

NATIONAL LEVEL BACKGROUND DOCUMENT ON URBAN ISSUES AND CONCERNS

**Laying Foundation for Urban India Reforms Facility (UIRF)
With focus on Small and medium towns in India**

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CHAPTER 1: URBAN ISSUES AND CONCERNS IN INDIA

1. Introduction

The idea of a National Level Background Document (hereafter NLBD) arises from the demands of the ongoing project on understanding the issues and concerns of Small and Medium Towns in India under the Urban India Reforms Facility (hereafter UIRF) at the School of Habitat Studies of Tata Institute of Social Sciences (TISS), Mumbai. The School of Habitat Studies (SoHS) of Tata Institute of Social Sciences (TISS), Mumbai has undertaken a comprehensive research cum action facility on urban issues in India, through an Urban India Reforms Facility (UIRF). UIRF is a facility providing knowledge support and services mainly to Small and Medium Towns in the country and focused on the theme of urban reforms. The overall goal of UIRF is to increase public control or citizens' effective influence on urban reforms and their outcomes, by providing knowledge support and services mainly to local academic institutions and civil society organizations. The project on understanding the issues and concerns of Small and Medium Towns will be covered during the next two years of the UIRF in 2010 and 2011.

1.1 Context of the NLBD

As we are focusing on issues and concerns of small and medium towns in India, a national level document on urban issues has been prepared to act as a base document in the preparation of small and medium towns' issues and concerns. The National level Background Document is a knowledge product in the foundation stage of Urban India Reforms Facility (UIRF). This product has been conceptualized keeping in mind the need for critical understanding of debates surrounding the urban issues at the national level for persons involved in preparation of state level and town level knowledge products of UIRF. The NLBD will be used as the vehicle for this preparation work. This note explains briefly the objectives, methodology, proposed structure and limitations of NLBD.

1.2 Objectives

The NLBD is expected to act as a **base document** for the state level and town level knowledge products of UIRF. The different elements of acting as a base document will include critically examining the debates at the national level on the urban issues; providing an overview of urbanization in post-independent India, critically examining trends and factors that affect urbanization in India; providing necessary information and facts on different aspects of urban sector; understanding the ongoing political governance at the town levels; highlighting the main objectives of JNNURM and analysing its different provisions.

1.3 Methodology

The National level Background Document will build on existing knowledge base on urban issues in India. It will use secondary literature available in form of books, journal papers, newspaper articles, reports of different commissions and committees, scheme documents, Acts, policy documents and five year plan documents. Relevant statistical data from census, NSSO and other sources will be used.

1.4 Outline of the NLBD

The NLBD will be divided into five major sections.

1.4.1 Overview of Urbanization

This section will give an overview of increasing urbanization in India. In doing so, this section will examine the current debates revolving around urbanisation in India. It also will explore the factors that determine the increasing urbanization in India.

1.4.2 Review of Urban Political and Financial Governance

This section will provide a review of urban political governance aspects like 74th Constitutional Amendment Act (74th CAA); analyse the role of central and state governments vis-à-vis urban local institutions; examine the fiscal relations between urban local bodies and state government; and highlight the implications of urban political and financial governance.

1.4.3 Review of Urban Infrastructure Sectors and Urban Schemes

This section makes an attempt to review urban infrastructure sectors and urban schemes in post independent India. This section is expected to help in understanding changes in policies and institutions at the national level that have affected schemes and projects in selected sectors such as housing, water, sanitation and solid waste management.

1.4.4 Overview of JNNURM, UIDSSMT and IHSDP

JNNURM, UIDSSMT and IHSDP are the major urban initiatives of central government launched in 2005. A critical overview of institutions, procedures, processes and their interlinkages at National, State and Local body level will be discussed in this section.

1.4.5 Analysis of Reform Proposals

The JNNURM and the schemes have stipulated identical set of 'reforms' to be carried out by the state governments as also by the Urban Local Bodies (ULBs). One of the explicit objectives of these reforms-linked-schemes is to make ULBs in India "financially self sustainable" as also to make them

“accountable to citizens”. The implementation of urban infrastructure projects and the reform proposals, presently under various stages of implementation, are expected to create wide ranging impacts on the citizens of respective ULBs. A critical analysis of these reform proposals and their implications on public interest will be provided in the third chapter of the NLBD.

1.5 Limitations

Much of the analysis in understanding the emerging issues and concerns in urban India will focus on both the policy and institutional aspects. The analysis, however, will not focus much on the impact of urban policy at the grassroots level. This kind of analysis could have further helped to establish strongly how the policy is implemented at the grassroots level and what are the implications of urban reforms in India. Such an endeavour essentially requires a comprehensive empirical study of the urban policy at the grassroots level.

CHAPTER II: OVERVIEW OF URBANISATION IN INDIA

This chapter on the “Overview of Urbanization” is an attempt to understand the forces that have shaped urbanization across the globe and, specifically, in India, as a developing economy. The chapter starts with a trend analysis of this growing phenomenon and its relationship with the economy of the geography under study. This is followed by an analysis of various factors such as: social, economic, political, geographical, both natural as well as artificial, that shape the process of urbanization across the world. The chapter then delves into the Indian aspect of urbanization, and highlights the definitional issues inherent in Indian urban planning and administrative machinery. Finally the chapter reflects upon the uniqueness of the urban phenomenon in India and concludes with portraying the major concerns of growing urbanization in India.

2. Introduction

One of the most important developments that is shaping the contemporary world is the rapid urbanization of the world population. A development that on one hand is the effect of various social, economic and political forces, across geographies, and on the other is also a prime cause of various social, economic and political changes of the recent times. As per the UN estimates over 51 percent of the world population, i.e. more than around 3.3 billion people in absolute numbers, are urbanized, and the number is expected to increase to almost 5 billion by 2030, which implies that more than one half of the human race is slowly becoming city dwellers.¹ Such rapid increase attracts an analysis on the trends, causes and the probable effects, both positive and negative, of this growing phenomenon.

According to the historical trends from the last century, it can be observed that the greater part of global urban growth has generally been occurring in developing countries (See Figure 1). According to the World Bank, between 1950 and 1990, the urban population of developing countries increased fourfold from 300 million to, approximately, 1.3 billion and this trend has since been continuing with around 15 million household additions to the cities of the developing countries in the decade thereafter². The rapid rates of urban population growth in Asia, Africa, and Latin America, in the recent decades, reflect the same phenomenon. Continuing on this direction, the UNFPA report 2007³ states

¹ For more details, see *Unleashing the Potential of Urban Growth*, published by the United Nations Population Fund (UNFPA). Released on 27 June 2007

² For more details, see *World Bank (2000) World Development Report 1999/2000: Entering the 21st Century (Published for the World Bank), Oxford University Press, Oxford.*

³ For more details, see *Unleashing the Potential of Urban Growth*, published by the United Nations Population Fund (UNFPA). Released on 27 June 2007

that between 2000 and 2030, the urban population of Asia would grow from 1.36 billion to 2.64 billion, Africa from nearly 295 million to 742 million, and Latin American and the Caribbean from 394 million to almost 610 million. This also implies that with time, the drastic rates of urbanization has shifted towards developing countries, whereas the developed countries have matured with high levels of urbanization and moderate rates of urban growth.

One of the most noticeable features of urban growth in the 20th century has been the massive increase in the number of very large cities. In 1900 there were at least 13 cities with more than a million inhabitants, and by 1950 the number had grown to 68 and which further increased to around 400 in the first decade of the 21st century—many of which, around 70 percent, are in developing countries like China, South Africa, Brazil and India⁴. The zenith of this trend would be marked by the developing world being more urban in character than rural, in this decade.

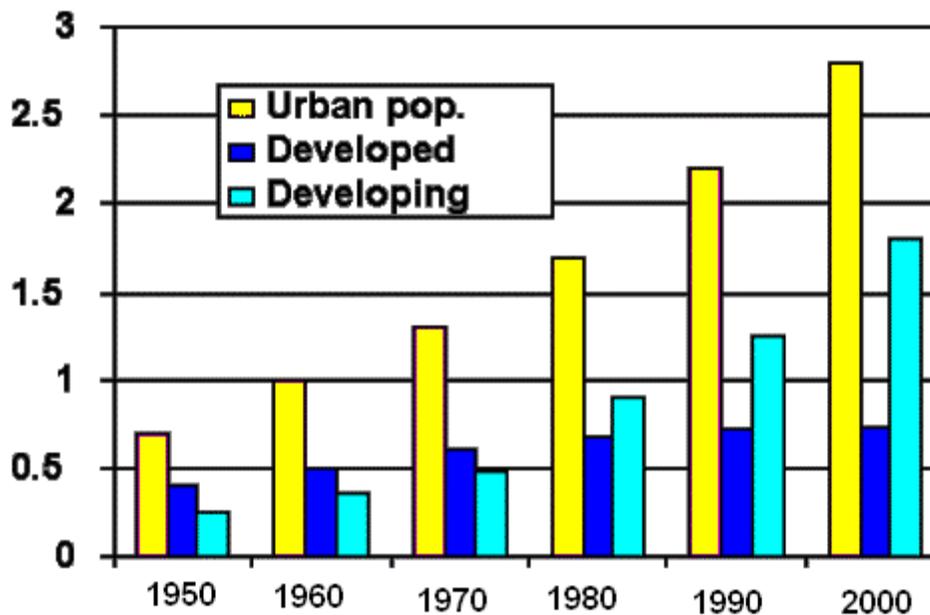


Figure 1: Representing, general Urbanization trends

Source: http://www.globalchange.umich.edu/globalchange2/current/lectures/urban_gc/

2.1 Factors for increasing Urbanization

⁴ For more details, see *Urbanization and Cities, Nature Gallery (Global Trends [Population Growth])*

There are various factors that contribute to urbanization in developing countries. The concept urbanization has different meaning to different people. As put by Kwasi Nsiah-Gyabaah⁵, urbanization, is the shift from a rural to an urban society, and involves an increase in the number of people in urban areas during a particular year. Urbanization is the outcome of social, economic and political developments that lead to urban concentration and growth of large cities, changes in land use and transformation from rural to metropolitan pattern of organization and governance. Historically, cities were centers of art, pleasure, worship, leisure and administration, with the productive activity focused primarily in the rural surrounding. However, in post industrial revolution cities started becoming the centers of productive activity and generally grew out of some natural advantage in transport or raw material. Hence economic forces, especially employment and the resulting migration became a major cause of urbanization.

The concept of migration is closely associated with urbanization. Migration is defined as the long-term relocation of an individual, household or group to a new location outside the community of origin⁶. Migration always has and continues to have multiple root causes. These range from economic marginalization to insecurity to social upheaval to political mismanagement and environmental pressures. Migration is generally attributed to both “**push factors**” – conditions in the place of origin which are perceived by migrants as detrimental to their well-being or economic security, and “**pull factors**” – the circumstances in new places that attract individuals to move there (Ibid). Examples of push factors include high unemployment and political persecution; examples of pull factors include job opportunities or moving to a better climate.

Generally, a natural pull factor initiates migration that can be sustained by push and other factors that facilitate or make possible the change. For example, a farmer in rural area whose land has become unproductive because of drought (Natural Push Factor) may decide to move to a city where he perceives more job opportunities and possibilities for a better lifestyle (Natural Pull Factor). In general, cities are perceived as places where one could have a better life, because of better opportunities, higher salaries, better services, and better lifestyles. The perceived better conditions attract poor people from rural areas. Such natural perception of push-pull factors can be termed as the dominant historical socio-economic forces, encouraging migration right from the beginning of the conceptualization of urban landscape.

Another important factor is the role of **market forces** which somehow induces an artificial network of push-pull forces driven, in turn, by the political economy, especially in the realm of a neo liberal set up.

⁵ For more details, see Kwasi Nsiah-Gyabaah, *Urbanization Processes – Environmental and Health effects in Africa*

⁶ For more details, see *Urbanization and Global Challenge, Lecture on Urban Governance in University of Michigan*

Market has its own, very obvious, benefits from growing urbanization, be it in terms of the ease of economic processes and their centralized administration or new and better avenues of market creation. This in turn tends the market forces to improve the conduciveness of the conditions for natural push-pull factors. The natural conditions are heightened during times of change from a pre-industrial society to an industrial one. It is at this time that many new commercial enterprises are made possible, thus creating new jobs in cities. It is also a result of industrialization that farms become more mechanized, putting many rural labourers out of work. This trend becomes in all engulfing phenomenon, with urbanization not only limited to forces of migration, but creation of cities and urban centers and agglomerations out of rural areas. Cities provide more specialized goods and services to the local market and surrounding areas, function as a transportation and wholesale hub for smaller places, and accumulate more capital, financial service provision, and an educated labor force, as well as often concentrating administrative functions for the area in which they lie.

Along with the market forces, **political forces** and the resulting policies also play an important role. One simple example⁷ of how the economy driven policies that have led to urbanization, in many developing countries, can, appropriately, be considered here. In order to pay foreign debt and to be more competitive in international markets, national governments encourage the export of national resources and agricultural products, thus transforming them into natural resource capital that can be traded to bolster the national economy. In order to produce agricultural products quickly, efficiently, and for a decent prize, national governments often look to decrease the number of small producers, and turn agricultural production and resource extraction over to larger enterprises, with larger production facilities, and a lower per-unit cost of production. This trend turns land into a commodity, that can be bought and sold, and it is viewed only in terms of its productive capabilities. Free market economics pursues economic efficiency to deliver goods at the lowest possible price, and its advocates maintain that any government intervention diminishes this efficiency. Consequently, they seek to eliminate farm programs such as farm subsidies, cheap credit policies, etc. intended to help the farmer, and to maintain stable prices. This scenario leaves farmers to shoulder the burden of farming, sometimes with no alternative but to sell their land to a foreign investor or a domestic-owned enterprise, and move to the cities, where the farmer hopes to have a better life. This depicts a scenario initiated with a political intervention which ends into an economic decision controlled by market forces. The example reflects an artificial push factor being created by the socio-economic policy decisions. Similarly policies, may also contribute to an artificial pull, by means of making city life more attractive and livable, by various standards, thus leading to further migration.

⁷ Example quoted from: *Urbanization and Global Challenge, Lecture on Urban Governance in University of Michigan*

This strongly indicates that the urbanization processes are largely driven by market forces and government policies that lead to simultaneous processes of change in livelihoods, land use, health and natural resources management including water, soil and forests and often reactive changes in local governance. Government development policies and budget allocations, which often favour urban residents over rural areas, tend to pull people into the urban areas. In the cities, public investment, which often misses the urban poor, with expenditures biased towards the higher-income classes and poverty among vulnerable groups such as new migrants force them into slums and squatter settlements⁸. Here the concentration of investments in cities attracts large numbers of migrants looking for employment, thereby creating a large surplus labour force, which keeps wages low. This situation is attractive to foreign investment companies from developed countries which can produce goods for far less than if the goods were produced where wages are higher⁹. Thus, there is a strong indication that urban poverty serves a distinct function for the benefit of global capital. These political economic forces, strongly active, across developing countries result into enhanced rates of urbanization in the developing world.

2.2 The Indian Context

Urbanization in India, as in many third world countries, inherited the basic structure from the colonial regime where in 'the city', was the center of economic activity, acting as the market for the district around. However stronger integration with the global system, leading to change in the market structure, as well as planned interventions by the central and the state government policies have led to some very significant departures in the patterns and unique features in the structure of urbanization and the process of urban growth. The resultant urbanization is a complex outcome of these forces, often acting in conflict with each other, trying to bring about a regional balance. The success of these forces can at the best be described as limited, resulting in a very lopsided growth, in terms of both within the urban centers as also within a region as a whole.¹⁰ The country today sees a number of growth nuclei and corridors with huge opportunities around, leading to a very dense concentration of population while other smaller towns suffer from an acute lack of development, leading to a huge degree of inter town migration in addition to Rural-Urban Migration (Ibid).

⁸ For more details, see Kwasi Nsiah-Gyabaah, *Urbanization Processes – Environmental and Health effects in Africa*

⁹ For more details, see *Urbanization and Global Challenge, Lecture on Urban Governance in University of Michigan*

¹⁰ For more details, see *Kundu Amitabh (2005): Handbook of Urbanization in India, An analysis of trends and processes, Oxford University Press*

2.3 Non-Uniform Growth

Indian Urban Population has exhibited a consistent and formidable growth with an absolute figure of 285 million as per the census 2001. This indicates the fact that more than a quarter of India is now urban, growing gradually from 20.22 per cent in 1971, to 23.73, 25.72 and 27.78 per cent respectively in 1981, 1991 and 2001 (as per census data). The growth rate of the urban population has seen some variations with an extreme of 3.83 percent in the 1970s marking a phase of hyper urbanization in India; however the growth rate has moderated thence to around 2.73 percent in the last decade of the 20th century.¹¹

These numbers, in themselves, do not draw the complete picture in case of a highly differentiated growth, where several of the states, big and small, like Tamil Nadu, Maharashtra, Gujarat, Karnataka, Punjab, Goa, Pondicherry, as well as the city states or territories such as Delhi and Chandigarh are predominantly urban and on the other hand many others like Uttar Pradesh, Bihar, Assam and Orissa, way below the national average (Refer Table 1). This huge difference, across states can be observed in the urban population as well as the number of urban centres and their growth rates.

Another prominent characteristics of Indian urbanization is its uneven spread, across class cities, with more than 70 per cent of the urban population living in 393 class I towns, each with a population of one lakh or more and around 40 per cent of the urban mass living in the 35 cities or agglomerations (Million plus cities). Another important development with regards to the Indian urban space is the growth of contagious groups of cities, towns, and urban centers. These agglomerations (UAs) incidentally have centered around a bigger city, with a large number of towns merging to it. Some 27 towns being merged to the Bangalore urban agglomeration (UA), in Karnataka is a glaring example of this centrifugal nature of Indian urbanization. This reflects a biased nature of urbanization which raises a question of sustainability.¹²

¹¹ Source: Census of India 1981, 1991 and 2001, Rural—Urban Distribution and Ministry of Urban Affairs

¹² Kundu Amitabh (2005): *Handbook of Urbanization in India, An analysis of trends and processes*, Oxford University Press

Table 2.1: State-wise Population and Urban Centres Growth

States/UTs*	% Urban Population in 1991	% Urban Population in 2001	Annual Exponential growth Rate of Urban Population (1991-2001)	Total Urban Centres 1991	Total Urban Centres 2001	% Change in No. of Urban Centres (1991-2001)
Jammu and Kashmir	23.83	24.88	6.87	74	75	1.35
Himachal Pradesh	8.7	9.79	2.81	58	57	-1.72
Punjab	29.72	33.95	3.19	120	157	30.83
Chandigarh*	89.69	89.78	3.09	5	1	-80.00
Uttaranchal	--	25.59	2.84	0	86	
Haryana	24.79	29	4.11	94	106	12.77
Delhi	89.93	93.01	4.14	32	62	93.75
Rajasthan	22.88	23.38	2.71	222	222	0.00
Uttar Pradesh	19.89	20.78	2.84	753	704	-6.51
Bihar	10.4	10.47	2.57	125	151	20.80
Sikkim	9.12	11.1	4.83	8	9	12.50
Arunachal Pradesh	12.21	20.41	7	10	17	70.00
Nagaland	17.28	17.74	5.27	9	9	0.00
Manipur	27.69	23.88	1.21	31	33	6.45
Mizoram	46.2	49.5	3.27	22	22	0.00
Tripura	15.26	17.02	2.53	18	23	27.78
Meghalaya	18.69	19.63	3.16	12	16	33.33
Assam	11.08	12.72	3.09	93	125	34.41
West Bengal	27.39	28.03	1.84	382	375	-1.83
Jharkhand	21.25	22.25	2.55	133	152	14.29
Orissa	13.43	14.97	2.61	124	138	11.29
Chhattisgarh	17.5	20.08	3.09	95	97	2.11
Madhya Pradesh	25.27	26.67	2.71	370	394	6.49
Gujarat	34.4	37.35	2.8	264	242	-8.33
Daman & Diu*	46.86	36.26	1.87	2	2	0.00

Dadra Nagar Haveli*	8.47	22.89	14.59	1	2	100.00
Maharashtra	38.73	42.4	2.95	336	378	12.50
Andhra Pradesh	26.84	27.08	1.37	264	210	-20.45
Karnataka	30.91	33.98	2.53	306	270	-11.76
Goa	41.02	49.77	3.32	14	9	-35.71
Lakshadweep*	56.29	44.47	-0.77	4	3	-25.00
Kerala	26.44	25.97	0.74	197	159	-19.29
Tamil Nadu	34.2	43.86	3.56	469	832	77.40
Pondicherry*	64.05	66.57	2.26	11	6	-45.45
Andaman and Nicobar Islands*	26.8	32.67	4.4	1	3	200.00

Source: Census of India 1981, 1991 and 2001, Rural—Urban Distribution

Note: a) The towns including those appearing as constituents of UAs have been considered as separate units.

Historically, it can be observed that India depicts a consistently high growth rate in the number of urban centers as well as urban population. However an observation of the changes in these numbers and the resulting trend, as per the census data (Refer Table 2), can assist in understanding that there is a decelerating growth in the number of urban centers from 1981 to 1991 and 2001 respectively, which indicates a reduction in the growth rate, going from around 16 percent in 1981-91 to near 10 percent in 1991-2001, of towns. It can further be drilled down to observe that the increase in statutory towns in this duration has been very rapid and consistent, going from around 9 percent in 1981-91 to near 26 percent in 1991-2001, whereas the census towns have shown a wayward and bisectonal movement, going from around 33 percent in 1981-91 to near -19 percent in 1991-2001. This negative growth in the census town numbers it seems has reduced the growth rate of urban centers as a whole in the decade 1991-2001. Another interesting observation here is the drastic fall in the increase in the number of UAs from 105 in 1991 to 1 in 2001 and in the same context it can be seen that the number of towns within UAs have actually come down from 1302 to 1162 in the 1991-2001 decade after showing an increase of around 40 per cent in the previous decade. On the other hand the growth in the number of towns, outside any UA has depicted an incremental growth from around 9 per cent in the 1981-1991 decade, to 17 per cent in the decade thereafter.

Table 2.2 : Indian Urbanization Trends

Dimensions of Urbanization in India	1981	1991	2001
1) Urban Population (Million)	159.5	217.6	285
2) Percentage Urban Population	23.73	25.72	27.78
3) Annual exponential growth rate of urban population	3.83	3.09	2.73
4) Statutory Towns	2758	2996	3798
5) Census Towns	1271	1693	1363
6) Total Urban Centers (4+5) or (11+12-10) or (12+13)*	4029	4689	5161
7) New Towns	1054	856(579)	1138(636)
8) Declassified Towns	99	93	445
9) Merged Towns	--	103	221
10) Urban Agglomerations	276	381	382
11) Towns with each UA as one town	3378	3768	4368
12) Towns within UA	927	1302	1162
13) Towns outside UA (11-10)*	3102	3387	3986

Source: Census of India 1981, 1991 and 2001, Rural—Urban Distribution and Ministry of Urban Affairs
The towns including those appearing as constituents of Urban Agglomerations have been considered as separate units. ;

For point 7: Within bracket shoes the number of new census towns;

*The serial numbers and the resulting calculations have been used for clarifying the quantitative relations between Agglomerations and Towns

2.4 Definitional Issues

The numbers indicate the importance of the growth in the number of urban centers, apart from the socio-economic and migration factors, in the process of urbanization, which play a significant role to appreciate the complete picture. The growth patterns of the urban centers solicit a look into the definitional issues and the administrative factors and the resulting inconsistencies, with the most glaring example being the fact that the number of declassified towns have increased to 445 in the 1991-2001 decade from a low of 99 on the previous decade. The numbers of towns merged too have shown an increase from 103 to 221 in the span of these 2 decades, reducing the number of towns. On the other hand, the number of new towns added has increased from 856 in 1991 to 1138 in 2001. The increase in

the number of urban centers has been basically due to the massive increase in the statutory towns, although accompanied by a decreasing number of census towns. Here again, it is worth observing that the most urbanized state of Tamil Nadu has added around 55 percent of new Statutory towns in the 1991-2001 duration and the number of census towns have reduced by a huge 75 percent, as many of the erstwhile census towns became statutory towns, this has led to sudden and tremendous urbanization in that state. However when the second most urbanized, Maharashtra --which happens to be the most urbanized state of the country since even before independence, and has climbed down that position in the census, 2001--, is observed for the same statistics, it is found that the number of statutory towns here has increased only by a very low 2 percent from the 1991 figure of 246 statutory towns whereas the number of census towns here have grown by more than 40 percent, implying that the new census towns are not accumulated as statutory ones. Hence, implying a huge margin of discretion in the definition of urban centres.

These inconsistencies and definitional discrepancies distract the actual understanding and provide a distorted, and somewhat exaggerated feel of the increasing trends. Such large number of declassifications, mergers and additions indicate changes in the criterion and their application during various census operations. The 2001 census, for example identifies 57 more new census towns that and recorded a declassification of 445 towns which is, approximately, five times larger than the previous census. In addition, it is noteworthy that the number of new towns added in 2001 is much more than the total number of declassified and de-notified towns. These observations demand a degree of caution while analyzing the trends of urbanization in India. Apart from this incoherence in the definitional issues, it can also be observed that the number of declassifications, as per the 2001 census, is remarkably less than the additions; however this trend has a huge variance at the state level with many states, like Andhra Pradesh and Gujarat recording a much larger number of declassifications. The huge number of growth in the number of statutory towns has also contributed to the inflated numbers of urban population. In fact this drastic growth, based on no strict criteria, has overdone the large-scale declassification of census towns and such ad hoc additions, based on the discretionary powers of the state government, have artificially inflated the Indian urban space.

2.5 Features of Urbanization

Compared to many other developing countries, the urbanization rate has been quite moderate in India with a few fluctuations due to the administrative factors, discussed above. Although moderate, the unplanned and lopsided nature of urbanization in India has led to a distorted and hyper shape. Urban growth can be attributed to mainly three components 1) Natural increase, 2) Net migration, 3) Areal

reclassification.¹³ An approximate analysis of these components (Refer Table 3), with all the definitional concerns included, indicates that during 1971-81 about 41% of urban growth (estimated by Jain, RG 1991 Census) can be attributed to natural increase which reflects the role of demographic momentum, 36% due to net migration and municipal boundary changes and 19% due to reclassification of area; but urban growth due to natural increase has increased from 42% in 1971-81 to about 60% during 1981-91. Urban growth due to migration and changes in municipal boundaries has reduced from 39% in 1971-81 to 22% in 1981-91.¹⁴ It is clear that urbanization process in India is not mainly "migration lead" but a product of demographic explosion due to natural increase.

Another important aspect of Indian migration is that people primarily migrate to cities not due to urban pull but due to rural push. Poverty led migration has induced very poor quality of urbanization followed by misery, poverty, unemployment, exploitation, rapid growth of slum, inequalities, degradation in the quality of urban life.¹⁵ It can be stated that Indian Urbanization is a product of demographic explosion and poverty induced rural-urban migration. Urbanization is occurring not due to urban pull but due to rural push. Globalization, liberalization, privatization are addressing negative process for urbanization in India.

Table 2.3: Components of Urban Growth

Percent Share	1971-81	1981-91
Natural Increase	41.7%	59.9%
Net Migration + Changes in Municipal Boundaries	39.4%	22.6%
Areal Reclassification	18.8%	17.4%

Source: Census of India 2001

Moreover it is also very significant that over the years there has been continuous concentration of population in class I towns. On the contrary the concentration of population in medium and small towns either fluctuated or declined. The graduation of number of urban centers from lower population size categories to class I cities has resulted top heavy structure of urban population in India. India's urbanization is often termed as pseudo-urbanization. The big cities attained inordinately large population size leading to virtual collapse in the urban services and followed by basic problems in the

¹³ For more details, see Bhagat, R.B. (1992) *Components of Urban Growth in India with Reference to Haryana: Findings from Recent Censuses Nagarlok*, Vol. 25, No.3, pp.10-14.

¹⁴ Estimated by Jain, R G (1992): based on census data

¹⁵ For more details, see Sen, A. and Ghosh, J. (1993): *Trends in Rural Employment and Poverty Employment Linkage*, ILO-ARTEP Working Paper, New Delhi

field of housing, slum, water, infrastructure, quality of life etc. The pattern of urbanization in India is characterized by continuous concentration of population and activities in large cities and this unequal distribution has been continuously increasing leading to growing instability.¹⁶ The unique features of urbanization in India can be highlighted in the following manner:¹⁷

- Lopsided and focused on Class-I Cities.
- Urbanization occurs without industrialization and strong economic base.
- Urbanization is mainly a product of demographic explosion and poverty induced rural - urban migration.
- Rapid urbanization leads to massive growth of slum followed by misery, poverty, unemployment, exploitation, inequalities, degradation in the quality of urban life.
- Urbanization occurs primarily, not due to urban pull but due to rural push.
- Poor quality of rural-urban migration leads to poor quality of urbanization.
- Distress migration initiates urban decay.

2.6 Impacts and Consequences

The high growth in urbanization, denoting rapid development – although not in holistic terms—have led to various effects which can be termed as negative, ironically from the development perspective. Undoubtedly, the process of urbanization is a natural extension of the economic growth. However the uncontrolled pace of the same leads to a scattered development which in turn has serious ill effects. Rapid urban growth, in India, is responsible for many environmental and social changes in the urban environment and its effects are strongly related to global change.

The impact on urban poor and their basic needs has become the most important concern, an issue which can negate the most basic encouraging cause of urbanization and undo the development gains. The study done by UN-HABITAT suggest that in a large number of the world's poorest countries, the proportion of urban poor is increasing faster than the overall rate of urban population growth

¹⁶ For more details, see *Davies Kingsley and Golden H.H.(1954) : " Urbanization and development in pre-Industrial Areas", Economic Development and Cultural Change, Vol.3 no 1*

¹⁷ For more details, see *Datta Pranati (2006): Urbanization in India, Population Studies Unit, Indian Statistical Institute*

leading to a very high proportion of slum dwellers in the urban space¹⁸ and India is following this trend. It is estimated that, in India, between 1983 and 2004-05, while poverty (head count ratio) declined, the total number of rural poor declined by 12.31 percent while the total number of urban poor increased by 13.89 percent¹⁹ and this has manifested into a rapid growth in the slum population from 27.9 million in 1981 to around 43 million in 2001²⁰. The fundamental problems of the urban poor in finding potable water supply, affordable shelter, accessible and secure urban land, ensure food security, securing gainful employment, improvement in health facilities and most importantly the ever growing rate of increase in inequality has become a major challenge for the policy-makers in urban India.

Rapid urban growth, concentrated around certain prime urban centres in the country has seriously outstripped the capacity of these cities to provide adequate basic services for their citizens. Yet each year cities attract new migrants who, together with the increasing native population, expand the number of squatter settlements and slums, exacerbating the problems of urban congestion and sprawl and hampering local authorities' attempts to improve basic infrastructure and deliver essential services. This ever increasing contribution of distress migration and the lopsided growth, skewed severely against the small and medium towns, is leading to a negative scenario countering the positive influences of urbanization to the Indian economy as a whole. This concentrated growth towards few large urban centres have also synthesized the problem of peri-urbanization, which leads in the formation of "mixed spaces", midway between urban centers and rural spaces.²¹ Gross mis management and unplanned growth has been a very general tendency of peri-urbanization, which combined with growing rates of population increase, place enormous stress on natural resources and imposes 'ecological footprints' on the peri-urban areas. Areas like National Capital Region (NCR) around Delhi and Raigad around Mumbai present examples of how urbanization leads to the outward expansion of cities and results in changes in land use whereby urban residents buy up prime agricultural land for residential or commercial purposes. The conversion of farm lands and watersheds for residential purposes have negative consequences on food security, water supply as well as the health of the people, both in the cities and in the peri-urban areas.²²

¹⁸ For Details, see *United Nations human settlements programme (UN-HABITAT). The challenge of slums: global report on human settlements 2003. London: Earthscan; 2003.*

¹⁹ For Details, see *Chandrasekhar S and Mukhopadhyay Abhiroop (2007-08): Multidimensions of Urban Poverty: Evidence from India, Indira Gandhi Institute of Development Research, Mumbai*

²⁰ Source: Census of India 2001

²¹ For more details, see *Conflicting stakes and governance in the peripheries of large Indian metropolises – An introduction, Ve ´ronique Dupont * Centre de Sciences Humaines, New Delhi, India Institute of Research for Development, Paris (IRD), France*

²² For more details, see Kwasi Nsiah-Gyabaah, *Urbanization Processes – Environmental and Health effects in Africa*

The characteristics discussed above, in the previous section, combined with faulty urban planning is making the urban growth highly unsustainable with degenerating socio-economic inequalities on one hand and infrastructural and environmental concerns on the other, leading to an overall degradation of the quality of urban life. This problem of non-sustainability is manifest in various forms of social conflicts and anti social activities, growing problems of urban transport with degrading public transport and obvious disadvantages to pedestrians and cyclists, deteriorating air and water quality on account of unplanned growth in industrial activity, transportation needs and energy production overtaking the natural recycling capabilities, ever increasing encouragement towards over consumption leading to unmanageable amounts of solid waste, extreme lack of housing facilities even for the middle income groups in addition to the growing habitat problem for the economically weaker and lower income sections of the urban society, worsening scenario of the social infrastructure with an ever increasing urban poverty. It is an urbanization without the functional characteristics that accompanies urban development which in turn can undo the constructive and favorable impact of the urbanization concept in India.

CHAPTER III: URBAN HOUSING SECTOR IN INDIA

3. Introduction

Shelter is a basic human need, from the very beginning of civilizations, next only to food and clothing. As Independent India today grapples with a lopsided growth, Housing and the affordability of it remains a major concern. Pandit Nehru stated that every Indian should have a two roomed house, a vision that has not been achieved even after more than 60 years of Independence. A gauge at the status of Housing in India, post tenth five year plan reflects an approximate shortage of 24.7 Million units with 99 percent of this shortage pertaining to economically weaker sections (EWS) or lower income groups (LIG). This shortage, accompanied by severe shortage of basic services like sanitation, electricity, drinking water, roads and solid waste management worsens the urban housing scenario further. A significant percentage of around 15.2 percent of India's Urban Population dwells in slums and around 35 percent of urban households live in single room units. These numbers speak of a grim situation with respect to the housing sector in general and affordable housing in particular.

This background paper tries to highlight the various policy initiatives and programmes in the space of urban housing, since Indian independence. The document also attempts to capture the debates surrounding these programmes at various points in time. The paper has been divided into five sections, depicting various intervals of time, namely: "History of Urban Housing in Independent India", "Housing a Socio-Economic concern", "Government as an Enabler", "Private Sector Facilitation", and "Affordable Housing, the new approach" . This is finally followed by a concluding note to the paper.

A. History of Urban Housing in Independent India (1947-1965)

Housing policy in India in the early post independence phase, since the year 1947, was very much 'social' in nature; a policy, though unwritten, leaning towards strong state control, and direct government involvement in housing construction. One very important, and politically relevant, reason for the increased focus on state controlled housing was the urgent and immense need of rehabilitation of the partition affected citizens. This was reflected in the first five year plan (1951-56) which allocated approximately 33 percent, of the total investment in the economy, towards the housing sector alone²³. The Ministry of Works & Housing was constituted and National Building Organization and Town & Country

²³ Prof. Dr. P.S.N.Rao (2004): Transformation of Housing Policy in India - the Trend Towards Market Mechanisms

Planning Organization were set up, An Industrial Housing Scheme was also initiated. The Centre subsidized Scheme to the extent of 50% towards the cost of land and construction²⁴.

This was the era of direct government intervention in terms of shelter provisioning and supplementary activities like construction, land acquisition, allotment and continued till the 1960s. In terms of planning this era reflected a completely centralized approach, with funding based on the central five year plans and many centralized schemes focused on various strata of urban society. (Refer Table 1). The construction work was primarily under the purview of State housing boards and development authorities. The fifties and sixties were the decades of direct involvement of the state in housing provision.

Table 3. 1: Centralized Urban Housing Programs of the Government of India (Till the 1960s)

Programme	Description
Refugee Resettlement	<ul style="list-style-type: none"> ➤ Started after independence. ➤ To rehabilitate over 7.5 Million refugees. ➤ Under the aegis of the Ministry of Refugee Rehabilitation ➤ Continued up to Second Plan (1956-61) ➤ More than half-a-Million families were rehabilitated.
Social Housing Schemes	<ul style="list-style-type: none"> ➤ Introduced in the first plan, 1951 ➤ Gradually transferred to state governments.
Industrial Subsidized Housing Scheme for Industrial Workers and EWS.	<ul style="list-style-type: none"> ➤ Launched in 1952, aimed at families with a monthly income of less than ➤ Rs 500 per Month. ➤ To provide shelter to industrialized workers (A major contribution to migration). ➤ Housing boards, State governments, Local bodies, co-operative societies, and industries were all participants. ➤ Basis was 50% Loan and 50% subsidy. ➤ Was continued with subsequent plans. ➤ Was converted to a hire-purchase plan in the late seventies. ➤ 0.19 Million houses built under this till Fifth plan (1974-79).
LIG Housing Scheme	<ul style="list-style-type: none"> ➤ Launched in 1954, to provide loans for up to Rs18,000 per unit. ➤ Implemented with the help of quasi governmental

²⁴ For more details, see Ministry of Housing and Urban Poverty Alleviation website (<http://mhupa.gov.in/policies/index2.htm>)

	<p>organization.</p> <ul style="list-style-type: none"> ➤ 0.33 Million houses built under this till Fifth plan.
Plantation Workers Housing Scheme	<ul style="list-style-type: none"> ➤ Launched in 1956, based on Plantations Act. ➤ Mandatory, for Planters, to provide and maintain houses for workers. ➤ It was under a loan and subsidy scheme, upper limit on unit cost was Rs 5000. ➤ 0.016 Million houses built under this till Fifth plan.
MIG Housing Scheme	<ul style="list-style-type: none"> ➤ Launched in 1957, to provide loans to individuals or co-operatives. ➤ Loan up to a maximum of Rs 33,000 for building houses within a cost ceiling of Rs 43,000 per unit. ➤ 40,000 houses built under this till Fifth plan.
Rental Housing for State Government Employees	<ul style="list-style-type: none"> ➤ Launched in 1959 to provide rental housing for state government employees. ➤ 30,000 houses built under this till Fifth plan.
Slum Clearance and Improvement Scheme	<ul style="list-style-type: none"> ➤ Launched in 1956, aimed at rehousing slum families at nominal rent. ➤ Housing boards and Slum clearance boards were the implementing agencies. ➤ Basis was 50% loan, 37.5% GOI subsidy and rest contributions by state government. ➤ Gradually transferred to states and later HUDCO financing was also made available.
Environmental Improvement for Urban Slums	<ul style="list-style-type: none"> ➤ Launched in 1972, to provide amenities to slums in 20 cities. ➤ Gradually transferred to states and extended to all cities, with population in excess of 0.3 Million. ➤ 65 Million People were covered under this till Fifth plan.

Source: Compiled from various Reports of the Ministry of Urban Development & Poverty Alleviation, GOI

It was during this period that India witnessed Rural-Urban Migrations and the migrants were primarily government job oriented people and various government departments were encouraged to create housing infrastructure for their employees. A prominent example of this was the Central Public Works Department which assisted the government in creation of several housing schemes for the central government employees. The second (1956-61) and the third plan (1961-66) paid special focus to the shelter needs for workers, especially for the lower income groups.

However, Government of India's centralized planning model reflected limited success on the face of growing urbanization. The reason for this was the fact that the rate of house construction by public bodies was not able to meet the growing demand. This can further be diagnosed to the fact that the

public funds were too meager for the mass scale urban housing activity required. Moreover, the State housing boards and development authorities, with the explicit objective of constructing houses, especially for low- and middle- income group urban households, were not able to implement the programmes, with whatever limited funds available, at a pace required to cater to the growing demand.²⁵ Limited role of people's participation, discouragement to international investments and the emergence of various popular forms of housing provision which were not entirely legal are some of the counter-productive results of this era of intervention in urban housing sector.

B.Housing a Socio-Economic concern (1965-1985)

The limited results of the earlier phase triggered a gradual change in the understanding of the shelter problem, in relation to urban scope, as well the intervention approach. The holistic understanding of the nature of urban habitat issue was gradually catching up and a slow shift towards a systemic approach to the problem was beginning. The same reflects even in the design of government programmes which depicts a shift of focus from 'intervention and implementation' to greater 'public participation'. This era observed an appreciation of poverty alleviation as a part of shelter programmes, with an increase in the outlays for this sector and the launching of several national initiatives and human settlements institutions. Urban housing development schemes started marking an important precedence due to an acknowledgement of the shelter problem in the urban space.

Table 3. 2: Various Urban Housing Programs of the Government of India in the 1970s

Programme	Description
Establishment of HUDCO	➤ Constituted in 1970 for financing public sector housing projects.
25 th Constitutional Amendment	<ul style="list-style-type: none"> ➤ In the year 1971, this amendment and legislation was passed. ➤ The purpose was to enable determination of amount for land acquisition, independently of market price.
Scheme for Environmental Improvement or Urban Slums	<ul style="list-style-type: none"> ➤ Undertaken by the centre in 1972-73 ➤ The purpose was to provide a minimum level of services, like, water supply, sewerage, drainage, street pavements in 11 cities with a population of 8 Lakhs and above. ➤ Extended later to 9 more cities
Urban Land (Ceiling and	➤ Passed in 1976.

²⁵ For more details on the role of Government in housing delivery for the poor and the limited success of the same, refer Alpana Sivam and Sadasivam Karuppannan (2002): Role of state and market in housing delivery for low-income groups in India, *Journal of Housing and the Built Environment* 17: 69–88, 2002. © 2002 Kluwer Academic Publishers. Printed in the Netherlands.

Regulation) Act	<ul style="list-style-type: none"> ➤ Stipulated ceilings on urban land holding, enabled acquisition of excess lands, and offered exemptions for promoting low income housing.
Hut Renovation Scheme	<ul style="list-style-type: none"> ➤ Introduced in 1976 to extend loans to slum dwellers. ➤ Commercial banks were involved in loan disbursals.
HDFC established	<ul style="list-style-type: none"> ➤ The Housing Development Finance Corporation was set up in 1977 for financing individual housing activity.
Integrated Development of Small and Medium Towns IDSMT	<ul style="list-style-type: none"> ➤ Launched as per the 6th plan (1980-85) ➤ Launched in towns with population below one lakh for provision of roads, pavements, minor civic works, bus stands, markets, shopping complex etc.

Source: Compiled from various Reports of the Ministry of Urban Development & Poverty Alleviation, GOI

This realization was followed by many large-scale interventions but with an altered and enhanced focus. The broad base gradually incorporated finance, land, technology, people and private participation and international agencies to the realm of urban housing. Table 2 reflects the initiatives with respect to all these aspects in this duration. The balanced urban growth was accorded high priority in the fourth Plan (1969-74). The Plan stressed the need to prevent further growth of population in large cities and need for decongestion or dispersal of population. This was envisaged to be achieved by creation of smaller towns and by planning the spatial location of economic activity, which found a continuation in the fifth plan (1974-79), which set up a task force, was set up for development of small and medium towns.

Establishment of a national housing finance structure, setting up of urban management agencies and social housing schemes are some visible results of these changes. A major step that was undertaken in this phase was introduction of the Urban Land (Ceiling and Regulation) Act in the year 1976 as a central legislation all over India, which in turn created many hindrances in the private land owners putting their lands into the housing market. Also, the urban settlements scenario underwent a change again with the advent of the sixth plan in 1980, by increasing the access to adequate shelter by the poor as per the Bill of Housing Rights. This was a period of rapid economic growth for India and improving living standards for the urban space specially so for the formal sector.

A marked change of perception was also with respect to slums, which were now being accepted as a by-product of urbanization and thus the slum improvement schemes were strengthened, in a large scale. In-situ upgradation of slums and loans from slum renovations marked the acceptance of slums to the urban reality. This was the beginning of what can be termed as an integrated approach towards the urban development, linking urban housing with other development programmes. The Ministry of

Works and Housing was restructured as Ministry of Urban Development, to emphasize as the integrated focus on urban development as a whole. The sixth plan (1980-85) propagated this view of integrated provision of services along with shelter, particularly for the poor.

This phase also reflects the gradual reduction in the interventionist approach by government, taking up more of a role of facilitator from implementer. Simultaneously private as well as international participation was visible in this era. Private investments, in the shelter sector as well as a strong direction, of the formal sector, towards the development of land and infrastructure was beginning now, with the advent of the seventh plan. It can also be said that this era gave housing the dimension of a socio-economic concern, with the perception that this sector was a primary generator of employment with a very high multiplier effect.

C. Government as an Enabler (1985-1990)

The various schemes and programmes, with respect to urban housing in independent India had yielded little result and a change in perception was quite imminent by the 1980s. With the rising population, the percentage of people living in inadequate conditions had remained unchanged. India's economic activities started increasing. However the growth was concentrated as well as lopsided, which led to massive growth in urban poverty as corroborated by the growing slum population. Data (Refer table 2) corroborates that the housing situation, especially for the poor, had deteriorated, in spite of the various interventions by the government.

A very important constituent of this growing concern was the unprecedented increase in land prices, this coupled with the growing socio-economic disparity and the rapid urbanization and the resultant pressure on urban centers, ensured complete exclusion of the disadvantaged from the availability of shelter. The pricing of the land was uncontrolled by the government as well as by the market forces and the common debate was on the impact of speculation driven by black incomes. This phenomenon of black income utilization extended itself even to the periphery of the expanding cities, blocking huge tracts of land in turn.

Table 3.3: Urban Housing Condition

Description	1961	1971	1981
Average number of persons per room	2.62	2.77	
One room dwelling			
a) Per cent of households	53.05	50.10	

b) Per cent of population	43.52	41.72	
Two room dwelling			
a) Per cent of households	24.66	26.93	
b) Per cent of population	26.14	28.08	
Infrastructure per cent of households with			
a) Tap Water (Taps, Tubewells and Hand pumps)	50.67	68.89	79.66
			53.48
b) Electricity	56.37	60.49	66.81
c) Latrine			
Rented accommodation per cent of household	53.8	52.9	

Source: India [1980]

These daunting problems indicated a very limited development in relation to the shelter situation in urban India and solicited a change in the policy outlook which was provided by the Seventh Plan (1985-90). A three-fold role was assigned to the public sector, namely, mobilization for resources for housing, provision for subsidized housing for the poor and acquisition and development of land. The National Housing Bank was set up to expand the base of housing finance. NBO was reconstituted and a new organization called Building Material Technology Promotion Council (BMTPC) was set up for promoting commercial production of innovative building materials. A network of Building Centres was also set up during this Plan period. The Seventh Plan explicitly recognized the problems of the urban poor and for the first time an Urban Poverty Alleviation Scheme known as Urban Basic Services for the Poor (UBSP) was launched.²⁶

The seventh plan acknowledged the need for a holistic and innovative approach which finally ushered in a new phase with the formulation of National Housing Policy 1988. The National Housing Policy 1988 was one concerted effort to cater to the urban housing problem in totality, with its vast coverage encompassing various aspects of an urban life. In fact the preamble of the policy document dated 1987 (DNHP) placed shelter as a basic human need and was an indication on the acceptance of shelter as a fundamental right. This was a comprehensive plan demonstrating the need for promoting the sustained development of housing sector as a whole, with special attention towards the houseless

²⁶ For more details, see Ministry of Housing and Urban Poverty Alleviation website (<http://mhupa.gov.in/policies/index2.htm>)

as well as inadequately housed. Land, materials, technology and finance were all taken in tandem as a part of the solution to the socio-economic issue of urban housing.

It also emphasized on the all encompassing term of affordability in housing, which implied a linkage to improvement of incomes as well as correction in shelter costing. Involvement of the private sector was one primary initiative but with a view that the past policies were all inhibitive of the private body and that was a root cause of all failures. The role of the government was slowly being reduced to that of a regulator, modifying laws and provisions, like Rent Control Act and Urban Land Ceiling Act, to facilitate housing activity. However the policy document failed to articulate the methods to be applied for the goals perceived, leaving a large scope for discretion at the hands of the executive and the implementers.

D. Private Sector Facilitation (1990-2005)

This era begin with a radical movement in the economic and political thought process, across various sectors in the country, which emphasized on limiting the role of government to that of a facilitator. This was also the beginning of the recognition of the role and importance of urban sector for the national economy. While growth rate of employment in the urban areas averaged around 3.8% per annum, it dropped to about 1.6% in the rural areas.²⁷

In relation with the urban habitat space, this era provoked a thought process on structural reshaping of the land market, to answer the shelter problem. A need was felt to look for alternatives which take into account the basic features of the macro-economy and the land market in India, which create the housing problem. Many a forums voiced the need for nationalization of the right to transfer landed or immovable property and recognition of minimum housing standards as a fundamental citizen right. Mandatory shelter provisioning by employers or rent being made an obligatory component of the wage and improved availability municipal housing were some relevant considerations being debated upon.

Amidst these arguments in this sector, the National Housing Policy 1994 was declared which did acknowledge the ongoing concerns; however on a substantive level it basically just ensured that the ongoing social housing schemes viz. Housing scheme for Economically Weaker Sections (EWS), Lower Income Groups (LIG), Middle Income Groups/Higher Income Groups (MIG/HIG) and rental housing scheme for State Government employees continue to be implemented by State Governments. The policy document proposed, after all deliberations, a repeal of the Urban Land (Ceiling and Regulation)

²⁷ For details see the Eighth Plan (1992-97), available at <http://mhupa.gov.in/policies/index2.htm>

Act, inviting grave criticism on the above mentioned lines. The actual declaration did leave a space of agreement by the state governments; however the support on the repeal was made clear by the center and thus the act was repealed in many states. The Rent Control Act, too, was tinkered with on the premises of an increase of investment in rental housing and to balance the interest of both tenants and landlords.

This policy was soon followed by a subsequent version, The National Housing and Habitat Policy 1998 which was a further drift towards market forces. It clearly recognized the key role which all actors; public, private and the cooperative sectors needed to play in meeting the housing challenge and envisaged a 'facilitative' role for the state and a direct and proactive role for the other players. The policy specifically mentioned the various actors, GOI, state Governments, Local Authorities, Public/Private Housing Finance Companies, Housing Boards/Corporations/Development Authorities and other public agencies etc, and their broad level roles.

The Private sector was given the added and incentivized responsibility towards shelter delivery for the disadvantaged and a Shelter Fund and Risk Fund was allocated to facilitate credit to the poor. Various dimensions of the housing sector, like skill development and security of human resource involved in the sector, especially women, as well as disaster vulnerability on housing stock, were gradually being taken into consideration which was commendable.

Housing was gradually becoming a wiser investment proposition than ever before which reflected in the creation of about 25 housing finance companies for credit off take in the retail housing finance sector, with innovative and competitive housing finance schemes. Easier public-private partnerships and foreign investments improved the housing finance scenario to new levels both in term of construction activity as well as housing loan, albeit restricted to the burgeoning middle class.

The progress, hence, has been accelerated, but is still much below the requirements of the sector. Issues with the land market continued and was aptly reported by "The McKinsey Report -- Unlocking Potential: Remove Barriers to India's Growth - ", which said that the "Widespread distortions in India's land and property markets result in nearly 1.3% loss of economic growth each year²⁸. Land scarcity has made Indian land prices the highest amongst all Asian nations relative to the respective average incomes of a nation" (Ibid). Improper regulations like rent and tenancy laws, zoning laws, triggered various distortions to the land market, and the effect of the repeal of Urban Land (Ceiling and Regulation) Act was not very prominent in terms of mass scale housing for the disadvantaged segment.

²⁸ For more details, see Kiran Nanda (1999) Effective Implementation of Entire National Housing & Habitat Policy: Solution for India's major problems

E. Affordable Housing, the new approach (2005 onwards)

A glance at the census 2001 figures suggests that the urban population in the country as on 1st March 2001 was 286 Million. This constituted 27.8% of the total population of 1028 Millions. The slum census 2001, in towns with more than 50,000 population, numbering 607, reported 40.606 Million slum dwellers which amounted to 22.76% of the population living in those 607 towns/cities.²⁹ This implies, nearly one out of every four persons reside in slums, which lack basic infrastructure and social amenities and this has implications on health and productivity of the people, in cities & towns. Other such estimates like the one of TCPO (2001) indicates an urban slum population of 61.8 Million in 2001,³⁰ a situation excessively grim by all standards. These observations corroborate the failures with respect to shelter provisioning, especially to the poorer sections, which is a sad, reflection of the inequity in Indian economy.

The prevalent inequity in housing sector is pictured all the more clearly by the Planning Commission data which estimated that at the 10th Plan beginning in 2002, the urban housing backlog was 8.8 Million dwelling units and the total requirement was 22.44 Million dwelling units, continuing with the trend, according to the report of the Technical Group on Estimation of Housing Shortage constituted in the context of preparing 11th Five Year Plan document, housing shortage as on 2007 was estimated to be around 24.71 Million and the housing shortage during the plan period (2007-2012) including the backlog was estimated as 26.53 Million³¹. Most of the housing shortage is for EWS and LIG Sections which does not seem to be getting translated into economic demand due to lower affordability by the poor. A sizeable number of this requirement leads to squatting and slums or other inhabitable shelters.

Affordable housing seems to be the requirement, which endorses the concept of equality within itself and this is the argument that should, and somewhat is, shaping the current Indian habitat sector. The first remarkable instance of this philosophy reflects in the preamble of the Draft National Urban Housing and Habitat Policy (DNUHHP-2005) which says; "This policy intends to promote sustainable development

²⁹ Census of India 2001 (Provisional) Slum Population

³⁰ For details see the population reports by TCPO available at <http://www.urbanindia.nic.in/theministry/subordinateoff/tcpo/>

³¹ For details of the data, refer Report of the 11th Five Year Plan (2007-12) Working Group on Urban Housing with Focus on Slums; Government of India Ministry of Housing and Urban Poverty Alleviation

of habitat in the country, with a view to ensure equitable supply of land, shelter and services at affordable prices.³²"

The JNNURM mission, launched in 2005, although per se was limited to the big cities only, but the regime focused even on Small and Medium Towns (SMTs), and led to two dedicated programmes for the urban Housing problem, namely BSUP, concentrating on large cities, and IHSDP, focusing on SMTs. JNNURM has acknowledged the importance of Housing in the context of urban development and this reflects in the reform measures, under JNNURM, (Refer Table 4 for Reforms having an impact on the shelter problem), focusing specially on housing for the disadvantaged classes..

Table 3.4: Reforms Impacting Urban Housing

Reform Description	Mandatory/ Optional	State/ ULB Level	Category*
1) Repeal of ULCRA	Mandatory	State	Land
2) Reform of Rent Control Act, by balancing the interests of landlords and tenants.	Mandatory	State	Governance
3) Rationalization of stamp duty to bring it down to no more than 5 per cent within 7 years.	Mandatory	State	Finance
4) Reform of property tax with GIS and arrangements for its effective implementation so as to raise collection efficiency to 85 per cent.	Mandatory	ULB	Governance
5) Internal earmarking within ULB budgets for basic services to urban poor.	Mandatory	ULB	Finance
6) Provision of basic services to the urban poor, including security of tenure at affordable prices,	Mandatory	ULB	Shelter
7) Revision the bye-laws to streamline the approval process for construction of buildings, development of sites etc.	Optional	Both	Governance
8) Simplification of legal and procedural frameworks for conversion of agricultural land for non-agricultural purposes.	Optional	Both	Governance
9) Introduction of property title certification.	Optional	Both	Land
10) Earmarking of at least 20-25 per cent developed land in housing projects for EWS and LIG with a system of cross-subsidization.	Optional	Both	Land

³² For more details, see Draft National Urban Housing and Habitat Policy (DNUHHP-2005) prepared by a Task Force, constituted under the Chairpersonship of Secretary, Urban employment and Poverty Alleviation on 27th Jan 2005, representing members from Planning Commission, Ministry of Finance & Others Ministries/Departments/State Governments and Financial and other Institutions dealing with housing sectors

11) Introduction of computerized registration of land and property.	Optional	Both	Governance
12) Encouraging Public Private Partnerships	Optional	Both	Finance

*: Categories have been analyzed, in-house, and is not based on govt. data.
 .Source: JNNURM Overview from jnnurm.nic.in.

A look at the status of implementation of these two programmes reflects a slow pace even after a timely allocation of central funds. One important reason for this slow rate was that the schemes required the ULBs to formulate City Development Plans (CDPs) and Detailed Project Reports (DPRs) which itself had a dependency on the ULB's capacity. However the reach and pace, of at least the fund disbursement, has been accelerating gradually, ensuring that 68% of the indicative allocations for 7 Years has been sanctioned by 2008-2009 (Table 5). The outlays to these plans have been superfluous when compared to the actual implementation. As per the standing committee report on Urban Development (2008-09), only 48,000 houses are completed till date with another 3.2 lakh houses in progress. The others are in various stage of being tendered³³.

Table 3.5: Progress of BSUP and IHSDP 7 Year Allocation Commitment and Release (Crores)

	BSUP	IHSDP	Total
Allocation	136744.22	4467.12	18141.34
ACA Commitment	9032.49	3283.66	12316.15(68%)
ACA Released	2591.08	1635.49	4226.57(34%)
No. of Projects approved	284	506	790
Total Project Cost approved	17996.28	4659.80	22656.08
No. of States/UT's covered	30	29	59
No. of Cities/Towns covered	61	473	1134
No. of Dwelling Units Approved	8,03,089	2,86,740	10,89,829

Source: Standing committee on Urban Development 2008-09

³³ For more details, see Urban housing: Standing Committee on Urban Development (2008-2009)

This lacuna in implementation defeats the success of the affordable housing concept and has various underlying causes. The most primary of these causes is the problem of land availability and lack in ULB capacity. This, in turn, has led to inefficient city development plans, failing to take advantage of projects under these programmes. It has been contested regularly that the models for town planning do not take account of the need for dwelling and working space for the poor and that the master Plans, in the past, have not reserved adequate land for housing the urban poor and have low population density norms, thus mandating an improvement over the existing Master Planning laws to reserve adequate low cost housing. In other words land and other resources, for affordable housing, need to be made available by the planning bodies, under the ULBs.

The JNNURM reforms (Refer reform points 6, 7&10) in table 4) try to establish this point by maintaining that: 1) the urban poor should be enabled to have access to land and not squeezed out of the urban land market in the face of sky-rocketing land prices; 2) a dedicated budget/fund be created at the city/state level to ensure steady flow of resources for urban poverty alleviation and slum upgradation, including provision of land and housing to the poor and 3) basic services have to be provided to the urban poor based on agreed milestones and deliberately planned efforts to develop "inclusive cities".

Acknowledging the need and importance of capacity building in ULBs and states, few programmes have been launched, namely 1) National Programme on Capacity Building for Urban Poverty Alleviation (March 2007), under which core training modules have been developed to cater to various aspects of urban development and JNNURM (BSUP & IHSDP); 2) Financial support for establishing Programme Management Units in various states; 3) Financial Support for setting up 62 Project Implementation Units having 5 experts for training and management; 4) Setting up Community Participation Fund, from JNNURM fund, to engage community in the implementation process. Moreover a framework for Third Party Inspection and Monitoring has been established and agencies have been empanelled for the same. These agencies have been given the responsibility of monitoring the progress and quality of projects under JNNURM. A national level Steering Group has been established for effective monitoring of JNNURM projects and reforms.

Undoubtedly, JNNURM Regime has tried a lot on the realm of urban housing; however the success rate and the resulting outcomes are nowhere near the targets, especially when the set of completed units are considered. An estimated shortage of 24.7 Million Units, in the year 2007, with 99 per cent of this shortage belonging to EWS and LIG segments speaks clearly on the failure of Affordable Housing, (refer table 6) moreover the results also do reflect a high degree of unevenness in progress across states with some states able to prepare and pose projects to their full 7- year allocation whereas other lagging behind. Various reasons like improper checking of land availability before drawing up the project

proposals and lacuna in coordination among various departments like Land, Housing and ULBs have been a major contributor to the slow progress and these issues, in turn, have also led to unacceptable cost overruns.

Table 3.6: Housing Shortage

Income Category	Income Limit (Rs. per month)	Housing shortage in millions at the end of the 10th Five Year Plan
Economically Weaker Sections (EWS)	Up to 3300	21.78
Low Income Group (LIG)	3301-7300	2.89
Middle Income Group (MIG)	7301-14500	0.04
High Income Group (HIG)	14501 and above	

Source: Technical Group set up by MHUPA, Government of India

These grim facts and the corresponding need for providing "Affordable Housing for All", in urban area, particularly for EWS and LIG shaped the National Urban Housing and Habitat Policy, 2007. This policy aims at promoting sustainable development of habitat with a view to ensure equitable supply of land, shelter and other relevant services at affordable prices to all sections of society. The policy estimates a figure of 3.61 lakh crores, to meet the cost of construction alone and thus mandates an involvement with multiple stakeholders namely; private sector, co-operative sector, industrial sector, banks and housing finance institutions apart from the governments at central, states and local level. A sense of increasing private sector involvement is all visible in this document which clearly specifies a 'facilitator' and 'enabler' role for the government, acting to create a supportive environment for the promotion of the policy objectives. The new scheme called "Affordable Housing in Partnership", with an approved amount of Rs 5000 crores from CCEA, is a very current example of the growing private role, where in state governments are encouraged to make provisions for land, to meet the acute shortage of affordable housing, working in a partnership model.

This role of facilitating encompasses various aspects of the habitat sector like finance, legal and regulatory framework, land management and supply, ecology, technology etc. State governments have been burdened with the responsibility of planning improved utilization of land, with innovative incentives like FSI relaxation and TDR issuance etc. The policy seeks that 10-15 percent of land in every new public/private housing project or 20-25 percent of FSI, which is greater, will be reserved for EWS/LIG housing through appropriate legal stipulations and spatial initiatives.

The role of ULBs has been enhanced by the policy, supporting the principals of 74th CAA, with involvement of these bodies in the urban planning ensuring the scope of affordable housing in the development/master plans. Special government focus to encourage Public Private Partnership is one very important role, defined by the policy, for all kinds of housing and infrastructure projects, including housing related micro-finance, FDI channelizing, housing development as well as slum upgradation. In terms of finances, the policy mentions the concept of inclusiveness in terms of coverage, in addition to flexibility and innovation with respect to credit availability. Innovations, like Mortgage Backed Securitization Market, schemes with built in subsidy support from the central and state governments etc, and inclusiveness in housing finance defines the intent of the document. In a sense, the policy's objective very much integrates the role of housing and basic services to urban poor with the objectives of JNNURM. Special emphasis on scheduled castes/tribes/backward classes/minorities and empowerment of women, within the ambit of urban poor, finds a reflection in the policy.

The policy also engenders the concept of regional planning as a super set of district and metropolitan plan to undertake a symbiotic rural-urban continuum, and expects the Town & Country Planning Acts to be the basis of the same. An encouragement to integrated townships, with proper connectivity to the city centers and a focus towards special economic zones also finds a mention in the policy. On the regulatory front, the policy again attracts a private participation, limiting its role to that of an enabler.

A model Rent Act, to promote rental housing on the principle of mutual benefit to both tenant and landlord is envisaged and incentives are planned to encourage lending for rental housing. Model guidelines for land regulation for improved planning are envisioned, in line with the decision to repeal the Urban Land Ceilings Act. The policy depicts an encouragement towards Stamp Duty and Property Tax Reforms, to make the housing sector more remunerative and friendlier to market. The policy readily embraces the use of technology to imbibe cost effectiveness and lower energy consumption. Sustainability with respect to environment also finds an importance in the document. Continuing with the issue of sustainability, the policy also evaluates the role of housing sector as an employment generator and in that respect emphasizes on the aspect like skill upgradation, training on one hand and availability of fundamental facilities like health facilities and toilets in the construction sites.

The one aspect which mentions a dedicated focus is slum improvement and upgradation extending the JNNURM vision of slum redevelopment and in-situ rehabilitation along with provision of security of tenure, affordable housing and basic services to the urban poor. Dedicated land availability for this purpose with the means of land pooling and sharing arrangements, additional FSI and release of TDRs etc are depicted in the policy, acknowledging that planned land availability for these programmes is a pre-requisite.

Moreover, to further emphasize with the cause of affordable housing, a high level task force had been set up under the chairmanship of Mr. Deepak Parekh, to look into the various aspects of providing "Affordable housing for All" and recommend ways and means of enhancing accessibility of EWS/LIG groups to housing with suitable government support and recommend ways and means of enhancing accessibility of MIG groups to housing, apart from developing innovative financial instruments for bringing flexibility in the housing market and making recommendations as to fiscal, spatial incentives for increasing supply of houses. This task force has tried to put Affordable Housing at the centre of public policy, by trying to objectively define the meaning of this concept for different strata in society (Refer Table 6) and emphasizing on the need of enumerating the number of households as per the definition. The report speaks about the inter linkages between the affordable housing problem and economic growth and poverty reduction, acknowledging the importance of the habitat sector in employment generation and other multiplier effects.

Table 3.7: Housing Definitions

	EWS/LIG	MIG
Size	300-600 sq. ft. carpet area	Not exceeding 1,200 sq. ft. carpet area
Cost	Not exceeding 4 times household gross annual income	Not exceeding 5 times household gross annual income
EMI/Rent	Not exceeding 30% of gross monthly income	Not exceeding 40% of gross monthly income

*Source: Report of the High Level task force on Affordable Housing for All
The task force visualizes the size of the household as 5 members*

The report provides a primary focus on Land availability for Affordable Housing and speaks on facilitating the same by simplifying procedures for land acquisitions by relooking at the Land Acquisitions Act 1984 and the Land Revenue Act of the States and by reviewing the processes of Master Planning for making a proper assessment of land requirements and allocation of such lands for housing, especially affordable housing.

It strongly recommends a treatment of affordable urban housing as public purpose and also advises on upwards revision in FSI, across cities of different sizes commensurate with investment in infrastructure that it will necessitate, with an imposition of an impact fee on the beneficiaries of the higher FSI. In-situ development on public lands has been recommended as the most effective instrument for the affordable housing issue in partnership with the government. It talks about effective involvement of NGOs and civil society groups with in-situ development and also acknowledges the need of tenurial

security as a prerequisite to in-situ development. An integrated implementation of land additions, revision of FSI and in-situ development is a step that can counter the land availability issue in the habitat sector, is what the report strongly asserts. These steps, in conjunction with a healthy rental housing market, by rationalizing the Rent Control Act, would significantly increase the land availability and the number of units available for affordable housing.

The report further evaluates the aspects of Fiscal and financial framework and advises on a part of funds to be directly provisioned for housing for the urban poor. It asserts on maintaining a dedicated shelter fund, managed by the National Housing Bank, and a cess of 0.5 percent on all central government taxes and an equal amount of budgetary support to act as the source to this fund. There is a strong argument on enhancing the role of state housing boards, not only as a facilitator, but a more active provider of affordable housing. There is a recommendation to reduce the stamp duty rates and registration fee for affordable housing and also bringing this subsector of habitat under the infrastructure definition. Another immediate requirement is of that stronger regulation in the habitat sector, to ensure that the public objectives are supreme. The model Real Estate Regulation Authority Bill³⁴ is a step in that direction, which envisages to control and promote construction, sale, transfer and management of colonies, residential buildings, apartments and other similar properties through a regulatory authority, trying to safeguard public objectives.

F. Conclusion

Notwithstanding the intention, the results on the all embracing aspect of Affordable Housing for all, still stands wanting, regrettably, the funds or other resources have not provided alternative rehabilitation (with necessary civic amenities) for poor. There is justified criticism that a major portion of the funds are being allotted for the minority i.e. 15-20% while the lower 50-60% are languishing³⁵. However there is still scope for optimism with proposed schemes like the Aam Aadmi Awas Yojna, for building over one lakh houses for the urban poor. Though details are yet to emerge, it is understood that the idea is to offer 15 million houses across the country with a floor area of 25 sq. mts or 269 sq. ft. at a price of Rs 1 lakh. The National Housing Bank (NHB) will be the nodal agency for the project. It may be pointed that settling India's slum dwellers alone in decent homes, which undoubtedly should be the priority of the government, would require an investment of Rs 200,000 crores (Ibid).

³⁴ For more details see the draft Model Real Estate (Regulation of Development) Act published by The Ministry of Housing and Urban Poverty Alleviation (Refer <http://mhupa.gov.in/>)

³⁵ For more details, refer article by Dhurjati Mukharjee (Jan 2009): Housing for the Poor(POLITICAL WILL & PLANNING MUST); Indian News and Feature Alliance

Apart from that, there is a proposal to extend subsidy of 5 percent a year on the market rate of interest on housing loan for a period of 5 years to the EWS and LIG. It came after the Ministry's own estimate suggested that there will need of about 26 million houses during the 11th Plan, of which 98% will be in the EWS and LIG segments. The scheme is aimed at tapping the poor, whose monthly income is between Rs 3,300 and Rs 7,300 per month (Ibid). There is a strong argument on promoting schemes focusing exclusively on poor, with a major push towards social housing.

This exclusivity of affordable housing under the umbrella of urban housing seems to be the alternative indicated and should prove to be driving factor for schemes ahead. Rajiv Awas Yojna (RAY), as being planned, is one step in this direction, which plans to make India slum-free at Rs 8-9 lakh crores over a period of 10 years. The nascent plan is dedicated to housing for the poor in exclusivity and not as a percentage of housing. According to the plan, Centre will not only give capital subsidy but also interest subsidy for RAY projects. To make the scheme more workable, Centre would provide viability gap funding of up to 40%. While in most cases it is expected to be in situ development if the private developer comes up with the parcel of land, the Centre will develop the infrastructure. With the latest estimates suggesting the swelling of the slum population to around 90 million – 35% of urban population – this kind of dedicated programmes seem to be a way forward in treating the problem of urban housing.

The idea or alternative, as emerges, is to have dedicated resources for the concept of affordable housing ensuring land, finance and technology, especially being made available exclusive for the poor. An exclusive effort for the fulfillment of the social housing commitments, which in turn necessitates government intervention, is a must for the attainment of the concept of affordable housing for all.

CHAPTER IV: SOLID WASTE MANAGEMENT IN URBAN INDIA: AN OVERVIEW

This chapter provides an overview of urban solid waste management sector (SWM) which forms an integral part of basic urban services in India. The first section of the chapter highlights SWM sector in urban areas. The major policy initiatives in SWM sector in post-independent India is discussed in the second section. A summary of the institutions involved in SWM sector at central, state and local levels is also provided in the third section. Finally, the chapter summarises the current debates on major issues in the SWM sector.

4. Introduction

Today, solid waste management is recognized as one of the major challenges for cities and towns in India. It is one among the basic services provided by municipalities to citizens in cities and towns. However, inadequate legal and regulatory frameworks, poor financial conditions of municipal bodies and use of unscientific, outdated and inefficient systems have led to a dismal state of affairs in SWM sector in the country. It is estimated that about 115000 million tones of Municipal Solid Waste is generated daily in the country. The term municipal solid waste refers to solid waste from houses, streets and public places, shops, offices and hospitals. The annual increase in quantity of solid waste generated in cities is assessed at about 5 per cent.³⁶ The Class I cities which include the 7 mega cities with population of more than 4 million, 28 metro cities with population of 1 million and 388 other towns that have population of more than 100000 contribute to more than 72 percent of total municipal solid waste generated in urban areas.³⁷

Solid waste management is a part of public health and sanitation and falls under the State List according to Indian Constitution. Under Art 243 W of 12th Schedule, this responsibility has been entrusted to urban local bodies. The management of municipal solid waste is one of the most important obligatory functions of urban local bodies especially after the implementation of 74th Constitutional Amendment Act that recognized urban local bodies (ULBs) as institutions of local self governance. The collection efficiency in most of the small cities is mostly below 50 per cent. It has been estimated that ULBs spend about Rs.500 to Rs.1500 per ton on solid waste collection, transportation, treatment and disposal. Less than 5 per cent is spent on final disposal of waste which shows that hardly any attention is given to safe and scientific disposal of waste. In the following section, we have provided an overview of the entire SWM sector including policy initiatives, institutions and major issues in this sector.

³⁶ Asnani, P.U (2006): ‘ Solid Waste Management’ in India Infrastructure Report, 3i Network

³⁷ Ibid.

4.1 Major policy initiatives in Solid Waste Management

The first effort to obtain authentic data about existing solid waste management practices, quantities and characteristics of the Indian Municipal Solid Waste was made by National Environmental Engineering Research Institute (NEERI), Nagpur in 1971. In 1972, The Committee on Urban Waste was constituted by Ministry of Health and Family Planning under chairmanship of Mr. B. Sivaraman. The Committee submitted its report in December 1975 which provided recommendations on various aspects of collection, transportation, composting, disposal and legislation.³⁸

The early initiatives of Government of India on urban solid waste management primarily focused on promoting composting of urban municipal solid waste. A Central Scheme on Solid Waste Disposal was initiated in the year 1975 during the 5th plan period. The scheme involved provision of grants for efficient collection and transportation and for construction of compost plants. About 10 mechanical composting plants were set up during the 5th Plan period under this scheme. However, majority of them have been closed down or non-functional.³⁹ The government of India enacted Environment Protection Act 1986 (EPA) and under the provisions of this act had framed rules for managing and handling municipal solid waste, biomedical waste, hazardous waste, and so on.

In 1994, after the disastrous plague epidemic broke out over Surat, Government of India appointed a committee with J.S.Bajaj as its chairperson which made a number of wide ranging recommendations including waste segregation at source, primary collection, levying of user charges, use of appropriate equipments and vehicles, laying more focus on sanitary land filling & composting and encouraging public private partnership (PPP) in SWM sector on a pilot basis. In 1996, a Public Interest Litigation (PIL) was filed in the Supreme Court of India by Mrs. Almitra H. Patel vs. Union of India and others, seeking directions from the Supreme Court of India to the Urban Local Bodies (ULBs) as well as Government of India and the State Governments in the country for improving solid waste management practices expeditiously. The Supreme Court of India after several hearings, constituted a Committee to look into all the aspects of solid waste management in Class-I cities of India under Chairmanship of Mr. Asim Burman which also included Mrs. Almitra H. Patel.

³⁸ <http://cpheeo.nic.in/>

³⁹ Bhide, A.D (2006): 'Lessons from Solid Waste Management Projects in India-A Historic perspective accessed at www.swlf.ait.ac.th/UpdData/Presentations/DrADBhide.pdf on October 9,2009

This Committee submitted its report in March, 1999 giving a wide range of recommendations to improve the system of waste management from storage of waste at source to its final disposal. It also covered institutional, financial, legal and health aspects. One of the key recommendations of Committee was to enable private sector participation. In addition to being a potential source of project funding, the rationale given by the committee for private sector participation included benefits such as cost savings and improvement in efficiency and effectiveness in service delivery. It was also seen as a means to accessing new technologies.⁴⁰

Pursuant to the Asim Burman committee recommendations on solid waste management for class-I cities, the Supreme Court of India directed the Ministry of Urban Development to set up a 'Technology Advisory Group (TAG) on Solid Waste Management' for five years period to collect information on various proven technology for processing and disposal of wastes, identify appropriate and cost effective technologies suitable under Indian condition to provide technical assistance to urban local bodies for adopting the suggested technologies where feasible. The committee was constituted in August 1999 under which three Core Groups were constituted for 1) Appropriate technology, research and development, 2) Financial resources and private sector participation and 3) Capacity building, human resources development and information, education and communication.

In 1998, An Expert Committee was constituted by the Ministry of Urban Development, Government of India, to prepare Manual on 'Municipal Solid Waste Management' to assist the user agencies in proper management of solid wastes in urban areas. The committee published the Manual in May 2000. In 2000, based on recommendations of various committees, the Ministry of Environment and Forests promulgated the Municipal Solid Waste (Management and Handling) Rules, 2000 under the Environment (protection) Act, 1986 making it mandatory for ULBs to improve the systems of waste management as envisaged in the rules by 31st December, 2003. These rules laid the procedures for waste collection, segregation, storage, transportation, processing and disposal. Further, these rules stated that all cities must set up suitable waste treatment and disposal facilities by December 31, 2003 or earlier. These rules also specified standards for compost quality, health control & management and closure of land-fills.

In view of the poor implementation of Municipal Solid Waste (Management & Handling) Rules, 2000, Supreme Court has directed in its hearing on 3rd February 2004 that a proper mechanism be developed

⁴⁰ Available at <http://cpheeo.nic.in/>

to monitor the progress of implementation for MSW Rules 2000. In this regard, it was decided that all Municipal Authorities will submit the progress of SWM report to State Pollution Control Board, which in turn will submit consolidated report to CPCB by 15th September of every year and subsequently CPCB will submit the compiled report by 15th September every year to Ministry of Environment and Forests (MoEF).

It was observed by the Supreme Court that ULBs are unable to implement proper solid waste management practices and comply with the said rules for want of resources. Based on recommendations of Ministry of Urban Development, 12th Finance Commission had allotted Rs.5000 crores to supplement the resources for urban local bodies to develop urban infrastructure. Out of this 50 per cent or Rs.2500 crores was earmarked to improve SWM services. This amount was to be spent in the period of 2005-2010.

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) launched in 2005 also have an SWM as one of the project components. Thus, these programmes have become new source of funds to improve SWM for urban local bodies. 41 projects have been sanctioned for SWM under JNNURM. This is about 7 per cent of total projects and 3 per cent of the sanctioned project cost approved under Sub-Mission on Urban Infrastructure and Governance.

4.2 Institutions in Solid Waste Management Sector

4.2.1 Role of Central Government

The role of central government in SWM sector is principally to frame laws and rules, which it does through the Ministry of Environment and Forests and to provide guidelines, technical assistance, financial support which it accomplishes through other ministries such as the Ministry of Urban Development and Poverty Alleviation. The Ministry of Urban Development and Poverty Alleviation has issued a national manual on solid waste, constituted a technology advisory group; and published a report on appropriate technologies, financial aspects, and needs for training and capacity building. It also facilitated allocations of 12th Finance Commission grants to the extent of Rs 2,500 crores to ULBs for improving SWM.

4.2.2 Role of Central Public Health and Environmental Engineering Organisation (CPHEEO)

The Central Public Health and Environmental Engineering Organisation (CPHEEO) is Technical Wing of the Ministry of Urban Development, Government of India, and deals with the matters related to Urban Water Supply and Sanitation Including Solid Waste Management in the Country. The CPHEEO was

constituted under the erstwhile Ministry of Health & Family Welfare, Directorate General of Health Services (DGHS) in 1953 as per the recommendations of the Environmental Hygiene Committee to deal with Water Supply and Sanitation in the Country. In 1973-74, the CPHEEO was affiliated to the Ministry of Urban Development. It acts as an Advisory body at Central level to advise the concerned State agencies and Urban Local Bodies (ULBs) in implementation, operation & maintenance of urban water supply, sanitation and Solid Waste Management projects and helps to adopt latest technologies in these sectors.

4.2.3 Role of Central Pollution Control Board (CPCB)

The Central Pollution Control Board (CPCB), as a statutory organisation was constituted in September, 1974 under the Water (Prevention and Control of Pollution) Act, 1974. The CPCB was also entrusted with the powers and functions under the Air (Prevention and Control of Pollution) Act 1981. It serves as a field formation and also provides technical services to the Ministry of Environment and Forests for the provisions of the Environment (Protection) Act, 1986. Principal functions of the CPCB, as spelt out in the Water (Prevention and Control of Pollution) Act, 1974, and the Air (Prevention and Control of Pollution) Act, 1981, (i) to promote cleanliness of streams and wells in different areas of the States by prevention, control and abatement of water pollution, and (ii) to improve the quality of air and to prevent, control or abate air pollution in the country. CPCB along with its counterparts State Pollution Control Boards (SPCBs) are responsible for monitoring the implementation of MSW rules 2000.

4.2.4 Role of State Government Departments

The state urban development department, which is responsible for looking after urban affairs through municipal corporations and state municipalities, plays a decisive role in directing the municipal authorities in implementing the rules and in giving them financial and technical support to facilitate implementation. The state environment department usually plays a role in monitoring the implementation through the urban development department and the state pollution control board. State pollution control boards (PCBs) are primarily responsible for monitoring the implementation of the Municipal Solid Waste (Management and Handling) Rules 2000 and for taking actions against defaulters. The state PCBs are also responsible for authorizing the municipal authorities or operators of the facilities to set up treatment and disposal facilities in the respective states.

4.2.5 Urban Local Bodies

In most Indian cities, corporations or municipalities undertakes the responsibility for SWM in areas under its jurisdiction. Mostly, the responsibility is entrusted to public health engineering departments or sanitation departments in urban local bodies. Since most of the work such as road sweeping, loading

and unloading of waste and cleaning of drains is done manually, the number of conservancy workers in urban local bodies is usually high. The trade unions of conservancy workers have significant influence on how SWM system works in a city. The limitations of an urban local body are rigid rules under which they operate are often set at state level, poor equipment for workers and inadequate supervision. Local level politicians often find this sector useful as an instrument to retain patronage. The performance of urban local bodies in SWM sector has been generally inadequate.

4.2.6 Private Sector

Private sector participation in municipal solid waste management has been confined largely to the contracting out of waste collection and transfer to disposal sites by municipal bodies. The main arguments supporting private sector participation in SWM sector is that it will provide huge savings for the urban local bodies through contracting out of street cleaning, waste collection and transport operations. However, it is doubtful whether the private sector will be interested for an extensive role in this sector without financial incentives, cost recovery mechanisms and pricing of products like compost and energy from waste. An important factor in success of private sector participation is the ability of the urban local body to write and enforce an effective contract. The three key components of successful private arrangements in SWM are completion, transparency and accountability. It is doubtful whether urban local bodies have capacity to enforce these contracts as vested interests often dominate urban local bodies especially on the issue of contracts for development works. For example, in Chennai door-to door collection in three zones of the Corporation has been privatised. The private contractor operates bell vehicles and autorickhaws for collection.

4.2.7 Informal Sector

Urban waste is major source of livelihood for unskilled labourers in urban areas especially migrants. These street side pickers form the bottom rung of chain of informal actors who deal in recyclable materials. This is the most vulnerable group comprising of women and children. They are marginalised and exploited by middlemen and wholesale traders with larger resources reaping maximum benefit. As their activities are considered illegal, waste pickers are often harassed by police and municipal workers.

Next level of informal actors are itinerant waste buyers who walk around the town to buy material that can be sold for a profit like paper, plastic and glass bottles and metal cans. There are also small scrap shops that deal in recyclable waste material who conduct very small-scale operations at the neighbourhood level. The recycling industry consists of both small and large scale enterprises that buy waste at small and large scale respectively and convert them into manufactured saleable products. The central and state governments have not instituted in any dedicated programmes or policy

initiatives towards this large informal sector with its vast labour force. It is felt that development of cooperatives of waste pickers and small scale vendors and formal licensing for them will lead to development of a complementary solid waste management system which would reduce the load on SWM system of ULBs as well as generate revenue for them.

An example of organisation in SWM in Informal sector is Kagad Kach Patra Kashtakari Panchayat (KKPKP). KKPKP is a trade union of informal scrap collectors (waste pickers and itinerant waste buyers) in Pune, India, founded in 1993. Members earn their livelihood by collecting recyclables such as paper, plastic, metal and glass scrap from households, commercial establishments and municipal solid waste in order to sell to recyclers. In February 2007 there were 6,266 members of whom over 80 per cent were women from socially backward and marginalised castes. The organisation established the informal contribution of scrap collectors to municipal solid waste management, secured recognition from the municipal government. KKPKP is currently working in partnership with the Pune municipality to universalise door-to-door collection of source segregated municipal waste through waste pickers in order to maximise recovery of recyclables, divert waste from the landfill and carry out decentralised processing of organic wastes, to the extent possible. It demanded that identity cards for scrap pickers are recognised in order to reduce suspicion and harassment of those involved in this profession. In 1995 the Pune and Pimpri Chinchwad Municipal Corporations were the first in India to endorse identity cards and it has since become standard policy in the state of Maharashtra. It provides a group insurance policy to cover accidental and natural death and disability to members. It is also running a cooperative scrap store with substantial turnover. KKPKP has managed to get support of Pune municipality and to some extent, Government of Maharashtra.

4.2.8 Non-governmental organisations and Community Based organisations

Community Based Organisations (CBOs) formed by communities to address civic issues have been involved in SWM sector by initiating like door-to door collection and street sweeping. The financing of such initiatives are from the community itself and aim is to ensure a clean locality rather than profitability. Non Governmental Organisations (NGOs) enter in SWM sector with different objectives like concern for waste pickers, introducing new technology, extending-micro credit, and concern for poor environment or simply to implement a project either funded by government or private donors. However, sustainability of NGO interest depends on their 'interest' in project and availability of funding. Only a handful of NGOs are working in this sector. Their activities mostly involve campaigning in residential localities and slums on health and sanitation, organising community arrangements for door-to-door collection of waste and forming cooperatives of waste pickers and training them to recycling and bio-gas generation. As an alternative to large companies, micro enterprises, small enterprises or community

based organisation can provide services at community level or municipal ward level. An example of CBO based organisation is Kudumbashree in Kerala. Kudumbashree- Kerala State Poverty alleviation mission has initiated an innovative enterprise called as 'Clean Kerala Business' for SWM. Under this enterprise, women from the poor families who are the members of the Community Based Organisations (CBOs) of Kudumbashree are engaged in door to door household waste collection and transport to the transit points fixed by the Urban Local Bodies. In early 2008, dialogue was held with all ULBs with Solid waste management units and issues of income, hygiene, management support, social security were addressed. However, the relative success of this model is due to the support of state government and urban local bodies.

4.3 Major issues in Solid Waste Management (SWM)

In the past, important elements of waste management were often regarded only from an engineering and technical view point. There is a need to realise that these elements are embedded in local institutional, sociocultural and economic context which is further influenced by national politics, policies and legislations as well as national, global and economic factors. SWM services in India serve only a limited part of the urban population. The urban poor are often left out. A weak legal framework, lack of financial resources, operational inefficiencies or poor institutional capacity can lead to inadequate levels of service delivery in SWM. Here we look at some major issues in SWM in brief.

4.4 Weak legal and regulatory framework

India has no national legislation controlling residential solid waste generation or its management in India. Various state municipal acts have served as legislation for dealing with urban solid wastes through their provisions. Individual municipal acts vary from state to state and usually consist of provisions of for cleaning of public places and streets or contracting out these services. But they do not provide clear mandate for development of norms and standards for day to day operations or recovery of costs in SWM sector. Systems and practices in the sector continue to be outdated, inefficient and prone to massive corruption. Despite notification of Municipal Solid Waste Management rules in 2000, its compliance is far from satisfactory. Many cities and towns are yet to initiate different measures for implementation of the rules. There is no consolidated official data available about status of compliance of MSW Rules in the country. The issues stated above shows that the legal and regulatory framework for MSW in India continues to be very weak.

4.5 Institutional Capacity

Despite the implementation of 74th Constitutional Amendment Act, the devolution of authority, financial resources and functionaries by states to urban local bodies has been a very slow process. Urban local

bodies in small and medium towns often do not have sufficient financial resources to pay for their staff and bills. Therefore, urban local bodies have to face inadequacies of space, transport, equipment and crucially shortage of trained manpower.

With exception of a few large urban local bodies situated in metropolitan cities, solid waste collection and disposal activities are usually not organized under dedicated or specialized departments. Instead they function usually under public health department or sanitation department. In most Indian cities, health officers (usually medical professionals) are placed in charge of the SWM departments. They generally lack the technical background and knowledge of engineering and environmental aspects of SWM and, therefore, generally focus more attention on preventive health services and food sanitation, giving little attention to waste management and the treatment and disposal of waste.

Most often, the responsibility of managing solid waste is passed on to sanitary inspectors and supervisors. Sanitary inspectors have limited technical capabilities with limited knowledge on traditional ways of collecting the waste like sweeping streets, taking waste to open waste storage depots, and transporting waste in open trucks for disposal. In only a few large cities are engineers in charge of SWM systems, but they are not necessarily environmental engineers with experience in such systems. They lack the technical knowledge to provide more efficient service and have no knowledge regarding treatment and disposal of waste. Many small municipalities do not have even a qualified sanitary inspector to take care of SWM service and to supervise sanitation workers.

4.6 Inadequate Financial Resources

In India, a large proportion of meager funds allocated to solid waste management is spent on staff salaries because of its labour-intensive nature of the sector. The share of municipal revenue generated through means of taxation and other means have been declining. Municipalities have therefore become increasingly dependent on grant-in-aid and transfer of shared taxes from state governments. The lack of financial autonomy to generate their own resources, narrow revenue base and poor financial management are prime reasons for gradually declining financial capacities of urban local bodies across India.

In recent times, there has been a debate on recovery of operation and maintenance costs (O&M) for basic urban services like water supply, sewerage and drainage and solid waste management. In the past, there was an absence of direct cost recovery instruments such as any user charges or rational pricing mechanism leading to negligible cost recovery on solid waste management in India. Recovery instruments for operation and maintenance on solid waste management for urban local bodies are

mainly property taxes or surcharge or cess on value of property. Their yields are poor as often municipal valuation is low compared to market prices, their low coverage across cities and inefficient collection of property taxes. It is not clear how much cess collected on sanitation is used for improving the SWM sector.

A prime barrier to introducing direct instruments like a user charge is highly non-exclusionary nature of solid waste management in India. However, increasingly many urban local bodies have contracted out solid waste services to private agencies or NGOs and CBOs who charge fees for door-to door collection and waste segregation at source. An alternative option to ensure recovery of costs and at same time guarantee affordable access to solid waste management services is to have differential rates for door-to door collection depending on location, income and amount of waste with in-built cross subsidization for urban poor and informal traders. This will be required in India where a large section of urban households will not be able to afford high user charges. Also local taxes on polluting products which are non-biodegradable and cannot be recycled can serve as instruments for both demand management and cost recovery on disposal and recovering.

4.7 Unscientific processing and Disposal of Waste

Almost no processing of solid waste is done by most urban local bodies. Very few cities are practicing composting at a very limited scale. The most neglected area of SWM in India is disposal of waste where urban local bodies mostly follow unscientific methods and practices. Most waste is deposited at dump yards situated within or outside cities. These sites are frequent areas of contention between city and the surrounding villages. These sites emanate foul smell and pollute ground water often posing a serious threat to health of citizens and environment of cities and towns.⁴¹

The main technological options available for processing and disposal of solid waste are composting, vermin-composting, anaerobic digestion, incineration, gasification, production of Refuse Derived Fuel (RDF) and sanitary land filling.⁴² Each technology has its advantages and disadvantages. However, urban local bodies especially in small and medium towns do not have technical expertise or financial resources to adapt most of these technologies. One of the main reasons for failure of scaling up

⁴¹ Zhu D., Asnani P. U., Zurbrugg C., Anapolsky S., Mani. S. (2008): 'Improving Municipal Solid Waste Management in India - A Sourcebook for Policy Makers and Practitioners, World Bank Institute, The World Bank, Washington D.C

⁴² Asnani, P.U (2006): 'Solid Waste Management' in India Infrastructure Report, 3i Network

technologies is technical and operational deficiencies. The decision to implement any particular technology needs to be based on its techno-economic viability, sustainability, as well as environmental implications, keeping in view the local conditions and the available physical and financial resources.⁴³ A failure in assessment of any of these factors can affect operation of any SWM technology.

4.8 Absence of Citizen Participation

The failure to mobilise citizens and communities in solid waste management is also a reason for the pathetic condition of solid waste management in cities. The municipal authorities have failed hard in educating citizens about segregation of waste and storage in their own bins at households, shop and establishment levels. The citizens therefore dump waste on the streets, open drains and water bodies. The common citizen thinks that the responsibility of keeping a city or town clean is with urban local bodies and not his or her civic duty. Hence, there is a need to change mindset and urban local bodies need to use civil society organisations to spread awareness and educate citizens on basics of handling waste to ensure that they also play a part in keeping their cities and towns clean. SWM has traditionally been an area where Residential Welfare Associations and citizen groups have been involved.

4.9 Alternative Institutional Models for Solid Waste Management

There is a tremendous potential to involve resident welfare associations, non-government organisations and community based organisations in SWM sector without ULBs getting into service contracts with private operators. The urban local bodies can provide some support in form of grants or subsidies to these organisations. These organisations can also involve rag pickers in door-to-door collection and source segregation of waste. The urban local bodies must also find how they can integrate their conservancy workers in this system. A tripartite agreement with urban local bodies, unions and citizens groups to develop a relevant model with appropriate technology for a particular town or city could perhaps be the best alternative and way forward for better and improved solid waste management service. ULBs can also think of developing shared facilities like sanitary landfills, waste to energy plants and composting plants which will ensure scientific disposal of solid waste management at a cost effective and economically beneficial manner. The Central and State Governments need to facilitate these processes by providing technical knowledge and experts as well as financial support.

4.10 Conclusion

There is an urgent need for coordination between central state government, state governments, urban local bodies, civil society groups, citizen groups and citizens can lead to tremendous change for better

⁴³ Ibid.

in solid waste management sector. At stake is the future of cities and towns in India and health of citizens who live in them.

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CHAPTER V: URBAN WATER SERVICE AND POLICY REFORMS IN INDIA

The demand for water for domestic and industrial use in cities across India has been growing rapidly. Growth of population, urbanization, industrialisation, production and incomes in cities has increased the requirements for domestic, commercial and industrial uses. Large numbers of households in cities across India do not have access to one of the most basic of human needs – a safe and reliable supply of drinking water. This chapter highlights the urban water service delivery and related policy and reforms in cities across India. A review of the water service delivery in cities and the ongoing reforms are major focus of this chapter.

5. Water Policy in India: An Overview

Since independence in 1947, water policy in India has been broadly shaped by the legacy of colonial times, constitutional and federal developments, specific rules on surface and groundwater irrigation, human rights, social and environmental issues, issue about dams, and questions of water cooperation with neighbouring countries. Most states have regulated territorial water bodies, embankments, drinking water supply, irrigation, floods, water conservation, water pollution, rehabilitation of the displaced, fisheries, and ferries (Siddiqui 1992)

While significant novel aspects were introduced, the evolution from colonial water law was slow. Many colonial acts have not yet been superseded and the basic structure of common law rights linking water rights and land rights has not yet been comprehensively reworked. Since the early 1970s, signs of more fundamental changes have emerged, possibly attributable to the fast decreasing per capita availability of water, increasing pollution of existing water supplies, the fast increasing use of water for irrigation, and increasing competition among water users for a larger share of finite supplies. Another colonial trend that has continued is the increasing displacement of customary and local rules and practices by formal state or central laws. While formal law and policymaking does not directly relate to customary practices, new water rules and policies have the direct or indirect effect of displacing or replacing existing local institutional arrangements and rules

5.1 The Constitution and Union Legislation

The Constitution provides for the continuation of all laws in force at the time of the adoption of the Constitution (1947: art. 372). It generally follows the scheme introduced in the Government of India Act (1935), where water is a state subject. States have the exclusive power to regulate water supplies, irrigation and canals, drainage and embankments, water storage, water power and fisheries (Constitution 1947: Schedule 7, List 2, Entries 17, 21). There are restrictions regarding the use of interstate

rivers (Schedule 7, List 1, Entry 56). The Union is entitled to legislate on shipping and navigation on national waterways, on tidal and territorial waters (Schedule 7, List 1, Entries 24, 25, 57); and on the adjudication of inter-state water disputes (art. 262). The latter was regulated in the Inter-State Water Disputes Act (1956). It creates specific tribunals for addressing interstate water disputes. This Act has been used in landmark disputes concerning the Cauvery, Krishna-Godavari, and Narmada rivers. The Krishna-Godavari began in 1951; a key issue was whether initial agreements about diversions from the river were justified given legal and political changes following independence (D'Souza 2006: 137). The Cauvery dispute between Karnataka and Tamil Nadu is more than a century old and relates to water sharing. The Narmada dispute focused on the use of available water by riparian states and provided the framework for the construction of the Sardar Sarovar dam, situated in Gujarat, but whose submergence zone is mostly in Madhya Pradesh and Maharashtra (Narmada Water Disputes Tribunal 1979).

The Parliament also enacted the River Boards Act (1956) to allow the Central Government to establish river boards to advise state governments on the regulation or development of an interstate river or river valley. River boards can advise on conservation, control and optimum utilization of water resources, the promotion and operation of schemes for irrigation, water supply or drainage, or the promotion and operation of schemes for flood control. This Act, however, has not been used in practice.

5.2 Understanding the Water Reforms Debates in India: An Overview

Over the past two decades, renewed interest in water law and policy can be ascribed to increasing water scarcity, increasing water pollution, competition among users for a finite resource, progressively changing economic policies at the national and international levels, and new water policy priorities at the international level. The following section addresses the current situation and the likely developments regarding water policies in India.

5.2.1 National and State Water Policies

By the 1980s, it became evident that while water was largely a state subject, the lack of a national policy on water was a major impediment to the development of coherent water policies. This led to the development of the National water policy (1987) that was reformulated in 2002. The two documents are similar, focusing on developing a data bank, estimating the available water, prioritizing water (with access to drinking water accorded priority), developing groundwater rules, meeting drinking water needs, developing irrigation facilities, encouraging the participation of stakeholders in water management, monitoring water quality, promoting conservation consciousness, developing a flood control and management system, using cost effective measures to minimize erosion, maintenance and

modernization of water works, ensuring the safety of structures built on water bodies, developing relevant science and technology, and training of personnel. The key differences between the documents are that the 2002 policy focuses on the development of an improved institutional framework with a focus on improving the performance of the institutions, promotion of rehabilitation schemes for the displaced, enhancing participation by private parties in water management, developing an effective monitoring system, and ensuring that states share the waters of a joint river.

The national policy has been supplemented by state water policies. The national and state policies are based on similar principles: water as a natural or economic resource that can be harnessed to foster the productive capacity of the economy, from irrigation water for agricultural production to water for hydropower; and priority of use that should be allocated in the following order: drinking water, irrigation, hydropower, ecology, agro-industries and non-agricultural industries, navigation and other uses (National Water Policy 2002; Rajasthan State water Policy 1999). Domestic uses of water have overriding priority in water allocation. Nevertheless, some policies also provide that this priority list can be changed if circumstances so require, thus ensuring that there is little substance in the prioritization (Maharashtra State Water Policy 2003; Rajasthan State Water Policy 1999). The policies generally provide that beneficiaries and other stakeholders should be involved from the project planning stage (National Water Policy 2002).

The participatory provisions link participation with decentralization, focusing on the need to devolve the control of irrigation systems to users. This is premised on the perceived inability of the state to deliver appropriate benefits to farmers. The basic idea is to transfer part or full control of irrigation systems to users by both allowing and forcing them to maintain and finance irrigation systems and share water among themselves (Uttar Pradesh Water Policy 1999). The policies generally promote the use of 'incentives' to ensure that water is used 'more efficiently and productively' (Maharashtra State Water Policy 2003). This implies increased private sector involvement in water control and use from planning to development to administration of water resources projects (National Water Policy 2002). Urban water supply is singled out for private sector participation (Rajasthan State Water Policy 1999).

The water policies propose the introduction of water rights. Water rights are not new *per se* and there is a vast corpus of relevant law. The policies restate that the state is the 'sole owner of the water resources' even while they proposing to create water rights in favour of users (Uttar Pradesh Water Policy 1999). These rights are said to be the necessary premise for participation in the 'management' of water resources, for the setting up of water user associations, and for the introduction of trading in entitlements. Trading is specifically proposed in certain policies (Maharashtra State Water Policy 2003).

The policies also introduce wide-ranging legal and institutional reforms, of which three are significant: the introduction of a legal framework for the formation of water user associations to decentralize water governance; the introduction of laws providing for the establishment of a water resources authority whose primary characteristic is to be largely independent from existing irrigation and other water resource departments; and the regulation of groundwater (Karnataka State Water Policy 2002)

5.3 Water Sector Reforms in India

National and international influences have influenced broad-ranging 'water sector reforms' carried out partly through projects seeking, for instance, to introduce changes in specific places, such as reforms in water services in specific cities, or in specific activities such as the introduction of participatory management in irrigation. While these reforms are linked to the water policies highlighted above, they were at first often not backed by legislative changes. Over time, there has been an increasing emphasis of regulatory changes to ensure the diffusion of water reforms, their predictability and stability. While water law reforms are largely state specific, they are similar because they are based on similar national or international policy interventions. First, states like Andhra Pradesh, Rajasthan and Maharashtra foster the participation of farmers in irrigation schemes along the principles of 'participatory irrigation management' (Andhra Pradesh Farmers Management of Irrigation Systems Act 1997; Maharashtra Management of Irrigation Systems by Farmers Act 2005; Rajasthan Farmers' Participation in Management of Irrigation Systems Act 2000). Second, several states, including Andhra Pradesh and Maharashtra have adopted sweeping legislation seeking to restructure the water institutional framework (Andhra Pradesh Water Resources Development Corporation Act 1997; Maharashtra Water Resources Regulatory Authority Act 2005). The rationale for setting up a new water authority is to remove some power from existing water bureaucracies and to ensure that reforms are successfully implemented. Third, several states have now adopted groundwater legislation.

5.4 Understanding Urban Water Supply System

The water supply in most Indian cities is only available for a few hours per day, pressure is irregular, and the water is of questionable quality. No major Indian city has a 24 hour supply of water, with 4 to 5 hours of supply per day being the norm. This compares to the Asian-Pacific average of 19 hours per day supply. These averages conceal a great deal of heterogeneity within cities. In a survey of Delhi households with in-house connections, Zérah (2000) finds that 40% had 24 hour supply of water, while more than 25% had under hours a day of service. McIntosh (2003) notes that consumers without 24-hour supply tend to use *more* water than those with continuous supply because consumers store water, which they then throw away to replace with fresh supplies each day.

Intermittent water supply, insufficient pressure and unpredictable service impose both financial and health costs on Indian households. Based on a survey conducted in Delhi in 1995, Zérah (2000) estimated that each household on average spent around 2000 Rupees annually in coping with unreliable supply of water, which is 5.5 times as much as they were paying their municipality for their annual water consumption. Many households with inhouse connections were found to have undertaken long-term investments in the form of water tanks, handpumps or tubewells. Households with water tanks install booster pumps on the main water line itself and pump water directly to water tanks. This increases the risks of contamination of the general water supply and reduces the pressure in the network for other users, leading them also to install motors on the main line.

The *WHO Guidelines for Drinking-water Quality* (WHO 1993, 1997, 1998) assess the health risks posed by contaminants in drinking water. The WHO's primary health requirement is a sufficient water supply, which the Government of India takes to mean 40 litres per person per day. The second requirement is that the water be microbiologically safe. In most developing countries, India included, the primary contaminant of surface and ground waters is human and animal waste. The WHO guidelines suggest that *E. coli* (the indicator organism for bacterial contamination) should not be detectable in a 100-ml sample of water, but with fewer than 10 coliforms, the water is considered to be of 'moderately' good quality. The Government of India accepts these guidelines but has been unable to ensure that they are met. Water-borne diseases from faecal contamination are one of the biggest public health risks in the country -- it has been argued that India loses 90 million days a year due to waterborne diseases, costing Rs 6 billion in production losses and treatment (Chaudhuri 1998).

Monitoring of water quality in Indian cities is haphazard. While municipal boards claim to conduct regular tests of water supply, the results of these tests are generally not made public. The Sukthankar Committee (2001) report to the Government of Maharashtra reported results from 136,000 daily tests carried out on water samples from various municipal corporations in Maharashtra in 1999. 10% of samples were contaminated, with 14% of samples from Mumbai being contaminated. Water monitoring conducted in January-March 2003 by Clean India in 28 cities found that ground water in most areas exceeded permissible limits in terms of fluoride, ammonia and hardness. Municipal water supply in some cities also contained high numbers of contaminants. A 2003 survey of 1000 locations in Kolkata found that 87% of water reservoirs serving residential buildings and 63% of taps had high levels of faecal contamination. Even bottled water is not completely safe. A 2003 study (subsequently repeated in 2006) by the Centre for Science and Environment in Delhi found that most popular brands of bottled water had high levels of pesticides (CSE 2003). Standards for drinking water that are actually enforced could

have enormous positive impacts on public health, but for this to occur, the procedures for water testing and data sharing have to be made regular, standardized and public.

5.5 Inefficiencies in the supply of water

A standard indicator of inefficiency is the percentage of water produced that does not reach water board customers. Unaccounted for water results both from leakages and illegal connections. In addition to the financial costs to the water utility, high levels of unaccounted for water are also a major reason for intermittency in the supply of water, since leaks and illegal connections lower water pressure in the distribution system. A second indicator of inefficiency is staffing levels. A good utility will have two staff for every 1000 connections (McIntosh 2003). Such levels have been attained by utilities in Taipei, Kuala Lumpur, Singapore and Seoul. The Asian-Pacific regional average is 12 staff per 1000. Hyderabad and Bangalore are around this level, but staffing levels are double this in Chennai and Delhi, and higher still at 33 per 1000 in Mumbai. While staffing levels are high, the average quality of workers in many utilities is low. Based on visits to water utilities across Maharashtra, the Sukthankar Committee (2001, p. 90) reported that “most of the operating staff was not qualified to work in water works installations”. The consequence of overstaffing, underpricing, and high levels of unaccounted for water is that most urban water utilities in India are unable to cover even operating and maintenance costs out of revenues from tariffs, let alone provide capital for the expansion and improvement of the network.

5.6 Pricing of water

State Governments in India are responsible for choosing urban tariff structures, and the result is wide variety in pricing practices. Average tariffs in India are low relative to costs. A cross-region study by the Asian Development Bank in 1997 found average rates in Calcutta and Delhi of 1-3 US cents/kilolitre (KL), 6 cents/KL in Mumbai and 25 US cents/KL in Chennai. In comparison, rates were 9 cents/KL in Dhaka and Karachi, 20 cents/KL in Lahore and 34 cents/KL in Kuala Lumpur. With the exception of Chennai, Indian cities therefore tend to have much lower prices than other Asian cities. Raghupati and Foster (2002) surveyed water charging practices in all 23 metropolitan areas (cities of over 1 million population) and 277 smaller cities of populations 50,000 to 1 million. They find that most cities operate a mixture of measured and unmeasured tariffs. For unmeasured areas, a flat rate is the most common form; for metered connections, the predominant charge is a constant rate per kilolitre. 42% of metropolitan areas and 23% of smaller cities use an increasing block tariff (IBT).

Under an increasing block tariff, a low rate is charged for the first few units of water, and then higher amounts of use are charged at higher rates. Increasing rates on higher amounts forces wealthy households to subsidize poorer households, which is seen as desirable for equity and public health

reasons (Boland and Whittington 2000). Brocklehurst, Pandurangi and Ramanathan (2002) note that the size of the first block in all the Indian cases exceeds what would generally be considered a true lifeline level. Coupled with the low tariffs in the first couple of blocks, the result in e.g. Bangalore is that 93% of the customers account for less than 15 percent of revenues, and are paying less than 41% of the cost of providing them with water. The past two years have seen some reductions in this initial block size, with Hyderabad lowering the initial block from 30KL to 15KL, Bangalore lowering it from 15KL to 8KL, and Delhi lowering it from 10KL to 6KL. In practice then, the IBT has resulted in a large initial block, with the majority of households consuming in the first couple of blocks. Boland and Whittington (2000) find this to be a general phenomenon in many places across the world. They note that since poorer households are less likely to have a metered connection in the first place, many poor households do not benefit from the IBT structure.

Data on whether or not the meters are functioning is even scarcer than the scattered data on metering itself, but available evidence shows high levels of non-functioning meters. Zérah (2000) reports that officially three-quarters of all connections in Delhi in 1994 were metered, but that one-third of these were no longer working. 81% of meters in Mumbai in 2000 were also reported to be non-functional (Mathur 2001). More recently, in June 2005, the Delhi water board launched a campaign to replace over 300,000 faulty meters, over 20% of the total number of metered connections.

5.7 Role of Private Sector in Urban Water Service Delivery

Much has been talked about the failure of the state and need for the intervention of private actors in service delivery in general and water sector in particular. Over the last decade, privatization to a greater or less degree has been seen as one of the primary ways to infuse capital into the urban water sector and to overcome some of the inefficiencies of municipal management. It has been urged upon developing countries by international lending agencies as an essential component of water sector reform. Although widespread in much of the developing world, especially in Latin America, private sector participation (PSP) in water delivery is still rare in India. However, the 2002 National Water Policy of the Government of India for the first time called for the encouragement of PSP in water resources. Section 13 reads: "Private sector participation should be encouraged in planning, development and management of water resource projects for diverse uses, wherever feasible" (Gol 2002).

Private sector participation incorporates a wide range of private sector involvement. At one end lies contracting out of services to the private sector, such as mains repair, billing and collecting. Such arrangements are relatively straightforward and involve short-term (3-5 year) renewable contracts. More private involvement occurs under longer-term (20-30 year) concession and Build-own-transfer (BOT)

contracts. Under a concession, a private firm manages and operates the whole utility at its own commercial risk, while BOT contracts are used for major investment in new facilities. At the other end of the public-private spectrum lies full divestiture, whereby the Government sells the assets of the water supply company to a private firm, who runs it on a permanent basis subject to government regulation. Evaluation of the effects of PSP on urban water supplies has been constrained by the overall poor quality of data available and the small number of cases from which to draw conclusions. As in India, in many parts of the world the public utility does not release regular information on costs, water quality, the size of the network, etc., making it difficult to measure the pre-privatization trends in access, costs, and quality, and thus to determine what would have happened in the absence of private involvement. The literature provides some empirical support for greater efficiency under private operation than under the formerly public firms (Megginson and Netter 2001). However, much of the criticism regarding privatization is that it will result in large increases in water tariffs, making water unaffordable to the poor (e.g. Sridhar 2003b). The evidence on water prices post-PSP is mixed (Shirley 2002, McKenzie and Mookherjee 2003, Nickson and Vargas 2002), with more documented cases of monthly tariffs rising post-PSP than otherwise (Davis 2005).

Overall, the experience of other countries suggests that PSP in the urban water sector can, but may not, improve efficiency and provide better service to the poor. While it is too soon to evaluate the effects of private involvement in urban water in India, several projects are now underway. In this connection, one needs to understand three ongoing efforts. An example of contracting out services to the private sector can be seen in a pilot project which began in June 2003 in Bangalore. Larsen and Toubro and Thames Water-UK in a 70:30 joint venture received a Rs. 500 million contract from the Bangalore Water Supply and Sewerage Board (BWSSB) for a project to reduce leakage and unaccounted for water through district metering, replacing consumer meters, and re-laying of supply lines. The project is funded by the Japan Bank for International Co-operation (JBIC). Competitive bidding was used to select the contractor, which was awarded a service contract for a pilot area of 35,000 house water connections. By 2005, unaccounted-for-water had been reduced by 50% in some of the pilot service areas. Upon successful completion of the pilot, the BWSSB originally proposed to invite global tenders to expand the project to cover 400,000 household connections, but the overall project has run into some delays.

There has been some controversy regarding the leak reduction project (see *The Hindu* 2004), but much less so than for other privatization efforts even within Bangalore. For example BWSSB has announced plans for the Greater Bangalore Water Supply and Sanitation Project (GBWSSP), to supply piped water to 8 townships on the outskirts of the city. The sewerage component of this project is likely to be financed by loans from JBIC and the International Finance Corporation. That private sector

participation may be sought for this project has galvanized opponents (see Rao 2006), because there is, so far at least, no clarity about how the poor will be served, how they will pay, or whether there will even be enough water supply in the pipes to serve the entire mandated area. Indeed, the lack of transparency and citizen participation on questions of the role of the private sector in the GBWSSP have led Janaagraha, a leading NGO, to disengage from the project altogether.

India's furthest step towards full privatization of water supply is the Build-Own-Operate-Transfer (BOOT) contract carried out by the New Tirupur Area Development Corporation Limited. Tirupur in the state of Tamil Nadu is India's largest producer of cotton knitwear and the textile exporters depend on water for their production. The industrial sector played a lead role in the development of a project to supply water to the dyeing and bleaching industries along with domestic consumers in Tirupur Local Planning Area. A BOOT contract was awarded after an international bidding process to a consortium of India's Mahindra and Mahindra, Bechtel, and United Utilities JVC of the United Kingdom. These companies became equity owners in the project along with the Governments of India and Tamil Nadu, and the Tirupur Exporters' Association. The project is expected to supply 185 million litres per day, with 125 million litres destined for the knitwear industry, 25 million litres to domestic users in Tirupur municipality, and a further 35 million litres to surrounding villages and towns.

Although the Tirupur project has not met with too much resistance, antiprivatization activists have raised several objections. The first is that the groundwater in the area is of poor quality due to pollution from effluents from the textile producers, and now these producers will come to control the community's water supply. The involvement of Bechtel has also led to comparisons with the participation of a Bechtel subsidiary in the failed privatization effort of Cochabamba, Bolivia, which had little citizen consultation and resulted in large price increases (AID 2003).

Further private sector engagement such as concessions and leasing agreements will be difficult without prior pricing reform. The proposed operation and management contract in Bangalore has hit resistance, while a construction management project was cancelled in Pune, in part due to pricing concerns (Sule 2005). Opponents cited a lack of transparency and corruption allegations in both projects. While there are possible gains from private anagement of utilities, given current pricing levels it is easy for critics to argue that privatization causes rises in price. Indeed Davis (2005) finds that, where water sector efficiencies have been realized through PSP, unpopular tariff hikes were almost always present. Successful PSP therefore requires public awareness campaigns of the true costs of the current policies, and for price rises to be clearly linked to improvements in access, quality and service. It is

equally important not to oversell the reforms possible under private sector involvement through unrealistic goals and exaggerated public statements.

5.8 Political economy of water policy reforms

In light of the widespread inefficiencies in the Indian water sector of cities, there is clearly ample scope for reform. However, as in most democracies, any major reform needs to survive the political process, while even small changes in prices require public approval. As Noll, Shirley and Cowan (2000) argue, several features of urban water systems make reform difficult. The political benefits of water reform are often low, while reform may involve giving up command of employment and investment in the public enterprise. Changes in prices and staff layoffs are more visible to the public than improved operating efficiency, reductions in state subsidies, and small improvements in quality.

The longer reform is delayed, the more difficult it becomes. For example, water rates in Delhi remained constant between 1998 and 2004, at rates much lower than other cities and far below operating costs. In December 2004, tariffs were increased and a two-part increasing block tariff introduced. The first 6KL per month remained free. Although the Delhi Jal Board publicly justified the increase in terms of rising costs of production, and with reference to the fact that prices were much lower than in other cities, the tariff rises were met with protests. In particular, critics viewed the price rises as laying the ground for privatization of water, with little apparent recognition that even an efficient public utility in Delhi would require prices substantially higher than those prevailing pre-reform.

Promoting changes in the water sector therefore requires finding a way to raise the political benefits of reform efforts, or of increasing the political costs of not reforming. One key element in this regard is increased information and public awareness. The Sukthankar Committee (2001) suggests that local bodies should be made to publish fact sheets containing data on operations periodically and subject themselves to public review. This would increase the transparency of the existing system, and would allow for benchmarking of local water utilities with other cities. Public awareness could be further increased by reporting the results of water quality tests, along with information on hours of service and pressure. This information could be coupled with accessible data on how much water subsidies take from the state budget, and price increases could be explicitly linked to targeted improvements in key sectors.

Public information and awareness appear to have played a key role in recent reforms initiated by Bangalore's Water Supply and Sewerage Board (BWSSB). In recent years Bangalore has witnessed citizen action around urban services, such as 'report cards' on urban services undertaken by prominent

local NGOs (Connors 2005). Between 2000 and 2005, BWSSB implemented a series of pilot projects aimed at expanding its coverage to the poor. These pilots accepted non-traditional items such as ration cards and voter cards as proofs of tenure (Connors and Brocklehurst 2006), and approximately 5% of Bangalore's (notified) slums were able to connect to the network, receive bills, and make payments. In the Bangalore case, the motivation behind granting tenure security and thus network connections, while potentially pro-poor, is tied to the utility's own priorities of cost recovery.

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CHAPTER VI: Urban Political and Fiscal Decentralization in India: An Overview

Urban political and fiscal decentralization acquire special importance in the context of the ongoing process of globalisation and associated economic reforms in India. While the process of globalisation acts in ways in which the market acquires supremacy to the detriment of people who lose control over their livelihood patterns as well as other choices, the process of urban political and fiscal decentralisation could act as a countervailing force enabling people to acquire control over decisions that influence their lives in critical areas at the local level. This chapter attempts to articulate the emerging political reforms and economic policies at the town level and their implications. In so doing, the chapter focuses on the constitutional and legal aspects of both urban political and fiscal decentralization, relationship of urban local bodies with other agencies, fiscal and sectoral decentralization, accountability, and local economic development. The analysis is based on a critical review of the policy documents, reports of various studies on urban political and fiscal decentralisation, published and unpublished research studies brought out by institutions or individuals on the subject.

6. Introduction

Political and fiscal decentralisation initiatives at the town level in India is often considered to be a process purposefully adopted as a result of its need arising out of various political, social and economic factors. However, a different school of thought considers urban political and fiscal decentralisation a fall out of the globalisation and liberalisation process, the World over. Much of the literature on decentralisation, normative and empirical, is based on industrial countries and assumes the existence of institutions that are usually very weak in developing countries. Urban decentralisation- devolving powers and responsibilities to the municipal bodies (the city governments) was a result of the increasing pace of urbanisation, particularly in the larger cities.⁴⁴ The opening up of the Indian economy to the World market has led to the creation of what is often referred to as "Global Cities". These cities became the hub of industrial and economic activities and attractive destinations for the foreign direct investments (FDIs). The urban areas in general and the larger cities in particular became the hub of industrial and economic activities after the local market got mingled up with the global market. The larger cities often referred to as the Global Cities attracted most of the foreign direct investments as well as short-term portfolio investments. As a consequence, it became inevitable for the city governments- municipal bodies to provide better infrastructure facilities to the citizenry in general and foreign investors in particular. It has now become a major challenge for the civic agencies, particularly in the larger cities

⁴⁴ For more details see, O P Mathur (1999), Decentralisation in India: A Report Card, Working Chapter, New Delhi: National Institute of Public Finance and Policy, March 1999.

to provide internationally competitive infrastructure facilities to attract the FDIs flowing into India. The inter-city competitiveness to attract FDIs has made the investors even more demanding regarding the performance of the city governments. Consequently, with the Indian market being opened to the World market, decentralisation became inevitable to make the local bodies more accountable to the stakeholders. The larger cities became hub of economic activities because they were able to provide the basic minimum infrastructure requirement for overall development.⁴⁵ The increasing flow of investments into the city needed adequate infrastructure support in the form of transport, basic amenities and housing. As a consequence, there was a need to devolve powers and authorities to the lower tiers of government- the municipal bodies that are largely responsible for the provision of infrastructure facilities within city limits.

6.1 Urban Political Reforms in India: A Historical Perspective

Municipal administration in India has a fairly long history. Some form of municipal authority appears to have been in existence during the period of Indus Valley Civilisation. More comprehensive initiative towards this end was adopted during the British period. The Charter of James II in 1687 empowered the establishment of municipal corporations by East India Company. By 1726, Mayor's Courts were established in the Presidency Towns of Madras, Bombay and Calcutta.⁴⁶ The decentralisation initiative-devolving powers, functional responsibilities and authorities to the urban local bodies in India virtually started with the Seventy- fourth Constitution Amendment Act 1992 that came into effect from 1st June 1993.⁴⁷ Though the history of decentralization at the urban level could be traced back to colonial period, it was through the Constitution Seventy- fourth Amendment Act, 1992 (CAA) urban local bodies in India got statutory recognition to discharge their functions at the town level. The Constitution Seventy- fourth Amendment Act, 1992 is considered to be a watershed development in urban policy initiatives in India. This is due to the fact that for the first time in the history of urban governance, the municipal bodies were provided the Constitutional Status of the third tier of government. The basic objective of decentralisation at the town level is to empower the municipal bodies both administratively as well as financially. Urban Local Bodies were set up to bring about development of cities in collaboration of the people so that people's participation becomes a reality if not at Union and State levels but surely at

⁴⁵ More details available @ <http://www.urbanindia.nic.in/urbanscene/urbanreforms/urbanreform.htm>

⁴⁶ For more details on History of Urban Local Bodies available @ <http://www.rcueslko.org/states/Compendium%20of%20Urban%20Data%20%28Uttar%20Pradesh%29/5%20Introduction%20History%20of%20ULBs.pdf>

⁴⁷ For more details on 74th CAA available @ <http://indiacode.nic.in/coiweb/amend/amend74.htm>

local levels. The key provisions of the Constitution Seventy- fourth Amendment Act, 1992 (CAA) are highlighted below:

6.2 The 74th Constitutional Amendment

6.2.1 Institutions of Self-governance

Municipalities are visualised as 'institutions of self-government', with the capability to prepare 'plans for economic development and social justice'. They would functions pertaining to the XII Schedule and additional ones entrusted by the State Government. The XII Schedule is an illustrative list and not a directive one.

6.2.2 Ward Committees

It is mandatory for Corporations to constitute Ward Committees. These would include representation from women, citizens' groups, and SC/ STs. in cities with a population of over 0.3 million. For lower level of Urban Local Bodies (ULBs), the State government can decide. The Wards Committee is to bring governance closer to the people and could be empowered to carry out the responsibilities of the ULB including those of the XII Schedule.

6.2.3 District Planning Committees

To effect spatial and economic development, and also rural and urban planning, the act advises the constitution of District Planning Committees (DPC) and Metropolitan Planning Committees (MPCs) with majority representation of elected local representatives.

6.2.4 State Finance Commission

To ensure financial stability of ULBs, the act mandates the constitution of a State Finance Commission (SFCs) every five years. This would review the financial position of rural and urban bodies and recommend devolution of taxes, charges, fees, tolls, duties, shared revenues mid inter-governmental transfers to municipalities and other measures. Based upon the recommendations of State Finance Commission, the Central Finance Commission is expected to suggest measures for augmenting the consolidated funds in a State, for supplementing the resources of municipalities

6.2.5 State Election Commission

To ensure a democratic process, the act mandates the creation of State Election Commissions (SECs). This would oversee, direct, and control the preparation of electoral rolls and conduct elections to rural

and urban bodies. Another key task of the SECs is to ensure that election to municipalities dissolved by the State government, be held within 6 months of the dissolution.

It is, however, found by many studies that the local governments in India are confronted with poor finances, over- controlled local governance and multiplicity of agencies often with overlapping functional and geographical jurisdictions. With the increase in responsibilities as a result of the devolution of eighteen functions through the 12th Schedule of the 74th CAA, empowerment of the ULBs became inevitable. Moreover, the decline in the budgetary support from the higher tiers of Government, as a result of the second generation of reforms that aimed at reducing state fiscal deficits, made devolution of powers to ULBs imperative. It is more than a decade that the decentralisation initiative is in place after the second generation of reforms triggered during the early nineties.

6.3 Impact of 74th Constitutional Amendment Act (CAA)

Many studies documenting the developments in the decade after the passing of the 74th Constitutional Amendment Act (CAA) found that the efforts to move towards political decentralized in urban India has been at best fragmented and uncoordinated, largely due to absence of a broad macro framework. Despite most of the states passing the laws conforming to the Amendment Act, for ensuring regularity of elections, representation, and reservation etc. the process of empowerment of local bodies has been extremely uneven across states and cities. Further, transferring all the eighteen functions, enlisted in the 12th Schedule of the Amendment Act, has been an exception rather than the norm. It would, therefore, be unrealistic to expect any major improvement in the nature of planning and administration at the local level, as a consequence of CAA and linked changes at the state level. Importantly, the Stipulation in the Act regarding creation of wards committees in cities having population over three hundred thousand has also been interpreted and incorporated in the administrative orders differently in different states, mostly to meet their political convenience.

6.3.1 District Planning Committees & Metropolitan Planning Committees (MPCs)

It may be argued that given the openness of the economy of the cities, it is impossible for the ULBs to prepare a development plan without a regional perspective, proposed at a higher level such as region or district. Unfortunately, though most states have taken the steps to constitute the District Planning Committees (DPCs) not much information is available on their functioning. The situation is much less encouraging as far as the Metropolitan Planning Committees (MPCs) is concerned. In the absence of a larger perspective, provided by concerned authorities at the regional level, the ULBs have been forced to take decisions in an institutional vacuum. It can be argued that, barring exceptional cases, local bodies neither have the technical competence nor information base to take decisions with regard to

location of industrial unit, its technology and production links. These do not have the capability to assess the long-term cost implications of the contractual arrangements, they are entering into with private companies, for the people or urban economy. There has been no effort on the part of the state government to create an information base or provide technical assistance to ULBs for assessing, for example, the long-term implications of land deals and helping the latter in enforcing appropriate environmental safeguards.

6.3.2 Parastatal Agencies

A critically important hurdle in decentralization, which has come in the way of innovative urban management practices are the well entrenched special purpose parastatal agencies.⁴⁸ Considerable (developmental) funds are still being routed through these agencies and the ULBs have little possibility to intervene in that process.

6.3.3 State Finance Commissions

Another aspect, which has a critical bearing on the functioning of the local bodies but has not received attention of the state governments or the State Finance Commissions (SFCs) is the number and duration of the Standing Committees (SC), responsible for day-to-day decision making. Neither the 74th CAA nor the supporting legislations at the state level stipulate certain minimum number of such committees or their period of existence that may be considered desirable for their effective functioning. The most significant criticism of the decentralization model is that financial resources are being devolved without envisaging a perspective of urban development. It has been pointed out that the SFCs have taken up the issues of financial devolution without examining how the functions will be assigned to and carried out by local bodies and what will be their implications.⁴⁹

6.3.4 Fiscal Decentralisation and Its Impact

A review of the fiscal decentralization at the local level in the pre and post 74th amendment period reveals that in a few of the states, improvement in the finances of the ULBs have been marginal, even at current prices. The per capita income has improved substantially for the developed states whereas the poorer states have registered either a decline or nominal increase, thereby increasing the interstate

⁴⁸ For more details, see "Decentralisation in India: Challenges and Opportunities", Human Development Centre, United Nations Development Programme, New Delhi, Available @ <http://data.undp.org.in/hdrc/dis-srs/Challenges/DecentralisationCO.pdf>

⁴⁹ For more details, see Isaac Thomas & P Shaheena (2007) Fiscal Devolution to Local Self governments and Finance commissions, (unpublished paper), Thiruvananthapuram.

disparity. Given the difficult financial situation of local bodies, especially in the backward states, it is unlikely that they will be able to strengthen their planning departments by recruiting technical and professional personnel for taking up the challenge of development planning. Due to the functioning of the ULBs in an institutional vacuum, as noted above, the only choice for them has been to depend on financial intermediaries and credit rating agencies. However, imposition of stringent conditionalities by these agencies on the local bodies in determining their project priorities and even disbursement of their own budgetary resources raise more questions than provide answers, in the context of a policy of balanced regional development. The policy makers both at the centre and state level are not very pleased about transferring powers and funds to local bodies as also the with their initiatives in generating revenue resources.⁵⁰ Further, the local bodies or ward committees (within the cities) providing basic amenities, as per the paying capacity of the residents, in consonance with the new policy package, is likely to lead to lowering down the norms and standards of the services, compromising on their level and quality, thereby jeopardizing the health of the people.

In spite of constitutional recognition to the third tier, the urban local bodies seem to play a very limited role both in raising revenues and in spending.⁵¹ It would be correct to characterize decentralization at the third level as mostly top-down. It is also seen that initiative for decentralization at the third level has come from the Center and not the States. In raising revenues, their role is negligible. Nor have the States given enough transfers to enable them to play a meaningful role even in implementation. The only way they could play a meaningful role is to resort to heavy borrowings as seems to have happened in urban local bodies in Andhra Pradesh and Maharashtra. But this has significantly added to their deficits. The transfers at local level do not follow any clear pattern. Of course, the level of development of the States does seem to be a factor contributing to the success of decentralization in terms raising revenues. However, in absolute terms the local role is not substantial. From this, it will not be an exaggeration to say that the institutional environment does not seem conducive to the success of decentralization at local level in India. It is necessary to understand the policies and institutions necessary for the success to make the local fiscal governance successful. The following table gives detailed information about the state-wise compliance of the 74th CAA:

⁵⁰ For more details, see M Govinda Rao (2001) 'Fiscal Decentralisation in Indian Federalism', *Working Paper 98*, Institute of Social and Economic Change, Bangalore.

⁵¹ For more details, see G Thimmiah (1998) 'Local Government Finances: Some Issues, Local government Finances' in India, Proceedings of National Conference on *Emerging Trends in Indian Local Government Finances*, held at National Institute of Rural Development, Hyderabad, 24-25 October 1996, Organised by Konrad Adenauer Foundation, Manohar, Delhi.

Table 6.1: state-wise compliance of the 74th CAA

No	State/UT	Constitution of ULBs	Reservation of Seats	Regular Conduct of Elections	Constitution of WCs	Constitution of DPCs	Constitution of MPCs	Constitution of SFCs
1	Andhra Pradesh	Yes	Yes	Yes	Yes			Yes
2	Arunachal Pradesh#					Yes		Yes
3	Assam	Yes	Yes	Yes		Yes		Yes
4	Bihar	Yes	Yes	Yes		Yes		Yes
5	Chhatisgarh	Yes	Yes	Yes	Yes	Yes		Yes
6	Delhi	Yes	Yes	Yes	Yes			Yes
7	Goa	Yes	Yes	Yes				Yes
8	Gujarat	Yes	Yes	Yes				Yes
9	Haryana	Yes	Yes	Yes		Yes		Yes
10	Himachal Pradesh	Yes	Yes	Yes				Yes
11	Jharkhand	Yes	Yes	Yes				Yes
12	Karnataka	Yes	Yes	Yes	Yes	Yes		Yes
13	Kerala	Yes	Yes	Yes	Yes	Yes		Yes
14	Madhya Pradesh	Yes	Yes	Yes	Yes	Yes		Yes
15	Maharashtra	Yes	Yes	Yes	Yes			Yes
16	Manipur	Yes	Yes	Yes				Yes
17	Meghalaya @							
18	Mizoram @ #							
19	Nagaland @							
20	Orissa	Yes	Yes	Yes		Yes		Yes
21	Punjab	Yes	Yes	Yes				Yes
22	Rajasthan	Yes	Yes	Yes		Yes		Yes
23	Sikkim #	Yes	Yes	Yes				Yes
24	Tamil Nadu	Yes	Yes	Yes	Yes	Yes		Yes
25	Tripura	Yes	Yes	Yes				Yes
26	Uttaranchal	Yes	Yes	Yes				Yes
27	Uttar Pradesh	Yes	Yes	Yes				Yes
28	West Bengal	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Source: National Institute of Urban Affairs, New Delhi, India, Available @ http://www.niua.org/Publications/research_studies/74caa_v1/Impact%20of%20the%2074th%20CAA-Consolidated%20Report%20Vol%20-%20I_summary.pdf

Notes:

- # - There are no municipalities in the state.
- @ - The 74th Amendment Act provisions have not been applied to certain Scheduled Areas and the Tribal Areas of India.
- Status of information provided in the table is based on data collected over a period of time (i.e., during the year 2004 and up to August 2005 and may therefore not tally with the latest position in the different states of the country.

6.4 Concluding Remarks

The financial position of most of the ULBs remains extremely poor even after CAA. They have not been able to get the Tenth and Eleventh Central Finance Commission grants since they require their matching contribution. Further, the inability to generate matching contribution has stood in the way of taking up many of the governmental schemes. As a result, the ULBs have laid emphasis on linking the functional domain of municipalities with their financial resources, insisting on broadening their tax base. In view of these problems, it is recommended that the key issue at the local level, under the decentralised regime, should be promotion of balanced development and increasing the coverage of basic amenities, besides ensuring higher efficiency in administration and greater cost recovery.

Large cities in the country have become financially vulnerable in recent years and are likely to be trapped into the problem of long-term debt servicing because of their tools of resource mobilisation. The states must ensure that the autonomy of the local bodies and their capacity to take up routine activities as also slum improvement and social development projects do not get compromised because of the conditionalities imposed by credit rating agencies and other financial intermediaries.

Growing dependence on private initiatives for provision of basic amenities, without a perspective of covering larger sections of population, is likely to enhance disparity in accessing basic amenities, even within large cities. The city governments, therefore, must monitor the trends in intra-city disparity, ensure that programmes are launched to increase the coverage of poor under basic amenities and make the trends in coverage public, at regular intervals. Also, the SFCs may recommend specific grants, tied to provision of services to poor and slum colonies.

Financial institutions like Housing and Urban Development Corporation of India (HUDCO), that have been set up with the explicit objective of promoting balanced urban development, must pursue their schemes to provide concessional funds for infrastructural investment in backward regions, particularly in small and medium towns and make larger sums available for the purpose. They should not go by the credit rating criteria, similar to those used in the capital market, for determining the viability of projects and should lay emphasis on meeting social objectives. It must design its lending policies with a view to achieve balanced urbanization and therefore, must seek viable ways of funding smaller ULBs, that have higher levels of income poverty and deprivation in terms of amenities. For shouldering this responsibility, they must get commensurate support from the central or state government.

At the city level, it would be important to ensure that the inequalities do not increase as a result of location of infrastructural projects or contractual agreements for service delivery with private sector. Specific clause must be built in the new capital projects and contractual agreements with private agencies (that are entering the field of basic amenities), so that the coverage of unserved households is increased. Central and state government schemes must be designed for slums and poor colonies with an explicit subsidy component, for implementation within a participatory framework. The scope and coverage of SNP or similar projects need to be increased to gradually cover larger segments of unserved urban population. A Regulatory Authority may be set up at the state level to overview private sector/partnership projects involving sale or leasing out of land or municipal assets on a long term basis.

CHAPTER VII: JAWAHARLAL NEHRU NATIONAL URBAN RENEWAL MISSION: AN OVERVIEW

This chapter provides an overview of the entire JNNURM Mission consisting of sub- missions on urban infrastructure and governance and basic services to urban poor and for small cities and towns which are not included in the mission – UIDSSMT and IHSDP. A brief introduction of JNNURM is provided first. The components of different schemes within JNNURM are explained in the next section. The Strategic Elements of JNNURM for each scheme is explained in the third section. The present status of each scheme in JNNURM regime will be explained in the fourth section. This chapter ends with a critical review of JNNURM highlighting current criticisms that have been raised against JNNURM by different civil society organizations and activists.

7. Introduction

The Government of India has launched JNNURM to accelerate urban infrastructure development and governance reforms in cities and towns of India. It seems to be an effort to consolidate the different fragmented attempts to improve urban infrastructure and introduce governance reforms (FIRE-D project and Urban Reform Incentive Fund). As stated in the conclusion of the previous chapter, urban local bodies do not have financial resources to undertake investments in urban infrastructure and slum redevelopment projects. The Ministry has outlined a charter for municipal reforms and suggested that a part of our award amount relating to the ULBs should be earmarked for allotment by that Ministry for encouraging implementation of governance reforms. The Government of India launched Jawaharlal Nehru National Urban Renewal Mission (JNNURM) on December 3rd 2005. Initially 63 cities divided across three categories were included in JNNURM. It has increased now to 65 with inclusion of Porbandar and Tirupati.

For small and medium cities and towns not included in the mission, Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) and Integrated Housing and Slum development Programme (IHSDP) was launched by combining existing schemes. The mission statement of JNNURM states that *"The aim is to encourage reforms and fast track planned development of identified cities. Focus is to be on efficiency in urban infrastructure and service delivery mechanisms, community participation, and accountability of ULBs/Parastatal agencies towards citizens"* ⁵²The table below explains the objectives of the different schemes the mission, the nodal ministries and eligibility criteria for cities and towns for respective schemes.

⁵² Overview of Jawaharlal Nehru National Urban Renewal Mission, Government of India, 2005, p.5

Table 7.1: Background details of JNNURM scheme

Scheme	Objectives of the Scheme	Nodal Ministry	Eligibility of Cities
Sub-Mission on Urban Infrastructure and Governance (SMUIG)		Ministry of Urban Development (MoUD)	There are three category of cities in SMUIG Category A- Cities with more than 4 million population (7 Cities) Category B- Cities with more than 1 million population (28 cities) Category C- State capitals and places of tourism or pilgrimage centres (30 cities)
Sub-Mission on Basic Services to Urban Poor (SMBSUP)	Provision of basic services to the urban poor including security of tenure at affordable prices, improved housing, water supply and sanitation, and ensuring delivery of other existing universal services of the government for education, health and social security".	Ministry of Housing and Urban Poverty Alleviation (MoHUPA)	Same as SMUIG
Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT)		Ministry of Urban Development (MoUD)	All cities and towns with elected municipal bodies which are not included in SMUIG/SMBSUP are eligible for projects under this scheme. However, the projects are sanctioned by state governments.
Integrated Housing and Slum Development Programme (IHSDP)	Provision of basic services to the urban poor including security of tenure at affordable prices, improved housing, water supply and sanitation, and ensuring delivery of other existing universal services of the government for education, health and social security".	Ministry of Housing and Urban Poverty Alleviation (MoHUPA)	Same as UIDSSMT

In the table 2 shown below, the project components eligible for funding under different JNNURM schemes is shown. We can see that Sub-mission on Urban Infrastructure and Governance (SMUIG) is

similar to UIDSSMT which similar focus on urban infrastructure. SMBSUP and IHSDP are similar schemes sharing focus on affordable housing and delivery of basic services to urban poor.

Table 7.2 : Components in JNNURM scheme

Programme/Scheme	Components of the scheme
SMUIG and UIDSSMT	<ol style="list-style-type: none"> 1. Urban Renewal i.e redevelopment of inner (old) city areas [this would include items like widening of narrow streets, shifting of industrial/commercial establishments from non-conforming to conforming' areas to reduce congestion, replacement of old and worn-out water pipes by new/higher capacity ones, renewal of sewerage/drainage/solid waste disposal systems, etc]. 2. Water Supply (including de-salination plants) and sanitation 3. Sewerage and Solid Waste Management 4. Construction and improvement of drains/storm water drains 5. Urban Transport, including roads, highways/expressways/ MRTS/metro projects. 6. Parking lots/spaces on Public Private Partnership basis 7. Development of heritage areas 8. Prevention & rehabilitation of soil erosion/landslides only in case of Special Category States where such problems are common 9. Preservation of water bodies.
SMBSUP and IHSDP	<ol style="list-style-type: none"> 1. Integrated development of slums, i.e., housing and development of infrastructure projects in the slums in the identified cities. 2. Projects involving development/improvement/maintenance of basic services to the urban poor. 3. Slum improvement and rehabilitation projects. 4. Projects on water supply/sewerage/drainage, community toilets/baths, etc. 5. Houses at affordable costs for slum dwellers/ urban poor/EWS/LIG categories. 6. Construction and improvements of drains/storm water drains. 7. Environmental improvement of slums and solid waste management. 8. Street lighting. 9. Civic amenities, like community halls, child care centers, etc. 10. Operation and maintenance of assets created under this component. 11. Convergence of health, education and social security schemes for the urban poor

Hence, we can see that JNNURM aims at massive infrastructure development in cities and provision of basic services to urban poor through implementation of a reforms agenda encompassing legal, administrative and governance reforms.

7.1 Reforms Agenda

The uniqueness of JNNURM lies in the fact that release of central grant is conditional on implementation of reforms. As the mission has progressed, the Ministry of Urban Development (MoUD) has been concerned with slow pace of implementation of reforms by cities and urban local bodies⁵³. Though, MoUD wanted to release 2nd and 3rd instalments of central assistance based on achievement of reforms, it was unable to do so as pace of reforms implementation was extremely slow and felt that absence of funds would delay the project and lead to cost overruns⁵⁴. The JNNURM reforms are highlighted in table 3 shown below. The reforms are divided into mandatory and optional. However, all reforms are to be implemented compulsorily. The optional reforms can be implemented as two reforms every year during the mission period (2005-2012).

The reforms are to be implemented at state government and urban local body level. However, most reforms at urban local body require prior approvals from state government in form of government orders or resolutions to enable urban local bodies to implement these reforms.

Table 7.3: Reforms Agenda in JNNURM

	State Level	Urban Local Body Level
Mandatory Reforms	1. Implementation of 74 th CAA, 1992	1. Adoption of modern accrual based double entry system of accounting
	2. Reform of Rent Control Laws balancing the interests of landlords and tenants	2. Introduction of system of e-governance
	3. Repeal of Urban Land Ceiling and Regulation Act	3. Increase property tax collection at least to 85 per cent
	4. Enactment of Community Participation Law to institutionalize citizen participation and introducing the concept of Area Sabha in urban areas.	4. Collection of Full cost of operation and maintenance or recurring cost
	5. Enactment of Public Disclosure Law to ensure preparation of medium term fiscal plan of urban local bodies/parastatals and release of quarterly performance	5. Internal earmarking within local body, budgets for basic services to the urban poor

⁵³ Interview with M.Ramachandran, Secretary, Ministry of urban Development, Gol, Financial Express, Apr. 29 2010

⁵⁴ Interview with M.Ramachandran, Secretary, Ministry of urban Development, Gol accessed on <http://www.livemint.com/Articles/PrintArticle.aspx?artid=83BB9BB4-FC35-11DD-9A5D-000B5DABF636>

	information to all stakeholders	
	6. Assigning or Associating Urban Local Bodies with City Planning	6. Provision of basic services to urban poor including security of tenure at affordable prices, improved housing, water supply, sanitation and ensuring delivery of education, health and social security
	7. Rationalisation of Stamp Duty to 5 per cent	
Optional Reforms	1. Revision of bye-laws to streamline approval process for construction of buildings, development of sites etc.	
(Common to States and Urban Local Bodies)	2. Simplification of conversion of agricultural land for non-agricultural purposes	
	3. Introduction of Property Title Certification system in Urban Local bodies	
	4. Earmarking at least 20-25 per cent of developed land in all housing projects for EWS/LIG with cross subsidization	
	5. Introduction of computerized process of registration of land and property	
	6. To make rain water harvesting mandatory in all buildings and adoption of water conservation measures	
	7. Bye-laws for reuse of recycled water	
	8. Administrative Reforms	
	9. Structural Reforms	
	10. Public-Private Partnership	

7.2 Strategic Elements

The uniqueness of JNNURM lies not only in its unprecedented financial outlays for urban areas but also the detailed strategies, institutions and processes involved in the mission at national, state and city/town levels. The role of strategic elements in each scheme under JNNURM mission is explained in Table 4 below.

Table 7.4: Strategic Elements in JNNURM

Strategic Elements	SMUIG	SMBSUP	UIDSSMT	IHSDP
City Development Plan(CDP)	All JNNURM cities were expected to prepare City Development Plans which would provide a vision and perspective for planned urbanization of these cities for next 20-25 years. These CDPs were expected to be updated every 5 years.	Same process as in SMUIG	According to Ministry of Urban Development (MoUD) It is not compulsory to prepare a City Development Plan (CDP) to access funds under UIDSSMT. However, Maharashtra has	Preparation of CDPs is not compulsory for IHSDP schemes.

			asked all its cities and towns to prepare CDP's.	
Memorandum of Agreement (MoA)	<p>A Memorandum of Agreement (MoA) has to be signed between Gol, State Government and urban local bodies indicating their commitment to implement the reforms agenda of JNNURM. The MoA defines the specific milestones to be achieved by State Governments and Urban Local Bodies in form of different checklists. The signing of MoA is a necessary condition to access Central Assistance under JNNURM.</p>	Same process as in SMUIG	The State Level Nodal Agency or State Government will sign the Memorandum of Agreement with Government of India indicating their commitment to implement reforms. The Urban Local bodies will sign MoA with State level Nodal Agency.	Same as in UIDSSMT
Detailed Project Report (DPR)	<p>The Detailed Project Reports are in fact the basic building blocks for JNNURM programme. The sanction of funds for each urban local body is on the basis of a DPR which shows financially and technically feasible infrastructure or housing project. The DPRs for projects in different sectors are expected to be prepared on the basis of needs of the sector identified by CDP.</p>	Same process as in SMUIG	Urban local bodies are required to prepare the DPRs taking into account the priorities of development and finding solutions to critical problems in their towns	Urban local bodies are required to prepare the DPRs taking into account the priorities of development and finding solutions to critical problems in their towns

The City Development Plans were to focus on development of economic and social infrastructure of the city, develop strategies to strengthen municipal finances and to deal with issues of urban poor. The preparations of CDPs were expected to be held in a participatory and transparent manner with consultations with multiple stakeholders in different stages of preparing CDPs. However, in case of most cities this expectation has been belied. Instead, urban local bodies have outsourced preparation of CDPs to consultants most of whom had been empanelled by MoUD for this purpose. Neither have

citizens been consulted or informed about what is the vision of the future envisaged by their cities⁵⁵. The MoA's has remained a mere formality with no effort by Government of India to force state governments to conform to timelines for reform implementation agreed between them. Similar is the case with urban local bodies. The Detailed Project Reports have been considered as "building blocks" for schemes under JNNURM. The sanction of funds for each urban local body is on the basis of a DPR which shows financially and technically feasible infrastructure or housing project.

7.3 Institutional Framework for JNNURM

The JNNURM mission has developed a detailed institutional framework at national, state and urban local body level. The institutions at each level have a defined roles and responsibilities within each scheme of the mission. A major criticism of these institutions is the over representation of bureaucrats in them leading to higher centralisation in these institutions.

Table 5 outlines briefly the role of each institution for each scheme under JNNURM Mission.

Table 7.5: Institutional Framework for JNNURM

Institutions	SMUIG	SMBSUP	UIDSSMT	IHSDP
Ministry of Urban Development	Nodal ministry responsible for overall coordination and direction		Nodal ministry responsible for overall coordination and direction	
Ministry of Housing and Poverty Alleviation		Nodal ministry responsible for overall coordination and direction		Nodal ministry responsible for overall coordination and direction
National Steering Group (NSG)	1)Steer Mission Objectives 2)May add additional reforms 3)May decide addition or deletion of cities under Category-C based on suggestions of State Governments	Similar	Not Directly involved	Not Directly Involved
Mission Directorate (MD)	Headed by JS, MoUD 1)Ensuring effective coordination with State Governments and other agencies for processing project proposals 2)Responsible for placing projects before CSMC 3) Responsible for receiving monitoring reports from SLNA	Headed by JS, MoHUPA 1)Ensuring effective coordination with State Governments and other agencies for processing project proposals 2)Responsible for placing projects before CSMC 3) Responsible for receiving monitoring reports from SLNA		
Central Sanctioning and Monitoring Committee (CSMC)	Chaired by Secretary, MoUD 1)Authorised to appraise and sanction projects costing upto Rs.500 2) Undertakes periodic review of sanctioned projects through discussions with state officials.	Chaired by Secretary, MoHUPA 1) Authorised to appraise and sanction projects costing upto Rs.500 2)) Uundertakes periodic review of sanctioned projects through discussions with state officials.		
Technical Agencies	Appraisal of Detailed Project Reports (DPR's) will be undertaken by the Technical	Same	Same	Same

	agencies of the Ministry before placing such proposals for sanction by Central Sanctioning and Monitoring Committee (CSMC).			
National Technical Advisory Group (NTAG)	<ol style="list-style-type: none"> 1. Create Voluntary Technical Corps in each city of the mission. 2. Encourage private sector participation in projects 3. Encourage Citizens involvement in urban governance 	Same	Same	Same
State Level Steering/Sanctioning Committee (SLSC)	<ol style="list-style-type: none"> 1. Decides and prioritises projects under the mission 2. Reviews and monitors implementation of the mission in the state. 	Same	It will be responsible to examine and sanction projects submitted by ULBs, periodically monitor sanctioned projects and review progress in implementation of reforms.	It will be responsible to examine and sanction projects submitted by ULBs, periodically monitor sanctioned projects and review progress in implementation of reforms.
State Level Nodal Agency (SLNA)	<ol style="list-style-type: none"> 1. Appraisal of projects submitted by 2. Urban Local Bodies Obtaining sanction of SLSC for each project 3. Management grants received from Central and State Governments 4. Release of Grants to Urban Local Bodies as grants, soft loan or grant-cum-loan 5. Management of Revolving Fund 6. Monitoring Physical and Financial Progress of projects and implementation of reforms under 	The SLNA may be different institution but the functions are same.	The SLNA may be different institution but the functions are same.	The SLNA may be different institution but the functions are same.

	MoA			
Project management Unit (PMU)	<p>1) To be set up in SLNA</p> <p>2) To provide technical and managerial support to SLNA</p> <p>3) Focus on Programme Management and Monitoring</p>	Same	Usually there is no separate PMU	Usually there is no separate PMU
Urban Local Body	Urban local body is responsible for preparing City Development Plans and Detailed Project Reports. But often, urban local bodies do not have the institutional capacity to undertake these activities. So many urban local bodies outsourced preparation of CDPs and DPRs to consultants and private sector organizations.	Same	Same	Same
Project Implementation Unit (PIU)	The PIU is meant to be an operations unit supplementing and enhancing the existing skill mix of the ULB, rather than a supervisory body. It is expected to work in tandem with the existing staff with focus on strengthening implementation of JNNURM. The focus of PIU is to enhance the pace and quality of implementation of the Mission activities. Many PIUs are being run by consultants.	Same	Usually there is no separate PIU for small and medium cities	Usually there is no separate PIU for small and medium cities

We can see that institutional responsibilities are more detailed for sub-mission under JNNURM whereas for UIDSSMT and IHSDP, state governments have more freedom to design institutions for implementation of these schemes.

7.4 Process in JNNURM

The JNNURM follows an elaborate process of preparation of DPRs, appraisal of DPRs and sanctioning of the project after which funds are released. The process is followed through the institutional framework of JNNURM outlined in the previous section. Table 6 below provides a summary of the sanctioning process of projects for different schemes under JNNURM.

Table 7.6: Summary of the process of sanctioning projects for schemes under JNNURM

Scheme	Summary of Process of Project sanction
SMUIG and SMBSUP	<p>The Process for both SMUIG and SMBSUP are similar. The DPRs prepared by ULBs are sent to the State steering committee (SLSC) through the nodal agency. Once it is approved in SLSC, then it is sent to CSMC for appraisal and sanction. The CSMC sends the DPR to technical agency for appraisal. Appraisal is an evaluation of the DPRs especially its technical and financial feasibility. Once appraised, CSMC approves the project on basis of the appraisal report.</p> <p>Central Government will release the funds under JNNURM as Additional Central Assistance (ACA) 100% grant to States through State Level Nodal Agency (SLNA).SLNA releases funds to urban local bodies in form of grants, soft loans or grant-cum-loans. First Installment .i.e 25 per cent of project cost released on signing of MoA with states and urban local bodies. Next Instalment is released on receipt of utilization certificates and achievement of milestones agreed for implementation of mandatory reforms.</p>
UIDSSMT	<p>Urban local bodies are required to prepare the DPRs taking into account the priorities of development and finding solutions to critical problems in their towns. Urban Local Bodies will submit their DPRs to State Level Nodal Agencies for appraisal. The SLNA will appraise the projects through its own technical wings or state level technical agencies or outside agencies. SLNA will submit the appraisal reports to State Level Sanctioning Committee (SLSC). SLSC includes representatives of MoUD, TCPO and Planning Commission will decide on sanction of projects. The SLSC will approve the project and minutes along with recommendation are sent to MOUD by state government.</p>
IHSDP	<p>Urban local bodies are required to prepare the DPRs taking into account the priorities of development and finding solutions to critical problems in their towns. Urban Local Bodies will submit their DPRs to State Level Nodal Agencies for appraisal. The SLNA will appraise the projects through its own technical wings or state level technical agencies or outside agencies. SLNA will submit the appraisal reports to State Level Sanctioning Committee (SLSC). SLSC includes representatives of MoUD and HUDCO will decide on sanction of projects. The SLSC will approve the project and minutes along with recommendation are sent to MOUD by state government.</p>

After the projects are sanctioned, tenders are called by urban local bodies and project contract is awarded to the winner of the contract. The urban local bodies have to send Quarterly Progress Reports (QPRs) to the MoUD through the SLNA. These reports have to provide information regarding physical and financial progress of the projects. The entire process is monitored by MoUD through designated officers for each state. CSMC will also periodically review the progress of the projects. SLNA also submits

quarterly reports to MoUD. The MoUD has also appointed Independent Review and Monitoring Agencies (IRMA) to do third party inspection and monitoring. These agencies are also supposed to review the progress of implementation of reforms.

7.5 Present Status of JNNURM

This section provides the present status for each of the schemes under JNNURM. The summary is based on year end review reports of MoUD and MoHUPA⁵⁶.

Table 7.7: Present status for each of the schemes under JNNURM

Scheme	Present Status
SMUIG	481 projects have been approved under Sub-mission of Urban Infrastructure and Governance (UIG). In terms of number of projects sanctioned and central assistance released, Maharashtra leads with 77 projects and Rs.2480 crores of central assistance released for the state. Water Supply leads as the sector in which the largest number of projects- 143 has been sanctioned accounting for 29 per cent of all project sanctioned and 36 per cent of costs sanctioned. 2009, the seven year allocation for Additional Central Assistance(ACA) for Urban Infrastructure and Governance (UIG) component was increased from Rs 25,500 crore to Rs 31,500 crore. 48 projects have been reported to have been physically completed.
SMBSUP	467 projects have been sanctioned. West Bengal leads in terms of number of projects sanctioned with 91 projects but Maharashtra leads in getting central assistance with Rs. 1018 crores. Planning Commission has enhanced the allocation by Rs. 5043 crore for BSUP (Rs. 2682 crore)
UIDSSMT	The seven year allocation for the Urban Infrastructure Development for Small and Medium Towns (UIDSSMT) component was raised from Rs. 6400 crore to Rs 11,400 crore. As on September 15 2009, 752 projects in 635 towns in 30 States and Union Territories have been sanctioned at an approved cost of Rs.12,820 crores and Rs.10,336 crores has been released as Additional Central Assistance. Tamil Nadu with 123 projects in 115 towns leads in number of projects sanctioned. However, Maharashtra with 94 projects in 86 towns leads in total central assistance released with 1102 crores.
IHSDP	The seven year allocation for IHSDP has increased from Rs. 5692.08 crores to Rs.5894.95 crores. As on 30 th December 2009, 860 projects with an additional central assistance of Rs. 5940 crores have been sanctioned. Uttar Pradesh leads with 135 projects sanctioned with 32105 dwelling units to be built. However, Maharashtra leads in central assistance released with Rs.584.29 crores released for 104 projects to build 90603 dwelling units.

⁵⁶ Based on year end reviews of Ministry of Urban Development and Ministry of Housing and Urban Poverty alleviation. Accessed at <http://pib.nic.in/release/release.asp?relid=56288> and ib.nic.in/archieve/others/2009/dec/r20091203105.pdf

7.6 Trends in JNNURM, UIDSSMT and IHSDP projects

This section provides an overview of the trends in JNNURM projects and fund allocations both sector-wise and state-wise. There is no consolidated project wise data on SMBSUP and IHSDP schemes.

Table 7.8: Trends in JNNURM projects and fund allocations both sector-wise and state-wise

A. Sub-Mission on Urban Infrastructure and Governance (SMUIG)

No.	Sector	No of Projects Sanctioned	Percentage of total projects	Central Assistance Committed (Rs. in crores)	Percentage of total assistance committed
1.	Water Supply	151	29%	9757	36%
2.	Sewerage	110	21%	6509	23%
3.	Roads/Flyovers	94	18%	3088	11%
4.	Drainage/Storm Water Drainage	71	13%	3576	13%
5.	Solid Waste Management	41	8%	1091	4%
6.	Mass Rapid Transport System	19	3%	2195	8%
7.	Other Transport Systems	15	2%	374	1%
8.	Urban Renewal	11	2%	204	Less than 1 per cent
9.	Development of Heritage Areas	5	Less than 1 per cent	132	Less than 1 per cent
10.	Preservation of Water Bodies	3	Less than 1 per cent	68	Less than 1 per cent
11.	Parking	3	Less than 1 per cent	237	Less than 1 per cent
	Total	524		27,231	

(Source: Based on figures till Feb 2010 available on www.jnnurm.nic.in)

It can be seen that water supply and sewerage projects dominate SMUIG accounting for 50 per cent of the projects sanctioned and nearly 60 per cent of total assistance committed. Two major reasons for dominance of water supply and sewerage projects is the push to have 24x7 (24 hours for 7 days of the week) water supply for cities. These projects also have larger project costs and therefore more central assistance is committed to them. It can be seen that preservation of water bodies, parking, development of heritage areas and urban renewal have a very marginal presence in SMUIG both in terms of projects and central assistance committed.

B. Urban Infrastructure Development Scheme for Small and Medium towns (UIDSSMT)

No.	Sector	No of Projects Sanctioned	Percentage of total projects	Central Assistance Committed (Rs. In crores)	Percentage of total assistance committed
1.	Water Supply	410	55%	6271	61%
2.	Roads/Flyovers	102	13%	785	7.5%
3.	Sewerage	97	14%	2303	22%
4.	Drainage/Storm Water Drainage	66	9%	644	6%
5.	Solid Waste Management	51	6%	265	2.5%
6.	Urban Renewal and Heritage	10	1	35	less than 1%
7.	Preservation of Water Bodies	9	1	24	less than 1%
8.	Parking	1	less than 1	0.3	less than 1%
9.	Soil Conservation	1	less than 1	1.5	less than 1%
	Total	747	-	10329.3	-

(Source: Based on figures till Feb 2010 available on www.jnnurm.nic.in)

Again we can see that water supply and sewerage dominate UIDSSMT projects in small and medium towns. They account for 69% of the projects and almost 83 % of committed central assistance. The existing systems of water supply and sewerage in most small and medium towns are inadequate. Another reason for large number of water supply and sewerage projects is its "attractiveness" in terms of commissions and kickbacks because of the huge expenditures involved. Again we find that preservation of water bodies, urban renewal and parking are marginal in terms of projects and allocation of funds. However, it is surprising to note that solid waste management projects are also on the sidelines with just 6% of the total projects and 2.5% of the allocated central funds.

Table 7.9 - A: Top 4 and Bottom 4 States under SMUIG

Sub-Mission on Urban Infrastructure and Governance (SMUIG)			
	State	No. of Projects (%)	Additional Central Assistance (%)
Top 4 States	Maharashtra	79	---
	Gujarat	70	---
	Tamil Nadu	52	---

	Andhra Pradesh	50	--
	West Bengal	50	---
Bottom 4 states	Haryana	4	--
	Himachal Pradesh	4	--
	Jammu & Kashmir	4	--
	Jharkhand	4	--
	Orissa	5	---
	Punjab	6	---
	Bihar	8	---

In SMUIG, we can see that the major urbanised states lead in terms of projects with Maharashtra taking the top position in terms of project sanctioned. On the other end, we can see that states like Haryana, Himachal Pradesh, Jammu and Kashmir and Jharkhand are at the bottom in terms of projects.

Table 7.9 -B: Top 4 and Bottom 4 States under SMBSUP

Sub-Mission on Basic Services to Urban Poor (SMBSUP)			
	State	No. of Projects (%)	Additional Central Assistance (%)
Top 4 States	West Bengal	91	1607
	Uttar Pradesh	67	1138
	Maharashtra	60	3166
	Tamil Nadu	51	1041
Bottom 4 states	Assam	2	97
	Haryana	2	31
	Punjab	2	36
	Rajasthan	2	169

	Chattisgarh	5	
	J&K	5	
	Orissa	6	
	Kerala	7	

In SMBSUP, West Bengal leads in terms of projects sanctioned whereas Maharashtra leads in funds allocated because of its larger slum population. At the bottom are states of Assam, Haryana, Punjab and Rajasthan with just 2 projects each. According to MoHUPA reports, Punjab has been very slow in developing projects for BSUP.

Table 7.9 -C: Top 4 and Bottom 4 States under UIDSSMT

Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT)			
	State	No. of Projects (%)	Additional Central Assistance (%)
Top 4 States	Tamil Nadu	123	706
	Maharashtra	94	2165
	Andhra Pradesh	84	1962
	Uttar Pradesh	64	944
Bottom 4 states	Uttarakhand	1	49
	Chattisgarh	4	134
	Jharkhand	5	78
	Himachal Pradesh	5	16
	Haryana	8	132

In UIDSSMT, Tamil Nadu leads in the number of projects sanctioned but Maharashtra leads in allocation of central assistance. At the other end, Uttarakhand is at bottom with just one project sanctioned, whereas Himachal Pradesh has the lowest amount in allocation of central funds.

Table 7.9 -D: Top 4 and Bottom 4 States under IHSDP

Integrated Housing and Slum Development Programme (IHSDP)			
	State	No. of Projects (%)	Additional Central Assistance (%)
Top 4 States	Uttar Pradesh	135	
	Maharashtra	104	
	West Bengal	95	
	Tamil Nadu	83	
Bottom 4 states	Uttarakhand	2	
	Punjab	3	
	Himachal Pradesh	6	
	Jharkhand	7	

In IHSDP, Uttar Pradesh leads in projects sanctioned. However, Maharashtra leads in allocation of central funds. At the bottom is Uttarakhand closely followed by Punjab mainly due to fact that their urban slum populations are very less. Based on the data above, we can see emergence of a pattern in sanctioning of projects and allocation of central funds in JNNURM, UIDSSMT and IHSDP. It is clear that highly urbanised states get the lion's share of central funds in JNNURM. Among these states, Maharashtra therefore has highest fund allocation though it does not have highest number of sanctioned projects. By the same logic, smaller states have lesser share in sanctioned projects and allocation of central funds. This is especially true for the entire states of north-east barring Assam. Punjab has been slow in preparing projects and still have some funds under JNNURM unutilised.

7.7 Critical Review of JNNURM

This section highlights the critiques and criticisms of JNNURM that have been stated different civil society groups, activists and researchers. We do not intend to find a resolution to criticisms but consider them to be the starting point for having more critical debates on JNNURM. Most of the critiques from JNNURM had appeared within the first year of the JNNURM. Though there were different critical points, the major criticisms of JNNURM are on the following substantive points

1. Neglect of the issue of urban land and security of tenure for providing affordable housing to urban poor

Both BSUP and IHSDP schemes would benefit poor only if they have security of tenure and their settlements are connected to basic services network (Mahadevia:2006). It was only in February 2009, that revised guidelines of BSUP and IHSDP schemes gave special emphasis on implementation of the 3 pro-poor reforms in which security of tenure is also a component of basic services. However, it is not clear what the status of implementation of this reform is. The Ministry of Housing and Urban Poverty Alleviation is planning to launch **Rajiv Awas Yojana** to create slum-free cities in India in which ensuring security of tenure and property titles to urban poor will be driver of the scheme. It also perhaps means that MoHUPA has found BSUP and IHSDP not adequate to deal with slums and issues of shelter for urban poor.

2. Inherent contradiction between the underlying objective of 74th CAA to strengthen urban local bodies as institutions of local self government and reforms linked urban renewal programme that limits their autonomy.

The first item on JNNURM reform agenda is 74th Constitutional Amendment Act. The 74th CAA was meant to strengthen urban local bodies as institutions of local self government. However, important issues like composition, powers and functions were left to state governments. The states however did not really strengthen urban local bodies through their subordinate legislations. This was mainly due to existing fiscal inequalities between centre and states and fear of state level politicians about losing their personal influence in cities and towns. Extreme centralisation within SLNA and SLSC. Contradiction btw objectives of JNNURM and its institutions. Questions of accountability.

3. Privatisation by stealth through PPPs of delivery of public services

Public Private Partnerships (PPP) has been considered as a way to bring private investment into urban infrastructure sector as well as improve efficiency and reduce corruption in delivery of basic services in cities and towns. The DPR toolkit makes detailed recommendations on private sector player options in line with World bank and ADB policy prescriptions. (Baindur and Kamath) However, privatization is not a panacea to overcome inefficiency and corruption in urban local bodies. Citizen cooperatives or agencies with active citizen involvement can also be considered as alternatives for running basic services (Chamaraj: 2006). Unbridled privatization will have an impact on access and affordability of basic services for urban poor as private companies will be always interested in maximizing their profits. However, private sector seems not to be enthusiastic about urban infrastructure where returns are much lower, the exception being real estate sector. Private players feels that incentives are inadequate and absence of a proper legal framework. (References)

4. Lack of citizen participation in preparation of City Development Plans

The preparations of CDPs were expected to be held in a participatory and transparent manner with consultations with multiple stakeholders in different stages of preparing CDPs. However, in case of most cities this expectation has been belied. Instead, urban local bodies have outsourced preparation of CDPs to consultants most of whom had been empanelled by MoUD for this purpose. Neither have citizens been consulted or informed about what is the vision of the future envisaged by their cities. Often, even elected councilors are in dark regarding the content of the CDP of their own city. Thus, the entire process of preparing CDPs has violated JNNURM guidelines regarding the same. (Roy 2007, CASUMM 2007)

JNNURM has created a National Technical Advisory Group (NTAG) which was to provide greater technical support and enable citizens participation in urban governance. It was recommended to form State Level Technical Advisory Group (STAG) and City voluntary Technical Cell (CVTC) to perform the same functions at state and city levels. However, NTAG itself was not given a clear mandate and often had to negotiate on what activities they were to do with Ministries as they were dependent on them for support. STAGs and CVTCs have not even been formed in most states. Some anchor NGOs have formed CVTCs in cities like Madurai (Dhan Foundation) and Raipur (PRIA). However, state governments have felt that these bodies are creating parallel structures and have refused to support them.⁵⁷

5. Lesser priority given to basic services to urban poor component in JNNURM in terms of emphasis and financial resources

The sub-mission on basic services to urban poor has received step motherly treatment from JNNURM so far. Whereas, the funds are not more than 25 per cent of the total JNNURM budgeted outlay, even emphasis by Mission officials seems to be on infrastructure component of the mission.

6. Fear of Project induced Displacement of urban poor and slum dwellers as a result of JNNURM projects. Often, very restrictive rehabilitation process is followed without adequate care about livelihood concerns of affected citizens

The most important fear is that the NURM would lead to more slum demolitions and displacement, as we have seen happening across cities. This might especially happen when the relocation and rehabilitation tasks of project-affected people are extremely complicated, in an Indian society that tends to be highly

⁵⁷ Minutes of 19th Meeting of National Technical Advisory Group, JNNURM accessed at

jnnurm.nic.in/nurmudweb/tag/Minutes/19.pdf

fragmented and corrupt. This along with an official policy of non-recognition of slum dwellers who are squatting or living in unauthorized settlements would make the situation more precarious.

7. Role of International Financial Institutions in this programme of urban sector reforms

Though IFIs are not directly involved in JNNURM as donors in JNNURM, the IFI seems to have influenced significantly the design of JNNURM especially the reforms agenda (Baindur and Kamath: 2009)⁵⁸. The ADB and World Bank are involved in providing technical assistance support to states and cities to undertake the reforms. The JNNURM secretariat is supported by ADB. World Bank has been supporting formulation of city development plans with capital investment plans. The preparation of CDPs has been outsourced to consultants and reflects mostly the views of the private sector. The Ministry of Urban Development had proposed to approach World Bank for US\$ 5 billion loan but Ministry of Finance slashed the amount to US\$1 billion for which talks are going on ⁵⁹ It is expected that these will lead to formulation of a new reforms agenda with second generation reforms

8. Centralising nature of JNNURM with its carrot and stick policy violating the federal structure of Indian Constitution

JNNURM is being used by Central government to implement reforms by state governments in urban development which is a state subject under the Indian Constitution. There has been no attempt by Central Government to have discussion with states at political level and evolve a basic consensus among state governments regarding urban reforms. The concern has been that JNNURM adopts a one-size fits all approach and fails to recognize the developmental needs of the states. The implementation of a reform like rationalization of stamp duty will lead to revenue loss for the states. JNNURM Primer

9. Lack of transparency and accountability in utilization of these funds

The process of preparing CDPs and DPRs in JNNURM has often been outsourced to consultants by urban local bodies. However, the tendering process is non transparent and terms of reference for consultants are often not clearly stated. Most urban local bodies are not transparent and have not disseminated publicly how they utilize JNNURM funds. Civil society groups found it difficult to get information about the implementation status of JNNURM. As they began exploring the ground status, in city after city they found that data was hard to come by, town planning authorities and municipalities either were

⁵⁸ Baindur and Kamath (2009): Reengineering Urban Infrastructure: How the World Bank and Asian Development Bank Shape Urban infrastructure Finance and Governance in India, Bank Information Centre, South Asia

⁵⁹ 'WB funds for JNNURM to come with reforms clause', Business Standard, 26 Dec. 2009

reluctant to part with information or did not even have it themselves, and municipal councillors, corporators, and legislators were often ignorant about the details of JNNURM. Responses to requests under the Right to Information Act were delayed, vague, and arbitrary.

10. Lack of data and transparency in JNNURM

The biggest criticism that can be levelled at JNNURM is the very sketch data and information on implementation of projects and reforms that the central government, state governments and urban local bodies have made available on the public domain. There is a total absence of information on small and medium towns under UIDSSMT and IHSDP schemes. This failure has negative implications for ensuring transparency and extracting accountability. It also hampers any attempt for a mid-course correction. For a mission that had made transparency as one of its core objectives and despite availability of a dedicated website (www.jnnurm.nic.in), information available on JNNURM is sketch, vague and is of very little use for any meaningful analysis.

Conclusion

The overview of JNNURM shows that despite its big bang approach to urban infrastructure and provision of basic services to urban poor, there are many crucial issues that need review and perhaps a change in direction. The idea of linking implementation of governance reforms to sanctioning of funds for projects under the mission cannot claim any major success. Despite, rhetoric of strengthening urban local bodies as institutions of self-governance and increasing citizen participation, actual progress remains far from satisfactory. There is also a need to have a more open and transparent

As the mission comes closer to its end point, reviews must be done of what have been the actual outcomes of JNNURM for citizens especially the poor and marginalised.

CHAPTER VIII: JNNURM REFORMS

8. Urban Reforms in India

The issue of 'urban reforms' has been raised prominently by policy makers, academicians and media in the later decade of 1990s post opening up of the Indian economy. The implementation of the 74th Constitutional Amendment Act, 1992 has led to a widely prevailing belief in policy circles that more powers need to be given to urban local bodies. However, this has still remained a belief, with very little progress on the ground in providing more powers to urban local bodies (ULBs). At the same time, policy makers have also argued for restructuring the governance and legal and administrative framework for overcoming deficiencies in urban infrastructure.

Reduction of public sector intervention, ensuring appropriate prices for infrastructure and civic amenities through elimination or reduction of subsidies, development of capital market for resource mobilisation, facilitating private and joint sector projects, simplification of legislative system to bring about appropriate land use changes and location of economic activities are some elements of this restructuring 'package'. (Kundu: 2006)

The United States Agency for International Development (USAID) funded Financial Institutions Reform and Expansions project (FIRE-D) which started in 1994 was the first major urban reform programme in India. Its main thrust was on developing a market based urban infrastructure finance system. It was the first major funding programme to support private sector participation in urban infrastructure, developing a credit rating system for municipalities to issue municipal bonds, financial and accounting reforms in urban local bodies, policy reforms in urban water and sanitation sector.

Then came Urban Reform Incentive Fund (URIF) to 'incentives' the process of urban reforms. The government of India decided to provide reforms linked assistance to states in 2002-03 budget. Seven major reforms were to be undertaken by states and urban local bodies. These included Repeal of Urban Land (Ceiling and Regulation) Act, amendment of Rent Control Act, reforms in property taxes, levy of user charges, introduction of double entry system of accounting and computerised process of registration of land. We can see the JNNURM reforms agenda as an aggregation of these different reforms in different schemes and projects. JNNURM which is based on 'carrot and stick' policy is much broader than URIF and therefore will have much larger implications for cities and towns.

8.1 JNNURM Reforms Agenda

There are 23 reforms under JNNURM. These reforms are classified as mandatory and optional reforms to be implemented at the state and urban local body level. The reforms agenda in JNNURM has been divided into mandatory and optional reforms. The mandatory reforms are to be compulsorily implemented within the mission period by states and urban local bodies.

Many commentators have said that this list of reforms is not something new and there was no deep thinking behind creating this list of reforms. It is a repeat of old reforms and is more a 'wishlist' of Ministry of Urban Development. JNNURM also puts implementation of reforms ahead of accountability in delivery of public services. There is also a significant influence of International Financial Institutions (IFIs) like World Bank and Asian Development Bank in formulation of financial and governance reforms in JNNURM¹. Another issue is that JNNURM reforms are violating the domain of the state government as urban development is a state subject under the Indian Constitution.

Table 8.1: Mandatory Reforms at State Level

1.	Implementation of 74 th CAA, 1992
2.	Reform of Rent Control Laws balancing the interests of landlords and tenants
3.	Repeal of Urban Land Ceiling and Regulation Act
4.	Enactment of Community Participation Law to institutionalize citizen participation and introducing the concept of Area Sabha in urban areas.
5.	Enactment of Public Disclosure Law to ensure preparation of medium term fiscal plan of urban local bodies/parastatals and release of quarterly performance information to all stakeholders
6.	Assigning or Associating Urban Local Bodies with City Planning
7.	Rationalisation of Stamp Duty to 5 per cent

Table 8.2: Mandatory Reforms at Urban Local Body Level

1.	Adoption of modern accrual based double entry system of accounting
2.	Introduction of system of e-governance
3.	Increase property tax collection at least to 85 per cent
4.	Collection of Full cost of operation and maintenance or recurring cost
5.	Internal earmarking within local body, budgets for basic services to the urban poor
6.	Provision of basic services to urban poor including security of tenure at affordable prices, improved housing, water supply, sanitation and ensuring delivery of education, health and social security

Optional reforms are also mandatory, the only option being that states and urban local bodies are free to choose the two reforms which they want to implement in a particular year. Therefore, the term 'optional' is misleading.

Table 8.3: Optional Reforms at State and Urban Local Body Level

1.	Revision of bye-laws to streamline approval process for construction of buildings, development of sites etc.
2.	Simplification of conversion of agricultural land for non-agricultural purposes
3.	Introduction of Property Title Certification system in Urban Local bodies
4.	Earmarking at least 20-25 per cent of developed land in all housing projects for EWS/LIG with cross subsidization
5.	Introduction of computerized process of registration of land and property
6.	To make rain water harvesting mandatory in all buildings and adoption of water conservation measures
7.	Bye-laws for reuse of recycled water
8.	Administrative Reforms
9.	Structural Reforms
10.	Public-Private Partnership

These reforms can be classified broadly as those related to land and property, financial, governance, administrative, urban poor and water conservation as shown below

Table 8. 4: Land and Real Estate Related Reforms

1.	Reform of Rent Control Laws balancing the interests of landlords and tenants
2.	Repeal of Urban Land Ceiling and Regulation Act,1976
3.	Rationalisation of Stamp Duty to 5 per cent
4.	Revision of bye-laws to streamline approval process for construction of buildings, development of sites etc.
5.	Introduction of Property Title Certification system in Urban Local bodies
6.	Simplification of conversion of agricultural land for non-agricultural purposes
7.	Introduction of computerized process of registration of land and property

Table 8.5: Governance Related reforms

1.	Implementation of 74 th CAA, 1992
2.	Enactment of Community Participation Law to institutionalize citizen participation and introducing the concept of Area Sabha in urban areas.
3.	Enactment of Public Disclosure Law to ensure preparation of medium term fiscal plan of urban

	local bodies/parastatals and release of quarterly performance information to all stakeholders
4.	Assigning or Associating Urban Local Bodies with City Planning

Table 8.6: Finance related reforms

1.	Adoption of modern accrual based double entry system of accounting
2.	Increase property tax collection at least to 85 per cent
3.	Collection of Full cost of operation and maintenance or recurring cost
4.	Public-Private Partnership

Table 8.7: Reforms related to Urban Poor

1.	Internal earmarking within local body, budgets for basic services to the urban poor
2.	Provision of basic services to urban poor including security of tenure at affordable prices, improved housing, water supply, sanitation and ensuring delivery of education, health and social security
3.	Earmarking at least 20-25 per cent of developed land in all housing projects for EWS/LIG with cross subsidization

Table 8.8: Administrative Reforms

1.	Introduction of system of e-governance
2.	Administrative Reforms
3.	Structural Reforms

Table 8.9: Reforms related to Water Conservation

1.	To make rain water harvesting mandatory in all buildings and adoption of water conservation measures
2.	Bye-laws for reuse of recycled water

The implications of each set of these reforms are given below.

8.2 Land and Property Reforms

Reforms like Repeal of Urban Land Ceiling Act and rationalization of stamp duty which were reforms under the FIRE-D project have been repeated as JNNURM reforms. The repeal of ULCRA was expected to increase urban land supply. Reforms like computerization of registration of land and streamlining of building approval processes are not expected to benefit citizens directly. The implicit objective of these set of reforms is to develop a formal urban land market in India. These reforms aim to control distortions and introduce transparency to transactions in land and property in urban areas. It is felt that these measures will attract foreign investments in urban infrastructure and housing. The focus on making land

transactions easier is also clear from other reforms such as reduction in stamp duty which will benefit those engaged in land transactions, mostly the richer strata of the society and real estate companies.

8.3 Financial Reforms

All financial reforms in JNNURM are products of the FIRE-D project as well as UIRF scheme. Despite these schemes, very few urban local bodies had moved to a double-entry accounting system or reformed their property tax systems. These reforms are meant to ensure that urban local bodies increase their 'own sources of revenue' and reduce dependence on financial support from central and state governments. The healthy finances of an urban local body are also expected to be an attraction for private investors for entering into PPP projects in urban infrastructure. It is also expected that urban local bodies will be able to raise loans through municipal bonds and other financial instruments. A double entry accounting system is expected to introduce transparency to ULB accounts and at the same time also will show sources of potential revenue for them. It also means that private investors are also able to make their revenue and profit calculations from these accounts. The reform for ensuring levy of user charges is expected to attract private players in urban services like water supply and solid waste management.

8.4 Governance Reforms

It is an irony that implementation of 74th CAA as mandated by constitution has to become a 'reform conditionality' under JNNURM. While, it shows the apathy of the states in implementing decentralisation policy in urban areas, there is a lack of concern on part of central government on the issue. Some critics feel that there is a contradiction between 'centralising tendency' of JNNURM and the spirit of 74th CAA. While Community Participation Law can be seen as an extension of 74th CAA to below ward level governance, the fact is that it has not been added to the constitution under 74th CAA has weakened its legal force. Maharashtra is an example of how the enactment of CPL has led to dilution of the spirit of the law.

Public Disclosure Law as framed in the Model Disclosure Law released by MoUD is aimed at private investors and lending institutions to help them to 'assess the financial health' of the urban local bodies. However, it is still a struggle to get information from urban local bodies on any issue. Most officials and elected representatives in urban local bodies are ignorant of public disclosure law. Despite enacting the PDL in 2007, Maharashtra is yet to frame guidelines to operationalise the law.

India, planning of cities continues to be the function of town planning department at the state level or city based parastatals like MMRDA for Mumbai or DDA for Delhi. The role of urban local bodies in

planning of cities is still minimal. It is expected that if the role of city planner is transferred to urban local bodies, the process will be more transparent and accountable. However, there are issues of availability of institutional and technical capacity within urban local bodies for this task. Another issue is whether urban local bodies are willing to create spaces for public involvement in city planning process. Without these spaces, transparency and accountability are likely to remain on paper only.

8.5 Administrative Reforms

These reforms have been vaguely termed in JNNURM as 'administrative' and 'structural' reforms. These reforms are aimed at changing the process of working in urban local bodies to cut red-tape. But these reforms also include an element of 'staff reduction' and 'outsourcing'. The proponents of these reforms including Ministry of Urban Development expect that urban local bodies can reduce their expenses significantly. It is also believed by MoUD that outsourcing and involving private sector will ensure quality in works and services undertaken by ULBs.

The questions about these reforms are in a situation where urban local bodies already have inadequate staff especially with technical skills, staff reduction may weaken existing institutional capacities of urban local bodies. The problems with outsourcing to consultants and private sector companies include are that it becomes difficult to ensure transparency and accountability. Already the experience of preparation of City Development plans for JNNURM Mission cities have shown how consultants shape the vision of the cities. In many cities, Project Implementation Units (PIUs) and Project Management Units (PMUs) are run by consultants which mean there will be very little capacity building of urban local bodies in implementation and management of projects.

8.6 Reforms for Urban Poor

As a part of revised guidelines of BSUP and IHSDP projects issued in Feb.2009, implementation of 3 'pro-poor reforms' – Internal earmarking of funds for urban poor in ULB budgets, provision of basic services to urban poor and earmarking of land for LIG and EWS housing. These reforms have the potential to improve the living conditions of urban poor if implemented in an effective manner. Internal earmarking of funds for urban poor will provide financial resources for extending and improving basic services to urban poor. Earmarking of land for urban poor is expected to create stock of affordable housing across the country especially in major cities. It is important to see the interlinkages between these reforms and integrate the implementation process of these reforms. The Gol expects that these reforms will enable urban poor to get access to affordable housing and basic services and will empower them to take part in decision making of the urban local body. One has to say that this seems too simplistic. For many housing and slum redevelopment projects, beneficiaries are yet to be provided houses either because

of delay in preparation of beneficiary lists or delay in completing the project. Therefore there is a need to interlink projects and reforms and develop mechanisms to ensure implementation of these reforms with participation of urban poor.

8.7 Reforms for Water Conservation

These set of reforms- rain water harvesting and reuse of recycled water are considered to be relatively minor. They can be beneficial to citizens who implement these measures at the micro level, it is still to be seen if it will make any major improvement situation in urban areas.

Conclusion

As stated before the set of urban reforms in JNNURM is not a sudden development. Many of them have been carried over from past projects, schemes and programmes. Despite stating that central assistance under JNNURM will be linked to the implementation of reforms agenda, there has been no real rush to implement all reform measures. Reforms which can provide spaces for citizen involvement in urban governance like CPL and PDL have very few takers. Wherever, these reforms have been implemented, they have been watered down and their operationalisation has not been done. The implications of many of these reforms are yet to be felt directly by the citizens. However, Gol thinks these reforms are necessary for strengthening urban local bodies financially and making them more responsive to citizens. However, given the disparity in economic strength of the towns and cities and their unequal access to capital market and public institutions, this perspective would enable the larger cities to corner much of the advantage from the system. Also, large sections of urban poor are likely to be priced out of the formal systems of service delivery. (Kundu)

It is argued that urban reforms agenda that privilege private sector participation in urban infrastructure and helps restructuring the state and municipal administration with respect to the design and delivery of urban infrastructure (Baindur and Kamath:2009).They also feel that there seems to be a strong consensus in the political and economic elite that the urban reform agenda, as enunciated There in the JNNURM, the UIDSSMT and several other programmes and policies, is one of the key instruments for keeping the country on the path of high growth (Batra:2008)

In the coming years, urban reforms are likely to spread to more cities and towns across India. More reforms under future programmes and schemes are likely to be imposed on states and cities. There is a need to assess the impact of these reforms, evaluate their positives and negatives and reframe these reforms or if need be block implementation of these reforms.

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