

URBAN INFRASTRUCTURE: INDIA'S SUSTAINABLE GROWTH ENGINE

Urban cities are growth catalysts and likely to create 70% of net new jobs and contribute over 70% to India's GDP by 2030¹



Opportunity

- 31% of India's population resides in cities² – during 2001-2011 urban population grew at a CAGR of 2.8%³ resulting in a net addition of 91 Mn³
- By 2030, India will have 6 megacities (10 Mn+ population) - Mumbai and Delhi will be among the 5 largest cities in the world¹
- In addition, cities with 1 Mn + population will increase from 53 to 68¹ - huge potential for job creation and workforce addition
- As our urban population grows to 590 Mn⁴ by 2030 (approximately 40% of total population), critical gaps in healthcare, education, clean drinking water, sanitation, affordable housing and public transportation need to be addressed

Direct Impact on Economy

- India's rapid urbanization requires an aggregate capital investment of over ₹ 70 Lakh Cr² till 2030, mainly in urban roads, affordable housing and transportation - entailing annual per capita investment on urban services to grow eight-fold from ~₹ 1000 to ~₹ 8000²
- Potential to create huge demand in various core and ancillary sectors - multiplier effect through inter-linkages between 254 industries⁵, including infrastructure, logistics, modern retail and also improved synergy between rural and urban centers
- Promotion of social stability and economic equality through sustainable all round development of urban economic centers



Urbanization has put India's cities and towns at the center of our growth story. Investing in sustainable development of our urban centers will play a critical role in achieving accelerated economic growth. No other area requires better Center-State-Local Government coordination than Urban Development. A combination of good governance and comprehensive capacity building at all levels of the Government is essential to make our urban cities pillars of job creation, comfort, efficiency and security. ”

Rana Kapoor
President, ASSOCHAM

IMMEDIATE / SHORT Term Recommendations

- Develop basic infrastructure like public transport, flyovers, drainage, sanitation and waste management
- Incentivize REITs and Urban Development Funds to invest in public utility services like slum rehabilitation, water supply and waste management and sanitation
- Deepen e-governance mechanisms for electronic delivery of public services
- Establish regulatory authority to monitor work of Urban Local Bodies (ULBs) – build capacity in research, planning, HRD - facilitated by State Governments
- Strengthen fiscal standing of ULBs through improved revenue collection, expense management, budgetary allocations and developing Municipal Bond Markets by providing suitable tax incentives to investors
- Rehabilitate slums and create affordable housing inventory and rental housing facilities for various income groups at city outskirts
- Improve quality of life in Tier 1 and Tier 2 cities by maintaining and developing recreation facilities and public parks

MEDIUM - LONG Term Recommendations

- Develop green-field integrated smart cities along industrial corridors such as DMIC
- Upgrade civic amenities, health services, urban transport and inter-city connectivity for Tier II cities
- Innovation in Public Transport through Intelligent Transportation systems incorporating vehicle telematics to reduce commuting time
- Integrate Disaster Management Systems and a comprehensive Risk Management Framework into Urban Planning, with periodic audits
- Develop suitable framework for People Public Private Partnership (PPPP) in urban infrastructure projects to enhance efficiency in delivery of urban services
- Effectively use Indian Railways' urban land banks to set up Central Business Districts with facilities for holding conventions and exhibitions, transportation hubs, affordable housing and shopping centers
- Develop an Urban Infrastructure Fund with special dispensations such as relaxing KYC provisions for investors, tax incentives, excluding investment by Banks into such funds from SLR/CRR requirements



We invite valued inputs from regulatory agencies, economists, industry leaders and bankers for inclusion in the policy submission to the Government of India by ASSOCHAM. Do write in to us with your advice.

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¹India's Urban Awakening – McKinsey Global Institute ²Reserve Bank of India - Financing Strategies for Urban Infrastructure – Trends & Challenges ³Census 2011 ⁴World Resources Institute (<http://www.wri.org/blog/2013/04/5-keys-sustainable-development-indian-cities>) ⁵Planning Commission