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Report of Third Delhi Finance Commission 2006-2011

VOLUME-I

CONCEPTS AND CONTEXT

National Capital Territory of Delhi

October 2006

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REPORT OF THE THIRD DELHI FINANCE COMMISSION
(2006-2011)

CONTENTS

VOLUME-I

CONCEPTS AND CONTEXT

S.NO.		PAGE
i.	Preface	i-viii
ii.	Maps	ix-xi
iii.	Chapter Contents	xii-xxxvii
iv.	Acronyms Used	xxxviii-xlii
v.	Acknowledgement	xliii-xlvi
vi.	Executive Summary	xlvii-lxxvii

CHAPTERS

01.	Approach And Methodology- A Curtain Raiser	1-11
02.	International, National And Regional Trends And Policy	12-25
03.	Delhi-The City	26-49
04.	The City: Vision, Development, Management and Good Governance	50-86
05.	Interplay of Mega-Events and the Population Factor	87-121
06.	Assessing City Management: Governance, Infrastructure and Services - as Benchmarks	122-153
07.	Assessing City Management: Policy, Institutional Arrangements - As Benchmarks	154-175
08.	Assessing City Management: The State Government-Local Body Interface: As Benchmarks	176-197
09.	Planning for the Development of Delhi	198-282

VOLUME-II

STATE – LOCAL BODIES : THE FINANCIAL INTERFACE

10.	The State Government: Financial Operations: Resource Needs and Resource Mobilization	283-377
11.	The State Government: Financial Operations; Resource Allocation and Resource Utilization	378-484

12.	Municipal Corporation of Delhi: Resource Mobilization	485-593
13.	Municipal Corporation of Delhi: Expenditure Management:	594-690
14.	NDMC: Resource Management	691-789
15.	NDMC: Expenditure Management	790-848
16.	Mobilization and Application of Resources of Delhi Cantonment Board	849-873

VOLUME-III

PROJECTIONS AND RECOMMENDATIONS

17.	Financial Projections (2006-2011)	874-1021
18.	The Summing-up: Analysis and Assessments	1022-1070
19.	The Recommendations	1071-1133

VOLUME-IV (on CD)

ANNEXES AND WORKING PAPERS

20.	Section I Annexure I to XXVIII (Chapter 1 to 9)	1 to 254
21..	Section II Annexure (Chapter 10 to 19)	1 to 179
22.	Section III Working data sheet and graph/pie chart	1 to 643
23.	Section IV Circulars and correspondence	1 to 207
24.	Section V Bibliography	1 to 16
	Total Page (Volume – IV)	1299

PREFACE

We begin by recalling a few basics. Cities are economic entities. They shape the socio-economic environment and, in turn, are shaped by the overall circumstances. They react to policy initiatives, changes in physical parameters, and socio-economic conditions. Cities act as the national and international gateways for people, ideas, trends, investments, jobs and goods. Cities can and do have multifarious roles and responsibilities: the city as a consumer, the city as a manufacturing hub, as a tourist attraction, as a research and design powerhouse, as a skilled city, and as the city of ideas. The variety of defining roles that a city can assume provides the diversity required for growth and development of cities. Accordingly, the first dilemma: is it necessary to choose between the various roles a city can have or is the socio-economic variety itself an advantage? Assuming, given the resource constraints, that a city needs to make choices between competing possibilities, the underlying principle will surely be the need to choose a role design best suited to its comparative advantage. The need for selecting a role in keeping with its comparative advantage imposes on the city managers an important responsibility-the enunciation of goals and objectives, the selection of projects and programs and the management of the required resource needs.

2. Therefore, as in many other spheres, in the development and management of cities, governance undeniably matters. Governments exist to fulfil goals and objectives. Goals, policies and projects are derived as much from the compulsions of immediate circumstances - citizen expectations, population transfers, infrastructure deficits etc. - as from futuristic visions of the city e.g. "a planned city" (1960s), "a manageable city" (1980s), "a cyber city" (2001), "a green and clean" city (2002), or "a modern global city" (2006). City visions and the compulsions of immediate circumstances provide the framework, for a holistic evaluation of resource needs. This is the foundation for the allocation of resources between the state government and the local bodies.

3. An evaluation of city needs has to take note of all the actors. For instance, in the social sectors of welfare, health and education, private players and non-governmental organizations discharge well recognized roles. Apart from its statutory role, government often assumes responsibilities or posits visions and goals, in response to popular sentiments and expectations. Quite often the necessary normative yardsticks evolve out of these forays.

First Level: Vision and Resources

4. One task could be to specify Delhi's resource needs in terms of the shortfalls in the achievement of this vision. Thus visions, responses, responsibilities, and required resources constitute the **first level of our investigation.**

5. World over cities are growing and changing. So is Delhi. The complexities and costs of city management are posing serious challenges to city leaders, developers and managers. Some challenges are traditional. For instance, Delhi is expanding under the longstanding impact of population migration. Emerging residential complexes, industrial estates, and power projects etc. demand an adequate network of infrastructure and services. However, some entirely new agents of change (needs of infotech infrastructure etc) are also driving developments and shaping the socio-economic matrix, within cities and outside.

6. Citizen expectations and impatience have risen sharply. Some contributory factors could be the prosperity of an expanding middle class, the promise held out in the constitutional recognition of the extended role of local bodies, and the new grievance redress mechanisms, such as, the Public Grievances Commission and the Right to Information Act, 2001. Responses have been varied, encompassing resource mobilization and new service delivery vehicles (e.g. the instrumentality of Bhagidari, constituting Delhi Jal Board, Delhi Vidyut Board). Introduction of metro rail service, construction of kilometres of flyovers, liberalizing excise policy and closure timings for retail outlets and markets represent altered perceptions.

7. Increasingly, judicial interventions are perhaps now prescribing the priority action of the state government and local bodies. This should really be part of the normal work of executive organizations (in matters ranging from mitigating pollution, removing unauthorised constructions, improving sanitation and conservancy, removing stray cattle, providing parking space and relocating the slaughter house etc).

8. Some estimates suggest that delivery costs of civic services are going up. Unplanned extension of amenities and services to newly inhabited areas or newly established industrial estates impose further financial strain, particularly when juxtaposed with the inability to shed manpower; inability to levy or collect user charges and taxes; grant of concessions, subsidies, exemptions and costs of complying with provisions of various environmental statutes.

Second Element: Many Changes – a comparative study of municipalities

9. Thus, much has changed, in the years (1994 to 2006) following the 73rd and 74th constitutional amendments, necessitating the effective functioning of the third tier of governance i.e. local bodies. Indeed, the situation has changed considerably even in the decade following the recommendations made by the First (1997) and Second (2002) Delhi Finance Commissions. These changes made it difficult for the Commission to rely only on an evaluation of past trends in, say, revenue and expenditure for the purpose of resource allocation. The lessons from implementing the urban reforms agenda, inspired by constitutional amendments, since 1994, would, it was felt, update knowledge about initiatives taken by municipal bodies to generate investible funds through resource mobilization and efficient utilization. Accordingly, it became necessary to see the Commission's Terms of Reference in light of the enormous changes that have taken place. A comparative (spatial and temporal) examination of the present position of local bodies therefore constitutes the **second element** in the analysis made by the Commission.

10. The opening up of international opportunities, the compulsion to aim

for infrastructure and services that meet international standards, the need to attract talent, skills and investments in the face of competition posed by other cities, national and international, are related to globalisation. All these impact on expenditure responsibilities of the state government and requirement of additional resources.

11. Further, some recent developments suggest that there could be accretions to the expenditure responsibilities of the state government. These might arise from the objective of achieving a 'modern global city' status for Delhi, unabated population influx, infrastructure deficits, and the Commonwealth Games in 2010. Growth in Gurgaon and Noida, geographically constituting an urban sprawl, has implications for the economic structures in Delhi. These 'driving agents' of change have to be factored into any meaningful financial analysis. Major changes have also been introduced in vital sources of revenue -VAT (in lieu of Sales Tax) at the state government level and property tax (UAM) at the MCD level. All these influence the development agenda. Clearly, this necessitates an inquiry into the requirements of the state government itself. It is only thereafter that the availability of resources for transfer to the local bodies could be worked out. The Commission noted that this had not been attempted before. This proved to be a major area of work with unexpected impediments in the matter of timely receipt of relevant information and memorandum.

Third Ingredient: Resource Requirements of the State Government

12. Socio-economic forces operating at national and international levels have begun to change earlier perceptions. Government's role as a facilitator is receiving greater stress. There is far greater expectation from the custodians of the community's welfare. This has dictated a fresh look at service delivery mechanisms. Since departments of the state government, para-statal agencies, and local bodies are important components of the delivery mechanisms, their effectiveness and efficiency constitute the **third ingredient** of the Commission's investigation from a resources point of view.

Fourth Level: Challenge of socio-economic forces and technology developments

13. Cities are at the heart of much of the change. There has been an acceleration of infrastructure development in urban centers. Growth in the suburbs of Delhi has many implications for its commercial, industrial, and residential sectors. Delhi has lost considerably the 'first mover' advantage of Generation-I cities (the most attractive IT/ITES investment destinations in the early 1990s). Indeed, as Generation-III cities (currently the most attractive destinations) draw away IT/ITES and BPO investment, Delhi faces challenges on many fronts. Conversely, is the fact of a high per capita income (double the national level), a high literacy rate, a young English speaking population, the growth of malls and high consumer expenditure, and the deep and wide wholesale, retail and consumer markets still indicative of Delhi's comparative advantage? The challenge posed by socio-economic forces and technology to the city is therefore the **fourth level** of investigation that the Commission needed to grapple with.

14. "Urban Development" is increasingly getting associated with the acquisition of a competitive edge. This indicates that cities are trying to cope with the rapid pace of change. All efforts, to refurbish infrastructure, address compulsions of exploding in-migration of rural populations or attract investments and jobs, have to be undertaken within the framework imposed by history and geography. In the context of Delhi this means a massive population influx and a hinterland consisting of the National Capital Region (within which are the rising urban stars, Noida and Gurgaon). It also includes the inadequate say that the state government has in determining the development agenda, or in utilizing land as a resource for financing development. The circumscribed control over municipal administration is another factor, which the state government contends with continuously.

15. It appears that, in the near future, the Commonwealth Games-2010, the metro, and malls will "drive" much of Delhi's development. We could add: so will increasing population, both human and vehicular, and required

improvements in services and infrastructure. The experiment of positioning Delhi as a global city constitutes a radical departure from the incremental approach of practically the entire post-Independence years. In its turn this will raise the performance bar for all, and demand marshalling and application of resources on a hugely stepped up scale (not restricted to the public sector alone) and in a hugely more effective and efficient manner.

Fifth Component: Resource needs of State Government in global city context

16. This goal highlights a distinct role and capacity for the state government that clearly distinguishes it from municipal administration. The state government is yet to have either an effective role in formulating the development agenda or an effective control over all aspects of city management. The 'development agenda' will need conceptualising the content and processes serving the objective of a global Delhi. This requires the state government to refashion arrangements: a fresh look at physical, financial and technical capacities of its own departments. Here then is the **fifth level** component of the task before the Commission: What is the resource requirement of the state government itself in the global city context? What, if any, has been the erosion of capacity in government departments? What needs to be done to arrest, initially, and then reverse this?

17. The participation of local bodies to actuate the status of a global city involves appropriate financial support systems. The First Delhi Finance Commission highlighted the complexities involved in a scheme of devolution. The constitutional mandate favouring a more dynamic role for local bodies, obviously involves a wide range of procedural, systemic, legal and financial parameters.

18. The Terms of Reference indicate the range of **issues** which need to be investigated: **principles** - relating to the determination of taxes, duties, tolls etc or grants-in-aid to local bodies; **developmental** - relating to long term goals or perspective plans; **financial** - relating, to measures needed to improve the financial position of local bodies. The canvas is vast ranging from the systemic

to the structural, from the fiscal to the financial, and from the monetary to monitoring arrangements.

Sixth Parameter: Ties with Local Bodies

19. The Terms of Reference, however, mask a gamut of other inter-dependent financial questions: what is the trend (volumes and patterns) of transfers from the state government to local bodies? Is there a discernible trend at all? How effectively do the government of NCT of Delhi and local bodies raise resources? How do they allocate and utilize them? Are there sources of revenue, which have escaped the attention of either? Are the socio-economic developments supportive of greater commandeering of resources? How well have the tax and non-tax instruments available been harnessed for resource mobilization? What is our concept of effectively functioning local bodies? What enables or constitutes "effective functioning", howsoever it is defined? We could go on. The local bodies and their ties to the state government therefore constitute the **sixth defining parameter.**

20. The task of discovering answers to these and a host of related matters has been challenging. We have attempted to provide some guidelines (financial, functional, jurisdictional or operational) for the direction relations between the state government and its local bodies could take.

21. The First Commission went into the working of local bodies in detail. The Second Commission made a focused analysis of financial and operational data. Some of their observations and suggestions are still relevant. We have taken them on board.

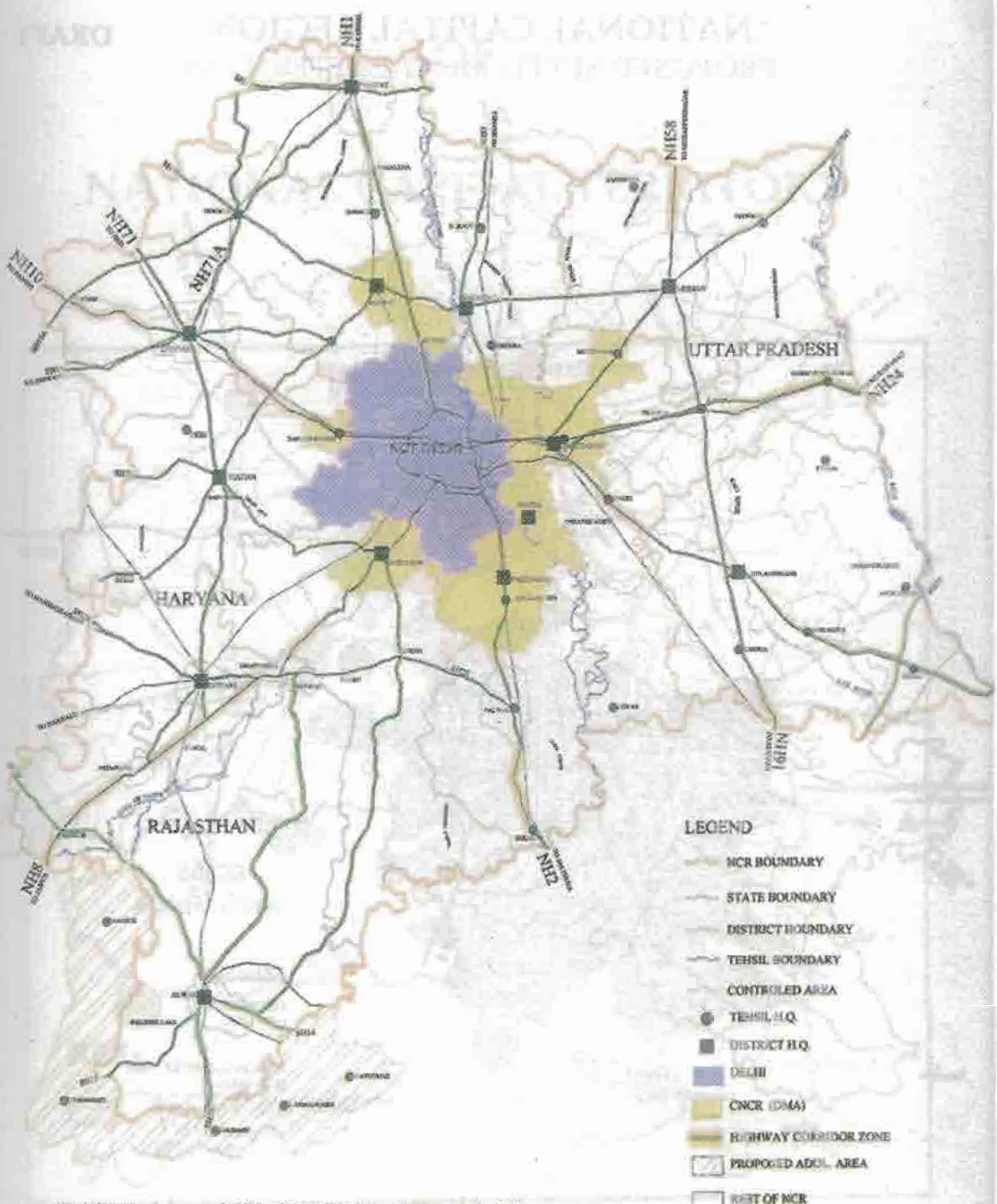
22. The Commission long debated the question whether the financial analyses (contained in Chapters 10 to 16) could stand on their own without a "background". It was decided to make a special effort to appreciate larger trends in city development and technological progress and to "conceptualise" the Commission's recommendations within this framework. This required a different approach as international research papers and literature on global

cities had to be accessed. This perspective is reflected throughout the report but particularly in Chapters 1 to 6. The Commission's recommendations have, therefore, to be seen against this backdrop.

23. The Commission has had the privilege and pleasure of interacting with a large number of institutions and individuals. The number of organizations and persons who generously gave of their time, shared their perceptions, analyses or view points, and assisted the Commission in accessing data, shaping its conclusions and formulating its recommendations, are too numerous to recall individually. We have, however, attempted to do so in the 'Acknowledgements'. Meanwhile, the Commission places on record its grateful thanks for the valuable all round assistance received.

NATIONAL CAPITAL REGION
POLICY ZONES

DRAFT



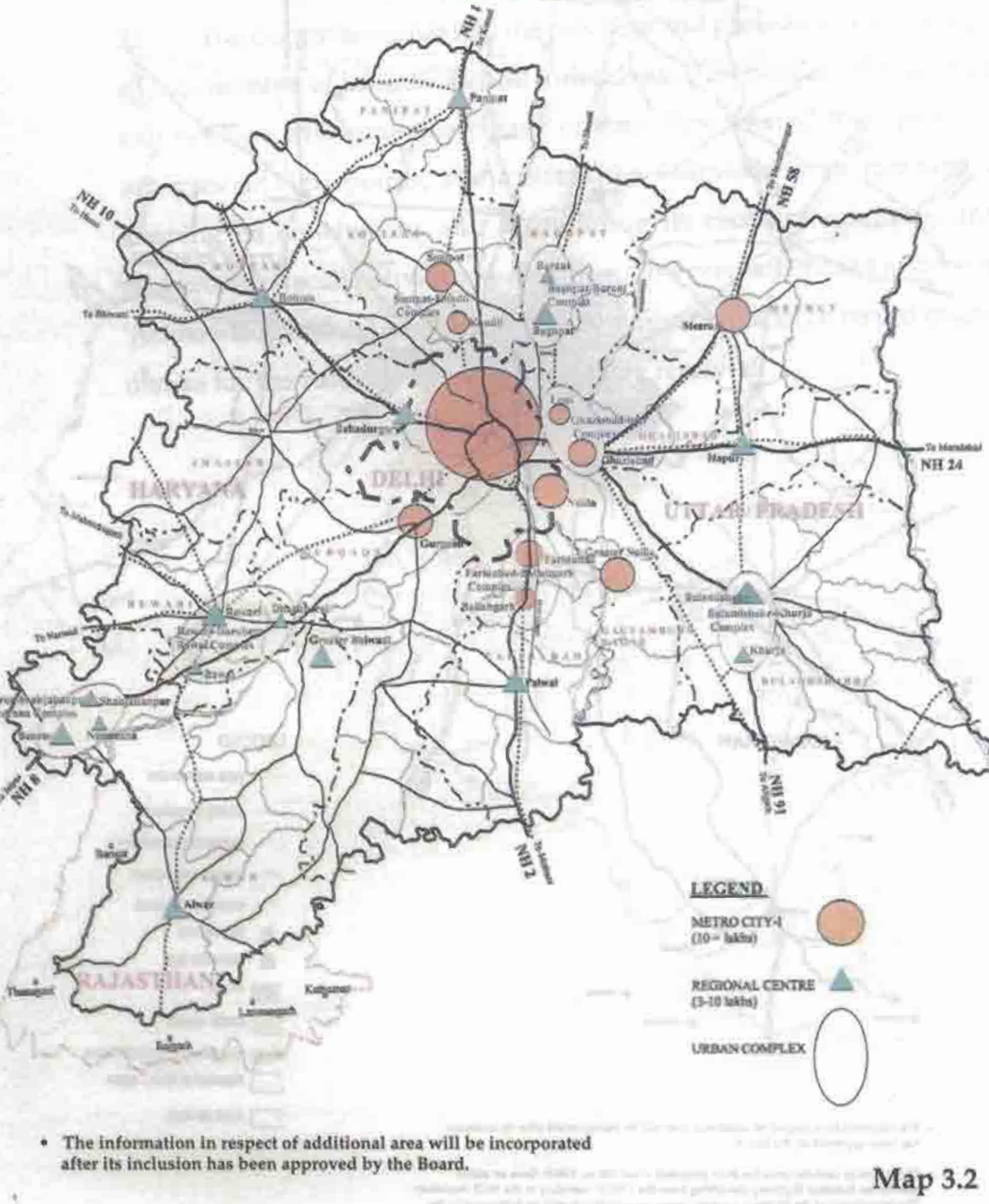
- The information in respect of additional area will be incorporated after its inclusion has been approved by the Board.
- The Highway corridor zone has been proposed about 500 m. Width from on either side of the National Highway Stretching from the CNCR boundary to the NCR boundary. The boundaries of the highway corridor zones are tentative & will be delineated in the respective Sub-Regional plans. CNCR zone consisting of controlled area of Ghaziabad Noida, Faridabad, Gurgaon & Sonipat-Kundli. The final boundaries of Controlled area with village boundaries are still awaited from State Govt.

MAP 2.1

Source: National Capital Region Planning Board

NATIONAL CAPITAL REGION
PROPOSED SETTLEMENT PATTERN 2021

DRAFT



- The information in respect of additional area will be incorporated after its inclusion has been approved by the Board.

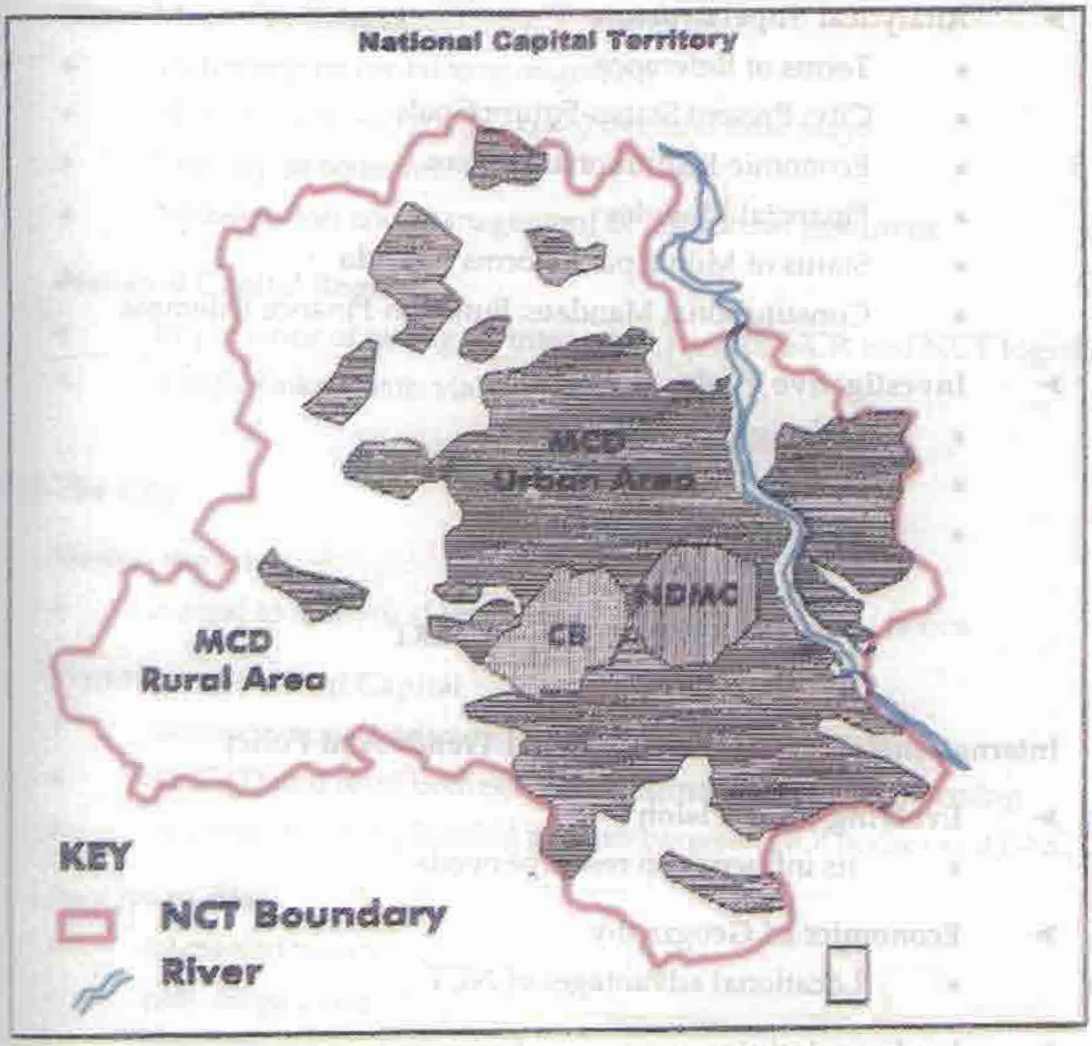
Map 3.2

Source: National Capital Region Planning Board

MAP

OF

NATIONAL CAPITAL TERRITORY



MCD -Municipal Corporation of Delhi
NDMC -New Delhi Municipal Council
DCB -Delhi Cantonment Board

CHAPTER CONTENTS

I - DEFINING THE CONCEPTS

01. Approach And Methodology- A Curtain Raiser

- **The Foundation: Assumptions-Postulates**
  - Common Vision
  - Importance of Statutory Framework
  - Significance of Institutional Capacity Building Measures (ICBM) and Capacity Enhancement Techniques (CET)
  - Concept of 'Effective Functioning'
- **Analytical Superstructure**
  - Terms of Reference
  - City: Present Status-Future Goals
  - Economic-Institutional Drivers
  - Financial Modules
  - Status of Municipal Reforms Agenda
  - Constitutional Mandate: Function-Finance Dilemma
- **Investigative Tools**
  - Investigative Units
  - Data/Information Needs
  - Inquiry Instruments

II-THE CONTEXT

02. International, National And Regional Trends And Policy

- **Evolving "City Vision"**
  - its influence on resource needs
- **Economics of Geography**
  - Locational advantages of NCT
- **land constraints**
  - International Opportunities and Strategies
  - Shaping socio-economic trends
  - Cities as dynamic engines of growth - attracting investments (IT, BPO etc) - highlighting comparative advantages

- Interurban competition between cities
- Connectivity - growing awareness and expectations - citizen empowerment - benchmarking of services.

➤ **National Framework - prospects and challenges**
- Some important trends - deceleration of urbanization - suburbanisation on increase - judicial interventions increasing - resource implications
- Various estimates of funds required for infrastructure
- Fund flows - urban and rural
- Development of standards in solid waste management

➤ **Some More Challenges**
- Deflecting or containing migration
- New growth sectors (IT, ITES) demand new ways
- The city as consumer
- Mobilization and management of additional resources

➤ **National Capital Region**
- Importance of taking an integrated view of NCR and NCT together
- Vitally linked with viability of Delhi/NCT

03. **Delhi-The City**

➤ **Delhi - the city**
- central to analytical framework to assess resource needs

➤ **Delhi-As a National Capital**
- concentration of administrative and political power
- GNCTD and local bodies have marginal role in city planning
- fragmentation of planning process between GOI bodies and GNCTD

➤ **As a mega city**
- migration issues
- new mega cities
- scramble for resources and opportunities between cities

➤ **As an emerging global city**
- needs more advanced producer services (a higher level of financial, management services)
- make more attractive destination for IT/ITES/BPO Units

- **Some studies based on**
  - level of advanced producer services
  - quality of life determinants
  - ranking of nine Indian cities as ITES destinations
  - global offshoring
- **Delhi's competitive edge**
  - Inter-urban competition
  - emergence of new locations for ITES
- **Revival of local self-governance institutions**
  - instruments of urban delivery system
  - infotech redefining "work place"
  - rise of middle class and developing infotech human resources
  - local bodies responsibilities and quality of life
  - creating conditions to attract investments
  - stress on financial discipline

04. The City: Vision, Development, Management and Good Governance

- **The development framework**
  - conceptual, structural, systemic, socio-economic trends
- **City Visions**
  - absence of shared city vision
  - different visions
  - planned city, manageable city, cyber city, modern gobal city.
- ***Multiplicity of Planning Bodies* - evolving city vision in**
  - NCRPB Regional Plan 2001 (GOI)
  - NCRPB Regional Plan 2021 (GOI)
  - DDA Master Plans 1962 and 2001 (GOI)
  - GNCTD's Delhi 2021 (State)
  - GNCTD's Infotech Policy 2000 (State)
  - GNCTD's Eighth Five Year Plan (State)
    Ninth Five Year Plan
    Tenth Five Year Plan
- **Reforms**
  - power sector

Resource Position
- revenue surplus
- constraints and debt servicing
- city vision and resource needs

➤ **Good Governance**
- as objective and process
- financial and operational reforms agenda

05. **Interplay of Mega-Events and the Population Factor**

➤ **Interplay between mega events, administrative/ institutional arrangements and population factors**

➤ **Mega events**
- trigger growth and responses
- post event utilization of facilities
- micro effects
- additional fund requirements and upgrading

➤ **Administrative and Institutional arrangements**
- UT with legislature
- National Capital Territory
- special purpose implementation vehicles
- cities as a place and an outcome
- definitions of globalised cities
- leadership in global IT industries
- additional fund requirements and upgrading

➤ **Population factor**
- increase phenomenal
- demographic trends in ncr
- natural growth and inmigration in NCT
- Delhi Metropolitan Area and priority towns - growth in
- slum and urban population

➤ **Demographic profile and implications for resource needs**

06. **Assessing City Management: Governance, Infrastructure and Services - as Benchmarks**

Assessing City Management - effectiveness and efficiency

- **Defining benchmarks for assessment**
  - characteristics of global city
  - city as a place and an outcome
- **Good governance (Urban)**
  - accountability
  - responsiveness
  - participation
  - management innovation
  - networking
  - attributes of
  - indicators
  - decentralization - planning and predictability - empowerment - participation - transparency - consumer satisfaction - equity in taxes etc.
- **Assessing Delhi against benchmarks**
  - quality of life
  - social sector infrastructure
  - global city path - challenges: -from within the country - and of meeting the consequences
  - education sector assessment
  - social welfare - safety network
  - physical infrastructure
  - public transport
  - water supply, sewage disposal, solid waste management
  - housing
  - amenities
- **Some questions which arise**
  - what vision of the city is driving development?
  - what are the institutional and economic agents driving change?
  - what are the resource requirements?

III-PERSPECTIVES-DERIVATIVE BENCHMARKS

7. **Assessing City Management: Policy, Institutional Arrangements - As Benchmarks**

- **Assessment of effective functioning**

➤ Perspectives on urbanization and financial management

- National Commission on Urbanization (1988)
  - Finance
  - Urban Management
  - Planning the city
  - Legal Framework
  - Peoples Participation
- Ministry of Urban Development
  - note to 10th Finance Commission
  - studies and workshops on property tax
  - District and Metropolitan Planning Committees
  - public-private partnerships
  - municipal finance and administration
- Ministry of Finance
  - budget circulars
  - emphasis on conservation of financial resources
- Planning Commission
  - 8th five year plan formulation
  - identification of priority areas
  - resource mobilisation
  - private sector participation
  - rationalising manpower
  - competition of projects
  - Ninth Plan
  - prioritisation
  - realistic assessment
  - public sector losses
  - devolution to local bodies.
- Ministry of Home Affairs
  - realistic budgeting
  - economy instructions
  - accounting "object" heads

➤ Deriving Benchmarks - Summary of

IV-STATE-LOCAL BODIES INTERFACE AND PLANNING FOR DEVELOPMENT

8. Assessing City Management: The State Government-Local Body Interface: As Benchmarks

➤ **Introduction to Analytical Framework**
- Ingredients of Urban Reforms Agenda.
- State-Local Bodies Interface - some issues
- Financial Postulates
  - Resource Mobilization - Utilization Matrix
  - Resource Mobilization - Utilization Indicators
- Decentralisation Outcomes
- Fiscal Relations across levels of Government
- Macroeconomic management in a decentralized setting
- Local Bodies and Urban Reforms Agenda

9. Planning for the Development of Delhi

➤ **Resource needs for INVESTMENT**
- NCR Planning Board estimates for Ninth Plan (1997)
- NCRPB estimates for Tenth Plan

➤ **NCRPB - National Capital Regional Plan 2021 Estimates (2004)**
- Investment requirements by 2020-2021
  - transport
  - power
  - water supply
  - sewerage
  - solid waste management

➤ **Ministry of Urban Development and GNCTD - "Delhi-21" Estimates (2001)**

➤ **Evolution of Development Priorities: State Government**
- plan documents and budgets
- city vision and institutional reform
- articulation of world city objectives

➤ **Resource Mobilisation: Planning Commission Guidelines**
- Resource projections: Ninth Plan
- Resource projections: Tenth Plan

- Mid Term Appraisal: Tenth Plan

➤ **Evaluation and Objectives of Financial Priorities**
- Annual Budgets: 1993-94 to 1997-98
- Annual Budgets: 1999-2000 to 2005-06

➤ **Financial Implications of Public Sector Units**

➤ **Access to Central Government Resources**

➤ **Public-private participation**

➤ **Annual Plans and Budgets: Procedures and Processes**
- annual budgetary circulars
- annual plan circulars
- tax policy

➤ **Agency wise Plan resource allocations**

➤ **Plan Expenditure: Analysis and Evaluation**
- utilisation of plan funds by various agencies
- financial analysis of plan expenditure in selected sectors
  - Rural development
  - Energy sector
  - Transport
  - General Education
  - Water Supply and Sanitation
  - Urban Development
  - SC/ST/OBC Welfare and Social Welfare Sector
  - Nutrition
  - Health

➤ **Utilisation of Plan Funds**

➤ **Allocation of Plan Funds - Tenth Five Year Plan**

➤ **Plan Expenditure: Selected Sectors Analysis of Achievements against physical targets**

➤ **Cost Time Efficiencies - perceptions of**
- DSIDC
- Administrative Reforms
- PWD

VOLUME-II
FINANCIAL OPERATIONS: STATE GOVERNMENT - LOCAL BODIES

V-THE STATE GOVERNMENT: RESOURCE NEEDS, MOBILISATION, ALLOCATION UTILISATION

10. The State Government: Financial Operations: Resource Needs and Resource Mobilization

- projecting resource needs: some issues
- plan outlay as percentage of GSDP: comparison with States
- resource needs as reflected in:
  - analysis of annual budgets
  - revised estimate projections
  - actual availability of resources
  - plan and non-plan share
- resources availability: trend growth rates
- determining resource needs
- components (accounts heads) of receipts and expenditure
- resource mobilization
  - total receipt structure - quantum analysis
  - resources component -wise - trend analysis
  - changing composition of receipts
  - own revenue receipts
  - trends in taxation and forces shaping them
  - tax receipts
- Source-wise Revenue Analysis
  - Sales Tax - VAT
  - State Excise
  - Stamp Duty and Registration Fee
  - Tax on Motor Vehicles
  - Other Taxes and Duties (Entertainment, Betting and Luxury Tax)
  - Land Revenue
  - Non-tax Revenues
  - Capital Receipts

- Loans received from Central Government
- Review of Resources of 9th and 10th Plan
- Some conclusions on revenue mobilization and performance

11. **The State Government : Financial Operations : Resource Allocation and Resource Utilization**

➤ **State Government (GNCTD): Financial Operations:**
- Resource Availability and Allocation
- Allocation of Resources between Plan and Non-plan
- Utilization of funds -cost/time overruns
- Allocation between Revenue and Capital
- Non-plan Revenue expenditure
  - administrative expenses
  - interest payments
  - assigned taxes to local bodies
  - maintenance expenditure
- Assets Base
- Maintenance Norms and Frequency
- Maintenance Costs
  - non-plan grants to local bodies
  - non-plan grants to bodies other than local bodies
- Expenditure on subsidies
  - explicit subsidies
  - implicit subsidies
- Committee on Subsidies and User Charges - Jan,2000
  - *implicit subsidies - data and analysis of health and education* sector
- Non-plan Capital Expenditure
  - loans repaid to central government
  - debt servicing
  - performance of selected public sector utilities
  - non-plan capital works
- Plan Revenue Expenditure
  - plan administrative expenses
  - grants under plan
  - plan subsidies

- Plan Capital Expenditure
  - capital works (plan)
  - plan loans to local and other bodies
- GNCTD: Financial Position - status of surplus /deficit.

VI-MUNICIPAL RESOURCE MATRIX

12. Municipal Corporation of Delhi: Resource Mobilization

➤ **Geographical Divisions: GNCTD, MCD, NDMC, DCB, DDA**

➤ **Functional Jurisdiction**
  - obligatory and discretionary functions
  - the zonal units and wards
  - the role of the Deputy Commissioner, in the zone

➤ **Human Settlement Management Institute Study**

➤ **Financial Operations**
- Receipts Structure
- Analysis of own Receipts
  - own receipts; sourcewise
  - obligatory taxes + property tax
- First Finance Commission
- Second Finance Commission
- post Second Finance Commission
  - expert committee on Unit Area Method
  - property tax collection and variations
  - analysis of property tax based on select parameters
  - growth of property tax Vs GSDP
  - per capita receipts from property tax
  - property tax potential
  - collection efficiency of property tax
  - break up of arrears of property tax

➤ **HSMI findings on Property Tax**
  - evaluation of property tax with reference to recommendation of the Expert Committee.
  - objectives and rationale of Unit Area Method

- anticipation of the Finance Department and actual developments in implementing U.A.M.
- Impact of Municipal Valuation and Hardships and Anomaly Committees
- increase in revenue yields
- widening of tax base
- administrative structures, processes and computerization
- demand for financial support
- the approved UAM system
- the expected outcome
- what went wrong? tax administration
- what went wrong? concessions, rebates, exemptions

• Transfer Duty
• Advertisement
• Discretionary Taxes
• Electricity Tax
• Terminal and Toll Tax
• Other Taxes
• Non Tax Revenues
• Introduction of Profession Tax and Revision of Fees & Fines etc.

➤ **State Government Transfers**
- Assigned Taxes
- Non Plan Grants
- Plan Grants
- Plan Loans
- Way and Means Advances

➤ **Some Conclusions**

13. **Municipal Corporation of Delhi: Expenditure Management:**

➤ **Expenditure Management**
- responsibilities, expectations rational expenditure patterns.
- resources: from where they came? and where they went?

➤ **MCD Financial Operations: Projected and Revised Expenditure Needs**
• total expenditure
• non plan expenditure

- non plan administrative expenditure
- issue of manpower
- maintenance expenditure
- other expenditure
- expenditure on desilting
- non plan revenue expenditure
- non plan capital expenditure
- plan expenditure
- plan expenditure: rural Delhi
- infrastructure, amenities and services: planning the provision;
- an unfinished story, efforts to rationalize resource allocation.
- assets and liabilities in MCD.
- observations of CAG: strengthening and augmentation of infrastructure facilities
- findings of the HSMI: growth of revenue and expenditure requirements
- norms for benchmarking of municipal service
- findings and recommendations.
- service delivery: resource management and utilization
- First Delhi Finance Commission - summary of some recommendations
- education and health: inadequate services
- analysis and some conclusions.

14. NDMC: Resource Management

➤ **NDMC: RESOURCE MANAGEMENT**

➤ **Financial Operations: Receipt Structure**
- total receipts structure
- analysis of own receipts
- revenues sourcewise

➤ **Memorandum of NDMC**
- financial position of NDMC
- fiscal transfers
- debt position
- surplus management
- budgetary surplus
- self reliance

- distribution/assignment of taxes
- property tax - unit area method
- lower water tariff
- composting of solid waste
- sewage system
- resource mobilization
- development of commercial complexes
- simplification of procedures
- pricing policy and demand management
- additional tax/ enhancement of tax rates

➤ **Some conclusions**

15. **The NDMC: Expenditure Management**

➤ **NDMC Expenditure Management**
- Total Expenditure components
  - changes in structure of total expenditure 1994-95 to 2004-05
  - analysis of variations
  - total revenue expenditure
  - total capital expenditure
  - total non-plan expenditure
  - non-plan revenue expenditure
- Findings of HSMI on growth of revenue expenditure
  - non-plan capital expenditure
  - public debt
  - plan expenditure
  - plan revenue expenditure
  - plan capital expenditure
- Civic Infrastructure
  - water supply
  - sewage disposal and drainage
  - electricity
  - upgradation and construction of buildings
  - maintenance expenditure
  - total revenue expenditure
  - total capital expenditure
  - total non-plan expenditure

- non-plan revenue expenditure
    - case of roads
    - parks and gardens
    - construction of parking lots
- public health and sanitation
- solid waste management

• Strategic Fiscal Gap
- Findings of the HSMI
- Education
- Application of Partnerships

16. **Mobilization and Application of Resources of Delhi Cantonment Board**

• Area and population of Cantonment
• Obligatory and discretionary duties of Board
• Civil population and Civil Area Committee
• Resource mobilisation
• tax revenue
• Non Tax revenue
• Receipts structure
• Revenue Surplus
• Total Receipts and total expenditure
• Projections: Past Trends and Future Needs

VII-PROJECTIONS - (2006-2011)

17. **Financial Projections (2006-2011)**

➤ **Financial Projections (2006-2011) - general issues**

➤ **State Government: Financial Matters - relating to**
- Projections-I (State Government) - based on presentation on Fiscal Scenario (2002), Planning Department, GNCTD.
- Projection II (State Government) - based on Approach Paper to 11th Five Year Plan - Planning Department.
- Projection III (State Government) - based on Memo (2006) of State

Government to TDFC
- Results of Forecast of Receipts and Disbursements (Non Plan)

➤ **MCD- Financial Matters - relating to**
- Projections (MCD)- based on Memo (2005)
- Sources of Finance
- Trends in Expenditure
- Expenditure on different heads
- Economy in Expenditure (MCD)
- Outsourcing of services on PPP / BOT basis
- Revenue gap (MCD)

➤ **NDMC- Financial matters relating to**
- Projections (NDMC)
- Views of NDMC on Transfer/Devolution of Funds.

➤ **Projections of the State government and the Local Bodies: Analysis and conclusions.**

➤ **Eleventh Plan Approach Paper and Linkage with Plans and Declared Objectives**

➤ **The Track Record as a Guide to Forecasts**

➤ **Projections of the Local Bodies: Analysis and Conclusions**

➤ **Projections: The Approach of the Commission**

➤ **Projections: To and By the First and Second Finance Commission.**

➤ **The Estimation of the Commission**
- Trends in Revenue
- Expenditure: Volume and Patterns

➤ **Efficiency of Financial Operations and the Financial Status**
- Mathematical Model
- Assumptions I: The Goals and Long Term Plans
- Assumptions II: Improving Financial Management

➤ **The Methodology**

➤ **The Forecast**

➤ **The Projections: Local Bodies**

18. **The Summing-up: Analysis and Assessments**

➤ **Inter-government transfers: Lessons**
- Need for comprehensive reform agenda
- Consensus a critical input

➤ **Functional Framework: Development Goals and Functional domain of local bodies**

➤ **Aspects of World Class City Status**
- purpose for which the status is sought
- define comparative advantages
- executive plans on an agreed platform

➤ **Resource Needs: State Government and Local Bodies**

➤ **Norms and Status of Infrastructure**

➤ **Assessment of the Financial Position of the Local Bodies**
- fiscal base of municipalities in Delhi; implications
- size of the municipal sector in NCT
- linkage with local economy
- revenues and resource mobilisation
- fiscal base and fiscal base
- municipal bodies and expenditure levels
- per capita expenditure
- manpower reduction

➤ **Local bodies and implementation of reforms**

➤ **Impact of Decentralisation on the State Government Resources of Local bodies.**
- Trends in receipts/expenditure: pre-post amendment

➤ **Evaluation of Financial performance pre and post Amendment (Constitution) phases - M.C.D**
- Non Plan expenditure
- Plan expenditure

➤ **NDMC: Evaluation of Financial performance pre and post Amendment phases**
- Non Plan
- Plan

- Tax Revenue
- Total and per capita expenditure
- Receipts

➤ **MCD Expenditure an Obligatory Functions**

➤ **Spatial Comparison with Hyderabad and Greater Mumbai Municipal Corporation**
- Income-Expenditure differential
- Composition of revenue
- Pattern of capital expenditure

➤ **Constitutional and Statutory Issues**

➤ **Summing Up - Principal Findings and Conclusions**
- Select platform on which international status of the city would be built
- State and local governments to act in concert
- A comprehensive reform agenda needed etc
- State government has displayed extraordinary sensitivity to the sensibilities of local bodies.
- Bedrock of effectively functioning municipal bodies has to be rooted in consensus, trust and convergence between the two levels of governance - the state government and local bodies.

19. The Recommendations

Scheme of Recommendations

I. Guiding Principles Governing Devolutions
II. Recommendations relating to the Functional Domain of the Local Bodies
III. Recommendations related to the Fiscal Domain of the Local Bodies
IV. Recommendations relating to the Institutional Sphere
- State Government
- Local Bodies

V. Recommendations regarding the Financial Devolution Package
VI. Recommendations regarding the Delhi Cantonment Board
VII. Post Script: Concluding Observations

Volume III

Section I	Annexure I to XXVIII (Chapter 1 to 9)
Section II	Annexure (Chapter 10 to 19)
Section III	Working data sheet and graph/pie chart
Section IV	Circulars and correspondence
Section V	Bibliography

Section : 1
(Chapters 1-9)

Annexure Number	Para No.	Subject
I.	1.10	Constitution of the Commission vide Notification No. F.7 (443) (3)/2004/UD/10905 dated October 21, 2004 issued by Urban Development Deptt. Govt. of Delhi
II.	2.7	International Opportunities and Strategies - Working paper I/2005
III.	2.17	National Framework-Prospects and Challenges; Working paper II/2005
IV.	2.28	The National Capital Region; Working Paper III/2005
V.	3.28	The "Roster of World Cities" by J.V. Beaverstock, RG Smith and PJ Taylor, Globalization and World Cities Study Group and Network, 1999
VI.	Table 3.1	Study Conducted by the National Association of Software and Service Companies to assess the competitiveness of nine Indian cities as destinations for firms in the ITES segment
VII.	4.2	The Development of Framework (Figures 4.0 to figure 4.3)
VIII.	4.11	The minimum wages in Delhi Notified by Order No.F.12(142)/02/MW/Lab/184 dated 21.8.2006 issued by the Labour Department, Govt. of NCT of Delhi
IX.	Box 4.2	Details of Milestones – Information Technology Policy

X.	4.22	Data received from the Delhi College of Engineering vide DO letter No.FP/DO/2005-2006 dated September 29, 2005 from Prof. P.B. Sharma, Principal Delhi College of Engineering, Govt. of NCT of Delhi
XI.	4.45	A make over for Indian Cities Disjointed in Time Article by Anand Girdhardas in International Hearld Tribune dated September 26, 2005
XII.	Box 5.1	A chronological list of events indicating their main impact affecting Delhi Administration/GNCTD
XIII.	5.47	Population Working paper IV/2005
XIV.	6.10	A detailed analysis of good governance components and indicators, adopted from Mehta Dinesh (1998)
XV.	Box 6.1	Towards a set of Urban Governance indicators Mehta Dinesh (1998)
XVI.	6.27	The Eight Millennium Development Goals
XVII.	6.31	Details of the procedures for Registration and Control Mechanisms in Education Sector NCT of Delhi
XVIII.	6.37	Status of the Infrastructure Facilities in Social Welfare sector in the NCT of Delhi
XIX.	6.54	Details of Slums and JJ Clusters in Delhi
XX	6.56	Household Facilities available in Delhi Census 1991 and 2001
XXI.	7.12	Summary of recommendations of National Commission on Urbanization
XXII.	7.14	Extract from the Note of Ministry of Urban Development, Govt. of India on the National Housing Policies to the Tenth Finance Commission -December, 1992
XXIII.	9.13	Letter No.DJB/DIR(F & A)/2006/4555 dated September 1, 2006 from Director (Finance and Accounts) Delhi Jal Board
XXIV.	9.29	Guidelines issued by The Planning Commission, govt. of India for Classification of Expenditure (Plan and Non-Plan) for The Tenth Five Year Plan (2002-2007)
XXV.	9.61	Result of Review of State Govt. Projects by Delhi Govt.

XXVI.	9.80 & 9.95	Detailed Tables and Data - State Government Plan BE, RE and Actual (Sector wise Plan · Outlay Analysis 1994-1995 to 2005-2006)
XXVII.	9.96	Details of Project approved by Expenditure Finance Committee of Delhi Government
XXVIII.	9.98	Letter No.F.4/18/05/AR/7032 dated June 3, 2005 from Administrative Reforms Department, Govt. of NCT of Delhi to the Commission- Regarding factors responsible for delay in project implementation and steps needed

Section : II
(Chapters 10-19)

Chapter	Para No.	Subject
11	11.13	Details of residential accommodation under Govt. of NCT of Delhi
11	11.15	Cost index for construction in Delhi
11	11.26	Summary of studies conducted by various agencies for the Transport Department
12	12.7	The Twelfth Schedule of the Delhi Municipal Corporation Act, 1957
12	12.10	Territorial Jurisdiction of MCD The Thirteenth Schedule of the Delhi Municipal Corporation Act, 1957
12	12.34	Order No.F.7(367)(2)2002/UD/10288 dated 9-7-2002 issued by Urban Development Deptt., Govt. of NCT of Delhi constituting the expert committee on unit area method of property tax assessment for MCD
12	12.76 & 12.103	Resolution No.300 dated 25.8.2003 regarding enhancement of rates of fees/taxes as provided under various schedules of the DMC Act 1957
12	12.107	Extract of Budget document of MCD regarding professional tax proposals - 2005-2006
13	13.59	Photographs showing condition of rural roads in Delhi
13	13.62	Constitution of zonal planning committee vide order No. P & M/PC/2003-04/33 dated 28 April, 2003 issued by MCD
13	13.65	Circular NO.PSC/CO/51/2002 dated October 1, 2002 issued by Commissioner MCD

13	13.66	Circular NO.PSC/CO/53/2002 dated October 1, 2002 issued by Commissioner MCD
13	Box 13.4	Circular NO.P&M/PCO/2003-04/32 dated 28 April, 2003 issued by Commissioner MCD
13	13.69	Circular NO.P&M/WWB/2003-04/116 dated 21 May, 2003 issued by Commissioner MCD
13	13.70	Note dated October 1, 2003 of the Commissioner MCD on the report of the committee to recommend the mode of allocation of plan funds in different zones/wards
18	18.4	Motions & Amendments -Revised Budget Estimates 2005-2006 & Budget Estimates 2006-2007 - Municipal Corporation of Delhi
19		Position of NDMC regarding Service Charges on Govt. Properties and Diplomatic properties

Working Papers	
1.	Approach & methodology
2.	The conceptual frame work
3.	A few constitutional issues
4.	Effective functioning : A few assessment parameters
5.	Resource Matrix
6.	Resource Matrix II : A few observations on expenditure assignments
7.	The Global City Paradigm (Part I)
8.	The Global City Paradigm (Part II) : Assessing the Status of Delhi Vision of Delhi as a World or Global City
9.	The Global City Paradigm (Part III) - Action Plan for building a Global City The Global City as a deliberate Construct
10.	Background Note on Urban Development
11 Para 18.9	Working Paper XI/2006
12 Para 18.62	Working Paper XII/2006 Constitutional Provisions and Statutory Issues

Section: III
Working Data Sheet & Graphs/pie Chart

Serial Number	Subject	Page Number
I	Fiscal/Financial Indicators -Delhi Administration 1985-1986 to 1993-1994	1-8

II.	Fiscal/Financial Indicators- Govt. of NCT of Delhi 1994-1995 to 2005-2006	9-28
III.	Non-plan transfers to Local Bodies (MCD, NDMC and Delhi Cantonment Board) 1994 -1995 to 2005-2006	29-30
IV.	Details of Plan and Non -plan (Revenue and Capital Expenditure) as a percentage of total receipts 1994-1995 to 2004-2005	31-40
V	Trend Growth Rate based on three years moving average of actual receipt and expenditure during the period from 1994 -1995 to 2005 -2006 Govt. of NCT of Delhi.	41-43
VI.	Fiscal/Financial Indicators - Municipal Corporation of Delhi 1994-1995 to 2004-2005.	44-54
VII.	BE and RE as proposed by the commissioner and approved by the Corporation and Actual non plan expenditure-Municipal Corporation of Delhi 1994 - 1995 to 2004-2005	55-60
VIII	Fiscal/Financial Indicators - NDMC 1994 -1995 to 2004-2005	61-84
IX.	Revenue receipt and expenditure Delhi Cantonment Board 1994-1995 to 2004-2005	85-88
X.	Graphs and Pie Chart	89-

Section IV
Circular & Correspondence

Serial Number	Subject
I	Budget circulars issued by the Finance Department Delhi Govt.
1.	D.O. Letter No. F2/2002 -Fin(B) Dated August 3rd, 2001 from the Principal Secretary (Finance)
2.	D.O. Letter No. F2/2004 -Fin-(B)/436 Dated July 31st, 2003 from the Principal Secretary (Finance)
3.	D.O. Letter No. F2/2006/07/Fin -(B)/840 Dated August 5th 2005 from the Principal Secretary (Finance)
II	Circulars from Planning Commission
1.	D.O. Letter No. PC (P) 9/124/99 -GD Dated November 15th, 1999 from Secretary, Planning Commission Govt. of India.
2.	D.O. Letter No. 3/3/2001 -FR Dated October 10th, 2001 from Adviser (FR) Planning Commission Govt. of India.

3.	D.O. Letter No. M -13011/1/2003-SP-Co Dated September 18 th ,2003 from the Secretary, Planning Commission Govt. of India.
III	Circulars from the Planning Department Delhi Govt.
1.	D.O. Letter No. 17 (9)2000/Coord/Plg Dated 13 th, September 2000 from Secretary Planning Delhi Govt.
2.	D.O. Letter No. F.17 (10)/2004/Coord/Plg/3794 -3868 Dated 13 th September 2004 from Secretary Planning Delhi Govt.
3.	D.O. Letter No. F.17 (7)/2001/Coord/Plg Dated 3 rd, October 2001 from the Secretary Planning Delhi Govt.
IV	Economy instructions issued by Delhi Govt.
1.	Letter No. F.14 (9)/99-Fin(B) Dated 15th, December 1999 from Principal Secretary (Finance) Delhi Govt.
2.	Circular Dated May 5 th, 2000 from Principal Secretary (Finance) Delhi Govt.
3.	Letter No. F.14 (9)/99-Fin(B) Dated 20th, September 2000 from Principal Secretary (Finance) Delhi Govt.
4.	Letter No. F.14 (9)/99 -Fin(B) Dated 06 th, October 2000 from Principal Secretary (Finance) Delhi Govt.
5.	Letter No. F.14 (9)/99-Fin(B) Dated 10th, May 2001 from Principal Secretary (Finance) Delhi Govt.
6.	Letter No. F.14 (9)/99-Fin(B) Dated 30th, May 2001 from Principal Secretary (Finance) Delhi Govt.
7.	Letter No. F.14 (9)/99 -Fin(B) Dated 20 th, August 2001 from Principal Secretary (Finance) Delhi Govt.
8.	Letter No. F.14 (9)/99 -Fin(B) Dated 26 th , November 2001 from Principal Secretary (Finance) Delhi Govt.
V	Instructions regarding Standing Finance Committee (SFC) Expenditure Finance Committee (EFC)
1.	Order No .F.17 (58)/86 -Fin (G) Dated 9 th, March 1994 issued by the Finance (General) Department Delhi Govt.
2.	Notification No. F8/2/97 -Ac/3396 Dated 28 th February 1997 issued by Finance (Accounts) Department Delhi Govt.
3.	O.M. No. F.8/2/97-Ac/54-57 Date April 11 th, 2000 from Finance (Accounts) Department Delhi Govt.
4.	D.O. No. F.8/2/97 -Ac/1123-B Dated August 3 rd, 2000 from Principal Secretary Finance Delhi Govt. to the Chairman Delhi Vidyut Board

5.	Letter No. F.14 (9)/99-Fin(B) Dated 10th, May 2001 from Principal Secretary (Finance) Delhi Govt.
6.	Letter No. F.14 (9)/99-Fin(B) Dated 30th, May 2001 from Principal Secretary (Finance) Delhi Govt.
7.	Letter No. F.14 (9)/99 -Fin(B) Dated 20 th, August 2001 from Principal Secretary (Finance) Delhi Govt.
8.	Letter No. F.14 (9)/99 -Fin(B) Dated 26 th, November 2001 from Principal Secretary (Finance) Delhi Govt.
V	Instructions regarding Standing Finance Committee (SFC) Expenditure Finance Committee (EFC)
1.	Order No .F.17 (58)/86 -Fin (G) Dated 9 th, March 1994 issued by the Finance (General) Department Delhi Govt.
2.	Notification No. F8/2/97-Ac/3396 Dated 28 th February 1997 issued by Finance (Accounts) Department Delhi Govt.
3.	O.M. No. F.8/2/97-Ac/54-57 Date April 11 th, 2000 from Finance (Accounts) Department Delhi Govt.
4.	D.O. No. F.8/2/97 -Ac/1123-B Dated August 3 rd, 2000 from Principal Secretary Finance Delhi Govt. to the Chairman Delhi Vidyut Board
5.	O.M. No. F.8/2/97 -Ac/4933-4942 dated January 21 st, 2003 issued by Finance (Accounts) Departments Delhi Govt.
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VI	Order No. F.14(1)/2004 -Fin(B)/dsfb/175 dated July 19th, 2006 issued by Finance (budget) Department regarding implementation of New Defined Contributory Pension Scheme w.e.f. 1.1.2004 for new

4.	Order No. FPS/DCW/o3/SR/1022/3087 -3157 dated June 16 th, 2004 issued by the Inspector general of registration and chief controlling revenue authority Govt. of Delhi
VIII	Instructions issued by Finance Department Delhi Govt. regarding implementation of Centrally Sponsored Schemes vide circular No. 2/2/2006 -07/CSS/DSF. B/343 Dated August 4th 2006
IX	Memorandum of understanding (MOU) between the Delhi transport corporation and Delhi Govt.
X	Memorandum of understanding (MOU) between the Delhi Jal Board and the Delhi Govt.
XI	Information furnished by the department Trade and Taxes (Now VAT) vide Letter No.F1 (136)/Policy - I/2005-06/18 Dated April 19th, 2006
XII	Information regarding reduction of rate of VAT furnished by the VAT Department vide No. F1.(136)/Policy-I/2005/2111 dated April 26th, 2006
XIII	Information regarding duplication of schemes implemented b y the Social Welfare Department and Local bodies furnished by the social welfare department vide letter No. PA/JD/(A)/DAW/06/5001 Dated 22 nd August, 2006
XIV	Clarification furnished by the Law Department with regard to the distribution of revenues between the govt. of NCT of Delhi and the Municipalities and legal and constitutional provision, Vide letter No.F1 (10)/LA - 05/344 Dated November 23 rd, 2005 from Secretary law Delhi Govt.
XV	Information furnished by the Finance (Budget) department Delhi Govt. with regard to release of grant by Central Govt. in lieu of share in central taxes vide Letter No. F10(15)/2004-Fin (B)/2197 Dated January 9 th 2006.
XVI	Comments of Delhi transport corporation on terms of references of working of Tra nsport sector furnished vide letter No. PRD/11 th Five year/06/100 Dated 18 th, August 2006.
XVII	Plinth area rates of civil engineering maintenance base year 1979
XVIII	Maintenance Norms, frequency of application of finishing items

Section V

Bibliography

List of Acronyms and Abbreviations

ACR	Annual Confidential Report
ADM	Applications Development & Maintenance
AICTE	All India Council for Technical Education
ARM	Additional Resource Mobilization
BCR	Balance from Current Revenue
BE	Budget Estimates
BOLT	Built Operate Lease and Transfer
BOOT	Built Operate Own Transfer
BOT	Built Operate and Transfer
BPO	Business Process Outsourcing
CAPART	Council for Advancement of People and Rural Technology
CBO	Central Building Organization
CNCR	Central National Capital Region
CDMRCC	City Development and Municipal Reforms and Coordination Committee
CET	Capacity Enhancement Techniques
CNG	Compressed Natural Gas
CPCB	Central Pollution Control Board
CPHEEO	Central Public Health and Environmental Engineering Organization
CPSU	Central Public Sector Undertaking
CPWD	Central Public Works Department
CSE	Conservation & Sanitation Engineering
CSPs	Citizen Service Points
CVO	Chief Vigilance Officer
DCM	Delhi Cloth Mills
DDA	Delhi Development Authority

DESU	Delhi Electric Supply Undertaking
DJB	Delhi Jal Board
DMA	Delhi Metropolitan Area
DMC Act	Delhi Municipal Corporation Act
DMRC	Delhi Metro Rail Corporation Limited
DPC	District Planning Committee
DPCC	Delhi Pollution Control Committee
DPCL	Delhi Power Co. Ltd.
DSIDC	Delhi State Industrial Development Corporation
DTC	Delhi Transport Corporation
DTL	Delhi Transco Ltd.
DTTDC	Delhi Tourism & Transport Development Corporation
DUEIP	Delhi Urban Environment and Infrastructure Improvement Project
DVB	Delhi Vidyut Board
DWS & SDU	Delhi Water Supply & Sewage Disposal Undertaking
EAP	Externally Aided Project
EFC	Expenditure Finance Committee
ESIS	Employees State Insurance Scheme
FDI	Foreign Direct Investment
FIRE	Financial Institutions Reforms & Expansion
GDP	Gross Domestic Product
GGS	Guru Gobind Singh
GIC	General Insurance Corporation
GNCTD	Govt. of National Capital Territory of Delhi
GSDP	Gross State Domestic Product
HQ	Head Quarter
HSMI	Human Settlement Management Institute

ICBM	Institutional Capacity Building Measures
ICRA	Investment Information and Credit Rating Agency of India
ICT	Information Communication Technology
IDBI	Industrial Development Bank of India
IIT	Indian Institute of Technology
ISM	Indian System of Medicine
IT	Information Technology
ITES	Information Technology Enabled Services
JJ	Jhuggi Jhopri
JNURM	Jawaharlal Nehru Urban Renewal Mission
JSC	Jan Suvidha Complex
LG	Local Government
LIC	Life Insurance Corporation of India
Lpcd	Liters per capita per day
MC	Metropolitan City
MCD	Municipal Corporation of Delhi
MCR	Misc. Capital Receipt
MGD	Million Gallon per day
MHA	Ministry of Home Affairs
MLD	Million Liter per Day
MNA	Mahanagar Adhikari
MOU	Memorandum of Understanding
MPD	Master Plan of Delhi
MRCC	Municipal Reform and Coordination Committee
MRTS	Mass Rapid Transit System
MSW	Municipal Solid Waste
MT	Metric Ton

MUD	Ministry of Urban Development
MW	Mega Watt
NABARD	National Bank of Agriculture & Rural Development
NASSCOM	National Association of Software & Service Companies
NCR	National Capital Region
NCRPB	National Capital Region Planning Board
NCT	National Capital Territory
NCU	National Commission on Urbanization
NDMC	New Delhi Municipal Council
NGO	Non- Government Organization
NIPFP	National Institution of Public Finance & Policy
NIUA	National Institution of Urban Affairs
NP	Non - Plan
NSDP	Net State Domestic Product
NTPC	National Thermal Power Corporation
NURM	National Urban Renewal Mission
O&M	Operation & Maintenance
OB	Original Budget
OBC	Other Backward Castes
OCC	Offshore City Competitiveness
OPD	Out Patient Development
OTA	Over Time Allowance
PHC	Public Health Center
PIL	Public Interest Litigation
POL	Petrol Oil Lubricant
PVO	Private Voluntary Organisation
PWD	Public Works Department

RBI	Reserve Bank of India
RCUES	Regional Center for Urban & Environment Studies
RE	Revised Estimates
REC	Rural Electrification Corporation
RITES	Rail India Technical & Economic Services
RWS	Rural Water Supply
SCDRC	Standing City Development and Reforms Committee
SDP	State Domestic Product
SFC	State Finance Commission
SLR	Statutory Liquidity Ratio
SOR	State's Own Resources
SRCC	State Reform and Coordination Committee
T & D	Transmission & Distribution
TOR	Terms of Reference
TRANSCO	Transmission Company
U.P.	Uttar Pradesh
UA	Urban Agglomeration
UAM	Unit Area Method
UD	Urban Development
UFW	Unaccounted For Water
UGC	University Grants Commission
ULB	Urban Local Bodies
UNCHS	United Nations Center for Human Settlements
UT	Union Territory
UTCS	Union Territory Civil Services
VAT	Value Added Tax
WHO	World Health Organization

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(xxxvii) Shri Rakesh Mehta, I.A.S., then Commissioner, Municipal Corporation of Delhi.

(xxxviii) Financial Advisor cum Chief Accountant, Municipal Corporation of Delhi.

(xxxix) Smt. Sindhushree Khullar, I.A.S., Chairperson, New Delhi Municipal Council.

(xl) Financial Advisor New Delhi Municipal Council.

(xli) Deputy Commissioners of MCD zones.

(xlii) Chief Executive Officer, Delhi Cantonment Board.

(This is apart from discussions held with various officers in the state government departments and local bodies during meetings with the Commission or in the interactive sessions organized with officers of the MCD and the NDMC)

Other Notable Persons

(xliii) Shri P.K. Mishra, Member-Secretary and other officers of the NCRPB.

(xliv) Ms Kala Seetharaman Sridhar, Fellow, National Institute of Public Finance and Policy, New Delhi.

(xlv) Dr. K.K. Pandey, Director and Research Team of Human Settlement Management Institute.

(xlvi) Shri Abhijit Sarkar, GNCTD.

Officers and Staff of the Commission

(xlvii) Shri GR Gupta, Consultant, Third Delhi Finance Commission.

(xlviii) Shri Dharampal Sharma, Research Officer, Government of the NCT of Delhi, Planning Department

(xlix) Shri ML Sehgal, Consultant, Third Delhi Finance Commission.

(l) Shri AP Sharma, Statistical Assistant, Government of the NCT of Delhi Finance Department (Budget),

(li) Shri Ajay Kumar Sharma, Stenographer.

(lii) Shri Raj Kumar Batra, Stenographer.

(liii) Shri Rajesh Gautam, Stenographer.

The Commission was able to accomplish its work largely due to the contribution of the above and many others who remain anonymous (some by choice).

Chapter - 1

Approach and Methodology - A Curtain Raiser

Data are shorthand for complex realities. Evaluations of resource mobilization and expenditure responsibilities based on statistical exercises are unlikely to be adequate, essentially for two reasons. First, the past is not always a reliable guide. Second, a statistical and financial exercise, in the absence of a "context" denies us the benefit of analyses of socio-economic trends, while the resource needs of organizations are rooted in several such factors.

1.2 Expenditure responsibilities arise from development policies, city administrative structures, reach of infrastructure facilities and inadequacies in the availability of services. The effectiveness of resource mobilization efforts depends on the efficiency of financial operations, accuracy in anticipation of fund requirements, management of cash flows, adequacy of financial instruments and ability to exploit their potential. This is true of both state government and municipal level functioning. The capacity of organizations to deliver on their responsibilities depends greatly on the assured availability of adequate resources.

1.3 What are the fund gaps at different levels of governance? This assessment will enable formulation of proposals for the allocation of resources. This outlines the basic task before the Commission.

1.4 The approach and methodology adopted were determined by the terms of reference and the issues to be investigated. The "approach" chiefly requires spelling out the analytical framework, basic assumptions, and investigative techniques. 'Methodology,' involves procedural aspects.

Foundation: Assumptions

1.5 Outlining the underpinnings of the analysis and the assumptions provide a useful starting point. These are the central themes around which the package of measures constituting the recommended reform agenda for municipalities in the National Capital Territory of Delhi has been developed.

1.6 Figure 1.0 summarizes the substance of the assumptions and postulates. We have assumed that :

(i) the state government and local bodies share a common 'city vision'.

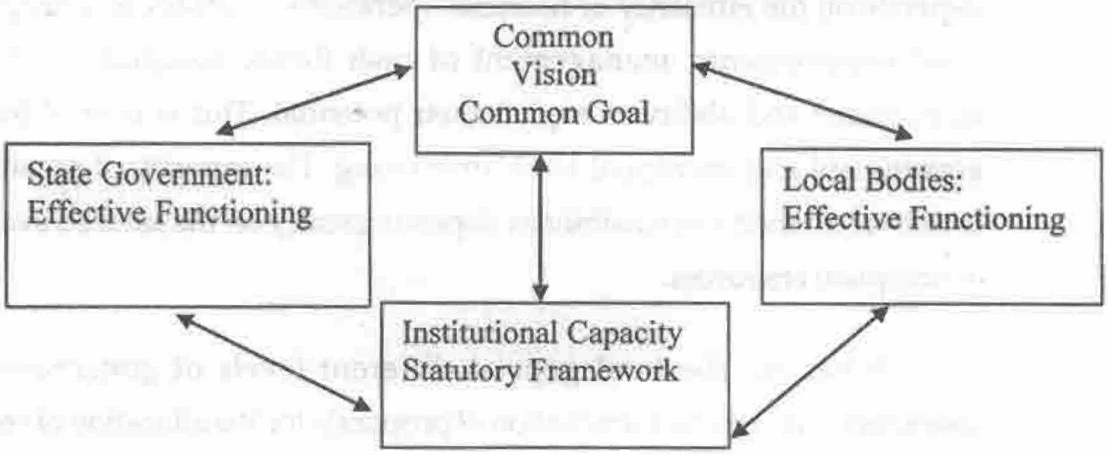
(ii) both levels share a concept of 'effectively functioning' local bodies.

(iii) in the longer run, local bodies will operate towards specific economic goals: raising resources and applying them rationally.

(iv) effective functioning and participation of municipal bodies require institutional capacity building measures (ICBM) and capacity enhancement techniques (CET) designed to improve their visibility and ability.

(v) apart from the economic base, ICBM and CET rely upon the calibre of personnel manning the municipal bodies and the transparency of the systems.

Figure : 1.0 – Assumptions and Postulates



In other words, the task involves integrating institutional capacities with financial strength to evolve vibrant institutions of local self-governance.

1.7 However, what does "effective functioning" of local bodies mean? What can erode the capacity to function effectively? How can it be prevented? No sooner do we list the issues related to 'effective functioning', the design problems of a municipal administration become manifest. Effective functioning of local bodies includes their effective participation, specifically in the planning and delivery of functions in the legitimate jurisdiction of local bodies. Hence, two questions are of interest: Are local bodies performing all the functions identified as 'obligatory'? Which of the 'discretionary' functions are not being undertaken and why?

1.8 'Effective functioning' is the outcome of many tangible and intangible factors. It includes the number and calibre of personnel, systems and procedures, organizational inputs consisting of equipment, technical skills and planning capabilities. Equally important is the ability to formulate resource mobilizing measures, activate statutory provisions relating to taxes and determine appropriate tax and non-tax mixes. In other words, the capacity and willingness to raise, manage and apply resources, substantially determine the ability to function effectively.

Analytical Framework

1.9 The analytical framework inevitably draws upon conceptual building blocks which are derived from the terms of reference. However, Delhi, the city, is clearly the single most important element. Its status as the national capital and its role as a distributive and commercial centre, present both opportunities and challenges. What are the development goals, statutory provisions and administrative and financial arrangements, influencing the present and future of the city?

Terms of Reference

1.10 The Third Delhi Finance Commission was constituted vide Order No. F. 7(443)(3)/2004/UD/10905 dated October 21,2004 of the Government of the National Capital Territory of Delhi[1]. A summary of the Commission's Terms of Reference is reproduced in Box 1.0.

Box-1.0: Terms of Reference-an extract

Inter alia, the Commission has been asked to make recommendations regarding:

1. (a) The principles which should govern:

(i) the distribution between the Government of National Capital Territory of Delhi and the Municipalities, of the net proceeds of the taxes, duties, tolls and fees leviable by the GNCTD which may be divided between them;

(ii) the determination of the taxes, duties, tolls and fees, which may be assigned or appropriated, to the Municipalities.

1 Annexe-1: Order No. F.7(443)(3)/2004/UD/10905 dated October 21, 2004, Volume-III, Pages 1-3.

(iii) the grants-in-aid to the Municipalities from the Consolidated Fund of the National Capital Territory of Delhi; and

(b) The measures needed to improve the financial position of the Municipalities.

2. In making its recommendations, the Commission shall have regard, among other things, to the:

(a) overall resource position of the GNCTD:

(b) scope for economy in the municipal administration;

(c) scope for improvements in resource mobilization by the municipalities

(d) tax efforts by the municipalities;

(e) adequate maintenance and upkeep of capital assets created under the Plan schemes completed till the end of March 2006 (the norms, if any, on the basis of which specified amounts are allowed for maintenance of different categories of capital assets and the manner in which such maintenance expenditure could be monitored may be indicated);

(f) requirements of the Municipal bodies for modernization of administration, for example, computerization of records, and upgrading the standards of services (the manner in which expenditure could be monitored may be indicated).

3. The Commission may also:

(a) review the functions assigned to the municipalities keeping in view the availability of resources, especially with regard to the discretionary functions.

(b) make an assessment of the debt position of municipalities as on March 31, 2006 and suggest corrective measures as are deemed necessary, keeping in view the financial requirements of the GNCTD.

(c) make recommendations on the financial devolution to the Delhi Cantonment Board out of the Consolidated Fund of the National Capital Territory of Delhi, as a special case.

1.11 Consider, for instance, the mandate requiring the Commission to suggest 'the principles' that should govern the 'distribution of the net proceeds' between the GNCTD and the local bodies. Conventional usage equates the word "principles" with underpinnings, or 'guidelines' or 'ideals'. Implicit in the search for principles is the search for benchmarks, normative goals or set of desirables including: quantitative and qualitative measurements. Thus, would the criteria for quantifying the funds to be transferred to local bodies (whether based on population size, socio-economic backwardness, or infrastructure deficit) suffice as "principles" that should govern such transfers?

1.12 Further, a comparison of the position in respect of the constitutional provisions related to the State Finance Commissions and the Central Finance Commission is instructive.

- The first point is that there being no substantive provisions in Article 243X [compare this with Article 269 (2)] for distribution between the state and the municipalities of the net proceeds of any tax, duty, etc. leviable by the state, how is the State Finance Commission to make recommendations as to the principles which should govern the distribution of the net proceeds?
- The second is the concept of 'net proceeds' itself. Paragraph (I) of sub-clause (a) of clause (I) of Article 243Y has used the expression "net proceeds" but part IX A of the Constitution has not defined it. The definition has been given in Article 279 in Part XII of the Constitution which applies to the Centre. It is not a general definition which can be applied to part IXA of the Constitution. Thus, what is the definition of 'net proceeds' for the purposes of the State Commission/GNCTD?

1.13 Similarly, the requirement that the 'financial position' of municipalities be reviewed with regard to the overall resource position of the GNCTD, suggested the need to estimate not only the trends of actual revenues (and patterns of expenditure) of the last few years but also the likely needs of the GNCTD itself in the coming years. This is more so, given the aspiration of Delhi as a "global city".

1.14 Several investigative issues suggest themselves almost automatically. Illustratively

- We could consider the issues in the light of spatial or temporal differences. This would imply comparing similarly placed municipal bodies as they have evolved over time, say, in the last 10 years.
- The respective role and responsibilities of GNCTD departments and municipal level organizations lead us to an examination, of their goals and an evaluation of their respective capacities, performance abilities, and resource requirements.
- Investigation can also revolve around questions such as: how effective is the delivery of services? What is the extent of improvement in the physical infrastructure? To what extent have execution delays contributed to cost and time overruns?
- 'Effective functioning' could refer to the effectiveness of resource mobilization or the efficiency of expenditure patterns or both. The historical trends of finance and budgeting will also be a useful guide. Effective financial management is often identified as no more than securing a surplus of revenues over expenditure or even a balance between them. How far is this valid?
- In assessing the fund requirement of the state government (retention by) and the local bodies (transfers to), it becomes necessary to identify the basic prerequisites of any responsible expenditure advocacy, implied in fund retention or allocation, especially if they are identified as 'entitlements.'

1.15 Clearly no single approach would suffice. On one hand, the terms of reference require an examination of a wide variety of ideas, objectives and policies. On the other, the array of systems, procedures and organizations constituting the implementation machinery and their capacities provide an inter-dependent set of issues. We have, therefore, chosen to evolve an analytical framework that combines the various elements.

City: Present Status, Future Goals

1.16 The Commission also looked into the policies and initiatives (towards developing Delhi into a world-class city) set out in various official statements or documents, which directly affect city management. Similarly, events – including the Commonwealth Games - likely to result in substantial investment in construction and infrastructure, shaping the future landscape of the city, are crucial determinants of roles and responsibilities of institutions and resource requirements. An effort was made to factor in these developments into the Commission's analysis.

Economic and Institutional Drivers

1.17 Critical to our framework was the state government's 'vision' of Delhi as a 'global city.' We have considered the development objectives enunciated in the National Capital Regional Plan-2021[2] and the draft Master Plan for Delhi-2021[3]. Similarly, we have looked at the priorities of the state government and local bodies as evident from their respective plans.

1.18 Economic and institutional drivers shape responses and policies. Accordingly, apart from the traditional effect of increasing population, both human and vehicular, we have considered the impact of Commonwealth Games, metro and malls driven 'development' among other things. We also review the status of the physical infrastructure (transport, water and power) in the light of a normative framework. Certain economic and non-economic benchmarks have guided us. These should serve as useful evaluation yardsticks in future too. The 'institutional drivers' include government departments and urban local bodies. Therefore, both administrative structure and statutory framework have been integrated into our analysis.

Financial Modules

1.19 There are a variety of parameters for evaluating status of government's resources and functioning of local bodies. This could include financial policies and objectives, instruments, procedures and systems including delegation of financial powers. Our effort has been to evaluate capabilities and operational efficiencies in the financial arena.

2 Regional Plan-2021, National Capital Region Planning Board, Government of India, Ministry of Urban Development.

3 Master Plan for Delhi 2021, Delhi Development Authority, Government of India, Ministry of Urban Development.

1.20 The resource requirements of each level will also need an assessment of existing and future efforts to raise required funds, current and future expenditure responsibilities, and prevention of erosion of current capacities.

Status of Municipal Reform Agenda

1.21 The constitutionally driven agenda for local bodies reforms was launched more than ten yeas ago. Some complexities of reviewing the financial structures are listed below:

(i) Have the recommendations of the first and second Delhi Finance Commissions influenced the finances or functional jurisdiction of local bodies?

(ii) Have local bodies reviewed costing and pricing policies to improve efficiency and effectiveness of delivery systems?

(iii) The compulsion to curb non-plan (revenue) expenditure requires reviewing of establishment structures and staff strength. Have local bodies done so?

(iv) Have public participation and beneficiary financing been considered in activities financed totally by the state so far?

(v) Have the concessions and exemptions, in tax rate structures or non-tax tariff tables, eroding the resource base, been reviewed?

(vi) Have reforms needed in the financial management information and audit systems been examined?

(vii) Are the responses of the local bodies to monitoring and accountability specifications adequate?

(viii) Is there a "shared" city vision on sanitation, pollution mitigation, resettlement of shantytown dwellers, road engineering, resource mobilization and expenditure priorities?

Constitutional Mandate: Matching Functions to Finance

1.22 Functions and finances constitute an interdependent set of variables. This interdependence leads to two broad conclusions: (a) functions determine the requirements of finance; and (b) availability of funds circumscribes the nature and limits of functions that can be taken up. Further, it is evident that the Constitutional amendments mandate policy and operational changes for effective functioning of local bodies. This should bring about legislative, systemic and procedural changes along with capacity building measures and quantification of funds needed. The measures to step up resource mobilization will necessitate a review of the volume, pattern, stability and consistency of the state government's assistance to local bodies.

1.23 Lack of clarity in the sphere of functional devolution (obligatory and discretionary duties) is bound to influence our analysis of the quantification of needed funds. We, therefore, look into the possibility of:

(a) duplication in the efforts of the state government and local bodies,

(b) assumption of responsibilities by either state government or local bodies merely for historical reasons, and

(c) inability of local bodies to discharge their responsibilities.

Methodology: Investigative Tools

1.24 What should be the basic geographical unit of investigation? If the city–state is the basic unit, the chief socio-economic characteristics coupled with an analysis of its financial status could be a useful starting point. However, the nomenclature "National Capital Territory' masks enormous diversity. Therefore, some factoring in of this diversity would be required.

1.25 The infrastructural needs, income levels, population and economic profiles, for example, of Shahdara, South Delhi, Najafgarh, Chandni Chowk or the rural belt have little in common. How do these variations affect civic service needs? The varieties in each geographical tract constitute its most defining 'area code'. What are the differentiations in civic body expectations in slums, industrial clusters and agricultural belts?

1.26 While fragmenting the city- state into its geographical components the first important unit is the revenue district. District level investigations will reveal local difficulties, wants, necessities, and most importantly, local failures: of inadequate attention, emphasis, of faulty conception, or maintenance of projects. Local investigations will indicate financial stringencies, adhoc fund allocations or technical flaws characterizing municipal level operations.

1.27 Local investigations would also highlight the logic of certain investments. For example, even as malls and 'haats' are in the forefront of marketing strategy, what about 'local' traditional markets? Indeed, is serviced land being made available or resources being diverted for only high-end proposals? What are the demands that such projects make on civic services? What are the special needs peculiar to commercial centres, university districts, residential areas or industrial complexes? Do we need to adopt the "cloning" approach, such as the attempt to develop a 'south- ex' in north Delhi or 'haats' in all corners of Delhi? Or should we build on the chief distinguishing feature of a specific area? Do we want a "monochromatic" National Capital Territory where each area looks the same?

1.28 Investigations could also be at the level of municipal zones, which is an important administrative unit of the MCD. Purely, illustratively, does the municipal body have a 'problems map' of the area it is servicing? Has it drawn up a priority list of the problems? Is resource allocation for identified difficulties adequate and does it determine execution schedules? Where do both the quality and speed of efforts and results suggest a lack of attention to detail? What proposals or solutions proclaim a syndrome of tokenism?

1.29 Another basic unit of investigation, could be "institutions" because, the departments of the state government and NDMC and MCD lend themselves to investigation as single bodies. However, it may be useful to deconstruct the monolithic civic bodies into smaller investigative units: either functional (conservancy, sanitation, primary education, primary health) or geographical (with all zones in a given district constituting one investigative unit).

1.30 The Commission was required to assemble and analyse data, responses and statutory provisions relating to tax levying powers, items constituting the resource of local bodies or the functional devolution and responsibilities for which fund availability has to be ensured. Have things changed in the Union Territory, before and after the Constitutional amendments? What is the impact on the functioning of both GNCTD and local bodies? To what extent have changes in perception and prescriptions at the national level trickled down to the National Capital Territory level?

1.31 The Commission tried to adopt a broad based approach to data collection and also tried to capture nuances of perceptions in a representative cross section of people/stakeholders. We have relied on the traditional devices of investigation and analysis: published material, responses of government departments, local bodies, eminent citizens, research institutions, and elected representatives at the state and local body level. Interaction with officials of other state governments and urban local bodies (Karnataka and West Bengal) yielded invaluable insights. Reports of earlier State Finance Commissions, including the first two Commissions for the NCT of Delhi, were a rich source of information and details.

1.32 The state government and local bodies were the principal source of data/information on the prevalent situation, systems or trends. Data were sought through questionnaires and discussions. Since our perception would have been incomplete without the views of local bodies, interactive sessions were held with them. Apart from this, views and suggestions of the elected representatives, including Members of Parliament, were sought.

1.33 Although the development and resource needs of cities are determined by numerous factors, for analytical convenience we have identified them as the interplay and dynamics of the international and domestic economic forces. These in descending order- from large to small areas are: (a) the framework external to the NCT consisting of the global and regional matrix, and (b) the internal constituents lying within the NCT boundaries and including the urban hinterland, the immediate suburbs, and the city limits. Changes at the international, national, regional or local levels impinge on cities, which is beginning to influence the ways in which cities perceive themselves and their needs. While cities need to respond to the expectations of citizens with regard to infrastructure, amenities and services they cannot remain untouched by the challenge of inter-urban competition at the national or global level. What is the response of cities in this new phase of international integration? What does Delhi need to do?

Chapter - 2

International, National and Regional Trends and Policy

One of the first tasks was to identify the factors that influence and determine the need for resources. What is the "City Vision"? Is it to be the 'planned Delhi' of the various Master Plans of the Delhi Development Authority? Or is it only to be 'a manageable Delhi' as envisioned in the Regional Plans of the National Capital Region Planning Board? Could it be the "world city" as proclaimed in different official documents and statements? The influence of mega events (such as the ASIAD 1982 and Commonwealth Games 2010), localized trends (migration of population or growth of vehicular population), local economic (a sizeable and growing middle class) and non-economic factors (judicial interventions as a new element in urban management) are self-evident. These readily impinge on the perceptions of both city managers and citizens as they arise within the city itself.

2.2 Not so obviously, trends and developments at the international, national, and regional levels also have an impact on the city's physical and economic 'carrying capacity' i.e. its resource needs vis-à-vis the resource base.

Economics of Geography

2.3 Delhi has unique attributes and is placed in unique circumstances. This is partly attributable to its geography and historical status, and partly to its economic strengths. It hosts three governments[1], lies at the confluence of major transport routes, and is a major centre for distributive and wholesale trade. Its physical geography determines both its economic base and expenditure responsibilities. Consider also the lack of basic infrastructure resources: inadequate indigenous water sources, insufficient local capacity for generating power, and limited availability of land.

2.4 At this stage, we may refer to just the limits on the physical carrying capacity: availability of land. The social and opportunity costs of the adverse land-man ratio are most vividly seen in urban settings. Indeed, Delhi reflects

1 The Government of India, the Government of the NCT of Delhi, and the local level institutions of governance: the Municipal Corporation of Delhi and the New Delhi Municipal Council.

this ratio in an acute manner (see Table 2.0). Vandalism of heritage and historic sites, high costs of built up space and environment, near impossibility or very high costs of mitigating pollution, vanishing greens, shrinking rural belts, and difficulties in locating sites for landfills or abattoirs, are just some random instances of the growing pressures.

Table: 2.0-Availability of Urbanisable Land in NCT of Delhi-2021

Serial Number	Land Use	Area (in hectares)	Percentage to Total Area (in hectares)
01.	Total geographical area	148300.00	100.00
02.	Built up area (as per IRS 1C LISS III satellite data-1999)	70162.00	47.31
03.	Natural features (forest, wild life sanctuary, ridge, river Yamuna, and other water bodies)	19509.00	13.16
04.	Sub-Total (Built-up + Natural Features)	89671.00	60.46
05.	Balance land available in NCT-Delhi (1-4)	58628.90	39.53
06.	Land to be kept reserved for:		
(i)	Disposal of Solid Waste generated upt 2051 (sanitary landfill, processing & statutory green belts)	10000	6.74
(ii)	Metro services/utilities e.g. power plants, grid station water and sewerage treatment plants, etc.	10000	6.74
(iii)	Agriculture zone in NCT Delhi including dairy farming, horticulture, greenbelts etc.	11000	7.42
07.	Sub-total – 6	31600	20.90
08.	Proposed/Actual land available for urbanization (5-7)	27628.90	18.63
09.	Total Urbanisable area 2021 (including built up area 1999) (2+8)	97790.90	65.94
10.	Population, which can be accommodated in 97790.90 ha @ 225 PPH = 220 lakh		

Source: NCR Plan, National Capital Region Planning Board, Government of India, Ministry of Urban Development, 2005

In this proposed land use pattern what stands out is that while, almost 10000 hectares of land would be required for disposal of the solid waste generated up to 2051, it has been possible to earmark only 11,000 hectares as a 'green belt' along the NCT boundary and that too 'wherever available'.

2.5 These constraints pose unending challenges to effective management of city development. On the financial side, the increased cost of projects is self-evident in the costs of acquiring land for public purposes, or retrieving encroached public lands. The costs of delayed execution are another obvious aspect as is the increasing need for mobilizing resources.

2.6 The multiplicity of planning authorities, the lack of coordination between various implementing agencies, the inability to formulate projects in the context of any comprehensive vision adds to the growing problems. Therefore, it is no accident that city management is so complex or that the estimated volumes of investment needed to upgrade its physical and socio-economic infrastructure are phenomenal. Indeed, several factors external to the city-state are beginning to determine policy responses, which will affect financial competencies at different levels.

International Opportunities and Strategies

2.7 In recent decades, developments at the international level have been shaping socio-economic trends across countries[2]. They are likely to continue to do so, notwithstanding apprehensions expressed about 'globalisation.' For instance, steps to refurbish cities frequently reflect responses to both domestic compulsions and developments at the international level. Cities often agonize about their ability to attain and retain economic leverage or the inability of the city to provide 'quality life'. City managers make elaborate comparisons about their absolute and comparative advantage.

2.8 Cities attract and compete for resources and talent. Increasingly, they cannot remain untouched by events in the 'global village'. In short, cities are dynamic engines of growth that respond to current themes and shape futures.

2 Annexe-II: International Opportunities and Strategies, Working Paper-I/2005, Third Delhi Finance Commission, Volume-III pages: 4-27

2.9 Global economic integration has triggered several trends. A few significant ones are summarized below:

- The IT/ITES and BPO route provides all cities with an opportunity to attract investment, employment, and talent.
- There is a growth of knowledge and awareness which has enabled citizens to compare their relative positions.
- Global integration has witnessed the rise of the entity currently identified as the 'world city'.
- It has accelerated interurban competition[3]. Cities compete for: (a) mobile investment (in any wealth/employment-creating sector; including commercial development, property, and information sectors), (b) economic growth (in terms of gross value added or gross domestic product - GDP), (c) population (that represents income, human capital, political power and demand), (d) public funds (at the national or international level), and (e) hallmark events and major infrastructure (example: Olympic games to market the potential of cities).
- It has obliged cities to identify their comparative advantage and rival centres.

2.10 The current phase of interurban competition is a consequence of the globalisation of economic activity. In this environment, the ability to compete becomes a determinant of urban development. Cities are motivated to explore competitive strategies as a means of overcoming urban problems. A wide range of regional, metropolitan, municipal and local state agencies have adopted entrepreneurial governance strategies to promote competitiveness, to attract capital investment and to secure accumulation of opportunities within their territorial jurisdictions.

2.11 The increasing competition and priority given to economic objectives has led to greater involvement of the private sector and "planning" is losing its primacy. This has even led to a re-definition of 'urban development' which is associated with the level of competitiveness of cities. As a result, cities across

3 Ibid

the world from Hyderabad and Bangalore to Shanghai and Dublin have adopted strategies to take advantage of the opportunities that have now opened up. Indeed, the articulation of the goal of Delhi as a 'modern global class city' reflects a similar objective.

2.12 Choosing to link with the global economy, even developing countries have been influenced by this trend. While urban entrepreneurialism and interurban competition are products of global urban networking, this is not realized completely independently of the intervention of the nation-states. In fact, the nation-states have a conclusive role in determining urban development. It is, therefore, all the more necessary to identify and specify the role of the state.

2.13 The last two decades of the twentieth century have seen profound transformations of the economic system of the world. The rapid increase in connectivity via new modes of communication: fax, internet, fibre-optic cables and digitalisation of bulk information has led to a sharp decline in the cost of transmitting and receiving information (through the internet) and the vastly improved communication facilities (via mobile phones).

2.14 How do these processes work? The democratising impacts of global trends, non-governmental organizations, and the media begin to press on city leadership. Increased awareness enables citizens to explore alternatives and comparative benchmarks. The ability to evaluate their cities against international standards provides both a challenge and an opportunity. Human rights, which grew out of expanding citizen's civil rights, continue to grow in their extent and seriousness of application - to women (in demands for security against crimes), to children (in demands for better treatment of juveniles), to the homeless, and to the handicapped. This concept of humane treatment often extends to safeguarding trees, environment, and historical sites. For instance, civil society begins to ask do you have corner cuts in sidewalks for the disabled? How are senior citizens being treated?

2.15 This stretches the role of civic/voluntary associations. Citizen rights and expectations expand as professionals develop new themes and specialties.

This adds to the local political agenda. Pressures mount seeking adoption of new measures and civic bodies or local governments are called upon to respond. Simply put, it leads to citizen empowerment and stress on citizen participation.

2.16 However, the global exchange of information does even more than just provide benchmarks. With lower costs of travel and greater integration of the world economy, it raises all-round expectations about abilities and performance. All institutions in the public and private sphere come under greater scrutiny and their capacity to deliver improved services and amenities are on test.

National Framework-Prospects and Challenges

2.17 These key changes in the international environment mean cities function as part of global markets[4]. They tend to influence the response of cities to the need to attract investments, skills and employment. The role of the city alters from that of a producer to one of a consumer of services and amenities. This has implications for resource mobilization and expenditure choices.

2.18 An examination of the emerging national level urban scenario assists in identifying a few important trends.

(i) a deceleration of urbanization - surprisingly, and contrary to the worldwide trend, this has occurred in a period of strong economic growth.

(ii) growth of urbanization has been balanced throughout the country. Rate of growth of big cities has not been very different from that of small and medium sized towns.

(iii) all-round, actual growth of urban centres has been different from projections made in the past.

(iv) projections for future (up to 2030) suggest that population living in urban centres would rise to 41.4 percent and there would be 70 cities with more than a million inhabitants.

(v) suburbanisation is on the increase and is likely to have considerable impact on the choice of policy mixes.

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4 Annexe-III: National Framework-Prospects and Challenges, Working Paper-II/2005, Third Delhi Finance Commission, Volume III pages 28-64

(vi) both the nature of future urban challenge and volumes of required investment shall test individual abilities of city managers and institutional capacities of organizations at all levels.

(vii) mega-city management will call for 'new generation policies' in urban management, dictate the need for evolving an appropriate 'city vision' and suitable institutional mechanisms.

(viii) judicial interventions, a new factor in urban development, may increase for some time.

2.19 Out of the above listing of major trends we shall focus briefly on two issues: required volumes of investment and judicial interventions. Estimating investment requirements for urban infrastructure involves setting of standards, which inevitably becomes a judgmental exercise. Nonetheless it is essential to do so, to arrive at realistic estimates for planning purposes.

2.20 Various estimates of fund requirements for addressing urban infrastructure needs have been made in the past. The 1996 estimates of the Expert Group on Commercialisation of Infrastructure Projects[5] are the most recent, though already a decade old. This Report estimated the annual investment need for urban water supply, sanitation, and roads at about Rupees 280 crores, at 1996 prices for the period 1995-2000. Another estimate[6] made for the Ninth Five-Year Plan placed the investment requirements for housing in urban areas at Rupees 526 crores. The Central Public Health Engineering (CPHEEO)[7] projected the requirement of funds for 100 percent coverage of the urban population with safe drinking water and sanitation services by the year 2021 at Rupees 1729 crores. Estimates by Rail India Technical and Economic Services (RITES)[8] indicate that the amount required for urban

5 Expert Group on Commercialisation of Infrastructure Projects (EGCIP). The India Infrastructure Report: Policy Imperatives for Growth and Welfare. New Delhi: National Council of Applied Economic and Research, 1996.

6 Planning Commission, Government of India. Task Forces on Housing and Urban Development; Planning of Urban Development, New Delhi, Government of India Publications. 1983.

7 Stanford Center for International Development; Working Paper No. 231, Urban Development in India in the 21st Century: Policies for Accelerating Urban Growth by Rakesh Mohan and Subhagato Dasgupta, October, 2004 page 18.

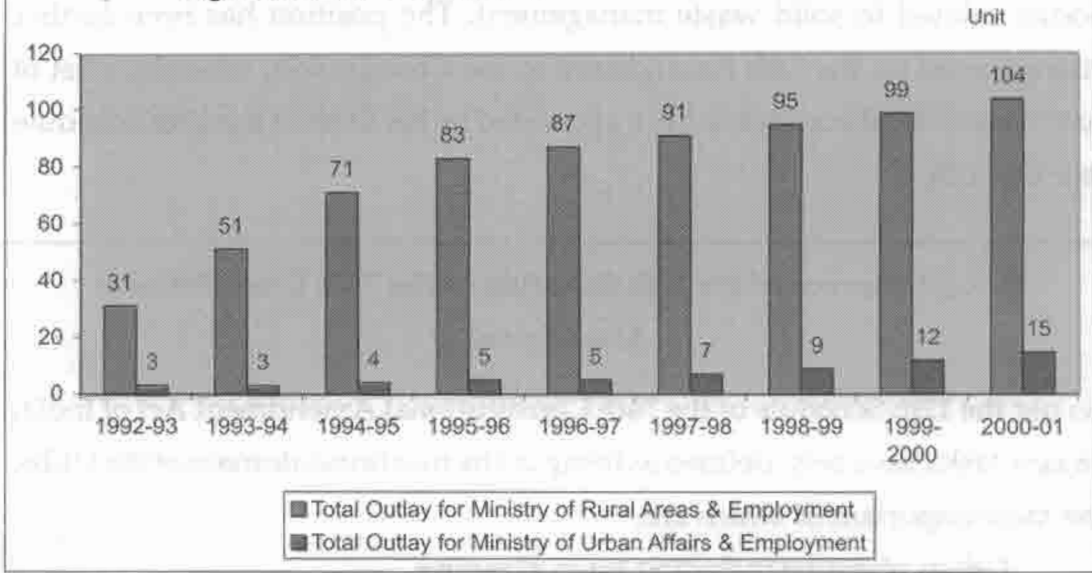
8 Stanford Center for International Development; Working Paper No. 231, Urban Development in India in the 21st Century: Policies for Accelerating Urban Growth by Rakesh Mohan and Subhagato Dasgupta, October, 2004 page 18.

transport infrastructure investment in cities with populations of 1,00,000 or more during the next 20 years would be to the order of Rupees 2070 crores. Irrespective of whether these estimates can be relied upon now, they all point to the urgent need to upscale investments in urban infrastructure.

2.21 Provision of urban infrastructure and services has traditionally been considered a primary responsibility of the government to be provided free or at nominal cost to the users. Partly this is attributable to basic services being considered public goods and partly because they exhibit the characteristics of natural monopolies. There has been concern that private sector intervention may exploit this fact. Services such as roads, street lighting, water supply and sewerage are essential services for urban living but difficult to provide and finance without an adequate cash flow of tax revenues or user charges. Hence private investment in such urban services is not easy to procure. Again certain services like water, being a necessity have inelastic demand; thus private provision could lead to exploitative pricing unless there is regulation.

2.22 It has been estimated (even though reliable statistics of municipal finances are difficult to obtain) that total expenditure by municipal bodies of all kinds was in the region of 5 to 7 percent of total government expenditure. Studies have shown that in the last decade although some of the larger cities have managed to improve their financial position, most small and medium towns are totally dependent on fiscal transfers to perform their obligatory duties. Other than this, the fiscal transfers from the Government of India and the state governments make up the bulk of the funds that reach urban areas for infrastructure investment. As evident from Figure 2.0, urban fund flows have constantly been a fraction of the funds available for rural investments. In the recent past there have been efforts to increase the flow of funds to urban areas through mechanising such as Jawahar Lal Nehru Urban Renewal Mission.

Figure 2.0 Flow of Central Plan Funds: Urban vis-a-vis Rural



Source: Government of India, Ministry of Urban Development & Poverty Alleviation (1997 onward are estimates) cited in Standford Center for International Development; Working Paper No. 231, Urban Development in India in the 21st Century: Policies for Accelerating Urban Growth by Rakesh Mohan and Subhagato Dasgupta, October, 2004 page 19

2.23 Given the financial constraints facing most state governments in India, current expenditures crowd out capital spending, leaving little money for productive activities required for development. Apart from improving the collection efficiencies of non-tax revenues such as user charges for various public services/utilities, Indian states riding on the IT/ITES boom have been seeking permission of the Government of India to tax and retain income from the services sector.

2.24 Policy for urban environment and infrastructure services has come into focus in a new light since the last ten years or so. Public Interest Litigations (PIL) on which courts passed judgments have improved standards on environmental pollution and have forced governments to take these issues more seriously and urgently. The case of public transport in both Mumbai and Delhi is a case in point where all public commercial passenger vehicles have been transformed over a two year period, to use a cleaner fuel called Compressed Natural Gas (CNG). Similar are the cases for hospital and municipal waste management in the country. Judicial intervention may be seen to have become a trigger for urban policy formulation and a check on non-implementation of existing policies owing to various compulsions.

2.25 Consider, for example, the obligatory responsibility of urban local bodies related to solid waste management. The position has been further strengthened by the 74th Amendment to the Constitution, whereby a list of functions of local bodies has been appended in the form of the 12th Schedule (see Box 2.0).

Box.2.0-Essence of the 12th Schedule of the 74th Constitutional Amendment

As per the 12th Schedule of the 74th Constitutional Amendment Act of India, 18 new tasks have been defined as being in the functional domain of the ULBs, the most important of which are:

1. Urban planning including town planning
2. Regulation of land-use and construction of buildings
3. Planning for economic and social development
4. Roads and bridges
5. Water supply for domestic, industrial and commercial purposes
6. Public health, sanitation conservancy and solid waste management.
7. Fire services
8. Urban forestry, protection of the environment and promotion of ecological aspects
9. Safeguarding the interest of weaker sections of society, including the handicapped and mentally retarded.
10. Slum improvement and upgrading
11. Urban poverty alleviation
12. Promotion of cultural, educational and aesthetic aspects.

2.26 The neglect of solid waste management responsibilities by the urban local bodies led to a PIL in 1996 and notification of the Municipal Solid Waste (Management and Handling) Rules 2000 (MSW) under the Environmental Protection Act 1986. The Rules set December 2003 as the deadline for all the municipalities for upgrading solid waste management systems, the main compliance criterion being 100 percent collection, transportation, scientific processing, and disposal of city waste on a daily basis into the sanitary landfills. To our knowledge, so far no city has been able to meet the demands, made in the MSW Rules 2000. Very few urban local bodies have been able to achieve the standards prescribed by the statute and devise efficient system upgradation (see Box: 2.1). Recently, as in the case of the Municipal Corporation of Delhi, efforts are being made to introduce private sector finance, design, operation, and maintenance in this area through a concession, which could develop a long-term structure to meet environmental up gradation requirements.

Box: 2.1 Municipal Waste Management Upgrading

The notification of the Municipal Solid Waste (Management and Handling) Rules 2000, as part of the Environment Protection Act, 1986, has placed municipal authorities at the centre of efforts to improve the environmental outcomes of waste management practices. Solid waste accounts for about 65-70% of the small and medium sized municipalities while this is much lower at about 15-20% for the larger municipalities. The new standards envisaged in the regulation would prima-facie imply large increases in the spending of municipal corporations. Although this may be true in small and medium towns, in the larger metro cities, there are opportunities to better utilize available funds by improvements in design and operations of current systems. Across the country many municipal agencies are experimenting with various models of private sector participation to both improve service delivery and address fiscal constraints. Some of these reform efforts are for e.g. (i) primary collection - the case of door to door collection in five wards of Trivandrum; (ii) collection and transportation contracts to the private sector in Chennai and Delhi; and (iii) waste treatment and disposal at *Vijaywada, Hyderabad,* Lucknow, Delhi and Bangalore.

2.27 Judicial intervention has also taken the shape of requiring the shifting of industries from within city limits or restricting certain activities in residential areas. There are several other factors impacting the working of local bodies in the National Capital Territory. The affecting in standards that are being framed by environmental infrastructure policies are challenging the traditional paradigms of city management. The new challenge is to achieve improvements in infrastructure, services, and environmental standards within the financial, managerial, and technical capacity of local governments and many new experiments in this regard are emerging. Further the goals have to be achieved while keeping the impact on the economy to the minimum to ensure the attractiveness of the city as a location for productive investment.

2.28 Some factors that contribute to the mounting challenges are:

- Large and substantial increases in population, which will put a strain on the present management and delivery systems.
- How can such migration be deflected or contained? Else, how can requirements be financed?
- A key problem will be to manage rapid in-migration, which not only results in growing demand for housing, but also requires substantial front-end investment in infrastructure such as water supply, sewerage, roads, and power supply. Citizen demands for improvements in quality of services will further strain capacities.
- New growth sectors of the economy, especially the IT/ITES and BPO, would demand new ways of thinking for managing urban infrastructure.
- Urban infrastructure has to support economic development and not emerge as a bottleneck.
- Does the city hope to emerge as an important production (the city as a producer) or a consumption centre (the city as a consumer)?
- In turn, this demands efficient public transportation systems, both for citizen welfare and city efficiency.
- The most critical issue will be mobilization and management of resources. Where are resources to come from? How is efficient utilization to be ensured?

There is strong growth in demand for (i) wider coverage of urban infrastructure services, and (ii) improvement in the quality of urban infrastructure services, especially in the large metro cities. The demand for urban infrastructure is more heterogeneous than what has been witnessed in the past.

National Capital Region

2.29 The significance of the National Capital Region (NCR)[9] cannot be overstated. The centre may be the National Capital Territory (NCT). But the centre's development cannot be de-linked from that of the surrounding regional area, the NCR. It provides the extended urban hinterland to the NCT and the development of the 33,578 square kilometres has to be regarded as an integral whole. This includes road and rail-based connectivity, land use and agricultural-cum-rural development, and industrial re-location. There is migration of half a million into Delhi every year. Most in-migration to the NCT happens from the NCR or, at least, the NCR states. In addition there is the daytime floating cum commuting in-migration of almost half a million from the NCR. The NCR therefore needs to be developed as a counter magnet through specific policies that improve connectivity and infrastructure. In doing so, it provides the best solution for a large number of problems faced by the city-state: overcrowding, pressure on land, infrastructure, and services. This has been well recognized for decades. That was the basic objective of the concept of the National Capital Region.

2.30 However, the goal of inhibiting the growth of Delhi has not made much headway. Delhi has grown phenomenally. Projections about its future growth suggest that problems will intensify. Its future viability could well depend on the prosperity of the region. Delhi, therefore, has a vested interest in the development of the NCR.

2.31 In planning for Delhi, it is easy to become complacent because Delhi's net State Domestic Product (SDP) and per capita expenditure are among the highest in the country. Some statistics are revealing of the downside: 8.23 percent of Delhi's population was below the poverty line in 1999-2000. The literacy rate of 81.82 percent in the 2001 Census may look respectable. But it is only 75.00 percent for women. The gross enrolment ratio of 84.20 for Classes I-V is below the all-India average. The gross enrolment ratio of 74.07 percent for Classes VI-VIII may be above the all-India average, but is far lower than the figures for Himachal Pradesh, Kerala, Maharashtra, Tamil Nadu, and Pondicherry. Although the figures are slightly outdated (1994-1995) and may

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9 **Annexe-IV: National Capital Region, Working Paper-III/2005 Third Delhi Finance Commission, Volume III, Pages: 65-102**

well have improved since then, 14.6 percent of the population lives in kutcha houses. 27.38 percent (1997) does not have access to toilets. 4.22 percent (1991 census) does not have access to safe drinking water. 10.9 percent (1995-96 figure) does not have access to piped drinking water. 20.52 percent (1991 Census) of households do not have electricity connections. Only 58.2 percent of households (1991 Census) have access to electricity, safe drinking water, and toilets. The infant mortality rate of 25.95 per thousand (1997 figure) could also be much lower. Why should 40.5 percent of women and 69.0 percent of children suffer from anaemia?

2.32 Owing to urbanization and population growth, there are indeed many inadequately addressed issues connected to the provision of basic services like health, education, power, water, sewage treatment, sanitation, solid waste management, transport, law and order, fire services, and even protecting the environment. However, before the resource needs of the state government and the local bodies can be reasonably addressed, some basic questions need to be answered. We begin our quest for answers by looking at the contours of "Delhi -the City" in the next chapter (3).

Chapter -3

Delhi-The City

Central to the analytical framework is the vision of 'Delhi-the City'. The complex of inter-relationships (administrative, commercial, industrial), concerns (developmental, cultural, environmental), and issues (policies, procedures, systems) is a major determinant of the social and economic outcomes of policy initiatives. The administrative hierarchy has to operate in the framework of citizen expectations and aspirations.

3.2 It is therefore useful to start with an impressionistic view of the city. Delhi a city-state, exhibits overwhelming diversity. It is an administrative powerhouse, being home to the central government and the government of the National Capital Territory. It houses the headquarters of a large number of public and private sector concerns. It is a major commercial and distributive centre. It also has a burgeoning population and proliferating slums. The national electronic and print media is a major actor in the affairs of the city. There has been a growing stress on the preservation of the environment and historical heritage, along with the growth of the suburbia (represented by NOIDA and Gurgaon). There are national museums, art galleries, centres for performing arts, the diplomatic enclave, educational districts housing the Delhi University and colleges and venerable libraries. The street vendors and malls are jostling for space and customers.

3.3 The city faces daunting challenges: shortage of housing stock, grossly inadequate water supply, crowded roads and streets, lack of parks and public parking space, encroached public lands, violations of building by-laws and land use plans, as also a rural belt unable to impinge on policy consciousness. There is insufficient attention to dying gene pools of crafts, skills and workmen, though there are some outlets for traditional craftsmen.

3.4 This collage confronts the administration with different types and degrees of expectations and opportunities. Is the city to evolve as a major manufacturing hub or is it a trading and commercial centre? Should there be a thrust on art, performances and preservation of cultural heritage represented, among other things, by public libraries, museums and performing arts? How to tap the potential of the suburbia and the national capital region to the advantage of the city? Are there answers to the human tide of migrating numbers? What exactly is the financial, technological and geographical 'carrying capacity' of the city-state? How are the needs of the rural backyard to be met? Who - local bodies or government departments - is best equipped to find solutions?

3.5 Delhi attracts people from all over the country. It is a hub for the surrounding region. Planning for Delhi cannot be contained within its officially demarcated geographical limits. It inevitably influences developments in the immediate surrounding areas and, in turn, is influenced by them. We now focus on the following broad aspects: Delhi, as the national capital, as a megacity and as an emerging global city.

Delhi: National Capital

3.6 Capital cities are an easily defined but poorly understood class of cities[1]. Capital cities by definition are the seat of national government. This role can vary, but, in general, capitals are different from other cities because they provide a special site for the concentration of administrative and political power. If the consequences of being a capital were limited, to housing a disproportionately large concentration of government employees, then one could see the capital city as a typical city with a lot of public sector administrative buildings. The specific functions of a capital city make for a distinctive labor market, dramatically alters municipal structures, land use patterns, local economic base, architecture, tourism, local culture and political identities. In addition the capital city is also a place where trade, industrial and fiscal policy are formulated.

3.7 Also, the capital city is generally larger, more subsidized and more bombastic than other cities. National governments seem to want the national capital to look and act different: witness the goal of making Delhi a 'global city'. However, just as Mumbai is termed the "commercial capital" of the

1 Scott Campbell, The Changing Role and Identity of Capital Cities in the Global Era, Urban and Regional Planning Program, Taubman College of Architecture and Urban Planning, University of Michigan, Paper presented at the Association of American Geographers Annual Meeting, Pittsburg, April, 2000

country even though it is unlikely that the whole of the city functions as a commercial hub, similarly, Delhi is clearly not limited to governmental functions. It has its own unique local economy and, despite its large public sector, it must still "struggle" within the national economy no matter what its ambitions.

3.8 The provision of infrastructure and services in Delhi is heavily subsidized: water, public transport, power etc. It has also benefited from the location of headquarters of many public sector units. However the unrestrained growth of public sector employment (in corporations, local bodies), its effect on cost effective delivery of services the massive influx of people and a hugely stressed 'carrying capacity', have inevitably drawn adverse comment. The relative advantages and disadvantages of Delhi's status as the national capital are indicated in Box 3.0.

Box 3.0: Delhi as National Capital

Advantages	Disadvantages
➤ Seat of National Government.	➤ Dramatically alters municipal structures, land use patterns, local economic base, architecture, tourism, local culture and political identity.
➤ Capacity for concentration of administrative and political power.	➤ Disproportionate share of public employment.
➤ Place where trade, industrial and fiscal policy formulated.	➤ More subsidized than other cities.
➤ Lucrative because houses representative buildings, monuments and parks offer opportunities	➤ State government has little say in formulation of development agenda.
➤ Major centre for distributive trade.	➤ State government has limited control over municipal administration
	➤ State government's influence over participating units of NCR limited.

	➢ Sensitive interface between city, state and national level administrations

3.9 As is evident, the status of Delhi as the national capital has several implications - not all of them advantageous. For instance, the city has to compete with other cities for accomplishing its goals and accessing resources and investments. This very competitive search for additional resources at times leads to resentment. Further, the impact of the national government, its policies and its interactions with the state and even local level administration can be restrictive. For example, it is recognized that municipalities should work on the principle that every town or city can be best only at a few things and policies need to be crafted to fit unique circumstances. However, how do local bodies in the National Capital Territory do so, having at best a marginal role in the planning process? Even though the city's status as the national capital has an impact on its competitive advantage, how does even the state government translate into a reality its projected vision, say, of a, 'Global Delhi'

3.10 Two aspects, have considerable impact on Delhi's resource needs and manageability: growth of public sector employment and multiplicity of planning agencies.

Government and Public Sector Employment

3.11 Employment in central government offices, which was just 8,000 in 1921, grew to 2.5 lakh in 1985. Regional Plan-2021, acknowledges that planned attempts to shift out offices from Delhi have not made any dent in the situation. However, there has been a marginal decline in central government employment and it has been steady at 2.14 lakh in the last decade (1998).

3.12 Employment in Central government undertakings was only 6,000 in 1961. This had leapt to 1.41 lakh in 1981, adding nearly 1.35 lakh persons in just two decades. During 1971-1981, about 85,000 persons were provided jobs in these undertakings. This means a total addition of roughly 4.25 lakh[2] during the decade 1971-1981 through employment in public sector undertakings alone.

2 Cited in Regional Plan 2021, NCRPB, Ministry of Urban Development, Government of India, September 2002, page.47

During the period 1981-1991 there has been an addition of 84,000 jobs in the sector. The employment in this sector has, however, declined to 2.05 lakh in 1998. These offices, despite the disincentives of insufficient space, costlier land, inconveniences of costly living, and costlier supervision of their regional offices from Delhi, prefer to cling to Delhi. As of today, there appears to be no valid reason in sight for them to decide to move out.

3.13 Employment in the Delhi government and local bodies largely grew with the size and enhanced responsibilities of the state administration and local bodies. This has raised the overheads of servicing the metropolitan city. In 1921, it had a meagre employment of 3,000. This has grown to 1.67 lakh in 1981 and to 2.06 lakh in 1998.

Multiplicity of Planning Bodies

3.14 At present administrative control of the institutions and authorities responsible for the governance of Delhi is split between the government of India and the GNCTD. The results of multiple control are reflected in the multiplicity of planning and policy forming authorities and the lack of, not only an orderly line of command and control but also, an integrated vision. Box 3.1 provides details of the national level planning arrangements.

Box 3.1: Planning Arrangements as conceived at National Level

LEVEL	ACTIONS
Central Government	National policies: Plan funds, bilateral and multilateral targeted programs aid, inter-state coordination, collaborative programs etc.
State Government	State strategies: Industrial policy, population distribution, urban land policy, regional networks, social services, environmental conservation, etc.
District Planning Committee	District or structure plans: regional networks, regional social services, regional environmental conservation, allocation of funds, identification of regional projects, intra and inter-district coordination etc.

Metropolitan Committee	Metropolitan Planning Committee Planning metropolitan network plans, social infrastructure plan, fringe coordination plan, local economy perspective plan, identification of metropolitan projects, formulation of public-private partnerships, implementation and monitoring metropolitan networks etc.
Local Government Municipal Corporations	Detailed Development Plans: project formulation, implementation and monitoring, coordination between ward levels (ward level committees are recommended)
Ward Level Committees	Locally specific action plans: local project formulation, implementation and monitoring, coordinating with local government, input to the development plan.

Source: Report of the Technical Group on 'Urban Planning Systems' (May 1996). Planning Commission, Government of India (in the formulation of the Ninth Five Year Plan 1997-2002).

3.15 In Delhi, however, control over the subjects enumerated against the state government is truncated. Urban land policy is omitted from its jurisdiction. Even the sub-regional plan as conceived by the National Capital Region Plan is reportedly not within the competence of the state government. While Delhi has no Metropolitan Planning Committee or even District Planning Committees, the ward level committees of the MCD are not participating *effectively in drawing up locally specific budgets and action plans.*

3.16 The consequences are then reflected in the inadequate results achieved by the multiple number of implementing agencies (Box 3.2). The real constraints emerge from the fragmentation of the planning function itself. The absence of a common vision is fraught with unintended consequences for the objective of proper city management and development.

Box: 3.2 - Multiplicity of Policy Formulating authorities and Implementing Agencies

S.No.	Issue	Agencies Concerned	Result
01.	Provision of serviced plots to accommodate population growth	• Central Government (i) Ministry of Urban Development (ii) DDA • State Government (iii)Department of Land and Development (iv) Office of Divisional Commissioner • Local Bodies (v) MCD (vi) NDMC • Statutory Bodies (vii)DVB (viii)DJB • Private Sector	(i) Lack of enough houses/plots (ii) Growth of unauthorized colonies (iii) Growth of jhuggi-jhopri clusters. (iv) Spread out colonies with problems related to provision of infrastructure facilities.
02.	Journey to work and transportation	• Central Government (i) Ministry of Railways (ii) CPWD • State Government (iii)PWD (iv) Transport Department • Local Bodies (v) MCD (vi) NDMC • Statutory Bodies (vii)DTC • Private Sector	(i) Lack of adequate mass transportation capacity and routes. (ii)Growth of personal vehicles (iii)Traffic congestion (iv)Air and noise pollution.
03.	Environmental pollution.	• Central Government (i) Ministry of Environment and Forests (ii) CPCB • State Government (iii)Environment Department (iv) Transport Department (v) Industries Department • Local Bodies (vi) MCD (vii) NDMC • Statutory Bodies (viii)DPCC (ix)DJB • Private Sector (x) Industry owners (xi) Transport operators	(i)Land, water, air and noise pollution (ii)Environmental health problems.

04.	Improving habitat for urban poor.	• Central Government (i) Ministry of Urban Development (ii) DDA (iii)All land owning public bodies like railways • State Government (iv)Urban Development Deptt (v) All land owning departments and agencies. • Local Bodies (vi) MCD-slum Wing (vii) NDMC	Slum up-gradation or re-location program cannot pick up momentum.

Delhi: The Mega City

3.17 In contemporary analysis, there is often a tendency to merge the concepts of a world/global city and a mega-city. These two conceptions of large cities have very different provenances: economic-functional and demographic-statistical respectively. The former have strong social sciences credentials[3], mega-cities have been promoted by the policy concerns of UN institutions, and in their publications.

3.18 While global cities are centres of advanced services creating new knowledge within a network of information flows, the identification of mega-cities is almost always based upon a simple and easily available measure, total population. For example, most of the third world mega-cities have grown through different histories of migration. However, most of these mega-cities (Box 3.3) today experience similar urban growth processes related to regional rural exoduses. Therefore, apart from sheer population sizes (existing form), mega-cities are receivers of rural surplus population (process).

3 Friedman J, The World City Hypothesis, 1986 and Sassen S, The Global City, 1991

Box: 3.3 - Global Cities and Mega-cities

GLOBAL CITIES	MEGA-CITIES
New York	Tokyo
Tokyo	Sao Paulo
London	New York
Chicago	Mexico
Singapore	Shanghai
Hong Kong	Bombay
Osaka	Los Angeles
Frankfurt	Buenos Aires
Zurich	Seoul
Paris	Beijing
Los Angeles	Rio de Janeiro
San Francisco	Calcutta
Amsterdam	Osaka
Milan	Moscow
Madrid	Jakarta
Sao Paulo	Cairo
Buenos Aires	New Delhi
Taipei	Paris
Moscow	Lagos
Budapest	Dhaka
	Karachi
	Tianiin

(Source: World of Large Cities: Pondering Castell's Space of Flows, P J Taylor, Globalization and World Cities Study Group and Network, Research Bulletin] /4.)

3.19 The rapid rise of urbanization has increased the nature and stature of cities globally. Migration from rural areas is causing new mega-cities to come-up with populations of 10 million or more. According to the United Nations Population Division the concentration of population in urban areas throughout the world is expected to climb through 2015, especially in developing countries. In 1950, New York was the only city with a population of 10 million plus. By 2001, the number of cities with a population of 10 million plus had increased to 17. The forecast is that by 2015 then would be 21 such cities.

3.20 With population size alone as the consideration, a number of cities will not only enter the mega city list between now and 2015, but will also exchange places. Istanbul and Tianjin are among those that will be added to the list.

New York will further slip from 4th to 7th position (Box 3.4). Significantly, London a well-recognized global city, having a population of less than 8 million, does not figure in the list of existing or prospective mega cities.

3.21 There are three Indian cities in the 2001 list of mega cities: Mumbai, Kolkata and New Delhi. Their current inter se positions will change by 2015. Mumbai will move up from the present fifth position to third; Delhi from ninth to fifth and Kolkata will slip from seventh to ninth place. Mumbai's population is projected to grow from 16.5 million to 22.6 million, Delhi's from 13 million to 20.9 million and Kolkata's from 13.3 million to 16.7 million. Mumbai will add 6.1 million, New Delhi 7.3 million and Kolkata 3.4 million to its population (Box 3.4).

Box: 3.4-International Growth of Mega-cities

1950 No of Mega-cities–1	2001 No of Mega-cities – 17	2015 No of Mega Cities–21
1. New York (12.3)	1.Tokyo (26.5)	1. Tokyo (27.2)
	2. Sao Paulo (18.3)	2. Dhaka (22.8)
	3. Mexico City (18.3)	3. Mumbai (22.6)
	4. New York (16.8)	4. Sao Paulo (21.2)
	5. Mumbai (16.5)	5. Delhi (20.9)
	6. Los Angeles (13.3)	6. Mexico City (20.4)
	7. Calcutta (13.3)	7. New York (17.9)
	8. Dhaka (13.2)	8. Jakarta (17.3)
	9. Delhi (13)	9. Calcutta (16.7)
	10. Shanghai (12.8)	10. Karachi (16.2)
	11. Buenos Aires (12.1)	11. Lagos (16)
	12. Jakarta (11.4)	12. Los Angeles (14.5)
	13. Osaka (11)	13. Shanghai (13.6)
	14. Beijing (10.8)	14. Buenos Aires (13.2)
	15. Rio de Janeiro (10.8)	15. Manila (12.6)
	16. Karachi (10.4)	16. Beijing (11.7)
	17. Manila (10.1)	17. Rio de Janeiro (11.5)
		18. Cairo (11.5)
		19. Istanbul (11.4)
		20. Osaka (11)
		21. Tianjin (10.3)

Source: United Nations Population Division

Note: Figures in brackets indicate population in millions

3.22 Clearly, in terms of population, Delhi will grow the fastest. Nonetheless, it is important to note that the fact of being a mega city is neither a pre-condition nor an assurance that the city shall graduate to the status of a global city. Indeed, Delhi will face competition from other domestic and international cities, many of whom may not even have the goal of 'a global city' as a declared policy. Such competition will not only imply a scramble for resources and opportunities but, in all likelihood, will intensify in the coming years.

3.23 In all mega cities, scarce land is under pressure. Land and its use, therefore, require to be regulated. Built space and its environs, which are, or hope to be, internationally competitive cannot be constructed without considering city level ground conditions in general, and as, a workplace of disadvantaged urban segments in particular. As in a majority of low and middle-income countries of Asia, the national economy of India is a mixed economy where substantial urban land is privately owned and developed. Therefore, to ensure regulated urban development and efficient land use, governments have statutory control of urban development and the use of land.

3.24 As is well known and stated earlier, Delhi functions under a three-tier system of governance-central (federal), provincial (state), and municipal (local). Thus, the issue of land is subject to interventions or development/ regulatory actions at three levels. The central government's control is self-evidently extensive. However, at the operational level, the local (municipal) level is the most crucial. In fact, on all aspects of land and its use, the direct central-local level (DDA and MCD/NDMC) *interface is possibly even more important than* the central-state interface.

Delhi: A Global City?

3.25 Delhi's current perceived ranking in the hierarchy of global cities helps to assess its position in the domestic and international context. What is its position as a provider of advanced producer services? What about Delhi's standing as an investment destination for IT/ITES units? What is the view about the quality of life Delhi affords?

Select Policy choices

3.26 We begin with an enumeration of some trends indicative of Delhi's response to the interurban competition fostered by international economic integration. These are summarized in Box-3.5. We may note that notwithstanding the Pudong mega urban development project, Shanghai is categorized as only a mega city - not a global city. Though a number of cities have no doubt sought to follow this path, it would clearly be a mistake to assume that acquisition of a few (or even many) significant 'collectibles' confers the status of a global city on any urban agglomeration or enables it to act effectively on the global platform. This is because 'things' do not necessarily 'trigger off' virtuous circles of expanding economic prosperity.

3.27 Therefore, the construction of malls may not be the answer. Indeed, malls are beginning to pall. Improved infrastructure that addresses economic needs of international investment is one possible route. In this context, what is the infrastructure requiring up-gradation? What are the design parameters of the proposed global city?

Box: 3.5-Trends Reflecting Response to Interurban Competition

Causative Factors	Responses
Government Sector (i) Goal of Delhi as a 'global city'	(i) Official endorsement of Delhi as a global city. (ii) The goal of Delhi as a 'cyber city'. (iii) Expressed in the objective of providing world-class services and infrastructure. (iv) Successful bid for international events such as the *Commonwealth Games 2010.* (v) Growth of modern transport modes and networks (metro rail, flyovers, and subways) to refurbish the transport infrastructure. (vi) Plans to refurbish various commercial or residential sectors: Connaught Place, Chandni Chowk etc whether for revival of the Central Business District or for tourism potential.

Socio-Economic Drivers (i) Rise of the middle class and increasing disposable incomes. (ii) Wider and deeper consumer market. (iii) More youthful population (iv) Rise of the service sector (v) Rise of the electronic media with its impact on fashion, life styles, and promotion of the consumerist value systems.	(i) Increasing construction of multiplex cinemas, shopping malls etc. (ii) Increase in construction activity with emphasis on modern architectural styles. (iii) Changes in excise policies (easier sale of liquor, longer opening hours for bars and restaurants) aimed at raising resources also promoting the 'entertainment district'. (iv) Proposals for a 'designer bridge' over river Yamuna and a tower building at Rohini.
Environmental Concerns (i) Decline of manufacturing sector: the closure of a number of manufacturing units: illustratively DCM, Swatantra Bharat Mills, Shri Ram Fertilizers in the last decade and a half.	(i) Stress on clean industry and attempt to attract IT/ITES investment. In the early 1990s Delhi along with Mumbai was among the first few cities to attract foreign investment. (ii) Stress on improving trees cover.

Delhi: As a Centre for Advanced Producer Services

3.28 It will suffice to take note of just one such exercise[4]. This roster provides an inventory of world cities based upon their level of advanced producer services. Global service centers are identified and graded for accountancy, advertising, banking/finance and law. Aggregation of the results produced a roster of 55 cities at three levels: 10 Alpha cities, 10 Beta cities and 35 Gamma cities.[5]

3.29 Cities were divided into 'prime', 'major', and 'minor'. Delhi was categorized as a 'minor' center for global accountancy, advertising, and banking services. Mumbai too was graded a minor center for advertising services and a major center for banking services. No other Indian city figures in any of the lists. Neither Delhi nor Mumbai makes it to the list of Alpha, Beta or Gamma world cities. The cities displaying evidence of world city formation were further classified into three kinds: (a) relatively strong evidence, (b) some evidence,

4 The 'Roster of World Cities', JV Beaverstock, RG Smith and PJ Taylor, Globalization and World Cities Study Group and Network, 1999

5 Annexure-V: Ibid, page 103-107

and (c) minimal evidence. Both Delhi and Mumbai were categorized as showing 'relatively strong evidence' which suggests 'early stages of filling in the voids on the global city map'. But the evidence is not strong enough to really call them world cities.

Delhi: Quality of life issues

3.30 To determine Quality of Living Ranking the London based human resource firm, Mercer, surveyed 215 cities world wide between September and November 2004. The Mercer study was based on a detailed evaluation of 39 key quality of life determinants, grouped in the following categories:

(a) Political and social environment (political stability, crime, law enforcement, etc)

(b) Economic environment (current exchange regulations, banking services, etc)

(c) Socio-cultural environment (censorships, limitations on personal freedom, etc)

(d) Medical and health environment (medical supplies and services, infectious diseases, sewage, waste disposal, air pollution, etc)

(e) Schools and education (standard and availability of schools, etc)

(f) Public services and transportation (electricity, water, public transport, traffic congestion, etc)

(g) Recreation (restaurants, theatres, cinemas, sports and leisure, etc)

(h) Consumer goods (availability of food/daily consumption items, etc)

(i) Housing (housing, household appliances, furniture, maintenance services, etc)

(j) Natural environment (climate, record of natural disasters, etc)

(k) Personal safety and security (sexual harassment, cheating by taxi drivers, rude behaviour and road rage incidents, etc)

The study has ranked Delhi at 153 in terms of overall living experience. Mumbai is marginally better off at 150. As a matter of fact the position of Delhi has improved from 162 out of 216 cities in 2003. Nevertheless, the fact is that on the personal safety index, Delhi ranks 129. Again, according to the Mercer global cost of living index covering 144 prominent cities and based on the comparative cost of over 200 items, Delhi overtook Mumbai as the most expensive city in the country in 2002. It moved from the previous year's 119th rank to the 92nd position.

Delhi: A Major IT/BPO Investment Destination

3.31 Which Indian cities are the most attractive IT/BPO destinations for the globalization of services? Which Indian cities will emerge as future IT/BPO hotspots for developing centres of excellence? How critical is city classification in a global sourcing strategy? In other words, which cities in India are ideal for conducting IT/BPO work and which are emerging as strong contenders? We mention three studies evaluating the status of Delhi. Table 3.1 indicates the ranking determined by NASSCOM.

3.32 Three Phases of Growth: The ITES industry in India is reportedly experiencing the third wave of growth both in terms of geographical spread and areas of operation and services offered.

- In the first phase, the industry was dominated by captive centers of large multinationals, such as General Electric, American Express and Swiss Air who set up operations in leading metros of the country: Delhi and Mumbai.
- In the second phase, the growth of the industry attracted numerous ambitious entrepreneurs (in many cases, employees of multinational companies who quit their jobs to set up their own ITES ventures) again in and around Delhi (NCR) and Mumbai.

  The third phase has geographically been more dispersed- with new locations such as Hyderabad, Pune, Bangalore, Chennai and (more recently) Kochi emerging.

Slowdown: Why?

3.33 Despite the obvious advantages and recent initiatives taken by the state government, there are aspects of the current situation, which are a cause for concern. A NASSCOM study shows that despite the large number of ITES companies based in Bangalore, Mumbai and the NCR (Delhi, Gurgaon and NOIDA), these cities are increasingly facing competition from other cities. Unlike Bangalore, for instance, NCR has not been able to attract all types of ITES companies. The NCR seems to be particularly strong in call/contact centers, back-office operations, web site services, web applications, and data processing/management/digitization. Call/contact centers lead the way by far. The causes identified for the lower position of the NCR in the value chain is the intermittent power supply, inadequate public transport infrastructure and, like in many other parts of the country, absence of a neutral accent.

3.34 Cities such as Hyderabad and Kochi are emerging as attractive ITES investment destinations primarily due to improvements in infrastructure (power, international bandwidth and urban transportation) and lower manpower costs due to lower cost of living (see table 3.1).

Table: 3.1 - Ranking of Nine Indian Cities as ITES Investment Destination[6]

NAME OF THE CITY	RANKING
Hyderabad	01
Kochi	02
Chennai	03
Kolkata	04
Ahmedabad	05
Bangalore	06
Mumbai	07
NCR	08
Pune	09

Source: Hyderabad, Kochi best Indian ITES destination-NASSCOM

3.35 Factors Lending support to Geographical Spread of ITES: The growth has been driven by three factors:

- The desire of state governments to attract entrepreneurship, which has resulted in offering attractive policy environments and incentives.
- Rapid improvements in key infrastructure such as power, telecom bandwidth, and real estate in newer locations.
- Need for ITES companies to lower operational costs (especially employee costs and transportation costs).

3.36 Qualitative Parameters: In order to assess the competitiveness of different locations, the NASSCOM study assessed the relative importance of parameters such as telecom and physical infrastructure, IT orientation and policy support provided (see Table 3.2). Simultaneously, attention was drawn

6 Annexe- VI: Study conducted by the National Association of Software and Services Companies to assess the competitiveness of nine Indian cities as destinations for firms in the ITES segment (pages 108-115)

to qualitative parameters such as entrepreneurial culture and perception of policy environment. It is important to note that these are indicative scores and the attractiveness or otherwise of a city could also be a function of a company's business mix and strategy. To illustrate, a company in the inbound call business would have to invest substantially in training its employees in accent neutralization, thereby offsetting the advantages of lower employee costs in a particular city.

Table: 3.2 - Ranking of Nine Indian Cities on Selected Parameters[7]

City	Telecom	Power	Real Estate	Manpower	City Perception	Entrepreneurship	Policy Initiatives
Ahmedabad	9	4	2	4	8	6	3
Bangalore	8	7	6	6	1	1	6
Chennai	4	2	5	5	3	4	4
Hyderabad	5	3	3	2	2	5	1
Kolkata	6	1	4	3	7	7	5
Kochi	2	6	1	1	9	9	2
Mumbai	1	5	9	9	4	2	8
NCR	3	9	8	8	5	3	7
Pune	7	8	7	7	6	8	9

3.37 What does this ranking tell us? What are the areas of concern thrown up? Some issues are highlighted in Table 3.3.

Table: 3.3-Infrastructure and Areas of Concern[8]

Parameter	Highlights	Concerns
Telecom	Pune, Ahmedabad and Bangalore have direct international bandwidth	All cities except Kolkata have tele-density in excess of 14%
Power	Variance in ranking comes due to tariffs existing across various cities. Kochi has a low tariff of Rs 3/unit and it goes up as high as Rs. 4.97/unit in Mumbai	Pune, Bangalore, NCR and Kochi experience pre-scheduled power cuts
Real Estate	Increasing real estate costs have pushed NCR and Mumbai down the affordability list.	Large variance in the rates within larger cities as against low variance in cities like Pune and Ahmedabad

7 Ibid
8 Ibid

Manpower	Manpower costs vary depending on the cost of living. The city's attractiveness also depends on the availability of trained manpower.	Manpower costs in NCR and Mumbai for example are very high compared to smaller cities.
Perception	Bangalore ranks high because of the state's IT Policy	Kolkata, Ahmedabad and Kochi lag in IT initiative
Entrepreneurship	Bangalore, Mumbai and Delhi have a large number of start ups and have more entrepreneurs hailing from the city who in turn set up base in the city	Kolkata, Ahmedabad and Kochi do not score very high as they do not have many start ups.

3.38 Accordingly, though the 'super nine' cities (Table 3.2) have already herded a number of ITES firms, there are many aspects that need to be addressed to make them globally competitive. Hyderabad has emerged as a competitive city for ITES. Chennai, Kochi and Kolkata too rank highly in their infrastructure offerings, policy incentives, and low cost manpower availability though not at the same level as Hyderabad. Bangalore, Mumbai, NCR and Pune rank low in infrastructure availability, policy support and availability of low cost manpower.

3.39 In uncovering the future winners, Jones Lang LaSalle Investment Management (May 2003) identified Delhi, Mumbai and Bangalore among 24 'Rising Urban Stars'. This identification was based on the fact that these cities exemplified one or more key 'drivers of future city success'. Although the drivers are complex and diverse, the study counts three broad themes: technology, environment, and traditional economic forces. While these cities scored poorly on environment, they apparently displayed tremendous growth in economic forces and technology. Both Delhi and Mumbai have access to a large pool of labor with good technical skills that has resulted in the establishment of back offices and contact centers. These two Indian cities have potential for high value activities with a degree of originality in the fields of technology and essential research. Of course, in the financial industry, Mumbai has gained share and functions from both New Delhi and Kolkata.

3.40 In September 2004, LaSalle released the "Global Off-shoring Index". The index contained objective data for over 45 variables that would affect the choice of cities for various off-shoring activities. These were grouped into 6 main sets of drivers- cost (labor, business, real estate, telecommunications, and utilities), human capital (labor supply and quality) business environment (innovation and competitiveness), market growth (growth and population), infrastructure (physical and telecommunications), and real estate (structure and availability). The analysis then constructed three possible scenarios:

Cost Driven: Given India's cost advantage in relation to human capital, it is not surprising that Delhi, Chennai and Bangalore claim three of the top four positions. With pressures on labor and other costs beginning to mount in Delhi and Bangalore, the dispersal of activities to less mature markets within India is likely.

Quality Driven: Indian cities score less well on human capital but their significant cost advantage ensures that Delhi and Bangalore are still featured in the top ten. From the business environment viewpoint, Indian cities score poorly in comparison to European and South American cities.

Market Driven: The desire to take advantage of opportunities in the local markets is another major driver and here too Indian cities score well.

3.41 Another study the Offshore City Competitiveness Index (OCC) developed by neo.IT takes note of technical infrastructure, people, finance and catalysts. It concludes:

Generation I: When the IT industry was in its infancy in India in the early 1990s, the most attractive cities were those that clearly possessed manpower and other catalyst conditions (government support, political stability, strong city development) key to strong business growth. These cities were Mumbai, Bangalore and Delhi.

Generation II: When the IT industry attracted attention and started its growth phase in the mid -1990s, different cities began to compete with the leaders by building infrastructure relevant for development of the industry. The two cities that were able to significantly improve their competitiveness were Hyderabad and Chennai.

Generation III: From 2000 onward infrastructure was in place in many cities across India, so new criteria came into play. The financial impact to companies for cost of living expenses and real estate prices were key factors to competitiveness. New cities began to emerge as strong alternatives such as Gurgaon, Noida, Chandigarh, Kolkata, Trichy, and Vizag

3.42 In Generation-I people were all that mattered. Generation II saw the emergence of infrastructure as a vital factor. In Generation-III the financial aspect assumed importance. Today, the **Leaders** are: Bangalore, Hyderabad, Gurgaon, Chennai, Pune, Noida and Mumbai. The **Challengers** are: Kolkata, Thiruvananthpuram, Chandigarh, Indore, Coimbatore, Mysore, Mangalore, Trichy, Vizag and Kochi. The **Unknowns** are cities with a low offshore city competitiveness who are clearly in the declining phase and whose future attractiveness is questionable. Delhi, once an attractive destination, is now almost an "Unknown" because of increasing constraints related to infrastructure and the rise of suburban stars: Noida and Gurgaon.

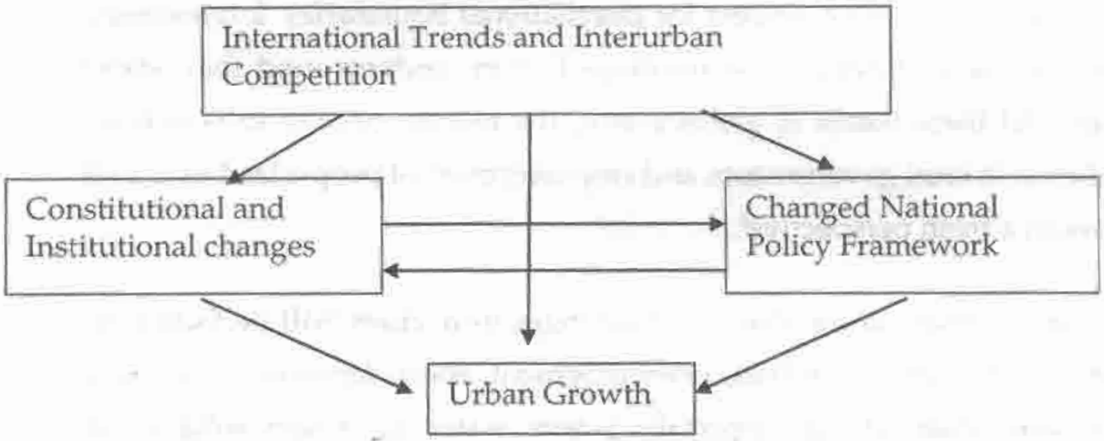
3.43 **The Policy Matrix: the Driving Force** : The policy matrix initiates, drives, manages and controls change. It establishes the framework within which change takes place as it happens. The early 1990s were witness to three major policy changes. These were and remain important for any evaluation of city management issues - in relation to both resource mobilization and expenditure management. These include the:

i. Liberalization and opening up of the Indian economy
ii. Changes in the economic and financial policies relevant to the management of the domestic economy (the introduction into the public sector vocabulary of terminology such as privatization, public-private partnerships, outsourcing government business, such as sanitation and security tasks in government buildings and the stress on recovery of user charges).
iii. Constitutional and institutional changes in respect of urban local bodies (with emphasis on functional and financial independence).

The convergence of these policy enunciations determines the urban growth parameters, and drives many of the policy choices (Figure: 3.1).

3.44 The resources needed are always a major consideration in all programs for urban rejuvenation. Since the early 1990s, an intensive debate has centred on the needs and costs of urban development. The pressing requirements of rehabilitating urban infrastructure and improving delivery of urban basic services have generated serious concern.

Figure: 3.1-The Policy Matrix-Convergence of Trends of 1990s



3.45 The revival of interest in the institutions of local self-governance in the early 1990s recognized that they are to be seen as components of the urban delivery system and instruments of urban resurgence. The structural reform measures, also introduced in the early 1990s strengthened the functional jurisdiction of urban local bodies. The constitutional amendments created the mechanism of State Finance Commissions, to arbitrate on the resource requirements of state governments and local bodies. The objective of granting statutory protection to their resource base and means of accessing funds was also enunciated.

3.46 These trends neither create the compulsions nor the enabling conditions that would necessarily lead to changes in strategy or direction. They do, however, constitute an incentive and framework for considering possible changes. For instance, the interurban competition fostered by the global economic trends has definitely resulted in a number of cities seeking to position themselves in the global market to attract investments, talent and employment. The aspiration for 'global' city has to be a conscious choice. It does not automatically follow from any of the early 1990s national level policy changes or international trends. Further the policy choices and measures are merely facilitated - not guaranteed.

3.47 There are several interesting forecasts about what the future holds on urbanization: more than 90 percent of the world population growth will be in developing countries; crime will be the fastest growing industry in the world; disparity between the poor and the rich will continue to increase; and technology will have no respect for international boundaries. Interestingly, infrastructure will need to be developed more underground than above ground. All these issues of globalization, the intense pace of urbanization, devolution to local governments, and empowerment of people lead us to look at cities in a fresh perspective[9].

3.48 We already know that the challenges new cities will be facing are poverty and slums, pollution, unemployment, social tensions, crime, and insufficient urban services, especially power, water, sanitation, solid waste, transport, and traffic (Box 3.6). Once global transmission of information and awareness takes center stage, the expectations of citizens will dramatically increase. Institutional capacities and frameworks will be tested. Small solutions - the incremental approach - may be unacceptable to citizens and many city managers. Information technology will further create a new definition of the "work place" and working practices. It will further influence urban planning - on many issues such as whether to go for development of central business districts, with a core right in the middle of the city or decentralized work spaces.

9 Meeting Challenges in the Next Millennium, Partnership for Better Municipal Management, Keshav Verma, World Bank

Box 3.6: Global Delhi: Areas of concern

(i)	To identify the city's competitive advantage and the theme around which the goal of a global Delhi is to be attained.
(ii)	To recognize that a goal such as a 'global city' status cannot be a government sponsored program. It needs all-round marshalling of resource and developing a broad-based concensus.
(iii)	Inability of the public sector to match the tide of rising expectations in the spheres of power, transport, sanitation, etc.
(iv)	A transport policy that does not tackle the root cause of traffic congestion: the functionally segregated model of development.
(v)	State of crime and personal security in the city.
(vi)	The declining appeal of Delhi as a favored investment destination.
(vii)	The continuing influx of population leading to increased demands on social welfare infrastructure and increased number of degraded colonies etc.
(viii)	The inability to attract or retain talent.

3.49 The rise of the middle class is another important force. It is estimated that the number of middle class people will be 200 to 300 million. The middle class will play a very major role in the future of our cities, which is already evidenced in cities like Delhi, Bangalore and Hyderabad. In the latter two, for example, the members of middle class who have global aspirations are engaged in developing human resources to meet needs of information technology, computer software development, etc.

3.50 In the emerging situation, cities will have to reinforce their competitive advantage. They will become vulnerable to stagnation if they remain inefficient and unproductive. City managers will have to determine how their city can contribute to national economy and improve its present position. "City management" will have to be re-defined.

3.51 It is clear that even in this era of globalization, city competitiveness, and rapid urbanization, it would be unwise to ignore the role of municipalities in delivering basic services and creating the environment required for attracting investment and employment. The importance of "localization" i.e. shifting of powers and responsibilities from national and state level governments to local governments can also not be over stressed. This has a direct bearing on the quality of life and economic growth of the city. There are increasing pressures on municipal administrations as a result of the rising citizen expectations with regard to the quantity and quality of public services. Increasingly, to the perspective of livability and quality, we must add issues of competitiveness and good governance as components of engines of growth.

3.52 It is not surprising, then, that there has been an explosion of interest in exploring new methodologies for financing of urban infrastructure; the scope for private initiative and participation in the provisioning of infrastructure or basic services: and the emergence of opinions questioning the economic wisdom of giving subsidies indiscriminately. The stress on financial discipline, curbing revenue deficit, curtailing wasteful expenditure or rationalizing user charges are efforts to integrate these concerns into financial restructuring intended to apply to local self-government institutions also.

3.53 Several factors impinge on the question of resource mobilization and application. These include, first level issues, such as financial operations consisting of trends in revenue and expenditure; intermediate issues, such as statutory provisions and institutional arrangements; and, top-of the-pyramid issues, such as policy objectives or city visions. In the next Chapter (4) we note the variety of factors, influences and trends that have and shall, in the future, influence the city, its development and resource needs.

Chapter-4

The City: Vision, Development, Management and Good Governance

In the preceding chapters international, national, and regional context have been considered, in brief, essentially the impact of the economics of geography. Delhi has been reviewed as the national capital, a mega city, and as a prospective investment destination for IT/ITES and BPO. It is time to turn to other equally significant determinants of resource requirements: the needs of city development (driven by numerous socio-economic trends), and city management (shaped by a number of structural arrangements).

4.1 What drives city development and management, and what could be the most reliable and revealing yardsticks? The development framework consists of:

- Conceptual issues: of a city vision, associated goals and good governance,
- Structural issues: of institutional and administrative arrangements,
- Systemic issues: of regulatory and statutory dimensions,
- Socio-economic trends: mega events, the size, incomes, geographical distribution of population, generation and patterns of employment, rise of the middle class, growth of per capita incomes, and the status of infrastructure and civic services.

4.2 'Development framework' covers a wide range of factors. For our purposes, we look at three sub-components: the city vision, institutional arrangements, and the planning and financial modules[1]. Such frameworks are created to assess and respond to immediate demands and long-term requirements. In urban settings, such as Delhi, they determine the nature of the built environment through the mechanism of master plans and zonal plans and also enforcement of these plans. Development frameworks imply establishment and implementation costs.

4.3 Absence of a shared "city vision" often results in agencies working at cross-purposes. Lack of coordination and procedural roadblocks also

[1] **Annexe-VII: Figures 4.0 to figure 4.3, page 116-117**

impose costs. For instance, a study[2] has found that while the cost overrun in respect of 17 projects in Delhi, between 1995 and 1991, was 44.2 percent, the time overrun, calculated as a simple average, was 103 percent. Fund constraint, whether as lack of availability (8.7 percent) or due to change in funding (1.6 percent), accounted for just 10.3 percent of the delay. The bulk of the delay was attributable to clearances of various kinds related to: environmental (20.2 percent) or land (13.3 percent) clearances. Nevertheless, a variety of problems related to 'implementation' (30.2 percent) too were a potent source of cost escalation and time overruns.

Common "City Vision"

4.4 Accordingly, since resource needs of the state government and local bodies will be influenced by responses to mega events, population trends, and other objectives set out in the development framework, (a) common city vision, and (b) concept of good governance are now briefly reviewed.

4.5 The city has veered between different visions of itself. In the early years, it was happy to achieve 'planned development' or emerge as a 'manageable' city. Later it sought to evolve as a 'cyber city', while today it seeks to develop into a 'modern global city'.

4.6 The Regional Plans (NCRPB) and Master Plans (DDA), often suggest convergence. However, the multiplicity of 'visions' also reflects the multiplicity of planning bodies. Further, two vital organs, namely, the GNCTD and the urban local bodies, have at best a marginal consultative role in the process of planning.

4.7 What has been the 'city vision' that has guided the development of the city so far? We could rely on the statements contained in:

- I The NCRPB inspired Regional Plans,
- II The Master Plans for Delhi of the Delhi Development Authority,
  - (a) Master Plan – 1962, 1982, 2001
  - (b) Master Plan – 2021
- III The Delhi-21 document of 2001,

[2] Sebastian Morris, *India Infrastructure Report, 2003*; Efficacy of Government Expenditure, Chapter 5, pages 118-139, 3i Network; Infrastructure Development Finance Company, Indian Institute of Management, Ahmedabad, and Indian Institute of Technology, Kanpur.

IV IT Policy of Delhi-2000,

V The plan documents of the GNCTD,

(a) Eighth Five year Plan (1992-1997)

(b) Ninth Five Year Plan (1997-2002)

(c) Tenth Five Year Plan (2002-2007)

VI Policy statements of the government in the Legislative Assembly and announcements in various official documents.

"Vision" of NCRPB (GOI): Regional Plans

Map: 4.0: National Capital Region[3]

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[3] **The Constituent Areas of the National Capital Region are (i) National Capital Territory of Delhi (1,483 sq kms). This accounts for 4.41% of the total area of NCR; (ii) Haryana Sub-region comprising of Faridabad, Gurgaon, Rohtak, Sonepat, Rewari, Jhajjar, Mewat and Panipat districts. This accounts for 30.33% (13,143 sq kms) of the area of the State and 39.95% of the area of NCR; (iii) Rajasthan Sub-region comprises of Alwar district. The area is 2.29% (7,829 sq kms) of the total area of the State and 23.32% of the area of NCR; (iv) Uttar Pradesh Sub-region comprising of five districts namely, Meerut, Ghaziabad, Gautam Budha Nagar, Bulandshahr and Baghpat. This accounts for 4.50% (10,853 sq kms) of the area of the State and 32.32% of the area of NCR. The total area of NCR is 33,578 sq kms.**
DMA: The DMA excluding NCT-Delhi (1,696.85 sq kms) comprising the controlled/development areas of the contiguous towns of Ghaziabad-Loni and NOIDA in Uttar Pradesh, Faridabad-Ballabhgarh complex, Gurgaon, Bahadurgarh, Kundli and the extension of Delhi ridge in Haryana.
Priority Towns: Towns assigned to accommodate 20 lakh deflected population from Delhi
Counter Magnet : such urban areas as may be located sufficiently away from NCR and, should have its known established roots and inherent potentials to function as viable independent growth foci.

4.8 The Regional Plan-2001[4] proposed the following objectives:

- With the regional population remaining at the projected 325 lakhs of which 234 lakhs will be urban and 91 lakhs rural by the year 2001, the main objective of the regional plans is to restrict the share of Delhi sub-region to 112 lakhs as against the projected 132 lakhs (or 148.5 lakhs as projected by the Perspective Planning Wing of the Delhi Development Authority).
- While restricting the growth of Delhi, it is necessary to ensure that the difference between the projected and actual growth is contained within the Region in a planned manner.
- It is also necessary that the resultant extra growth in the Region outside Delhi is such that it will have an overall effect in the entire Region, stimulating regulated and orderly growth, in and around the selected poles for development.
- Mere restriction of population by itself will not be sufficient to improve the quality of life in Delhi. Green areas are to be preserved. It would be necessary to contain the growth of urbanization in the immediate environs of Delhi, and hence certain restrictions are proposed for the area termed the 'Delhi Metropolitan Area.'
- The existing situation in the Region should be improved so that better integration is brought about by making such areas so attractive that core area people move to these places voluntarily.
- It would be advisable to restrict the induced growth to a small number of towns, which have exhibited strong characteristics of growth and which have potential to absorb the increase in population.
- For the proper development of the Region, it is necessary to ensure the availability of urban infrastructure of a quality not very much different from that obtaining in Delhi.[5]

4.9 In the past, the development of towns to stimulate induced growth of population has been synonymous with schemes of land acquisition and

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[4] Regional Plan-2001 (approved in 1998), National Capital Region, National Capital Region Planning Board, Government of India, Ministry of Urban Development.

[5] Interim Development Plan-2001, National Capital Region Planning Board, Government of India, Ministry of Urban Development.

development. There has been a facile assumption that if serviced land requirements for the additional population are met, towns will grow automatically. This assumption has proved to be incorrect. Considering that the growth of cities is more on account of job seeking immigrants, rather than an employed person seeking a house or serviced land, it is necessary to provide an economic base for the growth of towns. Similarly, in trying to curb the growth of population in Delhi, the economic factors that govern such growth have to be carefully identified, and steps suggested for containing this growth.[6] Accordingly, relocation policies for industry, public sector offices, and wholesale and distributive trade were suggested. Appropriate policies for transport, provision of physical and social infrastructure, and measures for the development of power were included. The Regional Plan-2001, approved in November 1998, visualized the important goal of 'a balanced and harmoniously developed region, leading to dispersal of economic activities and immigrants to Delhi, thereby leading to a manageable Delhi.'

4.10 The Plan sought to achieve these objectives through an inter-related policy framework relating to population (re-distribution), settlement systems, regional land use patterns, environmental factors, economic activities, and infrastructure facilities. The plan did not make much headway: An important question is: why has the migrating population bypassed the towns and urban centres lying in their path on the way to Delhi? Why has there been only negligible outward movement from Delhi? Has it got anything to do with the policies of the central/state government? For instance, it is worth recalling that the regional Plan-2001 had asked for conscious measures, *inter alia*: to relocate certain identified wholesale trades, stop massive investments (especially in the short run, that enhance the magnetic appeal of the city), move out identified offices and institutes, and stop location of public sector offices and institutions in Delhi. This does not appear to have happened.

4.11 In the context of Delhi the fact is that while all the participating states of the NCR may be responsible for the inundation of the national capital by intensifying the 'push factors', Delhi may itself have contributed by

[6] **Ibid.**

significantly enhancing of the 'pull factors'. It has the highest minimum wages in the country[7]. There is relentless growth of slum colonies which calls forth demands for civic services. There is re-location of industrial units within the National Capital Territory and massive investments occasioned by mega-events such as the ASIAD-1982. Efforts to improve the physical environment have merely added to the attraction the city holds and the opportunities that it provides.

4.12 Theoretically, the National Capital Region defines the limits of Delhi's extended metropolitan region: its hinterland. However, the fact is that Delhi has a limited area. The orbit of influence and the administrative reach of the state government do not go beyond its geographical boundaries. On the other hand, rapid and uncontrolled urbanisation[8] coupled with huge increase in numbers has already resulted in enormous pressures on infrastructure, traffic congestion, emergence of unplanned areas (slum clusters, industrial concentrations), and degradation of the. Till other urban centres in the region emerge as strong centres of economic activity and provide better quality of life, Delhi will remain a destination for large numbers. This has direct implications for resource needs at both state and local body levels (See Box 4.0).

Box: 4.0 - Regional and Sub-Regional Plans

Present Scenario

- Population deflection to NCR did not take off
- Population growth trends in NCR reveal that the higher growth and employment rate of NCR leads to more concentration of population in Delhi
- Haphazard growth along linking corridors
- No decentralization of central government offices has occurred.

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[7]The minimum wage (relative to the cost of living in the National Capital Territory) may not be very high. However, it is not only one of the highest in the country but, being linked to the consumer price index, is subject to automatic revision every six months and introduces the concept of a Dearness Allowance. These features indirectly attract floating migrant labour from neighbouring states. They do not necessarily reside in the national capital and, therefore, are not subject to its high cost of living. In this context see Order No. F.12 (142)/04/MW/Lab/238 dated August 31, 2006. (Annexure-VIII, pages 118-123)

[8] Incidentally, if 'urbanization' means the physical shrinking of the rural belt and its economic significance, it is debatable as to whether Delhi's urbanization can be referred to as 'uncontrolled,'. Significantly, the 'uncontrolled urbanization,' has occurred in the face of 'planned development' and innumerable 'development controls'.

- Strengthening of regional connection has given rise to floating population rather than dispersing population
- Growth of DMA towns has been more as compared to the priority towns
- Decentralization of activities to priority towns has not taken place
- Counter-magnet towns could not fulfil the objective of checking the migration due to
  -under development of counter-magnets
  -absence of development incentives
  -inadequacy of funds

Critical Issues

- unbalanced growth in various parts of the region
- Decentralization of activities has not taken place in the region

4.13 It is obvious, says the Regional Plan-2021[9] approved in September 2005, that the restrictive policy of containing the population of Delhi and deflecting 20 lakh people to the National Capital Region has met with little success. Also the policy of induced growth for the Priority towns in the rest of the National Capital Region has not taken place. Accordingly, the Regional Plan-2021 aims at promoting growth and balanced development of the National Capital Region. This is proposed to be achieved by:

- Providing suitable economic base for identified regional settlements
- Providing efficient rail and road based transportation networks integrated with land use patterns, to support balanced regional development.
- Minimizing the adverse environmental impact.
- Developing selected urban settlements with infrastructure facilities comparable with Delhi
- Providing a land use pattern to protect good agricultural land and utilize unproductive land for urban uses
- Improving efficiency of resource mobilization, adopting innovative methods and attracting private investment in desired directions

[9] Regional Plan-2021, National Capital Region, National Capital Region Planning Board, Government of India, Ministry of urban Development, December 2004.

- Promoting sustainable development in the region to improve the quality of life

It appears that the idea of a "global city" has not as yet informed the planning exercise.

"Vision" of DDA (GOI): Master Plans-1962 and 2001

4.14 What about the vision spelt out in the Master Plans of another body i.e. the Delhi Development Authority? Did these make headway? Here is the evaluation of the Authority, itself, which is worth quoting at some length. In the Master Plan-2021, it says:

- The MPD-1962 set out the broad vision for the development of Delhi and a development plan.
- Planned development was envisaged as a public sector led process with very little private participation. This was reiterated in the DDA Master Plan-2001 (MPD-2001).
- The parameters of 'a useful review' relate to (i) validity of population projections, quantum of land needed as per the Plans, (ii) extent to which this actually became available, (iii) quantitative and qualitative targets for development of shelter and required infrastructure services, (iv) actual achievements in this regard, and (v) other developments that were not anticipated but impinge heavily on the entire process of planned development of Delhi.
- The population of Delhi in 2001 was 137.8 lakhs as against the MPD-2001 projection of 128 lakh[10]. This additional population has had its inevitable impact in terms of squatter settlements and infrastructure facilities.
- As regards the actual acquisition and development of land, studies show that there have been large gaps between the areas targeted for, and/or actually acquired, as also between the area acquired and the area that could be developed.[11]
- This has had implications, in terms of shortfalls in the planned development of shelter and also in terms of growth of unauthorized

[10] As is obvious, the deviation of around 9 lakhs is not very much off the mark. Yet the consequences in terms of impact on amenities, services and infrastructure has been enormous. Indeed, quite out of proportion to the difference in the projected and actual population figures. The 'baneful effects' of burgeoning numbers reflects a failure of the proper implementation of the scheme of large acquisition of land and the intended provision of facilities.

[11] Recall that the Regional Plan-2021 too arrived at a roughly similar conclusion in the context of 'induced development' of select towns (paragraph 4.11 above).

colonies, particularly on lands which may have been notified for acquisition but could not actually be acquired.

- In turn, this is indicative of limitations of resources and also of procedural bottlenecks in acquiring land for planned development.
- One of the most important aspects of planned development is provision of well provisioned shelter and housing. Studies have revealed quantitative and qualitative deficiencies in this regard.
- Two major challenges that have emerged are unauthorized colonies and squatter/jhuggi-jhopri settlements. Both these will require planned measures.
- Another important development is the unanticipated phenomenal growth of automobiles in Delhi. This has resulted in serious problems of congestion, pollution, safety of travel, etc., which need to be addressed.
- The experience of the past two Master Plans also shows that there has been very little practical convergence between the Master Plan and the actual development of infrastructure services. This is necessary, particularly in areas, which would be taken up for fresh urbanization.

Upto this point, it seems that the international context in which a city grows did not impinge on the consciousness of city planners. This had to await the liberalization process of the early 1990s. We now turn to the vision of Delhi set forth in the DDA's latest Master Plan-2021.

"Vision" in DDA's – Draft Master Plan-2021

4.15 This vision is:

- To make Delhi a world-class city, where people are engaged in productive work with a decent standard of living and quality of life.
- This will, necessitate planning to meet population growth and in-migration and measures to restrict it.
- Provision of adequate housing, particularly for weaker sections of society
- Addressing problems of small enterprises, particularly in unorganised informal sector
- Dealing with the issue of slums, pertaining to the cityscape and of shelter; up-gradation of dilapidated areas of the city; provision of adequate infrastructure services

- Conservation of environment
- Preservation of Delhi's heritage and blending it with the complex modern patterns of development
- Doing all this within a framework of sustainable development, public-private and community participation and a spirit of ownership and belonging among the citizens.

4.16 DDA, has for the first time incorporated the phrase 'world class city' in its plan. The DDA's induction of this phrase happens to coincide with the State Government's enunciation of a similar goal. What would be of interest is the degree of convergence between the perceptions of the DDA and the GNCTD.

"Vision": Delhi 21 document (approved in 2001)

4.17 We shall now refer to the city vision of the state government in the Delhi-21 Report[12]. The vision outlined is that of a well-managed, clean and dynamic city that serves its citizens, the nation and the world. This vision involved the 'strategic objectives' of making Delhi a more environmentally sustainable and livable city through: (a) planned urban development for controlled growth, (b) reduced service deficiencies, and urban poverty alleviation, and (c) developed community awareness and trust in government. The 'Strategic Actions' proposed: (a) institutional restructuring to make it responsive to change, (b) better urban development and land management, (c) resource mobilization, cost recovery of services, (d) provision of infrastructure, utilities and corridors of movement, and (e) efficient and sustained operation and maintenance (O&M).

"Vision" in Information Technology Policy 2000

4.18 The next document we turn to is the Information Technology Policy of Delhi-2000.[13] Box 4.1 summarizes the thrust of the policy.

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[12] Delhi-21, Delhi Urban Environment and Infrastructure Improvement Project (DUEIIP), Government of India, Ministry of Environment and Forests, and the Government of the National Capital Territory of Delhi, Planning Department, January 2001.
[13] Information technology Policy of Delhi-2000, Government of the National Capital territory of Delhi, Information Technology Department, August 2000.

Box: 4.1 - Information Technology Policy "Vision"

1. The rapid advances in the fields of information, communication and entertainment technologies and information intensive services sector have changed the world economic landscape. These changes have given rise to a new society based on knowledge. This has further resulted in new avenues of development, employment, productivity, efficiency, and enhanced factors of economic growth. 2. Government of Delhi recognizes the enormous potential of IT and has decided to herald the benefits of IT to the people. 3. By the year 2003, Delhi shall have realized this huge potential and would emerge as a premier cyber state with its citizens qualifying to be e-citizens.

4.19 The foreword states government firmly believes that:

- Delhi must develop towards making a hi-tech 'Cyber City' by the year 2003.
- To serve people better, the aim was to create an: e-Citizen, e-Governance, e-Commerce, in fact e-Delhi.
- In educating people and spreading literacy it was important to computerize government departments and overhaul work procedures and culture.

4.20 The aspirations of the IT policy were determined by 6-Es[14] Use e-governance and make government more responsive to citizens. Use IT to achieve objectives like eradicating poverty, improving healthcare, empowering women and economically weaker sections of the society. The Right to Information Act that was proposed would empower people and bring about social and economic justice. Encourage the use of IT in schools and educational institutions so as to improve skills, knowledge and job prospects and enable employment in this sunrise industry. Use IT for generating additional employment for the new digital economy. To facilitate localization of software, so that benefits of IT could percolate not only in English, but also in Hindi, Urdu and Punjabi. Unleash the Delhi

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[14] **Policy of Delhi, Government of NCT of Delhi, 2000. The 6 E's are: E-Governance, Equality, Education, Employment, Entrepreneurship and Economy.**

incubation engine, promote entrepreneurship, earn foreign exchange, and increase the contribution of IT to the economic growth of the state. Encourage and accelerate growth in IT hardware, software, Internet, training in IT enabled services, telecom, e-commerce and related sectors in the state. Use IT effectively in industries to make them competitive and web-enabled. Provide adequate infrastructure in the state so that the IT sector can flourish. Use IT for ushering world-class e-tourism in the state.

4.21 Contrast this declaration of policy and intent with (a) milestones (see Box 4.2 below) for achieving goals prescribed in the policy document itself, and with (b) views of independent assessors on the status of Delhi as an investment destination (Chapter III). Delhi has not emerged as the cybercity envisaged at the end of 2003. Nevertheless, there have been several tangible achievements in pursuance of the announced IT policy, especially in the sphere of e-governance.[15] The Department of Information Technology informed that the vision was to use information technology for:

- Improving internal efficiency of departments.
- Improving government-citizen interface: information dissemination, online application, and service delivery.

Information technology has now entered into many departments (transport, sales tax, district administration, and education, with fifty-three departments having established websites) local bodies and corporations. Several initiatives have been taken:[16] automation of revenue records, online record of rights of agricultural land, online for eleven certificates, student performance tracking system of government schools, human resource and financial management in education department, placing tender notices in the public domain, availability of municipal services through citizen service bureaus.

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[15] The Capital goes Digital-Harnessing IT in the Service of the People, GNCTD, Department of Information Technology 2003

[16] Ibid.

Box: 4.2-Extract of Milestones-Information Technology Policy[17]

Milestone One: December 2000

By the end of December 2000, citizens will be able to access information relating to transactions with the government through Internet. Simultaneously, government will also put on Internet, information that ought to be in public domain.

Milestone Two: June 2001

Citizens will be able to transact business with a few major public-dealing departments from one place. These points – Citizens Service Points (CSPs) – will be electronically linked to these departments.

Milestone Three: December 2001

The third milestone will be reached when citizens will be able to use electronic cards for accessing services offered by different departments.

Race to the Finishing Line

Similar milestones will be identified between December 2001 to March 2003 in departmental plans in such a manner that the goal of transacting business over Internet is achieved.

A More efficient government

IT will also be deployed to improve government's internal efficiency. This will be done in two main areas: in internal communication and in data handling.

4.22 However, what is perhaps missing is a sense of coherence with a larger city vision. Additionally, there are swaths of the policy matrix that remain untouched: e-commerce, for example. Again, the fact that Delhi is actually losing talent (I.T. students for instance) should be of concern. Some reports suggest that most of the engineering graduates are seeking employment in other cities.[18] Though a contemporary dimension has been added to the evolution of the city vision, the sum of achievements needs careful assessment.

"City Vision" in Eighth Five-Year Plan (1992-1997)

4.23 In reviewing the evolution of a 'city vision' for Delhi, the five-year plan documents give invaluable insights. Since it coincided with the start of

17 Annexe-IX: Details of Milestones, pages 124-125
18 Annexe-X: Data received from the Delhi College of Engineering, page 126-138

the economic reform programme of the Central Government in the yearly 1990s, the Eighth Five Year Plan (1992-1997) provides a useful cut of point. Given the national perspective, the approach to the Eighth Plan was to focus on the following[19].

- Clear prioritisation of sectors/projects for investment in the area of fiscal, trade and industrial sectors and human development
- Making resources available for these priority sectors and avoiding cost and time overruns
- Creation of a social security net through employment generation, improved health care and extensive education facilities.
- Creation of appropriate delivery systems, to ensure that benefits of investments in social sectors reach intended beneficiaries.

4.24 Based on this approach, the following objectives were accorded priority.

- Generation of employment to achieve near full employment by the turn of the century
- Containment of population growth through incentives and disincentives
- Universalisation of elementary education and eradication of illiteracy
- Provision of safe drinking water and primary health care facilities, including immunization and complete elimination of scavenging
- Growth and diversification of agriculture to achieve self-sufficiency and surpluses for export
- Strengthening infrastructure to support growth process on sustainable basis

4.25 The endeavour was to develop core sector through allocation and optimum utilization of funds based on the following guiding factors:

- Consolidation of existing infrastructure. The first priority was funding spillover projects of the Seventh Five-Year Plan so that benefits started accruing to the target group

[19] Eighth Five-Year Plain-1992-1997, Volume-I, Government of the National Capital Territory of Delhi, Planning Department.

- Preference was assigned to sectors covering civic and public utility services, such as power, water supply, healthcare, rural and urban development etc.
- Important programs were included for socio-economic development of the weaker sections, women, children and youth
- The requirement for roads, schools, hospitals, electricity, water supply, sewerage networks for growing population was assessed and financial outlays provided

In conformity with the needs of the National Capital, says the Eighth Plan document[20], the highest allocation was made for the energy sector (1220 crore), followed by water supply and sanitation (820 crore), transport (660 crore), education including public health (350 crore), and housing (100 crore).

4.26 The Planning Commission initially approved an outlay of Rupees 4500 crore for the Eighth Plan of NCT. The distribution of the approved outlay between the erstwhile Delhi Administration and other implementing agencies is given in Table 4.1.

Table: 4.1-Breakup of Eighth Plan Outlay -Delhi Administration/Other Implementing Agencies

Serial Number	Agency	Approved Outlay (Rupees in crore)-1992-1997
01.	Delhi Administration	1312
02.	MCD (General Wing)	1040
03.	MCD (Slum Wing)	60
04.	NDMC	131
05.	DDA	00
06.	DWS &SDU	785
07.	DESU	1172
	Total	4500

Note: Figures rounded off

Source : Eighth Five Years Plan – Statement of Scheme Wise Approved Outlay, Planning Department, Govt. of NCT of Delhi.

[20] **Ibid.**

The share of the NCT (the erstwhile Delhi Administration) was around 25 percent of the total approved outlay. The share of the NDMC and the DDA too was miniscule. It was the MCD, which then included DWS&SDU, that got the major share.

4.27 The outlay approved by the Planning Commission was Rupees 7379 crore. Against this the state government and the various implementing agencies incurred an expenditure of Rupees 6206 crore.[21] The figures of the year-wise approved outlay, revised estimates, and actual expenditures are provided in Table 4.2[22]

Table: 4.2-Year-wise Approved Outlays, revised Estimates, Actual Expenditure (in crore – rounded off)

Annual Plan	Approved Outlay	Revised Estimates	Expenditure
1992-93	920	924	910
1993-94	1075	980	969
1994-95	1560	1146	1149
1995-96	1720	1306	1298
1996-97	2104*	1931	1879
Total	**7379**	**6289**	**6208**

(*Original approved Rupees 2090 crore. Rupees 12.94 crore for Centrally Assisted Slum Development Program and Rupees 2.00 crore as additional outlay for medical sector were provided later.)

Source : Draft Ninth Five Years Plan (1997-2002) & annual Plan 1997-1998 (Vol. 1)Planning Department, Govt. of NCT of Delhi.

4.28 The expenditure per implementation agency is even more revealing. The data in Table 4.3 indicates the position against the allocation of the original Rupees 4500 crore and the aggregate BE allocation of Rupees 7379 crore.[23]

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[21] **Eighth Five Year Plan (1992-1997)-An Appraisal. Government of the National Capital Territory of Delhi, Planning Department.**

[22] **Ibid.**

[23] **Annual Plan, 1998-1999, Statement of Scheme-wise Plan Outlay, Volume-III, Government of the National Capital Territory of Delhi, Planning Department.**

Table: 4.3- Eighth Plan (1992-97)-Share of Different Agencies and Actual Expenditure (Rupees in crore – rounded off)

Agency	Approved Outlay	Aggregate BE	Expenditure
Department of GNCTD	1312	2550	2004
MCD	1040	1749	1537
NDMC	131	136	105
Delhi Jal Board	785	964	902
DDA	00	4	3
MCD (Slum Wing)	60	153	132
Delhi Vidyut Board	1172	1823	1525
Total	4500	7379	6208

Source : Annual Plan Statement of Scheme Wise Approved Outlay (1998-1999) Planning Department, Govt. of NCT of Delhi.

4.29 The fact that: (a) the revised estimates consistently lowered their sights (except in 1992-1993), (b) the expenditure was consistently below even the revised estimates (except in 1994-1995), (c) total expenditure too which was below the revised estimates, needs to be juxtaposed against the declaration that:

- Priority was to be accorded to the spillover schemes of the Seventh Plan to avoid cost and time overruns
- Resources were to be made available for priority sectors and strengthening infrastructure in the 'core sectors': development sectors covering civic and public utility services
- A number of programs were to be taken up for socio-economic development covering a wide cross-section of the weaker sections[24]
- The requirements for roads, schools, power etc. had been adequately assessed and corresponding outlays had been provided

It will be seen that there is little evidence of the basic postulates having guided the actual project allocations. The plan had believed that its employment potential was among the main reasons for the migration

[24] Incidentally the total allocation for 'Social Welfare and Nutrition' in the plan period (1992-1997) was Rupees 115.14 crore (around 1.5 percent of total approved outlay); Rupees 61.16 crore for SC/ST Welfare (around 0.8 percent of total approved outlay).

of large numbers to Delhi. Yet generation of 'near full employment' (whatever that means when the total population is in a state of constant flux) at the turn of the century was to be accorded priority, second to none. It is, therefore, ironical that the very next priority was to be containment of the population influx. The goals of universal education and safe drinking water still remain to be achieved.

"City Vision" of the Ninth Five – Year Plan (1997-2002)

4.30 The Ninth Five-Year Plan recognized that the:

- The population of Delhi has been rising steadily due to large-scale migration
- Employment is the single most important factor accounting for the magnetic appeal of Delhi
- There is need to check this trend of rapid migration. One solution lies in the implementation of the National Capital Region Plan to achieve a more balanced development
- Development projects[25] included in the NCR Plan involved huge financial investment. The participating states and central government ministries would provide allocation in their five-year plans. NCT made a provision of Rupees 150 crore in the Ninth Five Year Plan
- Migration and urbanization had built up tremendous pressures on basic services
- Unauthorized colonies and jhuggi-jhopri clusters posed a big challenge to the environment
- Also the growth of industry and the tremendous increase in vehicles had polluted the environment
- Despite challenges, government achieved a commendable growth rate of the economy (14.2 percent in 1995-1996 compared to 12.3 percent during 1994-1995). In real terms the Net State Domestic Product (NSDP) worked out to 8.8 percent in 1996-1997.
- The relative contribution of the tertiary sector (transport, storage, trade, hotels, banking, insurance, real estate and other services)

[25] **Including projects for improvement of national highway, construction of expressways, doubling and electrification of rail network, development of regional (inner and outer) road grids, transmission and distribution system of power, development of new townships alongside the priority and selected Delhi Metropolitan Area Towns by acquiring land and providing urban (local) infrastructure including shelter and the creation of various economic infrastructure of industry, wholesale trade, and commerce.**

increased marginally from 73.13 percent in 1993-1994 to 73.26 percent in 1995-1996.

- The per capita plan expenditure increased from Rupees 930 in 1993-1994 to 1157 in 1995-1996 and then to 1661 in 1996-1997. Evidently, increasing amounts of plan funds were available for developmental projects.
- This led to the generation of higher income levels. In 1995-1996, against the national level per capita income of Rupees 9321, the per capita income of Delhi was 18814.

4.31 Thus, as the basic problem of Delhi -- unchecked migration – remained unchanged, the plan priorities and developmental strategy also remained the same.[26] The emphasis placed on urban development, energy, transport, water supply, medical and public health, and education, in the Eighth Plan was to continue. In doing so, the Plan was recognizing their role in infrastructure support and over all socio-economic development.

4.32 There were some important developments with regard to plan financing in this period. The Planning Commission[27] accepted the recommendation made, in June 1995 by a Committee[28], that Delhi should be accorded a status equivalent to that of a state. The financial implications of accepting this recommendation were:

- GNCTD could avail negotiated loans from LIC, NABARD, IDBI etc for financing projects
- The government could also have market borrowing (SLR based) on the pattern of state governments to be released directly by the RBI
- Government could utilize the provident fund for financing projects.
- Government of India accepted Delhi government's claim for a share in central taxes.
- The resource base of the NCT was enhanced by allowing it to have access to Externally Aided Projects. For the Ninth Five-Year Plan,

[26] Draft Ninth Five-Year Plan1997-2002 and Annual Plan 1997-1998; Government of the National Capital Territory of Delhi, Planning Department, September 1997.
[27] Ibid.
[28] Generally known as the Arjun Sengupta Committee of June 1995, constituted by the Planning Commission on April 24, 1991.

Planning Commission agreed to an amount of Rupees 1000 crore (at 1996-1997 prices).

Has this made a difference to resources at the command of the state government and urban local bodies? Apparently not. We shall revert to this in the chapters dealing with financial operations.

4.33 The Ninth Five-Year Plan saw a considerable increase in the approved outlay and the shares of the different implementing agencies. The Planning Commission approved an outlay of Rupees 15,541.28 crore (at 1996-1997 prices for the State Plan) on the state pattern. The Ninth Plan allocation of the NCT of Delhi reflected an increase of 127 percent over the Eighth Five-Year Plan outlays, which was Rupee 6853 crore (at 1996-1997 prices).

4.34 The approved outlay for the Ninth Five-Year plan came to Rupees 15131.73 crore at current prices as compared to the original approved outlay of Rupees 15541.28 crore at 1996-1997 prices. The total revised outlay for the plan period was Rupees 14438.86 crore at current prices. The total plan expenditure in the Ninth Plan Period (1997-2002) was Rupees 13465.15 crore at current prices. This means the total expenditure was 86.64 percent of the total approved outlay of Rupees 15541.28 crore and 93.26 percent of the revised outlay. The expenditure figures include that reported by the government departments and the funds released to the local bodies and the public sector undertakings.[29] The details agency-wise are given in Table 4.4.

[29] **An Appraisal of Ninth Five-year Plan (1997-2002), National Capital Territory of Delhi, Government of NCT of Delhi, Planning Department, September, 2002.**

Table: 4.4 –Agency -wise Ninth Five-Year Plan Outlay and Expenditure

Name of Agency	Ninth Five-Year Plan (1997-2002)- Rupees in crore)					
	Approved Outlay	Aggregate Approved Outlay (1997-02)	Aggregate Approved Revised Outlay (1997-02)	Expenditure/ Fund Released	% Expenditure wrt Approved Outlay (col-2)	% Expenditure wrt Revised Outlay (col 4)
Delhi Government Departments	6520.58	7193.50	6001.29	5128.62	78.65	85.46
MCD	3118.75	2916.69	2694.80	2594.96	83.21	96.30
MCD (Slum)	255.35	262.63	237.68	228.15	89.35	95.99
NDMC	94. 10	86.31	69.37	57.74	61.36	83.23
Delhi Jal Board	2532.00	2095.65	1903.15	1889.18	74.61	99.27
Delhi Vidyut Board	3005.00	2570.00	3529.02	3564.55	118.62	101.01
Delhi Cantonment Board	0.50	0.40	0.15	0.05	10.00	33.33
DDA	15.00	6.55	3.40	1.90	12.67	55.88
Total	15541.28	15331.73	14438.86	13465.15	86.64	93.26

Source : An appraisal of Ninth Five Years Plan (1997-2002) Planning Department, Govt. of NCT of Delhi.

4.35 The details of funds released agency-wise in terms of grants and loans are provided in Table 4.5.

Table: 4.5-Agency-wise Funds Released in Terms of Grants and Loans During Ninth Five-Year Plan (Rupees in crores)

Agency	**Fund Released during 9th Five Year Plan**		
	Grant	**Loan (Including capital)**	**Total**
MCD	2318.63 (44.16%)	276.33 (3.36%)	2594.96 (19.27%)
MCD (Slum & JJ)	164.72 (3.13%)	63.42 (0.77%)	228.15 (1.69%)
Delhi Jal Board	255.47 (4.86%)	1633.71 (19.89%)	1889.18 (14.03%)
Delhi Vidyut Board	860.35 (16.37%)	2704.19 (32.92%)	3564.55 (26.45%)
N.D.M.C.	37.14	20.60	57.74

	(0.71%)	(0.25%)	(0.43%)
Department of GNCTD	1612.81 (30.71%)	3515.81 (42.80%)	5128.62 (38.08%)
Delhi Cantonment	0.05 (--)	--	0.05 (--)
D.D.A.	1.90 (0.04%)	--	1.90 (0.04%)
Total	5251.07 (100.00%)	8214.08 (100.00%)	13465.15 (100.00%)

Note: Figures in brackets indicate the percentage share with respective total of Grant and Loan.

Source : An appraisal of Ninth Five Years Plan (1997-2002) Planning Department, Govt. of NCT of Delhi

4.36 We may now take note of the following principal points regarding the resource position during the Ninth Five Year Plan:

- The plan outlay of Rupees 15541.28 crore was to be financed to the extent of 87.20 percent (13548.27 crore) from 'Own Resources' (including small savings loans, market borrowing, provident fund etc.), 6.4 percent (993 crore) from central assistance, and another 6.4 percent (1000 crore) of additional central assistance for externally aided projects.
- The achievement in resource mobilization of 11208.73 crore (at 1996-1997 prices) constituted 72.12 percent of the plan target of 15541.28 crore.
- The shortfall of 4332.55 crore in resources is attributed to mainly:
    - (i) Tax revenue receipts being short by 2002.94 crore.
    - (ii) Manifold increase in the non-plan support to Delhi Transport Corporation (from 79.94 crore to 685.32 crore), Delhi Vidyut Board (from 264.61 crore to 2611.53 crore) and, additional non-plan support to the Delhi Jal Board of 342.10 crore. Non-plan support to DJB was not assumed in finalizing the Ninth Plan.
    - (iii) Against the 1000 crore earmarked for Externally Aided Projects (EAP) nothing could be achieved.
    - (iv) Shortfall was also due to the fact that finance to the tune of Rupees 1864.11 crore through market borrowing,

negotiated loans, and provident fund did not come through.[30]

"City Vision" in the Tenth Five Year Plan (2002-2007)

4.37 The approved outlay for the Tenth Five Year Plan and Annual Plan 2002-03 was decided taking into account the following factors as in Box 4.3, 4.4 and 4.5:

Box: 4.3-Infrastructure in Tenth Five Year Plan

Power: In view of the power sector reforms initiated by the government, plan funds would not be required for 66 KV, 33 KV and 1 KV lines as the electricity distribution network would be taken care of by the selected distribution companies. However, the privatisation process also needs financial assistance to selected companies for some period.

Transport: Delhi Unified Metropolitan Transport Authority may be set up. While, Phase-I of the MRTS is to be completed by 2005, a study for the second phase of the MRTS is to be initiated. Multi-Modal Public Transport System will be made functional. The Regional-Rail-Network, linking Delhi to NCR towns, will be improved through new dedicated rail corridors. Alternative modes of bus transport (Electric Trolley Buses/High Capacity Bus System/Sky Buses) need to be introduced in Delhi to meet the public transport requirements. The Western Peripheral Expressway will be constructed.

Water/Sewage: Additional raw water will become available for Delhi with the construction of a pukka channel from Munak to Haiderpur, the laying of conduit from Muradnagar to Sonia Vihar, and through some other projects during the Tenth Five Year Plan.Sewage treatment capacity to be raised to 726 MGD by the end of Tenth Five Year Plan.

Box :4.4-Socio-Economic Infrastructure in Tenth Five Year Plan

Health: Master Plan for health care. About 4000 new beds will be added in existing and new government hospitals. Two more Super Specialty Hospitals will also be set up. Civic services will be improved in Regularized-Unauthorized Colonies, JJ Resettlement Colonies, Approved Colonies etc.

Education: The quality of education in all government schools will be

[30] *Ibid.*

improved with provision of better educational infrastructure, suitable welfare schemes and incentives, visitor's council etc.

Social Welfare: Senior citizens and women's welfare will receive priority attention

Box: 4.5-Institutional Measures in Tenth Five Year Plan

Organizational: Yamuna River Authority may be constituted to take care of all related issues Reforms and restructuring in DJB and DTC. New technology shall be harnessed in various fields to improve the quality and pace of implementation of plan schemes. Participation of stakeholders in the development process will be enhanced.

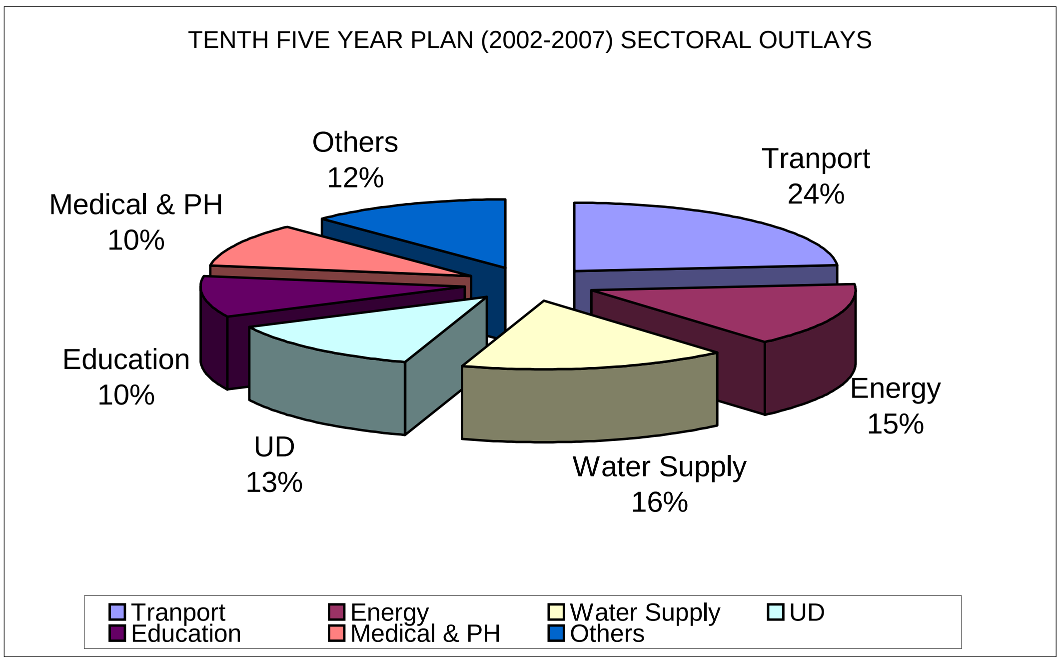
Economic: DUEIP-2021 recommendations need to be implemented for planned development of the city with the commencement of Tenth Five Year Plan. Adequate infrastructure needs to be created for training & skill up-gradation of youth to prepare them for availing employment opportunities in the emerging fields. Steps will be taken to control air and water pollution. Environment friendly industrial modernization. To avoid encroachments on public land, massive efforts need to be made to make available affordable houses to the middle, lower income and urban poor.

(Source Tenth Five-Year Plan, Government of NCT of Delhi, Planning Department)

4.38 The size of the Tenth Five-Year plan was finalized at Rupees 23,000.00 crore (at 2001-02 prices) with 90.48 percent as state's own resources (SOR) and 9.52 percent as central support. This represents an increase of 48 percent in the plan outlay as compared to the Ninth Five-Year plan. The Planning Commission fixed the growth rate for the Tenth Plan of Delhi at 10.63 percent. This GSDP growth rate includes sector growth rates of (-) 12.21 percent for agriculture, 6.90 percent for industry, and 12.01 percent for the services sector. One of the main features of the 10^{th} Five Year Plan of Delhi is to bring reforms in power, water supply & sanitation and transport sector. This reform process is also linked to significant changes in financing of the 10^{th} Five Year Plan of Delhi by increased dependence on own resources.

4.39 In terms of sector outlays the transport sector continued to occupy the top slot in the Tenth Plan (23.68%) followed by water supply (16.37%), energy (15.03%), urban development (12.78%), and medical and public health sector (10.36%). Education (general education, technical education, sports and youth), and art and culture together received 9.65% of the outlay. The large-scale investment in the Mass Rapid Transport System (Rs.1441.41 crore), Delhi Transport Corporation (Rs.618.00 crore), ring-railway in integration with (MRTS) (Rs.375.50 crore) and roads, bridges, flyovers etc. (Rs.2507.80 crore) led to a steep rise in the outlay for the transport sector that has a total outlay of Rs. 5446.71 crore. (Figure 4.1)

Figure 4.1: Tenth Five Year Plan (2002-2007) Sectoral Outlays



4.40 Local and autonomous bodies have been allocated 48.57 percent of the Tenth Plan outlay (2002-07) against 58.04% in the Ninth Plan Outlay (1997-02). As mentioned above, reforms in the power sector have reportedly led to substantial savings in plan allocation for the sector. Simultaneously, there have been substantial increases in plan programs of government departments. This is reflected in the relative decrease in the percentage allocation of plan funds for the local bodies as a whole (Table 4.6).

Table: 4.6-Agency- wise Plan Outlay under Ninth and Tenth Five-Year Plan

Serial. No.	Agency	Ninth Plan approved Outlay	Tenth Plan approved Outlay	Percentage Increase in Tenth over Ninth outlay
A	**Departments of Delhi Government**	**6521.08**	**11829.50**	**81**
B	**Local & Autonomous Bodies (1+6)**	**9020.20**	**11170.50**	**24**
1.	M.C.D	3118.75	3613.75	16
2.	N.D.M.C	94.10	73.75	(-) 22
3.	Delhi Jal Board	2532.00	3751.50	48
4.	D.D.A.	15.00		
5.	Slum wing (M.C.D.)	255.35	275.50	8
6.	Delhi Vidyut Board /Transco/Genco/ Power sector Reforms	3005.00	3456.00	15
C	**Total (A+B)**	**15541.28**	**23000.00**	**48**
D	Percentage share of local / Autonomous Bodies in total Plan Outlay	58.04	48.57	

Source Economic Survey of Delhi 2005-2006 (July 2006) Planning Department, Govt. of NCT of Delhi.

4.41 Resources in the Tenth Plan: A separate working group was set up to estimate the financial resources for the Tenth Five-Year Plan of Delhi which were as follows: (Table 4.7)

Table: 4.7 – Estimate of Resources for Tenth Five-Year Plan (2002-2007)
(Rs. in Crore)

Serial Number	Items	Tenth Plan Target: 2002-07 (at 2001-02 Prices)
1	**TAX REVENUE**	
1.1	Sales Tax	24875.41
1.2	Stamps & Registration Fees	2261.28
1.3	Taxes on Motor Vehicle	1383.00
1.4	State Excise	4033.00
1.5	Other Taxes & Duties on Commodities & Services	728.99
(i)	Entertainment Tax (including Cable TV Tax)	226.32
(ii)	Betting Tax	14.89
(iii)	Luxury Tax	487.78
1.6	Land Revenue	0.00
	Total – I (Tax Revenue)	**33281.68**
2	**Non Tax Revenue**	**2966.43**
3	**Total Revenue Receipt (1+2)**	**36248.11**
4	**Net Non Plan Revenue Expenditure.**	**17142.68**
5	**Balance from Current Revenue (BCR) (3-4)**	**19105.43**
6	Net Misc. Capital Receipt (MCR) (i-ii)	-611.96
(ii)	Capital Receipt	499.15
(iii)	Capital Expenditure	1111.11
7	Small Saving Loan	3200.73
8	Contribution of Public Enterprises	
(i)	DTC	-2036.92
(ii)	DVB	0.00
(iii)	DJB	-844.68
	Total (8)	-2881.60
9	Share in Central Taxes, P.F., Market Borrowings and Negotiated Loans.	1998.24
10	Opening Balance	

11	Delhi's own Resources Total (5 to 10)	20810.84
12	Central Plan Assistance	1842.50
13	Addl. Central Assistance for Externally Aided Projects	0.00
14	Other Grant from Center	346.66
15	**Aggregate Resources Total (11 to 14)**	**23000.00**

Resource Position:

4.42 From the above it would be seen that 90.5 percent of financing was to be from Delhi's own resources which meant Rs.20811 crore (including small savings loan of Rs.3201 crore) [31]. The balance of 9.5% was to be through central assistance of Rs.2189 crore. A statement indicating the mobilization of resources during first two years (2002-03 & 2003-04) of the Plan is indicated in Table 4.8

Table: 4.8-Achievement of Resources for First Two Annual Plans of the 10th Five-Year Plan (2002-07) (Rs in Crore)

Serial Number	Item	Tenth Plan (2002-07) (At 2001-02 prices)	Annual Plan 2002-03 & 2003-04 (At Constant Price)	Percentage achievement Annual Plan 2002-03 to 2003-04 (At Constant Prices)
1	Tax Revenue			
1.1	Sales Tax	24875.41	7920.53	31.84
	(Of which ARM)	(577.22)		
1.2	Stamps & Regd. Fees	2261.28	831.14	36.76
1.3	Taxes on Motor Vehicle	1383.00	319.65	23.11
	(Of which ARM)	(288.53)		
1.4	State Excise	4033.00	1368.68	33.94
1.5	Other Taxes & Duties on Commodities &	728.99	233.18	31.99

[31] **Mid-Term Appraisal of Tenth Five-Year Plan (2002-2007); Government of National Capital Territory of Delhi, Planning Department, November, 2004**

	Services			
(i)	Entertainment Tax (incl. Cable TV Tax)	226.32	66.30	29.29
	(Of which ARM)	(156.99)		
(ii)	Betting Tax	14.89	5.65	37.94
(iii)	Luxury Tax	487.78	161.23	33.05
	(Of which ARM)	(156.99)		
Total Tax Revenue		33281.68	10673.17	32.07
	(Of which ARM)	(1022.74)		
2	Own Non Tax Revenue	2966.43	1694.39	57.12
3	Share in Central Taxes	1998.24	619.50	31.00
4	Revenue Receipt (1+2+3)	38246.35	12987.06	33.96
5	Net Non Plan Revenue Expdr.	17142.68	6754.80	39.40
6	Balance from Current Revenue (BCR) (including Share in Central Taxes (4-5)	21103.67	6232.26	29.53
7	Contribution of Public Enterprises (i+ii+iii)	-2881.60	-2933.46	101.80
(i)	DTC	-2036.92	-1150.63	56.49
(a)	Non Plan Loan		-355.84	
(b)	Conversion of interest into non plan loan		-794.78	
(ii)	Delhi Transco Ltd.(DTL) /Delhi Power Co. Ltd. (DPCL) etc.	0.00	-609.15	
A	Non Plan loan to DVB by way of Diversion of Central Plan		-87.73	

	Assistance			
B	Subsidy to TRANSCO towards power tarrif.			
C	Non-Plan Grant to DPCL towards settlement of CPSU's dues.		-472.71	
(iii)	DJB	-844.68	-1173.67	138.95
(a)	Non Plan Loan		-612.86	
(b)	Conversion of interest into non plan loan		-560.81	
8	Net Misc. Capital Receipt (MCR)	-611.96	40.40	
9	Small Saving Loan	3200.74	7305.65	228.25
9.1	Pre-Payment of Small Saving Loan		2763.83	
9.2	Net Small Saving Loan utilized	3200.74	4541.82	141.90
10	Opening Balance		343.78	
11	Delhi's Own Resources Total (6+7+8+9.2+10)	20810.85	**8224.79**	39.52
12	Central Plan Assistance	2189.16	908.41	41.50
(i)	Normal Assistance	1842.50	693.45	37.64
(ii)	Addl. Central Assistance for Externally Aided Projects	0.00		
(iii)	Addl. Central Assistance for Specific Schemes.	346.66	214.96	62.01
13	**Aggregate Resources for Annual Plan (11 + 12)**	**23000.00**	**9133.20**	39.71
14	**Plan Expenditure**	**23000.00**	8528.51	37.08

Note:- Deflator use as 1.0314 for 2002-03 & 1.0677 for 2003-04

Source : Mid-Term Appraisal of Tenth Five-Year Plan (2002-2007); Planning Department, Govt. of NCT of Delhi.

4.43 The Delhi government's achievement of resources for funding the Annual Plans of first two years of the Plan was Rs.9133 crore which is about 40% of the Tenth Plan projection of Rs.23000 crore. The item-wise details of achievement of resources during first two years of Tenth Plan are as follows.

- During 2002-03 and 2003-04, Delhi government's achievement of own tax revenue was around 32 percent of the Tenth Plan target of Rs.33282 crore. The achievement lagged behind the target of 35 percent projected for first two years.
- Its own non-tax revenue was achieved to the extent of 57 percent of the Tenth Plan projection of Rs.2966 crore in the first two years. The Delhi government's achievement on this count is much above the target of 34 percent projected. This is mainly because of larger recovery of interest from public utilities like DTC, DJB etc. while releasing further loans. (This underplays to some extent the poor financial performance of these bodies).
- Delhi's non-plan revenue expenditure in first two years was around 39 percent of the Tenth Plan projection of Rs.17143 crore. The pace of expenditure is higher than the projected target of 38 percent for first two years.
- The likely non-plan support to the public utilities (like DTC, DJB etc.) to meet their non-plan deficits had exceeded the Tenth Plan projection of Rs.2882 crore. In the first two years itself, around 102 percent of the Tenth Plan projection has been exhausted.
- The most significant point to be noted is that in the first two years of Tenth Plan, the Delhi government has utilized small savings loan much in excess of the Tenth Plan projection of Rs.3201 crore. Delhi's utilization of this loan in the first two years was 142 percent of the Tenth Plan projection. One of the main reasons for such heavy utilization of small savings loan by the Delhi government was to fund its additional non-plan requirements including the non-plan support to meet the deficits of its public utilities etc.
- In the first two years of Tenth Plan, Delhi government received 31 percent of the projected share in central taxes of Rs.1998 crore. This is

below the target of 34 percent projected for first two years of the Tenth Plan. The reason is that the Government of India has kept Delhi's allocation of share in central taxes stagnant at Rs.325 crore since 2001-02.

- In first two years, Delhi government received about 42 percent of the projected Central Assistance of Rs.2189 crore for Tenth Plan.
- The availability of resources for Annual Plan during first two years of the Tenth Plan was about Rs.604 crore more than the plan expenditure of Rs.8529 crore during said period. As such, Delhi government had no resources problem for funding its plan during first two years of Tenth Plan.

Financial Features:

4.44 Some highlights of the financial features of Delhi[32] during the Tenth Plan period are:

- Delhi has had consistent revenue surplus since 1994-95. Its revenue surplus as percentage of GSDP was 2.78 percent in 2002-03.
- Delhi government has made premature payment of Rs.3181 crore upto the year 2003-04 to retire high cost loans. This has resulted in substantial saving of interest liability. This is one of the major steps towards prudent financial management.
- Delhi's own tax revenue was 7.14 percent of GSDP in 2002-03 as compared to 5.88 percent of GDP in case of all states taken together.
- Delhi's own tax revenue registered an annual average growth of 14.54 percent during 1994–2003 and its tax buoyancy during the said period was 0.98%.
- Delhi's share in central taxes has been stagnant at Rs.325 crore since 2001-02, while the other states are getting increased share in central taxes every year. The purported reason is that Delhi is a UT and is not covered by the Central Finance Commission. Thus, the present allocation of share in central taxes to Delhi is an ad hoc arrangement.
- Delhi's non-plan revenue expenditure has grown at an annual average rate of 16.23 percent during 1994-2003. This is higher than the growth of its own tax revenue of 14.54 percent during the said period. One of the principal reasons for this increase is the significant hike in

[32] **Ibid.**

the interest liability every year. Interest payment as a percentage of own tax revenue was 23.24 percent during 2003-04.

- Delhi's fiscal deficit was 3.22 percent of GSDP during 2002-03 as compared to the all-states figure of 4.70 percent of GDP during the same period.
- Delhi's outstanding debt was 15.24 percent of the GSDP at the end of March 2003 as compared to the corresponding figure of 27.88 percent of GDP in case of all-states. While it has taken just about ten years for Delhi to accumulate this outstanding debt, in the case of most of the other states the accumulation has been over a much longer period.
- Delhi's plan expenditure was 43.20 percent of its total expenditure during 2002-03 as compared to the all-states figure of 23.80 percent.

4.45 Some areas of concern[33]are:

- Heavy financial losses of public utilities in Delhi like DTC, DJB etc. constitute one of the major areas of concern. This is because their losses reduce resources available for funding the plan.
- Delhi government's outstanding debt at the end of March 2004 stood at Rs.13770 crore. The Delhi government has paid interest of Rs.1367 crore during 2003-04, which is around 23.24 percent of its own tax revenue during the year. Delhi's outstanding debt is increasing resulting in an increase in its interest liability every year.

GNCTD's "Vision" of Delhi as a Global City

4.46 Apart from the Plan documents, the state government has articulated a vision of Delhi as a global city (Box 4.6). What is being promised: a skyline with skyscrapers, a web of flyovers, fast lanes, multi-storied housing complexes, a line of malls and state-of-art transportation and road network. Is this truly the outline of a picture perfect global city and what it ought to be? Delhi is a capital city in layers, where remnants of the successive past live in strange juxtaposition. Now it is adding a new layer. The state government is attempting a makeover from a 'smoggy megalopolis' to a city which can be a global showcase for a world ever more inquisitive about India.[34] It is a steep, climb for a national capital that was long the staid

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[33] Ibid.

[34] Annexe-XI: A Makeover for Indian City 'Disjointed in Time', Anand Giridharadas, International Herald Tribune, September 26, 2005, pages 139-141.

company town of the national government, a place reeking of officialdom — a city, 'built for parades rather than people'[35].

Box: 4.6 – State Government's Articulation of the "Vision" of Delhi as a Global City – Some Voices

- In one of the very first formulations of the global city as an objective, the Delhi-21 Report (January 2001) declared that the strategic actions suggested in the report are expected to lead Delhi to 'a well managed, clean and dynamic city serving its citizens, the nation and the world.'
- The Chief Minister addressing senior officers in December 2004 declared that the intention of the state government was to create a 'world class city'.
- The draft Master Plan for Delhi-2021 (December 2004) proclaims, 'the Vision-2021 is to make Delhi a global metropolis and a world –class city, where all the people are engaged in productive work with a decent standard of living and quality of life in a sustainable environment.'
- The Lieutenant Governor, addressing the Delhi Legislative Assembly Budget Session in March 2005 recalled that in July 2004 he had shared with the members of the legislative assembly programs and policies of the government that 'would make Delhi a modern global city'. He informed the members that 'this vision of building a world-class city by adopting good governance practices in partnership with people continues to be an article of unshakeable faith with my government as well as its main building principle for the coming years.'
- The press also reported what leaders of Delhi say on the issue[36]:
  - 'A world class Delhi means a city which should enthuse its people and attract worldwide attention. We want to make Delhi such a city.' Chief Minister, Delhi.
  - 'A world class Delhi will be a city where every resident has a sense of owning the city and has an opportunity to contribute towards its development.' Minister Finance, Delhi.
  - 'Giving the city an international look will make it into a world-class city. It will be a city which gives a pleasant feeling to its people.' Minister Transport, Delhi.
  - 'A city with all modern facilities and good connectivity is a

[35] **VS Naipaul cited in Ibid.**
[36] **Asian Age February 13, 2005.**

world-class city. A world class city is also one that has a sound base in IT.' Minister Development, Delhi.

4.47 The press[37] report quotes the Delhi Chief Minister's vision of world-class city, 'When you look at a world-class city, it should be neat, clean, spic and span - with wide roads, aesthetically well developed. And of course intellectually sharp, something that attracts, that has a soul—culture, intellectual happenings'. This, says the correspondent, may seem like froth in a city that remains, like all Indian cities, a place of vast inequities and chronic poverty. Millions still languish in slums. The city's acute shortage of power and water are self-evident. However, the government is working to stimulate the atmospherics of a global metropolis even before a middle-income economy arrives, the trappings of a clean, green, hassle-free, world-class city. The widening of roads and bridges is saving commute times. A campaign has made a once barren city leafy. Delhi now has an underground commuter rail system and the air has become cleaner since late 1990s when taxis and buses were made to convert to compressed natural gas. In a city that was once 'very sedate', restaurants, bars, and nightclubs that seem lifted directly from New York or London are sprouting. The city now hosts the India Fashion Week.

Good Governance

4.48 The Lieutenant Governor, Delhi had advised[38] adopting of good governance practices. A vital input for the realization of 'visions' would be 'good governance' both as an objective and a process. The recognizable attributes of good governance are: effective functioning at all levels (state and local) for implementing a city development vision, and also mechanisms for conflict resolution. This should lead to task and resource sharing. A triad consisting of government, civil society and the private corporate sector discharges multifarious responsibilities. Governance is possibly the cumulative outcome of their actions, reactions, and interactions. For our purposes, we believe good governance ought to result in orderly organization of the city's vision and the administration of events and processes leading to a realization of the vision. The maintenance of a

[37] A Makeover for Indian City 'Disjointed in Time', Anand Giridharadas, International Herald Tribune, September 26, 2005
[38] Address to Delhi Assembly Budget Session March 2005

rhythm and reasonable equity in the distribution of the results of realizing the vision are important components.

4.49 We have considered the ingredients of a common city vision. We have noted that a shared vision of the city ought to inspire administrative units and political executive at different levels to discharge their respective roles in an effort to attain common goals. We briefly touch upon a few other aspects that have the potential to influence outcomes.

- Strengthening the planning, programming, monitoring and coordination capabilities of departments of the state government (particularly the Urban Development Department) and the urban local bodies appears to be an inevitable necessity.
- A common city development strategy for a host of objectives, ranging from cultural and heritage buildings to collaboration on local economic development, should provide the scaffolding for implementation strategies.
- Correct assessments of urban systems are important for policy and program development. Integrating the planning process is vital. The multiplicity of planning fora hurts operational efficiencies.
- Resource pooling – administrative, technical, financial – should also help based on mapping of area-specific problems and an appreciation of each agencies limitations and capacities.
- A major factor would be a financial, functional and operational reform agenda.
- Urban governance can and must be measured periodically, and a mechanism to assess and monitor the trajectory of a global city needs to be set up. This mechanism can continuously review developments in this direction holistically, including from the important trade/business development perspective essential for a modern global city.

4.50 Our brief review of the “city vision” factor in the management of Delhi makes certain aspects self-evident. Not surprisingly, there have been different visions at different points of time, but multiple visions are not proof of any progress in the evolution of city visions. They only reflect the other ill plaguing the city: a multiplicity of planning bodies. The number of visions are not necessarily even successors to each other. They have often coexisted. There is no vision that can be treated as 'the' city vision. 'City visions' have been products of different organizations which draw up "stand-alone visions" with very little conceptual integration. The organizations often end up functioning at cross purposes. Consequently, most visions have ended up with huge shortfalls. 'The vision' is frequently over taken by unforeseen events. There have been very few attempts to introduce mid-course corrections. In such circumstances, delayed preparations of, for example, the DDA master plan can only exacerbate complications. It cannot ensure effective implementation because visions need executive plans and resource mobilization. The net result is that the state government which feels answerable to the citizen has neither any control over the development agenda nor over agencies such as the DDA and MCD. Visions succeed visions, with none being, effectively translated on ground. This, of course, highlights the need for a single body being responsible for the development agenda and city management. No agency is more answerable than the state government and enunciation of the 'city vision' should appropriately be its prerogative.

Chapter-5

Interplay of Mega-Events and the Population Factor

The National Capital Region Planning Board Plan

The National Capital Region Planning Board Act, 1985 postulates decentralization of economic activities in a wider region and a cap on the establishment of new offices, government undertakings, industry, institutions etc in Delhi. However, this has not happened.

Implementing the DDA Master Plan

The DDA Master Plan (1962) had warned that, 'in a planless (sic) regime, development is affected by inconvenient time lags on an ad hoc basis – a process like organizing fire fighting services as and when a fire occurs. Development when carried out in this piecemeal, erratic, and inconsistent manner inevitably costs much more in the end; economies which could be effected through timely and systematic planning are no longer possible.'

A review of Delhi Master Plan states that, 'the inescapable conclusion of this review is that planned development has not taken place in a planned manner. Ironically, whatever implementation has taken place, has been mainly in response to the pressures developing from place to place and from time to time and not in accordance with a definite time-sequence of a well-conceived program.

Efforts to secure the planned development of Delhi or its hinterland, the National Capital Region, have apparently not made much headway. This is putting tremendous pressure on the National Capital Territory. Delhi has been growing at about 1000 persons per day (350,000 per annum) for a number of years. Approximately, 225,000 of these are the result of Delhi's own growth (14 million growing at the rate of 1.6 percent per annum) with the balance coming from in-migration. Assuming 100,000 of the growth is absorbed in the existing fabric of the city, serviced land is needed to settle 250,000 persons per annum; i.e.1000 hectares at a moderate density of 250 persons per hectare.

5.2 Release of land for housing with the requisite on and off-site infrastructure services like water supply, drainage, roads plus social infrastructure such as hospitals, schools, police and fire stations etc. has not matched this growth. Some of the evidence is to be found in some of these services affecting health: almost annual outbreaks of water borne and waste related disease; less than 40 percent of liquid waste being treated; inefficient solid waste management with labour productivity at 0.15 tonnes per worker per day; the critically low capacity of the existing and identified landfill sites; solid wastes and street sweepings finding their way into drains, waterways and sewers; flooding is a fairly regular feature of the monsoons. Again, approximately 6 million of Delhi's residents live in poverty or deprived conditions of one form or another; 3.5 million in JJ clusters and 2.5 million in service deficient areas. The Delhi-21 report says that 'unless urban management practices change, most of today's population growth will soon be living in tomorrow's deficient areas'.[1]

5.3 The challenge lies in making good the present deficiencies and catering to future growth. This, apart from implying mobilization of resources and management of expenditure, requires developing new service infrastructure and upgrading programs to serve around 700,000[2] persons per annum for quite some years to come. Of course, the assumption is that present trends and levels of migration will continue.

5.4 Several factors, individually or collectively, could be responsible for the explosive growth of Delhi. In the first place are the push factors-- the inability of the National Capital Region to absorb the migrating numbers. This is reflected in the poor quality of life in the Priority Towns or towns in the Delhi Metropolitan Area, These towns exhibit a poor status of infrastructure and services and an inadequate employment potential. It could also be a consequence of pull factors – unplanned projects, activities, and events in the National Capital Territory overtaking the planned management of city development.

5.5 Generally, however, Delhi's runaway growth is broadly attributed to two factors: rapid urbanization and explosive population growth. Increase in population requires an expansion of facilities – physical and socio-economic. Improvements, involving the creation or upgrading of facilities, attract larger migration. This sets up a vicious circle of cause and consequence.

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[1] Delhi Urban Environment and Infrastructure Improvement Project-Delhi 21; Government of India, Ministry of Environment and Forests and the Government of National Capital Territory of Delhi, Planning Department, January 2001.
[2] Ibid

5.6 The rising population graph is only the most visible expression of a combination of factors – policy decisions, inadequacies of implementation, socio-economic trends, and mega events that have shaped and will continue to shape the city's development needs and management constraints.

5.7 Political events, national and international sporting events, cultural and religious festivals have frequently determined and changed the course of the city's growth. The impact of such mega events has often overtaken the natural growth of the city. Today, the urban scene presents a picture of severe housing shortage, stress on physical and social infrastructure, congestion, dilapidation, pollution, degenerated river and water bodies, overstressed transport system, and large scale squatting, unauthorized constructions and misuse. Table 5.0 introduces the extent of the physical infrastructure gap.

Table: 5.0-Physical Infrastructure Gap in Delhi

Service	Demand	Supply	Gap
Water (mgd)	1024	580	444
Sewerage (mgd)	900	280	620
Power (mw)	2739	2352	384
Solid waste (mt)	6735	5543	1192

(Source: Physical Infrastructure Sub-Group, Delhi Development Authority, 2000)

This chapter seeks to analyse the interplay between:

I. mega events
II. significant developments in the administrative and institutional sphere
III. population factor.

Mega Events

5.8 Clearly, some of the mega events are autonomous developments and others are reactions to perceived needs. Some of them alter the administrative framework and processes, while others represent changes in the socio-economic conditions. Box 5.0 traces some of the mega events that have triggered growth or shaped the responses of Delhi.

Box: 5.0 - Mega Events

- 1947- About half a million refugees sought shelter in Delhi, thus almost doubling its population.
- 1950- India declared a Republic, marked by an impressive and extravagant parade and procession at the Central Vista that has become an annual event.
- 1951- Asian Games held.
- 1955- UNESCO Conference held. Vigyan Bhawan built.
- 1957- First International Trade Fair held.
- 1968- UNCTAD Conference held.
- 1972- Asian Trade Fair held. Trade fair ground in the center of the city covering about 80 hectares of land developed. Thereafter it became an annual event, with round the year national and international trade fairs.
- 1975- Jawaharlal Nehru University established in 400 hectares.
- 1982- Ninth Asian Games held.
- 1985- Indira Gandhi Open University established.
- 1987- Influx of families from the state of Punjab began.
- 1990- Influx of families from the state of Jammu and Kashmir began.

5.9 Delhi is no longer just the national capital. It is a center for politics, business, sports, culture and education. It has emerged as a nerve center for national and international events. The mega-events that take place over a short period of time attract massive numbers of visitors. They also demand commitments of large amounts of land, human resources, building materials, and infrastructure.

5.10 Mega events have often shaped the responses of and developments in the city. One can recall the migration in the immediate aftermath of Independence and that coinciding with the 'build up' to the ASIAD in 1982. The population influx occasioned by both the events was reflected in the substantial increases in population recorded by the Census of 1951 and 1981. In 1941 the population of Delhi was 917939. In 1951 it was 1,744,022 and the decadal growth rate was 90 percent. Similarly, the population grew from 4,065,698 in 1971 to 6,220,046 in 1981 recording a decadal growth rate of 53.00 percent. In the 1981-1991 decade there was a marginal downturn (51.45 percent) and a further decline in the 1991-2001 decade (47.02 percent).

Nonetheless, population remains a major factor in determining the future growth of the city.

5.11 Again, the Ninth Asian Games of 1982 involved an investment of about Rupees 10,000 million, construction of three major stadiums (Indoor Stadium of 30,000 capacity, Jawaharlal Nehru stadium of 75,000 capacity, Talkatora Swimming Pool), 11 five-star hotels, development of ring railway system, Asian Games Village (54 hectares), media centers, exhibition, conference halls and theaters, flyovers etc. Estimated labour employed for games related projects was 2,50,000.

5.12 One of the major challenges is to utilize the infrastructure and to provide jobs to those rendered unemployed after the event. While on the one hand mega events and projects are believed to add to the prestige of the city, they also pose serious difficulties of shelter, traffic management, and municipal services.

5.13 The question that should be of some concern is whether the planning system has sufficient resilience to absorb such unplanned mega events and mitigate their adverse effects. Regulatory mechanisms too will need to be put in place. The challenge lies in using the momentum of the big event creatively to bring about changes advantageous to the city. It is also necessary to ensure that profits from mega events are ploughed back to the lasting benefit of the city.

5.14 The influx of families from the states of Punjab and Jammu and Kashmir in the late 1980s and early 1990s not only meant devoting financial resources to relief and rehabilitation measures but also entailed commitment of physical assets to house the families. This meant making available premises intended to serve as Community Work Centres, student or youth facilities, land earmarked as district centres, among others. Similarly, new administrative mechanisms (Trans-Yamuna Development Board, Women's Commission, OBC Commission, Rural Development Board); new initiatives (Bhagidari, privatisation of power distribution, reorganization of the DSS&DDU into the DJB), create their own compulsions and situations. While they seek to address specific issues perhaps more intensively, they also demand commitment of resources. Again, the setting up of the GGS Indraprastha University in Delhi together with the privatisation of higher education have triggered off a process of Delhi's emergence as a national centre of higher education with more than a 100 colleges affiliated to it springing up in Delhi in the last couple of years.

5.15 The micro effects include the impact on traffic management, physical and social infrastructure/city services, labour and employment, real estate, markets, housing and law and order. It is necessary to work out the scale and duration of self-contained mega-events, and, the short and long range impacts as also the multiplier effects of these events.

5.16 In Delhi many mega events are provoked by factors outside the control of the state and often take place without adequate provision of required infrastructure. Activities keep proliferating around the original event. Although the NCRPB has been suggesting, for decades, that certain activities be relocated in the NCR this has not happened. Most such events have struck deep roots. In such circumstances, it is desirable to either (a) limit the scale so that their requirements are confined within their premises, or (b) to augment services and mass transport so that generation of individual traffic and parking demands are reduced. The measures taken in recent years, in respect of the International Trade Fair, suggest that alternative (b) is being relied upon.

5.17 This brings us to the Commonwealth Games of 2010. Considerable resources will be required for creating the required facilities. Indeed, in the foreseeable future, the metro rail, the needs of the rising middle class, the continuing population influx, and the forthcoming games will have a profound impact on Delhi's skyline and facilities.

5.18 The major impact is the creation of physical infrastructure. The state government perceives a need for funds for flyovers, grade separators, road widening, installation of better signage systems, decorative street furniture, better street lights, provision of mechanical sweepers and decorative dustbins, a hospital in the Games Village, ambulance services, training expenses and disaster preparedness and, of course, up-grading stadiums. The NCT of Delhi, in short, 'wants to upgrade the infrastructure in Delhi so that it can be compared with the best in the world and the games can be used to promote Delhi and India as the ultimate tourist destination, which is rich in cultural diversity and has world class facilities.' The additional requirement of funds projected to Union Ministry of Sports in May 2005 in connection with the Commonwealth Games of 2010 is Rupees 1314 crore (Table: 5.1).

Table: 5.1 – Projected Additional Fund Requirement for Commonwealth Games

Name of Agency	Additional Funds Required (Rupees in crore)
MCD	190.00
PWD	598.60
Transport	270.00
UD/PWD	100.00
NDMC	50.00
DJB	40.00
Health and Family Welfare	63.60
Directorate of Education	2.20
Total	**1314.40**

Significant Developments: Administrative and Institutional Sphere

5.19 It is well recognized that institutions are the fundamental cause of long run growth[2]. And like ideas and institutions, governance matters.[3] Events and institutions interact to shape and transform arrangements and administrative linkages. From just the New Delhi Municipal Committee of 1927 to the National Capital Territory status of 1991, from the Delhi Development Authority and the Municipal Corporation of Delhi in 1957, to the National Capital Region Planning Board in the mid 1980s, from the Metropolitan Council to the Delhi legislative assembly with an elected government in 1991, the state has covered long distances in the search for answers and solutions. Delhi's transition to a National Capital Territory with a legislature and the 73rd and 74th constitutional amendments are important developments. One transformed the substance and processes at the state government level; the other altered the relationship between the state government and the local bodies. The tenure of the local bodies was secured; so was their functional jurisdiction and access to finances. Box 5.1 (a) to (d) summarizes illustratively

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[2]'Institutions as the Fundamental Cause of long run Growth,' Daren Acemoglu, Simon Johnson, and James A. Robinson, Working Paper 10481, May 2004, National Bureau of Economic Research.

[3] 'Growth without Governance', Daniel Kaufmann and Aart Kraay; Policy Research Working Paper 2928, November 2002; 'Governance Matters-II, Updated Indicators for 2000-2001,' Daniel Kaufmann, Aart Kraay and Pablo Zoida-Lobation, Policy Research Working Paper 2772, February 2002; 'Governance Matters-III, Governance Indicators for 1996-2002, Daniel Kaufmann, Aart Kraay and Massimo Mastruzzi, August 2003, World Bank Development Research Group and World Bank Institute, Governance, Regulation, and Finance Division.

some of the more significant developments in the administrative and institutional sphere[4]

Box: 5.1-The Administrative Trajectory[5]

- 1927-Raisina Municipal Committee re-designated as the New Delhi Municipal Committee
- 1950- Delhi declared a Part-C State.
- 1956-Delhi becomes a Union Territory.
- 1957- Municipal Corporation of Delhi Act enacted.
- 1958- Municipal Corporation with elected members formed.
- 1966-The Delhi Administration Act, 1966 enacted by Parliament.
- 1991-The 69th Constitutional Amendment and the National Capital Territory Act, 1991 passed.
- 1993- First assembly of the NCT elected.

Box: 5.1a- Post-1991Developments within the GNCTD

- 1995-DMRC notified as a company under the Companies Act.
- 1996-DTC transferred from the central government to the GNCTD. Directorate of ISM and Homeopathy set up.
- 1997-Single revenue district was reorganized into 9 districts with 27 sub-divisions.
- 1998- GGS Indraprastha University established. First phase of Metro Rail Service commenced. Directorate of Higher Education and Delhi Institute of Heritage Research and Management established.

Box: 5.1b-Planning Development Framework

- 1962-Delhi Development Authority prepares the first Master Plan for Delhi-MPD-1962.
- 1980- National Capital Region Planning Board prepares the first Regional Plan-2001.
- 1990- Master Plan for Delhi-2001 prepared by DDA.
- 1993- Delhi got its own Consolidated Fund.
- 1996- Pattern of state plan funding changed.
- 2005-Regional Plan-2021 prepared by the NCRPB.
- 2005-Master Plan-2021 prepared by the DDA.

(Note- Sub-Regional Plan for NCT under the Regional Plan-2021 reportedly to be prepared by DDA).

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[4] Annexe XII: A chronological list of events indicating their main impact, pages 142-146
[5] Box 5.1 to 5.1d are only illustrative not exhaustive.

Box: 5.1C-The Urban Local Bodies Framework

- 1991-73rd and 74th Constitutional Amendments according constitutional status to the third level of governance.
- 1994-Amendments in the relevant statutes of the MCD and the NDMC as required by the constitutional amendments.
- NDMC remains a nominated body but regular elections to the MCD are now held.
- Provides for constitution of a State Finance Commission every five years.
- Brings about a fundamental change in the equation between the state government and the local bodies.

Box: 5.1d-National and State level Economic Policy Changes

- 1991-Policies of economic liberalization adopted at the national level.
- 1997-DESU replaced by DVB.
- 1999-Delhi water Supply and Sewage Disposal Undertaking reorganized as Delhi Jal Board.
- 1999- Strategy Paper on Power Sector Reform prepared. Delhi Electricity Regulatory Commission set up and made functional.
- 2001- Delhi Electricity Reform Act, 2000 notified.
- 2001- DVB unbundled and power distribution privatized.
- 2002-Delhi metro Rail service commenced.
- 2004- Construction of a number of flyovers was completed.

5.20 Has this encouraged a greater sense of responsibility and better coordination between assignment of roles, discharge of functions, and efforts to meet city needs at each level of governance? We shall now examine this against benchmarks related to statutory provisions, functional effectiveness, and financial efficiencies.

5.21 Administrative Centre: Delhi is a very important focal point of the country's socio-economic and political life. It has functions peculiar to a national capital city with the presence of, foreign embassies and missions, research and cultural organizations. In the rest of the NCR, employment in the government or semi-government sector is mainly in district towns. There is, in fact, no comparison between the functions at the district (or even the divisional) level and the national or international level that characterizes the economic operations in the NCT.

5.22 Delhi, as the seat of the central and state government, has quite a few policy and operational implications. Consider, the following illustrative examples:

(i) employment in the government and public sector has been increasing at a rapid rate.

(ii) a large population of government and semi-government employees with no sizeable reduction in sight.

(iii) the goal of the Regional Plan-2001 to secure the re-location of public sector offices has not materialized.

(iv) the large number of government buildings restricts the property tax base of local bodies.

(v) it also does nothing to reduce their expenditure liabilities on the provision of services and civic amenities.

(vi) norms for provision of infrastructure, amenities, and services are pegged at much higher levels.

(vii) the services are under much closer scrutiny of the national media and susceptible to judicial interventions.

(viii) the growing middle class and higher consumption expenditure implied has meant that citizen expectations are also pitched much higher.

Delhi's role as the national capital and location of foreign missions, cultural and research organizations do not provide an adequate explanation for the magnetic pull of the city. It will at best only point toward the need for higher-level norms and larger volumes of investment.

5.23 Four exceptions to the general scheme of devolution as envisaged by the constitutional amendments (as applicable to Delhi) can be noted.

- In the first place, though elected representatives stand automatically nominated, the New Delhi Municipal Council essentially remains a nominated body.

- Next, the panchayats having been done away with, the welfare and needs of the rural areas and population have been subsumed in the charter of the Municipal Corporation of Delhi.[6]

- Further, the Metropolitan Planning Committee to oversee the planning function has not been constituted in the National Capital Territory.[7]

- Finally, the central government has retained substantial control over the functioning of the local bodies in the national capital no other set of local bodies face a similar situation.

All these exceptions have an impact on the interface and resources of both the state government and the urban local bodies.

5.24 Next, we need to note the proliferation of special purpose implementation vehicles. Some of these were based on administrative decisions, while others were a compulsion of constitutional and statutory provisions. They include the commissions for public grievances, other backward classes, women, and minorities, boards for recruitment of subordinate staff and rural development, institution of the Lokayukta, directorates for higher education, Indian system of medicine and homeopathy, the Delhi Nursing Council, institute for heritage, research and management. It also includes new organizations and responsibilities as reflected in the transfer to the GNCT of DTC from the central government, or takeover by the state government of three colony hospitals from the MCD. The conversion of the DSS &DDU into the DJB also placed the water supply and sewerage disposal function directly under the control of the state government. The multiplication of bodies has many implications on cost efficiencies, availability of resources and their utilization.

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[6] Incidentally, it needs to be noted that, while almost 93 percent of the National Capital Territory population is identified as urban, the balance 7 percent still means a population 9.63 lakh i.e. around a million. Urbanized land represents only 60.09 percent of the territory. This implies 891.09 square kilometres. And there are still 165 villages-158 inhabited and 07 uninhabited villages. This has two implications. First, it suggests that the rural hinterland does not seek greater allocations in favour of itself. Second, some of the rural areas will disappear under the normal processes of urbanization. Nevertheless, some of it will be subject to the same pressures of unplanned expansions of population, residential colonies or industrial and commercial clusters. Therefore, the municipal body charged with servicing the rural belt and the state government with the economic development of the area need to watch the provision of amenities, infrastructure and services very carefully if the area is not to be swamped by the very same unplanned growth the Master Plan-1962 had cautioned against.

[7] Therefore, the planning function remains fragmented. Quite apart from the NCRPB which at least plans for a region beyond the NCT also, the agencies having a say in the planning for Delhi include a number of central government agencies, like the DDA, the departments of the state government and the urban local bodies. This makes for a very complex situation. Indeed, the local bodies have weak planning arrangements.

5.25 The post-1991 period has also been witness to procedural and systemic changes. Important milestones are: the privatisation of power distribution, and the Bhagidari scheme that seeks to involve the citizen in the delivery of services. Efforts in the sphere of environment management—tree plantation to increase green cover, the 'no crackers' and 'say no to plastic' campaigns--similarly are 'involve-the-citizen' steps. These constitute participatory measures.

5.26 **Impact of economic liberalisation on administrative/institutional arrangements**: In an era of economic liberalization, cities face the challenge of inter-city competition at both the national and international levels. The goal of a world-class city encompasses the ambition of casting Delhi in a stellar role. However, a city is both a **place** and an **outcome**. Good governance and responses to inter-city competition do matter for city-level performance. A few crucial issues:

- First, dynamic pressures from expectations and accountability result in better performance at the city level.
- Furthermore, there are particular and complex interactions between technology choices, governance and city performance.
- There is also evidence of a non-linear (u-shaped) relationship between city size and performance. Very large cities need not necessarily exhibit lower performance.
- Indeed, in seeking the status of a world-class city, the most frequently used expressions are 'networked' and 'flows'. Many, in fact, find a significant relationship between city-level performance, governance and globalisation.

5.27 **A World-Class city is a Place[8]:** It is a location within the world, defined with precise city boundaries, but plugged into a global space of flows such as foreign direct investment that comes along with the decisions, companies make, to locate in particular cities. It includes the flow of people who come to

[8] Daniel Kaufmann, Frannie Leautier, and Massimo Mastruzzi, Governance and the City: An Empirical Exploration into Global Determinants of Urban Performance

work for these companies or key business visitors, and also the flow of goods and services that are produced by these companies. A global city would get value out of its indigenous characteristics such as its past investments in critical infrastructure and the quality of its institutions. Such a city would also get benefits from companies locating in that city and conducting economic activities in areas such as banking, finance, accounting, law, or advertising. Urban political executive and managers would therefore presumably be seeking out to attract such companies and provide key inputs and incentives, which such firms would need.

5.28 **A World-class city is an Outcome[9]:** A world-class city is a sustained achievement of *performances.* This can be measured as the quality and reliability of services a city provides to its citizens (access to telephone services, water, or electricity), and the degree to which a city involves its residents in decision-making and is responsive to their demands. Such a city would have relationships with other cities and key players in the global economy.

5.29 The first definition of a globalised city[10] (as a place) refers to cities that have a leadership role at the international scale, are externally oriented towards a global economy, have a high ranking in the world's urban hierarchy, or serve as a major gateway for migration. Analyses of a globalised city have included a number of indicators such as the seven defined by Friedman (1986):

(a) the financial assets of a city such as its capital and equity markets;

(b) a city's endowment of key infrastructure which firms and citizens would respond to in terms of their decisions to locate there,

(c) the size of the city in terms of its population with the assumption that benefits of agglomeration are important;

(d) the availability and concentration of key business services and advanced producer services such as credit rating, risk management, and multi-jurisdictional law;

(e) the importance of a city's manufacturing output;

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[9] **Ibid**
[10] **Ibid**

(f) how many transnational corporations have located their headquarters in a city; and

(g) the presence of international institutions in the city.[11]

5.30 Other authors have used indicators such as the presence of Internet domain names (Townsend, 2001);[12] the extent of public-private partnerships (Kresl, 1995);[13] measures of cultural vitality (Smith and Timberlake, 1995);[14] the proportion of foreign residents in the city (Doel and Hubbard, 2002);[15] and the numbers of service sector employees in the city (Doel and Hubbard, 2002).[16]

5.31 Very few authors have carried out empirical investigation using the second definition of globalised cities (as an outcome), which considers scale (size of a city and its economy including private sector activity) or services (access to social services) as something produced rather than given, requiring cities to constantly perform to remain influential in a global world. New literature[17] focuses on connectivity of cities within a network

5.32 A study was done by Nasscom and Mckinsey regarding the global IT and BPO industry and some relevant extracts are at Box 5.2.

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[11] J Friedman, " The World City Hypothesis", ***Development and Change*** **17. 1986.**
[12] A. Townsend 'The Internet and the Rise of the New Network Cities' ***Environment and Planning B: Planning and Design*****.2001.**
[13] P.Kresl "World Cities and the Organization of Global Space, in PJ Taylor and MJ Watts (eds) ***North American Cities and the Global Economy*****, Beverly Hills: Sage. 1995**
[14] DA Smith and M Timberlake. 'Conceptualizing and Mapping the Structure of the World Systems City System', ***Urban Studies*** **32. 1995.**
[15] MA c: Marketing the City is Global Space of Flow'. ***City6 (3)*** **2002.**
[16] ***Ibid*****.**
[17] S Sassen, 'Locating Global Cities on Global Circuits'. GAWC Research Bulletin No. 46.
M. Castells, 'Materials for an explanatory theory of the Network Society. British Journal of Sociology 51
Doel and Hubbard. 'Taking World Cities Literally'.

Box 5.2: NASSCOM-Mckinsey Report December, 2005

NASSCOM-Mckinsey Report December 2005

Study: Extending India's Leadership in Global IT and BPO Industry

- Study states that IT and BPO industry is the growth driver of the Indian economy
- Defines winning strategies & imperatives for extending India's leadership in the global IT and BPO industries
- Assets that significant untapped potential exists in global IT and BPO market
- For BPO players, NASSCOM and McKinsey have jointly developed a benchmarking framework called Process 360 to help providers identify key operational gaps

Based on the industry's experience over the last three years and the changing nature of customer needs, the report emphasises underlines the fact that a new approach needs to be followed by Indian IT companies in the coming years, to extend their global leadership position. The **Report** assesses the evolving landscape, lays out the strategic and competitive factors that will influence India's global standing in the IT and BPO industries, and describes the growth opportunities that companies should explore.

Urban infrastructure needs immediate attention, as off-shoring companies' deal with bottlenecks ranging from power to cafeterias. Further growth will have to come from entirely new business districts outside of Tier I and Tier II cities.

Industry dynamics suggest at least four possible **winning approaches for the next five years**:

- **Global Champion:** Full-service global IT and BPO provider offering multiple service lines and integrated solutions to large global companies
- **IT specialist:** A focused IT-oriented service provider with a top five position in at least three or four major industry verticals and cross-industry service lines (such as infrastructure management services)
- **ADM (Applications Development & Maintenance) factory:** One of the top three global low-cost providers of applications development and maintenance services through a "lean" operating environment built on a manufacturing mindset and superior scalability of operations
- **Specialist BPO providers:** Three types of specialized BPO providers appear possible:
    - An operator of industry-standard transaction or platform-based services e.g., card processing;
    - A top three custom BPO services provider with distinctive capabilities in transition, process automation and re-engineering of customer processes;
    - A top three global player providing highly skilled services such as chip design, aerospace engineering, or chemical plant engineering

These four winning approaches will emerge over the next 3 to 5 years requiring companies to make deliberate choices about investing in specific horizontal and vertical IT and BPO capabilities and rewiring sales, solutioning and delivery accordingly. Companies that expect to earn superior returns over a sustained period will adopt one or more of these winning approaches and focus relentlessly on creating a recognized world-class platform.

5.33 While uncovering the variables that drive the dynamics of city growth and performance, we particularly look at the role of governance. We can view the two definitions of a globalised city as complementary hypotheses. Simply: the first definition (particularly regarding 'companies locating in cities and conducting economic activities in areas such as banking, law, or advertising') is to be seen as a potential input to sound urban performance. The second definition ('achievement of performances', including service delivery) is to be seen as the outcome of various inputs. Such a construction builds on the Tiebout (1956) hypothesis[18] of "voting with your feet": a city with good performance in terms of amenities it provides to its inhabitants (schools, health services, parks) attracts more migrant residents who "vote" to locate there. Such cities would therefore grow in size. The position is similar with respect to location of firms. Well performing cities are well managed and hence likely to be even better performing.

Population Factor

5.34 Population is a continuing mega event and has several implications as a determinant of socio-economic trends. The phenomenal inflow of numbers has evident impacts on the 'carrying capacity' of the city and its ability to cater to the needs of housing, employment, services, and amenities. The qualitative side is somewhat more complicated. Several aspects would be relevant: the median age, the per capita income levels, the levels of skills and talent. These sets of variables will determine the role of the city as a consumer and as a producer.

5.35 For example, a young English speaking population provides a platform for expansion of the IT/ITES and BPO sectors. The expanding middle class and rising per capita income are the basis for a deep and wide consumer market. However, against this we need to juxtapose the very real difficulties posed by growth of slums, encroachments on public lands, proliferation of degraded residential colonies, and the need for servicing these clusters, the loss of talent, leading to the decline in the status of Delhi as a favoured IT investment destination.

5.36 The total urban population of Delhi today exceeds 13 million. While Table 5.2 tracks the growth of four mega cities between 1951 and 2001, Table 5.3 covers the data from 1951 to 1981 in respect of metropolises. Both sets of data confirm that the growth of Delhi has been nothing short of spectacular. It

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[18] **M Charles Tiebout. 'A Pure Theory of Local Expenditures'. *Journal of Political Economy* 64. 1956.**

has consistently outstripped the growth of all other cities in every decade after 1951. The four-mega cities - Delhi, Chennai, Kolkata and Mumbai - together account for more than 17 percent of the urban population in the country, and Delhi's share of this is 4.48 percent. This makes Delhi the third largest city in the country but the fastest growing among these four. The projections, for the next two decades, indicate that the trend is likely to persist. The population of Delhi is projected to rise to 18.20 million by 2011 and 23.00 million by 2021. This by itself is surely cause for concern.

Table: 5.2-Comparative growth for 4 Mega Cities in India, 1951-2001

Cities	**Greater Mumbai (UA)**		**Kolkata UA**	
Year	**Population (Persons)**	**Decadal Growth Rate (%)**	**Population (Persons)**	**Decadal Growth Rate (%)**
1.	2.	3.	4.	5.
1951	2,966,902	-	4,669,559	-
1961	4,152,056	39.95	5,983,669	28.14
1971	5,970,575	43.80	7,420,300	24.01
1981	8,243,405	38.07	9,194,018	23.90
1991	12,596,243	52.80	11,021,918	19.88
2001	16,368,084	29.94	13,216,546	19.91
Average		**40.91**		**23.17**

NCT-DELHI		**Chennai UA**	
Population (Persons)	**Decadal Growth Rate (%)**	**Population (Persons)**	**Decadal Growth Rate (%)**
6.	7.	8.	9.
1744072	-	1,542,333	-
2658612	52.44	1,944,502	26.08
4065698	52.93	3,169,930	63.02
6220406	53.00	4,289,347	35.31
9420644	51.45	5,421,985	26.41
13850507	47.02	6,424,624	18.49
	51.37		**33.86**

Source: Census 1951, 1961, 1971, 1981, 1991 and 2001, Census of India as quoted Regional Plan 2021 (NCRPB, Ministry of Urban Development, Govt. of India)

Table: 5.3-Growth of Metropolises of India 1951-81

	Population in Million				**Growth rate %**		
Metropolis	**1951**	**1961**	**1971**	**1981**	**51-61**	**61-71**	**71-81**
Calcutta	4.59	5.74	7.03	9.19	25.0	22.6	30.8
Gr.Bombay UA	2.97	4.15	5.97	8.24	39.9	43.8	38.2
Delhi UA	1.44	2.36	3.65	5.73	64.2	54.6	57.1
Madras UA	1.54	1.94	3.17	4.29	26.1	63.0	35.3
Hyderabad UA	1.13	1.25	1.80	2.55	10.8	43.8	41.7
Ahmedabad UA	0.88	1.21	1.74	2.55	37.5	44.4	46.3
Bangalore UA	0.78	1.20	1.65	2.92	54.6	37.8	76.7
Kanpur UA	0.70	0.97	1.27	1.64	37.7	31.3	28.5
Pune UA	0.60	0.79	1.14	1.69	30.6	43.5	48.5
Nagpur UA	0.49	0.69	0.93	1.30	42.2	34.8	39.9
Jaipur UA	0.30	0.41	0.64	1.01	34.8	55.2	59.4
Lucknow UA	0.50	0.66	0.81	1.01	32.0	24.1	23.8
Total Metropolises	15.92	21.37	29.80	42.12	34.2	39.5	41.3
All India (Urban)	62.44	78.94	109.11	159.73	26.41	38.23	46.39

UA- Urban Agglomeration

Sources : 1. Census of India, 1971 – Part IIA(i) General Population Tables, Delhi

2. Census of India, 1981 – PartIIB(i) Primary Census Abstract, India.

5.37 **Demographic Trends**: **The National Capital Region:** In 2001 the National Capital Region had a population of 370 lakh. The relative share of Delhi in the population of the NCR has been steadily increasing during the last two and more decades. The share of various components of the NCR is shown in Table 5.4. The share of both Uttar Pradesh and Haryana indicates a declining trend. However, Delhi has been adding to its numbers continuously. Its share rose from 25.11 percent in 1961 to 32.41 percent in 1981 and then to 34.43 percent in 1991 and 37.22 percent in 2001. The shares of Haryana and Uttar Pradesh have declined: in the case of Haryana from 25.74 percent in 1981 to 23.46; in respect of Uttar Pradesh from 36.31 percent in 1981 to 31.24 percent.

Table 5.4a provides details about the distribution of population among the sub-regions of the NCR.

Table 5.4: Area and Population of the NCR (Population in lakh)

Sub-region	Area sq. km	Population 1981	1991	2001	Growth rate % 1981-91	Growth rate % 1991-01
NCT-Delhi	1483 (4.90)	62.2 (32.41)	94.20 (34.43	138.51 (37.33)	51.45	47.02
Haryana	13413 (4436)	49.4 (25.74)	66.43 (24.28)	86.87 (23.42)	34.53	30.76
Rajasthan	4493 (14.86)	17.55 (8.83)	22.96 (8.39)	29.92 (8.06)	30.82	30.31
Uttar Pradesh	10853 (35.88)	69.7 (36.31)	90.01 (32.90)	115.70 (31.19)	29.17	28.53
NCR	30242 (100.00)	191.9 (100.00)	273.62	371.00	37.62	35.59

Source: Census 1981, 1991 and 2001, Census of India as quoted Regional Plan 2021 (NCRPB, Ministry of Urban Development, Govt. of India)

Note: Figures in brackets indicate proportions (%) to NCR total

Table: 5.4a-Distribution of Population among Sub-regions of NCR

Constituents of NCR/Year	Population (Persons)			Decadal Growth Rate (%)		Share of Population (%)		
	1981	1991	2001	1981-91	1991-01	1981	1991	2001
NCT Delhi	6220406	9420644	13850507	51.45%	47.02%	31.28	34.43	37.33
UP Sub-Region	6968646	9001704	11570117	29.17%	28.53%	35.05	32.90	31.19
Haryana Sub-Region	4938541	6643604	8687050	34.53%	30.76%	24.84	24.28	23.42
Rajasthan Sub-Region	1755575	2296580	2992592	30.82%	30.31%	8.83	8.39	8.06
NCR	19883168	27362532	37100266	37.62%	35.59%	100.00	100.00	100.00

Source: Census 1981, 1991 and 2001, Census of India as quoted Regional Plan 2021 (NCRPB, Ministry of Urban Development, Govt. of India)

5.38 The urban share in the NCR has registered a higher growth rate as compared to its rural counterpart. The urban share has increased from 45.87 percent in 1981 to 50.23 percent in 1991 and 56.25 percent in 2001. The main contribution to this change has been that of Delhi. The share of urban population in the NCR, minus Delhi, in 1991 was only 29 percent (Table 5.5, 5.5a and 5.5b).

Table: 5.5-Urban-Rural Components of Population in NCR, 1981-2001

Urban-Rural components/Year	Population (persons)			Percent Share		
	1981	1991	2001	1981	1991	2001
1.	2.	3.	4.	5.	6.	7.
Total NCR	19883168	27362532	37100266	100.00	100.00	100.00
Urban NCR	9120172	13744784	20920074	45.87	50.23	56.39
Rural NCR	10762996	13817748	16180192	54.13	49.77	43.61
Urban NCR excluding Delhi	3351972	5273159	8014294	24.53	29.39	34.47

Source: Census 1981, 1991 and 2001, Census of India as quoted Regional Plan 2021 (NCRPB, Ministry of Urban Development, Govt. of India)

Table: 5.5a-Urban Population of NCR

Sub-Region	Proportion to NCR Urban population 1981 %	Growth rate 1971-81 %
Delhi UT	63.40	58.16
Haryana	13.27	78.14
Rajasthan	1.91	56.62
Uttar Pradesh	21.42	79.06
N.C.R.	100.00	64.70

Table: 5.5b-Population Projections for the NCR by Constituents

Sub-region		Population 1981	Projected 1991	Population 2001
Delhi UT*	Total	62.2	92.5	132.6
	Rural	4.5	4.4	3.6
	Urban	57.7	88.1	129.0
Haryana	Total	49.4	62.7	72.1
	Rural	37.3	40.3	34.4
	Urban	12.1	22.4	37.7
Rajasthan	Total	10.6	11.3	11.9
	Rural	8.9	8.7	8.5
	Urban	1.7	2.6	3.4
Uttar Pradesh	Total	69.7	87.6	108.6
	Rural	50.2	51.8	45.0
	Urban	19.5	35.8	63.6
N.C.R.	Total	191.9	254.1	325.2
	Rural	100.9	105.2	91.5
	Urban	91.0	148.9	233.7

(Population in lakh)

5.39 The population density in the NCR, as well as Delhi, has doubled. In all other sub-regions it has increased by 50 percent to 75 percent (Table 5.6).

Table: 5.6- Sub-region wise Population Density in NCR, 2001

Urban-Rural components/Year	Density (Persons/Sq Km)	
	1981	2001
1.	2.	3.
NCT Delhi	4192	9340
Uttar Pradesh	642	1066
Haryana	368	648
Rajasthan*	238	382
NCR	634	1105

*Note: *Comprises of part of Alwar district in 1981 and the entire district in 2001*

Source: Census 1981, and 2001, Census of India as quoted Regional Plan 2021 (NCRPB, Ministry of Urban Development, Govt. of India)

5.40 **Demographic Trends**: **The National Capital Territory of Delhi and the Components of the NCR:** The decadal growth of population in the National Capital Territory of Delhi during the period 1951-1991 has been consistently above 50 percent. However during 1991-2001, the population growth has declined from 51.45 percent to 46.31 percent (Table 5.7 Col 3).

Table: 5.7-Growth of Population of NCT-Delhi 1901-2001

Year	Total		Rural		Urban	
	Population (Persons)	Decadal Growth Rate (%)	Population (Persons)	Decadal Growth Rate (%)	Population (Persons)	Decadal Growth Rate (%)
1.	2.	3.	4.	5.	6.	7.
1901	405,819	-	191,704	-	214,115	-
1911	413,851	01.98	175,907	-08.24	237,944	11.13
1921	488,452	18.03	184,032	04.62	304,420	27.94
1931	636,246	30.26	188,804	02.59	447,442	46.98
1941	917,939	44.27	222,253	17.72	695,686	55.48
1951	1,744,072	90.00	306,938	38.10	1,437,134	106.58
1961	2,658,612	52.44	299,204	-02.52	2,359,408	64.17
1971	4,065,698	52.93	418,675	39.93	3,647,023	54.57
1981	6,220,406	53.00	452,206	08.01	5,768,200	58.16
1991	9,420,644	51.45	949,019	109.86	8,471,625	46.87
2001	13850507	47.02	944727	-0.45	12905780	52.34

Source: Census 1901, 1911, 1921,1931, 1941, 1951, 1961, 1971, 1981, 1991 and 2001, Census of India as quoted Regional Plan 2021 (NCRPB, Ministry of Urban Development, Govt. of India)

5.41 The National Capital Territory is highly urbanized with 93.01 percent living in urban areas as against the national average of 27.78 percent. The percentage growth of the urban population in Delhi in the 1951-2001 decades is depicted in Table 5.8. Against this, the 2001 Census shows that the rural population of the National Capital Territory was 963,215.The rural population showed sharp increase during the decade 1981-1991 (109.86 percent), after which the rate of increase declined to 1.50 percent during 1991-2001.

Table- 5.8: Trends of Urbanization in Delhi

Census Year	Percent Urban
1.	**2.**
1951	82.40
1961	88.75
1971	89.68
1981	92.73
1991	89.93
2001	93.18

Source: Census 1951, 1961, 1971, 1981, 1991 and 2001, Census of India as quoted Regional Plan 2021 (NCRPB, Ministry of Urban Development, Govt. of India)

5.42 The main components of population growth of Delhi are natural growth and in-migration. The share of natural growth during the period 1961-1971, 1971-1981, and 1981-1991 has been recorded as 54.94 percent, 55.80 percent, and 59.21 percent respectively, showing an increasing trend.

5.43 The share of net migration showed a marginal decline from 45.06 percent in 1961-1971 to 44.20 percent in 1971-1981 and further declined to 40.78 percent during 1981-1991. Nevertheless, migration plays an important role in the growth of population of the NCT of Delhi. During 1971-1981, there was a net addition of 21.54 lakh to the population of Delhi, of which 12.30 lakh were in-migrants. In the period 1981-1991, of the total 32.00 lakh addition in population, net migrants accounted for 13.05 lakh. The share of out-migration from Delhi has also been increasing: from 2.42 percent in 1961-1971 to 2.82 percent in 1981-1991 respectively. Thus net migration contributed 44.20 percent and 40.78 percent during the decade 1971-1981 and 1981-1991 respectively. However in absolute terms the number of migrants is continuously increasing. Table 5.9 presents migration data for Delhi for the period 1961-1991.

Table- 5.9: Growth of Population and Migrants into Delhi: 1961-1991 (in lakh)

Year	1961	1971	1981	1991
1.	2.	3.	4.	5.
Population	26.59	40.66	62.20	94.20
Growth Rate	52.44%	52.91%	53.00%	51.45%
Growth of Population (lakh)	-	14.07	21.54	32.00
Component of Migrants (lakh)				
a) In-migrants	-	8.76	12.30	15.87
b) Out-migrants	-	2.42	2.78	2.82
c) Net migrants	-	6.34 (45.06%)	9.52 (44.20%)	13.05 (40.78%)
Component of Natural Increase	-	7.73 (54.94%)	12.02 (55.80%)	18.95 (59.21%)

Source: Census of India as quoted Regional Plan 2021 (NCRPB, Ministry of Urban Development, Govt. of India)

5.44 The very migration that was to be deflected largely accounts for the surge in numbers. Amongst the migrants, the majority belongs to the NCR states (67.9 percent) themselves. The state of Uttar Pradesh alone contributes nearly half of the migrants (49.9 percent). The share of the other NCR states is: Haryana: 11.82 percent, Rajasthan: 6.72 percent. Most of the population is migrating in search of employment (Table 5.10).

Table: 5.10-Migrants classified by place of last residence

Place of last residence	1971-81	1981-91
Uttar Pradesh	50.09	48.25
Haryana	12.93	11.51
Bihar	5.77	10.69
Rajasthan	7.63	6.00
Punjab	6.40	5.28
West Bengal	2.70	2.72
Madhya Pradesh	3.07	2.64
Kerala	1.47	1.57
Tamil Nadu	1.66	1.52

Maharashtra	2.01	1.44
Himachal Pradesh	1.91	1.41
Others (include outside India)	4.37	6.98
Total	100.00	100.00

Source: Census of India as quoted Regional Plan 2021 (NCRPB, Ministry of Urban Development, Govt. of India)

5.45 The main reasons for migration to Delhi enumerated by the Census of India are: family movement, employment, marriage and business, which accounted for 41.45, 31.29, 15.62, and 4.07 percent of migrants respectively during the decade 1971-1981 (Table 5.11). Besides this there are a large number of 'daily migrants': the 'floating population'. The major reasons for commuters visiting Delhi everyday are given in Box 5.3

Table-5.11: Rural-Urban Break-up of Migration and Causes of In-migration to Delhi (Population in lakh)

State	**No. of Migrants During 1971-81**			**Causes of Migration**	
	Total	**Rural**	**Urban**	**Employment**	**Family Movement**
Haryana	1.59	0.98 (61.64)	0.61 (38.36)	0.36	0.60
Madhya Pradesh	0.38	0.22 (57.90)	0.16 (42.10)	0.14 (36.84)	0.17 (44.74)
Punjab	0.79	0.25 (31.65)	0.54 (68.35)	0.16 (20.25)	0.36 (45.57)
Rajasthan	0.94	0.62 (65.96)	0.32 (36.04)	0.32 (34.05)	0.42 (42.55)
Uttar Pradesh	6.16	3.94 (63.96)	2.22 (36.04)	2.31 (37.50)	2.37 (38.50)
Total	9.86 (100)	6.01 (60.95)	3.85 (39.05)	3.29 (33.37)	3.90 (39.55)

Note: Figures in brackets indicate % to the respective totals.

Box 5.3: Reasons for commuters visiting Delhi

The major reasons for commuters visiting Delhi everyday are:

(i) Movement of goods and services in the process of economic activity. Mostly the supply of food articles to the city of Delhi.

(ii) Growth of manufacturing and secondary productive activities strengthens Delhi's position as a wholesale and retail trading center, where the presence of a variety of goods is itself an indispensable service.

(iii) Movement of people primarily for the purposes of production and distribution. As an example: retailers and wholesale dealers of cloth of nearby areas are accustomed to travel regularly to Delhi. They seek accommodation near the railway station and cloth market and transact substantial business. This creates a regular flow in a pattern typical of Delhi's role as a commercial center but sharply accentuated in the cloth trade.

(iv) Cultural and shopping trips of people in regular and occasional trips to the metropolitan centre for routine household and specialized needs.

(v) Large numbers of people in nearby areas visit Delhi for availing the health facilities.

(vi) Equally large numbers travel to Delhi in search of temporary and daily wage employment. Delhi has one of the highest minimum wages in the country.

5.46 To a certain extent, the number of migrants (66.01 percent of whom are workers) determines the nature of Delhi's economic activity.

5.47 What is the position in the other sub-regions of the NCR[19]. In Table: 5.12 is a summary of the assigned and actual population trends in the NCR and the NCT between 1981 and 2001.

[19] **Annexe XIII: Population Working Paper IV/2005, Third Delhi Finance Commission, pages 147-148**

Table: 5.12-Analysis of the Assigned Population RP-2001 and Actual Population 2001 of Delhi, DMA and Priority Towns

S. No.	Name of Town	Population (Persons)			Decadal Growth (%)		Assigned Population (RP-2001)	Actual Population as % of Assigned Population
		1981	1991	2001	1981-91	1991-01		
1	2	3	4	5	6	7	8	9
	NCR	19018909	26446180	37100266	39.05	40.29	32500000	114.15
	NCT-DELHI	6220406	9420644	13850507	51.45	47.02	11200000	123.67
	NCR Excluding NCT-Delhi	12798503	17025536	23249759	33.03	36.56	21300000	109.15
	DMA (CNCR) Towns							
1.	Bahadurgarh	37488	57235	131925	52.68	130.50	200000	65.96
2.	Faridabad	330864	617717	1055938	86.70	70.94	1000000	105.59
3.	Gurgaon	100877	135884	228820	34.70	68.39	700000	32.69
4.	Ghaziabad incl. Loni	297429	548320	1089201	84.35	98.64	1100000	99.02
5.	NOIDA	37000	146514	305058	295.98	108.21	550000	55.47
6.	Kundli	-	-	-	-	-	150000	-
	Total	803658	1505670	2810942	87.35	86.69	3700000	75.97
	Regional Centres /Priority Towns							
1.	Panipat	137927	191212	354148	38.63	85.21	500000	70.83
2.	Rohtak	166767	216096	294577	29.58	36.32	500000	58.92
3.	Palwal	47328	59168	100722	25.02	70.23	300000	33.57
4.	Rewari	51562	75342	100684	46.12	33.64	110000	91.53
5.	Dharuhera	5266	10848	18892	106.00	74.15	75000	25.19
6.	Meerut	536615	849799	1161716	58.36	36.70	1550000	74.95
7.	Hapur	102837	146262	211983	42.23	44.93	450000	47.11

8.	Bulandshahr	103436	127201	176425	22.98	38.70	500000	35.29
9.	Khurja	67119	80305	98610	19.65	22.79	300000	32.87
10.	Alwar	145795	210146	266203	44.14	26.68	500000	53.24
11.	Bhiwadi	1729	15285	33877	784.04	121.64	115000	29.46
	Total	1366381	1981664	2817837	45.03	42.20	4900000	57.51

Source: Census 1981, 1991 and 2001, Census of India as quoted Regional Plan 2021 (NCRPB, Ministry of Urban Development, Govt. of India)

5.48 Did the NCRPB Regional Plan-2001 achieve the proposed deflection of population away from Delhi? Analysis of the NCRPB Regional Plan-2001 and the Census-2001 data show that there has not been any perceptible change in the earlier trends. Delhi continues to grow despite the curbs conceived or prescribed in the Delhi Master Plan-1962 and subsequent plans. The actual population has overshot the assigned or targeted population every time. Though the National Capital Region has grown, yet this is with a spatial distortion. Only some of the DMA towns adjoining Delhi (Ghaziabad, NOIDA, Faridabad, and Gurgaon) and some of the priority towns (Meerut and Rewari) have grown.

5.49 Now consider this matter in light of the following facts:

(i) Against projected and assigned populations of 325 lakh in 2001, the NCR ended up with an actual population of 370 lakh.

(ii) Against projected and assigned populations of 132 lakh and 112 lakh respectively in 2001, the population of the NCT of Delhi was 138 lakh.

(iii) Against projected and assigned populations of 170 lakh and 150 lakh respectively in 2001, the population of the Delhi Metropolitan Area was 279 lakh.

The difference between the projected and actual population of Delhi in 2001 is just 06 lakh. However, the difference between assigned and actual population is 16 lakh. Clearly, if the Regional Plan-2001 had worked and 20 lakh migrants could have been diverted to towns or settlements outside the NCT even if within the NCR, the pressure on Delhi's 'carrying capacity' and resources would not have been so sorely tested. As it happens, not only has the actual population level been higher than the assigned population, it has exceeded even the projected population level. (Table 5.13)

Table 5.13- Population Projected and Assigned

	1981	Projected 2001	Assigned 2001
NCR	191.92	325	325
DELHI	62.20	132	112
DMA	70.28	170	150
DMA (-DELHI)	8.08	38	38

5.50 Therefore, in spite of a number of "regional plans" it appears to be self-evident that:

(i) it has not been possible to contain the physical growth of Delhi.

(ii) it has also not been possible to deflect the anticipated inflow of population.

(iii) the problems of inadequate infrastructure, amenities, and services, whether in Delhi or in the priority or satellite towns, and counter magnets persist.

(iv) the availability of funds has fallen short of fund requirements all down the decades (This is clearly relevant for the present study).

5.51 Population will therefore remain one of the most potent factors in the direction that Delhi's growth takes. It will dictate the need for resources, the provision of required infrastructure, the quantity and quality of services needed, and the general ability to manage the city. What about the immediate future? The population projections for the NCR are provided in Table 5.14.

Table 5.14: Population Projections of NCR and Sub-Regions (in lakh)

Year	NCR Total	NCT-Delhi	% of total	UP	% of total	Haryana	% of total	Rajasthan	% of total
2001	370.32	137.82	37.22	115.7	31.24	86.89	23.46	29.91	8.08
2011	486.19	179.90	37.00	150.83	31.02	117.55	24.18	37.91	7.80
2021	641.38	234.87	36.62	198.29	30.92	160.16	24.97	48.06	7.49

Source: Census of India & Study Group of Police Zones, Demography and Settlement Pattern.

5.52 What are the projections for Delhi in the next two decades? The population of the NCT of Delhi has been projected for the years 2011 and 2021 by three different methods (Table 5.15). The figure for 2021 varies between 224.39 lakh and 324.96 lakh.

Table 5.15: Population Projections for NCT-Delhi by Different Methods

Method	Projection	
	2011	2021
Exponential Growth Rate	17990327	23486698
Water's II Formula	20578059	32496135
Ratio Method	16724398	22439532

Source: Regional Plan 2021 (NCRPB, Ministry of Urban Development, Govt. of India)

5.53 Given the past experience, we may well find that it is the higher projection that is the most realistic. Indeed, according to the Water's II formula, Delhi is projected to reach a population figure of 324.96 lakh by 2021. This is sufficient cause for concern. This is primarily because of the tremendous pressures it would generate for developed land and the need for augmenting water and power supply. Keeping all factors in mind the Regional Plan 2021 calculates that the maximum population that can be accommodated in Delhi by 2021 is 220 lakh. Even this makes for a growth rate of 73 percent between 2001 and 2021. The Delhi Development Authority has suggested a population ranging from 220-230 lakh, which has been adopted by the National Capital Region Planning Board in the Regional Plan-2021. Details are in Table 5.16.

Table 5.16-Assigned Population of NCR and Sub-regions (in lakh)

Year	NCR	NCT-Delhi	%	U.P.	%	Haryana	%	Rajasthan	%
2001	371.00	138.50	37.33	115.70	31.19	86.87	23.42	29.92	8.06
2021	641.38	225.00	35.08	203.50	31.73	163.50	25.49	49.38	7.70

Source: As quoted Regional Plan 2021 (NCRPB, Ministry of Urban Development, Govt. of India)

5.54 The NCRPB Regional Plan-2001 had proposed a four-tier settlement system: Regional centres, sub-Regional centres, Service Centres, and Basic Villages. The NCRPB Regional Plan-2021 has proposed additional categories of settlements. Details are in Table 5.17.

Table 5.17: Proposed Six-Tier Hierarchy of Settlements

Serial. Number	Hierarchical Level	Population Range
1.	Metro Centre	10 lakh and above
2.	Regional Center	3 to 10 lakh
3.	Sub-Regional Centre	0.5 to 3 lakh

4.	Service Centre	10,000 to 50,000
5.	Central Village	5,000 to 10,000
6.	Basic Village	Below 5,000

Source: Regional Plan 2021 (NCRPB, Ministry of Urban Development, Govt. of India)

5.55 As per the 2001 Census, besides Delhi, three towns/complexes in the NCR have already crossed the 10 lakh population mark (Ghaziabad-Loni complex, Faridabad, and Meerut). The participating states have planned quite a few of the urban centres for a population of more than 10 lakh in their respective sub-regions. The towns planned to have a population of more than 10 lakh by 2021 are shown in Table 5.18. These settlements could act as powerful growth nodes to attract capital functions and activities and help in the dispersal of population from the National Capital. Because of their special functional status and size, avers the Regional Plan-2021, a very high level of physical, social, and economic infrastructure, better than that in the NCTD, is required to be developed within these towns/complexes. This would include efficient intra-urban mass transportation systems and strong transport and communication linkages with Delhi, other metro centres, and the NCR towns.

Table 5.18: Proposed Metro Centres, 2021 (in lakh)

Serial. Number	**City/Complex**	**Proposed Population**	
		2011	**2021**
1.	Faridabad	16.00	25.00
2.	Gurgaon	4.50	16.50
3.	Ghaziabad including Loni	19.00	30.19
4.	NOIDA	6.00	12.00
5.	Sonepat-Kundli	3.50	10.00
6.	Surajpur-Kasna (Greater Noida)	7.00	12.00
7.	Meerut	15.00	22.00
	Total	**71.00**	**127.69**

Source: *Regional Plan 2021 (NCRPB, Ministry of Urban Development, Govt. of India)*

5.56 Well established urban centres marked by highly specialized secondary and tertiary sector activities and providing job opportunities, which normally cannot be performed by other lower order centres are an important ingredient of the future plans. These centres will be developed for the advanced and higher order service functions, which are expected to exert an increasingly dynamic influence on attraction of investment and creation of conducive living and working environment. The regional centres proposed in the Regional Plan-2021 are given in Table 5.19. Some of the metro and regional centres are located in the central NCR while others are in the rest of the NCR.

Table 5.19: Proposed Metro Centres, 2021 (in lakh)

Serial Number	Regional Centre/ Complex	Proposed Population	
		2011	**2021**
1.	Bahadurgarh	2.00	3.00
2.	Panipat	5.00	7.00
3.	Rohtak	4.20	6.00
4.	Palwal	1.70	4.00
5.	Rewari-Dharuhera-Bawal	2.00	4.00
6.	Hapur – Pilkhua	3.00	4.50
7.	Bulandshahr-Khurja	3.70	4.77
8.	Baghpat-Baraut	1.60	3.00
9.	Alwar	3.40	4.50
10.	Greater Bhiwadi	1.00	3.00
11.	Behror-Shahjahanpur Neemrana Complex	1.00	3.00
	Total	**28.60**	**46.77**

Source: Regional Plan 2021 (NCRPB, Ministry of Urban Development, Govt. of India)

5.57 The assignment of population for metros and regional centres for the perspective plan 2021 is reflected in Table 5.20. Incidentally, the Regional Plan-2021 states that these assignments have been finalized after consultation with the respective state governments.

Table 5.20: Population for Delhi, Metro, and Regional Centers-2011 and 2021 (in Lakh)

Name of Town	Population		
	Census	**As finalized by Planning Committee**	
NCT-Delhi	138.50	193.00	220.00-230.00
Metro and Regional Centres within CNCR			
Bahadurgarh	1.32	2.00	3.00
Faridabad	10.56	16.00	25.00
Gurgaon	2.29	4.50	16.50
Ghaziabad including Loni	10.89	19.00	30.19
NOIDA	3.05	6.00	12.00
Sonepat-Kundli*	2.34	3.50	10.00

Sub-total CNCR (excluding NCT-Delhi)	**30.45**	**51.00**	**96.69**
Metro and Regional Centres within CNCR			
Panipat	3.54	5.00	7.00
Rohtak	2.94	4.20	6.00
Palwal	1.00	1.70	4.00
Rewari-Dharuhera-Bawal	1.31	2.00	4.00
Meerut	11.62	15.00	22.00
Hapur	2.12	3.00	4.50
Surajpur-Kasna (Greater Noida)	0.30	7.00	12.00
Bulandshahr-Khurja	2.74	3.70	4.77
Bagpat – Baraut	1.22	1.60	3.00
Alwar	2.66	3.40	4.50
Greater Bhiwadi	0.34	1.00	3.00
Behror-Shahjahanpur Neemrana Complex**	0.36	1.00	3.00
Sub-total MC/RC outside CNCR	**30.15**	**48.60**	**77.77**

Note: *Population for Sonepat. ** Population for Behror.

Source: Regional Plan 2021 (NCRPB, Ministry of Urban Development, Govt. of India)

5.58 The questions that are of concern are: why has the migrating population bypassed the towns and urban centres lying in their path to Delhi? Why has there been only negligible outward movement from Delhi? Has it got anything at all to do with the policies of the central/state government? For instance, it is worth recalling that the Regional Plan-2001 had asked for conscious measures, to relocate certain identified wholesale trades, stop massive investments especially in the short run that enhance the magnetism of the city, move out identified offices and institutes and stop location of public sector offices and institutes. In other words, the grown of Delhi was to be curtailed. It does not appear to have happened.

5.59 Resource needs arising out of mounting human and vehicular numbers are frequently indicative of policy choices and mixes. In the context of Delhi, the fact is that while all participating states may be responsible for the inundation of the national capital by intensifying the ‘push factors’, Delhi may itself have contributed by a significant enhancement of the ‘pull factors’. From one of the highest minimum wages in the country (add figures of August 2005 here), which is subject to an automatic revision every six months, to the relentless growth of slum colonies which calls forth demands for suitable provision of civic amenities and services, from the relocation of industrial units within the NCT to the massive investments occasioned by events such as the ASIAD-1982 or the forthcoming Commonwealth Games, efforts to improve the physical environment have merely added to the attraction the city holds out and the opportunities that it provides.

5.60 A statement showing the slum population in 10 lakh (million) plus select cities is at Table 5.21. Delhi at 18.8% of slum population against total population still appears manageable as compared to Mumbai at 48.8% or Calcutta at 32.5%.

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Table 5.21: Slum Population in 10 lakh (Million) Plus Cities

Sl. No.	Name of the City	Total Population			Slum Population		
		Persons	Males	Females	Persons	Males	Females
	Total	70,813,906	38,063,450	32,750,456	16,565,459	9,101,993	7,463,466
1	Greater Mumbai	11,914,398	6,577,902	5,336,496	5,823,510	3,291,655	2,531,855
2	Delhi Municipal Corporation (Urban)	9,817,439	5,378,658	4,438,781	1,854,685	1,042,032	812,653
3	Kolkata	4,580,544	2,506,029	2,074,515	1,490,811	825,334	665,477
4	Bangalore	4,292,223	2,240,956	2,051,267	345,200	177,172	168,028
5	Chennai	4,216,268	2,161,605	2,054,663	747,936	380,472	367,464
6	Ahmedabad	3,515,361	1,863,886	1,651,475	439,843	237,582	202,261
7	Hyderabad	3,449,878	1,773,899	1,675,979	601,336	309,649	291,687
8	Pune	2,540,069	1,325,694	1,214,375	531,337	276,155	255,182
9	Kanpur	2,532,138	1,354,581	1,177,557	368,808	198,805	170,003
10	Surat	2,433,787	1,372,307	1,061,480	406,018	241,524	164,494

Source: Census of India 2001 (Provisional Population Totals)

Note: 1.In case of Lucknow M.C. no slum population has been reported by the Mahanagar Adhikari (MNA) - the highest executive authority of the corporation. This claim is being scrutinized by the Census authorities. The slum population of Patna M.C. is partial and is being subjected to scrutiny.

5.61 Theoretically, the National Capital Region defines the limits of Delhi's extended metropolitan region: its hinterland. Delhi has a limited area. The orbit of the translated influence and the administrative.0e reach of the state government do not go beyond its geographical boundaries. Rapid and uncontrolled urbanization, coupled with the huge increase in numbers, has already resulted in enormous pressures in a variety of spheres: So long as other urban centres do not emerge as strong centres of economic activity and also provide quality of life, Delhi will remain the destination of choice for large numbers. In this situation, it may be in Delhi's interest to intensify bilateral relations with neighbouring states and set up mechanisms for developing joint action plans. Simultaneously, the State Government should pursue vigorously the opportunities provided by forums like NCRPB to develop joint plans. All this has direct and serious implications for resource needs at both the state and local body levels.

Chapter-6

Assessing City Management: Governance, Infrastructure and Services - as Benchmarks

> "Globalisation and good city governance are significantly related with each other. There appear to be dynamic pressures from globalisation and accountability that result in better performance at the city level. Furthermore, the evidence suggests that there are particular and complex interactions between technology choices, governance and city performance. Our framework also suggests a way of bridging two seemingly competing strands of the literature, namely viewing the city as a *place* or as an *outcome*."[1]

In the preceding chapters, the impact of socio-economic developments and policy initiatives at the international, national and regional levels has been tracked. Developments within the city have been reviewed and the impact of visions, mega events, and population transfers have been noted. In this chapter, benchmarks will be derived more firmly to enable an assessment of the effectiveness and efficiency of city management.

Defining the Benchmarks

6.1 City performance could be considered in the context of the state government's vision of Delhi. In that case, what are the defining characteristics of a world-class city? How does a city go about securing the goal? For which international actors is such a city to be developed? Is the intention geared to attracting investments, jobs and skills? Is there a focus on an anticipated flow of tourist traffic? Or, has the goal been posited in order to raise the performance bar for all agencies?

6.2 The failure of the NCR to absorb population transfers has affected developments in Delhi. While there has been an identification of regional origins of migrating population, there has been little analysis of the socio-economic composition of the migrants. How many are arriving in search of

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[1] **The section 'Defining the Benchmarks' draws substantially on** ***Governance and the City*****:** ***An Empirical Exploration into Global Determinants of Urban Performance,*** **Daniel Kaufmann, Frannie Léautier, and Massimo Mastruzzi.**

jobs? How many have jobs but are seeking shelter? How many are the 'street people'? Therefore, how many need welfare infrastructure—children's homes, beggars' homes, women's homes? Undifferentiated references to mass migration conceal the nature of required resource commitment.

6.3 Again, is Delhi to emerge as a major consumption or production center? If it is to have a strong manufacturing base, the stress on creating consumption infrastructure—shopping malls, restaurants, hotels, multiplexes – could well be misplaced. Is Delhi to remain a commercial and trading hub or become a principally service industry center? If the former, the chances of decongestion through re-location of wholesale and retail trade are rather slim. If the latter, the far greater stress on the provision of commercial office space by towns in the suburbs, would provide strong competition. As a potential support base for an information and knowledge economy, is the stress to be on creation and support for centres of excellence focused on research and design? Identification of the city's comparative advantage will determine the most appropriate policy choices, resource mobilization and application. The city's economic 'driving motor' needs to be clearly identified to derive practical responses.

6.4 Equally crucial in stabilizing the superstructure for Delhi would be an in depth evaluation and identification of the most critical problems faced by the city. Is the water supply adequate? How is adequacy to be determined? Is the public transport infrastructure a major bottleneck? Which aspect of the transport infrastructure—roads, pavements, parking, buses? Which specific problem are the flyovers addressing? What about health and education related facilities? More fundamentally, what is the status of sanitation?

6.5 Let us consider first, criteria specified for the city as a "place". Urban decision makers would be concerned about bringing local value to residents, reacting to events that impinge on the city, and creating strategies to adapt the city to best advantage. They would therefore seek to attract international companies or make sure they stay in the city, and provide inputs and incentives to such firms. Box 6.0 summarizes the criteria against which the current status of Delhi can be assessed as a place capable of attracting investments.

Box: 6.0- Criteria Assessing Delhi as a Place

Criteria
Decision of companies to locate in Delhi. Flow of people who come to work for these companies or visit for business purposes. Flow of goods and services that are produced by these companies. Value out of its indigenous characteristics such as its past investments in critical infrastructure and the quality of its institutions. Benefits from the decisions of companies to locate in that city and conduct economic activities such as banking, finance, accounting, legal, or advertising.

6.6 Then there are criteria related to Delhi as a sustained achievement of performances measured as:

- quality of services the city provides (telephones, water, sewerage, or electricity)
- reliability of such services (measured by the quality of infrastructure services)
- extent, to which a city involves citizens in decision-making and, is responsive to their demands
- process of selecting, monitoring, and replacing projects
- capacity to formulate and implement sound policies and deliver public services
- respect of citizens and state for the institutions that govern economic and social interactions
- government's preparedness to be externally accountable through citizen feedback and democratic institutions, and a competitive press
- government effectiveness (including quality of policymaking, bureaucracy, and public service delivery)
- rule of law and control of corruption

6.7 Mehta (1998)[2], who looks at urban governance, profers another set of benchmarks. He introduces the attribute of **accountability** which is derived from how cities:

- manage their finances.
- communicate on use of funds and achievements to their citizens
- adhere to legal requirements and administrative policies

Embedded in accountability is the question of **responsivenes**s. City officials need to have processes of citizen **participation**, and a system for monitoring and evaluation. These three measures are critical to managing the consequences of globalization, locally.

6.8 In addition he also includes **management innovation.** He introduces three measures that relate to the ability of cities to transform global opportunities to local value. These include:

- public-private partnerships.
- local government-citizen interaction.
- networking of one city with others or with key business associations.

The ability of cities to engage in public-private partnerships, presence of business sector initiatives to improve efficiency of local government functioning, incentive schemes to encourage private sector participation in development are key capabilities. Strategic decisions, by trans national corporations to operate in a given city, are based on advantages of locating there.

6.9 Mehta's definition of urban governance also introduces the concept of networking of one city with other cities or with key actors such as firms, labour unions, business associations, and also other states. He suggests a number of indicators such as the number of inter-city, regional, and international

[2] Mehta, D. 1998. "Urban Governance: Lessons from Best Practices in Asia." UMP-Asia Occasional Paper No. 40.

networks as well as the extent of technological interchange and training collaboration.

6.10 Some attributes of good governance are accountability, responsiveness, public-private interaction and networking[3].

6.11 There are very few existing indicators that can be used to capture dynamic changes in governance at the city level. We draw on indicators defined by authors such as Mehta (1998) and the UNCHS (1999)[4] which include:

- consumer satisfaction (survey/complaints).
- openness of procedures for contracts/tenders for municipal services.
- percentage of population served by services.
- access of the public to stages of the policy cycle.

With these different measures, a vector of urban governance indicators is constructed to test the impact of urban governance on city performance.

6.12 The top 12 governance indicators/issues are summarized in Box 6.1.

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[3] **Annexe-XIV: A detailed analysis of good governance components and indicators. Source:** ***Source*** **Adopted from - Mehta, Dinesh (1998),** ***Urban Governance: Lessons from Best Practices in Asia*****. UMP-Asia Occasional Paper no. 40, (pages 149-153)**

[4] **UNCHS. 1999. "UNCHS Expert Meeting on Urban Poverty and Governance Indicators." April - May 1999, Nairobi Kenya. Online. http://www.gdrc.org/u-gov/indicators.html.**

Box 6.1: Top 12 Urban Governance Issues / Indicators[5]

Top 12 Urban Governance issues/indicators:

1. Consumer satisfaction (survey/complaints)
2. Openness of procedures for contracts/tenders for municipal services
3. Equity in tax system
4. Sources of local government funding ((taxes, user charges, borrowing, central government, international aid)
5. Percentage of population served by services
6. Access of public to stages of policy cycle
7. Fairness in enforcing laws
8. Incorporation of excluded groups in the consultation process
9. Clarity of procedures and regulations and responsibilities
10. Existing participatory processes
11. Freedom of media and existence of local media
12. Autonomy of financial resources

6.13 What aspects of governance give cities a capability to constantly translate socio-economic complexities into an advantage to themselves? This can be seen in the way they treat their citizens (access to services, quality of services); attract firms to invest (public-private partnerships, FDI, firm location); or maintain economic growth over several years, increasing the average per capita income of citizens.

6.14 Many analysts suggest that a city which has good governance should be able to perform well and remain in the league of important global cities as well as deliver value to its citizens. Others argue that successful cities will be those that are considered world cities; that deliver local value through interpreting and tapping into global opportunities.

6.15 Can a city be well performing regardless of whether it is a 'local' or 'global' city, significantly driven by its good governance? A relatively high level of governance is an endowment that allows a city to perform well either

[5] **Annexe-XV: Mehta, Dinesh (1998), (pages 154-157)**

locally or globally. Data show that, the more urbanized a country is, the better its level of city governance. There is also no support for the argument that capital cities are better or worse governed.

Assessing Delhi

6.16 The criteria for assessing city management enumerated above are essentially an outline of ideals. The performance graphs of most cities would resemble a rectangular hyperbola. In other words, their performance would be a tendency towards achieving the ideal but not quite doing so and the graph would run parallel to both the x-axis (performance) and the y-axis (time). The measure of success or otherwise would, therefore, be the percentage or degree of gap between the ideal and the actual. Thus there would always be a gap in the actual achievements. Some areas and sectors would not only display considerable progress but would also perhaps outstrip expectations-- the metro is a good example. Others would not only not achieve required levels but also show substantial lag. Delhi is no exception to this general position. In Delhi there are clear and obvious achievements: less pollution more green cover, rising per capita income, kilometers of flyovers.

6.17 Nonetheless, the gaps too are considerable and a matter of concern. These gaps are institutional, systemic and fundamental. They cover financial, programmatic, and economic issues as much as sector shortfalls. The principal ones are listed:

- Planning is deeply fragmented and appears to influence developments less and less. Witness the fate of plans prepared by the NCRPB and the DDA.
- The fact that the city government cannot determine the development agenda or exercise adequate control over the local bodies, particularly the Municipal Corporation of Delhi, which has a territorial jurisdiction almost co-terminus with the state government, has its own consequences of overlapping jurisdictions and duplication of effort.
- Responses appear to follow rather than anticipate or shape developments. Witness the overwhelming effect of the unplanned for

developments: population influxes and mega-events generally and resource mobilization they occasioned.

- Goals and objectives have frequently been enunciated in an ad hoc manner, while implementation of all plans has generally been ineffective. Witness the objective of a world-class city that was preceded by the goal of a cyber city.
- Socio-economic plans are quite often rendered ineffective for want of sufficient managerial say in land matters. This makes it impossible for the state government to exploit the potential of land as a resource and attract the preferred kind of investment, employment and skills, or deter unwanted migration of numbers.
- Resource needs and mobilization are therefore neither related to specific nor general requirements. Witness the commitment of resources to resolution of difficulties posed by immediate problems: slum up-gradation, regularization of unauthorized colonies, or regularization of residential areas as industrial.
- The functioning of local bodies as autonomous bodies, substantial statutory control of the central government, leave the state government with very little say in matters of city management.
- Further, the projected resource needs of local bodies are more likely to reflect the balance of power between the state government and the urban bodies rather than based on any rational assessments of efforts made by the bodies themselves to raise resources or curb wasteful expenditure.
- The quality and frequency of networking between the government of the NCT of Delhi with the governments of states that are partners in the NCR perhaps needs to be stepped up if the benefits of the concept of such a deep hinterland are to flow to the NCT.

Provision of Physical and Socio-economic Infrastructure

6.18 A nation's competitive advantage is increasingly getting related to the performance of its cities. Furthermore, the quality of life in cities is becoming one of the prime determinants of investment decisions and, hence, the attraction of knowledge workers. However, one necessary first step is to better understand the measures and policies that determine quality of life in cities, which impacts their ability to retain and enhance their competitive positions. We define 'urban sustainability' as:

- Programs aimed towards alternative or more coherent strategies based upon sustainable development principles that improve the competitiveness and quality of life of urban regions.
- The enhanced well-being of cities or urban regions, including integrated economic, ecological, and social components, which will maintain the quality of life for future generations.

6.19 Again, effectiveness of social infrastructure depends upon its contribution to:

- Population absorption capacity of towns.
- Improvements in the quality of life.
- Enhanced self-dependency and city sustainability.
- Creation of inclusive urban settlements by reducing the sense of alienation among marginalized groups.
- Promotion of a sense of belonging with the town.

These seem to be lacking. Therefore, the inadequate provision of basic services like health, education, power, water, sanitation, public transportation are indeed issues. However, before the resource needs of the state government and local bodies can be addressed, some questions need to be answered.

6.20 Thus the second set of indicators is the provision of socio-economic and physical infrastructure. What is the position of Delhi with regard to the provision of services and amenities? We analyze a few select sectors, in comparison to towns in the National Capital Region:[6]

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[6] ***Regional Plan-2021, National Capital Region,*** **relevant chapters; National Capital Region Planning Board, Ministry of Urban Development, Government of India.**

Social Sectors

6.21 At this stage, it would be useful to consider the first category of some challenges facing a 'global city' from within the country. The global city is of course a strategic place. Its impact goes well beyond its immediate and national boundaries. Delhi, as the national capital, is already a strategic place and performs a number of 'command functions'. However, as an example distant Mumbai, and, some other cities have taken away much of the demand in the sphere of IT/BPO. The suburban areas too provide extremely competitive – commercial, residential, and industrial – alternatives.

6.22 The second category is the challenge of consequences which arise from choosing this path towards a global city:

- Aspiring global cities in developing countries, unlike their counterparts in rich countries, attract a disproportionate share of investment in infrastructure. They crowd out other cities competing for foreign and national investment. They thus cause a considerable degree of resentment in less developed areas which perceive this as cornering of resources.
- Investments in infrastructure take away resources from social services and vulnerable sections (Witness the considerable gap between the transport and social welfare sectors). This generates socio-economic pressures on the poorer sections who are not cushioned by public support systems.
- A global city often leaves the city center transformed into elite enclaves, giving rise to the phenomenon of 'gated communities.' The rich retreat behind high security walls, into enclosed malls or international conference halls. Sharp increases in inequality follow. The most visible manifestation is the striking transformation of the city center in virtually all cities-offices, hotels, luxury housing, upscale shops and restaurants.
- The exceptional opportunities of their labor markets encourage in-migration not only from rural areas but also from other cities. They drain human resources from with in the country. Their expanding

middle class offers employment to a large number of low-income service workers, especially in domestic work, retail sales and security services.

- World cities have often taken the route of foreign investments, exports or tourism. These are all subject to sudden reversals.

Unfortunately then, efforts to move towards a world city have certain self-evident difficulties: vastly improved infrastructure or construction programs invite a flood of migratory population; policies designed to retain the manufacturing sector invites costs in terms of pollution mitigation measures even while there is a clear need to accelerate the transition to the service sector; redeeming populations condemned to slums has socio-economic opportunity costs, and policies to attract foreign investments tend to inject unstable consequences.

6.23 Let us now examine the broad features of three important components of the social sector: education, health, and social welfare. Table-6.0 provides an extract of some of the norms in the 1996 Urban Development Plan Formulation and Implementation Guidelines (UDPFI) issued by the Government of India, Ministry of Urban Development.

Table: 6.0- UDPFI Guidelines

I.	**Educational Facilities**	**Norms and Standards**
A.	**Pre-Primary to Secondary Education**	
	a. Pre-primary, Nursery School	One for 2,500 population.
	b. Primary School (Class I to V)	One for 5,000 population
	c. Senior Secondary Scholl (Class I to XII)	One for 7,500 population
B.	**Higher Education – General**	
	a. College	One for 1.25 lakh population
	b. Technical Education	Technical Education Centre (A): One such centre provided for every 10 lakh population to include one industrial training institute and one polytechnic.
II.	**Health Care Facilities**	
	a. General hospital	One hospital for 2.5 lakh population with provision for 500 beds.

	b. Intermediate hospital (Category A)	
	c. Intermediate hospital (Category B)	
	d. Polyclinic with some observation beds	One for one lakh population
	e. Nursing Home, child welfare and maternity centre	
III.	**Socio-cultural Facilities**	
	a. Community Room	One for 5,000 population
	b. Community hall and library	One for 15,000 population
	c. Recreational club	One for one lakh population
	d. Music, dance and drama centre	One for one lakh population
	e. Meditation and spiritual centre	One for one lakh population
	f. Socio-cultural centre	One for 10 lakh population
IV.	**Distribution Services**	
	a. Milk Distribution	One milk booth for 5,000 population
	b. LPG Godown	One gas Godown for 40-50,000 population
V.	**Police**	
	a. Police Station	One for 90,000 population
	b. Police Post	One for 0.4 to 0.5 lakh population (not served by a police station)
	c. District Office and Battalion	One for 10 lakh population
	d. Police Line	One for 20 lakh population
	e. District Jail	One for 20 lakh population
	f. Civil Defence and Home Guards	One for 10 lakh population
VI.	**Fire**	
	a. Fire Station/Sub-fire station	One within 1 to 3 km for 2 lakh population

Source: Urban Development Plan Formulation & Implementation Guidelines (UDPFI) 1996, M/O UD&PA, GOI, New Delhi

These guidelines are kept in mind while assessing a few selected sectors.

Education

6.24 Education and health are regarded as critical needs. Article 45 of the Constitution states that, 'the State shall endeavour to provide, within a period of ten years from the commencement of this Constitution, free and compulsory education for all children until they complete the age of fourteen years. The 93rd Amendment to the Constitution strengthens the Constitutional provision by making education a fundamental right between the ages of 6 to 14.

6.25 Delhi's educational infrastructure is briefly given below in Table 6.1.

Table: 6.1-Details of Educational Infrastructure in NCT of Delhi

• Number of primary/junior basic schools in Delhi: 2,676 • Number of middle/senior basic schools in Delhi: 601 • Number of high/higher secondary schools in Delhi: 1,459 • Colleges for General Education: 06 • Colleges for Professional Education: 27 • Universities/Deemed Universities/Institutions of national Importance: 12	• University of Delhi with 220,000 students and 79 colleges. • Jawaharlal Nehru University. • Indira Gandhi National Open University • Guru Gobind Singh Indraprastha University • Jamia Milia Islamia • Jamia Hamdard • Shri Lal Bahadur Shastri Sanskrit Vidyapeeth • Several management institutes recognized by the All India Council for Technical Education (AICTE) • Institutes affiliated to Sikkim Manipal University • All India Institute of Medical Sciences • Indian Institute of Technology • Netaji Subhash Institute of Technology • Delhi College of Engineering • Indian Statistical Institute • Indian Agricultural Research Institute • Indian Institute of Foreign Trade • National Institute of Fashion technology • National Council of Educational Research and Training (NCERT) • School of Planning and Architecture • Several research institutes

Note: GNCTD has a limited role in the area of higher education and sponsors 28 colleges of which 12 are fully funded and 16 are partly funded by U.G.C.

6.26 Despite this impressive educational backbone and despite Delhi being a magnet that attracts students from elsewhere in India and even overseas, there is much that causes concern.

- At 87.3 percent, male literacy (2001 Census) is lower than in Goa, Kerala, Mizoram, Daman and Diu, Lakshadweep, and Pondicherry.
- At 75.00 percent, female literacy is lower than in Goa, Kerala, Mizoram, Lakhsadweep, Chandigarh, and Andaman and Nicobar Islands.
- There are higher gross and age-specific enrolment rates in other states.
- In Classes I-V, the drop-out rate for girls (1998-1999 figure) in Delhi is 27.56 percent. States with similar drop-out rates are Madhya Pradesh (27.89 percent), and Maharashtra (25.73 percent).
- In Classes I-VIII, the drop-out rate for boys (1998-1999 figure) in Delhi is 19.90 percent. States (or Union Territories) with similar drop-out rates are Haryana (19.92 percent) and Lakshadweep (19.46 percent).
- Number of children estimated to be out of school: 1.4 million.

6.27 Shortfalls in the education sector can also be assessed with reference to targets accepted in the eight Millennium Development Goals adopted by the UN General Assembly in 2000 and to be attained by 2015[7].

Clearly, two of these (Goals 2 and 3) directly concern education. These are:

- First, all children (both boys and girls) must complete a full course of primary education.
- Second, gender disparities in primary and secondary education must be eliminated, if not by 2005, at least by 2015.

The Human Development Report reveals that India is falling behind in both these goals. Being a compact area, Delhi should be able to do much better and set itself the target of attaining both these goals by 2007, if not sooner. The Tenth Plan document (2002-2007) does set 2007 as the deadline for the first goal, for India as a whole.

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[7] **Annexe-XVI: The eight millennium development goals (page 158).**
Source: www.developmentgoals.com

6.28 70 percent of children do enrol in Class-I, but then drop out. Several studies show that it is not true that children are not in school because they are working. It is also not true that children do not go to school because there is no school in the immediate neighbourhood. Certainly for primary education, 95 percent of villages have schools within a distance of 01 kilometre, and 88.57 percent of Delhi's 'rural' areas have primary schools within a distance of 0.5 kilometres.

6.29 Among others, the dropout rate is attributable to the quality of education and the availability of basic facilities (especially toilets for girls). It thus boils down to the quality of government –administered delivery. Since government teachers are not accountable to users, there has been no monitoring or accountability. The criteria for evaluation is expenditure on budgetary heads on education rather than actual outcomes. A substantial portion (in some estimates 97 percent) of expenditure on primary education is on salaries of teaching and staff and very little is left for even teaching aids: blackboards, equipped laboratories, libraries etc.

6.30 Rather paradoxically, there are too few schools in Delhi. This is highlighted by a comparison with some of the relatively remote states even though they have more stable and smaller populations. In primary classes, Delhi has 39 students per teacher (1997-1998 figure)[8] against 19 for Goa. In upper primary classes, Delhi has a figure of 30 pupils per teacher against 18 for Himachal Pradesh. In secondary classes, Delhi has 28 students per teacher. The figure is 09 for Mizoram. Delhi has 1.55 primary schools per thousand population against 13.38 for Meghalaya. Delhi has 0.75 upper primary schools per thousand population against 11.11 for Mizoram. In the circumstances, the suggestion that 6 percent of the State Domestic product should be spent on education (even if fulfilled) is not enough because quality and efficiency is more important than its quantum.

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[8] **Bibek Debroy (ed.), Economic Agenda for Delhi: A proposed Blueprint; Rajiv Gandhi Foundation, Rajiv Gandhi Institute for Contemporary Studies, New Delhi**

6.31 It is also necessary to look at the registration and control restrictions that restrain entry into the education sector. In 2001 a study conducted by the Center for Civil Society found that it took more than 17 years for a school to obtain recognition. There are wide variations of procedures across the MCD and the NDMC. Such high transaction costs drive schools from the NCT to the NCR[9].

6.32 In the NCR, Delhi has almost all kinds of higher educational and research facilities. Indeed perhaps the best in the country. Table: 6.2 gives the availability of educational facilities in the NCT of Delhi.

Table: 6.2 - Educational Institutions in Delhi

	Number of Schools	**4879**
a)	Primary Schools (including Nursery)	2516
b)	Middle Schools	635
c)	Secondary Schools	509
d)	Sr. Secondary Schools	1219
	Higher Education	194
a)	Universities	5
b)	Institutions deemed as Universities	10
c)	Colleges	179
	i. Funded by Delhi Government	12
	ii. Funded by Delhi Government & UGC	16
	iii. Others	151
	Technical Education	**99**
a)	Colleges for Technical Education (Engineering)	13
b)	Polytechnics	20
c)	Industrial Training Institutes (it is)	65
d)	Basic Training Centre	1
Source : Socio Economic Profile of Delhi 2004-05, Planning Deptt. GNCTD.		

- If the NCR is to emerge as a global city region, greater stress is required on not only educational infrastructure but also outcomes. Accordingly, the government and local bodies in the NCT, too, may need to re-orient policy to emphasise quality in education.
- Uttar Pradesh sub-region has one university at Meerut and so also the Haryana sub-region at Rohtak.

[9] Annexe: XVII; gives details of the procedures for registration of schools and various controls even though the demand for quality education in Delhi persists as the middle class expands (pages 159).

- Nonetheless the general perception is that the quality of higher and technical education outside Delhi is rather poor, at least in comparative terms. Other aspects that cannot be overlooked include the exposure to international experience through journals, visitors, students, conferences, seminars, etc. all of which are more readily available in Delhi.
- The R&D apparatus of the region is almost entirely concentrated in Delhi, though the two universities do have a number of research scholars and research fellowships. The R&D sub-system also generates new knowledge, which is primarily relevant for most post-graduate education and research for which too Delhi is well-known.

Health 6.33 Delhi has the advantage of possessing a large number of medical institutions with specializations in almost all systems (Table: 6.3)..

Table 6.3 - Health Facilities in Delhi 2004 an overview

S.No.	Health Facilities	Nos.	Beds
A	**Hospitals**		
1	Delhi Govt.	32	6551
2	MCD (Hospitals 13. T.B. Clinics-10, Ayur. Hospitals – 02)	25	3625
3	NDMC (1-General -1- Maternity)	02	200
4	Delhi Cantt. Board	03	1855
5	Central Govt. (CGHS-5, DGHS-4)	09	3821
6	Railways	02	466
7	Stat. Bodies (ESI-4, Autonomous-5)	09	3994
8	Private (Regd. N. Homes-559, Vol Org-5)	564	12429
	Total	**646**	**32941**
B	**Dispensaries**		
1	Delhi Govt. (Homeo-57, Ayur-17, Unani-07, Allop-175, SHS-77 team, MHS-70 team		403
2	MCD (M & CW-115, Allop-40, Homeo-23, Aur-106, Unani- 17, IIPVIII-06		307
3	NDMC (M & CW-14, Allp-13, Homeo-11, Aur-10)		48
4	Central Government (Allop-84, Homeo-11, Aur-3, Unani-01)		106
5	Railways		12
6	Statutory Bodies (including ESI-34, SBI-9, RBI-8, DJB-12, DVB-24, DTC-27 etc.)		117
	Total		**993**
C	**Primary Health Centres**	07	79
D	Sub-Centres attached to PHCs per PHC	48*	
E	Maternity Homes (MCD-23, NDMC-2)	25	321

F	Polyclinics	05	
G	Special Clinics (TB/STD/Leprosy)	44	
H	Family Welfare Centres	125#	
	Total	**2255**	**400**
	Grant Total		**33341**

Population of Delhi as per Census 2001 -- 13782976
Total Beds in Delhi -- 33341
* Projected as per Norms --
# 69 Urban Family Welfare centers, 8 Rural Welfare centers, 28 Health Posts, 20 PP Units.
List does not include school health scheme of MCD.
Source – Health Facilities in Delhi 2004, Directorate of Health Services, Govt. of NCT of Delhi.

6.34 However, the National Capital Region lacks equivalent medical facilities though it has government medical colleges in Rohtak and Meerut. The number of beds attached to the medical colleges is not very high and the number of referral beds is rather small. Super-specialty training and treatment is hardly available anywhere in the region with the result that difficult cases are regularly referred to Delhi's referral hospitals. This is neither good for the patients nor for Delhi: its physical infrastructure including transportation, water and electricity are further strained.

6.35 Delhi has a population of 1,37,82,976 and a total of 33,341 beds, including beds in the private sector. Various agencies run these hospitals: Government of Delhi, MCD, NDMC, Delhi Cantonment Board, Central Government, Railways, Army, Employees' State Insurance Scheme (ESIS), and the number of beds includes beds in the Public Health Centers (PHC), Polyclinics, and Maternity Homes. This gives a bed-population ratio of 1 bed per 450 population, which is much better than the national average of 1 bed per 1300 population, or 1 bed per 500 population, which is the WHO recommendation. This does not include the large number of unregistered nursing homes. However, hospital facilities in Delhi cater to the population of neighbouring areas like NOIDA, Gurgaon, Faridabad, and Ghaziabad, besides patients coming from neighbouring states. These patients come for tertiary care services and account for roughly 20 percent[10] of admissions. Taking this into account, the bed/population ratio would be 1 bed per 540 populations, which

[10] **Bibek Debroy (2003)**

is not far from WHO norms. However, the health scenario needs a deeper analysis.

6.36 For instance, local bodies frequently stress their role in preventive health care. In the last twenty years there have been a number of epidemics: gastroenteritis, dengue, meningitis and a variety of viral fevers. There is need for a deeper analysis of causes by evaluating the geographical data (where did the outbreak begin), patient data (socio-economic status, environmental conditions of places of residence), and physical infrastructure (storm water drains, sewerage systems) etc. More generally, is there a reasonable level of satisfaction with the micro-level preventive health management by local bodies? The following facts are equally relevant:

- Out of 33,341 beds, the number of beds in the private sector is 12,429 i.e. more than one-third, and this includes nursing homes, hospitals run by trusts, and private hospitals.
- There is a shortfall in the Tertiary Care facilities, but no shortfall in Primary and Secondary care beds. The influx from neighbouring areas is primarily for Tertiary Care.
- The number of outlets for outdoor treatment is over 1900. However, there are areas where these facilities are not available. Again, these outlets are manned by various agencies without any coordination.
- A few years ago, government started the Casualty and Trauma Services. There are a number of ambulances available in Delhi. There is need to integrate these and bring about a State Emergency Service Network.
- Health care cannot be separated from sanitation, sewage treatment, effluent treatment, nutrition and potable water supply (Table: 6.4). In various areas these are not up to the mark. With good sanitation and potable water alone there will be a marked reduction in infectious diseases.

Table: 6.4: Threats to Health

Water and Wastes
-Water borne and waste related disease outbreaks occur frequently.
-Less than 40% of liquid waste is treated.
-Solid waste management is grossly inefficient.
-Labor productivity at 0.15 tons per sweeper per day is low.
-There are no transfer stations.
-The capacity of existing and formally identified land-fill sites is critically low.
-Solid waste and street sweepings find their way into drains, waterways and sewers.
- Flooding is a regular occurrence in the monsoon season.
Air and Noise
-Incidence of respiratory diseases in Delhi is 12 times the national average.
-30% of the population in Delhi suffers from respiratory disorders.
-Only 30% of residential colonies of Delhi have a noise level within internationally prescribed limits.
-Almost 20% of residential colonies are exposed to excessive levels of the day and night noise pollution.*
* Source: CSE 5th Annual Citizen Reports, 1999.

- The major contributors to air pollution and health problems are: vehicular discharge (67%), thermal plants (13%), industrial activity (12%), and domestic combustion (8%).
- Preventive health care management is one of the crucial roles of the local bodies charged with the responsibility of primary health care. Preventive health check ups are conspicuous by their absence.
- The average waste developed per hospital bed is roughly 1.5 to 2 kilograms per day. About a third is bio-waste, which has to be properly disposed of.
- The Millennium Development Goals 4, 5, and 6 are directly about health. Goal 6 is about combating HIV/AIDS, malaria, and other diseases Goal 4 is about reducing infant and under-5 mortality rates by two-thirds by 2015. Goal 6 is to reduce maternal mortality rates by three-fourths by 2015. According to the Human Development Report, India is far behind in these goals.

The lack of coordination and integration among various service providers leads to either under utilization of the facility or duplication of infrastructure. Both have severe implications on financial resources and their effective utilization particularly as the health sector is substantially subsidized.

Social Welfare

6.37 A vital sector is social welfare. There is need to have an appropriate 'safety network' for more vulnerable sections of society. Like primary education and primary health, responsibility for social welfare is shared by the state government and the local bodies. Table 6.5 below shows some of the infrastructure[11]

Table: 6.5-Social Welfare

Sl.No.	Item	As on 31.3.05
[1]	[2]	[3]
I	**Welfare of Disabled.**	
	(i) No. of Schools for Deaf.	04
	(ii) No. of schools for mentally retarded.	01
	(iii) No. of schools for Blind.	2
II	**Child Welfare**	
	(i) No. of Children Homes	25
III	**Welfare of Beggars/Juveniles**	
	(i) No. of Beggers Homes.	11
IV	**Welfare of Leprosy Affected Persons.**	
	(i) No. of Homes.	2
V	**Welfare of Aged/Old persons.**	
	(i) No. of Old Age Homes.	02
VI	**Welfare of Women**	
	(i) No. of Working Women Hostels.	18
VII	**No. of Recreation Centers**	
	(i) Completed	33

Delhi- Status of Physical Infrastructure

6.38 Socio-economic infrastructure assumes importance in the context of the competition for resources and opportunities. Several aspirant cities seek to attract jobs, investments and tourists; therefore, City Development Plans will need to address socio-economic issues. Delhi's advantages (reflected in the highest per capita income, a young population, strong and deep consumer market, a high international visibility and attention to 'quality of life' issues) need to be balanced against the very real constraints of high cost of living and labour costs. Another significant development is rise of suburban stars like

[11] **Annexe-XVIII: Status of the social welfare infrastructure in the NCT (pages 160-161).**

NOIDA and Gurgaon. Delhi seems no longer a favoured investment destination for IT/ITES and BPO. Accordingly, departments of the state government and civic bodies may need to review their functioning (projects, programs, goals, objectives) and financing (sources of funds) with greater objectivity.

6.39 One of the factors reportedly responsible for the decline of Delhi's attractiveness as an investment destination has been the quality of its physical infrastructure. While Table 6.6 indicates the existing availability (2001) and the projected requirement, Table 6.7 sums up the relative advantages and disadvantages of Delhi's physical infrastructure.

Table 6.6: Availability and Projected Requirement of Service Facilities-2001-2021

Aspects	Present availability 2001	Requirement		
		Present 2001	Projected 2021	Additional 2001-2021
Water (mgd)	785	1096	1840	1055
Sewerage (mgd)	384	223	1472	6448
Solid Waste (tons/day)	4900	7100	15750	10850

Source: MPD-2001 and Estimates

Table: 6.7- The Relative Advantages and Disadvantages: Infrastructure

Advantages	Disadvantages
❖ High communication penetration compared to other Indian cities.	❖ Only 45% of city's population lives in approved colonies.
❖ Separate domestic and international airports.	❖ Water supply is short by over 40%.
❖ 5 national highways pass through Delhi.	❖ Only 55% of Delhi has a sewage system.
❖ Modern and futuristic metro service.	❖ 40% of street lights do not function.
❖ Large amount of investment proposed in transport sector.	❖ A population of close to 3 million lives in slums.
❖ 28,500 kilometers of road network.	❖ About 2 lakh people sleep on Delhi's roads.

❖ Transit point for northern states.	❖ The city lacks an efficient garbage disposal system.
❖ Adequate healthcare infrastructure and facilities.	❖ Many sewers have caved in or are broken due to blockage for years.
❖ Strong educational base.	❖ Delhi roads bear the burden of over 35 lakh vehicles
❖ Improving power infrastructure.	❖ Delhi produces only 18% of the power it consumes.
❖ Considerable improvements expected after hosting Commonwealth Games.	❖ Huge influx of population resulting from vastly expanded construction activity occasioned by Commonwealth Games.

In the context of its infrastructure requirements in relation to population and economic trends and deficiencies, the resource needs seem to be of a magnitude, which should cause concern. This aspect is taken up later. However, some more important sectors (power, public transport, water supply, sewage, solid waste management, housing and household amenities) constituting infrastructure and hence affecting the international positioning of Delhi are examined now to enable a realistic assessment of resource requirements.

Power

6.40 Globally, the per capita consumption of power is often used as a barometer to measure the level of economic development. The per capita consumption of electricity in Delhi is around 1000 kwh, which is almost three times the national average. All villages and urbanized villages are electrified. According to the 1991 Census 79.48 percent of the households in Delhi had electricity connections. By 2001 (Census 2001) the figure was 92.86 percent. The balance represents categories such as JJ clusters, unauthorized colonies, and rural areas. There are an estimated 1500 colonies that are not electrified because they are unauthorized. However, many of these reportedly resort to unauthorized tapping.

6.41 The power sector in Delhi has been characterized by inadequate network capacity; insufficient generation capacity, with only 15 percent of the demand being met by local generation; a heavy dependence on the grid and distant sources of supply, and; high transmission and distribution losses. Overall T&D losses may be around 40 percent.

6.42 Delhi's energy requirement is growing at about 7 to 8 percent annually. From a peak demand of 27 MW in 1951, Delhi's power demand has crossed 3100 MW in 2002. Against the peak demand of 3100 MW in 2002, peak shortages of 300 MW were registered, with daily energy requirement varying between 65-67 MU in summer to 60-65 MU in winter. In January 2003, peak demand had shot up to between 3300 and 3400 MW.

6.43 While demand has grown rapidly, capacity addition has remained relatively stagnant. The net cost of generating power from the IPGCL'S own plants is high due to low capacity utilization and high fuel consumption by the plants. IPGCL'S own generation installed capacity is 664 MW, but availability is only 400 MW. More than 80 percent of Delhi's power needs are met by purchases from NTPC and other sources. The first gas turbine unit of 104 MW capacity, Pragati Power Project started functioning only in 2002. Power shortage is not characteristic of Delhi alone. It extends to all of North India. While internal generation will help to insulate Delhi from the vagaries of the Northern Regional Grid, the demand-supply position will have to be resolved for all of North India. It also needs to be recalled that Delhi does not have any hydel capacity.

6.44 Let us now note a few key features of the power sector in Delhi:

- DVB's plant load factor for the last five years has improved marginally from 41.76 in 1997-1998 to 46.56 in 2001-2002.
- The present overall transformer capacity and line length are inadequate for the peak load of 3100 MW. System augmentation appears to be a major priority.
- A 400-KV ring is being set up around Delhi to draw power from the Northern Regional Grid. The project is far behind its original target date of completion (June 1994). The 400 KV sub-stations at Ballabgrah and

Mandaula have already been commissioned by the Power Grid Corporation. DVB was required to erect two 400-KV bays at each of these stations. Of these the two bays at Ballabgarh could not be erected and commissioned due to a court stay on two locations. A portion between Bamnauli-Ballabgarh was long held up for want of forest clearance from the government of Haryana.

- While T&D losses in the country are 21 percent, in Mumbai they are 19 percent and in Kolkata also they are around 19 percent. In Delhi, T&D losses increased from 22.6 percent in 1991-1992 to 47.52 percent in 1999-2000. In 2000-2001 the losses were estimated to be 43.64 percent. There are also parts of Delhi (east Delhi in particular), where the losses are as high as 65 percent.

6.45 Several issues need to be sorted out:

- First, electrification of unauthorized colonies/JJ clusters remains a big issue. Unauthorized occupation of land in the form of slums, JJ clusters is acute in the national capital. Estimates suggest more than 1400 unauthorized colonies alone. Residents of these colonies draw electricity illegally. This not only results in loss of revenue, but also in overloading of the distribution of nearby areas. For regularization of electricity supply, investment needs would be quite significant.
- Second, there is a clear need to develop and augment generating capacity and sourcing of additional power supply. The capital city has to have a judicious mix of local generation and import.
- Third, there seems to be a need to invest in distribution system. In consultation with the NDMC and the private distribution companies, the government may need to develop a Transmission Master Plan and identify means of financing these investments through plan and commercial sources.
- Fourth, stealing property is theft, and power is no exception. There seems to be a strong need for a comprehensive scheme for checking power theft. Required action plan could involve both legislative (such as

the anti-theft legislation promulgated in states like AP, Karnataka, West Bengal) and administrative measures.

- Rightsizing of prices is important to avoid artificially stimulated demand. This implies strong and independent regulatory mechanisms.

The challenges in the attempt to reform the power sector lie in: securing substantial improvements in consumer service; effective management of supply constraints; up-gradation of the distribution system network, both augmentation and strengthening; reduction in losses; improved system reliability; introduction of 100 percent metering setting fair tariffs; detailed energy accounting; evolving a sound policy for regular electrification of JJ clusters and unauthorized colonies.

Public Transport

6.46 Delhi is, perhaps, the only city of its size in the world, which depended, till recently, almost entirely on road transport as its sole mode of mass transport. Bus services are inadequate and heavily over-crowded. This has led to Delhi having more registered personal vehicles than the total number of vehicles in Mumbai, Kolkata, and Chennai put together. Nearly 70 percent[12] of these are two-wheelers. Extreme congestion has led to slowing of speed, fuel wastage and increasing accident rate. Delhi is one of the most polluted cities in the world, with automobiles contributing more than two-thirds of the total atmospheric pollution. The main features of the public transportation system are:

- primarily bus based.
- there is a preponderance of low capacity vehicles-two wheelers and cars.
- the public sector operator, the Delhi Transport Corporation runs about 3100 buses and individual private operators approximately 4000 buses on select routes.

[12] **Bibek Debroy (2003)**

- the existing bus system has not been able to provide an adequate, efficient, reliable and punctual bus service: both quantity and quality of the service leave much to be desired.
- private operators have frequently been guilty of over-speeding, overcharging, non-operation on non-economic routes/trips, ad hoc changes in routes, employment of unqualified staff, non-adherence to statutory employment regulations, unsafe operations, etc.
- the Indian Railways supplement the public transport system by providing connectivity between Delhi and suburban towns like Meerut, Sonepat, Ajmer, etc.
- taxis and auto-rickshaws and cycle rickshaws form part of the para-transit system.
- the Delhi Metro has added another dimension to the transport system.

6.47 Nearly, 3,00,000 people enter Delhi on a temporary basis every day. The daily transport demand is expected to grow from 14 million passenger trips in 2001 to 28 million passenger trips by 2021[13]. The mass transport system, road infrastructure, traffic management and associated amenities will need to be substantially augmented.

6.48 Transport planning has often been undertaken for metropolitan Delhi overlooking the concept of the National Capital Region. Skewed development of public transport infrastructure has led to convergence of population in Delhi and less development in terms of connectivity of suburbs. This has arrested the development of suburban areas in and around Delhi. Planning the transportation system in Delhi has also begun to reflect the assumption that Delhi will continue to receive large numbers of migrants and that they shall not be deflected. Nevertheless the emergence of Gurgaon, Faridabad, NOIDA and Ghaziabad as major satellite townships should serve as indicators of what is possible. These towns have poor public transport systems and inhabitants are forced to rely on private vehicles. Thus, even if with a boost in investment, an

[13] **Ibid.**

efficient transport system emerges in the NCT, it may not prevent in-migration and promote outward movement of people.

Water Supply

6.49 What did planning hope to achieve in the water sector? Emphasis was to be on demand management and effective people's participation in conserving water. Also proposed was the development of alternative sources of water within the city along with long term capital intensive water sources, mainly located outside Delhi. The outdated distribution system was to be rehabilitated. Advanced management techniques were to be adopted in tandem with a 'commercial approach' for reviewing the tariff system, collection of revenue, etc. Public-private partnership was to be introduced to expedite implementation of projects. We now look at the chief features of the above facilities as below:

- Besides overall city level shortfall in water supply, there are wide disparities in the availability of water in different parts of the city. Non-availability of even the minimum supply of 135 lpcd to a significant proportion of the city's population living in marginal settlements is a matter of real concern.
- There are significantly high losses (reportedly more than 30 percent) in the entire water supply system at different stages of raw water transmission, distribution network and other pilferage/unauthorized tapping.
- Like power, Delhi depends on outside sources for much of its raw water needs. The major source has been through inter-state allocations of Yamuna water and in future through prepared storage dams to be developed in Himachal Pradesh, Uttar Pradesh, etc. Most of the long term projects are behind schedule and may take up to 10 years or more before the assured quantity of water to Delhi is available.
- There is over-dependence on plan funds in the water sector. Low tariffs, ineffective billing and collection inefficiencies and poor maintenance are attributes of the financial health of the Delhi Jal Board.

- Absence of a synchronized annual/five year program of each agency in line with a well laid down overall city development plan, and a scientific monitoring system of executing the schemes is lacking. It results in delays and systemic inefficiencies besides additional expenditure due to cost and time overruns – of course a characteristic of perhaps most sectors and projects.

Sewerage 6.50 Plans intended to cover the whole of Delhi by 2021 with a regular sewerage system. As an interim measure, extension of low cost sanitation to population living in JJ clusters, unauthorized colonies, village extensions, etc is proposed. Introducing a 'commercial approach' to improve financial health of the DJB on the basis of cost benefit analysis and consumer satisfaction is also part of the planning intentions. Public-private partnerships are to be introduced to speed up implementation of schemes, minimize health risks, and explore the possibilities of reusing of effluent. Some details of the current position are:

- There are major imbalances in the sewerage system in various parts of the city.
- A significant proportion of population in marginal settlements does not have a regular municipal sewerage system.
- The system has lagged behind the growth of population resulting in overflow of sewage in to storm water drains and river pollution.
- Absence of synchronized annual/five year plans of each agency in line with the overall development needs characterizes this sector too.
- Chocked sewers, open manholes, leaking sewers, etc are the general and main problems.
- Open surface drains carrying sewage often cause environmental degradation and contamination of water sources.
- Recent studies reveal that, barring Delhi, where 80 percent of the population is covered, the sewerage cover ranges from 30 percent to 70 percent in Uttar Pradesh and 60 percent in Haryana in the Delhi Metropolitan Area (CNCR) towns only.

- Among the DMA towns, treatment facilities are available in Faridabad, Gurgaon, Ghaziabad, and NOIDA. No sewerage treatment facility is available in any of the priority towns of the Uttar Pradesh and Rajasthan sub-region. In Delhi 1500 MLD waste water is being treated.
- Coverage of sewerage system in various priority towns ranges from 3.0 percent to 5.9 percent in Rajasthan and 0.0 percent to thirty percent in Uttar Pradesh and 40.0 percent to 70.0 percent in Haryana.

The database is not adequate to determine the position of sanitation in rural areas. The overall picture is reportedly dismal. Recurring incidence of water borne diseases in the NCR is indicative of the poor state of sanitation and further resource needs to bridge the gaps.

Solid Waste Management

6.51 In the sphere of solid waste management, planning intentions are to provide for timely collection of wastes. It is also proposed to develop alternative systems of waste treatment and disposal and improvements in landfill method. Separate arrangements for the management of specialized waste produced from hospitals and nursing homes, industry, wholesale markets, slaughterhouses is another goal. The planning objective includes: integrated planning, inter-agency coordination, institutional capacity building measures, and introduction of public-private partnerships. The current position is:

- There is inadequate coverage. Waste produced from slums, JJ clusters, rural areas are by and large not covered.
- Mechanisms for handling of specialized waste are largely absent in the city.
- There is a shortage of landfill sites.
- The present system of recovering/recycling plastic, glass, metal, paper, etc from the domestic waste is completely informal and unorganized.
- This sector also lacks coordination. Overlapping responsibilities and duplication of effort often result in higher cost and systems inefficiencies.

Housing and Household Level Amenities

6.52 Two vital micro level ingredients of any city are:

(a) the position of housing, and

(b) amenities available to the household.

These will serve as useful proxy benchmarks.

Housing:

6.53 The MPD-1962 had proposed acquisition of 25,182 hectares of land out of which 12,145 hectares was to be earmarked for residential purposes. Against this only 7408 hectares (33 percent) was acquired. MPD-2001 recommended nearly 33 percent dwelling units for economically weaker sections, encouragement to housing cooperatives, partially built housing and preference for promotion of small size plotted development. It further recommended hierarchical cellular structure with nuclei to contain essential services and facilities at different levels of population with the smallest unit being a housing cluster of 250 population and a neighborhood unit of 15,000 population. However, the policies of earlier master plans have overlooked several aspects such as: magnitude of slum/squatter population (30 percent of the population would be residing in such colonies); absence of formal system of formation of housing cooperatives for squatter population; low achievement of dwelling units' construction targets (not even 50 percent of targeted construction schedule could be met through planned housing schemes); mismatch between inherent capacity and targets (inherent capacities of government agencies were too short to achieve the envisaged 71 percent of targeted housing delivery); low response from unauthorized colonies to the formation of societies and preparation of plans, and; lack of interventions for walled city areas and urbanized villages. The position of housing shortage in the city between 1981 and 2001 may be seen in Table 6.8. From 253679 the housing shortfall decreased to 159689 in 2001. In percentage terms the shortfall in 1991 was 14 percent and in 2001 it was 6.25.

Table: 6.8- Housing Shortage as per Census

S. No.	Item	1981	1991	2001
1.	No. of House holds	1211784	1861576	2554149
2.	No. of Residential Houses	1024595	1802338	2452402
3.	No. of Shelter-less Households	26870	12200	24966
4.	No. of Kutcha Houses (Non serviceable Temporary House for 2001)	--	182241	32976
5.	Housing Shortage (c 1-2)+3+4)	--	253679	159689
6.	Percent Housing Shortage (%)	--	14	6.25

The projected requirement of housing as per the MPD-2001 is indicated in Table 6.9.

Table: 6.9- Housing Requirement as per MPD-2001 (In lakhs)

Type of New Housing	1981	Target 1981-2001
Sites and Services (No. of sites)	--	4.00
Partially/fully built agency housing	--	--
Partially/fully built cooperative houses	--	6.97
Slum Housing	--	0.49
Employer Housing	--	0.65
Housing on individual plots	--	2.75

Source: Master Plan of Delhi- 2001, DDA.

6.54 In the housing sector, the reported decline in housing shortage disguises many qualitative aspects. For instance, the increasing slum and JJ population, which constitutes 30 to 40 percent of the city population. This clearly means a population of approximately 40 lakh[14]. This should cause concern.

6.55 Again, affordable housing options for LIG and MIG are limited. 44.5 percent of the households in Delhi live in one-room dwelling units, while about 15 percent of the structures are either kutcha or, at best, semi-permanent. Intensive industrial activity is taking place in some of the urbanized villages and unauthorized colonies. There is hardly any involvement of beneficiaries and there is a lack of public-private partnerships in the shelter delivery system.

[14] **Annexe-XIX: Details of slum and JJ clusters (pages 162-163)**

Amenities

6.56 The position of household level amenities in respect of three items: electricity, water and toilets is summarized. The number of households with electric connections went up from 79.48 percent in 1991 to 92.86 percent in 2001. However, the number of households with toilet facility was only 77.96 percent even in 2001. While there was an appreciable rise in the number of households with both facilities between 1991 and 2001 (from 59.86 percent to 73.77) this still leaves out around 26 percent of the households. Piped water supply marginally declined from 75.72 to 75.33 percent between 1991 and 2001. Reliance on hand pumps, tube wells, rivers, tanks, and canals on the other hand showed an increase[15].

6.57 Are the city development and management structure and arrangements adequate? How do institutional frameworks measure up to the requirements of effective functioning? Do financial and administrative mechanisms promote a rational interface between the state government and local bodies? Is there a clear identification of resource needs and are rational choices exercised in resource allocation? What normative benchmarks determine the creation, upgrading or maintenance of assets? At a micro level: is there satisfactory project formulation.! Are there uncontrolled time and cost overruns in implementation? What 'vision of the city is driving developments? What are the institutional and economic agents driving change? What impact will they have on the respective resource needs of the state government and the local bodies? In the next few chapters we shall commence our review of the financial aspects of city management.

[15] **Annexe-XX: Facilities available to households – census 1991 and 2001 (page 164)**

Chapter-7
Assessing City Management: Policy, Institutional Arrangements - As Benchmarks

A WORLD OF CITIES

DARK[1]

Urbanization in the twentieth century established a world network of competitive centres that set the physical reference points for today's globalisation. During the great rural-to-urban population shifts over the past half-century, cities became supermarkets for employment, incubators of technology, suppliers of social services and shelter, portals to the rest of the world, processors of agricultural produce, adders of manufactured value, centres of learning, and, above all, places to make money through trade, industry, finance, real estate and, of course, attendant crime and corruption. In today's globalized world, cities no longer stand apart as islands. They are the nexus of commerce, gateways to the world in one direction and focus of their own hinterlands in the other. Tied together in a vast three-dimensional web of communication and transport, cities are concentrations of energy in a global force field, appearing fixed as concrete and steel. World cities in this urban millennium may be governed more by Quantum theory and Einsteinian relativity than by Newtonian physics and Euclidian geometry. As in quantum physics, simply observing the city can change it, as the political economy responds to public awareness and investor confidence. Almost meta-physically, with minimal regard to space, every place becomes every other place, because distance is measured in nano- and pico-seconds not just kilometres. Innovations and information arrive in waves washing over the whole planet at once, and cities scramble to gain the latest advantage - for as long as it lasts.

The discussions on conceptual and analytical framework so far have now to yield ground to issues in the financial realm.

State Government administrative arrangements:

7.2 The evolution of the current administrative set up of Delhi has already been well recorded in the report of the First Delhi Finance Commission.[2]

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[1] **The State of the World's Cities Report 2001, United Nations Human Settlements Program (UN-Habitat).**

[2] **Report of the First Delhi Finance Commission on Municipalities in NCT of Delhi (1996-2001), Volume-I, December 1997, Fiscal Federalism and Local self Government, Chapter-4, pages 21-33.**

The broad characteristics of the prevailing administrative arrangements comprise:

- A Lieutenant Governor as the executive head of the government.
- An elected legislative assembly with clear legislative powers.
- Council of Ministers headed by a Chief Minister to aid and advise the Lieutenant Governor in respect of subjects that fall within the jurisdiction of the Delhi Legislative Assembly.
- Two urban local bodies: the Municipal Corporation of Delhi, by far, the larger municipal body, and the New Delhi Municipal Council.

7.3 While the state government has limited say in determining the development agenda of the city, its control over city management is also constrained by several provisions in the statutes related to the urban bodies. For instance, in determining the planned growth of Delhi, it is the National Capital Region Planning Board and the Delhi Development Authority that have a more determining influence than the state government. For instance, unlike other participating states in the NCR, the government of the NCT of Delhi apparently has an attenuated role in the preparation of the sub-regional plan for the NCR drafted by the NCRPB. The subordinate legislation formulated under the statutes related to the functioning of local bodies in Delhi needs approval of the central government. It has been held that the state government cannot make amendments in statutes enacted by Parliament. This also covers the Acts related to local bodies. This limits the legislative jurisdiction of the Delhi Assembly—and it is a consequence of the Transaction of Business Rules.

7.4 City development strategies have to be forged keeping in view at least four of the most basic trends:

- ✓ rapid rates of urbanization have magnified the need for infrastructure investments.
- ✓ decentralization initiatives are transferring greater responsibilities for planning and financing projects to local governments.
- ✓ fiscal adjustments require reduction of budget deficits.
- ✓ the magnitude of investment implies that financing cannot come only or even primarily from government sources

Benchmarking Financial Operations: A Few Issues

7.5 The financial realm involves no more than an investigation into the task of mobilizing and applying resources. A random listing of a few innovatory financial administration issues highlights the complexities

- the new thinking on resource mobilization and management suggests involving new institutions and exploring new sources
- the increasing efficiency concerns necessitate a deeper analysis of into costing and pricing policies of services, facilities and goods.
- the compulsion to curb non-plan (revenue) expenditure implies reviewing establishment structures and staff strengths
- there is a need to weed out items/schemes/programs of expenditure which do not serve the original objective. This would release funds for new priorities. Operational efficiency would generate surpluses for investment.
- inviting public participation and, therefore, beneficiary financing in projects/activities so far financed totally by the State.
- the necessity to continuously review the concessions, exemptions, reliefs and waivers in tax rates or non-tax tariff, which erode the resource base.
- the reforms needed in the information and audit systems and also financial monitoring systems.

The above constitute some of the benchmarks to assess the effectiveness of resource mobilization and expenditure management.

7.6 The qualitative dimensions of receipts and expenditures are an important ingredient of examination. The estimation of the real need – availability gap in resources is not only derived from financial gaps but also from short falls in physical targets, at the end of plan periods.

7.7 This is clearly a formidable task. First, the problem area for which the physical targets are drawn up, is very often ill-defined or undefined. Second, qualitative aspects, which are difficult to quantify: up-gradation of human resources, improvements in the quality of life or "better" maintenance are some such instances. To the extent targets can be quantified, the task of assessing resource requirements is relatively easy. In assessing the requirements on the basis of the "thrust areas" identified by the state government, we shall review physical target short falls in a few selected sectors. This is one part of the exercise.

7.8 For resource mobilization by the state government and the local bodies, tax and non-tax efforts are examined. Expenditure responsibilities and effectiveness will be received with reference to normative yardsticks. Quantitative trends in revenue and expenditure will be significant as also the 'trend analysis' based on the data. The efficacy and efficiency of 'financial operations' will be examined. This is the second part of the exercise. The assessment should yield a financial model. This will be the final word in the exercise.

7.9 The post-constitutional amendment phase has witnessed a continuing search for effective functioning of local self-governing institutions particularly in the financial sphere. Witness the interest in private participation in infrastructure and reassessing indiscriminate subsidies. The stress on financial discipline, curbing revenue deficit and wasteful expenditure and rationalizing user charges are bringing these concerns into financial restructuring. This applies to local bodies also.

7.10 The Commission's (see Box 1.0) in themselves constitute financial yardsticks and recognize the linkage between municipal funds and resources of the state government. Accordingly, the Commission has been asked to have regard, among other considerations, (paragraph 05) to the:

- Overall resource position of the GNCTD
- Scope for economy in municipal administration.
- Scope for improvement in resource mobilization by the municipalities.

The phrase 'among other considerations', clearly suggests that the TOR intended a broad investigation.

Benchmarks: The National Commission on Urbanization

7.11 What the National Commission on Urbanization (August, 1988) had said remains an accurate description. Our planning processes have proved to be intrinsically defective; the cities are overcrowded, and urban land has become extremely scarce. The inefficiency of our cities is being perpetuated by obsolete and, regulatory provisions and norms. Urban centres have degenerated into parasites claiming that they cannot even pay for their own upkeep, and constantly hanker for subsidies.

7.12 The NCU surveyed the status of urban infrastructure. This resulted in recommendations which influenced debates in the pre and post constitutional amendment phase. Selected recommendations of the NCU[3] in five spheres – finance, urban management, planning the city, legal framework and, people's participation- are relevant for a larger appreciation of the issues.

[3] Annexe XXI: Contains a summary of the recommendations of the above Report (pages 165-166).

7.13 Many of the findings of the NCU provoked downstream activity: reviews of reforms needed in taxation, particularly, property tax, capacity and institution building, accessing funds and relating resource gap with functions i.e. the "core responsibilities" of urban local bodies. Many of the recommendations provide useful benchmarks to evaluate the implementation of the urban reform agenda. We consider only two aspects in some detail: finance and the legal framework (Box 7.0).

Box: 7.0-Select Details of Financial and Legal Recommendations of NCU Finance Module:

1. To make property tax a major source of revenue, all laws which inhibit a proper valuation of property should be reviewed, amended or scrapped.

2. (i) System of assessment should be simplified, with every urban settlement being divided into zones, with an assigned value, with plus and minus factor on a pre-determined basis. This would remove arbitrariness from assessment.

(ii) Vacant land, and also land under inefficient use, must be taxed.

(iii) Exemptions under property tax should be reviewed and drastically reduced. Tax should be assessed even on unauthorized structures and squatter colonies without creating any right or title thereby.

(iv) Govt. property be brought within purview of property tax.

3. Taxes directly connected with services should be lumped together at a single rate, de-linked from the property tax and levied even on those who are tenants or owners of property.

4. Any substitute for octroi should provide for local bodies control over the replacement. Any tax, which is beyond the control of the Local Bodies, is not favored.

5.(i) The present ceiling on professional tax should be removed, for which Article 276(2) of the Constitution should be amended.

(ii) There should be a betterment tax, the assessment of which should be simultaneous with the preparation of a project, which is likely to improve a locality and enhance property tax.

(iii) In relation to fees, duties etc. the incremental value of property at the time of transfer should be tapped and a part of it passed on to local bodies.

6. (i) Profits on land owned by the state should be passed on to Local Bodies for city development.

(ii) Business should be made to participate in the process of creating new social assets in a city.

(iii) Suitable fiscal measures should be devised whereby a business is taxed for using social infrastructure, or is given exemptions and incentives when it actually creates assets in the form of housing, contribution to betterment, actual development of infrastructure etc.

(iv) Properties which are exempt from property tax.

7. Sections 10(20) A, 80G(2) (A), 80CC (3) (c) (ii), 80CC (2) of the I.T. Act be amended to extend tax benefits to non-statutory bodies, businesses and individuals who invest in housing or city improvement, or in companies which provide housing finance or make donations in this behalf.

Legal Framework:

1. Abolition of octroi be reviewed with a view to its replacement by a tax under municipal control and property tax structure rationalized by amendment of the relevant municipal acts.
2. Laws relating to tariff chargeable on utilities and services be altered to permit charging of differential tariffs, raising of rates by notification, etc.
3. Incremental value of property at the time of sale be tapped by suitable amendments in the laws relating to stamp duty, registration fee, etc.
4. Municipal laws be amended to permit the taxing of extra municipal property and businesses which derive benefit from city services.
5. Income Tax Act and Municipal Acts be amended to allow the full cost of house maintenance to be deducted from income from the house for tax purposes.

Source: Report of the National Commission on Urbanization; Summary of Recommendations of Vol. II, August, 1988, Chapter 7: Finance; pages 14 to 16; Chapter 18: Legal Framework; pages – 45 – 47).

Benchmarks: Ministry of Urban Development

7.14 In the early 1990s when constitutional amendments to strengthen institutions of local self-governance were being considered, the Ministry of Urban Development sent a note (December 1992) for consideration of the Tenth Finance Commission. This suggested parallel investment by local bodies and functional agencies in infrastructure. Plan outlay needs to be supplemented by institutional finance and statutory transfers to local bodies on an assured basis related to performance criteria[4]

7.15 In its presentation to the Tenth Finance Commission, the Ministry of Urban Development drew attention to the main sources of revenue for local authorities: local taxes (property tax and octroi); user charges; other charges (stamp duty, licenses, etc.), borrowings and grants. It invited attention to the resource gap and the need to augment resources. The Ministry recorded that property taxes, one of the important tax revenue sources, “tended to remain

[4] **Annexe-XXII: Contains note of Urban Development Ministry of December, 1992 to 10th Finance Commission (pages 166-169).**

stagnant due to rent control and difficulties of valuation, assessment and collection."

7.16 Some studies and seminars were sponsored by the Ministry on property tax reform[5]. All this culminated in the Ministry preparing draft guidelines for property tax reforms to enable the municipalities to mobilize additional resources. The issue of taxation of central government properties was also gaining momentum.

7.17 These guidelines take note that, 'studies reveal that on an average, operation and maintenance costs of the Municipalities are increasing by 10-15 percent per annum. The needs of capital costs are also enormous. A Committee[6], set up by the Union Finance Ministry has estimated the requirement of capital investment for certain categories of urban infrastructure at Rs. 250,000 crore for the next 10 years. This figure is much beyond the reach of the Municipalities. There is an urgent need for reforms in municipal finances. According to 1991 Census, the urban population of India stood at about 21.7 crore, accounting for 26 percent of the total population. More than 65 percent of the urban population lived in cities with more than 100,000 populations. About one third lived in the 25 metropolitan cities. Conservative projections reveal that by 2021 India's urban population would be around 25 crore. These figures suggest a manifold increase in municipal problems and a likely inability to discharge even the most basic functions satisfactorily.

On Planning Mechanisms

7.18 The National Consultation on District and Metropolitan Planning Committees[7] provided guidelines on their composition and scope of functions, which briefly are:

- identification of district and local needs and objectives
- determination of policies, and priorities for development of the district. Ensuring judicious utilization of natural and maximum utilization of human resources.

[5]In May 1995, the Working Group on Taxation of Government Properties in India: Central, State and Local, set up by the Urban Development Ministry focused on issues related to its mandate. In August, 1996 the Financial Institutions Reform and Expansion Project, Debt Market/Infrastructure Component (FIRE-D) reviewed 'Property Tax Innovation in India.' A policy seminar on property tax innovations in India, on August 29-30, 1996, organized among others by NIUA and NIPFP, brought together a wide range of issues involved in the property tax reforms. The Seminar was preceded by a National Workshop on guidelines for property tax reforms in India (August 23-24, 1996) organized by the Ministry and the Regional Center for Urban and Environment Studies (RCUES), Osmania University, Hyderabad

[6] Expert Group on Commercialisation of Infrastructure Project, The India Infrastructure Report, Policy Imperatives for Growth and Welfare, New Delhi, National Council of Applied Economic & Research, 1996.

[7] Organized by the National Institute of Rural Development, Hyderabad; September 19, 1997 on the recommendations of the National Meeting of Experts.

- preparation of draft development plan of the district having regard to matters of common interest between panchayats and municipalities.
- indication of priorities to be assigned to works and phasing of the development programs and allocation of resources for the same.
- monitoring, evaluation and review of schemes and programs
- ensuring participation of the people and sector coordination in the development process.

Thus the DPC was not merely a plan coordinating body. It was to be empowered to take decisions on the development strategy of the district and provide guidelines for formulation of plans by panchayats and municipalities. These local bodies may, then, prepare their development plans in the geographical framework suggested by the DPC.

On Public-Private Partnerships

7.19 The extremely weak financial base of municipal bodies has to be seen in the context of the statutory responsibility in respect of basic services. Their sources of revenues have become inelastic over time. They are not able to effectively impose and collect user charges. There is local resistance to adjusting tax rates etc. Alternatives to the existing institutional arrangements need to be explored. Suggestions have been made to involve the private sector in the provision of such services as roads, power, health, education etc.

7.20 Various studies focus on public-private participation in financing urban infrastructure. The inter-relationship of these issues is reflected in Box 7.2.

Box: 7.2-Supply-Demand and Finance-Institutional Mismatch

The problem: Supply-Demand Mismatch	The Consequence: Finance-Institutional Mismatch
1. Urban population in India is increasing at a phenomenal rate. 2. Supply of services in relation to demand has hardly increased inspite of heavy investments 3. Institutions responsible for services have not been successful in balancing supplies with demand. 4. This is regardless of changes made periodically in the hierarchy of public bodies and	1. Inability to provide services to the entire urban population particularly to low-income and poor-households. 2. Inadequacy of services in relation to service standards and norms. 3. Gross distortions in the level-qualitative and quantitative reflected in disparities in availability:

institutions such as creation of special purpose, autonomous and/or semi-autonomous agencies. 5. This is related to ability to recover from the 'paying users' what the institution spends on the provision of services. Additionally, a significant part of the urban population is either not able to pay or does not pay for the services they use. 6. Non-payment of service charges has weakened the institutional capacities to provide adequate levels of services.	poorer areas being victims. 4. Inability of institutions to respond to pressures of population, age and technology of services. Rapidly changing demand profile of most consumers has resulted in perception of wide gaps in performance levels in services such as water supply, garbage collection and disposal. These inadequacies are not confined to these sectors, but extend to services like primary health, transport, electricity etc. 5. Most institutions are in financial distress, and have accumulated large arrears and debt obligations which they are unable to meet. 6. Inability to use available manpower and equipment to improve the service delivery.

7.21 Private participation in municipal services may be achieved through: operating contracts, management contracts, concession contracts, lease or joint ventures. Public sector institutions continue to be major providers of basic services. A significant proportion of the population is poor and dependent on publicly provided services. Appropriate choice of the management option (whether to improve the existing system, opt for a new system or both) must take into account the problems of each city or town, the management capabilities and the public response. Some possibilities are enumerated in Box 7.3.

Box: 7.3- Management Options for Provision of Urban Services

Service	Nature	Major Considerations	Present Management Mode	Main Constraints	Suggested Management Options
Water Supply	Natural Monopoly	Quantity and duration of supply	Public	Lack of funds to augment the system and management problems?	Mainly public, with contracting out of functions such as meter reading, billing and collection to the private sector. Running of tube wells as well as treatment plants can also be given to the private sector.
Solid-waste management	Public Good	Regularity in collection and disposal	Public	Management problems including inappropriate managerial staff, unionised sanitary staff, outdated and ill-maintained equipment	Gradual privatisation beginning with outlying areas and newly developed colonies/localities, especially areas not yet covered by the local body

Service	Nature	Major Considerations	Present Management Mode	Main Constraints	Suggested Management Options
Health	Merit good	Effective treatment, convenient access, short waiting time	Public and private	Lack of staff, equipment and medicines at public health centres inadequate as also funds to maintain and augment the service. High cost of private services	Preventive services in public sector. Emergency, diagnostic and certain chronic illness hospitals in the public sector. Curative services mostly in the private sector.
Transport	Essential Service	Affordable, easy access and availability, speed	Public bus system Private IPT modes*	Inefficient bus services, parts of the city not covered by the bus system. High cost of IPT modes.	Part privatisation of bus services (specific routes and areas). Public sector to play mainly a monitoring role.

(*Intermediate public transport which include: auto-rickshaws, tongas, tempos, cycle-rickshaws) *Source:*

7.22 The above is a brief review of the developments intending to invest the local bodies with greater responsibilities and access to finance. This was an important step towards translating the constitutional and statutory objectives into practical tasks and achievable goals. It also surveys the broad range of policy reforms proposed to place the functioning of local bodies on a sound footing.

7.23 During the past few years, wide ranging issues relating to efficient provision of urban services have emerged. The underlying contention is that rapid increases in urban population have eroded financial, organizational and management capacities of local bodies. Hence they are unable to meet the requirements of urban services.

Municipal Finance and Adminis-tration

7.24 There are many areas awaiting reform. At this stage, two broad categories are being referred to:

- strengthening the resource base
- capacity building of local bodies

The first requires a comprehensive review of financial instruments, the level of tax revenues, and the local economic base. Taxation would yield higher revenues in a buoyant urban economy. Improving revenue efficiency to capture the full fiscal capacity of local bodies is also critical. At present, studies have shown that, less than half of the potential revenues are actually collected. Poor collection efficiencies and lack of periodic revision in the tax assessment procedures affect their financial status.

7.25 It is equally important to develop capacity building measures for efficiency in use of resources: building awareness among elected representatives for tariff revisions for full cost recovery; improvements in technical and managerial capacities to reduce leakages; accounting practices to reflect the true cost of service provision and ensure transparency in specific infrastructure projects.

Municipal Tax Instruments

7.26 Some of the views that have been expressed at various points of time regarding issues related specifically to municipal finance and administration are enumerated below:

Principles

7.26.1 For instance, regarding broad principles the view has been widely held that:

(a) local Taxes should be linked to economic base, immobile factors of production & property
(b) benefit taxes and user charges should be used as extensively as possible
(c) tax base should be easily identifiable and buoyant
(d) tax yield should be stable and predictable over time
(e) taxes should be perceived to be reasonably fair (progressive) by the tax payers
(f) the tax should be easy to administer (efficient and effective) and its incidence should be transparent

Tax Assignments

7.26.2 It has been the consensus that the following taxes need to form part of the tax mix of local bodies:

(a) Property Tax
(b) Vacant Land Tax (maybe at 1% to 2% of the capital value of vacant land).
(c) Profession Tax
(d) Entertainment Tax
(e) Advertisement Tax

Design of Inter-governmental grants

7.26.3 The number of grants need to be kept to the minimum. The following could be the break down of grants out of a general distribution pool, which will consist of a pre-determined share. Specific transfers

(a) per capita health grant to meet primary health cost based on state level standards.
(b) per capita education grant to meet primary education expenditure based on pre-determined state norms.
(c) slum up-gradation grant (on a per capita basis).

Municipal Equalization Fund

7.26.4 In order to take care of fiscal disparities between municipalities on account of various factors, the formal distribution should take into account both fiscal capacity and fiscal need.

Municipal Development Fund

7.26.5 This will consist of grants to be passed on to a State nodal agency such as Urban Infrastructure Corporation, or Municipal Urban Development Fund which will use the funds as base capital to obtain loans from the market and pass on a mix of grants and loans for capital development projects under three categories: remunerative, cost recovery, and non-remunerative.

Earmarking of Funds

7.26.6 Earmarking may be adopted for the following:

(a) vehicle tax and street tax components of property tax be used for expenditure on municipal roads and bridges.

(b) water charges, bulk contributions while applying for connections, water benefit tax and sewerage benefit tax components should meet the O & M and depreciation costs for municipal water supply, sewerage and drainage schemes plus grants from state government towards water supply improvement in slum localities.

(c) town planning/Land readjustment, valorization and development charge based schemes should be used to generate self-financing infrastructure in new and extended urban areas.

Core Municipal Functions

7.26.7 Based on the Constitutional amendment, core functions are those in respect of which decision-making will rest with the Municipalities. Execution would be funded out of municipal revenues (taxes, charges etc) and pre-determined grants, and may be done either by the municipal bodies or other agencies at their behest. For this, functions mentioned in the twelfth schedule can be drawn upon, such as: urban, including town planning, regulation of land use and construction of buildings, planning for socio-economic development, roads and bridges, water supply and sanitation, preventive health care, urban forestry, urban amenities such as parks, gardens, playgrounds, burial and cremation grounds, cattle pounds, street lighting, registration of births/deaths and vital statistics, parking lots, bus stops, public conveniences, regulation of slaughter houses and tanneries.

Agency Functions

7.26.8 These are functions to be funded by state government revenues by specific transfer: slum improvement and up-gradation protection of the environment and promotion of ecological aspects; safeguarding the interests of weaker sections of society, including the physically and mentally handicapped, urban poverty alleviation, promotion of cultural, educational and aesthetic aspects, primary education and primary health care. (subsequent initiatives including the latest NURM)

Government of India-Ministry of Finance – Perspective and instructions

7.27 Continuing the exercise of deriving benchmarks, one of the first building blocks is the set of economy instructions and annual budget circulars issued by the Government of India, Ministry of Finance. In 1991, and thereafter, a number of orders were issued to curb expenditure covering items such as Overtime Allowance (OTA), domestic and international travel, restrictions on hosting of international conferences, ban on purchase of vehicles and economy in consumption of petrol/diesel.[8] These were sometimes supplemented by across the board cuts in plan and non-plan allocations. However, the curbs on creation, or filling of posts are the most significant in terms of their impact on revenue expenditure. For instance, on March 29, 1994 powers given to ministries/departments to create 'plan' posts in Group 'B', 'C' & 'D' were withdrawn.[9] Earlier, in May 1993, it was decided 'that if a post remains unfilled for a period of one year or more it would be deemed to be abolished. If the post is required subsequently the prescribed procedure for creation of a new post will have to be followed. It will be necessary to abolish personal/supporting staff of that higher level post(s) simultaneously. It will also be desirable to have a work study to determine what other restructuring would be required as a result of abolition of the higher post(s).' Restrictions were placed on creation of posts, both plan and non-plan.

Economy Instructions

7.28 The Budget Circulars issued by the Ministry between 1989-90 and 1990-91 are useful to appreciate factors considered relevant in estimating revenue receipts and expenditure:

- Without exception all budget circulars require estimates of revenue receipts to be based on past and current trends and policy decisions and other relevant developments. These estimates have to be supported by cogent explanations for any large variations as well as broad particulars wherever the estimates under a minor head exceed Rupees 10 lakh.
- For estimates of expenditure, the instructions have been varied. The emphasis in some circulars has been on the principles of Zero Base budgeting (1989-90, 1990-91). In almost all, particularly from 1990-91 onwards, stress has been on the economy instructions issued (1990-91, 1991-92). There was also emphasis on evaluating the impact of economy instructions issued to contain expenditure growth (1991-92, 1992-93).

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[8] O.M. No. 21011/32/89-E.II (B) dated June 20, 1991, 014 No. I-7 (37) B-Coord./92 dated Oct. 15, 1992 etc.
[9] O.M. No. 7(12)-E (Coord)/94 dated March 29, 1994.

- Soon came an emphasis on the need to review expenditure with a view to prioritizing the activities and schemes both on the plan and non-plan side and identifying those activities and schemes which can be estimated or reduced in size (1992-93 & 1993-94). Another vital shift took place in 1993-94. 'This year's discussions', declared the Budget Circular 'will be on the basis of a net budget.' This meant expenditure NP (RE & BE), Plan (RE) less revenue receipts and capital receipts like recoveries of loans (RE & BE). 1993-94 marked a break from previous years on two more counts. It drew attention to the concern expressed by both the Estimates Committee and the Public Accounts Committee over the variations that persist between the funds authorized by Parliament and the actual expenditure (AE). Due note needs to be taken of the past performance, the stages of formulation/implementation of the various schemes, the constraints on spending etc, while scrutinizing estimates proposed by various spending agencies. This concern was repeated in subsequent years (1994-95, 1995-96) as also the concern raised in the 1993-94 Circular about subsidies. While framing estimates for subsidies (other than food and fertilizer subsidies), both explicit and implicit, the recommendations of the Estimates Committee of Parliament in its 12th Report on Government's Fiscal Policy, Management of Deficit, etc., declares the circular, may be kept in view.[10]
- The 1994-95 Budget Circular (BC) carried forward the concern about the need to: prioritize activities and schemes, economy instructions issued from time to time, reduce subsidies through improvement of operational efficiency and effective direction of flow of subsidies to targeted groups and concern expressed by Parliamentary Committees about variations between funds authorized by Parliament and the A.E. The Budget Circulars (BC) of subsequent years were to reiterate these issues. However, the BC of 1998-99 expands on some issues. With regard to prioritizing schemes and activities, the Circular stated that no provision

[10] The Committee desire that various other subsidies including quasi-subsidies which are being borne by the government in respect of Railways, Postal Services, operating losses of departmental undertakings and interest on loans on public sector undertakings should be gradually done away with through improvement in efficiency, discontinuance of uneconomic operations, reduction of costs and by charging realistic price for the services rendered except in respect of those meant for poorer sections. Estimates Committee of Parliament; 12th Report on Government's Fiscal Policy, Management of Deficit, etc: paragraph 1-190. With a view to minimizing the chances of differences between authorized and actual expenditure, it was noted that the PAC required that savings in a Grant amounting to Rs. 100 crore and above be explained to the Committee. The circular stressed the need for completing pre-budget scrutiny of schemes/projects before making a provision for them in the Budget. Further, no provision was to be made for posts lying vacant for year or more. Even otherwise, provisioning for vacant posts be made with circumspection so as to avoid eventual savings due to these not being filled up.

was to be made in the RE of 1997-98 or BE 1998-99 in respect of schemes listed in June 1997 by the Ministry of Finance as being redundant, non-essential and having outlived their utility.

Clearly, the common thread running through the circulars is the need to conserve financial resources and apply them rationally. Budget Circulars of 1990-91 and 1997-98, pointed to the need for including committed expenditure in respect of plan schemes completed during the Seventh and Eighth, in the Non-Plan BE of the next year.

Planning Commission Guidelines

7.29 The 8th Five Year Plan period (1992--97) marks a turning point in many respects. Planning Commission began to view its role as consisting of the following:

- to develop the 'core sector' through allocation of funds, ensure growth of economy through policy packages and give greater responsibility to the states for the development of social sectors.
- to help in the development of a holistic approach to policy formulation in critical areas like energy, human resource development, backward areas development etc.
- in addition to the resource allocation role, concern itself with resource mobilization for development as well as with the efficient utilization of the funds.
- since the key to efficient utilization of resources lies in the creation of appropriate self-managed organizations at all-levels it will play a Systems Change Role and provide internal consultancy for developing better systems.
- to multiply the gains of experience, an Information Dissemination Role.

Given this perception of its role, the approach of the Planning Commission, during the Eighth Five Year Plan consisted of efforts to make available resources for priority sectors and ensure effective utilization of these resources, create appropriate organizations and delivery systems to ensure that the benefits of investment in the social sectors reach the intended beneficiaries. Therefore, while formulating the Plan it must be ensured that people's initiative and participation is made a key element in the process of development, and plans for poverty alleviation with emphasis on population control, employment generation and provision of minimum needs of health care, literacy, drinking water, rural roads and rural energy.

7.30 To achieve these objectives, the strategy on resource allocation to priority areas was to be attained through (a) central plan assistance (b) resource mobilization by the states (c) private sector participation, among others. Human development was to be achieved through allocation of resources by creating appropriate single-window village/block/district level self managing organizations. A system of incentives/disincentives for achievement/non-achievement of the agreed targets would be worked out. Translating these objectives into practical measures would involve: weeding out schemes/projects which do not make economic sense; identifying plan schemes which, therefore, be discontinued from the year 1992-93; no new scheme be processed after formulation of the 8th Five year plan; no enhancement of Annual Plan Provisions on an ad hoc basis, indicating availability of funds to the States/Ministries for all projects (other than major projects) who will prioritize the projects and allocation needed from the available funds. Further, non-plan expenditure should be brought down by rationalizing the manpower in governments.

7.31 The Secretary, Planning Commission therefore advised[11] that the objectives would be achieved only if adequate resources were allocated to the priority areas. This would require coordinated effort to mobilize resources as well as encouragement to private sector participation. The guideline was to maximize benefits from completed projects, and provide for commitments made during the two preceding annual plans. Tap private initiative in raising resources supplementing government's efforts even in infrastructure activities such as roads, bridges and electricity. As regards inclusion of new schemes, the selection should take into account, availability of resources after providing fully for the commitment for spill overs and ongoing schemes and the prospects of returns on the investment made. Environmental aspects and employment promotion would be equally relevant factors. Activities of a commercial nature and the efficacy of the State Public Sector Undertakings/Corporations figuring in the Plan side might require proper scrutiny. Inter-sector linkages, technological up-gradation and productivity aspects also may be given due consideration.

7.32 Progress in the matter of decentralization, particularly, the active participation of the local institutions and voluntary non-governmental bodies in the development efforts, may be assessed and suitable promotional measures reflected in the proposals. Backward areas within the state would require special attention through appropriately designed programs on a sub-plan/integrated area development approach.

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[11] **D.O. No. PC(P)9/70/91 dated Sept 24, 1991 from Secretary, Planning Commission, to all State Governments./UT Administrations.**

7.33 In the context of the Ninth Five Year Plan (1997-2002), two communications are being relied upon: one from the then Deputy Chairman, Planning Commission, [12]and the other from the then Member-Secretary.[13] The salient features that were to guide the formulation of the Ninth Five Year Plan and be reflected in Plan proposals were:

- The principal responsibilities of government would be to create conditions and make enabling investment for efficient and dynamic functioning of the productive sectors of the economy, and to provide the necessary social infrastructure for improving the living conditions of our people. The priorities for public sector outlays would be the 'seven basic minimum services,' and physical infrastructure, particularly power and irrigation.
- Attention may be paid specifically to the completion of on-going infrastructural projects and delivery mechanisms for social services.
- Excessively unrealistic projections of resources in the past have led to the launching of too many projects/schemes. Actual resources have been spread too thinly. In view of resource constraints being faced, realistic assessment be made of the states resources and of the internal and extra-budgetary resources of the public sector undertakings.
- A major cause of the current resource constraint is the losses being sustained by a number of agencies such as Electricity Boards, Transport Corporations and Irrigation Department. Proposals need to be framed for reducing these losses through enhancement or better recovery of user charges, improved efficiency, and other means. Existing capacities are getting eroded through inadequate maintenance expenditures.
- Detailed plans for the devolution of responsibilities and resources for local self government bodies would need to be worked out, and the impact on state plans carefully assessed.

7.34 It was emphasized that the delivery mechanism and the manner of implementation were as important to the realization of objectives as the availability of resources. This is particularly important in the social sector. Evaluation studies of the Planning Commission had found that RWS schemes worked well when community participation was ensured. Institutions for participatory development need to be created and strengthened. Institutions of

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[12] D.O. Letter No:N-11011/9/96/PC-DCH/624 dated Sept 3, 1996, from Deputy Chairman, Planning Commission.

[13]D.O. Letter No: N-11011/9/96-PC dated October 4, 1996 from Member-Secretary, Planning Commission

self-governance under the new paradigm of decentralized governance had already come into existence and they should be involved more and more in development. Indeed, with the passage of the 73rd and 74th Constitutional amendments devolution of responsibility and resources had taken on considerable importance. Accordingly,

- The responsibilities and resources that would have to be devolved should be worked out carefully and indicated in the state plans.
- The local bodies and other autonomous agencies have the potential to tap substantial resources through fiscal and financial measures and eventually become self-reliant. All encouragement and incentives need to be provided to them to raise additional resources without necessarily diluting government's support in the short run.
- As a part of the process of decentralization it is also the intention of the Planning Commission to provide greater autonomy to states in determining their priorities in development programs and freedom to draw the state plans within the broad framework of the national five year plan.

7.35 Clearly, the instructions and guidelines of the Ministry of Finance and Planning Commission have much in common (Box: 7.4).

Box: 7.4- Summary of Guidelines issued by the Ministry of Finance & Planning Commission

Ministry of Finance	**Planning Commission**
1. Adherence to economy instructions. 2. Evaluate impact of economy instructions issued with a view to containing expenditure growth. 3. Review expenditure with a view to prioritizing activities and schemes. 4. Identify schemes which can be estimated or reduced. 5. Close the gap between authorized & actual expenditure.	1. Emphasis on resource mobilisation and efficient resource utilization 2. Rational allocation of resources and allocation to priority sectors and physical infrastructure. 3. Identify plan schemes which can be weeded out. 4. No new schemes and attention be paid to completion of on going infrastructural projects. 5. Realistic projection of resources. 6. Attention to reducing losses by enhancement of (or better

6. Take note of past performance, stage of formulation, implementation of the various schemes, constraints on spending etc. while scrutinizing proposed estimates. 7. Breakdown subsidies by emphasizing international. 8. Ensure effective direction of flow of subsidies to targeted groups. 9. Complete the pre-budget scrutiny of schemes/projects before making a provision in the budget. 10. No provision be made for posts lying vacant for a year or more, which are deemed to be abolished. 11. Restrictions on creation and filling up posts.	recovery) user charges, improved efficiency. 7. Emphasis on resource & responsibility transfers to local bodies who should be encouraged to raise resources. 8. Reduce non-plan expenditure by rationalizing the manpower in Govt. 9. Encourage participation of private sector in development.

Ministry of Home Affairs Guidelines

7.36 When Delhi became the National Capital Territory of Delhi with an elected legislature and a Council Of Ministers headed by a Chief Minister, it also acquired considerable independence in financial matters. Therefore, the interventions of the Ministry of Home Affairs in the financial affairs of the NCT are less frequent. We shall nevertheless trace the interventions of MHA in earlier years by a taking brief look at the 'operational guidelines' issued by it, from time to time. In June 1993[14], MHA wrote to all concerned about instances of over or underestimation of fund requirements, and the failure to estimate even salaries accurately which is based on sanctioned establishment strength. There were wide variations between the OB and actual expenditure. This is attributable to various factors like over-pitching of estimates, casual approach in formulating estimates and a tendency to not reduce fund requirements at the RE stage in the hope that funds would be utilized by the end of the financial year. This is not conducive to proper Budgeting Systems and is liable to invite

[14] **Letter No: 10/14/93-Budget-I, Govt. Of India, MHA dated June 3, 1993**

adverse comments from Parliamentary Committees/Audit etc. Accordingly, there was a renewed emphasis on the following:

- estimates of expenditure should include only such items as are likely to materialize.
- due attention to considerations of economy is required.
- lump sum provisions should be made only in such cases of emergent situations where urgent measures are needed and be limited to the requirement of preliminary expenses initial outlays. Provision of "token" demand is not to be made for the purpose of seeking approval in principle for big schemes without having the financial implications worked out and approved by the appropriate authorities.
- estimates of establishment charges must take into account the trend over the preceding three years and factors like changes in rates of pay, allowances, number of posts, their filling and economy instructions as issued.
- provisions that cannot be fuly utilized are required to be surrendered immediately without waiting till the end of the year.

7.37 In 1994[15] the existing object heads were replaced with revised object heads. The revised object heads made identifying various kinds of expenditure easier. For instance 'salaries' would include pay, allowances etc. of personnel, while 'wages' would cover labourers and staff paid out of contingencies. Similarly, 'minor works' would include expenditure on maintenance and repairs of works, machinery and equipment. Expenditure on OTA, POL, Office Expenses, subsidies, travel etc. could be identified clearly. This came into effect from April 3, 1993 and demands for Grants for 1995-96 were to be restructured to follow the revised Object Heads of Classification. In Sept, 1997[16] the MHA invited attention to the fact that the RE for 1997-98 and BE for 1998-99 must provide details about estimated committed expenditure (with reference to the 8th Five Year Plan schemes) which would be provided for the first time as Non-Plan. In November 1996,[17] there were more guidelines on Expenditure Management, fiscal prudence and austerity. The gist of the directions was, inter alia:

- Utmost economy be effected in expenditure by restricting expenditure only to inescapable items.

[15] D.O No. U-15041/15/94-Bgt II dated December 22, 1994, Government of India, Ministry of home Affairs.
[16] Letter No. 10/19/97-Bgt. I, dated Sept. 22, 1997, Government of India, Ministry of Home Affairs.
[17] Letter No. 10/26/96-Bgt.I, dated Nov.4, 1996, Government of India, Ministry of Home Affairs.

- Proposals for supplementary grants for additional items of expenditure would not be entertained. If additional expenditure becomes inescapable it may be met from savings from the sanctioned grants by re-appropriation.
- Steps be taken to avoid rush of expenditure in the last month of the financial year, just for the sake of utilization of funds.
- The Eighth Five Year Plan schemes which had lost their relevance or were not essential should not be included in the Ninth Five Year Plan.

7.38 The general drift is quite clear. What was the cumulative impact of all these initiatives? These benchmarks evolved over the last decade or so provide the Commission with the yardsticks required to assess the performance at different levels and the local bodies in attaining the goals of economy in expenditure, rational allocation of resources and operational efficiency.

7.39 From the foregoing analysis, one aspect emerges clearly. Constraints on resources are being felt at all levels of government, irrespective of service area (territorial size), depth and size of population or the administrative structure and problems. Accordingly, there ought to be a move at all levels towards emphasizing the efficiency and performance criteria in crucial areas. Local bodies also need to receive a clear message that non-adherence to normative yardsticks of, say, raising a minimum level of resources, or efficient use of scarce resources will not, be ignored in future allocations. This issue will be dealt with in greater detail later.

Chapter-8
Assessing City Management: The State Government-Local Body Interface: As Benchmarks

Select Ingredients of the Urban Reform Agenda

Devolution of functions lies at the heart of financial devolution. The role and responsibilities of an organization will determine quantification of resources required to function effectively. The success of any scheme of devolution depends upon three vital enabling ingredients: subordinate legislation, delegation of powers, and institutional and capacity building measures. It is evident that:

- constitutional changes mandate policy changes to ensure effective functioning of local self-governance institutions
- conceptual and operational changes have to follow
- this calls for procedural, systemic and legislative changes along with institutional and capacity- building measures. This clarifies the role and responsibilities of local self-governance institutions. Quantification of funds needed has to follow. Resource mobilization by local bodies is the next step It is only thereafter that the question of providing access to resources by way of scheme funds, grants, assignments, contributions and loans arises. This enables them to take up works which are constrained only by the availability of funds.
- This should lead to a review of instruments for such resource mobilization.
- Simultaneously, this mandates a review of the state government's assistance, its volume and pattern, stability and consistency.

This, then, constitutes the first ingredient of the financial model: the function – finance relationship. Lack of clarity in the sphere of functional devolution is bound to affect any analysis, because quantification of needed funds depends, on transferred functions and responsibilities

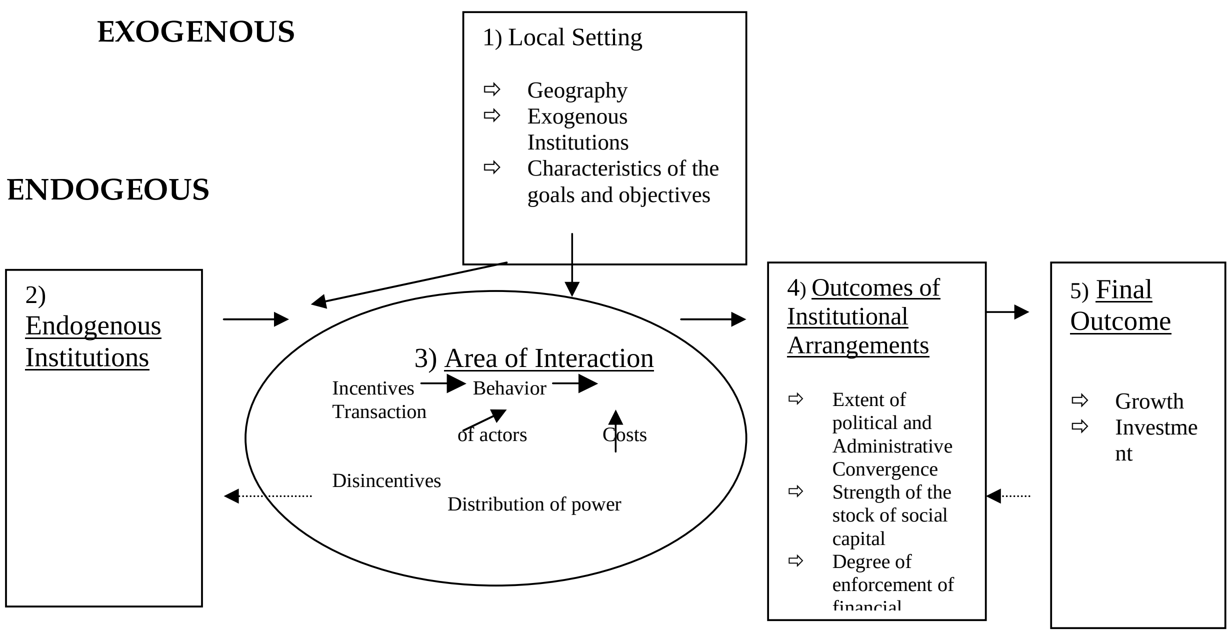
8.2 We now come to a consideration of the trends, complexities, and operational details of the financial sector. the 'real factors' should contribute to the analysis. These could be city visions (as a 'cyber or global city'), city goals (of equalizing living conditions in different parts of the city, with the NDMC area providing possible normative benchmarks) or the objective of just financial prudence of operations.

Issues in the State-Local Bodies Interface

8.3 In a federal state, the drive to improve public sector efficiency, and bring about durable reforms in the tax system tends to bring fiscal relations and performance at different levels, to the fore of the policy debate. This focus is important:

- First, the interface between the state government and local bodies is a significant institutional arrangement determining outcomes. Factors such as city vision, geography, demography, developments in the National Capital Region, national level policy changes have an overwhelming influence on the interface. Figure 8.0 summarizes an analytical framework.

Figure 8.0:- A Framework for Analyzing the Impact of Institutional Interface on Development Outcomes



Second, there is a presumption that the distribution of resources - in terms of capacity to raise revenues or access to revenues – is skewed in favor of the state government. Relative to responsibilities vested in them, local authorities are intuitively presumed to be saddled with limited taxing capacities, crippling statutory provisions, and narrow tax bases. Accordingly, in order to correct such distributive distortions, resource distribution proposals, it is believed, should be tilted in favor of local bodies.[1]

[1] **This however is a rather flawed argument. If local bodies feel they are poorly resourced vis-à-vis state governments, state governments too feel similarly handicapped vis-à-vis the central government.**

- Third, convergence between the two levels of governance on economic goals and policies. It is likely to take some time. In the absence of such convergence leading to a common action platform, incentive structures may not work. The need for the fiscal set-up to evolve toward consensus contributes towards low reliance on own taxes and relatively inefficient controls over public spending.
- Fourth –a corollary to the need for convergence- is the system of inter-governmental transfers aimed at equalizing living conditions in the territorial jurisdictions of different local bodies.
- Fifth, the revenue equalization system (after factoring in, say, 'own resources', population, geographical area, or service and amenities deficits) offers no incentives to expand the tax base (as in the case of the NDMC) and may even encourage tax reform avoidance (as in the case of MCD). Greater dynamism may well be secured with a less confiscatory equalization system and a higher degree of tax autonomy (with the attendant responsibilities implied).
- Sixth, is the issue of whether a leaner and more efficient public sector (DTC, DJB) or local bodies could be achieved through the principle of subsidiarity, whereby public spending would be closely matched with the responsibilities of state and local bodies[2] stipulating their budgetary independence. The Constitution broadly follows the subsidiarity principle[3]. More effective resource allocation could be reached if the central and state governments allowed lower levels more responsibility both for decisions as to what services to provide and for the financing of these. The assumption is that the local bodies being answerable to the electorate would make rational choices and be interested in effective delivery of services. In practice this may be difficult to uphold for a variety of reasons.

Financial Postulates

8.4 The Commission's postulates in the sphere of finances are briefly stated below:

- Financial policies are derived from the real financial objectives before an organization. The 'real' factors in this arena could be city visions, perspective plans, long-term development goals, physical and financial

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[2] Subsidiarity principle: responsibility and matching resources are assigned to the level of governance best equipped to discharge a role or function.

[3] Though in its application to both the state and local bodies of the National Capital Territory there have been substantial departures. For instance, in practice, the taxing power of local bodies lacks independence in as much as the proposals require approval of either the state government or the central government or both. Similarly, the control of the state government over city management and the local bodies is less than complete. Indeed, in certain matters it is rather ineffectual.

targets of plan programs and the normative standards underlying these goals.

- Financial objectives similarly, are a product of yardsticks suggesting normative principles to determine the health, efficiency and effectiveness of financial policies. These could include the need to balance receipts and expenditure on revenue account, generate sufficient surpluses for investment in capital projects, and reasonable returns on investment.
- Financial instruments deployed to translate financial policies into schemes designed to fulfill financial objectives, consist of tax and non-tax receipts, and expenditure choices. These instruments include relatively autonomous instruments such as grants and/or municipal development funds or, even, a corpus of development funds.
- Financial systems and procedures define the operational parameters. They specify: the limits of the financial instruments, the authorities delegated, the capacities of the system, the boundaries of competencies. These also include, technical, financial and statutory powers and procedural requirements designed to ensure adherence to financial proprieties, . These include monitoring through financial and account/audit codes and normative yardsticks or physical targets against financial outlays.

Assessing the financial position has essentially been an effort to evaluate capabilities and operational efficiencies in the financial arena.

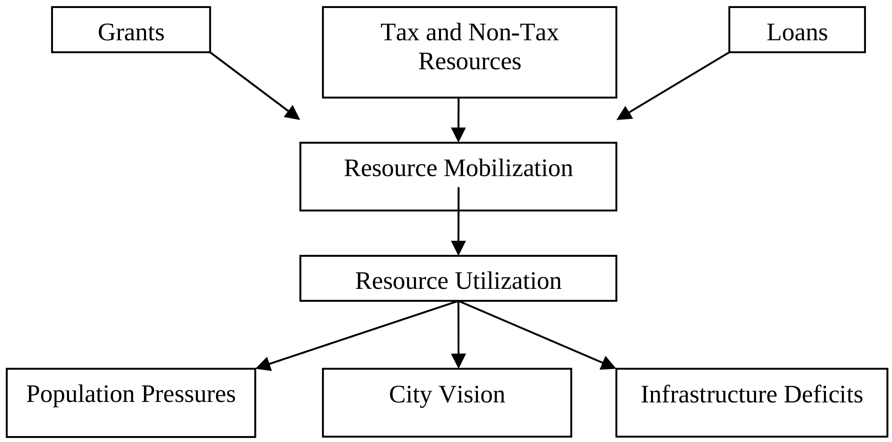
Resource Mobilization-Utilization Matrix

8.5 Traditionally, the main economic issue has always been how to secure a balance between limited resources and several competing needs. Therefore, ‘resource needs’ is the starting point of this analysis. If it is ‘visions’ that drive resource needs what is the declared vision of Delhi as a global city? Do the needs to stem the population influx, correct infrastructure deficits and to attract jobs and skills drive investment choices?

8.6 Irrespective of the priority accorded to different ‘driving forces’, what functional responsibilities or financial commitments- in terms of, say, projects, programs- do we derive in order to determine resource needs? What policy and administrative changes have been identified as essential to securing the vision? Do these changes imply financial commitments? What are the proposed role-responsibility or expenditure assignments as between different levels of government? Indeed, what is the total assessed resource requirement?

8.7 The next level of analysis is: the effectiveness of resource mobilization and resource allocation, followed by their efficient deployment and utilization by the state government and the local bodies. Has there been rational utilization of mobilized resources for designated purposes (Figure 8.1). Has resource mobilization been effective and resource utilization been efficient? It is this assessment that will yield both the quantum and the principles of resource allocation as between the state government and local bodies.

Figure: 8.1-Resource Mobilization and Utilization Matrix



Assessing Resource Mobilization and Utilization-Indicators

8.8 Government's spending and taxing policies typically reflect a mix of financial objectives: To assess the impact of fiscal policies it is necessary to compile different indicators for assessing different objectives.

8.9 There are several yardsticks to evaluate the receipts and expenditure structure (Box 8.0 and 8.0A). For example, an assessment of resource mobilization could enquire into statutory provisions enabling or hindering enhanced mobilization. It could also focus on how current resource needs are assessed or future requirements are forecast. The existing systems for widening and deepening the tax base, procedures for revising tax rate structure would be equally important criteria.

8.10 Investigations also need to probe the degree of sophistication achieved in expenditure management. It has to commence with a look at expenditure assignments and the role-responsibility framework, and extend to the territorial and demographic jurisdiction. The yardsticks would include an evaluation of the performance against physical and financial targets, ability to curb non-essential expenditure and provide resources for priority needs.

Box: 8.0- Resource Mobilization-Utilization Indicators

Assessing Resource Mobilization

Against Revenue Assignments

- Statutory Provisions-Limitations and Competencies

Against Procedures and Systems for:

- Assessing resource needs
- Assessing resource potential of economy
- Assessing cost-benefit of revenue measures
- -Estimating and projecting short term resource trends
- -Estimating and projecting long term resource trends
- Defining Tax Base
- Defining and identifying tax arrears
- Updating Tax Base Information
- Updating and identifying information base regarding arrears and litigation

Box: 8.0A- Resource Mobilization-Utilization Indicators

Assessing Resource Utilization

Against Expenditure Assignments:

- Role-Responsibility Framework
- Time Framework
- Resource Availability
- Quantum of Expenditure in Select Sectors

Quantitative Aspects:

- Against Investment Needs
- Against Targeted Expenditure
- Against Normative Requirements
- Against Physical Targets and financial outlays
- Against Projected Project Costs
- Against city development goals and objectives
- Against actual outcomes vis-à-vis goals and objectives
- Against actual socio-economic needs
- Against actual socio-economic outcomes
- Against physical infrastructure needs
- Against actual infrastructural development outcomes
- Against considerations of efficiency and effectiveness

Resource Needs

8.11 Investment needs are based on policy objectives and also on perceived shortfalls in infrastructure and services. Estimating the actual physical shortage is a formidable task. First, the dimensions of the problem area are often ill-defined. Second, due cognizance is not taken of certain assets. Third, the qualitative dimensions, are difficult to quantify: 'up-gradation' of human resources, 'improvements' in the quality of life or 'better' maintenance are a few such instances. To the extent targets can be quantified, assessing resource requirements is relatively easier.

8.11.1 We seek to identify investment needs from various estimates. These include projections made by the NCR Planning Board and the Delhi Urban Environment and Infrastructure Improvement Project.[4] These estimates provide us normative benchmarks.

Resource Mobilization

8.12 Resource mobilization affects the access of the state government to plan funds. It therefore affects the government's ability to undertake developmental works.

8.12.1 Trends in receipts, total, tax, non-tax, then by source and also compare BE, RE, and actual receipts (AR) are examined. The comparison of BE and RE with the AR (actual receipts) will help to evaluate performance gaps and how realistic the BE and RE were.

8.12.2 This would call for an evaluation, among other things, of projection methodologies sufficiency of revenue receipts and collection efficiencies.

8.12.3 Further, we assess the financial health of the state government through fiscal indicators (revenue surplus, fiscal, capital, and primary deficits), the vibrancy of tax and non-tax revenue instruments, and the extent of compliance with resource assessment and budgetary instructions.

Resource Allocation

8.13 This has two aspects: (i) allocation between different levels of government, and (ii) allocation of resources to priority sectors and specific programs. What would be a definitive criterion for resource allocation between the state government and the local bodies? An analysis of the finances of the MCD and the NDMC (is taken up in later chapters) to answer this. A few relevant issues are now taken up.

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[4] Fiscal Plan 1995-2005, NCR Planning Board,1997. Also, the National Capital Regional Plan-2020.

Purposes of Inter-Governmental Resource Allocations

8.14 What is the purpose of allocating resources between different levels of government?[5] Decentralization, and the ensuing changes in institutional architecture, are very likely to impact on governance, participation, and efficiency of public services-all of which are important variables for development outcomes.

8.14.1 Decentralization has been advocated as an important factor towards broadening citizen empowerment, opportunities, and participation, and improving local governance, thereby promoting poverty reduction (Figure 8.3).

8.14.2 Decentralization has traditionally been supported by the following two arguments:

- Decentralization can lead to increase in efficiency. State level authorities usually are presumed to lack the 'time and 'place' knowledge'[6] to implement policies and programs that address people's 'real' needs and preferences. If properly managed, decentralization is seen as a way to improve allocative efficiency.[7]
- Decentralization can lead to improved governance. Decentralization, it is believed, enhances accountability and monitoring of government officials and decision makers. By creating institutional arrangements that formalize the relationship between citizens and public servants, decentralization is said to undermine opportunities for the 'rent-seeking' behavior of officials.

8.14.3 Decentralization is a multi-faceted concept – its effects on development outcomes depend, to a large extent, on the form and type of decentralization in question. It needs to be distinguished from de-concentration.[8]

Figure: 8.2-Decentralization Impact Analysis[9]

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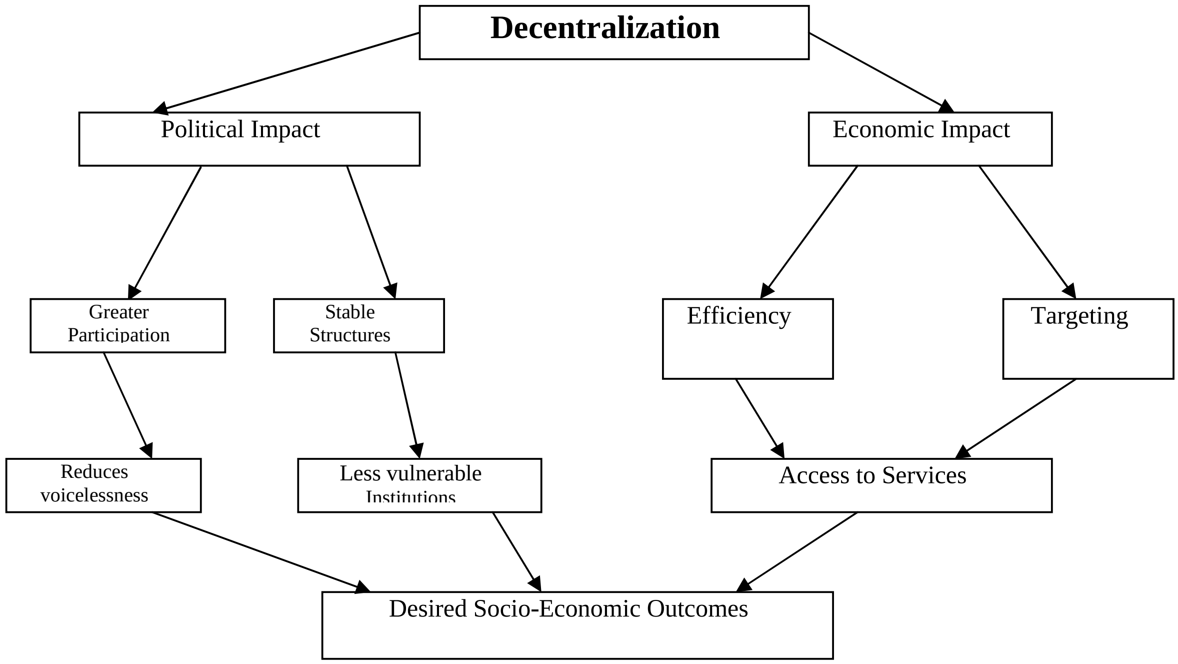
[5] OECD Development Center, Decentralization and Poverty in Developing Countries: Exploring the Impact, Johannes Jutting, Celine Kauffmann, Ida Mc Donnell, Holger Osterrieder, Nicolas Pinaud and Lucia Wegner, Working Paper 236, Research Program on: Social Institutions and Dialogue, August 2004.

[6] Friedrich Hayek cited in A Relational Archive for Natural Resources Governance and Management, E Ostrom, S. Huckfeldt, C. Shweik, and MB Wertime, 1993.

[7] RA Musgrave, 'Who Should Tax, Where and What?' in CE Mc Lures (ed.), Tax Assignments in Federal Countries, Center for Research on Federal Financial Relations, Canberra; Fiscal Federalism, W. Oates, 1972.

[8] Regarding the latter point, it is important to differentiate between de-concentration and devolution. De-concentration aims at transferring responsibilities to field and subordinate units of government, while field units basically remain under the hierarchical authority of state authorities and have no independent legal existence apart from the state government. In contrast to this, devolution refers to a transfer of competencies from the state to distinct legal entities. It is necessary to ensure that the instrument of resource allocation is deployed to promote reforms on broad range of issues. It should preferably in no circumstances encourage complacency on this issue.

[9]Adapted from Decentralization and Poverty in Developing Countries, Johannes Jutting et al, August 2004



8.14.4 In order to disentangle the various effects that decentralization might have, a distinction should be made between *political* and *economic* channels (Figure 8.2).

- Political decentralization could be expected to offer citizens the possibility of increased participation in local decision-making processes. This, in turn, could be expected to give better access to local public services and social security schemes, reducing vulnerability and insecurity.
- With respect to the economic channel, decentralization is expected to have a strong and positive impact on outcomes through increased efficiency and better targeting of services. Enhanced efficiency in service provision could directly improve people's access to education, health, water, sewage and electricity-all related areas of concern. Delegating power and resources to the local level is also expected to result in the better targeting of the poor. Further, it is believed, that a more decentralized framework for identifying and monitoring programs and projects could not only help to reduce costs but also enable responsiveness to local needs.

8.14.5 Have the constitutional amendments led to reforms being implemented holistically? If not, what is the rationale of the resource transfers? What correctives are needed? This is considered in greater detail in later chapters dealing with MCD and NDMC respectively.

8.15 A deeper understanding of the dynamics of decentralization may be useful in optimizing performance. Essentially, two sets of conditions determine the impact of decentralization on outcomes: the *background* conditions and the *process* conditions (Box 8.1 and Figure 8.3).

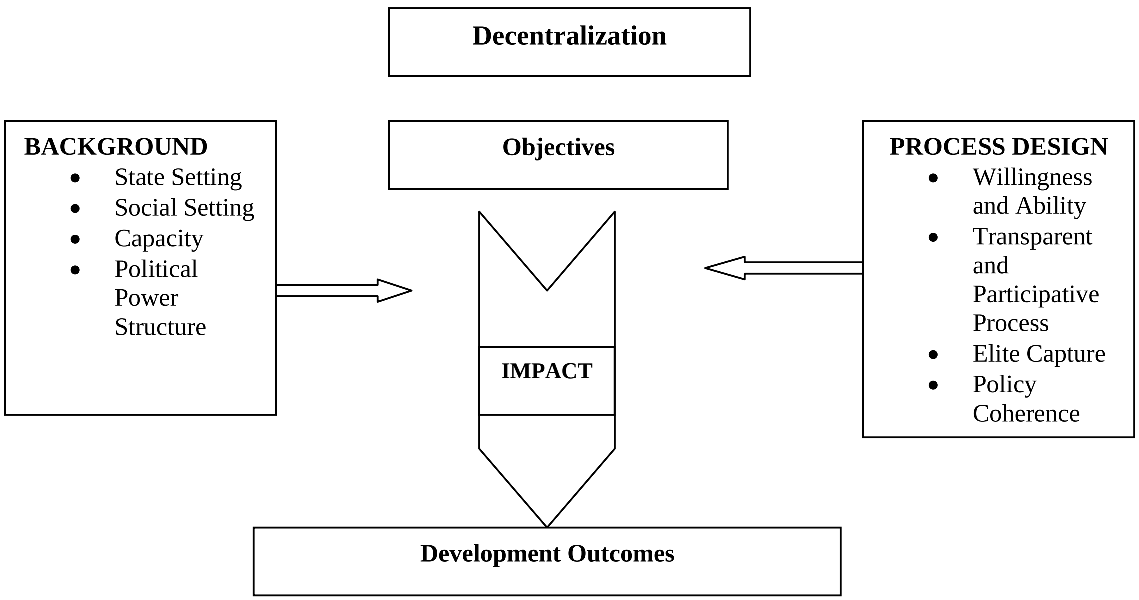
Box: 8.1-Background and Process Conditions

Background Condition	**Process Conditions**
State Setting: Includes population density, state of infrastructure, levels of income, and levels of inequality between different sections and regions.	Ability and willingness: to carry out reforms, which depends on political commitment at both state and local level, resource availability at local level, and local human capacities.
Capacity: of local actors, culture of accountability, and legal enforcements.	Transparency and participation: Outcomes greatly depend on the culture of transparency and information flows.
Social Institutions: might contribute to or, conversely conflict with the participation of citizens, particularly long excluded groups.	Elite capture and corruption: Transfer of responsibilities to the local level may lead elites to capture the decision making processes, with limited or negative impacts. Similarly, if priorities and resources are diverted from development outcomes, corruption may ensure.
Political Power Structure: Institutional framework of checks and balances in terms of the division of political power.	Policy coherence: Decentralization may be effective only if other required changes are implemented simultaneously.

8.15.1 Besides these two sets of conditions, the outcome of decentralization processes depends on their overarching objective. They can be undertaken by *default* or *design*. The former occurs when governments are forced to decentralize in order to counter diminishing budgetary resources (the origin of the local body reform agenda can be seen partly as a response to the resource constraints of the early 1990s). In such circumstances, the ability of government to design the decentralization process is limited. The policy is often imposed by a national level consensus and by a government keen to divest itself of tasks for which it neither has sufficient resources nor capabilities.

8.15.2 When decentralization is undertaken by design, government have far greater ability to shape the process. In such circumstances, the role of the local level government is expected to shift from mere provision of services to promoting conditions for socio-economic development. Is the government of NCT, in a position to 'design' the shape of processes that would promote development outcomes? This aspect can be a major factor in deciding resource allocation.

Figure: 8.3-Decentralization: Background and Process Conditions



8.15.3 Do the existing arrangements support a system that makes for effective local bodies? At this stage cognizance is taken of resource availability and resource needs of the state government itself as well as efforts of local bodies towards resource mobilization and economies in non-plan revenue expenditure, and their trends in allocation.

8.15.4 These measures of possible resource allocation are essentially to arrive at an understanding of the meaning and criterion of "effectively functioning" local bodies.

Resource Utilization

8.16 Expenditure is the other vital arm of fiscal policy. We review the position with reference to economy and efficiency, physical targets and financial outlays, normative yardsticks, and the fund utilization in selected sectors. Assessment of the cost-time efficiency of resource utilization shall be based on: (i) an evaluation of projects approved by the Expenditure Finance Committee, (ii) continuing expenditure on schemes that have outlived their utility, adherence to economy instructions and avoiding bunching of expenditure at the close of a financial year.

8.16.1 On the quantitative side, the gaps between proposed and approved outlays reflect perceived resource constraints. The difference between approved outlays and actual expenditure reflect performance gaps. The figures of sector-wise actual expenditure within the total approved outlay indicate the sector-wise shortfalls, if any.

8.16.2 For expenditure management we shall also assess whether the system ensures rational allocation and utilization of resources between projects and programs, secures city development goals, or achieves cost and time efficiencies.

8.16.3 Performance of public expenditure needs to be analyzed with reference to certain analytical frameworks. With sustained revenue surplus, restraints on public expenditure tend to get relaxed. There is pent up demand for public goods and services. This may result in demands for increased government spending.

8.16.4 However, uncertainty about the underlying strength of the fiscal position remains. The financial health of public sector units, the poor capitalization rate of resources, the equally poor status of physical infrastructure and of merit and economic goods, remain a cause for concern.

8.16.5 This concern is compounded, if increased spending is done without a sufficient evaluation of possible consequences (economic, social, environmental or others) of spending choices made.

8.16.6 Public expenditure is often examined in three dimensions[10], and we distinguish three possible economic objectives in the pursuit of better performance.

8.16.7 The First dimension refers to the macro economic costs of public expenditure, which include economic distortions stemming from the tax system. For instance, a narrow property tax, not updated for years, increases the per capita burden on tax payers and reduces the per capita revenue for

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[10] Managing Public expenditure: Some Emerging Policy Issues and a Framework for Analysis, Paul Atkinson and Paul Van den Noord, OECD Economic Department Working Papers No.285 February 08, 2001.

service providers; innumerable exemptions, concessions, waivers or the volatility of tax rates militate against dependability of revenue streams).

8.16.8 There is also a fiscal sustainability risk associated with the debt burden. The second dimension refers to allocative efficiency, or the outcomes achieved for a marginal unit of public expenditure.

8.16.9 The third one refers to technical efficiency or the resource inputs for a marginal unit of output of public goods and services.

8.16.10 In addition, agency-wise (state government, MCD, NDMC) availability of funds and their quantitative and qualitative utilization are reviewed.

8.16.11 Finally, elements of operational expenditure: administrative expenses such as capital expenditure, expenditures on maintenance, interest liability, subsidies, grants, and assignments to local bodies are considered. The expenditure management aspect is broadly considered under the grouping in Box-8.2

Box: 8.2- Expenditure Management: Expenditure Groupings

Public Goods	**Merit Goods**	**Income Transfer**	**Economic Goods**	**Services**
Law and Order	Education	Administrative Expenses	Power	Sanitation
Real Estate Management	Health	Interest	Water	Civic Amenities
Environmental Management	Social Welfare	Maintenance Expenditure	Transport	Rehabilitation of Slum dwellers
	Welfare of SC/ST/OBC	Subsidies		Public Works
		Grants		

8.17 As already noted, analysts have listed several advantages of functional and fiscal decentralization. Decentralization can strengthen democratic processes, allow the local government to tailor the supply of goods to local needs and preferences, and introduce competition across jurisdictions, thus raising public sector efficiency. Contrarily, it can also entail efficiency losses, and make it difficult to implement redistributive policies and complicate macroeconomic management. On the spending side, local provision may fail to exploit economies of scale and internalize territorial spillovers[11]- a serious issue since few public goods are purely local. On the revenue side, few tax bases can

[11] Territorial Spillovers: are externalities or spin-offs of projects and programs implemented by authorities whose territorial or functional jurisdiction is distinct from or outside the jurisdiction of any specific organization. For instance, impacts of programs and projects implemented by NDMC would constitute territorial spillovers for MCD and vice versa.

be exploited by the local governments without raising serious distributive concerns.[12] We often witness the phenomenon of a tax initially levied across the board (a 'universal tax') followed by a number of concessions and exemptions in response to reported public outcry. This roll-back is driven by 'distributive concerns' and intended to ensure 'distributive justice.'[13] The mismatch between *expectations* and *delivery, capacity* and *performance*, *resources* and *responsibilities* are characteristic features of the functioning of local bodies.

8.18 There is a basic puzzle here. Why have public expenditures failed to deliver basic services to the citizen when political representatives taking decisions over public resource allocation depend upon the support of the citizen to win office?[14] This is in spite of democratic elections to multiple tiers of government being sustained over a period of time and conscious efforts to extend the participation of the citizen (the 73rd and 74th constitutional amendments aimed at strengthening democratic processes at grass roots level).

8.19 Despite this, evidence demonstrates that basic public services are deficient. Government schools and health clinics lack adequate teachers and doctors, and text books and medicines. Supply of clean water is unreliable and often unavailable. Instead public spending is focused on private transfers either to interest groups organized around these transfers, or to individual citizens. These transfers have taken the form of public employment or subsidies. Substantial amounts are often allocated to public services such as education and health. These, however, remain on paper because earmarking of funds lacks strong accountability mechanisms for actual delivery to be effective. The purpose of even this spending appears to be the creation of jobs in the public sector.

8.20 Possibly the citizen in a city would be better off if public resources were shifted for effectively providing basic services that would simultaneously benefit many instead of continuing transfers of funds to schemes where benefits are distributed over large numbers and which are difficult to sustain[15].

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[12] I. Joumard and P. Kongsrud, 'Fiscal Relations Across Government Levels', OECD Economic Department working Papers, No.375, OECD Publishing doi; 10. 1781/455513871742, 2003.

[13] Such a phenomenon was witnessed in the context of the Unit Area Method for levy of property tax introduced by the MCD with effect from April 1, 2005.

[14] 'Why do the Poor Receive Poor Services?' Philip Keefer and Stuti Khemani, Development Research Group, World Bank, December 2, 2003.

[15] For instance, if consumption subsidies are directed at individual beneficiaries of amounts as low as Rupees 5000 per beneficiary, these are likely to be difficult to sustain over long periods of time. This is because they tend to balloon over time even if all beneficiaries identified are genuine. The possibility of a large number of undeserving, beneficiaries from outside the territorial jurisdiction of an authority, including all-out fakes, is difficult to deny or avoid.

Indeed, researchers have found that quality public spending on basic health and education services almost universally yield benefits for the poor; fine targeting, on the other hand, often comes at a cost to the poor, largely because of administrative costs and unintended consequences. 'Broader targeting' through the provision of basic public goods when administrative capacity or financial resource is constrained, is an alternative worth considering.[16]

Normative Checklist

8.21 The larger framework of fiscal responsibility, effective resource mobilization, rational resource allocation, and efficient resource utilization also forms the basis for evaluating the functioning and resource needs of the local bodies from the perspective of resource transfers. The most notable issues relating to state and local bodies relations are threefold:

- on the spending side, how can local bodies tailor their supply of public goods in a manner that would satisfy local needs and preferences, ensure efficient provision and delivery, as also meet the objectives of distributive justice?
- similarly, on the revenue side, how can financing for local bodies be structured so as to allow them to fulfill the same objectives, that is, respond to local preferences, answering efficiency concerns and not compromising on the objectives of distributive justice?
- from a larger perspective, how can sufficient coordination across government levels be engineered, using financial interventions, fiscal statutes and rules, and cooperation arrangements, so as to ensure compatibility between the objectives of the state government and the local bodies?

8.22 Three boxes 8.3(a), (b) and (c) have been provided to summarize the principle issues in the form of check lists assessing fiscal relations across levels of government concerning.

(i) funding principles for local bodies

(ii) issues in spending assignment and

(iii) macroeconomic management in a decentralized setting.

Box: 8.3(a) - A Checklist for Assessing Fiscal Relations across Levels of Government

[16] **'Public Spending and the Poor', Dominique Van de Walle and Kimberly Nead; 1995, Johns Hopkins University.**

Local Bodies: Funding Principles

- *Taxation Powers*: How extensive are local government revenue-raising powers? In particular, with respect to which taxes can they set the bases and rates? Is there room for more taxing powers without destabilizing the state or local government budgets (e.g. as a result of excessive volatility of local tax revenues), raising overall administrative and compliance costs, hindering trade and investment flows, and/or harming distributional objectives? What role is there for user charges?
- *Tax Competition*: Do local tax rates and bases vary significantly across jurisdictions (as, say between the MCD and NDMC)? What are the main factors contributing to, or limiting, cross-jurisdiction differences? Should there be such variance? How does the grant system influence the tax policies of local bodies?
- *Earmarked Grants*: Do earmarked grants account for a substantial part of the local body budget? If so, how are these grants designed and what are the impacts on the incentives and overall outcomes for local body level functioning? How is the state government participation rate defined-just sufficient, incremental, additional or more? Is the contribution based on actual ex post costs as opposed to standard *a priori* costs? Is there evidence that earmarked grants have resulted in poor cost-efficiency and misdirection of grant amounts? Is there a case for more flexibility in respect of earmarked grants (e.g. allowing local bodies to decide how to reach strategic objectives, by shifting to a more outcome-oriented approach?
- *Equalization Scheme*: Through what channels does the redistribution across local jurisdictions take place? Is the outright formulaic denial of funds to, say, NDMC in comparison to the MCD the only or even the best answer, especially since smaller service area (population and territory) of the NDMC could also mean smaller revenue base? Incidentally, what are the main objectives of the 'equalization scheme' (minimizing the jurisdictional disadvantages of MCD, providing services and amenities to the citizens of MCD areas of a standard 'equal' to NDMC)? What are the criteria (potential or actual tax revenues, specific topographic and socio-demographic factors influencing the provision costs)? How important is state government discretionary financial support as opposed to formula-based grants? To what extent does the intergovernmental grant system promote or hinder the growth and development prospects of poorer jurisdictions (slums, resettlement colonies, squatter settlements)? Do the design and reform of the grant system face serious equity-efficiency trade-offs? Are state government grants used to minimize fluctuations in local government tax revenue?

Box: 8.3 (b) -A Checklist for Assessing Fiscal Relations across Levels of Government:

Macroeconomic Management in a Decentralized Setting

- *Macroeconomic Consistency*: What instruments are in place, or should be envisaged, to secure consistency between the fiscal behavior of local governments and the overall macroeconomic goals of the state government? Are, or should, local governments be prescribed fiscal targets? Is the frequency of emergency demands for financial bailouts overshadowing normal transfers? What is the frequency and what are the volumes of emergency transfers? Does this affect the state government's finances? What is the longer term answer to such demands?
- *Fiscal Rules*: What fiscal rules apply to the local government? Have they been imposed by the state government? Do they need to be revised and should they be negotiated with the local governments? What kinds of rules best avoid fiscal slippages, whether as an increase in the debt burden of the state government or higher taxes (balanced budget rules, expenditure ceilings or limitations on borrowings)? Have sufficient enforcement mechanisms been introduced (fiscal responsibility statutes governing both the state and local governments? In particular, is there a role for peer-pressure and sanctions (punitive deductions) and, if so, how should sanctions be applied (with approval of the political executive in the legislative assembly or a joint body of the state and local government?
- *Financial Discipline of Loan Finance*: Are local governments allowed to raise institutional finance or through bonds? If so, does it require an explicit or implicit guarantee of the state government? Is there evidence that such finance would help local governments to impose self-discipline? Do economic instruments available to the local and state governments play a current or prospective role in securing financial discipline?
- *Information Sharing and Transparency*: Are local government spending responsibilities and revenue raising powers clearly demarcated? Is there scope for improving consistency (e.g. all government levels using compatible accounting standards) and transparency (e.g. are local government fiscal positions and information on both the quality of local public services and local tax rates easy to obtain- easy for the citizen, state government, and others who may want to access the same- and compare)? Is there any forum allowing the local and state governments, to share their experiences in managing public services more efficiently? Are local government figures on staffing, collections, deficits in services and amenities etc, readily available? To what extent has decentralization made it difficult to seek answers and information, enforce regulations and deal with malfeasance?

Box: 8.3 (c)-A Checklist for Assessing Fiscal Relations across Levels of Government:

Issues in Spending Assignment

- *Extent of Decentralization*: How are responsibilities for public service provision shared across government levels? Are some jurisdictions given special spending responsibilities (and symmetrically revenue-raising powers)? To what extent can and do local bodies tailor their supply to local citizens' preferences? In particular in what areas are national or state level standards binding and is the state government able to ensure adherence to the prescribed norms? What kind of micro-managing does this entail? And, are 'unfunded mandates' an important issue?
- *Size of Jurisdictions*: What issues arise from the geographical jurisdiction of the state and local bodies and also of the local bodies themselves? Is there scope for a cooperative approach such as the joint-provision or the concentration of supply in some jurisdictions (geographical or functional). Under what circumstances would this amalgamation of resources and responsibilities be desirable? How should such cooperative amalgamations be designed? In particular, how should provision costs of vertically integrated supplies (health and education being outstanding instances) be shared across jurisdictions? Can such cooperative approaches be expected to promote cost-efficiency through cost-economies?
- *Overlapping Responsibilities*: Are there areas of overlapping responsibility? If so, to what extent does such overlapping create incentives to shift the financial burdens to another government layer and result in the sub-optimal provision of services? What are the instruments in position to avoid such shifting?
- *Social Transfers and Redistributive Goods*: To what extent are the local bodies responsible for delivering social assistance programs and redistributive services? In particular do they set eligibility criteria and benefit levels? Is there a threat to the social welfare administrative network due to 'welfare migration' because provision of welfare by the city is perceived to be 'better'? Do local bodies have the freedom to lower the generosity of such benefits and/or restrict eligibility to reduce demands from non-residents?

Local Bodies in the NCT-Urban Reform Agenda: Ten Years After

8.23 A decade and more after the urban reform agenda, inspired by the constitutional amendments, was initiated where does the reform program stand? Some evidence suggests that action is underway to correct core deficiencies: responsiveness to public grievances (the Citizen Service Bureaus), improve revenues (introduction of Unit Area Method for a reformed property tax system), scientific sanitation management (segregated collection of garbage). Nonetheless, the overall picture is not encouraging.

Assumptions

8.24 A set of assumptions have been taken as a guide that:

(i) the state government and local bodies share a common 'city vision'

(ii) the state government and the local bodies shall work toward 'common goals'

(iii) both levels have and share a concept of 'effectively functioning local bodies

(iv) financial health and operational efficiency are important considerations that guide both levels in the decision making process

(v) the state government, the political executive and citizens view the functioning and success of local bodies to be in need of support and strengthening

(vi) the local bodies themselves want to succeed in terms of discharging the role cast upon them and achieving the goals and targets their responsibilities prescribe, while adhering to the principles of financial propriety, efficiency and effectiveness.

(vii) in the longer run, the local bodies will see the need to operate towards specific economic goals: raising resources and applying them rationally.

8.25 Further:

(i) The statutory provisions in regard to urban local bodies constitute the single most significant statement of policy and intent.

(ii) Fashioning effectively institutions of local self governance requires due recognition of their specific role and responsibilities in a work frame which includes, inter alia, functions and duties, powers and authorities in the planning, developmental, welfare and regulatory spheres.

(iii) Effective functioning and participation of municipal bodies require Institutional Capacity Building Measures (ICBM) and Capacity Enhancement Techniques (CET) designed to improve their visibility and ability to mould, intervene or determine the scope and content of activities and measures cutting across a wide swath.

(iv) ICBM and CET are directly dependent on the depth and strength of the economic base of the areas serviced by local bodies.

(v) Apart from the economic base, ICBM and CET rely upon the calibre of the personnel in the municipal bodies and the transparency of the systems and procedures, devised for the formulation, execution and monitoring of, say, projects and financial proposals.

8.26 In other words, the task involves providing and integrating institutional capacities, administrative capabilities, technical, legal and managerial competence with financial strength to evolve vibrant and efficiently functioning institutions of local self-governance.

Concept and Needs of Effectively Functioning Local Bodies

8.27 However, what exactly does "effective" functioning of local bodies mean? What does such functioning depend upon? What, conversely, can erode the capacity to function effectively? How can such erosion of capacity be recognized? And, finally, how can it be prevented? No sooner do we list the issues related to the 'effective functioning of local bodies,' than the design problems of a municipal administration become manifest. Nevertheless, in any evaluation, the Commission assumes that effective functioning of local bodies shall mean their effective participation, through assumption of expenditure - responsibilities and resource mobilization, specifically in planning and development, maintenance and upkeep, and implementation and delivery of functions in sectors identified as falling in the legitimate jurisdiction of local bodies. A further set of questions arise:

(i) Have the recommendations of the first and second Delhi Finance Commission influenced the finances or functional jurisdiction of the local bodies? If so, what is the nature and extent of the impact?

(ii) Has the new thinking on resource mobilization and resource management (suggesting the need for involving new institutions and exploring new sources, and very obvious constraints on budgetary support) percolated down to the municipalities?

(iii) Does the financial management of local bodies suggest that they own responsibility for liabilities acquired in the past and are preparing for those that shall emerge in the future?

(iv) Concern with efficiency and effectiveness of delivery systems indicates the necessity of looking at the costing and pricing policies of services, amenities, facilities and goods. Have the local bodies reviewed costing and pricing policies and, if so, with what degree of success?

(v) The compulsion to curb non-plan (revenue) expenditure provides the justification for reviewing establishment structures and staff strengths in order to first contain and then roll back the growth of expenditure. Have the local bodies reviewed the manpower position?

(vi) Has the need, to weed out schemes/programs of expenditure, which do not serve the original objective and thus release funds required for development, been addressed according to new priorities? Has improving operational efficiency to generate surplus for investment been factored into the financial considerations of the municipal bodies?

(vii) Has inviting public participation and, therefore, beneficiary financing in projects/activities so far financed totally by the state, been considered?

(viii) Have the numerous concessions, exemptions, and waivers in tax rate structures or non-tax tariff tables, which have had the effect of eroding the resource base, been reviewed?

(ix) Have reforms needed in the information and audit systems been examined?

(x) Are local bodies displaying sufficient urgency in the evolution, acceptance and implementation of the widely recommended and recognized municipal reform agenda? If not, why?

(xi) Why are the responses of the local bodies, measured in terms of responses to monitoring and accountability specifications, graded so poorly? Alternatively, is state government leaning too strongly on the local body?

(xii) Is there a shared city vision on sanitation, pollution mitigation, resettlements of shantytown dwellers, road engineering, resource mobilization and expenditure priorities? Alternatively, what are the priorities of the state and those of the local body? In what major respects do they differ?

8.28 Some of the most significant macro-level areas of concern are:

- the unreformed status of state-local body relationship defined, among other things, by the suboptimal control of the state government over city management or organizational matters, including issues related to re-structuring, of the MCD.
- persistence of overlap in the functional and geographical jurisdiction of the state government and the MCD.
- lack of convergence between the objectives of the state government policies and local body functioning resulting frequently in discord.
- unwillingness or inability of the MCD to update the body of subordinate legislation consisting of rules and by-laws.
- poor information base and inadequacy of updating mechanisms. Inability to provide or share data, information, and analyses upstream (i.e with the state government and its agencies) and downstream (i.e. with stakeholders such as the citizen).
- unwillingness or inability of the MCD to carry out extensive reforms in the administrative, financial or personnel realms, even as local bodies as widely separated as Bangalore in the south, Kolkata in the east, and Ahmedabad in the west have surged ahead in the matter.

- unwillingness or inability to reform execution processes and procedures (Box 8.4).

Box: 8.4- Jurisdictional and Procedural Issues[17]

'Among the many issues that need to be considered is the pattern of functioning of the Municipal Corporation itself. The current system of contracting is opaque and prone to corruption. All works first need administrative approval (of) the corporation before they are tendered. Thereafter we need to go back to the Standing Committee of (the) Corporation for affording rates and agency rates. *The entire process takes one yea*r (emphasis provided). In large projects, it takes even longer. It is *inevitable (emphasis provided)* that their cost increases and contractors often did not complete the work. Government is paying a huge price by way of delays, inefficiency, poor quality and high cost due to prevailing system. There are a large number of works, which are duplicated between government and the corporation, for example, dispensaries, roads, community halls and hospitals etc. This duplication needs to be removed so that there are no jurisdictional issues.'

8.29 We shall test the assumptions, the concept and needs of 'effectively functioning local bodies,' and the tentative conclusions as we go along and the checklist in Box 8.3 shall provide us with the necessary benchmarks.

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[17] DO No. 400/96/2005/H&FW/P/5/PrSech&w/74 dated February 28, 2006 from Shri Rakesh Mehta, Principal Secretary, government of NCT of Delhi, Health and Family Welfare Department, formerly, Commissioner, Municipal Corporation of Delhi to the Delhi Finance Commission.

Chapter: 9

Planning for the Development of Delhi

In the previous chapter various aspects of the state-local body interface have been dealt with. The interface is a web of numerous institutional and financial attributes defining inter-governmental functional and financial issues. The analysis of the inter-relationship begins by reviewing the first component of the interaction: the institutional arrangements for ensuring that the vision of the state government is translated into specific achievements. These institutional arrangements consist of many elements. However, the analysis is restricted to testing the effectiveness of state government and local body level planning processes[1] and procedures.

9.2 The bulk of resource requirements at any level of governance arises from the responsibilities vested in an organization. These responsibilities include the provision of infrastructure, services and amenities.

9.3 An effort has been made to identify investment needs as can be determined from various estimates. These include projections made by the NCR Planning Board and by the Delhi Urban Environment and Infrastructure Improvement Project.[2] These estimates provide us normative benchmarks.

Resource Needs

9.4 The very first sets of documents to consider the investment needs holistically, given a long term perspective, were the NCR Planning Board's Regional Plans and its Fiscal Plan 1995-2005. The tables may have become somewhat dated, but they still provide an assessment of the projected requirement.

The NCRPB Estimates for the Ninth Plan

9.5 The development programs of the NCR required to be implemented in the Ninth and Tenth Plan, were estimated to need, up to 2005, a total investment of Rupees 58,000 crore (at 1995 prices)[3], to be met out of both public and private sector investments: Rupees 38,697 crore from the private sector and Rupees 18,894 crore from the public sector. In other words, a major share (65 percent) of the investment was expected from the private sector.[4]

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[1] In respect of the local bodies the analysis is taken up in their respective chapters.
[2] Fiscal Plan 1995-2005, NCR Planning Board,1997. Also, the National Capital Regional Plan-2021.
[3] Fiscal Plan 1995-2005, NCR Planning Board,1997, Chapter V, Development Programs in the Ninth Plan, pages 51-60.
[4] Ibid: Programs which were expected to trigger further overall spatial economic development of the entire NCR (such as core infrastructure components, acquisition and development of land for new townships) were envisaged to be taken up in the Ninth Plan, whereas projects which could possibly be

- The public sector investment was envisaged largely for the creation of core infrastructure components for which the provisions were expected to flow from the central ministries. Investment for township development was expected to come from the participating states and the NCR Planning Board. The private sector was also expected to handle the construction of infrastructure projects through innovative financing mechanisms such as BOT, BOLT, BLT etc.
- Table 9.0 summarizes the investment requirements for the NCR up to 2005.

Table: 9.0-Investment Requirements for NCR up to 2005
(Rupees in crores)[5]

Development Programs	Private Sector	Public Sector	Total
Development of Townships	26,767	10,003	36,770
Development of Regional Infrastructure	11, 930	8,891	20, 821
Total for NCR	38, 697	18, 894	57, 591

- The 'township development' sector needed total investments of Rupees 36,770 crore (with private investment pegged at Rupees 26,767 crore and public investment at Rupees 10,003 crore). The development of 'regional infrastructure' was slated to require a total of Rupees 33, 377 crore (the share of the private sector being Rupees 12, 880 crore and that of the public sector Rupees 14,547 crore).
- The estimated need of the transport sector (of the regional infrastructure) was placed at Rupees 12, 556 crore, with the private sector providing Rupees 6, 900 crore and the public sector Rupees 5, 656 crore. The total required investment in the power sector was Rupees 20, 821 crore of which Rupees 11, 930 crore was earmarked for the private sector and Rupees 8, 891 crore to the public sector.
- It was suggested that, out of the total investment of Rupees 28, 426 crore in the Ninth Plan and Rupees 29, 165 crore in the Tenth Plan, the member states should make necessary provision in the five-year plans

implemented only after certain infrastructure components were in position were to be taken up in the Tenth Plan. Therefore, during the Ninth Plan emphasis was to be on the development of 'core infrastructure'. This, it was expected, would set off virtuous circles of private sector involvement and investment.

[5] Fiscal Plan 1995-2005, NCR Planning Board,1997, Chapter IV, Financing Development Programs in the NCR, pages 37-50

for financing both joint and exclusive NCR projects. While the provision in the Tenth Plan is unspecified, the NCT was expected to make a provision of Rupees 1060 crore in the Ninth Plan (Table 9.1).

Table : 9.1- Proposed outlay for Ninth Plan NCT of Delhi (NCR)

(a)	Contribution to the NCRPB funds for development projects in NCR			Rs.150 cr.
(b)	Core infrastructure projects:			
	(i)	LA for Perimeter Expressway	160	
	(ii)	LA for Directional Terminals	120	
	(iii)	LA for Rail Bypass	94	
	(iv)	Construction	160	
(c)	Augmentation of Ring Rail		360	
(d)	Studies and Surveys		16	Rs.910 cr.
	Total			Rs.1060 cr.

- Against the Rupees 150 crore contribution to the NCRPB funds for development projects in NCR, the NCT contributed Rupees 133. 75 crore. The Rupees 910 crore intended for 'core infrastructure projects' was not released in the Ninth Plan.

The NCR Estimates for Tenth Plan

9.6 In order to contain the pressure of population on Delhi, the Regional Plan envisaged harmonious development of National Capital Region. Development of new integrated townships would ensure availability of developed industrial and economic activities away from Delhi. The development/projects were to be financed through state budgetary resources and through joint financing by the NCR towns through public sector, NCR Planning Board and state governments.

- The financing of integrated township industrial schemes/projects in the sub-regions of the NCR was expected to go a long way in meeting the demand of those industrial units which were not permitted to continue their operations in Delhi as per the decision of the Supreme Court and were to be re-located outside Delhi in the NCR, thereby reducing industrial pollution in Delhi. Efforts were also being made to make NCR transportation system efficient by funding the projects like National Highway. Expressway, Commuters Rail Project etc.

- The NCR Planning Board projected an investment of Rs.6682 crore in the Tenth Five Year period for urban transport, water supply, sanitation and urban environment. Out of this, Rs.3160 crore was to be raised from budgetary resources and Rs.3722 crores from Internal and Extra Budgetary resources (IEBR). The total loan requirement from NCR Planning Board was projected as 5317 crores.

  The projected IEBR Tables include:-

a)	Internal accruals	Rs. 750.00 crore
b)	Market borrowings	Rs. 2392.00 crore
c)	Contribution from Govt. of NCT Delhi	Rs. 580.00 crore
	Total	Rs. 3722.00 crore

- An outlay of Rs.25000.00 lakh was approved for the Tenth Plan and Rs.3000.00 lakh for the year 2002-03 from the GNCTD. The NCR Planning Board was expected to take-up large infrastructure projects like Regional Rail Transit System, Western Peripheral Expressway and Eastern Peripheral Expressway etc. in the region in addition to continue financing of spill over NCR development schemes like Industrial Development Schemes and Infrastructure Development Schemes.

The National Capital Regional Plan-2021

9.7 The Regional Plan for the National Capital Region[6] also provides details of investment needs of some infrastructure sectors.

Transport Sector

9.8 The Regional Plan-2021 says that the data for the transport sector has been collected and collated from various existing studies. Transport demand forecast for the year 2005- 2011 and 2025 for Delhi Urban Area is given in Table 9.2.

[6] **Regional Plan 2021, National Capital Region, NCRPB, Government of India, Ministry of Urban Development, September 2004**

Table : 9.2-Transport Demand Forecast for Design Years in Urban Areas of NCT-Delhi

S.No.	Item	2005	2011	2025
1.	Intra city trips (lakh)	160.4	215.4	260.6
2.	Modal split-Public transport (%)	82.00	82.00	82.00
3.	Mass Transport trips (lakhs)	131.5	176.6	213.7
	• MRTS (lakh)	43.2	58.0	71.0
	• NR (lakh)	14.2	19.0	23.0
	• Bus (lakh)	74.1	99.6	119.7
4.	Peak hour factor (%)	10.00	10.00	10.00
5.	Peak direction factor (%)	60.00	60.00	60.00

Source: Identification of Rail Projects for Commuter Traffic for Delhi and NCR, RITES, March, 1999 as quoted in Regional Plan 2020-21 National Capital Region, NCRPB, Ministry of Urban Development, Government of India, September, 2005.

- The total intra-city trips within NCT-Delhi are projected to increase from 160.4 lakh in 2005 to 260.6 lakh in 2025. The modal split in favor of public transport system is proposed to increase to 82 percent due to the introduction of Mass Rapid Transit System (MRTS) for Delhi. Thus, total public transport system trips are projected to increase from 131.5 lakh trips per day in 2005 to 213.7 lakh trips per day in the year 2025.
- Transport demand forecast for the year 2005, 2011 and 2025 for Delhi and NCR is given in Table 9.3.

Table: 9.3-Projected Travel demand for Inter-city trips in NCT-Delhi and NCR

Mode	Daily Transport Demand (in Lakh)		
	2005	2011	2025
1	2	3	4
Rail	13.11	16.72	34.03
Bus	13.77	17.56	35.73
Other Modes	5.90	7.52	15.32
Total	32.78	41.80	85.08

(Source: Identification of Rail Projects for Commuter Traffic for Delhi and NCR, RITES, March 1999, quoted in the Regional Plan 2021, NCRPB, September 2005)

- It is projected that by the year 2025 more than 80 lakh trips will be performed from Delhi to NCR. Around 40 percent trips will be carried by rail and bus modes each and remaining 20 percent will be carried by other private modes.

- Based on the observations and findings in the analysis as above, the following policy actions are to be provided to achieve the overall objectives of the Regional Plan-2021:
  - (a) to decongest NCT-Delhi roads, rail and rail terminals by diverting the by-passable traffic from Delhi.
  - (b) to provide linkages amongst Metro/Regional Urban Settlements in the outlying areas of NCR.
  - (c) to connect Metro/Regional Centres with the Capital by an efficient and effective transport network for facilitating faster movement of traffic among such centres and NCT-Delhi.
  - (d) to link the sub-regional centres with effective and efficient transport network for facilitating the faster movement of traffic among such centres and higher order settlements.
  - (e) to directly link other urban nodes having maximum attracting and generating characteristics.
  - (f) to create the Unified Metropolitan Transport Authority for NCR.
    - The Plan is divided in two phases i.e., First Phase 2001-2011 and Second Phase 2011-2021. In the first phase of the Plan, relevant to the period of the third Delhi Finance Commission, following projects are proposed to be taken up for implementation: (a) Western Peripheral Expressway, (b) Eastern Peripheral Expressway, (c) Rapid Rail Transit System: Shahdara-Ghaziabad, Sahibabad-Minto Bridge, Dayabasti-Gurgaon, Naya Azadpur-Narela-Sonepat, Patel Nagar-Nangloi-Bahadurgarh, New Tilak Bridge- Tughlakabad-Ballabhgarh, New Tilak Bridge-Noida-Greater Noida.
  - (g) present ring road, outer ring road and five national highways (radial roads) up to CNCR towns to be developed as per express way standards.
  - (h) four-laning of the following road sections: (a) Bahadurgarh-Rohtak-NCR Border (NHlO), Rohtak-NCR Border (NH71), Ghaziabad-Meerut-NCR Boundary (NH58) Ghaziabad-Bulandshahr-Khurja-NCR Boundary (NH91) Gurgaon-Alwar (Old NH8), Panipat -Gohana- Rohtak, Jhajjar-Rewari Road (NH71 and NH7IA), Elevated Road connecting Delhi with Faridabad near Badarpur, all other roads connecting CNCR towns with Delhi.
  - (i) Rewari-Bhiwadi Rail Link
  - (j) Rohtak-Hansi Corridor

Investment Requirements

9.9 The total investment requirements for the implementation of the first phase of Plan proposals would be Rupees 19,141 crore at the 2001 prices.

Power Sector

9.10 The Regional Plan-2021 quotes the Central Electricity Authority for estimating the investment requirements in the power sector. The Central Electricity Authority, Government of India, has projected the total power requirements for the region to be 34,444 MW by the year 2020-2021. Table 9.4 shows that the additional generating capacity required by the NCT-Delhi in 2002-2012 would be 3168 MW.

Table: 9.4- Additional Generating Capacity Required (in MW)

NCT of Delhi	IC at the beginning of plan	Capacity Addition including CS share of plan	Total IC at the end of the plan (2+3)	IC required	Additional Capacity Required (5-4)
1	**2**	**3**	**4**	**5**	**6**
2002-2007	3,098	1,614	4,712	6,157	1,445
2007-2012	4,712	1,902	6,614	8,337	1,723

Note: *IC-Installed Capacity CS: Central Sector; IC Required = peak load requirement/0.7*
Source: *Central Electricity Authority, Government of India as quoted in Regional Plan 2020-21 National Capital Region, NCRPB, Ministry of Urban Development, Government of India, September, 2005.*

Investment Plan (Power)

9.11 Power requirement in the region would be 23,345 MW by the year 2021 and accordingly there will be need to generate this additional power and strengthen/expand the transmission and distribution lines. Total investment required in the NCT in the period 2002-2012 would be Rupees 20592.00 crore. The estimated investment required in the NCT based on the data in the Regional Plan-2021 is shown in Table 9.5.

Table: 9.5- Phase wise Fund Requirement for the NCT of Delhi
(Rupees in Crore)

Plan Period	Additional capacity required in MW	Cost of power generation (@ Rs. 4 crore/ MW)	Cost of transmission/ distribution (@Rs.2.5 crores/MW)	Total Cost
2002-2007	1445	5780.00	3612.50	9392.00
2007-2012	1723	6892.00	4307.50	11199.50
Total	3168	12672.00	7920.00	20592.00

(**Source**: Determined by the Commission on the basis of data in Regional Plan 2020-21 National Capital Region, NCRPB, Ministry of Urban Development, Government of India, September, 2005.)

- According to the Regional Plan 2021, it is not necessary that the investment in the power generation sector should be done by the state governments. They can have MOU with the power generating companies to purchase the required power.

Water Supply

9.12 As per the Regional Plan-2021, drinking water demand of the NCT of Delhi would increase from 3584 mld in 2001 to 5822 mld in 2021. The Commission has estimated the required volume of water for the period 2006-2007 to 2010-2011 on a rough and ready basis[7]. The need for water in 2011 is likely to be 4703 mld. The norms suggested by the Regional paln-2021 for drinking water supply are depicted in Table 9.6

Table: 9.6-Norms and Standards for Water Supply

• Rate of Water Supply:	
Urban	
NCT-Delhi	: 225 lpcd
Population one lakh and above	: 200 lpcd
Population below one lakh	:135 lpcd
Rural	
Spot Source	: 70 lpcd
Pipe supply	: 100 lpcd
• Unaccounted for water (UFW) should be reduced to 15 percent	

(Source: based on Annexure 8/II of the Regional Plan 2021)

[7] **In calculating the required water supply we have taken the annual increase in demand for drinking water at 111.9 mld (5822 minus 3584) (divided by 20) has been taken**

- The plan also advises that a commercial approach is required to be adopted by the local bodies for revenue generation. Water charges should cover at least O&M cost. The structure of the water tariff should be demand based and increased telescopically depending upon monthly consumption and should be reviewed periodically as a built in mechanism to make the service self-sustaining and a deterrent to wastage. Tariff for the recycled treated wastewater should be fixed accordingly to encourage its non-potable uses such as gardening, horticulture etc. 'Public-Private Partnership' needs to be introduced for operation and maintenance of the water supply schemes.
- States should improve water tariff by the end of Eleventh Plan and water tariff to be reviewed every five years by the State Governments.

Investment Plan-water

9.13 Total water requirement in the region would be 11,984 mld by the year 2021. Accordingly, there will be need to produce additional water and to strengthen/expand the water supply distribution system in the region. Total investment required for the production/augmentation of water would be about Rupees 5,992.15 crores by the year 2021 and for strengthening/expansion of distribution system/network, it would be about Rs.7,190.57 crores. This cost does not include the cost of conveying water from long distances through canals/pipes. Sub-region wise fund requirement for the region has been given in the following table 9.7:

Table- 9.7- Sub-region wise Investment Requirement for Drinking Water Demand (Rupees in Crores)

NCR Sub-region	Distribution Network (@ Rs.0.60 crores per mld)	Production of water (@ Rs. 0.50 crores per mld)	Total
Haryana	1,447.21	1,206.01	2,653.22
Rajasthan	398.24	331.87	730.11
Uttar Pradesh	1,851.99	1,543.33	3,395.32
NCT-Delhi	3,493.13	2,910.94	6,404.06
Total	7,190.57	5,992.15	13,182.72

Source: As quoted in Regional Plan 2020-21 National Capital Region, NCRPB, Ministry of Urban Development, Government of India, September, 2005.

- This estimation has been done on the basis of an assumption that facilities of 50 percent of water generation, 60 percent of population coverage and 50 percent area is covered by surface water and is presently available in the region. Plan wise fund requirement for the region is given in Table 9.8.

Table: 9.8-Plan wise Fund Requirement for Drinking Water

Plan Period	Percentage (%)	Amount (Rupees in crore)
2002-2007	20.0	2,637
2007-2012	30.0	3,955
2012-2017	30.0	3,955
2017-2021	20.0	2,637

- The above table clearly gives the break down of the fund required for various phases on the basis of consecutive five-year plans. Fund requirement varies from Rupees 2,637 crore in the Tenth Plan period (2002-2007) to Rupees 3,995 crore in the Eleventh Plan period (2007-2012).
- The total fund requirement has been projected at Rupees 13182.72 crore. Out of this fund requirement for drinking water supply in the Eleventh Five Year Plan period for the region is estimated to be Rupees 3,955 crore. Against this, the DJB has projected a fund requirement of Rupees 5588.50 crore in the Eleventh Five Year Plan period.[8]

Sewerage, Solid Waste Management

9.14 The Regional Plan has suggested that the norms spelt out in Box 9.0 should be adopted in dealing with sewerage and related systems.

- Poor condition of existing sewerage system in townships/cities should be rehabilitated and wherever this facility is not available or is not up to the desired level, augmentation schemes, should be taken up. Since treatment facilities in most of the townships are insignificant, emphasis should also be given to provide the same, as per the requirement. Sub-region wise sewage generation is in Table 9.9. Total sewage expected to be generated in the region by the year 2021 is 6,935 mld which includes 4050 mld in NCT-Delhi sub-region. Clearly, 58.40 percent of the anticipated sewerage generated in the region will be in Delhi against 70.90 percent in 2001. It will remain the highest source of sewage generation in the region but its share is projected to decline.

[8] **Annexe-XXIII: Letter no. DJB/DIR (F&A)/2006/4555 dated September 1, 2006, pages 170-174.**

Table 9.9- Sewage Generation in Urban Areas of NCR

Sub-region	Sewage Generation (Mld)	
	2001	2021
NCT-Delhi	2,493	4,050
Haryana	394	1,123
Rajasthan	53	282
Uttar Pradesh	576	1,480
Total	3,516	6,935

Note: this does not include the UAF 2001

Source: As quoted in Regional Plan 2020-21 National Capital Region, NCRPB, Ministry of Urban Development, Government of India, September, 2005.

Investment Plan - Sewerage

9.15 Total estimated sewage generation in the urban areas of the region is estimated to be 6,935 mId by the year 2021. Accordingly, there will be need to strengthen/expand the sewerage system and its treatment capacities. Total investment required for laying of sewerage system would be Rupees 3,467.47crores by the year 2021 and for treatment of waste water, the investment would amount to Rupees 4,854.46 crores. This is based on the existing situation.

Box: 9.0-Norms and Standards

Norms and standards provided in the CPHEEO Manual for sewerage and its treatment should be followed

All towns identified for development in the Regional Plan-2021 should have cent percent sewerage system and should treat their sewage up to the desired standards including colliform, under the Environmental Protection Act, 1986 before it is discharged on land for irrigation, plantation, gardening etc. or into the water bodies. Towns within NCR, which do not have sufficient resources or have unsuitable terrain to provide proper sewerage system and treatment facilities, may initially be provided with low cost sanitation systems which can be upgraded in the later stages within the time frame of this Plan.

All the urban villages should be provided with the facilities equivalent to the towns, within whose controlled areas they are located. Large villages may be provided with low cost sewage treatment facilities with appropriate sewerage system. Other rural areas should be provided with low cost sanitation measures such as sanitary latrines, septic tanks and soak pits.

These norms and standards should be implemented in the phased manner in the region.

- Sub-region wise fund requirement for the region has been given in Table 9.10 & Table 9.11.

Table: 9.10- Sub-region wise Investment Requirement for Sewarage (Rupees in Crores)

Sub-region	Sewerage System (@ Rs. 0.50 crores per mld)	Sewage Treatment Plan (@ Rs. 0.70 crore per mld)	Total
Haryana	561.49	786.08	1,347.57
Rajasthan	140.80	197.13	337.93
Uttar Pradesh	740.18	1,036.25	1,776.43
NCT-Delhi	2,025.00	2,835.00	4,860.00
Total	3,467.47	4,854.46	8,321.93

Source: As quoted in Regional Plan 2020-21 National Capital Region, NCRPB, Ministry of Urban Development, Government of India, September, 2005.

- The total investment required in the region is Rupees 8321.93 crore. Out of this investment requirement of Delhi for the sewage system and treatment plants from 2002 to 2021 has been projected at Rupees 4860.00 crore.
- Table 9.11 shows plan wise investment requirement for sewage for the region. The plan wise investment requirement of the NCT comes to Rupees 729.00 crore (2002-2007), Rupees 1701.00 crore (2007-2012), Rupees 1458.00 crore (2012-2017), and Rupees 072.00 crore (2017-2021.

Table: 9.11- Plan wise Investment Requirement for Sewarage

Plan Period	Percentage (%)	Amount (Rupees in crores)
2002-2007	15.0	1,248.29
2007-2012	35.0	2,912.68
2012-2017	30.0	2,496.58
2017-2021	20.0	1,664.39

Source: As quoted in Regional Plan 2020-21 National Capital Region, NCRPB, Ministry of Urban Development, Government of India, September, 2005.

Solid Waste Management

9.16 In the review of Regional Plan-200l it was observed that large quantities of solid waste (garbage) were generated daily, out of which very little was collected. NCT-Delhi, however had comparatively better collection (70 percent of the waste) than rest of NCR towns. Most landfill sites are brimming to the full and vacant sites for landfill are not available in Delhi. No specific sites have been identified in any sub-regions for disposal of solid wastes and landfill.

- As per estimates, at present 13,499 MT/day of garbage was being generated in the year 2001 in the region, of which about 1,540 MT/day was being generated from Haryana sub-region, 201 MT/day from Rajasthan sub-region and 2,270 MT/day from U.P. sub-region and remaining from the NCT-Delhi sub-region. Total garbage generation in the region is likely to be about 27,236 MT/day by the year 2021 and handling of this kind of waste will need special efforts and funds. Sub-region wise details have been given in Table 9.12.

Table: 9.12- Solid Waste Generation in Urban Areas of NCR

Sub-region	Sewage Generation (in MT/day)	
	2001	2021
NCT-Delhi	9,488	15,413
Haryana	1,540	4,569
Rajasthan	201	1,116
Uttar Pradesh	2,270	6,138
Total	13,499	27,236

Source: As quoted in Regional Plan 2020-21 National Capital Region, NCRPB, Ministry of Urban Development, Government of India, September, 2005.

- In the region, some of the major issues in this sector are:
  - ✓ Local bodies adopt a casual approach to the management of solid waste. Most of the municipalities are not aware of the ways and means to dispose of solid waste that is generated in their respective towns. Even the collection and transportation system of solid waste is not up to the mark. A major chunk of the revenue generation from the city is eaten away in managing solid waste, which is done inefficiently.
  - ✓ Local bodies do not have funds to handle this kind of waste and in future the quantities are likely to increase manifold. In case the waste is not handled and disposed of in a scientific manner, it will reach unmanageable proportions in future. In view of this, the local bodies should improve their financial condition through better management and improve their revenue generation capacity. It should also examine the alternative options for optimisation of transportation costs of and solid waste.

- ✓ Local bodies do not have any Waste Management Plan for their towns/cities. The state of affairs is such that when the NCR Cells contacted the local bodies for data on solid waste to create database for solid waste management, some of the local bodies were not even aware of the quantum of solid waste generated in their town. Local bodies/municipalities have a piecemeal approach in this regard.
- ✓ Most of the local bodies are dependent upon their own staff for handling of solid waste, which has resulted in labour related problems. Substantial revenue is eaten away by wages and a transportation fleet and its operation and maintenance etc. There is need for the local bodies to adopt a comprehensive approach to manage solid waste in terms of collection, transportation, treatment and disposal of waste, factoring in various components like labour, equipment, vehicles, institutional arrangements etc.
- ✓ Some deficiencies in solid waste management are summarized in Box No. 9.1

Box: 9.1-Some Deficiencies in Solid Waste Management-Regional Plan-2021, NCRPB

- Lack of coverage
- Poor collection system specially in the narrow and circuitous lanes, making the collection more difficult
- Mixed variety of organic and inorganic solid waste
- Non-involvement of NGOs/informal sector and private agencies.
- Unsanitary conditions in and around community bins.
- Handling of specialized wastes
- Shortage of vehicles
- Shortcomings at landfill sites
- Organizational inadequacies
- Shortage of equipment and committed supervisory staff
- Financial stringency

- The Regional Plan-2021 suggests that norms and standards provided in the CPHEEO Manual for solid waste management which provides guidelines for collection, transfer, transport and disposal of solid waste in an environment friendly manner should be followed. This also provides with directions for handling of medical and hazardous wastes.

In this regard, the notification of the Ministry of Environment and Forests under the Environmental Protection Act, 1986 should also be followed.

- The solid waste generation in NCT-Delhi alone by 2021 has been projected at 15,000 MT/day, which requires about 28 square kilometres of land for disposal of solid waste through sanitary landfills. This assumes that the depths of landfill will be 10 meters (partly below ground and partly above ground), density of solid waste is 0.85 MT per cubic meter, life cycle of landfill site is 20 years and that there will be three landfill sites. Land area for this purpose should be identified in the MPD-2021, which is under preparation. Another 85 square kilometres of land area should also be kept reserved for solid waste disposal in future beyond 2021.

Delhi-21 Estimates for Selected Sectors

9.17 In January 2001, another attempt to ascertain the additional costs of project interventions in a few sectors became available: this was the Delhi-21 Report. Tables 9.13 and 9.13 (a) summarize the capital expenditure requirements and the O&M costs and capital recovery required for self-sustainability over twenty tears (at year 2000 base costs). The significance of these estimations lies in the fact that the report had proposed the status of a world-class city for Delhi as the goal. It was submitted just before the start of the Tenth Plan period (2002-2007). Further, the state government have often declared that it was guided by the recommendations of this report while drawing up the said plan.

Table: 9.13- Summary of Required Capital Investment(Rs. in crore)[9]

	0-5 Years	6-10 Years	11-20 Years	Total	(%)
Investments					
Water Supply	1408.00	1142.00	2862.00	5412.00	31%
Waste Water	1135.00	1265.00	2200.00	4600.00	26%
Solid Waste Management	428.50	450.00	900.00	1778.50	10%
Roads and Traffic Management*	605.00	2985.00	635.00	4225.00	24%
Slum Development	344.60	369.30	738.70	1452.60	8%
Total Investments	3921.10	6211.30	7335.70	17468.10	100%

*Note: Excludes railway and projects outside NCT

[9] **Delhi21- Delhi Urban Environment and Infrastructure Improvement Project, Government of India, Ministry of Environment and Forests and Government of NCT of Delhi, Planning Department, January 2001: Chapter 21, Financial Implications page 103.**

Table: 9. 13(a): Summary of O&M Costs and Capital Recovery Investments (Rs. in crore)

	0-5 Years	6-10 Years	11-20 Years	Total	(%)
Water Supply	70.40	57.10	143.10	270.60	8%
Waste Water	45.40	50.60	88.00	184.00	5%
Solid Waste Management	17.10	18.00	36.00	71.10	2%
Roads and Traffic Management *	24.20	119.40	25.40	169.00	5%
Slum Development	17.20	18.50	36.90	72.60	2%
Total O & M Cost	174.40	263.60	329.40	767.40	23%
Capital Recovery	592.10	937.90	1107.70	2637.70	77%
Total O & M Cost and Capital Recovery	766.50	1201.50	1437.10	3405.10	100%

*Note: Excludes railway and projects outside NCT

Evolution of Development Priorities: State Government Plan Documents and Budgets

9.18 There is a wealth of documents available to assess the evolution of development priorities. The plan and budget documents have been relied on. Table 9.14 summarizes the priorities in the Eighth, Ninth and Tenth Five-Year plans in a fifteen-year perspective. The plan size has grown from Rupees 6208.32 crores in the Eighth Plan (1992-1997) to Rupees 15541.00 crore in the Ninth Plan (1997-2002), and to Rupees 23000 crore in the Tenth plan (2002-2007). It is projected to grow to Rupees 45703.59 crore in the Eleventh Five Year plan period. In other words, the Ninth Plan was more than double the Eighth Plan (a 150.33 percent increase) and the Tenth Plan was almost four times the Eighth Plan (a 270.47 percent increase). If the Eleventh Plan is finalized at proposed amount it will represent a 636.17 percent increase. This implies a more than seven fold increase in the plan size over the Eighth Plan.

9.19 Against the plan size of Rupees 4500.00 crore in the Eighth Plan the actual plan expenditure was Rupees 6208.32 crores i.e. more by 37.96 percent. The actual expenditure of Rupees 13465.15 crore in the Ninth Plan was less than the proposed plan size of Rupees 15541.28 crore by 13.36 percent. In the first four years of the Tenth Five Year plan the actual expenditure was Rupees 17570.67crore against the budget estimate of Rupees 19825.00 crore i.e less by 11.37 percent.

9.20 Table 9.14 summarizes the approved outlay for select sectors during the Eighth, Ninth, and Tenth Five Year Plans. The priorities have remained almost unchanged in the last fifteen years, except that the power sector has yielded first place to the transport sector in the Tenth Plan. This could be attributed to the power reforms implemented since 2002. Though social welfare and welfare of SC/ST/OBC are among the priority sectors, the percentage share over the plan periods and within the plans indicates that the share of these priority sectors has tended to be rather low.

Table: 9.14- Priority Sectors of Eighth, Ninth and Tenth Five-Year Plans (Rupees in crore)

Sector	8th FYP EX	9th FYP AO	% of 9th Plan AO	10th FYP AO	% of 10th Plan AO	% increase over 9th FYP
Transport	851.94	3158.40	20.32%	5446.71	23.68%	72.45%
Energy	1549.40	3046.55	19.60%	3457.50	15.03%	13.49%
Urban Development	966.11	2070.75	13.32%	2940.25	12.78%	41.99%
Water Supply	895.30	2540.00	16.34%	3766.00	16.37%	48.27%
Medical & Public Health	407.36	1101.40	7.09%	2381.50	10.35%	116.22%
Education (gen. & tec.)	609.18	1080.75	6.95%	2090.00	9.09%	93.38%
Social Welfare	34.82	108.60	0.70%	322.50	1.40%	196.96%
Welfare of SC/ST/OBC	38.48	87.25	0.56%	158.00	0.69%	81.09%
Others	855.73	2347.58	15.11%	2437.54	10.60%	3.83%
Grand Total	6208.32	15541.28	100.00%	23000.00	100.00%	47.99%

(Note: AO =Approved Outlay; FYP=Five Year Plan)

9.21 The chief characteristics[10] of the priorities are:

- Overall Delhi priorities have generally been the physical infrastructure sectors. For example, 69.58 percent of the Ninth Plan outlay (with an approved outlay of Rupees 15541.28 crore) was allocated between the transport (20.32 percent), energy (19.60 percent), water supply and sanitation (16.34 percent), and urban development (13.32 percent) sectors. Similarly, in the Tenth Plan the share of these sectors was 67.86

[10] **This section is based on the Budget Speeches of the years 1993-1994 to 2005-2006.**

percent: transport (23.68 percent), water supply (16.37 percent), energy (15.03 percent) and urban development (12.78 percent).

- Fragmentation (identified either by region or group specific criteria) into target regions or socio-economic groups characterizes most other sectors. In 1994-1995 the Trans-Yamuna area was identified as a region in need of special attention.
- Even urban development does not evoke a holistic approach. It is largely characterized by a policy package consisting of programs meant for the development of 'all sub-standard areas in Delhi' comprising JJ re-settlement colonies, urbanized villages, JJ clusters, slum re-habilitation colonies, unauthorized colonies, notified slum areas and unauthorized regularized colonies. In 1995-1996 government announced its intention to constitute a Slum Board.
- Similarly, rural development under the 'integrated development of rural areas' scheme was identified essentially with construction of chaupals, community centres and panchayat ghars, roads, and recreation centres and included a 'mini-master plan' for creation of 'comprehensive infrastructure' in villages.
- In the social welfare sector, in addition to the traditional schemes for the SC/ST/OBC communities, schemes for the welfare of women and the aged began to appear for the first time in Delhi's schematic framework. However, as always, the financial outlay remained somewhat low. Further, apart from the transfer payments involved in most of the schemes (widow pensions, old age pensions, assistance for marriage of daughters of widows), the programs involved construction of old age homes, recreation centres (through the MCD), and hostels for working women.
- In 1994-1995 the government also announced the decision to promote only small scale non-polluting industries in Delhi keeping in view the policies of the National Capital Region Plan, problems of environmental pollution, and unprecedented growth of migration to the city. Indeed, the Delhi State Industrial Development Corporation had reportedly been asked to develop industrial infrastructure in the NCR areas in collaboration with the small industries corporations of the participating states.
- In 1996-1997, environmental concerns began to appear prominently. From schemes to encourage installation of catalytic converters in two-wheelers and to check vehicular pollution at petrol pumps; the measures announced covered a vast gamut; from shifting various markets to the

periphery of Delhi, using modern technology to convert solid waste into compost and electricity; construction of sixteen sewage treatment plants and common effluent treatment plants to check flow of industrial waste into the Yamuna, and to safe disposal of bio-medical waste:.

- Socially and economically, Delhi can be divided into two distinct parts: one part is inhabited by eminent people from different walks of life like parliamentarians, intellectuals, foreign-diplomats, social workers etc where all civic amenities are available. The other part is where a large number of people coming from socially and economically weaker sections reside in sub-standard areas where basic infrastructure and sanitation facilities are not adequately available.
- Relative share of the primary sector (consisting of agriculture, animal husbandry, forestry, fishing, and mining and quarrying) in the State Domestic Product had gone down considerably from 2.18 percent in 1993-1994 to 1.21 percent in 1995-1996. In the same period the relative share of the secondary sector, (manufacturing, construction, electricity, gas and water supply) had marginally increased from 24.69 percent to 25.53 percent. The relative share of the tertiary sector (transport, storage and communication, trade, hotels and restaurants, banking and insurance, real estate, public administration, and other services) also increased marginally from 73.13 percent in 1993-1994 to 73.26 percent in 1995-1996. Thus, it could be said that the beginnings of a structural shift in the economy of Delhi, from the primary to the secondary and tertiary sectors, were noticeable.

Thus the sector priorities, in descending order, have been: transport, urban development, energy, water supply and sewerage, education, medical and public health, agriculture and rural development, welfare of SC/ST/OBC and social welfare, housing, and nutrition.

City Vision and Institutional Reforms

9.22 The budget of 2001-2002 is crucial for a number of reasons. It was the first budget document to enunciate larger perspective on urban development. For instance, it accepted that cities all over the world are 'engines of growth' and declared that Delhi was 'no exception to this global phenomenon'. It also recognized that, the way cities manage development, including the arrival of industries, goes far in determining the rate of growth. Further, urban governments can foster economic development or they can slow it down. Given the dynamics of city growth, the real challenge was to harmonize the tremendous growth impulses being unleashed in the National Capital Territory with orderly and well planned human settlements, transportation corridors and workspaces. Thus the budget speech declared that Delhi stood at a crucial juncture and it would be, 'difficult to improve the living conditions in the National Capital Territory if we continue with business as usual. We need a new vision for the future. The goal before us must be to create a world class city of which the citizens and the nation can be proud.' This apparently was the first time the goal of Delhi as a world-class city appeared in an official policy document. What were the identified hurdles? It begins by noting that:

- Despite 40 years of planned development and creditable achievements, the urban planning process, as well as, the pace of infrastructure development in Delhi had been overtaken by the relentless pressure of population, and more than 50 percent of Delhi's population lived in unauthorized and unplanned settlements.
- Civic services are woefully inadequate, and decision making processes are bogged down due to the multiplicity of authorities.
- Management of a metropolis of 14 million people is a huge task and will become even more difficult in the coming years, with the population projected to reach 22 million by 2021.
- While there was still a surplus on revenue account, the fiscal deficit was 2.74 percent of the GSDP .in 1999-2000, it was projected to rise to 3.32 percent in 2000-2001. This was mainly due to increased liability arising from the losses of DVB, DTC, and DJB.

9.23 Despite this background of priorities, there is not a word or sentence in the entire Tenth Plan document about the goal of Delhi as a world class city. The Planning Department, GNCTD, has suggested that the following schemes, projects or programs in Box 9.2 are reflective of the proposed objective.

Box: 9.2-Projects/Programs Implemented During the Tenth Five Year-Plan – World Class City[11]

Government of Delhi prepared a 20 years Perspective Plan for Urban Infrastructure and Environmental Improvement-2021 in collaboration with Ministry of Environment and Forest, Government of India and by availing financial assistance from World Bank. The preparation of this Perspective Plan was started in December, 1999 and completed in February, 2001. Tenth Five Year Plan of Delhi was formulated taking into account the findings and recommendations of this Perspective Plan.

[11] 'A global city (also known as a world city or a world class city) is a city that has a direct and tangible effect on global affairs through socioeconomic, cultural, and/or political means. In recent years, the term has become increasingly familiar, because of the rise of globalization (i.e. global finance, communications, and travel). The term 'global city', as opposed to megacity, was first coined by Saskia Sassen in a seminal 1991 work.' Wikipedia Encyclopedia can be accessed on the internet: http://en.wikipedia.org/wiki/World_City.

- Power Sector reforms – electricity distribution assigned to three private sector companies with effect from June, 2002.
- First phase of Delhi Metro (about 63 km of length) of three corridors completed and work on second phase of Delhi Metro started.
- Entire fleet of public transport converted into CNG mode of fuel with effect from November, 2002.
- New mode of Public Transport like HCBS, LTR, mono-rail have been planned by conducting feasibility studies and preparing the detailed project reports for these new modes of transport. Now a SPV is being set up for implementation of these new modes of public transport.
- More than 20 flyovers, grade separators and road under bridges have been constructed for smooth flow of traffic and to avoid traffic congestion on major roads.
- With the implementation of massive tree plantation programs and development of sanctuary at Asola and Bhatti area, the green cover of Delhi has increased from 88 square kilometres in 1999 to 268 square kilometres in 2003 as per Forest Survey of India Report for 2003. Thus, the green cover has increased from 5.9% in 1999 to 18.07% of the total geographical area in 2003.
- Three new Sewage Treatment Plants and 12 Common Effluent Treatment Plants for industrial waste water treatment have been constructed. The sewage treatment capacity has increased from 402 MGD in 2000 to 512 MGD in 2005-06.
- More than 15 new hospitals have been constructed with the bed capacities from 100 to 500 beds to increase Delhi Government's hospital bed capacity by about 4000 new beds during Tenth Five Year Plan period.
- Due to various programs implemented by the Government of Delhi to improve the environment, the level of sulphur- dioxide has reduced by more than 50% in December, 2005 as compared to December, 2000. Similarly, level of SPM has fallen by more than 26% and of RSPM by more than 3% during the same period.
- For shifting of industrial units from residential and other areas of the city, a new industrial area with 18360 plots has been developed at Bawana and land has also been acquired for 03 more new industrial areas to be developed at Bhorgarh, Holambi and Narela.
- 30 new fire stations are proposed to be set up during Tenth Five Year Plan. Land for 26 new fire stations has already been acquired and construction work on 18 new fire stations is already in progress.
- 03 Disaster Control and Management Centres have been set up at Rohini, Laxmi Nagar and Nehru Place. 02 new Trauma Centres have been constructed at DDU Hospital, Hari Nagar and GTB Hospital, Shahdara. 35 new ambulances are being added and now there will be 70 ambulances at the disposal of CATS.

- The development of Garden of Five Senses, Millennium Park, Yamuna Bio-diversity Park, Bio-Technology Centre, development of new District Business Centres, Software Park through DMRC at Shashtri Park are some of the major projects which have brought laudable changes in the landscape and economic activities in Delhi.
- E-governance is another major program implemented during Tenth Five Year Plan. IT Department, the Nodal Department for the subject and the Education Department of the Government managed to bag a number of E-governance awards from Government of India at 7th, 8th and 9th E-Conferences held in 2003, 2004 and 2006.

9.24 However, the true significance of the 2001-2002 budget lay in the charter of required institutional and policy reforms. Government had reviewed the framework in place for governing Delhi. The exercise in 'strategic thinking' involved preparation of a 'perspective plan' to improve urban environment and habitat, enabling Delhi to become a world-class city. The Delhi-2021 vision envisaged major changes, including:

- full control by the government of the National Capital Territory over the MCD and the DDA.
- full control by the government of the National Capital Territory over 'land.'
- constitution of a Metropolitan Planning Committee as mandated by the 74th constitutional amendment.
- re-structuring of the MCD into smaller bodies.
- restructuring of DDA, with the Planning Wing being brought under the Metropolitan Planning Committee.
- setting up of a Unified Metropolitan Transport and Co-ordination Mechanism.

9.25 The most serious problem in the governance of Delhi was fragmented decision making and multiplicity of policy making authorities. This created all-round confusion and blurred the lines of authority, accountability and responsibility. Such a situation could be remedied only through major institutional and structural reform and through consensus about the steps required to be taken. The pillars of the legal framework for governing Delhi, particularly the DDA Act and the MCD Act, have outlived their utility and need to be overhauled.

Resource Mobilization

9.26 The guidelines issued by the Planning Commission for assessment of resources for the Annual Plan 2000-2001 (which was following the mid-term appraisal of the Ninth Five-Year plan) are instructive. Box-9.3 provides an extract from the guidelines relevant to the resources of local bodies.

Box: 9.3- Extracts from Guidelines for Assessment of Resources for the States for Annual Plan 2000-2001

'One of the important changes that have taken place with the 73rd and 74the Amendment Acts is that these Acts have introduced a three tier system of governance in the country. It is therefore expected that these local self-governments will mobilize resources for the plans in addition to the plan resources from the states. Some of the local bodies will also be raising resources through debentures and bonds. It would therefore be necessary that the state government assesses resources of these local bodies and these additional resources are indicated as part of the plan resources of the states and local bodies taken together. These may involve a detailed enquiry into the resource mobilization measures taken by the local bodies and compilation of this data by the government at the state level. An assessment of this nature could not be completed at the time of estimating the resources for the Ninth Plan and the subsequent annual plans for the working of the State Finance Commissions and the action taken on their recommendations were not complete. Since formalities in this regard have been completed in many states, the Planning Commission proposes to discuss details of net resources of the local bodies for the plan…for the finalization of Annual Plan 2000-2001.

Source: DO No. 4/1/99-FR dated October 12, 1999 from Adviser (Financial Resources) Planning Commission (Financial Resources Division)

9.27 However, the guidelines also stressed aspects such as:

- Estimated growth of revenues and the non-plan revenue expenditure should be such that the growth in revenue (excluding plan grants and centrally sponsored schemes) should be substantially higher than the growth rate for non-plan revenue expenditure.
- In the Balance from Current Revenues statement, information on financial implications on pay revision and measures proposed by the states to meet the additional expenditure, if any, may be indicated.
- Provision of funds for maintenance expenditure on schemes and projects completed in the Eighth Plan should be adequate to take care of the life of the assets as originally envisaged.
- The state's plan outlay includes both the outlays of the departments and also their public enterprises. It is therefore necessary that the resources of their enterprises be assessed not only in terms of their internal resources (IR) but also their extra-budgetary resources, including borrowings.

All these issues are significant.

9. 28 Additional resource mobilization by local bodies is still not factored into resource projections. The non-plan revenue expenditure continues to exceed the revenue growth. Separate data for maintenance expenditure or salaries (to identify the impact of pay revision) are not available. Similarly, assessments of internal resources of enterprises under various departments--DSIDC of the Industries department, DTTDC of the Tourism department, or DSCSC of the Civil Supplies department--is yet to be conducted.

9. 29 The Guidelines for projection of aggregate state plan resources for the Tenth plan are worth recalling.[12] The principal points relevant for the NCT are summarized below:

- State's 'own tax revenues' for each year of the Tenth Plan may be estimated by applying the nominal growth rate of 8 percent for projecting Gross Domestic Project (GDP) at market prices.
- State's 'own non-tax revenues' growth must be 'grown' over the base year by applying the growth rates prescribed for GDP. Projection in excess of this level may become necessary if user charges of departmental undertakings are so designed as to eventually recover the cost of services provided. The policy of recovering at least the non-plan revenue expenditure for irrigation, water supply and sewerage, power and transport, if departmental, must be diligently pursued.
- The level of interest payments as prevailing in the base year may be 'grown' at the same rate as the one prescribed for GDP growth.[13]
- Total salaries emoluments are required to be projected for the Tenth Plan period. Care was to be taken to apply increments of basic pay and dearness allowance, separately for each pay scale and multiplied by the associated staff strength likely to be serving in the beginning of each year of the Tenth Plan. The impact of two installments of dearness allowance in one full year may be taken to be 5 percent.

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[12] DO No. 3/3/2001-FR dated October 10, 2001 from the Financial adviser, Government of India, Planning Commission, enclosing write up on 'Projection of Resources: Tenth Plan-2002-2007, Guidelines for Forms

[13] The implicit assumption here is that if Gross State Domestic Product is also assumed to grow at the same rate then interest payments as a proportion of GSDP remains equal to the proportion obtained in the base year during each year of the Tenth Plan. This in turn implies a constant proportion of outstanding debt to GSDP in the base year as well as for all the years of the Tenth Plan at a given effective rate of interest. It was recommended that states do not target an increasing proportion of debt/GSDP as the resulting growth in interest payments would exceed the prescribed growth rates and appropriate a continually increasing proportion of revenues. On the contrary, if the state government is reasonably confident about reducing the burden of outstanding debt to GSDP, it can project a lower growth in interest payments than GDP growth rates.

- It was desirable that expenditure on 'other expenses' (establishment expenses, like office expenses, TA/DA, POL, purchase of motor vehicles etc) may be projected over the base year after a detailed scrutiny of actual requirements so as to reduce their projected growth rates in relation to historically attained ones.
- Non-plan development revenue expenditure reflects expenditure on social and economic services and would comprise treatment of two broad categories of expenditure, namely salary and non-salary. Within the overall constraint of reducing the growth in non-plan revenue expenditure as compared to historical growth, a larger provision for maintenance necessitates a curtailment in the growth of establishment expenses, grants-in-aid and subsidies.
- The share of revenue plan component of the 2001-2002, constituting committed liabilities associated with the Ninth Plan schemes, are required to be transferred to non-plan revenue budget of the Tenth Plan. Necessary share may be worked out[14].
- As for the contribution of state public sector undertakings, if the operating balance of the public sector undertakings is negative, they receive non-plan support under the state budget in the form of explicit subsidies or grants. Thus, the size of the negative gap reflects the extent of non-plan budgetary support. Care should be taken that in the projection of non-plan revenue expenditure under BCR, non-plan support to public sector undertakings is separated and indicated. It is emphasized that negative gaps should be bridged only by subsidies and grants under non-plan budget. On the other hand, if the public sector undertakings indicate a positive contribution, the same could be flagged with the understanding that it is an off-budget resource and not part of the consolidated fund of the state government.
- After receiving all non-plan revenue support from the state government, local bodies of a few states may be in a position to indicate a positive surplus of revenues over revenue expenditure. The same segregated for all local bodies, if positive, should be indicated.
- The share of debt component of central assistance in the aggregate level of gross borrowings may be obtained by applying the GDP growth rates on the debt component realized in the base year estimates of 2001-2002.

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[14] **Annexe-XXIV: Guidelines for the Classification of expenditure for the Tenth Five-Year Plan (2002-2007) pages 175-186**

Ninth Five-Year Plan-Resources

9.30 Finally, we briefly review the resource projections made by the government. Table 9.15 provides details of the Ninth Five-Year plan.

Table: 9.15-Achievement of Resources during Ninth Plan (1997-2002) (Rs in Crore)

S.NO.	Items	Ninth Plan Target	Ninth Plan Achievement	Excess(+) / Shortfall(-) (4-3)
1	**Tax Revenue**			
1.1	Sales Tax	12521.13	11093.32	-1427.81
1.2	Stamps and Registration. Fees	1096.63	758.42	-338.21
1.3	Taxes on Motor Vehicle	1020.61	575.30	-445.31
1.4	State Excise	2028.25	2292.67	264.42
1.5	Other Taxes & Duties on Commodities & Services	681.58	626.13	-55.45
(i)	Entertainment Tax (including Cable TV Tax)	171.41	180.55	9.14
(ii)	Betting Tax	15.93	13.82	-2.11
(iii)	Luxury Tax	494.24	431.73	-62.51
1.6	Land Revenue	0.57	0.03	-0.54
	Total – I (Tax Revenue)	17348.20	15345.84	-2002.36
2	Non Tax Revenue	823.69	1730.30	906.61
3	Total Revenue Receipt(1+2)	18172.46	17076.13	-1096.33
4	Net Non Plan Revenue Expenditure.	10161.00	9902.46	-258.54
5	Balance from Current Revenue (BCR) (3-4)	8011.46	7173.67	-837.79
6	Net Misc. Capital Receipt (MCR) (i-ii)	9.65	33.88	24.24
(ii)	Capital Receipt	175.19	834.78	659.59

(iii)	Capital Expenditure	165.55	800.90	635.35
7	Small Saving Loan	2814.77	4738.08	1923.31
8	Contribution of Public Enterprises			
(i)	DTC	-79.94	-685.32	-605.38
(ii)	DVB	-264.61	-2611.53	-2346.92
(iii)	DJB	0.00	-360.87	-360.87
	Total (8)	-344.55	-3657.72	-3313.17
9	Share in Central Taxes, P.F., Market Borrowings and Negotiated Loans.	3056.94	1192.83	-1864.11
10	Opening Balance	0.00	332.34	332.34
11	Delhi's own Resources Total (5 to 10)	13548.27	9813.08	-3735.19
12	Central Plan Assistance	993.00	1398.64	405.64
13	Addl. Central Assistance for Externally Aided Projects	1000.00	0.00	-1000.00
14	Other Grant from Centre	0.00	4.96	4.96
15	**Aggregate Resources Total (11 to 14)**	**15541.28**	**11216.68**	**-4324.60**

(Source: Economic Survey of Delhi-2003-2004)

9.31 The failure to meet the overall target stands out. Against a projected resource mobilization of Rupees 15541.28 crore the achievement of the Ninth Five-Year plan was Rupees 11216.68 crore, a shortfall of Rupees 4324.60 crore or 27.13 percent. Achievements under all tax sources were less than the amount projected, except the newly introduced entertainment tax (with a modest excess of Rupees 9.4 crore over the projected amount of Rs. 171.41 crore).

9.32 What do these projections and achievements show? The Economic Survey of Delhi, 2003-2004, attributes the shortfall in resources to mainly two factors: (i) lower receipts of tax revenue (Rupees 2002 crore, and (ii) manifold increase in non-plan support to Delhi Transport Corporation (from Rupees 80 crore to Rupees 685 crore) and Delhi Vidyut Board (from Rupees 265 crores to Rupees 2612 crore) and the additional non-plan support of Rupees 342 crore to the Delhi Jal Board. Other reasons were shortfall of Rupees 1864 crore due to non-availability of resources through market borrowing/negotiated loans/provident fund and additional central assistance of Rupees 1000 crore on account of externally aided projects envisaged in funding the Ninth plan.

9.33 However, the 'reasons' beg the question because the effects cannot be identified as the causes. Indeed, this conflation of cause and effect strains credulity. For instance, the state government is not allowed to raise funds through market borrowing/negotiated loans. How then can any of the shortfalls be attributed to this source? Again, consider the non-availability of additional central assistance for externally aided projects. Against how many projects was the aid solicited and not received? If no projects were actually taken up, how can 'non-available central assistance' be identified as a cause of resource shortfalls? It is worth pointing out that this route of funding has been totally abandoned in the Tenth plan. And, if provident fund is still part of the public account of the government of India, how can the shortfalls be attributed to non-availability of this funding source?

9.34 Take the shortfalls in tax revenue receipts. How can the extent of the shortfall serve as the cause? The operational causes are far more significant. Are the projections too modest or too ambitious? What does it show about departmental performance? Is it effective or inadequate? Did the tax rate rationalizations not materialize? Did the administrative reforms lack in any way? If the targets themselves are ambitious, what needs to be done to pose more realistic goals? If the performance gap is to blame, what correctives are needed?

Tenth Five Year Plan Resources

9.35 Table 9.16 provides details of resource projections for the Tenth Five-Year plan period (2002-2007). The approval of the Planning Commission was for a Tenth Plan of Rupees 23000 crore at 2001-2002 prices. With a contribution of Rs.20811 crore, Delhi's 'own resources' were to constitute 90.5 percent of the plan resources, including small savings loan of Rs.3201 crore and balance 9.5 percent through central assistance of Rs.2189 crore.

Table: 9.16-ResourceEstimates for Tenth Five-Year Plan (2002-2007)

(Rs. in crore)

S.No.	ITEM	10th Plan (2002-07) (At 2001-02 Prices)	Annual Plan 2002-03 (Actual)	Annual Plan 2003-04 (Actual)	Annual Plan 2004-05 (Actual)	Annual Plan 2005-06 (Ac-Tentative)	Actual Resources(2002-2006)	Annual Plan 2006-07 (BE)	Actual Resources(2002-2006) Plus BE 2006-2007
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
A.	STATE'S OWN RESOURCES (1 +2+3+6+7+8)	20810.85	4463.42	5286.78	5185.78	11451.45	26387.43	4697.49	31084.92
1	Balance from Current Revenues (Excluding Share in Central Taxes)	19105.43	2773.75	3121.36	3598.44	5677.77	15171.32	4741.22	19912.53
2	Contribution of Public Enterprises (a+b+c)	- 2881.60	-1287.99	-1798.73	-1555.73	-1891.80	- 6534.25	-1625.06	- 8159.31
a)	Delhi Vidyut Board/Delhi Power Co. Ltd.	0.00	- 90.48	- 556.73	- 262.71	- 221.71	- 1131.63	- 175.00	-1306.63
b)	Delhi Transport Corporation	- 2036.92	- 586.87	- 621.00	- 565.27	-1107.23	-2880.37	- 875.72	-3756.09
c)	Delhi Jal Board	- 844.68	- 610.64	- 621.00	- 727.75	- 562.86	- 2522.25	- 5744.3	-3096.59
3	Misc. Capital Receipts (Net)	- 611.96	- 104.22	128.00	112.11	198.21	334.10	42.38	376.48
4	Loans against Small Savings	3200.74	3276.84	4408.07	3732.38	5896.45	17313.74	0.00	17313.74
5	Pre-payment of loan	-	822.01	1530.88	2200.00	165.41	47 18.30	845.48	5563.78
6	Net Small Savings Loan (4-5)	3200.74	2454.83	2877.19	1532.38	5731.04	12595.44	- 845.48	11749.96
7	Share in Central Taxes	1998.24	325.00	325.00	325.00	325.00	1300.00	325.00	1625.00
8	Opening Balance	0.00	302.05	633.96	1173.58	1 411.23	3520.82	2059.43	5580.25
B	CENTRAL ASSISTANCE (9 + 10)	2189.16	549.62	400.95	442.13	134.26	1526.96	502.51	2029.47
9	Central Plan Assistance	2189.16	549.62	400.95	370.05	99.28	1419.90	149.99	1569.89
10	Addl. CA for Specific Schemes				72.08	34.98	107.06	352.52	459.58
C	AGGREGATE RESOURCES (A+B)	23000.01	5013.04	5687.73	5627.91	11585.71	27914.39	5200.00	33114.39
D	Approved Plan Outlay / Expenditure	23000.00	4379.07	4537.18	4216.68	4259.44	17392.37	5200.00	22592.37

9.36 Mid-term Appraisal of the Tenth plan invited attention to a few areas of concern that still persist.

- Heavy financial losses of public utilities in Delhi like DTC, DJB etc. constitute one of the major areas of concern, because their losses take away a large part of resources which normally would have been available for funding the plan. Towards this direction, the government has already restructured the DVB (with effect from July1, 2002) and now the business of distribution of power in Delhi has been privatised. The restructuring of DTC and DJB are also reportedly under active consideration.
- The outstanding debt of government at the end of March 2004 stands at Rs.13770 crore Consequently, the government has paid interest of Rs.1367 crore during 2003-04, which is around 23.24% of its 'own tax revenue' during the year. The outstanding debt is increasing, resulting in increased interest liability every year. In order to reduce the interest liability, government has retired costly debt of about Rs.3181 crore up to 2003-04 by way of premature repayment of loan. This has resulted in a substantial saving of interest liability. However, the Government of India has now stopped such pre-payment of loan because the government has already retired the costly loan up to the level allowed by the government of India in its Debt Swap Scheme.

Evolution and Objectives of Financial Priorities

9.37 Budgetary figures are compressed statement, *inter alia*, of financial policies and choices, past trends and future projections of the financial position of an organization in general, its health and vibrancy, sluggishness or stringency. These data reveal both processes and outcomes. The budget documents also provide valuable insights into the policy initiatives contemplated, the priorities identified, and the goals and objectives stipulated by governments. They therefore constitute one of the most important sets of analytical inputs.

9.38 The annual budgets of the National Capital Territory provide the clearest insights into the evolution of government's changing priorities and the thinking on issues connected to mobilization of required resources. Indeed, the balance frequently struck between the need to raise resources and the compulsions embedded in socio-economic considerations – such as, say, discouraging consumption of liquor or providing tax relief to traders and industrialists, and poorer sections of society –are quite often reflected in the budgetary documents. They are therefore, a useful starting point to evaluate financial policies reflected in measures to mobilize revenues or ensure expenditure management. Two over-riding aspects can be emphasised:

- Differences between projected resource requirements and actual assignments represent resource gaps.
- Differences between actual resource assignments and actual utilization reflect performance gaps.

9.39 The Budget 1993-1994 presented in the Delhi Assembly on March 8, 1994, marks the break with arrangements prior to the Union Territory of Delhi emerging in its new incarnation i.e. the National Capital Territory of Delhi with an elected assembly and an elected government. This budget marked the advent not only of the new administrative arrangements but also the financial de-linking of the NCT government from the budget of the Government of India: With effect from December 1, 1993, all receipts and expenditure would form part of a separate Consolidated Fund of the NCT. This separation has a clear implication for resource mobilization and availability to meet expenditure needs.

9.40 While the new arrangements stressed the overall administrative and financial independence of the state government, they also underscored the implied responsibilities of the state government for better fiscal management. Prior to the introduction of the new administrative and financial arrangements, resource availability was not necessarily dependent on the extent, reach or success of mobilization efforts. Deficits were covered by the central government. Therefore, the real constraints were not availability of resources as much as the administrative capacity and technical or managerial ability to utilize them. The evolution of plans priorities, non-plan commitments are now reviewed, in two phases: 1993-1994 to 1998-1999 and from 1999-2000 to 2005-2006.

Annual Budgets: 1993-94 to 1997-98

9.41 The budgets of 1993-94 to 1998-99[15] essentially coincided with the basic changes in the institutional arrangements of the early 1990s: the arrival of an elected assembly and an elected government at the state level; the changes heralded in the sphere of local governance and the liberalization of the economy at the national level. The changes in the institutional arrangements at the state level altered the pattern of plan funding and the consequent need for greater emphasis on resource mobilization and restraint in expenditure management.

[15] **Part A of Budget Speeches for the relevant years.**

9.42 The years till the mid 1990s were years of groping and experimentation too. Procedures and systems were still being put into position. The years also occasioned debates and discussions on various issues: market borrowing and negotiated loans, separation of public accounts and Delhi's share in central taxes, managing public sector units brought under the control of the state government (DVB and DJB) or transferred by the central government (DTC).

9.43 Analyses of the budget from 1993-94 to 1998-99 and the system as it has evolved, reveals that:

- The early 1990s witnessed the entry of a new funding instrument: the MLA Local Area Fund[16] (1994-1995) with Rupees 01 crore for each Assembly constituency; and proposals for several special implementation vehicles: an OBC Commission (1994-1995), the Delhi Wasteland Development Board, the Trans-Yamuna Development Board (1994-1995), the Slum Board and Housing Board. These (funding instruments and implementation vehicles) self-evidently levy costs and deserve to be assessed for effectiveness.
- No less important was the administrative re-organization. For revenue administration Delhi had all along been a single district with revenue matters under the control and supervision of one Deputy Commissioner. For 'effective supervision, coordination, and decentralization' the government divided the single revenue district into nine with three sub-divisions under each.
- Special endeavours to generate additional revenues had reportedly led to substantial increases in revenues, and this increase was attributed to rationalization of the tax structure and better tax administration (1997-1998).
- Again there was the resolve to introduce new special implementation vehicles. In addition to the two boards constituted (Slum Improvement Board and the Trans-Yamuna Area Development Board) a new Board was proposed to 'speed up the developmental works in rural areas.' The Delhi Electric Supply Undertaking was reconstituted as the Delhi Vidyut Board and the Delhi Water Supply and Sewerage Undertaking as the Delhi Jal Board under the control of the Delhi government.
- DA/interim relief to its employees, interest payment to the government of India, and the need to meet 'urgent expenditures' resulting from the

[16] **The MLA Local Area Development Fund was revised from time to time and is now Rupees 02 crores per assembly constituency.**

transfer of DTC to the state government (in August 1996) meant additional non-plan expenditure

9.44 The 1997-1998 budget lamented the fact that the: recommendations of the Arjun Sengupta Committee constituted by the Planning Commission regarding the funding pattern for the Union Territories had not been accepted by the central government; Central government had not fulfilled the commitment to compensate the local bodies for the resulting loss of revenue following the abolition of the terminal tax with effect from January 30, 1993. The central government had reportedly agreed to provide 100 percent compensation with a 10 percent annual increase. As a result, up to 1996-1997, the Delhi government had had to compensate (Rupees 188.70 crore) to the local bodies; NCT of Delhi was not covered under the Mega-City scheme initiated during the Eighth Five Year Plan; Central government had not cleared the past liabilities of the DTC which was a commitment for the transfer of the corporation to the NCT government; though the central government had indicated that the tentative share of Delhi in central taxes would be Rupees 280 crore for 1996-1997, the issue was still pending with the government of India.

9.45 If the lament of the 1997-1998 Budget was regarding a number of issues awaiting final decisions of the central government, the 1998-1999 Budget noted that the central government had delegated enhanced financial powers to the state government. Accordingly, it could now sanction projects up to Rupees 50 crore (up from the earlier Rupees 5 crore). This delegation, it was believed, would enhance the state's capacity to accelerate utilization of plan funds; funding pattern of plans would be as for other states. Implementation of this pattern had started with the finalization of Delhi's Ninth Five Year Plan. The central government had started releasing the state's share in central taxes.

Annual Budgets: 1999-00 to 2005-06

9.46 The Budgets of 1999-2000 through to 2005-06[17] represented a new phase. At least six trends are visible. Essentially however the leitmotif of these years was an emphasis on reforms. They consistently highlighted the following as constituting areas of concern:

Reforms in Governance

9.47 In this period there has been a growing stress on the introduction of and reliance on information technology, stress on open administration (Delhi Right to Information Act, 2001) and accountability (Public Grievances Commission). The focus in 2002-2003 for example was on 'reforms in governance.' The

[17] **Part A of relevant Budget Speeches.**

government, the budget document said, was committed to provide a major thrust on reforms in critical sectors, improved efficiency of service delivery systems, enhancing technical capability and capacity building. This implied comprehensive training of officers at national and international institutions to develop key technical and managerial competencies and harness latest outsourcing of various activities to improve performance quality and cost efficiency. Government was committed, said the Budget document, to intensify people's participation in the city's development and governance.

Loan Liability

9.48 The loan liability of the Delhi government up to 1998-99 was Rupees 3788.17 crore. With this loan liability, every citizen of Delhi had a loan liability of Rupees 3084 compared to Rupees 3009 in Uttar Pradesh, Rupees 3574 in West Bengal, and Rupees 3396 in Maharashtra. The per capita liability had accumulated in just five years, whereas the loan liability of other states had grown over a much longer period. The public debt outstanding at the beginning of the financial year (2000-2001) was Rupees 3788 crore, registering an increase of 23 percent over the previous year. Delhi had debt/GSDP ratio of 9.5 percent in 1998-1998 compared to 19.3 percent for all states taken together. The public debt continued to grow. It was Rupees 5183.02 crore in 2001-2002, registering an increase of 36.82 percent over the previous year. Earlier loans had been raised on interest at 13.5 percent or more, while new loans were available at 9.5 percent. As a result, a substantial part of the amount received from small savings (Rupees 2100 crore out of Rupees 4408.07 crore) was to be utilized for retiring the old and more expensive loans. This would reduce interest liability of the government (2004-2005).

Local Bodies

9.49 The position of local bodies, (at different points of time) regarding the following aspects is as follows:

(i) implementing the recommendations of the first Delhi Finance Commission by providing 9.5 percent of Delhi's tax revenue to the local bodies as a 'global share' and the larger share of funds being given to the local bodies.

(ii) given the importance of local bodies in provision and maintenance of better civic amenities, it was decided to raise the financial assistance to local bodies from 9.5 percent to 10.5 percent of the state's tax revenue (2004-2005).

(iii) the poor recovery of loan dues which had started crippling the financial position of the government and the need for local bodies/undertakings to be efficient enough to repay the loan. On the recommendations of the

First Delhi Finance Commission, loan recoveries were made by deducting at source from amounts to be released to the local bodies.

(iv) need for local bodies/undertakings to avail of institutional finance and other sources to finance some of their projects.

(v) lack of cooperation reflected in the fact that the local body, a major plan implementing agency, was not participating in the meetings of the District Development Committees.

(vi) introduction of a new property tax system with effect from April 1, 2004.

(vii) in order to enhance the accountability for the expenditure of plan funds, it was proposed to introduce a system of Memorandum of Understanding with the MCD in respect of conservancy and sanitation, primary education, slums, roads and bridges, and the health sector. Release of funds to MCD was proposed to be linked with achievements spelt out in the Memorandum of Understanding (2001-2002).

(viii) intention to take necessary steps to enhance the accountability of plan implementing agencies like MCD towards the Delhi government. The budget document (2001-2002) continued to express government's dismay over the performance of MCD. The government, it said, had been very liberal in providing assistance to the MCD for improvement of civic services.[18] But MCD had been unable to improve the level of civic services to the targeted levels. Similarly, though government had extended full financial support to MCD for improvement of education system and sanitation, and also suggested formulation of a mutually binding action plan to help MCD in this task, the attitude of MCD was not very helpful.

Financial Implications of Public Sector Units

9.50 The increasing liability of the government to meet the losses of the public sector undertakings (DVB, DTC, and DJB) was noted as a matter of grave concern in almost all budget documents. Thus a reform package consisting, inter alia, of the following was announced from time to time:

- Reform of the power sector involving the un-bundling of DVB into five separate companies.
- Initiatives for restructuring the public transport system including constitution of a public transport Fare Advisory Authority.
- With a view to providing the basis for restructuring and strengthening the activities of the DJB on a 'financially viable basis':

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[18] Government had released an amount of Rupees 3049 crores to the MCD during the previous three years (against Rupees 2922 crores in the five year period of the earlier government).

a detailed review of the functioning of DJB with the help of international consultants.

- Memoranda of Understanding were signed for the first time with the DVB, DTC, and DJB in 2000-2001 in an attempt to improve accountability. The system was supposed to have provided greater clarity about the obligations and commitments of these utilities. It was proposed to improve and strengthen the system in 2001-2002.
- In order to improve quality of life, Delhi needed huge investments in social infrastructure like education, social welfare etc. The Budget document (2000-01) again drew attention to the fact that the utilities like DJB, DTC, and DVB were a huge drain on the states' resources. Encouraged by the reforms in the power sector (which could be expected to release funds for investment in other sectors) the government announced its intention to extend sector reforms to these organizations: take up a privatisation and re-structuring exercise in DTC and DJB.

Access to Central Government Resources

9.51 Delhi's access to central sources of funding: (i) Delhi, not having been included in the terms of reference of the central finance commissions, was not benefiting from their recommendations on many counts. For example, Delhi was not getting any grants from the centre for calamity relief measures, augmenting resources of local bodies, upgrading water supply and sewerage systems or improving slums, and (ii) again, while allocations under the Accelerated Power Development Reforms Program or the Additional Central Assistance against Urban Reforms was cut despite a number of measures taken by the government, even Delhi's share in central taxes was reduced from Rupees 330 crore (2000-2001) to Rupees 325 crore (2001-2002) which remained unchanged in subsequent financial years.

Public-Private Participation

9.52 Public/private sector participation (PPP) was an important element in the evolving arrangements. Since government was committed to involve more and more citizen groups in the development process, it announced the creation of a new funding mechanism for activities to be taken up under the Bhagidari scheme (2004-2005).

Nevertheless, based essentially on two criteria, the financial health of the state government has all along been declared to be sound: (a) the most positive feature being a continuing surplus on revenue account, and (b) a low fiscal deficit.

Annual Plans and Budgets: Procedures and Processes

9.53 It will be useful to consider some of the systemic aspects also i.e. the procedures and processes. This will involve an examination of the: preparation of the annual plan and annual budget: what do the budget data tell us about financial projections and achievements? What is involved in the preparation of the annual budget? What decides the plan size? How are the original budget estimates or the revised estimate determined? How are priorities and allocations as between plan and non-plan, capital and revenue, social welfare or infrastructure sectors and the expenditure objectives (establishment expenses, maintenance and operation needs) finalized?

9.54 Despite its statutory roots, the preparation of the annual budget is essentially an administrative exercise.[19] Nevertheless, it would be appropriate to refer to the provisions of Rule 54 of the General Financial Rules 1963 which casts the responsibility of scrutiny on the heads of departments: 'the estimates of expenditure proposed by the estimating authorities shall, after due scrutiny by the Heads of Departments concerned, be forwarded to the Departments of the Central Government administratively concerned.' In order to translate the statutory provisions into actual budget proposals, each year the Finance Department issues instructions and guidelines on the budget preparation exercise. Instructions issued in the years 2001, 2002, 2003, 2004, and 2005 have been relied on.

Annual Budgetary Circulars

9.55 The instructions and observations of the Finance Department each year remain virtually unchanged and generally invite attention to the following[20]:

- Numerous instances of over estimation and underestimation of fund requirements. Some departments and organizations fail to estimate realistically the requirement of funds, even for salaries which is based on sanctioned establishment strength.
- Also instances of a supplementary grant being obtained in respect of a scheme/sub-head but ultimately the funds remaining un-utilized.
- Cases of actual expenditure at the close of the financial year being either in excess or short of the amount re-allocated on the basis of the ten-monthly estimates submitted by the departments concerned.

[19] **The General Financial Rules, 1963 prescribe the details to be incorporated and the manner of doing so.**

[20] **DO Letter F.2/2002/Fin (B) dated August 3, 2001; F.2/2002-Fin (B) dated August 9, 2002; F.2/2004-Fin.(b)/436 dated July 31, 2003; F.2/2005-Fin (B) dated ..;F.2/2006-07/Fin. (B)/840 dated August 5, 2005.**

- Estimating authorities unable to properly anticipate, assess and project actual requirement of funds as evident from wide variations between original budget estimates and actual expenditure.
- Need for care in projecting the requirements of funds correctly at the stage of formulating the budget/revised estimates. Instructions already in existence for projecting estimates on a realistic basis and for exercising a close watch over the trend of expenditure.
- Preparation of estimates on a realistic basis can be ensured by strictly following the detailed instructions for preparations of budget and revised estimates, processing of supplementary demands, re-appropriation of funds and control over expenditure as contained in the General Financial Rules, 1963.[21]
- Most of the expenditure estimates of the government continue to be based on past norms and yardsticks which have ceased to be useful. None of these norms takes into account resource constraints.
- Financial requirements of continuing schemes/programs accumulated over the years got the first claim on future resources. Consequently, their utility is not adequately scrutinised in the annual budgetary process.
- Cases of unauthorized expenditure over and above the budgetary appropriation be dealt with strongly and accountability fixed.
- The practice of incurring or committing expenditure in a particular year and deferring the actual payment of bills to the subsequent financial years is improper. This should be stopped forthwith as the practice of carrying forward unpaid bills and other liabilities to the next financial year is in utter disregard of accepted canons of financial propriety and results in foreclosure of budgetary appropriations in the following year without proper authorization.
- Large-scale savings against the projections made leading to adverse criticism from the Public Accounts Committee.

9.56 Each of the points contained in the guidelines is instructive: seeking realistic estimates, emphasizing need for assessing, anticipating and projecting actual expenditure, drawing attention to the fact of outdated norms and yardsticks, reviewing utility of continuing schemes and programs, watching the trends of expenditure, and controlling unauthorized expenditure.

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[21] For details of important points to be kept in mind while formulating the expenditure estimates see General Financial Rules, Muthuswamy 18th Edition (2000), Chapter-V, Budget, Grants and Appropriations, page 30-51.

9.57 Experience has shown that mere issue of instructions does not secure adherence. Nonetheless, it needs to be reiterated that the worth of any instructions lie in their effectiveness. Therefore, a few observations are in order.

- What do the instructions issued every year indicate?
- Contextually, it is necessary to point out that the instructions have remained practically the same over the years. Are they unchanged because there has been inadequate compliance or is it necessary to emphasize their continuing significance?
- Whether or not the compliance has been unsatisfactory, what administrative and institutional arrangements are in position to secure the required compliance?
- If these are not effective, what alternative steps are required?
- Do the existing instructions need to be supplemented, or suitably modified, or replaced with a wholly new set of instructions?

Data suggest that much can be gained from a forceful consideration by government of various issues involved.

Annual Plan Circulars

9.58 The Planning Department also issues instructions and guidelines annually about plan proposals. The instructions for the Annual Plan 2000-2001,[22] in trying to draw on the results of the mid-term appraisal of the Ninth Five-Year plan, emphasized the following:

- feedback from the mid-term appraisal of the Ninth Five-Year plan may be utilized to make mid course corrections so that physical targets of the plan are achieved in full.
- in allocating resources, priority may be assigned for completion of on going schemes and projects.
- new schemes may be kept to a minimum and included in the plan with full justification.
- Owing to the difficult fiscal situation and the need to review open ended subsidies, all departments and agencies should review the on going schemes and ensure that subsidies are properly targeted to weaker sections.
- a review of user charges may also be undertaken while finalizing plan schemes for 2000-2001.
- Owing to the high cost of government delivery systems, particularly after the Fifth Pay Commission, all departments and agencies should

[22] **DO No. F.17 (8)/99/Plg/Coord dated October 26-27, 1999.**

examine alternative strategies for delivering development programs, including involvement of non-governmental organizations, so that delivery costs are reduced and funds are released for investment in social and physical capital.

9.59 The instructions for the Annual Plan 2001-2002[23], which was the last year of the Ninth plan, invited attention to:

- The need to review thoroughly all the plan schemes on the lines of the 'zero based budget' methodology. In the review, consideration should be given to convergence of various schemes and weeding out unnecessary schemes. Only those schemes should be included which are found fit for continuation.
- Being the last year of the Ninth Five-Year plan, new schemes should be kept to the minimum. New schemes should be included only if absolutely necessary.
- Financial allocation for plan schemes may give priority to completion of on-going schemes and projects.
- Completion of on-going schemes and projects.

9.60 For the Tenth Five-Year Plan, and the first year 2002-2003[24], the Planning Department required departments to ensure action on the following:

- Plan proposals for the Tenth Five-Year plan and the Annual Plan 2002-2003 may be included only after a review of all the plan schemes on the Zero Based Budgeting methodology.
- Detailed justification may be given not only in terms of the schemes being essential to the objectives and priorities of the plan but also in terms of assurance of effective implementation and the long term availability of resources for sustainability.

9.61 Clearly, whether highlighted at the stage of post mid-term appraisal or in the last and first year of a five-year plan period, the themes and concerns are basically the same: review utility of projects and programs, generate investment surpluses, examine financial instruments such as user charges and subsidies, and explore alternative delivery mechanisms[25].

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[23] **DO No. 17 (9)/2000/Coord/PLG dated September 13, 2000.**
[24] **DO No. 17 (7)/2000/Coord/PLG dated October 3-5/2001.**
[25] **Annexe-XXV: Results of review conducted by the State Government, pages 187-196**

Tax Policy

9.62 It is also useful to do a review of the revenue measures by recalling the guiding principles and resource objectives reflected in the budget documents of the financial years from 1994-1995 to 2004-2005[26]. The essential components evolved over the years are reproduced below. In the proposals related to the levy, maintenance or escalation of sales tax, for instance, or measures to rationalize tax administration, most budgets have emphasised :

- 'Trust in traders' principle.
- Belief that reductions in tax rates would result in larger revenues because of (a) impetus to economic activity, (b) better compliance resulting from simplified procedures and discouragement of tax evasion.
- Simplification of procedures as part of transparent, rational, progressive, and user friendly tax administration.
- Need to maintain the distributive trade character of Delhi, contrary to the policy objectives stated in various plan documents.
- Need for attracting non-polluting, high-tech industry-.

9.63 Many of the changes made in tax administration related to sales tax have been overtaken by changes in the tax laws. The switch over in 2005-2006 to the value added tax regime constitutes perhaps the single most significant change in the tax system. Accordingly, out of the budgets of the initial years reference is only made to the budget of 1994-1995 (the first complete year of the elected Assembly), and the budget of 1997-1998 (the first year of the Ninth Five Year Plan). Then the matter would be considered in light of the budgets of 1999-2000 onward.

9.64 The significance of the 1994-95 Budget lies in its enunciation of the principle of 'trust in traders' and in the note taken of the various steps adopted in pursuit of the principle. These include the constitution of a Committee of Experts under Doctor Raja J. Chelliah to examine and recommend rationalization of 'sales tax structure and the replacement of sales tax by a turn over tax or any other suitable device,' the introduction of instant registration of dealers and a composite return-cum-challan format to facilitate simultaneous lodging of returns and payment of tax dues in banks, as well as scheme of self-assessment for dealers with turnover up to Rupees 15 lakh with effect from April 1, 1994. In addition, simplification of procedures related to applications for amendments in registration certificates, change of the name and

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[26] **Part B of relevant Budget Speeches.**

constitution of firms, and change in the items for purposes of resale, manufacturing, packing etc.

9.65 The 1994-1995 Budget proposed to raise Rupees 1390 crore from sales tax (which formed 'the major portion of the revenue collected'). Nevertheless, in pursuit of a number of non-economic considerations, government announced a number of specific steps. The principal ones were:

- Delhi has been the nerve centre of the distributive trade for the entire region of north India. This character was being slowly eroded. The emphasis in the past has been to discourage this character of Delhi 'under the garb of de-congestion'. Government's commitment to preserve and foster the growth of Delhi as a centre of trade. Accordingly, the Budget abolished and reduced sales tax on a number of items, while exempting others.
- To encourage non-polluting and high-tech industries, especially the electronic industry- stated to have moved out of Delhi - sales tax on a range of electronic goods (colour televisions, VCRs, VCPs, medical electronic equipment, electronic video games) was reduced from the existing 12 percent on colour televisions and 10 percent on the rest to a uniform 6 percent.
- Sales tax on commercial vehicles was thought to be distorting the revenues of the state government. Since tax in neighbouring states was lower, vehicles were being purchased outside Delhi. To remove the anomaly, it was proposed to reduce the tax on all types of vehicles (including two-wheelers) from the existing 10 percent to 6 percent. Further, government would levy an Entry Tax on vehicles purchased outside Delhi but registered in Delhi.

9.66 A few aspects are notable about the proposals.

- First, there was no indication or quantification of the precise revenue implications – whether plus or minus - that the various reductions, concessions or exemptions would entail. In other words, there was no evaluation of the gross and net impact, positive or negative, of the changes in the various rates of taxation.
- Second, many of the concessions (to trade for instance) were against the grain of plan objectives.
- Third, the concessions appear to be based not on empirical evidence but on impressionistic assumptions. For instance, it was not sought to be established by data that Delhi actually faced an out-migration of any

trade or industry or even that trade and high-tech industry are particularly sensitive to tax-rate differentials and, therefore, respond to a cut here or an exemption there. The fact of course is that, besides tax rates, trade and industry respond to a number of real and financial incentives and disincentives, for instance: advantages of clustering and labour costs, among others.

- Fourth, if indeed industry is sensitive to imposts, there is no reason for not taxing those polluting industries which government wanted to discourage, much more heavily.
- Fifth, the concessions were also at odds with the need to stem population migration into Delhi.

However, 'to offset *any loss* (emphasis provided) in revenue due to concessions,' and to deter people from the social evil of lottery, necessary legislation imposing a 20 percent tax on the price of lottery tickets was promised.

9.67 Government declared its commitment to the ideal of prohibition and framed its policies accordingly. A Directorate of Prohibition, separate from the Excise Department, was announced. Simultaneously, it was declared that the prices of IMFL (Indian made foreign liquor), country liquor, and all other excise levies would be increased to discourage people from drinking and also 'as part of additional resource mobilization' which was expected to yield additional revenue of around Rupees 50 crore.

9.68 The Ninth Five-Year Plan was inaugurated in 1997-98. The Budget document declared that the tax policy had not only helped attain the highest growth rate in tax collection, provided necessary resources for funding the development of infrastructure but had also saved the state from falling into a debt trap. It announced a fresh slew of reforms related to the administration of sales tax and proposed the following:

- The scheme of self-assessment was liberalized to cover additional items and dealers. The turnover eligibility under the scheme of self-assessment had been raised to Rupees 30 lakh.
- Registration of some categories of dealers without surety. However, whenever the dealers would need statutory forms, they would need to provide security in proportion to the tax component.
- Amendment of the Delhi Sales Tax Act in accordance with the recommendations of the Chelliah Committee to reduce the period of assessment.

- Simplification of quarterly returns to enable dealers to fill them without the help of accountants or chartered accountants. Additionally, conversion of the last return of the year into a detailed comprehensive return to ensure that all details of business were available in one place.
- In view of the requirements of additional resources in the coming years for implementation of important mega schemes like MRTS, increases in tax rates on: petrol, petroleum products, and diesel (from 8 to 10 percent); IMFL (from 12 to20 percent), country liquor (from 10 to 12 percent); cement (from 8 to 10 percent); computers (from 6 to 4 percent).
- 8 percent tax on all types of writing materials (pens) the price of which exceed Rupees 50.
- Total exemption of CNG kits (which were being taxed at the rate of 7 percent); reduction from 8 to 4 percent on all two wheeler vehicles meeting the emission norms prescribed from the year 2000.
- Merger of the two rates of taxation (3 percent on ready made garments costing Rupees 150 and 5 percent on those costing more than Rupees 150) into a single 4 percent rate.
- Reduction: from 3 to 2 on kerosene sold through fair price shops but not other outlets as also LPG cylinders from 5 to 4 percent; from 5 to 4 percent on jute, jute goods and khadi; from 5 to 4 percent on knitting wool, and; from 7 to 4 percent on loose tea.
- To raise the tax on: a 'narcotic' like bhang from 7 to 20 percent; electric and hydraulic lifts from 10 to 12 percent.

9.69 Once again, while all the earlier points will apply now too, the one additional point that needs to be made is: how does the multiplicity of rates by drawing fine distinctions (such as kerosene 'sold through fair price shops') help? On the contrary, such 'fine tuning' can almost always be expected to lead to misuse and corruption. It would also inevitably pose difficulties in administering the tax proposals, which no amount of administrative re-engineering or simplification can hope to deal with.

9.70 The Budget recalled that a 'luxury tax' had been introduced with effect from November 1, 1996. The target for revenues from this source was projected at Rupee 100 crore. It announced the decision to introduce a bill that would enable levy of a tax on 'works contracts' (with an expected revenue yield of Rupees 29 crore in the first year and Rupees 50 crore by the third year) and the intention to suitably widen the tax base through the Delhi Entertainment and Betting Tax Bill, 1996 which was awaiting approval of the central government.

9.71 Before the next phase (1999-2000 to 2004-2005) is dealt with, it is necessary to note that the 1998-1999 budget informed that there had been an agreement among the Ministers of Finance of the 'northern states' to implement the value-added tax (VAT). In order to implement sales tax reforms and introduce VAT, 'computerization is essential' and the Sales Tax Department was reported to have taken up a comprehensive computerization program, which 'was likely to be completed shortly.'

9.72 Government declared:

- Overall Economic Policy: 'aims to promote all round socio-economic development, keeping in view ecological considerations (1999-2000).
- The Purpose of Tax Policy: is to raise resources in a manner which will reduce the burden of the poorer sections of society, promote growth of trade and commerce, maintain the distributive character of Delhi, reduce pollution and provide a cleaner environment. There ought to be 'mutual trust and cooperation' between trade and government. To strengthen the spirit of mutual cooperation, government intended to create an environment in which the honest taxpayer is able to discharge legal obligations without any trouble.
- The Administration of Taxes: Government intended to initiate 'a large number of administrative measures' which would improve efficiency of collection and, simultaneously provide relief to the taxpayer. Conscious efforts would be made to streamline procedures, cut red-tape, and remove bottlenecks. However, while government would do all to help the honest tax payer, it would not hesitate to take drastic action against tax evaders. Administrative re-structuring, as detailed in the budget, covered registration of dealers, refunds, and the introduction of a new 'green-channel facility for regular and high tax payers' (1999-2000). Attention to speeding up disposal of pending cases of appeal against assessments. Simplification of laws and reduction of the number of classifications. Introduction of the system of Total Quality Control in the working of the sales tax department (2001-2002).
- Tax Rate Rationalization: Government planned to 'rationalize the rates of taxes' on various commodities to ensure better compliance with law. 'It is a reasonable expectation' says the document that the reduction in tax rates would lead to higher revenues (1999-2000). Seeking parity with other states in the matter of central tax and delegation of appropriate powers thereof. (2001-2002).

- Introduction of Value Added Tax: Government's commitment to implementation of VAT was reiterated (1999-2000, 2001-2002).
- Computerization: Reporting that the first phase of the computerization program had been completed, the budget document reiterated government's faith that computerization would protect dealers against harassment caused by loss or misplacement of records (1999-2000, 2001-2002).

9.73 This was followed by the details of specific tax proposals (Table 9.17).

Table: 9.17-Tax Proposals Budget 1999-2000-Modifications in Sales Tax

Item	Present Rate (percent)	Modification (percent)
All readymade garments (other than leather, fur and silk)	04	02
All hosiery items	NA	02
Packed tea	07	05
Loose Tea	04	03
Motor Vehicles	08	06
Trucks	08	04
All kirana items*	NA	02
Oil seeds	03	02
Electric and electronic goods (TV sets of with screens exceeding 21 inches, VCD, CD players, home theaters, music systems with 240 watts and higher).**	06	12
Silk products	Exempted	03
Stainless ingots, patta etc***	01	02
Rubber foam****	12	08
Chemicals*****	07	03
Petroleum items and motor spirit@		01 (Additional)
Imported sugar and Imported Textiles	NIL	04
Candles	NA	Exempted
Leprosy Drugs	NA	Exempted
MMR Drugs	NA	Exempted

Notes:
* Being 'goods of mass consumption'
** Believed to be items of consumption of upper income groups
***Since reduction had led to drastic reduction in collections.
****Industry in a state of decline.
*****Preserving distributive character of trade
@ Anti-pollution measure with additional resource potential
Source : Budget speech of Finance Minister, Govt. of NCT of Delhi.

9.74 Further, proposal to bring appropriate legislation to tap the revenue potential of taxing works contracts was reiterated. The proposed rate rationalization, better compliance, and additional measures were expected to net an additional Rupees 75 crore. Excise revenue was projected at Rupees 575 crore and revenues from Entertainment and Luxury Tax at Rupees 170 crore. The Budget also announced proposals to (a) introduce legislation to rationalize stamp duty rates (b) regulate the Non-Banking Financial Corporations, (c) rationalization of Motor Vehicle and Road tax, and informed (d) that the Registrar of Chit Funds had been notified as the nodal authority for Delhi.

9.75 To the extent that there was an identification of the probable additional revenue, given the changes in the impost rates, this is an improvement. However, an examination of the economic rationale of various tax measures deserves much deeper and certainly far greater rigour. There are a few points that deserve to be highlighted:

- First, and again, there was no indication of how the figures had been arrived at. What, for instance was the impact of rate rationalization? How much of the additional revenue would be attributable to 'better compliance'?
- Second, given the considerable exertions, the projected additional revenue was quite modest.
- Third, proposals for raising rates based on the reasoning that previous reductions had drastically reduced revenues is not in tune with the 'rational expectation' that lower rates inspire better compliance. It merely suggests that rate modifications need deeper analysis and do not fit preconceived notions about tax payer behaviour.
- Fourth, determining the need to lower tax rates because a specific industry is in a state of decline needs to be based on rational considerations. It requires: defining and identifying criteria for industries in a state of decline; linking the decline to prevalent tax rates; considering other similarly placed industries; analysis of the comparative position of such industries, more so in the context of the desirable mix of industries i.e. industries worth promoting in the context of Delhi.
- The tax rates exhibit extraordinary volatility. There are far too many changes each year. This detracts from predictability and dependability.
- Fifth, the need for an economic intelligence unit (EIU) is highlighted. *Inter alia*, the socio-economic situation, trends in manufacture, consumption and incomes all need to be analysed and relevant data

integrated into tax rates rationalization proposals. Else the so-called rationalization hangs free of rationale and basis.

9.76 The variations in tax rates in subsequent years are summarized in Table 9.18.

Table: 9.18- Tax Proposals Budget-Modifications in Sales Tax

Year	Item	Existing Rate	Proposed Rate
2001-02	Fertilizer and Oil Cake		Exempted
	Khoya	8%	4%
	Tax On Land Revenue		Abolished
	Sports goods	8%	4%
	Tradable Licenses	8% Last Point	4% At First Point
	Silk Fabric		Exempted
	Semiyan	8%	4%
	Right to use of leased goods		4%
	Luxury Tax		Proposed
	Stamps Duty Amendment Bill		Proposed
	Protection of interest of Depositors Bill		Proposed
2002-03	Eligibility condition for Summary Assessment.	75 Lakh	1 Crore
	On line system in sales tax department complied		
	Luxury tax on Gutka/Pan Masala (with Tobacco)		50%
	Mobiles Phones	12%	4%
	Lubricants	20%	12%
	De-Oiled Cake	4%	Nil
	Conversion of commercial Vehicle to CNG	Exempted	4%
	Food grains, Cereals, Pulses and Processed food grains, Cereals, Pulses Packed in Brand name	Exempted	4%
	Imported Vanaspati	4%	12%
	Paper	8%	4%
	Writing Instruments of MRP Rs 100/-		Exempted

	Entertainment Tax Children upon 15 yrs. For Facilities used at fun park		Exempted
2003-04	Taxable Turnover	Rs 2 Lakh	Rs 5 Lakh
	Dealers with Annual turnover	Rs 1 Crore	Rs 2 Crore
	Entry tax on Motor Vehicle	NIL	Introduced
	Tax on Pan Masala and Tea	Last point	First Point
	All type of food grains whether packed or unpacked		Exempted
	Mithai/Khara and food Items	8%	4%
	Toys, other than electronics toys having MRP upto Rs 100/-	8%	4%
	Entertainment Tax		
	Cinema Tickets	60%	30%
	Ad-Valorem Tax on Motor Vehicle Cost upon 4 Lakh Cost more than 4 Lakh		 2% 4%
	Sale of immovable properties	8%	5%
	Sales Tax and Re-imbursement of Work contract Act Tax to DMRC Phase I of Delhi Metro Rail Project.		Exempted
2004-05	Cooked food sold in Hotels & Restaurants country liquor from	First Point	Last Point
	Coffee, Paper and Paper Board, Bullion, Article and ornaments made of gold, silver and Timber.	Last Point	First Point
	Diesel	12%	20%
	Readymade garments costing more than Rupees. 1000/- per piece	4%	8%
	Paper	4%	8%
	Oil cake and de-oiled cake	0	4%
	Surgical	0	8%
	Advalorem Tax on Motor Vehicle Cost upon 4 Lakh Cost more than 4 Lakh		 2% 4%

	Additional Levy on Pvt. Non-Transport Diesel Vehicles over and above the Ad-Valorem Tax Rate		2%
	Stamps Duty		
	General Categories Female Categories		8% 6%
	Cotton –Pillow covers, Ball pen ink		Exempted
	Mobile Phone Accessories	8%	4%
	Medicine		
	(i) Prevention of Hepatitis B,Hepatitis B Vaccine. (ii) Tuberculosis, Ethionamide, Kanamycin, cycloserine. (iii) Diabetes-All preparations of Insulin. (iv) Myocardial Infarction, Prevention of deep vein thrombosis in surgical/bed-ridden cases, All low molecular weight heparine, sreptikinase and amiodarone. (v) Anti Cancer Drugs,5 FU, Tamoxifen, Hydroxy uren, vincristine sulphate, cisplatin, mitomycin and Injectible ondansetron. (vi) Dog Bite-Anti Rabies Vaccine (Cell Culture) (vii) Kidney Transplant/chronic renal failure-cyclosporin and CAPD fluid. (viii) COPD/Asthma-salbutamol Inhaler and Budesonide Inhaler. (ix) Anti HIV Drugs-Zidovudine, Stavudine, Lamuvidine and Nevirapine.		Exempted

	(x) Shock-dobutamine (xi) It is further proposed to Exampled Glucometer, strips and insulin syringes from Sales tax to provide relief to chronic diabetics. (xii) All the transactions made by the National Thallassemic Welfare Society in respect of drugs (Deferiprone) (xiii) Cochlear implants		
2005-06	Tea	12.5%	4%
	Embroidery and Zari	12.5%	4%
	Rakhi, Bangles,Paddy,Rice,Wheat, Pulses,unbranded Bread		Exempted
	Branded Bread		12.5%

Source : Budget speech of Finance Minister, Govt. of NCT of Delhi.

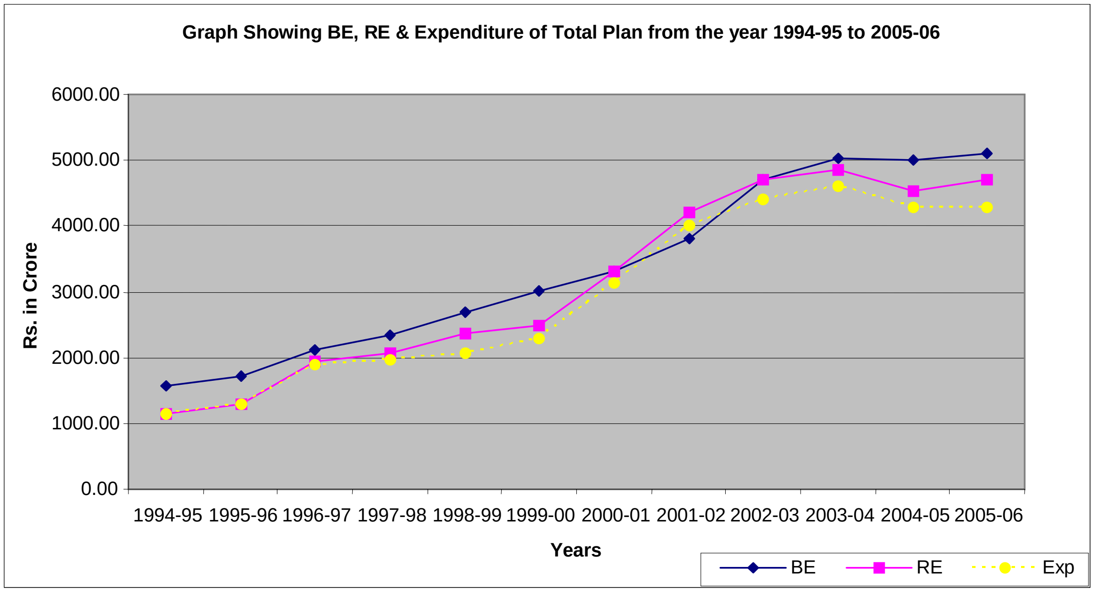
Plan Expenditure: Analysis and Evaluation

9.77 Plan expenditure as a percentage of the GSDP increased in the period 1994-1995 to 2002-2003[27]. Thereafter it started declining.

- Per capita plan expenditure also increased from Rupees 1063.89 (1994-1995) to Rupees 3052.46 (2003-2004). Thereafter it has registered a decline (2004-2005 and 2005-2006).
- As a percentage of total expenditure it has declined from 47.74 percent (1994-1995) to 38.46 percent (2005-2006).
- The total plan expenditure in the period 1994-1995 to 2005-2006 was Rupees 35363.85 crore as against a total BE of Rupees 40341.67 crore. This means that the expenditure was 87.66 percent of the BE.
- Figure 9.0 shows the trends in plan expenditure between 1994-1995 and 2005-2006.

[27] Detailed analysis of the plan expenditure vis-à-vis the BE, RE and the actual has been conducted in the chapters dealing with the expenditure management by the state government and the local bodies.

Figure -9.0: BE, RE, Actual of Total Plan Expenditure-1994-1995 to 2005-2006



Plan Expenditure: Utilization of Plan Funds by Various Agencies

9.78 Table 9.19 displays the utilization of plan funds by various agencies in the Eighth, Ninth, and Tenth Five Year plans (first four years). There is an interesting aspect related to the capacity of the departments of the state government to utilize allocated funds.

- For instance, in the Ninth Five Year Plan out of a total approved outlay of Rupees 15441.28 crore, a sum of Rupees 6520.58 crore was allotted to various departments i.e. a share of 41.96 percent of the total outlay. Accordingly, the departments of the state government had a smaller role in plan expenditure as compared to other bodies.
- If the amount of Rupees 723.00 crore earmarked for the MRTS (in the Transport sector) is excluded the balance is reduced to Rupees 5797.58 crore (i.e 37.30 percent of the total outlay). This further reduces the share of the state government departments.
- The departments were not able to utilize even this reduced amount. The actual expenditure against Rupees 5797.58 crore was only Rupees 4387.31 crore (i.e 28.62 percent of the actual expenditure in the plan period (Rupees 15331.73 crore).
- The situation does not change in the Tenth Five Year plan. Out of a total approved outlay of Rupees 23000.00 crore, a sum of Rupees 11829.50 crore was allotted to various departments. This makes for a total share of 51.43 percent of the total outlay. Accordingly, the departments of the state government now apparently have a larger role in plan expenditure as compared to other bodies.

- However, if we exclude the amount of Rupees 1441.41 crore earmarked for the MRTS (in the Transport sector) the share is reduced to Rupees 10388.09 crore (i.e 45.17 percent of the total outlay). Therefore the position is not much better than it was in the Ninth Plan.
- The departments were not able to utilize this reduced amount. The actual plan expenditure of Rupees 6374.72 crores of Departments of GNCTD during first four years of the Tenth Plan (excluding expenditure of Rupees 1317.33 crores on MRTS) has been 36.30 percent of the total plan expenditure of GNCTD of Rupees 17560.24 crore.
- The inability of the government's own departments to utilize the allocated amounts raises serious questions. The government should review the institutional capacities of the departments to make timely and best use of the available resources. This is because clearly availability of funds is no longer a constraint. As we shall see in the chapter dealing with the resource management of the state government there are also growing opening balances. This does not portend well for the long-term financial health of the state government.

Table: 9.19-Agency wise Breakup in 8th, 9th and 10th Plans

Agency wise Break up	8TH Plan	Total AO	Total RE	Total Actual	9TH Plan
Departments of GNCTD	**1312.31**	2502.47	2071.29	2022.18	**6521.08**
MCD	**1039.37**	1758.33	1519.9	1517.77	**3118.75**
NDMC	**131.10**	135.66	107.61	105.08	**94.10**
W.S & S.D.U/DJB	**785.00**	983.75	903.44	902.04	**2532.00**
DDA	**0.25**	4.81	3.21	3.34	**15.00**
Slum Wing MCD	**59.97**	167.71	140.22	131.58	**255.35**
DVB/TRANSCO/GENCO Power Sector/Reform	**1172.00**	1827.22	1528.75	1525.33	3005.00
TOTAL	**4500.00**	7379.95	6274.42	6207.32	**15541.28**

Total AO	Total R E	Total Actual	10TH Plan	First 4 Years of 10th Plan		
				Total AO	Total RE	Total Actual
7193.12	6001.44	5128.61	**11829.50**	9378.78	8749.72	7692.05
2916.69	2694.8	2594.97	**3613.75**	2705.65	2848.60	2819.21

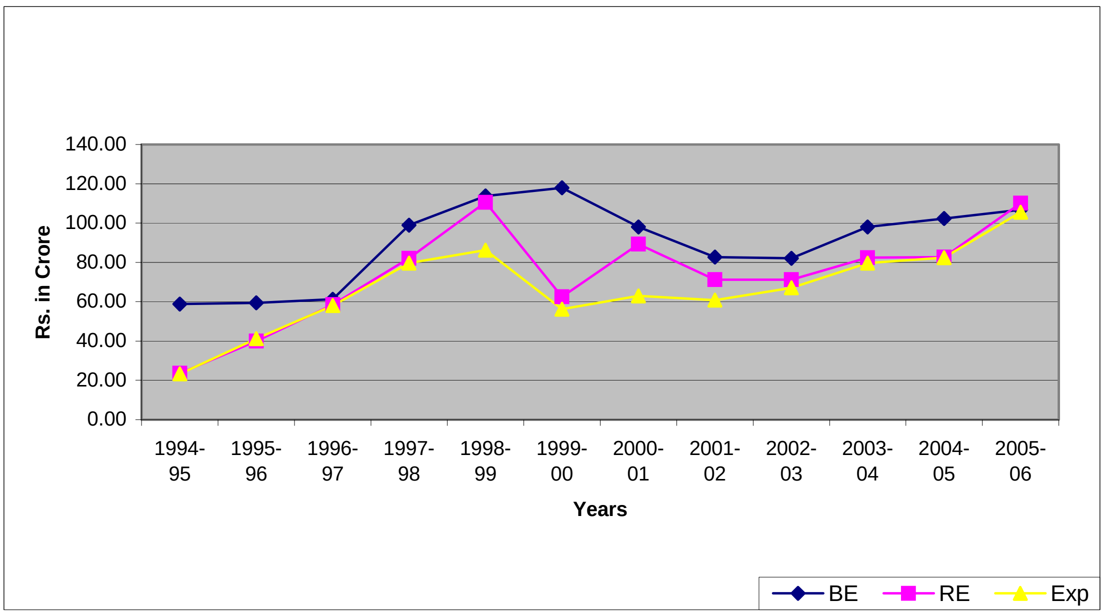
87.09	69.37	57.74	**73.75**	49.15	47.10	35.31
1696.55	1903.15	1889.18	**3751.50**	2667.17	2768.95	2750.82
405.65	3.4	1.9		0.00	0.00	0.00
262.63	237.68	228.16	**275.50**	193.25	133.09	96.75
2570	3529.02	3564.55	3456.00	4731.00	4248.82	4166.10
15131.73	14438.86	13465.11	**23000.00**	19725.00	18796.28	17560.24

Source : Annual Plan Statement of Scheme Wise Approved Outlay Planning Department, Govt. of NCT of Delhi.

Rural Development

9.79 Figure 9.1 displays the plan expenditure in the rural development sector 1994-95 to 2005-06.

Figure 9.1: BE, RE & Expenditure of Rural Development from the year 1994-95 to 2005-06



- BE under the rural development sector ranged from Rupees 58.80 crore in 1994-95 to Rupees 106.70 crore (2005-06). It reached the maximum of Rupees 117.95 crore in 1999-00.
- RE was in the range of Rupees 23.56 crore (1994-1995) to Rupees 110.10 crore (2005-2006) and the actual expenditure under the sector was from 23.27 crore (1994-1995) to Rupees 105.59 crore (2005-2006). The maximum RE was Rupees 11 0.57 crore (1998-1999). The highest actual expenditure was Rupees 105.59 crore (2005-2006).
- The actual expenditure has always been less than the budget estimates and the revised except that it was more than RE in one year (1995-1996).

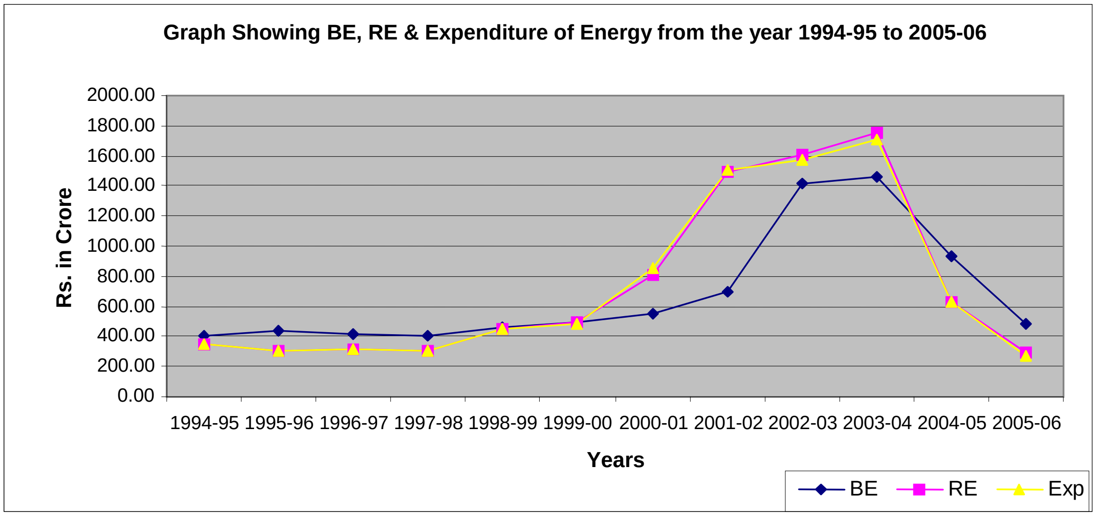
The RE under this sector has always been less than the BE except in the year 2005-2006.

- Total plan expenditure under the rural development sector during the period from 1994-1995 to 2005-2006 was 2.27 percent of the total plan expenditure and 0.94 percent of the total expenditure (plan + non plan). This is despite the fact that the rural area, which is 558.32 square kilometres, constitutes 37.65 percent of the total area of the NCT.
- Plan expenditure under this sector as a percentage of GSDP has been in the range of 0.09 percent (1994-1995) to 0.19 percent (1997-1998). The plan expenditure as a percentage of GSDP rose from 0.09 percent (1994-1995) to 0.19 percent (1997-1998) and had a declining trend all through up to the year 2005-2006 when it reached to 0.10 percent. In fact, in four out of the twelve years, the investment was 0.09 percent of the GSDP. This implies that public investment in rural areas of the NCT is on the decline.
- The per capita plan expenditure in the rural development sector has been in the range of Rupees 21.55 (1994-1995) to Rupees 66.41 (2005-2006). The per capita expenditure increased from Rupees 21.55 (1994-1995) to Rupees 64.37 (1998-1999),thereafter it had no specific trend though it was always less than Rupees 64.37 except in the year 2005-2006 when it reached the level of Rupees 66.41. The trend in per capita expenditure also suggests that investment in the rural areas is on the decline.
- Both, the share in GSDP and the per capita expenditure, suggest that there has been increasing urbanization and reduction in the rural area. This is apparent because the rural area which was 53.79 percent of the NCT landmass in 1991 has reduced to 37.65 percent in 2001 (Census data).
- The sector expenditure as a percentage of total expenditure (plan plus non plan) increased from 0.97 percent (1994-1995) to 1.89 percent (1997-1998) and) thereafter, started declining and it reached the minimum of 0.64 percent in 2004-2005. It was 0.95 percent in 2005-2006.
- The sector expenditure as a percentage of total plan expenditure increased from 2.03 percent (1994-1995) to 4.20 percent (1998-1999) and, thereafter, started declining and it reached the minimum of 1.52 percent in 2001-2002 and 2002-2003. It again started increasing thereafter and reached 2.46 percent in 2005-2006.

Plan Expenditure: Financial Analysis of Selected Sectors

9.80 Figure 9.2 indicates plan expenditure under energy sector 1994-1995 to 2005-2006[28].

Figure: 9.2-BE, RE, Actual Energy Sector-1994-1995 to 2005-2006



- BE under the energy sector ranged from Rupees 401.00 crore in 1994-1995 to Rupees 1463.25 crore in 2003-2004 and was Rupees 933.50 crore 2004-2005 and Rupees 487.54 crore 2005-2006.
- RE was in the range of Rupees 299.55 crore in 1995-1996 to Rupees 1749.94 crore in 2003-2004 and the actual expenditure under the sector was from Rupees 299.52 crore in 1995-1996 to Rupees 1706.29 crore in 2003-2004.
- The actual expenditure was less than BE in eight out of twelve years and in four years (2000-2001 to 2003-2004) it was more than BE.
- The RE under this sector was less than BE in seven out of twelve years. It was more than BE in remaining five years from 1999-2000 to 2003-2004.
- Total plan expenditure under the energy sector during the period from 1994-1995 to 2005-2006 was 24.71 percent of the total plan expenditure and 10.17 percent of the total expenditure (plan + non plan).
- There was no specific trend in plan expenditure in this sector as a percentage of GSDP. It decreased from 1.36 percent (1994-1995) to 0.73 percent (1997-1998) and thereafter started increasing and reached 2.21 percent (2001-2002). It again started declining and was 0.26 percent in 2005-2006.
- The per capita plan expenditure under the energy sector has been in the range of Rupees 170.74 (2005-2006) to Rupees 1129.99 (2003-2004). It

[28] **Annexe-XXVI: Detailed Tables and data, State Government Plan BE, RE and Actual pages 197-220**

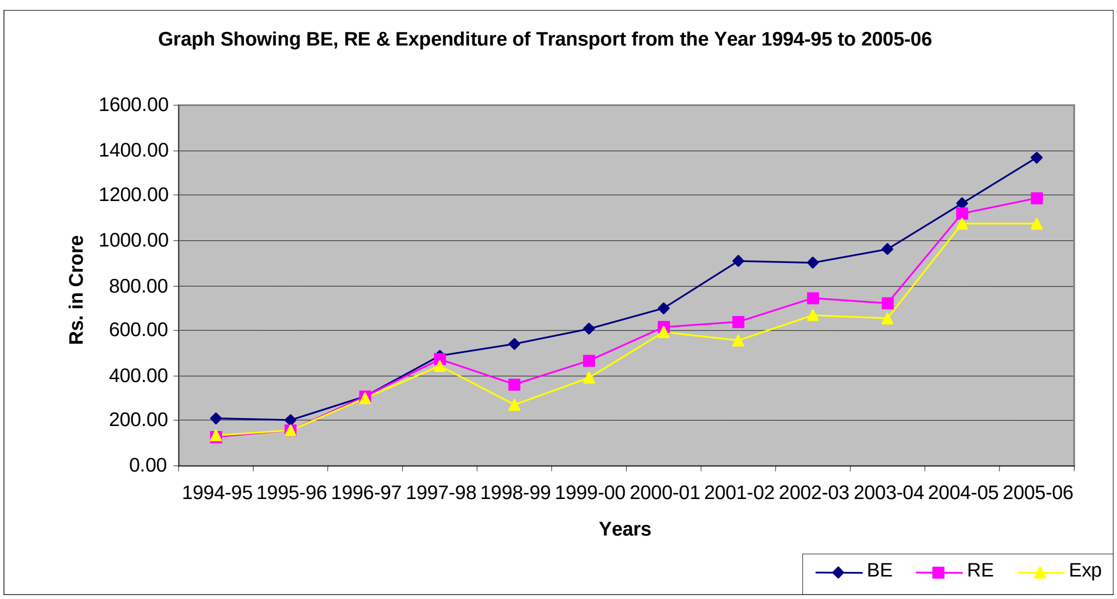
increased from Rupees 326.02 (1994-1995) to Rupees 1129.99 (2003-2004) and declined to Rupees 401.12 (2004-2005) and Rupees 170.74 (2005-2006).

- However, the average per capita plan expenditure has been Rupees 519.39. The per capita expenditure has been less than the average in eight out of the twelve year period and above the average in the remaining four years. The decline in public sector investment that was anticipated as a result of power reforms became visible from 2004-2005.
- The sector expenditure as a percentage of total expenditure (plan + non plan) has been from 2.44 percent (2005-2006) to 17.45 percent (2001-2002). There was no specific trend in this regard.
- The sector expenditure as a percentage of total plan expenditure has been in the range of 6.34 percent (2005-2006) to 37.60 percent (2001-2002). There was no specific trend in the increase/decrease of the sector expenditure as a percentage of total plan expenditure.
- A downward trend in public sector investment in the power sector is discernible particularly in the last two years of the twelve-year period.

Transport Sector

9.81 Figure 9.3 reports the plan expenditure in transport sector 1994-1995 to 2005-2006.

Figure: 9.3- Graph Showing BE, RE, Actual Transport Sector-1994-1995 to 2005-2006



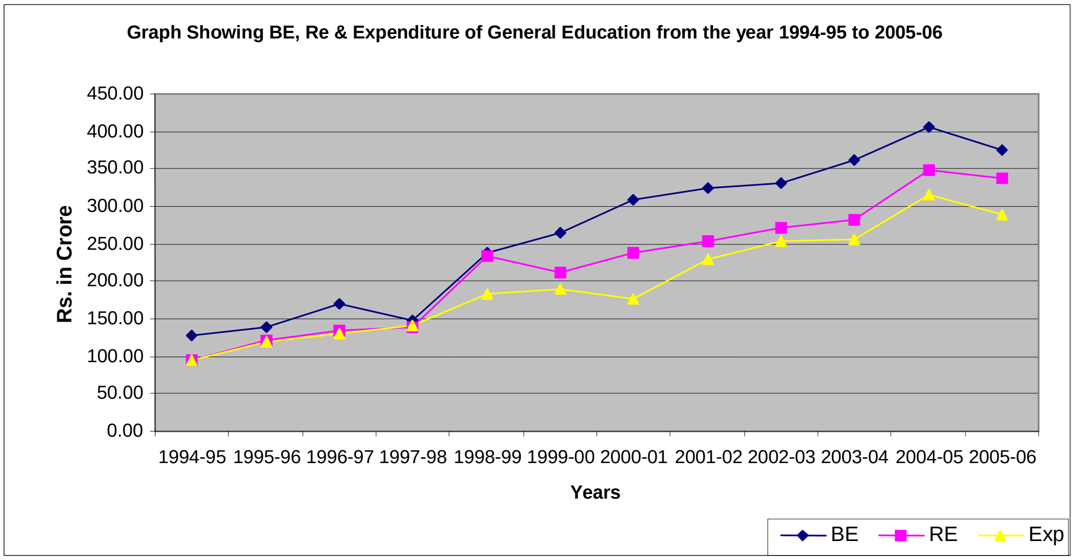
- BE under the transport sector ranged from Rupees 204.41 crore (1995-1996) to Rupees 1364.92 crore (2005-2006).

- RE was in the range of Rupees 130.17 crore (1994-1995) to Rupees 1189.92 crore (2005-2006) and the actual expenditure under the sector was from Rupees 133.51 crore (1994-1995) to Rupees 1077.46 crore (2005-2006).
- The actual expenditure during the period has always been less than BE.
- The RE under this sector has always been less than BE.
- Total plan expenditure in the transport sector during the period from 1994-1995 to 2005-2006 was 17.89 percent of the total plan expenditure and 7.36 percent of the total expenditure (plan + non plan).
- There was no specific trend in plan expenditure in this sector as a percentage of GSDP. It increased from 0.52 percent (1994-1995) to 1.08 percent (1997-1998) and thereafter it had no specific trend.
- The per capita plan expenditure in the transport sector has been in the range of Rupees 123.62 (1994-1995) to Rupees 689.63 (2004-2005). It increased from Rupees 123.62 (1994-1995) to Rupees 348.25 (1997-1998) and declined to Rupees 204.03 (1998-1999) and rose to Rupees 689.63 (2004-2005). It was Rupees 677.65 in the year 2005-2006.
- However, the average per capita plan expenditure has been Rupees 367.29. Accordingly, the per capita expenditure has been less than the average in six out of the twelve-year period and above the average in the remaining six years. It has been less in the period 1994-1995 to 1999-2000 and more than the average in the period from 2000-2001 to 2005-2006. This is indicative of the stress being placed by the state government on investment in the transport sector.
- The sector expenditure as a percentage of total expenditure (plan + non plan) has been from 5.46 percent (1995-1996) to 10.59 percent (1997-1998). There was no specific trend in this regard.
- The sector expenditure as a percentage of total plan expenditure has been in the range of 11.62 percent (1994-1995) to 25.19 percent (2004-2005). There was no specific trend in the increase/decrease of the sector expenditure as a percentage of total plan expenditure.

General Education

9.82 Figure 9.4 shows the plan expenditure in general education sector 1994-1995 to 2005-2006.

Figure: 9.4-BE, RE, Actual Expenditure of General Education-1994-1995 to 2005-2006



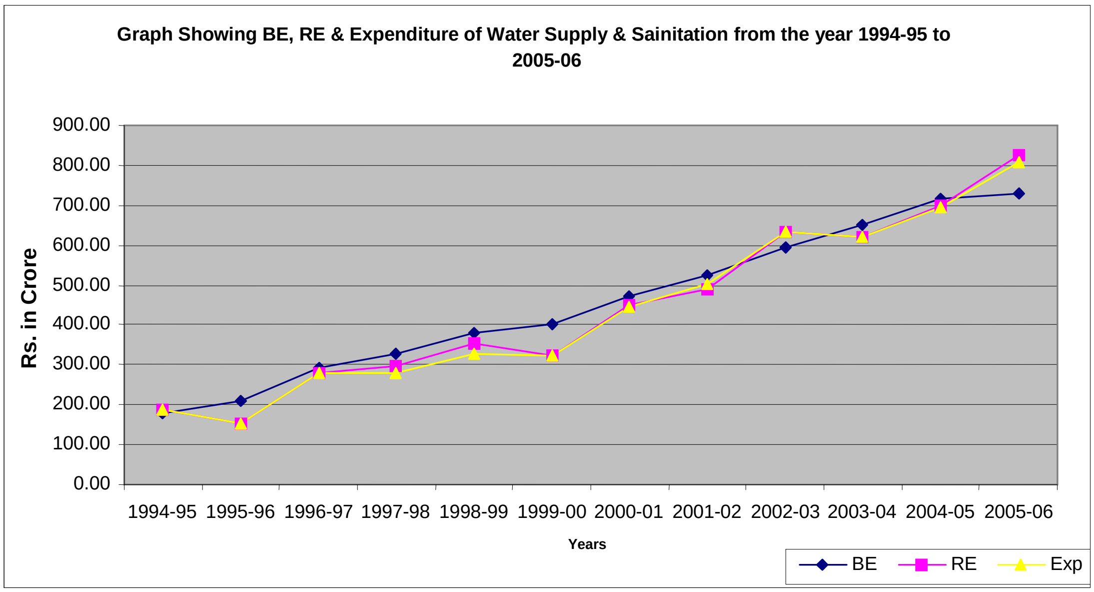
- BE under the general education sector ranged from Rupees 127.50 crore (1994-1995) to Rupees 405.00 crore (2004-2005).
- RE was in the range of Rupees 93.83 crore (1994-1995) to Rupees 348.86 crore (2004-2005) and the actual expenditure under the sector was from Rupees 94.60 crore (1994-1995) to Rupees 315.99 crore (2004-2005).
- The actual expenditure during the period has always been less than BE.
- The RE under this sector has always been less than BE.
- Total plan expenditure under the general education sector during the period from 1994-1995 to 2005-2006 was 6.73 percent of the total plan expenditure and 2.77 percent of the total expenditure (plan + non plan).
- There was no specific trend in plan expenditure under this sector as a percentage of GSDP. Compare this to the norm of 6.0 percent of the GSDP as the recommended level of expenditure on education.
- The per capita plan expenditure under the general education sector has been in the range of Rupees 87.59 (1994-1995) to Rupees 202.56 (2004-2005).
- However, the average per capita plan expenditure has been Rupees 141.12. The per capita plan expenditure has been less than the average in seven out of the twelve year period and above the average in the remaining five years. It has been less in the period 1994-1995 to 2000-2001 and more than the average in the period from 2000-2001 to 2005-2006. This is indicative of the importance that education deserves and is receiving.

- The sector expenditure as a percentage of total expenditure (plan + non plan) has been from 2.19 percent (2003-2004) to 4.00 percent (1995-1996). There was no specific trend in this regard.
- The sector expenditure as a percentage of total plan expenditure has been in the range of 5.57 percent (2003-2004) to 9.09 percent (1995-1996). There was no specific trend in the increase/decrease of the sector expenditure as a percentage of total plan expenditure.

Water Supply and Sanitation Sector

9.83 Figure 9.5 shows the plan expenditure in the water supply and sanitation sector 1994-1995 to 2005-2006.

Figure: 9.5-BE, RE, Actual Water Supply and Sanitation-1994-1995 to 2005-2006



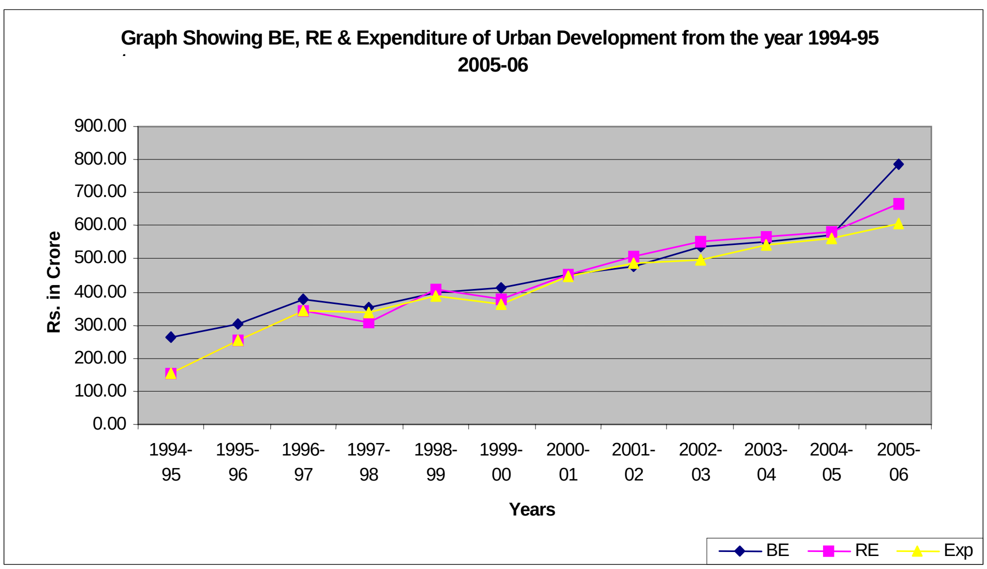
- BE under the water supply and sanitation sector ranged from Rupees 180.00 crore (1994-1995) to Rupees 731.75 crore (2005-2006).
- RE was in the range of Rupees 153.48 crore (1995-1996) to Rupees 823.75 crore (2005-2006) and the actual expenditure under the sector was from Rupees 153.48 crore (1995-1996) to Rupees 809.79 crore (2005-2006).
- The actual expenditure during the period has been less than BE in nine out of twelve years.
- The RE under this sector has been less than BE in nine years. Actual has been less than RE in eight years.
- Total plan expenditure in this sector during the period from 1994-1995 to 2005-2006 was 14.86 percent of the total plan expenditure and 6.12 percent of the total expenditure (plan plus non plan).

- There was no specific trend in plan expenditure under this sector as a percentage of GSDP. It has been between 0.54 percent (1995-1996) to 0.88 percent (2002-2003). The investment in the water supply sector seems to be on the lower side. In fact it was just Rupees 153.48 crore in 1995-1996. With mounting difficulties in the sector, the investment needs to be up-scaled considerably. This is true even though there has been a rising trend of investment since 1995-1996.
- The per capita plan expenditure in the water supply sector has been in the range of Rupees 131.18 (1995-1996) to Rupees 509.30 (2005-2006).
- However, the average per capita plan expenditure has been Rupees 307.85. The per capita plan expenditure has been less than the average in six out of the twelve year period and above the average in the remaining six years. It has been less in the period 1994-1995 to 1999-2000 and more than the average in the period from 2000-2001 to 2005-2006.
- The sector expenditure as a percentage of total expenditure (plan plus non plan) has been from 5.20 percent (1995-1996) to 7.97 percent (1996-1997). There was no specific trend in this regard. The maximum was in 1996-1997. Thereafter it has been less than 7.97 percent.
- The sector expenditure as a percentage of total plan expenditure has been in the range of 11.82 percent (1995-1996) to 18.90 percent (2005-2006). There was no specific trend in the increase/decrease of the sector expenditure as a percentage of total plan expenditure.

Urban Development Sector

9.84 Figure 9.6 shows the plan expenditure in the urban development sector 1994-1995 to 2005-2006.

Figure: 9.6-BE, RE, Actual Urban Development-1994-1995 to 2005-2006

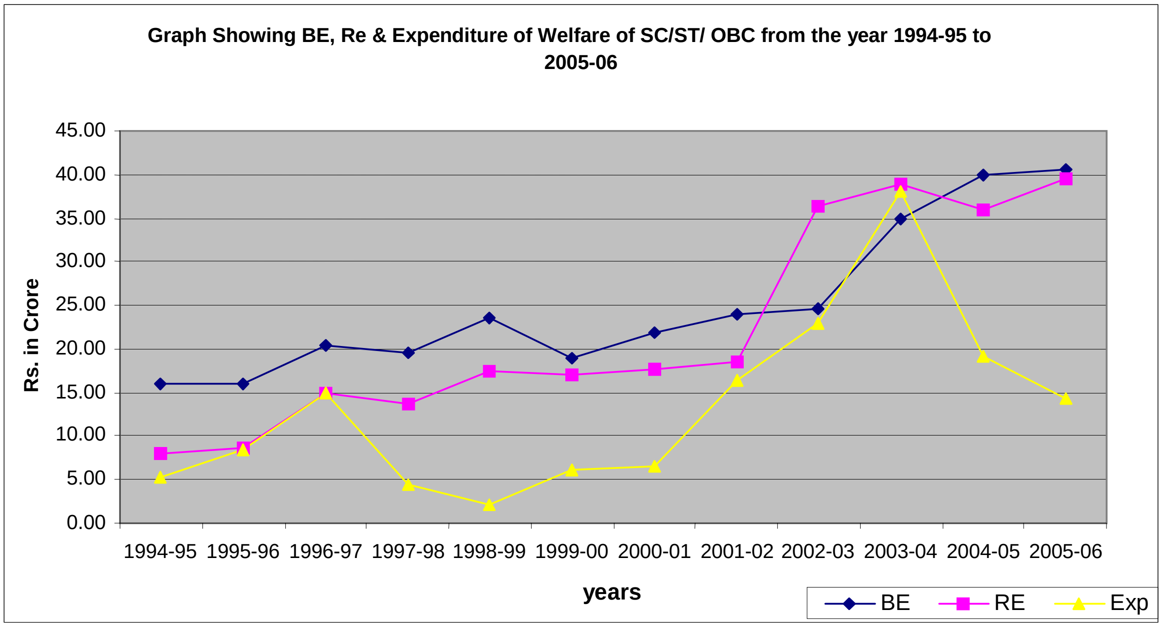


- BE in the urban development sector ranged from Rupees 261.80 crore (1994-1995) to Rupees 784.61 crore (2005-2006).
- RE was in the range of Rupees 156.23 crore (1994-1995) to Rupees 667.50 crore (2005-2006) and the actual expenditure under the sector was from Rupees 156.46 crore (1994-1995) to Rupees 605.25 crore (2005-2006).
- The actual expenditure during the period has been less than BE in eleven out of the twelve years.
- The RE under this sector has been less than BE in seven years. Actual has been less than RE in ten years.
- Total plan expenditure in this sector during the period from 1994-1995 to 2005-2006 was 14.10 percent of the total plan expenditure and 5.80 percent of the total expenditure (plan plus non plan).
- There was no specific trend in plan expenditure under this sector as a percentage of GSDP. It has been between 0.59 percent (2005-2006) to 1.02 percent (1996-1997). The investment in the urban development sector is on the lower side. In fact it was just Rupees 156.46 crore in 1994-1995.
- The per capita plan expenditure in the sector has been in the range of Rupees 144.87 (1994-1995) to Rupees 380.66 (2005-2006).
- However, the average per capita plan expenditure has been Rupees 296.55. The per capita plan expenditure has been less than the average in six out of the twelve year period and above the average in the remaining six years. It has been less in the period 1994-1995 to 1999-2000 and more than the average in the period from 2000-2001 to 2005-2006.
- The sector expenditure as a percentage of total expenditure (plan plus non plan) has been from 6.50 percent (1994-1995) to 9.76 percent (1996-1997). This also reflects the trend in the period. Thereafter, it started declining and reached 4.36 percent in 2004-2005 before it rose to 5.43 percent in 2005-2006.
- The sector expenditure as a percentage of total plan expenditure has been in the range of 11.26 percent (2002-2003) to 19.56 percent (1995-1996). There was no specific trend in the increase/decrease of the sector expenditure as a percentage of total plan expenditure.

Welfare of SC/ST/ OBC

9.85 Figure 9.7 shows the plan expenditure in the SC/ST/OBC welfare sector 1994-1995 to 2005-2006.

Figure: 9.7-BE, RE, Actual Expenditure on Welfare of SC/ST/OBC-1994-1995 to 2005-2006



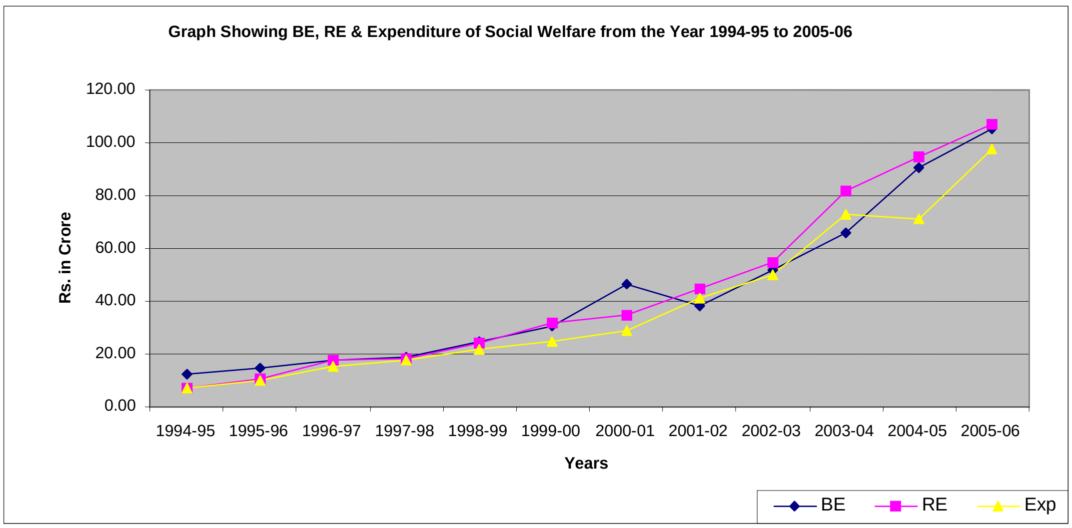
- BE in the sector ranged from Rupees 16.00 crore (1994-1995, 1995-1996) to Rupees 40.57 crore (2005-2006).
- RE was in the range of Rupees 8.05 crore (1994-1995) to Rupees 39.45 crore (2005-2006) and the actual expenditure was from Rupees 5.29 crore (1994-1995) to Rupees 38.06 crore (2003-2004).
- The actual expenditure during the period has been less than BE in eleven out of the twelve years.
- The RE under this sector has been less than BE in ten years. Actual has been less than RE in all the years.
- Total plan expenditure in this sector during the period from 1994-1995 to 2005-2006 was 0.45 percent of the total plan expenditure and 0.18 percent of the total expenditure (plan plus non plan).
- There was no specific trend in plan expenditure under this sector as a percentage of GSDP. It has been between 0.00 percent (1998-1999) to 0.05 percent (2003-2004). The investment in the sector is very much on the lower side. This is more so when government has posited the goal of development with a human face in the Approach paper to the Eleventh Five Year plan.
- The per capita plan expenditure in the sector has been in the range of Rupees 1.60 (1998-1999) to Rupees 25.21 (2003-2004).
- However, the average per capita plan expenditure has been Rupees 9.33. The per capita plan expenditure has been less than the average in seven out of the twelve year period and above the average in the remaining five years.

- The sector expenditure as a percentage of total expenditure (plan plus non plan) has been from 0.04 percent (1998-1999) to 0.42 percent (1996-1997).
- The sector expenditure as a percentage of total plan expenditure has been in the range of 0.10 percent (1998-1999) to 0.83 percent (2003-2004-1996). There was no specific trend in the increase/decrease of the sector expenditure as a percentage of total plan expenditure.

Social Welfare

9.86 Figure 9.8 shows the plan expenditure in the social welfare sector 1994-1995 to 2005-2006.

Figure: 9.8-BE, RE, Expenditure Actual Social Welfare -1994-1995 to 2005-2006



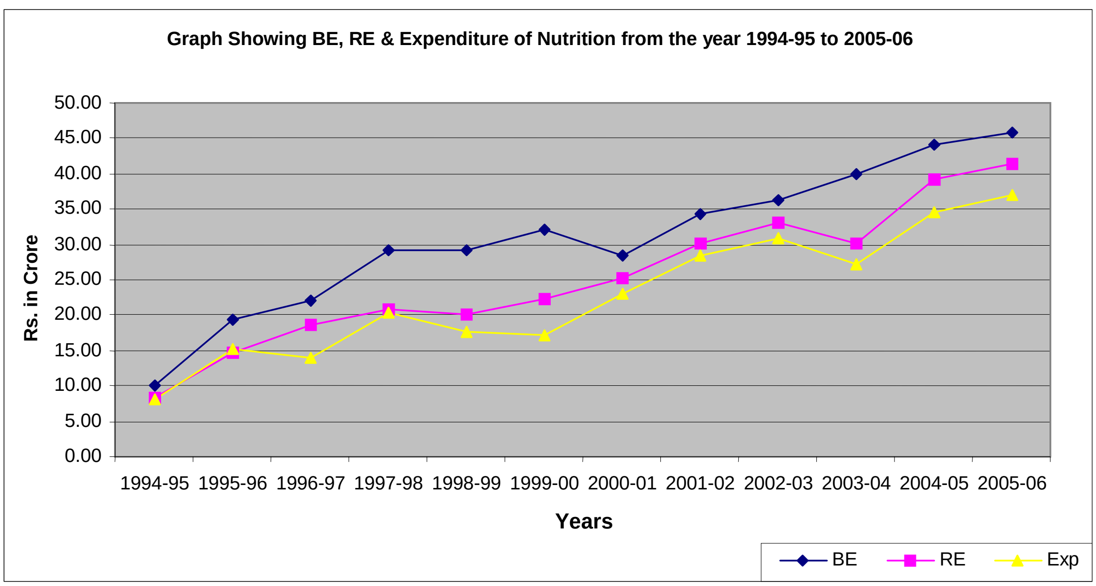
- BE in the sector ranged from Rupees 12.50 crore (1994-1995) to Rupees 105.27 crore (2005-2006).
- RE was in the range of Rupees 7.27 crore (1994-1995) to Rupees 107.23 crore (2005-2006) and the actual expenditure was from Rupees 7.10 crore (1994-1995) to Rupees 97.61 crores (2005-2006).
- The actual expenditure during the period has been less than BE in ten out of the twelve years.
- The RE under this sector has been less than BE in six out of twelve years. Actual has been less than RE all along during this period.
- Total plan expenditure in this sector during the period from 1994-1995 to 2005-2006 was 1.29 percent of the total plan expenditure and 0.53 percent of the total expenditure (plan plus non plan).
- Plan expenditure as a percentage of GSDP increased from 0.03 percent (1994-1995 and 1995-1996) to 0.10 percent (2005-2006).

- The per capita plan expenditure in the sector has been in the range of Rupees 6.57 (1994-1995) to Rupees 61.39 (2005-2006).
- However, the average per capita plan expenditure has been Rupees 26.16. The per capita plan expenditure has been less than the average in seven out of the twelve year period and above the average in the remaining five years. It has been less in the period 1994-1995 to 2000-2001 and more than the average in the period from 2001-2002 to 2005-2006.
- The sector expenditure as a percentage of total expenditure (plan plus non plan) has been from 0.29 percent (1994-1995) to 0.88 percent (2005-2006).
- The sector expenditure as a percentage of total plan expenditure has been in the range of 0.62 percent (1994-1995) to 2.28 percent (2005-2006). The Sectoral expenditure as a percentage of total plan expenditure increased from 0.62 percent (1994-1995) to 1.08 percent (1999-2000) thereafter it declined to 0.92 percent (2000-2001) and thereafter continued to increase up to 2.28 percent (2005-2006).

Nutrition Sector

9.87 Figure 9.9 shows the plan expenditure in the nutrition sector 1994-1995 to 2005-2006.

Figure: 9.9-BE, RE, Actual Expenditure on Nutrition -1994-1995 to 2005-2006



- BE in the sector ranged from Rupees 10.00 crore (1994-1995) to Rupees 45.80 crore (2005-2006).

- RE was in the range of Rupees 8.26 crore (1994-1995) to Rupees 41.41 crore (2005-2006) and the actual expenditure was from Rupees 8.20 crore (1994-1995) to Rupees 37.00 crore (2005-2006).

- The actual expenditure during the period has been less than BE all along during the period.

- The RE under this sector has been less than BE all along during this period.

- The actual has been less than RE in eleven out of twelve years.

- Total plan expenditure in this sector during the period from 1994-1995 to 2005-2006 was 0.77 percent of the total plan expenditure and 0.32 percent of the total expenditure (plan plus non plan).

- There was no specific trend in Plan expenditure under this sector as a percentage of GSDP. It has been between 0.03 percent (1994-1995, 1999-2000 and 2003-2004) to 0.05 percent (1995-1996 and 1997-1998).

- The per capita plan expenditure in the sector has been in the range of Rupees 7.59 (1994-1995) to Rupees 23.27 (2005-2006).

- However, the average per capita plan expenditure has been Rupees 16.21. The per capita plan expenditure has been less than the average in three years (1994-1995 to 1996-1997) It was more than the average expenditure during the period from 1997-1998 to 2005-2006.

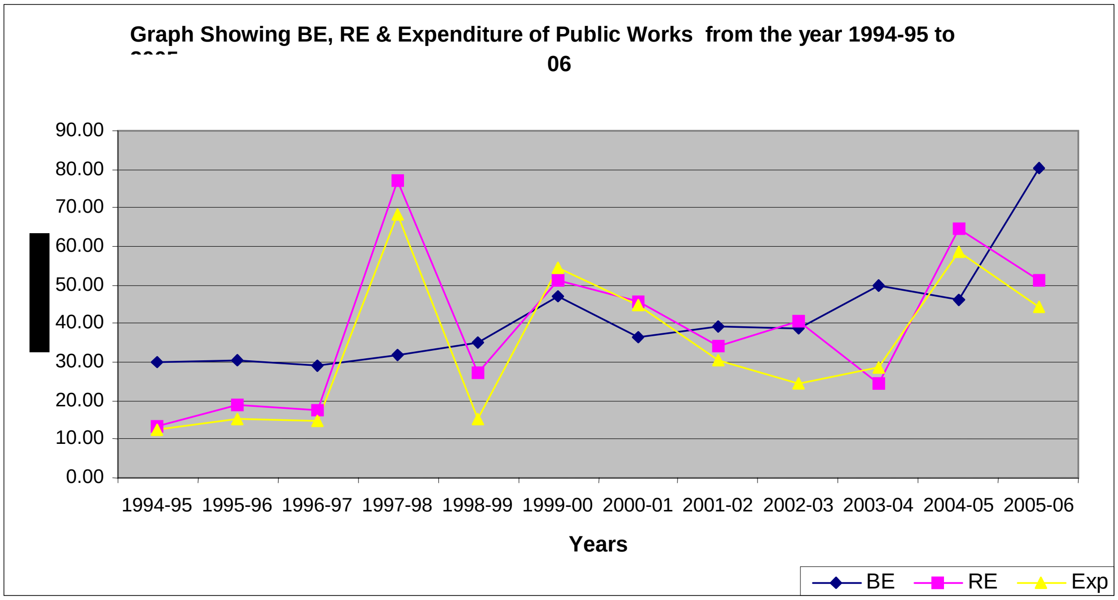
- The sector expenditure as a percentage of total expenditure (plan plus non plan) has been from 0.23 percent (2003-2004) to 0.52 percent (1995-1996). There was no specific trend in this regard.

- The sector expenditure as a percentage of total plan expenditure has been in the range of 0.59 percent (2003-2004) to 1.17 percent (1995-1996). There was no specific trend in the increase/decrease of the sector expenditure as a percentage of total plan expenditure.

Public Works Sector

9.88 Figure 9.10 shows the plan expenditure in the public works sector 1994-1995 to 2005-2006.

Figure : 9.10-BE, RE, Actual Expenditure on Public Works -1994-1995 to 2005-06



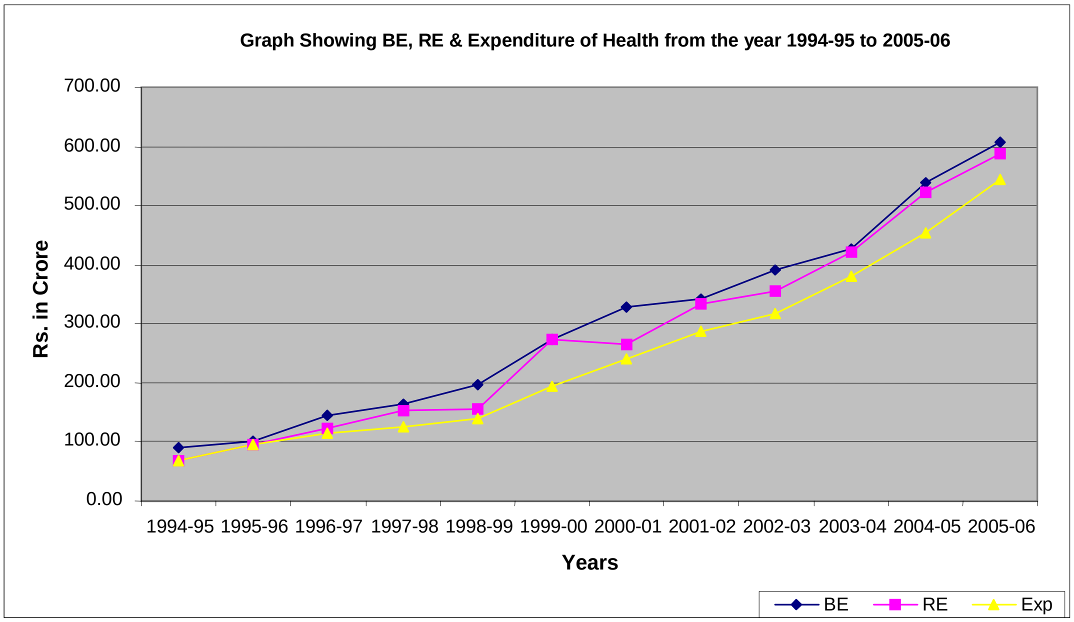
- BE under the sector ranged from Rupees 29.85 crore (1994-1995) to Rupees 80.50 crore (2005-2006).
- RE was in the range of Rupees 13.29 crore (1994-1995) to Rupees 77.10 crore (1997-1998). There was no specific trend in the RE and the actual expenditure was from Rupees 12.50 crore (1994-1995) to Rupees 68.49 crore (1997-1998) there has been no specific trend in the actual expenditure.
- The actual expenditure during the period has been less than BE in eight out of twelve years..
- The RE under this sector has been less than BE in seven out of twelve years.
- The actual has been less than RE in ten out of twelve years.
- Total plan expenditure in this sector during the period from 1994-1995 to 2005-2006 was 1.16 percent of the total plan expenditure and 0.48 percent of the total expenditure (plan plus non plan).
- There was no specific trend in Plan expenditure under this sector as a percentage of GSDP.
- The per capita plan expenditure in the sector has been in the range of Rupees 11.22 (1998-1999) to Rupees 53.51 (1997-1998).
- However, the average per capita plan expenditure has been Rupees 24.58. The per capita plan expenditure has been less than the average in seven years and more than average in remaining five years.
- The sector expenditure as a percentage of total expenditure (plan plus non plan) has been from 0.24 percent (2002-2003) to 1.63 percent (1997-1998). There was no specific trend in this regard.

- The sector expenditure as a percentage of total plan expenditure has been in the range of 0.55 percent (2002-2003) to 3.46 percent (1997-1998). There was no specific trend in the increase/decrease of the sector expenditure as a percentage of total plan expenditure.

Health Sector (Medical & Public Health)

9.89 Figure 9.11 shows the plan expenditure in the health (medical and public health) sector in 1994-1995 to 2005-2006.

Figure: 9.11-BE, RE, Actual Expenditure on Health Sector -1994-1995 to 2005-2006



- BE in the sector ranged from Rupees 91.02 crore (1994-1995) to Rupees 606.00 crore (2005-2006).
- The actual expenditure during the period has always been less than BE.
- RE was in the range of Rupees 67.02 crore (1994-1995) to Rupees 586.75 crore (2005-2006).
- The RE has been less than the BE in eleven out of twelve years, the exception being 1999-2000 when the BE and the RE were the same.
- The actual expenditure was from Rupees 67.20 crore (1994-1995) to Rupees 543.33 crore (1995-1996). There has been a rising trend in the actual expenditure.
- The actual has been less than RE in eleven out of twelve years and more than RE in just one year (1994-1995).
- Total plan expenditure in this sector during the period from 1994-1995 to 2005-2006 was 8.36 percent of the total plan expenditure and 3.44 percent of the total expenditure (plan plus non plan).

- There was no specific trend in plan expenditure in this sector as a percentage of GSDP.
- The per capita plan expenditure in the sector has been in the range of Rupees 62.22 (1994-1995) to Rupees 341.72 (2005-2006).
- However, the average per capita plan expenditure has been Rupees 171.02. The per capita plan expenditure has been less than the average in six years and more than average in remaining six years.
- The sector expenditure as a percentage of total expenditure (plan plus non plan) has been from 2.79 percent (1994-1995, 1998-1999) to 4.88 percent (2005-2006). There was no specific trend in this regard.
- The sector expenditure as a percentage of total plan expenditure has been in the range of 5.85 percent (1995-1995) to 12.68 percent (2005-2006). There was no specific trend in the increase/decrease of the sector expenditure as a percentage of total plan expenditure.

Utilisation of Plan funds

9.90 The preceding paras show that the overall utilization of plan funds in the Ninth Plan has been less than the total approved outlay by 13.36 percent (Rupees 15541.28 minus Rupees 13465.15 = Rupees 2076.13 crores). The sector analysis also indicates that most of the departments have been unable most of the time to make full utilization of the allocated funds.

9.91 Table 9.20 shows the absolute and percentage allocation and utilization during the Ninth Plan period in respect of some select sectors. It is evident that compared to the approve plan outlay the actual utilization was less than the proposed expenditure in almost all the sectors. The only sectors, which were able to exceed the earmarked funds, were energy and general education. This once again invites attention to the need for reviewing the technical and administrative capacities of departments/plan implementing agencies to implement plan schemes.

Table: 9.20: Absolute and Percentage plan fund allocation and utilization from 1997- 2002- Ninth Plan (Rupees in crores)

S. No.	Name of the Sector	Fund Allocation from 1997-1998 to 2001-2002	Percentage Allocation from 1997-1998 to 2001-2002	Utilization from 1997-1998 to 2001-2002	Percentage Utilization from 1997-1998 to 2001-2002*	Percentage Utilization from 1997-1998 to 2001-2002**
1	Rural Development	597.65	3.85	345.95	2.57	2.23
2	Energy	3046.55	19.60	3589.69	26.66	23.10
3	Transport	3158.40	20.32	2260.69	16.79	14.55
4	General Education	860.75	5.53	920.55	6.84	5.92
5	Water Supply & Sanitation	2540.00	16.34	1896.88	14.09	12.21
6	Urban Development	2070.75	13.32	1998.08	14.84	12.86
7	Welfare of SC/ST/OBC	87.25	0.56	35.69	0.27	0.23
8	Social Welfare	108.60	0.70	132.64	0.99	0.85
9	Nutrition	150.00	0.97	108.03	0.80	0.70
10	Public Works	240.00	1.54	213.11	1.58	1.37
11	Health (Medical +Public Health)	1101.40	7.09	1026.11	7.62	6.60
12	Other	1579.93	10.16	937.73	7.23	6.03
	All Sector (Total)	15541.28	100.00	13465.15	100.00	100.00

(Source: An Appraisal of the Ninth Five Year Plan, government of the NCT of Delhi, Planning Department, September, 2002)

*(Note1: Share as a percentage of actual total expenditure. **Note2: Share as a percentage of approved plan size)

9.92 Table 9.21 reports the utilisation position in respect of the first four years of the Tenth Plan. The position has not changed very much. Therefore, the need for a thorough review of the institutional capacities of the state government departments is a necessity.

Table: 9.21-Absolute and Percentage plan fund allocation and utilization from 2002-2003 to 2005-2006 (Rupees in crores)

Name of the Sector	Fund Allocation 2002-2007	Percentage Allocation 2002-2007	First four year Allocation (2002-2006)	First four year Utilization /Expenditure (2002-2006)	First four year percentage of expenditure (2002-2006)	Utilization as a Percentage of first four year allocation (2002-2006)	First four year utilization as a percentage of fund allocation in 10th plan
Rural Development	463.25	2.01	389.18	334.74	1.91	1.69	1.46
Energy	3457.50	15.03	4298.29	4180.30	23.79	21.09	18.18
Transport	5446.71	23.68	4395.29	3472.23	19.76	17.51	15.10
General Education	1840.00	8.00	1473.16	1115.83	6.35	5.63	4.85
Water Supply & Sanitation	3766.00	16.37	2691.52	2755.52	15.68	13.90	11.98
Urban Development	2940.25	12.78	2442.86	2204.78	12.55	11.12	9.59
Welfare of SC/ST/OBC	158.00	0.69	140.07	94.36	0.54	0.48	0.41
Social Welfare	322.50	1.40	360.17	291.58	1.66	1.47	1.27
Nutrition	202.30	0.88	166.10	129.91	0.74	0.66	0.56
Public Works	300.10	1.30	215.80	156.06	0.89	0.79	0.68
Health (Medical +Public Health)	2381.50	10.35	1960.37	1692.10	9.63	8.54	7.36
Other	1721.89	7.49	1292.19	1143.26	6.51	5.77	4.97
All Sector (Total)	23000.00	100.00	19825.00	17570.67	100.00	88.63	76.39

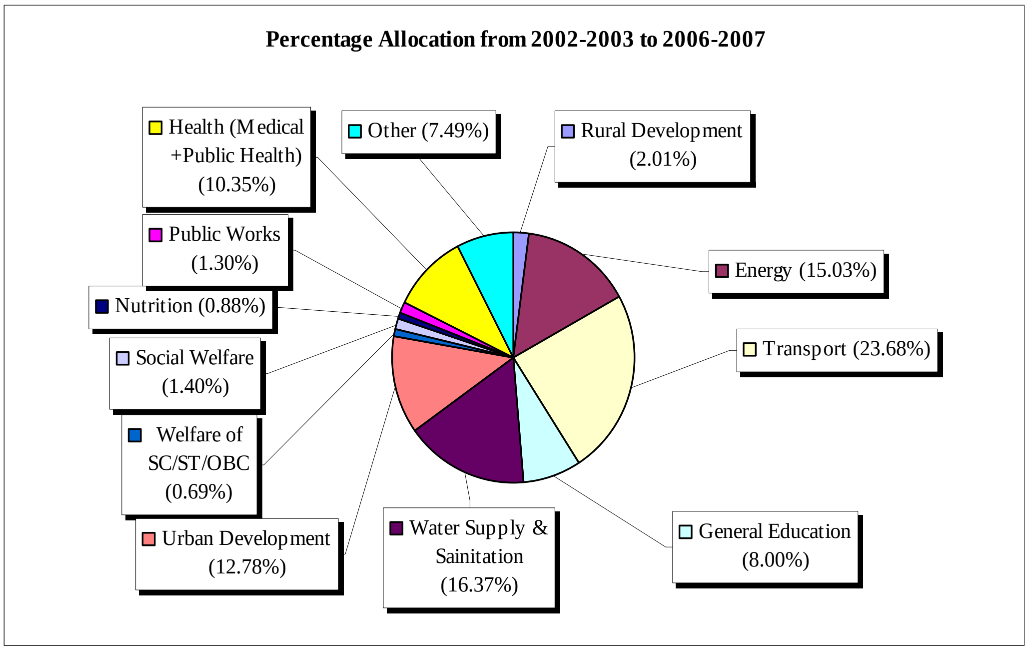
Source : Annual Plan Statement of Scheme Wise Approved Outlay Planning Department, Govt. of NCT of Delhi.

- It is clear that the utilization of plan funds by the departments/agencies has not improved very much even in the first four years of the Tenth Plan period. In fact, except for the energy sector the utilization is on the lower side. In the first four years for example, the total utilization against the allocation in these years was just 88.63 percent (current prices). If we compare the expenditure with reference to the Tenth Five Year plan allocation of Rupees 23000 crore, the expenditure comes down to 76.39 percent.
- In absolute terms, the total shortfall against the annual allocations was Rupees 2254.33 crore and against the plan outlay it was Rupees 5429.33 crore. The BE of 2006-2007 has proposed an annual plan of Rupees 5200.00 crore. The gap between the plan size and the utilization would come down if the actual expenditure is somewhat near the BE of 2006-2007. However, in real terms the utilization would continue to remain on the lower side.

Allocation of Plan funds – 10th Five Year Plan

9.93 Figure 9.12 depicts the sectorwise allocation of funds during the tenth Five Year Plan period. The maximum allocation was in favour of the transport sector (23.68 percent). This was followed by water supply and sanitation (16.37 percent), energy (15.03 percent), urban development (12.78 percent), and health (10.35 percent).

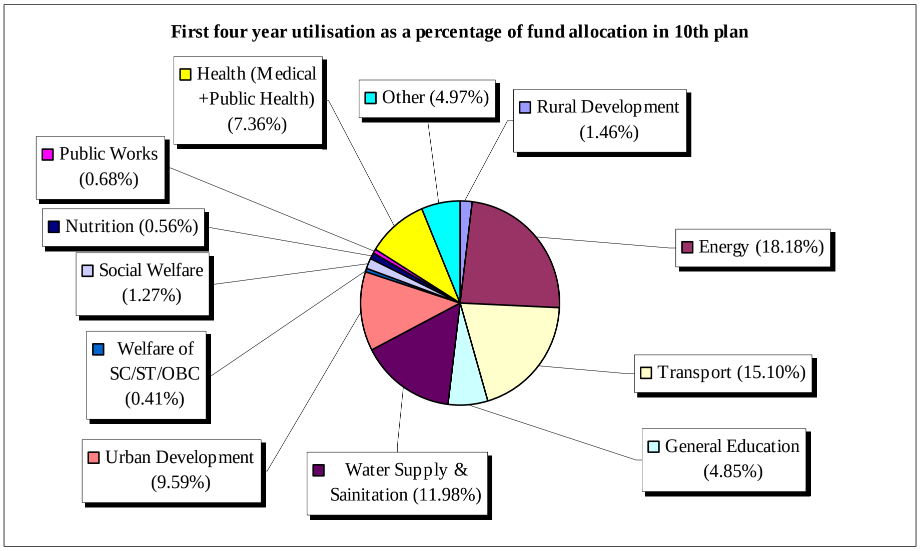
Figure: 9.12- Sector wise Percentage Allocation during Tenth Five Year Plan (2002-03 to 2006-07)



Utilisation of the 10th Plan Fund

9.94 Figure 9.13 depicts the utilization of the tenth plan allocations in the first four years. The utilization pattern indicates that the energy sector is now at the first position (18.18 percent). Then comes the transport sector with a percentage utilization of 15.10 percent. The water supply and sanitation sector occupy the third place (11.98 percent).

Figure: 9.13- Sector wise Percentage Utilization during first four Years of Tenth Five Year Plan Allocation



Plan Expenditure: Selected Sectors Analysis of Achieve-ments against Physical Targets

9.95 One other aspect of expenditure management deserves consideration, viz implementation plan programs and projects vis-a-vis physical targets[29]. The position in respect of the physical targets fixed for the Tenth Five Year plan period and the achievements in the first four years has been reviewed. There are some creditable achievements. These include a new sports complex at Bawana, completion of 400 KV Ring Project, completion and commissioning of 10 CETPs, setting up of the Delhi State Cancer Institute at the GTB Hospital, commissioning of the Maulana Azad Institute of Dental Science, construction of 140 MGD water treatment plant at Sonia Vihar, construction of 21 flyovers, and completion of the MRTS phase-I.

- However, in respect of many others the results are far from satisfying. Some projects selected at random are referred to:

✓ Against a physical target of 50 percent in the Tenth plan period for the construction of office buildings for nine districts and 27 sub-divisional offices, the progress at the end of 2004-2005 was nil.

✓ Against a target of 100 percent for construction of office building for the PWD, the achievement at the end of 2003-2004 was 32 percent. Another 10 percent work was accomplished in 2004-2005.

[29] **Annexe-XXVI, Data and Tables detail, State Government Plan BE, RE and Actual, pages 197-220.**

- ✓ Against a 100 percent target for the construction of office building for the Directorate of Civil Defence and Home Guards, there was no physical progress at the end of 2004-2005.
- ✓ Against the Social Welfare Department's program to construct 13 hostels for working women, the progress at the end of the third year of the Tenth Plan (2004-2005) was nil. The achievement in respect of the two hostels to be completed by the NDMC was also meagre.
- ✓ Even for construction of the Employment Exchange Building at Daryaganj, the proposal was stuck at the stage of 'demolition of the existing structure'.
- ✓ The MCD could report very little or no progress in respect of a host of programs and projects: improvement of street lighting, construction of roads, paths or improvement of existing roads, community toilets etc in regularized/unauthorized colonies

As an illustrative list this will suffice to bring out this aspect.

Cost-Time Efficiencies

9.96 It may be recalled that the delegation of powers to the state government by the central government to accord approval to projects was envisaged as a major breakthrough which, among other things, was expected to cut delays and enable the government to secure early completion of projects. Has this materialized substantially? To test the issue of time-cost efficiencies some EFC projects[30] were referred to. The position in respect of a few projects is listed:

- ✓ Approval for construction of Multi-storied Staff Quarters (Phase-I) for the GNCTD at Sector 3, Dwarka, New Delhi, was accorded on March 20, 1996. Work on the project commenced on January 15, 2005.
- ✓ Construction of residential accommodation for the District and Sessions judges and other judicial officers at Sector 19, Dwarka, New Delhi, was approved in November 2002. Work on the project has not commenced.
- ✓ Construction of EDP Cell-cum referral clinic Administrative-cum OPD Block in G.B. Pant Hospital was approved on August 13, 2002. The project is still at the stage of tendering
- ✓ A number of projects for fire stations and residential buildings are pending for want of approval by the MCD.

- The question that merits consideration is why projects and programs get held up. The answers may lead to efficient management of expenditure. The Commission referred the matter to the Administrative Reforms and Public

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[30] Annexe-XXVII: Details of the projects approved by the Expenditure Finance Committee, pages 221-248

Works Department of the GNCTD and also to the DSIDC, as another construction agency.

DSIDC 9.97 The DSIDC has identified three stages in project management and execution as indicated in Box 9.4. In certain cases, entrusted to it by the state government, DSIDC found sites taken over several years ago remained unutilized because of the procedural requirements of Stage II. Similarly, in a few cases, though payments had been made to DDA, the land could not be taken over for years due to issues as in Stage I. The DSIDC's approach of a project team has curtailed this delay and resulted in speedier implementation. It, therefore, would be appropriate, if execution responsibilities are spread across agencies and works are entrusted to different agencies for their speedier and timely execution.

Box: 9.4-Stages in the Execution of Projects

The execution of the projects has 3 stages with detailed break-up of activities as under:

1. <u>Conceptual planning & taking over of the site</u>

- a) Preparation of the concept of the project & identifying the land requirement.
- b) Request to DDA for allotment of land.
- c) To examine site suitability & to confirm.
- d) Payment for the land.
- e) Taking over possession of land, the coordination between the department, DDA & PWD.
- f) Physical possession variation in site dimensions and payment for additional area adjustment or short areas.
- g) Final taking over of the site.

2. <u>Projects planning & Financial Sanctions</u>

- a) PWD preparing estimates for boundary wall for land protection.
- b) Discussions with PWD over project requirement and ascertaining the same.
- c) Preparation of details plans and obtaining consents of Department.
- d) Approvals to layout plan from respective agencies.
- e) Approvals of building plans from agencies namely; DDA, MCD, DFS, DJB & DUAC etc.
- f) Final sanction of the project.

3. **<u>Invitation of tenders & award of work</u>**.

- It has been seen in all the cases that the main delays are in Stages I and II. In these stages there is a lot of interaction and time lapse in communications from one Department to another namely; the department concerned, PWD and land owning agencies i.e. DDA.
- Even while approving of the plans, there are fresh requirements of NOC regarding property tax from MCD, and NOC from the land owning agency about clearance of all their dues, land owning documents etc.
- From a comparative study it is felt that, if the executing department or the department concerned make a little extra effort, a lot of time varying between one year to several years that has lapsed in these 2 activities, can be reduced to under one year which will be an idle time. If the land identification (to take over possession and preparation of detailed plans) can be compressed to one year, projects could be completed within 2 to 4 years.
- The Stage III of execution is responsible to some extent for delays. But this can be managed with effective monitoring systems, since the contract regulations have already stipulated strict conditions of progress of work. Even provision of incentives and disincentives, if followed meticulously, can effectively curb time over run in execution.
- Keeping in view the problem envisaged in the first and second stage issues, the only remedy would lie in effective monitoring by the head of the department since the department concerned gets affected the most. Such responsibilities involve lot of monitoring and coordinating among DDA, MCD & PWD. This can be done effectively only by senior officers. The Principal Secretary in-charge-Planning should monitor these projects and help resolve the administrative inter departmental issues. Once the mechanism is in place it is felt that project implementation could get expedited.

Administrative Reforms Department on Cost-Time Efficiencies

9.98 The Administrative Reforms Department[31] has highlighted a number of bottlenecks that affect the cost-time efficiencies of implementation. The issues posed to the Department by the Commission and the responses received are reproduced in some detail (Box 9.5) because they deserve to be considered seriously.

[31] **Annexe: XXVIII: Letter no. F4/18/05/AR/7032 dated June 03, 2005 to the Commission, pages 249-254.**

Box-9.5-Reasons for Delay in Project Execution

1.	Review of the factors responsible for delays.	
(a)	Have factors responsible for delays in project implementation in the NCT been identified?	No specific study has been done by AR Department. However based on past experience some common factors are identifiable.
(b)	What are the main factors?	• Multiplicity of authorities for according clearance for projects both within Delhi Government and Central Government along with statutory bodies. • Lack of Co-ordination, Co-operation between the Projects owning department, Project executing agency (PWD/DSIDC/DTTDC/I&F) and the contractors. • With in PWD the civil and electrical wing, lack coordination. • Preparation of blue prints for identical projects time and again. • Lack of monitoring at HOD/Secretary/Minister level • Lack of personal involvement of senior officers after assigning the project. • Lack of adoption of modern Project Management Techniques. • Delay in preparation of Tender Documents award of contracts. • Lack of incentives for timely completion to contractors. • Manpower requirement underestimated. • Lack of motivation of project managers and concerned staff.

		• Lack of will & fear of vigilance cases. • Soft corner for contractors. • Project owning department virtually has no control over the executing department (PWD etc.) except release of funds. • Poor quality control mechanism. • Lack of training of project manager/team. • Unsound technical bids give a chance of competition to inexperienced, ill equipped contractors small contractors.
(c)	What remedial measures should be adopted ?	• Adoption of DMRC model. • Outsourcing of Planning/designing/preparation of Blue Prints. • Common models for identical projects like schools, hospitals, institutions, jails etc., should be standardized which should need no clearance once these have been cleared earlier un less there is glaring variations. • Involvement of Project Owning agency at various stages. • Periodic evaluation at Secretary and CS level. • Stringent Accountability for lapses. • Sound Quality Control mechanism. • After the Project is cleared role of FD/Planning. Should be restricted to limited aspects like release of installment. • A system of Awards/Rewards

		for timely completion and penalty provisions for delays. • Selecting qualified team and supervising their work • Proper Scheduling of task and events needs to be done and supervised. • Proper Estimating resource requirements • Monitoring the project program • Providing training and site preparation • Contingency planning. • Training of staff.
2. (a)	Review of Project Formulation Methodology. What deficiencies affect formulation methodology.	• No district level planning exists and lack of integrated planning. • Non involvement of end user. • Influential colonies get away with major share of projects leading to ill distribution of resources and Whimsical planning. • No studies are under taken to find out actual requirements of the concerned locality with the result that duplication takes place in many areas. • Planning is based to meet crisis management rather than planned growth of city. • No coordinated planning between various agencies like Delhi Govt. MCD, NDMC. • Each agency deciding its own

		projects without disclosing its plans to others agencies. • Lack of experienced and qualified team • Non implementation of Periodic review • Poor planning and technical support i,e not keeping future technology/techniques in mind.
(b)	What improvements deserve to be considered?	• A blue print for the next 25 years need to be prepared for the city as a whole in consultation with the District level agencies and public participation. • Proper co-ordination among various agencies is required along with user/planner/designer. • List of existing infrastructures needs to be developed to find out gaps. • A list of do's and don't needs to be prepared for various agencies before clearing projects. • Post implementation review and performance /cost-benefit analysis.
3. (a)	Review of Mechanism for Project Appraisal. what are the existing arrangements for appraising projects before government approvals are sought and/or obtained ?	 • No such information is available with us.
(b)	Is the Technical expertise available in the Finance,	• No.

	Planning and Administrative Reforms Department adequate for this purpose?	• The projects are being examined with common sense approach without application of sound principles of technical knowledge about such projects. • The information sent by the executing agency is virtually the last word and no inputs are by and large added unless those at the helm of affairs have some personal knowledge or experience. • There is hardly any scope for ensuring quality works as per specifications as the staff is ill equipped to examine such aspects.
(c)	If not, what needs to be done?	• Finance and/or Planning should have a specialized wing manned by Consultants in the Project management areas covering different disciplines. • Alternatively some officers of the level of Superintending Engineer should be posted in these departments to re-examine the proposals de-novo and give his impartial expert report. • Officers on deputation from other State governments should man the posts as CPWD staff is transferable here and may find it difficult to be impartial.
4. (a)	Review of the system according administrative, financial and technical approvals. What are the main reasons for	 Delays can not be attributed to a

	delays in securing the required clearances? Are administrative departments responsible for these or are the regulatory departments such as finance, Planning and DUAC and MCD (for building Plans) ? What steps are needed to minimize delays on this count?	single factor or agency. The entire system and work culture is responsible for delays. The priorities of each wing may change due to their other pre-occupations or other factors. • The whole work culture and systems needs to reinvented to cut delays. Cases requiring EFC clearance should not be re-referred to the concerned departments once their repetitive in the EFC have cleared it. • Efforts should be made to take clearance in a unified manner by convening meetings of all concerned jointly.
5. (a)	Review of Land procurement system. Non-availability of land is often cited as a major cause for delay in taking up projects and DDA is often held responsible for the said delay. Is this a critical factor? How could this be dealt with?	 • Yes • Proper requirement for all departments should be projected every five years so that joint proposals can be taken up with DDA instead of case to case basis. • DMRC pattern needs to be adopted where the land

		identified by them is given to them at what ever cost it may be. • The role of DC Office and Land department in acquiring land should be brought under one department. • Meeting at LG level be arranged to sort out matters where DDA is creating problems.
6.	Review of Monitoring Mechanisms	
(a)	Are the existing monitoring mechanisms with stress on periodical reports about physical and financial targets, release of further installments of funds on receipt of utilization certificates- adequate to watch over the effective utilization of funds?	• To some extent.
(b)	If not, how can this system be improved or supplemented?	• An external agency should be appointed to monitor the progress of projects and give periodic reports where the delays are being observed. It should also recommend measure to tone up and give recommendation for awards and punishments.

PWD on Cost-Time Efficiencies

9.99 The PWD too has analysed the causes of delay in the execution of projects. They have identified a couple of reasons in the backdrop of three EFC projects. These are construction of district court at Rohini, reconstruction of existing bridges across NG Drain on ring road Phase IV at Basai Darapur, and the Kalindi bye pass project. Various reasons for cost and time over runs are: (a) delay in approval of building plan by local bodies (b) delay in issuing of drawings by consultants, (c) due to short supply of cement and steel, (d) shortage of sand due to the ban on its mining imposed by the Hon' Supreme Court, (e) hindrance due to objections by M/s NTBCL, UP Irrigation Department, Forest Department, etc.

Some Conclusions

9.100 As already noted earlier, planning is a fragmented process in the NCT of Delhi. It is not only fragmented among a large number of public sector entities- the NCRPB, the DDA, the state government, statutory bodies such as the DJB and the DTC, and the local bodies- but also between the public and the private sector. The adverse effects of the fragmentation of planning within the public sector are well known and have been widely commented on. However, it is worth recalling a few of the more obvious ones.

9.101 There is no single vision of Delhi guiding the various agencies in the evolution of developmental priorities or financial policies. This also produces ill effects on actual implementation and execution of schemes and projects due to lack of coordination and integration between and among the various implementing agencies. In the subsequent analysis of the financial operations of both the state government and the local bodies it will be seen that financial management is not related to the goals posited. Indeed, in the case of the local bodies there is just no integrated medium or long-term development, investment, or fiscal policy. This, besides making resource mobilization an operation independent of any assessment of actual needs also distorts expenditure management.

9.102 What then are the principal conclusions? Among other things this brief review suggests that:

- ✓ There is a strong need to revisit the administrative, technical, and financial competencies of agencies and departments to conceive, plan, implement projects and to translate visions into achievable goals and target.
- ✓ An equally strong need to re-define what is meant by administrative, planning, technical and financial competencies.
- ✓ There is also a need to re-define the administrative, technical, planning and financial processes.
- ✓ There is an urgent need to not only define more precisely the city vision but also to state unambiguously the role and responsibilities of the local bodies and public utilities in securing that vision. The visions of the state

government and the plans of both the state government and the local bodies must integrate seamlessly.

Analysis of the financial operations in the next six chapters will assist in confirming this diagnosis.