

URBAN FINANCE

Quarterly Newsletter

National Institute of Urban Affairs



HPEC-NIUA URBAN LECTURE SERIES

China's Experiences of Urban Opportunities and Challenges

The High Powered Expert Committee (HPEC) on estimating urban infrastructure investments and National Institute of Urban Affairs (NIUA) have joined hands to organize a series of events to promote awareness on urban opportunities and challenges in India. NIUA is the secretariat for HPEC. A lecture on, "Cities, Opportunities and Challenges: China's Experience" was delivered on February 16, 2009 at NIUA by Mr. Keshav Varma, Sector Director, Urban Development, East Asia and Pacific Region, World Bank and was chaired by Dr. Isher Ahluwalia, Chairperson ICRIER and HPEC.

Welcoming Mr. Varma, Dr. M. Ramachandran, Secretary, Ministry of Urban Development (MoUD) presented a brief background of the speaker. Mr. Varma served as the Commissioner, Ahmedabad Municipal Corporation (AMC) in mid 1990s and inspired AMC's transformation leading it to become the first urban local body to get credit rated and issue municipal bond. Dr. Ramachandran briefly described on-going Jawaharlal Nehru National Urban Renewal Mission (JnNURM) program in India and indicated that urban India has to learn from urban development and management experiences of China.

Mr. Varma thanked Dr. Ramchandran and Dr. Ahluwalia for the opportunity to discuss China's experience in urban development with India's urban professionals.

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Prof. Chetan Vaidya, Dr. M. Ramachandran and Mr. Keshav Varma at the HPEC-NIUA Urban Lecture Series



Mr. Keshav Varma and Dr. Ishwer Ahluwalia participating in the interactive session

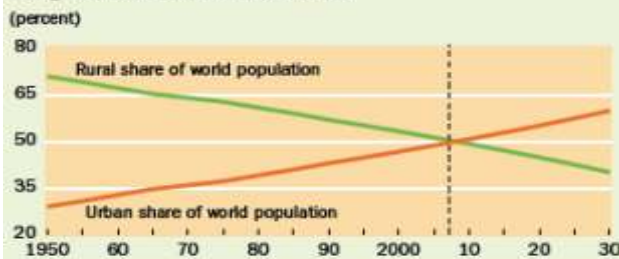
Giving background to urban China, Mr. Verma mentioned that rapid urbanization in China in last two decades will result to 50 percent of China's population residing in urban areas by 2010. He outlined three key themes which directed urban development in China, (i) managing urban development with industrial development as principal driver; (ii) piloting innovations

based on 'learning by doing' approach; and (iii) providing incentives to perform for local government. Salient features of the presentation were:

- a) Level of decentralization in China is high. City resources include value added tax, land tax, user charges, etc. Land is used as a resource for urban development and obtain support for funding from banks for infrastructure projects. Off budget investment in urban infrastructure in the cities is also high.
- b) Mayors have executive powers in China, they are often responsible for both urban and rural areas. The Mayors' role and powers are similar to the Indian District Collector and Municipal Commissioner. Mayors of major Metropolitan Cities have status equal to Cabinet Ministers in the National Government.
- c) Mayors are responsible for achieving economic and infrastructure targets for the cities.

Tipping the scale

Next year, for the first time in history, more people will be living in urban than in rural areas.



Source: United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects: The 2006 Revision (2007).



- d) Chinese Government does not believe in incremental infrastructure development. Construction standards are very high and sometimes better than standards followed by the US.
- e) Chinese citizens are obsessed with cleanliness of cities.
- f) Chinese urban centers are becoming accountable and market oriented.
- g) In some Chinese cities, tourism development based on cultural heritage is the main contributing factor to economic growth.

Thereon, he highlighted the emerging issues in urban China:

- (a) Growing role of secondary medium-sized cities; and
- (b) Environmental sustainability, climate change and natural disaster.

Mr. Varma opined that experiences of China are not completely replicable in India. His suggestions for Indian cities included:

- (i) professionalization of city management;
- (ii) making cities responsible for economic and infrastructure development;
- (iii) introducing innovative resource mobilization techniques; and
- (iv) developing partnerships with citizens and civil society organizations.

Thanking Mr. Varma for his stimulating talk, Dr. Ahluwalia mentioned that his suggestions would contribute to the ongoing debate on urban development in India. There were extensive discussions with the participants that included representatives from research and training institutions, government organizations, international agencies, etc. Prof. Chetan Vaidya, Director, NIUA thanked Mr. Varma, Dr. Ramachandran, Dr. Ahluwalia and other participants for their presence and discussions.

Improving the Business Environment In Indian Cities



It is a general perception that stringent procedures for licensing and registration have stood in the way of doing business in Indian cities. Extensive documentary evidence and several no-objection certificates from

various agencies results in high costs and excessive delay in obtaining construction license. Further, age-old methods associated with manual system of registration also lead to enormous delays in registration of property, which hinders business development. Considering that urban India contributes for nearly 60 percent of the gross domestic product, reforms in this area remain a priority of the Government.

To improve the business environment in Urban India the Department of Industrial Policy and Promotion (DIPP) under the Ministry of Commerce and Industry, Government of India has initiated a study to identify reforms/guidelines related to issue of building licenses and property registration. The Government of India assigned NIUA the task of preparation of guidelines for streamlining the procedures with regard to "property registration" and "dealing with licenses" based on a thorough study of prevailing procedures. The study entitled "Studies on Preparation of Guidelines for Model System for Procedures under Dealing with Licenses and Registering Property" identifies the reforms for replication by parastatal and urban local bodies across the country based on a detailed empirical study of the prevailing procedures (including time and cost) across ten cities. Mumbai being the most populous city of the country represents India in global comparison.

The study identifies the key areas based on best practices and proposes guidelines drawing lessons from the reforms already underway that could be adopted to ease licensing procedures and property registration in India. The guidelines are prescriptive in nature, and are based on best practices/reforms already underway in different countries and JnNURM cities, in addition to the observations in the cities selected for the study.

The present study brings forth the fact that reforms have facilitated doing business in many Indian cities although some cities are still affected by cumbersome procedures involving high costs and delays particularly in obtaining construction license. Bangalore, Delhi and Surat involve least procedures in obtaining construction license. Bangalore also requires least time (92 days) as compared to 149 days in Mumbai and 285 days in Ranchi. Delhi incurs the least cost and Kolkata the maximum when construction cost as a percentage of per capita income of the respective city is considered.

With regard to property registration, the study shows that with the introduction of computerized system of registration, the time taken for registering property has come down drastically in most of the cities. Kolkata is the only city among the ten selected cities where manual system of registration is still prevalent which results in substantial delays. The delay in most of the other cities is basically due to the time taken for mutation. Trivandrum and Bangalore are the two cities where mutation takes place within 7 to 10 days.

The study, further, shows that reforms are underway

Managing The Exodus:

Grounding Migration in India

The American India Foundation, Yes Bank and NIUA have prepared a publication on "Managing the Exodus: Grounding Migration in India".

In India 73 million people living in rural areas have migrated from 1991-2001; out of which 53 million have moved to other villages and 20 million to urban areas-majority of them in search of work.

The report addresses paucity of information on the distressed migration its relation to rapid urbanization of India and growth of slums and informal economy. It gives a comprehensive look at what the government, civil society institutions and private sector are doing to increase opportunities in rural areas, while mitigating the impacts of migration for those who move to urban India.

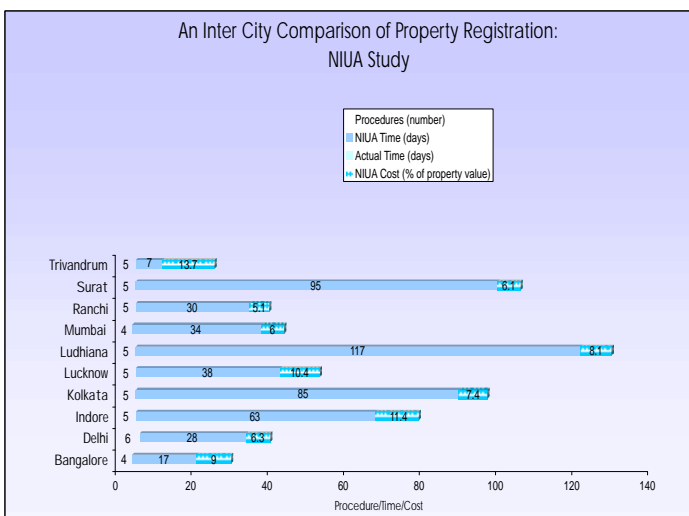
Among others, Dr. Debolina Kundu, NIUA has also contributed in this volume.

in various cities in the country. It is heartening to note that many agencies are actively engaged in the process of reforming regulatory procedures and a number of innovative practices have been developed within the country. For example, with the introduction of computerized system of registration, the time taken to register property has come down drastically in many cities. Similarly, adoption of computer-aided evaluation and single window system for building plan approval has helped in reducing red tape in some cities. These practices need to be further improved and widely disseminated to bring about a paradigm shift in the existing regulatory regime. Amendment of building byelaws to reduce the stipulated time for plan approval and mandatory inspections and making provisions for appointment of an "Architect on Record" to make the plan approval time bound and address all related eventualities are also recommended guidelines. In addition to boosting private investments, this would also expand the reach of regulation by bringing more businesses and workers into the formal sector.

The property registration system in India calls for radical reforms so that the rigid and complex system valuation of properties and calculations of stamp duty and registration can be simplified to bring transparency and one-stop service to the common man. Linking the system to land records and property transactions through computerization as has happened in Karnataka (KAVERI) and Andhra Pradesh (CARD) would provide complete transparency of land records and ease transfer of property. Adoption of reforms for speedy mutation can further ease doing business in the country.

Deliberations of the study were discussed in a workshop organized on August 19, 2008. Shri Ajay Shankar, Secretary and Dr. Rajat Kumar, Director, DIPP presided over the meeting. Dr. Debolina Kundu, NIUA made a detailed presentation on the methodology and findings of the study.

The study would be of interest to researchers, academic and research institutions, and international organizations interested in the



subject and will provide an initial roadmap for the urban local bodies and development authorities to identify and implement reforms to ease doing business.



India: Urban Poverty Report 2009 was released on 3, February 2009 by Shrimati Kumari Selja, Minister of State for Housing and Urban Poverty Alleviation, GOI. The report provides an idea of the dynamics of urban poverty, its impact on the economy and the possible ways of redressal.

India's first report on urban poverty has been prepared with the support of UNDP and by eminent academicians and researchers under the supervision of Professor Amitabh Kundu. The report focuses on urbanization trends and related issues keeping poverty at the centre of analysis. It emphasises on the need to deliver basic services to the urban poor and addressing the issue in holistic manner with participation of all stakeholders, especially the poor.

Among others, the report covers article on Alleviating Urban Poverty: Income Growth, Income Distribution or Decentralization by Prof. OP Mathur elaborating on the opportunities and constraints in programmes, policies and in decentralized governance. The article on Elite Capture Marginalization of the Poor In Participatory Urban Governance: A Case of Resident Welfare Associations In Metro Cities by Dr. Debolina Kundu brings out the capture of urban governance by the elite and consequent marginalization of the poor in metropolitan cities.

KMC launches e-Kolkata to ease civic services

The Kolkata Municipal Corporation (KMC) has made a landmark foray into providing integrated municipal services to its citizens with the opening of two new state-of-the-art citizen service centres at Kolkata. The centres named 'e-Kolkata citizen service centre' aim to enhance convenience, speed and accountability for citizen centric municipal transactions. This will enable KMC to deliver citizen services at their doorstep. KMC can now reach out to citizens in a consumer friendly manner through the e-Kolkata citizen service centres also called 'Nagarik Parisheba Kendras'.

In the initial phase of roll out, transactions related to payment of property tax dues, trade license fees, fees related to parking, markets and survey and estate departments will be available at these centres. Shortly, many other services will be available across different municipal departments. Mutation, grievance redressal, issue of fresh licence, etc. and other such services are to be rolled out in these centres within few months. More than Rs. one crore has been utilised to operationalise the initiative under assistance from the Department for International Development (DFID).



Seeing Development in 3-Dimension

The World Bank published the 31st World Development Report (WDR) 2009 with the theme "Reshaping Economic Geography" in November 2008. The main message of this year's report is economic growth will be unbalanced, but development can still be inclusive. It argues that promoting transformations along the three dimensions or 3D's of economic geography, namely Density, Distance, and Division, are crucial to development and should be encouraged. The Report challenges the assumption that economic activities must be spread geographically to benefit the world's most poor and vulnerable. Geography matters greatly in deciding what is needed, what is unnecessary, and what will fail. The underlying theme of the Report is that economic growth will be unbalanced but development can still be inclusive. The report provides important inputs for understanding and developing an urban development strategy, which may be pertinent to India.

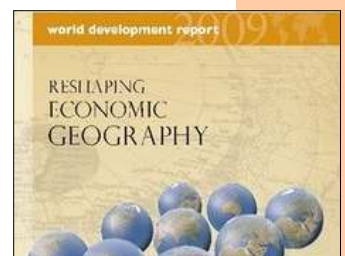
The MoUD and NIUA organized a workshop cum seminar on the WDR 2009 at NIUA Conference Room on the 12th of March 2009. Over 60 participants representing the World Bank, MoUD, Planning Commission, a host of research and academic institutes, international

organizations, NGOs, etc. attended the workshop. Presentations were given by Prof. Chetan Vaidya, Mr. A.K. Mehta, Joint Secretary, MoUD, Mr. Justin Linn, Senior Vice-President and Chief Economist, Dr. Indermit Gill, Director of the WDR and Chief Economist, Europe and Central Asia and Mr. Somik V. Lall, World Bank.

Mr. Justin Linn, brought out the need for economic concentration and economic integration. He argued that the most effective policies for promoting long-term growth are those that advocate transformations along the dimensions of economic geography and economic integration both within and across nations.

Dr. Gill, emphasized that integration should be the pivotal concept in the policy discussions involving the location of production, people and poverty-in particular, the debates on urbanization, regional development, and globalization. Instead, all three overemphasize place-based interventions.

Dr. Isher Ahluwalia, initiated the discussion on the presentations. She appreciated the analysis



and the findings of the Report. She opined that it has emphasized the need for maximizing agglomeration economies calibrated according to the needs of different geographical scales. Other discussions ranged around specific suggestions for India based on WDR, reconciliation of district and metropolitan planning committee to the new 3D approach, need to lock investments in infrastructure in the context of climate change challenges.

Mr. Gill thanked all the participants for appreciating the Report and also for raising various issues related to it. He said that the World Bank is planning to come up with an India-specific WDR. He pointed out that India has done a reasonably good job of political union, and now it should urgently focus on economic union. He said that no country in the world had economic development without urban development, and there cannot be urban development without the commensurate proliferation of slums. He opined that basic services should be provided to all, but economic infrastructure should be concentrated in those regions that yield the highest rate of return. He also said that incentives intended to attract industry to lagging areas should be used sparingly.

Mr. Linn mentioned that countries should look to focus their attention to ensure better-quality migration, by learning to optimize between agglomeration benefits and congestion costs arising out of concentration citing reference of China. He also emphasized that infrastructure



Prof. Vaidya, Mr. Ak Mehta, Dr. Ahluwalia, Mr. Linn and Mr. Gill during the workshop

investment has to be linked to climate change challenges as well as technological changes.

The workshop ended with a vote of thanks by Prof. Usha Raghuapati, NIUA to all the participants.

POSITIVE STROKE

**Going online:
PEARL Website**

**India Urban Portal
(www.indiaurbanportal.in)**

This portal launched as the PEARL website by NIUA is envisaged as a ready reference to best practices in planning, projects, reforms, accessible data/ resources and other innovations at central, state and Urban Local Body level. It would act as a knowledge-sharing platform for interaction and discussions on related topics.

The website covers information regarding all the 63 Mission cities and is linked to the JnNURM website maintained by the Ministry of Urban Development, Gol.



**UKIERI Award Winner
2008-09**

NIUA is partnering with Oxford Institute for Sustainable Development, Centre for Environmental Planning and Technology (CEPT) Ahmedabad, School of Planning and Architecture (SPA) Delhi, IIT Delhi and network of stakeholders for a research project on 'City Form India-Sustainable Urban Form for Indian Cities.

The Project has won the UK- India Education Research Initiative (UKIERI) Award and is also being supported by Ministry of Urban Development, Government of India.

Prof. Chetan Vaidya and Satmohini Ray participated in the 2008-09 Research Awards Announcement hosted by British Council-India on 23 March '09. The programme showcased UKIERI's successful collaborations, case presentations on lessons learnt and way forward. NIUA is looking forward to a stimulating mutually beneficial collaboration between the Indian and the UK research team.

EVENTS

Organized/supported by NIUA

⚙ Meeting on Legal Framework for Urban Sector

The Confederation of Indian Industries (CII) has initiated a dialogue with MoUD on key urban issues. As part of these efforts, CII requested CRISIL Infrastructure Advisory to prepare a background paper on these issues. The draft paper prepared by CRISIL focuses on 74th Constitutional Amendment and next steps in an enabling legal framework for urban sector. This draft paper was discussed in a meeting of urban experts chaired by Prof. OP Mathur at NIUA on January 10, 2009.

⚙ Meeting of Primers for Optional Reforms under JnNURM

NIUA is preparing Primers for Optional Reforms under JnNURM. A presentation on draft primers was organized at NIUA on January 21, 2009. It was attended by Mr. Nitin Gokarn, Director, MoUD. Presentation was made on the following primers:

- Administrative Reform;
- Structural Reform;
- Revision of Byelaws to make Rainwater Harvesting mandatory in all buildings;
- Introduction of Computerized Process of Registration of Land and Property; and
- Encouraging Public Private Partnership.



Mr. Nitin Gokarn at NIUA

The group held extensive discussions and gave suggestions. NIUA revised the primers based on these suggestions. The Institute has also prepared draft primers for earmarking of land in all housing projects for EWS/LIG category; reuse of recycled water; introduction of property title certification system in Urban Local Bodies (ULBs).



Mr. Anil Bajjal with Prof. OP Mathur at NIUA

⚙ High Powered Expert Committee Meet on Urban Transportation

HPEC met on January 20, 2009 with special focus on urban transportation, Mr. Anil Bajjal, Former Secretary (UD) and Mr. OP Agarwal, Executive Director, IL&FS were special invitees.



Mr. OP Agarwal

Mr. OP Agarwal made a presentation on "Investments needed for Sustainable Urban Transportation in India". He brought out various issues, initiatives and possible approaches for improved urban transportation system in India. It is important to evaluate alternative public transport technologies in the context of city

characteristics. He said that several initiatives have been taken in India:

- Many cities have prepared Comprehensive Mobility Plans;
- Fifteen cities have planned to introduce modern bus services;
- Bus Rapid Transport (BRT) is coming up in 11 cities;
- Six Cities are planning new metro rail systems; and
- Unified Metropolitan Transport Authorities have been set up in two cities.

There is need for undertaking a major capacity building program in the sector. Moreover, the present initiatives have overlooked simple low cost traffic improvement

measures. In addition, improvement or modernization of the existing bus systems as well as improved facilities for pedestrian and cyclists are missing.

❁ **Participation in Implementation of Accounting Reforms in Local Bodies- Current Scenario and Way Forward**

Prof. Mukesh Mathur, NIUA participated in a workshop on Implementation of Accounting Reforms in Local Bodies-Current Scenario and Way Forward from 15-17, January 2009 at Goa, organized by MoUD in collaboration with Institute of Chartered Accountants of India (ICAI).

Workshop made some key recommendations for the effective implementation of accounting reforms in the ULBs which include: (a) initiate a certificate course by ICAI in collaboration with Gol to train accounting personnel of the ULBs; (b) create a separate cadre for the finance personnel; (c) modify recruitment rules to address the reforms; (d) capacity building and regular training of municipal accounting personnel's; etc.

❁ **Presentation on Unlocking the Fiscal Value of Urban Land: Asset-Based Infrastructure Finance**



Ms. Patricia Clarke Annez

Ms. Patricia Clarke Annez, Urban Advisor, World Bank made a presentation on Unlocking the Fiscal Value of Urban Land: Asset - Based Infrastructure Finance at NIUA on January 29, 2009. She mentioned that land has been long used as financing source for infrastructure both in developed and developing countries. Transactions

can be in terms of benefit (value) capture, impact fees (cost recovery) and land asset sales and leasing. She illustrated transactions through examples from Istanbul (Turkey), Cairo (Egypt), Bangalore (India), Cape Town (South Africa) and Bahir Dar (Amhara).



Global Recognition for FIRE-D Project

The Best Practices and Local Leadership Programme is a global network of institutions dedicated to the identification and exchange of successful solutions for sustainable development. It is a joint product of UN-HABITAT and the Best Practices Partners.

Indo-USAID Financial Institutions Reform and Expansion - Debt (FIRE-D) Project has been recognized by UN-HABITAT as a "Good Practice" in Improving the Living Environment under Water and Sanitation category. The Project has achieved significant results in demonstrating the value of innovative approaches to urban reforms through pilot projects at the state and municipal level.

Government of India and USAID launched this joint initiative in 1994 with the overarching objective to improve the delivery and operation of water and sanitation services in India's urban centers. FIRE(D) sought to achieve this objective through improved creditworthiness of local governments, structuring bankable projects, resource mobilization including market based financing, and allocation of resources to increase the level of investments in urban infrastructure focusing on provision of sustainable urban services to the poor and other residents.

SUBSCRIPTION

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