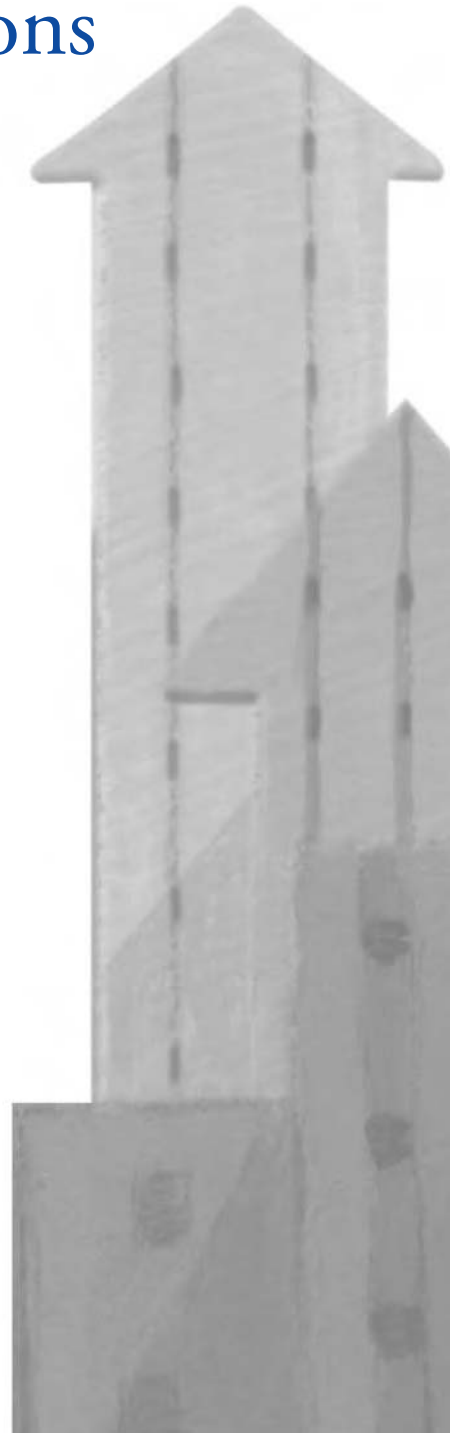


Conclusion and Recommendations

Growth and development are two distinct matters. Whereas growth refers to the quantitative expansion of the regional economic system, in terms of greater and growing productive capacity, development is essentially “an innovative process leading to the structural transformation of social systems” (Friedman 1973). In this regard, it can be hypothesized that a well-formulated urban development and associated policy could induce economic growth, as discussed in this paper.

The PRC experience clearly suggests that strategically planned and financed urbanization could be an effective instrument to lead rapid economic growth for the entire economy. Urban planning should therefore be proactive to promote and facilitate the growth process instead of being reactive to deficiency in service provision created by unplanned expansion of urban areas. Given the limited financial resources available to the urban sector with its low creditworthiness in general, it is also necessary to allocate investments in strategically focused urban centers and industries. The successful experience of the PRC in this regard adds confidence to the effectiveness of growth-promoting urbanization efforts in targeted city-regions.

In most of the cities in South Asia including India, it has been the case in the past that urban investments were mainly to meet the backlog of demand in basic urban services. The goal was almost universally to achieve the minimum level of service delivery in water supply, sanitation, and other basic municipal services. Forward-looking



planning to create modern infrastructure for attracting new investments was beyond the consideration of most state and city governments. In fact, most of the investments were not even sufficient to meet the minimum requirements of the existing population. As a result, urbanization was pushed in an unplanned way by the pressure of rural-urban migration.

The background of the JNNURM is the clear recognition that economic growth higher than 8% cannot be achieved without a renewed role of urban centers as the engine of growth. Therefore, under the JNNURM, more financial resources will be channeled into the urban sector. The challenge is how to best use these additional resources for maximum developmental impact and improved quality of life. By no means is urbanization the sole contributor to economic growth. But there is a strong need to approach urbanization in a more strategic way, envisioning it as the main engine of economic growth.

Key messages derived from the workshop are summarized below.

- Urbanization should be used as an effective instrument for economic growth;
- Development plans should encompass city regions and clusters of cities, and not be confined to administrative boundaries;
- City region plans should include rural areas and provide measures for absorbing rural-urban migrants such as providing access to employment, education, and skills training;
- An appropriate institutional framework (i.e., a metropolitan planning authority) is necessary for formulating and implementing city-region plans;
- Decentralization and grant of local autonomy are important for democratic governance and citizen participation;
- Urban governance structures should be able to manage the entire city region to which they refer, and should not be fragmented according to the formal political or administrative boundaries of local governments;
- The roles of central, state or provincial, metropolitan, and city governments differ in terms of the urban development process, and should be clearly defined and described in national legislation to achieve efficiency in their respective roles;

- The central and state and/or provincial governments should play a more active role in financing urban infrastructure and services; and these governments should not hesitate to subsidize projects that help accelerate long-term economic growth;
- Local governments should expand their revenue base by improving the efficiency of tax collection, collecting user charges for services, and capturing the increased values of land and properties due to the provision of infrastructure and services;
- Public land can serve as a financing tool by unlocking its “use value” and monetizing it as a governmental input for financing urban infrastructure and services; and
- Governments should capture increases in the value of land by reassessing the value of properties that benefit from urban infrastructure and levying appropriate taxes on the improvements of basic urban services; and
- Plans for whole city regions may include rural areas; the concept of rural–urban dichotomy should be abandoned in development planning and governance, as it creates divisiveness and fragmentation.

