

Cityscapes 2008 : Convention on Urban Infrastructure

April 16, 2008, New Delhi

Welcome Address by Mr. Rajeev Chandrasekhar, MP and President FICCI

Hon'ble Minister Shri Jaipal Reddy,
Mr Pradeep Singh, Chairman, FICCI Urban Infrastructure Committee
Ladies and Gentlemen

It gives me great pleasure in welcoming you all today to this meet on our Cities, the challenges for their growth and the need for investments and infrastructure.

I thank the Honbl'e Minister and the Ministry of Urban Development, Government of India for extending support to today's meet. In fact, the Ministry of Urban Development has been a proactive partner in FICCI's efforts in bringing focus to the challenges facing our Cities.

The challenge of planning and growing our urban centers is one of the most significant in the coming years and I hope the other state representatives, industry players present here will actively participate at this forum.

Let me get straight to the challenges of urban growth in the following few points

1. The phenomenon of rapid urbanization and rapid growth of our cities is irreversible and is only gaining in intensity.

Globally there is a trend towards increasing urbanization and India is no different. As per 2001 census 27.8 per cent of India's population (285 million) lives in urban making India's urban system the second largest in the world. It is estimated that population living in urban areas will increase to 40 per cent by 2030. So if you think things are bad now, brace yourself things are going to get worse.

2. India's Cities and urban centres have been ignored and haven't found place in the governance agendas and investment plans for most governments in the last decades.

Already contributing over 50% of the country's GDP, India's urban centers are the principle growth engines for India's recent growth. However these urban centers are increasingly stagnating with lack of political attention and investment.

The Urban/Rural divide is a myth and an artificial political divide to justify the lack of attention given to ULBs and cities. In fact for any practical Political leadership, Urban growth centers should be treated as investment and revenue gateways to the other rural development and poverty alleviation models and programs. Although the urban sector contributes more than 90% of total government revenues, yet only a fraction of this is ploughed back.

The result is that despite their growing importance in the economy, Indian cities are underinvested in and growing to be urban chaos rather than the world class cities that we should be aspiring to and that are present in many of our peer countries, even those in the developing category. An example of underinvestment is Bengaluru for Eg, where for a city of 8 million, the total spend on solid waste management last year was only Rs 3.6 Crores. There's something wrong with this while picture. No wonder the city's garbage is all over causing secondary and tertiary effects on health, hygiene etc.

The cities have been and will continue to be engines of investment and growth for many decades now and it's time to invest back in our cities with the perspective.

3. The growth Challenges of our cities are far ahead of the ability of the traditional government financing, planning and execution/delivery system to handle. There is a need to evolve a new model for financing, execution and management of the expansion of our cities.

We are all aware of the fact that governments and government machinery tend to solve problems in a gradualist manner, mainly because of the inherent way our government is set up. There's not much we can do about this. Unfortunately the problem of urban growth doesn't lend itself well to be solved in a gradualist manner because the problem is way too big and complex for a government to handle. Further the model of governance of our cities for too long has been central and bureaucrat led and doesn't presently provide for an institutional involvement of citizens 'or conversely devolution of decision making to the lowest unit like RWAs - which it should. In addition the existing Municipal bodies are clearly do have the capacity to execute large value investments of infrastructure and therefore there is a need to develop structures like SPV for channelling and executing large investment projects.

4. Our current model of city planning is incomplete and not fully integrated. Even today the CDP or City development plans are incomplete in that they don't address many issues of Modern cities including the much neglected issue of Urban Poor and their environment, zoning with a view to manage real estate costs, Policy of charging real costs of Municipal services to Rich and Business segments of city etc.

These four points summarize the challenges that our cities and any plan for the development of the city faces today.

Most of us are aware of JNURM, which tries to address the issue of investments and governance reform. JNURM has set the blue print for States to undertake urban development reforms. JNURM provides Rs 50,000 crores over seven years for 60 cities, in terms of grant assistance for specific projects in a model that involves matching capital being raised by the City and the state. It envisages a prominent role for the private sector in service delivery and management and emphasizes the necessity for the ULBs to re-engineer their processes to improve their service delivery levels and also reiterates the states to

create a conducive environment for urban infrastructure investments.

JNURM has been successful driven primarily by the cities need for capital and many cities have moved further and deeper into their reform commitments. A fair evaluation at this juncture would bring to fore the bottlenecks faced by the states and the cities in taking the reform agenda ahead. The FICCI knowledge report "Urban Development through JNNURM: From Definition to Delivery", does a good job at this evaluation and lays bare the fact that we have underestimated the requirement of investments and the Rs 50000 Crores for 60 cities under JNURM is not enough since 25 cities have already asked for Rs 97,000 Crores and additionally the states and cities will have to figure out how to raise the matching capital outside the JNURM from other sources including private capital.

Raising this capital for ULBs is the biggest challenge and this is not going to be easy for most cities, given the precarious nature of their finances and will require serious out of the box thinking and models like private - public partnerships in this area if this capital and investment are to be attracted.

JNURM is an important but one leg of the solution. By its very nature its meant to be a more gradualist solution to the challenges city faces. So it is clear that whilst JNURM can provide some of the capital required by the cities to grow and initiate and catalyse some of the reforms required, the cities themselves have to take on the main challenge of reforming their structure and governance and being in a position then to attract the necessary investments and/or capital.

During the two days, various states will enlighten us on their road map for urban reforms under JNNURM and also address the bottlenecks in the process of its execution.

I hope we have fruitful discussions to further build on the good work of the Ministry of Urban Development and the JNURM. We are all stakeholders in the sustainable growth and development of our cities and I would urge the states to put the rejuvenation and growth of cities on a mission mode.

Thank you.