute time delays. In Siddapura, the time delays were attributed to land clearing in the forest areas; the DUDC was aware of this problem. In other cases, the timely delivery of critical raw materials for roads such as sand, stones and steel from quarries was a problem. In the case of stones (or jelly), the city had to facilitate with the DC and the district-in-charge minister.
The guidelines of the programme mention that in the event of cost over-runs they have to be financed by the ULBs. In reality, these over-runs are financed by the ULBs from untied grants of the state finance commission. In several cases, cost over-runs were not completely paid for by the state finance commission.

The DUDC is usually not a problem in the flow of funds. When the funds arrive from the state government to the DUDC, they are automatically transferred to the ULB’s account. While the work order states that in the event of a time delay in completion, the tender would be cancelled, we did not find any actual instances of tenders or work orders being cancelled.

Cost and Time Over-runs

We had enough information to determine the extent of cost over-runs in the various projects/works which we selected. Overall, when we compared the estimated cost of a project from the action plan with that of the approved tender cost, on average, we found a cost over-run of 2.5 per cent when we examined works completed in all sectors, less than what we found in the special ₹100-crore programme (where the time over-run was five per cent, in the case of all projects, and six per cent in the case of road projects). There were indeed works in which the tender costs were lower than the estimated project cost (by about 5.9 per cent) approved as part of the action plan (which was a road work in Bhalki). The maximum cost over-run was 8.9 per cent in a Siddapura road project. Interestingly, this was a project with a 10 per cent time over-run. We discussed this with the relevant city officials and, given that this is an asphalting project, was informed that petroleum is the core input. Since petroleum prices have been continuously rising in line with the global trends, the tender cost was higher than the estimated cost in the action plan. We noted that the action plans for these projects were submitted in July 2010, but were approved only in October. Once the action plan is approved, the city calls for tenders, contractors respond, and the responses have to be assessed by the city before making a final decision after negotiations. The work starts only after the finalization of the negotiation, choice of the contractor and an agreement in place. Hence these time delays in processes explain cost over-runs.

When we examine time over-runs (we calculated this as the difference – in days – between the due date of completion of work stated in the agreement or the work order and the actual date of its completion as certified by the city engineer), on average, taking into account all projects, there is a 91 per cent time over-run. The maximum time delay of 600 per cent occurred in Mulki in the case of two road
Changing the Urban Face of Karnataka

projects, where both the projects were delayed by nearly six months. We talked to the relevant officials and found that incessant rains, rituals and processions related to a temple (which had to pass by those roads), and land acquisition problems for which the public raised objections, were responsible for these delays. However, there were a number of projects which were completed ahead of schedule. There were a couple of road projects in Bhalki which were completed a month earlier than their expected completion date.

**Impact of Programmes on Stakeholders and the Community**

Wherever we discussed with officials and other stakeholders (e.g., users of the roads and residents of roads nearer to the drains), we were assured that the works were completed in a timely manner, that it did not cause much inconvenience and that they were beneficial to the various stakeholders. It is an interesting finding that not even in one case of work completed did we hear a viewpoint that the project or work was not useful.

However, the choice of projects themselves for inclusion in the action plans was guided by no explicit criteria, but by considerations of political economy. For instance, in Kollegal, we found that certain roads which were chosen for implementation led directly to the house of a politically important person such as a member of legislative assembly or member of legislative council. It also did appear that even if improvements to existing roads had been extended, the commuters would have been happier, as in some cases it seemed arbitrary to end the work in the middle of the road. Further, we noted that during our field visits, many roadworks had been completed for at least three or four months, and they were in good condition despite some heavy rains.

In the case of drain works, given that in some cases drains had been used as dumping sites for solid waste (in Siddapura), we found that they had a positive effect on the community in the sense of reducing the odour and improving the ambience of the neighbourhood (in Kollegal and Siddapura) (see Appendix 2 for some pictures). In the case of street lighting works (Siddapura), we spoke to some businessmen (shopkeepers) in the area and found that the street lighting had helped him to keep the shops open longer and they felt safe.

**Summary of Findings and Policy Recommendations**

We also found, based on our study, that cities have implemented infrastructure projects with great interest and enthusiasm, since they are eventually locally-owned and used. We found these projects have had a positive impact on the community, facilitated the mobility of residents and have improved the ambience of the
neighbourhood (Appendix 2 contains some pictures). Given that the MNY consists of two components, the special ₹100-crore programme (for the seven city corporations) and the Chief Minister’s Small and Medium Towns Development Programme, the end of the sections on each of these components contains a summary of findings with respect to those respective programmes.

Below is a summary of our primary findings and policy recommendations with respect to the MNY as a whole. The summary is divided into the various steps and processes involved in chronological order: planning and allocation, project approval, contracts and MoUs, project implementation and supervision, consisting of cost and time over-runs, monitoring outcomes where we talk about quality, feedback (third party assessment) and payment to contractors (financial closure).

**Planning and Allocation**

**Finding**

We find that while the `100 crore programme mandates that the funds be used for ‘large-scale’ projects only; what is considered as ‘large-scale’ is really discretionary and varies from a few lakhs to several crore.

**Policy recommendation**

It is better if the UDD guidelines were to be made more specific as to what is meant by ‘large-scale’ so that the ULBs have some specific directions as to what projects to choose and what not to choose for funding under this programme.

**Finding**

The action plans are formulated by a drafting committee consisting of local, district and state-level officials. While there is representation of officials from all levels (ULB, district and state) in the committee, we found that considerations of political economy rule in the final choice and approval of projects. Currently, it appears that the projects are chosen on an ad hoc or arbitrary basis.

**Policy recommendation**

One way to reduce unwarranted influences on the choice of projects is to have a city-wide plan. We recommend that the final projects which find place in the action plan need to reflect local priorities and preferences and be made part of an integrated city development plan, or part of a larger vision for the city. Further, action plans should take into account global exigencies such as increases in petroleum prices which impact the price of critical inputs such as petroleum...
products required for asphalting, and contain provisions for cost-escalation as long as contractors can provide evidence relating to this.

Finding

We found, in the case of most selected cities, that from the time of submission of the action plan by the ULB and its approval by the state government, it took only two weeks; in the case of some other cities (such as Siddapura), the approval took nearly three months. This can delay the implementation of the works substantially. We also found instances of road-digging for telecom, water or electricity lines in several cases.

Policy recommendation

We recommend that the time from submission of the action plan by the ULB and its approval by the state government be reduced. Further, inter-departmental coordination (land acquisition, the laying of water, sewer and electrical lines) needs to be much better to promote sequential planning.

These two recommendations ensure that time delays can be reduced in project implementation. In this respect, we note that the Government of India is likely to announce a relief and rehabilitation programme for land acquisition soon, taking into account the needs of the roads sector.11

Finding

We found that agencies such as the KUWSDB (in the case of UIDSSMT water supply projects) divulge only the physical outputs to be completed by contractors in their call for tenders, whereas several cities under the MNY divulge both the financial estimates and physical outputs to be delivered.

Policy recommendation

To increase the cost-effectiveness of projects, we recommend that only physical quantities of the outputs could be specified to the contractors, without divulging the financial estimates involved. This could lead to more competition among contractors where younger and newer contractors could implement projects/works more cost-effectively.

Project Approval and Contracts (MoUs)

Finding

Under the CMSMTDP, only in a few cities, we found that quality dimensions were mentioned in the contract. In large projects, we found that these parameters are mentioned only in attached documents deemed to be part of the agreement, not in the agreement itself. We also found that there are no arrangements to facilitate dispute resolution in any of the agreements we studied (Appendices A and B respectively present an analysis of contracts in the special ₹100 crore programme and the CMSMTDP).

Policy recommendation

We recommend that the agreements be complete in all respects – mentioning the output, timeframe, cost, and quality. Hence we recommend that agreements be made complete by themselves (with inclusion of all parameters mentioned above) rather than having evaluators to refer to other documents which might be deemed to be part of the agreement.

Implementation and Supervision: Cost and Time Overruns

Finding

In terms of personnel, large cities such as Mysore are able to easily implement programmes without much pressure. However, smaller cities face a number of personnel and skill constraints.

Policy recommendation

We recommend that the smaller cities be equipped with more resources to enable them to recruit more personnel. Further, in the case of the smaller cities, capacity-building in the form of training in the use of ICT would be especially useful for e-tendering of auctions both in the interests of transparency and cost-effectiveness.

Finding

While we find cost and time over-runs in the case of many projects, in the case of road projects, the cost and time over-runs are higher, being respectively six per cent and 100 per cent (or about 39 days) respectively. This is consistent with what other studies have found with infrastructure projects nationally. Further, understanding the limitations with unit costs, road projects completed under the CMSMTDP are much more cost-effective than those completed under the ₹100-crore programme. Overall, the unit cost to build a square metre of road under the CMSMTDP (taking
into account all cities) is roughly ₹619, whereas it is ₹697 in the case of the special ₹100-crore programme. This is taking into account the caveat that topography and technical considerations might be different across projects/cities. Overall, when we compared the estimated cost of a project from the action plan with that of the approved tender cost, on average, we found a cost over-run of only 2.5 per cent in the CMSMTDP when we examined works completed in all sectors, less than what we found in the special ₹100-crore programme (where the time over-run was five per cent (all projects) and six per cent in the case of road projects). We also found that in the case of several projects which had time over-runs, no penalties were imposed on the contractors.

**Policy recommendation**

We recommend that such fines be imposed on projects with time overruns, in the absence of any contingencies outside of the contractor’s control. This will provide contractors with enough disincentives to delay the project.

**Monitoring Outcomes: Quality, Feedback and Financial Closure**

**Finding**

We find that the BBMP has been designated to identify/nominate a third party independent consultant for the works implemented by the cities and the UDD, but no cities are following this guideline and use their own consultants selected through a bidding process.

**Policy recommendation**

We recommend that the state’s UDD develops a pool/panel of expert evaluators to play the role of third party independent consultants for various divisions in the state so that the respective cities and towns may draw upon their expertise to certify satisfactory completion of projects/works.

**Finding**

Currently, all the third party inspection reports which we examined mention only satisfactory completion of the quality of material used, based on technical specifications.

**Policy recommendation**

The third party inspection report, while being done competitively by the cities, and conducted at every stage of project implementation (where raw materials are tested), can be made more transparent by including the intermediate steps involved when the third party consultant certifies something as being unsatisfactory. We
Evidence from three urban development programmes

recommend that an overall summary assessment report be documented which records the cost, time frame, output, quality, and the delays faced at the implementation stage, if any, and the cause of those delays, for a holistic completion report for every project/work completed.

Finding

In the case of many projects/works under both the special ₹100 crore programme and the CMSMTDP, while physical closure was attained, financial closure was not attained in many projects with the result that the local government was still expecting funds from the state government, and the contractor had completed the work using some part of his own funds. There were instances of several projects where it was completed ahead of schedule. On average, the delay in payment to contractors from the city (or to the ULB from the DMA) was only 3.7 months although in some cases (Siddapura) the delay was as much as seven months from the time the work was completed until our field visit (August/September).

Policy recommendation

We recommend easy and expedited flow of funds to the ULBs from the UDD. Speedy flow of funds to ULBs would enable them to attain financial closure and focus their attention on operation and maintenance and focus on other projects.

We found that most of the CMSMTDP projects had a positive effect on the community in the sense of reducing the odour and improving the ambience of the neighbourhood.
### Appendix 1

**Appendix 1A: Analysis of Agreements in the Special ₹100-Crore Programme**

**Special ₹100-crore Programme in Mysore: Analysis of Agreement for Construction of Subway on Sayajirao Road**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Whether mentioned or not</th>
<th>Whether present in other attached documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Frame documents</td>
<td>Not mentioned</td>
<td>Present in attached documents</td>
</tr>
<tr>
<td>Earnest Money Deposit (EMD)</td>
<td>Not mentioned</td>
<td>Amount might be present in attached documents</td>
</tr>
<tr>
<td>Date of acceptance, date of tender notification</td>
<td>Date of acceptance mentioned; tender notification details not available</td>
<td>27th Feb 2009-formation of contract; tender details present in contractor’s tender</td>
</tr>
<tr>
<td>Cost</td>
<td>Amount mentioned</td>
<td>Approved tender cost of ₹10,389,940 mentioned</td>
</tr>
<tr>
<td>Responsibilities</td>
<td>No responsibilities mentioned for the contractor</td>
<td>Present in attached letter of acceptance and notice to proceed with works</td>
</tr>
<tr>
<td>Defects Liability (on part of the contractor)</td>
<td>Provision for Defects Liability Period for the contractor mentioned, but time frame not available</td>
<td>Would be present in the conditions of contract</td>
</tr>
<tr>
<td>Output</td>
<td>Mentioned (although details of dimensions not mentioned)</td>
<td>Present in a document called ‘specifications’.</td>
</tr>
</tbody>
</table>
Evidence from three urban development programmes

Special ₹100-crore Programme in Mysore: Analysis of Agreement for Ward No. 248 – Janata-Nagar ITI College, 11th Cross Road – 13th Cross Road Development Project

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Whether mentioned or not</th>
<th>Whether present in other attached documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Frame</td>
<td>Mentioned in the agreement</td>
<td>Period of 2 months has been specified</td>
</tr>
<tr>
<td>EMD</td>
<td>Amount mentioned</td>
<td>Deposited sum of ₹20,000 has been mentioned (applicable to the contractor)</td>
</tr>
<tr>
<td>Date of acceptance, date of tender notification</td>
<td>Date of acceptance and date of tender notification mentioned</td>
<td>Dates pertaining to the agreement and the tender details are present</td>
</tr>
<tr>
<td>Cost</td>
<td>Amount mentioned</td>
<td>Approved tender cost of ₹1,029,726 mentioned</td>
</tr>
<tr>
<td>Responsibilities</td>
<td>Explained for in the agreement</td>
<td>To transfer material, calculating estimates, adherence to law, and completion of work in satisfaction of corporation requirement and within set time frame.</td>
</tr>
<tr>
<td>Defects Liability</td>
<td>Not explicitly mentioned (mentioned that work would be completed to the satisfaction of the ULB)</td>
<td>Needs to be checked, no mention of exact liability clause anywhere.</td>
</tr>
<tr>
<td>Output</td>
<td>Mentioned (although details of dimensions not mentioned)</td>
<td>No other documents are mentioned to be a part of the agreement</td>
</tr>
</tbody>
</table>
### Special ₹100-crore Programme in Mysore: Analysis of Agreement for Construction of Drain on Seetaramarao Road

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Whether mentioned or not</th>
<th>Whether present in other attached documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Frame</td>
<td>Mentioned in the agreement</td>
<td>Period of 1 month specified</td>
</tr>
<tr>
<td>EMD</td>
<td>Amount mentioned</td>
<td>Deposited sum of ₹20,000 has been mentioned for</td>
</tr>
<tr>
<td>Date of acceptance, date of tender notification</td>
<td>Date of acceptance and date of tender notification has been mentioned</td>
<td>Dates pertaining to the agreement and the tender details are present</td>
</tr>
<tr>
<td>Cost</td>
<td>Amount mentioned</td>
<td>Tender cost approved of ₹1,004,490 has been mentioned</td>
</tr>
<tr>
<td>Responsibilities</td>
<td>Responsibilities of the contractor explained in the agreement</td>
<td>To transfer material, calculating estimates, adherence to law, and completion of work in satisfaction of corporation requirement and within set time frame.</td>
</tr>
<tr>
<td>Defects Liability</td>
<td>Not explicitly mentioned (mentioned that work would be completed to the satisfaction of the ULB)</td>
<td>Needs to be checked, no mention of exact liability clause anywhere.</td>
</tr>
<tr>
<td>Output</td>
<td>Mentioned (although the physical dimensions are not mentioned)</td>
<td>No other documents are mentioned to be a part of the agreement</td>
</tr>
</tbody>
</table>
Appendix 1B: Analysis of Agreements in the CMSMTDP, Kollegal

### CMSMTDP PACKAGE 5

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Whether mentioned or not</th>
<th>Whether present in other attached documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Frame</td>
<td>Date of commencement and due date of competition have been mentioned (in work order)</td>
<td>18.1.2010 – date of commencement; 17.5.2010 – date of completion</td>
</tr>
<tr>
<td>EMD</td>
<td>Monthly stipulated progress cost has been addressed (in work order)</td>
<td>₹604,295 has been mentioned</td>
</tr>
<tr>
<td>Date of acceptance, date of tender notification</td>
<td>Date of acceptance mentioned; tender notification details not available</td>
<td>18.1.2010 – formation of contract tender details present in attached tender's contractor</td>
</tr>
<tr>
<td>Cost</td>
<td>Amount mentioned</td>
<td>Contract price of ₹2,417,181</td>
</tr>
<tr>
<td>Responsibilities</td>
<td>Responsibility of completing work on time and remedying any defects mentioned</td>
<td>Clearer details present in letter of acceptance and notice to proceed with works</td>
</tr>
<tr>
<td>Defects Liability</td>
<td>Provision for defects liability period mentioned, but time frame not available, but might be mentioned in the conditions of contract (which is only between the parties and not accessible to us)</td>
<td>Present in attached conditions of contract</td>
</tr>
<tr>
<td>Remarks</td>
<td>The contractual agreement and work order (or other associated documents) is a complicated system when compared to the single agreement format followed in low budget projects (which are usually in the local language, Kannada). Provision for payment to contractor is specified only upon the release of grants by the government which is positive as it reduces disputes of payment.</td>
<td></td>
</tr>
</tbody>
</table>
## Appendix 1C: Analysis of Agreements in the CMSMTDP in Bhalki

**Improvements and Asphalting to Road to Subhash Chowk**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Whether mentioned or not</th>
<th>Specifications and/or whether present in other attached documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time frame</td>
<td>Mentioned</td>
<td>45 days</td>
</tr>
<tr>
<td>Earnest Money Deposit (EMD)</td>
<td>Mentioned</td>
<td>Sum of ₹72,000 mentioned</td>
</tr>
<tr>
<td>Date of acceptance, date of tender notification</td>
<td>Date of acceptance mentioned; date of tender notification not mentioned</td>
<td>17.6.2010 – formation of contract</td>
</tr>
<tr>
<td>Cost</td>
<td>Estimated amount and contract amount mentioned</td>
<td>Estimated Amount: ₹3,600,000; Contract Amount: ₹3,659,582</td>
</tr>
<tr>
<td>Responsibilities of the contractor</td>
<td>• To finish within time frame • To provide maintenance</td>
<td>To Finish work within 45 days; To Provide for maintenance for up to 3 years from the date of completion</td>
</tr>
<tr>
<td>Defects Liability</td>
<td>Provision for defects liability period mentioned, but no exact costs or liability clause mentioned anywhere.</td>
<td>3-year maintenance period provided, as per Sections 49.1–50.1 of the General Conditions of Contract</td>
</tr>
<tr>
<td>Output</td>
<td>Requirement mentioned but exact (technical) details unavailable.</td>
<td></td>
</tr>
</tbody>
</table>

---

*Changing the Urban Face of Karnataka*
Evidence from three urban development programmes

Appendix 1D: Analysis of Agreements in the CMSMTDP, Siddapura

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Whether mentioned or not</th>
<th>Specifications and/or whether present in other attached documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time frame</td>
<td>Mentioned</td>
<td>As per sec 43.1 of the General Conditions of Contract</td>
</tr>
<tr>
<td>Earnest Money Deposit (EMD)</td>
<td>Not Mentioned</td>
<td>Not present</td>
</tr>
<tr>
<td>Date of acceptance, date of tender notification</td>
<td>Date of acceptance mentioned; date of tender notification not mentioned</td>
<td>19.12.2009 – formation of contract</td>
</tr>
<tr>
<td>Cost</td>
<td>Estimated amount mentioned; tendered amount not mentioned</td>
<td>Estimated Amount ₹40,000,00</td>
</tr>
<tr>
<td>Responsibilities of the contractor</td>
<td>• Would conform to time frame • Technical workers would work according to orders prescribed • Collection of final bill after 100% work completion • Defect liability period of 2 years • Work sign boards to be erected • Contract termination in case of delay • Damages to public entities – road, water, lights – would be handled • Quality certified materials would be used • Proper measurement of iron and materials used • Collecting payment only after government grants money • Responsible for all labourers inside work area during work hours</td>
<td>• Time-frame – Sec. 43.1 of General Conditions of Contract (GCC) • Defect liability period – Sec. 49.1 of GCC • Contract termination – Sec 47.1 of GCC • Damage to public entities – Sec. 36.1 of GCC • Measurement – Sec. 55.1 to 57.2 of GCC • Labourers – Sec 34.1 to 35.1.1 of GCC</td>
</tr>
<tr>
<td>Defects Liability</td>
<td>Detailed discussion of the Defect Liability Period is present</td>
<td>Provides time-frame, including a security bond of ₹100</td>
</tr>
<tr>
<td>Output</td>
<td>Requirement mentioned but exact measurement unavailable.</td>
<td></td>
</tr>
</tbody>
</table>
Appendix 2:

Photo Essay, MNY

A pedestrian subway constructed on Sayyaji Rao Road in Mysore constructed under the ₹100-crore Special Package for City Corporations. Costing roughly ₹1-crore, and a cost over-run of 3.9%, the subway used prefabricated structures. While considerable money and efforts have been spent on building the subway, probably nothing is spent on maintaining it. Hardly a year old, the subway is filthy with garbage and stains.

PAC team members discussing a drain project in Kollegala completed under the CMSMTDP with the City Junior Engineer, Kollegala TMC
Evidence from three urban development programmes

The sealed tender drop box in the Chief Officer’s chamber at the Siddapura Town Panchayat, Uttara Kannada. Siddapura is yet to go in for the e-tendering system. Some training with respect to this would be useful for the TP.

Above, left, a road constructed under the CMSMTDP in Siddapura. On the right, an adjacent road where no work has been done. The two pictures together give us a 'before' and 'after' picture of the locality with and without the road. No doubt these roads are viewed positively by the residents.
Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT)

Introduction

Urban Infrastructure Development Scheme for Small & Medium Towns (UIDSSMT) was launched on 3 December 2005 as one of the sub-components of Jawaharlal Nehru National Urban Renewal Mission (JNNURM). This programme is sponsored by the Ministry of Urban Development, Government of India. UIDSSMT subsumed the existing schemes of Integrated Development of Small and Medium Towns (IDSMT) and Accelerated Urban Water Supply Programme (AUWSP). The duration of the UIDSSMT will be for seven years beginning 2005-06.

The objectives of the UIDSSMT are to:

1. Improve infrastructural facilities and help create durable public assets and quality-oriented services in cities and towns;
2. Enhance public private partnership (PPP) in infrastructure development; and to
3. Promote planned integrated development of towns and cities.

All towns/cities as per 2001 census, except 63 cities/urban agglomerations covered under JNNURM, are eligible to be covered under the UIDSSMT. The components for assistance under the UIDSSMT include all urban infrastructure development projects such as water supply, roads, parking space, drainage, solid waste management, sewerage, urban renewal, preservation of water bodies and prevention of soil-erosion. However, in Karnataka, only water supply, sewerage, storm water drains and road projects are implemented.

Allocation of funds among states will be on the basis of the state’s urban population to total urban population in the country. However, funds would be provided to
only those towns and cities where elections to local bodies have been held and elected bodies are in place. In Karnataka only 30 towns/cities have implemented the scheme and have received the funds. The state governments may prioritize towns and cities on the basis of their felt needs. While prioritizing towns, states would take into account existing infrastructure, population of Scheduled Castes/Scheduled Tribes and special problems like hilly terrain.

The state government may designate any existing institution as nodal agency for implementing the scheme. In Karnataka, the nodal agency is the Directorate of Municipal Administration (DMA). The nodal agency is responsible for inviting projects from ULBs or parastatal agencies, manage the funds received from central and state governments, and distribute the funds as per the financial pattern given in the guidelines.

The UIDSSMT requires states and ULBs/parastatals to undertake a set of 23 reforms which can be categorized into:

a) mandatory reforms at the state level;

b) mandatory reforms at the level of urban local bodies/parastatals; and

c) optional reforms at urban local body/parastatal level.

Both mandatory and optional reforms are to be completed within the scheme period of 2005-06 to 2011-12. However, the states and ULBs/parastatals have option to implement any two reforms out of the ten optional reforms for each year of the scheme and do not have to initiate implementation of all of the optional reforms during the initial period of the scheme. In Karnataka as of March 2010, an average of 31 ULBs had completed the mandatory/optional reforms.

The Karnataka government/DMA will execute the Memorandum of Agreement (MoA) with Government of India indicating their commitment to implement the identified reforms. The MoA would spell out specific milestones to be achieved for each item of reform. Signing of the MoA will be a necessary condition to access central assistance. The ULBs/KUWSDB will sign MoA with DMA. The MoA is to be submitted along with the Detailed Project Report (DPR).

Operational Mechanism

Urban Local Bodies/parastatal agencies are required to prepare the Detailed Project Reports (DPRs) based on the guidelines keeping in view the priorities of development and critical problems in the respective town and submit the same to the DMA, the
nodal agency. The DMA is required to appraise the DPR either in-house or by outsourcing to external agencies, or through state-level technical agencies. After appraisal, the DMA will submit the appraised reports to the state level sanctioning committee (SLSC), the body which examines and approves projects under the scheme. The DMA will send copies of the appraisal reports to all the members of the SLSC including Ministry of Town and Country Planning Organization (TCPO) for their views 15 days in advance to the meeting of the SLSC. On approval by SLSC, the minutes, along with recommendation, are sent by the state government to the Ministry of Urban Development (MoUD). On receipt of minutes from SLSC the MoUD processes the proposal for release of central assistance, signs the MOA for urban reforms with the state government and releases the proposal to the Ministry of Finance.

**Funding Pattern**

The sharing of funds is in the ratio of 80:10 between the central government and the state government and the remaining 10 per cent could be raised by the DMA/ULBs/parastatal agencies from internal resources or from financial institutions. However, if some ULBs are not in a position to meet their contributions on their own, the state can contribute the share of ULBs if they so wish. Funds from the Member of Parliament Local Area Development (MPLAD) / Member of Legislative Assembly Local Area Development (MLALAD) could be used towards project cost and, to that extent, the loan component/state share could be suitably reduced. However, we have not come across such fund utilizations in Karnataka.

The SLSC may sanction projects up to three times of central share subject to availability of funds. The committee would assign higher priority to projects relating to water and sanitation, sewerage and solid waste management, road network and construction and improvement of drains/storm water drains.

Central grants released will go directly to the DMA in two instalments and will be considered as additional central assistance. Fifty per cent is released on signing the MOA with the state government /DMA, after ascertaining availability of state share. The remaining 50 per cent of the central share is released on submission of Utilization Certificates by the DMA for 70 per cent of funds (central and state grants) released earlier. The state government should pass on the received funds to DMA within 15 days. The DMA will further release the funds to ULBs/parastatal agencies within 15 days as indicated in the scheme guidelines. However, we discussed with KUWSDB officials and found that they have not received any funds from the DMA for 2008-09.
This was more likely because the GoK did not adhere to some reforms specified as state-level mandatory reform under the UIDSSMT (see Table 3.2) about which the KUWSDB did not wish to discuss. Nevertheless, they completed the works by using their own funds. After due assessment of the status of implementation of activities for which incentives were sought, the SLSC may sanction additional central grant up to a maximum of five per cent as incentive to implementing agencies.

The DMA will disburse central assistance to ULBs or parastatal agencies as the case may be, as soft loan or grant or grant-cum-loan. However, in case of sanction of loan or grant-cum-loan, the same may be sanctioned in such a manner that 25 per cent of central and state grants put together is recovered and ploughed into a revolving fund to leverage market funds for financing further investment in infrastructure projects.

**Monitoring**

The Ministry of Urban Development monitors the scheme periodically. A Monitoring Committee under the chairmanship of Joint Secretary (Urban Development) monitors the progress every quarter. DMA is required to send quarterly progress reports to the Ministry of Urban Development through TCPO, which are to be scrutinized by the TCPO and prepare status report from time to time. SLSC is to ensure quarterly monitoring of various projects sanctioned under the programme. At the end of each year the TCPO is required to prepare a status report on the scheme in consultation with the Ministry of Urban Development.

For monitoring and implementation of the projects at the local level, a project implementation and monitoring cell may be established within the respective ULBs, which will send the quarterly progress report to DMA. However, we observed that there were no such cells in the ULBs we visited. But the District Urban Development Cell (DUDC) in the district collector's office will monitor the works and send the progress report to the DMA. A sample progress report sent by the ULB to the DMA is attached as annexure 3.C.

The MoUD also proposed to setup a mechanism for third party review and monitoring of the implementation of the project. In Karnataka, the concerned district collector will identify the third party consultant to monitor the works executed within the district ULBs. In the case of water supply project, KUWSDB will identify the third party consultant. At the local level agreements will be made between the implementing agencies and contractors specifying the time frame, cost and output to be followed by the contractors.
The flow chart in Figure 3.1 shows the operational procedure, funding pattern and monitoring of the UIDSSMT scheme at the central, state and local levels.

**Implementation of the Programme in Karnataka**

The UIDSSMT scheme is implemented in 30 ULBs in Karnataka. The sectors covered under these ULBs are water supply, sewerage, storm water drains and roads. Table 3.1 shows the sector-wise release status of the UIDSSMT scheme as on 31 Aug 2010. Overall, 38 projects were implemented out of which 17 water supply, 10 sewerage, three storm water drains and eight road projects were implemented in Karnataka. In 26 ULBs one project each was implemented whereas in the case of Hubli-Dharwad (water supply and roads) and Ramnagar (roads and storm water drain) two projects each were implemented. However, in the case of Davangere and Holenarasipura all the four projects were implemented.

The total cost approved by the SLSC for 38 works in 30 ULBs is ₹682.49 million. As per the guidelines SLSC may sanction additional central grants up to 1.5 per cent as an incentive to the implementing agencies for preparation of detailed project reports.
Evidence from three urban development programmes

So far, ₹10.238 million has been sanctioned as an incentive to implementing agencies in Karnataka. Sector-wise, priority is given to water supply in Karnataka and more than 60 per cent of the total approval cost is allocated for water supply works. However, the total release to SLNA is Rs. 451.65 million and the total utilization of funds by the implementing agencies is Rs. 373.29 million and the percentage of utilization is 82.65 per cent against the release made till 31 Aug 2010.

The main thrust of the revised strategy of urban renewal is to ensure improvement in urban governance so that urban local bodies become financially sound with enhanced credit rating and ability to access market capital for undertaking new programmes and expansion of services. In this improved environment, public-private participation models for provisioning of various services would also become feasible. To achieve this objective, urban local bodies will be required to accept implementation of an agenda of reforms.

The proposed reforms under the UIDSSMT (which are very similar to those required under the JNNURM for the larger cities) are categorized into mandatory and optional reforms. Table 3.2 shows the status of the ULB-level reforms in Karnataka. In the table, the light shades indicate reforms ‘achieved in advance’ while the darker shade indicates ‘all achieved’. Those ‘not achieved’ are indicated with a ‘0’. UIDSSMT requires certain reforms to be undertaken by states/cities in municipal accounting, with the objective of having a modern accounting system based on double-entry accrual principles, leading to better financial management, transparency and self-reliance. As of September 2008 only one ULB committed to this reform which

Table 3.1: Sector-wise Release Status of Projects under UIDSSMT in Karnataka as on 31 Aug, 2010 (Amounts in ₹ million)

<table>
<thead>
<tr>
<th>Projects</th>
<th>Number of works</th>
<th>Cost approved by SLSC</th>
<th>1.5% of incentive for DPR</th>
<th>Release to SLNA</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Central</td>
<td>State</td>
</tr>
<tr>
<td>Water Supply</td>
<td>17</td>
<td>4180.61</td>
<td>62.71</td>
<td>266.90</td>
<td>331.23</td>
</tr>
<tr>
<td>Sewerage</td>
<td>10</td>
<td>780.81</td>
<td>11.71</td>
<td>44.96</td>
<td>55.26</td>
</tr>
<tr>
<td>SWD</td>
<td>3</td>
<td>73.20</td>
<td>10.98</td>
<td>30.37</td>
<td>37.03</td>
</tr>
<tr>
<td>Roads</td>
<td>8</td>
<td>113.14</td>
<td>16.97</td>
<td>59.72</td>
<td>73.36</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>682.49</td>
<td>10.23</td>
<td>401.96</td>
<td>496.87</td>
</tr>
</tbody>
</table>

Source: Directorate of Municipal Administration – Project Cell, Government of Karnataka
Table 3.2: Status of ULB Level Reform Agenda in Karnataka

<table>
<thead>
<tr>
<th>Reform</th>
<th>As of September 2008</th>
<th>As of March 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of ULBs Committed</td>
<td>No. of ULBs Achieved</td>
</tr>
<tr>
<td><strong>MANDATORY REFORMS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full migration to double entry accounting system</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>E-Governance (Defining monitorable time table for implementation of each e-governance initiative)</td>
<td>15</td>
<td>9</td>
</tr>
<tr>
<td>Full recovery of O&amp;M cost from User Charges</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Internal Earmarking for basic services to poor</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td><strong>PROPERTY TAX</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achieving 85% coverage ratio</td>
<td>13</td>
<td>3</td>
</tr>
<tr>
<td>Achieving 90% collection ratio</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>OPTIONAL REFORMS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Introduction of Property Title Certification system</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Administrative Reforms</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>Structural Reforms</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>Encouraging Public Private Partnership</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Revision of By-Laws for Streamlining building approval process (State Level)</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Simplification of legal procedural framework for conversion of agricultural land for non-agricultural purpose (State Level)</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Provision of Rain water Harvesting in all buildings (State Level)</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Earmarking of 20-25% of developed land for EWS and LIG category</td>
<td>15</td>
<td>0</td>
</tr>
</tbody>
</table>
Evidence from three urban development programmes

| Introduction of computerized process of registration of land and property | 15 | 20 | 36 | 36 |
| Byelaws on reuse of reclaimed water | 0 | 0 | 15 | 36 |

All achieved | Achieved in advance

it was not able to achieve; however, as of March 2010, only 15 ULBs committed, whereas 36 ULBs achieved in advance.

The introduction of e-governance with the objective of having a transparent administration, quick service delivery, effective MIS, and general improvement in the service delivery link, is another important mandatory reform. As of September 2008, only 15 ULBs committed to this reform but only nine ULBs achieved; however, as of March 2010, 15 ULBs committed, with 36 ULBs having achieved this in advance.

Another important reform is full recovery of O&M cost from user charges on different municipal services, with the objective of securing effective linkages between asset creation and asset maintenance leading to self-sustaining delivery of urban services. Interestingly, no ULB has committed on this reform, however, as of March 2010, 13 ULBs accomplished this in advance.

The provision of basic services to the urban poor, with the objective of providing security of tenure at affordable prices, improved housing, water supply and sanitation, is also an important mandatory reform required under the UIDSSMT. As of September 2008 only one ULB committed to this reform. Surprisingly, 20 ULBs achieved, however as of March 2010 only 15 ULBs committed, with as many as 36 ULBs having achieved this in advance.

The UIDSSMT requires certain reforms to be undertaken by states/cities in property taxes, with the broad objective of establishing a simple, transparent, non-discretionary and equitable property tax regime that encourages voluntary compliance. States/cities need to ensure that their desirable objectives for reforms include these reforms, but need not restrict themselves to these items. However, 13 ULBs committed to achieve 85 per cent property tax coverage ratio but only three ULBs had achieved this as of 2008. As of March 2010, 14 ULBs committed, but 34 ULBs achieved it in advance. On average, 12 ULBs have committed for mandatory reforms and 31 ULBs achieved them as of March 2010.
As per the guidelines any two optional reforms are to be implemented together by the ULBs in each year. However, in Karnataka, on average, 20 ULBs committed and 32 ULBs achieved one or the other optional reforms as of March 2010. We observed during our field visit to the selected towns that all the mandatory reforms were fulfilled by the ULBs since the fund release is directly related to the reforms. We noticed that in Siddapur, though they achieved all the reforms (including switching over to a double entry system of accounting), the concern was that the accounting official had resigned and there were no other skilled personnel to maintain double entry accounting system in panchayat. This example demonstrates the hardships the ULBs are subject to, even while they conform to achieving the mandatory and/or optional reforms. However, the state of Karnataka had not conformed to two of the state-level mandatory reforms stipulated by the Ministry of Urban Development, Government of India – implementation of decentralization measures as envisaged in the 74th Constitutional Amendment Act. One measure accomplished by the ULBs in the state with respect to this is that in urban planning, the city plan is now meant to be approved by the ULBs, as opposed to being done by the UDAs (this is similar in spirit to a study conducted by Public Affairs Centre (see Sridhar and Reddy (2010), for the Thirteenth Finance Commission, Government of India). However, fire services have not been transferred to the ULB because they lack the skills or the physical/financial resources for the same. The second mandatory reform agenda required at the state-level, the rationalization of stamp duty and its reduction to five per cent is not something that has been conformed to by Karnataka, where the stamp duty rates are at six per cent.

We observed that many of the works are in progress or nearing completion. We are given to understand from the directorate of municipal administration, which is the nodal agency in Karnataka, that Davangere roads and storm water drains, Malavalli underground drains and Hunkund, Ilkal, Kustagi and Bijapur water supply schemes are being evaluated by a Hyderabad-based agency approved by the Independent Review and Monitoring Agency (IRMA), hence we selected Siddapura water supply and Mulki roads for evaluation.

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12 Karnataka has conformed to several of the mandatory reform agenda items required at the state-level. These are the repeal of ULCRA, reform of rent control, enactment of public disclosure law, and a community participation law to institutionalize citizen participation, and assigning the ‘city planning function’ to ULBs. This is based on discussions with Mr. Anjum Parwez, Commissioner, Municipal Administration.
Implementation of the Programme in Mulki

Mulki is a panchayat town in Dakshina Kannada district. It is on the banks of Shambhavi River. The area covered by the TP is 11.00 sq.km. It is a small beautiful town with people of different religions and is about 10 kilometres north of Suratkal. The town has been formed by combining 17 wards. As of 2001 India census, Mulki had a population of 16,398. Males constitute 48 per cent of the population and females 52 per cent. Mulki has an average literacy rate of 77 per cent, higher than the national average of 59.5 per cent. The total length of the roads covered by the ULB is 40.37 kilometres.

Under UIDSSMT, Mulki completed six road works under four packages. We selected all the road works for the study and we developed a format which we asked the city to complete for every work completed. The format is attached as appendix 3.A at the end of this chapter. We also contacted many contractors who executed each of the works (the format for contractors is attached as appendix 3.B at the end). Table 3.3 shows the summary of road works undertaken in Mulki town panchayat. The Mulki town panchayat, through a general body meeting, prepared an action plan for all the road works and submitted it to the DMA on 13 June 2006.

Cost and Time Over-runs

The estimated cost as per the action plan for all the works is ₹21.39 million. Due to discrepancies in the estimated cost, the ULB was asked to revise further as per the revised schedule of rates of the public works department. The revised action plan was resubmitted and it got approval on 11 January 2008. The cost, as per the revised estimate, is ₹25.22 million, taking all works into account. We have calculated the percentage of cost over-run due to delay in the process of executing the works. We found that the average cost over-run between the estimated and revised estimated cost is 15 per cent. We also calculated the cost over-run between the estimated cost (approved as part of the action plan) and the finally-approved tender cost. The Mulki town panchayat called for tenders in state-level newspapers and the district’s tender bulletin for all the four packages on 10 October 2008. They received 16 tenders for four packages and selected the lowest bidder for each package. The total tender cost for all packages is ₹27.92 million.

The average cost over-run between revised estimated cost and tender cost is 11.5 per cent. However, the total cost over-run from action plan to tender call is around 28.5 per cent. We noted that once the action plan is approved, the city calls for tenders, the contractors respond, and the responses have to be assessed by the city.
Table 3.3: Summary of Road Works Undertaken in Mulki Town Panchayat

<table>
<thead>
<tr>
<th>Name of Work</th>
<th>Estimated Cost from Action Plan (₹ mn)</th>
<th>Revised Estimated Cost (₹ mn.)</th>
<th>Tender Cost (₹ mn.) cost (%)</th>
<th>Cost overrun between estimate and revised (%)</th>
<th>Cost overrun between estimate and tender cost (%)</th>
<th>Total cost overrun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upgradation to existing Karnadu Sadashiva Naga long and cross road</td>
<td>9.99</td>
<td>12.14</td>
<td>13.09</td>
<td>21.61</td>
<td>7.81</td>
<td>31.11</td>
</tr>
<tr>
<td>Upgradation of existing Guttu Road and Beach Road and construction of slab culverts</td>
<td>1.80</td>
<td>2.13</td>
<td>2.45</td>
<td>18.56</td>
<td>14.90</td>
<td>36.23</td>
</tr>
<tr>
<td>Upgradation to existing Chitrapu Gajani Road</td>
<td>2.35</td>
<td>2.73</td>
<td>3.14</td>
<td>16.51</td>
<td>14.90</td>
<td>33.87</td>
</tr>
<tr>
<td>Upgradation to existing Chandra Shanubhagara Kudru Road</td>
<td>1.80</td>
<td>2.13</td>
<td>2.44</td>
<td>18.46</td>
<td>14.90</td>
<td>36.11</td>
</tr>
<tr>
<td>Upgradation of existing Chetana Nursing Home to TP boundary Via Kempugudde (from By-Pass)</td>
<td>4.05</td>
<td>4.65</td>
<td>5.35</td>
<td>14.99</td>
<td>14.90</td>
<td>32.12</td>
</tr>
<tr>
<td>Improvement of Karnadu Padubail Road</td>
<td>14.00</td>
<td>1.40</td>
<td>1.42</td>
<td>0.36</td>
<td>1.51</td>
<td>1.88</td>
</tr>
<tr>
<td>Averages</td>
<td>3.56</td>
<td>4.20</td>
<td>4.65</td>
<td>15.08</td>
<td>11.49</td>
<td>28.55</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>3.28</td>
<td>4.00</td>
<td>4.34</td>
<td>7.55</td>
<td>5.65</td>
<td>13.23</td>
</tr>
<tr>
<td>Minimum</td>
<td>1.40</td>
<td>1.40</td>
<td>1.42</td>
<td>0.36</td>
<td>1.51</td>
<td>1.88</td>
</tr>
</tbody>
</table>
before making a final decision after negotiations. The work starts only after the 
finalization of the negotiation, choice of the contractor and an agreement is in place. 
Hence, these time delays in processes explain cost over-runs, consistent with what 
we find with the MNY. There are also other sources of cost over-runs in UIDSSMT 
projects. One is that the standard Schedule of Rates (SRs) themselves are revised 
every six months. The other reason is that physical and financial progress can halt 
due to non-conformity to mandatory reforms, as described earlier. The final reason 
is the tender premiums that result from the process of outsourcing to contractors, as 
described above.13

**Budget Analysis of Various Heads of Expenditure**

Since all the works are outsourced to contractors, we could obtain only a disaggregated 
analysis of the budgets from the contractors who implement the work. We were able 
to get this information only from contractors we were able to contact. Based on our 
analysis, on average, taking all road works in Mulki under UIDSSMT, more than half (55 per cent) of the expenditure was on material (such as steel, petroleum, iron, jelly and so forth). More than one-third of the expenditure (35 per cent) was on equipment such as mixers, tippers and tractors. Around 10 per cent of contractors’ total expenditure on the project was on salaries. This shows that the contractors are not lavish in their payment of wages to workers, and squeeze their resources to execute their project in a cost-effective way.

**Unit Costs**

We solicited information from the cities regarding the physical targets (kilometres of road or the length and width of the road to be constructed) which were supposed to be achieved against each of the expenditures with the result that we were able to compute unit costs for most works. While physical completion had been attained, financial closure was not attained in many projects and the ULB was still expecting funds from the state government, while the contractor had completed the work using some his own funds. Hence we decided to use the tender cost (rather than the actual expenditure or the estimated cost from the action plan to determine unit costs).

Table 3.4 summarizes the unit cost of the road works in Mulki under UIDSSMT. For the six road works we studied in Mulki under the UIDSSMT, the unit (tender)  

13 The above are based on discussions with Mr. Anjum Parwez, then Commissioner, Directorate of Municipal Administration.
cost of constructing one square metre of road turned out to be ₹703 on average. We expected the unit cost in the larger work (for ₹9.99 million, for upgradation of existing Karnadu Sadashiva Nagar long and cross road) to be lower, given scale economies. Interestingly, however, the larger work of the six (in terms of physical target), the upgradation of a road (13,500 square metres) cost more than the average, being ₹970 per square metre, whereas the other smaller project involving improvements to a road (for 3,330 square metres of road) cost only ₹428 per square metre. This defies the assumption that scale economies exist in large projects, similar to what we find in MNY projects. Here we should also consider the fact that technical specifications such as width and depth vary from work to work. Even some of the road works represent upgradation and some just improvement. Topography, condition of land might also differ. So unit cost will vary with all these considerations. For an understanding of the impact of topography on costs of water supply, see Sridhar and Mathur (2009).\(^{14}\)

We also compared the UIDSSMT unit cost to those under CMSMTDP unit costs and the special ₹100-crore package programme. While the average unit cost of

<table>
<thead>
<tr>
<th>Name of work</th>
<th>Unit cost (in ₹ per square metre)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up gradation to existing Karnadu Sadashiva Nagar long and cross road</td>
<td>970.20</td>
</tr>
<tr>
<td>Upgradation of existing Guttu Road and Beach Road and construction of slab culverts</td>
<td>784.40</td>
</tr>
<tr>
<td>Upgradation to existing Chitrapu Gajani Road</td>
<td>582.90</td>
</tr>
<tr>
<td>Upgradation to existing Chandra Shanubhagara Kudru Road</td>
<td>816.70</td>
</tr>
<tr>
<td>Upgradation of existing Chetana Nursing Home to TP boundary Via Kempugudde (from By-Pass)</td>
<td>632.80</td>
</tr>
<tr>
<td>Improvement of Karnadu Padubail Road</td>
<td>428.30</td>
</tr>
<tr>
<td>Averages</td>
<td>702.60</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>192.70</td>
</tr>
<tr>
<td>Maximum</td>
<td>970.20</td>
</tr>
<tr>
<td>Minimum</td>
<td>428.30</td>
</tr>
</tbody>
</table>

Evidence from three urban development programmes

the road projects under the CMSMTDP is only ₹379 per square metre and the unit cost of the road projects in the special ₹100-crore programme in Mysore city is ₹657 per square metre of road constructed. Further, we also chose two road works completed under CMSMTDP in Mulki for the study and we found that the average unit cost is only ₹270.67 per square metre, where the work involved improvement of 1,911 square metres of road. Thus we find the unit costs of constructing a square meter of road in the UIDSSMT to be higher than that of the MNY (both components). However, we are not making attempts to explain these variations here. It could well be the case that topographical constraints make it more difficult to implement certain projects more than others.

Table 3.5: Time Over-run of the Road Works in Mulki under UIDSSMT

<table>
<thead>
<tr>
<th>Name of Work</th>
<th>Allotted Time to Complete Physical Implementation (No. of Days)</th>
<th>Time Overrun during Physical Implementation (No. of Days)</th>
<th>% Overrun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upgradation to existing Karnadu Sadashiva Naga long and cross road</td>
<td>51</td>
<td>65</td>
<td>127.45</td>
</tr>
<tr>
<td>Upgradation of existing Guttu Road and Beach Road and construction of slab culverts</td>
<td>51</td>
<td>33</td>
<td>64.71</td>
</tr>
<tr>
<td>Upgradation to existing Chitrapu Gajani Road</td>
<td>51</td>
<td>401</td>
<td>786.27</td>
</tr>
<tr>
<td>Upgradation to existing Chandra Shanubhagara Kudru Road</td>
<td>51</td>
<td>30</td>
<td>58.82</td>
</tr>
<tr>
<td>Upgradation of existing Chetana Nursing Home to TP boundary Via Kempugudde (from By-Pass)</td>
<td>51</td>
<td>22</td>
<td>43.14</td>
</tr>
<tr>
<td>Improvement of Karnadu Padubail Road</td>
<td>51</td>
<td>367</td>
<td>719.61</td>
</tr>
<tr>
<td>Averages</td>
<td>51</td>
<td>153</td>
<td>300.00</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>0</td>
<td>179.85</td>
<td>352.65</td>
</tr>
<tr>
<td>Maximum</td>
<td>-</td>
<td>401</td>
<td>786.27</td>
</tr>
<tr>
<td>Minimum</td>
<td>-</td>
<td>22</td>
<td>43.14</td>
</tr>
</tbody>
</table>
Time Over-runs

We had enough information to determine the extent of time over-runs in the various works which we selected. When we examine the time over-run we observed the maximum delay in various stages of the work implementation in UIDSSMT projects. We found that there was delay of about a year and six months between submitting the action plan and its approval, the longest of any case we studied. This, based on our discussions, is due to discrepancies in the estimated cost and the ULB was asked to revise it further. Even after the approval it was further delayed by about nine months to call for tender.

We examine time over-runs (we calculated this as the difference in days between the due date of completion of work stated in the agreement or the work order and the actual date of its completion as certified by the city engineer). Table 3.5 shows the time over-run of the road works in Mulki under UIDSSMT, on average, taking into account all works, there is a 300 per cent time over-run. The maximum time delay of 786 per cent occurred in the case of upgradation of existing Chitrapu Gajani Road and improvement of Karnadu Padubail Road, where both the projects were delayed by nearly two years. We talked to the relevant officials and found that incessant rains, ritual processions related to a temple (which had to pass via those roads), and resistance to land acquisition, were responsible for these delays.

Monitoring

Field supervision is conducted in the form of three or four field visits by the city engineer daily. There is a third party inspection done by agencies identified by the city and approved by the district’s commissioner at every stage of the work completed. The third party quality audit is done by Shanthala Power Limited, Hubli for all the road works. They check the width and thickness of the roads, and other technical details during all the stages of the work. The third party conducts periodic supervisions of the work till it gets completed and if they find any faults in the work, they typically ask the contractor to rectify it on the work spot itself. Finally, they prepare a detailed report of each work and submit it to the assistant executive engineer, District Urban Development Cell. The payments to contractors will be made based on the third party inspection report. However, the third party independent consultants will submit only one final report and will not report all the intermediate faults in the report, so we strongly recommend that the third party consultants produce the detailed observation report at various stages of the work along with the final report.
Evidence from three urban development programmes

Contracts and Work Orders

We examined not only agreements between cities and the contractors, but also work orders. While the agreement lays down the conditions of the contractor to the ULB, the work order, which is set by the panchayat or the procuring entity to the contractor, is also important. We found that the contract and work orders both specify the parameters – output, time frame, and costs. While some clauses in the work order might seem detrimental from a contractor’s perspective, from a cost-effective point of view, they favour the government. We analyze the agreements between the ULB and the contractor and attached it as an appendix (3.C) at the end of this chapter.

Personnel and Training

We also obtained information from the Mulki town panchayat regarding personnel whose services were being used exclusively for implementation of the UIDSSMT programme. During our visit to the Mulki we observed that there are eight computers in the office with well-experienced staff. However, there was only one junior engineer in the town panchayat and he was supposed to look after many other programmes along with UIDSSMT schemes. We also observed that the engineers are transferred frequently. The present engineer was recently transferred to a different place and we do not know whether any new person has been appointed. We also asked the city officials about what kind of training (e.g., training in ICT, planning, engineering drawing, and so forth) has been received by any of the personnel involved in the last few years, and if yes, whether it has been helpful. The answer was that no training of any kind has been received by any personnel over the last several years. Based on our understanding of their skills, some training in e-auctions and conducting it online would be helpful for better implementation of similar programmes in the future.

Impact and Outcome

We discussed with officials and other public stakeholders such as users of the roads and were assured that the works were completed in a timely manner and that they were beneficial to the various stakeholders. It is an interesting finding that not even in a single case of completed work did we came across a view that the work was not useful. However, some land acquisition problems had been faced during implementation but they were all solved during the course of the execution of the work. We spoke to some land owners who lost some of their land during the implementation and they felt that though they lost the land they get good roads for
commuting. We noted during our field visits, that the roads were in good condition despite some heavy rains (some pictures are attached at the end, in Appendix 3E).

Implementation of the Programme in Siddapur

Siddapur is a town panchayat situated in a heavy rainfall area and is one of the major centres in Uttara Kannada district, surrounded by famous tourist spots such as Jog Falls and several temples. The city is home to the Khanapura–Thalguppa state highway, Kumta–Pavagada state highway and 16 kilometres away from NH-206. It is an agri-based town with major crops like coconut, cashew nut, pineapple and sugarcane.

The area covered by the town panchayat is 18.51 square kilometres. The town consists of 14 wards. The total number of households in the town are 3,303. There are two declared slums in the town with a total population of 980. As of the 2001 census, Siddapur had a population of 14,049. Males constitute 51 per cent of the population and females 49 per cent. Siddapur has an average literacy rate of 77 per cent, higher than the national average of 59.5 per cent.

Under the UIDSSMT programme, improvements to existing water supply scheme are taken with an estimated cost of ₹64.2 million in Siddapur town. Since the storage capacity for drinking water supply was not sufficient and there were leakages with the existing water supply scheme, the Siddapur panchayat decided to improve the existing dam structure which had been the source of their water supply for years. The Karnataka Urban Water Supply and Drainage Board, Dharwad Division, is the agency which commissioned the existing water supply scheme in 1997.

According to the UIDSSMT guidelines, as described earlier, detailed project reports should be prepared, based on the guidelines laid down in the manual on water supply and treatment, published by the CPHEEO, Ministry of Urban Development and as amended from time-to-time (latest publication in May, 1999) and should include the general and technical details of the project/work with supporting data. With all the details submitted the DPR, which was approved on 16 June 2007.

Since the project is implemented in three different stages, three different packages are made and the work is executed by three contractors. Though the total estimated

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15 The project is implemented in three stages: the first one is the civil works which includes construction of the pick-up weir, proving and laying of 273.1 mm diameter MS pipeline, construction of 5.0 lakh litres and 0.5 lakh litres capacity R.C.C. GLSRs (Ground Level Service Reservoirs), laying and joining of 250 mm, 200 mm, and 150 mm dia DI pipeline, laying and joining of 250 mm, 200 mm, 160 mm & 90 mm dia PVC pipeline and construction of staff quarters. The
Evidence from three urban development programmes

cost of the project is ₹6.42 million, the costs of material such as DI pipes and PVC pipes valves was borne by the implementing agency; so the action plan was prepared for ₹29.96 million for all the three packages. The e-tender notification was issued for civil work and pumping machinery work and the short-term item rate tender was invited for the distribution work. KUWSDB, unlike in other schemes like MNY, discloses only the physical quantities, but not the financial rates. Hence the KUWSDB has been able to get some contracts at very low rates.

Cost and Time Over-runs

For civil works, an e-tender notification issued on 14.3.2007 (which was demonstrated to us in the KUWSDB zonal office, Dharwad) which was published in newspapers and in the district tender bulletin. In response to the notification two bidders submitted requisition. Both had submitted the bids through website within stipulated period. The lowest bidder was called for the negotiations by the chairman and managing director, KUWSDB. After several re-negotiations the bidder agreed to reduce the offer and the Board approved for the amount of ₹37.36 million on 19.12.2007. The e-tender notification issued for the pumping machinery work and published in two newspapers and in the district tender bulletin on 30.5.2009. In response to the notification four bidders submitted the requisition. When the lowest bidder called for the negotiations, the bidder agreed to reduce his offer to ₹4.16 million and approved on 15.7.2009. The tender notification for distribution work was also published in the local and national newspapers and in the district tender bulletin on 31.10.2009. In response to the notification three bidders submitted their requisition. The lowest bidder who quoted 3.81 per cent below the amount put to bid was approved by the chief engineer.

Table 3.6 summarizes the water supply project in Siddapur under UIDSSMT. The total estimated cost for the civil work was ₹25.19 million and the tender cost for the same work was ₹37.36 million. The total cost over-run for the civil work we estimated was 48.3 per cent. It was due to the non-availability of the DI pipes that the work was delayed and the cost of the pipes increased. Further, the pipelines were built within the town limit and road cutting was carried out. Hence extra cost has been incurred to restore the roads.

second one is pumping machinery works such as erection, electrification, and commissioning of 70 HP or suitable HP DWT pumpset to head works at Arendur Nala and 20 HP or suitable pump sets. The third one is the distribution work which covers laying, joining, testing and commissioning of 90 mm, 110 mm, and 160 mm diameter PVC distribution mains.
The cost overrun is 13.41 per cent. This cost overrun is due to the extra work which was carried out. In the case of distribution work the estimated cost was ₹1.09 million whereas the tender cost was ₹1.04. The cost overrun is negative being –3.81 per cent. This is because the contractor wanted to undercut himself and had quoted a rate 3.81 per cent lower than the estimated costs of the project. The contractor might have wished to build an initial reputation for himself by implement projects more cost-effectively than other, existing large scale contractors.

**Budget Analysis of Various Heads of Expenditure**

The implementing agency is allocated the budget based on the schedule of rates available with Public Works Department for various works. However, given all the works are outsourced to contractors, we could obtain a disaggregated analysis of the budgets only from the contractors who implemented the work. We were able to get this information only from contractors who executed the distribution work. Based on our analysis, we found that around three fourth (75 per cent) of the expenditure was on labour and remaining one fourth is expenditure (25 per cent) was on equipment such as mixers, tippers and tractors. Since the KUWSDB provided all the material such as PVC pipes, valves and dia pipes the contractor did not incur any expenditure on materials.

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16 The extra work involved construction of the RCC platform with column frames for transformers substation at jack well.
Time Over-runs

We calculated the time overrun in number of days and we examine time over-runs between the due date of completion of work stated in the agreement and the actual date of its completion as certified by the city engineer. Table 3.7 shows the time overrun of all the three works. On average, taking into account all works, there is 81 per cent time over run. The maximum time delay of 157.5 per cent occurred in the case of pumping machinery work, where the work was delayed by nearly one year and 3 months. We enquired with relevant officials and found that the agency has carried out extra work other than what was specified in the tender hence the agency could not complete the work within tender period. We also found an 86 per cent time over run in the civil work. The delay was primarily due to the non-availability of 250 mm diameter and 200 mm diameter DI pipes and while laying the pipeline, a PWD and municipal asphalt road cutting was being carried out, hence to restore those roads by putting asphalt it took a lot more time than expected. Interestingly, in the case of distribution work, the work was completed within the allotted time.

<table>
<thead>
<tr>
<th>Name of Work</th>
<th>Allotted Time to Complete Physical Implementation (No. of days)</th>
<th>Time Overrun during Physical Implementation (No. of days)</th>
<th>% Overrun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil works</td>
<td>540</td>
<td>462</td>
<td>85.56</td>
</tr>
<tr>
<td>Pumping Machinery</td>
<td>120</td>
<td>189</td>
<td>157.50</td>
</tr>
<tr>
<td>Distribution network</td>
<td>120</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Average</td>
<td>260</td>
<td>217</td>
<td>81.00</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>242</td>
<td>232</td>
<td>79.00</td>
</tr>
</tbody>
</table>

Monitoring

The KUWSDB has identified four to five quality monitoring third party consultants. The consultants get assigned sequentially depending on the projects. They usually are entitled to 0.7 per cent of the project cost. The KUWSDB, Dharwad division,

17 Construction of RCC platform with column frames for transformer sub-station at Jack well, AC sheet shed for outdoor panel, construction of valve chamber and 11 kv line work from existing line to 20 HP pump set as per HESCOM requirement.
entrusted one work inspector, non technical, at the work site who was supposed to be at work every day. One site engineer is usually entrusted two to three towns, he is expected to visit the site every day to monitor the quality of work. One assistant executive engineer is entrusted with seven to eight towns and executive engineers are usually entrusted with about twenty towns. Whenever required they are expected to visit the work site. The third party quality monitoring was done for the civil work by Bureau Veritas. They submitted an interim and one final inspection report to KUWSDB, Dharwad division. The Indian Register of Shipping was also entrusted to check the quality of the PVC pipes. To check the quality of the PVC pipes for distribution network works, Kishan Irrigation Ltd. was entrusted.

Contracts

During our field visits, we collected the agreements for the works executed from the KUWSDB. While the agreement lays down the conditions of the contractor to KUWSDB, the proceedings contain the tender process and approval of the lowest bidding. The agreement was between the procuring entity in this case – Executive Engineer, KUWSDB, Dharwad division, on behalf of the Chief Engineer (North), KUWSDB, Dharwad division, and the contractor. The process of tender was followed as per the relevant sections of the KTPP Act. The agreement terms lay down the information that the general conditions of contract would be read as a part of the same. General conditions are conditions relevant to any and every contract, while specific conditions of contract would be applicable to only a few contracts depending on the type of work. The agreement lays down a defective liability period, but it does not lay forth a defective liability clause which is important to such agreements. A defects liability clause will set out the length of the defects liability period, the scope of defects the contractor is obliged to remedy and any part of the contract sum retained by the employer as surety for the performance of the remedial work (although this may be dealt with in the general clause dealing with the provision of security).

The current agreements only lay down a defective liability period, and since it does not lay down the nature of defects the contractor has to adhere to in the limitation period the contractor could very easily escape his liability by taking the defense of a void agreement. Thus, a clause stating the kind of defects the contractor would have to handle within the defective liability period needs to be mentioned. The general conditions of contract need to be reconsidered as they only lay down the time frame and not the contents of the damage, nature or source.

The second lapse in the agreement is the absence of a methodology to notify the
Evidence from three urban development programmes

classifier: Evidence from three urban development programmes

contractor of the defects. There needs to be a set procedure as to the manner followed in notifying defects to avoid any disputes between the contractor and the procuring entity. Again in the distribution work the agreement lays down all required data but again does not have a defect liability clause present which is sure to fuel up controversies between the engineer and contractor as to the defects that need to be adhered to. The general conditions of contract are present which lay down liability clauses for the contractor and the KTPP act lays down the liability clauses for the procuring entity.

Personnel and Training

We collected information regarding the employees of the KUWSDB who were directly involved with the implementation of the project, how many of them were technical and non technical personnel and whether their skills were adequate for implementing the project. We also obtained information as to whether they had undergone any training. We observed that there were three engineers and one non technical person who were directly involved in the project and the officials were of the view that this strength is adequate for implementing the scheme. Administration and technical training is given to the staff at Mysore. The contractors are also given training regarding e-tendering and e-payment usually about three times. We also examined whether there was any potential for use of ICT in the work and we observed that ICT is used for designing and drawings of the project such as barrage, rising main GLSR and distribution.

Impact and Outcomes

The first and most important point to consider in such works is the environmental impact. Since the dam already exists, the improvement process and addition of turbines and wells would not deeply change the current environmental scenario. The scheme assured both quality and quantity of water supply to the town, the hygienic conditions have improved along with a reduced incidence of water borne diseases. However our discussions with some residents in Siddapur indicated that the duration of the water supply had not significantly increased (which was about half hour a day) post-implementation of the UIDSSMT scheme, neither was the quality of water good since it was very muddy. The earlier (and existing) water supply scheme which was commissioned in 1997 has pumping capacity of 40 litres per second and after implementation of this project the pumping capacity is supposed to have increased to 44 litres per second. The major outcome of the scheme is that it curbed the leakages to a large extent. Previously the water supply frequency was once in two days at the rate of 50 litres per capita per day. After implementing of the
scheme, water supply frequency is claimed by the KUWSDB to be 97 litres per capita per day, although our discussions with the randomly chosen households did not reflect this.

Summary of Findings and Policy Recommendations

Summarizing the findings that have emerged from our study, the major policy recommendations are as follows:

Planning and Allocation

Finding

The UIDSSMT scheme is implemented in 30 ULBs in Karnataka. The sectors covered under these ULBs are water supply, sewerage, storm water drains and roads. Overall 38 projects were implemented in the state.

Policy recommendation

We observed from the programme guidelines that solid waste management is one of the admissible components under the scheme and it is also one of the important sectors to be given more attention. However we did not observe any solid waste projects taken up under the UIDSSMT (refer to Table 3.1), hence we recommend that this sector be covered in Karnataka so that we have cleaner cities in the state. However, we recognize that the state may have other funds for implementing solid waste management projects.

Project Approval and Contracts

Finding

The process of tender was properly followed as per the relevant sections of the KTPP Act. The agreement terms lay down the information that the General Conditions of Contract would be read as a part of the same. The agreement lays down a defective liability period.

Policy recommendation

We recommend that it should lay forth a defective liability clause which is very important to such agreements. A defects liability clause will set out the length of the defects liability period, the scope of defects the Contractor is obliged to remedy and any part of the contract sum retained by the employer as surety for the performance of the remedial work.
Finding
The second lapse in the agreement is the absence of a methodology to notify the contractor of the defects.

Policy recommendation
There needs to be a set procedure as to the manner followed in notifying defects to avoid any disputes between the contractor and the procuring entity.

Implementation and Supervision: Cost and Time Over-runs

Finding
Water supply scheme in Siddapur: While the state has not adhered to some mandatory reforms required of them, we observed during our field visit that all the mandatory reforms were fulfilled by the ULBs since the fund release is directly related to the reforms.

Policy recommendation
We recommend that the GoK make a sincere effort and learn from the ULBs in implementing the mandatory and optional reforms so that they are not adversely affected by fund releases from the government of India.

Finding
Road works in Mulki: We observed cost overruns due to delay in the process of executing the works. The average cost overrun from action plan to tender call is around 28.5 per cent. Further we observed that there was delay of about a year and 6 months between submission of the action plan and approval and it was further delayed by about nine months to call for a tender of it in Mulki TP. On average, taking into account all road works, there is a 300 per cent time over run.

Policy recommendation
We recommend that if the delays in processing such as approval of the DPR/action plan, time taken for tender call, are all reduced, cost overruns can be reduced substantially.

Finding
Water supply scheme in Siddapur: We found the lowest tender cost for civil works is 48.31 per cent above the estimated cost approved as part of the action plan, the tender cost for the pumping machinery work is 13.41 per cent above where as for distribution network it is 3.81 per cent below the bid. Further we found on average,
taking into account all works, there is 81 per cent time over run. The maximum
time delay of 157.5 per cent occurred in the case of pumping machinery work,
where the work was delayed by nearly one year and 3 months. We also found 86 per
cent time over run in the civil work.

Policy recommendation

These variations are due to non-availability of the materials in time, which boost
the material cost due to delay and extra work carried out which is not specified in
DPR. If the material were to be procured in advance by the implementing agency
and is incorporated in the DPR, then cost and time overruns can be reduced.

Finding

Road works in Mulki: There is only one junior engineer in many smaller ULBs
where we visited and he is supposed to look after many other programmes along
with UIDSSMT schemes. No training has been received by any of the personnel
involved in the last few years.

Policy recommendation

Certainly more engineers need to be recruited to reduce the burden and some
training in e-tendering and e-payment conducting it online would be helpful for
better implementation of similar programmes in the future.

Finding

Road works in Mulki: We observed a delay of 15 months on average in the payment
to the contractors between the date of actual work completed and the time we
visited the town.

Policy recommendation

The undue time delays we observed in the UIDSSMT (in contrast with the other
state-run programmes) in payment to cities and contractors should be avoided
since financial closure can be attained and the ULBs can focus their attention on
other needed work.

Monitoring Outcomes: Quality, Feedback and Financial Closure

Finding

Road works in Mulki: There is a third party inspection done by agencies identified
by the city and approved by the district’s commissioner at every stage of the work
completed. If they find any faults in the work, the contractor is asked to rectify it on
Evidence from three urban development programmes

the work spot itself. However the third party independent consultants will submit only one final report and will not report all the intermediate faults in the report.

Policy recommendation

We recommend that the third party consultants produce the detailed observation report at various stages of the work along with the final report, so that the quality of the contractors’ work can be monitored over time.

Finding

Water supply scheme in Siddapur: The major outcome of the UIDSSMT is that it curbed the leakages to a large extent. Previously water supply frequency was once in two days at the rate of 50 litres per capita per day. After implementing the scheme, water supply frequency is claimed to be 97 litres per capita per day. However our discussions with residents showed that the duration of water supply is for only about half-an-hour every day (making for probably less than 70 LPCD) and the water quality is quite poor. For instance, we were given to understand that the half-an-hour of water supply in the TP was temporary due to a break in the pipeline (which we also inspected).

Policy recommendation

We recommend that the ULB follows up with expedited local actions to ensure that the objective and specific targets of the scheme are fulfilled.
## Appendix 3A: Format Used to Collect the Summary of the Works under UIDSSMT/MNY

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Name of the work</th>
<th>Estimated Cost</th>
<th>Approved Tender Cost</th>
<th>Date of submitting DPR/Action Plan</th>
<th>Date of approval of DPR/Action Plan</th>
<th>Date of Agreement</th>
<th>Due date of completion</th>
<th>Actual date of completion</th>
<th>Name of contract and contact details</th>
<th>Physical progress</th>
<th>Expenditure to date</th>
</tr>
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<tbody>
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</table>
### Appendix 3B: Format for Obtaining Details from Contractors Working on UIDSSMT/MNY Projects

<table>
<thead>
<tr>
<th>Name of the Package</th>
<th>Name of the Contractor, Phone number</th>
<th>Approximate Expenditure on:</th>
<th>Average number of labourers used per day</th>
<th>Non-technical personnel used: Number, Designation, Role</th>
<th>Technical personnel used: Number, Qualification, Designation, Role</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Materials (%)</td>
<td>Salaries and Wages (%)</td>
<td>Equipment (%)</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Appendix 3C: Sample Progress Report Sent to the DMA by KUWSDB, Dharwad

<table>
<thead>
<tr>
<th>Sl No</th>
<th>Name of Scheme</th>
<th>Name of work / Package work / Package No.</th>
<th>Name of the contractor / Agency</th>
<th>Amount put to bid (Rs. in lakhs)</th>
<th>Award amount (Rs. in lakhs)</th>
<th>Stipulated period of completion</th>
<th>Dt. of notice to commence work / Date of handing over of site</th>
<th>Revise d date of completion</th>
<th>Due dt. of completion</th>
<th>Physcial progress</th>
<th>Actual achieved %</th>
<th>Details of components completed / under progress</th>
<th>Target %</th>
<th>Mobilization of advance outstanding with</th>
<th>Total (mob. work progress along with Rs. in lakhs)</th>
<th>Up-to-date expr. (in Lakhs)</th>
<th>Remarks / Reasons for delay</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Improvem ents to existing water supply scheme</td>
<td>1. Construction of Additional Pick up weir across Anand nala on upstream side of existing Jack well.</td>
<td>Miss. Sheth &amp; Sura Engineers Pvt. Ltd., Pune.</td>
<td>251.88</td>
<td>373.69</td>
<td>18 Months</td>
<td>24-01-08</td>
<td>23-07-09</td>
<td>-</td>
<td>100%</td>
<td>95%</td>
<td>100%</td>
<td>91%</td>
<td>-</td>
<td>338.30</td>
<td>338.30</td>
<td>575.11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Providing and laying 273.1 mm dia M.S Rising main from Jackwell at headworks to Treatment plant at Hanjpail. (Length = 4400.00 M)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Construction of 5.00 Lakhs litres capacity RCC GLSR at Treatment plant premises.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. Construction of 5.00 Lakhs litres capacity RCC GLSR at Kundli area.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 3D: Analysis of Agreements

UIDSSMT program in Mulki – Analysis of Agreement for Improvement of Karnad Padubail Road Mulki Town Panchayat, Mangalore Taluk, D.K District

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Whether mentioned or not</th>
<th>Whether present in other attached documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Frame</td>
<td>Mentioned in Work Order</td>
<td>2 months</td>
</tr>
<tr>
<td>Earnest Money Deposit (EMD)</td>
<td>Not mentioned</td>
<td>EMD not present in work order or the Agreement</td>
</tr>
<tr>
<td>Date of acceptance, date of tender notification</td>
<td>Date of acceptance mentioned; notification date of mentioned in work order</td>
<td>13 Jan 2009 – formation of contract; 10 October 2008 – tender notification</td>
</tr>
<tr>
<td>Cost</td>
<td>Estimated amount and tender amount mentioned</td>
<td>Estimated amount – ₹1,800,000; tendered amount ₹1,726,567</td>
</tr>
<tr>
<td>Responsibilities</td>
<td>To finish work in given time frame</td>
<td>45 days’ time frame</td>
</tr>
<tr>
<td></td>
<td>To erect work sign board displaying information at work sight</td>
<td>Work Boards should be erected as per the KPWD requirement</td>
</tr>
<tr>
<td></td>
<td>Allow 3rd party inspection</td>
<td>As per KPWD Rules- Third Party Inspection shall be mandatory in respect of all works contracts of estimated value more than Rs.2 crore</td>
</tr>
<tr>
<td></td>
<td>Allow for check measures</td>
<td>Liabilities and breach has been mentioned for in the general conditions of contract</td>
</tr>
<tr>
<td></td>
<td>Abide by KPWD form PWD 64</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Allow for liabilities in case of breach or damage</td>
<td></td>
</tr>
<tr>
<td>Defects Liability</td>
<td>Provision for DLP mentioned, but no exact costs or liability clause mentioned anywhere.</td>
<td>Sections 49.1–50.1 of the general conditions of contract</td>
</tr>
<tr>
<td>Output</td>
<td>Requirement mentioned but exact details unavailable</td>
<td></td>
</tr>
</tbody>
</table>
### Changing the Urban Face of Karnataka

**Gajani Road Town Panchayath Mulki Mangalore Taluk**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Whether mentioned or not</th>
<th>Whether present in other attached documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Frame</td>
<td>Mentioned in work order</td>
<td>45 days</td>
</tr>
<tr>
<td>Earnest Money Deposit (EMD)</td>
<td>Not mentioned</td>
<td>EMD not present in work order or the agreement</td>
</tr>
<tr>
<td>Date of acceptance, date of tender notification</td>
<td>Date of acceptance mentioned; notification date of mentioned in work order</td>
<td>13 Jan 2009 – formation of contract; 10 October 2008 – tender notification</td>
</tr>
<tr>
<td>Cost</td>
<td>Estimated amount and tender amount mentioned</td>
<td>Estimated amount – ₹18,00,000; tendered amount – ₹17,26,567</td>
</tr>
<tr>
<td></td>
<td>To finish work in given time frame</td>
<td>45 days time frame</td>
</tr>
<tr>
<td></td>
<td>To erect work sign board displaying information at work sight</td>
<td>Work Boards should be erected as per the KPWD requirement</td>
</tr>
<tr>
<td>Responsibilities</td>
<td>Allow 3rd party inspection</td>
<td>As per KPWD Rules – third party inspection shall be mandatory in respect of all works contracts of estimated value more than Rs.2 crore</td>
</tr>
<tr>
<td></td>
<td>Allow for check measures</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Abide by KPWD form PWD 64</td>
<td>Liabilities and breach has been mentioned for in the general conditions of contract</td>
</tr>
<tr>
<td></td>
<td>Allow for Liabilities in case of breach or damage</td>
<td></td>
</tr>
<tr>
<td>Defects Liability</td>
<td>Provision for DLP mentioned, but no exact costs or liability clause mentioned anywhere.</td>
<td>Sections 49.1–50.1 of the general conditions of contract</td>
</tr>
<tr>
<td>Output</td>
<td>Requirement mentioned but exact details unavailable</td>
<td></td>
</tr>
</tbody>
</table>
Appendix 3E:

Photo Essay: UIDSSMT

Some of the “up-stream” components of the Siddapura water supply infrastructure that were constructed under the UIDSSMT. Clockwise from top left, the pump house that houses the newly purchased and installed motor to pump the water up; a newly installed transformer meant to provide uninterrupted and stable power to the new motor; an extra pick-up weir that was constructed to increase the reserve capacity of the city during the dry season.
Talking to some local beneficiaries within the town of Siddapura (In Uttara Kannada) to better understand the “down-stream” benefits of the new water supply scheme.

One of the many roads constructed in Mulki, Dakshina Kannada under the UIDSSMT. Mulki poses unique challenges to road construction in that much of the land is water-logged and hence roads need to be built on raised bunds.
This chapter conducts a detailed study of programme implementation and service delivery to improve efficiency and cost-effectiveness of a nationally implemented poverty alleviation scheme, taking the instance of the Swarna Jayanti Shahari Rozgar Yojana in four cities and towns of Karnataka – Mysore, Chitradurga, Bhalki, and Siddapur.

The chapter is organized as follows: It first gives a historical perspective on urban poverty alleviation programs in the country, discusses program guidelines, associated fund flows, implementation and monitoring. The methodology used to study SJSRY is different from what was used to study UIDSSMT and MNY as it is an urban poverty alleviation scheme as opposed to an urban development scheme, and hence involves direct beneficiaries with whom we held Focus Group Discussions (FGDs) and extensive interaction. The chapter concludes with a list of our findings and associated recommendations to improve the efficiency and cost-effectiveness of the SJSRY in Karnataka.

Introduction

The Swarna Jayanti Shahari Rozgar Yojana (SJSRY) is a national urban poverty alleviation scheme that has been running in India since 1st December 1997. The programme aims to reduce urban poverty by providing gainful employment, skill training, financial backing, and develop community structures among those below the poverty line. Between 1997 and 2010-11, about ₹ 3.57 billion have been allocated under the SJSRY in Karnataka. Roughly 266,126 urban poor have been beneficiaries under the scheme in the state since the programme’s inception.

Historical Perspective

It is quite useful to develop a historical perspective on public programmes, for they are rarely immutable in structure. Often the same programme goes through various
avatars and extensive restructuring, with each incarnation of the programme intended to be better in certain spheres, and with each having its own failings and shortcomings.\textsuperscript{18} A historical perspective also gives us a sense of what changes have already been implemented, so that one refrains from back-tracking without a genuine need for it. A historical perspective also has the advantage that we can learn from past mistakes and shortcomings, as well as understand the strengths of the programme.

**Before SJSRY**

One can trace back the origin of urban poverty alleviation initiatives back to the 1950’s, when the Community Development Programme was launched by the then union government. The first formal attempt to experiment with the community development approach in cities was the Urban Community Development (UCD) pilot project, which was started in 1958 and followed by a series of UCD pilot projects, based on an area-oriented approach. Subsequently, a need for the improvement of the environment of slums was recognized in the Fifth Five Year Plan and subsequently, the scheme of EIUS (Environmental Improvement of Urban Slums) was started in 1972 at a central level to provide basic physical facilities to urban poor like safe drinking water, sewerage, storm water drains, community baths and latrines, and street lighting. It is useful to note that these programmes concentrated on providing basic public services and a minimum quality of infrastructure to those living in slums and other poorly developed areas in cities.

The EIUS scheme was then transferred to the states in 1974. To keep this in perspective, the Government of Karnataka signed the Karnataka Slum Areas (Improvement and Clearance) Act in 1973. Under the provisions of this act, the state set up the Karnataka Slum Clearance Board (KSCB) which is active to this date, and with roughly the same intent as that mentioned for the EIUS program.

In 1981-84, the Government of India decided to implement the programme of Urban Basic Services (UBS) in 42 towns which was subsequently extended, with collaboration of the UNICEF, to 168 towns. The UBS aimed at catering to the basic physical and social needs of the urban poor with a view to improving their living conditions. In the late 1980s, a National Commission on Urbanization (NCU) was setup, and based on their recommendations, the first comprehensive programme was started in 1989 to address the issues of growing incidence of poverty in urban areas. A four-fold strategy was adopted, comprising:

\textsuperscript{18} From the 10th Report of the Expenditure Reforms Commission, GoI. 2001. (http://expenditurerefor.ms.nic.in/mud10.pdf)
Evidence from three urban development programmes

a) Employment creation for low income communities through promotion of micro enterprises and public works

b) Housing and shelter upgradation

c) Social development planning with special focus on development of children and women

d) Environmental upgradation of slums.

With the above strategy in mind, two schemes were launched, namely:

i. The **Nehru Rozgar Yojana (NRY)** launched in 1989; to cater to the economic needs of the urban poor by providing them employment opportunities through skill upgradation and assistance for setting up their own micro enterprises; and

ii. The **Urban Basic Services for the Poor (UBSP)** which was a modified UBS Programme started in 1990. The UBSP Programme envisaged fostering community structures comprising urban poor for ensuring their effective participation in development activities.

Later, the **Prime Minister’s Integrated Urban Poverty Eradication Programme (PMIUPEP)** for improving the quality of life of urban poor by creating a facilitating environment for them through community based planning and implementation was launched in 1995, the objective of the scheme being effective achievement of social sector goals, community empowerment, employment generation and environmental improvement. The programme was made applicable to 345 class II towns and 79 specifically identified district headquarters and hill areas. However, the low allocations resulted in these programmes receiving low priority both in the state governments as well as with the Urban Local Bodies (ULBs).

A working group on urban poverty set up by the Planning Commission in 1995 examined various aspects of the existing schemes and made recommendations for their improvement. The working group recommended that a single umbrella-programme must be introduced combining the basic features of the existing schemes while making suitable modifications to minimize existing weaknesses. Consequently, a new scheme called the **Swarna Jayanti Shahari Rozgar Yojana** was designed.

**The Evolution of SJSRY**

The SJSRY, designed to replace the UBSP, NRY and PMIUPEP, was launched in 1997. Initially it consisted of three sub-schemes, namely,
1. **Urban Self-Employment Programme (USEP)** providing assistance to individual beneficiaries or group of urban poor women for setting up self-employment ventures through loan subsidies and training.

2. **Urban Wage Employment Programme (UWEP)** to provide employment for people living below the poverty line for the construction of socially and economically useful public assets.

3. **Community Structure Component**: To strengthen community structures, by imparting training to elected representatives, functionaries of urban local bodies, field functionaries, community organizers and others through national and other training institutes.

The central agency looking after this programme was the Department of Urban Employment and Poverty Alleviation at the Ministry of Urban Affairs & Employment.\(^\text{19}\)

In Karnataka, the State Level Nodal Agency (SLNA) for implementing the SJSRY\(^\text{20}\) was the Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC) between 1997 and 2002-03. In 2003, the Directorate of Municipal Administration (DMA) took over from the KUIDFC as the SLNA in Karnataka. The body has since been administering the SJSRY and a host of other urban development programmes since then.

The guidelines for the scheme underwent a major revision in 2009 with a significant restructuring of the component programmes. The revision was made to address difficulties faced by the states and UTs and to overcome certain drawbacks in programme implementation. The new guidelines came into effect from 1 April 2009.

**Programme Guidelines**

The programme guidelines and the operational details are lengthy and involve great detail as it is a fully-fledged urban poverty alleviation programme with many components and sub-components, numerous stakeholders and different requirements,

---

\(^{19}\) Between 1997 and 2004, the ministry has undergone many several rounds of restructuring. One can learn more about the restructuring here (http://mhupa.gov.in/ministry/index2.htm). From May 2004 however, the SJSRY has been administered by the Ministry for Housing and Poverty Alleviation.

\(^{20}\) Briefly, the SLNA is responsible for liaising between the central agency and the implementing agency, in-charge of compiling and aggregating data and reports, and of overseeing the activities of individual cities.
goals and objectives all incorporated under one umbrella scheme. Here we present an abridged and simplified version of the programme guidelines and will be taking up the finer nuances of the guidelines when required during the course of this report. The full revised guidelines can be found here.\footnote{SJSRY page at the Ministry of Housing and Urban Poverty Alleviation. (http://mhupa.gov.in/programs/index2.htm)}

**Objectives**

The objectives of the revised Swarna Jayanti Shahari Rozgar Yojana (SJSRY) are:

- Addressing urban poverty alleviation through gainful employment to the urban unemployed or underemployed poor by encouraging them to set up self-employment ventures (individual or group), with support for their sustainability; or undertake wage employment;

- Supporting skill development and training programmes to enable the urban poor have access to employment opportunities opened up by the market or undertake self-employment; and

- Empowering the community to tackle the issues of urban poverty through suitable self-managed community structures like Neighbourhood Groups (NHGs), Neighbourhood Committees (NHC), and Community Development Society (CDS).

**Coverage and Identification of Urban Poor**

The SJSRY targets the urban poor – defined as those living below the poverty line, as defined by the Planning Commission from time to time. The urban poor are defined as those who do not get even 2,100 calories per capita per day (as opposed to 2,400 calories per capita per day for those in rural areas); according to the original Planning Commission guidelines, at 1973-74 prices, this translates to some ₹56 per capita monthly expenditure, whereas the rural calorie consumption translates to some ₹49 per capita monthly expenditure. The SJSRY details an extensive procedure with an enumerated list of criteria that include seven non-economic criteria relating to living conditions in order to effectively select and prioritize the poorest of the poor. Thus, an independent survey of the urban poor is required to properly identify the list of potential beneficiaries by the scheme. Such a survey was carried out soon after the inception of the programme back in May 1998. No subsequent national survey has been carried out since then, barring the addition of a few urban poor every year or so in individual cities. Based on our discussions with the DMA, we found that Tamil

\footnote{SJSRY page at the Ministry of Housing and Urban Poverty Alleviation. (http://mhupa.gov.in/programs/index2.htm)}
Changing the Urban Face of Karnataka

Nadu was one state which had done a recent survey of the urban poor. A new survey was sanctioned in Karnataka for 2010-11. Each component of the SJSRY also has guidelines on selecting a minimum percentage of SC, ST, women and differently-abled beneficiaries every year.

The survey undertaken in 1998 found that there are roughly 80.8 million urban poor in India, with 6.38 million of them residing in the state of Karnataka in over 200 towns and cities.

Components

The details of the various components of SJSRY are as follows.

1. **Urban Self Employment Programme (USEP)**: Previously called the Micro-Enterprises (ME) component, the USEP has two sub-components:
   
a. **USEP (L&S)**: Assistance to individual urban poor beneficiaries for setting up gainful self-employment ventures [Loan & Subsidy]

   b. Technology/marketing/infrastructure/knowledge & other support provided to the urban poor in setting up their enterprises as well as marketing their products.

2. **Urban Women Self-Help Programme (UWSP)**: Previously present as two different components, DWACUA and TCGs, the new scheme has the two as sub-components:
   
a. **UWSP (Loan & Subsidy)**: Assistance to groups of urban poor women for setting up gainful self-employment ventures.

   b. **UWSP (Revolving Fund)**: Revolving funds for Self-Help Groups (SHGs) / Thrift & Credit Societies (T&CSs) formed by the urban poor women.

3. **Skill Training for Employment Promotion Amongst Urban Poor (STEP-UP)**: Providing assistance for skill formation/upgradation of the urban poor to enhance their capacity to undertake self-employment as well as gain access to better salaried employment.

4. **Urban Wage Employment Programme (UWEP)**: To provide wage employment, especially for the unskilled and semi-skilled migrants/residents by creation of community assets. Special emphasis will be on the construction of community assets in low-income neighbourhoods with a strong involvement and participation of local communities. The component is applicable only to cities with less than 500,000 population as per the 1991 census.
5. Urban Community Development Network (UCDN) – Community Structures, Community Development and Empowerment: The scheme intends to rest on the foundation of community development and empowerment. The fundamental method the scheme envisages to implement all of its various schemes effectively is by establishing and nurturing community organizations and structures that facilitate sustained urban poverty alleviation. Towards this end, community organizations like Neighborhood Groups (NHGs), Neighborhood Committees (NHCs), and Community Development Societies (CDSs) shall be setup in target areas.

a. Community Development Societies (CDSs): The CDSs will be the focal points for purposes of identification of beneficiaries, preparation of loan and subsidy applications, monitoring of recovery, and generally providing whatever other support is necessary for the programmes. The CDSs will also identify viable projects suitable for the area. Promotion of women’s self-help groups will be an important activity to be pursued by CDSs.

b. Self-Help Groups (SHGs), Thrift and Credit Groups (TCGs), and Neighbourhood Groups (NHGs): The community structures may also set themselves up as Self-Help Groups (SHGs) / Thrift and Credit Societies to encourage community savings, the formation of revolving loan funds and other group activities. These groups can nominate members to take part in the middle-rung Neighbourhood Committees (NHCs), who can in turn nominate people into the CDS, thus forming a three-tier community structure with easy mobility and lack of intense hierarchy so that individual problems and concerns can reach the higher level.

c. Community Organizer (CO): A city employee, the community organizer acts as the main link between the urban poor community (and the community structures such as CDSs, NHGs and others) and implementation machinery, i.e. the Urban Local Body. The success or the failure of the programme largely lies with the ability and involvement of the COs.

Financing Pattern

The Ministry of Housing and Urban Poverty Alleviation sets the physical and financial targets for the SJSRY and its various components every year. The programme is funded on a 75:25 basis between the centre and state governments (with a 90:10 share for some of the poorer states.) The central share under SJSRY is tentatively allocated between the states / UTs in relation to the incidence of urban poverty (number of urban poor) estimated by the Planning Commission from time to time.
As of now this is dependent on the 1998 survey of the urban poor. Thus, the money released to individual cities is based solely on the proportion of urban poor in that city to those in the state, barring the lack of utilization of previously released funds.

The financing pattern for the beneficiaries in the various components of the scheme is as follows:

Table 4.1 Financing Pattern under the SJSRY Components and Sub-components

<table>
<thead>
<tr>
<th>USEP (L&amp;S)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum allowable unit project cost</td>
<td>₹200,000</td>
</tr>
<tr>
<td>Maximum allowable subsidy</td>
<td>25% of the project cost subject to a maximum of ₹50,000</td>
</tr>
<tr>
<td>Beneficiary contribution</td>
<td>5% of the project cost as margin money.</td>
</tr>
<tr>
<td>Collateral</td>
<td>No collateral required</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>USEP (Tech, Marketing and Other Support)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro-Business Centres (MBCs) to be established at cluster level (handlooms, etc.)</td>
<td>₹8 million per MBC (one time capital grant of ₹6 million + ₹2 million for initial running cost)</td>
</tr>
<tr>
<td>Service Centres at CDS; Construction of Suvidha/Seva Kendra; promotion of clusters among Micro-Enterprises.</td>
<td>Cost of the technology, marketing and other support under USEP should be less than 10% of the overall USEP budget.</td>
</tr>
<tr>
<td>Beneficiary contribution</td>
<td>5% of the project cost as margin money.</td>
</tr>
<tr>
<td>Collateral</td>
<td>No collateral required</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>UWSP (L&amp;S)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility</td>
<td>Women in at least a group of 5.</td>
</tr>
<tr>
<td>Maximum allowable unit project cost</td>
<td>No maximum limit.</td>
</tr>
<tr>
<td>Maximum allowable subsidy</td>
<td>35% of the project cost subject to a maximum of ₹50,000 per member or ₹300,000 per group</td>
</tr>
<tr>
<td>Beneficiary contribution</td>
<td>5% of the project cost as margin money.</td>
</tr>
<tr>
<td>Collateral</td>
<td>No Collateral required</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>UWSP (Revolving Fund)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Thrift and Credit Groups (After 1 year of good performance and good savings)</td>
<td>₹2,000 per member, to a maximum of ₹25,000 per T&amp;CS + other small benefits</td>
</tr>
</tbody>
</table>
### Methodology

As stated in the introductory section, the methodology we followed for evaluating this program is slightly different since it is not an urban infrastructure program where beneficiaries/users cannot be identified easily. On the other hand, this is a poverty alleviation program in which the beneficiaries are targeted (the urban poor, no matter how imprecise their identification is) and can be identified.

The study was conducted based on extensive interviews with government officials at various levels and by field visits to selected cities across Karnataka to assimilate data, gather information and opinions from various stakeholders and players through focus group discussions (FGDs). The State-Level-Nodal-Agency responsible for the implementation of this scheme is the Directorate of Municipal Administration, and we chose the sites of our field visits in consultation with the DMA and the Expenditure Reforms Commission. During each field visit, we interacted extensively with stakeholders such as:

- **The city administrators:** Commissioners and Chief Officers;
- **The programme administrators:** Community Affairs Officers and Community Organizers, the ULB functionaries primarily responsible for implementation of the SJSRY.
- **Bank officers:** to get the perspective of the banks which ultimately give loans to the beneficiaries of the SJSRY;
- **Members of the community structure:** CDS president and other members, NHG and NHC members;

### Individual and Group Beneficiaries

Along with interviews, we also collected physical and financial details of the scheme on a yearly basis for as many years as possible, along with action plans, activity reports and associated documents.
Changing the Urban Face of Karnataka

Our aim in choosing field visit sites was to get a broad sample from different corners of Karnataka, and cities of different sizes. To that end, the list of cities that was chosen (in consultation with the ERC and the DMA) for field visits was:

**Table 4.2 List of Field Visit Sites for the SJSRY**

<table>
<thead>
<tr>
<th>Name of the City</th>
<th>ULB</th>
<th>Population (Census 2001)</th>
<th>Urban Poor (Survey, 1997-98)</th>
<th>No. of NHCs</th>
<th>No. of NHGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mysore city</td>
<td>CC(^{22})</td>
<td>787,179</td>
<td>1,75,036</td>
<td>104</td>
<td>1040</td>
</tr>
<tr>
<td>Siddapura, Uttara Kannada</td>
<td>TP(^{23})</td>
<td>14,050</td>
<td>7,604</td>
<td>5</td>
<td>53</td>
</tr>
<tr>
<td>Bhalki, Bidar</td>
<td>TMC(^{24})</td>
<td>35,093</td>
<td>17,000</td>
<td>10</td>
<td>110</td>
</tr>
<tr>
<td>Chitradurga city</td>
<td>CMC(^{25})</td>
<td>125,170</td>
<td>38,600</td>
<td>40</td>
<td>550</td>
</tr>
</tbody>
</table>

To get feedback from the community of the urban poor and beneficiaries, we conducted Focus Group Discussions (FGDs) in every city we visited, where we gathered representatives from the various sections of the community structure that has been built thanks to the SJSRY and from people who were in one way or another involved with the SJSRY. The FGDs we conducted typically lasted about an hour or two, and consisted of PAC team members, the COs/CAOs and around 20-40 beneficiaries and community representatives. The FGDs were often candid and honest, and gave us excellent insights into the collective views of the beneficiaries of this scheme.

Following up on FGDs, we also visited some individual businesses and enterprises set up by beneficiaries under the SJSRY, inspected works completed under the UWEP and Community structure (UCDN) components.

**Fund Flows and Institutional Mechanisms**

To examine fund flows, reporting requirements and the entire institutional framework that is in place to implement the SJSRY, we created a detailed flowchart (Figure 4.1) labeling all the relationships between various agencies and bodies. This was arrived at based on our discussions with DMA and city officials.

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\(^{22}\) City Corporation.
\(^{23}\) Town Panchayat.
\(^{24}\) Town Municipal Council.
\(^{25}\) City Municipal Council.
There are five main players that can be identified from the framework in Figure 4.1:

1. **The overall caretaker of the scheme: the Union Ministry of Housing and Urban Poverty Alleviation (MoHUPA).** The MoHUPA is empowered to modify policy, set yearly targets and review the individual states’ progress in programme implementation. The ministry also decides on the yearly budget for the SJSRY in consultation with other union departments, and ultimately issues directives to the Union Ministry of Finance to release funds to the states, and also issues directives to the Reserve Bank of India on how individual banks should provide loans and assistance to the urban poor.

2. **State Level Nodal Agency: The Directorate of Municipal Administration, Government of Karnataka (DMA).** The DMA, under the auspices of the State Urban Development Department (UDD) acts as the nodal agency for SJSRY, acting as the administrative link between the MoHUPA and the implementing agencies (the ULBs). The DMA coordinates the release of funds, monitors programme implementation, and collates all data at the state level to submit to the MoHUPA. Discretionary powers of the DMA with regard to the finances are
limited to deciding the proportional allocation of funds to the various components and subcomponents of the scheme, giving the states the freedom to implement what works best in their domain. The DMA gets more leeway in taking care of the operational details within the state.

3. Implementing Agency: the Urban Local Bodies (ULBs). The Urban Local Bodies are responsible for ensuring that the finances reach the beneficiaries in an effective manner. In order to do this the ULBs coordinate with a host of different players: the banks, training institutes, the community structures and the beneficiaries.

4. The Vox Populi: Community Development Society. The CDS is the collective voice of the urban poor, and is setup in a way to ensure that the implementation of the SJSRY is done in a manner concordant to the wishes of the poor. It acts as the bridge between the urban poor and the ULB functionaries.

5. The individual and group beneficiaries. While Figure 4.1 elucidates the overall theoretical framework of the flow of funds and reporting requirements, it does not tell us about the problems therein and any possible changes that can be made to improve the system. A specific issue is mentioned below in brief for context. The rest of the issues will be brought to the fore and addressed in greater detail in the subsequent sections (Budget Analysis, Monitoring and other sections).

The figure shows that the expenditure details required of the state by the centre and of ULBs by the DMA is quite relaxed.26 Focusing on the latter, we find that the DMA releases money to the ULBs in two instalments: one around August-September, soon after the receipt of the first installment from the Union Government, and the second around January. The release of the second installment is fairly automatic, without many requirements. The ULBs are expected to submit the Utilization Certificate for the money released two financial years ago in order to receive the funds for the current year.

Identification of Beneficiaries

Since the SJSRY is an urban poverty alleviation scheme, it is a people-centric programme rather than an infrastructure-centric one, like the MNY or the UIDSSMT. Central to the success of a people-oriented scheme is the proper identification of beneficiaries. As there are quite a few nuances to this, we decided to address the issue in a separate section.

26 For context, in infrastructure schemes like the UIDSSMT and MNY, subsequent receipt of installments requires the submission of at least 80-90% Utilization Certificates for the received money.
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The identification needs to be done on two levels: the macro and the micro. At the macro level, it is about identifying the number of urban poor in each Urban Local Body (ULB), and then aggregating the data at the state and national level. These numbers are central to the allocation of funds to individual states/UTs and ULBs.

At the micro level, it is about the proper identification of individual beneficiaries who ask for subsidized loans, training or wage employment under this scheme.

The survey done in 1998 met the needs of the macro-level identification of urban poor in the previous decade. Since then, urban population has grown rapidly, and along with it, urban poverty. Just between 1999 and 2004, it was calculated that the urban population in Karnataka increased by 13 per cent. Data from the same source also showed that the percentage of urban population living below the poverty line increased in the state from 25.25 per cent to 27.18 per cent. This might seem like a small increase, but it translates to more than nine lakh more urban poor in the space of five years, in Karnataka alone. Thus, the lack of a comprehensive survey done of the urban poor since 1997-98 in the country (and in Karnataka) limits the ability of administrators to plan the scheme effectively. We recommend that the Government of Karnataka take up their survey of the urban poor sanctioned in 2010-11 as soon as possible, and include the local community structure in their assessment efforts. This is not a one-time effort, and such surveys should be repeated periodically.

At the micro level, a large problem faced by the scheme (and all other poverty-alleviation initiatives like food subsidies) is that people well above the poverty line can pose as urban poor to avail the benefits of the scheme. The micro-level is disconnected from the macro-level because yearly, the SJSRY scheme’s subsidized loans and training schemes affect a small number compared to the overall population. For example, the annual national target set by the MoHUPA for the self-employment was 50,000 beneficiaries. This is a small number compared to the more than 800 lakh urban poor in the country.

People applying for subsidized loans from the scheme only need to show a BPL card and an income certificate (and a few other documents) as proof of being below the poverty line.

The major problem with this is the presence of a large number of fake BPL cards that are present in almost all cities. In prior work, we found that for cities like Shimoga, Davangere and Gulbarga have more BPL cards than they have households

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27 Using data from Planning Commission, Government of India.
in the entire city.\textsuperscript{29} This allows for people well above the poverty line to avail loan and subsidy meant for people much poorer and with much greater need. In Mysore, an income certificate was necessary as a part of a loan application. Beneficiaries and community members who had come to the focus group discussion (FGD) told us that one could get an income certificate by paying ₹ 300 to the Tahsildar.

Due to the unreliability of BPL cards and income certificates, the periodic surveys of the urban poor should also generate exhaustive lists of urban poor for every town and city and should be maintained at the ULBs.

Only individuals and groups from this list must be allowed to avail the benefits of the SJSRY, and the list must be consulted before the issue of loans or training. BPL cards and income certificates must be considered secondary to this.

\section*{Budget Analysis of Expenditure}

The budget allocation for the SJSRY under the union government has been steadily increasing since the scheme’s inception in 1997 (see figure 4.2). As previously mentioned, the Government of India funds 75 per cent of the scheme with the remaining 25 per cent of the funds coming from the states. Under the revised guidelines, the union government funds up to 90 per cent in some of the poor states as well.

Figure 4.2 and Table 4.3 show the year-on-year increase of annual budget for the SJSRY at both the central and state levels respectively. This increase of the annual budget, from a low of ₹510 million in 2001-02 (central + state outlays) to about ₹7.53 billion for 2010-11 is commendable, as more help is needed for the increasing number of urban poor. In Karnataka, net releases for the SJSRY have gone up from ₹5.27 billion in 2001-02 to ₹52.54 billion in 2010-11, a ten-fold increase in less than 10 years. Also, given the increase in the population of the urban poor in the past decade, the increase of the annual budget is essential. However, a question one needs to ask is whether the states and the individual ULBs are capable of spending the extra money in a timely manner.

Table 4.3 also shows the percentage expenditure in SJSRY in the state on a yearly basis. As of January 2011, the state has spent 75.3 per cent of the funds allocated for the scheme since 1997. In the years 2008-09 and 2009-10, only 51.9 per cent and


60.2 per cent of the released funds were spent in the same year. However, the analysis of expenditure in urban poverty alleviation programmes is not straightforward. The funds are allocated and released on a yearly basis (with two instalments per year), but funds that are not spent by the ULBs are not returned to either the state or the centre. Thus, the scheme (at the ULB level and aggregated at the state level) on its own has an opening and closing balance every year. The closing (unspent) balance is carried forward to the next financial year.

Using data furnished by the DMA, unspent money or theoretical closing balances were calculated (for the state as a whole, including all ULBs) based on the difference between total releases and total expenditure. It is found that ₹7.203 billion unspent funds are left, distributed among Karnataka’s ULBs, at the end of the financial year 2009-10. Figure 4.3 illustrates the percentage change between the calculated opening and closing balances under SJSRY. The figure clearly illustrates that since 2004-05, the balances of unspent funds are growing year on year, showing no signs of reduction. Figure 4.4 shows the cumulative release and expenditure patterns in the state.

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50 Calculated from the Union budget data, assuming that the union government contributed 75% of the funds every year. Data was taken from the Outcome Budget 2010-11 of the MoHUPA. (http://mhupa.gov.in/pdf/outcome_budget/ocb1011.htm).
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This pool of unspent funds has been growing due to an apparent inability of the existing framework to spend the money at the rate at which it is coming in. As mentioned in the previous section, the requirements (regarding expenditure and achievement of physical targets) are quite loose, where UCs need to be submitted by the ULBs only for year 2.

Table 4.3 Annual releases and expenditures under SJSRY for Karnataka.

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Year</th>
<th>Releases (Centre+ State) (in ₹ mn.)</th>
<th>Expenditure (in ₹ mn.)</th>
<th>Per cent Expenditure (Col 3/4)</th>
<th>Calculated Opening Balance (in ₹ mn.)</th>
<th>Calculated Closing Balance (in ₹ mn.)</th>
<th>% Increase [(7-6)/6]</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Opening Balance**</td>
<td>488.88</td>
<td>0.00</td>
<td>0.00</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>2</td>
<td>1997-1998</td>
<td>98.19</td>
<td>0.00</td>
<td>0.00</td>
<td>488.87</td>
<td>587.06</td>
<td>20.10</td>
</tr>
<tr>
<td>3</td>
<td>1998-1999</td>
<td>148.54</td>
<td>28.89</td>
<td>19.50</td>
<td>587.06</td>
<td>706.71</td>
<td>20.40</td>
</tr>
<tr>
<td>5</td>
<td>2000-2001</td>
<td>22.40</td>
<td>214.10</td>
<td>955.80</td>
<td>599.99</td>
<td>408.29</td>
<td>-32.00</td>
</tr>
<tr>
<td>6</td>
<td>2001-2002</td>
<td>52.69</td>
<td>334.81</td>
<td>635.50</td>
<td>408.29</td>
<td>126.16</td>
<td>-69.10</td>
</tr>
<tr>
<td>7</td>
<td>2002-2003</td>
<td>89.16</td>
<td>101.71</td>
<td>114.10</td>
<td>126.16</td>
<td>113.61</td>
<td>-9.90</td>
</tr>
<tr>
<td>8</td>
<td>2003-2004</td>
<td>76.99</td>
<td>167.60</td>
<td>217.70</td>
<td>113.61</td>
<td>230.04</td>
<td>-79.80</td>
</tr>
<tr>
<td>9</td>
<td>2004-2005</td>
<td>155.35</td>
<td>96.85</td>
<td>62.30</td>
<td>81.50</td>
<td>254.30</td>
<td>28.30</td>
</tr>
<tr>
<td>10</td>
<td>2005-2006</td>
<td>109.73</td>
<td>86.66</td>
<td>79.00</td>
<td>81.50</td>
<td>104.57</td>
<td>28.30</td>
</tr>
<tr>
<td>11</td>
<td>2006-2007</td>
<td>188.93</td>
<td>131.91</td>
<td>69.80</td>
<td>104.57</td>
<td>161.59</td>
<td>54.50</td>
</tr>
<tr>
<td>12</td>
<td>2007-2008</td>
<td>321.38</td>
<td>263.66</td>
<td>82.00</td>
<td>161.59</td>
<td>219.30</td>
<td>35.70</td>
</tr>
<tr>
<td>13</td>
<td>2008-2009</td>
<td>652.81</td>
<td>338.70</td>
<td>51.90</td>
<td>219.30</td>
<td>533.42</td>
<td>143.20</td>
</tr>
<tr>
<td>14</td>
<td>2009-2010</td>
<td>469.96</td>
<td>283.12</td>
<td>60.20</td>
<td>533.42</td>
<td>720.25</td>
<td>35.00</td>
</tr>
<tr>
<td>15</td>
<td>2010-2011†</td>
<td>525.39</td>
<td>360.02</td>
<td>68.50</td>
<td>720.25</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>35790.99</td>
<td>26934.72</td>
<td>75.30</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* As per data obtained from the DMA in March 2011. The other columns are calculated by the authors.
† Closing balance for a year is calculated as the sum of the opening balance and new releases for that year, minus the expenditures in the same year. The opening balance for say 2008-09 is the same as the closing balance for the previous year, 2007-08.
‡ Up to Jan 2011.
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Figure 4.3 Increase between Opening and Closing Balances, SJSRY, Karnataka

Figure 4.4 Cumulative Releases and Expenditure under SJSRY in Karnataka
What this means is that funds come in to each ULB every year, year after year, but the money they get in 2010, they are required to spend only by 2012. In the middle of this they would get more money in 2011!

The idea behind this loose requirement is that poverty alleviation schemes are continuous in process, and also have a long implementation period, and the relaxed submission requirements for the UCs ensures that the funds don’t get stuck with the DMA.

While this concern is legitimate, the system allows too much slack for the ULBs. They also just go by the BPL numbers on the records, which means that they cannot increase their spending on any more urban poor. Not only this, the system also ensures that the funds that make up the expenditure gap is not available in a liquid form, but is instead present in parts in the bank accounts of the individual ULBs. Acting on the concern that funds get stuck with the DMA, the current system ensures that funds get stuck with individual ULBs. It is also our recommendation that every year, the ULBs submit 100% UCs for the release two years prior, and 50 per cent UCs for the release from the previous year.

While the improper identification of beneficiaries is a major factor in affecting the success of the SJSRY, it is unlikely to be the bottleneck responsible for the states’

Figure 4.5 Cumulative Releases and Expenditure under the SJSRY in Siddapura TP

![Graph showing cumulative releases and expenditure](image)

31 As explained to us by the DMA.
32 That is, to get funds for the year 2010-11, the ULBs will have to submit 100% UCs for 2008-09, and 50% UCs for 2009-10.
and ULBs’ increasing expenditure gap. This is because the number of beneficiaries targeted every year under the programme is a very small number compared to the overall urban poor population. For example, the number of physical targets set for the city of Mysore was 96 for the year 2009-10. This is a very small number compared to the number of urban poor in the survey: over 175,000 as of 1998. If a new survey was conducted and the number of urban poor in the city updated, the budgetary allocation to individual cities can be revised. The solution is to revise the physical targets set.

Figure 4.5 shows the cumulative releases and expenditures at the ULB level, taking the sample ULB of Siddapura TP in Uttara Kannada. As one can qualitatively observe, the TP shows above average performance in spending the released funds under the scheme. The TP shows a smaller gap between releases and expenditure, and one which seems to be shrinking in size.

While one can address the issue of the expenditure gap by strengthening the implementation mechanisms currently in place (at the ULB level), the flow of funds also can be optimized to increase the expediency of the state in spending allocated money. The DMA also explained to us that there are no performance-based initiatives given to individual ULBs, citing the reason that poor performance on the part of the city functionaries should not affect benefits to the urban poor in said city.

However, the Union Government (Paragraph 3.4 of the revised guidelines of the SJSRY) allows the diversion of under-utilized funds which could not be released to the States/UTs not fulfilling the prescribed criteria, to better-performing states/UTs in the fourth quarter of a financial year, keeping in view their performance and demand for additional funds.

To this end we reiterate our recommendation that the DMA release some part of the funds in a performance-based manner during the last quarter of the financial year, giving more money (and set more physical targets) to the better-performing ULBs like Siddapura. This can be done only if the DMA conducts this exercise of comparing releases with expenditure for all the 200+ ULBs in the state. The performance analysis recommended here can be done simultaneously with the strengthening of ULBs’ reporting requirements as mentioned previously.

The exercise can also be repeated on a component-by-component basis. Figure 4.6 shows the performance of Siddapura under three sample components of the scheme: the USEP (L&S), UWSP (L&S) and STEP-UP. What we find is of significant interest. In the first component, USEP (L&S), we find that as of 2009-10, all the
Figure 4.6 Cumulative Releases and Expenditure for SJSRY Components in Siddapura
funds received till date have been utilized. The UWSP (L&S) component had developed an expenditure lag in the previous few years, but it is apparent that the expenditure is catching up and the lag looks to get minimized barring any unforeseen events. The STEP-UP component on the other hand has a nearly constant ₹100,000 lag in expenditure that is not getting lesser with time.

This information lets us conclude that for Siddapura, the USEP and UWSP (L&S) components can have their allocations increased in the coming years as opposed to STEP-UP. Similar exercises ought to be carried out at the state level and for each ULB to determine where the funds should flow for optimum utilization.

**Allocation across SJSRY components**

The allocation of funds across the various components of SJSRY is left to the discretion of the DMA. Figure 4.7 illustrates the allocation of funds for the year 2010-11.

STEP-UP, the skill training component has received the largest portion of the funds at 36 per cent, with UWSP (L&S and revolving funds together) getting 29 per cent.

**Unit Costs**

At first glance, calculating and analyzing unit costs for the SJSRY seems
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straightforward, when compared with infrastructure programmes like the UIDSSMT and MNY. For most of the components in the SJSRY, the guidelines themselves specify maximum unit costs. However, calculating actual unit costs and drawing meaningful conclusions from them is significantly harder. The guidelines (old and new) set specific maximum unit costs for most of the components of SJSRY. However, the true “unit expenditures” are lower than the maximum permissible and varying across years and cities.

Table 4.4. Unit Costs of Various Components of SJSRY

<table>
<thead>
<tr>
<th>Component*</th>
<th>Old guidelines [Till 2008-09]</th>
<th>Revised guidelines [09-10 onwards]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Maximum unit expenditure**</td>
<td>Observed range of unit</td>
</tr>
<tr>
<td>USEP (L&amp;S)</td>
<td>15,000</td>
<td>2,385 – 6,000</td>
</tr>
<tr>
<td>UWSP (L&amp;S)</td>
<td>1,25,000</td>
<td>62,500 – 100,926</td>
</tr>
<tr>
<td>UWSP (Revolving)</td>
<td>25,000</td>
<td>10,259 – 15,125</td>
</tr>
<tr>
<td>STEP-UP</td>
<td>2,000</td>
<td>1,349 – 7,600</td>
</tr>
</tbody>
</table>

* The units are: cost of subsidy per individual loan in USEP (L&S); per group loan in UWSP (L&S); cost per TCG in UWSP (Revolving Fund) and per trainee in STEP-UP.

** The observed range here is the range of the average, yearly unit expenditure in the ULBs visited: Bhalki, Chitradurga, Mysore and Siddapura. Individual subsidies to beneficiaries can be higher.

Observations

1. The first notable point is that the observable unit expenditures are often much lesser than the maximum allowed, making for a case where a much larger number of beneficiaries can be given assistance with the same sum of money, leading to a more numerically efficient system of expenditure.

2. A general trend of increasing unit expenditure is observed over time for all the cities investigated for the two Loan & Subsidy components. For the cities where we have individual year financial and physical targets ranging back more than five years, we observe steadily increasing unit expenditure across many years as well. From our discussions with bank managers and field officers (and with city officials,) we understood that the bank gives out a loan whose size is dependent on the needs of the group’s or individual’s business plan. Thus, if a USEP or UWSP
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applicant is capable of providing a sound plan for the investment of the maximum loan amount in new enterprise, the maximum loan amount (and hence the maximum subsidy amount) can be released to the beneficiary. The increasing trend (above and beyond inflation) attests to the fact that the beneficiaries under this programme are becoming more capable of investing larger sums of money into their start-up businesses.

3. There is a lack of clarity regarding the setting of physical targets by the DMA for each ULB every year. A better way of doing it would be to divide the allocated money for a ULB by the maximum allowable unit cost to come up with the number of “units” or beneficiaries who can be supported in that given year. However, we found many irregularities in this matter (most of which were taken care of after the implementation of the revised guidelines). The ‘cleanest’ data were found for the year 2009-10, the year when the revised guidelines were implemented. Accordingly, in all our 4 selected ULBs we found that the unit cost used for USEP (L&S) and UWSP are as recommended.\textsuperscript{33} However, we found that the unit cost of training (STEP-UP) used remained at Rs. 2,000.

4. The training component (STEP-UP) appears to have more discrepancies in its unit expenditure across the various cities and years. We found many instances of the unit expenditure being higher than the maximum unit cost of Rs. 2,000 under the old guidelines. However, we were unable to obtain the unit expenditures for STEP-UP under the revised guidelines as none of the four cities had spent their year’s allocation of funds for the component in 2009-10.

5. While the maximum allowable unit costs are mentioned explicitly in the guidelines, the way it works in practice is that every year based on the national targets set by the Government of India, the DMA intimates the cities on the amount of money they will be receiving under the various components in that financial year, and also issues physical targets set to be achieved. The situation becomes more complicated as most cities have balance amounts left from the previous year which is carried over; however, the physical targets do not seem to get carried over as well\textsuperscript{34}. It is essential that the ULB set itself extra physical targets based purely on the balance amount of money left from the previous year.

\textsuperscript{33} In the case of UWSP (revolving fund) a unit cost of Rs. 20,000 was used instead of Rs. 25,000. However, this is justifiable as the guidelines specify a maximum of Rs. 2,000 per member, and almost all thrift and credit women’s groups that have been formed in the state have 10 members each.
6. Modified implementation strategies and better monitoring can reduce the unit expenditure of the various components significantly, and they shall be discussed in subsequent sections of this report.

Programme Implementation

We study the implementation of each component individually because of the wide variation in the scope and nature of each component.

Tables 4.5 and 4.6 give a state-wide macro picture of the physical targets for the number of beneficiaries set and achieved under the SJSRY. In 2009 the scheme underwent significant restructuring, and hence the components are not strictly comparable. Overall, between 2002-03 and 2008-09, 36,419 beneficiaries have been given loan and subsidy under the Micro Enterprises component, 2,417 women’s groups have been given loan and subsidy under DWACUA, 45,507 Thrift and Credit Groups have been given revolving funds and 68,894 individuals have been given skill training in the state. Between 2009 and February 2011, over 1.12 lakh people have benefited under SJSRY.

Table 4.5. Physical Targets and Achievements under SJSRY in Karnataka, 2002-09

<table>
<thead>
<tr>
<th>Year</th>
<th>ME (Individual Beneficiaries)</th>
<th>DWACTCG (Groups)</th>
<th>TCG (Groups)</th>
<th>TRAINING (Individual Beneficiaries)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Target</td>
<td>Achievement</td>
<td>Target</td>
<td>Achievement</td>
</tr>
<tr>
<td>2002-03</td>
<td>6616</td>
<td>2005</td>
<td>418</td>
<td>117</td>
</tr>
<tr>
<td>2003-04</td>
<td>8475</td>
<td>6480</td>
<td>333</td>
<td>129</td>
</tr>
<tr>
<td>2004-05</td>
<td>4495</td>
<td>2128</td>
<td>577</td>
<td>210</td>
</tr>
<tr>
<td>2005-06</td>
<td>4810</td>
<td>3451</td>
<td>533</td>
<td>259</td>
</tr>
<tr>
<td>2006-07</td>
<td>10924</td>
<td>5204</td>
<td>546</td>
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<tr>
<td>2007-08</td>
<td>9375</td>
<td>7915</td>
<td>600</td>
<td>604</td>
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<tr>
<td>2008-09</td>
<td>9375</td>
<td>9236</td>
<td>600</td>
<td>830</td>
</tr>
<tr>
<td>Total</td>
<td>54070</td>
<td>36419</td>
<td>3607</td>
<td>2417</td>
</tr>
</tbody>
</table>

There are also cases where the physical targets would have been met or exceeded the previous year without attaining financial closure, as the unit expenditure is often much less than the maximum allowed.
Evidence from three urban development programmes

Table 4.6. Physical Targets and Achievements under SJSRY in Karnataka, 2009-11

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Component</th>
<th>2009-10 Beneficiaries</th>
<th>2010-11 (up to 28.2.2011) Beneficiaries</th>
<th>Total Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>USEP (L&amp;S)</td>
<td>3541</td>
<td>3241</td>
<td>6782</td>
</tr>
<tr>
<td>2</td>
<td>UWSP (L&amp;S)</td>
<td>4747</td>
<td>3060</td>
<td>7807</td>
</tr>
<tr>
<td>3</td>
<td>UWSP (Rev. Fund)</td>
<td>49201</td>
<td>22520</td>
<td>71721</td>
</tr>
<tr>
<td>4</td>
<td>STEP-UP</td>
<td>15853</td>
<td>10726</td>
<td>26579</td>
</tr>
<tr>
<td>5</td>
<td>Total</td>
<td>73342</td>
<td>39547</td>
<td>112889</td>
</tr>
</tbody>
</table>

USEP: Urban Self Employment Programme

Loan and Subsidy (L&S)

The primary sub-component of the USEP is the Loan & Subsidy (L&S) sub-component; with the marketing, technology and other support being secondary to this, intended to enhance the efficacy of the loans.

Urban poor wishing to avail the benefits of the USEP (L&S) have to apply to local bank branches (typically nationalized banks) for loans. The bank branches receive ‘targets’, i.e. number of loans that they can issue in a year. Roughly 10-30 loan applications are received for every loan that they can issue under the SJSRY. The Annexure II of the revised guidelines of the SJSRY gives the operational details for availing bank loans and setting up micro enterprises under the USEP. The document prescribes eligibility criteria for applicants:

1. Should be “urban poor living below poverty line, in any city/town.”
2. Residing in the same town/city for at least three years.
3. Minimum 18 years of age
4. Should not be a defaulter to any nationalized bank/financial institution/cooperative bank.

The first criterion of eligibility is the most loosely defined. In theory, the urban poor living below the poverty line should be someone identified by the SJSRY survey, or must have subsequently been added to the lists (largely with the help of neighborhood committees, self-help groups or CDSs). In practice, this is determined
by having the applicant submit a BPL ration card to the bank while applying for the loan and subsidy, in many towns. We already mentioned this problem, along with our recommendation of periodic surveys (with the surveys generating comprehensive lists of urban poor) in the section on the identification of beneficiaries.

This remains the single biggest stumbling block for all poverty alleviation programmes in India – improper identification of the poor, where people above the poverty line masquerade as those below it and take advantage of the schemes intended to help the needy.

The banks analyze the basic feasibility of the submitted business plans and quotations and select enough applications to meet their financial targets and release the loan to the (now) beneficiaries. Depending on the nature of the project, the beneficiaries get the money in lump sum or in installments. A receipt or a quotation is usually required for buying large equipment (e.g. autorickshaws), and once approved, the money is then mostly in demand draft form to minimize misuse.

The bank is expected to issue 95 per cent of the loan money (including subsidy), with the beneficiaries keeping a 5 per cent earnest money to the city. The city then is expected to transfer the subsidy amount to the bank. The repayment schedule ranges from 3 to 7 years after an initial moratorium of 6 to 18 months as decided by bank. The subsidy here is known as a “back-ended subsidy,”35 where the beneficiary is not expected to pay back the subsidy amount nor any interest on it.

However, we found irregularities regarding this point in Bhalki. At Bhalki, the bank officer we met with claimed that the beneficiaries need to pay interest on the subsidy as well. At the time we had to make sure that bank branches in other cities did not operate in the same manner.

The loan and subsidy implementation mechanisms are quite complicated and the Reserve Bank of India issues regular circulars clarifying the various nuances. However, in parallel it would be good to educate even the CDS members, NHCs and other community organizations on the finer details of applying for loans so as to empower them in this regard and so that the chances of their getting cheated are greatly reduced.

We find that apart from sanctioning subsidies, the ULBs follow none of the guidelines provided by the Government of India. Paragraph 4.2.7 of the Revised

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Guidelines asks the ULBs to take a ‘cluster approach’ when it comes to identifying beneficiaries, such that all adults in the cluster are provided with benefits of skill development, self-employment or wage employment so that no urban poor household is left with an adult without means of earning income. We found no evidence of the same in any of the cities investigated.

We also found no real emphasis on developing local skills and crafts (paragraph 4.2.8). The ULB is expected to develop and maintain a compendium of micro-enterprise activities/projects keeping in mind the marketability, cost, economic viability etc. While some of the better CAOs and COs have a more general sense of what types of MEs work well and what have failed in the past, there is no system set in place for this, and nothing to facilitate knowledge sharing, marketing goods and services. For instance, if someone sells home-made chips at a rate similar to that of branded chips like Frito-Lays, there would be a dearth of buyers who prefer their goods.

For the purposes of self employment, the guidelines want focus on three sectors: i.e. production (micro-industry), services and business.

In our interactions with beneficiaries, we came across the following kinds of self-employment facilitated by the SJSRY:

a. Bag and purse making – a woman in Chitradurga had availed for training in bag-making in an earlier year, and has started making and selling bags and purses using a USEP loan. Given that it is one woman making a few bags a month, it is difficult to call this micro-industry.

b. Business – We found several people running petty shops using USEP loans.

c. Services sector – had the bulk of the USEP loan beneficiaries. People were running beauty parlours, equipment rental agencies, running tailoring shops, and so forth.

The following is the list of important self employment activities assisted under the USEP (L&S) (formerly the ME) component of SJSRY in the state:

Provision store; dairy; stationary shop; fancy stores; garments; cloth retail shops; auto-rickshaw; photo studio; mess; hotels and restaurants; agarbathi manufacture; book-binding; motor-rewinding; garage; carpentry; hair-salon; pan shop; cycle shop; laundry; footwear shops; handicraft; electronics repairs and sales; vegetable vendor; fruit stall; condiments; beauty parlour; photocopying and telephone.
Technology, Marketing and Other Support

The second, auxiliary sub-component of USEP is focused on providing support for the urban poor entrepreneurs who want to be self-employed and set up their own small businesses or manufacturing units.

The revised guidelines recommend the setting up of Micro Business Centres (MBCs) such that poor industrial entrepreneurs can form a hub in order to pool in resources, and increase the sustainability of their production.

We found no MBCs that have been set up in the state to date. Similarly, Seva/Suvidha Kendras are recommended to help the services sector, which are also missing in action. For the business sector, kiosks and spaces are supposed to be leased or rented out to the urban poor so that they can set up shops, along with mobile outlets. We again found no provision for this.

In summary, the revised guidelines of the SJSRY have an extensive list of recommendations to improve the efficacy of the self-employment loans. However, we find none of them being implemented, thereby limiting the efficacy of these loans in pushing urban poor above the poverty line.

The situation is the same when it comes to the area of marketing. On recommendation from the ERC, we also made an attempt to discuss the relevant issues with those from departments who were supposed to deal with the marketing of products manufactured by the SHGs. Much to our surprise, we found that there is no government department which routinely deals with the marketing of goods produced by the beneficiaries. This component of the program thus seems to be weak in Karnataka, when compared with states such as Andhra Pradesh where there is a wing which is exclusively devoted to marketing and promotion.\(^\text{36}\)

The current list of activities taken up under USEP and UWSP loans only contains items that break even in the absence of any marketing. People expressed opinions to the effect that enterprises like small-scale garment manufacture, making CFL tubes, and a lot of other business ideas quick-learning curves are not possible right now because of a single reason: marketing. The urban poor have not been given any marketing help even in a city like Mysore which enjoys a rich tradition of handlooms.

\(^\text{36}\) This is based on discussions with Mr. Jayesh Ranjan, IAS, who has been working closely with a World Bank-sponsored urban poverty alleviation program in Chittoor, Andhra Pradesh, which took place when the principal author of this study met with him at the Fifth international conference on public policy at the Indian Institute of Management, Bangalore, held in August 2010.
and handicrafts; thereby rendering them unfit to compete with the rest in the micro-
industry, cottage industry and other fields. One can look into the Fabindia model\textsuperscript{37} to market local products or learn lessons from Barefoot College’s 40 years of experience in helping the rural poor.\textsuperscript{38}

**UWSP: Urban Women Self-Help Programme**

**UWSP (Loan and Subsidy)**

The first component of the Urban Woman Self-Help Programme deals with giving subsidized loans to women to help set up self-employment ventures in groups as opposed to as individuals. Economic activities suited to their skill and aptitude may be taken up to generate income and also act to empower the women among the urban poor.

The mechanism of its implementation is similar to that of the USEP (Loan & Subsidy), with differing amounts of maximum permissible loan and subsidy amounts. It was our observation that beneficiaries of UWSP loans were more plausibly below the poverty line than those of the USEP loans. The need for government subsidized loans was more apparent among the women groups than many running MEs. We came across a whole variety of setups by beneficiaries, such as:

a. Dairy (buffaloes) and goat herding. Women groups would rear buffaloes (usually one each) and sell the milk either door to door or to Milk Federations. These thrived as no special marketing was required for it. Similarly, women also reared goats and sold them. This was a bit more risk-laden as payment came only in lump sum at the end.

b. The making and selling of chips, fried snacks, paapads and knickknacks. Largely dependent on the availability of willing and steady buyers. It is not difficult to imagine that a Suvidha Kendra that sets some quality control and centralized the distribution of such items would not help such a business, not to mention the lease of mobile vending machines and kiosks.

c. A group of women in Mysore were into making files, stationery and books, and received a UWSP subsidized loan for the same. They were so successful that they also won a tender to supply the Mysore City Corporation with all their stationery needs, apart from selling books and paper to women in Self-Help Groups at a small margin.


\textsuperscript{38} Barefoot College, Tilonia, Rajasthan.
d. A group of women in Chitradurga set up a small restaurant that serves midday meals and evening tiffin. Availing the funds, they now provide good quality, tasty and hygienic “home-made” food to a grateful and diverse clientele.

A more comprehensive list of activities taken up under DWACUA (and now the UWSP L&S) in Karnataka are as follows:

Garment manufacturing; dairy; bakery; photo-studio; hotel; and restaurants; motor-rewinding; garage; carpentry; hairsalon; fancy store; laundry; manufacturing of leather items; manufacturing areca plates; cocoon plates; handicrafts; fish and prawns marketing; handloom and power loom units; bamboo furniture; jute items manufacturing; cooking and catering; solid waste management; electronics repairs & sales; fruit and vegetable stall; condiments; beauty parlour; manufacturing beds; shamiyana and utensils shop; centreing items; manufacturing toys.

Overall, a majority of our recommendations for improving the implementation of the USEP apply to the UWSP subsidized loans as well. The UWSP groups usually function well as often they are women in pre-existing Self-Help Groups or Thrift and Credit Societies, who have had a few years of experience dealing with each others on matters financial. The idea of limiting the UWSP loans to women groups belonging to established and working SHGs must be considered. (As such, it is largely true: most of the loans are given to groups that have been together as an SHG).

**UWSP (Revolving Fund)**

The Revolving Fund sub-component of the UWSP aims to promote the formation and successful working of women Self-Help Groups (SHGs) and Thrift & Credit Societies (T&CSs). These small groups are institutions in themselves, promoting a culture of responsible saving among the very poor, and providing credit in a responsible manner to the chronically poor in their times of need.

While starting off, SHGs can require its members to save up just ₹2 a day, which would add up to ₹60 a month per person. Starting with savings of that size, a group of 10 women can save up a reasonable amount within a year. This money is then used in giving small, quick loans to its members in their time of need. (For example, if someone has taken ill and needs medicine, or there is an urgent need for travel.)

A year of good savings, book-keeping and overall good performance for an SHG entitles the group to a lumpsum grant of ₹25,000 (or a maximum of ₹2,000 per member) as a revolving fund. This further bolsters the group’s corpus of funds which it can then use to promote any entrepreneurial activity amongst its members.
Evidence from three urban development programmes

The presence of SHGs and T&CSs are fundamental to the success of the SJSRY as a whole. They form the core of the community structure amongst the urban poor, with most Neighbourhood Groups (NHGs) being in actuality self-help and savings groups as well. Their impact on the local community will be discussed in a later section.

The SHGs and T&CSs are encouraged to avail bank credit, and many of them have savings accounts in banks, not only improving their savings culture, but also increasing their independence.

It is our recommendation that the city functionaries press more strongly for SHGs to open and maintain savings accounts in banks, maybe even mandate all SHGs to get accounts within a year of availing the Revolving Fund.

Skill Training for Employment Promotion
Amongst Urban Poor (STEP-UP)

The STEP-UP component of the SJSRY was designed with an aim of providing training in order to create or economically viable skills among the urban poor.

As there is no loan component in STEP-UP, banks do not play a role in the implementation of this component. Training is usually undertaken in agreement with any of a list of recognized vocational training institutes shared by the Government of India. All training programmes need to be approved by the CDS and also the Deputy Commissioner of the district.

Once approved, the training is provided to a selected group of individuals for up to a period of 6 months. Beneficiaries successfully completing the training programme are given a certificate of completion which is meant to be of use in getting gainful employment. We found that training had been given in the following fields (non-exhaustive) over the last few years in the visited cities:

a. Driving (for women): Auto driving and car driving in different places.

b. Computer training.

c. Beautician training.

d. Tailoring.

e. Handicrafts.

f. Appliance repair.

g. Doll making.

i. Bag-making.

In other ULBs, Keonics and ITI training has been given during some years. City functionaries and past beneficiaries conveyed to us that there is a disconnect between the training and employment. In almost all cases, people who have successfully completed training programmes have not been gainfully employed in a related profession despite having tried for many years.

There are a few exceptions to this. For example, the Keonics and ITI training are directly linked to employment. A computer trainee was given temporary employment post training for data entry at the Siddapura TP. Handicraft training at Bhalki conducted by the Mahatma Gandhi Institute of Technology, Hyderabad apparently came with kits which the trainees used to make small items that the trainers would themselves collect and sell. However, the kits stopped coming at some point and hence the employment was halted.

Barring the exceptions, there can be several reasons that can explain the apparent lack of employability of the ‘trained’ urban poor. Chief among them is that many training programmes are supply-driven (i.e. based on what skills the beneficiaries already have, what is easy to conceive,) rather than demand-driven. Training appears to usually be given for vocations such as tailoring and embroidery that are familiar (at least at the rudimentary level) to most people. The market for such services doesn’t seem to be fully analyzed before the training is given. A second, connected reason is marketing (or training in marketing): for example, while the trainees may become adept at a vocation like tailoring, they are often still unaware of how to run a tailoring business, or how to market their skills. One suggestion fielded by a community organizer was that at least the younger men and women who avail the training must be willing to move to a place where there is greater demand for that particular skill set. To that end, encouragement must be given to the ‘trained’ urban poor.

The idea of a Suvidha Kendra, as mentioned in the USEP and UWSP sections can will have a similar role in play here – for self employment remains the same concern, whether it is subsidized by the government or not, whether it is of a group or of individuals. A centre of that sort, in parallel to the existing community structure, will provide access to a common knowledge pool, and as a group of entrepreneurs and manufacturers, they will also have enough clout and momentum to attract outside attention.

39 Karnataka State Electronics Development Corporation Limited.
A more extensive list of various types of skill training imparted under the STEP-UP component (and the previous skill training component) are as follows:

- Computer basics;
- Tally;
- Hardware and networking;
- Call centre training;
- Plumbing;
- Soft skills;
- BPO voice business training;
- Desktop publishing;
- Hospitality;
- Home care;
- Nursing;
- Electrical & electronics;
- Automobile;
- Driving;
- Tailoring;
- Embroidery;
- Fashion design;
- Knitting;
- Doll making;
- Toys manufacturing;
- Agarbathi making;
- Manufacturing of phenyl, soaps, bleaching powder and candles;
- Beautician course;
- Screen printing;
- Mobile repair;
- Security;
- Video and photograph;
- Handicraft;
- ITI trainings such as turning;
- Surface grinding;
- Welding;
- Milling;
- CNC turning;
- Refrigeration and air conditioning.

**UWEP: Urban Wage Employment Programme**

The aims of the UWEP are twofold: to generate wage employment for the urban poor; and to build socially relevant assets to support the poor community using said labour. The UWEP is applicable only to towns/cities with population up to five lakh according to the 1991 census.

Any works taken up under the UWEP need approval from the CDS and also the Deputy Commissioner of the district, just like STEP-UP. The work plans are drawn up by the city engineer, who also acts as the supervisor for the construction of the asset. The material: labour expenditure of the project is maintained at a 60:40 ratio, which can be changed either way by up to 10% depending on the nature of the work.

The city usually recruits local labourers and employs them on a daily/hourly basis, with payments made at the minimum wage (₹80-100 per day).

In our field visits, we came across only one UWEP work that was ongoing (compound wall construction for a school, Siddapura).

There are several observations that were made about the programme in general. From an employment generation perspective, the scope of this component is limited. At best the UWEP is able to provide daily wage employment for a handful of people for a month or two in a year. Since these works are taken up only when funds are available, they do not form a dependable source of income for the urban poor. There was no evidence to show that these works were taken up when other wage employment was lacking in the city or town. In fact, it would be fairly impractical to do so as such times would usually coincide with the monsoon. Given that the UWEP pays minimum wage to these workers, they often disappear if work is available elsewhere for a higher wage. In the course of our analysis of the other infrastructure schemes like the UIDSSMT...
and the MNY, we also found that often the labor used for construction projects comes from rural and other areas, essentially from poorer places.

It is also important to understand that all urban poor cannot always be clumped into one group, only a subset of the urban poor families are willing to work in construction as labor. Thus, ULBs must first get a general sense of what how many of the urban poor in their jurisdiction are willing to do construction work under the UWEP component.

**UCDN: Urban Community Development Network**

The UCDN component of the SJSRY emphasizes the bottom-up approach that is central to making the poverty alleviation scheme a success. The component gives guidelines on how to set up and empower community structures such as CDS, NHCs and NHGs.

The smallest grouping in this community structure are the Neighbourhood Groups, most of which also function as Self-Help Groups and Thrift & Credit Societies, as mentioned previously. By setting themselves up thus, the NHGs serve an immediate financial/monetary function as well as the necessary democratic function in giving the individual urban poor adequate representation in the local community and ensuring that their views and concerns are addressed by the ULBs. They also are the best judges as to what the priorities, needs, repayment capabilities and skills are of the urban poor.

The guidelines recommend that the higher levels of community structure (such as NHCs or the CDS) also set themselves up as T&CSs where possible. We came across an instance of the implementation of this in Chitradurga, where a number of SHGs had come together in the form of a federation, where membership in the federation required each SHG to contribute a modest ₹5 per month to a joint account administered by the federation head and the CAO of the city. This federation has over ‘1 lakh in its account now, and is capable of giving larger loans to individual members based on their needs and ability to repay. The UCDN guidelines also talk about the personnel required to run the programme effectively, and we will take it up under a separate section.

**Personnel**

The UCDN component under the revised guidelines sets the basic structure of the government-employed personnel required to effectively run the SJSRY.
The guidelines recommend ULBs to employ Community Organisers (COs), roughly one for every 2,000 families. It also recommends that COs preferably be women. Curiously, we found that in cities with Community Affairs Officers (CAOs): Chitradurga and Mysore, the COs were women - however, in Bhalki and Siddapur, both of which had only one CO each, the COs were both male.

Bhalki and Siddapur have only a CO each, and Chitradurga has a CAO and two COs. Also, the CAO and COs at the ULB-level are usually expected to implement not just the SJSRY, but the Rajiv Awas Yojana, Government of Karnataka’s Special Component Plan, and other poverty alleviation-related schemes.

The revised guidelines also ask for the creation of Urban Poverty Alleviation Cells at the ULB level (supported by a Project Officer/Assistant Project Officer), which are to be linked to UPA Cells at the district level (under the District Urban Development Cells). This structure is aimed at coordinating the activities of the CDS and COs in each ULB, and to facilitate knowledge-sharing, preventing the overlap of various programmes and to increase the efficacy of planning. Projects and ideas that are too large-scale for a city to implement can be addressed at a district level with greater ease.

What we find in the field is that ULBs that have multiple COs do have “Community Affairs Officer” or CAOs coordinating them and the CDS and other stakeholders within the city. These positions are similar in their roles and responsibilities to the Project Officers mentioned in the guidelines. In addition, we found a nascent Urban Poverty Alleviation cell (with a newly hired officer) in Mysore.

The DMA has been instrumental in setting up Urban Poverty Alleviation cells at the ULB, district and state levels during 2009-2011. The set up is as follows:

- **ULB-level Urban Poverty Alleviation Cells:** Only cities having greater than three lakh population, i.e. 7 city corporations and Bangalore, (Tumkur, recently upgraded to a city corporation, is in the process of obtaining a UPA cell) have UPA cells set up to coordinate all poverty alleviation efforts within their jurisdiction.

- **District-level Urban Poverty Alleviation Cells:** At the district level, UPA cells have been set up as a part of the District Urban Development Cells (DUDC), under the District Collector’s offices. These cells consist of a community and social expert, a skill development expert and an assistant. The 29 district level cells (one for each district other than Bangalore Urban,) are expected to coordinate all poverty alleviation efforts in the district outside of city corporations (if any).
State-level Urban Poverty Alleviation Cell: To coordinate all activities at the state level. There is currently one cell at the DMA which has recruited a few employees to coordinate activities at the state level.

Monitoring

The bulk of the monitoring of the SJSRY is done by the COs and CAOs at the ULB level, and at the DMA. A large part of the monitoring done in the scheme is the monitoring of expenditure. The basics of the reporting requirements can be ascertained from Figure 4.1 which describes the institutional framework along with the flow of funds and information between individual institutions.

The DMA submits Utilization Certificates to the MoHUPA every year for ‘Year-2’ or year before last, in order to receive the current year’s installments of funds. The DMA also submits proof of the release of the matching state share to the ULBs for the previous year. This apart, we were given to believe that SJSRY officials from the DMA routinely interacted with their counterparts in the union government, exchanged details and submitted updates regarding the implementation of the programme from time to time.

The DMA is allowed discretionary powers to change the amount of funds that are allocated for each component of the SJSRY within Karnataka. The DMA is also expected to intimate the GoI regarding the allocations and provide revised physical and financial targets for each component of the scheme.

The GoI (through the MoHUPA) in turn can stem the flow of funds if its minimum reporting requirements are not met by the states.

The DMA is able to submit updates to the GoI as it sets its own more stringent reporting requirements on the individual ULBs, and then aggregates the incoming information.

The reporting requirements of the ULBs to DMA are:

- Action Plans for the budgeted amounts for the city each year, and
- Quarterly Utilization Certificates.

Monthly online updates. Under the Karnataka Municipal Reforms Project (KMRP), the state has set up websites for many ULBs and webpages where they can submit updates on the physical and financial targets achieved on a monthly basis.

At the ULB level, COs and CAOs (along with the CDS, and the city Chief Officer/Commissioner as the executive head) monitor the implementation of the

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Evidence from three urban development programmes

SJSRY. The broad scheme of monitoring for each component is as follows:

a. **USEP & UWSP (L&S):** The monitoring of the beneficiaries under the two loan and subsidy components is done by the city staff (COs, CAOs) and the banks which have provided the loans. The banks approach it from a financial perspective – apart from regulation while buying major equipment, the banks primarily monitor repayment. Any irregularities in repayment are usually reported to the city staff, who then follow up on the information and try to coordinate with the beneficiaries. Independently, the COs also monitor the beneficiaries by visiting their establishments from time to time and address their concerns, look into issues. The ‘health’ of these loans and the continued repayment over the years may be monitored at the individual level, but there is no aggregation of this, which makes it difficult to conclude whether the beneficiaries in one ULB were better at making payments and being successful in their enterprises compared to those from another ULB.

b. **UWSP (Revolving Fund):** Monitoring is integral to this component of the SJSRY as the ULBs do not give any funds to the beneficiary SHGs and T&CSs until they see one year of good performance by the group. To meet this end, COs hold monthly meetings where the savings and balances of each SHG are checked, acting as troubleshooters and advisors. Self-monitoring occurs within the SHGs where most of them meet once a week and maintain a balance book which is updated in each meeting. In Chitradurga we found that many groups had hired a one-time school teacher to do their accounts for a nominal fee. This provided some additional employment for the teacher (who herself was a beneficiary under STEP-UP) as well as serving to improve the accountability of the SHGs.

c. **UWEP:** UWEP works are monitored mainly COs and the city engineer(s), with occasional inspections by members of the CDS. The city engineer is in charge of overseeing all the construction activities and ensuring that the structures that are being built meet all technical norms. The wages are paid to the beneficiaries on the basis of a roster-sheet, where a hired supervisor maintains the list of who has worked on the project and when. COs closely supervise this process and ensure timely payment.

d. **STEP-UP:** The training undertaken under STEP-UP is largely monitored by the COs and CAOs, where they make routine checks to ensure that the training...

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40 The banks ask the beneficiaries to provide quotations for equipment and issue DDs addressed to the vendors in response to the same.
institutes/organizations adhere to whatever prior agreements and arrangements and are not skimping on the quality or length of the training being provided. Training beneficiaries can also talk to CDS members or the city officials when there are problems.

Overall, we find that there is reasonably good beneficiary-level monitoring that is happening in the SJSRY. Most of the issues lie with implementation of the SJSRY rather than the monitoring. However, there are a few issues that need addressing.

Firstly, there is no monitoring of the outcome of the programme or its individual components. The broad objective of the SJSRY is to reduce urban poverty by providing gainful employment and empowering the urban poor with the skills such that they can rise above the poverty line. While the programme does provide gainful self or wage employment for a limited period of time (for a few years via subsidized loans, and for a few weeks to construction workers via the UWEP), there is no monitoring of the sustainability of their employment (and their higher earnings) at the end of the benefits. Similarly, there is no formal monitoring of whether STEP-UP beneficiaries were able to obtain employment after the training in a related field.

Second, a lot of the monitoring that is done at the beneficiary-level is not aggregated to the ULB-level. For example, bank managers informed that in general, government schemes which provide subsidized loans have poor repayment. When asked for the repayment percentage, the bank officials quoted numbers like 30-50%. One bank manager informed us that while most government sponsored subsidy schemes show poor repayment, SJSRY was better than many others. We were unable to corroborate such statements because of the lack of hard data.

If repayment rates under USEP and UWSP are separately aggregated by the banks and shared with each ULB, then one can get a better understanding of what proportion of the beneficiaries are defaulting on their loans, which in turn gives us information on how many people are scamming the system.

**Impact of the Programme on Stakeholders and the Community**

Since the inception of the programme in 1997-98, the SJSRY has had wide-ranging impact on the community of the urban poor. The emphasis on the development of grassroots-level community structure, integral to the programme, remains its best success story to date. SJSRY was instrumental in bringing together disparate and marginalized factions of the urban society and letting them be heard. While caste and religious groups often find a voice in public discourse through political parties, the SJSRY has forged a separate identity for the urban poor as a vocal section of society.
Evidence from three urban development programmes

The urban poor now have a greater awareness of their rights and of urban regulations. Neighbourhood groups and committees were found to undertake frequent awareness campaigns, welcoming more of the urban poor into the SJSRY framework, asking more of them to form self-help groups. In Chitradurga, for example – four years ago there were only around a 100 SHGs in the city, but as of 2010 there are almost 550 groups!

The SJSRY has also contributed greatly to the empowerment and emancipation of women among the urban poor. The community structure is centered almost exclusively on women, giving them a chance to ‘rise through the ranks’ from being the member of an NHG all the way to becoming a CDS president. Thanks to the scheme, a larger number of poor households now have women as their chief wage earners. Beneficiaries were thankful to the scheme for providing the opportunity for them to become more educated about finances, learning how to maintain bank accounts, interact with bank and city officials and making inroads into many traditionally male-dominated fields.

The impact of the Loan and Subsidy components is less unambiguous. We found clear instances of beneficiaries who, thanks to the subsidized loans, were now above the poverty line. We found various examples of beneficiaries doing roaring business – such as a beautician in Chitradurga, an equipment rental service in Bhalki, and petty shop owners in many cities. However, the question that was harder to answer was what percentage of these beneficiaries were above the poverty line even before availing the benefits of the programme.

Under the UWSP, some areas of employment seemed to have a higher impact than others. Lacking access to marketing, women groups did moderately well in selling knickknacks, paapads, snacks, or groceries. Other areas of employment such as goat herding or dairy were good at providing additional income, but provided poor growth opportunities. There were also some lucky groups which opened petty shops in ideal places, or restaurants where there was a paucity of good food, which were doing admirably well even in the absence of marketing or any such help.

The STEP-UP component appears to have had the least amount of lasting impact. While the new skill sets picked up by the beneficiaries does not hurt them in any way, little of has been translated to their getting employment, either by working for a company/institution, or by self-employment. While we did come across a few cases of training beneficiaries getting USEP loans, they were few in number. We found that training in vocations like tailoring were useful only for cutting a few costs for the poor – where the trainees could mend and stitch more of their own clothes.
after the training than before. Most have been unable to find employment in the tailoring services sector. Another example is that of a girl who obtained computer training under this component (in Siddapura) and due to paucity of demand for her skills, was employed by the Siddapura TP itself on a contractual basis. Her mother even attempted to lobby us to make that job permanent at higher wages!

As mentioned in the section on implementation, the scope of the UWEP in providing part-time employment in construction work is quite limited. In order to generate more wage employment for the urban poor, we recommend that the Government of Karnataka look into ways of encouraging contractors to use local labour for select projects, among the local urban poor. For example, the budget of the MNY (which is a state scheme, applicable to all the ULBs, just like SJSRY) is more than ₹20 billion, which is meant to be spent on infrastructure development in 2-3 years. In comparison, the total releases for SJSRY in Karnataka (state + central shares) for the years 2007-2010 is only around ₹1.44 billion. Given that roughly a fourth of the budget is meant for UWEP, the funds available for wage employment are less than two per cent of just one urban infrastructure scheme in the state. Thus, even if the Government of Karnataka mandated that a percentage of all urban infrastructure works, say 10 per cent, employ local urban poor as labour, the number of man hours that can be generated can be increased many times over.

From an asset creation point of view, the UWEP is a much greater success. The small budget drives the creation of small works that are meant to have local effects within the community of the urban poor. For example, in Chitradurga we came across a small bridge that was built over a polluted stream, in the middle of a slum. This bridge might have only been used by a hundred or so households, but for those few the bridge was a great social and economic boon. The bridge stopped the residents of that part of the slum from having to wade through knee-deep polluted water during the monsoons, and allowed the residents to now own cycles and motorbikes.

Overall, the impact of the SJSRY on the urban poor as a community has been immense. The impact on individual beneficiaries of some of the components is there, but to varying extents. This impact can be improved by more careful identification of beneficiaries, better allocation of funds and improvements in the implementation structure.
Summary of Findings and Policy Recommendations

Planning and Allocation

Finding

The SJSRY scheme in general and the USEP (Loan & Subsidy) component in particular, are afflicted by people above the poverty line posing as urban poor. This is a problem that affects a lot more than the SJSRY programme, with a lot of people having fake BPL cards. Individuals can file for USEP subsidized loans by submitting BPL cards and income certificates along with other documents, both of which are often faked. The survey of the urban poor that was done in 1998 is used only to determine city-level and state-level allocation of funds and little else.

Policy recommendation

We recommend that the new survey of the Urban Poor sanctioned in 2010-11 be listed as a priority and be conducted as soon as possible. The existing community structure must be extensively involved in this as they have the best knowledge of local conditions. Upon completion of the survey, a list of all urban poor, along with their details and scores (See Annexure I of the revised guidelines) should be maintained at the ULB level and only individuals and groups within that survey should be allowed to apply for the benefits under this scheme. BPL cards and income certificates should be used as documents secondary to this. In future, the Government of India’s proposed unique identification cards to be rolled out by the Unique Identification Authority of India (UIDAI) should also supplement such an effort by linking the various identities of the urban poor together. Overall, this would ensure that the SJSRY benefits the truly poor.

Finding

The budget allocation for SJSRY is increasing annually, but the actual expenditure is unable to keep pace with this increase. The unspent funds are locked with poorly performing ULBs and in poorly performing components of the scheme, and the swift utilization of these funds become difficult.

Policy recommendation

We recommend that the DMA decrease the financial allocation for poorly performing ULBs (i.e. those with large closing balances from the previous year) while setting higher physical targets. The offset should be adjusted if performance improves by January (time of the second installment), and the remaining funds should be redirected towards better-performing ULBs. The guidelines the Union
Government uses for the diversion of under-utilized funds of States/UTs can be applied for the ULBs here. (Paragraph 3.4 of the revised guidelines of SJSRY).

We also recommend that allocation of funds into the different components of SJSRY (left to the discretion of the DMA) be determined by actual expenditure within that component. These changes in the method of allocation can provide incentives for good performance.

**Implementation and Supervision: Cost and Time Over-runs**

**Finding**

There is a lack of clarity regarding the setting up of physical targets for each ULB. The physical targets don’t take into account the unutilized money from previous years that are still present with the ULBs.

**Policy recommendation**

We recommend that physical targets be set/revised based on both the releases for the current year, and for the unutilized funds remaining with the ULBs. This would provide greater clarity in accounting. The physical targets set should also account for any newly identified BPL families.41

**Finding**

There is lack of clarity among the public regarding the details of applying for bank loans and receipt of the subsidy. Overall, the city officials, Community Affairs Officers and Community Organizers are doing an admirable job of disseminating information to the urban poor, but we found a couple of lacunae. In Mysore, some urban poor complained that only one loan is sanctioned per bank branch under the SJSRY, unaware of the low number of physical targets set for the city. In Bhalki, a bank officer claimed that interest was to be levied on the subsidy as well.

**Policy recommendation**

We recommend that the DMA come out with a “People’s Guidelines” in English (for migrants and for non-native speakers), Kannada and Hindi aimed at educating the urban poor regarding their rights, and the operational details of the SJSRY and its components. This document should be widely distributed amongst the CDS’s and NHCs among all the ULBs in the state.

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41 As of the time we completed the study (in March 2011), we were given to understand that there was a new survey of BPL families which was being conducted/completed in some cities of the state.
Along with this, each ULB should also make public a simplified version of their action plan, telling the people about the physical and financial targets set under each component in that year. This would ensure that the beneficiaries under the SJSRY, the urban poor are aware of their rights and of all procedures.

**Finding**

The UWSP (Loan and Subsidy) component is aimed at providing gainful self-employment to groups of women. It works best with compatible groups that aren’t prone to breaking up after a year or two. We found one of the main reasons of the failure of the UWSP (L&S) was the failure of the group.

**Policy recommendation**

We recommend that only women groups that are functioning SHGs (or are subsets of functioning SHGs) be considered for UWSP loans, as it would reduce the chances of UWSP groups splitting up midway through their enterprise.

**Monitoring Outcomes: Quality, Feedback and Financial Closure**

**Finding**

Reporting requirements (with respect to expenditure) are quite lax in the sense that the ULBs get funds every year, but are expected to submit utilization certificates for this year’s money only two years from now. This is while they get another tranche of money (in two installments) in the middle. In part, this is responsible for the increasing sums of money that are getting stuck with the ULBs every year, as they have no incentive to spend it in a more timely manner.

**Policy recommendation**

The reporting requirements on expenditure need to be strengthened for the ULBs. To this end, we recommend that every year, the ULBs submit 100% UCs for the release 2 years prior, and 50% UCs for the release from the previous year. This would increase the financial accountability of the ULBs.

**Finding**

The Self-employment schemes are not functioning optimally as the beneficiaries receive little or no technical and marketing support in the state. The Revised Guidelines have created a separate new sub-component called the USEP (Technology, Marketing and Other Support), which provides a detailed guide to provide support for manufacturing, business, services and other forms of employment created under the
scheme. This includes the construction of Micro-Business Centres at the district/zone level, Seva/Suvidha Kendras at the ULB level and amongst others. We find that little or none of these have been set up in the state.

Policy recommendation

We suggest that the recommended support structures (giving technical and marketing support, as well as bringing together the various small enterprises under one roof) be created as soon as possible in as many districts as possible, under the guidance of UPA cells at various levels. Overall, it is crucial that marketing and technical support be given to beneficiaries under USEP, UWSP (L&S) and STEP-UP for greater impact.

Finding

We find that the wage employment component (UWEP) is very small compared to urban infrastructure development schemes in employment creation. The budget for the UWEP for 2007-10 is about 2 per cent of the budget of MNY.

Policy recommendation

To increase the impact of government schemes on the urban poor, we recommend that the government encourage contractors to hire local labor (from among the urban poor) under the urban infrastructure development schemes, subject to their availability. To this end, the Government of Karnataka can mandate that 5-10 per cent of all the laborers employed be from among the local urban poor, under all urban infrastructure development schemes.

Finding

There is insufficient aggregation of monitoring indicators at the ULB level.

Policy recommendation

We recommend that banks share aggregated repayment rates of the subsidized loans with the ULBs, which should be forwarded to the DMA as well. We also recommend that the ULBs collect information on the increase in income levels for beneficiaries under the scheme and aggregate the same. This would allow for an easier review of the scheme and of progress.

Finding

There is insufficient monitoring of the ultimate outcome of the scheme: the raising of beneficiaries above the poverty line. There is little or no follow up done on whether the beneficiaries of the scheme successfully lead poverty-free lives upon receiving the
benefits of the SJSRY.

Policy recommendation

We recommend that like in the infrastructure schemes, an independent third party be recruited which monitors the eventual outcome of the scheme. The third party can also act as a watchdog and monitor the implementation of the programme in Karnataka on a regular basis, allowing for greater transparency, lesser misuse, and better monitoring of the scheme.
### Appendix 4A: Format of Data Requested from ULBs

<table>
<thead>
<tr>
<th>Sl. no.</th>
<th>Old Name</th>
<th>New Name</th>
<th>Component</th>
<th>Financial Details</th>
<th>Physical Details</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Year</td>
<td>Opening Balance</td>
<td>Releases</td>
</tr>
<tr>
<td>1</td>
<td>ME</td>
<td>USEP (L&amp;S)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>DWACUA</td>
<td>UWSP (L&amp;S)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>TCG</td>
<td>UWSP (Revolving)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Training</td>
<td>STEP-UP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>CSC</td>
<td>UCDN</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>A&amp;OE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Infrastructure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 4B: Format of Focus Group Discussions

This section contains a list of the questions asked at FGDs. The list is non-exhaustive and does not include further follow-up questions and ideas raised upon informal discussions with the beneficiaries and the city employees.

Name of the ULB: ____________________ Number of participants: _______________

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>FGD Questions</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>How did you come to know about the program?</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Was any house to house survey done to identify genuine beneficiaries?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>If so when was it done?</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>What is the procedure to select the beneficiaries?</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Were all the beneficiaries are below poverty line at the time you were identified as a potential beneficiary?</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Was there any favoritism shown to certain people in selecting the beneficiaries?</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Were there any instances of bogus beneficiaries? If so how many such cases?</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>What was the percentage of women and SC &amp; ST beneficiaries?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Women____________ SC &amp; ST ________</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Were there any differently-abled beneficiaries in the group?</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>How many women headed household beneficiaries are there?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(As per the guidelines high priority should be given to them)</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>What kind of benefit you gained under this scheme?</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Have you got any training under this scheme?</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Have you setup any small enterprises related to manufacturing, service and petty business?</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Are you getting the prescribed loan amount from the bank without any problem?</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Have you paid any extra money to get the loan?</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>If yes, to whom was it paid and how much?</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>What is the mechanism for marketing the products?</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>How useful are Service centres/Community level service centres and small enterprise advisory services?</td>
<td></td>
</tr>
</tbody>
</table>
### Appendix 4C: List of Documents requested of the ULBs

This is in addition to the ULBs filling out our format of information.

- Action plan for at least the last 3-5 years
- Activity reports
- Utilization certificates (UCs) from past years
- Sample progress reports
- UWEP work plans and estimates
Evidence from three urban development programmes as on (1.12.1997) from the old UPA Schemes.

Source: Obtained from the DMA in March 2011.

## Appendix 4D: Year-wise Releases and Expenditures for Karnataka

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year</th>
<th>Releases</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Central Share</td>
<td>State Share</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>1</td>
<td>Opening Balance.</td>
<td>2071.86</td>
<td>2816.89</td>
</tr>
<tr>
<td>2</td>
<td>1997-1998</td>
<td>736.46</td>
<td>245.48</td>
</tr>
<tr>
<td>3</td>
<td>1998-1999</td>
<td>1114.08</td>
<td>371.34</td>
</tr>
<tr>
<td>4</td>
<td>1999-2000</td>
<td>1340.11</td>
<td>446.69</td>
</tr>
<tr>
<td>5</td>
<td>2000-2001</td>
<td>168.00</td>
<td>56.00</td>
</tr>
<tr>
<td>6</td>
<td>2001-2002</td>
<td>395.16</td>
<td>131.73</td>
</tr>
<tr>
<td>7</td>
<td>2002-2003</td>
<td>668.68</td>
<td>222.90</td>
</tr>
<tr>
<td>8</td>
<td>2003-2004</td>
<td>577.46</td>
<td>192.49</td>
</tr>
<tr>
<td>9</td>
<td>2004-2005</td>
<td>1165.15</td>
<td>388.40</td>
</tr>
<tr>
<td>10</td>
<td>2005-2006</td>
<td>822.99</td>
<td>274.33</td>
</tr>
<tr>
<td>11</td>
<td>2006-2007</td>
<td>1416.98</td>
<td>472.32</td>
</tr>
<tr>
<td>12</td>
<td>2007-2008</td>
<td>2410.37</td>
<td>803.46</td>
</tr>
<tr>
<td>13</td>
<td>2008-2009</td>
<td>4896.14</td>
<td>1631.98</td>
</tr>
<tr>
<td>14</td>
<td>2009-2010</td>
<td>3524.71</td>
<td>1174.90</td>
</tr>
<tr>
<td>15</td>
<td>2010-2011</td>
<td>3940.45</td>
<td>1313.48</td>
</tr>
<tr>
<td></td>
<td>up to Feb-11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>25248.60</td>
<td>10542.39</td>
</tr>
</tbody>
</table>

* as on (1.12.1997) from the old UPA Schemes.
Source: Obtained from the DMA in March 2011.
### Appendix 4E: Year-wise Releases and Expenditures for 4 ULBs Studied

<table>
<thead>
<tr>
<th>All in ₹ mn.</th>
<th>Year</th>
<th>Releases</th>
<th>Expenditure</th>
<th>Expenditure %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Siddapura</td>
<td>2007-08</td>
<td>9.375</td>
<td>5.73</td>
<td>61.1%</td>
</tr>
<tr>
<td></td>
<td>2008-09</td>
<td>11.58</td>
<td>9.4222</td>
<td>81.4%</td>
</tr>
<tr>
<td></td>
<td>2009-10</td>
<td>8.6018</td>
<td>12.065</td>
<td>140.3%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>29.5568</td>
<td>27.2172</td>
<td>92.1%</td>
</tr>
<tr>
<td>Bhalki</td>
<td>2009-10</td>
<td>15.82</td>
<td>3.27</td>
<td>20.7%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>15.82</td>
<td>3.27</td>
<td>20.7%</td>
</tr>
<tr>
<td>Chitradurga</td>
<td>2008-09</td>
<td>43.01</td>
<td>49.85</td>
<td>115.9%</td>
</tr>
<tr>
<td></td>
<td>2009-10</td>
<td>71.12</td>
<td>31.17</td>
<td>43.8%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>114.13</td>
<td>81.02</td>
<td>71.0%</td>
</tr>
<tr>
<td>Mysore</td>
<td>2008-09</td>
<td>112.83</td>
<td>112.83</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>2009-10</td>
<td>149.74</td>
<td>132.8</td>
<td>88.7%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>262.57</td>
<td>245.63</td>
<td>93.5%</td>
</tr>
</tbody>
</table>
Snapshots from focus group discussions (FGDs) from (Clockwise from top left) Siddapura, Bhalki and Mysore. Each place was unique in the challenges it posed to organizing FGDs: A lack of space in some cities, too many beneficiaries and entire Self-Help-Groups showing up in some others, and often some beneficiaries being more vocal than others.
Changing the Urban Face of Karnataka

A small restaurant set up by a group of 6 women under the DWACUA scheme in Chitradurga. They are seen here making the Monday ‘Special’ lunch which includes holige and bajjis.
Evidence from three urban development programmes

A petty shop set up under the micro-enterprises component of SJSRY in Bhalki, Bidar District.

All the women gathered for an FGD at the Nehru Nagar Community Hall in Chitradurga. The Hall itself was constructed under the Community Structure Component of the scheme. It is now used to operate many sewing machines and conduct training, and is also used from time to time by the local poor to host small family events.
A small but much-needed foot bridge in a slum in Chitradurga. Constructed under the UWEP component of the SJSRY, the bridge spans over a heavily polluted stream that the residents of the slum had to cross on foot before the bridge was built.
Comparisons Across Programmes

In this chapter, we compare all the four programmes across a number of parameters required by our ToR (see Table 5.1). We also compare the various programmes on a variety of issues reflecting on possible causes of ineffectiveness in public expenditure and service delivery. Following this, we present some overall conclusions.

Surprisingly, as far as infrastructure programmes are concerned, state-run programmes such as the MNY (both the special 100 crores programme and the CMSMTDP) have less cost and time over-runs than centrally sponsored programmes such as the UIDSSMT. In terms of both cost and time over-runs, the CMSMTDP is the least, hence the best. However, in terms of the completeness of contracts, UIDSSMT is better as is the case with the CMSMTDP, where contractors’ defect liability is specified. Neither specifies the timeframe of the defect liability period though (we have attached sample agreements from each of the programmes (wherever applicable) at the end of this report).

When we examine delays in payment to contractors, we find the UIDSSMT (road work which we studied, no delays with respect to the UIDSSMT water supply project we studied) lags way (at an average of 15 months) behind that of the state-run programmes such as the special 100-crore programme and the CMSMTDP, where the average payment delay to contractors is only about 3.7 months with a maximum of 7 months.

We find personnel to be adequate in the case of large ULBs (such as Mysore) and in the case of centrally sponsored programmes such as the UIDSSMT (especially in water supply projects since a parastatal agency, the KUWSDB is involved) (see Table 5.2 comparing personnel inadequacies by city and programme). But they and their skills are highly inadequate in the case of smaller cities and state-run programmes such as the CMSMTDP. Finally we found beneficiary assessments are positive irrespective of the level of government which sponsors the programme, but is less positive for the water supply project (UIDSSMT).
### Summary of Parameters in Various Programmes Studied

<table>
<thead>
<tr>
<th>Parameter</th>
<th>100 crores program</th>
<th>CMSMTDP</th>
<th>UIDSSMT</th>
<th>SJSRY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average cost overruns (in %)</td>
<td>4.86</td>
<td>2.55</td>
<td>25.48</td>
<td>Yearly ULB allocations not spent on time; expenditure lags behind allocation</td>
</tr>
<tr>
<td>Average time overruns (in %)</td>
<td>75.66</td>
<td>66.67</td>
<td>227.01</td>
<td>N.A.</td>
</tr>
<tr>
<td>MoUs</td>
<td>Incomplete for large projects, more complete for smaller projects</td>
<td>More complete, with defects liability period mentioned, although time frame not mentioned</td>
<td>Provision for defects liability period mentioned, but no exact costs or liability clause mentioned. Output requirement mentioned but exact details unavailable.</td>
<td>N.A.</td>
</tr>
<tr>
<td>Personnel*</td>
<td>Adequate</td>
<td>Highly inadequate</td>
<td>Adequate for KUWSDB Inadequate for ULB</td>
<td>Inadequate at ULB level</td>
</tr>
<tr>
<td>ICT</td>
<td>Training for conducting auctions online might help</td>
<td>Intensive training needed</td>
<td>Training given on e-tendering and e-payment for KUWSDB officials and contractors. Training needed for ULB officials</td>
<td>Training needed for city officials; also for CDS members and community heads</td>
</tr>
<tr>
<td>Average delay in payment to contractor</td>
<td>No delays as of our field visit</td>
<td>3.7 months</td>
<td>15 months (road work)</td>
<td>NA</td>
</tr>
<tr>
<td>Beneficiary assessment</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
<td>Components other than STEP-UP: mostly positive</td>
</tr>
</tbody>
</table>

* See Table 5.2 on engineers by city, which indicates the personnel inadequacies.
Evidence from three urban development programmes

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Supply</td>
<td>Not applicable since no water supply works were selected</td>
<td>Not applicable since no water supply works were selected</td>
<td>Beneficiary assessment: Not very positive</td>
<td>NA</td>
</tr>
<tr>
<td>Others (SWM, Street lighting and Drains)</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
<td>NA</td>
</tr>
</tbody>
</table>

Table 5.2: Engineers (Personnel) by City

<table>
<thead>
<tr>
<th>City / Program</th>
<th>MNY</th>
<th>UIDSSMT</th>
<th>SJSRY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Designation</td>
<td>Number</td>
</tr>
<tr>
<td>Mysore</td>
<td>14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kollegala</td>
<td>2</td>
<td>AE, JE</td>
<td></td>
</tr>
<tr>
<td>Siddapura</td>
<td>1</td>
<td>JE</td>
<td>3</td>
</tr>
<tr>
<td>Bhalki</td>
<td>2</td>
<td>AE, JE*</td>
<td></td>
</tr>
<tr>
<td>Mulki</td>
<td>1</td>
<td>JE</td>
<td>1</td>
</tr>
<tr>
<td>Chitradurga</td>
<td>3</td>
<td>AEE, AE &amp; JE</td>
<td></td>
</tr>
</tbody>
</table>

* JE in Bhalki is environmental engineer he is not involved in CMSMTDP
Causes of Ineffectiveness in Public Expenditure

In PAC’s proposal to the ERC, there was reference to issues regarding funds flow and other aspects of expenditure management of the selected schemes implemented by the Urban Development Department (UDD), Government of Karnataka. Briefly these pertain to the following:

I. Principal agent problem between UDD and the executing organizations like KUIDFC, KUWS&DB or ULBs and similarly between these agencies and the contractors;

II. Risk of incomplete contracts: There are different elements of a contract, e.g., time frame, cost, output, outcome, and we expected that there would be dimensions of efficiency, effectiveness, and measures of performance which we developed as we did our research;

III. Perverse Incentives. Perverse incentives may exist for the lower level organizations (not) to conduct the projects according to the norms expected;

IV. Collusion between various partners in an unhealthy manner;

V. Capacity problem;

VI. Information asymmetries at the citizen level especially when they do not know what is acceptable for certain level of these services;

VII. Political authority super imposing itself on the expenditure needs.

We characterize the above issues as likely causes that could limit the effectiveness of expenditure. Below we explain our findings with respect to the issues above taking the case of each of the programmes of the UDD we have studied.

Principal Agent Problem and Perverse Incentives

Summarizing our study of the MNY, what do we conclude regarding the principal-agent problem, since perverse incentives may exist for the lower level organizations (not) to conduct the projects according to the norms expected? In the case of the MNY (both components), the fund flows from the state’s UDD to the DMA from where it flows to the ULB. We found that in the case of the state-sponsored programmes such as the MNY, the fund flows took much shorter time periods. However, given our findings that many projects attained physical, but not financial
Evidence from three urban development programmes

closure at the time of our field visit and given the nature of rigorous third party assessments (as far as technical specifications are concerned), we found that there are no perverse incentives for the ULBs to underperform. Conversely, we found that the ULBs made every attempt to utilize the funds for much needed local projects, since they are eventually owned and used by them. Contrary to perverse incentives that the principal-agent problem hypothesizes, we found the ULB in the case of all the infrastructure programmes, in fact worked very hard to ensure that the projects were completed (physically) on time and the local residents could get the benefits.

In the case of the UIDSSMT, we found that the fund flows take longer, given they have to flow from the centre to the state and then to the parastatal agency/the ULB. In some cases, it was the higher level bodies such as the state and organizations such as the KUWSDB which were either unable to satisfy reforms required as part of the UIDSSMT, or suffered as a result of the state not adhering to mandatory reforms, which nonetheless used their own funds to implement projects, whereas the ULBs had satisfied most reforms required of them mandatorily. This is evidence of the agency problem because state-level organizations do have incentives not to adhere to the reforms required of them since they think that they can get away with them. Hence our expectation regarding the existence of perverse incentives in lower level organizations stands rejected in the case of the infrastructure programmes. Failure to clearly define and monitor the expected outputs and outcomes of projects and inability to effectively supervise the agents are major reasons why the principal-agent problem arises. In the case of the SJSRY, our finding that non-BPL persons may have been the beneficiaries of the programme lends support to this view.

Risk of Incomplete Contracts

In the MNY and the SJSRY, we found there are no MoUs or agreements between the state government and the ULB, there are only guidelines which are nonetheless binding on the local governments. We have indicated where the guidelines of the MNY are lacking—the types of projects which should receive priority for funding and the lack of clarity on independent third party consultants. At the next level, in programmes such as the MNY, there are MoUs between the ULBs and the contractors, hence we have critically assessed them in the various appendices.

While the revised guidelines of the SJSRY seek to strengthen local bodies and community organizations to enable them address issues of employment and income generation facing the urban poor, we have found that the biggest lacuna in the programme is that the states or local bodies have made little progress in revising the
definition of the urban poor and identifying them, after a 1997 survey of BPL families. State/UT-wise annual physical targets under the SJSRY will be fixed on the basis of the all India targets decided by the Ministry of Housing & Urban Poverty Alleviation, which does not have local information on the number of urban poor in a city at any given point in time. While the revised guidelines specify marketing support for beneficiaries under the USEP (Urban Self Employment Programme), we found that the marketing support is the weakest link in enabling beneficiaries to find gainful employment.

In the case of the UIDSSMT, there is a standard agreement used as MoU between the central government, state government and the ULB. The agreement between the Government of India (GoI) and the SLNA (state-level nodal agency) does mention timeline, utilization certificates and outcomes (although no attempt is made to specify what the outcomes should be). It also stipulates that the GoI can undertake site visits to ascertain the progress of the ongoing projects and the reforms agenda through designated representatives periodically. The MoU between the SLNA and the concerned ULB requires the submission of a quarterly progress report and outcomes (there is no clarity on what such outcomes should be). The quarterly progress report (attached in the annexure) mentions about the approximate area and population to be benefitted from the project. These are construed to be the output and outcomes from the project, however inadequate. They are inadequate because it is not clear what the local community will gain, beyond the project timeframe. For instance, are there any long-run benefits for the community because of the implementation of a given project? Such concerns are ideally addressed only in a city development plan, so unless these outcomes and outputs are related to the city development plan, they contribute only to haphazard city growth.

We examined different elements of contracts between the ULBs and the contractors, e.g., time frame, cost, output, and outcomes. With respect to each of these aspects, we expected that there would be dimensions of efficiency, effectiveness, and measures of performance.

In terms of time frame, we found that the state-sponsored programmes such as MNY to be the most efficient and effective, since we found time over-runs (76 per cent in the case of the ₹ 100-crore programme and 66 per cent in the case of the CMSMTDP) to be less than that of the centrally sponsored programmes such as the UIDSSMT (where on average the time over-run was nearly 227 per cent). We found time and cost overruns were not necessarily due to incomplete contracts. In several cases, penalties were prescribed in the contract, but not enforced against contractors.
Evidence from three urban development programmes

We found the cost overruns to be minimal (4.86 per cent for the 100 crores programme (which is actually an overestimate, taking into account all the city corporations under this programme (see Table 2.4)) and 2.55 per cent for the CMSMTDP, see comparison table 5.1) and the stakeholders to be the most satisfied (we refer the reader to the pictures especially on the road projects as part of the CMSMTDP). Centrally sponsored programmes such as the UIDSSMT were the least effective in terms of timeframe since they had long delays with respect to implementation processes such as approval of the DPRs. There were also other delays such as lack of adherence to reform guidelines at the state level. UIDSSMT was also the least cost-effective since they had, on average, 25.48 per cent cost over-runs.

When we examined measures of performance such as physical completion of the works, we found that most of the projects had achieved physical closure at the ULB-level, but not financial closure, at the time of our field visit (completed in September 2010). They had not attained financial closure since the ULBs were still expecting payment at the time we finished the field work. Hence the physical measure of performance in the ULBs was quite positive in the state-run (MNY) as well as centrally sponsored programmes (UIDSSMT), but the financial measure of performance was not as satisfactory due to delays in the process of fund flows.

The evidence presented shows that the primary focus of the programmes has been on inputs (funds, processes, personnel and other inputs), and much less on the outputs, outcomes and effectiveness. Road and water supply projects (infrastructure programmes such as the MNY and the UIDSSMT) have performed somewhat better in this regard than employment programmes (such as the SJSRY). We have found that civil works (such as those in the MNY and the UIDSSMT) tend to define costs and other inputs more clearly than projects that assist the poor or address social issues.

When we examined output and outcomes, we found that very few contracts (in the MNY or UIDSSMT) had any mention of quality of the work so completed and outcomes to be expected as a result of the completion of that work/project. We recommend that all contracts make some reference to the quality of the work so completed and their implications for the local economy as a whole, so that they are not perceived in an ad hoc fashion by the ULB. At the minimum, we found that in the case of the MNY, there was not even an attempt to define outcomes, hence there was no reason for the ULB to come up with real measures of programme effectiveness.

Understandably, in civil works, a contract to build a road refers only to the technical specifications of the work, its time deadlines, costs and other matters. A contractor can only fulfill these conditions. But the MoU with the contracting agency
(e.g., a ULB) could state the objectives to be achieved and how effectiveness would be measured.

Our findings highlight the importance of paying greater attention to defining the outputs and outcomes in social programmes such as the SJSRY. As we have mentioned earlier, this is a major cause of the principal agent problem in the case of the SJSRY since the non-poor have masqueraded as the poor to avail the benefits of the programme. We found that APL persons may have hijacked the benefits.

A continuing programme such as the SJSRY needs to be based on an MoU that states how its effectiveness, outcomes and impact will be judged. We found that there were no MoUs in the case of the SJSRY at all, which means that the outcomes (except information on the number of beneficiaries and funds spent) were not tracked.

Collusion Between Partners in an Unhealthy Manner

Collusion is not easy to detect and document unless in-depth investigations are undertaken. We investigated regarding possibilities of collusion between various partners in an unhealthy manner, but we did not find evidence for this in the infrastructure programmes (MNY and the UIDSSMT). We did question the contractors in the various cities regarding any possible bribe they paid to the ULBs to get the projects, but did not find evidence for this. However, in cities such as Mysore, we found that the same contractors were associated with the ULB for a long time, hence we are not sure if this was an indicator of unhealthy nexus.

In the case of poverty alleviation programmes such as the SJSRY, we found that there might be some evidence of unhealthy nexus because the beneficiaries mentioned that on payment of a bribe to the local tahsildar (a district level official), they could get an income certificate, with which they could access some benefits of the programme (low interest loans, training and membership in groups enabling them to access loans).

Capacity Problem

As far as the capacity problem is concerned, we found that the smaller ULBs are faced with capacity constraints whereas the larger ULBs (as with the special 100 crores programme) did not have capacity constraints to the same degree as their smaller counterparts. We refer the reader to Table 5.2 on engineers by city. This capacity problem could be magnified when contracting and agency problems are taken into account, although we have not done a systematic study of the capacity problem as applied to the agency problem. Even in terms of the use of ICT, we
found the smaller ULBs need much training to enable them to carry their functions and implement projects more effectively, when compared with their larger counterparts.

**Information Asymmetry**

With respect to information asymmetries at the citizen level, we found that the asymmetry was relatively less in infrastructure projects with greater visibility. In these projects, we found citizens were not as ignorant as we expected of them. In some cases, they were quite aware of the expected benefits from the implementation of a project (e.g., enhanced water supply due to the implementation of the water supply project as part of the UIDSSMT in Siddapura). They were able to contrast their expectation (2-3 hours of water supply everyday) with the reality (1/2 hour of water supply every day, but muddy and red in color). Even with regard to the MNY, residents were aware of the benefits of projects. One instance is the case of a drain project in Siddapura which also acted as a solid waste management project according to the residents, since the open sewer earlier was used as a landfill site by residents to dump their garbage!

However, even in civil works, when the criteria for selecting projects are not explicit (such as high traffic roads, water for poorer areas), it is possible for those with ‘influence’ to divert the benefits to the less deserving. Hence we recommend that criteria for selecting projects and works be made explicit by the ULB as part of their action plan (in state-sponsored programmes such as the MNY, and DPRs in the case of centrally sponsored programmes such as the UIDSSMT).

Information asymmetries were more acute in the SJSRY since there was every incentive for the non-poor to masquerade as the poor to avail the benefits of the programme. One outcome of the lack of information in the SJSRY is the small number of beneficiaries. Because of this, the ULBs are unable to spend the funds allocated to them. There is a carryover of unspent funds from the previous year into the current year. Of course if ULBs were to identify more beneficiaries, then the funds could be spent quicker, reducing the quantum of unspent balances.

Precisely to tackle the problem of information asymmetry, programmes such as the SJSRY have set up citizen and community groups and neighborhood committees to disseminate information about the programme among the eligible poor and potential beneficiaries. In fact, we found that they were the ones who were playing an important role in the success of the programme in all the cities where we visited. However, in no city did we find the functioning of the SJSRY included marketing
support, which was a major lacuna in the programme. Lack of expertise in marketing and technical aspects may well have handicapped some of the beneficiaries and made their loans unproductive, about which the beneficiaries were not aware.

**Political Authority Super-imposing Itself on the Expenditure Needs**

Finally we did find that political economy considerations ruled the choice of certain projects (for instance, the choice of a road leading to an MLC’s house), although there may have been equally or more deserving projects. Hence we recommend that the relationship of every project be made clear with the city development plan so that haphazard development of the city is discouraged.

**Overall Conclusions**

1. A comparison of the three programmes we have studied yields several important lessons that can aid policy makers in improving the design and implementation of development strategies and expenditure control. The evidence presented in the preceding chapters shows that the primary focus of the programmes has been on inputs (funds, processes, personnel and other inputs), and much less on the outputs, outcomes and effectiveness. Road and water supply projects (infrastructure programmes such as the MNY and the UIDSSMT) have performed somewhat better in this regard than employment programmes (such as the SJSRY). In general, civil works tend to define costs and other inputs more clearly than projects that assist the poor or address social issues. But even in civil works, when the criteria for selecting projects are not explicit (such as high traffic roads, water for poorer areas), it is possible for those with influence to divert the benefits to the less deserving. In social programmes, when the focus is only on counting the beneficiaries, with vague criteria for their selection, and no specification and monitoring of expected outcomes, the goals and results may depart significantly from their original programmes. APL persons may hijack the benefits. Loans may not be used for the intended objectives when the wrong persons are selected and official supervision is neglected. Poor repayment of loans (reported as anecdotes) may signal this problem or even collusion between officials, beneficiaries and banks. Our findings highlight the importance of paying greater attention to defining the outputs and outcomes in all such social programmes such as the SJSRY.
Evidence from three urban development programmes

2. Failure to clearly define and monitor the expected outputs and outcomes of projects is a major reason why the principal-agent problem arises. As noted above, when the criteria for the selection of roads or other civil works are vague, there is scope for the implementing officials or organisations to make choices that serve their interests. Our finding that non-BPL persons may have been the beneficiaries of the social programmes lends support to this hypothesis. That financial closure was delayed a great deal in the infrastructure projects despite their physical completion is another piece of evidence. It may even signal the presence or potential for corruption as delays can be used to demand bribes.

3. Lack of public awareness about the objectives of programmes, their selection criteria and the outcomes expected of them will make it difficult for citizens and beneficiaries to demand accountability from the service providers. When the credit programme is expected to provide marketing and technical support, but fails to do it, the public who are aware would have protested. In no city did we find the functioning of the SJSRY included marketing support, which was a major lacuna in the programme. Lack of expertise in marketing and technical aspects may well have handicapped some of the beneficiaries and made their loans unproductive. Similarly, when the criteria for road selection are known to the public, they are likely to monitor the selection actively. Information asymmetries of this kind tend to subvert the effectiveness of programmes and intensify the principal-agent problem. With respect to information asymmetries at the citizen level, we actually found that the citizens were not as ignorant as we expected of them. Contrary to this, we found that they were in some cases quite aware of the expected benefits from the implementation of a project (e.g., enhanced water supply due to the implementation of the water supply project as part of the UIDSSMT in Siddapura).

4. Capacity constraints have surfaced as a barrier to effective implementation in all the programmes we have examined. The degree of severity of this problem is not the same in all cases. The smaller ULBs are faced with capacity constraints whereas the larger ULBs (for instance as with the special 100 crores programme) do not have capacity constraints to the same degree as their smaller counterparts. We refer the reader to the table summarizing the technical personnel by city (we refer the reader to the table on engineers by city, following the table comparing various parameters across the programmes). Even in terms of the use of ICT, we found the smaller ULBs need much training to enable them to carry out their functions and implement projects more effectively, when compared with their larger counterparts.
5. The importance of drafting MoUs and contracts between public agencies and implementing organizations/contractors such that the expected effectiveness, efficiency and outcomes of projects/programmes are clearly articulated cannot be overemphasised. Understandably, a contract to build a road refers only the technical specifications of the work, its time deadlines, costs and other matters. A contractor can only fulfill these conditions. But the MoU with the contracting agency (e.g., a ULB) could state the objectives to be achieved and how effectiveness would be measured. We recommend that all contracts (especially those for infrastructure projects) make some reference to the quality of the work so completed and their implications for the local economy as a whole, so that they are not perceived by the ULB in an ad hoc fashion. A continuing programme such as the SJSRY needs to be based on an MoU that states how its effectiveness, outcomes and impact will be judged. We found that there were no MoUs in the case of the SJSRY at all, which means that the outcomes (except information on the number of beneficiaries and funds spent) were not tracked.
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We thank the Expenditure Reforms Commission (ERC) for entrusting this study to Public Affairs Centre. There are also several individuals with the ERC and outside it who have helped us to complete the study in time. Particularly we thank:

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- **Mr. Suprasanana** and **Ms. Jayanthi**, DMA, for patiently answering many of our questions.

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4. Mr. Dharmappa, Deputy Commissioner, Mysore City Corporation;
5. Mr. Srinivas, Superintending Engineer, DMA;
6. Mr. Nagabhushana, Commissioner, Kollegal City Municipal Council;
7. Mr. Chandrashekara Murthy, Assistant Executive Engineer, Kollegal CMC;
8. Mr. Nirmallesh, Junior Engineer, Kollegal City Municipal Council;
9. Mr. C.D. Emmanuel, Chief Officer, Bhalki Town Panchayat;
10. Mr. Shivkumar Talwade, Assistant Engineer, Bhalki Town Municipal Council;
11. Mr. Swamidas, Community Organiser, Bhalki Town Municipal Council;
12. Mr. Srinivas, Junior Engineer, KUWS&DB, Dharward;
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14. Mr. Ramesh Naik, Junior Engineer, Siddapura Town Panchayat;
15. Mr. Kenchappa, Community Organiser, Siddapura Town Panchayat;
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17. Mr. Hanumantharaju, Community Affairs Officer, Chitradurga CMC;
18. Mr. Narshimraju, Assistant Executive Engineer, Chitradurga CMC;
19. Mr. R. Srinivas, Junior Engineer, Chitradurga City Municipal Council;
20. Ms. Nagarathnamma, Community Organiser, Chitradurga CMC;
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22. Mr. Diwakar, Junior Engineer, Mulki Town Panchayat;
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Evidence from three urban development programmes

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- The members of the ERC and all participants of the meeting where we presented the draft findings in March 2011 for their comments.

Any errors remain ours.

Kala Seetharam Sridhar
Venugopal Reddy
Pavan Srinath
PAC Publications

16. Citizen’s Audit of Public Services in Rural Tamil Nadu (Catalyst Trust, Public Affairs Centre), 2001.


30. Setting a Benchmark: Citizen Report Card on Public Services in Bhubaneswar (Public Affairs Centre, Centre for Youth and Social Development), 2005.


32. Holding the State to Account: Lessons of Bangalore’s Citizen Report Cards (Samuel Paul), 2006.


42. **Study of Sarva Shiksha Abhiyan Initiatives on Universalisation of Elementary Education in Karnataka with Special Reference to Concerns of Gender and Equity** (Sita Sekhar, Meena Nair, K. Prabhakar, Prarthana Rao), 2009.


44. **A Mirror to the Police: A Bottom-Up Assessment of the Karnataka Police** (Meena Nair, K. Prabhakar, Prarthana Rao), 2010.

45. **Towards a Vibrant Knowledge Society: A Stakeholder Audit of the Karnataka Jnana Aayoga** (Shweta Gaur, Nivedita Kashyap, Meena Nair, R. Suresh), 2011.

46. **A Life and Its Lessons: Memoirs** (Samuel Paul), 2012.

47. **Citizen Monitoring and Audit of PMGSY Roads: Pilot Phase II** (Public Affairs Centre), 2012.


49. **Case Studies from the Social Audit of Public Service Delivery in Karnataka** (M. Vivekananda, S. Sreedharan, Malavika Belavangala), 2012.

50. **Changing the Urban Face of Karnataka: Evidence from three urban development programmes** (Kala S Sridhar, Venugopala Reddy, Pavan Srinath), 2012

### PAC Books by other Publishers


2. **Holding the State to Account: Citizen Monitoring in Action** (Samuel Paul), Books for Change: 2002.


Evidence from three urban development programmes

Recent Releases

A Life and Its Lessons: Memoirs
Samuel Paul

Samuel Paul, well-known scholar, institution-builder and social activist, tells his life story and distills the lessons of experience learnt from a wide range of institutions, both national and international, with which he was associated. In a long and distinguished career, he has been the Director of the Indian Institute of Management, Ahmedabad, adviser to the United Nations, ILO and the World Bank, founder and first chairperson of Public Affairs Centre, Bangalore, author of “citizen report cards” and other pioneering tools of social accountability. His reflections on the success and sustainability of institutions offer important insights of relevance to practitioners, scholars and students alike. The story is told in a lucid style, with candour, wit and sensitivity to the great social challenges of our time.

Improving Governance the Participatory Way
Meena Nair • K. Prabhakar • Prarthana Rao • Poornima G.R.

This publication records the implementation of a successful initiative by Public Affairs Centre (PAC), in partnership with grassroots organizations like Centre for Advocacy and Research (CFAR), Society for People’s Action for development (SPAD), and Association for Promoting Social Action (APSA) in creating an effective participatory citizen-provider engagement model which helped improve the quality of service delivery in selected Maternity Homes run by the Bruhat Bengaluru Mahanagara Palike (BBMP or Greater Bangalore Municipal Corporation).

The initiative which began in the form of a study of the quality of services in these Maternity Homes by using well known Social Accountability Tools such as Citizen Report Cards (CRC), Budget Analysis and Community Score Cards (CSC), led to the formation of Maternity Home Monitoring Committees (MHMCs) in the catchment areas of three Maternity Homes. These MHMCs not only monitor services at the Maternity Homes, but also undertake awareness building activities on maternal health entitlements during their regular interactions with community members in the Maternity Home catchment areas, in cooperation with Maternity Home staff members and BBMP officials.

Phase II of the project attempts to replicate the model in more Maternity Homes and Referral Hospitals along with budget advocacy on better implementation of incentive schemes.
Citizen Monitoring and Audit of PMGSY Roads Pilot Phase II
CAG Team, PAC

Pilot Phase II study was conceived in the backdrop of experiences gained during Pilot Phase I, and was launched in November 2008 to field-test a set of instruments in Orissa and Karnataka for monitoring the quality of some of the ongoing PMGSY work, auditing the performance of completed roads under this scheme and gathering feedback from beneficiaries with regard to their awareness, problems faced, potential and actual benefits and level of satisfaction. Ten completed roads and eight ongoing road projects in Orissa and Karnataka were selected for study in this Phase.

This publication summarises PAC’s experiences in Phases I and II, and is aimed at all who believe that citizen knowledge can be a valuable resource in the development and maintenance of public assets.

Case Studies from the Social Audit of Public Service Delivery in Karnataka – M. Vivekananda, S. Sreedharan, Malavika Belavangala

In the social audit of public service delivery in Karnataka carried out by Public Affairs Centre (PAC) at the instance of the Department of Planning, Programme Monitoring and Statistics, Government of Karnataka, seven services were examined. The data for the audit were collected through a sample survey of users of the public services. In addition, a few case studies were also recorded to obtain the qualitative aspects of those services, after completing the survey. The case studies included in this book share the experiences and comments of all stakeholders pertaining to the services surveyed.

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