The Entrepreneurial Local State in India and China: Past Trends and Future Prospects

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From this viewpoint, the scalar organization of state space – from the global level of the inter-state system and the national level of state territoriality to subnational tiers of governance such as regional, local, and neighborhood-level institutions – is never fixed forever. Instead, in conjunction with broader socio-economic pressures, constraints, and transformations, it is liable to recurrent redesign, restructuring, and reorientation (Brenner et al. 2003, 5).

In Gandhinagar, the small capital city of Gujarat, renderings on signs featuring towering glass skyscrapers to be constructed within the Gujarat International Finance Tec-City draw a stark contrast with the rational and eminently modernist, planned grid system of the city.[1] The Gujarat International Finance Tec-City (GIFT) might possibly be the latest incarnation in India of what Ben-Joesph (2009) refers to as an entrepreneurial urban project and is symbolically representative of the transformative vision of a modern Indian city by Narendra Modi, Gujarat's charismatic Chief Minister. For right now, GIFT is merely a plan on paper; the complex and large financing necessary to bring the rendering to life is still in the process of being mobilized and packaged. But, in ways that will be discussed in this paper, the realization of the Gujarat International Finance Tec-City represents the frontier of possibilities in the attempt to re-vision Indian cities under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) (Sivaramakrishnan 2011).

In 2005, India embarked on a large-scale conditional intergovernmental finance scheme to induce urban reforms and augment delivery of urban infrastructure and basic services to the

[1] Gandhinagar was designed by an apprentice of Le Corbusier.

urban poor. On the surface it would appear in the design of JNNURM that the Union government is more focused on territorial improvement rather than on recasting the political economy of place. I contend that JNNURM is designed as a precursor to "opening up" the urban sector to private investment and more entrepreneurial patterns of urban governance. Consequently, I reformulate Harvey's original territory-place political economy dichotomy as a continuum. On the surface, JNNURM is an attempt by the national state to intervene in local state affairs through the use of matching infrastructure funds to condition reforms with the stated objective of getting urban fiscal affairs in order. Looking under the surface, JNNURM presages a more market-oriented, entrepreneurial approach to urban public finance, including a greater reliance on user charges for full-cost recovery of urban services and on a very large-scale monetization of land.

The general purpose of this paper is to explore the applicability of the entrepreneurial governance framework (Harvey 1989) and theories of state rescaling (Brenner 2009) in the context of national urban policy in China during the post-Mao reform period and in India since the inception of JNNURM. A cursory comparative survey of the differential trajectory of transformation in Chinese and Indian cities suggests it would be misguided to argue that a local entrepreneurial state exists in India to the extent it has been manifested in the proliferation of special economic zones (SEZs) and central business districts in cities across China. Indeed, Roy (2009) suggests that the sheer scale of informality and insurgence in Indian cities prevents local government from engaging in formal planning. Yet tracking sectoral policy shifts and various local developments suggests India seems to be on pace to replicate some of the striking urban places through public-private partnerships that have proliferated across China.

Rather, I will attempt to demonstrate that while many of the general place-making strategies and contingent public-private partnerships that define entrepreneurial local governance are shared by cities in China and India, the intergovernmental fiscal mechanisms that underpin these local conditions differ significantly. The potentialities and actual processes of state rescaling are mediated by unique, historical institutional configurations in India and China, which are products of the socio-politico-institutional configurations operating during evolving external and domestic periods (Sassen 2002). This supports the claim by Brenner (2009) of the need to provide "clearly specified empirical referent[s]" to the analyses of state rescaling strategies. In short, by focusing on intergovernmental fiscal relations I intend to shed light on the way in which institutions of local governance are (re)produced in distinct socio-political milieus at times apart from, in opposition to, or within broader global processes.

This has important implications for the way in which we think of the institutions that guide local state performance, the balancing of urban competitiveness and inclusiveness, the configuration of synergies to achieve these two objectives, and the mediation of this process by the politics of development at different scales. Furthermore, by focusing on select aspects of the Chinese and Indian experience with urban governance reform and situating it against the body of literature on entrepreneurial local governance, much of which emerged and has continued to be grounded in the experience of the United States and Europe while being applied broadly under the rubric of globalization I hope to further the production of scholarship and analysis of Asian cities that can inform alternative urban theories beyond those originating in the West (Edensor and James 2012; Roy and Ong 2011).

The remainder of this paper proceeds as follows: In the next section I briefly review the literature on urban entrepreneurial governance and the rescaling of state space. In order to bound my analysis and make for an externally valid comparison highlighting the institutional differences in China and India I restrict my review of the literature to the intergovernmental fiscal relations components of entrepreneurial governance theory. In the third section I take up limited review of the Chinese experience, focusing on the emergence and persistence of local off-budget funds and their contribution to the formation of an entrepreneurial local state. In the fourth section I draw on interviews of policy makers in New Delhi and Ahmedabad, Gujarat responsible for the design and implementation of JNNURM to develop an analytical narrative of the structure of federal government regulatory efforts in the area of local government reform in India. The final section reviews the findings while posing new questions for the future of the entrepreneurial local state in India and China.

II. Urban Entrepreneurial Governance and the Nature of Intergovernmental Relations

David Harvey (1989) synthesized the original framework for theorizing the transition from managerialism to entrepreneurialism in regimes of urban management. The transition was situated within the context of state rescaling and the larger rise of neoliberalism as a template of governance as the Fordist model of economic regulation came under increasing strain from the globalization of capital and trade flows. Cities were at the center of this transformation and Harvey observed a set of shifting alignments of actors that produced a change in the strategic emphasis of the local public sector from providing public services to promoting economic growth and job creation. The new entrepreneurialism, for Harvey, had three distinguishing features: (1) the formation of public-private partnerships for attracting external investment and employment; (2) a speculative orientation to the public-private partnership; and (3) a shift in focus from the political economy of territory to the political economy of place (Ibid., 7).

At the time of Harvey's original piece a distinct entrepreneurial turn was starting in local governance regimes in China to which I will return to in the next section. For the purposes of this paper I want to focus on how Harvey's theory situated the embeddedness of the entrepreneurial turn in local governance within the intergovernmental system. The 1980s experienced the conjuncture of two major historical trends: decentralization (or, more specifically, the devolution of expenditure functions) and deregulation of global capital and trade flows and the accompanying rise of the multinational corporation. In a functional sense, the nation-state appeared to be caught in an inexorable process of being hollowed out, or even worse, in the formulation of Ohmae (1996), facing its end. Scaled and rescaled state space, however, did not converge at the regional level in all senses.

While city management and local boosterism took an orientation toward the international, intergovernmental fiscal relations codified in *de jure* constitutional frameworks continued to serve as both a source of constraints and financial resources for the scope of local policy behavior. More specifically, cities pursuing urban development policy on the international scale were and are always locked into a dialect with the intergovernmental framework in which they are embedded (Kubler and Piliutyte 2007). Consequently, entrepreneurial urban governance – the intensified focus on economic growth through new strategies – did not originate out of information, power, or other related local asymmetries between the public and private sector but out of a joint project that was pursued *initially* in response to a significant diminution of fiscal transfers from federal governments to local governments but *continued* in a context where public authorities at multiple scales within the nation state territory retained the capacity to intervene strategically in the production and conditioning of an entrepreneurial local state (Leitner 1990).

The resulting narrowed agenda on place-making resulted in the acceleration of competition among cities to attract global capital for both jobs and urban public goods and service delivery through local fiscal incentives (Markussen and Nesse 2007).[2] Friedmann (2010) highlights the opposites inherent within this process: the city became a labyrinth of "power and disempowerment," central place-making, branding and commodification of the urban in many cities, while "sprawling suburbs steadily move outwards towards the horizon" (Ibid., 150). Displacement was not without its costs but these costs were buried under narratives of the supremacy of markets, deregulation and urban efficiency in the neoliberal agenda of Thatcher and Reagan.

The neoliberal urbanism that emerged can be characterized as flexible (Ong 2006) but not monolithic. "Actually existing neoliberalism" resulted from the process of marketization encountering existing institutional configurations within countries that mediated a country and sometimes regionally specific adaptation of objectives of market reform (Peck, Theodore, and

[2]Additionally, economic integration through regional and global trade regimes has allowed external institutions to bypass national sovereignty and intervene in the affairs of local jurisdictions. This undoubtedly affects the way we conceive of the network of actors influencing the trajectory of intergovernmental fiscal relations in a global economy (Blank 2006). For an example of a foreign corporation using a trade agreement to circumscribe local government autonomy in Mexico, see the detailed account in Gonzalez (2003) of disputes between Metalclad and Guadalcázar in Mexico under the North American Free Trade Agreement (NAFTA).

Brenner 2009; Peck, Theodore, and Brenner 2011). However, in terms of infrastructure and the development of the city, some patterns did emerge. Collective, monopolistic infrastructure systems managed by public authorities at all scales were converted to fractured, customized regulated networks of infrastructure for profit seeking by international capital (Graham and Marvin 2001). The Chinese local state does not fit all the conditions of this neoliberal urbanism framework, in part, because as Kellee Tsai points out,

> neither market-centric nor state-centric explanations are adequate for capturing the complex dynamics that may ensue from fiscal decentralization…but the observation that such apparently contradictory processes have correlated with economic growth introduces realistic informal and unintended variables into our conventional narratives about the causal dynamics of development (Tsai 2004, 20).

It is to the Chinese experience of the emergence and persistence of local off-budget funds in China that I now turn.

III. The Emergence and Persistence of an Entrepreneurial Local State in China: The Role of Local Off-Budget Funds

Since the reform period of the post-Mao era began in 1978, the local state in China has had comparatively wide responsibilities for financing and delivering urban public goods and services, education, employment creation, insurance and, in some cases, income support. While there is no explicit strategy for financing large metropolitan regions, to fulfill the social contract the local state in the early years of the reform period continued to rely on a system of local and regional bargaining to extract financial resources from state and collective enterprises. Walder (1995) argued that, as you move down the scale from large metropolitan regions to township and village governments, a private nature obtained to these institutional arrangements, creating specific incentives to capture (personally and for the public) profits generated by local industry to channel into the budget. At the time, the intergovernmental fiscal system required that provinces had to remit to the central government a fixed or adjusted revenue quota or established revenue ratios as proportional sharing. Consequently, incentives were created to keep a portion of finance off the books as off-budget funds to minimize remittances to the central government and invest in local economic growth. Good fiscal performance and management by local bureaucrats translated into promotions through the communist party cadre.

Peng (2001) also describes a form of informal privatization in the early reform period where local officials could rely on township and village enterprises in a type of government-enterprise alliance that originated in the dual tracks of reforms with incremental experiences with market experimentation. The origins of urban entrepreneurial governance in China began in this form of local state corporatism. Strong bureaucratic networks between local governments and TVEs that predated reform and opening up were sticky and mediated the transition in intergovernmental fiscal relations, and in addition to control over decentralized state bank lending, provided a consistent source of funds for infrastructure and services in the face of uncertainties with the dual track reform process (Oi 1995; Wong 1987). Hubbard (1995) locates the origin of local government entrepreneurialism with control over resources in land, capital, labor and business connections. He also argues that managing firms at different levels of competitiveness induced a high level of capacity by local governments, particularly when firms were not flexible.

With tax reform in 1994 and privatization of SOE and TVE enterprises increasing into the 1990s, the local state in China was forced to seek out alternative platforms to generate revenues. The large fiscal reform package of 1994 focused on taxes and revenue sharing, continuing the cross-subsidization of the eastern provinces through the tax sharing arrangement while doing nothing to modify the expenditure responsibilities of local government. Consequently, continued economic decentralization and accelerating urbanization had opened an opportunity for state restructuring in the area of land governance to unlock potentially new local revenues that could remain off-budget and avoid remittance to the higher levels of government. Xu and Yeh (2009, 564) document the "delicate and uneasy" relationship between center and local that emerged from continued experimentation with revenue instruments beyond legal and budgetary constraints and the control over land ownership and urban development rights. Land-based finance in the form of the real estate or leasehold tax, in addition to user charges and fees, would thus become the primary source of off budget funds for infrastructure development in Chinese cities around the mid-1990s. The monetization of land has resulted in a tremendous amount of financial capital mobilization, invested heavily in infrastructure delivery such as roads, bridges, electrical power, drinking water, sewerage, garbage collection and TV connection (De Wang et al. 2011).

Wong (1992) interpreted the sequencing of economic decentralization in advance of major comprehensive intergovernmental fiscal reform in post-Mao China as problematic, generating dysfunctional incentives and providing "motive and opportunity for the vigorous but problematic local expansion drive" (Ibid., 222). These concerns are echoed by Xu and Yeh (2005), who document the contradictions of regional competitiveness strategies and urban entrepreneurialism in China, specifically the Guangzhou region, due to the persistence of local soft budget constraints from informal, off-budget finance and the overprovision of massive infrastructure projects. Consequently, Tsai (2004) is led to conclude that Chinese decentralization neither satisfies the conditions of the local developmental state model nor the model of market preserving federalism. Off-budget financing, or the heavy reliance on informal local finance, has come at the expense of the banking sector and central government revenues but more importantly has underpinned tremendous urban spatial transformation and the attraction and retention of foreign investment, first in the coastal regions and then moving inwards.

Wong (1998) interprets the intergovernmental finance system in the context of gradualist reform as fiscal dualism, riddled with inefficiencies such as the existence of hundreds of local indirect tax rates and extra-budgetary funds and self-raised funds often totaling over 20 percent of local finance. She argues that these funds are used for the same purposes as the formal budget (education, health, road maintenance, construction, salaries, etc.) leading her to call for comprehensive reform. In a detailed analysis, Li and Sheffrin (2008) provide a schematic of problems of the tax-sharing system and point out that selling land use rights has been used to form pro-growth coalitions with the real estate sector or, more generally as a strategy for local elite capture of the benefits of decentralized state power.

In the opposite interpretive camp, Gang (1998) sees the dual system as supportive of experimentation and innovation at the local level and a natural response to the lack of political willpower by the Chinese Communist Party to comprehensively reform the system of state-owned and township and village enterprises. He documents the growth in the various sources of off-budget revenue, including public enterprises, overseas Chinese fees and fines, and revenue from land leases. He also provides evidence that there is public preference for such a system of fees and ad-hoc arrangements through informal funds for infrastructure service provision. For Gang, off-budget funds transformed urban governance through generating local autonomy to a more entrepreneurial but simultaneously responsive system of public revenues.

While the literature has documented the risks to this back-door system of finance (Bahl 1999; Bahl and Vazquez-Martinez 2006), including interregional inequality, corruption and the general promotion of bad fiscal behavior at the local level, the regulation of this system has not been beyond the purview of the central government. And here is where local off-budget finance, representative of urban entrepreneurial governance is locked into a dialectic with the intergovernmental finance system. Chien (2007) refers to this arrangement as asymmetric decentralization. Chien sees the development of off-budget finance and other non-centrally sanctioned projects in Chinese cities as innovative and entrepreneurial in the sense that originates out of the structure of local leader promotion in a single-party political system and the granting of expenditure and economic management responsibilities. Chien argues that the central government has been strategic in not asserting its power to stop local governments from proceeding with illegal financing arrangements, in her case of Kunshan a land-lease policy beginning in 1988, in order to observe the outcomes of experimentation and leave open the possibility of ex-post state endorsement by the central government.

IV. The Attempted Involution of the Nation-State in India: Enacting a Subnational Development Agenda through the Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

The post-reform period in Indian history has seen the country sustain high rates of economic growth that were initiated in the 1980s. Trade liberalization and foreign direct investment in economic sectors such as information technology, software and pharmaceuticals exercising comparative advantages, combined with steady increases in labor productivity in the large formal sector, have established India as a major anchor of global economic growth. Fundamentally, this growth is situated within the ongoing rescaling of global processes, with large Indian telecommunication and other technology-oriented firms exporting what have been historically territorially bounded business and production processes. It is also rooted in a pro-business reform regime which materialized under fragmented political support (Kohli 2006) but which has continued to underpin economic growth performance as favorable external conditions have encouraged policy makers down the path of trade liberalization, relaxed FDI restrictions and export-oriented growth.

The pro-market orientation that Indian national development policy has taken over the past thirty years combined with the comparatively high rates of growth in gross domestic product have resulted in India being considered a developmental success story. In a number of high value-added sectors, Indian firms operate and innovate at the global technology frontier and exhibit productivity levels that rival high-income countries. In the recent literature on development, this phenomenon is increasingly considered an important lesson for other developing countries: sector convergence across countries in productivity and technology holds significant opportunities and returns on investment if a country can just select the appropriate insertion point in the global economy (Rodrik 2011). Yet, the most recent phase of the insertion process in the case of India, originating out of macroeconomic stabilization and adjustment policies, has not been without its costs. A number of cleavages have emerged or, in some cases been reinforced, in Indian society. Kohli (2009) documents some of these cleavages and their political origin. What resonates from his analysis is that the failures of land reform and redistribution during the nationalistic, pre-reform period were replaced not by an similar national agenda but by considerations of the "mundane realities of who gets what, when, and how" (Ibid., 8).

Consequently, state-class alliances have been reconfigured with capital, particularly large firms such as Infosys and Tata, becoming increasingly privileged over labor, both formal and informal. While generating increases to national income, there are significant political risks to the state in terms of its ability to articulate and implement an agenda for national development in the absence of spread effects from sector productivity gains. Increasing levels of inter-state inequality in development are one such risk, with dynamic gains from trade liberalization accruing to cities in states that had preexisting infrastructure and human capital advantages. The focus on rapid economic growth as development in India overshadows acute costs to state and society in the form of legitimacy and the implications of structural features of increasing informality concurrent with high-technology sector convergence to the global frontier. These costs, and the unintended consequences of global scalar processes, are no more apparent than in the increasing levels of informality and vulnerability in the urban labor markets. Despite being the spatial scale driving economic growth (Mitra and Mehta 2011), cities are incapable of absorbing the rising number of urban residents into employment opportunities to equitably distribute the gains from economic growth, resulting in sharp income and spatial divisions in the city. Addressing the spatial referents of these divisions, dislocations and class cleavages has become a central priority of national policy makers.[3] For our analysis, what is important is that the grounded nature of these divisions position the management of intra-urban inequalities at the scale of local government while their origin, in part, resides at a scale distinctly higher than the scale of the city.

To a degree, the Indian welfare state has the capacity to mediate some of the labor dislocations from trade liberalization and has done so, for example, in the recent expansion of the National Rural Employment Guarantee Act (NREGA) and the Right to Food Act (RFA). But the welfare state in India has recently come under increasing strain from the rapid rise in demand for public goods and services. This rise is increasingly concentrated in the country's metropolitan regions and has exposed weaknesses in the local unit of the fiscal federal system. The strain becomes evident if we consider the generalized nature of the demand for local public goods and services in Indian cities and the increasing diversity and complexity of the demand schedule.[4]

[3] The 11th Five Year Plan states, "The time is ripe to formulate a long-term National Urbanization Policy indicating the emerging pattern of urbanization and measures to channelize future urban growth in an equitable and sustainable manner…The objectives of balanced and sustainable development are to be achieved by reducing spatial disparities (Planning Commission 2008, 395).

[4] This is not unique to India. The increasingly complex and complicated demand schedule for local public goods and services appears to be a pathology of late globalization and indicative of the fractured space of the national-state territory.

Competing claims on scarce local public funds, in effect, have bifurcated between high-end infrastructure that services capital accumulation by middle-class and high technology sectors and basic services to the urban poor and middle-class. This tension, though seemingly omnipresent in cities around the developing world, is exacerbated in the Indian context because of previous national industrial policies that emphasized but failed to generate balanced development while preventing the emergence of industrial clusters. According to Lall et al. (2010), the absence of industrial clusters has resulted in present conditions whereby nearly *all* cities are inclined to compete for private investment by promoting city "competitiveness". This policy orientation has the effect of channeling a disproportionate amount of resources to improving the productivity of private capital *at the expense* of more generalized infrastructure delivery for the burgeoning urban population that works in the low-skilled urban formal and informal sector.

Gnaneshwar (1995) chronicles the evolution of urban development policy in post-reform India and details the political obstructions to implementation of policy that resulted in "unplanned, unregulated and hence, chaotic urban development." His analysis leads to the conclusion that two primary issues constrained the local unit of the fiscal federal system: resource constraints and neglect of urban development in the Indian federal system. The cumulative effect of these legacies over the post-reform period has been to generate, in the areas of revenue and expenditure policies, a disembedded dependence of local governments. Despite evidence that there are significant opportunities for local governments to coordinate investment and exchange in small and medium-sized manufacturers like they did in China (Humphrey and Schmitz 1996), Gnaneshwar indicates that state governments have historically "exercise[d] decisive authority in policy-making at sub-national levels and in providing an urban local government with required administrative and fiscal powers" (Op. cit., 310). This dynamic has been compounded in the context of the provision of special economic zones (SEZs) in India which have been driven largely by state-level politics and an alliance between state government and quasi-public parastatals that control large swaths of the land on the urban periphery, disembedding elected officials and bureaucrats within municipal corporations from the local contexts they are responsible for planning.

The notion that urban local bodies exhibit a disembedded dependence was highlighted in a discussion on the logic of Union government intervention by Prime Minister Manmohan Singh in his announcement of the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) in December of 2005, "Cities…have not been enabled to look inward and build on their inherent capacities, both financial and technical, and instead are still being seen in many states as 'wards' of the State governments. This should and must change" (Sivaramakrishnan 2011, 14). In terms of gross expenditures, it is clear that local government serves only a passive role in managing the urbanization process and, by extension, national economic growth. The combined expenditure of municipalities declined from 1.74 percent of GDP in 2002-03 to 1.54 percent of GDP in 2007-08 (GOI 2009). It is precisely the reversal of the condition of disembedded dependence that the Union government seeks to address through scaling "down" its intervention to the metropolitan level.

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was initiated in 2005 and over the past six years has been allocated approximately 31,500 Crores (approximately USD $6 billion) of Union government financing (Sivaramakrishnan 2011, 27). These outlays were matched by state and local government budgetary support to come close to hitting the original target of USD $20 billion in infrastructure and housing finance. It is a flagship program of the Union government and has been promoted heavily on political party lines by the Indian National Congress Party. The JNNURM is not unique in the recent history of intergovernmental fiscal relations, but represents an intensification through even larger fiscal incentives to condition subnational governance reform.[5] It was envisaged and designed as a modified structural adjustment program with budgetary support for urban infrastructure and housing in 63 cities with nearly an equal focus on physical infrastructure asset creation (roads, flyovers, and public transport systems) and ensuring basic services to the urban poor through slum upgrading. Central government matching funds of up to 50 percent of project costs were conditional on states and urban local bodies implementing a set of mandatory and optional reforms. Some of these reforms are listed below.

Table 1: JNNURM Mandatory Reforms

	Mandatory reforms
State-level reforms	• Full implementation of 74th CAA • Repeal of Urban Land Ceiling Act (ULCRA), 1976 • Reform of rent control laws • Rationalization of stamp duty • Enactment of public disclosure law • Enactment of community participation law
Urban-level reforms	• Adoption of modern accrual based double entry

[5] Previous recent, though smaller scale attempts include the City Challenge Fund and the Urban Reform Incentive Fund in 2003.

	accounting • E-governance • Reform of property tax, ensure collection efficiency reaches 85% • Levy of user charges for services • Internal earmarking of budgets for urban poor • Provision of basic services to the poor including security of tenure

Source: http://jnnurm.nic.in

On the face of it, the policy trend in intergovernmental fiscal relations pushed by the Union government suggest it is attempting to modify the relative autonomy to act to the subnational scale through the empowerment of local government. This would appear to be the standard *de jure* decentralization objective of moving government "closer to the people" and granting revenue authority to match expenditure assignment. According to some the true intention was focused on redistributing public revenues to enhance local government fiscal capacity and improve local governance while concurrently attempting to change *de facto* intergovernmental relations at the scale of the state through implementation of the 74th Constitutional Amendment (Kennedy and Zerah 2008). Yet, paradoxically, it appears after the first phase of JNNURM that the bureaucratization process that has accompanied the implementation of JNNURM has generated a *recentralization* of bureaucratic and policy authority at the state government scale.

In addition to regularizing the governance reform process, municipal corporations and urban development authorities have to comply with a host of requirements for Union government outlays to be disbursed. These requirements include the design of city development plans (CDPs), detailed project reports (DPRs), quarterly progress reports (QPRs), and memoranda of agreement (MoA). Each of these requirements is associated with various components of the Mission and were intended to guide implementation of the Mission, from setting the future vision for the city in the CDP to guiding the interactions between levels of government through the MoA. DPRs were supposed to detail all aspects of the project – design, implementation and beneficiaries. While all intergovernmental finance programs have documentation requirements, what makes JNNURM unique is that the materiality of governance associated with JNNURM is intended to serve as a primer for other cities in their efforts to plan local development. Each statutory item flows upward through bureaucracies at the state and Union government scale for screening and to be approved or disapproved in the final by the Sub-Missions for JNNURM under the Ministry of Urban Development. These requirements have generated a new round of bureaucratization, with oversight committees being created at each tier of government.

The first phase of JNNURM recently came to an end. What have been the institutional results of this historic intervention of the federal government? While it is still early to draw a conclusive picture, Mahadevia (2011) suggests that JNNURM has induced a "projectification" of the city, competing agendas for and policy confusion surrounding poverty alleviation and infrastructure development, and the creation of a "predatory state" focused on land grabs. In his survey, Sivaramakrishnan (2011) indicates that, at a minimum, JNNURM has put the urban question on the national political agenda in India. What has transpired, then, is the attempted involution, or "drawing down", of the national-state to its metropolitan regions. This is the neo-statist approach to entrepreneurial city governance reform stated in Jessop and Sum (2000) but induced by a peculiar mix of urban authorities seeking fiscal resources from higher tier governments and the national state attempting to funnel state finance to the local level to induce change. In short, it would appear that local entrepreneurial state in India is not independent from the nation-state but is rather, in the Indian case, born out of continued downward fiscal extension of the nation-state under contemporary globalization.

Though 63 cities officially participated in the first round of JNNURM (2005-2012), the distribution of the funds for urban infrastructure is skewed toward the largest cities in the strongest states. According to figures in Sivaramakrishnan (2011, 31), approximately 73 percent of Union-sponsored financing went to eight states: Maharashtra, New Delhi, Tamil Nadu, Gujarat, Uttar Pradesh, Andhra Pradesh, Karnataka, and West Bengal. The cities that were the principal beneficiaries of JNNURM funding have been Mumbai, Chennai, Pune, Bangalore, Kolkota, Hyderabad, and Ahmedabad. These cities are also the largest metropolitan regions in the country by population and have the largest and most dynamic regional economies. This alone does not prove that there exists a de facto fusing of the local government with the Union government but it does suggest a closer financial relationship is being forged with the country's metropolitan governance structures

It is clear that, by design, the Union government was attempting to generate urban competitiveness through the provision of infrastructure finance with conditions that urban property markets be reformed – public land converted through market transactions – as well as enhanced property tax collection and user charge levies. The one-size-fits-all policy turn in intergovernmental fiscal relations represented by JNNURM, however, also points to a fundamental tension within the managerial-political-institutional nexus regarding the simultaneous realization as a national development goal globally competitive cities that are simultaneously also inclusive of the poor (Ahmed et al., 2011). Furthermore, within the implementation of the JNNURM, the linkages between the reform side of the Mission and the project side were only established at the bureaucratic level, not at the legal level. Consequently, what emerged was a complex bargaining game between state-level governments on terms of the grant outlay for projects as a function of the progress of the reform package.

In any case, JNNURM could not modify the authority of state governments as gatekeepers both in a legal sense and *de facto* in their oversight role of the project proposal, design and approval process under JNNURM, though the full realization of the 74th constitutional amendment and the full devolution of authority over metropolitan planning to the local level was the intention.[6] In fact, under certain conditions such as those that exist in Gujarat, it might have actually reduced the relative planning autonomy of local government and shifted authority to state governments. Where the political parties in the municipal corporations, urban development authorities and State Chief Minister are all aligned, authority for coordinating spatially and functionally the use of funds would be vested in the state level government in their supervisory role. This might explain why Ahmedabad, a city with a significant history of incremental slum upgrading, devoted nearly all their basic services for the urban poor (BSUP) funding to constructing multi-story housing complexes on the urban periphery to house people displaced by the infrastructure projects. Consequently, JNNURM might have indirectly induced more

[6] Interview

entrepreneurial governance, with some states like Gujarat using JNNURM funds to leverage future private global investments.

Table 2: JNNURM-Related Bureaucracies

Union government	-National steering group -Ministry of Urban Development • Central Sanctioning and Monitoring Committee -Ministry of Urban Employment and Poverty Alleviation • Central Sanctioning and Monitoring Committee -Technical Advisory Group
State government	-State Level Steering Committee -State Level Nodal Agency

It appears that although JNNURM was large enough to incentivize participation by state and local governments, it was not significant enough in design or implementation to actually affect the nature of intergovernmental relations. On the contrary, it might have actually retrenched preexisting scalar politics of urban development. Punjab forfeited JNNURM funds by refusing to reform property tax collection rates while, for a time, West Bengal's Chief Minister, Mamata Banerjee, was encouraging Kolkata Municipal Corporation to stop sending water bills, a key local reform measure in the JNNURM program.[7] Yet, some sectors experienced a significant proliferation of public-private

[7] Interview.

partnerships in urban service delivery, setting the stage for mobilizing a significant pool of financing in the future.[8]

V. Conclusion

Local governments in India and China continue to face external and internal structural and contingent pressures to reform the way they govern lives within urban space and engage in place making activities. While the conjuncture of decentralization and globalization has led to very fixed notions of the decline of the nation state vis-à-vis some regional configuration of capital-subnational state alignment, this paper has attempted to elaborate a framework for theorizing entrepreneurialism as a form of urban governance in a dialect with the intergovernmental fiscal system of a country. The case of off-budget funds in China demonstrates that local governments can be "disciplined" from a distance, simply by withholding tax revenues and maintaining a watchful eye. Institutions adapt. In India, the federal government continues to experiment with top-down intergovernmental grant schemes to induce local governance reform, which have been used many times before in India's federalist history, but which continue to confront a dynamic variegated political context that stifle one-size fits all approaches.

China and India both demonstrate that the politics of development is now constituted across scales of state space (Brenner 2004). From the metropolitan to the state

[8] It is important to note that there was a crowding out effect whereby state and local governments were ultimately able to get cost free loans, in monetary terms, crowding out private finance in the urban sector. In theory, the reform conditions were supposed to be the cost of accepting funds with the intention of leveraging those grants transfers for private investment. Solid waste management and water sectors seem to have obtained the most interest from the private sector.

and provincial scale, the public sector is active in attempting to leverage scale and urban governance reform to generate positive development outcomes as cities are increasingly seen as “engines of economic growth” and as home to the majority of the countries’ population. Consequently, the rigid model of privatization as driving urban entrepreneurial governance does not hold. If the past forty years is emblematic of the next forty, then China is well on its way to urban prosperity. However, this is not without consequences as income inequality rises and the system confronts crises of legitimacy from overreliance on land as collateral for loans, resulting in land grabs, human displacement and increasing social agitation (Friedmann 2005).

Management of these processes is no longer bound within the state hierarchy but distributed across networks of actors, increasingly the private sector but also a robust NGO sector in India. Planning consultants have played a prominent role in the development of the material aspects – e.g. City Development Plans, Detailed Project Reports – of the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). As such, they are being drawn into the decentralized state planning apparatus. On the face of it, it would appear that these private actors[9]) are lending an entrepreneurial orientation to local government. Perhaps, as it seems in the case of *Vision Mumbai*, produced by McKinsey & Co., they are just providing political cover for a subtler neo-liberalization of Indian cities. This returns us to the Gujarat International Finance Tec-City in Gandhinagar, Gujarat. In this context, it does not seem a stretch that with political aspirations beyond the state, Narendra Modi is actively rescaling the politics of urban

[9] Sometimes they are public entities such as universities, as was the case with the Center for Environmental Planning and Technology’s (CEPT) involvement in Gujarat developing the CDP for Ahmedabad.

development to achieve a vision of modernization and urban governance that gets him elected to the next Chief Minister.

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