

**GOVERNMENT OF INDIA
URBAN DEVELOPMENT
LOK SABHA**

UNSTARRED QUESTION NO:1223
ANSWERED ON:29.11.2011
WORKING GROUP ON DEVELOPMENT OF CITIES TOWNS
Singh Shri Uday Pratap

Will the Minister of URBAN DEVELOPMENT be pleased to state:

- (a) whether an expert working group set up by the Ministry has made recommendations to make cities and towns more socially and environmentally sustainable;
- (b) if so, the details of recommendations made by the working group and the reaction of the Union Government thereto;
- (c) whether the Union Government has sought the assistance of any foreign agency to make the cities more socially and environmentally sustainable; and
- (d) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF URBAN DEVELOPMENT (SHRI SAUGATA ROY)

(a) & (b): The Government of India had constituted a High Powered Expert Committee (HPEC) under the Chairmanship of Dr. Isher Judge Ahluwalia for estimating investment requirements for Urban Infrastructure Services for 20 years period. Executive Summary of report containing findings & recommendation of the HPEC committee is annexed. Presently final decision on the strategy and initiatives for the next phase of JnNURM has not been taken.

(c): No, Madam.

(d): Does not arise.

Annexure as referred to in the Statement in reply to part (a) & (b) of the Lok Sabha Unstarred Question No. 1223 for 29.11.2011

Report on Indian Urban Infrastructure and Services By High Powered Expert Committee Chaired by Dr Isher Ahluwalia March 2011
Summary and Recommendations

1. India is urbanising. This transition, which will see India's urban population reach a figure close to 600 million by 2031, is not simply a shift of demographics. It places cities and towns at the centre of India's development trajectory. In the coming decades, the urban sector will play a critical role in the structural transformation of the Indian economy and in sustaining the high rates of economic growth. Ensuring high quality public services for all in the cities and towns of India is an end in itself, but it will also facilitate the full realisation of India's economic potential.

2. This Report comes to the conclusion that India's economic growth momentum cannot be sustained if urbanisation is not actively facilitated. Nor can poverty be addressed if the needs of the urban poor are isolated from the broader challenges of managing urbanisation. Cities will have to become the engines of national development. India cannot afford to get its urban strategy wrong, but it cannot get it right without bringing about a fundamental shift in the mindset which separates rural from the urban.

3. The Report argues that the challenge of managing urbanisation will have to be addressed through a combination of increased investment, strengthening the framework for governance and financing, and a comprehensive capacity building programme at all levels of government.

4. At the centre of this approach is the role of cities and towns in an interdependent federal system. The Committee is of the view that India's municipal corporations, municipalities and nagar panchayats, commonly known as urban local bodies (ULBs) need to be strengthened as local self-government with clear functions, independent financial resources, and autonomy to take decisions on investment and service delivery. They must also be made accountable to citizens. Elements of this shift are already present in the local government framework as reflected in the 74th Constitutional Amendment, the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), and the emphasis placed on the urban sector by the Thirteenth Central Finance Commission.

5. This Report makes a case for a comprehensive framework of urban policy and planning. The key elements of this framework are:
Increasing investment in urban infrastructure from 0.7 per cent of GDP in 2011-12 to 1.1 per cent by 2031-32
In association, increasing spending on maintaining assets - old and new
Engaging in renewal and redevelopment of urban areas including slums

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

B. Summary

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

A.1 Urbanisation and Economic Growth

6. Only 30 per cent of India's population lives in urban areas. This is much lower than in China, Indonesia, South Korea, Mexico, and Brazil. Some of this may be due to much lower per capita incomes in India. The Committee's projections suggest that India's urban population as presently defined will be close to 600 million by 2031, more than double that in 2001. Already the number of metropolitan cities with population of 1 million and above has increased from 35 in 2001 to 50 in 2011 and is expected to increase further to 87 by 2031. The expanding size of Indian cities will happen in many cases through a process of peripheral expansion, with smaller municipalities and large villages surrounding the core city becoming part of the large metropolitan area.

7. Three decades of rapid economic growth would normally have propelled migration from rural areas but growth in India has not had this effect thus far. This is because industrialisation has been capital intensive and the services boom fuelled by the knowledge economy has also been skill intensive. A few cities of India have acted as centres of knowledge and innovation. As more cities provide economies of agglomeration and scale for clusters of industries and other non-agricultural economic activity, the urban sector will become the principal engine for stimulating national economic growth. Industrialisation will absorb more people as India advances further in its integration with the world economy. At the present juncture, India faces the challenge of continuing on its high growth trajectory while making growth more broad-based and labour-intensive.

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

A.2 The State of Service Delivery

9. Cities and towns of India are visibly deficient in the quality of services they provide, even to the existing population. Considering that the Indian economy is now one of the fastest growing economies in the world, and standards are rising, current service levels are too low relative to the needs of urban households. They are also low relative to what will be required to sustain the economic productivity of cities and towns.

10. The Committee believes that public services such as drinking water, sewerage, solid waste management, roads, and street lights must be accessible to one and all to achieve the goals of inclusion. At the same time, they must meet the service norms as set out by the Ministry of Urban Development in 2008 to ensure the contribution of cities to economic growth. To achieve both inclusion and economic growth will, however, require shifting the focus of policy from creating physical infrastructure to delivering services. The challenge is to focus on reforming governance for service delivery. Without this, additional capital investments in urban infrastructure will not result in improvements in service delivery.

11. The Committee has taken note of the situation with respect to low income housing and public transportation. The scarcity of affordable housing drives the poor and some non-poor to slums and most of these settlements lack even basic water and sanitation facilities. On average, 25 per cent of the population in many Indian cities lives in slums; in Greater Mumbai, slum dwellers account for 54 per cent of the total population. Not all slum dwellers are poor, and the complexity of these challenges is reviewed in the context of urban planning, infrastructure development and public service delivery for all.

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

A.3 Estimates of Investment for Urban Infrastructure

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

14. The Committee has interpreted its mandate in a broad manner by covering all areas of urban infrastructure and extending the period to 2031. It has prepared detailed estimates of investment for eight sectors, i.e. water supply, sewerage, solid waste management, storm water drains, urban roads, urban transport, traffic support infrastructure, and street lighting. The Committee has also prepared an estimate of investment in urban infrastructure as a whole by suitably scaling up the

15. estimates for these sectors. However, these would not cover the requirements of primary health, primary education, and electricity distribution, which are outside the terms of reference of the Committee.

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

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

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

A.4 Governance

19. The Committee believes that governance is the weakest and most crucial link which needs to be repaired to bring about the urban transformation so urgently needed in India. Financing the large sums required to meet the investment needs of urban infrastructure is crucially dependent on the reform of institutions and the capacity of those who run the institutions for service delivery and revenue generation. The Committee is of the view that large expenditures on Indian cities and towns have to be combined with better governance structures, strong political and administrative will to collect taxes and user charges, and improved capacity to deliver. Cities must be empowered, financially strengthened, and efficiently governed to respond to the needs of their citizens and to contribute to the growth momentum.

20. The municipal entities need to be strengthened as local governments with 'own' sources of revenue, predictable formula-based transfers from state governments, and other transfers from the Government of India and state governments to help them discharge the larger responsibilities assigned to them by the 74th Constitutional Amendment. Improved tax revenues combined with rational user charges will enable cities to leverage their own resources to incur debt and also access new forms of financing through public private partnership (PPP). Only then can they augment the urban infrastructure base, provide improved quality of services on a sustainable basis to their residents, and contribute to the growth momentum of the Indian economy.

A.5 Financing

21. Urban local governments in India are among the weakest in the world both in terms of capacity to raise resources and financial autonomy. While transfers from state governments and the Government of India have increased in recent years, the tax bases of ULBs are narrow and inflexible and lack buoyancy, and they have also not been able to levy rational user charges for the services they deliver.

22. ULBs can borrow from the market only within limits and with explicit approval of the state government. However, this has mostly not been a binding constraint since the real challenge in accessing external finance has been the precarious state of their own finances and poor governance.

23. The Committee believes that in view of the importance of urban infrastructure for economic growth and inclusion, the Government of India and state governments will have to step in, both by providing substantial funds and by facilitating the use of additional mechanisms for funding, which will require the strengthening of own finances of ULBs. The latter, in turn, requires reforms in governance at all levels.

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