

Institutional and Financial Arrangements for Urban Management and Development Cases of China and India

Songsu Choi
The World Bank

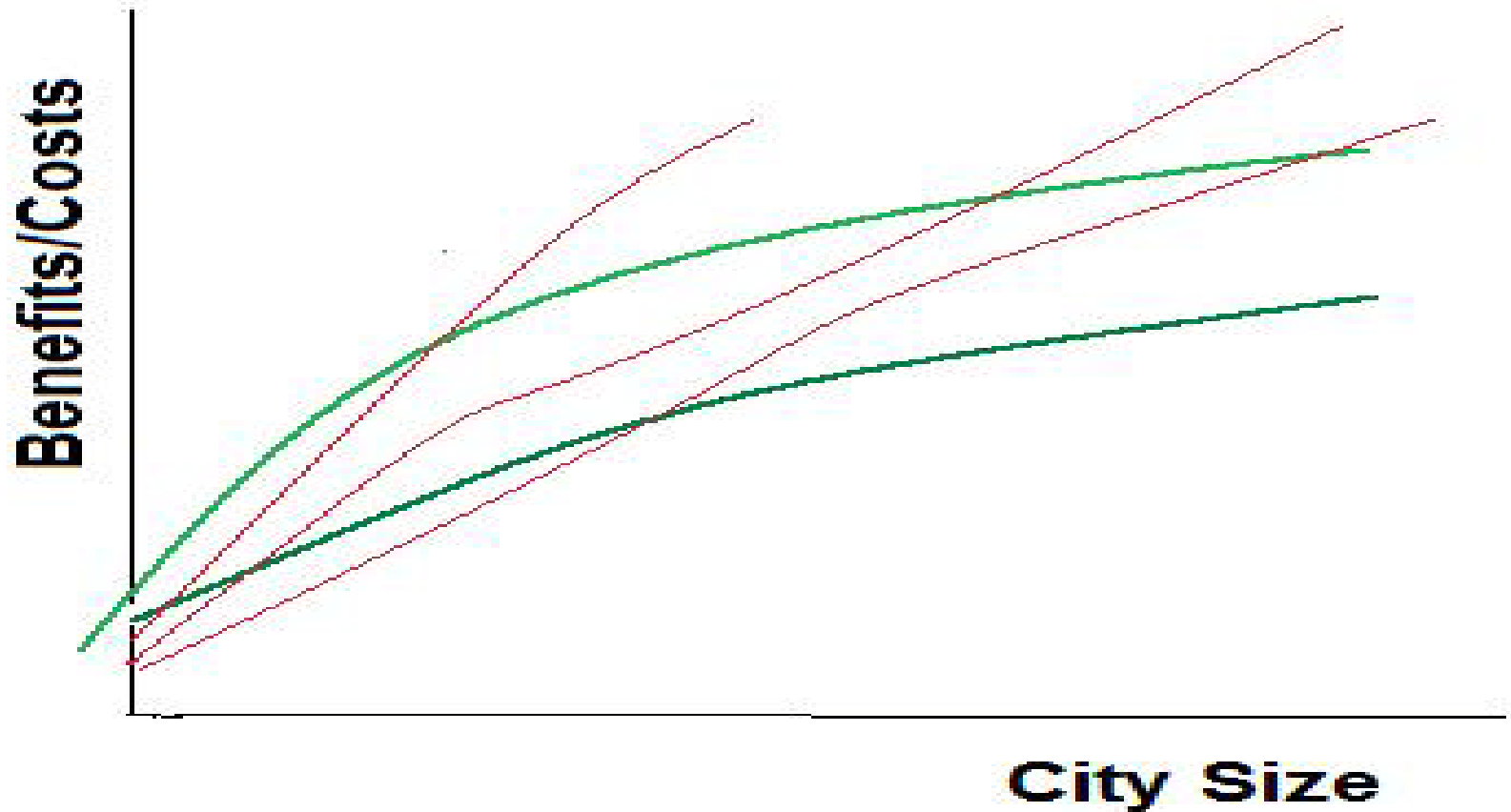
International Workshop on Municipal Governance and
Urban Infrastructure in Uzbekistan
Tashkent, July 5-6, 2011

Demand for Urban Management

Urban Growth Increases:

- Density
- Congestion
- Scale, Diversity
- Spread, Complexity
- Efficiency and Income of
 - Production, Infrastructure,
 - Services
 - Workers/Consumers
- Cost/Risk of:
 - Fire
 - Epidemic
 - Traffic Congestion
 - Pollution
 - Crime

Urban benefits and costs depend on management



Resources for UMD

- Governments
 - Human, Technical
 - Managerial
 - Physical
 - Financial
- Citizens and Market

Options for Deploying and Growing the Resources

Balancing rather than

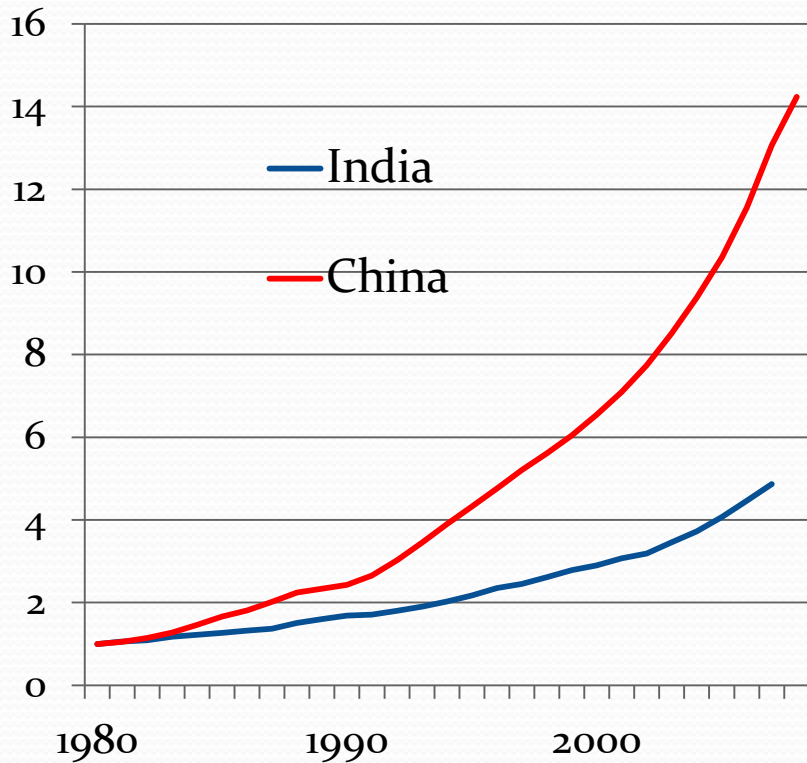
- Efficiency
 - Quality
- Investment
 - Taxes
 - Plan
- Command
- Centralized

Either/or Choice

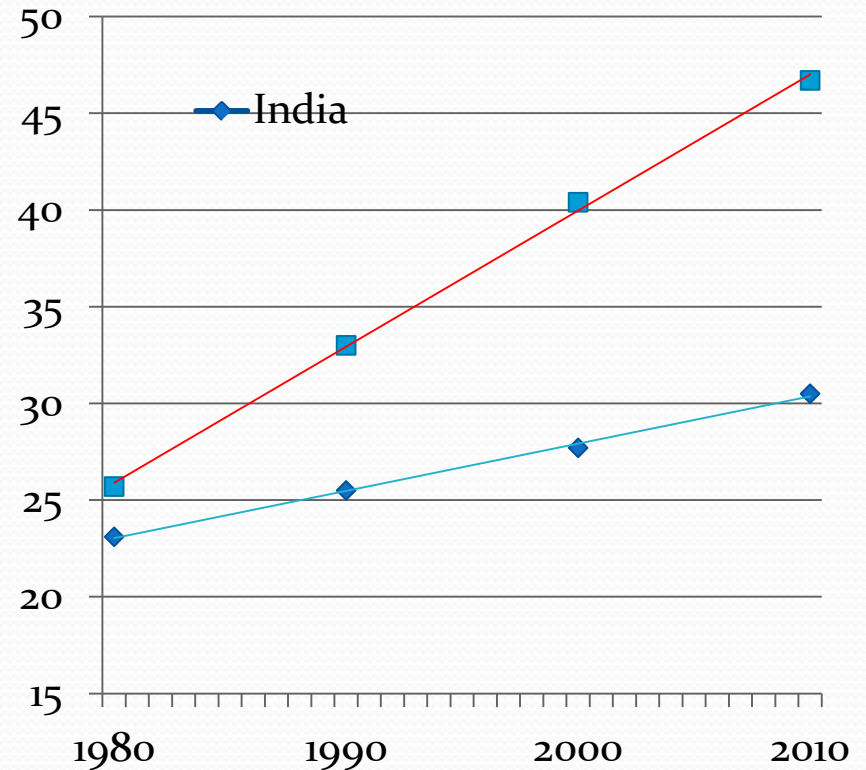
- Equity
- Speed and Scope
- Maintenance
- User Charges
- Market
- Demand
- Decentralized

Economic and Urban Growth of China and India

GDP growth



Urbanization Rate



China and India

Similar macro indicators,
Contrasting urban management

	Income Per Capita \$	Urbanization %	Cities >1 million
China 1998	~790	~ 35	46
India 2007	~980	~ 30	47

Territorial Organization, China

Level	Total # of Units	Urban Units	
		Name	Number
Province	33	City	6
Prefecture	333	City	283
County	2858	City	367
		District	870
Township	40858	Town	~ 20,000

Territorial Organization, India

State 35

- District 593
- Subdistricts
- Block
- Village

Urban

- Municipal Corporation ~ 200
- Class I – V Municipality ~ 5000
- Wards - each with 20000-50000 residents

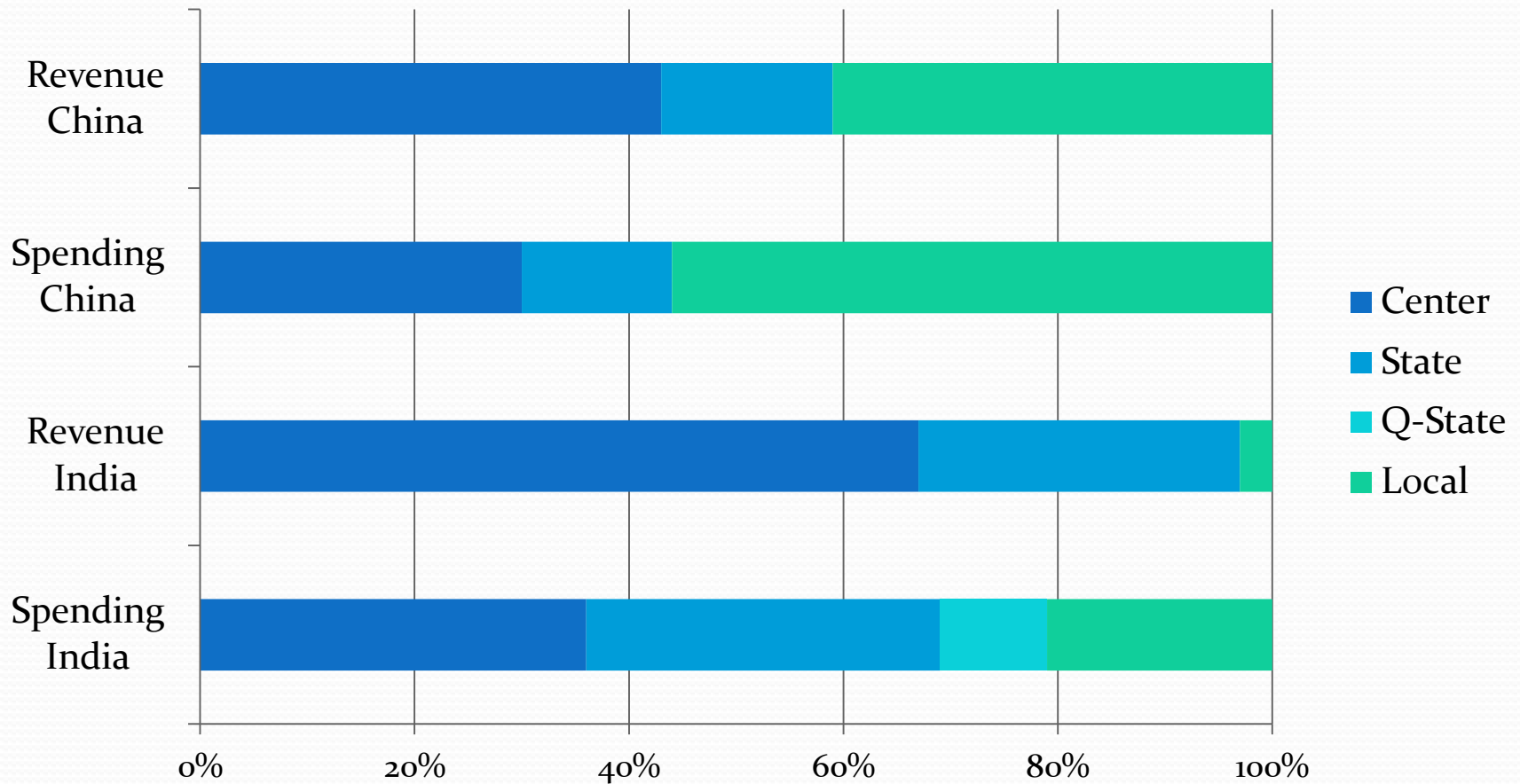
Urban Management and Development Organizations, China

- Municipality (City): Full responsibility and authority
 - Construction Commission, Public Utility Bureau, Public Works Bureau, Environmental Protection, etc.
- Autonomous Municipal Enterprises, Agencies: Water Supply Co, Bus Co, Schools, Urban Development Investment Co. etc.

Urban Management and Development Organizations, India

- Municipalities (Municipal Corporation, Municipality, Urban Council, etc.): Broad constitutional mandates, but relatively limited resources and authority
 - Municipal Commissioner = State official
 - Water supply, etc. as municipal departments
 - Few cities with planning functions
- State Agencies – mostly reporting to Urban Development and Municipal Administration Dept:
 - Urban Development and Infrastructure Finance, Co.
 - Public Health Engineering
 - Urban Development Authorities
 - (Metropolitan) Water and Sanitation Board

Fiscal Structure



Main Municipal Financing Instruments, China

- Local Share of VAT, by formula
- Local Share of Corporate Income Taxes
- User Charges: O&M cost + +
 - E.g. Water and Sewerage Tariff, Beijing 2004 = Y
4.4/m³
- Land lease income
- Business and Registration Taxes

Main Municipal Financing Instruments, India

- State Grants: 10-90%, average 1/3
- Octroi (mostly abolished now)
- Property Tax
- Central Grants
- Central Urban Finance Loan (Housing and Urban Development Co.)
- State Financing Co. (UIDFC, ...etc)
- Commercial Borrowing (Banks, Bonds) still experimental
- User Charges: low, e.g. water tariff Rs 100/mo

Comparing Two Large Cities

Shanghai, China 1999

- Population: 14 m
- Municipal Finance:
Y 53354 m ~ \$6.7 B
- ~ \$480 per capita

+

- UDIC,
- Utility Co.s

Mumbai, India, 2010

- Population: 13 m
- Municipal Finance:
Rs. 13100 m ~ \$2.8 B
~ \$250 per capita
(Including Water, Bus,
Power)

+

MMRDA ~ \$700 M

Choice Issues to Consider

- Virtuous or Vicious Circle of
 - autonomy and accountability
 - finance and capacity
- Efficiency and Equity
- Growth of local capacity
 - Scale economies of human resources
 - Initial quality and control risks