

**CCS Series
on
NURM Reforms
No. 8**

February 2007

**PUBLIC PRIVATE PARTNERSHIP:
*THAT GOVERNMENT IS BEST WHICH
GOVERNS LEAST***

**Centre for Civil
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Public Private Partnership

That government is best which governs least

Makarand Bakore¹

JNNURM Reform: Encouraging Public Private Partnership.

WHAT IS PUBLIC PRIVATE PARTNERSHIP?

Public private partnerships (PPPs) are arrangements between government and private sector entities for the purpose of providing public infrastructure, community facilities and related services. Such partnerships are characterized by the sharing of investment, risk, responsibility and reward between the partners. The reasons for establishing such partnerships vary but generally involve the financing, design, construction, operation and maintenance of public infrastructure and services.²

These schemes are sometimes referred to as PPP or P3.

NEED FOR PPP

In May 2006 the Hon'ble Union Finance Minister, Shri P. Chidambaram, in his inaugural speech at the Conference of State Secretaries on Infrastructure,³ outlined the need for PPP in India:

“There is a clear infrastructure gap in this country. The figures are well known. The rates of investment in infrastructure in India are low compared with China and some Asian countries. The India Infrastructure Report prepared in 1996 had projected the need for an increase in investment in infrastructure from levels of under 5 percent to about 8 percent of GDP by 2005-06... **The total investment required in infrastructure during the 10th Five Year Plan was initially projected at Rs 10,89,400 crore at 2001-02 prices, which was revised to Rs 11,08,800 crore in the mid-term review document.** The Committee on Infrastructure...has estimated the

¹ Research Associate, Centre for Civil Society, New Delhi. My thanks to my colleague, Mr. Ali Mehdi, for reviewing this document

² ‘Public Private Partnership: A Guide for Local Government’, Ministry of Municipal Affairs, British Columbia, May 1999

³ Planning Commission Conference on PPP's in Infrastructure, New Delhi, 20th May 2006

investment requirement at Rs 2,20,000 crore in the highway sector by 2012, Rs 40,000 crore for airports by 2010 and Rs 50,000 crore for the ports by 2012. It is also been estimated that India has a potential to absorb US \$ 150 billion of investment in the next few years in the infrastructure sector alone. **And obviously these kind of funds cannot be found from budgetary resources. One has to reach out to the private sector, and private savings, and to the other mechanisms available in the market today to raise funds to fund such an ambitious infrastructure project.** It has also been estimated that the infrastructure gap is costing India between 1.5 and 2 percent of GDP growth every year.”

CHANGING ROLE OF GOVERNMENT

Post-1991 reforms have gradually been changing the role of government from provider of services to a regulator. They have reduced government monopolies and allowed private players to compete in many sectors. The government has come to realise the benefits of PPP such as funding capital expenditure without increasing the tax burden and availing the benefits of private expertise. The government is not looked upon as the sole caretaker of the citizens but more as a facilitator to assist people in pursuing their objectives.

BENEFITS OF PPP ⁴

- **Acceleration of infrastructure provision**

Instead of incurring a huge capital expenditure, the government can have the private partner build the infrastructure and support it with ongoing service payments.

- **Faster implementation**

With incentives for meeting project completion guidelines along with penalties for delays, the government can create vast infrastructure within a shorter period of time through the private sector.

⁴ European Commission ‘Guidelines for Successful Public Private Partnership’, March 2003

- **Reduced whole life costs**

When the private player is responsible for operation and maintenance of the infrastructure, it has a very strong incentive to minimise costs over the whole life of the project. This is more difficult to achieve in the public sector.

- **Better risk allocation**

PPP enables the risk allocation to the party that is best able to manage it at least cost. The goal is to optimise rather than maximise risk transfer.

- **Better incentives to perform**

As payment is linked to achieving a specific level of service, the private player sees a clear link between performance and revenues. This creates a need to meet the expectations and maintain the standards.

- **Improved quality of service**

PPP projects bring in innovative technologies and ways of service delivery. There are better economies of scale. Performance incentives are a motivation to improve services continuously.

- **Generation of additional revenues**

The private sector can raise additional revenues through third-parties, thereby reducing the government grant needed in the project. By using spare capacity or disposing of surplus assets, more revenue can be generated.

- **Enhanced public management**

A monopoly, government or private is never able to benchmark its performance. When the public and private sectors compete, the real winners are the customers. It also provides the government to focus on regulation than getting bogged down by day-to-day operations.

PPP AND CONSUMER INTERESTS

The image of the private sector having interests only in profits without any regard to the interest of the consumers has to be challenged. Given proper market conditions, a competitive environment and rule of law, private players will be compelled to offer the best services to survive. A great example of this is the telecom industry in India. Calling rates have dropped tremendously and the biggest winner is the consumer.

Quality of services can be checked through the service level contracts signed by the private partner with the governments. The penalties ensuing from breach of contract would deter the private player from reducing the quality of service. Accountability to the government gets built in. Private players are also accountable to the regulators, media and the public. Once the partnership is built, active involvement and regular monitoring by the public sector partner is important.

The other anxiety of consumers is that private players will increase the costs of services. The government would enter into a PPP only if the services available would be at a lower cost than the service provided by the government, or if the PPP provides a higher level of service at the same price. With efficiencies in operations and additional revenue streams, private players are able to provide services at affordable prices and make a profit at the same time.

PPP AND THE STAKEHOLDERS' INTEREST

The stakeholders in a PPP are the government, the private partner, the labour unions and the consumers.

Stakeholders may view PPP as privatisation, but this view is incorrect. Privatisation means the complete and permanent transfer of ownership to a private player, which may create a monopoly and the government may have no say with regard to the private player's actions. Only the Build-Own-Operate (BOO) model of PPP may come close to privatisation. Other models, including BOO, require a continuous partnership between the government and the private player and the government can have contractual agreements with the private partner on the quality and price of services.

Candid communication with labour unions is extremely important as their anxiety of lay-offs is perfectly understandable. Workers will get absorbed into the operations of the private player and may also be transferred to other government organisations. Here the role of the politicians in dispelling myths and addressing concerns of the labour unions is crucial. This is the reason PPP needs the endorsement from the top politicians and bureaucrats. Provision can be made to have the private player absorb the government workers with the same labour contracts. With more investment in employees and use of better technology the productivity of the workers goes up, enabling the private partner to make profit.

The top officials are also able to communicate with the media and general public as to the benefits of PPP and address any misperceptions. Bad publicity of PPP projects is likely to keep-off genuine private players.

PPP AND THE GENERAL PUBLIC

Opponents of PPP point out that governments can borrow money at a lower rate than private companies. This is true, but over the total life-cycle of the project of 20 to 30 years, the private player will bring in significant efficiencies, reducing the overall cost of the project. Moreover, the other benefits of PPP cannot be ignored.

The tendency of the government to bypass budgetary constraints has to be avoided. PPP involves financial risks like inflation, change in interest rates, increase in taxes and change in exchange rates.⁵ Governments do not include fixed costs and depreciation in deciding fees of the services. Ideally, user fees should reflect total cost. This may increase the prices.

Provisions for tackling the problem of being tied to a private monopolist in future negotiations on the contract have to be thought through in advance.

GOING ABOUT PPP

The key to attracting the best available private partner and executing a PPP successfully is that a real benefit must accrue to the government as well as the private players. The liabilities to be shared should be fair and reasonable to both parties. The relationship cannot last long if either side takes undue advantage. Ultimately it should be beneficial to the citizens.

Selecting the private partner based on the best value can be more beneficial than the one with the lowest cost. The domain expertise and experience of the private player is vital for the success of the project.

A well thought-out detailed plan is essential for a successful PPP. The contracts need to specify each partner's responsibilities, risks and liabilities along with the method of dispute resolution. The market risks in a PPP are insufficient demand and impractical user fees. Other risks include operations risks such as termination of contract and technology change. These negotiations demand a high level of skill and experience as future outcomes have to be regulated.

⁵ Report of the PPP Sub-Group on Social Sector, 'Public Private Partnership', Planning Commission, Nov 2004, pp. 10-11

PPP AND GOVERNANCE

Transparency is the key in awarding PPP contracts and all information should be proactively disclosed. This reduces scope of corruption. Regulating bodies need to keep an eye on the private player and perform close scrutiny of the financial and operational reports. For the private player to perform efficiently, government bureaucracy should be kept at the minimum with single-window clearance mechanisms.

As the private player is responsible for a vast array of services in a PPP, the government may feel a loss of control. This involves a political risk. Contractual terms should allow that the government is able to ensure the benefit of the citizens. It may be easier for less experienced governments to engage in simpler PPP contracts.

Other risks include implementation risks like delay in project clearance, contractor default and environment damage.

CONCLUSION

PPP is a promise that can deliver in a big way in India provided it is done the right way. Failures due to bad contracts or wrongly designed PPP projects can bring a negative publicity to the concept. It has worked well elsewhere and it is upto the government and other stakeholders to make it a success.

Appendix 1

Source : 'Public Private Partnership, a guide to local government', Pg. 13, Ministry of Municipal Affairs, British Columbia

Types of Public Private Partnerships

Type of PPP	Features	Local Government Applications	Advantages	Disadvantages
1 Operations and Maintenance	The local government contracts with a private partner to operate and maintain a publicly owned facility.	A broad range of municipal services including water and wastewater treatment plants, solid waste removal, road maintenance, parks maintenance/ landscape maintenance, arenas and other recreation facilities, parking facilities, sewer and storm sewer systems.	<ul style="list-style-type: none"> • potential service quality and efficiency improvements • cost savings • flexibility in structuring contracts • ownership vests with local government 	<ul style="list-style-type: none"> • collective agreements may not permit contracting out • costs to re-enter service if contractor defaults • reduced owner control and ability to respond to changing public demands
2 Design - Build	The local government contracts with a private partner to design and build a facility that conforms to the standards and performance requirements of the local government.	Most public infrastructure and building projects, including roads, highways, water and wastewater treatment plants, sewer and water systems, arenas,	<ul style="list-style-type: none"> • access to private sector experience • opportunities for innovation and cost savings • flexibility in procurement • opportunities for increased efficiency in construction • reduction in construction time • increased risk placed on private 	<ul style="list-style-type: none"> • reduced owner control • increased cost to incorporate desirable design features or change contract in other ways once it has been ratified • more complex award procedure • lower capital costs may be offset by higher

Type of PPP	Features	Local Government Applications	Advantages	Disadvantages
	<p>Once the facility has been built, the local government takes ownership and is responsible for the operation of the facility.</p>	<p>swimming pools and other local government facilities.</p>	<ul style="list-style-type: none"> • sector • single point accountability for the owner • fewer construction claims 	<p>operating and maintenance costs if life-cycle approach not taken</p>
<p>3 Turnkey Operation</p>	<p>The local government provides the financing for the project but engages a private partner to design, construct and operate the facility for a specified period of time. Performance objectives are established by the public sector and the public partner maintains ownership of the facility.</p>	<p>This form of public private partnership is applicable where the public sector maintains a strong interest in ownership but seeks to benefit from private construction and operation of a facility. This would include most infrastructure facilities, including water and wastewater treatment plants, arenas, swimming pools, golf courses and local government buildings.</p>	<ul style="list-style-type: none"> • places construction risk on the private partner • proposal call can control design and location requirements as well as operational objectives • transfer of operating obligations can enhance construction quality • potential public sector benefits from increased efficiency in private sector construction • potential public sector benefits from increased efficiency in private sector 	<ul style="list-style-type: none"> • reduced local government control over facility operations • more complex award procedure • increased cost to incorporate changes in design and operations once contract is completed • depending on the type of infrastructure, financing risk may be incurred by the local government

Type of PPP	Features	Local Government Applications	Advantages	Disadvantages
			operation of the facility • construction can occur faster through fast-track construction techniques such as design-build	
4 Wrap Around Addition	A private partner finances and constructs an addition to an existing public facility. The private partner may then operate the addition to the facility for a specified period of time or until the partner recovers the investment plus a reasonable return on the investment.	Most infrastructure and other public facilities, including roads, water systems, sewer systems, water and wastewater treatment plants, and recreation facilities such as ice arenas and swimming pools.	<ul style="list-style-type: none"> • public sector does not have to provide capital funding for the upgrade • financing risk rests with private partner • public partner benefits from the private partner’s experience in construction • opportunity for fast-tracked construction using techniques such as design-build • flexibility for procurement • opportunities for increased efficiency in construction • time reduction in project implementation 	<ul style="list-style-type: none"> • future facility upgrades not included in the contract with the private partner may be difficult to incorporate at a later date • expense involved in alteration of existing contracts with the private partner • perceived loss of control • more complex contract award procedure
5 Lease Purchase	The local government contracts with the private	Can be used for capital assets such as buildings,	<ul style="list-style-type: none"> • improved efficiency in construction • opportunity for 	<ul style="list-style-type: none"> • reductions in control over service or infrastructure

Type of PPP	Features	Local Government Applications	Advantages	Disadvantages
	<p>partner to design, finance and build a facility to provide a public service. The private partner then leases the facility to the local government for a specified period after which ownership vests with the local government. This approach can be taken where local government requires a new facility or service but may not be in a position to provide financing.</p>	<p>vehicle fleets, water and wastewater treatment plants, solid waste facilities and computer equipment.</p>	<p>innovation</p> <ul style="list-style-type: none"> • lease payments may be less than debt service costs • assignment of operational risks to private sector developer • improve services available to residents at a reduced cost • potential to develop a “pay for performance” lease 	
<p>6 Temporary Privatization</p>	<p>Ownership of an existing public facility is transferred to a private partner who improves and/ or expands the facility. The facility is</p>	<p>This model can be used for most infrastructure and other public facilities, including roads, water systems,</p>	<ul style="list-style-type: none"> • if a contract is well structured with the private partner, the municipality can retain some control over standards and performance without incurring 	<ul style="list-style-type: none"> • perceived or actual loss of control • initial contract must be written well enough to address all future eventualities • private sector may be able to

Type of PPP	Features	Local Government Applications	Advantages	Disadvantages
	<p>then owned and operated by the private partner for a period specified in a contract or until the partner has recovered the investment plus a reasonable return.</p>	<p>sewer systems, water and wastewater treatment plants, parking facilities, local government buildings, airports, and recreation facilities such as arenas and swimming pools.</p>	<p>the costs of ownership and operation</p> <ul style="list-style-type: none"> • the transfer of an asset can result in a reduced cost of operations for the local government • private sector can potentially provide increased efficiency in construction and operation of the facility • access to private sector capital for construction and operations • operational risks rest with the private partner 	<p>determine the level of user fees, which they may set higher than when under local government control</p> <ul style="list-style-type: none"> • difficulty replacing private partner in the event of a bankruptcy or performance default • potential for local government to reemerge as the provider of a service or facility in the future • displacement of local government employees • labour issues in transfer of local government employees to the private partner
<p>7 Lease Develop Operate or Buy Develop Operate</p>	<p>The private partner leases or buys a facility from the local government, expands or modernizes it, then operates the</p>	<p>Most infrastructure and other public facilities, including roads, water systems, sewer systems, water and</p>	<ul style="list-style-type: none"> • if the private partner is purchasing a facility, a significant cash infusion can occur for the local government • public sector does not have to provide capital 	<ul style="list-style-type: none"> • perceived or actual loss of control of facility or infrastructure • difficulty valuing assets for sale or lease • issue of selling or leasing capital assets that have

Type of PPP	Features	Local Government Applications	Advantages	Disadvantages
	<p>facility under a contract with the local government. The private partner is expected to invest in facility expansion or improvement and is given a specified period of time in which to recover the investment and realize a return.</p>	<p>wastewater treatment plants, parking facilities, local government buildings, airports, and recreation facilities such as arenas and swimming pools.</p>	<p>for upgrading</p> <ul style="list-style-type: none"> • financing risk can rest with the private partner • opportunities exist for increased revenue generation for both partners • upgrades to facilities or infrastructure may result in service quality improvement for users • public partner benefits from the private partner’s experience in construction • opportunity for fast-tracked construction using techniques such as design-build • flexibility for procurement • opportunities for increased efficiency in construction • time reduction in project implementation 	<p>received grant funding</p> <ul style="list-style-type: none"> • if a facility is sold to a private partner, failure risk exists—if failure occurs, the local government may need to reemerge as a provider of the service or facility • future upgrades to the facility may not be included in the contract and may be difficult to incorporate later
<p>8 Build-Transfer-Operate</p>	<p>The local government contracts with a private</p>	<p>Most infrastructure and other</p>	<ul style="list-style-type: none"> • public sector obtains the benefit of private sector 	<ul style="list-style-type: none"> • possible difficulty in replacing private sector

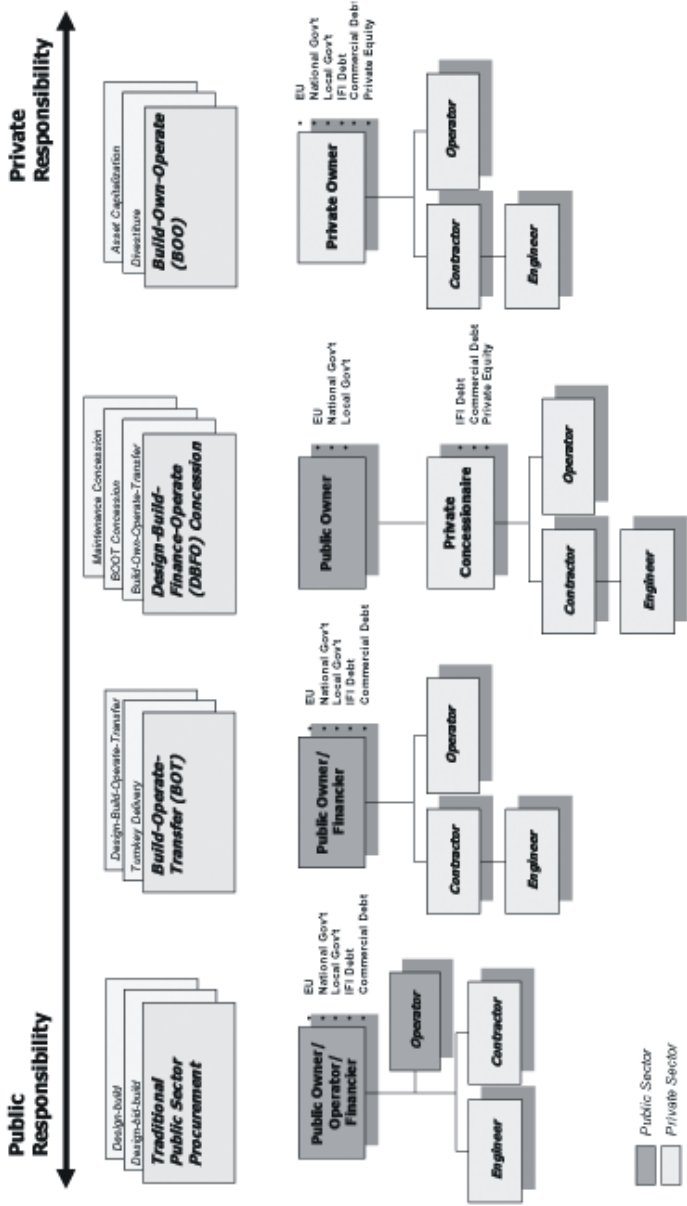
Type of PPP	Features	Local Government Applications	Advantages	Disadvantages
	<p>partner to finance and build a facility. Once completed, the private partner transfers ownership of the facility to the local government. The local government then leases the facility back to the private partner under a long-term lease during which the private partner has an opportunity to recover its investment and a reasonable rate of return.</p>	<p>public facilities, including roads, water systems, sewer systems, water and wastewater treatment plants, parking facilities, local government buildings, airports, and recreation facilities such as arenas and swimming pools.</p>	<p>construction expertise</p> <ul style="list-style-type: none"> • public sector obtains the potential benefits and cost savings of private sector operations • public sector maintains ownership of the asset • public sector ownership and contracting out of operations limits any provincial and federal tax requirements • public sector maintains authority over the levels of service(s) and fees charged • compared to a Build-Operate-Transfer model, avoids legal, regulatory and tort liability issues • under Occupiers' Liability Act, tort liability can be avoided • government control of operational performance, 	<p>entity or terminating agreements in event of bankruptcy or performance default</p>

Type of PPP	Features	Local Government Applications	Advantages	Disadvantages
			service standards and maintenance <ul style="list-style-type: none"> • ability to terminate agreements if service levels or performance standards not met, although facility would continue to permit repayment of capital contributions and loans and introduction of new private partner • construction, design and architectural savings, and likely long-term operational savings 	
9 Build-Own-Operate-Transfer	The private developer obtains exclusive franchise to finance, build, operate, maintain, manage and collect user fees for a fixed period to amortize investment. At the end of the franchise,	Most public infrastructure services and facilities, including water and wastewater systems, recreation facilities, airports, local government administration and operations buildings,	<ul style="list-style-type: none"> • maximizes private sector financial resources, including capital cost allowance • ensures the most efficient and effective facility is constructed, based on life-cycle costs • allows for a private sector operator for a predetermined 	<ul style="list-style-type: none"> • facility may transfer back to the public sector at a period when the facility is “work” and operating costs are increasing • public sector loses control over the capital construction and initial mode of operations • initial contract must be written

Type of PPP	Features	Local Government Applications	Advantages	Disadvantages
	title reverts to a public authority.	parking facilities and solid waste management facilities.	period of time <ul style="list-style-type: none"> • the community is provided with a facility, without large up-front capital outlay and/or incurring of long-term debt • all “start-up” problems are addressed by the private sector operator • access to private sector experience, management, equipment, innovation and labour relationships may result in cost savings • risk shared with private sector 	sufficiently well to address all future eventualities <ul style="list-style-type: none"> • the private sector can determine the level(s) of user fees (unless the public sector subsidizes use) • less public control compared to Build-Transfer-Operate structure • possible difficulty in replacing private sector partner or determining agreements if bankruptcy or performance default
10 Build-Own-Operate	The local government either transfers ownership and responsibility for an existing facility or contracts with a private partner to build, own and operate a	Most public infrastructure and facilities, including water and wastewater systems, parking facilities, recreation facilities, airports, local government administration	<ul style="list-style-type: none"> • no public sector involvement in either providing or operating the facility • public sector can “regulate” the private sector’s delivery of a “regulated monopolistic” service area • private sector operates the 	<ul style="list-style-type: none"> • the private sector may not operate/construct the building and/or service “in the public good” • the public sector has no mechanism to regulate the “price” of the service, unless it is a specifically

Type of PPP	Features	Local Government Applications	Advantages	Disadvantages
	<p>new facility in perpetuity. The private partner generally provides the financing.</p>	<p>and operations buildings.</p>	<p>service in the most efficient manner, both short-term and long-term</p> <ul style="list-style-type: none"> • no public sector financing is required • income tax and property tax revenues are generated on private facilities, delivering a “public good” • long-term entitlement to operate facility is incentive for developer to invest significant capital 	<p>regulated commodity</p> <ul style="list-style-type: none"> • the good/service being delivered is subject to all federal, provincial and municipal tax regulations • no competition, therefore necessary to make rules and regulations for operations and to control pricing

Appendix 2 Project Procurement Options



Source : Guidelines of successful public private partnerships', Pg. 18, European Commission

Appendix 3

Forms of PPP

Types of Contracts	Asset Ownership	O&M	Capital Investment	Commercial Risk	Duration (Yrs)
Service Contract	Public	Private & Public	Public	Public	1-2
Management Contract	Public	Private	Public	Public	3-5
Lease	Public	Private	Public	Private	8-15
Concession	Public	Private	Private	Private	25-30
BOT/BOOT	Private & Public	Private	Private	Private	25-30

Source : IL & FS

CENTRE FOR CIVIL SOCIETY

The Power of Ideas

The Centre for Civil Society is an independent, non-profit, research and educational organisation devoted to improving the quality of life for all citizens of India by reviving and reinvigorating civil society.

India got her political independence in 1947 from the British state, but we still do not have complete social, cultural and economic independence from the Indian state. We aim to limit the domain of the state and make more space for civil society.

We champion limited government, rule of law, free trade, and individual rights. We are an ideas organisation, a think tank that develops ideas to better the world. We want to usher in an intellectual revolution that encourages people to look beyond the obvious, think beyond good intentions, and act beyond activism.

We are driven by the dream of a free society, where political, social, and economic freedom reigns. We are soldiers for a Second Freedom Movement.

The Centre's *Livelihood Freedom Test* calls to test all existing and new rules and regulations for their impact on the freedom to earn an honest living. Does any law of the city restrict opportunities of any person to earn an honest living, particularly the one that requires little capital or skills? If so, then Review, Revise, or Remove.

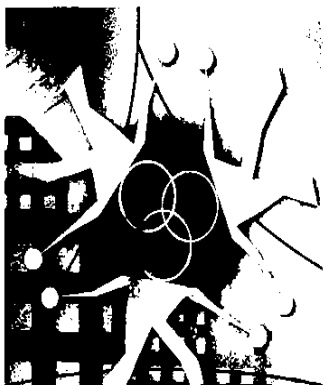
The *School Choice Campaign* is aimed at policy change in order to give education subsidies directly to the students, who would be able to choose the school they would like to attend. This will increase competition among schools and lead to better educational services. Fund Students, Not Schools. Join the Education Choice Campaign at <http://schoolchoice.in>!

CCS is creating awareness about *Ward Level Management*, where many of the current services, provided by the state and the Municipal Corporation, can be more effectively delivered by Ward Committees to their respective Ward. Decentralisation of services would bring transparency and accountability into the system.

CCS PUBLICATIONS

The Voluntary City

Markets, Communities and Urban Planning



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FOREWORD BY
Paul Johnson
COVER ILLU BY
Ramesh Ramanathan

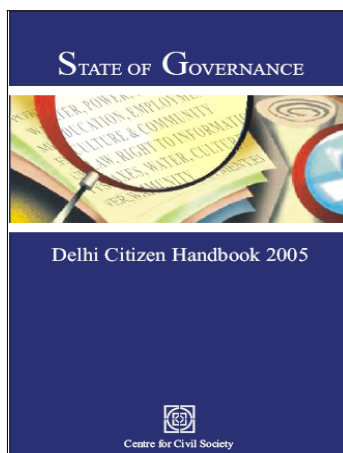
The Voluntary City

*David T Beito, Peter Gordon and
Alexander Tabarrok*

The book assembles a rich history and analysis of large-scale, private and voluntary, community-based provision of social services, urban infrastructure, and community governance to restore the vitality of city life. Such systems provide education, transportation, housing, crime control, parks and recreation, health care, employment, and more, by being more effective, innovative, and responsive than those provided through special-interest politics-as-usual and bureaucracy. The Voluntary City reveals how the process of providing local public goods through the dynamism of freely competitive, market-based entrepreneurship is unmatched in renewing communities and strengthening the bonds of civil society.

State of Governance : Delhi Citizen Handbook 2006

The handbook is a compilation of more than 30 government departments, agencies, boards and issues that ignite public debate in Delhi today. It hopes to further citizens' understanding of the workings of the government. The *Handbook* makes constructive and bold recommendations for improving the quality and effectiveness of governance.



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(continued from back cover)

Optional Reforms (Common to state and local bodies)

1. Revision of bye-laws to streamline the approval process for construction of buildings, development of sites, etc
2. Simplification of legal and procedural frameworks for conversion of agricultural land for non-agricultural purposes
3. Introduction of Property Title Certification System in ULBs
4. Earmarking at least 20-25% of developed land in all housing projects (both Public and Private Agencies) for EWS/LIG category with a system of cross subsidization
5. Introduction of computerized process of registration of land and property
6. Revision of bye-laws to make rain water harvesting mandatory in all buildings to come up in future and for adoption of water conservation measures
7. Bye-laws on reuse of recycled water
8. Administrative reforms, i.e., reduction in establishment by bringing out voluntary retirement schemes, non-filling up of posts falling vacant due to retirement etc., and achieving specified milestones in this regard *
9. Structural reforms
10. Encouraging public-private partnership*

The National Urban Renewal Mission (NURM) is a project of the central government. Through this project, the central government will fund 63 cities for developing urban infrastructure and services. The cities will have to carry out mandated reforms in return. The mission will last for a period of seven years starting December 2005. The total central government funding will be Rs. 50,000 crores. Adding the contribution of states and municipalities, the amount will go up to Rs. 1,25,000 crores over the seven year period.

REFORMS UNDER NURM

CCS research papers are available for the starred reforms.

State Level Mandatory Reforms

1. Effective implementation of decentralization initiatives as envisaged in the Constitution (Seventy-fourth) Amendment Act, 1992 *
2. Repeal of Urban Land (Ceiling and Regulation) Act, 1976 *
3. Reform of Rent Control laws, by balancing the interests of landlords and tenants *
4. Rationalisation of stamp duty to bring it down to no more than 5 per cent within seven years
5. Enactment of public disclosure law *
6. Enactment of a community participation law, so as to institutionalise citizens' participation in local decision making *
7. Association of elected municipalities with the city planning function

Municipal Level Mandatory Reforms

1. Adoption of a modern, accrual-based, double entry system of accounting*
2. Introduction of a system of e-governance using IT applications, GIS and MIS for various urban services
3. Reform of property with GIS, and arrangements for its effective implementation so as raise collection efficiency to 85 per cent
4. Levy of reasonable user charges, with the objective that full cost of operation and maintenance is collected within seven years *
5. Internal earmarking of budgets for basic services to the urban poor
6. Provision of basic services to the urban poor, including security of tenure at affordable prices

(continued on back page)



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