

Regional, rural and urban development

THE CHALLENGES OF URBANISATION

- ▶ India's urban population has increased rapidly over the past decade and this rapid urbanisation is set to continue in the future.
- ▶ Ensuring that this rapid urbanisation leads to the development of more economically dynamic, inclusive and sustainable cities is crucial.
- ▶ To this end, India needs to avoid excessive sprawl and address infrastructure bottlenecks, particularly in the transport, power and water sectors.
- ▶ India's rapidly growing cities correspond less and less to their administrative boundaries, making metropolitan-scale co-ordination of land use and transport increasingly important.
- ▶ To achieve effective metropolitan governance, municipalities and metropolitan bodies need to be empowered through decentralisation, accompanied by capacity building at local level.

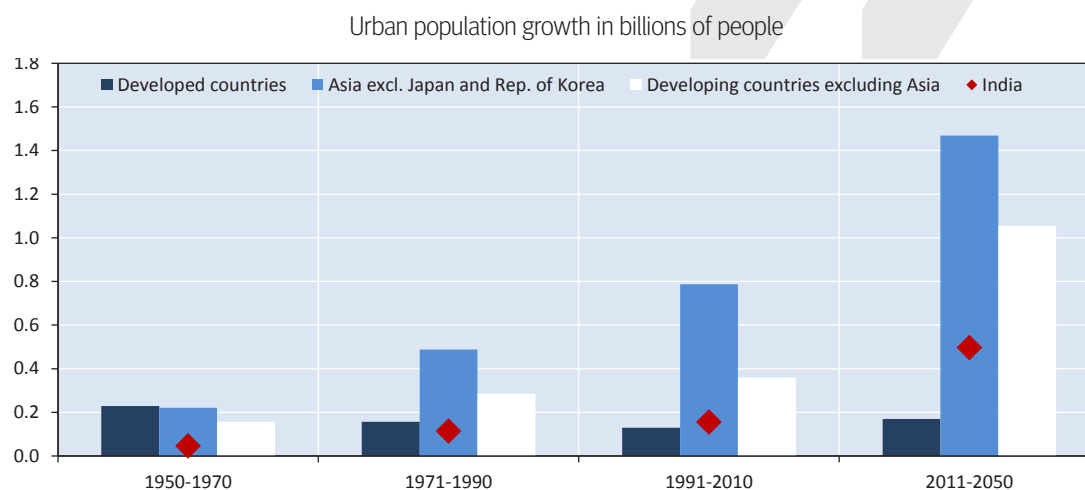
What's the issue?

India's urban population has risen by more than 150 million since 1990 and is projected to grow by a further 500 million by 2050 – implying that almost 20% of the world's new urban dwellers between now and the middle of the century will be Indians (see Figure). Accommodating a doubling of the urban population, while also addressing the social and environmental pressures that accompany urbanisation and economic growth, is thus a crucial policy priority. The specific

challenges facing Indian policy makers will be related to managing urban spatial expansion, improving infrastructure, and access to services and transportation.

Urbanisation generates demand for changes in land use on a large scale. Until now, density regulations have tended to hinder urban concentration and push growth into the urban periphery, which entails high economic and environmental costs. The integration of land-use and transport planning could allow higher densities closer to metro stations and other

India's urban population is increasing at rapid speed



Source: UNDESA (2014), *World Urbanisation Prospects, the 2014 Revision*, UN Department of Economic and Social Affairs.

public transport interchanges. It is thus vital for India to streamline the procedures involved in land acquisition and conversion, and to create the institutions needed for a well-functioning land market, particularly with respect to clear title and effective valuation processes.

There are also important gaps in infrastructure, particularly in the fields of transport, water supply, sanitation and power. The Planning Commission estimated in 2012 that India was spending less than 20% of what was required on urban infrastructure. Power cuts are frequent and water services are characterised by disrupted delivery and very poor quality. These problems are spatially concentrated, making for substantial disparities in access to basic services within and across metropolitan areas. In no small measure, this is because tariffs for many infrastructure services do not cover operation and maintenance costs, let alone capital costs.

India's growing cities badly need sustainable mobility solutions that are least-cost, can be expanded rapidly, and are flexible enough to adapt to rapidly changing urban environments. This suggests that bus rapid transit systems may have much to offer, particularly on the urban periphery. At the same time, urban planning has to take better account of public transport provision and the location of public facilities as cities grow. More can also be done to facilitate inter-modal connections and to reduce the cost of public transport, which is high relative to income levels.

Moreover, India's rapidly growing cities correspond less and less to their administrative boundaries. This fragmentation of governance can seriously damage the development of large conurbations. Metropolitan-scale co-ordination of land use and transport are increasingly important. To achieve effective metropolitan governance, India will need real devolution of responsibilities and powers from the states to municipalities and metropolitan bodies.

Why is this important for India?

Better urban planning can help make cities more productive, make growth more inclusive, and improve well-being. The current government has identified infrastructure development as a top priority and has linked it specifically to the growth and quality of life of cities.

Improving infrastructure is also essential to sustain economic activity and improve living conditions. India's needs in transport infrastructure are huge. For instance, the number of motor vehicles has more than doubled in the last decade in India, as incomes have risen. But public transport systems have failed to keep up with urban growth. The result is severe congestion and air pollution. This will get worse as urbanisation advances unless effective action is taken.

What should policymakers do?

- ▶ Implement policies for land use and urban planning to avoid excessive sprawl and manage density in cities.
- ▶ Address infrastructure bottlenecks affecting transport, power, and water, in particular.
- ▶ Find more cost-effective, flexible and sustainable public transport solutions for growing cities.
- ▶ Empower municipalities and metropolitan bodies through decentralisation and clarification of the roles of metropolitan and municipal structure, accompanied by capacity building at local level.
- ▶ Mobilise new sources of finance for cities while raising the efficiency of expenditure.



Further reading

Ahrend, R. and A. Schumann (2014), "Approaches to Metropolitan Area Governance: A Country Overview", *OECD Regional Development Working Papers* No. 2014/03, OECD Publishing. <http://dx.doi.org/10.1787/5jz5j1q7s128-en>

Ahrend, R., E. Farchy, I. Kaplanis and A. Lembcke (2014), "What Makes Cities More Productive? Evidence on the Role of Urban Governance from Five OECD Countries", *OECD Regional Development Working Papers* No. 2014/05, OECD Publishing. <http://dx.doi.org/10.1787/5jz432cf2d8p-en>

OECD (2014), *OECD Regional Outlook 2014 – Cities and Regions: Where Policies and People Meet*, OECD Publishing. http://www.oecd-ilibrary.org/urban-rural-and-regional-development/oecd-regional-outlook-2014_9789264201415-en