

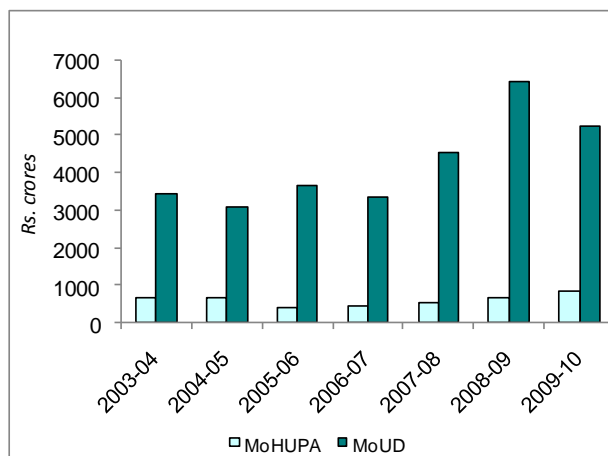


Urban Development, GOI 2008-09

India is urbanising rapidly. An estimated 40 percent of the population will be urban by 2011, up from 28 percent in 2001. In recognition of this phenomenon, the government has been allocating increasing amounts of money for urban development. However, the budgetary outlay decreased from Rs. 7097 crores in 2008-09 to Rs. 6104 crores in 2009-10. Launched in December 2005, Jawaharlal Nehru National Urban Renewal Mission (JNNURM) is GOI's comprehensive flagship programme for urban development. Allocation for JNNURM in 2009-10 is Rs. 12,887 crores. This Budget Brief offers an overview of India's urban development sector, and highlights trends in expenditures in JNNURM, with a focus on infrastructure.

Funding for urban development has been on the rise. However, the 2009-10 budget saw a slight dip in allocations from Rs. 7097 crores in 2008-09 to Rs. 6104 crores...

Quantum of allocations for urban development has varied from year to year



Source: Union Expenditure Budget, Vol.2, 2004-05 till 2009-10, calculated from the Ministry of Urban Development & Ministry of Housing and Urban Poverty Alleviation (earlier known as Ministry of Urban Employment and Poverty Alleviation). Note: All figures in nominal terms. Includes both plan and non-plan.

- Urban development falls under the purview of Ministry of Urban Development (MoUD) and Ministry of

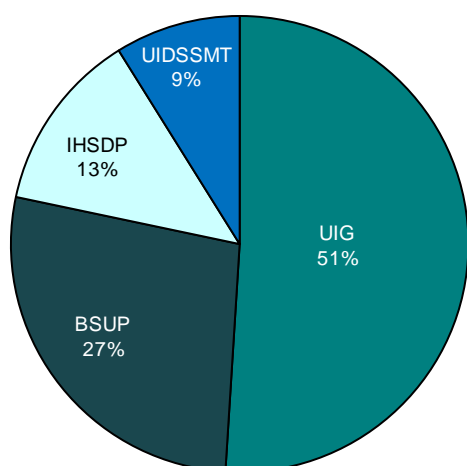
Housing and Urban Poverty Alleviation (MoHUPA).

- Till 2008-09, there had been a 72 percent increase in funding for urban development, and this had come mostly from MoUD; MoHUPA allocations had stayed almost constant.
- However, in 2009-10, allocation for urban development as a whole dropped by 16 percent, due primarily to the decrease in MoUD allocations. For MoHUPA, there has been a 27 percent increase in allocations.
- As a percentage of total GOI spending, urban development spending has averaged 0.7 percent between 2001-2007.
- JNNURM receives most of these funds. It is GOI's comprehensive flagship urban development programme comprising schemes for infrastructure, and employment, housing and basic services for the urban poor.
- GOI committed Rs. 50000 crores over 7 years for JNNURM. This was topped-

up by an additional stimulus package of Rs. 4547 crores in 2008-09.

Urban Infrastructure is a key priority...

More than half of JNNURM funds are allocated for infrastructure projects

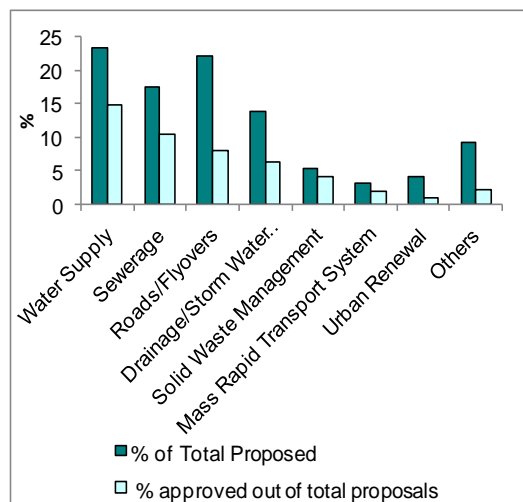


Source: JNNURM Mission Directorate. www.mhupa.gov.in/PQAS/jnnurm.pdf

- JNNURM consists of 2 sub-missions that cover 63 large ‘mission’ cities, and 2 schemes for smaller cities and towns. MoUD is responsible for (i) the sub-mission Urban Infrastructure and Governance (UIG) and (ii) the scheme Urban Infrastructural Development Scheme for Small and Medium Towns (UIDSSMT). MoHUPA is responsible for (i) the sub-mission Basic Services for Urban Poor (BSUP) and (ii) the scheme Integrated Housing and Slum Development Programme (IHSDP).
- Of these, largest allocations are for infrastructure (UIG and UIDSSMT together), accounting for 60 percent of the total JNNURM funds.

Within UIG the focus is on water supply and sewerage...

Water Supply and Sewerage proposals get approved more than others

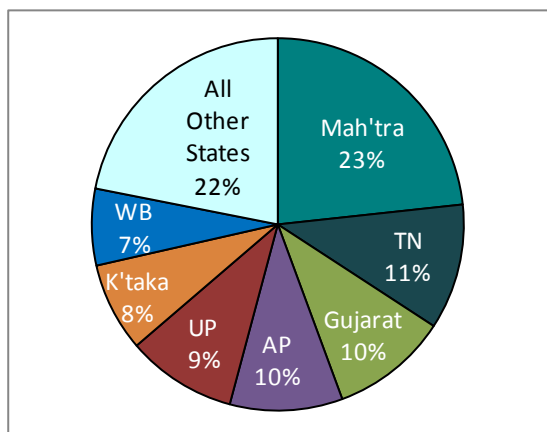


Source: Details of approved projects available at <http://jnnurm.nic.in/nurmudweb/defaultud.aspx>. Proposed projects compiled from <http://jnnurm.nic.in/DPRStatusPwc.aspx> and Minutes of Central Sanctioning and Monitoring Committee (CSMC), until 72nd Meeting. Available at http://jnnurm.nic.in/nurmudweb/what%27snew/CSMC_Meeting.htm. Note: figures are cumulative, as on March 2009.

- To access JNNURM funds, each city submits a City Development Plan and Detailed Project Reports for each proposed project to GOI. Funds are sanctioned after evaluation and approval by GOI.
- Water Supply and Sewerage projects get approved more than others. For instance in 2008-09, 64 percent of the Water Supply proposals and 60 percent of the Sewerage proposals were approved. Roads and Flyovers, which had similar number of proposals as Water Supply, had only 36 percent approvals.
- However, in terms of amount of money spent, roads and flyovers still take the major share: over 37 percent of total costs.

Fund distribution concentrated in selected megacities in a few states...

Maharashtra and 6 other states get most of the funds



Source: Calculated from details of approved projects available at <http://jnnurm.nic.in/nurmudweb/defaultud.aspx>. Note: Figures are cumulative as on March 2009.

- 77 of the total Mission funds go to 7 states; **44%** of the funds are concentrated on **7** megacities – Ahmedabad, Bangalore, Chennai, Greater Mumbai, Hyderabad, Kolkata and New Delhi.

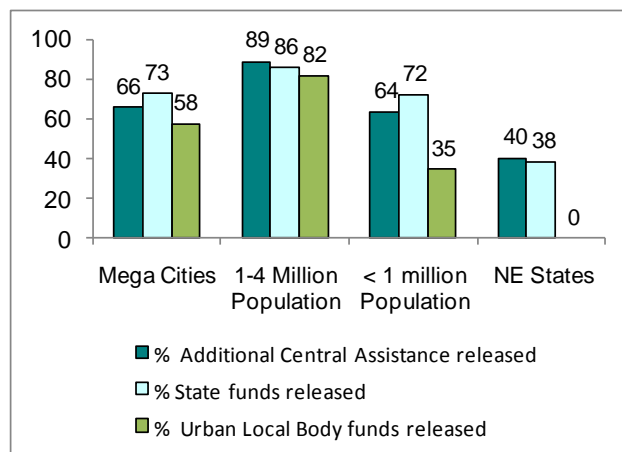
Multiple sources of funding with varying levels of efficiency...

- A key strategy for sustainable funding within JNNURM is the diversification of funding sources.
- Central, State and Local Governments all contribute to the costs in varying amounts, based on the population of the city. For mega cities with population of over 4 million the split in costs between Centre (C), State (S) and Urban Local Bodies (U) is 15:35:50; for those with a 1 to 4 million population the ratio is 35:50:15 ratio, and smaller cities have a 80:10:10 ratio. Thus, the bigger the city in terms of population, the greater the contribution by local government.

(North Eastern states have a Centre-State ratio of 90:10).

Problems in fund releases...

Gaps exist between funds committed and actual releases

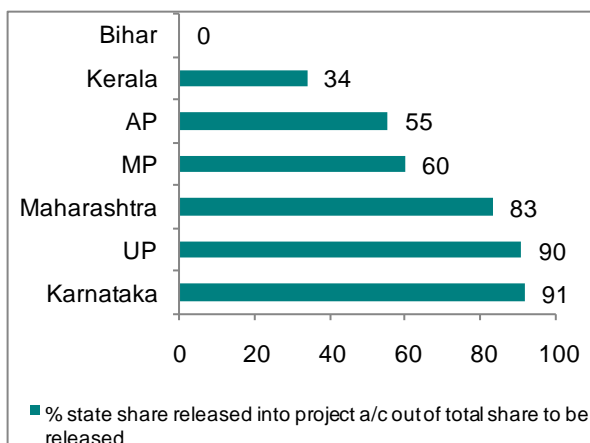


Source: Calculated from <http://jnnurm.nic.in/nurmudweb/cityuser/citystatus.aspx> Note: Figures available only up till June 2008 and pertaining to 328 projects. For North East States – there is no Urban Local Body Share, hence it is 0.

- Gaps remain between funds committed and funds actually released. These gaps can be traced back to various stages in fund release. On the one hand the Release Orders given by the Ministry of Finance (MoF) are lesser than the originally committed amounts. Accordingly, four years on, many states have still not received their second and third instalments of funds. Further, the actual funds that reach the project accounts are lesser than the MoF Release Orders.
- These gaps could be due to many reasons including extent of utilization of previously released funds, and level of implementation of reforms.

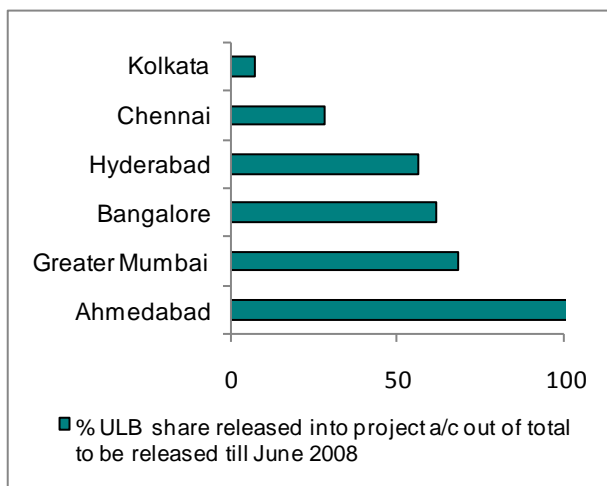
State and local governments do not always follow through with their release commitments...

Wide variation in how states and local governments release their share of funds



Source: Calculated from <http://jnnurm.nic.in/nurmudweb/cityuser/citystatus.aspx> Note: Figures available only up till June 2008 and pertaining to only 328 projects.

- There is variation in how well states have released their share of funds. While states like UP, Maharashtra and Karnataka released most of their funds, MP and AP released just over half. Bihar was the worst with no funds released out of its state share as of June 2008!

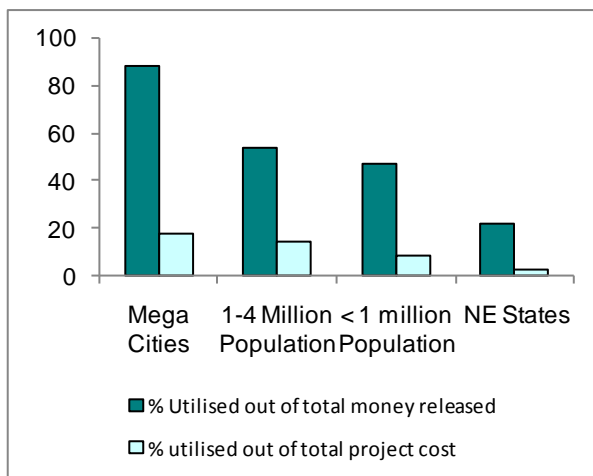


Source: Calculated from <http://jnnurm.nic.in/nurmudweb/cityuser/citystatus.aspx> Note: Figures available only up till June 2008 and pertaining to only 328 projects.

- Similar variations exist at the city level with Ahmedabad and Mumbai doing a lot better than Kolkata and Chennai.

Utilisation of funds received remains low...

Cities not able to spend all the funds they receive

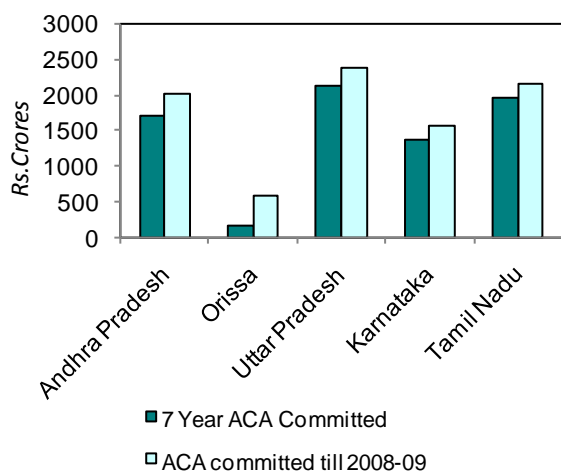


Source: Calculated from <http://jnnurm.nic.in/nurmudweb/cityuser/citystatus.aspx> Note: Figures available only up till June 2008 and pertaining to 328 projects.

- Even of the released funds, on average only around 50 percent have been utilised by the cities. In terms of the total project costs only around 14 percent of funds have been utilised, although one possible reason for this could be the long gestation periods of infrastructure projects.

More and more projects being approved despite low completion rates of existing projects...

Initial committed amounts being exhausted early as newer projects are taken up



Source: <http://jnnurm.nic.in/nurmudweb/defaultud.aspx>

- In infrastructure, as newer projects are constantly being taken up, in some states the 7-year fund commitments from the centre have been surpassed in just under 4 years. Nationwide, of the 7-year commitment of 25500 crores, 23411 crores were already exhausted in commitments till 2008-09.
- To top-up the initial commitments, and pay for the newer projects, more funds are being planned. This is despite the fact only **14** percent of the approved costs have been utilized as of June 2008.

Lukewarm response to reforms conditionality in JNNURM...

- JNNURM makes funding conditional on implementing some urban reforms.

Some of these reforms are mandatory, and some are optional.

- There is varying enthusiasm in the uptake of these reforms, with some states and local bodies implementing them more than others, For instance, the Mission encourages Public Private Partnerships (PPPs) in its projects, but in practice only 44 of the approved projects till November 2008 have involved PPPs.
- There are proposals to double the funding for JNNURM. While this might be necessary given the scale of urban development problems, issues still remain to be addressed to ensure proper outcomes from these funds. Stricter enforcement of the urban reform conditionality, and improving completion rates of projects are two among them.

This section offers some practical leads to accessing further and detailed information on the union government's urban development sector budget. However, reader patience and persistence are advised as a lot of this information tends to be dense and hidden amongst reams of data.

Data Sources	Useful Tips
Union Budget, Expenditure Vol,2 www.indiabudget.nic.in	This volume provides total ministry-wise and department-wise allocations as well as disaggregated data according to sectors and schemes from 1998-99 onwards. The data has both revised and budgeted estimates and should be calculated according to the Major-Head and Sub Major-Head. For urban development, the head is 2217.
Ministry of Urban Development http://urbanindia.nic.in/moud/programme/ud/main.htm	Annual Reports for the Ministry of Urban Development till 2007-08. Performance Budget till 2006-07; Outcome Budget (2006-2009) and Demand for Grants till 2008-09. The website also has old scheme guidelines before they were subsumed into JNNURM.
Ministry of Housing and Urban Poverty Alleviation http://mhupa.gov.in/	Guidelines for BSUP and IHDSP available on the website.
Lok Sabha, Committee Reports http://164.100.47.134/news/commiteereport.aspx	A variety of Committee Reports, according to different themes give a lot of information regarding both financial targets and achievements as well as implementation and outcome-related indicators.
JNNURM, Sub-Mission 1 http://jnnurm.nic.in/nurmudweb/defaultud.aspx	Has details of approved projects which has sector wise and state wise total allocation, releases (centre, state and urban local bodies) as well as instalments. The website also has a list of total completed projects up till 2008-09. While the data on approved projects is complete till 2008-09, data of 'JNNURM At A Glance' has detailed project reports only for 840 projects of the 944 projects. These will have to be collected from Centre Sanctioning and Monitoring Committee (CSMC) Reports.
JNNURM, Sub-Mission 1 http://jnnurm.nic.in/nurmudweb/whatsnew/CSMC_Meeting.htm	Centre Sanctioning and Monitoring Committee Reports which give details of projects proposed, approved, costs approved as well as instalments released.
JNNURM Sub Mission 1 http://jnnurm.nic.in/nurmudweb/cityuser/citystatus.aspx	The website has utilisation data but updated only till quarter ending June 2008
JNNURM Sub Mission 1, Management Information System http://jnnurm.nic.in/guestdefault.aspx	State-wise and City-wise detailed project reports (DPRs), as well as City Development Plans. Data however has not been updated and shows DPRs of only 840 projects of the 944 DPRs submitted till March 2009.
JNNURM Sub Mission 2 https://jnnurmmis.nic.in/jnnurm_hupa/index.html	Detailed information regarding Mission toolkits, guidelines as well as status of BSUP and IHDSP, but data only till 20.1.2009.
Public Partnerships in India, Presentation by Ministry of Urban Development http://www.pppinindia.com/round-table-files/central/urban_develop_ppp_nov_2008_kochi_meet.pdf	Total number, sector and cost of public private partnerships within JNNURM as on November 2008.

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