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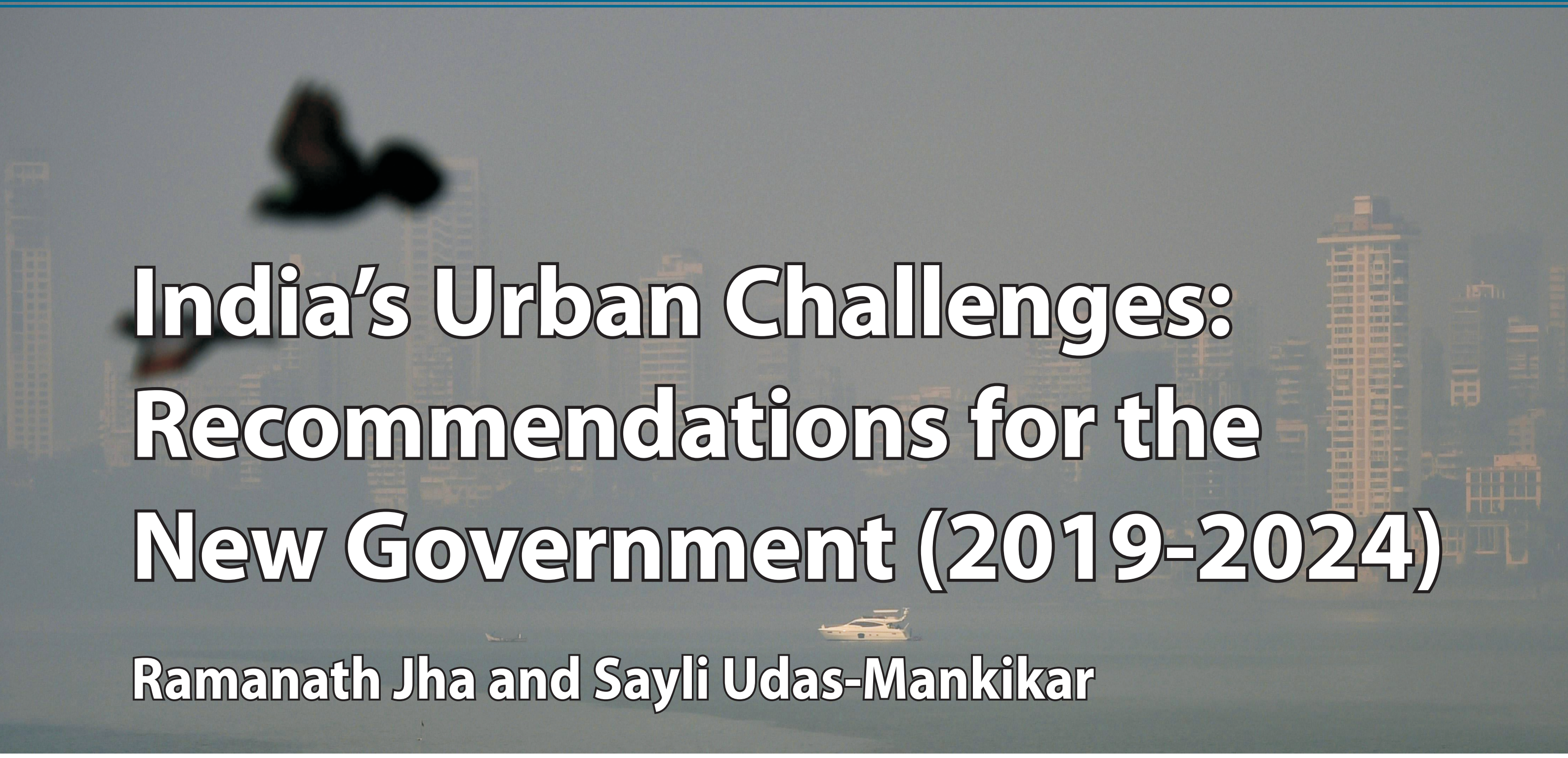

India's Urban Challenges: Recommendations for the New Government (2019-2024)

Ramanath Jha and Sayli Udas-Mankikar

Smog fills the Mumbai skyline.

ABSTRACT

In the past, urbanisation and its concomitant challenges commanded low priority in national political discourse. Recently, however, the economic and demographic rise of cities in many parts of the country, especially Southern and Western India, and the National Capital Region, are drawing greater attention. This is likely to rise further in the coming years as urbanisation mounts. This special report is a compendium of brief papers on the country's urban challenges. The papers cover the subjects of urban planning, municipal finance, housing, urban livelihoods, urban transportation, and municipal capacity building, and aim to offer insights to the new national government on policy priorities.

(This report is part of ORF's series, 'Urbanisation and its Discontents'. Find other research in the series here: https://www.orfonline.org/series/urbanisation-and-its-discontents/)

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URBAN PLANNING PROCESSES: INNOVATION FOR DEVELOPMENT

Ramanath Jha

Discussions regarding cities and urbanisation tend to be concentrated around urban governance, in the process delegating to the sidelines the planning aspects of a city. Yet, city planning is just as significant. A well conceptualised and detailed plan facilitates effective governance.

A city's plan, statutorily termed as Development Plan (DP) and popularly known as a 'Master Plan', is a strategic document that the city prepares every 20 years. It sets out the spatial framework of the city for the delivery of sustainable development and enhanced quality of life for its citizens. This is done through the articulation of a composite economic, environmental, and social framework for the subsequent two decades. Its chief objectives are to boost the city economy, to create employment, provide a proper environment and decent quality of life, and render the city as equitable as possible.

Many aspects of city planning need attention and review and some highly significant ones need mention. The first of these is the provision of the Twelfth Schedule of the Indian Constitution, exhorting states to allow city plans to be crafted by urban local bodies (ULBs). This is an important step in their empowerment. This, of course, will require planning capacity to be created in ULBs.

A further problem plaguing urban planning is the long process prescribed by state planning statutes. It is possible to create a plan much more quickly if statutory processes are reduced and a tighter time frame is prescribed. It is self-evident that if plans are not executed swiftly, they are rendered largely redundant by the interim growth that takes place in the city. In the light of this essential requirement, planning statutes need an overhaul.

Among the most important planning deficits is that the issue of equity has been largely ignored in city plans. The DPs show severe lack of poverty planning. The root of the problem is the reluctance to recognise the issue of urban poverty or of finding adequate space for the urban poor to live. India's cities, for instance, have not planned for affordable housing, leaving the matter of shelter largely to the market. The informal economy has thus been an activity outside the Plan. It is only recently that the Street Vendors (Protection of Livelihood and Regulation of Street Vending) Act, 2014 has obligated the ULBs to look at this part of the informal economy and make it a planned activity. Planning statutes, unfortunately, have not sufficiently reacted to these mandated functions. Quite clearly, cities need to look closely at these vital facets of city life and take them up as serious planning issues.

Other planning deficits result from the cursory treatment afforded to vital city infrastructure such as solid waste management, public transportation systems, and marginalised social and economic groups. A detailed, decentralised and integrated system of solid waste collection, treatment, and disposal is a challenge that urban planning has skirted. This has resulted in cities struggling to find space for waste and increasing eviction from spaces in outside settlements. The situation with regard to public transportation systems and transit-oriented development is similar. Plans also have huge deficits in terms of provisions relating to gender, children, the elderly, and people with disabilities.

Plan implementation is a matter of vital importance. Past plan operationalisation on-ground has been poor, generally not crossing the one-third mark. The rising refrain of citizens that quality of life in cities has been falling is directly related to large amenity deficits created by non-implementation of plans. This has happened largely due to the neglect of the plan while preparing municipal annual budgets. If DPs are not made focal to annual municipal budgets, it is evident that they will not get translated into reality.

The Right to Fair Compensation & Transparency in Land Acquisition Rehabilitation & Resettlement Act has, however, made plan implementation almost an impossibility through ULB budgets, because of the steep rise in land costs. Any financial analysis will show that it is now beyond municipal budgets to acquire all reserved amenity land. Given the scarcity of resources, town planning schemes could prove to be a healthy mechanism for implementation of parts of the DP. Additionally, ULBs could make innovative use of land instruments. Some of these have already been brought into service in municipal corporations. A host of other land instruments also exist and could similarly be profitably used in implementing the Plan.

It is also time for the country to engage in a serious debate on the size of cities and their impact on overall liveability. Preliminary observations indicate that megacities are exalted by policymakers by virtue of the contribution they make to the national and state economy. However, this often happens at the cost of a sharp deterioration in the environment. Above all, megacities fail abysmally on the benchmark of equity. The massive rise in land costs puts decent housing and basic services beyond the reach of the poor. Indeed, the larger the city, the more anti-poor it seems to become and this adversely impacts women, children and the elderly. There is, therefore, a strong case to strategise nationally in favour of decentralised urbanisation.

The planning challenges associated with cities —including their growth and decline, their role in climate change, and the expansion of the informal sector — have been well summarised by Ban Ki-moon, former UN Secretary General. In his foreword to the Global Report on Human Settlements 2009 he stated that "evidence from around the world suggests that contemporary urban planning has largely failed to address these challenges".[1] In the cited background, it is quite clear that a new, innovative strategy ought to be devised. The old formulations, given the context, will not solve the problems of cities.

RESTRUCTURING MUNICIPAL REVENUES FOR THE FUTURE OF SUSTAINABLE CITIES

Sayli Udas-Mankikar

Urbanisation in India is taking place at a faster pace than ever before. It is estimated that every minute, some 30 people are migrating to Indian cities from rural areas; if the trend continues, the country's urban population is likely to reach 600 million by 2030.[2] Cities are growth hubs for India, and the country's transformation depends directly on their governance and sustainable urbanisation.

According to the Niti Aayog, India requires a INR 40-trillion investment until 2030 to overhaul its infrastructure whereas the revenue of all the municipal corporations put together is not more than INR 1.2 trillion — approximately one percent of the country's Gross Domestic Product (GDP). Substantially underfunded mandates include crumbling municipal corporations, which lie at the core of this urban transformation challenge.

The Ministry of Housing and Urban Affairs (MoHUA) has floated several schemes for urban transformation such as the Smart Cities Mission, Swachh Bharat Mission, HRIDAY for heritage cities, Housing for all and AMRUT from 2014. However, these schemes provide external sources of funding and do not address the important issue of revenue enhancement of municipal corporations, which form the backbone of these cities. While they end up tackling some aspects of urban rejuvenation, none of these schemes address the root of the problem by solving issues of municipal funding.

Today, the municipal revenues of cities in India account for 0.75 percent of the country's GDP, against cities of BRICS countries such as Brazil (8 percent) and South Africa (6.9 percent).[3]

Municipal revenues can be broadly bisected into internal and external sources. Internal sources comprise of tax and non-tax revenues. Non-tax revenues comprise of user charges, fees, premiums, interest, and rents. Property tax is the sole tax which has remained the mainstay of internal sources after Goods and Services Tax (GST) was implemented, subsuming taxes like octroi and local body tax. This has put a tremendous strain on municipal corporations, which relied heavily on octroi’s provision of daily liquidity and buoyant flexibility in revenue.

Table 1. Local government revenues as a percentage of GDP:

Country	Local government revenue as percentage of GDP
Finland	22.4
United Kingdom	13.9
Denmark	37.1
Italy	15.3
Germany	7.3
Spain	6.4
India	1.03 *

*Source: OECD 2012, *ASCI (2014)*

Prior to the GST regime, the revenues of municipal bodies comprised 53 percent of the total revenue, and the balance was accounted for by assignment, devolution and grants-in-aid from states (33.4 percent), central government grants (5.3 percent), and grants from the finance commissions (two percent).[4]

With the introduction of GST in 2017, the financial autonomy of municipal corporations has been restricted. Table 2 shows the taxes that have been subsumed under the GST.

Table 2.

Subsumed Central Taxes	Subsumed State Taxes
a. Central Excise Duty b. Additional Excise Duty c. ServiceTax d. Additional Customs Duty, commonly known as Countervailing Duty e. Special Additional Duty of Customs.	a. State Value Added Tax/Sales Tax b. Entertainment Tax (other than the tax levied by the local bodies) and Central Sales Tax (levied by the Centre and collected by the States) c. Octroi and Entry Tax

Land acquisition has also become a challenge with municipal bodies, given the dearth of money to pay the ready reckoner rate for acquiring land for public purposes. This is preventing cities from fully implementing their development plans. Considering that municipal corporations in India are facing financial drain despite needing to perform all municipal functions, there are some urgent issues that will need to be addressed by the government on this account, including:

REVISITING THE 12th SCHEDULE OF THE 74th AMENDMENT

The 74th amendment of the Constitution, under its 12th schedule defined 18 functions of Municipalities. It is seen that only 12 of the 18 functions have a corresponding finance source while the municipal corporation is expected to take care of all functions. A 2014 Reserve Bank of India study titled 'Municipal Finance in India – An Assessment', studied the finances of 35 ULBs in India and found that the "mix of municipal revenues in India—taxes, user charges and fees, transfers and loans—is narrow compared to international benchmarks with regard to the financing of local public services. The revenue instruments assigned to urban local bodies by State Governments at present are grossly inadequate and not commensurate with the functions expected to be performed by them in accordance with the 74th Amendment Act." Funds allocated towards the core services need to improve and finances need to match functions ; a financial list should be inserted in the schedule.

EQUALISATION GRANTS OR ADEQUATE FINANCE GAP TRANSFERS

Currently, ULBs spend about 50 percent of their revenue on administrative expenditures like salary, pensions, operation and maintenance of offices, and property, among other things. The state and central government authorities should set aside funds that could be arrived at after assessing all the 18 mandated functions of the Municipal list in the 12th schedule. This could be compared to the earnings of the municipal corporations in South Africa, the gaps in their finances which are filled in with a central 'equalisation fund' — could be replicated. In Brazil, too, there is heavy decentralisation, and the central transfers amount to 65 percent of the revenues.

A SYSTEM THAT WILL ASSIST CORPORATIONS IN ASSESSMENT AND COLLECTION OF PROPERTY TAX

The average collection of property tax in 36 of the largest municipal corporations in India was 37 percent[5]. Considering the dependence of municipalities on this sole internal tax, there needs to be an overhauling in the collection mechanism. There needs to be a central or state agency to monitor and help set up a system that is linked to citizens' credit performance to make it stringent.

CREATING A STRONG BOND MARKET

The bond market in India has not taken off despite several attempts made by governments. There has been some enthusiasm among municipal corporations in the past two years with issuances from Pune, Indore and other cities. However, stagnation has occurred due to several factors, namely: 1) the inability of a municipal corporation to get credit ratings due to lack of awareness and lackadaisical attitude of the staff towards maintaining account books, balance sheets and management of finances, 2) Unrealistic planning. In cases like Pune where the bonds have been issued and project hasn't taken off, there is huge pile up of expenses; and 3) Heavy tax on bonds. In this case, improving credit ratings, clear planning strategies and making bonds tax free can be encouraged to improve finance functions.

LAND-BASED INSTRUMENTS NEED TO BE LEVERAGED

While land-based instruments like Transfer of Development Rights have already been used in cities like Mumbai, other financing instruments can broadly be classified under three categories: developer exactions (including impact fees), value capture (betterment levies, land sales), and land asset management (including private investment in public infrastructure). These instruments could be used for capital investment.

METRO POLICY 2017: A REVIEW

Ameya Pimpalkhare

INTRODUCTION

India is urbanising rapidly and by 2050, about 60 percent[6] of its urban population will be living in cities. A sturdy urban transport mechanism is important for a comfortable urban experience. In India, it is essential because it has been one of the most neglected facets of governance under various governments. In a welcome move last year, the Union Cabinet approved a Metro Rail Policy[7] that is supposed to help meet the growing metro rail aspirations of Indian cities in a responsible manner. Prior to this, metro rail projects were undertaken without considering their long-term viability and sustainability. Currently, there are 15 cities in India that have metro systems in various stages of construction/operation. The current status of metro rail networks in Indian cities can be seen in Table 1.

Table 1: Metro rail network in Indian cities[8]

No	City	Operational (kms)	Under Construction (kms)	Planned (kms)
1	Delhi & NCR	327	23	104[9]
2	Noida & Greater Noida	29.7	-	-
3	Mumbai	11.4	171	82.6[10]
4	Bangalore	42.3	72	83[11]
5	Chennai	45	10	118.9[12]
6	Hyderabad	44	28	83[13]
7	Ahmedabad	6.5	33.53	28.25[14]
8	Kochi	18.2	7.5	30.2[15]
9	Jaipur	9.6	2.5	23.8[16]
10	Lucknow	8.5	14	11[17]
11	Nagpur	13.5[18]	28.3[19]	-
12	Pune[20]	-	31.2	-
13	Bhopal	-	28	-
14	Indore	-	32	-
15	Navi Mumbai[21]	-	11.1	12.3

(Tabulated by the author based on diverse sources.)

Metro planning is challenging due to the unique need of retrofitting urban rapid transport systems in dense old cities. Metro rails are among the most expensive forms of rapid transit systems and are difficult to dismantle once set up. Political leaders have been advocating for the metro rail system as a one-size-fits-all solution to public transport, traffic congestion, and environmental problems for all Indian cities. However, experiences of both international and existing Indian metro systems portray a different ground reality.

METRO POLICY 2017

The long-awaited Metro Policy by the Union Government in 2017 was a welcome change from the meandering development in this sphere. The policy contains clear directives for undertaking metro rail projects in various urban centres. It enumerates details of how the metro projects should be developed, funded, and sustained. Yet, it has left some gaps that are bound to derail the whole process.

The Metro Policy 2017 has laid out three significant conditions for catalysing development of metro rail systems. First, it will be the responsibility of the state governments to explore and choose various options for urban mobility and subsequently implement projects. Second, a 'Comprehensive Mobility Plan' (CMP) is a mandatory prerequisite for planning metro rail in any city, and third, there should be a statutory body called the 'Unified Metropolitan Transport Authority' (UMTA) for ensuring an integrated approach in planning and management of urban transport.

URBAN METROPOLITAN TRANSPORT AUTHORITY AND COMPREHENSIVE MOBILITY PLAN

Issues with Urban Metropolitan Transport Authority (UMTA)

Upon analysing the details of current metro projects, post the 2017 Metro Policy, it is seen that the conditions are not adhered to seriously. There should be a condition in the policy that unless UMTA is created as a statutory body and adequately staffed; no metro project should be taken up in that state, which currently is not the case. As of now, UMTA is a toothless body with no regulatory or legal authority. Such a body can be effective only if they are autonomous and have extensive powers over police, transport authorities, and civic administration. Also, another governance issue that needs to be dealt with is who should run UMTA. Ideally, the city government should be made a stakeholder in the metro rail project since it operates in an urban space.

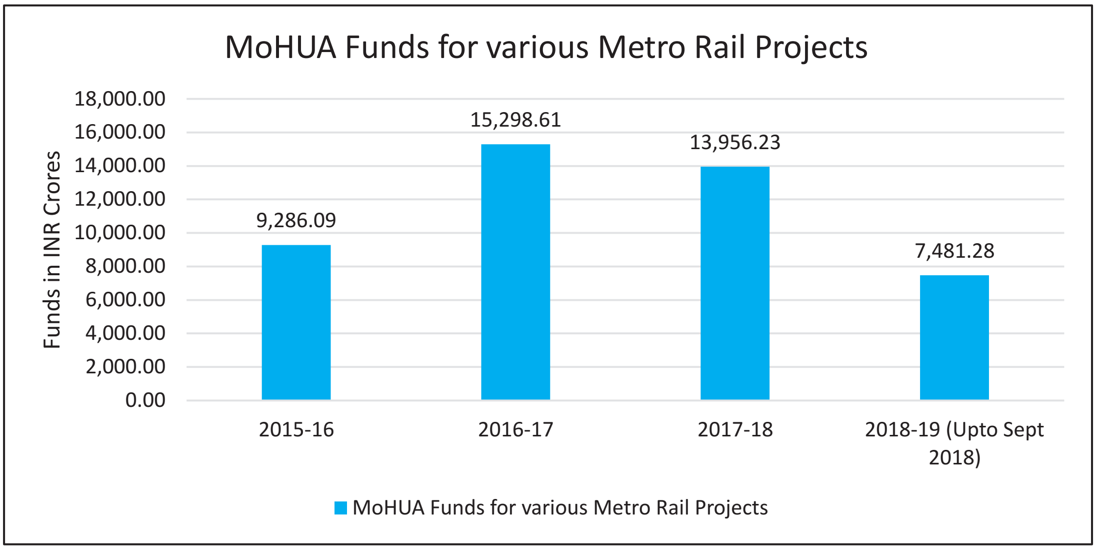
Issues with Comprehensive Mobility Plan (CMP)

The CMP should be prepared and issued by the UMTA only and no other agency. An accurate CMP can help assess the viability of a metro rail project, as it is critically dependent on the integration of secondary and tertiary transport feeder services. Often, CMPs have not been realistic in providing the correct projected ridership. There are differences between projected and existing ridership in all operational metro systems in India[22]. UMTA should ideally have the power to regulate fares for all urban transport units and to prepare, monitor, and audit the CMP.

THE MONEY GAME

Viability Gap Funding

The policy emphasises the financial viability of projects and a 14 percent internal rate of return from it. To achieve this is a challenge without a generous grant from the government. As per policy, the central government provides financial support for Metro rail projects in the form of grant to states of up to 10 percent of project cost or in the form 50:50 equity sharing with state governments or viability gap funding to the extent of 20 percent of the capital cost of public transport projects under a Public-Private Partnership (PPP) model. MoHUA released funds to various Metro Rail projects to the tune of INR 9,286.09 crore in 2015-16, INR 15,298.61 crore in 2016-17, INR 13,956.23 crore in 2017-18 and INR 7,481.28 crore in 2018-19 (up to September 30, 2018).[23]



The policy expects fares to be competitive so that public transport is incentivised. There is a need to strike a balance between competitive pricing and viability. The policy has rightly directed that social and economic viability too should be assessed through an independent third-party assessment and be a part of the whole analysis. But, more clarity is needed on how the viability gap will be bridged and to ensure that metro fares do not become a pawn in a political slugfest.

Fixing Fares

There was a twin hike in the Delhi metro fares in 2017 by the Delhi Metro Rail Corporation (DMRC), almost doubling the fares. This subsequently created a political stir between the central and Delhi government which are both stakeholders in the DMRC.[24] The Delhi metro fares were not increased for nearly seven years and were then raised by the central government for financial viability of the system. The Delhi government claimed that rise in fares reduced the ridership considerably, pushing citizens away from public transport.[25] The Metro-1 handled by Mumbai Metro One Private Limited (MMOPL) has been struggling with the issue of fixing fares for the past several years. While MMOPL has been demanding an increase in fares of Metro-1, the Mumbai Metropolitan Region Development Authority has been opposing it through a legal challenge, citing concession agreement.[26]

No metro line anywhere in the world is financially remunerative. Data shows that there are large differences between revenue from fare collection and expenditure in most Indian metro systems. It should be clearly stated that any state government desirous of implementing a metro project in its state must first put a Fare Fixation Committee in place in accordance with The Metro Railways Act, 2002.[27] No effort in bringing PPP investments can be fruitful unless this is done. For attracting private investments, a way out can be determining a fare based on the investments and an actual fare that will be charged. Once this is fixed, the state/central government can compensate the difference through a robust long-term contract providing stability to private investors.

RAISING PRIVATE INVESTMENTS AND EXPLOITING LAND USE FOR FUNDING METRO PROJECTS

PPP model for metro rail projects

Opportunities for raising capital at affordable cost for metro rail projects is the need of the hour. State governments, through guarantees, can direct executing agencies to channel cheap long-term debt by issuing corporate bonds and through betterment levies. A PPP model can be suitable for operating activities like ticketing, maintenance, and realty development. A planned and organised PPP can bring in sustainability for the project and also lessen its life-cycle cost. A PPP should ideally be avoided for construction of the metro system since an incompetent private entity can cripple a city. Private investment in metro systems has been limited due to low financial viability, inadequate risk allocation, and lengthy dispute resolution. An ecosystem devoid of such issues will raise the confidence of private players to invest in metro rail projects.

Rethinking land use

Land use along the metro line can be used commercially for monetary benefit. For this, there needs to be better coordination among the executing agency, local government body, and the town planning agency of the state which currently does not report to either the city government or urban development department. States should also tap their own resources and reduce dependence on the central government. This is possible since state public undertakings can now directly approach bilateral agencies for infrastructure development funding.

NEED FOR STRENGTHENING THE METRO POLICY

The Metro Policy has listed various options that could be adopted to serve any urban town with Mass Rapid Transit System (MRTS). The policy has correctly deduced that this option suits only those routes where a passengers per hour per direction (PPHPD) figure of 40,000-80,000 is expected. It is feared that many metro rail projects sanctioned in 2018 may become unviable after completion and require financial support. As stated by the policy, rigorous assessments including alternate transit mode analysis can ensure that the most cost-effective mass transit system gets selected for public transport. But, it can be seen that post release of the Metro Policy 2017, every state government is adopting only the metro rail option irrespective of the anticipated PPHPD figure.

There is an urgent need for introducing amendments to the policy to ensure that MRTS projects are finalised after a holistic assessment. This will also ensure that projects will run smoothly once they are put into operation.

ARTICULATING AN AFFORDABLE HOUSING POLICY FOR URBAN INDIA

Renita D'Souza

According to the 2012 report of the Technical Group on Urban Housing Shortage for the 12th Plan (TG-12), set up by the erstwhile Ministry of Housing and Urban Poverty Alleviation to estimate the urban housing shortage in the country for 2012-20, the total number of households living in housing poverty was around 18.78 million,[28] as seen in Table 1:

Table 1. Households in Urban India without decent housing (2012)

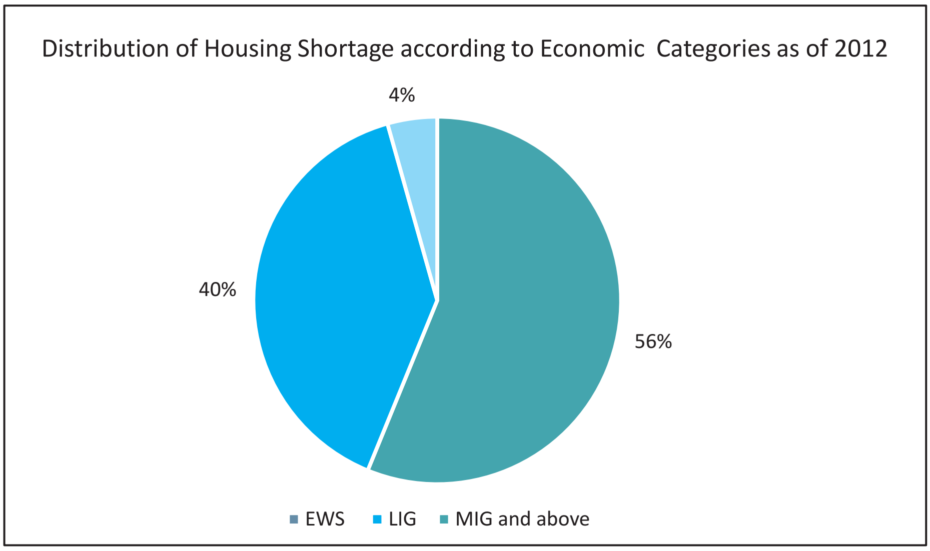
Category of households	Number (in million)
Households living in non-serviceable katcha	0.99
Households living in obsolescent houses	2.27
Households living in congested houses requiring new houses	14.99
Households in homeless condition	0.53
Total	**18.78**

Source: Technical Group on Urban Housing Shortage for the 12th Plan (TG-12)

The following are the housing schemes initiated by government agencies in India post-Independence: the Subsidised Housing Scheme for Industrial Workers and the Economically Weaker Sections (1952); the Low Income Housing Scheme of 1954; the Slum Clearance and Improvement programme of 1956;the Environmental Improvement of Urban Slums (EIUS) of 1972;the Urban Basic Services (UBS) Scheme (1986); the Scheme of Housing and Shelter Upgradation(SHASHU) under the Nehru Rojgar Yojana in the 1990s;the National Slum Development Programme (NSDP) of 1997; the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) of 2005; and Rajiv Awas Yojana (2011).[29]

The measures launched under various housing schemes range from slum rehabilitation, building new housing units for the poor, supporting private developers of affordable housing, and providing affordable credit to the poor for housing purposes.

Figure 1: Distribution of Housing Shortage according to Economic Categories as of 2012



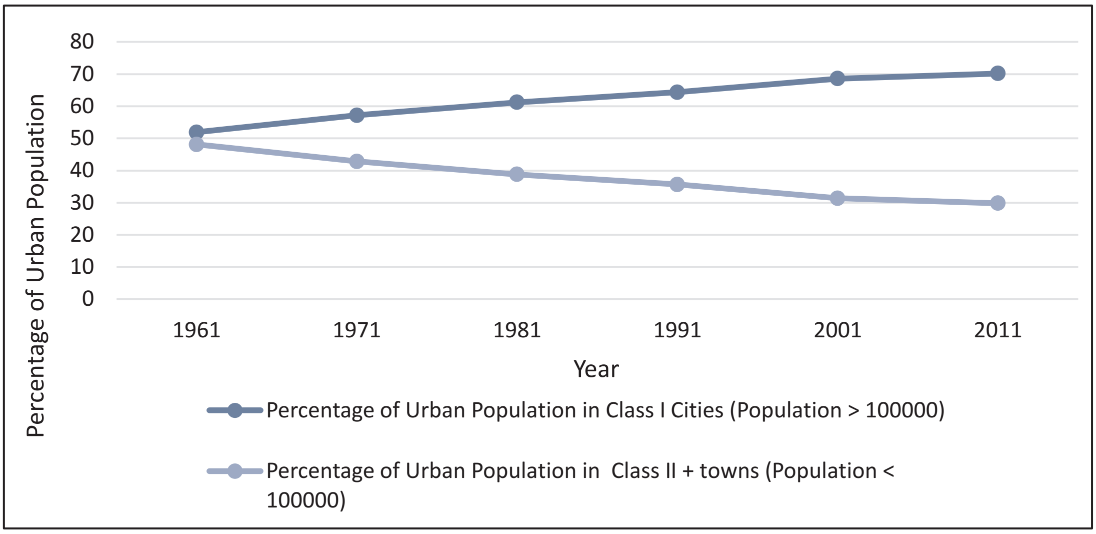
Source: Technical Group on Urban Housing Shortage for the 12th Plan (TG-12)

Each of the previously mentioned schemes failed at the fundamental level of accurately understanding the notion of "housing poverty". The understanding of adequate housing must cover electricity, water supply, sanitation, and even sewage management, parks and open spaces, access to a housing loan or even renting a house, one's capacity to access employment, and social relations. As a result, these housing schemes were constrained in the following ways: 1) newly built units were structurally defective and lacked essential services; 2) these units, in many instances, were unaffordable; 3) these units were located at a great distance from the city centre, and from places of employment and livelihoods; and 4) they resulted in a loss of existing social networks.[30] Consequently, a large number of these newly built or rehabilitated houses were abandoned or remained vacant.

Apart from failing in ways similar to other schemes, the ongoing Pradhan Mantri Awas Yojana (PMAY) — launched by the Narendra Modi government in 2015 — ignores the particular character of urban poverty in its attempts to make formal credit affordable for the low income segments. Some examples of this ignorance are as follows: 1) interest subsidies on housing loans require reliable formal income documentation and financial assistance for beneficiary led construction require certain land and property documentation, both of which are very difficult to avail in the context of informal urban India;[31] and 2) financial assistance is available only in areas notified as 'urban' while most of houses of the Economically Weaker Sections (EWS) and Low Income Groups (LIG) are constructed in the peripheries of cities, which are not notified.[32]

Urbanisation in India has been propelled by agglomeration economies which have in turn expanded the informal manufacturing and services sectors in India. This has been responsible for the greater increase in the size of larger cities resulting in urban spatial inequality as can be seen in Figure 2. Urbanisation in India has failed to generate formal jobs, giving rise to the creation of informal settlements.[33] All of the housing schemes did not arrest the proliferation of slums, reflected in their failure to recognise how urbanisation has evolved in India.

Figure 2: Percentage Distribution of Urban Population by City Size Class: 1961-2011



Source: Towns of India: Status of Demography, Economy, Social Structures, Housing and Basic Infrastructure: Research by HSMI, HUDCO and NIUA, 2016

Other reasons for the growth of slum communities are the following: 1) unaffordable housing due to rising land and construction costs is an outcome of scarce land and skewed spatial development;[34] 2) experts claim that state-owned and government entities own large chunks of unused land which can be released for affordable housing;[35] 3) formal developers of affordable housing projects find it difficult to strike a balance between costs (including lengthy approval processes) and profits, with large affordable housing projects ending up in the isolated peripheries of cities which lack connectivity and trunk infrastructure, away from employment opportunities;[36] 4) a draconian rent control regime has curtailed new investment in the rental housing segment;[37] and 5) lack of reliable income documentation deprives the low-income segment from formal institutional credit for housing purposes.[38]

In the context provided by the above discussion, any new policies related to housing should attempt to fulfil the following criteria:

- To begin with, housing policy needs to work in tandem with a planned urbanisation programme. Given the trend of de-urbanisation of formal manufacturing in India,[39] the forces, beyond cheap land and labour that attract formal manufacturing to the suburban and rural areas must be investigated. Apart from investments in infrastructure, power and connectivity, the growth of formal manufacturing will require efforts to augment these forces as well. This expansion in formal manufacturing is expected to lead to urbanisation that will correct the demand and supply anomalies of the affordable housing segment by making affordable housing projects viable. This urbanisation model must be at the core of the proposed affordable housing policy.

- Housing schemes in India have focused on time-bound targets to construct a fixed number of units, as if to suggest that doing so will solve the urban housing shortage. India requires a housing policy that synchronises and evolves with its urbanisation agenda. In such a policy, the government is envisioned as a facilitator and not a direct producer of affordable housing stock. Accordingly, the government must enable innovation, scaling up of viable solutions and correction of markets.

  A housing policy must provide for low-cost rental accommodation for seasonal migrants who, in the absence of such accommodation, are forced to live in dehumanised conditions such as slums, open spaces or in shared rental homes and, quite often, in their workplaces.[40] The PMAY scheme has failed to provide such accommodation. There are some private entities operating in the affordable rental housing market. These entities operate under a lot of pressure finding the balance of costs and profits tricky.[41] The government can ease this pressure by considering the following measures: 1) leasing unutilised government-owned land to low-cost rental homes at affordable rates; 2) infrastructure status to such homes allowing them to leverage low cost of borrowing, tax breaks, seamless access to capital; and 3) extending grants under Affordable Housing in Partnership (AHP) of the PMAY scheme to low-cost rental homes.

- The Reserve Bank of India needs to look into reasons that have impacted credit to private service providers and convince banks to extend credit to them. Furthermore, new financial products in the form of credit and insurance instruments need to be designed to cater to the needs of this space.

- The housing scheme needs to ensure that draconian rent control laws enacted by the central and state governments find no place in the housing strategy adopted for new towns and cities.

- Affordable Housing Finance Companies (AHFCs) have developed an alternative credit assessment mechanism — a field-based process, which reliably assesses the income, assets, and repayment ability of the prospective borrower — and does not depend upon the conventionally required documentation for such assessment. The benefits of the Credit-Linked Subsidy Scheme under the PMAY (U) have reached the customers of these AHFCs, the upper-end of the EWS and LIG markets. Housing loans to the lower-end of the EWS and LIG segments represent a huge market opportunity.[42] There is a need to design financial products that understand the financial reality of these segments and the risk of default involved thereof, and financial technology players must be enrolled in this exercise.

- Developers in the affordable housing segment are facing the adversities of a broken ecosystem. Developers in India need to be enabled to deliver at every stage of the value chain, and an effective government housing strategy must evaluate the role it can play in building a robust, affordable housing ecosystem. The government must consider possibilities of how it can incubate developers to cope with deficiencies at each level of the ecosystem.[43]

- The policy must articulate an impact investment ecosystem for affordable housing in India. The components of such an ecosystem should include financial instruments for mobilising impact investment funds, parameters for evaluating increments made in affordable housing as a result of impact investment, measures to ensure investor confidence and protection, platforms that connect real estate developers to impact investors, and tax incentives for investors.[44]

- Philanthropic models of low-cost housing can motivate new insights on increasing affordability of houses. There is a need to incorporate the conversation on these models into the housing policy to allow the scaling of such models at the national level and collaboration between the government, the NGOs and custodians of philanthropic resources.[45]

Finally, some guiding principles which make the foundation for an affordable housing policy must be kept in mind:

- A housing policy must be dynamic and reflect the circumstances of the society to which the policy intends to cater.

- As society evolves, so will the various dimensions of housing poverty. A housing scheme must be sensitive to these evolving dimensions of poverty.

- The housing policy must be sustainable in nature while being underpinned by the principles of efficient mobilisation, allocation, and utilisation of available and accessible resources.

NATIONAL URBAN LIVELIHOODS MISSION: A NEED FOR COURSE CORRECTION AND INDUSTRY SPECIFICATION

Aditi Ratho

Increasing unemployment is one of the major issues that the 2014-2019 government grappled with, and the new government will have to tackle. The MoHUA has attempted to employ poor individuals in urban areas through the Deendayal Antyodana Yojana-National Urban Livelihoods Mission (NULM) and its component on Employment through Skills Training & Placement.

The NULM is usually implemented by government institutions that implement various other skilling schemes. The governing body empanels and disburses funds for Vocational Training Providers (VTPs) to execute teaching and examining in courses, based on the criteria of each scheme.

The NULM provides grants to the State governing body for managing and funding appropriate VTPs that choose beneficiaries under the NULM criteria. If they conduct courses under the NULM, VTPs can obtain funding for beneficiaries from minorities, and especially from SC/ST communities. For example, while entering the targets of skilled beneficiaries in the Maharashtra State Skill Development Society's (MSSDS) NULM portal[46], VTPs have to ensure that the sum of SC and ST beneficiaries must be greater than the sum of women, minorities, and persons with disabilities.

Certain changes need to be made in the government funded courses, which could lead to an increase in the employment prospects of skilled individuals. These changes have to be made in the design of the courses, the utilisation of the grants, and the registration process. This will allow the most disadvantaged sections of society to avail of courses and job opportunities.

AGE CRITERIA FOR NULM

The National Policy on Skill Development and Entrepreneurship specifies the working age group in India as between 15-59.[47] However, in states like Maharashtra, VTPs can only obtain funding for beneficiaries in the age group of

15 years to 45 years. The age cut-off for all state-run skill development bodies should coincide with national standards. The upper age limit of 45 years should be extended, as beneficiaries are more likely to realise the value of working, earning an income, and supporting a family. As jobs are changing with the advent of new technologies, people need to constantly update their skills. Capping the age at 45 will prevent older candidates, who need new skills in order to re-enter the job market, from registering for courses.

FUNDING STRUCTURE FOR NULM

There is a difference in the disbursement of funding for multiple schemes that target employment of the urban poor, which creates unnecessary confusion and disparity in administration and funding. For example, VTPs empanelled by state skill development bodies can use both NULM and the Pradhan Mantri Kaushal Vikas Yojana (PMKVY) for the skilling of the urban poor. Under both platforms, the VTPs are provided funding under the same disbursement pattern ranging from 30 percent for the first week of attendance, 50 percent disbursement for successful certification of trainees, and the last 20 percent for course completion and employment.[48] However, the VTP is paid different base costs per hour of conducting the course, for different categories of courses.

There is a significantly larger disbursement of funds for beneficiaries under the NULM than PMKVY as seen in Table 1.

Table 1.

Scheme	Category 1 base cost	Category 2 base cost	Category 3 base cost
NULM	42.42/hr[49]	36.44/hr[50]	30.38/hr[51]
PMKVY	40.4/hr[52]	34.7/hr[53]	28.9/hr[54]

(Tabulated by author based on various sources)

The ministries that grant funds for the schemes are also different, as the NULM is under MoHUA while the PMKVY is under the Ministry of Skill Development and Entrepreneurship. This discrepancy in fund disbursement may skew the VTPs' incentive of skilling towards the NULM programme, as more grants are given under the NULM than under the PMKVY. This example can be reflected in the case of Maharashtra, where the MSSDS's dashboard of statistics shows that the NULM scheme has 256,908 beneficiaries versus 2,416 for the PMKVY[55].

In order to avoid such outcomes, a better approach would be to have one programme for skilling and employment in urban areas, which is funded by one ministry. Under this programme there can be reservation for those in the minority and SC/ST category, so that there is a clear administrative structure with clearly assigned responsibility.

ACCOUNTABILITY OF BENEFICIARIES

The present practice of providing a percentage of the funding after the first week of attendance needs to be reviewed. VTPs may use this mechanism fraudulently, by availing the funding after the first week and then abandoning the course, citing attendance issues. Instead, VTPs could be provided funding at the end of the course with a reasonable percentage attendance of total and individual student strength. Furthermore, beneficiaries need to be made accountable by making them pay a small deposit at the beginning, which would be returned at the end of a year of employment (if the VTP is able to ensure employment for the beneficiary), or after the course (if the VTP is unable to ensure employment for the beneficiary). The "free" tag given to the courses allows beneficiaries to have no accountability for attending, completing, and utilising the course for gainful employment.

TRANSPARENCY IN NUMBERS OF SKILLED AND EMPLOYED

There needs to be a detailed Skill Gap Analysis (SGA) conducted by each state, which provides statistics on human resource requirements across various employment sectors in urban areas, as well as how many skilled beneficiaries have been employed and absorbed within these sectors. The NULM has set aside grants for the state governing body to conduct their own local SGA, and all states must participate. State institutions also need to create a matrix of how many VTPs in urban areas are currently providing courses for the sectors that require a skilled workforce.

For example, in the city of Mumbai, there is a glaring lack of VTPs in sectors that have a clear requirement for skilled workforce. The MSSDS's annual report for 2017-18,[56] which provides an overview of the state's skill development progress, claims that the human resource requirement for Banking, Financial Services, and Insurance sector is the third largest as it requires 935,419[57] skilled individuals. However, there is only one VTP empanelled with the MSSDS in the entire city that offers an appropriate course. On the other hand, there are 30 VTPs each for courses like IT and retail. There should be a cap on how many VTPs can conduct a certain course, so that relevant and diverse courses can be conducted and the actual demands of the job market are met with employable individuals.

RETHINKING COURSE CURRICULUM

Skill development courses need to tap into the skills required to support the new jobs that the advent of technology is creating. These jobs will require critical thinking, communication, and relationship building. Thus, every course must have a soft skills component and an On-Job Training (OJT) component, as opposed to beneficiaries having to take a separate course on "soft skills" or "soft skills and entrepreneurship". Currently, only courses that are above a certain number of hours have the compulsory soft skills component attached. Firms often complain that the people employed through VTPs do not have the appropriate 'skills' in terms of punctuality, hygiene, reliability, and quick learning. VTPs should provide training in soft skills and OJT with suitable partner institutes to take care of this and the NULM can set aside grants for this component, which the state governing authority would have to adhere to.

CITY CAPACITY BUILDING: AN URGENT NEED

Ramanath Jha

City Capacity Building refers to inputs that allow the human resources of a ULB to obtain, preserve and upgrade the knowledge, skills, and attitude that are required for efficient performance of ULB functions. Since the urban scene is dynamic, capacity building has to be an on-going process. Additionally, capacity-building inputs must be periodically revised to remain relevant and useful.

It is widely acknowledged that cities today lack the capacity for efficient functional performance. The inability of municipalities to attract quality manpower is compounded by the political dynamics within ULBs, demographic pressures, and technological changes that erode the knowledge base of ULB functionaries. This lack of ULB capacity translates into poor revenue collection, poor service delivery and, above all, poor urban governance.

Despite clear evidence that such a gap exists, city authorities themselves are not keen to engage in capacity building for their human resource. There is a general resistance to allow staff to absent themselves from municipal work and go away for training, even if paid for. Besides, where capacity building efforts have been undertaken, it has been in a task-oriented fashion, disregarding systematic skill enhancement.

In view of the capacity gaps, a proper training needs analysis ought to be undertaken. Based on this analysis, training material and courses need to be designed. This would also reveal what should be the mix of classroom-based training and field training. Since a lot of municipal digitisation is likely to take place, web-based training is of great significance.

ULBs appear to be suffering from a lack of specialisation, especially among technical staff. For larger corporations, a method needs to be devised for cadre development in specialised engineering and technical streams so as to create a strong and efficient work force for those departments. A method could be to create a group of engineering and other technical disciplines in which there is a possibility of vertical and lateral movement so that a broader base of expertise can be erected. It would also be prudent to allow some lateral hiring of professionals with special skills into the municipal cadre, especially for the larger ULBs, for fostering greater municipal professionalism.

Unfortunately, the availability of capacity building institutions is inversely proportional to capacity need. State-level training institutes focus on general administration and on rural governance. Urban-centric staff, experts, training material, and training programmes are all severely constrained. The net of training institutions, therefore, needs to be cast wider. Governmental capacity building institutions have their own limitations in terms of their knowledge base. Private institutions, non-governmental funded training organisations and research organisations have a whole new way of looking at issues. Besides, several NGOs work on the ground in cities and collect experiences that are not available to municipal functionaries. In any comprehensive capacity building, exposure to such experiences would be salutary in understanding management and technical issues and in eventually finding solutions.

With a view to enhance capacity delivery efficiency, it is necessary to have sufficient decentralisation of delivery mechanisms. A centralised delivery system involves time costs, travel costs, and boarding and lodging costs. This could be more cost-effective if capacity building inputs were provided close to the ULBs. This would entail local arrangements through local institutions.

The elected representatives of ULBs are key policy men and women and need to perform their envisioned role with wisdom to contribute to the efficiency of ULBs. However, this requires a considerable understanding of the functioning of a city and the statutory setting within which it operates. This, in turn, needs systematic capacity building. The current system of local elections is such that a large number of elected members are first time entrants to local bodies. It is thus necessary that they receive proper orientation about the workings of municipal administration and service delivery mechanisms at the city and ward levels. Since there are also a large number of women representatives that get elected, they are well placed to vocalise the needs of women. All the representatives must then be provided sensitisation training to ensure gender mainstreaming in local government policy-making and service provision. Moreover, since stakeholder participation is an essential ingredient of good governance, an informed, articulate, and trained civil society could be a great asset. Capacity inputs for civil society organisations would allow them to become useful partners in governance.

Since all ULBs are required to undertake preparation of Development Plans every 20 years, this is an area that needs particular attention. Here, the states are tragically short of trained manpower and are deficient in planning technology. This makes the preparation of quality plans highly unlikely. The states, therefore, need to build sufficient urban planning capacity, which calls for building new planning institutes. These institutions would have to be equipped with the ability to train professionals in modern planning technologies, such as GIS, econometric and traffic modelling, demographic projection, and employment planning.

It is evident that with rising urbanisation in highly urbanised states, increasing numbers of IAS officers will need to be involved in urban governance. At the Lal Bahadur Shastri National Academy of Administration, for example, they are part of the training programme delivered for all state cadres. This may not have sufficient focus on urban complexities particular to highly urbanised states. Capacity building of IAS officers of urban-centric states, therefore, requires specially strengthened urban content in their syllabi. This will have to be delivered at the state level.

The narrative cited above may be completely undone if the question of resources is left unanswered. If the large municipal corporations are set aside, ULBs are not in a position to fund training. In such a situation, avenues for sufficient resources into ULBs to build capacity must be found. Rising urbanisation is likely to reach all states in the future and cities will become home to a majority of citizens. It would be a pity if the nation does not begin to prepare for that eventuality and gets caught in a situation where ULBs are ignored, resulting in suffocated economies, poor liveability, and unused potential.

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