

## The rise of informal urbanization in the Global South: A breach of urban planning or bridging of the urban infrastructure supply gap?

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### Introduction

The Global South is currently undergoing a process of rapid urbanization, particularly in African and Asian countries. This process is characterized by unprecedented growth of urban populations, which often outpaces the ability of local authorities to provide adequate infrastructure. India and China, the world's two largest countries by population, have contrasting administrative structures, namely a democratic system and a one-party government. Hence they provide complementary cases for the investigation of informal settlement development. A peculiar feature of urbanization is the growth of informal urban settlements, which are termed as 'census towns' and 'urban villages' in India and as 'urban villages' and 'housing of small property right' in China. These settlements fall outside the preview of formal planning authorities and thus are informal. Despite the entirely different political and socio-economic contexts of development, informal settlements in India and China share many characteristics and present common research questions: Should these settlements be understood as a breach of urban planning or as bridging the gap of urban infrastructure supply such as affordable housing, water supply and sanitation?

Different perceptions of informal urbanized settlements will lead to different approaches to deal with them. In China, the coercive demolition of urban villages has already been introduced into the urban policy framework and implemented for some years. Similarly, slum demolition, resettlement and upgrading policies are active in India. The issue is whether an understanding of informal urbanization as a process that bridges the urban infrastructure supply gap is more pragmatic, and the corresponding measures can help achieve sustainable urbanization.

This paper focuses on a comparative study of the development of informal urban settlements in India and China. Specifically, the differences and similarities in emerging informal urban settlements are investigated. The analysis covers the formation of informal settlements, the status of urban housing and the supply of basic amenities as well as urban governance of these settlements. The comparative study will offer a comprehensive view of the processes of urbanization in these two countries.

### Urbanization and informal settlements

Urbanization describes the population shift from rural areas to ever expanding urban centers, where people often enjoy better economic opportunities and improved living standards. However, the second wave of urbanization underway in emerging countries of the Global South is characterized by the proliferation of informal settlements lacking access to affordable housing and basic amenities such as sewerage and water supply.

In this regard, India has not exploited the full potential of urbanization. Rather than providing rural unskilled migrants with urban manufacturing or industrial jobs, the country has skipped the process of industrialization by moving directly from an agricultural to a service-based economy. The fact that India's process of urbanization is dominated by services makes it difficult for rural migrants to gain access to formal employment, pushing them instead into the informal economy. Denied formal employment, these migrants are also refused bank loans or mortgages to rent or buy houses, and are forced to take shelter in informal settlements.

In India, informality in governance and planning from the top has also fostered the development of informal settlements such as 'census towns' which, despite meeting the criteria for urban areas as set by the Census of India, are not statutorily notified within a municipality. This is due to the system of funding whereby villages receive funds from central government whereas towns are funded by state government. Hence, to prevent revenue being transferred to towns, state governments prefer to retain the village status for 'rural areas with urban characteristic'. These towns are administered by rural governing bodies which lack financial resources to manage and provide for urban amenities. The emergence of many new 'census towns' between 2001 and 2011 constituted about 30% of urban growth (Pradhan 2013: 43).

Another type of informal settlement in India is the 'urban village', which is an area within a city not governed by the local planning system. Here farmers build multistory buildings for rent and commercial usage in order to exploit escalating land prices and the shortage of affordable housing in major metropolises. Such multi-story developments are only possible because this land is outside the purview of the municipality, which can thus exert no development control. Resi-

dential and commercial rents are the main source of revenue for the residents. However, these villages are denied formal access to basic amenities.

In contrast to India, China's centralized administration has provided for more coherent strategies of urbanization since the 'reform and opening-up policy' was launched in 1978. After the preliminary phase from 1978 to 1983, the central government introduced a series of policies in 1984 to increase urban and rural economic exchange and to encourage surplus rural workers to seek employment in urban areas. Over the last four decades, these economic reforms have transformed the economic structure, particularly the housing sector in China's urban centers. However, the political system still needs to be reformed, especially the urban and rural dual system of land ownership and citizenship. This disparity between economic transformation and political stasis is considered to be one of the fundamental causes of the development of informal settlements such as 'urban villages' and 'housing of small property right' in China.

According to the Constitution, all land in China belongs to the people. Accordingly, two types of land ownership have been defined, namely 'state-owned' urban land and rural land 'collectively-owned' by farmers. The collectively-owned rural land is generally divided into agricultural and homestead land. Rapid urban expansion encouraged by municipal or provincial authorities has converted enormous swathes of rural land to urban usage. As this land-use conversion is highly profitable, some village committees have also sold their land for informal urban housing. Such informal housing development is called 'housing of small property right', as building permissions are granted by the village committees and in some cases also by the township governments, but without approval from the state. The village committees are forced to exploit such informal urban development to secure their livelihoods as compensation for the lack of welfare from the state government due to the dual urban-rural social security system.

In some cases, the hierarchic political and administrative system makes the conversion of agricultural rural land to urban usage easier to implement than the conversion of homestead rural land to urban land. In other cases, villages formerly located on the urban outskirts have been absorbed into the city yet are able to retain their rural homestead land. Due to the high demand for housing from low-income migrants, the farmers simply extend the floor space in their homesteads to receive higher rents. Such unplanned residential areas are called 'urban villages'. Since housing construction aims to maximize profits, buildings often supersede guidelines for comfortable living, specifically regarding building density and space.

#### **Government attempts to deliver affordable housing**

Shortly after India gained independence in 1947, housing provision was considered to be a capital-

consuming exercise and hence was not assigned as a constitutional right (Tiwari & Rao 2016: 14). No serious efforts were made to implement housing policies due to a lack of resources and staff. The country's first National Housing Policy, created in 1988, did not do much to improve the housing situation. This neglect by the government as well as the rapid rural to urban migration served to drive up rents and escalate housing problems. It has only been in the last two decades that the Indian government has recognized the role and importance of urbanization and the socio-economic transformation of cities. The national policy in India has shifted from upgrading slums to in-situ redevelopment over a short twenty-year span. From 1994 to 2014 the government launched several urban initiatives to improve or upgrade the provision of urban services and housing (GoI 2016: 21): the National Slum Development Programme (NSDP) of 1996 aimed to upgrade slums; the Basic Services to Urban Poor under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) in 2005 was intended to provide basic services in the 63 largest cities; the National Urban Housing and Habitat Policy of 2007 sought to develop affordable housing for all sections of society; Rajiv Awas Yojana in 2011 tried to realize slum-free cities; the National Urban Livelihoods Mission of 2013 aimed to provide urban poor with employment opportunities.

In-situ redevelopment promises better quality housing, faster construction and better identification of beneficiaries. The recent Pradhan Mantri Awas Yojana-Housing For All (HFA) mission has been launched with the aim of constructing 20 million dwellings by 2022 (GoI 2015). It departs from previous schemes by involving the private sector and by using real estate as a financing tool, e.g. through increased floor area ratio/transfer development rights. However, the mission is limited to statutory towns (formal towns) identified in the 2011 Census of India, and does not extend to census towns (informal towns).

Land acquisition for urban development is often delayed due to unfair compensation for the land to the farmers, which has often resulted in violence. The process of land acquisition often delays timely delivery of service land in the market and fosters the growth of informal settlements in India.

In 1978, the National People's Congress of China determined the principle of paying for land-use rights. This reform pertinent to land use promoted the development of real estate and a transition from a system of 'welfare housing' to commercialization of housing in urban areas. In 1998, the state council issued a policy terminating the provision of welfare housing throughout the country, establishing a market-based system of housing to supply "affordable and practical housing" to low- and middle-income groups and market-rate

housing to the high-income group. Simultaneously, the central government made housing a new motor of economic growth in response to the 1997 Southeast Asian financial crisis and domestic problems of economic restructuring.

These policies led to two problems in urban areas: Although investment in public housing increased, its share within total residential investment decreased significantly. Additionally, the sluggish development of public housing meant that the proportion of land sold for public housing compared to total land sold for residential development decreased over the years. In 1999, public housing accounted for 16.57% of total residential investment, and land sold for public housing made up 20.78% of total land sold for residential development. In 2010, the rate of investment dropped to 3.13%, and the sale of land to 2.94% (Sun et al. 2015). The poor supply of public housing accompanied by the surge in real estate prices pushed the development of informal housing.

#### **Urban governance and delivery of urban infrastructure**

Local authorities have the vital tasks of administering municipal areas and providing them with basic amenities. In India, one cause of the growth of informal settlements is the lack of empowerment of local authorities. Rural areas are governed by Gram Panchayats, which are the basic units of administration. Some of the mandatory functions of a Gram Panchayat are sanitation, conservancy and drainage, drinking water provision, preparation of annual budgets and development plans, etc. Grants from state and central government as well as taxes and fees, etc. form the main sources of revenue. The Gram Panchayats are not responsible for spatial planning or the management of land use.

India's urban areas are governed by 'Municipal Corporations', 'Municipalities' or 'Town Area Committees'. While these are responsible for spatial planning, development control, the delivery of services, revenue collection, etc., they are not entitled to retain generated revenues, which have to be transferred from the respective state government. The heavy subsidization of basic services as well as the reluctance of politicians to impose taxes deprive local authorities of the revenue required to deliver adequate infrastructure to urban residents such as housing, water supply and sanitation.

The Indian government has adopted several reforms aimed at eliminating structural weaknesses and strengthening municipal finance and functioning, such as the 74<sup>th</sup> Constitutional Amendment Act (CAA) in 1992, the Urban Reform Incentive Fund in 2002 and the JNNURM in 2005. However, the devolution of financial resources has been slow, and continues to undermine the capacity of local authorities to assume new responsibilities. As a result, in 2011 there was a shortfall in rural and urban housing of 29 and 22 million dwellings, respectively (Tiwari & Rao 2016:10).

China has five *de facto* levels of administration: the province, prefecture, county, township and village. The township government is the primary unit of government administration in rural areas. However, the new Constitution of 1982 undermined the administrative power of the township government by establishing a regime of village autonomy on collectively-owned village land. In other words, the village committees obtained the right to administer their internal affairs and also negotiate on external affairs on behalf of their villagers. The economic transition, in particular the 1994 Tax Reform, transferred more decision-making powers from the central government to local governments to manage the resources.

The predominant focus of local governments is on policies and measures to promote local economic growth. In many cases, however, explicitly short-term goals of economic growth, which undermine sustainability in the long run, have been adopted at the expense of vulnerable groups. The transfer of land use rights is an essential tool for local governments to accumulate capital and fiscal revenue. In most cases, informal settlement developments (such as the housing of small property right, urban village) are governed by the village committee, which can be regarded as an unauthorized government agency for governing these informal settlements. These provide basic amenities (e.g. electricity, water and sanitation) and public services (e.g. school and health station).

#### **Conclusion: Decentralization for inclusive growth**

Both in India and China informality is top-down rather than bottom-up, which escalates informal or illegal conversion of the rural to urban. Whether an 'Urban Village' or 'Census Town' in India or 'Housing of Small Property Right' or 'Urban Village' in China, the 'Gram Panchayat' and the 'Village Committee' can be regarded as governing agencies for these informal settlements, to deliver affordable housing and basic amenities. The informal settlement should be considered an asset for urbanization rather than an illegal development. In fact, such settlements bridge the gap of lack of infrastructure supply and provide a vital service in supplying housing for middle and low-income groups.

In this regard, decentralization is a way of strengthening the role of local governments. The basic tenet of *local* control as opposed to *centralized* control will result in more accountable service providers and better services (Parkinson & Taylor 2003). The capital investment requirements in centralized infrastructure delivery become expensive due to elongated pipe lines connected to main cities. Decentralized systems are better equipped to incorporate informal growth, especially developments that are distant from or are at the periphery of cities into formal urbanization processes. Indeed, some best practices from Latin America and South Africa confirm the potential of decentralized systems to serve informal settlements.

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