

McKinsey Global Institute



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India's urban awakening: Building inclusive cities, sustaining economic growth

4. First steps toward India's urban awakening

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This report has made the case that managing the path of India's urbanization is essential to its agenda of inclusive economic growth and its ability to raise the living conditions of a substantial number of its citizens. It is well within India's ability to put into action the 34 recommendations we have proposed in the next five years. If India does so, it can change the face of its cities in a decade.

However, India is in a state of deep inertia about the urgency and scale of urban reforms. Despite the perilous state of many Indian cities and the impending wave of urbanization, there seems to be comfort with the status quo, resistance to change, and a lack of recognition of the urgent need for change.

In this chapter, we discuss how India can facilitate a debate on reform and make change happen in a way that involves all key stakeholders—citizens, the private sector, and governments (national, state, and city). The 74th Amendment of India's constitution has already laid out the philosophical and legal framework for most of the changes we propose in this report. Our recommendations, in many ways, attempt to translate the intent and spirit of the amendment into specific changes that can help local governments function more effectively on the ground.

We outline a potential way for the country's leaders to put India firmly on a path toward urban renewal the effective implementation of urban reforms. And we highlight the central role of citizens and the private sector in making change happen.

CHANGE WILL REQUIRE POLITICAL WILL AND THE CATALYTIC ROLE OF THE CENTER

While all 34 recommendations are eminently achievable in the short to medium term, we recognize that varying levels of difficulty are associated with implementing them. We have accordingly organized these reforms based on the difficulty in building potential consensus around each and in their implementation. In ranking the reforms in this way, we take into account whether the solutions are completely new or have been tried somewhere in India. (see box 11, "Summary of recommendations" at the end of this chapter for a listing of recommendations in each of the five elements of MGI's proposed operating model for India's "urbanization")

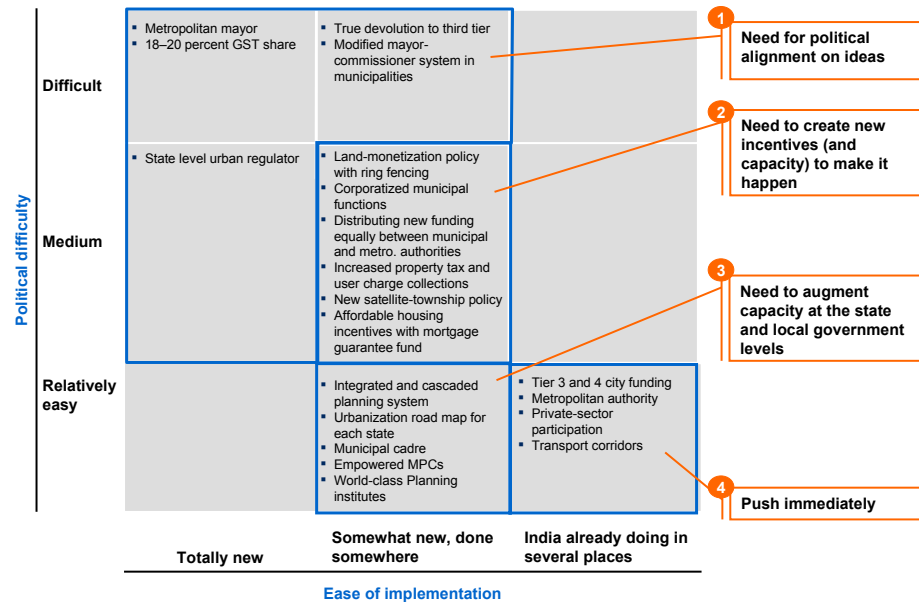
At one end, we have built some recommendations around changes that India has already attempted with a degree of success and that are therefore relatively feasible politically. For these recommendations, the next step should be to replicate on a national scale successful models that have already emerged.

At the other end lie recommendations for tough reforms that are new to India and that would require a process of building consensus and political will before implementation is possible. Many of these reforms require a strong push to create cohesion around the ideas involved, and sometimes financial incentives for the state and city governments to make change happen on the ground. In almost all cases, India needs to augment by a significant margin the physical, managerial, and financial

capacity of city governments. See Exhibit 4.1 for illustration of the segmentation of our recommendations in four categories.

Exhibit 4.1

Mechanisms to make change happen vary



SOURCE: McKinsey Global Institute analysis

The actions that India would need to take vary according to the category of reform:

- Category 1.** These are reforms that are politically difficult because they have few, if any, precedents in India. These reforms include sharing of 18 to 20 percent GST with city governments, true devolution of power, and empowered political executives for cities. Achieving progress in this category will require political alignment starting from the very top of government, perhaps from the Prime Minister of India himself.
- Category 2.** This category comprises reforms that have been tried to an extent in India with some success and that involve moderate political difficulty. These reforms include land monetization policies, ring-fenced city development funds, the separation of metropolitan and municipality functions, and the creation of a satellite-township policy. These reforms will require some push from the center (perhaps through new incentives) as well as a helping hand in drafting appropriate rules, regulations, and laws. Progressive states and chief ministers have the opportunity to push this set of reforms ahead.
- Category 3.** These reforms are somewhat new to India but are not very difficult to implement politically. The only major constraint might be India's lack of sufficient expertise and capacity in state and local government, which means that the need for assistance from the central government is even more acute. Reforms in this category include the creation of a cascaded planning system, the process of creating urbanization road maps at the state level, and the creation of a city-specific cadre.

- **Category 4.** In this category are reforms that have established precedents in India and should not involve much political difficulty. We might characterize this group as “stroke of the pen” measures. This group includes creating a fund aimed at Tier 3 and 4 cities and instituting functional metropolitan development authorities in large urban agglomerations.

Using this segmentation as a framework, we now discuss how India can take the first steps toward urban reform at the three levels of government.

The central government can catalyze urban reform by creating political alignment and by using the JNNURM as the institutional basis for action

We believe that the central government has to play a catalytic role in ensuring implementation of these reforms. This is despite the fact that, according to India's constitution, urban affairs are in the realm of state governments. The center's role is essential for three reasons. First, states have been historically unwilling to cede power to local governments. Without political push and incentives from the center, it is unlikely that change will happen. Second, the center can play a positive role in addressing, through financial as well as technical assistance, the severe capacity shortage that states and cities face. Finally, finding a path to managed urbanization is such a critical priority for India's economic future that there needs to be a national consensus on reforms—and only the central government can orchestrate it.

We think three actions by the central government can pave the way for change at the state and local levels:

- **Facilitate political alignment around category 1 reforms.** India cannot put category 1 reforms into motion unless there is a general agreement among the political parties and key policy makers. Only the central government can trigger this debate and shape national alignment on this, naturally with the active involvement of state governments and national and regional political parties. While the process will take time and require bold political leadership, an immediate step may well be to institute an empowered group of ministers or a high-powered committee to create broad national backing of critical urban reforms.
- **Launch second-generation JNNURM.** In the JNNURM, the central government has a ready-made, proven vehicle to determine the framework of reforms as well as established institutional and incentive mechanisms to push for their implementation. India created the JNNURM in 2006 to advance a set of four objectives: (1) to catalyze investments in the urban sector; (2) to ensure the integrated and holistic renewal of cities; (3) to advance the reform agenda with states and ULBs; and (4) to support capacity development to ensure the sustainability of development and reforms. After four years, these objectives continue to underpin the mission's work. But while the JNNURM has been successful in catalyzing significant investments into the physical infrastructure of cities, the mission could do a lot more to push states and cities to enforce the reform conditionality embedded in the program. While the JNNURM has used conditionality to set states on the path of urban reforms with the added incentive of financial support from the center, the center can do more to reinforce this direction. Our discussions suggest that many states and cities are now willing to go even further than existing conditionality might suggest, as long as the central government provides a framework for change. On the fourth dimension of the mission's work, the central government has a tremendous opportunity to support states and cities in building local technical, managerial, and financial capacity.

Five key changes will be particularly significant as the center launches the second-generation JNNURM:

- **Substantially increase funding support to JNNURM.** Currently, JNNURM funding support from the central government is around 10,000 crore rupees (\$2.2 billion) per year. JNNURM has already catalyzed investments in cities to some extent. However, given the enormous gap between current spending and what is required, and given the powerful nature of the financial incentive to states and cities, the central government should consider tripling the mission's annual allocation to at least 30,000 crore rupees (\$6.7 billion) per year. If, and when, a formula-based GST transfer to cities becomes a reality, India can scale back this funding to the mission.
- **Launch a new incentive fund under JNNURM to catalyze category 1, 2, and 3 reforms for willing states.** While more money is part of the answer, India needs to couple increased funding with a push for more reforms. Our discussions have revealed a reservoir of willingness, especially within the more urbanized states, to embark on the next generation of reforms. What could give a boost to these progressive states is the creation of an incentive fund within JNNURM of 8,000 crore rupees (\$1.8 billion) per year that would allocate additional financial assistance from the center to states and cities that are willing to initiate the second generation of reforms along the lines of the recommendations in this report.
- **Launch a new fund for Tier 3 and 4 cities under JNNURM.** Given the historical under investment in Tier 3 and 4 cities, and the need to bring these cities to at least a basic minimum standard in services, we recommend that a new fund with an annual allocation of 10,000 crore rupees (\$2.2 billion) be launched under JNNURM focused on these cities.
- **Bolster the program of urban capacity development.** Financial assistance, especially in a form that creates a sense of competition among states, is essential to move the reform agenda forward. But this in itself would not be sufficient. Even when the political will exists, many states and cities have been unable to leverage available funds or implement reforms, mainly because of a lack of local capacity and technical expertise (e.g., the ability to prepare detailed project reports and making changes to the property tax regime). The central government should consider investing 5 to 10 percent of any augmented JNNURM funding (2,000 crore rupees a year, or around \$0.4 billion per year) in initiatives that provide technical know-how in the short term and capacity building in the long term. This funding can be used for the deployment of specialist teams, expert assistance, hand-holding for PPP projects, and giving assistance to states and cities on the ground. At the same time, the central government should facilitate the creation of three or four large-scale, national urban institutes around the country that can provide a reservoir of technical and reform expertise that state and local governments can tap.
- **Develop framework laws and implementation models.** To complement capacity development, there is an opportunity for the center to develop model regulations, guidelines, laws, and frameworks. In most of the areas of recommended reform, the devil is in the detail (e.g., in the case of the roles and responsibilities of the commissioner and the mayor that we discussed in section 3.2). In the long term, each city should be developing its own set of urban policies and plans. However, given the distributed scale and scope of

India's urbanization and the starting point, at least in the short term the central government will need to play the role of facilitator in developing frameworks and policies that state and city governments can use as templates for driving change on the ground. A few areas require specific, urgent attention: model municipal laws for devolution, model land monetization guidelines, model regulation for city development, model guidelines for a cascaded planning system, and framework for the involvement of the private sector in the delivery of urban services.

- **Revamp and launch Rajiv Awas Yojana (RAY).** The central government is currently considering the launch of a new large-scale affordable housing program with incentives and financial support from central government for states and municipalities. We estimate that an annual outlay from the government of 15,000 crore rupees (\$3.3 billion) for RAY would trigger the creation of 1.5 million to 2 million affordable housing units a year, a significant step toward eradicating slums in India. A few key changes in the current design of the scheme can enhance the program's effectiveness, including planning for at least 30 percent of the program's construction to be of rental units, the integration of multiple housing schemes, the use of FAR incentives, and seeking contributions from beneficiaries of affordable housing based on their ability to pay.
- Both the JNNURM and the proposed RAY scheme can benefit from a revamp of administrative structure and processes, especially around three changes: converting the current approval process into a two-stage process to facilitate true costing of projects where projects are approved in principle at the first stage, and municipalities are offered an opportunity to revise estimates before final approval; requiring financial closure from municipalities and state governments before funds are released; and through setting timelines and targets for the project appraisal, review and monitoring processes

STATES AND CITIES NEED TO DO A LOT MORE; EARLY MOVERS WILL BENEFIT ENORMOUSLY

Urban reform should not just be about state governments responding to an agenda set by the center on the back of financial incentives. There is absolutely no reason for states and cities to wait for a push from the center. Indeed, it is in their self-interest to act now, not just because a lack of firm action will lead to a rapid deterioration in the lives of citizens but also because urban reforms can give states a compelling new competitive advantage against other states in attracting new investments, and creating jobs (see box 10, "The urban reform journey can deliver positive outcomes for states and cities").

For progressive state leaders, one potentially effective approach to urban reform would be to create the enabling framework of funding, planning, and governance immediately and then to apply the reforms in stages. States could start reform in a few cities at a time, and then use the experience gained as a stepping-stone to deeper reforms across all cities.

So what should the short- and medium-term priorities be for India's states?

Short term. Given that almost no state in India has even considered a holistic urban strategy, a sensible first step should be the creation of a 2030 urbanization blueprint and strategy that sets the framework for the state's portfolio of cities and its model of governance, planning, funding, and sectoral policies. These reforms should include some category 1 and almost all category 2, 3, and 4 reforms. These could

include land monetization policies, ring-fenced city development funds, appropriate frameworks for PPP, and leveraging debt in the arena of funding; the confirmation of an urban regulator law, the creation of functional metropolitan authorities, devolving power to metropolitan and local authorities, moving to a modified commissioner-mayor system at the municipal levels, and the development of frameworks for corporatization of key delivery agencies in governance; and the confirmation of guidelines on the development of concept and master plans, especially in large cities in planning. Willing states can create the blueprint for these initiatives and start applying it to a few cities in 18 to 24 months.

Medium to long term. In the medium to long term, the agenda for progressive states would be to extend reforms undertaken in a few cities to all cities within a state, and to start the process of deepening reforms. We argue that the priority should be to empower city leaderships, including allowing the direct election of metropolitan mayors, especially in Tier 1 cities and extending to Tier 2 cities within five years.

Cities need to provide a parallel thrust on urban reforms and even push state governments for devolution and other reforms—for cities that have the most at stake. We recognize the vast differences across cities in terms of their stage of development, their unique challenges, and their political constraints—factors that have a direct bearing on the urban reform agenda. Clearly, there is no one ideal journey for a city: the path of reform will vary depending on the size of a particular city and its starting point.

States and cities that take a proactive approach delineated in this report can not only escape the fate of urban chaos and gridlock but also reap enormous benefits. These benefits will translate to significant economic growth, boost tax revenue, attract new investments, and create a dramatic improvement in the quality of lives. For state chief ministers and political leaders, therefore, managed urbanization represents a powerful populist vehicle that can be the basis for winning elections, a fact that will be further accentuated by an ever-increasing share of voters being housed in urban India.

Box 10. The urban reform journey can deliver positive outcomes for states and cities

States and cities need to pursue urban reform in an integrated, mutually reinforcing manner, rather than with a piecemeal approach. As illustration, we examine how the reform journey might unfold in Maharashtra, one of India's most urbanized states.

While the state faces significant challenges in its cities, particularly in Mumbai, Maharashtra has taken a comparatively open and progressive approach to urban reform, which gives it a good starting point. However, the state could do more—and reap positive outcomes.

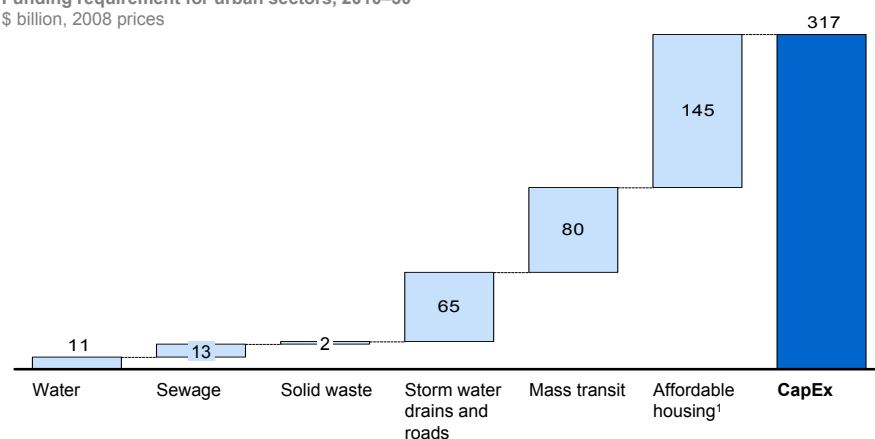
Maharashtra's urban population is set to increase from 48 million (44 percent of the total population) in 2008 to 78 million (58 percent) by 2030. The state's urban GDP will increase from 4,847 billion rupees (or \$107 billion) to 26,660 billion rupees (or \$592 billion) by 2030, accompanied by a threefold increase in urban per capita GDP from 101,000 rupees per year (\$2,250) to 341,000 rupees annually (\$7,580). In every respect, Maharashtra is at the cusp of a significant

urban transformation and, like in the rest of India, the state will see a huge surge in urban demand for services and a significantly larger need for investment (Exhibit 4.2). Cumulatively, Maharashtra will require 14,265 billion rupees (or \$317 billion) of urban capital investment over the next 20 years. The state will also need 9,315 billion rupees (\$207 billion) of operational expenditure over the same horizon. Maharashtra can fund this urban spending program by unlocking key funding levers (see section 3.1).

Exhibit 4.2

Maharashtra needs around \$320 billion in CapEx investment over the next 20 years

Funding requirement for urban sectors, 2010–30
\$ billion, 2008 prices



¹ Net of beneficiary contribution.

SOURCE: India Urbanization Funding Model; Detailed Project Reports from the Jawaharlal Nehru National Urban Renewal Mission; McKinsey Global Institute research.

Maharashtra needs to use reform to drive this investment program. We believe that the state—and its major cities—should pursue a program of reform organized into three waves:

- Phase 1 (12 months).** In the next six months, Maharashtra should develop a state urbanization blueprint and reform road map that formulates and articulates the city's urban vision. In parallel it should focus on deepening some of the institutional architectures that have already worked to a degree in the state; set the stage for new reforms; and pick the first set of city candidates for greater devolution. The creation of a state urban regulator followed by the development of policies in land monetization (including ring fencing of funds) and affordable housing are critical. The blueprint should also address the question of increasing capital investments through the four funding sources we have listed, as well as leverage any model laws and frameworks from the center (covering, for example, satellite-township policies). Other reforms could include the adoption of a modified commissioner-mayor system in ULBs in the chosen cities; the creation of metropolitan authorities with MPCs; and the corporatization of core services, including transportation, water, and waste management at the municipal levels. This would also be the right time to set up functional metropolitan authorities in at least Pune and Nagpur, in addition to MMRDA, the authority that is already functioning in Mumbai. In this first wave, the state should also decide on the first set of cities (e.g., Mumbai and Pune) that will see greater devolution and reforms to service delivery.

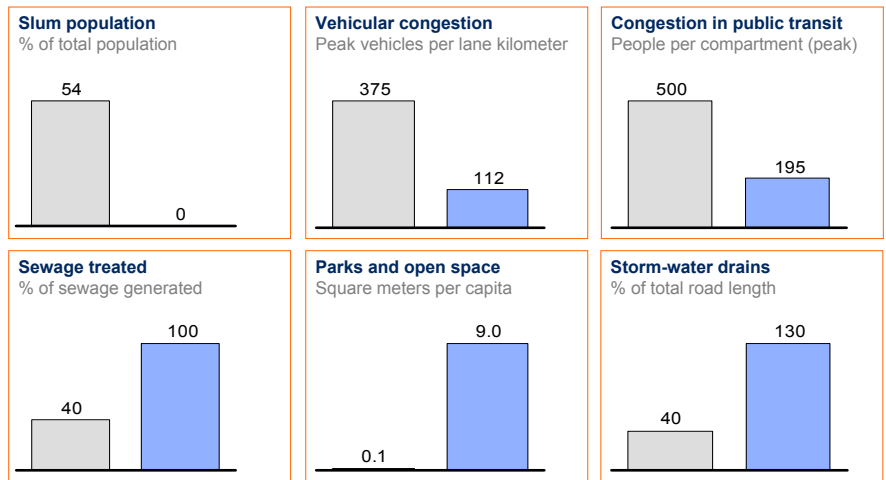
- **Phase 2 (12 to 36 months).** With a state urban blueprint in place, Maharashtra can start implementing reforms in its first set of cities (Mumbai, Pune, and Nagpur are ideal candidates). This would be the right phase for the state to start building key transportation corridors as well as pushing for new urban concept plans for at least the three largest cities in the state. The state can also develop a framework for cities to hire and develop their own municipal cadres.

For their part, cities need to use the umbrella of support for reform from states to deliver real impact on the ground for citizens.

- *Mumbai.* Mumbai's urban challenges are well known. Despite Mumbai's being the financial and commercial capital of India, its citizens experience a poor quality of life. By 2030, our base case projects that Mumbai's metropolitan population will touch 33 million and its urban GDP 11,925 billion rupees (or \$265 billion), at 2008 prices. So Mumbai needs not only to clear the city's existing investment backlog but also to pre-invest in impending growth to establish itself as one of India's prime growth engines. To do so, Mumbai needs to make the transition to a well-resourced, proactive, and accountable urban operating model. In the context of reforms driven by the state government, Mumbai could push for five initiatives in the short term: (1) build on its existing metropolitan authority structure and make a MPC-MMRDA combination work. The city also needs to demarcate clearly the responsibilities of metropolitan authorities and ULBs; (2) accelerate the internal generation of funds through new land monetization policies and leverage these funds using debt and PPP; (3) complete and make statutory a long-term 2032 and 2052 concept plan made binding on local municipal development plans; (4) put in place a modified mayor-commissioner structure at the municipal level for all corporations in the region and corporatize key services in its largest municipalities (e.g., Municipal Corporation of Greater Mumbai, Thane Municipal Corporation); and (5) put in place and disburse a capital investment program of 330 billion rupees (or \$7.3 billion) per annum (200 billion rupees, or \$4.4 billion, from MMRDA and the rest from municipalities) over the next five years. If Mumbai is successful in pushing through these initiatives, the turnaround of the city would be dramatic in just five years (Exhibit 4.3).
- *Pune.* The same holds true for a city such as Pune, whose challenge is to manage its rapid development and growth before it faces challenges on the scale that Mumbai faces today. Many of the reforms that Pune should consider are similar to those we suggest for Mumbai, including the creation of a metropolitan authority, the need for a concept plan, creating a ring-fenced Pune city development fund, creating a plan to unlock the four sources of funding for the city, creating a modified mayor-commissioner system, and creating corporatized agencies in water, transportation, and waste management at the municipal level. In terms of capital investment, Pune will need to execute a capital investment plan of 68 billion rupees (or \$1.5 billion) per annum over the next five years, with 34 billion rupees (or \$0.75 billion) coming from a newly constituted metropolitan development authority and the rest coming from the municipalities. Pune, too, can achieve compelling benefits (Exhibit 4.4)

Exhibit 4.3

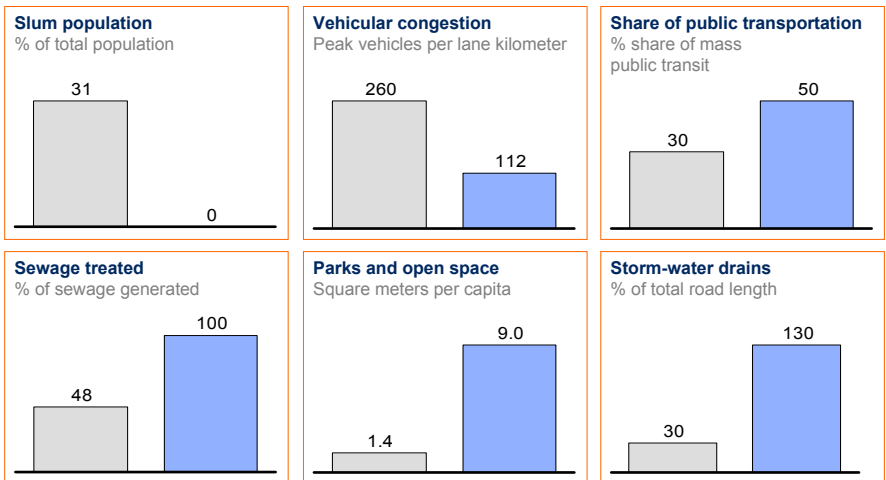
If Mumbai were to adopt recommended reforms, the city would be transformed



SOURCE: United Nations; City Development Plans; The Energy and Resources Institute; Planning Commission; Census 2001; McKinsey Global Institute analysis

Exhibit 4.4

Pune could secure compelling improvements in its citizens' quality of life if the city embraces reform



SOURCE: United Nations; City Development Plans; The Energy and Resources Institute; Planning Commission; Census 2001; McKinsey Global Institute analysis

- **Phase 3 (three to five years).** In the third wave of urban reforms, Maharashtra should consider extending reforms to all the cities in the state, including greater devolution of powers; modifying the leadership of cities to mayor-commissioner systems; and pushing for the corporatization of delivery of all key services. The lessons from the first and second waves will provide a solid platform and a rich set of experiences that the state can use to extend reforms. This will also be the right stage at which to deepen reforms, including allowing metropolitan regions (especially in Mumbai, Pune, and Nagpur) to elect their mayors directly.

A VOCAL CITIZENRY DEMANDING ACCOUNTABILITY IS ESSENTIAL TO CHANGE IN CITIES

While governments have an enormous opportunity to change the face of cities in India, their appetite for change will be bolstered, and many times triggered, by a citizenry that actively demands accountability for the fate of the cities in which they live. While many dispersed citizen movements exist around the country and many outstanding organizations focus on urban causes, the focus by and large has been on roads and potholes. The time is ripe for a fundamental awakening of India's urban citizens. The worst victims of the consequences of inaction will be those very citizens. And it is not just the poorest of the poor who will bear the brunt of urban deterioration if India fails to embark on reform, life will get tougher for every urban resident. History teaches us that change has happened on the ground in cities around the world when citizens have asked for local representation and local accountability for the city's direction, the right amount of funding for the city's development, and improvement in the quality of services delivered. It is time for the citizens of India's cities to recognize that the fate of their future is in their hands. And that the only way to get the improvement that they seek in their lives will come from their advocacy for reforms, including having leaders who represent them, having mechanisms that tell them how well their city is delivering services, and having ways to hold their leaders and organizations accountable.

First, the citizens of India's cities need to understand the complexity of the urban transformation, gaining a perspective on the actions available to them to create real results on the ground. While this report offers a perspective on the urban challenge and ideas for the way forward, citizens need to be convinced on both. Second, the focus of citizens needs to shift from small, reactive, noninstitutional demands to a call for fundamental institutional change. Too often, citizens have expended energy on specific projects or causes that, while worthy, have not had the transformational impact on the ground that India's cities desperately need. In short, India's urban residents need to stop asking their political leaders to "fix the roads" and instead ask them to "fix the institutions that fix the roads."

The demand for institutional change needs to be incessant. Citizens should demand implementation of the reform agenda at every election, every forum, with every state government leader with whom they come into contact, and through every media outlet that will be supportive of their cause. Unless there is a systematic campaign to create a groundswell of support and clamor for change in India's cities, the reform agenda seems destined to be stuck in a pincer between the complexity of the task and the reluctance of state governments to drive change.

THE PRIVATE SECTOR HAS AN OPPORTUNITY TO BE A SUPPORTIVE PARTNER TO PROGRESSIVE CITIES

Citizens demanding change will catalyze India's urban transformation, together with action from progressive state governments that understand the urgent need for change. But a key stakeholder and partner in this transformation is the private sector. For any private institution whose future is linked to India's economic future, urbanization is an issue of vital importance. The ability of cities to create thriving living conditions, facilitate networks that foster innovation, and in general create the basis for attracting talent will be crucial to the ability of private companies to house themselves in productive settings that trigger growth. As investors, they therefore have the obligation to demand urban transformation as a prerequisite for investment—and lobby a lot more vigorously than they have in the past.

It is also in the business interests of investors to engage. India's unprecedented urbanization represents an attractive new investment opportunity for the private sector. As explained earlier, the rise of a new urban population and the accompanying fivefold increase in per capita incomes will accelerate demand in markets across the spectrum, from consumer markets to infrastructure to services. Equally important, urban reforms will unlock a whole new market for private participants in assisting city governments to meet the impending, explosion in demand for urban services, including water, sanitation, waste management, public transportation, and affordable housing. Many billion-dollar businesses will be built on the back of these opportunities. With limited internal capacity and investment resources in the short term, governments will need assistance from the private sector to build infrastructure and to deliver and maintain services. As we have discussed, we project that \$2.2 trillion in new urban spending will be necessary over the next 20 years, including \$1.2 trillion in new capital investment. For the private sector, this represents an exciting new opportunity that will also transform India's urban landscape.

It was evident from our visits to states that the private sector today is simply not geared up to address this opportunity. Companies therefore need to think through urgently how they can bring their financial and managerial capacity to bear on the difficult but exciting task of India's urban transformation.



It is easy to be skeptical about India's ability to transform its cities. But we are optimistic. The recent past shows that once India engages in a national discussion, as it did on economic reforms, action soon follows. The same needs to happen now, urgently. Nothing less than the sustainability and inclusiveness of India's economic growth are at stake.

Box 11. Summary of recommendations

1. Funding

- Spend \$2.2 trillion in cities over the next 20 years, including \$1.2 trillion in capital investment (eight fold increase in spending from \$17 per capita per year today to \$134)
- Make Tier 1 and Tier 2 cities near self-sufficient (around 80-85 percent) through monetizing land assets, maximizing property tax collections, recovering O&M costs through user charges, and pushing for greater leveraging of debt and private participation
- Create a sufficiently funded grant system from state and central governments by tripling annual JNNURM allocation in the short term and sharing 18-20 percent of GST with cities in the medium term
- Give an additional support to weaker Tier 3 and 4 cities from the central and state governments of at least \$20 per capita per year
- Distribute government grant and land revenues equally between municipal and metropolitan authorities
- Create the enabling mechanisms such as a "ring-fenced" city development fund, an effective accounting system and a vibrant municipal bond market

2. Governance

- Devolve real power to cities by implementing the 74th constitutional amendment in full
- Institutionalize metropolitan structures for at least 20 urban agglomerations with multiple municipalities
- Implement the modified mayor-commissioner system in at least 35 to 40 cities
- Allow for directly elected mayor for metropolitan areas in the medium term; rely on metropolitan authorities in the short term under the Metropolitan Planning Committee (MPC)
- Modernize service delivery structures, including corporatization of select municipal functions and leveraging targeted private sector participation
- Improve local government capacity through creating a new city cadre and allowing lateral hires from the private sector
- Drive transparency and accountability in city government through city charters, MOUs between mayors and agencies and through a state-level urban regulator

3. Planning

- Devolve the planning function to local governments by empowering MPCs to create statutory metropolitan plans and transferring local urban planning powers to municipalities
- Execute an integrated, cascaded planning system consisting of 20 year master plans at metropolitan and municipal levels containing calculations of predicted population, GDP, required transportation, affordable housing and other urban infrastructure as well as land use and FAR norms
- Create well-resourced planning organizations at metropolitan and municipal levels and innovate with latest planning technologies and models
- Create tight execution and enforcement mechanisms for city plans with a transparent system for exemptions and sufficient public participation
- Build sufficient urban planning capacity by building six to eight world-class urban-planning institutes to train 3,000 to 4,000 planners annually

4. Sectoral policies: Affordable housing and climate-change mitigation

Affordable housing

- Encourage metropolitan governments and municipalities to plan for affordable housing and allocate land dedicated for this purpose
- Mandate 25 percent area for affordable houses in new developments above an acre, with associated incentives

- Offer a basket of incentives (additional FAR of up to 1, capital grant, utilization of 5 percent incentive area for commercial use, interest rate subsidies and favorable tax regime) to developers and state housing boards to trigger new affordable units and slum redevelopment
- Create flexible affordable housing solutions with 30 percent rentals and 5 to 10 percent dormitories
- Create a national mortgage guarantee fund to spur lending to low-income groups with an initial corpus of 15 billion rupees and capital adequacy ratio of 12 to 15 percent
- Consider creating a corporatized agency for affordable housing within metropolitan authorities and rental management companies to operate and maintain rental stock

Climate-change mitigation

- Reduce vehicle emissions by nearly 100 million tonnes of CO₂ equivalent through greater use of public transportation, improving vehicle efficiency, and use of electric vehicles
- Reduce emissions by nearly 310 million tonnes CO₂e by reducing energy consumption in buildings, appliances, lamps and street lights
- Improve city design to develop energy-efficient clusters to abate nearly 30 million tonnes CO₂e

5. Shape

- Facilitate distributed urbanization
- Renew Tier 1 cities through a substantial new capital investment program of \$288 per capita annually
- Preemptively shape the trajectory of the largest Tier 2 cities, through \$133 per capita investments a year
- Nurture top 100 specialist cities focused on sectors such as tourism and manufacturing through a capital investment program of \$96 per capita a year
- Raise the quality of life to at least a basic standard in smaller Tier 3 and 4 cities through minimum government support of \$20 per capita per year
- Facilitate 20 to 25 new cities near the largest 20 metropolitan areas by providing adequate infrastructure such as water, electricity and transportation links
- Seed future urbanization by building 19 transportation corridors linking Tier 1 and Tier 2 cities

