

»»Project Information

Implemented by:



Municipal development – India

Better infrastructure and living conditions

India is facing massive challenges when it comes to adequately providing for its population, which is undergoing extreme growth in urban areas. The provision of services at the moment is often not just unreliable, but also low in quality. The main gaps are found in the provision of water and sanitation. There are times when water is available to the population for fewer than three hours a day. By the time it is made available in many places, over half is already gone. At the same time, it is often the case that there is no proper sewage disposal and only a fraction of the waste is properly disposed of. KfW Development Bank has recognised the challenges and is helping the State of Tamil Nadu improve its urban services. With regard to sustainability, particular focus is placed on environmental protection as well as on strengthening municipalities.

Background

India’s urban population is seeing rapid growth. At the same time, cities are the engines of economic development and productivity for the country. Although they only house 30% of the total population at present, they account for nearly two thirds of national economic output.

The enormous population growth is pushing urban infrastructure to the limits of what can be sustained with the rapid development. The undersupply now seen in the provision of water and sanitation is a health hazard and stands in the way of productivity within the economy. Higher costs, environmental damage and a decline

in the country’s social cohesion are other effects.

Poor populations in cities are especially affected by the poor supply of services. This leads to health issues in many places, which also means numerous fatalities from diarrhoea and other diseases. Children are hit the hardest.

Project name	Tamil Nadu Urban Infrastructure Development.
Commissioned by	Federal Ministry for Economic Cooperation and Development (BMZ)
Country/region	India.
Lead executing agency	Tamil Nadu Urban Infrastructure Financial Services Ltd. (TNUIFSL) Tamil Nadu Urban Development Fund (TNUDF)





Urban development, India. KfW photo archive / Bärbel Högner.

Today, Tamil Nadu already accounts for the largest proportion of urban populations among all Indian states, with nearly 50%. The fact that municipalities are often not in a position to provide their population with adequate services can be traced back, among other things, to low revenues from taxes and fees and poor access to credit, thus making it impossible to fund further-reaching projects.

Project approach

KfW Development Bank is helping improve the living conditions of those living in the State of Tamil Nadu and contributing to protecting its environment. The KfW project relies on innovative approaches to municipal financing in order to close the funding gaps. The Tamil Nadu Urban Development Fund (TNUDF), a long-standing partner, is giving a total of EUR 260 million in investment to municipal projects with high quality standards. In addition, the municipalities receive support from an innovative financing mechanism through the issuance of bonds; this enables them to raise additional funding on the capital market. The municipal investments financed by KfW improve the supply of water and sanitation in particular. This also benefits the poor.

Not only does the project strengthen infrastructure; it also boosts the financial intermediary TNUDF and the cities and municipalities themselves. It puts them in a better position to plan and carry out projects.

Impact

So far the measures benefit already over a quarter of a million of the almost 35 million people living in the urban area of Tamil Nadu. With KfW's involvement in Tamil Nadu, not only does the population enjoy a better and more reliable water supply and sanitation and thus reduce its health risks, but the measures also promote better environmental protection. While a reliable water supply benefits the people, the environment benefits in particular from the proper, considerate treatment of waste water. The effects are therefore categorised within international development cooperation as poverty alleviation and environmental protection.

The mentioned and future investments in infrastructure will also contribute to local economic growth. This will give municipalities more opportunities to independently finance their infrastructure and thus directly meet the challenges of urban development. Strengthening local players in the long run shows how sustainable the KfW programme is and ensures that people in the cities there will in future live under better conditions than today.



Contact

KfW Group
Business area: KfW Development Bank
South Asia – Sustainable Economic Development
Palmengartenstrasse 5-9
60325 Frankfurt am Main
Telephone +49 69 7431 - 4262
elke.peatz@kfw.de

KfW India Office,
46 Paschimi Marg,
Vasant Vihar,
New Delhi – 110057
India
kfw.newdelhi@kfw.de