

URBAN AGE CONFERENCE

GOVERNING URBAN FUTURES

November 2014

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*A five-step plan for improving
urban governance in India*

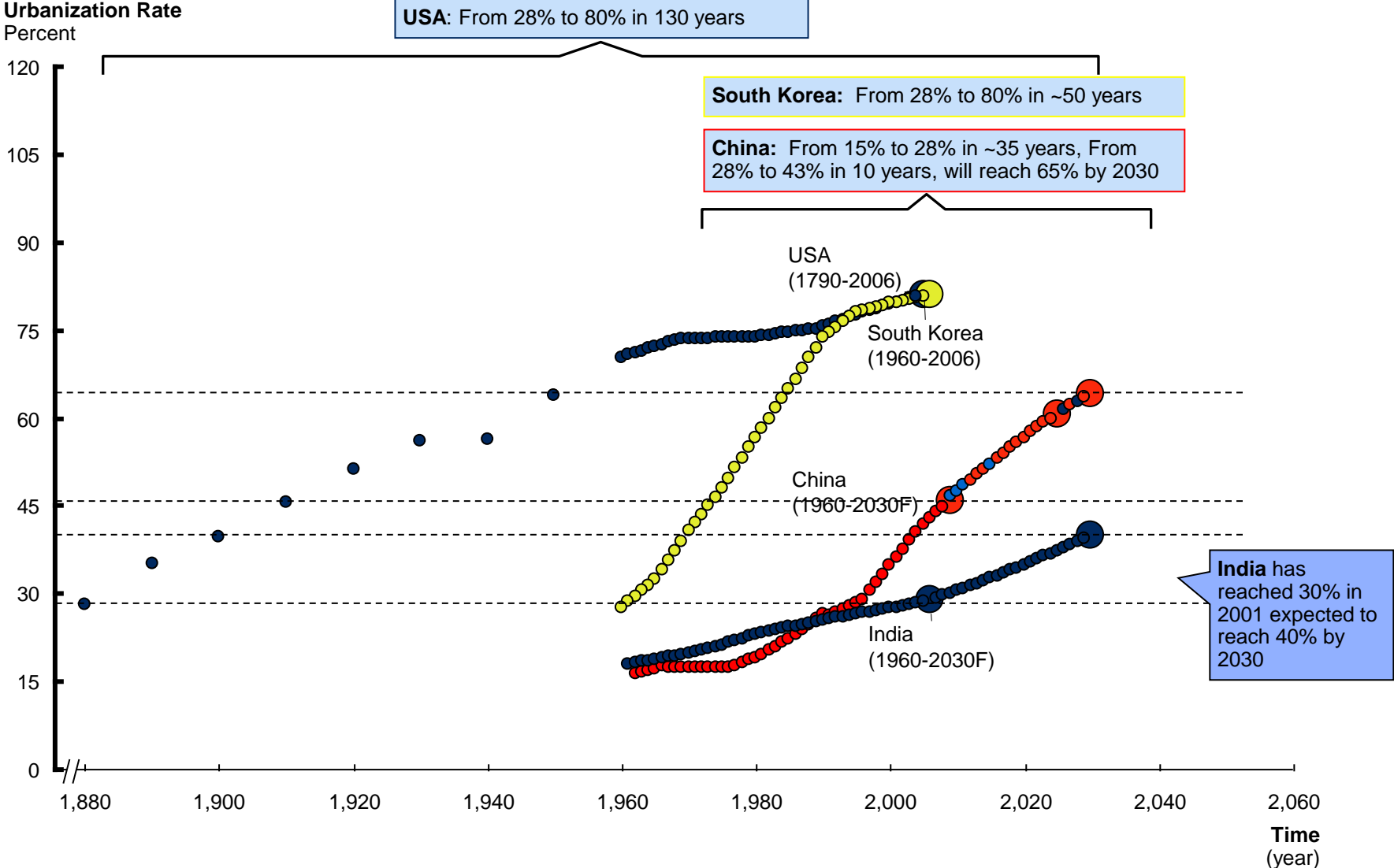
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Indian Cities: **SMART** Governance

LSE Meeting
New Delhi
November 15, 2014

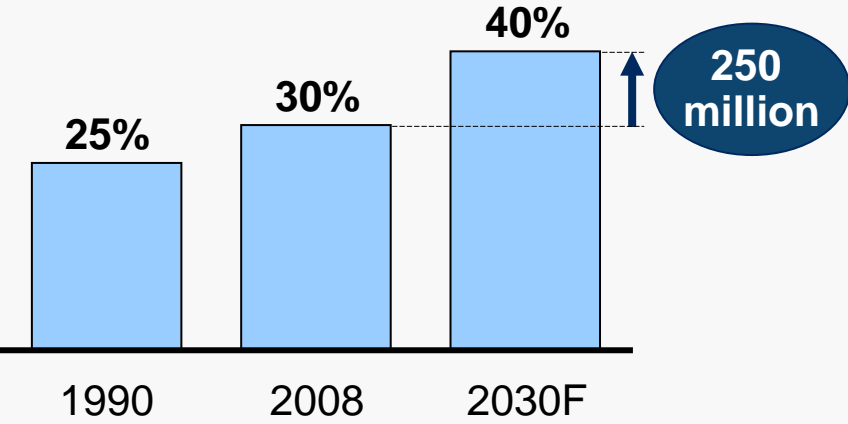
India is a reluctant urbaniser , but the journey is inevitable



Note: We have only included countries with population above 25 million; definitions of urbanization states differ slightly across countries

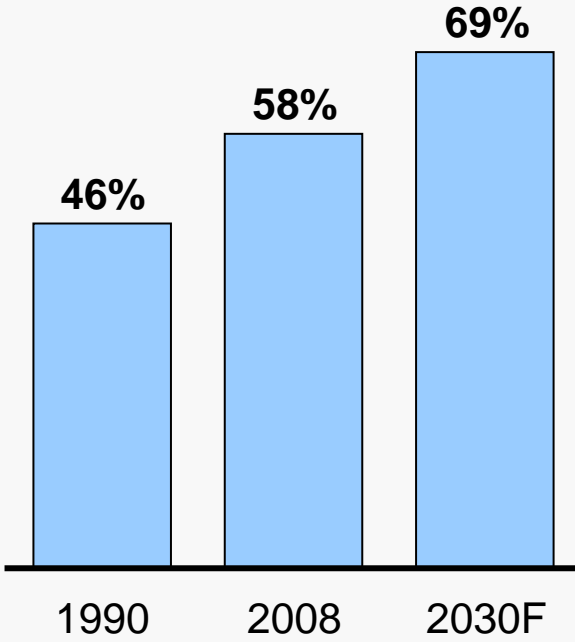
Cities are important to India's future

Share of India's population in cities Percent



Year	Urban Pop. Million
1990	214
2008	341
2030F	591

Share of India's GDP in cities Percent

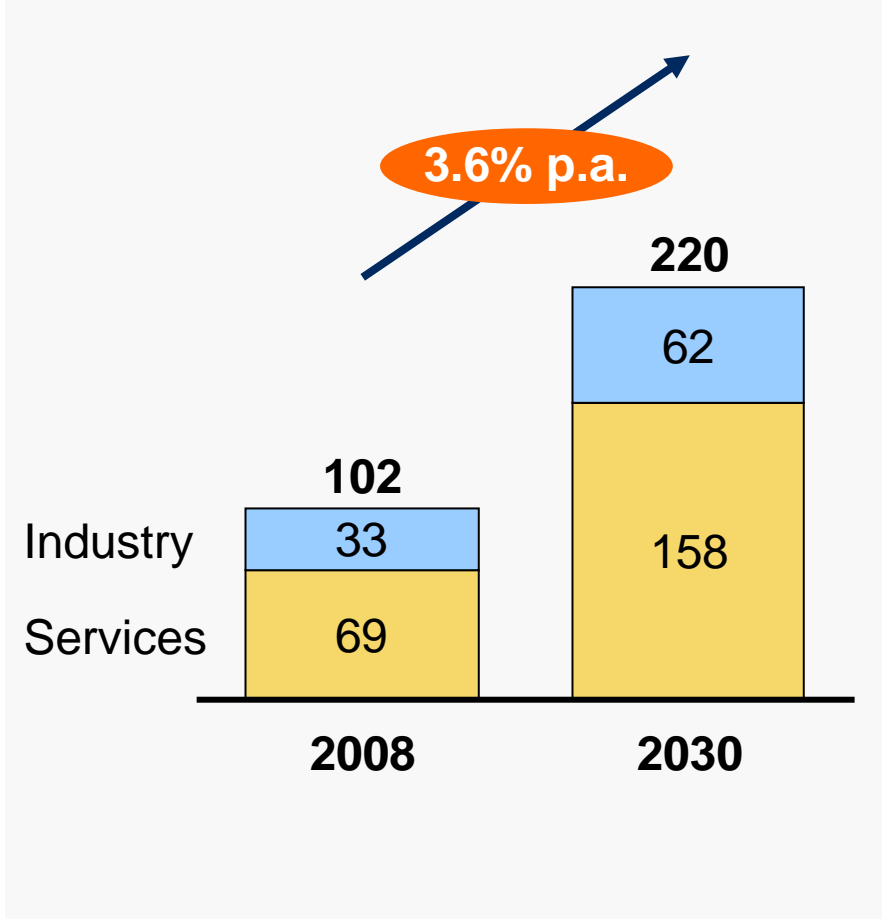


Year	India GDP per capita INR '000
1990	19
2008	42
2030F	162

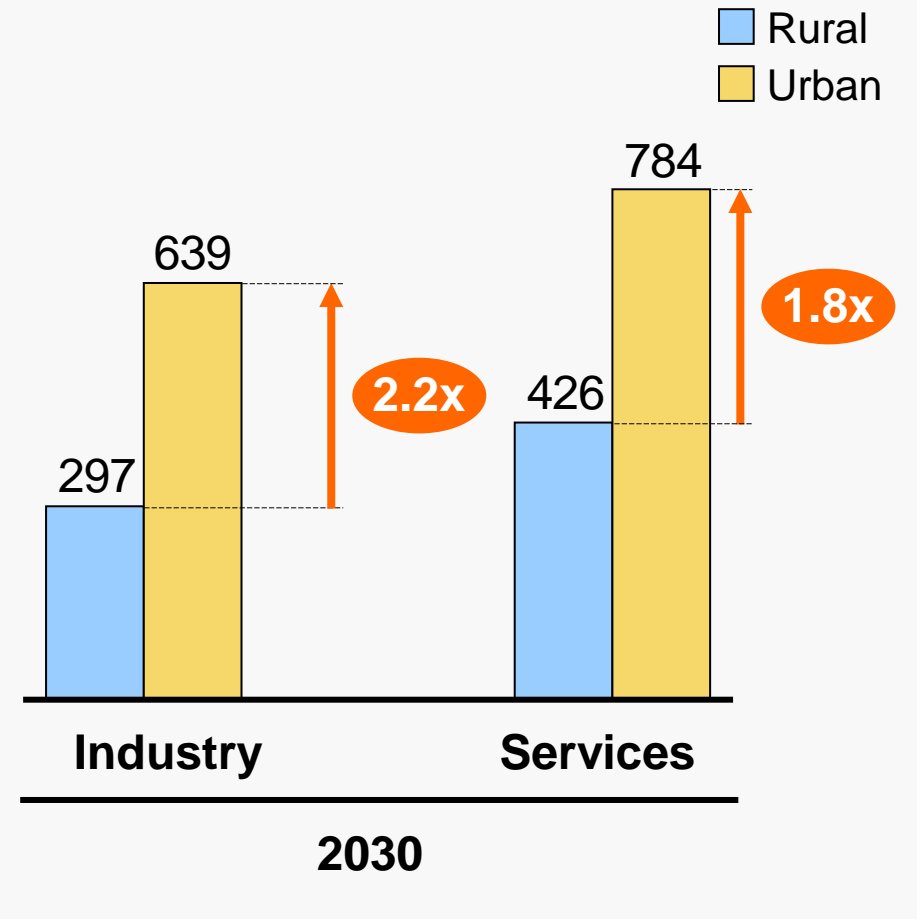
SOURCE: India Urbanization Econometric Model, McKinsey Global Institute analysis

70% of new jobs will be created in cities

Urban nonagricultural employment (projected)
Million jobs



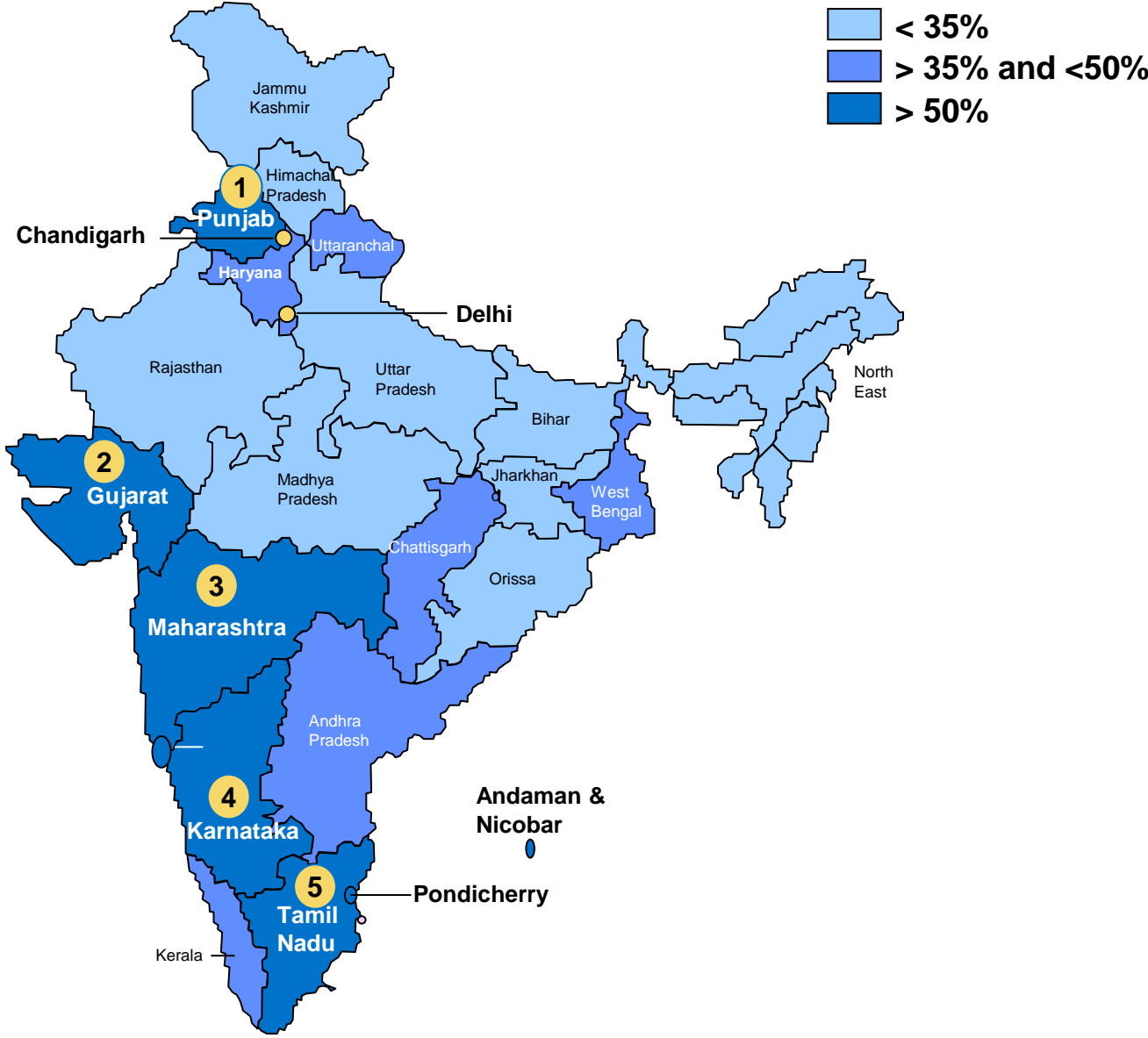
Productivity, GDP per worker (projected)
Thousand rupees



SOURCE: India Urbanization Econometric Model

For the first time, 5 states will be >50% urban

2030 Urbanisation rate

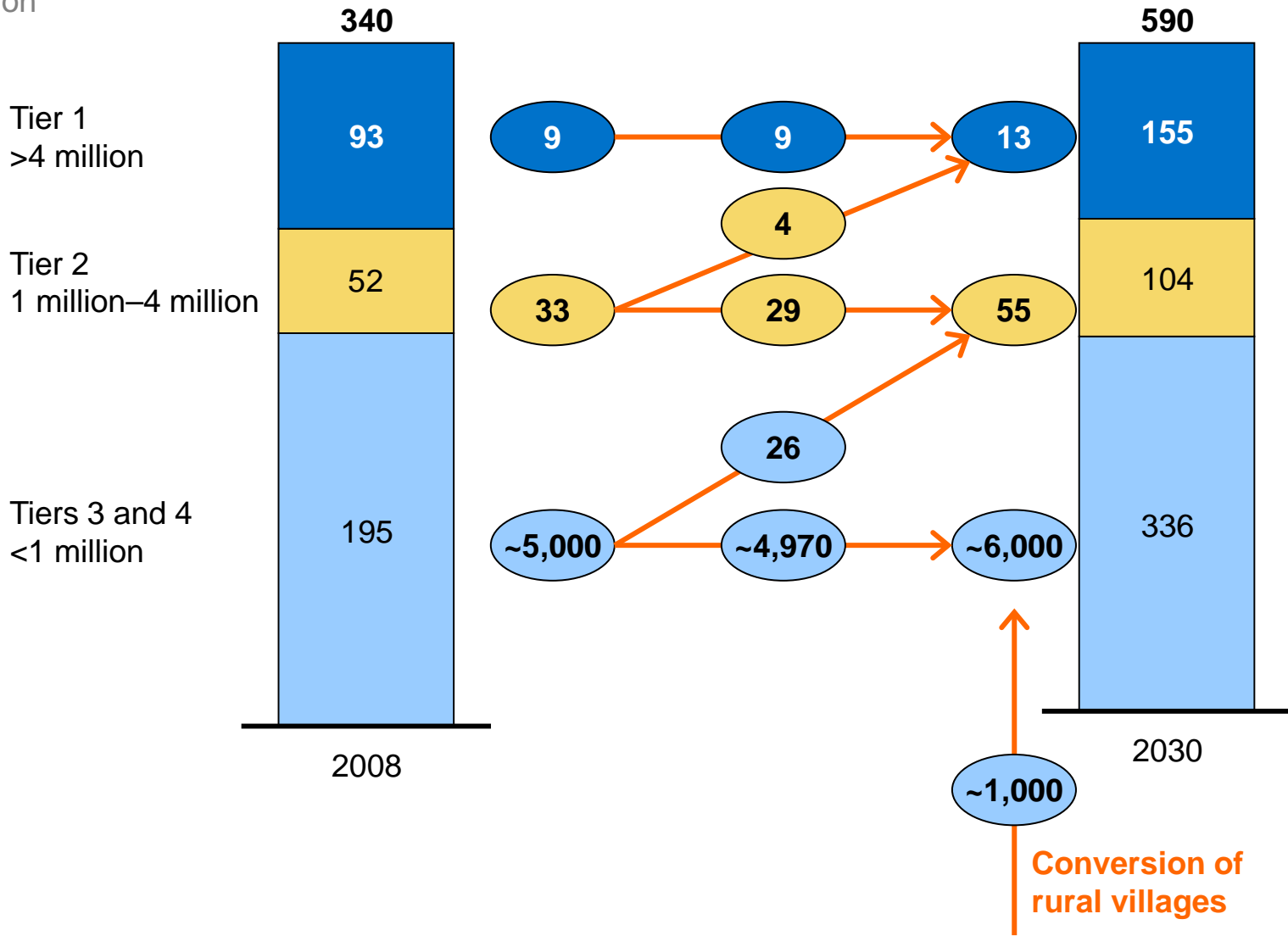


SOURCE: India Urbanization Econometric Model, McKinsey Global Institute analysis

68 cities with population of >1 million (35 in Europe)

Population by tier
Million

X Number of cities

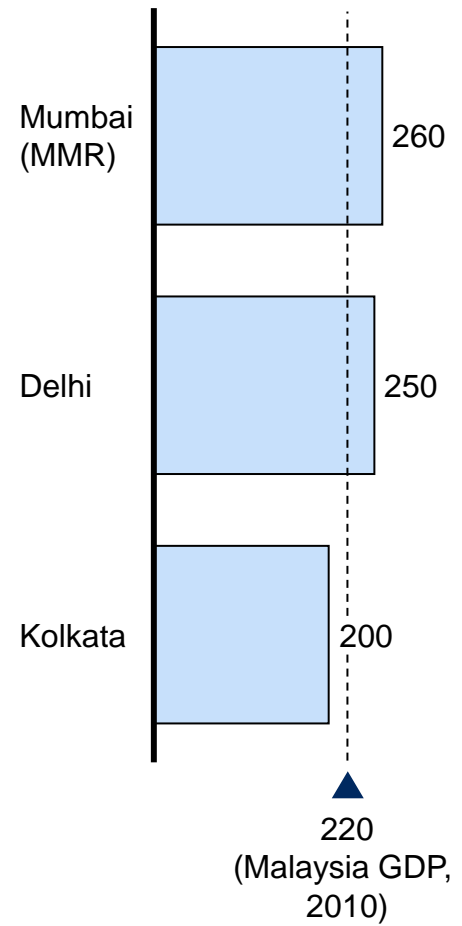


SOURCE: India Urbanization Econometric Model; Census 2001; McKinsey Global Institute analysis

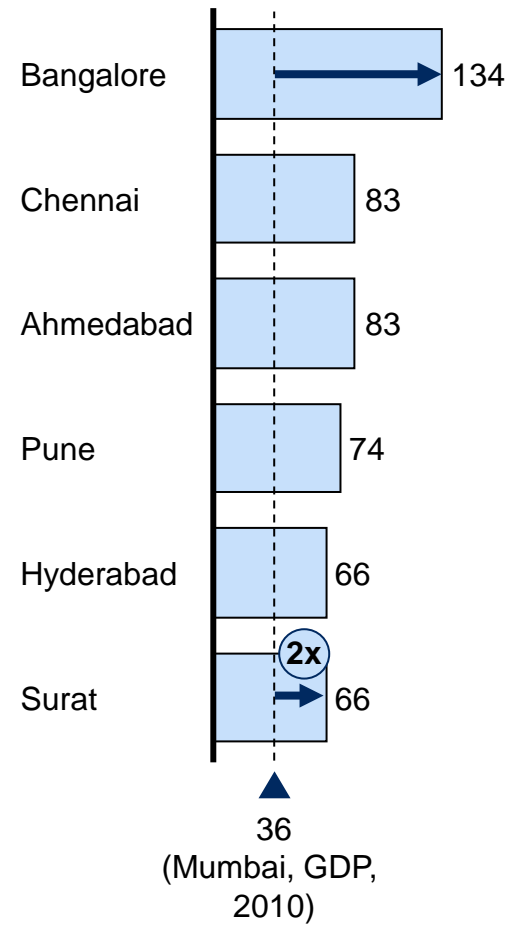
Top cities are countries-in-the-making

GDP 2030, US\$ Billion, 2008 prices

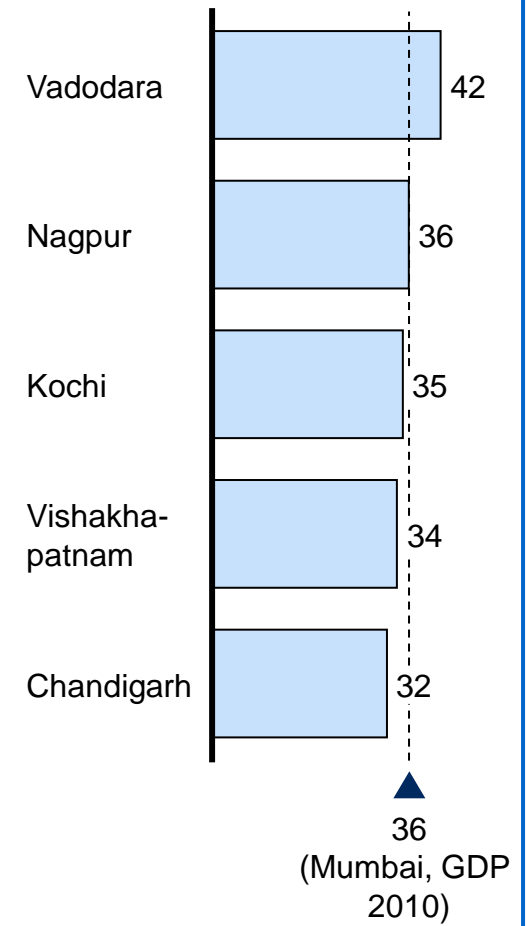
Top 3 cities will be the size of countries today . . .



. . . next 6 cities will become 2-4X the size of Mumbai today



. . . next 5 cities will be equal to Mumbai



The current situation is grim...

Water supply



Only 105 lpcd supplied, need 140-150

Sewage



Only 30% of sewage is treated

Affordable Housing



24% of urban population lives in slums

Public Transportation



Public transport share has declined to ~30%

Storm water drains



Storm water drain coverage of only 20%

Private Transportation



Peak morning travel time of 1.5-2 hours in large cities

Solid waste



Only 70% of solid waste is collected today

Open Space



Only 2.7 m² open space per capita compared to 14 m² in Beijing

..Even bigger surge in demand for services

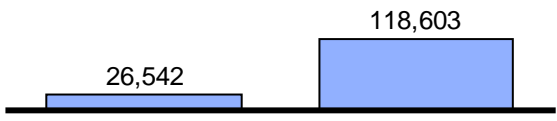
NOT EXHAUSTIVE

Public Infrastructure



Water supply

MLD per day

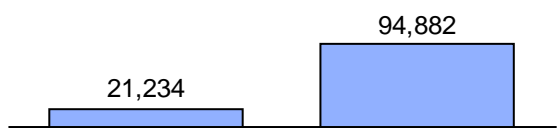


4.5X



Sewage

MLD per day

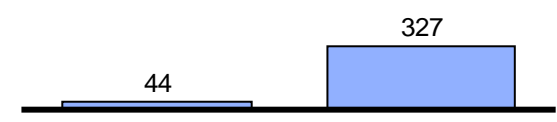


4.5X



Solid Waste

Waste Million tons p.a.

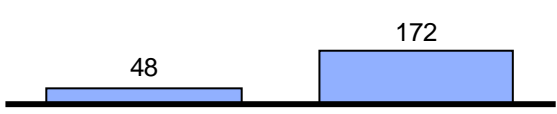


7.5X



Transportation

Number of vehicles (Mill)



3X

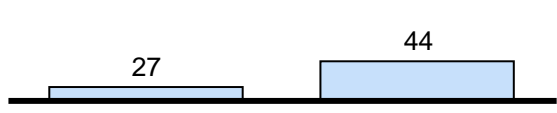


Social services



Affordable Housing

Demand for houses (Million)

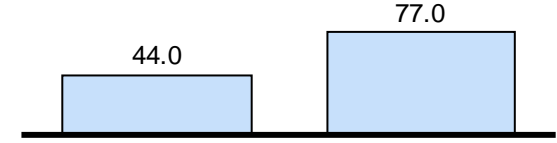


44 million



Education

Number of eligible children (Million)

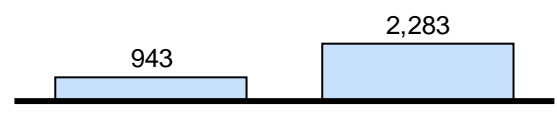


77 million



Healthcare

Number of beds Thousands



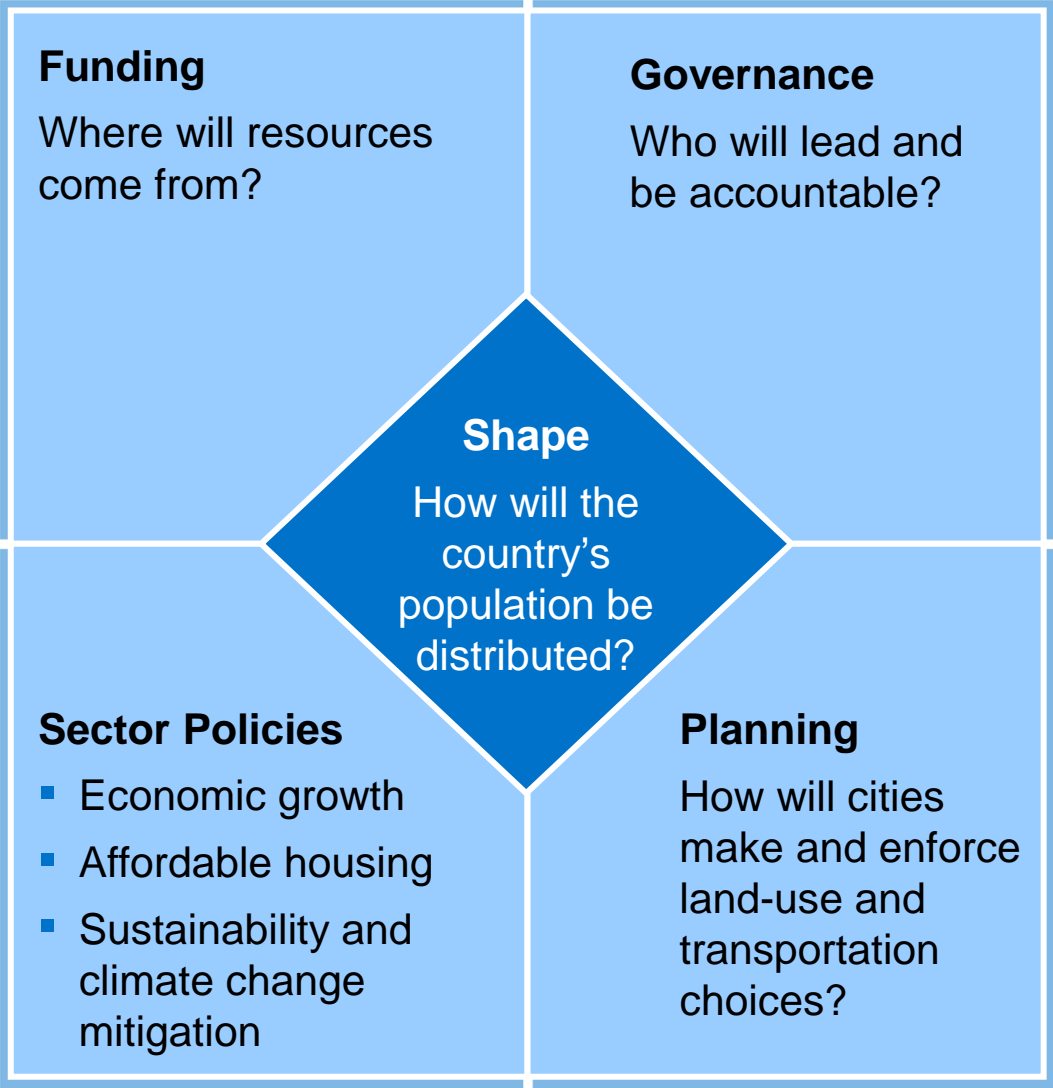
~2.3 million



2005 2030

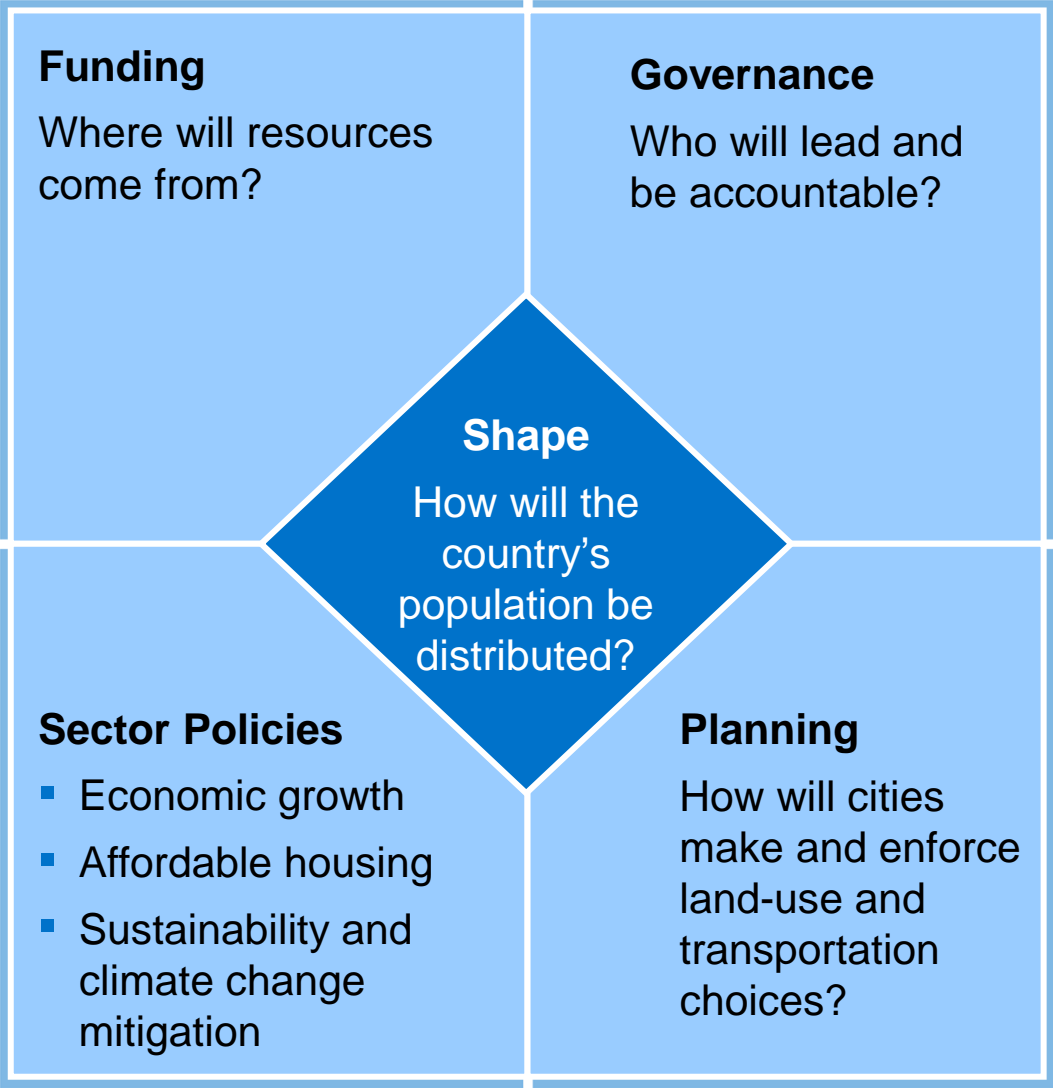
Indian cities need a new operating model

Elements of operating model



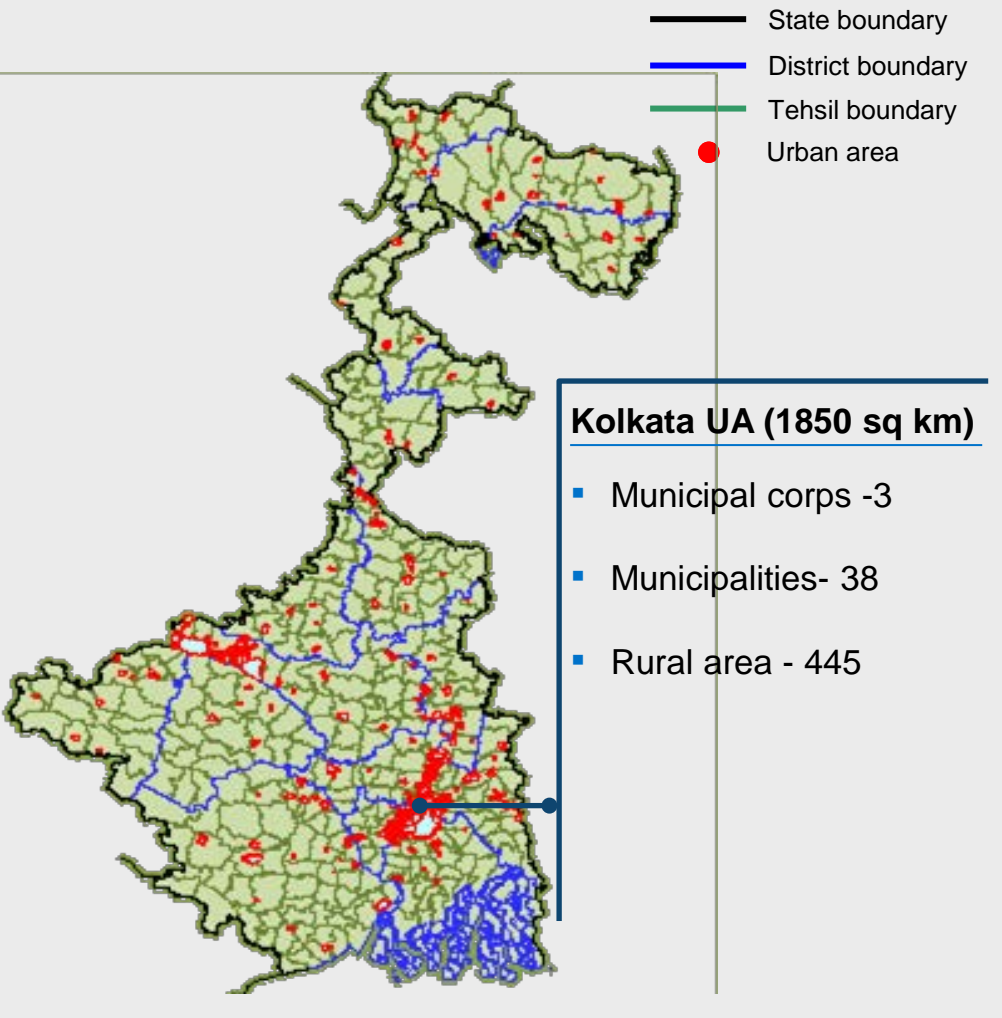
Key enabler to fix the cities is Governance

Elements of operating model

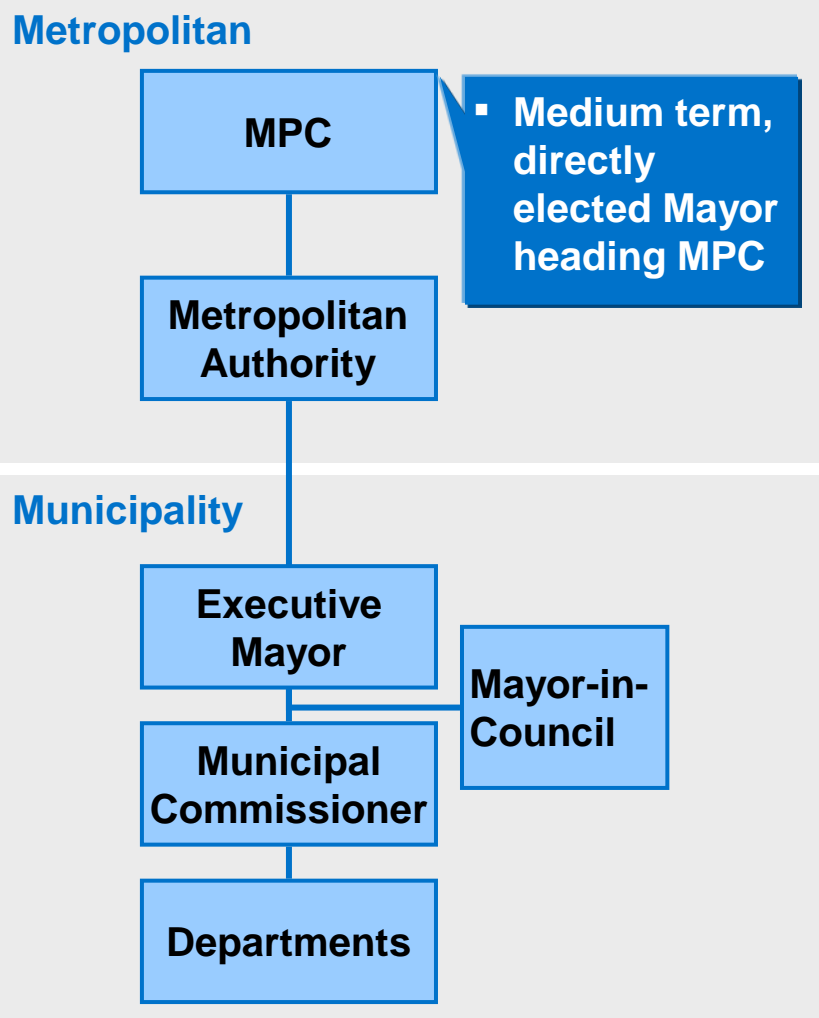


Structure: 20 cities need a metropolitan-municipal structure GOVERNANCE

Kolkata metropolitan area spans multiple urban and rural areas

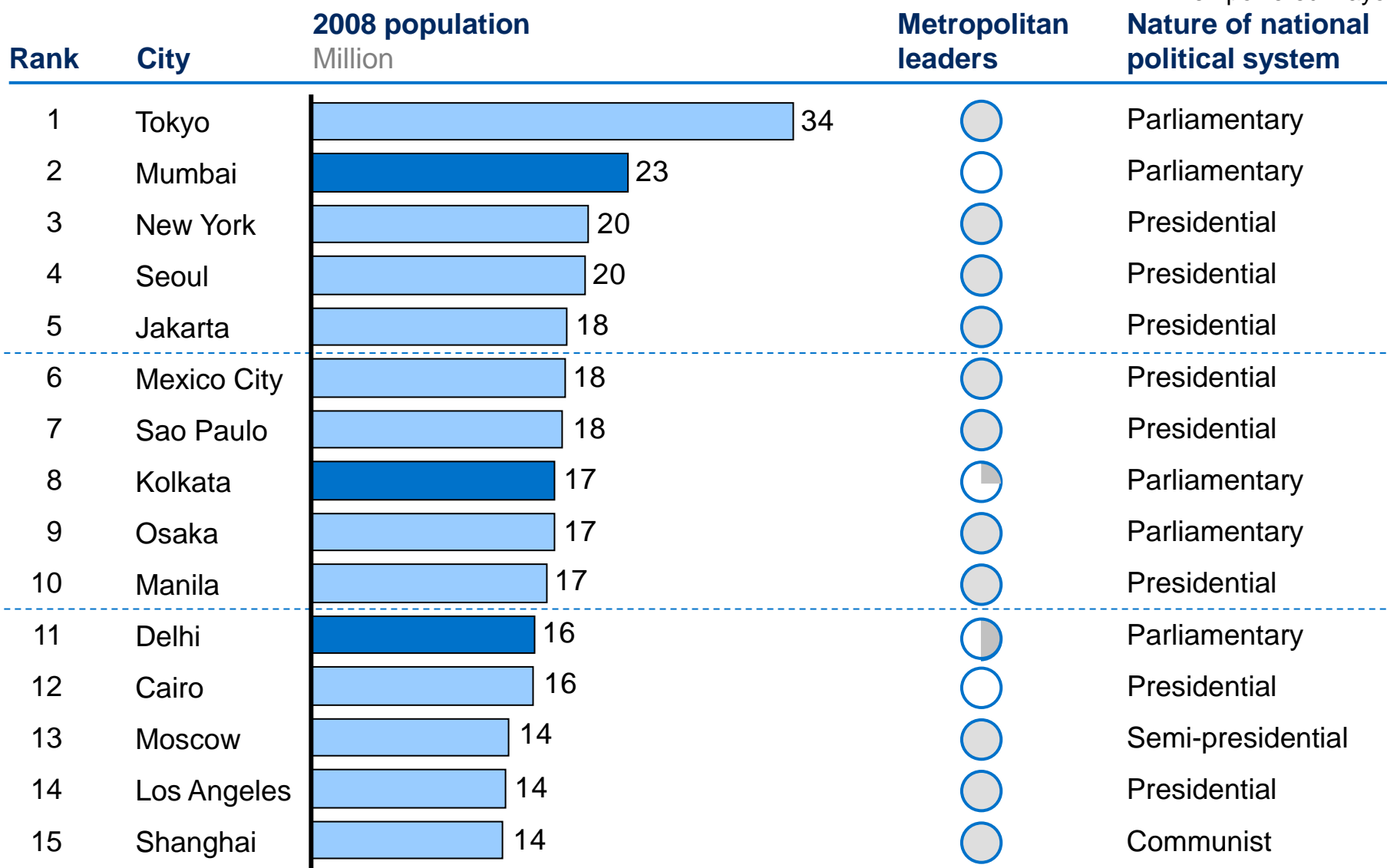


Kolkata has a functioning model that can be replicated across the country



Mayors: One of few countries with no elected executive for cities

○ Elected or empowered mayor



SOURCE: McKinsey Global Institute analysis

Accountability: Create systems to drive transparency and 'mass balance'

With \$ 1 trillion capex and \$1 trillion opex in next 20 years

Transparent accounts to raise funds

- Common City Accounting standards
- Annual budgeting process and regular audits
- On time reporting
- Get credit rating to raise bonds

Right pricing to shape demand

- Understand cost
- Separate subsidy to specific citizens from cost recovery

Better recovery to ensure service

- Automate payment systems
- Targetted recovery



Reliable Agencies: Start with 65 cities need agencies for service delivery

Examples of success, including in India

London



- Transport for London
 - Increased share of public transportation

Johannesburg



- Johannesburg Water
 - Revenue collection has increased from 56% to 105%

India



- BEST in Mumbai
 - Well functioning
 - Fast decision making

**Corporatise,
not
necessarily
privatise**

Talent: Build Capacity to run the complex system



Is there a leader out there?

Getting our cities started: SMART Governance

Structure

Mayor

Accountability

Reliable Service Delivery System

Talent

