
Urban Development

CONTEXT OF THE ELEVENTH FIVE YEAR PLAN'S FOCUS ON URBAN DEVELOPMENT

18.1 Urbanisation in India has occurred more slowly than in other developing countries and the proportion of the population in urban areas is only 28 per cent. The Pace of urbanisation is now set to accelerate as the country sets to a more rapid growth. 300 million Indians currently live in towns and cities, underserved by utilities, with inadequate housing, and now choking in traffic. Within 25 years, another 300-400 million people will be added to Indian towns and cities. If not well managed, this inevitable increase in India's urban population will place enormous stress on the system.

18.2 The Eleventh Five Year Plan noted that the contribution of the urban sector to India's GDP, which grew from 29 per cent in 1950-51 to the present, 62 -63 per cent is expected to increase to 70-75 per cent by 2030. It envisioned Indian cities to be the locus and engine of economic growth over the next two decades and suggested that the realisation of an ambitious goal of 9 to 10 per cent growth in GDP depends fundamentally on making Indian cities more liveable, inclusive, bankable, and competitive.

18.3 The Eleventh Plan included several schemes to promote an orderly and sustainable process of urbanisation which would support growth and inclusive development. The flagship scheme is the Jawaharlal Nehru National Urban Renewal Mission.

JAWAHARLAL NEHRU NATIONAL URBAN RENEWAL MISSION AND ITS KEY OBJECTIVES

18.4 The transformation of Indian cities faces several structural constraints: weak or outdated urban management practices including planning systems and service delivery models, historic lack of focus on the urban poor, incomplete devolution of functions to the elected bodies as per 74th Constitutional Amendment Act, unwillingness to progress towards municipal autonomy, and an urban management and governance structure that is fragmented between different state-level agencies and urban local bodies (ULBs).

18.5 To upgrade the quality of life in Indian cities, and to promote inclusive growth, a major thrust is necessary to address the need for sustainable development of physical, infrastructure in cities, including development of technical and management capacity for promoting holistic growth with improved governance. Accordingly, the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), a seven-year programme was launched in December 2005. JNNURM provided for allocation of substantial central financial assistance to cities for infrastructure, housing development and capacity development.

18.6 Assistance under the programme is provided after approval of City Development Plans (CDP) and DPRs and signing of MoAs for essential urban reforms. Because of these pre-requisites there was a ramp-up period and sanction and implementation of projects could start only in 2007-08.

18.7 The programme has four components:

- **Urban Infrastructure and Governance (UIG):** UIG Component will provide for urban infrastructure projects relating to water supply, sewerage, solid-waste management, roads etc in 65 Mission cities. The component has been allocated Rs. 31,500 crore.
- **Basic Services to the Urban Poor (BSUP):** Housing and slum development projects in 65 Mission cities will be part of BSUP. The total allocation towards this is Rs. 16332 crore.
- **Urban Infrastructure and Development Scheme for Small and Medium Towns (UIDSSMT):** This component will provide for urban infrastructure projects relating to water supply, sewer, solid-waste management, roads etc in small and medium towns. The total allocation towards this in the Eleventh Plan is Rs. 11,400 crore.
- **Integrated Housing and Slum Development Programme (IHSDP):** This component will provide for housing and integrated slum development in Non-mission cities/towns. The total allocation to IHSDP in the Eleventh Plan is Rs. 6811 crore.

18.8 The funding is linked with implementation of a list of both mandatory and optional reforms by states and ULBs. These are:

(i) Mandatory Reforms

State Level Reforms

- Implementation of decentralisation measures as envisaged in 74th CAA-Transfer of functions, constitution of Metropolitan Planning Committees and District Planning Committees
- Adoption of modern, accrual based double entry system of accounting in ULBs.
- Reform in Rent Control
- Introduction of systems of e-governance like GIS and MIS in ULBs.

- Levy of reasonable user charges by ULBs
- Earmarking of budget for basic services to the urban poor.
- Rationalisation of stamp duty to not more than 5 per cent.
- Enactment of Community Participation Law and Public Disclosure law

Urban Local Body Level Reforms

- E-Governance Set-up
- Shift to Double Entry Accounting
- Property tax – 85 per cent coverage
- Property tax – 90 per cent collection efficiency
- 100 per cent cost recovery – O&M for Water Supply
- 100 per cent cost recovery – SWM
- Internal earmarking of funds for services to Urban Poor

(ii) Optional Reforms

- Repeal of Urban Land Ceiling & Regulation Act.
- Bye-laws for water harvesting and re-use and re-cycled water.
- Introduction of Property Title Certification System in ULBs.
- Earmarking 20-25 per cent of developed land for LIG/EWS category.
- Computerised registration of land and property.
- Encouraging Public-Private Partnership

MID-TERM APPRAISAL OF JNNURM

18.9 As the first national flagship programme for urbanisation JNNURM has been effective in renewing focus on the urban sector across the country and has helped create a facilitative environment for critical reforms in many states. Its impact has been supplemented by other schemes discussed later. The programme has allowed investments to flow for basic services in cities, particularly for the urban poor. It has been successful in raising the aspirations of

ULBs and enabled them to execute projects at a much larger scale than they were used to. Of equal significance is the fact that the programme has triggered the creation of many innovative ideas in states that will increase their ability to maintain the momentum of the urban transformation they have initiated. It has also made the states aware of the range of issues to be addressed and has provided a comprehensive framework for governance improvements. JNNURM has expanded the concept of city improvement beyond roads, flyovers and traffic management while slums are moved out of the way, to concerns with sanitation, water, and public transportation, and now even to more fundamental needs and rights of the underserved poor in the cities.

18.10 As should be expected in any major new thrust, there are variations in progress across the country. In the four years since this major programme was launched, some states and cities have progressed further than others towards tangible results. The good news is that the need to manage the process of urbanisation and to improve the conditions in their towns and cities is now on the agenda of all states, ranging from Bihar, which had been 'de-urbanising' so far, to Maharashtra and Gujarat which have been grappling with urbanisation issues for many years.

18.11 However, as the programme pushes forward, there is need for better and consistent implementation of reforms, more emphasis on holistic urban renewal, and need for capacity at Centre, state and ULBs to ensure effective implementation on the ground. On these fronts, State governments and urban local bodies need more support and better guidance to build the financial, social and governance capacity needed to sustain the new momentum on creating inclusive and liveable cities.

18.12 The Mid-Term appraisal of JNNURM highlights the following:

A) JNNURM has been effective in renewing focus on the urban sector across the country; however the need to raise capacity and investment resources is still substantial. It has been successful in

catalysing significant investments into the physical infrastructure of cities.

- As of September 2009, the programme has approved 2,523 projects with a central assistance commitment of Rs. 52,687 crores, amounting to nearly 80 per cent of the total programme funds. In turn, this central assistance has been matched by Rs. 44,334 crores in complementary commitment from the states and the ULBs, translating to a total of Rs. 97,021 crores of new committed investment into urban projects during the plan period to date.
- Already, 17 states have submitted projects exceeding 75 per cent of their allocation target.
- Out of this combined commitment from the centre, state and ULBs, Rs. 50,340 crores has been in UIG, Rs 12,820 crores in UIDSSMT, Rs. 25,343 crores in BSUP and Rs. 8,517 crores in IHSDP.
- Out of the Rs. 52,687 commitment from the centre, Rs. 21,513 crores has already been released to the states to date, i.e. around 40 per cent of the approved funds.
- 139 Projects completed under UIG and UIDSSMT in 103 cities/towns at the end of December, 2009 has meant substantive and much desired changes like improved water supply, better sanitation, improved drainage, better connectivity for city commuters, and better waste management.

(i) Much of this investment has been directed towards the provision of critical basic services that are essential to inclusiveness.

- Nearly 80 per cent of the funds under UIG and more than 90 per cent of funds under UIDSSMT have been committed to projects in water supply, sewerage, drainage and solid waste management, reflecting the reality that most cities still have significant back log in the provision of basic urban services to their residents.
- 66 per cent of BSUP funds have been committed to slum redevelopment projects,

with the rest targeted at building support infrastructure for slum housing.

18.13 This is good news since these are the most fundamental needs of urban citizens which did not receive the due attention earlier. Another reason why these are the earliest schemes being undertaken in many cities is that these are far easier to design and implement than, say, urban transportation (which has received around 10 per cent of overall allocations so far), especially as they do not face issues of land acquisition etc.

(ii) The programme has created renewed focus on cities and allowed states and ULBs to raise their aspirations.

- Capital investments triggered by JNNURM have often been three to four times the erstwhile size of capital investments at ULBs. For instance, Surat's estimated three-year capex before JNNURM was around Rs. 525 crores compared to Rs. 1,835 crores in UIG projects sanctioned; in Madurai, the equivalent numbers were Rs. 102 crores and Rs. 839 crores. States and ULBs credit JNNURM with having given them the power of raising their aspirations and taking on projects at a much higher scale than they were used to.
- Over the last five years, the renewed focus on the urban sector has also resulted in many states experimenting with new programmes to generate investment resources, facilitate pro active management of urban growth, and build new capabilities at the local level. Whether through pooled funding programmes at the state level such as in Maharashtra, the appointment of city managers in Bihar, or the creation of new planning systems in Gujarat, states have started exploring innovations to further the agenda of creating liveable cities.
- Draft Credit ratings have been assigned to 62 ULBs.
- 129 Projects in 28 cities have also been sanctioned for Bus Rapid Transport System (BRTS) and construction of roads / flyovers for better organised urban transport.

(iii) While take-up of programme funds was slow in the early part of the mission period, especially amongst states and cities that did not have plans and project priorities in place, there is a significant acceleration in the last 24 months.

- While only Rs 967 crores were approved in 2005-06, overall take-up showed a significant increase to Rs 17,347 crores in 2006-07, Rs 14,668 crores in 2007-08, and Rs 18,928 crores in 2008-09.
- This is true across states. Tamil Nadu, for example, increased its take-up from 23 per cent in 2006-07 to 95 per cent by 2008-09, Maharashtra from 52 per cent to 92 per cent over the same period, Gujarat from 35 per cent to 88 per cent and Bihar from 3 per cent to 67 per cent.
- Of course, states like Maharashtra, Tamil Nadu, and Gujarat that had 'shovel ready' urban projects have been better at utilising their programme allocations.

(iv) Many states are still lagging behind in programme utilisation, due to lack of enabling capacity and funds.

- Some states have claimed less than 30 per cent of the funds allocated to date, including Goa (-), Delhi (~6 per cent), Mizoram (~10 per cent), Chandigarh (~17 per cent), Nagaland (~20 per cent), Sikkim (~20 per cent), and Manipur (~30 per cent).
- While unwillingness to adopt the reform conditionality is a factor explaining low absorption in some of the states, in many the primary driver is the lack of sufficient capacity at the state and ULB level to develop plans, identify project priorities, raise matching funds and execute projects.
- Government bodies in States and cities do not have professionals to manage urban projects. Considering the huge number required for the urban projects, it will be worthwhile to develop a large cadre of 'specialists' in this area. Departments and ministries at Centre/State level will have to strengthen their organisations and capabilities.

(v) The mission needs to do more to push states and cities to ensure financial sustainability by tapping other sources of funds such as user charges, monetisation of urban land, and property taxes.

18.14 JNNURM, though a large programme, is only the beginning of a process of urban renewal and management, whose scale will be unprecedented in human history, comparable with only the scale of urbanisation in China currently underway. Estimates by expert groups, in the final stages of validation, are that around Rs 3-4 lakh crore rupees per year may be required for infrastructure in Indian towns and cities, 50-60 per cent of it in new capital investments. The requirement is truly staggering when compared with the outlay of 66,000 crore rupees over seven years in JNNURM. It seems very difficult to raise so much money, especially when there are so many other competing demands in the country—for education, healthcare, rural infrastructure, and other areas. Nevertheless the needs of urban development must be met because they are equally important for the goals of inclusive growth in the country, especially when half the country's population will be living in towns and cities within the next 25 years.

(vi) Where will this money come from?

Four channels have not been sufficiently tapped so far:

- Private money must be attracted on a large scale into urban renewal schemes. For this, several conditions are required, including improvement of urban governance, public-private partnership models, credible private organisations, and greater willingness of citizens to pay fair user charges for utilities. For all these reasons, private money has so far not contributed much towards urban improvements with JNNURM
- Urban land held by various government agencies, sometimes underutilised and sometimes 'squatted on' by others, has great potential to provide funds for city infrastructure. However land acquisition and use is always a contentious issue especially when stakes are high, as they invariably are

in urban settings for the present users of the land who may be displaced and for those who will benefit from future use of it. Nevertheless, experience outside India and in India too, indicates that the capital value of land can be released for the benefit of the city in ways suited to specific situations and requirements.

- The ability to recover fair user charges for utilities will be critical for the sustainability of the infrastructure.
- Better management of property taxes can increase revenue resources. While JNNURM has already directed attention to this, cities need to improve realisation of property taxes significantly through improved compliance, and ensuring assessments that truly reflect the underlying value of assets and cost of services provided.

B) JNNURM has helped initiate a comprehensive process of urban reforms within States and ULBs. However, the pace and depth of reforms needs to pick up. The first four years of the programme have seen some reform progress at the state and ULB level, though, many reforms are still pending.

- Ten states have transferred the 12th Schedule Functions from the state to the ULB level; 20 states have constituted DPCs; only four states have constituted MPCs.
- The Urban Land Ceiling and Regulation Act (ULCRA) has been repealed in all but one state.
- 13 out of 65 cities have declared completion of e-governance set up; 30 have shifted to double entry accounting system; 46 cities have internal earmarking of funds for services to the urban poor.
- Many of the tougher reforms are still pending including property tax collection and efficiency (only 14 cities have achieved 85 per cent coverage), water supply cost recovery (only 6 cities have achieved 100 per cent recovery), reform in rent control (only seven states), transfer of city planning

functions (10 states) and transfer of water supply and sanitation (13 states).

(i) Progress has been slow especially on the tougher set of reforms.

- Reforms aimed at improving procedural efficiencies of ULBs by introducing e-governance need to be accelerated.
- Progress on reforms relating to property tax and user charges aimed at raising city revenues has been slow. Though some cities have made progress, overall progress has been far less in this area than in procedural reforms because of various reasons.
- Progress on governance and local accountability reforms has been slowest. An essential component of the reforms and, according to many experts, the most important one is to ensure that our cities are responsive to their citizens' needs, and hence sustainable, is the devolution of various functions downwards to local bodies and to functionaries directly accountable to the citizens. In this area of reforms, the progress has been the least so far. Even where the structures and positions required have been created, functions have not been passed down and financial powers are not delegated. Thus reforms have proceeded mostly in a 'box-ticking' manner without real substance.

(ii) The real impact of even the "completed" reforms on the ground is sometimes unclear.

- As of now, there is no systematic and effective mechanism in place to understand whether the reforms are being implemented in earnest. While in some reforms like the repeal of ULCRA, the outcome is clear (although the amount of land that has come into the marker under ULCRA needs to be clarified), in other areas like ensuring effective and functioning MPCs, states have fallen short of the desired outcomes even as they claim achievement of the associated conditionality.
- There is a clear need to improve the capacity of state governments and urban

local bodies to undertake these reforms and improve on-the-ground impact monitoring of reforms. This renewed focus on capacity building should emphasise a shift from physical capacity building to financial, institutional and managerial capacity.

C) Capacity building funds can be used more effectively. JNNURM earmarked 5 per cent of the programme funds for capacity building. Assessment and discussions with the states point to opportunities for better use of these funds to support capacity initiatives in the states.

- Records indicate that around Rs. 95 crore has been spent by HUPA out of a potential earmark of Rs. 1,160 crores and around Rs. 55 crores has been spent by MOUD out of a potential earmark of Rs. 1,575 crores. Most of the amount spent so far, (nearly Rs 120 crores, from the two ministries) have been for PMU, PIU, IRMA and rating agencies.
- Many states have indicated that they face difficulties in accessing these capacity funds. Some states, such as, Bihar have been relying on external agencies for capacity funds e.g. DFID-SPUR project to spend Rs. 400 crores in capacity building initiatives over six years.

D) Detailed analysis of state-wise progress reveals several opportunities to revamp/redesign the project approval and monitoring process.

18.15 It is observed that there is wide variation in performance across states. While some states have nearly used all of their allotment, many states have barely claimed a meaningful share of their allocation. Also, there is wide variation in the physical progress of projects on the ground.

- Many states and cities have inadequate capacity to plan for complex, large scale projects.
- There are problems relating to coordination with Railways, Forestry and other departments, which need to be addressed at the central level.

- States and cities have also pointed out that lack of adequate contractor capacity is a bottleneck. Therefore, qualified professionals / contractors and skilled persons must be developed proactively.
- Surge in the price of raw materials and changes in market prices relative to rates set by the government have often resulted in cost escalations that have to be covered by the state government and the ULBs. Many ULBs have to go for several rounds of tenders without being able to close contracts. Since the mission does not support any escalation, and states and ULBs have limited financial capacity, cost escalation has further exacerbated delays and held up projects.
- In the case of housing, constraints in credit availability for beneficiary contribution, and low sanctioned limits on cost of housing units further add to the execution difficulties. Land acquisition is also a major issue that is constraining rapid take-up of affordable housing projects.
- Many states have not been able to release matching funds even after approval of DPRs by the central government. Often this leads to project delays and cost escalations.

E) Emphasis has to shift even more from 'projects' to holistic urban renewal and an integrated view of a city's development. While cities did submit CDPs as part of their project proposals, the emphasis on urban renewal and long term planning of cities is lagging.

- Limited design capacity at the ULB level and lack of data availability have led to a high degree of variability in the quality of CDPs; these CDPs are seen by cities as a one time exercise meant to achieve the conditionality of JNNURM rather than as living documents that represent the aspirations of the city and all stakeholders.

OTHER URBAN RENEWAL SCHEMES

18.16 Besides JNNURM, there are various other Central Sector and Centrally Sponsored Schemes for creation of infrastructure, slum development and for providing basic amenities in the urban sector. The main schemes are described below.

Urban Transport

18.17 National Urban Transport Policy (NUTP) 2006 seeks to promote integrated land use and transport planning and offers Central Government's financial support for investments in public transport and infrastructure. It encourages capacity building at institutional and individual levels.

Schemes for Supporting Urban Transport Planning

18.18 To support preparation of Detailed Project Reports (DPRs) for Urban Transport Projects, the Government has enhanced Central Financial Assistance from 40 per cent to 80 per cent as 40 per cent was not found adequate by the States. The Schemes cover a wide gamut of urban transport matters including comprehensive and integrated land use and mobility plans, Intelligent Transport System (ITS), launching of awareness campaign in line with National Urban Transport Policy, 2006. Against the Eleventh Plan allocation of Rs 152 crore, the anticipated expenditure for the first three years is Rs 19.83 crore (13.04 per cent). In addition, a new scheme for capacity building for sustainable urban transport at national, state and city level as well as Institutional level has been initiated in 2009-2010.

Financing of Buses for Urban Transport under JNNURM:

18.19 To streamline city transport, financial assistance has been provided for purchase of buses for 65 Mission cities under JNNURM as a part of the second economic stimulus package. 15260 buses with admissible Central assistance of Rs.2092 crore have been sanctioned. The assistance is tied to urban transport reforms to be undertaken at state and

city levels like setting up Dedicated Urban Transport Fund, Unified Metropolitan Transport Authority, and Parking Policy. More than 5000 modern, intelligent transport system enabled, low floor and semi-low floor buses have already been supplied to about 30 cities. As a result, 34 cities across India would have organised City Bus Services for the first time. It will facilitate setting up of a National Public Transport helpline and common mobility cards across India.

Awards for excellence in Urban Transport

18.20 In order to recognise the efforts in field of urban transport by various cities and parastatal institutions/agencies, awards for PPP initiatives, Mass transit systems, BRTS, Intelligent Transport System, etc. have been initiated. Four Centres of Excellence have been set up in IIT-Delhi, IIT-Madras, CEPT, Ahmedabad and NIIT-Warangal.

Mass Rapid Transit System (MRTS)

18.21 There is a growing demand from several states for setting up metro projects, which are highly capital intensive and wherein revenues from fares are not able to sustain the capital and operational costs. The metro projects sanctioned so far alone would need about Rs.70,000 crore. The allocation for metro projects for the Eleventh Five Year Plan is Rs. 3303 crore (including Rs. 1203 crore for Pass Through Assistance).

18.22 The anticipated expenditure for the first three years of the Eleventh Plan is Rs 8318 crore which includes Pass Through assistance of about Rs. 5027 crore (JICA Loan). Steep rise in expenditure is due to the time bound completion of Delhi Metro Rail Project including extension to NOIDA and Gurgaon, in view of Commonwealth Games. Further Bangalore, Kolkata, and Chennai Rail Projects have been sanctioned and are under various stages of implementation.

18.23 It is worth noting that ways are being found for private sector participation in major urban transport projects. The Mumbai and Hyderabad Metro Projects are being

implemented under PPP model with Viability Gap Funding from the Central Government.

18.24 The choice of appropriate technology for public transport would depend on city-specific land-use and transport needs. In general, cities having a population of four million and above may require Metro Rail systems on high demand corridors. On corridors with lesser demand, other options like Light Rail Transit (LRT), Mono Rail, and Bus Rapid Transit System (BRTS), use of Intelligent Transport System (ITS), Traffic Management etc. need to be given preference.

National Urban Water Awards

18.25 The National Urban Water Awards have been instituted with the purpose of recognising urban local bodies, water boards and organisations for effective water management and improvement in service delivery.

Service Level Benchmarking

18.26 Investments in urban infrastructure have not always resulted in corresponding improvements in levels of service delivery.

18.27 As such, national benchmarks have been adopted in six critical areas related to Water supply, Sewerage, Solid waste management, Storm water drainage, E-governance and Urban Transport.

18.28 The Thirteenth Finance Commission has included service level benchmarks as a part of the incentive framework for general performance grants.

National Urban Sanitation Policy

18.29 This policy aims to create cities free from open defecation practices. Under the policy, annual ratings of cities on select sanitation related parameters shall be carried out and the best performing cities shall be recognised. The policy seeks to improve the status of sanitation in the country through formulation of state sanitation strategies, city sanitation plans and a national awareness generation campaign.

CAPACITY BUILDING SCHEME FOR URBAN LOCAL BODIES

18.30 A scheme for Capacity Building for Urban Local Bodies has been initiated for supporting implementation of various reforms. This is supported by the creation of nine Centres of Excellence in reputed institutes like IIT, Chennai, IIT, Guwahati, IIM, Bangalore, ASCI, Hyderabad, Centre for Science and Environment and Lal Bahadur Shastri National Academy of Administration.

Scheme for Urban Infrastructure Development in Satellite Towns/Counter Magnets of Million Plus Cities

18.31 The scheme is being implemented with a view to develop urban infrastructure facilities such as drinking water, sewerage, drainage and solid waste management etc and satellite towns/counter magnets around the seven mega-cities so as to reduce pressure on the mega cities. Since the scheme was recently approved in July, 2009, only token allocation has been provided so far. CDPs and DPRs are being prepared by the state governments. An amount of Rs 200 crore is allocated in the annual plan 2010-11.

Pool Finance Development Fund:

18.32 The Pooled Finance Development Fund was approved in 2006 to help ULBs to raise funds from capital markets for urban infrastructure projects. An amount of Rs.2500 crore was provided for the Eleventh Plan. However, the scheme could not pick up due to subdued market conditions and against allocations of Rs.100 crore for 2007-08 and Rs.20 crore for 2008-09, expenditure of only Rs.5.66 crore was incurred. For 2009-10 also only a token amount of Rs.0.01 crore was provided. The scheme needs to be modified in view of its poor performance.

National Mission Mode Project for E-Governance in Municipalities (NMMP)

18.33 The scheme, with Eleventh Plan outlay of Rs. 583 crore, aims at providing "Single Window" services to citizens on 'any time, any

where' basis, to increase the efficiency and productivity of ULBs and to provide timely and reliable information to the citizens.

18.34 The Planning Commission approved the scheme to be implemented as a part of JNNURM for 35 cities with population over 10 lakh and a new CSS Scheme for other cities and towns. However, the new CSS for cities and towns would have to wait till the implementation is watched in 35 cities where it is a part of JNNURM. Only a small amount has been incurred during the first three years. The scheme has been extended to all 65 mission cities to be implemented as part of JNNURM. The implementation of the scheme needs to be expedited as only seven projects have been approved so far.

General Pool Accommodation (Residential and Non-Residential)

18.35 The Scheme provides for office and residential accommodation for central government departments and employees through CPWD. Against an allocation of Rs.1770 crore for GPRA & Rs.1100 crore GPOA for the Eleventh Plan, only Rs. 810.88 crore has been incurred during the first three years.

Rajiv Awas Yojana (RAY)

18.36 The scheme was announced by the Honourable President in her address to the Parliament in June, 2009 with a vision to make the country slum free. The details of the scheme including coverage of cities, availability of land, admissible component, financing mechanism, involvement of PPP, etc. are being worked out. Rs.150 crore has been earmarked for RAY for 2009-10.

Interest Subsidy Scheme for Housing the Urban Poor (ISSHUP)

18.37 Under this scheme interest subsidy of 5 per cent per annum is proposed to be provided to commercial lenders for lending to the EWS and LIG segment of the urban areas. The interest subsidy is expected to leverage market funds to flow into housing for the poor. An amount of Rs 1378 crore was provided in the

Eleventh Plan, of which only Rs 132 crore (10 per cent) has been utilised during 2009-10 (no expenditure was incurred during the first two years)

18.38 The poor uptake in this scheme is because the challenges of providing housing for the poor are many and an integrated approach is required. The Rajiv Awas Yojana, which is under formulation is seeking to take the holistic view that is necessary.

Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

18.39 SJSRY aims to encourage urban self-employment through subsidy and loan for skill development training on a funding pattern of 75:25 between Centre and States. An allocation of Rs 1750 crore has been made in the Eleventh Plan.

18.40 Based on the independent evaluation of the scheme in 2006 and the feedback received from States, ULBs and other stakeholders the scheme has been revamped and revised guidelines issued. An Expert Group is being constituted to recommend the methodology and guidelines for undertaking a comprehensive survey for identification of BPL families in urban areas.

18.41 Against the allocation of Rs. 1750 crore, anticipated expenditure for the first three years of the plan is Rs 1391 crore which comes to more than 80 per cent.

Integrated Low Cost Sanitation Scheme (ILCS)

18.42 The objective of the scheme is to convert/construct low cost sanitation units through sanitary two pit pour flush latrines with super structures and appropriate variations to suit local conditions. Funding pattern is 75:15:10 between Centre, State and beneficiaries. The scheme has helped in construction/conversion of over 28 lakh latrines to liberate over 60,000 scavengers so far. 911 towns had been declared as scavenger free. Only four states viz., Bihar, Uttar Pradesh, Uttarakhand and Jammu & Kashmir have reported existence of dry latrines. An amount

of Rs.200 crore was provided for the Eleventh Plan and the anticipated expenditure for the first three years is Rs. 174 crore (87 per cent).

National Capital Region Planning Board (NCRPB)

18.43 The NCR Planning Board is providing financial assistance to create civic amenities in the National Capital region (NCR). The assistance is in the form of soft long term loans to the participating State Governments and other parastatals for infrastructure development projects in the constituent NCR states and identified Counter Magnet Area (CMA) towns. Rs. 900 crore was approved for the NCRPB for the Eleventh Plan. Budgetary support of Rs 200 crore provided for the first three years has been fully utilised. The Board generates external resources also. NCRPB has financed 230 infrastructure projects involving total outlays exceeding Rs. 14929 crore till 31 March, 2009. It has sanctioned a total loan amount of Rs. 5995 crore for projects and has disbursed loans of Rs. 4057 crore as on 31 March, 2009.

WAY FORWARD

IMPROVE CAPACITIES FOR MANAGEMENT AND LOCAL GOVERNANCE

18.44 Urbanisation can be a powerful engine of economic growth and social vibrancy. Cities aggregate resources, thus providing benefits of scale. Cities with diversity stimulate creativity, innovation and provide opportunities for employment and entrepreneurship. India needs to continue to invest in the process of managing the country's urbanisation effectively to realise these benefits.

18.45 Driving the next generation of reforms: With the foundations created by JNNURM, it is worth considering the next set of reforms that will maintain and further accelerate the pace of urban transformation. These reforms are critical to achieving the goals of the mission, and mainly revolve around:

- **Governance:** Meaningful reforms have to happen that enable true devolution of power

and responsibilities from the states to the local and metropolitan bodies.

- **Financing:** Devolution has to be supported by more reforms in urban financing that will reduce cities' dependence on the Centre and the states and unleash internal revenue sources.
- **Planning:** We need to create more expertise in urban planning within our cities that will move cities from sporadic and ad-hoc growth to a planned and facilitated usage of land and space.
- **Professionalisation of service delivery:** Reforms will have to address the development of professional managers for urban management functions, who are in short supply and will be required in large numbers. New innovative approaches will have to be explored to tap into the expertise available in the private and social sectors.
- **Accelerating the development of local capacity and knowledge:** A real step-up in the capabilities and expertise of urban local bodies will be critical to devolution and improvement of service delivery. Cities must have local owners accountable to local residents. A key mandate of the programme should be to ensure that the cities can stand on their own and, towards this end, lessons and new practices should be shared across the country.

CAPACITY FOR 'CHANGE MANAGEMENT' AND CONSENSUS

18.46 Good 'change management' is the key to city renewal. Technically and financially sound schemes to produce 'world-class' infrastructures and cities can be drawn up by experts. However, these are almost worthless if they cannot be implemented. Obtaining alignment of the stakeholders who will be affected by the changes is essential. The approach to change management must be consonant with the context in which change has to be brought about. There seems to be insufficient attention so far to find and disseminate best practices for change management.

18.47 A city, whether a new one on a green-field site or an existing one, needs a vision to

guide its planners and stakeholders in the journey of change. In democratic societies, the vision must be an inclusive one. It must include the needs of all, even the poorest citizens. The vision must emerge from deliberations amongst the stakeholders, though it may be stimulated by propositions by experts. The weaknesses in, or even absence of, a process of inclusive consultation, is the Achilles' heel of urban renewal processes in India.

18.48 The Mid-Term Appraisal of JNNRUM and other schemes underway for urban improvements brought together various stakeholders in India and international experts with experience in transforming urban conditions in other countries. Insights into the process of 'making it happen' with the participation of citizens were obtained. "Some Principles for Urban Change Management' are given in box 18.1

18.49 These principles describe the basis for the development of a 'soft infrastructure' that Indian cities need, without which they cannot become good cities, and without which even schemes for 'hard infrastructure' are difficult to implement. So far, central financial assistance has been directed towards the hard infrastructure (which is creaking and needs urgent attention) while improvements in the soft infrastructure have been stated as conditions for the cities and states to fulfill mostly on their own. Much more emphasis should now be on proactive assistance to cities and States to build their soft infrastructure.

FIVE THEMES TO ACCELERATE REFORMS AND URBAN RENEWAL

18.50 JNNURM's achievement to date has been its contribution to a quick ramp up of our physical urban infrastructure across the country, even as it has put reforms and sustainability on the agenda. As we move forward with what has been a programme with good impact on the ground, we should build on this achievement and shift our focus to reinforcing the financial, social, and governance infrastructure that will ensure sustainability of the transformation started. Building and reinforcing such a multi-faceted architecture

requires a push for key programme changes at the centre, state and ULB level.

18.51 The five themes that can significantly accelerate the process of reforms and urban renewal, with specific recommendations in each for the short term (next 12-18 months) and

It must be ensured that all states and ULBs have a similar understanding of outcomes and have access to resources and guidelines that allow for an effective and accurate assessment of the status of reforms. In this regard, more should be invested in the guidelines and primers so far initiated to provide more granularity and clarity on specific reform

Box-18.1 **Some Principles for Urban Change Management**

1. For urbanisation policy to be more inclusive and have a real bottom up approach there has to be an increased element of community participation that articulates citizens' voices. However, for this to happen a **workable mechanism of participation** needs to be developed.
2. The urbanisation policy needs to be **reflexive**. International experience suggests the need to **move beyond detailed and rigid Master Plans** –as they are static while cities are organic and constantly evolving.
3. The Centre should prescribe a **macro framework** and let the State governments **customise solutions** according to ground realities.
4. National schemes such as the RAY should be rolled out nationally only after there have been viable pilot projects: generalise from particulars.
5. **The 7Cs**: processes and plans of urbanisation must:
 - Be **Citizen-centric**
 - Be **Comprehensive**
 - Create **Convergence**
 - Have **Continuity**
 - Be relevant to the **Context**
 - Involve **Conversations** with stakeholders
 - Have **Connections** with other relevant policies

medium term (next 1-3 years) are as under :

Theme 1: Enforce the existing conditionality in the remaining mission period

Short term

18.52 Ensuring current commitments on reforms are fulfilled. The reform agenda is at the heart of the mission. While we have made significant progress on many reforms, we need states to implement all of the conditionalities listed in the mission mandate. As we move towards the final three years of the original mission, it must be ensured that states and ULBs adhere to the commitments made.

18.53 Investing more in support mechanisms for reform. There is also a pressing need to ensure that reform conditionality is clear, tangible and measurable.

measures.

18.54 Creating specialist teams to work with states on the ground. This process can also be aided by the creation of specialist 'Swat' teams at the centre, in collaboration with the two Ministries responsible for urban development, as well as third parties where required, to work closely with collaborating states on the ground to create an implementation programme for reforms.

18.55 Augmenting capacity at the mission. The above two measures need to be supported by further augmentation of capacity at the central government level. There is need to suitably strengthen the existing support for the mission with continuity, including bringing in new sectoral and technical experts who can

support the appraisal and monitoring processes.

18.56 *Micro managing the changes at city level* : As local conditions differ considerably, the implementation process should be left to be managed at the local levels instead of micro managing by the Centre on a fixed pattern across the country.

Theme 2: Revamp mission governance and administration structure and processes

18.57 Holistic urban renewal and integrated city development were central goals of the mission. The mid-term appraisal raises several governance and administrative weaknesses that are limiting the government's ability to truly focus on holistic development. Structures can be tuned to aid the goals of the programme:

Short Term

18.58 *Consider redirecting unused funds.* The states should be helped to claim their allocation. At the same time, if there are states that do not want to further the reform agenda and do not want to claim programme funds, their allocations could be directed towards other states which have expressed needs beyond their original allocations. This could include allocations for both capacity building initiatives as well as project funding.

18.59 *Converting the current project approval process into a 2-stage process to facilitate true costing.* To truly address the issue of cost escalation without lowering the requirement of financial prudence at the state and ULB level, a modification of the DPR approval process may be considered to include a two-stage process where DPRs are approved in principle at the first stage, and then ULBs can provide revised estimates before final approval.

18.60 *Requiring financial closure.* To ensure that state and ULB matching funds are available and ready for access once projects are approved, the process may be revised to ensure that final approvals of DPRs and disbursement of the first instalment of central funds are completed only after the states and ULBs have shown proof of financial closure.

18.61 *Setting process timelines and targets.* The project appraisal, review and monitoring processes could benefit from clear and compressed timelines for the mission at the central government for approvals and disbursements.

Medium Term

18.62 *Consider new approaches to unifying the mission at the Centre. One of the options is to combine the Ministries of Urban Development and Housing and Urban Poverty Alleviation to create a single, unified ministry managing urban affairs.* Urban development, housing and poverty alleviation are inter-related subjects that need to be treated through a unified approach. This was the view expressed by stakeholders at all levels during the Planning Commission's appraisal.

18.63 *States to create a unified urban mission at the state level. This holds true for both integration of oversight and project management, as well as the creation of a supporting state mission fund.*

- **The fragmentation at the centre is reflected** in the administrative structure at the state level as well. Most states have urban development subjects split between multiple departments, sometimes as many as four. The argument for unification at the centre applies at the state level too, and there is a need to bring together urban development, housing and municipal affairs under a single department.
- At the same time, states need to support the national mission through a state level mission that creates a clearly allocated funding programme that can be used to invest in mission projects. This will not only ensure adequate availability of matching funds from the state but also streamline the fund allocation process at the state level.

18.64 *Consider converting the central mission into an agency or a company architecture.* (i.e. having an agency with an MD and a staff of 10-15 full-time specialists and analysts chaired by the Secretaries). This could help in creating the necessary expertise and

capacity required for fast evaluation and decision-making. The creation of an agency/company with strong oversight could address many of the administrative and process challenges the mission is facing.

Theme 3: Significantly accelerate capacity building and knowledge sharing efforts at the Centre, State and ULB level.

18.65 Delays in the implementation of many reforms can be attributed to the evolving process of creating political consensus at the state level. However, as the appraisal notes, many states and ULBs are facing significant shortages in financial, social, and governance capacity that limit their ability to steer urban development and create self-sustaining administrative units at the local level. Even as the case for acceleration of reforms is pushed, more must be done to empower the states and ULBs, and more help should be given to them to build new capabilities that will be critical to ensuring the long-term sustainability of the change started.

18.66 A few measures that could significantly transform local capabilities include:

Short term

18.67 Building specialist teams facilitated (and funded) by the Centre to work with states and cities. JNNURM allocated 5 per cent of funds towards capacity building in the original programme design, a significant share of which remains under used. At the same time, many states have also not been able to exploit their allocations fully. States will be able to benefit from easy access to technical and sectoral experts who can work with them on the ground to revamp their local structures and capabilities, open up possibilities for projects, and create the environment for reforms. Such teams can be formed with help from many of the existing urban institutes as well as available private sector expertise.

18.68 Investing more in 'centres of excellence'. The Ministry of Urban Development is in the midst of launching several centres in association with various institutions across the country, to create regional knowledge centres that local bodies

can tap. This initiative needs acceleration and investment support, and a joint collaboration between Urban Development and Housing and Urban Poverty Alleviation could be an effective step forward.

18.69 Significantly streamlining the process to approve capacity building. Given the low utilisation of capacity funds, and the perspective from states of challenges to accessing the funds, newer approaches to streamline the process must be considered. One option could be to allow the states to use the money to design enabling policies as well as to create effective master plans that bring the development vision and the statutory plans together. States could be allowed to tap into external expertise to support the development of these policies. Another option would be to allow the states to decide utilisation of funds below a certain amount, including for hiring advisors and sectoral experts, through an in-principle, fast track approval process.

18.70 Consider allocating more money for capacity building than the current 5 per cent. Given the recognition of local capabilities as a significant issue, there should be increased fund allocation for capacity building initiatives.

Medium term

18.71 Scaling up current peer learning and sharing systems. The Ministry of Urban Development's Pearl approach can be the basis for a much more ambitious knowledge and learning system that truly allows for the identification and adoption of the very best practices that have guided urbanisation around the world and customised to our local needs and challenges. Such a system can be professionally managed, with expertise drawn from the two Ministries and the private sector, with more investment and resource support.

18.72 Championing 3-4 large scale urban management institutes. There is need for institutions that can aid states and ULBs with good expertise in urban topics including in areas such as financing, planning, urban management and social development. Given the need for capacity building across the country, we need at least three or four large

scale institutions with a focus on the urban sector. At least one or two of these institutes should seek active involvement and investment from the private sector to ensure that the best talent available in the country is attracted to help steer the effort of building local capabilities in every city and ULB.

Theme 4: Renewed focus on housing with increasing funding support through RAY

18.73 It has to be ensured that the residents of cities have access to affordable homes with basic services in dignified living conditions. With the scale and scope of urbanisation, housing is a critical choke point in most of our cities. With BSUP and IHSDP, a significant start has been made to assist the creation of affordable houses in our cities. We do, however, have the opportunity to scale up the effort through the Rajiv Awas Yojana significantly.

18.74 *Increasing allocation for housing with supporting policies to trigger a surge in affordable housing stock.* Several-fold increase in the funds for affordable housing and slum transformation initiatives will be necessary. The Rajiv Awas Yojana should be designed to facilitate the flow of funds from the private sector to supplement Government funds for affordable housing and slum removal.

Theme 5: Prepare for the next wave of reforms, set the agenda for a renewed mission, JNNURM 2

18.75 Even as we move towards completing the first mission period, it is clear that the momentum needs to be maintained, both on the renewed focus on the urban sector as well as in facilitating a package of reforms that accompany the investments. It is learnt through the mid-term appraisal that the performance on reforms across states can be very different. It is also observed that there is enthusiasm in many states for wider and deeper reforms. This climate of renewal could be leveraged to set the foundations for the next version of the mission with more coverage, and the reforms that will accompany it.

18.76 *Building the agenda for the next wave of reforms.* The next wave of reforms

needs to build on the progress made in the first mission period. Significant opportunities exist to renew the agenda in local urban governance, urban planning systems, city financing, and service delivery with the critical ones cited above forming the core for the next package of reforms.

Discussions with various state governments and experts in the field suggest that JNNURM 2 needs to focus on the following reforms that will create sustainable institutional capacity in States and ULBs:

- Well-defined and more aggressive transfer of decision making from states to ULBs and metropolitan authorities including taking into account decision making of MPCs, and land related decisions
- Right division of responsibilities and mandates between urban local bodies and metropolitan authorities in the larger urban agglomerations
- Clear articulation of land monetisation policy along with a “ring fenced” fund for every mission city
- Creating an institutional mechanism for the development of long term perspective plans for each metropolitan area and ULB that translate the requirements of stakeholders, into clear choices in the use of land and space with an understanding of economic, social and demographic factors.
- Governance reforms such as an empowered mayor-commissioner system in each ULB along with service delivery agencies that are clearly accountable for improving services to residents, including the urban poor
- Enactment of Model Municipal Laws in every state to translate these guidelines into specific rules that clearly transfer power and decision making
- Creation of an integrated urban mission with state funding in every state
- Creation of Urban Monitoring Authority to benchmark the quality of services in ULBs in each state and provide transparency on ULB performance and citizen satisfaction

- Continuing the property tax and user charge related reforms including setting up of Property Tax and Boards that are critical to the financial sustainability of ULBs
- Ensuring greater leverage of funds through private participation and debt through active capacity and knowledge support from the central government and
- Creating a state municipal cadre to significantly improve local managerial capabilities
- A system of independent local body ombudsman to look into complaints of maladministration

18.77 These critical reforms need to be pushed through maintaining momentum on JNNURM and also through other programmes and schemes of urban sector to make change happen on the ground.

18.78 An incentive fund as part of JNNURM that will be tied only to performance on the next wave of reforms may be considered. Allocating mission resources to states based on the size of their urban populations was the right first step in the programme. We now have the opportunity to build on this and create a real sense of competition between states and ULBs by devising the next wave of reforms and providing financial support to states and ULBs purely on the basis of their ability to push for these reforms. This could allow positive demonstration effects to become visible in at least some states, and create an environment for tougher reforms to happen.

CONCLUSION

18.79 In summary, JNNURM has provided a good start, albeit belated, to a process of managed urbanisation that will be vital for India's economic growth, social condition, and political stability. It will be a long journey and therefore, while going forward, the soft infrastructure must receive more attention from policy-makers than it has so far. Ways to improve the process of 'change management' must be found and implemented even as we push for the next generation of reforms essential to ensuring the sustainability of the urban transformation. And more wide-spread learning and innovation must be stimulated and supported along with attention to the hard infrastructure which must not diminish.

18.80 Moreover, much more attention must be given now to smaller towns where urban conglomerations are enlarging. A recent study indicates that there would be more than 90 towns with million plus population by 2030. These need attention.

18.81 Healthy growth of smaller towns will ease the pressure on metros which are already bursting at their seams. These towns, spread more widely across states, will also spread the benefits of urbanisation and participation in economic growth more widely and make the overall process of economic growth more inclusive which is a national objective as well as the principal objective of the Eleventh Plan.