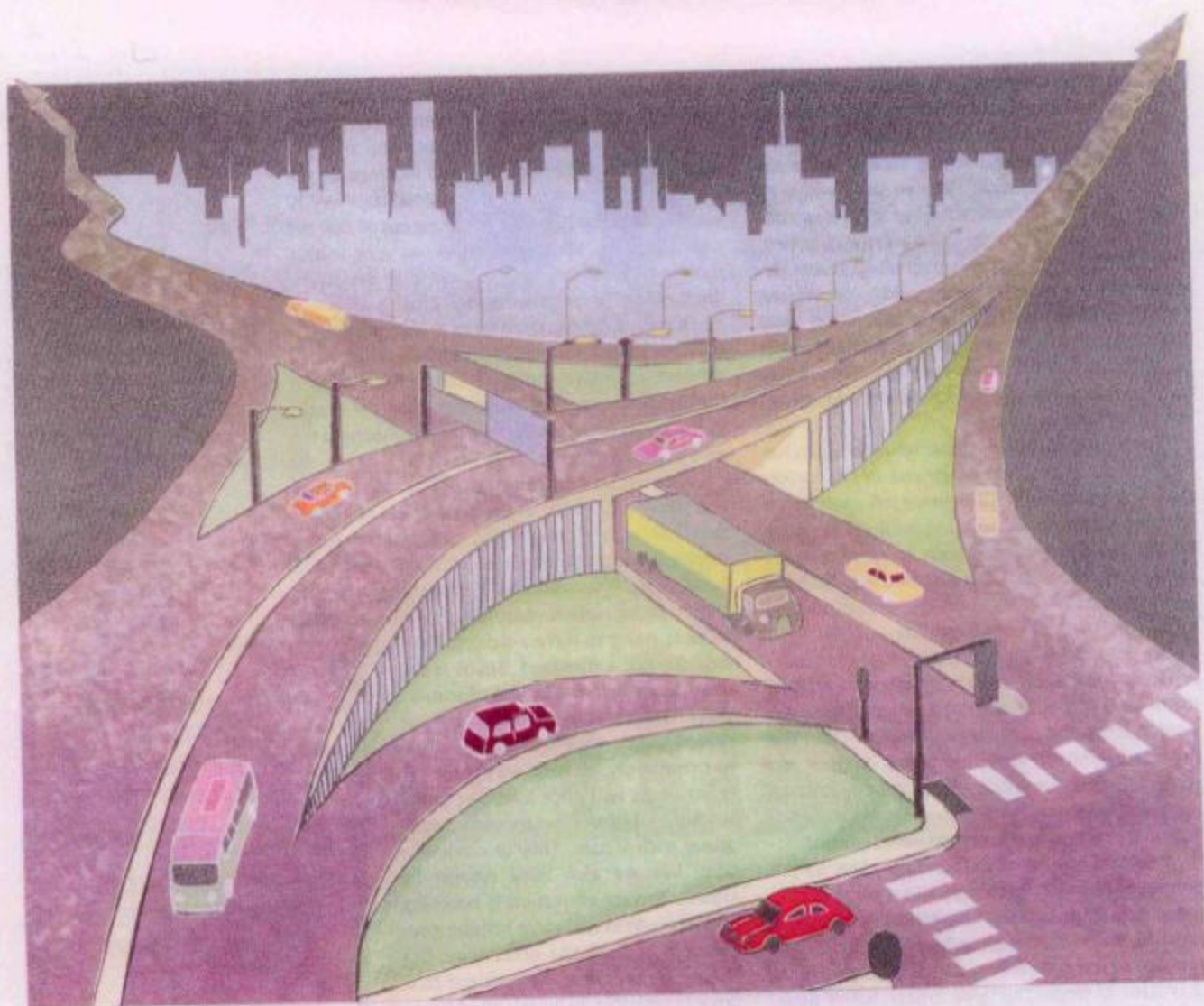




Without improving the conditions of living in our cities, we cannot expect them to act as engines of growth delivering 8-9 per cent GDP growth and to expand opportunities of employment
says Isher Judge Ahluwalia

The challenges of urbanisation

Urbanisation is a major challenge for India at the present juncture when the Indian economy is going through a significant structural transformation with a rising share of GDP generated in urban areas. Urban GDP is currently estimated at about 66 per cent, and is expected to increase to 75 per cent by 2031. This is the inevitable consequence of accelerated economic growth. Average growth in the 1990s was 5.6 per cent followed by 7.7 per cent in the 2000s, and it is now targeted at 9 per cent in the 12th Plan.

Our urban population, at 377 million, is 31 per cent of the total, much lower than most developing countries, e.g., China (45 per cent), Indonesia (54 per cent), Mexico (78 per cent) and Brazil (87 per cent). A conservative projection places India's urban population at 600 million, or 40 per cent of the total, in 2031. Cities with population of one million and above are projected to increase from 50 per cent in 2011 to 87 in 2031. All this will have far-reaching economic and political implications for a nation that has been historically attuned to the vision of a population living largely in villages. What challenges does this pose? A Report on Urban Infrastructure and Services (2011) recently presented to the ministers of urban development and housing and urban poverty alleviation has come to the conclusion that India's economic growth momentum can not be sustained if the process of urbanisation is not actively facilitated. The challenge is to prepare more cities and develop new cities as engines of growth by providing economies of agglomeration to support innovation and avoiding diseconomies caused by congestion and environmental degradation. This cannot be done through haphazard urban expansion. It calls for spatial planning and building necessary urban infrastructure, taking account of the demands for public transport and housing in areas and locations where economic activity is expanding or likely to expand.

Also, this has to be done in a manner that connectivity is enhanced between large cities and small and medium cities/towns, and between these cities/towns and the rural areas. This requires improving regional and metropolitan planning with integration of land use and transportation. Problems in land acquisition, which have dominated the news in recent years, will pose a major challenge to urban planners. A new Land Acquisition Bill by the government should be passed by parliament as soon as possible in order to allay the apprehensions with regard to the availability of land for industry and services. Conscious decisions also have to be taken to promote densification. Innovative and transparent ways have to be found to plan our cities vertically as well, by varying the floor-

space index within a framework of planning.

Since planning the use of land and providing urban infrastructure lead to increase in land values, it is extremely important for public authorities to tap that value in a transparent manner and use the funds to provide more infrastructure for better delivery of public services.

The urban challenge is compounded by the fact that 25.7 per cent of the urban population lives below the officially defined poverty line. "Shelter poverty" is much larger. Heavily distorted land markets and a highly inadequate regulatory regime for protecting property rights have created a situation in which 30-40 per cent of the urban population in many of the metropolitan cities lives in slums (in Mumbai, this proportion has reached 55 per cent). Not all those living in slums are "poor", but they live in slums because of lack of affordable housing.

The political economy of India has evolved in a manner in which the rural-urban divide has been prominent, and "urban" is typically associated with the "haves" when it comes to public services. The report spells out the reality of how cities and towns of India are visibly, hugely deficient in the quality of services they provide, be it safe drinking water, solid waste management, storm water drains, waste water treatment, public transport, street lights, or traffic support systems. The very serious implications of the abominable state of public service delivery in our cities for public health and environmental degradation are not understood adequately. The recent 'Anna campaign' saw the urban middle classes actively voicing their concern over corruption and inefficiencies in public service delivery. It drives home the urgency of putting in place a governance system which ensures accountability in public service delivery to an empowered citizenry.

The modalities of service delivery could include corporatisation, public-private partnership, or even parastatals, but accountability must rest with urban local bodies. There are a number of examples in Bangalore, Hyderabad, Surat, Kalyan-Dombivli, etc. to show how e-governance can play an important role in improving service delivery and accountability.

We often hear about the demographic dividend of a growing proportion of population of working age in India in our present phase of development. However, it is not commonly realised that this dividend can only be tapped if urbanisation is facilitated by expanding the scale and improving the quality of

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TRENDS

public services in Indian cities and towns, besides providing livelihoods to the young workforce.

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) launched in December 2005, was the first major initiative of the government in the urban sector. The mission focussed on bridging urban infrastructure deficits and providing basic services to the urban poor in 65 selected cities, urban infrastructure development in small and medium towns, and integrated housing and slum development in small cities and towns. Financing of JNNURM projects was shared by the government, the state government, and the urban local body. Disbursements from the government were linked to an agreed set of reforms by the state government and the ULB. Partly because of design problems and largely because of lack of capacity to

plan and manage at the urban local bodies level, JNNURM (which is due to end in March 2012) has had mixed success in completing the task it had set out to accomplish.

States that benefited from JNNURM were those in which urban local bodies were financially strong, where state governments provided an enabling environment by carrying out reforms and facilitating reform of the urban local bodies, and where there was capacity for planning and management, e.g., Maharashtra, Gujarat, Tamil Nadu, Karnataka and Andhra Pradesh. These states could show that urban transformation does not take too much time or too much money if there is will to improve governance.

The Urban Report recommends a New Improved JNNURM (NIJNNURM) incorporating the lessons from JNNURM which should be offered to all urban local bodies.

A monthly column in this newspaper by the present author has been showcasing the successes of urban transformation in the JNNURM years — Hubli, Dharwad and Gulbarga for 24x7 water; Gorai for sanitary landfill; Rajkot for integrated solid waste management; Hyderabad, Bangalore and Kalyan-Dombivli for e-governance; Surat for general high quality of public service delivery; Indore for city bus service; Bhopal for planning of public transport; Ahmedabad for town planning; Hyderabad again for urban roads; and many more.

The investment needed in urban infrastructure over the next 20 years to meet the needs of public services of the current under-served population as well as the additional population, has been projected in the report at Rs 39.2 lakh crore. An additional Rs 20

lakh crore is the estimated need for operation and maintenance. At present, urban infrastructure investment amounts to 0.7 per cent of GDP. It will have to increase to 1.1 per cent of GDP by 2021-22 and then stay at that level (both GDP and urban infrastructure investment increasing at the same rate of 8 per cent per annum) for the next 10 years if the cumulative total of Rs 39.2 lakh crore has to be invested within 20 years to bridge the deficit.

The report emphasises the importance of strengthening "own revenues" of urban local bodies so that they have the capacity and autonomy to plan and be accountable for delivering public services. It calls for devolution from state governments which should be automatic and predictable. It recommends a larger role for the government by increasing its spending through NIJNNURM from the current 0.1 per cent of GDP to 0.25 per cent. An extra 0.15 per cent of GDP spending by the government on making our cities liveable and becoming powerful engines of growth is not asking for too much. To put matters in perspective, current subsidies by the government on fertilisers and fuel are close to 2 per cent of GDP, while current power distribution losses by state governments are close to 1 per cent of GDP. It is well known that at least half of these are untargeted and can be reduced drastically so as to release government funding for facilitating urbanisation.

But larger spending will be futile if it is not accompanied by improving the systems of delivering the services. NIJNNURM will have to be proactive in pushing the state governments towards effective devolution of functions, functionaries and funds to the urban local governments so that the latter can discharge the responsibilities for public service delivery assigned to them by the 74th Constitutional Amendment. The need for strengthening finances of urban local bodies also calls for better governance, which will in turn facilitate mobilisation of finance through public-private partnership or issuing municipal bonds. The report calls for building capacities across the board for better planning of urban development and its implementation.

A strong factor pushing the system to improve the delivery of public services in our cities will be the rising voice of the urban citizens of India which will become louder as their incomes rise. Without improving the conditions of living in our old cities and new, we can not expect our cities to act as engines of growth, delivering 8-9 per cent per annum growth in GDP and expanding opportunities of employment.

Isher Judge Ahluwalia is chairperson of Icrier and has chaired the High-powered Expert Committee on Urban Infrastructure

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