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NEW DELHI: Cities feeling high and dry after being excluded from the Rs 50,000-crore modernisation programme under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) may heave a sigh of relief.

The urban development ministry is setting up a \$500-million fund in collaboration with the World Bank to finance urban facilities in the cities that are not included in the JNNURM. The fund would be used to finance urban infrastructure facilities such as public transport, water management and sanitation projects.

“We are in talks with the World Bank for the proposed loan. The loan would, in turn, be advanced to city development authorities after appraising their detailed project reports for infrastructure development. Consulting firm Wilber Smith has been appointed to undertake a study in this regard. Its report is expected by the year end,” urban development secretary M Ramachandran told ET.

The loans advanced by multilateral finance institutions such as World Bank and Asian Development Bank are usually given at low rate of interest with a long-term lock-in period. The ministry would examine the total transaction costs involved and then extend it to state governments at comparatively low interest rate.

Mr Ramachandran would also be calling a high-powered meeting of state urban development secretaries in Kochi this month, where major infrastructure spending and bottlenecks would be discussed at length. “We would ask the states to set up dedicated authority only to focus on needs of infrastructure facilities in every city. Also, we would propose to rope in asset management companies to assess viability of projects carefully so that fund disbursal remains straight and simple,” he said.

The basic thrust of the fund would also be on involving private participation in projects. The projects would also attract funding on the basis of credit rating they get from credit rating institutions such as Crisil, Icra and Fitch.