

Speaker Series

Transforming our Cities

Padma Bhushan Dr. Isher Judge Ahluwalia, renowned economist and Chairperson Board of Governors ICRIER, spoke on the challenges Indian towns and cities face based on her book "Transforming Our Cities". Dr. Ahluwalia shared her experiences during her extensive travels as Chairperson of the High Powered Expert Committee on Urban Infrastructure & Services (2008-2011), with a distinguished audience at the BSE International Convention Centre on Friday 9th May 2014.

The lack of evidence and facts makes it difficult to study urban space and one had to rely on case studies to fill in the gaps and draw a realistic picture. To maintain a growth rate of 7%, cities have to become effective engines of growth. There is a huge deficiency in infrastructure and to bridge this, Rs 40 lakh crores at 2009-10 prices over a 30 year period not including cost of land or adjusting for inflations is required. In addition, to maintain assets we need another Rs. 20 lakh crore! This can only be done by local bodies and we need to develop a model where local bodies can fund this either through funds generated in bond markets or through PPPs. Whichever the route, what's needed is to have a revenue model because the sources of finance for urban local bodies is severely limited. Typically, this gap is bridged with transfers from higher levels of Government but very often these transfers are determined by politics and not policy, leaving local bodies with the challenge of funding projects. And, if city governments have little leeway on the revenue side, it is even worse on the expenditure side with lack of audits, corruption, wastages etc, she said.

The crucial variable to work on to get investments is governance; and by bringing accountability closer to where the action is, by demanding good governance, funding gaps can be filled in by reluctant State governments. Similarly, lack of capacity can be tackled by building capacity and by putting some financial resilience into cities that can become agents of change. This can only happen when the political economy recognizes that economic growth does not devolve from the agricultural sector but from industries and services which means that cities have to act as engines of growth. We have to create economies of agglomeration that are attractive to investors and entrepreneurs by proper planning. Gram panchayats resist becoming part of a town and prefer remaining villages thereby retaining areas lacking urban infrastructure without any accountability or responsibility but the urban sprawl has to be contained by a strategy of urbanisation that is necessary not only for cities but also for rural rejuvenation.

We don't really need numbers to highlight the problems we face because we all experience the state of services every day and are all too familiar with problems of congestion, pollution and infrastructure. She shared with us some of her experiences on how some cities addressed these issues.

Citing examples of how different cities in India tackled various problems in sectors such as water distribution and treatment, public transport, solid waste management and the use of IT in addressing citizen grievances. Environmental issues are important not because it is mandated internationally, but because we need to protect our environment for our children.

There are blocks in development and industrialization such as the Land Acquisition Act but several governments have found ways of countering this obstacle. Public Private Partnerships are a great tool for urbanisation but will only be successful if the State plays an enabling role by providing agreements with support where risk is assigned properly; duties are understood and dispute resolution mechanism is put in place. Today, 50% of India's population is below 25 years with rising education, income and aspiration levels. Having seen growth escalate they will not be satisfied with a growth rate of 5 % and will demand better cities that foster economic activity. So, planned urbanisation is essential and we should recognize that despite everything, money is not really the constraint and even in India we can change things with better governance.

The talk was followed by an interesting Q & A session where Dr. Ahluwalia addressed queries on land use and transport, rural migration, slums, solid waste management and food security.