Managing Urban Growth

Urbanisation is taking place much faster in Andhra Pradesh than in the rest of India. Between 1981-91, the State’s urban population grew by 43 per cent; compared to 36 per cent for India. Economic growth is likely to strengthen this trend: according to estimates, by 2020, Andhra Pradesh’s urban population will more than double. The pressure on key cities will intensify: Hyderabad will become more than three times its current size. Many new cities will also emerge: the State will have more than five cities with a population of over one million, compared to two today, if urban growth continues at its current rate. The challenge for Andhra Pradesh is to ensure that this urban growth is managed in such a way that its cities are clean, comfortable, safe, and enjoyable places to live in (Exhibit 5.1).

By 2020, Andhra Pradesh will have well planned, economically productive, socially just, environmentally sustainable, culturally vibrant, friendly and safe cities and towns. Their development will be planned and balanced, with a focus on infrastructure development and environmental management. High quality services, such as water supply, sanitation, waste management, street lighting, housing and public transport will be available to all. Urban areas will be governed by participatory, responsive and people-oriented local governments.

This vision will be achieved through an approach that blends urban development and infrastructure planning with sound fiscal policy and systems to manage urban services effectively. The State will:

- Ensure balanced urban development by developing alternative urban centres as countermagnets.
Anticipate and provide for urban infrastructure requirements through comprehensive, integrated planning.

Operate municipal services on a competitive basis to provide adequate, high quality service at affordable costs.

Develop urban services and infrastructure by involving the private sector. The level of investment required to provide urban infrastructure and services will require the supplementing of Government efforts by the private sector. Moreover,

### Exhibit 5.1

**URBAN CIVIC SERVICES: THE PATH TOWARDS VISION 2020**

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Unplanned urban development</td>
<td>• Planned urban development and balanced growth</td>
</tr>
<tr>
<td>• Inadequate urban civic services</td>
<td>• Full coverage with efficient urban services</td>
</tr>
<tr>
<td>• Government driven urban infrastructure</td>
<td>• Effective government-private sector partnership</td>
</tr>
<tr>
<td>• Municipalities financially dependent on state government</td>
<td>• Municipalities more self-sufficient</td>
</tr>
<tr>
<td>• Urban civic services provided by government departments and municipal bodies</td>
<td>• Urban civic services provided by a portfolio of autonomous, performance-oriented corporations</td>
</tr>
<tr>
<td>• Municipalities controlled by State</td>
<td>• Municipalities locally managed; monitored by a participative, politically-aware population</td>
</tr>
</tbody>
</table>
the private sector can bring skills to improve efficiency and make urban services self-sustaining in the long run.

• Ensure that local services are run through local management and control. Experience the world over has shown that making municipalities and corporations responsible for providing urban infrastructure and services is a much better guarantee of efficient services than retaining responsibility and direct control with the State or Central Government.

• Mitigate urban problems by providing shelter and basic services for all.

PROMOTING BALANCED URBAN DEVELOPMENT

As in most states in India, a few major cities in Andhra Pradesh are suffering under the pressure of uneven economic development and rapid population growth as a result of both migration and natural increase in population. The task before the State is to contain the expansion of already congested urban areas by developing alternative urban centres or satellite towns as countermagnets. Andhra Pradesh will focus on developing at least 10 cities as countermagnets to Hyderabad, Visakhapatnam, and other congested cities.

The creation of satellite towns will also help contain migration to cities. Small towns with a population of 10-20,000 will be developed as satellite towns. They will be provided with basic infrastructure and amenities such as roads, cross-drainage, water supply, schools, playgrounds, community halls, etc. In addition, a focus on generating employment opportunities in these towns will be ensured.

In the longer term, the development effort will create employment, educational and other opportunities throughout the State and hence greatly reduce the need or desire to move to large cities in search of advancement.

ENSURING COMPREHENSIVE, INTEGRATED PLANNING

Andhra Pradesh’s cities face the same problem as most other Indian cities: large populations and not enough infrastructure and services to go around. As a result, the housing shortage is as high as 23 per cent; one in four urban houses has neither electricity nor potable water and only 50 per cent of urban households have toilets. Public transport is limited and roads could be better maintained; two-thirds of urban roads need to be repaired.
These problems have arisen mainly because the current urban planning system is inadequate. The current Master Plan approach focuses primarily on land use and is not wholly integrated with planning for other services such as transport, water, and environment control. Moreover, multiple State and local government bodies, such as the Water Supply Boards, the Urban Development Authority, and municipalities, are responsible for different areas of infrastructure and services, with no adequate co-ordination of these different areas.

Given that major urban centres in Andhra Pradesh, Hyderabad, Visakhapatnam and Vijayawada, are growing fast, only comprehensive, integrated planning will allow the State to anticipate and provide for urban infrastructure requirements, thereby avoiding the problems major metros in the country are facing today. A comprehensive Urban Development Plan will need to be developed for each city. This plan will:

- Cover all services, e.g., transport, water, electricity and sanitation.
- Incorporate the carrying capacity of existing infrastructure to estimate the extent of upgrading required. For instance, it would take into account how much longer the current mass transport system will support the needs of the growing population.
- Include the institutional and financial arrangements required to ensure the efficient provision of services.
- Take into account environmental issues.

The Urban Development Plans for each city and town will need to be integrated at the district and metropolitan levels. Accordingly, District and Metropolitan Planning Committees will need to be set up. These will be independent committees comprising representatives of elected local bodies (three-fourths in the case of District Planning Committees and two-thirds in the case of Metropolitan Planning Committees). These Committees will review Urban Development Plans and integrate them with the economic and settlement plans for their areas. Planning will be multi-period with a 20-year perspective plan providing the framework for immediate action plans.

The planning framework outlined above is already mandated by the 74th Constitutional Amendment which recognises the need to make municipalities and corporations responsible for providing urban infrastructure and services.
OPERATING SERVICES ON ECONOMIC PRINCIPLES

The first principle in providing adequate, high quality services would be to ensure that the pricing of such services reflects the full economic cost of providing them. Today, however, the pricing of urban services reflects only a fraction of the cost of providing them. Cities are centres of economic activity and their residents can afford to pay for equitably priced services. It is, therefore, feasible to price services on an economic and equitable basis. The way forward, thus, is to run municipal services on a competitive basis and ensure that services are priced rationally according to the economics of their operation. Keeping in mind its obligations to the disadvantaged, where necessary, the Government will provide services at concessional rates, by way of transparent subsidies.

Services can be delivered efficiently only by high-performance organisations. Today, however, municipalities do not have the kind of organisation that promotes a performance orientation. The Government will thus also need to find ways to turn municipalities into efficient service providers.

Efficient service providers

To provide adequate and high quality services to all, it would first be necessary to decide how overloaded municipalities can be relieved of the burden of providing every service required. In developed countries, municipal services are divided into services that can be provided by independent corporations, such as solid waste management, public transport, and housing, and services that must be provided by municipalities themselves, such as roads and sanitation. This would be a useful model to follow.

The corporations providing municipal services could be set up as autonomous enterprises and run on purely economic principles. Chile has done this very successfully. Here, most public enterprises work on a commercial basis, independently of the government. Consumer tariffs are set by an independent regulatory authority and are based on the costs of running an efficient enterprise.

For services still to be provided by municipalities, it would be essential to ensure quality. This can be done by making municipalities more performance-oriented. To achieve this, mechanisms that reward efficiency and build professionalism will need to be introduced. Systems to track costs, efficiency and service will need to be
installed and accountability enforced throughout the organisation. Incentive systems (e.g., compensation) will have to be tied to performance to motivate better productivity. Skill levels will need to be upgraded through the infusion of professional managers. In addition, these organisations will have to be enabled to improve their performance by providing them greater freedom in operational decisions (e.g., contracting out services, recruitment, compensation).

These initiatives will go a long way towards improving the credibility of municipalities in the eyes of citizens and investors. This improved credibility will, in the long run, enable municipalities to reach out to debt markets for funds through instruments like rated municipal bonds, as the Ahmedabad Municipal Corporation had done (Exhibit 5.2).

**Rational pricing**

Another way to improve the efficiency of service providers is to expose them to competition. Competition fosters quality and efficiency and forces providers to keep costs down. In the new, competitive environment, an independent regulatory authority could regulate tariff setting to balance profitability with efficiency and equity.

Revenues could be secured through direct user charges or benefit taxes (e.g., petrol and diesel taxes for vehicle owners who benefit from roads). These two mechanisms, direct user charges and benefit taxes, could be the largest sources of revenue for municipalities and other providers. General taxes that affect everybody, e.g., octroi, should be minimal so that beneficiaries pay directly for services.

Rational pricing will adversely affect vulnerable groups who now benefit from the highly subsidised rates at which they obtain services. To protect the genuinely vulnerable, such subsidies should continue. However, they should be transferred from the State Government in a transparent manner so that they do not distort the profitability of municipal enterprises.

**INVOLVING THE PRIVATE SECTOR**

Pricing services rationally will ensure only that municipalities have enough funds to maintain these services. To expand services and infrastructure, they will need additional sources of finance. Allowing municipal corporations to access capital markets by issuing municipal bonds would be one way to help them raise funds.
Partnerships with the private sector would be another. Involving the private sector will provide the added benefit of access to the skills required for improving efficiency and making urban services self-sustaining in the long run.

To access capital markets, municipalities will have to prove that they are viable enterprises. The reforms outlined in the earlier section are an effective way to ensure this. Furthermore, only large municipalities will be able to attract investors to buy their bonds. For smaller municipalities, an urban development authority will need to be set up. This body would access capital markets on behalf of these municipalities.
To attract private sector investment in urban infrastructure and services, several models for private sector participation will need to be offered, such as BOT (Build, Operate, and Transfer), BOOT (Build, Own, Operate and Transfer), BOO (Build, Own and Operate), etc. In addition, a range of other preconditions will have to be met. These include: developing an objective regulatory system; providing an appropriate regulatory framework (e.g., streamlining the Urban Land Ceiling Act; modifying the Rent Control Act; creating a legal framework for mortgage finance); providing fiscal concessions (e.g., tax waivers); finding ancillary revenue streams (e.g., property development) and furnishing administrative support (e.g., simplified land acquisition procedures). The nature of Government involvement (local, State-Centre partnership) will need to be tailored to the nature of the service.

Structuring projects for private participation is technically complex and requires specialised skills. However, several municipalities in the country have successfully attracted private investors, such as, Ahmedabad, Tirupur, and Bangalore. The State and local bodies need to significantly upgrade their financial and managerial capability so that they can successfully attract private investors.

ENSURING LOCAL PARTICIPATION AND ACCOUNTABILITY

Civic services are local in nature and, therefore, are best managed by local governments. Furthermore, residents should have a say in the level of services they will receive and the way these services will be run. Today, the structure for local governments, in the form of municipalities, does exist. However, since the provisions of the 74th Constitutional Amendment have not yet become fully operational, local bodies are not as effective as they could be. As a result, officials have become increasingly unaccountable for the quality and scope of services provided and residents have no means of gaining some level of control over them. Therefore, change is required on three fronts: political, administrative and financial. At the political level, elections to the municipalities must be held regularly and people must be encouraged to participate in these elections.

At the administrative level, Metropolitan and District Planning Committees must be constituted. These committees will have the overall responsibility of planned urban development as discussed earlier. In addition, at the ward level, ward
committees will be constituted. These will have the authority to monitor the urban services provided in their wards. Elected ward representatives will be accountable to the ward committees for the provision of urban services.

At the financial level, the ground rules for allocation of tax resources, sharing of tax revenues and transfers from Government to local bodies in different parts of the State will be clearly defined through the State Finance Commission.

Mechanisms to provide the people with some measure of control over the provision of services must also be created. Several models have been experimented with both in India and abroad. Seoul operates ‘citizen complaint reporting centres’ where the mayor or administrative staff make themselves available every Saturday for ‘dialogue with the citizen’. Surat provides post-cards to citizens for complaints which are attended to by a decentralised system within 48 hours. This has not only made the local municipal staff more accountable to the citizens, but also enhanced their credibility and boosted their morale.

Schedule XII of the Constitution of India specifies a list of areas in which the municipalities and corporations are responsible for providing urban infrastructure and services. The 74th Constitutional Amendment recommends the institution of ward committees to create accountability at the local level. The challenge will be to make municipalities function as mandated by these laws.

ENSURING SHELTER AND BASIC SERVICES FOR ALL

A major component of Vision 2020 is to ensure affordable ‘pucca’ (durable) housing, both ownership and rental, and basic services for all people in the State. This effort will be focused especially on economically weaker sections and lower and middle income groups. Given that the current housing shortage is about 11 per cent (27 lakh units) in rural areas and 23 per cent (15 lakh units) in urban areas, this is a formidable task requiring a huge investment of resources. The task becomes even more difficult since 75 to 80 per cent of this shortage is faced by economically weaker sections of society who cannot afford to invest their own resources in housing.

Accordingly, in line with the Housing and Habitat Policy, 1998, formulated by the Government of India, in which specific roles and responsibilities are entrusted to states, Andhra Pradesh will focus on the following key objectives to make the vision of ‘Shelter for all’ a reality:
Managing Urban Growth

- Providing affordable housing of a minimum plinth area with adequate amenities and a healthy environment for economically weaker sections.

- Facilitating access to affordable housing for the middle and lower income groups.

- Ensuring balanced development of communities by integrating several socio-economic classes in the same area.

- Complementing the construction of housing with the provision of basic services to ensure clean and comfortable cities and towns.

**Providing housing for economically weaker sections**

To provide housing for economically weaker sections, the State will allot house sites to the needy and facilitate construction of houses under the Weaker Sections Housing Programme.

- **Providing house sites:** Given the growing population, the shortage of housing sites will remain a major constraint to adding to the housing stock. Hence, the primary objective of the State in providing housing will be assigning house sites to the weaker sections. Under the current programme, on an average, 5 lakh house sites will be assigned to economically weaker sections every year. These sites will be fully developed through levelling and the provision of basic infrastructure such as roads, drainage, electricity, water and sanitation.

- **Constructing housing:** The State will continue its Weaker Sections Housing Programme to provide housing for economically weaker sections through the State-owned body Andhra Pradesh State Housing Corporation Limited (APSHCL). Under this programme, as of today, nearly 31 lakh houses for economically weaker sections have been constructed both in rural and urban areas with an outlay of Rs.2,386 crore. The State will endeavour to bridge the housing shortfall for weaker sections within the next five years. Once this shortage is resolved, the renewal and maintenance phase will start in order to maintain a neat, clean and healthy environment in these habitats.

**Facilitating access to affordable housing for middle and lower income groups**

To facilitate access to affordable housing, the State will encourage the increased involvement of the private sector, encourage co-operative housing initiatives, make
available developed house sites, encourage the use of cost-effective building material and increase the availability of rental housing.

- **Increasing the involvement of the private sector:** In conjunction with the APSHCL, the Andhra Pradesh Housing Board will continue to build and sell housing for the middle and lower income groups. Since 1960, the Board has constructed 60,314 units of housing for all income categories by investing Rs.349 crore. Given the shortage of funds and increasing demand for ownership housing among middle and lower income groups of society, the Board will shift to playing the role of facilitator rather than provider.

As a facilitator the State’s policy will be to encourage the concept of public-private and public-co-operative partnerships. These partnerships will benefit from the combined strengths of the financial resources of the private sector and the State’s power to acquire land and mobilise institutional finance. Singapore’s Housing Development Board has successfully maximised the involvement of the private sector by jointly developing and constructing housing blocks with private builders and developers through the ‘Design & Build’ scheme.

To facilitate and maximise the public-private partnership, the State will frame new legislation or suitably amend existing regulation governing public agencies such as housing boards and other developmental authorities. This will enable a co-operative and beneficial relationship between public and private agencies. In addition, the State will frame necessary laws on apartment ownership, co-ownership with institutions, etc. Other regulation, including stamp duty, registration laws and development control rules, will be liberalised with an aim to encourage the development of a large housing stock, both ownership and rental.

- **Encouraging co-operative housing:** The co-operative mechanism helps middle and low income groups acquire and develop housing-sites and construct houses on their own with finance from credit institutions. This is one sector through which housing stock can be increased on a large scale through the efforts of the people themselves. However, though the co-operative housing movement has been encouraged through housing societies and housing federations, it is yet to achieve its full potential. The Andhra Pradesh Co-operative Housing Societies Federation, an apex body at the State level, has so far financed only 46,699 houses for all income categories. Going forward, co-operative housing in the State will
be strengthened and encouraged on a large scale, especially in urban and semi-urban areas, to rapidly increase ownership housing stock.

The State will also ensure adequate credit facilities for co-operative housing. In addition, legislation will be streamlined and strengthened, with a separate line of administration in the Housing department, to facilitate the registration and running of housing co-operatives on sound principles.

- **Making available developed house sites:** For the middle and lower income groups, the lack of developed house sites is a greater barrier than the cost of construction. To assist these groups, under the existing Sites & Services programme, the State will acquire land and develop sites with basic amenities. They will then be sold to low and middle income households at reasonable prices.

- **Encouraging the use of cost-effective building material:** As a part of the effort to lower the cost of construction, the State intends to encourage the use of eco-friendly, cost-effective building materials. This will be achieved through a network of Nirmithi Kendras (building centres) all over the State. Through the Housing Corporation and the private sector, 500 to 600 building centres will be set up throughout the State to make cost-effective and eco-friendly building materials popular. In addition, building materials and individual building components such as doors, windows and sunshades, will be standardised to allow large-scale production (thus lowering the cost of construction) and rapid construction of housing. Furthermore, large-scale training of artisans and masons, in all building training centres in both rural and urban areas, will bring in a revolution in housing construction by stimulating a shift from traditional and conventional methods.

- **Increasing availability of rental stock:** The State will increase the rental housing stock through public agencies as well as through the private sector to make housing available at a reasonable rent. The Rent Control laws will be suitably amended to encourage rental housing in the private sectors. This will decrease the pressure on the State to provide ownership housing.

**Ensuring balanced development of communities**

Planning self-contained dwelling blocks with housing for all the different income groups will be necessary to ensure balanced development of communities and foster
community spirit. To this end, the State will follow the Singapore model of constructing housing blocks with apartments catering to different classes. Each block will contain all basic facilities such as a school, a hospital, markets, shopping centres, parks, effluent treatment plants and playgrounds.

The State will encourage the development of housing blocks combining housing for all income groups with basic services available nearby. In addition, integrated housing will be encouraged. In this model, services required by individual households will be available nearby and housing for the service-providers will be close to the users of these services. Thus, the spirit of community, i.e., ‘give and take’, will be strengthened. This also supports one of the important objectives of habitat improvement: avoiding the growth of slums.

Ensuring the provision of basic services

To ensure that its cities and towns are clean and pleasant places in which to live, the State will ensure the provision of basic services such as water, sanitation, and garbage disposal.

Water supply will be augmented in several ways: by tapping current irrigation sources, judiciously exploiting ground water, and utilising river water through piped water supply schemes. Appropriate technologies will be used to ensure high quality drinking water.

Alternative technologies will be used wherever providing services through conventional systems is expensive or difficult. These will be technologies that can be implemented with support from non-governmental organisations, in the form of technical assistance, and the Government, in the form of (limited) subsidies. This approach has proved successful in Kanpur, where public toilets along with biogas plants were built in slums. Residents built and maintained the toilets and sold the biogas within the slums. The State has made a good beginning in this regard, through projects sponsored by the Department for International Development, Japan, in Hyderabad, Visakhapatnam and Vijayawada. The projects launched need to be sustained and similar programmes made central to the charter of other municipalities.

As first steps towards achieving the vision, the State Government has outlined several initiatives to bring about the necessary changes—institutional, legal and
financial. Institutional changes include the setting up of Metropolitan and District Planning Committees and an independent tariff regulatory authority. On the legal side, the State will have to evolve an appropriate framework for private sector participation in each area. Important financial changes would include rationalising tariffs to cover the full costs of providing services and tapping innovative sources of funds like the debt markets.

By improving its cities and providing for their good management, Andhra Pradesh will go a long way towards achieving Vision 2020 for the State.