

Jawaharlal Nehru National Urban Renewal Mission

Overview

JrNURM

Ministry of Urban Employment and
Poverty Alleviation



Government of India

Ministry of Urban Development

JAWAHARLAL NEHRU NATIONAL URBAN RENEWAL MISSION

Overview

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I. Need for Development of the Urban Sector

I. Background

- (1) **Need for Urban Sector Development:** According to the 2001 census, India has a population of 1027 million with approximately 28 per cent or 285 million people living in urban areas. As a result of the liberalization policies adopted by the Government of India is expected to increase the share of the urban population may increase to about 40 per cent of total population by the year 2021. It is estimated that by the year 2011, urban areas would contribute about 65 per cent of gross domestic product (GDP). However, this higher productivity is contingent upon the availability and quality of infrastructure services. Urban economic activities are dependent on infrastructure, such as power, telecom, roads, water supply and mass transportation, coupled with civic infrastructure, such as sanitation and solid waste management.
- (2) **Investment Requirements in the Urban Sector:** It is estimated that over a seven-year period, the Urban Local Bodies (ULBs)¹ would require a total investments of Rs. 1,20,536 crores. This includes investment in basic infrastructure and services, that is, annual funding requirement of Rs. 17,219 crores. It is well recognised that in order to fructify these investments, a national level initiative is required that would bring together the State Governments and enable ULBs catalyse investment flows in the urban infrastructure sector.

URBAN SECTOR INVESTMENT REQUIREMENT			
(Rs. crore)			
Category	Number of Cities	Investment Requirement (over 7 years starting 2005-06)	Annual Funds Requirement
Cities with over 4 million population	7	57,143	8163.3
Cities with 1-4 million population	28	57,143	8613.3
Selected Cities with less than 1 million population	28	6,250	892.9
Total	63	1,20,536	17219.5

2. Need for Reform Initiatives

- (1) **Harnessing the Potential of Reforms in Urban Infrastructure:** While several reform initiatives have being taken e.g. the 74th Constitutional Amendment Act and model municipal law, there is potential for further reform-oriented steps in order to meet the development objectives. Reform initiatives also need to be taken further and articulated by the State Governments in order to create an investor-friendly environment.

¹ In 63 identified cities

- (2) **Need for National-Level Reform-Linked Investments:** 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. There is a felt need to set up an initiative that will provide reform-linked assistance to State Governments and ULBs in the country.
- (3) **Need for Sustainable Infrastructure Development:** Another crucial aspect requiring immediate attention is that physical infrastructure assets created in urban areas have generally been languishing due to inadequate attention and/or improper O&M. The fiscal flows to the sector have laid emphasis only on the creation of physical assets. Not much effort has been made either to manage these assets efficiently or to achieve self-sustainability. It is therefore necessary that a link be established between asset creation and management, as both are important components for ensuring sustained service delivery. This is proposed to be secured through an agenda of reforms.
- (4) **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 efficiencies in urban service deliveries.

3. Rationale for the JNNURM

- (1) **National Common Minimum Programme of the Government of India:** The National Common Minimum Programme attaches the highest priority to the development and expansion of physical infrastructure. Accordingly, 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.
- (2) **Commitment to Achieving the Millennium Development Goals:** The Millennium Development Goals commit the international community, including India, to an expanded vision of development as a key to sustaining social and economic progress. As a part of its commitment to meet the Millennium Development Goals, the Government of India proposes to: (i) facilitate investments in the urban sector; and (ii) strengthen the existing policies in order to achieve these goals.
- (3) **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 per cent of the country's GDP, they are central to economic growth. For the cities to realise their full potential and become effective engines of growth, it is necessary that focused attention be given to the improvement of infrastructure.

II. Jawaharlal Nehru National Urban Renewal Mission

1. The Mission

Mission Statement: The aim is to encourage reforms and fast track planned development of identified cities. Focus is to be on efficiency in urban infrastructure and service delivery mechanisms, community participation, and accountability of ULBs/ Parastatal agencies towards citizens.

2. Objectives of the Mission

- (1) The objectives of the JNNURM are to ensure that the following are achieved in the urban sector;
 - (a) Focussed attention to integrated development of infrastructure services in cities covered under the Mission;
 - (b) Establishment of linkages between asset-creation and asset-management through a slew of reforms for long-term project sustainability;
 - (c) Ensuring adequate funds to meet the deficiencies in urban infrastructural services;
 - (d) Planned development of identified cities including peri-urban areas, outgrowths and urban corridors leading to dispersed urbanisation;
 - (e) Scale-up delivery of civic amenities and provision of utilities with emphasis on universal access to the urban poor;
 - (f) Special focus on urban renewal programme for the old city areas to reduce congestion; and
 - (g) 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.

3. Scope of the Mission

The Mission shall comprise two Sub- Missions, namely:

- (1) **Sub-Mission for Urban Infrastructure and Governance:** This will be administered by the Ministry of Urban Development through the Sub- Mission Directorate for Urban Infrastructure and Governance. The main thrust of the Sub-Mission will be on infrastructure projects relating to water supply and sanitation, sewerage, solid waste management, 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, etc.

- (2) **Sub-Mission for Basic Services to the Urban Poor:** This will be administered by the Ministry of Urban Employment and Poverty Alleviation through the Sub-Mission Directorate for Basic Services to the Urban Poor. The main thrust of the Sub-Mission will be on integrated development of slums through projects for providing shelter, basic services and other related civic amenities with a view to providing utilities to the urban poor.

4. Strategy of the Mission

The objectives of the Mission shall be met through the adoption of the following strategy:

- (1) **Preparing City Development Plan:** Every city will be expected to formulate a City Development Plan (CDP) indicating policies, programmes and strategies, and financing plans.
- (2) **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 undertaking projects in the identified spheres. It is essential that projects are planned in a manner that optimises the life-cycle cost of projects. The life-cycle cost of a project would cover the capital outlays and the attendant O&M costs to ensure that assets are in good working condition. A revolving fund would be created to meet the O&M requirements of assets created, over the planning horizon. In order to seek JNNURM assistance, projects would need to be developed in a manner that would ensure and demonstrate optimisation of the life-cycle costs over the planning horizon of the project.
- (3) **Release and Leveraging of Funds:** It is expected that the JNNURM assistance would serve to catalyse the flow of investment into the urban infrastructure sector across the country. Funds from the Central and State Government will flow directly to the nodal agency designated by the State, as grants-in-aid. The funds for identified projects across cities 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.
- (4) **Incorporating Private Sector Efficiencies:** In order to optimise 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) arrangements.

5. Duration of the Mission

The duration of the Mission would be seven years beginning from the year 2005-06. Evaluation of the experience of implementation of the Mission would be undertaken before the commencement of Eleventh Five Year Plan and if necessary, the program calibrated suitably.

6. Expected Outcomes of the JNNURM

On completion of the Mission period, it is expected that ULBs and parastatal agencies will have achieved the following:

- (1) Modern and transparent budgeting, accounting, financial management systems, designed and adopted for all urban service and governance functions
- (2) City-wide framework for planning and governance will be established and become operational
- (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 to major revenue instruments
- (5) Local services 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 resulting in reduced cost and time of service delivery processes.

III. Assistance under JNNURM

I. Financial Assistance under JNNURM

The Government of India has proposed substantial assistance through the JNNURM over the seven-year period. During this period, funds shall be provided for proposals that would meet the Mission's requirements².

Under JNNURM financial assistance will be available to the ULBs and parastatal agencies which could deploy these funds for implementing the projects themselves or through the special purpose vehicles (SPVs) that may be expected to be set up.

Assistance under JNNURM is additional central assistance, which would be provided as grant (100 per cent central grant) to the implementing agencies.

Further, assistance from JNNURM is expected to facilitate further investment in the urban sector. To this end, the implementing agencies are expected to leverage the sanctioned funds under JNNURM to attract greater private sector investments through PPP that enables sharing of risks between the private and public sector.

2. Areas of Assistance under JNNURM

(1) **Assistance for Capacity Building, City Development Plan (CDP), Detailed Project Reports (DPRs), Community Participation, Information, Education and Communication (IEC)**

The JNNURM will provide assistance for the above-stated components with a provision of 5 per cent of the total central assistance or the actual requirement, whichever is less. In addition, not more than 5 percent of the Central grant or the actual requirement, whichever is less may be used for Administrative and Other Expenses (A&OE) by the States

For capacity building, ULBs and parastatal agencies could engage consultants, in consultation with the SLNA, and seek reimbursement from the Ministry of Urban Development (MoUD) of the Ministry of Urban Employment and Poverty Alleviation (MoUEPA).

(2) **Investment Support Component**

Investment support will be provided to implementing agencies on a project-specific basis for eligible sectors and projects proposed to be undertaken in eligible cities subject to approval of the Central Sanctioning and Monitoring Committee (CSMC) of MoUD/ MoUEPA.

As part of the process for seeking investment support, each ULB seeking assistance from the JNNURM would be required to prepare a CDP that shall *inter alia* include strategy to

² Refer Section IV: Eligible Cities, Sectors and Projects

implement reforms, city-level improvements and an investment plan to address the infrastructure needs in a sustainable manner.

Assistance under investment support can be deployed in the following forms:

- (a) **Enhancing Resource Availability:** The JNNURM assistance can be used to leverage additional resources available with the ULBs in addition to their existing resources and transfers from the State. These resources could be utilised for capital investment and O&M investments in a project.
- (b) **Enhancing Commercial Viability of Projects:** In respect of projects, which are not commercially viable on a stand-alone basis, assistance under the JNNURM may be sought for enhancing project viability. This assistance could be in the nature of viability gap support to projects.
- (c) **Ensuring Bankability of Projects:** Cash flows of infrastructure projects having long gestation periods are susceptible to variations in cash flows, rendering a project non-bankable. To enhance predictability of underlying cash-flows, credit enhancement mechanisms such as establishing liquidity support mechanisms, up-front debt-service reserve facility, deep discount bonds, contingent liability support and equity support are required in order to make the projects bankable. The JNNURM assistance could therefore be used for funding such support mechanisms.

IV. Eligible Cities, Sectors and Projects

1. Cities Eligible for Assistance under the JNNURM

- (1) **Eligible Cities:** The JNNURM shall give assistance for infrastructure development in the eligible cities/ Urban Agglomerations (UAs) (refer Annex) across States in the country. These cities/ UAs have been selected based as per the following criteria:

A	Cities/ UAs with 4 million plus population as per 2001 census	07
B	Cities/ UAs with 1 million plus but less than 4 million population as per 2001 census	28
C	Selected Cities/ UAs (State Capitals and other cities/ UA of religious/ historic and tourist importance)	28

The cities should have elected bodies in position.

2. Sectors and Projects Eligible for Assistance under the Sub-Mission Directorate for Urban Infrastructure and Governance

The sectors and projects eligible for JNNURM assistance would be as follows:

- (1) Urban renewal, that is, redevelopment of inner (old) city areas [including widening of narrow streets, shifting of industrial and commercial establishments from non-conforming (inner city) areas to conforming (outer city) areas to reduce congestion, replacement of old and worn out pipes by new and higher capacity ones, renewal of the sewerage, drainage, and solid waste disposal system etc.] ;
- (2) Water supply (including desalination plants) and sanitation.
- (3) Sewerage and solid waste management.
- (4) Construction and improvement of drains and storm water drains.
- (5) Urban transportation including roads, highways, expressways, MRTS, and metro projects.
- (6) Parking lots and spaces on PPP basis.
- (7) Development of heritage areas
- (8) Prevention and rehabilitation of soil erosion and landslides only in cases of special category States where such problems are common; and
- (9) Preservation of water bodies.

NOTE: Land cost will not be financed except for acquisition of private land for schemes and projects in the North Eastern States and hilly States, namely Himachal Pradesh, Uttarakhand and Jammu and Kashmir

3. Sectors and Projects Eligible for Assistance under the Sub-Mission Directorate for Basic Services to the Urban Poor.

The sectors and projects eligible for JNNURM assistance in eligible cities would be as follows:

- (1) Integrated development of slums, housing and development of infrastructure projects in slums in the identified cities;
- (2) Projects involving development, improvement, and maintenance of basic services to the urban poor.
- (3) Slum improvement and rehabilitation of projects.
- (4) Projects on water supply, sewerage, drainage, community toilets, and baths etc.
- (5) Projects for providing houses at affordable cost for slum dwellers, urban poor, economically weaker sections (EWS) and lower income group (LIG) categories.
- (6) Construction and improvement of drains and storm water drains.
- (7) Environmental improvement of slums and solid waste management.
- (8) Street lighting.
- (9) Civic amenities like community halls, child care centres etc.
- (10) Operation and Maintenance of assets created under this component.
- (11) Convergence of health, education and social security schemes for the urban poor

NOTE: Land cost will not be financed except for acquisition of private land for schemes and projects in the North Eastern States and hilly States, namely Himachal Pradesh, Uttarakhand and Jammu and Kashmir

4. Inadmissible Components for JNNURM Assistance

Projects pertaining to the following are not eligible for JNNURM assistance:

- (1) Power
- (2) Telecom
- (3) Health
- (4) Education
- (5) Wage employment programme and staff components.
- (6) Creation of fresh employment opportunities

V. Agenda of Reforms

The thrust of the JNNURM is to ensure improvement in urban governance and service delivery so that ULBs become financially sound and sustainable for undertaking new programmes. It is also envisaged that, with the charter of reforms that are followed by the State governments and ULBs, a stage will be set for PPPs.

The agenda of reforms is given in the section below. The National Steering Group (NSG) may add additional reforms to identified reforms. A Memorandum of Agreement (MoA) between States/ULBs/Parastatal agencies and the Government of India, a prerequisite for accessing the Central assistance, would spell out specific milestones to be achieved for each item of reform.

All mandatory and optional reforms shall be completed within the Mission period.

I. Mandatory Reforms

(1) Mandatory Reforms at the Level of ULBs, and Parastatal Agencies

- (a) Adoption of modern accrual-based double entry system of accounting in ULBs and parastatal agencies.
- (b) Introduction of a system of e-governance using IT applications, such GIS and MIS for various services provided by ULBs and parastatal agencies.
- (c) Reform of property tax with GIS. It becomes a major source of revenue for ULBs and arrangements for its effective implementation so that collection efficiency reaches at least 85 per cent within next seven years.
- (d) Levy of reasonable user charges by ULBs and Parastatals with the objective that the full cost of O&M or recurring cost is collected within the next seven years. However, cities and towns in the North East and other special category States may recover only 50 per cent of O&M charges initially. These cities and towns should graduate to full O&M cost recovery in a phased manner.
- (e) Internal earmarking, within local bodies, budgets for basic services to the urban poor.
- (f) 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.

2) Mandatory Reforms at the Level of States

- (a) Implementation of decentralisation measures as envisaged in 74th 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.
- (b) *Repeal of ULCRA.

- (c) *Reform of Rent Control Laws balancing the interests of landlords and tenants.
- (d) Rationalisation of Stamp Duty to bring it down to no more than 5 per cent within next seven years.
- (e) 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.
- (f) Enactment of the Community Participation Law to institutionalise citizen's participation and introduce the concept of the Area Sabha in urban areas.
- (g) Assigning or associating elected ULBs with "city planning function". Over a period of seven years, transferring all special agencies that deliver civic services in urban areas to ULBs and creating accountability platforms for all urban civic service providers in transition.

* *Note: In respect of people oriented schemes relating to water supply and sanitation, the under-mentioned State level mandatory reforms may be taken as optional reforms:*

- b) *Repeal of Urban Land Ceiling and Regulation Act*
- c) *Reform of Rent Control Act*

2. Optional Reforms (common to States, ULBs and Parastatal Agencies)

The following optional reforms are expected to be undertaken by ULBs, parastatal agencies and State governments:

- (a) Revision of bye-laws to streamline the approval process for construction of buildings, development of site etc.
- (b) Simplification of legal and procedural frameworks for conversion of land from agricultural to non-agricultural purposes.
- (c) Introduction of Property Title Certification System in ULBs.
- (d) Earmarking at least 20-25 per cent of developed land in all housing projects (both public and private agencies) for EWS and LIG category with a system of cross subsidisation.
- (e) Introduction of computerised process of registration of land and property.
- (f) Revision of byelaws to make rain-water harvesting mandatory in all buildings and adoption of water conservation measures.
- (g) Byelaws for reuse of recycled water.
- (h) Administrative reforms i.e. reduction in establishment costs by adopting the Voluntary Retirement Scheme (VRS), not filling posts falling vacant due to retirement etc., and achieving specified milestones in this regard.
- (i) Structural reforms.
- (j) Encouraging PPP.

Note: Cities under the JNNURM will have the freedom to opt for any two reforms from the optional category in each year of implementation.

Annex

List of Identified Cities Eligible for JNNURM

Category A Mega Cities/ UAs		Category B Million plus Cities/ UAAs		Category C* Cities/ UAs with less than one million population	
(1)	Delhi	(1)	Patna	(1)	Guwahati
(2)	Greater Mumbai	(2)	Faridabad	(2)	Itanagar
(3)	Ahmedabad	(3)	Bhopal	(3)	Jammu
(4)	Bangalore	(4)	Ludhiana	(4)	Raipur
(5)	Chennai	(5)	Jaipur	(5)	Panaji
(6)	Kolkata	(6)	Lucknow	(6)	Shimla
(7)	Hyderabad	(7)	Madurai	(7)	Ranchi
		(8)	Nashik	(8)	Thiruvananthapuram
		(9)	Pune	(9)	Imphal
		(10)	Cochin	(10)	Shillong
		(11)	Varanasi	(11)	Aizawl
		(12)	Agra	(12)	Kohima
		(13)	Amritsar	(13)	Bhubaneswar
		(14)	Vishakhapatnam	(14)	Gangtok
		(15)	Vadodara	(15)	Agartala
		(16)	Surat	(16)	Dehradun
		(17)	Kanpur	(17)	Bodhgaya
		(18)	Nagpur	(18)	Ujjain
		(19)	Coimbatore	(19)	Puri
		(20)	Meerut	(20)	Ajmer-Pushkar
		(21)	Jabalpur	(21)	Nainital
		(22)	Jamshedpur	(22)	Mysore
		(23)	Asansol	(23)	Pondicherry
		(24)	Allahabad	(24)	Chandigarh
		(25)	Vijayawada	(25)	Srinagar
		(26)	Rajkot	(26)	Mathura
		(27)	Dhanbad	(27)	Haridwar
		(28)	Indore	(28)	Nanded

* The National Steering Group (NSG) may consider addition or deletion of cities/ UAs/towns under Category C (other than State capitals) based on the suggestions received from State Governments. The total number of cities under the Mission shall, however, remain around 60.