Indian Urbanization Problems in Comparative Context

By

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Dimensions and Demographics

In 20 years' time Indian urban population is expected to swell to 600 million (from the current size of about 350 million).

Of the major states already Tamil Nadu's population is mainly urban

Gujarat, Maharashtra, Karnataka and Punjab will be mainly urban in near future

The pace of Chinese urbanization is faster, but an interesting contrast—

More than twice as many Indians live in big metropolises (>10 million) than Chinese

Possible reasons:

- More active industrialization in rural areas and small towns in China

- *Hukou*—the restrictions on migration

- Until recently the urban informal sector in China much smaller than in India

About a quarter of the city population in India live in slums.

But the slum population in big cities, contrary to popular impression, has grown *slower* than the general urban population

Possible reasons:

- Eviction, as real estate value grows

- Not enough manufacturing jobs

- Poor mass transit and housing

- Migration to cities relatively biased toward skilled and educated migrants

Migration accounts for only about one-fifth of urban population growth. Cities often grow less by villagers migrating to them, more by cities encroaching on surrounding rural areas.

Some of the faster urbanizing states in India (Tamil Nadu, Gujarat, Karnataka) have relatively small slum population (10 per cent or less of total urban)

Our thinking on urban issues is often dominated by the big cities

India has actually more than 5500 cities, towns, and urban agglomerations

Only about 50 of them have more than 1 million people

Evidence from micro data for Andhra Pradesh and West Bengal (see Lanjouw and Murgai) that the association between urban growth and the rural non-farm sector is stronger if the urban centre is a small town than if it is a large city.

In China small towns in coastal provinces became the centres of the highly successful industrial clusters of specialized, mainly family-owned, enterprises.

Let me give 3 examples from Zhejiang province:

- One town, Datang, now produces one-third of the world's socks

- Three-quarters of the world's neckties are produced in the town of Shengzhou (where hardly anybody in the local population ever wears a tie)

- Another town, Yiwu, is the world's largest producer of buttons

In India outside a few localized pockets (like Tirupur in Coimbatore district in Tamil Nadu—the knitwear capital of India) such success stories are rare.

Urban Governance

Indian urban infrastructure, in comparison with not just China but many other developing countries, is all too visibly ill-equipped to cope with the mounting problems of urban growth.

Urban decay and gridlock are widespread.

Many problems, but let me just mention some of the governance and finance issues. There are both capacity and incentive issues involved here, I'll mostly talk about the latter from a political-economy perspective.

[Some of the governance issues are well-recognized in the 74th Amendment to the Constitution and in the goals set out for the large-scale urban renewal program JNNURM—but at the ground level many of the institutional reforms are yet to be carried out.

Financial transfers under JNNURM are supposed to be conditional on governance reform, but the latter not often implemented, while finance flows by political exigency.]

> In China urban infrastructure is constructed, operated, and maintained by separate companies set up by the city government (with a large stake in cost recovery). In India much of the time the municipal government itself performs these functions through its own departments (with some exceptions as in the case of BEST in Mumbai or the recent dedicated water utility company in Nagpur).

➢ The municipal departments are financially strapped, as they do not have much taxation or borrowing power, and are perpetually dependent on the state governments for funds, which trickle down through ad hoc and inadequate grants. Own revenue is too little to provide any substantial scope for market borrowing.

➢ Cost recovery from user charges for municipal services is reported to be less than one-fourth of the expenditure incurred by municipal governments in metropolitan cities. User charges are often kept abysmally low under political pressure, and enforcement of payment perfunctory.

➢ Two-thirds of India's GDP and more than 80 per cent of India's total tax revenue are generated in the urban areas. Yet aggregate revenue of urban local bodies is less than 1 per cent of GDP—in Brazil it is more than 7 per cent.

(This may partly reflect the political-demographic fact that in India there is a disjuncture between where the income is produced and where people and the votes are).

In addition, the antiquated and corrupt property tax systems in many Indian cities prevent city finance from adequately benefiting from the on-going real estate boom. Area-based valuation now implemented in several cities in south and west India. But periodic revaluation of property often absent.

➢ Chinese cities have the autonomy to raise investment funds by monetizing land assets and to retain 25 per cent of the value-added taxes. (The 13th Finance Commission in India has recommended allocation of GST revenues to local governments). Many large infrastructure projects in China have special-purpose vehicles to get access to the debt market. Singapore provides public housing to most people through a dedicated Housing

Development Board, using land monetization and interest-rate subsidies. Various public authorities, national and sub-national, in India hold substantial amounts of under-utilized land; management and monetization of this land should be done by an independent professional body, insulated from day-to-day political processes, but ultimately accountable to the legislature.

➢ In India it is not just the fiscal system, but the whole urban governance structure that is not decentralized enough. Mayors in some cities do not have enough executive power or accountability to the local citizenry. The chief official in policy implementation is often the Municipal Commissioner, a state government official who is accountable upwards, to that higher-level government. This is quite different from the empowered Mayors in cities in other developing countries (Seoul, Jakarta, Mexico City, Sao Paulo, for example).There are some exceptions in India ,

as in the case of Kolkata (and now some cities in Rajasthan). But in Kolkata while the Mayor is locally accountable, the municipal finance system that he presides over is quite backward and opaque (for example, it has not yet adopted the area-based property tax assessments).

➢ In coastal China local business development under the auspices of the local governments have contributed substantially to local revenues and building of local infrastructure. In India this is rare, although there are some scattered cases in Kerala of local government initiative, but on a much smaller scale. Take the case of the Manjeri municipality in Malappuram district of Kerala: the municipal authorities, in collaboration with some NGO's and bankers, succeeded in making it a booming hosiery manufacturing centre.

➢ A comparison—made by Ren and Weinstein (2008)-- of two recent large-scale projects in Shanghai and Mumbai is instructive (though their objectives are not quite comparable). In 2002, after Shanghai won the bid to host the 2010 World Expo, the city government quickly designated prime land along the Huangpu river in the central city, and in less than 2 years acquired the necessary land and relocated thousands of residents and dozens of factories, warehouses, and shipyards.

In Mumbai, the Dharavi Redevelopment Project has been in the works since 1997, and it has taken all these years since, just to negotiate with the different contending parties involved on a proposal, not for relocation, but for on-site largely vertical 'rehabilitation' of most of Dharavi's residents and many commercial activities, and to convince the state government to allocate the political and financial resources required for the project. As many activists will point out,

large numbers of people are still dissatisfied with the authorities in the Project, and there are many outstanding issues of displacement yet to be resolved.

The democratic polity of India inevitably and justifiably requires such laborious political consensus building, to which the Chinese government gives short shrift. But it is also a fact that the Shanghai municipal government has much more autonomy and resource flexibility to carry out fast-track megaprojects that is completely lacking in Mumbai.

Even apart from democratic pluralism providing the main source of legitimacy of the Indian state, compared to most other major developing countries, India has a much larger informal sector. Thus the imperative of a more inclusive and participatory pattern of urban development is much more pressing

here. The urban sprawl and squalor is part of the dynamic of energy and aspirations of a vast population on the move.

However, the necessary participatory processes can explain a part, but not all, of the messy compromises and the exasperating slowness of the decision-making and implementation in Indian urban governance.

There is also no escape from facing the **fundamental governance dilemmas** of the

- **need for management autonomy on the one hand and the demands of public accountability on the other**, and

- **that of the agglomeration and other economies of large scale that favor economic concentration on the one hand, and the aspirations for social justice embodied in broad-based small-scale participatory development.**

How India resolves these dilemmas will determine the shape and destiny of urban growth in the 21st century