



<b>1. Project Data :</b>
<b>OEDID:</b> C1923
<b>Project ID:</b> P009872
<b>Project Name:</b> Tamil Nadu Urban Development Project
<b>Country:</b> India
<b>Sector:</b> Urban Management
<b>L/C Number:</b> Credit 1923-IN
<b>Partners involved :</b> None
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<b>Reviewed by:</b>
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<b>Date Posted :</b> 06/29/1998

**2. Project Objectives, Financing, Costs and Components :**

The objectives were to: (i) improve Tamil Nadu's state-wide capacity for efficient management of urban and economic development; (ii) increase the supply of environmentally acceptable and affordable serviced land in low-income areas and stem the growth in the number of households living in slums; and (iii) strengthen the institutional mechanism and procedures for revising bus fares, enhance the accountability of the municipal bus company, and improve urban road and traffic management systems. These objectives were to be achieved by four components: (a) creating a municipal urban development fund (MUDF) to finance equipment and civil works for the maintenance and delivery of urban services; (b) providing technical assistance and training to the project implementing agencies; (c) providing sites and services for low-income households and upgrading slums with the private sector participation; and (d) financing road construction and improvements, and traffic signalization schemes. The project was restructured in 1996 to transform the government-operated MUDF into a new privately run financial intermediary called the Tamil Nadu Urban Development Fund (TNUDF) for on-lending to participating municipalities. The loan amount was US\$300.2 million, of which US\$45.5 million was canceled. The project cost was US\$324.7 million.

**3. Achievement of Relevant Objectives :**

The project achieved, and in some cases exceeded, most of its objectives. The project could not, however, adequately address the weak institutional and financial capacity of municipalities.

**4. Significant Achievements :**

The MUDF greatly exceeded all expectations with over 500 sub-projects financed in 94 of the state's 109 municipalities. The MUDF was successfully converted into the TNUDF with the participation of private financial institutions, managed by a private management company. The sites and services component developed a total of 88,725 residential and non-residential plots, exceeding the appraisal target of 70,000. The municipal bus company acquired 1,595 buses, exceeding its fleet expansion appraisal target of 1,000 buses. The technical assistance component provided extensive training and a wide range of studies including the Transport and Traffic Management Program, the City Master Plan, and "Financial Operating Plans" for all implementing agencies for their efficient financial operations and projections for a five year period.

**5. Significant Shortcomings :**

The slum upgrading component was less successful, meeting about 80 percent of the appraisal target. Only two schemes were on private land, far lower than the appraisal target. The road construction component was also less than satisfactory: 13 out of 37 schemes remained not completed at the time of loan closing. The planned bus fare revision did not take place although a committee was set up for that purpose. The project's major shortcoming was that it could not have a significant impact on enhancing the institutional and financial capacity of individual municipalities. This aspect will be the main focus of the follow-on project currently being prepared.

<b>6. Ratings:</b>	<b>ICR</b>	<b>OED Review</b>	<b>Reason for Disagreement /Comments</b>
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<b>Outcome :</b>	Satisfactory	Satisfactory	
<b>Institutional Dev .:</b>	Partial	Modest	"Partial" is classified as "modest".
<b>Sustainability :</b>	Likely	Likely	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

#### 7. Lessons of Broad Applicability :

The project's scope should be less ambitious and much simpler given the constraints on the borrower's institutional capacity and the Bank's resources. The continuity of the Bank's core project team during the project cycle (from preparation through supervision) contributed to the successful implementation of the project.

#### 8. Audit Recommended? ☒ Yes ☐ No

**Why?** The restructuring of the project successfully converted the state -run MUDF into a privately run financial intermediary for on-lending to municipalities. This was the first such case in India and such an achievement is rare elsewhere. The project could provide valuable lessons for on-going and future Municipal Development Programs in India and other countries.

#### 9. Comments on Quality of ICR :

The ICR could have been stronger if it had analyzed how the completion of project components led to the achievements of project objectives.