India

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

The Jawaharlal Nehru National Urban Renewal Mission is an incentive linked reform scheme to provide funding assistance to urban local authorities in India. The purpose of this scheme is to instigate reforms in urban governance and to improve infrastructure and basic services. One of the mandatory reforms under JNNURM is the implementation of the 74th Indian Constitutional Amendment Act, which gives further powers to urban local bodies. The amendment aims to devolve more powers to local government and hence enhance their role and capacity in fostering more sustainable urban systems at local decision-making level. It is an excellent example of effective multi-level governance for urban sustainability.

Abstract

The provision of basic urban services by local governments has been a neglected function in India, primarily due to their limited resources and capacities. Recognizing the importance of meeting urban challenges, the Indian national government introduced the The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) in 2005, as a reform linked incentive scheme. JNNURM provides assistance to Urban Local Bodies (ULB) for the purpose of improving the urban environment and reform governance. The funding from the program is directed towards improving urban services. It is contingent on commitments from the city and state government to provide partial funding from their own resources and to implement specific governance reforms to ensure maximum impact of this funding investment. The reform commitments include, among others, the implementation of the 74th Constitutional Amendment Act (CAA), aimed at devolving powers to local government. The program has a number of innovative elements such as: encouraging public private partnerships to improve service delivery; service level benchmarking to set basic performance standards for basic services; public disclosure and community participation laws to promote good governance practices and to empower people by ensuring regular citizen participation in decision-making.

Importance of sustainable urban development

The population of urban India in 2011 is approximately 377 million. The ratio of urban population to total population has increased to 31.2 per cent in 2011 compared to 27.8 per cent in 2001. It is expected that the urban population will increase to 40 per cent by the year 2030. This rate of urbanization has outpaced the competence of most of the urban local bodies in India to provide even the most basic services, such as water supply, sewerage and drainage, and waste management. Urban services provided by local governments remain a neglected function primarily due to their limited financial, technical and managerial capacities. Urban areas have to improve their capacity building functions in order to capture capital and foster economic growth. At the same time, urban development with little regard to the environment has been degrading cities natural environments. Therefore urban development has to take place in a way that maintains essential ecosystem services. Recognizing the importance of meeting these urban challenges, the Government of India introduced JNNURM.
Case Study

National context

India, the second most populated nation on earth, is experiencing rapid urbanization. A number of landmark legislations have been enacted/passed by the Indian national government since 1993 to improve urban governance structures and promote decentralization. These include the 74th Constitutional Amendment Act (CAA) and numerous other statutory instruments to ensure the clean management of waste, adequate supply of water and control of pollution in urban areas.

However, initially these had little demonstrable impact at the local level in Indian cities. The acts, rules and policies took considerable time to be adopted by the states and thereafter by urban local authorities. Occasionally, the lines of responsibility dividing the mandate of the state and local bodies were ambiguous. Meanwhile, poor living conditions in Indian cities were becoming an increasing concern as rural-urban migration swelled city populations to unprecedented levels.

How the JNNURM works

JNNURM was launched in December 2005 by the national government in response to a lack of progress in urban reform and governance. It recognized the importance of meeting the urban challenges of 21st century India. The programs and guidelines for implementation were formulated by the Ministry of Urban Development (MoUD) with the help of experts. The MoUD was also supported by various other institutions such as the Planning Commission, the National Institute of Urban Affairs (NIUA) and the National Institute of Public Finance and Policy (NIPFP).

JNNURM comprises of four schemes. It funds projects on Urban Infrastructure and Governance (UIG) and Basic Services for the Urban Poor (BSUP). The other two schemes—Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) and integrated Housing and Slum Development Program (IHSDP)—cover non-mission cities towns. The mission is an incentive scheme, which requires state governments and cities seeking assistance to undertake substantial governance and legal reforms. Some reforms are mandatory, while others are optional. It is the largest initiative by the Government of India for improving urban infrastructure through mandatory local government-led reforms.

The reforms recommend some major structural changes in local governance to ensure municipalities function as democratic units. It seeks greater participation of people at the grassroots level especially with regard to decision-making. This ensures that cities are more responsive to citizen desires and are more effective in service delivery. Such local-based incentives seek to stimulate institutional, structural, and fiscal reforms necessary to improve service delivery and to ultimately create ‘economically productive, equitable and responsive cities’.

Access to JNNURM funds for infrastructure development is linked commitments by the states (provinces) and ULBs to implement mandatory and optional...
reforms (see text box 'Reform Agenda'). The JNNURM Directorate, under the Ministry of Urban Development has the authority to release funding to states and cities. The funding of the project is subject to a systematic review of the project by the authorities at state and national level. This review involves:

- Preparation of a city Development Plan (CDP):
- A Detailed Project Report (DPR) consisting of the project details and the total cost. This is submitted by the city for approval.
- On approval and sanction of the Detailed Project Report, funds are released by the MoUD.
- The funds are released in four installments to the state governments or its designated agencies. The first installment of 25 per cent is released upon the signing of a Memorandum of Agreement (MoA). The balance amount is released in three installments after the first installment has been spent.
- The installments are verified by Utilization Certificates from the ULBs.
- The release of funds is subject to the achievement of milestones, which are agreed at the State and ULB level as envisaged in the MoA.

In the MoA, both the state government and the ULB commit to a set of reforms and subsequently they agree to share the funding of the project. These reforms are innovative and seek to empower ULBs to promote local sustainability. Some of the major reforms are described in the text box below:

Reform Agenda: Local Governance and Decentralization

Urban Local Bodies in India are the constitutionally provided administrative units (local government) that provide basic infrastructure and services in cities and towns, and local government. There are 3 types of municipalities depending upon the population size and area:
- Municipal Corporation
- Municipal Council
- Nagar Panchayat

It was the 74th Constitutional Amendment Act (CAA) 1993 which provided constitutional status to urban local governments in India. The Act allows local governments to hold regular local elections and also establishes a state finance commission so that local authorities can receive funds from the state. It is envisaged that functions, funds and required decision making powers should be transferred to municipalities, thus developing them as self-governing units. Moreover, provisions are made for reserving a quota of seats for women and minorities, so that these groups could be represented and participate in the decision making process. However, this act has not been universally applied throughout all Indian states.

The goal of the Public Disclosure Law is to ensure more transparency and accountability in municipal planning, management and decision making. This will be achieved through the publication of information pertaining to various facets of municipal governance through personnel, particulars of administrative structure, finances and operations. The JNNURM envisages the enactment of a Public Disclosure Law (PDL) that will ensure the release of quarterly performance information to all stakeholders.

The Community Participation Law (also known as The Model Nagara Raj Bill, 2008) is a mandatory reform under JNNURM. The fundamental purpose of this bill is to empower local people and provide the means for regular citizen participation in the decision-making process, so that citizens can ultimately take ownership of the plans and decisions that affect their living conditions. The bill suggests a three tier model of decentralization: 1). Municipality, 2). Ward committees, 3). Area Sabhas. The bill details the selection process of a representative of an Area Sabha as well as its functions, rights, powers, and duties. It also puts forth the mechanism of electing members into the Ward committees and the scope of their functioning and activities within the municipality, which ensures decentralization from below.

JNNURM promotes Public Private Partnerships (PPP) under its optional reforms as an alternative to overcome a lack of capacity in urban local bodies. For example they provide more technical knowledge and human resources which are required for successful implementation. PPPs also bring in much needed capital to supplement
Technical innovations and laying down of pipes enabling continuous water supply in Nagpur.

Local Governance and Decentralization

The objective of the Urban Land (Ceiling & Regulation Repeal Act), 1976, (ULCRA) was to facilitate the availability and affordability of urban land by increasing its supply and by establishing an efficient land market. However, the act was considered to be a factor that caused stagnation in the urban housing sector.

Since the ULCRA did not meet its intended objectives, the Government of India decided to repeal the act with the passing of the Urban Land (Ceiling and Regulation) Repeal Act, 1999. Various states have subsequently repealed the act (for example Rajasthan and Maharashtra). Repealing the ULCRA is one of the mandatory reforms suggested in JNNURM. States have to commit to repealing it within a committed time frame. It is envisaged that the repeal of the act would go a long way in reviving the stagnant housing industry and facilitate the construction of dwelling units both in the public and private sector.

funds. Furthermore, knowledge sharing is another important aspect of JNNURM, whereby cities can learn from each other, allowing for replication. This is conducted through the Peer Experience and Reflective Learning (PEARL) network. (See text box).

Results

Paradigm shift. There is recognition today that JNNURM has created a paradigm shift in how the urban development in India is viewed, both at state and city level. In this sense, the Indian government can take great pride in having launched a mission that has been a transformative tool for urban India.

A focus on urban renewal. The mid-term appraisal of JNNURM by the Planning Commission of India was presented in July 2010. It stated that JNNURM is effective in renewing focus on urban development. It has increased the flow of investments for improved basic services, raised aspirations of ULBs and expanded the concept of city improvement beyond piecemeal projects to addressing fundamental needs of the under-serviced poor.

Repeal of bottlenecks. Key reform successes include the repeal of planning bottlenecks such as the urban land ceiling (see text box) as well as the reform of rent control acts in many states. Furthermore, the enactment of community participation laws and public disclosure laws (see text box) are helping boost transparency and accountability in the governance of Indian cities.

Strengthening of local governance. The implementation of the 74th CAA, is a major landmark initiative under JNNURM, enabling the decentralization and devolution of power to local authorities. 11 states have now transferred functions mandated under the 74th CAA to the ULBs.

Improved infrastructure. The mission has encouraged urban local bodies to improve infrastructure on a large scale which leads to considerable urban improvement. Since the launch of JNNURM, 530 projects with a financial value of Rs 602,122 million (US$ 13,392 million) have been approved under the Urban Infrastructure and Governance (UIG) scheme as of 31st March 2011. This is a combination of national state and local funding.

The mission provided funding to take up projects on a scale cities had never attempted before. Successful urban infrastructure projects are a result of this support. For example:

- Nagpur has launched a series of initiatives towards the development of an integrated water framework, including a continuous water supply project for 10 per cent of its population. The plan to scale the project to city level was also approved under the JNNURM. (see www.iclei.org/casestudies)
- The revamp of the solid waste management system in Rajkot was facilitated through JNNURM funds and it has transformed Rajkot into one of the cleanest cities in the country.
- Bus Rapid Transit System (BRTS) at Ahmedabad, which received many
accolades both nationally and internationally, was also funded through the JNNURM.

Other key successes include:

- The formation of the Punjab Municipal Infrastructure Development Fund for raising resources for ULBs.
- Surat became the first city to set up a dedicated Urban Transport Fund, closely followed by Pimpri-Chinchawad.
- Assam, Tripura, Gujarat and Maharashtra enacted the Public Disclosure Law while Maharashtra has repealed the Urban Land Ceiling and Regulation Act (ULCRA).
- 24 cities out of 65 have adopted double-entry accrual-based accounting systems. The accrual basis helps to account for the correct income and expenditure of the municipal bodies.
- 27 cities out of 65 have achieved 85 per cent coverage in property tax collection.
- 55 out of 65 cities have internally earmarked funds for services to the urban poor.

**Public participation.** The reform has also improved participatory democracy by increasing public participation and accountability in local governance. This has ensured areas are more responsive to real people’s needs and interests, and allows for the previously unheard voices of vulnerable groups to be listend to. Most of the reforms under JNNURM incorporate the principles of sustainable development and the principles of Local Agenda 21. The latter ensures that there is more active local citizen participation including engaging women in the decision making process.

**Monitoring.** State Level Nodal Agencies as well as the Ministry of Urban Development periodically monitor the schemes at various levels. The Ministry has also instituted a system of Independent Review and Monitoring Agencies (IRMAs) to review the projects at different stages of implementation.

Furthermore, it has also put an integrated management information system in place, known as Performance Monitoring and Evaluation System (PMES), to monitor the status of various activities under JNNURM. These activities include:

- Submission, appraisal and approval of the City Development Plan (CDP).
- Submission and approval of a Detailed Project Report (DPR).
- Physical progress of the project.
- Utilization of project funds.
- Implementation of reforms.
- Mid-term appraisal of JNNURM.
Lessons learned

Top-down and bottom-up. JNNURM adopts a mixture of a top-down and bottom-up governance approach. The guidelines and reforms under the program are formulated at the top level and the decision to release funds lies with the National Government, while the urban local bodies undertake the reforms and implement the projects at the local level. The implementation activities at the bottom also informed changes at the top level, for example the project review system was developed based on implementation progress in cities.

Transfers as driver of change. JNNURM is the first large scale urban intervention in the country and has been an experience in 'learning by doing' for the Government of India. The government has used project-oriented fund transfers as a driver of change for reforms to improve the state of Indian cities. JNNURM has succeeded in getting the state and city governments to commit to reforms in governance and financing.

The mission’s demand-driven approach (as a result of unique local requirements), has been successful in the more progressive states, e.g. in Andhra Pradesh, Karnataka, Gujarat, Maharashtra, and Tamil Nadu, where some governance reforms have been implemented and supplementary funds have been provided by the state and local government. The mission has helped some ULBs to take up projects on a scale they had not previously attempted.

Lack of capacity identified as bottleneck. The mission has also exposed the lack of capacity at the local government level to prepare and implement projects in urban infrastructure, thus highlighting the fact that mere financial reforms might not have been enough to improve urban governance.

Legal reforms lead to increased accountability and transparency. These reforms have fostered the spirit of local sustainability by encouraging decentralization of power to the local authority and enhancing public participation in the decision making process. This has increased accountability in the system. Other reforms like the Public Disclosure Law have introduced transparency into the system.

Democratic decentralization improves development performance. It enables and encourages popular participation and accountability in local governance, which results in increased responsiveness to citizen desires and more effective service delivery.

Importance of information dissemination. The Peer Learning and Knowledge Sharing Network (PEARL) is one of the initiatives under JNNURM enabling networking among participating cities. It provides a forum for sharing experiences, progress of projects and various initiatives of the cities under the program. This knowledge sharing of urban reforms among cities emerged as a potential area of capacity building (see text box opposite).

Results of monitoring lead to improvement suggestions. The Planning Commission report also highlighted shortcomings of the JNNURM. It said that many states are still lagging behind in fund utilization due to a lack of capacity and funds. Progress on governance reforms has been slow and there is some unwillingness to progress towards municipal autonomy. Furthermore, sufficient numbers of functions have not been decentralized and management of the mission can be fragmented in some cases.
**Urban Transport Fund**

Despite being a major contributor to economic value generation in urban areas, urban transport has not received serious attention. It has been recognized that financing urban transportation needs to be taken up immediately to meet the demands of mobility.

The Government of India has encouraged state governments to set up dedicated transport funds by ear marking specific state and local taxes for meeting the large investments required for urban transport. Pune Municipal Corporation has proposed to create an urban transport fund to raise Rs 26,000 million (US$ 563 million). Pimpri Chichwad Municipal Corporation has also set up an urban transport fund which will be financed through resources generated from capturing value from beneficiaries in the project influence zone.

**Replication**

The initiative could be replicated in other countries to improve their urban environment depending upon their specific requirements and financial capability. However, building on the successes of the JNNURM, India has began another program - a New Improved (NI) JNNURM with a strong component for capacity building and a strong but realistic and enforceable component of governance reform. The salient features of (NI) JNNURM are:

- Be open to all ULBs.
- Have a programmatic approach.
- Give funding linked to a set of reforms, which will be differentiated across different types of ULBs.
- Differentiate between smaller cities and towns and larger cities and metros (by specifying differentiated types of capacity building, reforms and timelines).
- Place prime emphasis on capacity building.

**Budget and finances**

The state government and ULBs are expected to make specified parallel financial contributions to compliment the Government of India’s allocation of approximately Rs 660,000 million (US$ 15 billion) under this scheme. The total project cost approved as of the same date is Rs 1,097,000 million (US$ 25 billion) and a total amount of Rs 286,500 million (US$ 6,518 million) has been released as of 31st December 2010.

An analysis of sector-wide distribution of funds released during 2005-2009 shows that water supply and sewerage attained 78 per cent of the funds while solid waste management claimed 3 per cent of the funds disbursed. The funds were vitally important to the success of the program, as they have encouraged ULBs to make urban conditions more liveable and environmentally healthier through specific projects and activities.

---

**Funds for cities to implement urban infrastructure projects**

JNNURM envisages an investment of more than Rs 1,200,000 million (US$ 26,013 million) with a commitment of Rs 50,000 million (US$ 10,838 million) from the central government during the seven year period of the program. The relative contributions of each actor are largely determined by the size of the city.

For large cities with a population greater than 4 million:
- 35 per cent come from the Government of India
- 15 per cent come from state government
- 50 per cent come from the ULB.

For cities with a population between 1 and 4 million:
- 50 per cent come from Government of India
- 20 per cent come from state government
- 30 per cent come from the ULB.
Acknowledgements

This ICLEI cast study is part of the Local Sustainability 2012 Case Study Series.

Author: Prof. Chetan Vaidya.

Contributors: Ashish Rao Ghorpade and Ritu Thakur from ICLEI - South Asia
interviewees etc.


Sources

- www.indiaurbanportal.in
- www.jnnurm.nic.in
- HighPowered Expert Committee Report, JNNURM, MOUD, GOI, Annual Update 2010-11

This case study compliments the publications prepared for the Rio+20 Conference and is part of the ‘Local Sustainability 2012 Case Study Series: Showcasing progress in local sustainability’. This project is generously supported by the Fondation Charles Léopold Mayer pour le Progrès de l’Homme. The case studies can be accessed online at www.iclei.org/casestudies

ICLEI – Local Governments for Sustainability is an international association of local governments committed to sustainable development. ICLEI’s mission is to build and serve a worldwide movement of local governments to achieve tangible improvements in global sustainability with special focus on environmental conditions through cumulative local actions.

The ICLEI Case Study series (iclei.org/casestudies) focuses on urban sustainability activities of ICLEI Members and local governments being part of ICLEI projects across the globe.

ICLEI World Secretariat. Email: publications@iclei.org

© 2012 ICLEI e.V. All rights reserved.