



URBAN REFORMS: JNNURM

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Cities Matter in India's Economy



Almost 300 million urban population comprises about 28 % of total population but...

- Accounts for more than 90 per cent of government revenues
- According to ASSOCHAM, contributes about 60 per cent of India's GDP
- Their contribution to national GDP is likely to touch 70 per cent by 2011

Key risks

- Infrastructure is already woefully inadequate—roads and public transport, water/sanitation, formalized residential areas
- Urban poor expected to increase from 100 million to 202 million by 2020 [National Population Policy, 2000; State of World's Cities, 2006/07]
- Health conditions of urban poor far short of global standards and put entire city populations at risk
- High non-revenue component due to wastage, pilferage, unaccounted-for losses and free riders
- Insufficient financial and managerial resources with ULBs / parastatals
- Poor monitoring and cost recovery
- High investment needs

Quantity and quality of public expenditure should support sustainable, well managed cities

Estimated Investment Requirements In Urban Infrastructure



Agency	Amount (Rs. in thousand crores)
Rakesh Mohan (IIR,1994)	250 (up to 2006)
PM apex committee on Core Infrastructure (incl. Urban)	1450 (up to 2012)
Deepak Parikh Committee on Infrastructure Financing (CIF)	Reported that these are underestimation particularly in urban,telecom,IT sector etc. Estd. Increase would be 4.7% of GDP in 2005-06 to 8% in 2011-12 at current prices
Availability as per 9 th & 10 th FYP	25 (10% of IIR needs from conventional sources)
JNNURM	50+50=100 (50% of IIR needs including 9&10 FYP)
Gap <i>In Chinese cities investment in UI 6-7% of GDP as against 0.5% of GDP in India</i>	<i>Additional Rs 9 required out of every Rs10 (IIR)</i>



Need for Reform Initiatives

- ◆ Harnessing the Potential of Reforms in Urban Infrastructure
- ◆ Need for National-Level Reform-linked Investments:
- ◆ Need for Sustainable Infrastructure Development
- ◆ Need for Efficiency Enhancements

Rationale for National Urban Renewal Mission



- ◆ National Common Minimum Programme of the Government of India
- ◆ Commitment to Achieving Millennium Development Goals
- ◆ Need for a Mission led Initiative

JNNURM – An Incentive Based Reform Measure

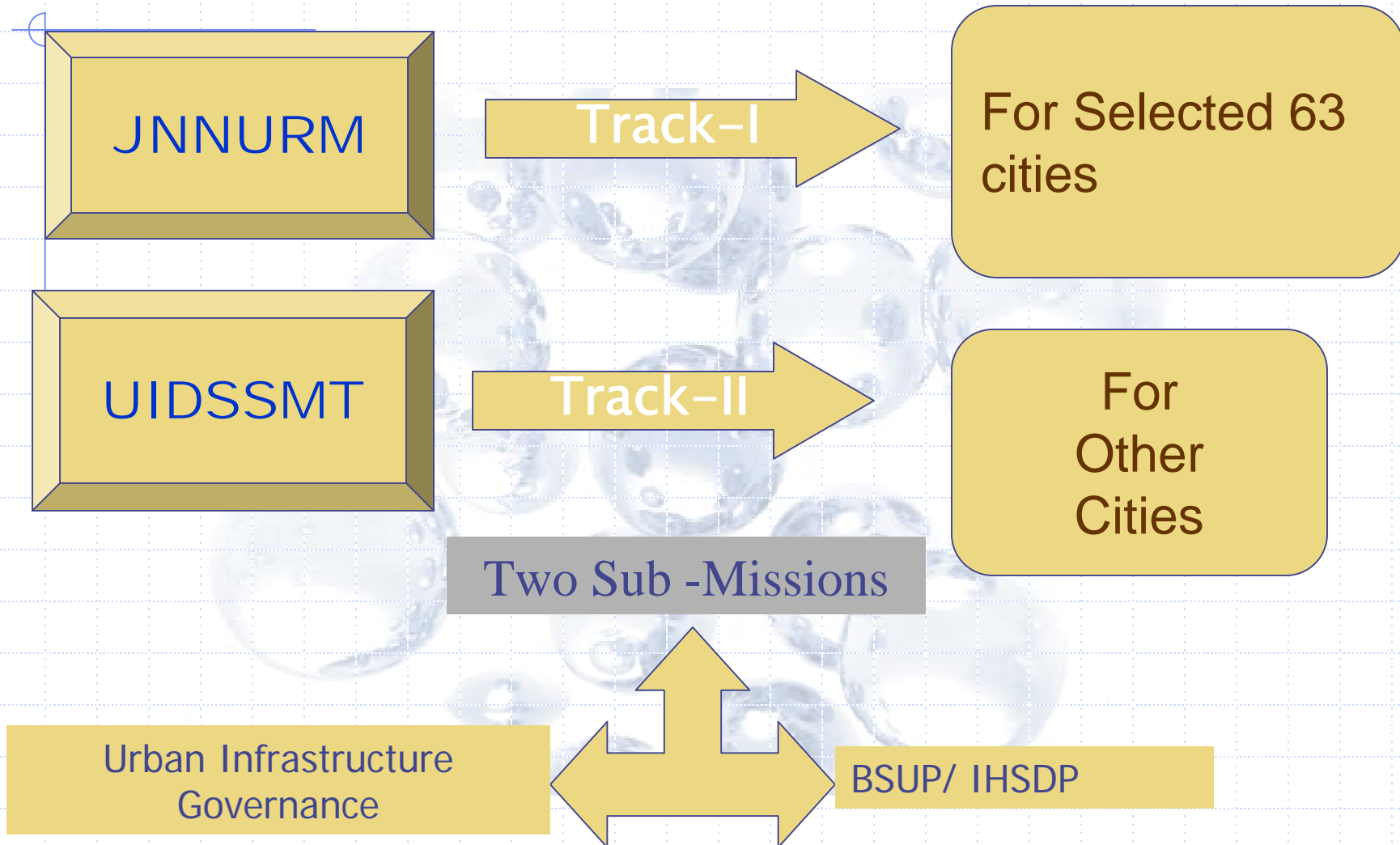


- ◆ JNNURM is not a fund
 -it is not a condition

- ◆ It is a **catalyst** that provides precious resources, removes external hurdles

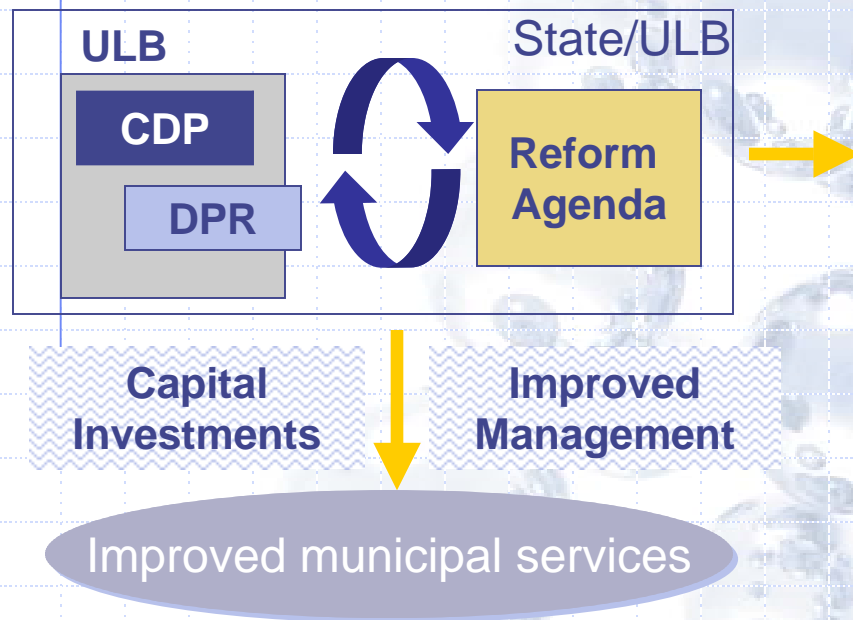


JNNURM- Two Track Strategy





JNNURM Approach



- **Balancing the need for development with available resources**
- **Leveraging the resources to facilitate greater development**
- **Integrating existing infrastructure and enhancing its capacity/ life for desired performance and usage**
- **Strengthening local bodies with replicable models/ formats/ processes**



JNNURM- Funding Pattern



Category-A/B/C Cities (%)

→ Central Grants – 35/50/80

→ State Govt. – 15/20/10

→ ULB/ MC/ FI – 50/30/10

Need based assessment
through CDP



→ Central Grants – 80%

→ State Govt. – 10%

→ ULB/ MC/ FI – 10%

Allocation based on % of
India's Urban Population

JNNURM Funding Pattern: Urban Infrastructure



	Grant		ULB/Parastatals / Contributions
	Centre	State	
Cities with 4 million plus population	35%	15%	50%
Cities with million plus but less than 4 million population	50%	20%	30%
Cities in North Eastern States and J&K	90%	10%	
Other Cities	80%	10%	10%

4 installments; 25 % finance with CDP+MOA+ DPR approval; balance based on project & MoA milestones



Mandatory Reforms: State Level

- ◆ Effective implementation of decentralization initiatives as envisaged in the Constitution (seventy-fourth) Amendment Act, 1992;
- ◆ Repeal of Urban Land (Ceiling and Regulation) Act, 1976*;
- ◆ Reform of Rent Control laws balancing the interests of landlords and tenants*;
- ◆ Rationalisation of Stamp duty to bring it down to no more than 5% within next seven years
- ◆ Enactment of Public Disclosure law
- ◆ Enactment of Community Participation law, so as to institutionalise citizen participation in local decision making; and
- ◆ Association of elected municipalities with the city planning function



Mandatory Reforms: Municipal Level

- ◆ Adoption of modern accrual based double entry system of Accounting
- ◆ Introduction of system of e-governance using IT applications like GIS and MIS for various urban services
- ◆ Reform of property tax with GIS, and arrangements for its effective implementation so that collection efficiency reaches at least 85%
- ◆ Levy of reasonable user charges by ULBs/Parastatals with the objective that full cost of operation and maintenance or recurring cost is collected within next seven years.
- ◆ Internal Earmarking within local bodies, budgets for basic services to the urban poor; and
- ◆ Provision of basic services to the urban poor including security of tenure at affordable prices,



Optional Reforms

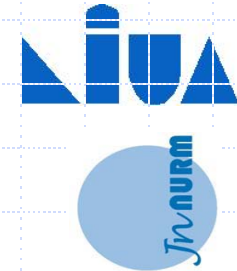
- ◆ Revision of Bye-laws to streamline the approval process for construction of buildings, development of site etc.
- ◆ Simplification of legal and procedural frameworks for conversion of land from agricultural to non-agricultural purposes.
- ◆ Introduction of Property title certification system in ULBs
- ◆ Earmarking at least 20-25% of developed land in all housing projects (both public and private agencies) for EWS/LIG category with a system of cross subsidization
- ◆ Introduction of Computerized process of registration of land and property



Optional Reforms

- ◆ Revision of byelaws to make rain-water harvesting mandatory in all buildings and adoption of water conservation measures
- ◆ Bye-laws for reuse of recycled water
- ◆ Administrative Reforms including reduction in establishment by introducing voluntary retirement schemes and surrender of posts falling vacant due to retirement;
- ◆ Structural Reforms
- ◆ Encouraging Public Private partnership

Progress So Far..



Project Sanctioning and Funds Release

Allocation for 2008-09= Rs. 3490.34 Crore

Status @ January 2009

CDP	All 63 cities have been received and appraised
MOAs	62 MoAs signed (1 pending)
DPRs received	866
Projects approved	386
Total Value of Projects Approved	Rs. 38955.71 crore

- ◆ Mission provides reform linked investment for urban infrastructure for cities undertaking reforms.
- ◆ 58 out of 69 cities (including UAs like Pimpri-Chinchwad, Kalyan, Thane etc) Credit Rated.
- ◆ More than 30 cities will get investment grade.



The Current Story

Despite increased infrastructure investment in recent years, service improvements at most marginal

- Still poor quality and intermittent water, inadequate sanitation and solid waste management
- Customers invest heavily in coping infrastructure
- The poor pay the highest price & coping costs

Lack of performance standards and monitoring

Key Typical Issues Faced



Process Related

Finance Related

Reforms Related

- ◆ Procurement of consultants to prepare Detailed Project Reports
- ◆ Reviewing DPRs and linking them with JNNURM requirements
- ◆ Integrating Financial Operating Plans with DPRs
- ◆ Financial structuring of projects to ensure sustainability
- ◆ Integrating private sector participation under appropriate format
- ◆ Contractual framework for private participation & project sustainability
- ◆ Procuring Implementation Consultants
- ◆ Robust monitoring system for project implementation & follow-up

Key Typical Issues Faced



Process Related

Finance Related

Reforms Related



- ◆ Up front availability of funds for project development
- ◆ Contribution of ULBs Share
- ◆ Procuring finances/ debt funding for project
- ◆ Access to capital markets, financial institutions for sustained availability of funds
- ◆ Establishing revolving fund envisaged under JNNURM

Key Typical Issues Faced



Process Related

Finance Related

Reforms Related

- ◆ Technical and financial capacity
- ◆ Integrating reforms with project development process
- ◆ Adherence to committed time-lines
- ◆ Capacity building to take up reforms
- ◆ Looking beyond JNNURM

Support required by Cities



Process

Finance

Reforms

- Project conceptualization/ preparation
- Project development and structuring
- Project financing
- Project monitoring and implementation
- Handholding of cities in implementation of reform agenda
- Training and capacity building of employees
- Information Education and Communication (IEC)



Way Forward

- Commitment of the State Government to the city level reforms
- Commercial Viable Projects should be developed on PPP basis such as:
Bus terminals; Logistic Hubs; City Bus Services (CBS); Foot Over Bridges (FOB); Real Estate, Housing and Township Projects including Housing for poor; Water Front Development; Public Toilets; Commercial Space Development;
- Regulatory Mechanism needs to be developed
- Capacity building and HR Issues to be addressed at all the levels
- Support Urban Local Bodies to deepen reform process and implementation

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- A decorative background featuring a cluster of translucent, blue-tinted bubbles of various sizes, some overlapping, centered on the slide. The bubbles have a soft glow and a slight reflection, giving them a three-dimensional appearance.
- Periodic review of reform implementation
 - Development of database
 - Exchange of best practices



Thank You

