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International Housing Coalition
Supporting Housing for All in a Rapidly Urbanizing World

FIRE-D: A sustainable essential infrastructure upgrading Program for the Urban Poor in India

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SUMMARY: This 16-year urban infrastructure-upgrading project highlights the long-term dedication sometimes required to create the enabling environment for sustainable major infrastructure upgrades. Of particular importance in this project were the improvements necessary in local, state and national regulatory institutions to encourage private participation and ensure financial sustainability.

Background

The past 50 years have witnessed the extraordinary growth of Indian cities. Although still a predominately rural country, India's urban population now exceeds 360 million, and projections are for it to reach almost 600 million by 2030. This phenomenon will challenge the country's ability to provide adequate infrastructure and essential services for the burgeoning urban population, especially for the urban poor.

FIRE-D

In 1994, USAID/India launched the Financial Institutions Reform and Expansion — Debt and Infrastructure Project, or FIRE-D, a collaborative effort to improve essential urban infrastructure, primarily water and sanitation, throughout India's cities. FIRE-D consisted of three distinct phases taking place over 16 years and ending in 2011. The project worked in 15 states and more than 70 cities throughout the country. FIRE-D was made possible through $23.8 million in technical assistance grants and $55 million in guaranteed loans for capital investments.

Operations

The project used an iterative process to identify problem areas and their underlying causes, and then to test, through pilot activities, innovative approaches to planning, design and finance of urban infra-structure. The most successful projects were then expanded to state and national levels through policy

reforms. The nature of the projects evolved as lessons were learned. Throughout the pilots and expansion periods, programs were most successful when they addressed the interrelatedness of different factors that improve the lives of the urban poor: the environment, infrastructure, poverty reduction, finance and governance.

Phase I (1994-99) concentrated on the development of commercially viable demonstration infrastructure projects from the private sector. As Phase I drew to a close, it became apparent that without state-level policy reforms and improved urban management, large-scale urban infrastructure projects and increased participation of the private sector would be difficult.

Phase II (2000-04), therefore, focused on changing development practices for water and sanitation projects; fostering policy reforms at the state level; facilitating cooperation among the national, state and local governments; increasing revenues for municipalities; and promoting improved governance and financial management practices at the municipal level.

Phase III (2005-11) emphasized a more comprehensive approach by broadening and deepening the participation of stakeholder groups, especially the participation of the urban poor, in the planning and implementation of urban infrastructure projects. It also focused on building the capacity of participating municipalities, increasing investment in urban infrastructure through innovative finance measures, and creating sustainable government and nongovernment networks for promoting accountability. The final two years of the FIRE project focused on slum-upgrading strategies in two large states to demonstrate how infrastructure projects, particularly water and sanitation, can be carried out at a large scale.

Much of the work developed, tested and disseminated by the FIRE Project was incorporated in the Jawaharlal Nehru National Urban Renewal Mission, or JNNURM, the Indian government's $20 billion, seven-year national program to improve living conditions of the urban poor throughout the country, which was launched in 2005.

Results

The innovative accomplishments of the FIRE-D project include:
- The introduction of tax-free municipal bonds for the finance of water and sanitation projects for the urban poor.
- The establishment of credit ratings for municipalities.
- The introduction of "e-governance" to municipalities which attempts to make Indian government services accessible electronically at the local level through national service centers located throughout the country.
- The development of commercially viable structures for infrastructure projects, especially water and sanitation projects.
- An increase in target municipalities' "own source" revenues since 2005 of $2.8 billion and the investment of more than $400 million in water and sanitation services, reaching more than 2.2 million beneficiaries.
- The leveraging of more than $1.2 billion in water and sanitation investments.
- The creation of City Partners International to carry on after project completion. CPI raises grants and makes impact investments using market-based strategies for urban infrastructure improvements and has partnered with the Infrastructure Development Finance Company to form the FIRE-D Foundation.
- The publication at the project's completion of a 300-page guidebook, "Developing Sustainable and Inclusive Urban Infrastructure: A Guidebook for Project Implementers and Policy Makers in India."

Keys to success

The FIRE-D project confirmed that a nationwide effort to improve essential urban infrastructure for the poor can succeed only through a comprehensive and inclusive problem analysis, followed by the development and testing of innovative finance mechanisms and technical solutions, and institutional strengthening. The project demonstrated that a long-term commitment of a donor agency is required to create institutions capable of sustained efforts to address complex urban problems, such as the improvement of water and sanitation services for the urban poor.

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