

Indo-US
Financial Institutions
Reform and Expansion (FIRE) Project -
Debt Market Component

The FIRE(D) Project

A New Approach to Providing Urban Environmental Infrastructure and Services

Commercial Viability

Capital Market Access

Cost Recovery

Risk Allocation and Mitigation

Access for the Poor

100% Service Coverage

Private Sector Participation

Operational Efficiency

Consumer Satisfaction

Urban Environmental Quality

The traditional approach to financing urban environmental infrastructure and services — water supply, sewerage, sanitation and solid waste management — in India has been through government grants and budgetary transfers, which have not been able to keep pace with growing demand. Household access has been restricted and service coverage low, and this has had the most serious effect on the urban poor, who have few alternatives. Moreover, estimates indicate that, in the future, the public sector can provide as little as only twenty percent of the resources necessary to offer even the most basic services in Indian cities. Resources do exist, however, within the capital markets and financial institutions. Access to these resources, however, requires the discipline of commercial viability and the development of bankable projects.

Commercial viability requires the careful analysis of municipal investment capacity within a broad urban finance framework; identifiable revenue streams and adequate return on investments; and risk allocation and mitigation. Contrary to conventional wisdom, it is possible to ensure access to services for the poor while moving to a more commercial orientation in the provision of services. In fact, significant benefits for the poor can be derived from a commercial orientation. In addition, private sector participation can improve efficiency and introduce new technologies for delivery of urban environmental services.

The mission of the Indo-US FIRE(D) Project is to foster the development of a commercially viable urban infrastructure finance system to finance improvements in environmental services for all citizens, including the urban poor. It is being implemented through four objectives.

- Development of commercially viable urban environmental infrastructure projects in selected demonstration cities;
- Development of a commercially viable urban environmental infrastructure finance system;
- Improvement of municipal financial management as well as the administration of environmental services in demonstration cities;
- Strengthening the capacity of public and private sector professionals and technicians to achieve these objectives.

This new approach to providing urban environmental infrastructure and services, which emphasizes commercial viability and the participation of the private sector, enables Indian cities and urban authorities to respond more effectively to the greatest needs: increasing access to services, improving service levels and quality, and meeting demand, particularly among the urban poor.

The Indo-US FIRE(D) Project Partners

The Indo-US FIRE(D) Project is funded by the **United States Agency for International Development (USAID)** and is under the auspices of the **Union Ministry for Urban Affairs and Employment, Government of India.**

The National Institute for Urban Affairs (NIUA) acts as an advocate for policy change and conducts research and training in support of project objectives.

The Housing and Urban Development Corporation (HUDCO) and Infrastructure Leasing and Financial Services, Limited (IL&FS) provide support in the identification and development of commercially viable urban environmental infrastructure projects. Acting as financial intermediaries, HUDCO and IL&FS channel loans to selected municipal corporations, state authorities and private enterprises. Eligible projects include water supply, sewerage, sanitation and integrated area development schemes.

USAID is assisted in implementation of this project by **TCG International (TCGI)**, a US firm with an office located in New Delhi. This assistance is provided through a task order issued by USAID under its contract with the **International City and County Managers Association (ICMA)**. TCGI provides overall project management and administration as well as technical assistance, research and training support to the project partners and to local, state and national institutions. The task order is issued under a continuation of the FIRE(D) Project which was initiated in 1994.

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