

## JNNURM Converting Cities into Meadows for the Global Capital

- Piyush Pant

Previous NDA regime had 'India Shining' as its slogan thereby capsuling the government's achievements during NDA rule. Now it is the turn of UPA government to make Indian cities shine through the much-touted, heavily-funded and Asian Development Bank-dictated urban renewal scheme called JNNURM. While the 'India Shining' slogan finally sealed the fate of the NDA government at the husting, what awaits the fate of UPA government once JNNURM is in full swing, only time will tell. But one thing is sure that this Urban Renewal Mission has been given shape in the most undemocratic and unconstitutional way since it completely ignored the very citizens of the cities which were put on the development scanner while multilateral funding agencies and corporate consultancy companies were given full freedom to draw the scheme. In the words of Dr. Uday Mehta of the Committee for the Right to Housing-" The JNNURM was designed to exclusively benefit local and international investors, while attempting to roll out a completely market-driven urban development."

Though the Mission is slated to give a fillip to the decaying infrastructure of the listed 63 cities but, in fact, it will serve the interests of the multinational corporates, their Indian cohorts and the builder-mafias. Even the democratic institutions of hope in India i.e. legislature, judiciary and media are exclusively talking about the theme of removing hurdles in the path of making "world class" cities that cater to tourism, international and corporate conferences, sport events, corporate-sponsored marathon races and business-melas without paying any heed to the day-to-day needs and well-being of the citizens. They forget that the urban development that caters to the interests of the global capital displaces or excludes the urban poor and leads to the social and spatial segmentation of the mega-city into citadels and ghettos. It has been seen again and again that it is the weakest who pay the price for the urban renewable plans. Despite this, JNNURM is totally silent on the fate of urban poor. It does not answer whether certain services like a minimum quantity of water will continue to be made available free to them, whether space to build small dwellings for themselves would be provided to them and whether the opportunities to earn their daily bread will be allowed to exist. What is most startling about this Mission is the fact that it does not provide funding for the basic needs of the citizens. Among the items for which no funds under the JNNURM can be sought are primary health, primary education, employment opportunities and social security.

No doubt our cities are decaying and they do need infrastructure improvement, development and reforms but it should be done in a way that make cities 'inclusive' rather than 'exclusive'. We need cities that look after the interests of the local economies and those who are engaged with the local economies, rather than cities that are exclusive enclaves of global business class, global service class, global bureaucrats, global politicians and global capital. Hence JNNURM needs to be looked at critically.

In this issue of **Infopack** we have summarized the various documents released by Union Government on JNNURM.

## **Jawaharlal Nehru National Renewal Mission : Overview**

Ministry of Urban Employment  
and Poverty Alleviation

Ministry of Urban  
Development, Government of  
India

### **Bird's Eye View**

According to the document the objective of the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) is to ensure improvement in urban development and governance and service delivery for the urban poor so that the Urban Local Bodies (ULBs) become financially sound and sustainable for undertaking new programmes.

The 14-page document called 'Overview' is divided into five sections such as:

1. Need for Development of the Urban Sector.
2. Jawaharlal Nehru National Urban Renewal Mission.
3. Assistance Under JNNURM.
4. Eligible Cities, Sectors, and Projects.
5. Agenda of Reforms.

The document under the title "Need for Developments of the Urban Sector" points out that as a result of the liberalization policies adopted by the Government of India are expected to increase the share of the urban population by about 40% of the total population by the year 2021. It is estimated that urban areas would contribute about 65% of Gross Domestic Product (GDP) depending on the availability and quality of infrastructure services, because urban economic activities are dependent on the infrastructure, such as power, telecom, roads and water supply and mass transportation along with civic infrastructure activities, such as sanitation and solid waste management.

The document says that over a seven year period the Urban Local Bodies (ULBs) would require a total investment of Rs. 1,20,536 crores in basic infrastructure and services. The document also says that a national level initiative is required that would bring together the State Governments and enable ULBs cause investment flow in the urban infrastructure sector. The document further points out that in order to carry out the infrastructure activities there is a need for Reform Initiatives. Some of the initiatives are:

- ◆ *Harnessing the Potential of Reforms in Urban Infrastructure:* Besides the 74<sup>th</sup> Constitutional Amendment Act and Model Municipal Law, further reform-oriented steps need to be taken and articulated by the State Governments in order to create an investor-friendly environment and meet the development objectives.
- ◆ *Need for National Level Reform-Linked Investment:* There is a need to integrate the reform initiatives and scale up the effort to catalyse investment in urban infrastructure across states in the country.
- ◆ *Need for Sustainable Infrastructure Development:* Immediate attention is required to be paid to physical infrastructure assets created in urban areas, which have been languishing due to inadequate attention and improper O & M. Not much effort has been made either to manage these assets or to achieve self-sustainability. It is therefore necessary that a link be established between assets creation and management for ensuring sustained service delivery.
- ◆ *Need for Efficiency Enhancement:* Concurrent with statutory reforms, such as the enactment of a model municipal law, reduction in stamp duty, repeal of the Urban Land (Ceiling and Regulation) Act, 1976,(ULCRA) etc., there is an urgent need to take measures to enhance efficiency in urban service deliveries.

The document also points out the need for introducing the JNNURM

and its rationale. Firstly it says that the **National Common Minimum Programme** formulated by the UPA Government gives the highest priority to the development and expansion of physical infrastructure. It is proposed to take up a comprehensive programme of urban renewal and expansion of social housing in towns and cities, paying attention to the needs of slum dwellers.

The document further says that next is the **Commitment to Achieving the Millennium Development Goals**. As a part of its commitment to meet the Millennium Development Goals, the Government of India proposes to facilitate investment in the urban sector, and strengthen the existing policies in order to achieve these goals.

Third, there is a **Need for a Mission-led Initiative**. Since cities and towns in India constitute the second largest urban system in the world, and contribute over 50% of the country's GDP, they are central to economic growth. It is necessary that focused attention be given to the improvement of infrastructure.

The document under the sub-title "Jawaharlal Nehru National Urban Renewal Mission" says that the aim of the Mission is to encourage reforms and fast track planned development of identified cities. Focus has to be on efficiency in urban infrastructure and service delivery mechanisms, community participation, and accountability of ULBs/Parastatal agencies towards citizens.

The document further says that the objectives of the Mission are to ensure some of the important achievements in the urban sector. These are:

- ◆ Focused attention to integrated development of infrastructure services in cities covered under the Mission;
- ◆ Establishment of linkage between asset-creation and asset-management through some reforms for long-term project sustainability;
- ◆ Ensuring adequate fund meet the deficiencies in urban infrastructural services;
- ◆ Planned development of identified cities including peri-urban areas;
- ◆ Scale-up delivery of civic amenities and provision of utilities with emphasis on universal access to the poor;
- ◆ Special focus on urban renewal programme for the old city.
- ◆ 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.

The document further says that the Mission shall comprise two Sub Missions, namely: i) Sub-Mission for Urban Infrastructure and Governance; ii) Sub-Mission for Basic Services to the Urban Poor.

It says that the main focus of the Sub-Mission for Urban Infrastructure and Governance will be on infrastructure projects relating to water supply and sanitation, sewerage, solid waste management, and road network, urban transport and redevelopment of old city areas with a view to upgrading infrastructure therein, shifting industrial and commercial establishments to conforming areas. And the main thrust of the Sub-Mission for Basic Services to the Urban Poor will be on integrated development of slums through projects for providing shelters, services and other related civic amenities with a view providing utilities to the urban poor.

The document also talks about some important strategies in order to meet

the objectives of the Mission. The strategies are:

- ◆ Preparing City Development Plan: Every city will be expected to formulate a City Development Plan (CDP) including policies, programmes and strategies and financial plan;
- ◆ Preparing Projects: The CDP would facilitate identification of projects. The Urban Local Bodies (ULBs) /Parastatal Agencies will be required to prepare Detailed Project Reports (DPRs) for understanding projects in the identified spheres. It is essential that projects are planned in a such a manner that optimizes the life-cycle cost of projects.
- ◆ Releasing and Leveraging of Funds: It is expected that the JNNURM assistance would serve to catalyze the flow of investment into the urban infrastructure sector. The funds for identified projects would be disbursed to the ULB/Parastatal Agency through the designated State Level Nodal Agency (SLNA) as soft loan or grant-cum-loan or grant. The SLNA/ULBs in turn would leverage additional resources from other sources.
- ◆ Incorporating Private Sector Efficiencies: In order to optimize the life-cycle costs over the planning horizon, private sector efficiencies can be inducted in development, management, implementation and financing of projects, through Public Private Partnership (PPP) arrangement.

The document further points out the duration and the expected outcomes of the JNNURM. It says that the Mission would be implemented in seven year, beginning from the year 2005-2006. The document also says that on completion of the Mission period, it is expected that the ULBs and Parastatal Agencies will have achieved the following:

1. Modern and transparent budgeting, accounting and financial management systems for all urban services and governance functions;
2. City-wide framework for planning and governance ;
3. All urban residents will be able to obtain access to a basic level of urban services;
4. Financially self-sustaining agencies for urban governance and service delivery will be established through reforms.
5. Local service and governance will be conducted in a manner that is transparent and accountable to citizens.
6. E-governance applications will be introduced in core functions of ULBs/Parastatal agencies.

The document under the sub-title "Assistance Under JNNURM" says that the Government of India has proposed substantial assistance through the JNNURM over the seven-year period in order to meet the Mission's requirements. The financial assistance will be available to the ULBs and Parastatal agencies which could deploy these funds through Special Purpose Vehicles (SPVs). Additional Central assistance would be provided as grant to the implementing agencies which are expected to leverage the sanctioned funds to attract greater private investment through PPP that enables sharing of risks between the private and the public sector. The report further says that the assistance under investment support can be deployed in the following forms:

- ◆ *Enhancing Resource Availability:* The JNNURM assistance can be used to leverage additional resources available with the ULBs. These resources could be utilized for capital investment and O & M investment in a project.
- ◆ *Enhancing Commercial Viability of Project:* This assistance under

JNNURM could be in the nature of viability gap support to projects which are not commercially viable on a stand-alone basis.

- ◆ *Enhancing Bankability of Projects:* The JNNURM assistance could be used to enhance predictability of underlying cash-flows, credit enhancement mechanisms such as establishing liquidity support mechanism, up-front service reserve facility, deep discount bonds, contingent liability support and equity support for making the projects bankable.

The document further says the sectors and projects eligible for JNNURM assistance under Sub-Mission Directorate for urban Infrastructure and Governance would be as follows:

- ◆ Urban renewal, shifting of industrial and commercial establishment from non-conforming areas to conforming areas, replacement of old and worn out pipes, renewal of the sewerage, drainage and solid waste disposal system;
- ◆ Water supply and sanitation, and preservation of water bodied;
- ◆ Preservation and rehabilitation of soil erosion and landslides;
- ◆ Development of heritage areas, and urban transportation.

The document also gives a list of the sectors and projects eligible for JNNURM assistance for basic services to the urban poor. Some of these are:

- ◆ Integrated development and rehabilitation of slums;
- ◆ Development, improvement and maintenance of basic services like water supply, sewerage, drainage, community toilets, street lights, and amenities like community halls and child care centres for the urban poor;
- ◆ Operation and maintenance of assets created under this component;
- ◆ Convergence of health, education and social security schemes for the urban poor.

At the end the document talks about the Agenda of Reforms. The document says that JNNURM is meant to ensure improvement in urban governance and service delivery so that ULBs become financially sound and sustainable for undertaking new programmes through some mandatory and some optional reforms that will be followed by the State Governments and UBLs.

The Mandatory Reforms at the level of ULBs and Parastatal Agencies are:

1. Adoption of modern accrual-based double entry system of accounting in ULBs and Parastatal Agencies;
2. Introduction of a system of e-governance using IT applications, such as GIS and MIS;
3. Reform of property tax with GIS, so that the collection of revenue for ULBs reaches at least 85% within net seven years;
4. Levy on reasonable user charges by ULBs and Parastatals with the objective that the full cost of O&M or recurring costs is collected within the next seven years;
5. Internal earmarking within local bodies, budgets for basic services to the urban poor;
6. Provision of basic services to the urban poor including security of tenure at affordable prices, improved housing, water supply and sanitation. Delivery of other existing universal services of the

government for education, health and social security is ensured.

And the given Mandatory Reforms at the States Level are:

1. Implementation of decentralization measures as envisaged in 74<sup>th</sup> Constitutional Amendment Act. The State should ensure meaningful association and engagement of ULBs in planning the function of parastatal agencies as well as the delivery of services to the citizens.
2. Repeal of ULCRA.
3. Reform of rent Control Laws balancing the interests of landlords and tenants.
4. Realisation of Stamp Duties to bring it down to not more than 5% within next seven years.
5. Enactment of the Public Disclosure Law to ensure preparation of medium-term fiscal plan of ULBs and Parastatal agencies and release of quarterly performance information to all stakeholders.
6. Enactment of Community Participation Law to institutionalize citizens' participation and introduce the concept of the Area Sabha in urban areas.
7. Assigning or associating elected ULBs with 'city planning function'.

The document also refers to some Optional Reforms which are expected to be undertaken by States, ULBs and Parastatal Agencies. These Reforms are:

1. Revision of bye-laws to streamline the approval process for construction of buildings, development sites.
2. Simplification of legal and procedural frameworks for conversion of land from agricultural to non-agricultural purposes.
3. Introduction of Property Title Certification System in ULBs.
4. Earmarking at least 20-25 per cent of developed land in all housing projects for EWS and LIG category with a system of cross subsidization.
5. Revision of byelaws to make rain-water harvesting mandatory in all buildings and adoption of water conservation measures.
6. Byelaws for reuse of recycled water.
7. Administrative Reforms i.e. reduction in establishment costs by adopting the Voluntary Retired Scheme (VRS) and filling posts falling vacant due to retirement etc.
8. Structural Reforms and encouraging PPP.

# **Jawaharlal Nehru National Urban Renewal Mission : Framework and Process**

Ministry of Urban  
Development and Poverty  
Alleviation, Ministry of Urban  
Development, Government of  
India

## **Bird's Eye View**

This 18-page document contains five sections. Only the first two sections like The JNNURM Framework and The JNNURM Process are discussed here. Since the rest three sections deal only in submission of Funding application and processing of funding requests etc.

In section I the document says that the framework of the JNNURM has been evolved to provide incentives for reforms in urban development and thereby facilitate sustainable investments in urban infrastructure. This framework shall address Policy Oversight, Appraisal and Sanction of proposals, Operational Oversight and Monitoring, and Advisory Support.

The document further says that at the National level, the JNNURM shall be directed by National Steering Group (NSG), a coordinating arm of the Government of India chaired by the Ministry of Urban Development (MoUD) and co-chaired by the Ministry of State Urban Employment and Poverty Alleviation (MoUEPA), which shall provide policy oversight of JNNURM objectives. It will also review the agenda of reforms and may add additional reforms to the identified reform, the progress of the Mission.

The document also points out that at the National level, the Mission shall be operationalized through two Sub-Mission Directorates (SMDs) like Sub-Mission Directorate for Urban Infrastructure and Governance and Sub-Mission Directorate for Basic Services to the Urban Poor for ensuring effective co-ordination with State Governments and other agencies for expeditious processing of the project proposals. The focus of the SMDs will be on the development of urban infrastructure and on access to infrastructure for urban poor, including security of tenure, housing, water supply and sanitation, education, health and social security.

The document further says that besides these SMDs, there will also be two Central Sanctioning and Monitoring Committees (CSMCs) headed by respective secretaries. The CSMCs shall be entrusted with sanction and monitoring of the projects and associated reforms.

The document also says that in order to identify, decide and prioritize the projects for inclusion in JNNURM, an Apex Body called State-level Steering Committee (SLSC) shall be formed in each State. Besides recommending projects for sanction, the SLSC shall monitor the implementation of the projects and renew the progress of urban reforms. In pursuing these tasks, the SLSC shall be assisted by the State-level Nodal Agency (SLNA).

The document further says that for successful deployment of assistance targeted through JNNURM, advisory support is envisaged at Macro level (to NSG and SMDs) which include policy, legal and financial structuring of assistance to NSG, implementation and management of urban sector reforms; and at the Micro level (to CSMC, SLSC, SLNA and ULB), including support for appraisal, planning for undertaking reforms, preparation of detailed project report, guidance to SLNA and ULBs for managing the process of seeking assistance.

The document also says that a Technical Advisory Group (TAG) comprising professionals of legal, environment social and urban infrastructure sectors will be constituted, which would assist the CSMC, SLSC, SLNA and ULBs at the Macro and Micro levels for obtaining financial assistance within the provisions of JNNURM. The TAG shall enable the Mission to create Voluntary Technical Corps in each identified city and would encourage private sector participation, citizen's involvement in urban governance at the grass-root level and transparency in Municipal

## Governance.

The document in the section called The JNNURM Process provides an overview of the process for accessing funds. It reflects on the path that a project proposal originated by the ULB shall take for its sanction by the CSMC. It says that the Government of India believes that the process formulating the policy framework for JNNURM would continuously evolve depending on the feedback from the institutional entities established for JNNURM.

In this section, the document also talks about the Sanction and Disbursement of Funds and about Revolving Fund. The MoUD and MoUEPA shall be repository of funds targeted for the JNNURM scheme. On approval and sanction of assistance by the CSMC, fund shall be released by the MoUD and MoUEPA in four installments as additional Central assistance (100% grant in respect of Central share) to the State Government or its designated State-level agencies.

The first installment of 25% will be released upon signing of a Memorandum of Agreement (MoA) by the State Government, ULB or Parastatal Agency. The balance amount shall be released in three installments upon receipt of Utilization Certificate to the extent of 70% of the Central fund.

The document further says that under Sub-Mission for Urban Infrastructure and Governance, wherever SNLA releases Central and State funds to the implementing agencies as soft loan or grant-cum-loan, it would ensure that at least 25% of the funds released and ploughed into Revolving Fund, maintained by the Nodal agency. This fund will be utilized to leverage market funds for further investment. At the end of the Mission period, the Revolving Fund may be upgraded to a State level Urban Infrastructure Fund.

As under Sub-Mission for Basic Services to the Urban Poor, wherever SLNA release the fund, it would ensure that at least 10% of the funds are recovered and ploughed into Revolving Fund which will be utilized to meet the O&M expenses of the assets under the Sub-Mission. And at the end of the Mission period, the Revolving Fund may be upgraded to a state level Basic Services to the Urban Poor Fund.

At the end of the section the document says that the MoUD and MoUEPAA would periodically monitor the schemes through designated representatives. The monitoring of progress and implementation of reforms would be entrusted to specialized technical agencies.



# Jawaharlal Nehru National Urban Renewal Mission : Formulation of a City Development Plan

Ministry of Urban Employment  
and Poverty Alleviation &  
Ministry of Urban  
Development, Government of  
India

## Bird's Eye View

This document is designed to assist city governments and other participating organizations such as the State-level and City-level Water supply and Sewerage Boards and Development Authorities in the formulation of City Development Plans (CDPs). It provides an approach to identify the key issues that need to be addressed.

This 18-page document contains seven sections. The sections are:

1. City Development Plan (CDP),
2. Preparing a City Developing Plan,
3. City Assessment: Analysis of Existing Situation,
4. Developing a Vision for the City,
5. Working on Strategies,
6. City Investment Plan (CIP) and Financing Strategy,
7. Summery.

In section one, the document says that a City Development Plan is both a perspective and vision for the future development of the city. It presents the current stage of the city's development and the directions of change for the development. The document also suggests alternative routes, strategies, and interventions for bringing about the change.

The document further says that a CDP is based on the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) goal of creating economically productive, efficient, equitable and responsive cities. In order to achieve this goal, the CDP focuses on the development of economic and social infrastructure, strategies that deal with issues affecting the urban poor, strengthening of Municipal Governments and their financial accounting and budgeting systems and procedures, creation of structures for bringing in accountability and transparency, and elimination of legal and other bottlenecks that have stifled the land and housing market.

In the section called Preparing a City Development Plan (CDP), the document points out that preparation of a CDP is a multi-stage exercise. The stages are:

- 1. In-depth analysis of the existing situation, covering the demographic, economic, financial, infrastructure, physical, environmental and institutional aspects:** The purpose of this stage is to review and analyze the current status of the city with regard to the state of its development, system and procedures, as equally its institutional and financial context.
- 2. Development of a perspective and a vision of the city:** this stage is meant to develop a vision in consultation with key stakeholders and civil societies for the future development – a shared vision of where the city wants to be in a medium - term perspective.
- 3. Formulating a strategy for bridging the gap between where the city is and where it wishes to go:** this stage is used to identify the options and to evaluate the strategies from the perspective of their contribution to the goals and objectives of the JNNURM. the chosen strategies are translated into programmes and projects in this stage.
- 4. Preparing a City Investment Plan (CIP) and a Financing Strategy:** An investing plan and a financing strategy are an integral part of CDP. Crucial to this stage is a plan that considers the alternative sources of financing the vision and the accompanying strategy and programme.

In the section ' City Assessment: Analysis of the Existing Situation', the document says that the purpose of the analysis is to make an in-depth analysis of the demographic, economic, financial, infrastructural, physical, environmental and institutional aspects of the city. It should also examine the implications thereof for service delivery, management and governance. The document further says that the economic base refers to the key sectors,

which drive the city's economy, such as mining and manufacturing, infrastructure including power and utilities, financial and banking services, public services, tourism, or places of religious importance. The key to the analysis lies in identifying the lead sectors of the city's economy, and examining if the growth within the lead sectors is likely to be maintained in a medium-term framework. The document also says that the analysis should focus on assessing: a) the financial status of the city government; b) the status of current assets and liabilities including outstanding debt; c) analyzing the role of inter-governmental transfers in the finances of municipal governments.

The document further points out that the infrastructure profile refers to the adequacy or inadequacy of infrastructural services in terms of coverage, quantity and quality, and attempts to identify the factors responsible for inadequate development of infrastructural services. It measures the gap between demand and supply of different infrastructural services. The most important aspect of the analysis lies in recognition of the fact that inadequate access to infrastructure is a key constraint to development. The document says that it is important to ascertain the factors that are constraining infrastructure.

The document further says talks about the physical and environmental aspects. It says that the physical aspect refers to total land availability of land, allocation of land for different uses and purposes. The analysis contains an assessment of the adequacy of land availability and focuses on the role of legal and statutory provisions e.g. Urban Land (Ceiling and Regulation) Act, 1976 in making land available to the market.

For environmental aspect, the document says that an analysis of environment is primarily concerned with the impact of population growth, changes in income, expansion of economic activities, and environment-related services, such as air and water quality, waste water, and composition of solid waste including toxic and hazardous waste. A key point is to assess the health impact of environmental conditions within the city. It is also essential to include in the analysis, the city's susceptibility to floods, earthquakes, or other natural disasters.

The document further points out that the city is governed by a number of institutions and organizations. The purpose of the analysis is to deal with the key problems in the existing allocation and equitable delivery of services, including 1) identification of institutions and organizations that have direct and indirect responsibilities for infrastructure provision, 2) identification of the role of the areas of fragmentation or overlap, 3) assessment of the impact that it has on infrastructure delivery and management, and 4) a view of the role of the private sector in service delivery and the potential of public-private partnership in the development and management of infrastructural services.

In the section called Developing a Vision for the City, the document says that developing a vision for the city is central to the preparation of a CDP. It defines the potential of the city and reflects its unique attributes in terms of comparative and competitive advantages, values and preferences of the city's residents, relationship of the city to the state, national and global economies, and the history and physical characteristics of the city. A vision aligns stakeholders' energies to work cohesively for the development of the city. Cities need to systematically consider the future, and design strategies to accordingly shape the future. All objectives, strategies, programmes and projects must be aligned with the vision of the city.

The document says that in developing the vision, cities must choose a set of criteria that are directly relevant to the JNNURM.

The document further points out that a gap between where the city is and where it wishes to go can be bridged by pursuing different strategies and

programmes. It also says that in the context of the JNNURM, the selection of strategy or a set of strategies should be guided by their contribution to its goals, objectives, and the reform agenda.

The selection of strategy is an extremely important constituent of a CDP, and needs to be done with wide-ranging consultation among key stakeholders. A urban renewal strategy which incorporates the interests of the poor in the transition phase may rank high in comparison with another, which does not distinguish between different affected groups. It is thus evident that evolution of alternative strategies aims at maximizing the impact. Selection of strategy is often determined by institutional capacities and financial means for implementation although strategies could be selected in a way that enhance institutional and financial capacities to achieve the vision.

In the section called 'City Investment Plan and Financing Strategies', the document says that there is a need to find the strategies for financing the vision. For example, whether it would be financed by the local government by mobilizing resources in partnership with other tiers of government and financing institutions, or it would encourage the private sector to finance the vision, and also what steps will be required to be taken to facilitate private sector investment.

In the last section titled 'Summary' the document summarizes some important key features of the CDP focusing on the following:

- ◆ What does the analysis of city's profile show? Where are the opportunities and where are the key constraints?
- ◆ Given the opportunities and constraints, where does the city wish to move in a medium-term perspective? While the vision is forward-looking, it is also a realistic vision, achievable with a given time frame.
- ◆ What strategic options are available to achieve the vision? What are the costs and benefits of the alternative strategic options? Which of the strategies will help the city achieve the vision on the least cost or have the maximum impact?
- ◆ What would be the aggregate investment needed to implement the vision? What are the options for mobilizing resources for implementing the CDP?
- ◆ What reforms other than those embodied in the JNNURM are necessary for effectively implementing the CDP?

The document, in the Annex, gives a list of activities admissible under JNNURM. The activities are:

1. Urban renewal i.e., redevelopment of inner (oil) city areas. This would include items like widening of narrow streets, shifting of industrial/commercial establishments from non-conforming (inner-city) 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, Land acquisition cost will not be financed under this component of the programme.
2. Water supply including setting up de-salination plants, where necessary;
3. Sewerage and solid waste management;
4. Construction and improvement of drains/storm water drains;
5. Urban transport
6. Laying/improvement/widening of arterial/sub-arterial roads and bridges to remove transport bottlenecks;
7. Laying of ring roads and by-passes around metro and mega cities, provided certain cost recovery measures like toll charges are built in;
8. Construction and development of bus and truck terminals;
9. Environmental improvement and city beautification schemes.
10. Construction of working women hostels, marriage halls, old age and destitute Children's homes, night shelters with community toilets.

# Jawaharlal Nehru National Urban Renewal Mission : Guidelines for Project Preparation

Ministry of Urban Employment  
and Poverty Alleviation &  
Ministry of Urban  
Development, Government of  
India

## Bird's Eye View

This 18-page document is divided into eight sections including:

1. Overview of the Project Development Cycle;
2. Identification of Urban Infrastructure Projects and their Prioritization;
3. Project Scoping;
4. Public-Private Partnership for Urban Infrastructure Development;
5. Project Preparation and Detailing;
6. Finalising the Arrangements for Implementation;
7. Achievement of Financial Closure;
8. Execution of MoA and other Agreements for Implementation.

In section I the document points out that the purpose of this Toolkit is to set forth guidelines for project implementation, which, in turn, would assist the ULB/Parastatal agency applying for assistance from JNNURM in meeting the requirements for sanction of assistance under JNNURM. This Toolkit focuses on the process that the ULBs may follow to generate a proposal to meet the Mission's objectives and process requirements. The document further says that the aim is to put together a complaint proposal that is ready for sanction of funds. This Toolkit also provides an overview of such a project development cycle and milestones to be met.

The document here refers to the project development cycle in brief. The Cycle comprises the following:

- ◆ Identification of urban infrastructure/basic services to urban poor projects and their prioritization.
- ◆ Project Scoping.
- ◆ Preparation of Detailed project report.
- ◆ Finalization of the arrangements for implementation.
- ◆ Sanction of JNNURM assistance.
- ◆ Achievement of financial closure.
- ◆ Execution of a Memorandum of understanding (MoU) and other agreements for implementation.

In section II the document talks about the origin of the proposals and identification of projects in the urban sector. It says that the origin of the project concepts is expected to be done by the eligible city. It also says that the ULB shall identify the infrastructure needs of the city, which shall be done through a process that sets forth the stages for participatory development. These are:

- ◆ **Preparation of a Strategy Plan:** The ULB shall map out a city-level development plan through a consultative process with the involvement of citizens and this process shall include an assessment of population growth, infrastructure needs and resource requirements in the short-term, medium-term and long-term horizons.
- ◆ **Delineation of needs and priorities with Public Involvement:** Citizens may be informed about the existing status of infrastructure, the broad investment requirements for augmentation and new development, and consulted on the prioritization of projects. The objective is to provide insight into the infrastructure needs of the city in identifying capital investments (CIs) in consultation with local stakeholders.
- ◆ **Prioritization of Infrastructure and Investment Requirements:** The willingness to accept reforms and impact on the municipal budget are expected to lead to prioritization. Any alternative consultative process may also be considered leading to delineation of infrastructure priorities and consequent investment requirements that are necessary for financial planning.

- ◆ **Documenting the CDP:** The summary of assessment of broad infrastructure requirements and their phasing shall be documented in the CDP, including the willingness of the public and elected representatives to accept implementation of reforms to support the proposed development.

In section III, the document talks about the project scoping and the stage of scoping. It says that project scoping shall include defining the scope of the project in terms of demand, components, capacity, phasing and sizing. The document further says that in the case of JNNURM proposal, the project scoping would include an indicative financial assessment of feasibility and sustainability and an indicative plan for implementation over and above an indicative technical outline. Such an assessment shall also include identification of issues and risks associated with the project which may have been identified during the process of preparation of the CDP and assess ways of mitigating them.

The document also points out that there is a need for Pre-feasibility Analysis. It says that purpose of this analysis is to categorize projects which could be implemented within a suitable Public-Private Partnership (PPP) framework and those which could be implemented otherwise (as non-PPP projects). For projects where scoping is dovetailed as a part of a detailed feasibility exercise, the pre-feasibility stage may be eliminated.

In section IV, the document points out that there is a need for Public-Private Partnership for Urban Infrastructure development. It says that rapid urbanization and growing demand has increased the need for investment in infrastructure development. Limited availability of funds for provision of infrastructure has widened the gap between requirements and supply. The Government, therefore, has been encouraging PPPs to attract market investment, thereby leveraging government budgetary resources to meet the provision for infrastructure, involving different stakeholders and requiring significant preparatory work. In order to reduce the exposure of provisions of services to risk and attract private investment, the Governments or local authorities have to be clear in terms of objectives, on what is expected from the private sector and what price the public would be willing to pay for the quality of services envisaged.

The document further says that PPPs provide a good alternative for attracting private investment as well as efficiency in the provision of services that meet the current social needs. The Government of India (Department of Economic Affairs) has formulated a Scheme for Support to Public-Private partnership in Infrastructure, July 2005. The strategy outlined in the same shall be broadly followed for PPP projects proposed for funding under the JNNURM.

The document also points out that the PPPs represent a unique and flexible solution to implement infrastructure projects. This can embrace a range of structures and concepts which involve the sharing of risks and responsibilities between the public and private sectors. It further says that different PPP structure could be explored based on the extent of funds that could be diverted from public sector, service levels targeted, willingness to pay and affordability of consumers, and rehabilitation of the existing systems. The choice of options, however, depends on the extent to which the private sector is expected to take over.

The document further points out to some measures related to Project Development for PPP Projects. These measures are:

- ◆ **Data availability and Validation:** Most projects that need financing from the market require significant project development efforts to make them bankable. The need arises due to limited data availability or validation, difference in the risk and responsibility transfer associated with public

financing as against that in a PPP transaction.

- ◆ **Project Report to be Bankable:** PPPs require detailed project reports, an implementation framework with a clear definition of roles and responsibilities shared between the two parties, risk assessment and financial assessment from the investors' perspective to address returns and bankability criteria.
- ◆ **Demand Responsive Assessment:** PPPs focus on a demand responsive assessment that is a more complex assessment of demand or market for any project across sectors, user affordability and price elasticity or willingness to pay.
- ◆ **Full cost recovery for Sustainability and Viability:** Most detailed project reports focus on the engineering perspective, and seldom involve financial assessment for viability including rate of return analysis, project cost recovery or full cost recovery.
- ◆ **Environment and Social concerns:** As service delivery is at the core of infrastructure development, the project development of PPP projects should address the environment and social perspectives. It should enhance the base environmental and social level to comply with the basic objective of public good.
- ◆ **Political Commitment for PPP-based Development:** PPPs need political support and commitment in the form of an enabling policy framework and decisions to facilitate willingness to charge appropriate user fees, as well as to introduce private sector driven service provisions that are often in the public domain.
- ◆ **Need for an Enabling Framework:** The 74<sup>th</sup> Constitutional Amendment may not be fully implemented in most of the cases for private sector participation. To large extent, ULBs do not have the autonomy to raise tariffs. Certain aspects continue to remain under the domain of the governing authorities and conflict with the requirements of a PPP transaction which, on the other hand, requires autonomy to enable cost recovery.

A legal review of the applicable framework needs to be undertaken to evolve an enabling framework to ensure that PPP projects can be enforced or implemented. The enabling framework and the understanding for sharing of risks and responsibilities is detailed in the contractual and transaction documents prepared for project implementation.

- ◆ **Contracting Issues:** The PPP framework provides for 1) improvements in efficiency of performance and focuses on performance-linked development; 2) clear and transparent management during operations; 3) mutually acceptable mechanisms for resolving disputes.
- ◆ **Financing Issues:** PPP transactions financed in the country today, have been mostly of the limited recourse type, with limited recourse to government budgets. Financing of projects is driven by the following aspects: contractual framework, bankability, country and state rating, strength of projects to enable cost recovery, and clear understanding of support provided or made available in terms of speedy approvals, minimum equity investment in the project, lands.
- ◆ **Risk Assessment and Mitigation:** Risks to the project need to be identified and mechanisms for their mitigation integrated during the development process. The contractual framework with a risk management plan would in almost all cases lead to successful closure of the PPP transaction.
- ◆ **Consumer Issues:** Most projects here are being developed on a traditional approach and do not involve public consultation, an understanding of the user demand and consumption pattern, assessment of tariff acceptability. without an assessment of consumer demand, service

requirements, affordability and willingness to pay, it would be risky to implement such projects. It would lead to high capital investments, low revenue recovery and pose consequent risks due to lack of consumers' focus. Users participation needs to be encouraged through active community involvement in the process, allowing for contribution to the project in terms of equity, land, labour or any other means.

In section V, the document talks about Project Preparation and Detailing. It says that project preparation shall comprise all steps taken by the ULB for detailing the project identified in CDP.

The document also says that detailing requirements may vary, depending on the transaction and contractual framework, as well as the perception of risks by the public and private sector entities.

In case of public financed projects, where all risks are taken by the ULB and no role is envisaged for the private sector, the detailing should include detailed design as part of project development.

In case of Public-Private partnership projects, detailing would be governed by the level of risk sharing envisaged apart from the nature and size of the project. Detailing could be need-based subject to the different PPP transactions proposed for implementation. Some of these are:

- ◆ **Classic Build Operate Transfer (BOT)/ and Concession Project:** Detailing of the basis of costs and assumptions is necessary although the risk of design and hence the responsibility for undertaking detailed design preparation is passed onto the private sector.
- ◆ **Design Build Operate (DBO) and Design Build Finance Operate (DBFO):** As the risk of design is passed onto the private sector, detailed design may be avoided.
- ◆ **Lease:** Such a transaction may include augmentation and strengthening of the existing system and facilities, while detailed design risk and responsibility may be with the private sector.
- ◆ **Build Own Operate Sell (BOOS):** In the case of high-risk projects, the private sectors perception of risks may be high and the ULBs may finance, construct and operate the projects for an initial period till the risk is reduced or is lower, and the project would have to be sufficiently detailed, including designing in the preparatory stage to address the quality and performance related issues as well as demand risk.

In this section the document also points out to some of the guidelines and steps for project preparation. These guidelines are:

- ◆ The project preparation and detailing can be implemented by evolving an option based on its **Technical Feasibility, Environmental Compatibility, Social and Political Acceptability, Legal and Regulatory Feasibility.**
- ◆ The objective of project preparation therefore is to structure a project with the target grant assistance from JNNURM, which is to be leveraged to attract private investment and private sector participation.
- ◆ To meet this objective, an integrated process of project preparation is envisaged which would lead to successful disbursement from JNNURM and project implementation.

Following are some of the steps involved in project preparation:

- ◆ **Preparing Terms of Reference (ToR):** The ToR should define the minimum required man month inputs or staffing requirements, output details including an indicative Table of Contents ((ToC).
- ◆ **Procurement and appointment of Consultants:** The appointment of consultants by the ULB shall depend on the type of consultancy to be outsourced. If assistance available under JNNURM is to be utilized, the process of appointment of consultants should meet the requirements

for availing such assistance. It is also expected that a fair and transparent process will be followed for appointment of consultants.

- ◆ **Design of Project Components:** The requirements for design project components vary depending on the transaction. Where ULB proposes to contract out the construction only, it could undertake detailed design of project components. It should also be noted that design of project components must ensure long-term sustainability through the design of components that are economical, considering the life cycle costs including capital as well as recurring costs.
- ◆ **Selection of a Techno-commercial Option:** An analysis of options would involve delineation of different options and a simulation analysis based on life cycle costs which shall be an integrated cost duly considering environmental, social, legal and regulatory costs enabling selection of the most suitable option.
- ◆ **Financial Analysis for Viability and Sustainability:** The analysis for financial viability and sustainability shall be undertaken with regard to meeting funding requirements.
- ◆ **Financing and Implementation Structure:** Financial analysis should be undertaken to structure the project and evolve the optimum financial plan, including an assessment of revenues and costs associated with the project to demonstrate the sustainability of the project cash flows. The financial plan shall also demonstrate the provisions made for setting up revolving fund and its maintenance over the period of project operation.
- ◆ **Preparation of a Detailed Project report:** The detailed feasibility undertaken as above must be documented in the form of a detailed Project Report accompanied by other documents for availing of JNNURM assistance.

The document further talks about Technical Assistance for project preparation. It says that the Technical assistance could be used for entire guidance and advisory support required for managing the process and ensuring documentation that would effect readiness for project implementation.

In section IV, the document refers to Finalising the Arrangements for Implementation. It says that this phase could be undertaken in parallel with meeting statutory approvals and internal approval process that a ULB must follow as a part of the project preparation. It says for accessing JNNURM assistance, all necessary decisions required to implement the project shall be based on approvals.

The approvals shall be documented in the form of appropriate council resolutions.

The ULB shall obtain the necessary State Government approval. In case of State Government approval to back the project, evidence of appropriate approvals (government order, policy, cabinet approval, enactment of laws and amendments etc.) should be provided along with the project documents to demonstrate its commitment to provide investment support to the project as well as its commitment to reforms.

The ULB shall take the following necessary steps to ensure implementation:

- a) Provision of land required for the project and its availability on pre-decided and approved terms and set aside necessary funds for the same.
- b) Statutory approvals required from other agencies or government bodies and obtain such approvals and permissions, NOCs and clearances on a project-specific basis.

Next, the document further talks about the Achievement of Financial Closure. It says that financial closure is the stage in the project development cycle when the principal stakeholders (sponsors, government, and lenders) reach



a formal agreement on the fundamental business structure of the project and the underlying terms and conditions of the project's financing plans. Under the JNNURM, it is envisaged that achievement of financial closure will result in sanction of JNNURM assistance for project implementation. Finally, the document says that the State Government and the ULBs including parastatal agencies, where necessary, would execute a Memorandum of Agreement (MoA) with Government of India indicating commitment to implement identified reforms.

The MoA would spell out specific milestones to be achieved. Signing of the MoA will be necessary to access Central assistance.

In the Annex, the document talks about the **Public or Private Service Delivery – Choice**. It says that in order to assess the extent of involvement of the private sector for infrastructure provision and management of services, the ULB should consider the following:

- ◆ **Efficiency:** In reality, the ULB is unable to provide efficient services due to some factors like accountability in terms of time and costs, labour practices, government pay scales, personal benefits, inflexible work arrangements, and procurement procedures. Can these constraints be removed?
- ◆ **Capability:** Does the ULB recognize that external expertise is essential for competent and efficient management of services? what are the capabilities within the ULB for O & M, procurement or financial management? What are the private sector strengths which the ULB is proposing to explore?
- ◆ **Legal:** Does the ULB have the right to award concessions or enter into contractual licence agreements with the private sector to essentially deliver municipal services? What are the statutory permissions it needs to do so? What are the enabling provisions or amendments in the existing legal framework that would be necessary to make such arrangements enforceable?
- ◆ **Competition:** Is the private sector adequately developed to compete with other private firms in the market? Would the provision of financial incentives better enable the private sector to participate in public service delivery?
- ◆ **Duplication of Roles:** Will private sector entry duplicate roles or staffing requirements? Is there political will to downsize the workforce when services are given to private sector? What framework or provisions in the contract needs to be considered to minimize such socio-political issues? Do the monitoring costs or regulatory roles offset the impact due to private sector participation.
- ◆ **Risks:** Do the frameworks exist to protect the private sector against risks ( such as currency adjustments, inflation, political changes and force majeure) so that prices for services are not unduly burdened with the costs of risk management? Does the ULB have adequate financial capacity to meet its contractual arrangements with the private sector?
- ◆ **Costs:** Does the ULB have accounting information to determine whether private sector participation would offer service delivery at equivalent or lower costs? Has there been sufficient strategic planning and have feasibility studies been conducted to benchmark whether the price or technology offered by the private sector would result in savings?

Summing up the whole exercise finally the document says that private sector participation is a means to mobilize private investments and introduce efficiency in service sector.

# **Jawaharlal Nehru National Urban Renewal Mission : Guidelines for Project Appraisal**

Ministry of Urban Employment  
and Poverty Alleviation &  
Ministry of Urban  
Development, Government of  
India

## **Bird's Eye View**

This 13-page document contains three sections namely: **1) Overview of the Appraisal Process, 2) Appraisal of Proposals Seeking Capacity Building, CDP and DPR, 3) Appraisal of Proposals Seeking Investment Support.**

Besides these, the document also contains three lists of figures and Annex. In section-I, the document refers to three points related to Overview of the Appraisal Process. The points are:

1. The appraisal process will commence upon receipt of proposals and request from Urban Local Bodies (ULBs)/ Parastatal Agencies seeking JNNURM assistance for capacity building and investment support components.
2. Appraisal of Detailed Project reports (DPRs) will be undertaken by the Technical wings of the Ministry or if necessary by specialized/ technical agencies before placing such proposals for sanction by Central Sanctioning and Monitoring Committee (CSMC).
3. Appraisal of the proposal shall be undertaken in a professional and transparent manner through the institutional framework established for this purpose, following the guidelines stated in this Toolkit.

In section –II, the document talks about the Prerequisite for Accessing Assistance, about Appraisal Criteria and Supporting Documentation for Accessing Assistance. It says that proposals seeking assistance for preparation of a City Development Plan and Detailed Project Report need to have the following parameters:

- ◆ City is eligible for assistance.
- ◆ Identified project is in the eligible sector.
- ◆ City is willing to undertake reforms.
- ◆ State Government's willingness to undertake State-level reforms.
- ◆ Estimate of funding requirement for capacity building and project preparation is prepared.

As for Appraisal Criteria , the document says that the Technical Wing/ Agency shall appraise the proposals received for assistance under this component on the following criteria:

- ◆ Whether the proposal includes the application form along with supporting document.
- ◆ Whether the State Government and the ULB/ Parastatal Agency have committed to undertake and implement reforms and have agreed in principle to execute the MoA (Memorandum of Agreement).
- ◆ Procurement of agencies, experts, and consultants is through a competitive process.
- ◆ whether the relevant approvals and clearances have been obtained.

The document further says that the ULB/Parastatal Agency seeking for assistance

need to provided the following supporting documents along with their application forms:

For preparation of a CDP: 1) Estimate of assistance required, 2) Attachments as may be necessary with the application forms are required.

For Project Preparation: 1) Estimate of assistance required, 2) CDP, 3) Timelines with copy of MoA, 4) Milestones achieved as per MoA.

In section III, the document talks about the Prerequisites, Appraisal Criteria, Supporting Documentation for Accessing Investment Support

Component related to Appraisal of Proposals Seeking Investment Support. The document says that the access of assistance under the investment support component depends on the following criteria:

- ◆ the city is eligible for assistance;
- ◆ the city is willing to undertake reforms;
- ◆ the State Government is willing to undertake State-level reforms;
- ◆ the city has prepared a CDP;
- ◆ the proposal is prioritized in CDP;
- ◆ the city has prepared a DPR comprising techno-commercial analysis, legal assessment, establishment of institutional frameworks, risk assessment, environment and social assessment, financial operating plan, and implementation plan;
- ◆ the proposal complies with statutory requirements.

The document also says that Appraisal Criteria includes General appraisal Criteria and Investment Criteria. It says that the project proposal shall be subject to the guidelines for appraisal stated in Annex. The Technical Wing/Agency shall appraise the proposals received for assistance under this component on the following criteria:

**General Appraisal Criteria:**

- ◆ whether the proposal includes the application form along with supporting documents;
- ◆ whether the time frame for implementation and consequent utilization of funds from JNNURM is clearly defined and is reasonable;
- whether the concerned approvals have been obtained;
- ◆ the proposals demonstrates technical feasibility and selection of a least life-cycle cost-based option for implementation as well as sustainability through financial and economic viability parameters;
- ◆ for projects undertaken by Special Purpose Vehicle (SPV) on a Public-Private Partnership (PPP) format, the project has to demonstrate an internal rate of return (IRR) greater than the cost of capital raised for project, and the proposed DSCR should not be less than 1.25;
- ◆ in the case of ULB/Parastatal Agency-sponsored projects, the overall DSCR (including sinking fund and revolving fund), based on future cash flows, should be at least one;
- ◆ the ULB/Parastatal Agency or sponsor is able to satisfy that it will be able to arrange the balance funding for the project;
- ◆ the proposal includes a project-specific reform implementation plan with regard to 1) Mandatory reforms to be undertaken by the ULB/Parastatal Agency and State Government, 2) Optional reforms to be undertaken.

**As for Investment Criteria:**

No project shall be eligible for assistance under JNNURM if it exceeds the following levels:

- ◆ cities with more than four million population: 35% of project cost,
- ◆ cities with 1-4 million population: 50% of project cost,
- ◆ cities with less than one million population: 80% of project cost

As for Supporting Documentation for Accessing Investment Support Component, the following documents need to be enclosed along with the proposal seeking assistance:

- ◆ Application form from ULB/Parastatal Agency along with Detailed Project report and Estimate of assistance require;
- ◆ Tripartite MoA;
- ◆ Council Resolution in respect of ULB/Parastatal Agency commitment to reforms and any other project-specific measures required for implementation.

In Annex, the document talks about the **Guidelines for Project Appraisal**.

The document says that the guidelines reflect specific criteria such as core principles and best practices that projects are required to conform to for improving their sustainability and thereby becoming part of the JNNURM Policy. It also says that the objective of the guidelines is to: 1) assist in project selection, appraisal and implementation; and 2) assess compliance with JNNURM's aim of ensuring sustainability.

The document further says that the project proposals must conform to the following Criteria:

- ◆ **Prioritization of projects:** Proposals should demonstrate that the projects and proposed investment are prioritized in the capital expenditure programme of ULB, as part of CDP, business/master plan or vision.
- ◆ **Agenda of Reforms:** The project proposal shall be accompanied by Commitment of ULB/Parastatal Agency and State Government to adopt mandatory and optional reforms and a service delivery reform approach integrating asset creation with management and financing during its lifespan.
- ◆ **Financial Aspects and Sustainability:** The project proposals shall present the cost-benefit analysis incorporating a life-cycle cost analysis. The cost-benefit analysis for individual projects of Rs. 50 crores or more shall demonstrate a positive net present value (NPV) and an economic rate of return (ERR) equal to or above the appropriate opportunity cost of capital.
- ◆ **Sector Guidelines:** Project documentation shall be based on the sectoral development guidelines.

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