

Key Note Address: Shri. Venkaiah Naidu, Hon'ble Minister of Urban Development, Housing and Poverty Alleviation, Government of India

Friends!

- I am indeed delighted to be with all of you on the occasion of this National Workshop on Governance, Administrative Reforms and Capacity Building organised by the Indian Council for International Economic Relations (ICRIER).
- I am also pleased to know that this is the 14th such workshop being organised as a part of the two year programme on Capacity Building and Knowledge dissemination for Urbanisation supported by the Ministry of Urban Development, further to the submission of the well researched and documented Report of the High Powered Expert Committee on Urban Infrastructure and Services, chaired by the eminent economist Dr. Isher Judge Ahluwalia.
- I take this opportunity to compliment Dr. Ahluwalia and the other members of the High Powered Committee Shri Ravi Kanbur and Dr. P. K. Mohanty for their painstaking efforts in coming out with a very illuminating Report.
- I also acknowledge ICRIER for their two year long work on capacity building of the stakeholders from across the country.
- Given your familiarity with and expertise in the subject of urbanisation including its causes and consequences, present state of urban affairs in our country and the challenges and opportunity, I need not go into details of the same. I would only like to share some of my thoughts and concerns on management of urbanisation in our country and the road ahead.
- To begin with I have the conviction to say that the state of urban affairs in our country is rather alarming given the serious deficits in urban infrastructure, urban governance and the capacities of urban local bodies and even most of the states, even as our country is marching towards becoming urban, thereby shedding the age old tag of being rural.
- There are acute inadequacies with respect to the spread of urban services like water supply, sewerage, sanitation, drainage, solid waste management, urban transport, affordable housing etc.
- The shortcomings with respect to urban planning and execution, finances and empowerment of urban local bodies, sensitivity and seriousness towards addressing urban issues are rather too alarming for comfort.
- The JNNURM was the first serious and organised effort to make a difference to the way we manage the growing challenge of urbanisation. But as noted by the HPEC, the outcomes of this nine year long Mission could have been better than what they were.
- The results of JNNURM further highlighted the gap between the reality and requirements of our institutional arrangements to convert the challenge of urbanisation in our country into an opportunity.

- But this is no reason for despair. On the contrary, it should embolden and motivate us to do the needful with more grit and determination to make a new and resurgent urban India, given the stakes in it for our country and the people.
- I know for sure that all of you are part of the excitement that is going around in the name of building new smart cities in our country. In one way, this excitement and soaring expectation is a telling comment on the frustration over the urban experience in our country.
- It will be a daunting task for the central and state governments, urban local bodies and all other stakeholders including the urban citizens to make this excitement come true.
- As the task of converting our cities into smart ones begins to take shape and after a few years, when our people see some of them really transformed, it will leave a big impact for others to follow.
- Alongside building smart cities, the second initiative of our government is to address the deficit in respect of basic infrastructure in 500 cities, each with a population of one lakh and above. This is one way of empowering these identified cities to emerge as smart cities sooner.
- These two initiatives will be implemented in a complementary mode. While making 100 smart cities, basic infrastructure in these cities will be supported under the second scheme while larger area based and pan-city components will be financed under smart city component.
- To give you all a brief account of the strategy of converting identified cities into smart ones – infrastructure deficit in identified areas of each city will be rectified through retrofitting while areas not amenable to such retrofitting will be redeveloped. In addition, pan-city initiatives will also be undertaken like providing e-governance platforms, public transport etc. All this will be obviously brownfield development.
- A few greenfield smart cities development is also a part of our scheme of things.
- I want to make it clear that our definition of smart cities is specific to our context and not aping of other models available in other parts of the globe, even as we may draw from their experiences.
- Our vision of smart cities and urban development is underlined by inclusivity and sustainability with the objective of enhancing the quality of urban life so that our human and physical resources are best harnessed to drive the economic growth.
- The four pillars of quality urban life are – an enabling physical, social, economic and institutional infrastructure.
- The challenges in provisioning this infrastructure are – resources, technical and managerial competencies and an enabling regulatory and policy environment.
- Choosing right interventions and their execution is the key to success. In the context of our emphasis on urban infrastructure development for a better life, I am reminded of what Dr. Ahluwalia and her team has said in their report and I quote: “Provision of public goods such as infrastructure, can make sense given their interaction with agglomeration benefits, but these same amenities attract an overly large number of migrants because of other constraints in the economy, leading to a reduction in social welfare. Thus an important principle in designing policy reform and intervention is to think through the full set of consequences. Those

interventions which would be largely beneficial irrespective of other constraints should receive priority”.

- This leads us to the other question of whether our urban local bodies even have the technical capacity to implement, if not analyse and assess such interventions.
- So, there is a strong case for enhancing capacities of our urban local bodies. We are intending to do so by earmarking a specific quantum of project costs for capacity building besides enabling exchange of information and knowledge on best practices, promoting regional hubs for delivering capacities etc.
- This is where institutions like ICRIER and the National Institute of Urban Affairs (NIUA) have a crucial role to play.
- Urban reforms are key to successful urban transformation through change management. We intend to promote a set of reforms encompassing urban governance, planning etc. These include; E-governance, creation of a professional municipal cadre, urban planning through city development plans, devolution of functions and funds to urban local bodies, double entry accounting, revision of building bye-laws, improving revenue collections, credit rating, energy and water audit and 100% waste collection, transportation and disposal to ensure sanitation.
- Finally, it is the money that talks. Where will it come from to build smart cities and ensure basic infrastructure in other 500 cities?
- It is an acknowledged fact that our urban local bodies are poorly endowed with resources for various reasons.
- Dr. P. K. Mohanty in his paper on ‘A Municipal Financing Framework’ has hit the nail on the head. He said that our municipalities are the weakest in the world in access to resources, financial autonomy and revenue raising capability. The per capita annual revenue of all municipalities is said to be Rs. 1,430 compared to expenditure commitment of Rs.6,030, as reported by McKinsey Global Institute. This is a huge urban fiscal gap.
- There are no shortcuts to bridge this gap. PPP may not have done that well so far but this model shall be made to succeed.
- As brought out in the report of the High Powered Committee, the success of PPP in India is associated with projects that are technically simple, have small gestation periods and allow easy estimation of costs. And yet the need for PPP is in the more complex projects such as infrastructure undertakings. There is a need for good governance and institutional framework for the success of PPP mode of resource mobilisation.
- This is particularly so since the High Powered Committee has estimated an investment need of Rs.39.20 lakh crores (US \$ 822 billion) over the next 20 years in basic infrastructure like water supply, sewerage, solid waste management, urban roads and traffic support infrastructure. It would be much more if we are to build smart cities.
- Central and state finance commissions shall ensure mandatory transfer of funds to urban local bodies. Some beginnings have been made. Some municipal taxes shall be made the mandatory responsibility of urban local bodies.

- We are close to introduction of the much awaited Goods and Services Tax (GST). It would be good to ensure some portion of this tax revenue is transferred to urban local bodies. I would like to take up this issue with the union Finance Minister.
- Within the framework of the federal fiscal regime, there is a pressing need for predictable and guaranteed transfers from the state governments in larger amounts, and greater empowerment of ULBs to collect taxes and levy and collect user charges.

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- Management of urbanisation is too serious a task to be taken lightly and for granted. ULBs at this juncture need proper hand-holding to effectively handle this change management. While the central government, conscious of the stakes and challenges of urbanisation, is committed to do the needful in this regard.
- States need to rise to the occasion to do their bit. We have undertaken extensive consultations with states to sensitise them to the emerging challenges of building smart cities and guiding other cities on the path of urban rejuvenation. Detailed discussions were held on the broad contours of new initiatives so that they are on-board from the stage of designing of the financial and implementation architecture of the new schemes.
- There is widespread enthusiasm both within and outside the country about our new urban initiatives and interventions. The task now is to channel this enthusiasm into investment flows. This warrants proper coordination and cooperation among the centre, states and urban local bodies.
- I have reasons to believe that this collective journey would yield expected results. Innovation is the key for successful harnessing of opportunities offered by growing urbanisation. We shall keep doing so as we move along.
- I solicit whole hearted involvement of all the stakeholders in this endeavor. Institutes like ICRIER shall continue to be pro-active in addressing various issues that we keep encountering.
- I thank Dr. Isher Judge Ahluwalia for inviting me to share my thoughts with all of you.

Thank you all!