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Urban Development

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

18.1 Urbanization 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 urbanization is now set to accelerate as the country sets out on more rapid growth. Three hundred 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 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 realization of an ambitious goal of 9–10 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 urbanization, which would support growth and inclusive development. The flagship scheme is the

Jawaharlal Nehru National Urban Renewal Mission (JNNURM).

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18.4 The transformation of Indian cities faces several structural constraints: weak or outdated urban management practices, including planning systems and service delivery models, historic lack of focus on the urban poor, incomplete devolution of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, 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 the sustainable development of physical infrastructure in cities, including the development of technical and management capacity for promoting holistic growth with improved governance. Accordingly, JNNURM, a seven-year programme was launched in December 2005. JNNURM provides 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 (CDPs) and Detailed Project Reports (DPRs) and signing

of MoAs for essential urban reforms. Because of these pre-requisites there was a ramp-up period and sanctioning and implementation of projects could start only in 2007–08.

18.7 The programme has four components:

- **Urban Infrastructure and Governance (UIG):** The UIG component will provide for urban infrastructure projects relating to water supply, sewerage, solid-waste management, and roads 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 a part of BSUP. The total allocation towards this is Rs 16,332 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, and roads 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 for IHSDP in the Eleventh Plan is Rs 6,811 crore.

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

(i) Mandatory Reforms

State-Level Reforms

- Implementation of decentralization measures as envisaged in the 74th Constitutional Amendment Act transfer of functions, constitution of Metropolitan Planning Committees (MPCs), and District Planning Committees (DPCs)
- 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 a budget for basic services to the urban poor
- Rationalization 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—Solid Waste Management
- Internal earmarking of funds for services to urban poor

(ii) Optional Reforms

- Repeal of Urban Land Ceiling and Regulation Act
- Bye-laws for water harvesting and reuse and recycled water
- Introduction of Property Title Certification System in ULBs
- Earmarking 20–25 per cent of developed land for Lower Income Group (LIG)/ Economically Weaker Section (EWS) category
- Computerized registration of land and property
- Encouraging PPP

MID-TERM APPRAISAL OF JNNURM

18.9 As the first national flagship programme for urbanization 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, which are discussed later. The programme has allowed investment 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 improvements in governance. 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 the 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 the progress made across the country. In the four years since this major programme was launched, some states and cities have progressed more than the others towards tangible results. The good news is that the need to manage the process of urbanization 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-urbanizing' so far, to Maharashtra and Gujarat, which have been grappling with urbanization 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 the Centre, state, and ULBs levels to ensure effective implementation on the ground. On these fronts, state governments and ULBs 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 investment into the physical infrastructure of cities.

- As of September 2009, the programme had approved 2,523 projects with a central assistance commitment of Rs 52,687 crore, amounting to nearly 80 per cent of the total programme funds. In

turn, this central assistance has been matched by Rs 44,334 crore in complementary commitments from the states and ULBs, translating to a total of Rs 97,021 crore 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, states, and ULBs, Rs 50,340 crore has been in UIG, Rs 12,820 crore in UIDSSMT, Rs 25,343 crore in BSUP, and Rs 8,517 crore in IHSDP.
- Out of the Rs 52,687 commitment from the Centre, Rs 21,513 crore has already been released to the states to date, that is, 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 the 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 logs 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 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 the overall allocations so far), especially as they do not face issues of land acquisition, etc.

(ii) The programme has created a 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 of ULBs. For instance, Surat's estimated three-year capex before JNNURM was around Rs 525 crore compared to Rs 1,835 crore in UIG projects sanctioned; in Madurai, the equivalent numbers were Rs 102 crore and Rs 839 crore. 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 a proactive management of urban growth, and building 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 the Bus Rapid Transport System (BRTS) and construction of roads/flyovers for better organized 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 has been significant acceleration in the last 24 months.

- While only Rs 967 crore was approved in 2005–06, overall take-up showed a significant increase to Rs 17,347 crore in 2006–07, Rs 14,668 crore in 2007–08, and Rs 18,928 crore 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 utilizing their programme allocations.

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

- Some states have claimed less than 30 per cent of the funds allocated to date, including 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, which explains low absorption in some of the states, in many the primary driver is the lack of sufficient capacity at the state and ULB levels 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 numbers required for urban projects, it will be worthwhile to develop a large cadre of 'specialists' in this area. Departments and ministries at the Centre/state level will have to strengthen their organizations 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, monetization 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 urbanization in China currently underway. Estimates by expert groups, in the final stages of validation, are that around Rs 3–4 lakh crore 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 Rs 66,000 crore 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 in 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, PPP models, credible private organizations, 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 underutilized 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 the realization 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 levels, 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; and 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 their e-governance set-ups; 30 have shifted to the double entry accounting system and; 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 the slowest. An essential component of the reforms and, according to many experts the most important one, is ensuring that the 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. Progress has been the least so far in this area of reforms. Even where the structures and positions that are required have been created, functions have not been passed down and financial powers have not been 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 market 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 that they have achieved the associated conditionality.
- There is a clear need to improve the capacity of state governments and ULBs to undertake these reforms and improve on-the-ground impact monitoring of reforms. This renewed focus on capacity building should emphasize 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. Assessments 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 crore and around Rs 55 crore has been spent by Ministry of Urban Development (MoUD) out of a potential earmark of Rs 1,575 crore. Most of the amount spent so far, (nearly Rs 120 crore from the two ministries) has been for Project Monitoring Unit (PMU), Project Implementation Unit (PIU), Independent Review and Monitoring Agencies (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 like the DFID-SPUR project to spend Rs 400 crore 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 the performance across states. While some states have used nearly all of their allotments, many others 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 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 difficulties in execution. Land acquisition is also a major issue, which 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 the stakeholders.

OTHER URBAN RENEWAL SCHEMES

18.16 Besides JNNURM, there are various other central sector and Centrally Sponsored Schemes (CSS) for creating infrastructure, developing slums, and for providing basic amenities in the urban sector. The main schemes are now described.

URBAN TRANSPORT

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

SCHEMES FOR SUPPORTING URBAN TRANSPORT PLANNING

18.18 To support preparation of 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, an Intelligent Transport System (ITS), and launching of awareness campaign in line with the NUTP, 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 the national, state, and city levels, as well as the institutional level was initiated in 2009–10.

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; 15,260 buses with admissible central assistance of Rs 2,092 crore have been sanctioned. The assistance is tied to urban transport reforms to be undertaken at the state and city levels like setting up a dedicated urban transport fund, a unified metropolitan transport authority, and parking policy. More than

5,000 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 organized city bus services for the first time. This will facilitate the 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 recognize the efforts in the field of urban transport by various cities and para-statal institutions/agencies, awards for PPP initiatives, mass transit systems, BRTS, and an intelligent transport system have been initiated. Four Centres of Excellence (CoEs) have been set up in IIT-Delhi, IIT-Chennai, 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 would need about Rs 70,000 crore. The allocation for metro projects for the Eleventh Plan is Rs 3,303 crore (including Rs 1,203 crore for pass through assistance).

18.22 The anticipated expenditure for the first three years of the Eleventh Plan is Rs 8,318 crore which includes pass through assistance of about Rs 5,027 crore (Japan International Cooperation Agency [JICA] loan). The steep rise in expenditure is due to the time bound completion of the Delhi Metro Rail Project including extension to NOIDA and Gurgaon, in view of the 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 the 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 with a population of 4 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, BRTS, use of an Intelligent Transport System (ITS), and traffic management need to be given preference.

NATIONAL URBAN WATER AWARDS

18.25 The National Urban Water Awards have been instituted with the purpose of recognizing ULBs, water boards, and organizations 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 the 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 at creating 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 will be recognized. 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 ULBs has been initiated for supporting implementation of various reforms. This is supported by the creation of nine CoEs 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, Mussoorie.

SCHEME FOR URBAN INFRASTRUCTURE DEVELOPMENT IN SATELLITE TOWNS/COUNTER MAGNETS OF MILLION PLUS CITIES

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

POOLED 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 2,500 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 This scheme, with an Eleventh Plan outlay of Rs 583 crore, aims at providing ‘single window’ services to citizens on an ‘any time, any where’ basis, to increase the efficiency and productivity of ULBs and to provide timely and reliable information to citizens.

18.34 The Planning Commission approved the scheme to be implemented as a part of JNNURM for 35 cities with populations of over 10 lakh and a new CSS for other cities and towns. However, the new CSS for cities and towns will have to wait till the implementation of the current scheme is observed 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 This scheme provides for office and residential accommodation for Central Government departments and employees through CPWD. Against an allocation of Rs 1,770 crore for General Pool Residential Accommodation (GPRA) and Rs 1,100 crore for General Pool Office Accommodation (GPOA) for the Eleventh Plan, only Rs 810.88 crore was incurred during the first three years.

RAJIV AWAS YOJANA (RAY)

18.36 This scheme was announced by the President in her address to Parliament in June 2009 with a vision of making the country slum free. The details of the scheme, including coverage of cities, availability of land, admissible components, financing mechanism, and involvement of PPP 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 segments of urban areas. The interest subsidy is expected to leverage market funds to flow into housing for the poor. An amount of Rs 1,378 crore was provided in the Eleventh Plan, of which only Rs 132 crore (10 per cent) has been utilized 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, which require an integrated approach. RAY, which is under formulation is seeking to take a 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 the Centre and the states. An allocation of Rs 1,750 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 the states, ULBs, and other stakeholders the scheme has been revamped and revised guidelines have been 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 1,750 crore, anticipated expenditure for the first three years of the Plan is Rs 1,391 crore, or 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. The funding pattern is 75:15:10 between the Centre, state, and beneficiaries. The scheme has helped in the construction/conversion of over 28 lakh latrines to liberate over 60,000 scavengers so far and 911 towns have been declared scavenger free. Only the four states of Bihar, Uttar Pradesh, Uttarakhand, and Jammu and 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 para-statal for infrastructure development projects in the constituent NCR states and identified Counter Magnet Area (CMA) towns. Rs 900 crore was approved for NCRPB in the Eleventh Plan. Budgetary support of Rs 200 crore that was provided for the first three years has been fully utilized. The board generates external resources also. NCRPB had financed 230 infrastructure projects involving total outlays exceeding Rs 14,929 crore till 31 March 2009. It sanctioned a total loan amount of Rs 5,995

crore for projects and had disbursed loans of Rs 4,057 crore as on 31 March 2009.

THE WAY FORWARD: IMPROVED CAPACITIES FOR MANAGEMENT AND LOCAL GOVERNANCE

18.44 Urbanization 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 urbanization effectively to realize 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 for 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 adhoc growth to a planned and facilitated usage of land and space.
- **Professionalization 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 ULBs will be critical for the devolution and improvement of service delivery. Cities must have local owners accountable to local residents. A key mandate of the programme should be ensuring

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 a city's renewal. Technically and financially sound schemes to produce 'world-class' infrastructure 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 the change has to be brought about. There seems to be insufficient attention so far to finding and disseminating best practices for change management.

18.47 A city, whether a new one on a Greenfield 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 MTA of JNNURM 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 '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 hard infrastructure (which is creaking and needs urgent attention) while improvements in soft infrastructure have been

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

1. For the urbanization 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 urbanization 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 customize solutions according to ground realities.
4. National schemes such as RAY should be rolled out nationally only after there have been viable pilot projects: generalize from particulars.
5. The 7Cs: Processes and plans of urbanization 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

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 the 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 a 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 that has been started. Building and reinforcing such a multi-faceted architecture requires a push for key programme changes at the Centre, state, and ULB levels.

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 medium term (next 1–3 years) are as follows:

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

Short Term

18.52 *Ensuring that 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 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 the reform conditionality is clear, tangible, and measurable. 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 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 on the ground with

collaborating states to create an implementation programme for reforms.

18.55 *Augmenting capacity of 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 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 the 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 MTA 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 allocations. At the same time, if there are states, which 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 two-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 levels, 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 time lines and targets.* The project appraisal, review, and monitoring processes could benefit from clear and compressed time lines 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 interrelated 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* (that is, having

an agency with an MD and a staff of 10–15 full-time specialists and analysts chaired by 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 that the mission is facing.

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

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 funds towards capacity building in the original programme design, a significant share of which remains underused. 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 an 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 'CoEs'.* The MoUD 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 utilization 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 for creating 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 the utilization 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.* MoUD'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 urbanization around the world, which can be customized to 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 urbanization, housing is a critical choke point in most of the cities. With BSUP and IHSDP, a significant start has been made to assist in the creation of affordable houses in cities. We do, however, have the opportunity to scale up the effort through RAY 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. RAY should be designed to facilitate the flow of funds from the private sector to supplement government funds for affordable housing and slum removing.

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, both on the renewed focus on the urban sector as well as in facilitating a package of reforms that accompany the investments needs to be maintained. It is learnt through the MTA 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 earlier 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 the 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 ULBs and metropolitan authorities in the larger urban agglomerations.
- Clear articulation of the land monetization policy along with a 'ring fenced' fund for every mission city.
- Creating an institutional mechanism for developing long-term perspective plans for each metropolitan area and ULB that translates 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 an urban monitoring authority to benchmark the quality of services in ULBs in each state and provide transparency on ULB performance and citizen satisfaction.
- Continuing property tax and user charge related reforms, including setting up of property tax 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.

- Creating a state municipal cadre to significantly improve local managerial capabilities.
- A system of independent local body ombudsmen to look into complaints of mal-administration.

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

18.78 An incentive fund as part of JNNURM, which will be tied only to the 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 in 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 urbaniza-

tion 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, soft infrastructure must receive more attention from policymakers 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 for ensuring the sustainability of urban transformation. More widespread learning and innovation must be stimulated and supported along with attention to 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 a 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 urbanization 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.