Source : The Hindu Date : 18.06.2009

JNNURM: State's move may put VMC in a fix

G.V.R. Subba Rao

Government likely to treat major portion of funds as loan

Norms say that 20 p.c. of cost must be 'loan-cum-grant'

State may provide 18 p.c. as loan and 2 p.c. as grant

VIJAYAWADA: Dashing the hopes of Vijayawada Municipal Corporation (VMC) officials and leaders of the ruling Congress, the State government appears all set to retain a major chunk of funds pertaining to Jawaharlal Nehru National Urban Renewal Mission (JNNURM).

Taking shelter under official jargon, the government is all set to treat a major portion of its share as loan. JNNURM guidelines mandate the State government to provide 20 per cent of the cost of a project proposed by a local body as its share. However, as the guidelines have used the term "loan-cum-grant," the government is gearing up to divide its 20 per cent share into two parts – 18 per cent as loan and the remaining 2 per cent as grant, official sources say.

This would mean the corporation's share in JNNURM projects would increase to 48 per cent, instead of 30 per cent. The remaining 50 per cent would be contributed by the Central Government.

For instance, if the total cost of JNNURM projects is Rs.1,000 crores, the burden on the corporation would increase to Rs. 480 crores, instead of Rs.300 crores as estimated earlier. Though the officials say that the corporation has not signed any agreement on this so far, they agree that it would be inescapable.

Double whammy

The State government could choose to deduct its share either from the funds pending with it or from the statutory grants.

It has not been releasing its share or the Central Government's share for some time now. The dues on this count are estimated to have accumulated to at least Rs. 250 crores.

As the VMC receives around Rs. 19 crores as statutory grants from the State government every year, the corporation would be at a loss in both scenarios. If the government decides to deduct its share from these grants, the corporation would not receive any funds for the next one and half decade. In the other scenario too, it would suffer a major set back if the government chooses to reduce its share from the funds pending with it.

The VMC has, of late, been spending general funds to maintain the momentum of JNNURM works. Recently, the contractors involved in these works agitated as there was immense delay in payment of bills.

Municipal Commissioner P.S. Pradyumna held parleys with them and told them the corporation was expecting clearance of dues from the State government any moment, and assured them not to worry.

Officials fear that it would be a Herculean task for the corporation to foot the salaries and meet other revenue expenditure if the government is serious about its decision to change the pattern of release of funds under JNNURM.