PLANNING PARTNERSHIPS FOR SUSTAINABILITY – New Delhi, 25-26 July 2013

A Metropolis Initiative workshop

The two day event was hosted by the National Institute of Urban Affairs – India (NIUA) within the framework of the Melbourne led Metropolis Initiative "*Integrated Strategic Planning and Public Private Partnerships*".

Day 1 consisted of keynote addresses and discussions on emerging scenarios in public private partnership, during which the participants explored the theme of sustainability from various perspectives (e.g. financial, governance, reform, PPPs in infrastructure development).

The second day was dedicated to the Circles of Sustainability methodology and was designed as a hands on training workshop for technical staff from government agencies.

The event was attended by senior bureaucrats from various government agencies, city commissioners, urban development practitioners and representatives from NGOs, universities and the private sector. The event served as a precursor to the Metropolis congress which will be held next year in Hyderabad (October 2014).

Day 1 – Summary of presentations

Speakers and discussants

- **Prof. Jagan** Shah, Director, NIUA
- **Prof. O.P. Mathur**, Distinguished Professor of Urban Economics, NIUA
- **M.r Halvard Dalheim**, Director, Department of Transport, Planning and Local Infrastructure (DTPLI), Government of Victoria
- **Dr. Ashok Singhvi**, Joint Secretary, Ministry of Urban Development, Government of India
- **Dr. M. Ramachandran**, former Secretary, Ministry of Urban Development, Government of India
- **Dr.Ravikant Joshi**, Advisory Business Associate, CRISIL
- **Mr. Rakesh Ranjan**, Adviser (PCMD/HUA) Planning Commission
- **Ms. Sujatha Srikumar**, Powertech Infrastructure and Financial Services
- **Dr. Renu Khosla**, Director, CURE
- **Mr. Vijay Anadkat**, India International Centre
- **Dr. Shrikar Pardeshi**' Commissioner, Pimpri Chinchwad Municipal Corporation
- **Mr. Rakesh Kumar Singh**, Commissioner, Lucknow Municipal Corporation
- **Mr. Prakash Kumar**, Director, Internet Business Solutions Group, CISCO

Prof Jagan Shah, the event host, formally welcomed the participants and briefly outlined the program for the two day workshop. In setting the agenda, he emphasised the ecological aspects of sustainability – which in his view were frequently overlooked by the development industry – and stressed the need for establishing strong partnerships, as they are critical aspects of integrated strategic planning.

He equated partnerships to match making: matching the demand to capabilities and resources to needs to achieve sustainable outcomes.

Prof Shah concluded with an important observation – that in the context of the modern city, partnerships are about people with competing interests who work together to achieve sustainable urban development.

Prof Jagan Shah welcoming delegates

In his presentation on sustainable urban development, Prof O. P. Mathur referred to the *UN World Commission on Environment and Development*[1] report which defined 'sustainability' in terms of inter-government equity. And although the definition has widened and now extends beyond resource use and consumption levels, he raised concerns about its applicability to a range of issues associated with the fast urbanisation process in India. Prof Mathur stated that urbanisation processes cannot be considered sustainable if:

- sections of the population are left without shelter and access to basic service (water, sanitation etc);
- significant parts of the population live below the poverty line and are exposed to a variety of risks (health);
- access to housing and essential services for significant segments of the population is dependent on grants and subsidies; and
- if they result in unaffordable and unrealistic standards for basic service.

To ensure a sustainable urbanisation processes governments would need to mainstream "sustainability" into the planning process – something that India is yet to incorporated into its long term development strategy; forge partnerships for sustainable urban development with the business sector; and develop appropriate strategies for pricing goods and services as a means for regulating consumption levels.

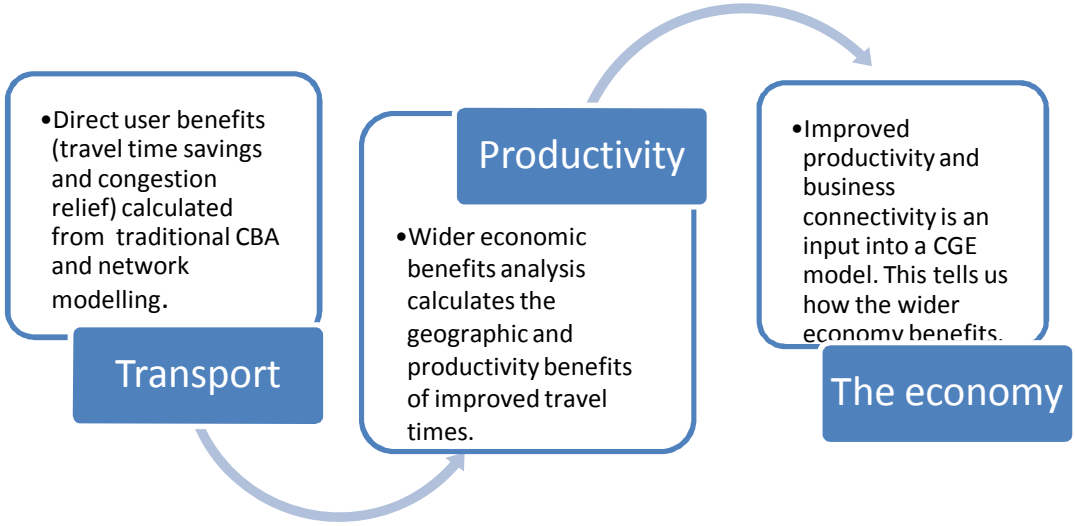
Mr. Halvard Dalheim's presentation was titled *Partnerships for* Sustainability *and Integrated Land Use and Transport Planning*, and provided insights into the Victorian Government's recent experience with developing and delivering strategic plans. The new Melbourne Metropolitan Plan aims to manage metropolitan Melbourne's projected growth from 4 million to 6.5 million inhabitants, and it does so by focusing on infrastructure investment that supports growth through leadership and strong partnerships with key stakeholders.

He spoke about the key lessons from Victoria's experience highlighting the importance of governance and organisational culture, and the opportunities to improve sustainability through economic evaluation.

[1] http://www.un-documents.net/wced-ocf.htm

Mr Dalheim referred to studies undertaken to examine the relationship between transport and the economy, and stressed the importance of understanding the nexus between transport, productivity, and economic impacts when developing sustainable integrated frameworks.

The integrated framework



Dr Ashok Singhvi's keynote address, which set the tone for the subsequent presentations, was about the pace of urbanisation and related problems in Indian cities. With already 31% of the population living in urban centres, India is continuing to urbanise rapidly. In the 2001-2011 decade for the first time urban population growth exceeded rural population growth. He further noted that the urbanisation rate is higher in Class 1 cities[2] that include the 53 cities with population over one million which alone account for 43% of the total urban population.

Whilst urban India's contribution to GDP is set to increase from 60% to around 75% by 2021, the cities seem unable to deal with the problems of rapid urbanisation. The inability to respond could severely affect the pace of India's economic growth. To harness the potential benefits of urbanisation, it is critical for cities to extensively upgrade their infrastructure, and take drastic measures to strengthen urban governance.

Dr Singhvi enumerated the Government's efforts to respond to the challenges posed by urbanisation. These included reforming urban planning; introducing user charges; revenue mobilisation; and the provision of basic infrastructure such as water, sanitation, solid waste management, and urban transport. He observed that the biggest challenge for municipal authorities was the lack of adequate capacity needed to develop major projects. Indian cities require financial resources to the tune of INR. 39 billion to meet the infrastructure needs of urban areas. In this context, building partnerships is seen as an essential component for achieving sustainable urban growth.

Dr. M. Ramachandran, chairing the first technical session, noted that although the Mission's focus was to make cities sustainable, JNNURM-I did not fully address sustainability issues as it concentrated more on sanctioning projects and utilizing funds. He stated that India's 12th Five Year Plan addressed sustainability issues through capacity building. His view was that in terms of financial sustainability the focus should be on operation and maintenance of infrastructure issues and on improving the capacity to operationalize public-private partnerships.

[2] Cities with populations over 5 million.

As co-chair, Mr. Halvard Dalheim drew parallels between JNNURM and Australia's '*Building Better Cities*' program. Much like JNNURM, in the first phase of the program the emphasis was on approving projects. However, the second phase followed a more holistic path, approving only projects that met the stated objectives in the program vision.

Dr Ravikant Joshi's presentation focused on financial sustainability viewed through JNNURM projects. He stated that whilst there is no consensus on a precise definition of fiscal sustainability, the generic meaning of the term was government's ability to sustain current levels of spending without threatening its solvency or defaulting on policy promises.

He acknowledged that JNNURM has many historically progressive elements and has achieved positive outcomes, but pointed to the lack of financial sustainability mechanism in JNNURM, and in the entire Indian municipal system. In his opinion, local governments need to urgently adopt independent fiscal sustainability assessment systems, introduce financial responsibility and budgetary mechanisms as well as accountability measures (accounting reforms, building up database, public disclosure on expenditure, capacity building).

He referred to the credit rating of 63 JNNURM cities in which only 20 of those rated were financially healthy. The health descriptions for the others ranged from weak financial profile, high dependence on government grants, limited ability to borrow or service debt, to inadequate and volatile grant support; and inability to repay debt.

Dr Joshi also queried the lack of financial sustainability requirements in any Indian Municipal Act, Regulations or Scheme, and was concerned that no studies were undertaken during and at the end of JNNURM to examine elements of local governments' financial sustainability. By way of comparison he contrasted India's approach with Australia, and cited the 2006 Study of Local Governments for Australian LGA, and other local government sustainability studies commissioned and funded by various state local government associations. These studies were careful to exclude capital grants from the operating results, but used 'financial sustainability indicators' such as interest cover ratio, assets sustainability ratio, and asset consumption ratio to determine municipal financial liability against operating revenue.

Mr Rakesh Ranjan spoke about the *Sustainability of Indian Cities Through Reforms* under JNNURM and highlighted the prominent role cities play in securing India's economic growth, whilst at the same time reducing poverty and limiting environmental impact in the face of rapid urbanisation. India's population is 1.25 billion (in 2011), of which 377 million live in urban areas (about 31%), mostly in the 53 cities with population over one million. By 2031 the urban population is expected to increase by 200 million (47% increase). To meet the infrastructure needs of cities, India will need to invest around US$750 billion in capital projects in the next 20 years and will have to raise revenues to meet an operational expenditure of around US$380 billion. Reforming governance systems will be crucial to achieving this.

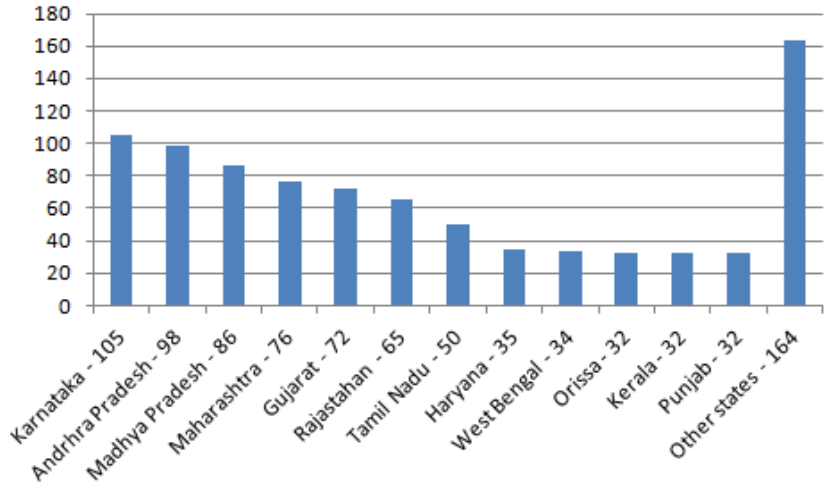
He emphasised that urban reforms were central to JNNURM and included financial responsibility and accountability of governments, improved land use planning and strategic planning, community participation and private sector involvement in service delivery. However, since the urban issues in India are state responsibility, it was difficult to get the states and cities to undertake many of the reforms and in the manner specified under JNNURM. Linking reforms to the release of funds had affected JNNURM expenditure, resulting in the Mission's poor financial performance. Further, the capacity of cities to absorb funds is limited. The financial health of some urban local bodies (ULBs) has deteriorated after obtaining funds under JNNURM, as ULBs and states share 65% of the project cost while central funding is limited to 35%. Consequently, JNNURM II is considering giving funds to ULBs on the basis of their financial health.

JNNURM-II also proposes to expand the reform agenda by adding second generation reforms in key areas (water and sanitation); pushing for public transport; changing the approach to slum rehabilitation with more emphasis on incremental improvement; and establishing municipal regulators to rationalise prices of essential services (e.g. water).

The most pressing reforms are in water and sanitation; the JNNURM-II recommendations for municipal authorities to include legislative requirements for recycling water; preparation of sewerage master plans; drawing of city sanitation plans that accord with Urban Sanitation Policy; ensuring accountability water utilities through service level agreements; and introducing and enforcing effective ground water use. JNNURM-II also recommends state level reforms such as the setting up of a regulator; full transfer of water supply function to city governments; providing incentives for recycling waste water; preparing regional solid waste management plans; improving sanitation in poorer sectors through increased funding; and drafting an implementable PPP policy for cities. Mr Ranjan mentioned that both the 12th Five Year Plan and the Ministry of Urban Development promote non motorised transport by encouraging cities to invest in public transport and in shared bike and pedestrian lanes.

Ms Sujatha Srikumar spoke about the Indian experience in *PPP in Infrastructure Development and Management*. By way of background she referred to three distinct phases in PPP starting in 1853 with rail, tram and power generation services, to the second phase from 1991 to 2006 which involved primarily the construction of roads and bridges with large scale private financing being limited to only two projects. The third phase (post 2006 period) and the increasing acceptance of the PPP model due to favorable policy reforms and innovative PPP structure saw the approval of 2089 projects at an estimated cost of INR 11,506 billion.

Distribution of PPP projects in 2012 across India

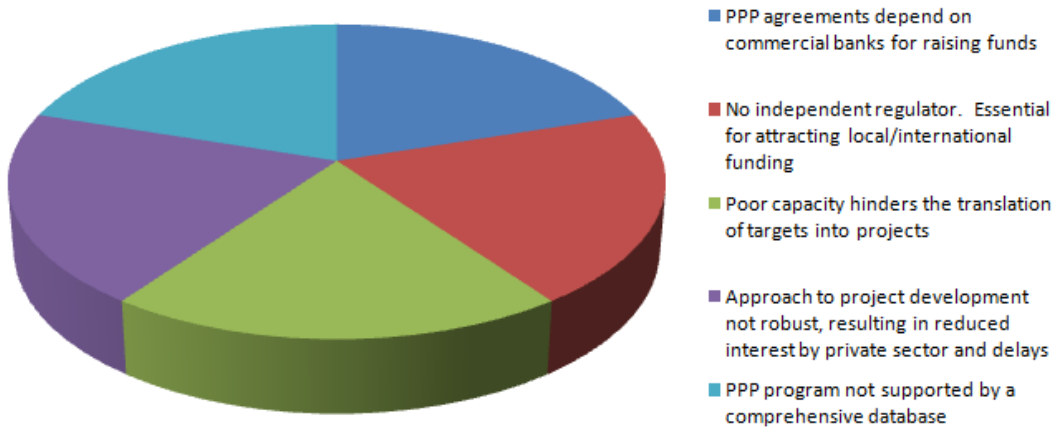


Ms. Srikumar was of the opinion that the PPP experience in India was mixed. The private sector was mainly brought in for finance and efficiency reasons and it is difficult to ascertain whether the private sector has delivered better services or the government has benefitted from private sector involvement. She emphasised the inequalities in the relationship between the different players in PPPs, as big companies are able to change the terms and conditions of contract and get away with it (e.g. Reliance in the case of Delhi Metro) while smaller ones stand to lose should problems arise in executing the contract.

The ULBs are also unequal players in PPPs as they do not have the capacity to deal directly with the private sector. Though the acceptability of PPPs in the government and ULBs brought in a lot of projects, ULBs are not clear about the implications of contracting. Not only they do not fully understand contracts, but they also lack the capacity to monitor their implementation.

Forms of PPPs vary from concessions, leases, management to service contracts. The most common models in India are the Build-Operate-Transfer (BOT) models used in about two thirds of medium to large scale projects in energy and transport (roads, ports and airports), or in sectors not designed for cost recovery (education, health). Other models include the Modified Design-Build (Turnkey) Contracts for their cost-saving benefits and efficient risk-sharing; and the Performance Based Management/Maintenance Contracts which are mostly used in the water, sanitation, waste management, and road maintenance sectors. The PPP policy framework is governed by various Acts and the PPP Appraisal Committee (PPPAC) which is comprised of government institutions, developers, financiers and equity providers.

The key challenges for PPPs in India



Projected urban infrastructure investment (for the period 2012-2031) is INR 39,186 billion for projects such as roads (44%), transport (11/%), water and sanitation (14%), slum upgrading (10%) as well as solid waste management and stormwater drains. Only 3% of these funds will be invested in capacity building, even though a key challenge in carrying out projects is the lack of institutional capabilities.

Ms. Srikumar felt that, for PPPs to succeed, both the payment and dispute resolution mechanisms had to be robust, and supported by a proper regulatory system. She highlighted the need to look at public investment-led models and debt financing for urban local bodies. Just as the bond market in India will do well only if there is symmetry in the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI) regulations, so there should be institutional mechanisms at the state level to support ULBs and to backstop the PPP model.

Ms. Srikumar concluded her presentation by emphasising the need to rethink the PPP story in the urban sector.

In her presentation *Partnerships with NGOs for Inclusive Development* Dr Renu Kohsla spoke about the work of the Centre for Urban and Regional Excellence (CURE) in addressing the inequities in the provision of services in informal settlements (poor areas). CURE's approach is to understand the reasons for the inherent inequities, (are they due to cultural 'blindness'; lack of understanding; not caring; fearing to break cultural taboos?), and to bridge the gap by localising the transformation of city slums.

The focus of her presentation was a multi-stakeholder, community- led transformation of slums in Agra. The project was undertaken in partnership with the local inhabitants who were involved in every step of the process – prioritising, planning, design, implementation and management – and also participated in construction works. The transformation journey consisted of incremental improvements starting with the construction of small drains, and leading to collection and treatment of liquid wastes, collection and disposal of solid wastes, and landscaping of surface drains as safe community spaces.

Starting as a community-led project it transformed into a city-wide plan whose objectives are:

- Secure tenure and housing upgrade.
- Networked services.
- Tourism linked employment.
- Cultural revival.
- Making Agra slum free.

Budgeted at INR 850 million, the project will upgrade 4000 houses (toilets, water/sewerage connections), and construct roads, drains, sewerage system and community spaces.

Slum upgrading in Agra (a joint JNNURN/CURE project

Another example related to the transformation of a suburb on the periphery of Delhi (from the standard informal settlement Kuccha hut that cannot withstand harsh weather, to the single storey, brick Pucca house with an all weather roof, and the various types of the Pukka houses that lend themselves to adding a second floor), where the authorities literally forgot to include the essential sewerage infrastructure. With the support of local women CURE was able to plan and work out the logistics for the construction of a cluster of septic tanks. Local inhabitants also participated in the construction of the septic tanks and the laying of the interconnecting pipes. The outcome is a cluster-based sanitation system which lends itself to gradual improvement over time by individual home owners, via the installation of simple elements such as rainwater collectors, individual basic toilet bowls and shared black water collection.

Both examples reflect the importance of participatory mechanisms that go beyond tokenism and indicate the sincerity in stakeholder engagement. An important lesson was that authorities need to be flexible and les formal when dealing with community needs that require innovative and nuanced solutions.

In his presentation on *Partnerships for Implementing City Development Plans*, Mr Vijay Anadkat reiterated the challenges of urbanisation, referred to the projected capital investment in India over the next five years to address those challenges, and explained the various stages for preparing City Development Plans (CDPs). He, too, emphasized the need to build the capacity of local government to ensure the effective and efficient implementation of the urban and infrastructure (UIG) projects, as well as those under the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT).

He went on to examine the role of PPPs in city governance and concluded that there is no clear visible relationship between JNNURM reforms and the performance of cities. In his view, “PPP projects are more of a State function rather than city function”. In support, he cited the case of Ahmadabad as the only city with a successful CDP that facilitated the implementation of PPP projects (92% overall progress).

Some of the issues that impact on the delivery of PPP projects included the availability of human and financial resources and the institutional capacity of municipal authorities to prepare PPPs. The number of departments involved and the lack of a PPP strategy at all levels of government beg for the introduction of integrated PPP processes. Many of the urban infrastructure projects are small in sized and do not attract potential international and local investors. Mr Anadkat also identified the lack of transparency and accountability mechanisms to reduce the potential for corruption, and political influence on decision making.

Urban services like water, sanitation and waste management are driven by strong "public good" values. Whilst some sectors lend themselves better to PPP projects (e.g. solid waste management) others meet not only with strong community resistance, especially in the water supply sectors, but private operators are reluctant to enter this area because of difficulties in recovering costs from user charges.

The success of PPP projects depends on the environment in which contracts are made and enforced, the existence of economically viable and well-structured projects, and the availability of finance either through borrowings or equity. Importantly, to be successful PPP projects must be subjected to competitive, accountable and transparent processes.

In his concluding remarks Mr Andkat reiterated the points made by the other speakers about the need for legislative changes at all levels of government; formation of a Tariff Regulatory Authority, creation of a National Urban Infrastructure Fund; introduction of robust accountability and transparency measures; development of a capacity building program for decision makers; and reforms to enhance service.

Mr Prakash Kumar's presentation *Building Sustainable Cities* elucidated Cisco's vision of the "Smart Cities: Sustainable Cities" concept. Whilst the terms 'smart cities' has been interpreted to mean different things, in the context of sustainable cities being smart equates with access to information that leads to better decision making and better actions for tackling the challenges of urbanisation. To achieve the goal of sustainability, cities need to become smart. i.e. rely on information communication technology (ICT). But to make cities smart requires considerable knowledge of how they function. Becoming a smart city also requires clarity about the steps needed to get there. These include: developing the economic business case; identifying crucial ICT components and developing policies and strategies based on best practice.

Mr. Kumar gave specific examples of the use of information technology for mobility. GPS as well as special applications for mobiles can give real time information to commuters, making their travel easy. Whilst these technologies are already in use in New York and cities in Europe, Delhi too has recently started using advanced technology in bus stops to provide real time information to commuters. Moreover, smart energy saving systems can reduce significantly energy consumption in buildings which are amongst the largest users of power. He cited the example of Cisco's office in Bangalore where the installation of many smart energy saving systems reduced energy consumption. Using technology in urban management not only helps in improving the quality of services but also helps in improving revenues for the service providers.

Being smart means that all city services are ICT driven – that result in maximum benefits. Examples provided by Mr Kumar of the benefits of ICT in city management included:

SERVICE	BENEFIT
■ Utilities ■ Waste management ■ Environmental monitoring	Real time monitoring and improved ability to respond
■ Street lighting	Improved illumination and maintenance
■ Traffic management	Reduced congestion
■ CCTV surveillance	Improved safety

Mr Kumar concluded by highlighting the importance of ICT in bringing together all aspects of city life (regulatory, land use planning, environmental, cultural, financial) into an integrated platform for a better city management.

Day 2 – Circles of Sustainability

The following day was dedicated to the Circles of Sustainability[3], a methodology for integrated strategic planning and a tool for assessing the sustainability of cities. The day was co-chaired by Prof Paul James and Mr Sunil Dubey.

- **Prof. Paul James**, Director, NU Global Compact Cities Program
- **Sunil Dubey**, Metropolis Country Director – India

Participants were guided in the use of integrated strategic planning techniques and the process for assessing the sustainability of their cities which included the use of base-line urban profiles of New Delhi and Hyderabad. The participants were also coached in understanding the Issue Ratification Process using case studies (Melbourne and Johannesburg) and understanding the various steps from the definition and analysis stages, to the indicator selection phase. Also discussed were future possibilities for engagement and the parameters and processes for continued engagement of their cities.

[3] http://citiesprogramme.com/archives/resource/circles-of-sustainability-urban-profile-process