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Urban India: Challenges & Opportunities

*Eleventh Annual Neemrana Conference
January 2010*

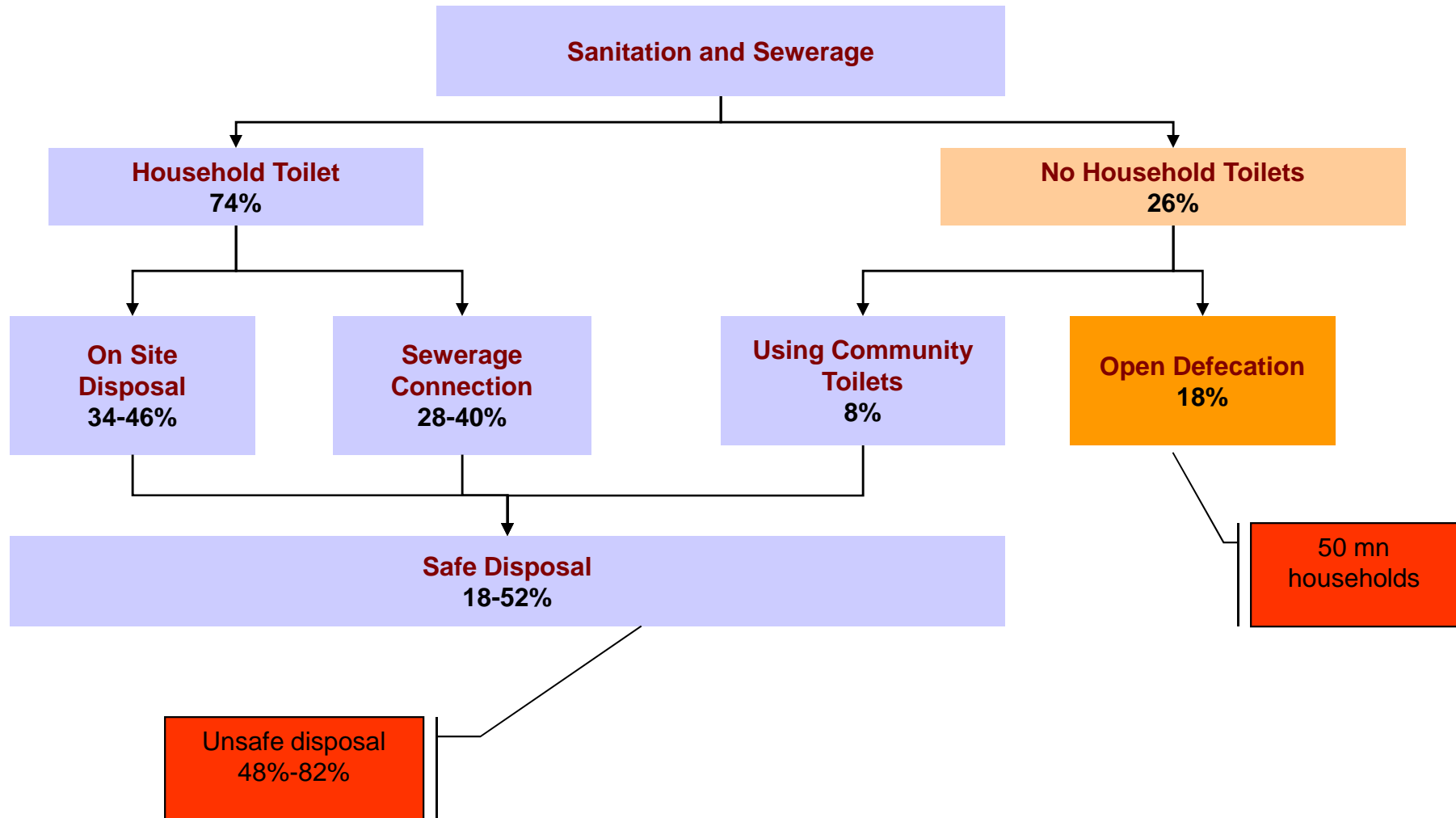
Consider the state of water supply

(COMPARISON OF PARTICIPATING UTILITIES ON KEY INDICATORS)		Coverage in %	Production lpcd	Metering % of total connections	Daily supply hours per day
City boards	Bangalore	91	143	90	2.50
City boards	Chennai	98	107	4	3
City boards	Hyderabad	95	192	93	1
City company	Jamshedpur	79	608	1	6
City corp	Chandigarh	100	290	71	12
City corp	Indore	54	102	0	0.75
City corp	Pune	88	274	16	7
City corp	Rajkot	98	126	0.4	0.33
State agency	Bhubaneswar	45	269	1	3
State agency	Dehradun	80	149	8	4

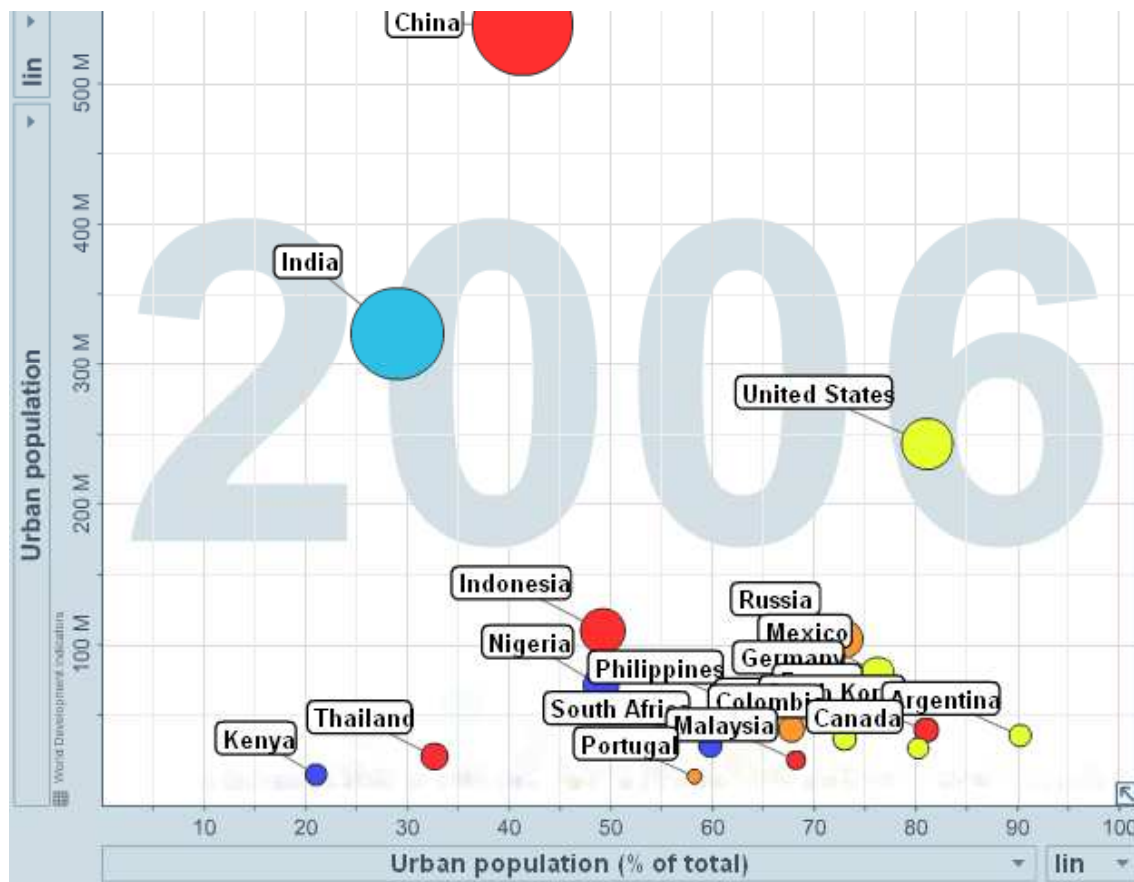
Source: World Bank report on ten cities and their water systems (reported in Business Standard)

The Ministry of Urban Development, Gol's benchmark for water supply is 135 lpcd

Similar state in Sanitation & Sewerage



But there is a silver lining to India's urban story...



- With an urban population of 29%, we are still at a very early stage of urbanization
- Comparable nations – both developed and developing fall within the 60%-80% urban population mark

JNNURM catalyzed country's attention towards urbanization

- First major program on urban development rolled out in 2006
 - Covering 65 cities
 - Rs. 50,000 crores sanctioned and disbursed
 - Funding conditional on reform
 - Additional Rs. 50,000 crores sanctioned
- Results have been mixed
 - Project oriented
 - Easy money from Govt
 - Moral hazard



Elements of an integrated strategy...

- With **40% urban population** within the next 2 decades, it's no longer rural vs. urban
- Need to build synergy between rural and urban development
- Prosperous cities can **uplift rural populations**
 - Remittances
 - Agricultural produce for city dwellers
 - Migration
 - Employment opportunities

Delivering through a new Governance Architecture

- Autonomous urban local bodies (ULBs)
- Proper devolution of powers
- Enhancement of revenue base of ULBs
- Capacity building
- People Participation



...and new financing instruments

- Unlocking land values
 - 3 largest government land owners - Railways, Ports, Defence
 - States and ULBs also have large land parcels
 - Most urban land is never
 - Traded
 - Valued
 - Taxed
- GST share for local governments

Broader approach to private sector participation

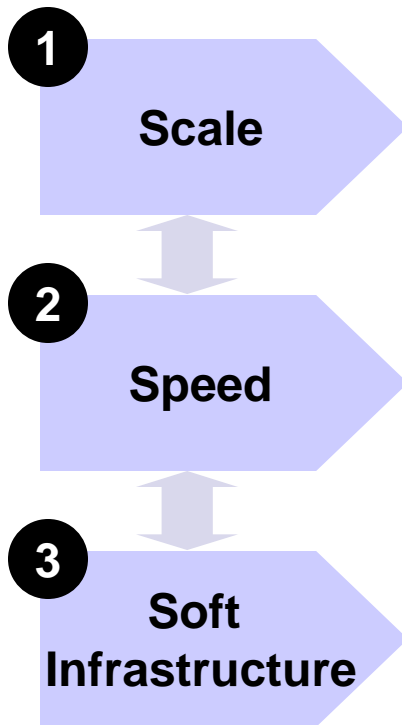


- Private sector will drive efficiency gains through best in class technologies in urban service delivery, e.g. waste management
- Private participation can **bridge the management talent gap** between Corporate India and ULB staff
- **IT companies** can champion eGovernance – a key enabler of municipal reforms
- Private **educational institutions** can narrow the demand-supply gap for urban planning professionals
- **Clean technology** companies can build our sustainable cities of tomorrow

Governance & Funding challenges need to be addressed jointly

- Institution building has to be supported by appropriate funding channels – **funds should match functions**
- ULBs must be empowered to set **user charges**, in order to make local bodies financially sound, thus creating the right environment for fund inflow
- **PPP models** demand high standards of governance, planning, financial management and people skills
- Capacity building cannot be achieved unless ULBs are empowered to **hire talent at market competitive compensation packages**

Making the ideas work



- There are enough 'pilot' success stories across the country for urban service delivery
- Scaling is the challenge: City PLC (corporate entity) concept and citizen participation in benchmarking comparative cities can help
- Government can help, but private participation can also play a big role in fastening the process, as there are clear business opportunities for private players
- Pilot projects that are successes have managed to put together the right skill sets, but capacity building is crucial for scaling up

Thank You

