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GOVERNMENT OF INDIA

**US\$60 MILLION CREDIT AGREEMENT SIGNED WITH WORLD BANK FOR
CAPACITY BUILDING OF URBAN DEVELOPMENT PROJECT**

New Delhi: Agrahayana 17, 1933
December 08, 2011

The World Bank today signed a US\$60 million credit agreement with the Department of Economic Affairs, Ministry of Finance, Government of India for building the capacity of select Urban Local Bodies (ULBs) to improve their skills for better urban management and thereby reduce urban poverty. The agreement was signed by Shri Venu Rajamony, Joint Secretary, Department of Economic Affairs, on behalf of the Government of India and Mr Roberto Zagha, Country Director for India on behalf of the World Bank

Speaking on the occasion, Shri Venu Rajamony, Joint Secretary, Ministry of Finance said that one of the Government of India's major urban development objective is to create economically productive, efficient, equitable, inclusive and responsive Urban Local Bodies and achieving this objective will not only help sustain high rates of economic growth, but also accelerate poverty reduction and improve services, especially to the urban poor. He, however, stated that the weak capacity in many ULBs is slowing the much-needed reforms required in these ULBs. Many ULBs need a comprehensive package of assistance not only in building their capacity for better urban management, but also in formulating comprehensive poverty alleviation strategies. He hoped that this Project would further the government's urban development goals.

The Project is part of Government of India's (GoI's) larger vision for urban development as envisaged under programs like the Jawaharlal Nehru National Urban Renewal Mission and the Rajiv Awas Yojna, the GoI's flagship urban development programs.

The Project comprises mainly two components:

1. **Capacity Building for Strengthened Urban Management** which will be implemented through the Ministry of Urban Development.

Today Indian ULBs are attracting millions of people and are centers of economic growth. Yet they are battling several challenges to ensure maximum economic benefits from such urbanization. In many cases ULBs do not have the financial and technical capacity to bring about significant improvements in urban service delivery. This Project will help states and ULBs (at least 20 in the initial phase) improve systems for financial management; urban planning; service delivery and better governance. It will also build the capacity of states and ULBs to recognize and incorporate innovative programs and best practices.

2. Capacity Building for Effective Urban Poverty Monitoring and Alleviation which will be implemented through Ministry of Housing and Urban Poverty Alleviation.

As the urban population surges, there is concern that any one of the many challenges—affordable housing supply, limited water and sanitation services , congested roads,—will not only amplify and undermine city's economic growth but can also seriously threaten the urban living environment particularly for the poor. This component will support in building capacities at the central and local levels for policy formulation, implementation and monitoring, in the area of urban poverty alleviation with special focus on building-up information systems, fostering knowledge and information exchange and learning, including designing and institutionalizing mechanisms to promote community participation in implementing urban poverty alleviation programs.

Mr Roberto Zagha, World Bank Country Director for India said that one of India's key challenge and one that is critical for India's economic growth is to meet the needs of a fast growing urban population. Well functioning ULBs is a first step to achieving this. He said that this Project will help link worldwide experiences in the area of urban development directly with the Government's flagship programs for urban development.

The 74th Constitutional Amendment Act of 1993 gives urban local bodies an independent status within the Constitution. However, they face several challenges. Mr. Bernice K. Van Bronkhorst, Project Team Leader and Senior Urban Specialist, World Bank said that while ULBs generally have a good understanding of the need to introduce reforms, many would benefit from capacity enhancement to prepare a credible step by step implementation plan.

Through this Project, the GoI will set up a Challenge Fund. This Fund will recognize innovative practices by ULBs on urban poverty alleviation. It will also constitute a network of practitioners. The network will include government officials from select ULBs, academics and other actors active in the area of urban poverty alleviation both nationally and internationally. It will also serve as a platform for peer-to-peer learning.

The credit is from the International Development Association (IDA) – the World Bank’s concessionary lending arm – the Credit is on IDA terms with a maturity of 25 years, including a 5 year grace period.

India has an urban population of about 300 million which is expected to more than double by 2030 to nearly 600 million. The Government of India, state and city governments have introduced and are implementing a number of policies, programs and schemes to provide adequate public services and infrastructure, create opportunities for economic development and ensure that urbanization is environmentally sustainable. Some of the areas that require focus from ULBs are water supply and sanitation, urban transportation, environment, affordable housing and the development of the capacity of ULBs to function successfully in a decentralized environment.

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