

POLICY

INTERACTION

"We expect to provide an urban infra roadmap within six weeks"

*In March, a High Powered Expert Committee chaired by **Dr Isher Judge Ahluwalia**, Chairperson, Indian Council for Research on International Economic Relations, submitted a report on Indian Urban Infrastructure and Services. In an exclusive, Dr Ahluwalia tells Shashidhar Nanjundaiah why our cities need radical transformation and how this is to be brought about.*

How do you see the difference between what you have done and what the Urban Development Minister has asked you to do now?

Urban Development Minister Kamal Nath has asked the Committee to work on a roadmap for implementing its recommendations. The Ministry has set up a Sub-Group of the Committee, which also includes the two Secretaries of Urban Development and Housing and a few officials of state governments. The Sub-Group is expected to take about six weeks to provide a roadmap.

What was the basic task assigned to the Committee?

Our terms of reference specified eight sectors of urban infrastructure over a 10 year period to determine investment req-

uirements in the urban infrastructure sector. We worked in detail on the eight sectors, eg, water, sewerage, urban roads, traffic support infrastructure, solid waste management, storm water drains, street lights, etc. and then scaled up the requirements to determine infrastructure investment requirements for the urban sector as a whole. We also took a somewhat longer period, ie, a 20-year period for analysing how to bridge the infrastructure investment deficit for currently underserved and unserved population and for additional urban population. The Committee has endorsed the norm of universal common standards for public service delivery as laid out in the service level benchmarks prepared recently by the Ministry of Urban Development.

Based on actual data on the recently completed projects in the 8 sectors which

account for about 90 per cent of the total investment in urban infrastructure and scaling up for the rest, the Committee has estimated that urban infrastructure will require an investment of about Rs 39.2 lakh crore over a 20-year period. We recommend spreading this investment over four Five Year Plan periods, ie, provisioning a 15 per cent per annum increase in investment in urban infrastructure in the 12th Plan, 12 per cent per annum in the 13th Plan, and eight per cent per annum in the next two Plans. We also provided estimates of O&M for the urban infrastructure assets.

The Committee has taken a view that the government needs to have a financing model with focus on internal generation of revenue. While external finance can be accessed either through public-private partnership (PPP) or by issuing bonds, this is

not possible without having a revenue model. The latter in turn would require a new financing framework which would involve strengthening the capacity of urban local governments to collect "exclusive" taxes, and levy user charges to cover costs, on the one hand, and receive guaranteed predictable transfers from state governments in the spirit of true devolution, on the other. The Government of India will also have to scale up its engagement in urban infrastructure investment along the lines of JNNURM but learning from the mistakes made so far and coming up with a New Improved JNNURM (NIJNNURM).

You're obviously talking about the MoUD.

We are addressing our report to the Ministry of Urban Development. We have said that the Government of India has to work closely with State Governments if the urban agenda is to be addressed. We have recommended that state governments must devolve funds, because the Constitution through the 74th amendment in 1992 has devolved the responsibility for delivering a number of urban services on the local governments. These mandates must be funded. The municipalities and/or Municipal Corporations are typically financially weak and ill governed.

You seem to imply that the Centre has almost taken a backseat, and that states obviously need to get more and more involved. But when a sector comes under the umbrella of dual governance such as water or urban development, it tends to languish in a very convenient blame game. And it's not just the financing.

It would be quite wrong to say that the Centre has taken a backseat. In fact, JNNURM was a pioneering initiative with a lot to show for itself. What we have said is that JNNURM, which was a central initiative in which the states were to participate by putting some funding, and initiating some reforms, ran into problems because not all states and not all ULB had the capacity to understand what was expected of them. They also did not have the funds to make the necessary supplementary contributions. The promise of reforms linked to disbursement of funds was also often not fulfilled. As a result, states that bene-

fited from JNNURM were the states in which the Municipal Corporations were financially strong, where the state governments and ULBs could carry out at least some reforms and where there was capacity, eg, Maharashtra, Gujarat, Tamil Nadu, Karnataka and Andhra Pradesh. In these states, JNNURM cities were able to show that urban transformation does not take too much time and it does not even take too much money if there is will to govern and adapt to the new conditions.

Our Committee comes to the conclusion that governance, ie, strengthening of institutions of public service delivery, is crucial for transforming the urban scenario in India. The Committee also believes very strongly that capacity building is urgently needed at all levels from urban local bodies up to the level of the Government of India. There is need for training as well as of institutional strengthening. If these elements are in place, a programme such as NIJNNURM can achieve a great deal in improving public service delivery.

The amendment in laws both in Tamil Nadu and Andhra Pradesh has created conditions in which ULBs can go in for PPP. Capacity is needed at the level of the ULB and the state, which the centre should help create. But capacity is also needed at the level of the centre because when the programme of the ULB comes for review to the centre through the state government, we need officials in the centre who can do justice in reviewing these plans. We need urban planners, urban engineers, urban managers at all levels of government.

How is NIJNNURM different from JNNURM?

Under the new improved NIJNNURM, money will be given only by the Centre, while the enabling environment, the regulation, the monitoring, etc, will be provided by state governments who will also give 'x' per cent of the revenue from all their taxes on goods and service to urban local bodies. The states will effectively devolve and empower their urban local bodies, and the centre will build capacity and play a leadership role acting as a catalyst for urban development. The money will come from the GOI so long as the states endorse the City Development Plans and the progra-



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mmes of the Urban Local Bodies. Thus, NIJNNURM money will come from the Government of India through the state government to the Urban Local Body. But the state government will provide 'x' per cent of its revenue from all taxes on goods and services to its ULBs. Just as the Central Finance Commission gets the centre to share its revenue with states, we recommend that it should be mandatory for state governments to share their revenue and make

ALTERNATIVE ESTIMATES OF URBAN INFRASTRUCTURE

Source	Sectors	Period	Cost estimates
Committee of Ministers constituted by the Central Council of local Self Government (1963)	Water Supply, sewerage, storm water drains, urban roads, street lighting	1963	Rs 211.3 crore per annum (at 1960-61 prices)
India Infrastructure Report (1996)	Water supply, sewerage, solid waste management, urban roads	1996-2006	Rs 56,000 crore (at 1995-96 prices)
Mohanty et al. (2007)	Water supply, sewerage, solid waste water management, Storm water drains, urban roads, urban transport	2004-2014	Rs 630,000 crore (at 2004-05 prices)
India's urban awakening: Building inclusive cities, sustaining economic growth (2010)	Water supply, sewerage, solid waste management, storm water drains, urban roads, mass transit, affordable housing	2010-2030	Rs 5,310,000 crore (at 2008 prices)
Report on Indian Urban Infrastructure and Services (2011)	Water supply, sewerage, solid waste management, storm water drains, urban roads, urban transport, traffic support infrastructure, street lighting, renewal and redevelopment including slums	2012-2031	Rs 3,918,670 crore (at 2009-10 prices)

Source: McKinsey Global Institute report, Report of HPEC on Urban Infrastructure and Services

the Urban Local Bodies financially viable. They can also provide an enabling environment through amendments in laws, and creating new financial institutions which can encourage a few local bodies to come together to raise municipal bonds. The NIJNURM funding will be largely from the Government of India, with some small specified contribution from the ULB. The NIJNURM will be available and open to all.

Is that where 300 IAS officers would come in?

Yes, training of 300 IAS officers should help in putting the right kind of people at the centre, who understand the challenges of urban infrastructure, governance, financing and development.

But what about the matching funds and so on?

If you follow our recommendations, the financial burden is shared more or less equally between the Centre and the states. But there are no matching funds on the central scheme from the state governments. States have a very major role to play and it is important to begin a dialogue with the

centre so that the states recognise their role in urban development.

We had actually talked to many officials from state governments and ULBs. After the submission of the report, as we interact with the Chief Ministers, we see what part of the package they are more willing to accept. I made a presentation of this report to the Chief Minister of Bihar, last week and I have been invited by the Chief Minister of Maharashtra to make a presentation. I am hoping that more Chief Ministers will come forth to listen to us.

In the end the challenges of urbanisation will only be met if we have the kind of approach the Government had adopted for VAT reforms. We will have to get the Ministers of Urban Development of all the state governments together with the Central Minister, and then develop a common approach.

Shouldn't one of your recommendations, probably now that you have the opportunity to re-visit, be that such ministers at the state level be called together, and you make the presentation to all of them?

When we get them all together it becomes a big public affair and everybody is

on guard. It is better in the first instance to engage with the state government leadership individually and understand their perspective on urban development and their compulsions. Some of the more progressive leaders at the state level could take up reforms first, and we should expect some demonstration effect..

I am basically a think tank person. I want to share the knowledge that our Committee has created with all levels of government. Sometimes the press tends to sensationalise. For example, what the Minister said to me was a very straight forward request for a road map. Some parts of the press reported that he asked us to rework. In fact, the Minister has asked us to help provide a roadmap for implementing these recommendations, and I think that is a compliment.

Do you believe that the Government also now needs to start focusing on not repairing but building new cities which can become models for our existing cities in terms of planning, governance, and probably even viable funding and viability?

Yes, but the two are not mutually exclusive.