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from the ringside

How to win the mega city challenge

India is coming to grips with the complexities of urban reform, particularly as pressures become clear in metro cities. Fortunately, compared to other Asian developing countries, the degree of urbanisation is still not as high as some other emerging markets.

Urban sector reforms have so far comprised of four main components namely, AUWSP which commenced in 1993-94 with a modest central assistance of 337 crores, IDSMT launched in 1979-80 benefiting 1172 towns with 531 crores, the National Capital Region Plan for the development of the National Capital Region with about 400 crores and the Mega City Scheme initiated in 1993-94 with an assistance of 714 crores covering Mumbai, Calcutta, Chennai, Hyderabad and Bangalore.

These initiatives suffer from serious exclusion because their coverage was restricted in some cases to cities with population of 4 million or above, or less than 20,000, leaving the huge middle-band completely. The programme under IDA-7, for example, covered cities with 50,000 to half a million — excluding the more densely populated cities. The Urban Reform Initiative Fund, with a small corpus, represented more tokenism in relation to the scale of the problem.

Urban development will require large investments in infrastructure to cover roads, transport, electricity, telecom, water and meeting social sector needs of health and education. Massive finances are needed. While estimates vary, Professor Theo Kotter's analysis of the risks and opportunities of urbanisation and mega cities problems places long-term needs to be around 400 billion dollars annually by developing countries, with India alone needing 50 billion dollars a year. The mobilisation of internal and external resources and motivating private investment coupled with the financial and managerial skills is a daunting challenge.

The recent Budget has announced the constitution of a National Urban Renewal Mission designed to meet the challenge of urban development, covering seven mega cities with a population of over a million and some towns with an initial outlay of 5000 crores for the current year. This is the first concerted effort to deal with the complex challenges of urbanisation particularly problems of mega cities.

So what should be the ingredients of urban sector reforms?

• **FIRST**, a mindset change. For too long, the Urban Development Ministry have focused on problems of Delhi as if India's urban problems were equivalent to Delhi's problems. Too many Ministers of Urban Development were Delhi-based politicians, which only compounded this myopic vision. The recent initiatives and reinvigorated administrative set-up augurs well for a truly national approach.

• **SECOND**, an enabling institutional and regulatory framework which repeals or substantially modifies a variety of laws like Urban Land Ceiling and Regulation Act, Land Revenue Act, Town Planning Act, Urban Development Act. In many cases, quite a few State Governments have yet to follow the guidelines issued by the Urban Development Ministry. Many of these Acts like the Land Ceiling had just resulted in needless rent seeking without bringing benefit to the poor. The Rent Control Act has inhibited much needed private investment in housing. It is necessary to enhance the supply of land where competitive market forces can enable optimum land utilisation. The relaxation in permitting direct foreign investment in real estate without debilitating restrictions should improve the design, quality, and efficiency of land development.

• **THIRD**, fiscal and tax policies entailing moderation of stamp duty to encourage bonafide land transactions, progressive application of user charges for scarce resources like land, water, power, sanitation for generating adequacy of finances to support massive investment needed in the sector. Optimisation of infrastructure availability, particularly power, water, drainage, sewerage, commercial transport system, which are environment-friendly and guarantee availability for the emerging demographic bulge.

• **FOURTH**, adequacy of measures to protect the poor; management of shanty and slum town dwellers needs empathy. So does adequacy of shelter for the working population who are inevitable in mega cities.

• **FIFTH**, government monopoly agencies on land have been inefficient and dishonest. There is need to have a credible regulator to promote a competitive culture in the sector within the framework of meeting social obligations.

• **SIXTH**, the corpus of the viability funds available with the Ministry of Urban Development of Rs 600 crores needs to be substantially augmented. In addition, individual components of urban planning will require well crafted Special Purpose Vehicles which can substantially leverage funds and augment resources by ensuring commercial viability to service debt.

• Finally, a governance structure which can harmonise the conflicting needs of genuine autonomy, by multi-tiered local bodies, with integrity with an overall planning process based on consensus and adopted through an interactive process.

These are daunting challenges. Action primarily lies with the State Governments. While the menu for urban reforms may be somewhat onerous, it is necessary to distinguish the ''core component'' along with the ''optional component''. Access to the resources of the Urban Renewal Fund must be contingent on the fulfilment of the core obligations while the States can cherry-pick from the optional conditions. If the menu becomes too onerous, States may find incentives too weak. On the other hand, if the menu is too flexible, it can miss out on critical components. Skill lies in providing menu options to States, which, while retaining the core, make the overall package attractive and administratively feasible.

Mexico City has many multiple lessons on what to do and what to avoid doing. The next decade, given our demographic profile, will witness massive urbanisation. It will create complex economic and social challenges in the management of our mega cities. We are at the nascent stage of planning. The success of the Urban

Renewal Mission is critical to our future. If we get it right, these conglomerates will become engines of growth. If we fail it will deepen poverty and exasperate social tensions.