

Yojana July 2009 Vol : 53

INFRASTRUCTURE

REFORMS

Sustaining Urban Infrastructure

Usha P Raghupathi



JNNURM, therefore, provides a unique opportunity to cities to not only get substantial funds for urban infrastructure development but to transform cities and make them better places to live

The author is Professor, National Institute of Urban Affairs, New Delhi.

THE NUMBER of people living in India's urban areas is rising rapidly. The country's urban population, which was 109 million in 1971, has grown to over 300 million at present (2009). Growth of urban population without concomitant investment in infrastructure exerts tremendous pressure on systems such as water supply, sewerage and drainage. Increasing quantities of uncollected solid waste poses serious threat to the health of citizens. Vanishing urban spaces such as parks and open areas lead to urban congestion and the ever-growing traffic on city roads creates daily traffic snarls. Lack of maintenance of existing infrastructure further adds to the pressure on civic services. According to the Eleventh Plan document, in 2001, 50.3% of the urban households had no piped water within their premises and 44% of them were devoid of sanitation facilities. The challenge is to address the infrastructure deficit by mobilising public as well as private sources of funds.

Urban areas make a significant contribution to the economy of the country. According to the 11th Five Year Plan document (Vol 3, Chapter 11) the urban sector contributes about 62%-63% of the GDP and this is expected to increase to 75% by 2021. It further states that "Indian cities will be the locus and engine of economic growth over the next two decades, and the realization of an ambitious goal of 9%-10% growth in GDP depends fundamentally on making Indian cities much more livable, inclusive, bankable, and competitive". There is an urgent need to ensure that good quality water supply, sanitation, solid waste management, roads and public transportation are in place to support this growth. The efficiency with which the cities are managed will determine the rate of the country's economic growth.

The Government of India has, in the past, provided funds for infrastructure through various schemes and programmes, but it was increasingly being realized that without bringing about reforms

in the urban sectors, such funding will not be sustainable. Since the 1990s, the Government has initiated several reforms aimed at strengthening urban local bodies (ULBs), which are the bodies mainly responsible for provision of civic infrastructure.

Reforms in the Urban Sector in India

The 74th Constitution Amendment Act, 1992 was a major step to decentralize urban governance and provide constitutional status to ULBs. This reform aimed at improving governance through decentralization. This and other reforms initiated by the Government since 1990s mainly dealt with the restructuring and redefining the role of the ULBs. Further push to reforms came with the realization that the traditional ways of funding infrastructure projects through plan and budgetary allocations is not sufficient to finance the requirement for infrastructure investment. The ULBs have to find ways of mobilising funds from other sources such as accessing capital markets. This would necessitate credit rating of ULBs and the financial instruments they issue. Reforms are essential to improve the credit worthiness of ULBs.

In the union budget 2002-03, the Central Government announced two fiscal incentives to accelerate the reform process: 1) The Urban Reforms Incentive Fund (URIF), and 2) The City Challenge Fund (CCF). Both URIF and CCF had an initial allocation of Rs. 500 cr each. Both these were set up to provide reform linked assistance to states and have been subsumed under JNNURM. Other reforms have emphasized public-private partnerships as a means

of financing and managing urban services.

Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

In response to the investment requirements of the urban sector in the country, the Government of India launched the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) on 3rd December 2005. The Mission has a provision of Rs. 50,000 crores for investment in urban infrastructure for 63 mission cities, which will be made available as reform linked Central assistance over a period of seven years beginning from 2005-06. Along with JNNURM, a parallel funding arrangement has been made for the other cities and towns of the country under UIDSMT (Urban Infrastructure for the Development of Small and Medium Towns and IHSDP (Integrated Housing and Slum Development Programme). The difference between JNNURM and the other infrastructure funding initiatives of the Government in the past is the linking of reforms to funding. JNNURM seeks to incentivize policy and institutional reforms, leading to improved service delivery and governance in the Mission cities. The emphasis on reforms is to ensure improvement in urban governance so that the urban local bodies (ULBs) become financially sound and self-sustaining and deliver services efficiently.

Each city seeking funds under JNNURM has to sign a Memorandum of Agreement (MoA) which is a tripartite agreement between the ULB, parastatal, the State Government and the Central Government. The MoA lists 23 reforms and the states/ULBs have to indicate a time schedule within which each of the reforms will be

achieved during the seven-year period of the Mission.

There are two sets of reforms under JNNURM - mandatory and optional. Both sets of reforms are compulsory. Optional reforms only provide an option to the states and ULBs to select any two reforms in any given year.

The reforms under JNNURM are as follows:

Mandatory Reforms

At the Level of ULBs and Parastatal Agencies

- Adoption of modern double entry accrual-based system of accounting in ULBs and parastatal agencies.
- Introduction of e-governance using IT applications, such as GIS and MIS for various services provided by ULBs and parastatal agencies.
- Reform of property tax with GIS - the collection efficiency to reach at least 85 per cent.
- Levy of reasonable user charges by ULBs and parastatals with the objective that the full operation and maintenance cost is collected.
- Internal earmarking of funds, within ULB's budgets, for basic services to the urban poor.
- Provision of basic services to the urban poor including security of tenure at affordable prices, improved housing, water supply and sanitation.

At the Level of States

- Implementation of 74th Constitutional Amendment Act.
- Repeal of Urban Land Ceiling and Regulation Act (ULCRA).

Written by Administrator

Thursday, 31 December 2009 13:21 - Last Updated Tuesday, 07 September 2010 09:10

<ul style="list-style-type: none">• Reform of Rent Control Laws.• Rationalisation of Stamp Duty to bring it down to no more than 5 per cent• Enactment of the Public Disclosure Law to release quarterly performance information to all stakeholders.• Enactment of the Community Participation Law to institutionalise citizen's participation in urban areas.• Associating ULBs with "city planning function".	<p>Reforms are central to JNNURM and the funding available under it is an incentive to change. Reforms are crucial for sustainability of investments in the long run. The reform package when viewed as a whole is expected to transform ULBs, their finances and the way they function. The infrastructure created under JNNURM and the implementation of reforms is also expected to transform the urban areas. Reforms in Rent Control laws, repeal of ULCRA, reduction in stamp duty, property titling and revision of bye-laws has the potential to change the land and housing market dramatically.</p> <p>Bringing reforms in property taxation will substantially increase the revenue generating potential of this tax and improve the quality of services in cities. Another reform, which would have long lasting effect on sustainability of infrastructure, through maintenance, and lead to improvement in the quality of services is the levy of user charges to recover operation and maintenance cost of service provision. The Public Disclosure Law and the Community Participation Law together can make the ULBs accountable by bringing transparency in ULB's functioning and by building community pressure groups to demand accountability. Making rainwater harvesting compulsory in buildings and encouraging recycling of wastewater will go a long way in easing the critical water situation in urban areas. Earmarking of funds for the urban poor in ULB budgets and earmarking 20-25% of developed land in all the housing projects for the economically weaker sections will address the acute shortage of housing and access</p>	<p>to basic services for this strata of society. Encouraging public-private partnerships in urban infrastructure provision as well as in management will not only bring in the much required funds from the private sector but will also bring in efficiency in management of services.</p> <p>What will reforms achieve?</p> <p>The reforms under JNNURM aim to achieve the following:</p> <ul style="list-style-type: none">• Transparency and accountability in urban governance• Inclusive planning and universal access to basic services• Making ULBs financially sustainable and improving their revenue base• Sustaining infrastructure by providing for operation and maintenance expenditure.• Encouraging public-private partnerships and bringing private investment into urban infrastructure and services• Using information technology for improving governance• Enhancing capacity of municipal governments to govern and deliver services• Improving the use and availability of water resources• Making ULBs efficient and effective <p>JNNURM, therefore, provides a unique opportunity to cities to not only get substantial funds for urban infrastructure development but to transform cities and make them better places to live. Reform is the key to such transformation. □</p> <p>(E-mail : uragpathi@nnur.org)</p>
--	--	--