

Deliberations on the findings of High Powered Expert Committee (HPEC) report held on 29.9.2011 at Vigyan Bhavan, New Delhi.

A one day deliberation was held under the chairmanship of Hon'ble Union Minister of Urban Development, Shri Kamal Nath on 29th September, 2011 at Vigyan Bhawan, New Delhi to discuss the findings of the report on Indian Urban Infrastructure and Services by the High Powered Expert Committee (HPEC) headed by Dr. Isher Judge Ahluwalia and receive feedback from state level officials.

2. List of participants is annexed. (Annexure A)
3. At the outset, Joint Secretary & Mission Director, Jawaharlal Nehru National Urban Renewal Mission (JnNURM) welcomed the Hon'ble Minister of Urban Development, Hon'ble Minister of State of Urban Development and Hon'ble Minister for Ministry of HUPA & Culture and all the participants and briefly deliberated on the agenda for the discussion.
4. Speaking on the occasion, Hon'ble MoUD Shri Kamal Nath in his address stated that the HPEC report set the way forward for the next phase of JnNURM. He emphasised the need for developing different models for different sizes of Cities depending upon their specific requirements. He also suggested for deliberation that a new mechanism of loan to grant wherein loans would be provided to States/Cities and then converted into grants on achievement of certain targeted reforms by States/Cities. He stressed on the need to focus on small and medium towns as well as increase bankability of local bodies. He stressed the need for an interactive session and requested the States to provide there inputs.
5. The Hon'ble Minister of State, Shri Saugata Roy in his address said that as Cities are growth drivers, huge investment is required in urban areas to get the desired 8 to 10 percent growth in GDP. The Hon'ble Minister of Housing and Urban Poverty Alleviation Kumari Selja while commending the HPEC report stressed the need for further capacity building especially at the third tier of government and also expressed the need for supporting the informal sector, which is the major driving force behind the economic growth of a city.

6. Dr. Isher Judge Ahluwalia, Chairperson of HPEC made a presentation and brought out the major points of the HPEC report, which provides a comprehensive framework of urban policy and planning, including major aspects of Service Delivery, Governance, Financing, Investment in urban infrastructure, and Operations and Maintenance provision for urban infrastructure assets in India. The Report highlights the crucial importance of capacity building of the local bodies and an increased investment in urban infrastructure from 0.7% of the GDP in the current financial year to 1.1% by 2031-32. Dr. Ahluwalia called for feedback from the States and Cities on the report and particularly asked them to provide suggestions for the way forward for JnNURM Phase II. Major highlights of the HPEC Report which is available on the NIUA website at <http://www.niua.org/projects/hpec/FinalReport-hpec.pdf> are annexed. (Annexure B)

7. The key issues highlighted in the HPEC report were stressed upon by Dr. Sudhir Krishna, Secretary, MoUD and Sh. A.K.Misra, Secretary, MoHUPA. Issues discussed included the role of cities in the fast-growing urbanisation scenario, infrastructure inadequacies and its inequitable distribution, and the need for efficient and effective management of services at the urban local body level. The investment requirements identified by HPEC for creation of physical infrastructure and services as well as operation and maintenance (O&M) and the necessity for capacity building and professionalization of services in urban local bodies was also discussed.

8. The Secretary, MoUD and Secretary, MoHUPA were the co- chairs for the session inviting feedback from the states. Opening the discussion, Secretary, MoUD emphasized the need for physical data from the LBs and the States whereby informed decisions can be taken while formulating policies. He further observed that funding directly to ULBs is not possible as the federal status of the state has to be respected. In order to avoid delay in fund transfer, he suggested taking measures for speedy release of funds from Centre to state and to ULBs. Further he suggested operation and maintenance should not be seen as a separate component, instead it should be calculated as a part of the overall project.

9. Shri. Arun Kumar Misra, Secretary, MoHUPA called for a more equitable program wherein the ULB is given the choice of requesting for projects under JnNURM.. He also suggested that the coverage of second JnNURM should be wider as the numbers of ULBs have increased from 5000 to over 7000 in 2011. He also suggested that a graded system for ULBs could be developed based on the capacity of ULBs to implement projects and reforms.

10. The participants representing the States deliberated on the issues and gave their feedback as follows:-

Dr Vijay Kumar, Secretary (UD), Government of Andhra Pradesh.

- Owing to the large number of projects, the role of the housing department is too big to be merged with the other departments.
- There is already continuity in Urban and Rural transport. Ring fencing of urban transport may not work except in case of bigger cities.

Dr Debashis Sen, Principal Secretary (UD), Government of West Bengal

- Convergence in departments should not be holistic, there should be selective merging.
- HPEC has ignored the role of Development Authorities. While policy decisions should be taken by Mayor/ULBs, execution of projects should be left to the Development Authorities.
- Town planning needs revamping and should be brought under the purview of Development Authorities.

Mr Guru Mahaptra, Commissioner, Government of Gujarat

- Implementation of Municipal Corporation Act in Maharashtra and Gujarat should be examined and used as a model in other States.
- A regulator is required for tariff setting and monitoring of urban utilities.

Mr D S Mishra, Principal Secretary(UD), Government of Uttar Pradesh

There should be an Urban Development Commissioner at State Level on lines of Agriculture Production Commission (APC) to coordinate activities of urban development, Urban Transport, Housing and Urban Poverty Alleviation.

- Municipal Corporation and Municipalities Acts should be revisited and harmonised.
- Twin-city/ agglomeration concept should be followed especially in delivery of services such as solid waste management.
- A unified e-governance model is required at the State level.
- Reform agenda should be incremental – in a phased manner.
- Delays in fund flow to ULBs need to be reduced.
- Fund flow should be phased so as to cover the entire requirements of the cities being covered at present, before looking at new cities to fund. Cities where projects are underway should be focused on till the time their needs are completely addressed, instead of thinly spreading resources.
- A project based approach should be followed and fund requirement assessed for next 15-20 years. Priority should be decided by state government.
- There should be a linkage between asset development and asset management.
- JnNURM II should take into consideration the role of the development authorities.
- Govt should help in financing of experts for ULBs for a certain period of time to meet their capacity gap.
- Development of satellite towns should be looked at to concentrate migration from rural to urban.

Mr Sourabh Garg, Principal Secretary (UD), Government of Orissa.

- Monetary incentives should be provided for urbanisation so that all Census towns declare themselves as urban under the Act.
- JnNURM II should have a component for capacity creation to enable hiring of professionals at the ULB level.

- Existing structures of DUDA (District Urban Development Agencies) should be strengthened by way of funding and appointing a project director and additional staff.
- Real Estate regulator is essential to ensure reasonable land unlocking and monitoring.
- Graded funding of ULBs – gradation should be done both in terms of sectors to be funded as well as percentage of funding.

Mr. M.K. Das, Commissioner, Surat

- The Mayor is usually under tremendous political pressure and as such is unable to perform administrative functions. The existing system led by the Commissioner has yielded good results in the case of Surat. The Mayor's term is presently 2.5 years and cannot be extended further.

Mr. Sanjay Shukla, Commissioner, U.D, Govt. of Madhya Pradesh

- Currently the party affiliation of the Councillors/ Mayors often affects the final outcomes of the projects. There should be broad guidelines to address this issue.
- Standard bidding documents and RFPs are essential.
- There needs to be a directive from the Gol for local bodies to be able to engage consultants on short or medium term basis.

The Representative from North Eastern States (Assam, Manipur, Mizoram, Sikkim)

- There should be a provision for livelihood in projects.
- North Eastern states have intrinsic problems due to difficult terrain and implications of 6th Schedule of the Constitution.
- North eastern states face skill deficit, need help from professionals. Mission should provide for hiring of professionals to fill this skill gap.
- JNNURM in its straight jacket approach did not take into account sensitivities of NE states such as their inability to hold municipal elections due to restrictions under Sixth Schedule.

- A local body- specific reforms may be a good approach.
- HPEC recommends 44% to be spent on urban roads. All NE states would face problems in acquiring land; moreover the cost of land has not been included in the HPEC estimates.
- Sufficient funds should be devolved to North Eastern States.

The Representative from Government of Kerala

- In case of Kerala, most of the powers lie with the elected representatives and there is now a need to re-empower Commissioners vis-a-vis Mayors.
- Guidelines for ULBs needed from Gol for financial management.
- Project based funding to programme based approach in JNNURM II is recommended.

Mr Manmohan Singh, Engineer, Government of Punjab

- Most Corporations are headed by political people and hence often face political issues in implementation. All activities should be synchronized at central level.
- Capacity building required at ULB level for preparing/reviewing RFPs.
- PURA concept could be looked at so that migration can be minimized.
- Twin cities concept could be promoted: Punjab presently divided into 8 clusters for SWM.
- Agglomeration: Not many new cities have been identified since independence. Vast stretches of barren land should be identified and developed as new cities.

The Representative from Government of Himachal Pradesh

- Specific provisions are needed for hilly areas as against plain areas, since cost of construction and time required is much higher.

Mr Rakesh Ranjan, Director, Planning Commission

- There should be a provision of incentives for efficient States/ ULBs and protective funds for weaker State/ ULBs.

11. Mr. Modi, a member of Dr. Ahulwalia's team made a presentation on the issue of financing indicating the salient features as follows:-

- Exclusive taxes are limited.
- State should impose a tax and devolve a pre-specified percentage to local bodies based on population.
- Till the time GST doesn't come in place, 25% of state revenue should be assigned to ULBs. This reserve can be used by ULBs for borrowing or PPP.

12. In the concluding session, the Chairperson took into view all the deliberations and recommendations that had ensued. He asked the participants to e-mail to the Mission Directorate any further suggestions which could be kept in view while planning Phase-II of JNNURM. Along with the deliberations of the day, it was also generally agreed that the approach to Phase-II could address the following:

- The need to move away from a project based approach towards a program – based approach.
- Consideration of 15-20 year programme duration (Hon'ble UDM suggested that duration longer than 10 years often leads to complacency).
- Separate window for weaker ULBs and PPP window for medium to strong ULBs. Incentivization for PPP projects could be considered.
- A one-time incentive of Rs. 2 Crore for each area that is urbanized.
- Greater stress on small and medium towns with different reform conditionalities for them.
- The possibility of making the programme design on the lines of RKVY and also to explore the possibilities making it more flexible.
- JnNURM could be a loan to grant scheme for which further examination as per the finance regulation 'Fiscal Regulation and Budget Management' could be examined.

- There should be greater stress on increase of revenues of the local bodies and on capacity building. Further a Campaign on civic sense could be undertaken with JnNURM funds.

13. On two points, Dr Ahluwalia highlighted strong differences with the points made by some state participants, i.e., (i) under no circumstances should JNNURM funding be provided for O&M because maintenance and operation has to be attended to by resource mobilisation by ULBs as recommended by HPEC; (ii) Development Authorities may well have to continue to deliver services in some states but they must be made accountable to the ULBs by having ULB Chiefs on their Board as recommended by the HPEC.

14. Hon'ble MoUD suggested that more feedback should be sought from a small subgroup of the state representatives in preparing the guidelines for the new JNNURM.

15. The workshop ended with thanks to the chair and all participants from the States/UTs and Ministries.

List of Participant in HPEC Meeting held at Vigyan Bhawan on 29.09.2011

1.	Shri Kamal Nath, Minister of Urban Development
2.	Kumari Selja, Minister of Housing and Urban Poverty Alleviation and Culture
3.	Shri Saugata Roy, Minister of State for Urban Development
4.	Shri K.Kasturirangan, Member, Planning Commission
5.	Dr. Sudhir Krishna, Secretary, M/oUD
6.	Shri A.K.Mishra, Secretary, M/o HUPA
7.	Dr. Isher Judge Ahluwalia, Chairperson, Board of Governors, ICRIER
8.	Dr. P.K.Mohanty, Additional Secretary and Mission Director (JNNURM) M/o HUPA
9.	Ms. Nisha Singh, JS(Mission), MoUD
10.	Ms. Sudha Krishnan, JS&FA, MOUD
11.	Shri Sailesh Kumar Singh, Joint Secretary(UT), MoUD
12.	Ms. Naini Jayaseelan, Member Secretary, NCRPO
13.	Shri Arvind Modi, Consultant, Planning Commission
14.	Shri M. N. Pradhan, Director, State Urban Development Agency (SUDA) West Bengal
15.	Shri S. P. Meena, Secretary (UD), Government of Karnataka
16.	Shri K. Das, Chief Engineer, Municipal Engineering Directorate Department of Municipal Affairs, Government of West Bengal
17.	Shri Sanjay Kumar Shukla, Commissioner (UD) Government of Madhya Pradesh
18.	Shri Rakesh Ranjan, Director, Planning Commission
19.	Shri M. K. Das, Municipal Commissioner, Surat Municipal Corporation, Gujarat
20.	Shri A. Joshi, Director(UD), MoUD
21.	Shri S. Garg, Secretary, Government of Orissa
22.	Shri Mohapatra, Municipal Commissioner Ahmedabad, Gujarat
23.	Shri D. Sen, Principal Secretary (UD), Government of West Bengal
24.	Shri Alapan Bandhopadhyay, Secretary , Municipal Affairs, West Bengal
25.	Shri B.K. Panda, Director, Urban Affairs, Meghalaya, Government of Meghalaya
26.	Shri N. Kulkarni, Secretary Urban Development, Government of Jharkhand
27.	Shri D.S. Mishra, Principal Secretary(UD) Government of Uttar Pradesh
28.	Shri Manmohan Singh, Chief Engineer, Department of Local Government, Punjab
29.	Shri Rajesh Jaiswal, Under Secretary, MoUD
30.	Shri Rajesh Kumar, Under Secretary, MoUD
31.	Shri R.K.Bhatnagar, Under Secretary, MoUD
32.	Shri Sanjiv Kumar, Under Secretary, MoUD
33.	Shri Sanjay Sharma, Under Secretary, MoUD
34.	Dr. Debjani Ghosh, Senior Research Officer, NIUA
35.	Ms. Paromita Dutt Dey, Senior Research Officer, NIUA
36.	Shri V.K. Dhar, Professor, NIUA
37.	Dr. D. Suresh, Municipal Commissioner, Faridabad Municipal Corporation, Government of Haryana
38.	Shri Rajesh Mittal, EE, UP Jal Nigam
39.	Shri N.C. Thur. Secretary (UD), Government of Nagaland

40.	Shri Ken Kodsu, Director (UD), Government of Nagaland
41.	Shri Zarzoqa, SLNA, UD&PA, Mizoram
42.	Shri J.P. Chejara, MFO, JNNURM, Agra
43.	Shri K.K. Agrawal, Team Leader, PMU, UP
44.	Shri Vikram Kumar, Commissioner Mira Bhayander, Maharashtra
45.	Shri V.K. Garg, Team Leader, RUIFDC, Jaipur
46.	Shri Pavan Kumar, Policy Analyst, M/o HUPA
47.	Shri Ramesh R. Nair, Policy Consultant, IDFC
48.	Ms. E.P. Nivedita, Director(LSG), MoUD
49.	Shri T. Lyngwa, OSD (Urban Affairs) Government of Meghalaya
50.	Shri Gajanand Ram, General Manager, URDA, SLNA, Jharkhand
51.	Shri Manoj Kumar, PMU, KPMG
52.	Ms. Raksha Rajput, PMU e-Governance, KPMG
53.	Shri S.B.Sharma, Director, PIB
54.	Shri Manoj Kumar, Section Officer, MoUD
55.	Shri Prakash Urade, Superintending Engineer, NMC, Nagpur
56.	Shri Saraswati Prasad, Principal Secretary(UD), Government of Assam
57.	Shri Dharmesh, Manager, KPMG
58.	Ms. Sunali Rathra, Fellow, MCKINSEY
59.	Shri Chandra Nath Jha, Special Secretary , UD&HD, Govt. of Bihar
60.	Shri V.K. Chaubey, Municipal Commissioner, Ranchi Municipal Corporation, Jharkhand
61.	Shri Rajesh Srivastava, CMO, Kolar MC
62.	Shri Arun Sharma, CMO, Pithampur, Municipality
63.	Shri G. Mishra, CE, HIMUDA Govt. of H.P
64.	Shri J.I. Kalsi, LDC, MoHUPA
65.	Sh. K.T. Alag I.R.I, Commissioner, Puducherry
67.	Sh. S.K.Vats, Executive Officer, Municipal Council Bahadurgarh (Haryana)
68.	Sh. R.R.Gupta, Superintending Engineer, P & W/S Sew. Board, Chandigarh
69.	Sh. S.Saha, Sr. Consultant, PWC, Price Water House Coopers
70.	Sh. Dharam Singh, Superintending Engineer Municipal Corporation, Ludhiana, Govt. of Punjab
71.	Sh. S. Banerjee, Sr. Consultant PWC, JNNURM
73.	Ms. Usha P.Rajhpathi, Professor , NIUA
74.	Ms. Mona Khandhar, Addl. Secretary (Projects),UD & UHD, Govt. of Gujarat
75.	Sh. A.K. Srivastava , Managing Director, UP Jal Nigam
76.	Sh. R.Vijay, Superintending Engineer, Madurai Corporation
77.	Sh. G.K.Chaddha, Consultant, NURM-II, MoUD
78.	Sh. Rahul Malik, JNNURM Cell , MoUD
79.	Sh. H.G.Nandish, Technical Cell- JNNURM, MoUD
80.	Sh.K.Bhoopal Reddy, MD, APUFCDC, Andhra Pradesh
81.	Sh. N.Venogopalan, Director (NURM -I), MoUD
82.	Sh. Sanjay Kumar, Director (NURM -I), MoUD
83.	Sh. Alok Shiromani, Team Leader, Technical Cell, JNNURM
84.	Ms. Anjana Madhwani, Technical Cell

85	Ms.Antara Ray, Technical Cell
86	Sh. Parvesh Sherawat, Technical Cell
87	Sh. Devendra Singh Dhapola
88	Ms. B.P.Sridevi, Director (NURM-IV), MoUD
89	Sh. V.P.Das, CMD, NBCC
90	Sh. Chetan Vaidya, Director, NIUA
91	Sh. R. Murugan, Manager, TUFIDCO, SLNA, Chennai.
92	Sh. Munish Kumar Garg, Director (NURM-III), MoUD
93	Sh. C.P. Tripathi , Municipal Commissioner, Meerut (U.P)
94	Sh. Suchit Goyal, Assistant , MoUD
95	Sh.M.K. Aggarwal, Assistant, MoUD
96	Sh. SPS Tabish, Director, CSO/ CPWD
97	Sh. K.Boopathy, Superintending Engineer , Coimbatore Municipal Corporation
98	Sh. R. Purushothaman, Assistant Engineer, Town Panchayat
99	Ms. Sumedha, Joint.Secretary(UD), Government of Arunachal Pradesh
100	Sh. Taba Tedir, CE cum Director, UD & H, Govt. of Arunachal Pradesh
101	Sh. N. S. Tedir, N.P.P, Meghalaya
102	Dr. M. Dhinadhayalam, Deputy Advisor (PHE), MoUD
103	Sh. Asheesh Sharma, Municipal Commissioner, PCMC, Govt. of Maharashtra
104	Dr. Vijay Kumar, Secretary (UD), Govt. of Andhra Pradesh
105	Sh. P.K.Chakrobarty, CEO, Agartala Municipal Council
106	Sh. R.K.Majumdar, Director, Urban Development, Govt. of Tripura
107	Sh. K.S. Rathore, Project Management Specialist, Consultant- ADB
108	Sh. Lal, Aizwal Municipal Council, Govt. of Mizoram
109	Sh. I.P.Gautam, Pr.Secretary, UDD, Gandhi Nagar, Govt. of Gujarat
110	Sh. C.B. Kamble, Commissioner of Municipal Admin, C.M.A. Tamilnadu
111	Sh. R.L.Rinawman, Principal Secretary, UD & PA, Mizoram
112	Ms. Savita Bhardwaj, Sr. MIS Expert, NIUA
113	Sh. Hari Kumar Singh, Jiribaun Municipal Council
114	Sh. Dalip Jaryal , Dy. Resident Commissioner, Govt. of Sikkim,
115	Sh. V.P.Bakshi P.S., MoUD
116	Sh. Pradeep Kumar.CEO, IIFCL
117	Ms. Sudhi Rajpal, Commissioner, Municipal Corporation Gurgaon, Govt of Haryana
118	Sh. S. Sunderlal Singh, Commissioner, Govt. of Manipur
119	Sh. S.Dasgupta, M/oHUPA
120	Sh.U. Sanajaoba, Executive Officer, Municipal Corporation Ulhas Nagar, Maharashtra
121	Sh. M.A.Jawade, City Engineer, Ulhas Nagar Municipal Corporation Maharashtra
122	Sh. M.G.Girgaonkar, Executive Engineer, Ulhas Nagar Municipal Corporation
123	Sh. S.S.Bida, Chief Engineer, Municipal Corporation, Chandigarh
124	Sh. R.S. Ahluwalia, XEN, Municipal Corporation, Chandigarh
125	Sh. Ashok Kumar Rankhamb, Commissioner UM, UM, Maharashtra
126	Sh. T.C. Sharma, NIUA
127	Sh. Ajay Kashyap, Sr. D/M/Civil, NIUA
128	Sh. Divan Singh, Executive Officer, NIUA
129	Sh. Prahlad Chand, AD, JNNURM

ANNEXURE B

Report on Indian Urban Infrastructure and Services By High Powered Expert Committee Chaired by Dr Isher Ahluwalia March 2011¹

Summary and Recommendations

1. India is urbanising. This transition, which will see India's urban population reach a figure close to 600 million by 2031, is not simply a shift of demographics. It places cities and towns at the centre of India's development trajectory. In the coming decades, the urban sector will play a critical role in the structural transformation of the Indian economy and in sustaining the high rates of economic growth. Ensuring high quality public services for all in the cities and towns of India is an end in itself, but it will also facilitate the full realisation of India's economic potential.
2. This Report comes to the conclusion that India's economic growth momentum cannot be sustained if urbanisation is not actively facilitated. Nor can poverty be addressed if the needs of the urban poor are isolated from the broader challenges of managing urbanisation. Cities will have to become the engines of national development. India cannot afford to get its urban strategy wrong, but it cannot get it right without bringing about a fundamental shift in the mindset which separates rural from the urban.
3. The Report argues that the challenge of managing urbanisation will have to be addressed through a combination of increased investment, strengthening the framework for governance and financing, and a comprehensive capacity building programme at all levels of government.
4. At the centre of this approach is the role of cities and towns in an interdependent federal system. The Committee is of the view that India's municipal corporations, municipalities and nagar panchayats, commonly known as urban local bodies (ULBs) need to be strengthened as local self-government with clear functions, independent financial resources, and autonomy to take decisions on investment and service delivery. They must also be made accountable to citizens. Elements of this shift are already present in the local government framework as reflected in the 74th Constitutional Amendment, the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), and the emphasis placed on the urban sector by the Thirteenth Central Finance Commission.
5. This Report makes a case for a comprehensive framework of urban policy and planning. The key elements of this framework are:
 - Increasing investment in urban infrastructure from 0.7 per cent of GDP in 2011-12 to

¹ Full report is available on www.niua.org

1.1 per cent by 2031-32

- In association, increasing spending on maintaining assets - old and new
- Engaging in renewal and redevelopment of urban areas including slums
- Improving regional and metropolitan planning with integration of land use and transportation
- Ensuring access to services for all including the poor to meet the recommended norms
- Reforming systems of service delivery
- Improving governance of cities and towns by a unified command under a Mayor
- Strengthening and securing the financial base of ULBs
- State governments providing an enabling environment for ULBs to discharge their enhanced responsibilities
- Government of India launching a New Improved JNNURM (NIJNNURM) that focuses on capacity building and supports urban reforms within a programme approach

B. Summary

The major conclusions emerging from the documentation and analysis in the Report are presented below.

A.1 Urbanisation and Economic Growth

6. Only 30 per cent of India's population lives in urban areas. This is much lower than in China, Indonesia, South Korea, Mexico, and Brazil. Some of this may be due to much lower per capita incomes in India. The Committee's projections suggest that India's urban population as presently defined will be close to 600 million by 2031, more than double that in 2001. Already the number of metropolitan cities with population of 1 million and above has increased from 35 in 2001 to 50 in 2011 and is expected to increase further to 87 by 2031. The expanding size of Indian cities will happen in many cases through a process of peripheral expansion, with smaller municipalities and large villages surrounding the core city becoming part of the large metropolitan area.
7. Three decades of rapid economic growth would normally have propelled migration from rural areas but growth in India has not had this effect thus far. This is because industrialisation has been capital intensive and the services boom fuelled by the knowledge economy has also been skill intensive. A few cities of India have acted as centres of knowledge and innovation. As more cities provide economies of agglomeration and scale for clusters of industries and other non-agricultural economic activity, the urban sector will become the principal engine for stimulating national economic growth. Industrialisation will absorb more people as India advances further in its integration with the world economy. At the present juncture, India faces the challenge of continuing on its high growth trajectory while making growth more broad-based and labour-intensive.

8. The fortunes of the agricultural sector are crucially linked to the manner in which growth in the industry and services sectors unfolds. People living in rural areas typically tap the opportunities that cities provide for employment, entrepreneurial avenues, learning, and monetary repatriation. As urbanisation grows, demand for food items other than foodgrains, i.e. vegetables, lentils, milk, eggs, etc., also grows. This leads to investments in infrastructure, logistics, processing, packaging, and organised retailing. These investments and other economic inter-linkages connect and build synergy between rural and urban centres. Of course, government policy should also focus on enhancing the productive potential of the rural economy. This Report maintains that India's urban future promises to be an inclusive one, with the benefits extending to rural areas as well. Already, there is evidence to suggest that rising standards of living in India's urban areas in the post-reform period have had significant distributional effects favouring the country's rural poor.

A.2 The State of Service Delivery

9. Cities and towns of India are visibly deficient in the quality of services they provide, even to the existing population. Considering that the Indian economy is now one of the fastest growing economies in the world, and standards are rising, current service levels are too low relative to the needs of urban households. They are also low relative to what will be required to sustain the economic productivity of cities and towns.
10. The Committee believes that public services such as drinking water, sewerage, solid waste management, roads, and street lights must be accessible to one and all to achieve the goals of inclusion. At the same time, they must meet the service norms as set out by the Ministry of Urban Development in 2008 to ensure the contribution of cities to economic growth. To achieve both inclusion and economic growth will, however, require shifting the focus of policy from creating physical infrastructure to delivering services. The challenge is to focus on reforming governance for service delivery. Without this, additional capital investments in urban infrastructure will not result in improvements in service delivery.
11. The Committee has taken note of the situation with respect to low income housing and public transportation. The scarcity of affordable housing drives the poor and some non-poor to slums and most of these settlements lack even basic water and sanitation facilities. On average, 25 per cent of the population in many Indian cities lives in slums; in Greater Mumbai, slum dwellers account for 54 per cent of the total population. Not all slum dwellers are poor, and the complexity of these challenges is reviewed in the context of urban planning, infrastructure development and public service delivery for all.

12. The challenge of urbanisation in India is to ensure service delivery at the enhanced minimum standards that are necessary when planning ahead. This is particularly so in a situation when even the current urban population is inadequately served and total urban population is likely to increase by at least 250 million.

A.3 Estimates of Investment for Urban Infrastructure

13. This Committee's terms of reference specified that it should estimate investment requirements for eight major sectors of urban infrastructure over the period 2008-20, and suggest ways of financing the massive infrastructure deficit in the urban sector along with ensuring improved service delivery that meets the new specified norms.

14. The Committee has interpreted its mandate in a broad manner by covering all areas of urban infrastructure and extending the period to 2031. It has prepared detailed estimates of investment for eight sectors, i.e. water supply, sewerage, solid waste management, storm water drains, urban roads, urban transport, traffic support infrastructure, and street lighting. The Committee has also prepared an estimate of investment in urban infrastructure as a whole by suitably scaling up the estimates for these sectors. However, these would not cover the requirements of primary health, primary education, and electricity distribution, which are outside the terms of reference of the Committee.

15. The Committee has made projections for the period from the Twelfth Five Year Plan to the Fifteenth Five Year Plan, i.e. 2012-31. Given the volatility of land prices, the estimates do not include the cost of land acquisition.

16. The investment for urban infrastructure over the 20-year period is estimated at Rs 39.2 lakh crore at 2009-10 prices. Of this, Rs 17.3 lakh crore (or 44 per cent) is accounted for by urban roads. The backlog for this sector is very large, ranging from 50 per cent to 80 per cent across the cities of India. Sectors delivering urban services such as water supply, sewerage, solid waste management, and storm water drains will need Rs 8 lakh crore (or 20 per cent). The Committee has made explicit provision of Rs 4 lakh crore towards investment in renewal and redevelopment including slums.

17. Recognising that the focus of policy should be on provision of public services which flow from infrastructure assets and not merely on creating the assets, the Committee has highlighted the importance of operations and maintenance (O&M) for the upkeep of the assets. The O&M requirements for new and old assets are projected at Rs 19.9 lakh crore over the 20-year period.

A.4 Governance

18. The Committee believes that governance is the weakest and most crucial link which needs to be repaired to bring about the urban transformation so urgently needed in India. Financing the large sums required to meet the investment needs of urban infrastructure is crucially dependent on the reform of institutions and the capacity of those who run the institutions for service delivery and revenue generation. The Committee is of the view that large expenditures on Indian cities and towns have to be combined with better governance structures, strong political and administrative will to collect taxes and user charges, and improved capacity to deliver. Cities must be empowered, financially strengthened, and efficiently governed to respond to the needs of their citizens and to contribute to the growth momentum.
19. The municipal entities need to be strengthened as local governments with 'own' sources of revenue, predictable formula-based transfers from state governments, and other transfers from the Government of India and state governments to help them discharge the larger responsibilities assigned to them by the 74th Constitutional Amendment. Improved tax revenues combined with rational user charges will enable cities to leverage their own resources to incur debt and also access new forms of financing through public private partnership (PPP). Only then can they augment the urban infrastructure base, provide improved quality of services on a sustainable basis to their residents, and contribute to the growth momentum of the Indian economy.

A.5 Financing

20. Urban local governments in India are among the weakest in the world both in terms of capacity to raise resources and financial autonomy. While transfers from state governments and the Government of India have increased in recent years, the tax bases of ULBs are narrow and inflexible and lack buoyancy, and they have also not been able to levy rational user charges for the services they deliver.
21. ULBs can borrow from the market only within limits and with explicit approval of the state government. However, this has mostly not been a binding constraint since the real challenge in accessing external finance has been the precarious state of their own finances and poor governance.
22. The Committee believes that in view of the importance of urban infrastructure for economic growth and inclusion, the Government of India and state governments will have to step in, both by providing substantial funds and by facilitating the use of additional mechanisms for funding, which will require the strengthening of own finances of ULBs. The latter, in turn, requires reforms in governance at all levels.

23. The Government of India will have to take a leadership role in financing a major part of the programme and, at the same time, facilitate and encourage the involvement of state governments and ULBs. State governments will have to contribute by way of a constitutionally mandated revenue-sharing arrangement with the ULBs. On their part, the ULBs will carry out reforms in governance and financing to deliver public services of specified norms to all including the poor. This should be done within a framework of accountability. Rising aspirations of the increasing numbers of people in urban India will make further demands on ULBs, and community participation will be an important factor in ensuring accountability.

B. Recommendations

The major recommendations of the Committee are summarised below.

B.1 New Improved JNNURM (NIJNNURM)

24. The launch of the JNNURM in December 2005 by the Government of India signalled the importance of the urban sector for the Indian economy. The Mission has certainly helped focus attention of policy makers in all three tiers of the government on the challenges facing the cities and towns of India and created dynamism in a sector which has long suffered neglect.
25. Progress in implementing reforms under the JNNURM has been slow, and it has been difficult to enforce conditionality of overall reforms in a project-based financing approach for a variety of reasons. The Mission has more generally exposed the lack of capacity at local government level to prepare and implement projects in urban infrastructure.
26. The main features of the NIJNNURM are spelt out below:

Coverage	• Accessible to all cities/towns – big and small
Scale	• 0.25 per cent of GDP annually
Duration	• 20 years
Capacity Building	• A strong programme of capacity creation
Programme Approach	• ULBs should be required to lay out a framework detailing action items, financial and operating plans, monitoring programme, and capacity building initiatives leading to reforms and achievement of service level standards
City Differentials	• Smaller cities and towns should be treated differently from larger cities and metros – for funding, capacity building and reform content and timelines # Funds for smaller ULBs should be channelled through intermediary institutions, and they should be encouraged to go in for pooled financing # For Municipal Corporations and Municipalities, in addition to a regular window, a special window should be created specifically for projects that could be financed and executed via PPP route, or by leveraging private sources of funding.
Funding	• Should be linked to a ULB-specific programme of development and reform

- Funding requirements to be routed through the state governments
 - State governments not required to make any financial contribution towards the NIJNNURM because of the Committee's recommendation for devolution
 - Contribution of the smaller ULBs to be lower than that of the larger cities and metros.
- Governance
- Monitoring of reforms at the state level
 - Focus on improvement in procurement systems by having standardised tender documents for key categories of urban infrastructure based on international best practices.

27. The detailed guidelines for the NIJNNURM and its differentiation across city sizes will have to be put together by the Ministries of Urban Development, and Housing and Urban Poverty Alleviation, and other relevant government agencies.

28. A precondition for the success of the proposed programme-based approach in the NIJNNURM is to strengthen capacity at all tiers of government beginning with the two apex ministries at national level or the proposed single Ministry. Of the total NIJNNURM funds, 5 per cent will be spent on building capacity. This would still meet only half the total funding requirements for capacity building over the entire 20-year programme: state governments, ULBs, and the private sector will have to partner in building capacity.

B.2 Governance

Administrative Reforms

- i. One Ministry of Urban Affairs and Housing, Government of India and a unified Mission (NIJNNURM)
- ii. One Department of Urban Affairs and Housing at state government level and a unified Mission (NIJNNURM)
- iii. Unified command under an empowered and accountable Mayor

Planning of Cities/Towns

- i. City level planning by ULBs through state legislative reform
- ii. High Powered Expert Committee to be set up to study urban land use and land market issues
- iii. Housing for the poor to be planned within an integrated land use/transport plan with focus on public transportation
- iv. Densification of existing cities linked to development of infrastructure facilities, especially public transport

- v. Funding of renewal and redevelopment including slums to be looked into by the proposed Committee on land reforms
- vi. Innovative use of floor space index (FSI) charges to plan for compact and efficient cities

Metropolitan and Regional planning

- i. District and Metropolitan plans to form part of state plans
- ii. Integrating transport and land use planning at regional level
- iii. Strengthening Metropolitan Planning Committees (MPC) and District Planning Committees (DPC) with Urban Development Authorities and Unified Metropolitan Transport Authorities as technical arms

Regulatory Framework

To set up:

- i. Urban Utility Regulator, beginning with water and sewerage
- ii. Local Body Ombudsman for dispute resolution
- iii. Local Fund Audit Commission for independent and professional audit

Reforms for Service Delivery

- i. Corporatisation of service delivery institutions
- ii. Smaller ULBs to come together for scale economies through inter-municipal cooperation
- iii. State governments to amend their Municipal Acts or enact overarching Acts to facilitate PPPs
- iv. Use of e-governance and e-enabled smart technologies

Community Participation and Transparency

- i. Implementing Community Participation and Public Disclosure Law
- ii. Setting up and empowering Area Sabhas and Wards Committees
- iii. Preparing Citizen Report Cards and Social Audits
- iv. Preparing Market Worthiness Disclosure Statements by ULBs

B.3 Capacity Building

Institutional Capacity Building

- i. Set up five Indian Institutes of Urban Management through partnership between the Government of India, state governments and the private sector, either anchored in existing IIMs or as stand alone institutions of excellence
- ii. Infuse funds and new talent into existing Schools of Urban Planning
- iii. Promote think tank initiatives in urban policy through Centres of Excellence/ Innovation in existing institutions

iv. Create a Reform and Performance Management Cell (RPMC) in the Government of India (and at state level and in large cities) with a multidisciplinary team undertaking activities such as:

- Providing technical assistance to state governments, regulators, and ULBs in planning, finance, operations, and monitoring of urban programmes
- Encouraging projects under PPPs through model concession agreements, database, knowledge sharing, etc.
- Creating a dedicated Municipal Information Unit to collect, collate, and analyse comparable data on municipal services and finances on an annual basis
- Providing assistance to State Finance Commissions
- Developing a Performance Management System for evaluating cities and towns

Human Resource Capacity Building

- i. Train 300 officers from the Indian Administrative Services (IAS) and other central services annually as urban specialists and place them systematically through deputation in cities and towns
- ii. Build/Reform Municipal cadres in all states with recruitment into the cadre at entry level through a competitive examination
- iii. Provide flexibility in lateral hiring of professionals with special skills into the cadre
- iv. Put in place a transparent search-cum-selection process in the appointment of the Municipal Commissioner
- v. Tenure of the management team to be a minimum of three years
- vi. Develop dedicated IT cadre with a Chief Information Officer for the larger cities

B.4 Financing

Tax Reforms

- i. Introduce a 'Local Bodies Finance List' in the Constitution
- ii. Empower ULBs with 'exclusive' taxes
- iii. Constitutionally ensure sharing by the state governments of a pre-specified percentage of their revenues from all taxes on goods and services with ULBs
- iv. Provide for formula-based transfers and grants-in-aid to ULBs from the divisible pool
- v. Abolish octroi and entry taxes in all states
- vi. Undertake reforms in property tax so as to levy tax on constructed building under an Area Based System and levy of vacant land tax on the basis of ready-reckoner capital value

Unlocking Land Value

- i. Tapping land-based financing sources including conversion charges, betterment charges, impact fees, and development charges

- ii. Pricing of Floor Space Index (FSI) above a certain limit, within overall planning guidelines
- iii. Preparing city-wide inventory of land assets
- iv. Putting in place a transparent and accountable mechanism for monetisation of public land with due attention to the needs of the poor and the marginalised

Reforms to Strengthen Non-tax Revenues

- i. Municipal Service Regulator should be assigned the responsibility of revising user charges regularly. Even when different segments of the population are charged differently, the cross-subsidisation should be such that the overall O&M cost is recovered and a minimal surplus generated. Automatic indexation will ensure smooth increase over time without the challenge of having to defend cumulative adjustment every few years.
- ii. User charges to be so structured as to meet O&M cost, debt servicing, and depreciation towards the cost of the project. In addition, they must also generate some surplus to enable building the equity base of ULBs, supported, where appropriate, with viability gap funding (VGF)
- iii. Levy water and sewerage charges separately rather than built into the property tax
- iv. Introduce parking fee to enhance revenue streams and promote the use of public transport
- v. Collect trade licensing fee on the basis of a self assessment return

Other Reforms

- i. State governments to set up state financial intermediaries to work with small ULBs
- ii. Government of India to create a 'Regulatory Guidelines Handbook for Municipal Borrowings'
- iii. ULBs to prepare 'Intended Use Plans', requiring them to prepare a borrowing programme based on their investment needs and repayment capacity
- iv. Remove fixed cap of 8 per cent on annual interest on municipal bonds to make the bonds attractive
- v. HUDCO to have a professional Board; to receive benefits available to infrastructure financing companies; and be regulated by the Reserve Bank of India