

SOUTH ASIA MONITOR

Number 145
September 01, 2010

Building the City: India's Urban Future

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The shadows of the Beijing Olympics and World Cup loom large over India's upcoming Commonwealth Games. Disguised as global sporting events, these nationalistic displays are designed to showcase the strength of a country's culture, economy, and people. Indian officials have been eager to steer the narrative of next month's Games in this direction, as the Games themselves are perceived to be a precursor to an eventual Olympic bid. However, preparations for the Games have been plagued by budgetary and infrastructure problems. While it remains to be seen whether these problems will spoil India's "coming-out party" in October, these challenges reflect larger, systemic failures in the handling of India's rapid urbanization. Infrastructure constraints and inefficient governance have the potential to stymie the economic growth India needs to establish itself as global power and to raise millions out of poverty. How quickly and comprehensively India rises above its infrastructural limitations will undoubtedly come to determine its economic and political strength in the years to come.

Growth and Decay: The demands of a globalized economy and daunting demographic conditions have forced Indian cities to contend with exceptional challenges. At the same time, the health of Indian cities has never been more vital to India's growth. A recent report by the McKinsey Global Institute (MGI) offers a comprehensive analysis of India's massive urbanization. According to the report, while urban India makes up only 30 percent of India's total population, it accounted for 58 percent of its GDP in 2008. By 2030, urban centers will account for 70 percent of total GDP. Employment opportunities and social mobility will also attract some 250 million new migrants to cities within the next 20 years, putting new strains on overburdened cities. This increased demand for services, along with rising incomes, may push Indian cities to a breaking point, stifling growth and decreasing the quality of urban life.

The failures of India's current urban infrastructure have put scores of human lives at risk. According to press accounts and the Indian Ministry of Road Transport and Highways, road fatalities are becoming increasingly common in urban centers due to improper planning and inadequate policing. Other critical sectors are in states of disrepair. According to MGI, residential water supply stands at only 74 percent coverage, sewage treatment at a mere 30 percent. This is not to overlook the dismal state of urban housing, with 24 percent of India's urban population residing in slums.

Weak urban infrastructure also has dismal implications for India's economic growth. As recently as 2009, the World Bank ranked India 122nd out of 181 countries in terms of the "ease of doing business." This perception is strongly linked to India's feeble infrastructure, which raises costs and deters investment. Moreover, developing infrastructure requires sustainable funding for urban projects. Yet, India's annual capital spending on urban infrastructure stands at a mere \$17 per capita, dwarfed by China's \$116. To erase this gap, MGI estimates that India will have to allot nearly \$1.2 trillion to capital investments by 2030. If these measures are not taken up within the next decade, gridlock may arrest economic development nationwide and consequently make infrastructural development much harder.

Should India begin to deal seriously with urban development, according to MGI, the country stands to gain as much as 1 percent to 1.5 percent GDP growth from increased productivity in cities. This would ensure the high growth rates India needs to maintain its position as a global player. Reaping these benefits will depend on several factors, however. MGI projects that India must build between 700 million and 900 million square meters of residential and commercial space—or one Chicago—per year in order to meet the

demands of its surging urban population. India must also begin to reform its investment codes, secure sustainable sources of tax revenue, and seriously engage the private sector in the cause of development.

Development and the Democratic Mandate: The full overhaul of India's urban development policies will require the active participation of municipal governments. Because many Indian cities already have larger populations and GDPs than countries like the Czech Republic, the role of urban governments cannot be overstated. There have been recent moves to give city administrations the tools they need to govern, but the reluctance of state governments have largely thwarted this process. Even with the monetary assistance provided by the 2005 Jawaharlal Nehru National Urban Renewal Mission (JNNURM), city administrations lack the authority, funding, and coherence to bring about effective change.

To empower urban governments, MGI recommends that local administrations be given full control over key municipal functions. This development would give local governments the autonomy they need to function outside state governments. Second, urban institutions would benefit from streamlined organizational structures that would provide points of accountability for specific services. Accountability is also closely tied to urban leadership. Indian municipal governments need leaders who will transform weak and amorphous agencies into strong, executive authorities. Such leadership should also attract critical skills and talent from the private sector. The Ministry of Urban Development, for instance, estimates that India will need about 40,000 urban planners to manage future infrastructure projects. Currently, there are only about 3,000 registered planners.

MGI highlights several Indian cities that have shown progress in improving urban governance. Kolkata has developed a relatively effective mayor-commissioner system, which divides power between an empowered political executive and an administrative technocrat. Mumbai has demonstrated good governance in implementing "BEST," an autonomous municipal agency that effectively manages bus transportation and electrical supply by giving its general manager the latitude to develop new routes and select electricity providers. While the progress of both cities has been minor considering the challenges facing urban India, Kolkata and Mumbai offer a vision of effective governance for future development.

The Role of the Private Sector: The Indian private sector has already moved into the realm of public service delivery. Similar to the explosion of private telecommunication and airline companies a decade ago, private enterprise has entered traditionally governmental sectors like trash collection, road construction, education, and public health, often to great effect.

However, private provision of municipal services may prove to be a double-edged sword. Recent press reports have brought attention to the slew of new, private townships springing up on the outskirts of India's largest cities. Lavasa, a mammoth private town under construction near Pune, Maharashtra, hopes to become the exact opposite of a typical Indian city. Amenities like uninterrupted power and water, excellent schools, and even a "space education" park have drawn the Indian elite away from the cities to places like Lavasa. Ajit Gulabchand, the chief developer of Lavasa, envisions the private sector "planning, designing, policing as well as carrying out the municipal functions" normally administered by governments. As with gated communities elsewhere, the resulting private communities may be good for the islands of plenty they create, but bad for the surrounding community.

Moreover, some have raised concerns that segregated townships will exacerbate inequality, weaken property rights, damage environmental quality, and displace small farmers and *adivasis* (tribals). Removing the Indian elite from the realities of civic life may also have unforeseen costs, depriving cities of key sources of desperately needed tax revenue, managerial talent, and technological skill. If this process continues unchecked, India may forfeit its goal of *inclusive* urban development.

Public-Private Partnerships: Developing inclusive infrastructure requires long-term, sustainable funding. The Indian government can obtain this through several measures, including collecting higher property taxes and monetizing land assets. One potentially promising avenue of infrastructure funding may come from public-private partnerships (PPPs). When properly implemented, PPPs provide incentives for businesses to invest and encourage governments to share the financial burden of a project. MGI estimates that PPPs could account for as much as 30 to 40 percent of all operations and maintenance budgets for urban projects in India.

In the past, PPPs have been difficult to implement in India, with many projects failing to coalesce due to differing interests among investors and the government at the national, state, and municipal level. For PPPs to be successful, private and public actors must be held to their project commitments. David Mulford, the former U.S. ambassador to India, referred to this concern in a 2006 statement describing one successful PPP in Tamil Nadu for water provision. The PPP organizers and local government hired independent auditors and engineers to oversee the project, ensuring that all parties fulfilled their obligations.

Ultimately, successful PPPs depend on the level of cooperation between private companies and governments. One good example is the New Delhi Metro. Funded by a number of foreign contributors, particularly Japan, and headed by the formidable government bureaucrat Elattuvalapil Sreedharan, the New Delhi Metro has cultivated the atmosphere of a private start-up company by contracting out as much work as possible in order to keep government involvement streamlined and focused. Moreover, government planners were given the latitude to make crucial decisions and draw in talent from the private sector, helping to complete the project on time and on budget.

In other cases, governments have engaged the private sector by sharing the financial burden for private-led infrastructure projects. One such project, the Dharavi Redevelopment Project (DRP) in Mumbai, aims to transform one of Asia's largest slums. In 2007, private corporations were invited to submit development proposals for individual sectors of Dharavi, which sit on prime real estate in the heart of Mumbai. Private developers were then tasked with providing roads, schools, hospitals, and cultural centers for the sectors while the government covered health care and education.

According to a Harvard Business School analysis of the Dharavi project, the main incentive for businesses to participate revolved around the project's "free-sale components," or the floor space businesses can sell at market value *after* a corresponding amount of slum rehabilitation housing has been built. For the government, the DRP encourages the monetization of land assets and the legalization of property rights in Dharavi, making resource provision and tax collection much more effective.

Changing the Track of Urbanization: Unfortunately, carefully structured and adequately funded projects like the New Delhi Metro and the DRP are a rarity in India. Many nascent infrastructure projects suffer from inadequate funding, a lack of private-sector interest, and government mismanagement. India will thus have to enlist help from many sources to meet its infrastructure goals.

The Indian political process will affect how this works. Infrastructure development has already become a true point of competition between the major parties that vie for national power. For example, the Bharatiya Janata Party (BJP) has recently raised concerns about infrastructure setbacks and corruption in the lead-up to the Commonwealth Games. In response, Prime Minister Manmohan Singh was forced to appoint an oversight panel to review financial irregularities and address corruption allegations.

Perhaps one of the most powerful forces that will determine India's urban future will be Indian citizens themselves. The press has reported on small, grassroots movements for infrastructure improvement that have sprung up across India. With rising road fatalities, for example, some frustrated Indians have gone so far as to form impromptu mobs to punish careless drivers. There are more restrained public campaigns working to transform road safety in India as well. The Delhi Traffic Police have enlisted Facebook to encourage users to report unsafe driving and road violations. Road-safety awareness groups have also begun to make themselves heard in India, calling for more pedestrian-friendly road construction.

Internationally, foreign aid contributors, and particularly the United States, have shown an increased interest in helping India alleviate its infrastructure woes. The U.S. Agency for International Development (USAID) has contributed \$2.75 million to PPPs in India and has contributed technical expertise and oversight to a number of projects. Last year, the World Bank contributed \$9.3 billion to India (up from \$2.2 billion the previous year), of which \$1.2 billion was set aside for infrastructure development through PPPs. Such funding will hopefully galvanize private-sector interest in infrastructure development while strengthening bilateral ties between the United States and India.

The Urban Dream: No matter the ultimate source of India's infrastructure development, India's future undoubtedly lies in its cities. Yet the transformation from a rural to urban society has important social implications for India. Instilling a sense of civic obligation and participation may prove difficult in India, for example, where the collective memory of caste and background still shade many spectrums of life. The influx of migrant workers from India's poorest states also has the potential to increase anti-immigrant violence in Indian cities.

Urbanization may have its most troubling reverberations, however, in *rural* India. Urban scholar Joel Kotkin argues that by diverting resources to great urban centers, the Indian government may actually be contributing to the conflict and resentment festering in its impoverished countryside. The current Maoist insurgency in eastern India, which has killed more than 10,000 civilians since 2005, can partly be seen as a response to the shifting development priorities of the Indian state. The dream of an urban India could thus become the nightmare of India's rural majority. As India begins the hard work of restructuring its governance and development policies in urban centers, Indian officials should endeavor to ensure that the approaching urban wave does not swamp investments in agricultural, rural, and peri-urban development.

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