

Public Private Partnerships; A catalyst for Urban Decentralization in India@2047: A Case for Leveraging Urban Agriculture using Social Equity-based PPP

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Abstract

The institutions of finance and infrastructural development based on PPP have played an important role in financing Urban Infrastructure in India. PPP and decentralisation have a symbiotic relationship in the context of urban projects. The process of decentralisation in urban sector in India or elsewhere is aimed to identify areas to make Urban Local Bodies (ULBs) a vibrant unit of self-governance and facilitator for economic growth for the next twenty-five years. The potential acts to strengthen the process of decentralisation include inter-city experience in India and elsewhere on governance structure, fiscal autonomy, municipal finance, service delivery, infrastructure development, city economy, poverty alleviation, inclusive planning, sustainable and affordable housing, river friendly cities, inter-agency coordination, climate smart delivery of services/climate finance and application of Industry 4.0 standards in urban governance.

In the context of accelerating urban decentralisation, the PPP requires large scale infrastructural development approach by using micro and medium sector project development (accelerating pooled project financing approach) using social equity-based PPP for urban infrastructure and social infrastructure projects. This needs to be an integral part of smart city development plans and is critical for all e-based transactional projects that support the infrastructural development. This requires expanding the institutional role of banks and financial institutions and complimenting them with increased role of fintech. Integrated investment in a localised urban landscape using non-credit means of finance like CSR, Grants or equity through a coordinated effort from public and private network can help in building financial value for all the stakeholders (civil society, NGOs, unorganized sector/s) of the local urban economy thereby applying the concept of smart city-based development. Switching to sustainable practices can be implemented by the leading banks, financing institutions and fintech

companies by having financing products in the localized urban infrastructure space covering micro, medium and large-scale financing. Some new projects that are critical to sustainable urban planning like peri-urban agriculture, climate smart planning, carbon financing, among others.

This paper aims to depict the above approach integrated with the principle of social equity-based PPP. This paper reinstates arguments to integrate urban agriculture using PPP and Agritourism development as a base in urban planning.

Keywords: Social Equity, Public Private Partnership, micro sector, SME, Digitisation, Agritourism, Urban Agriculture

Decentralization and PPP

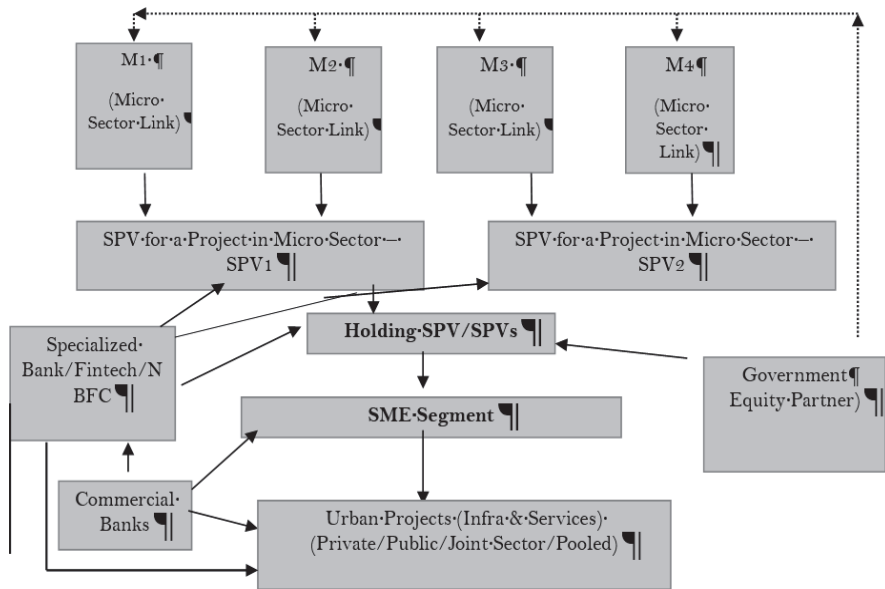
One of the relatively lesser examined work is on the subject of PPP and Decentralization. Most of the project developmental aspects have emanated from private sector expertise so as to finance the large-scale projects intending to bring in contemporary technology, operating efficiency while saving government budget for deployment in other areas/sectors requiring direct social assistance. Over the years PPP has been discussed from this angle, with several negative examples exemplified while relatively less weightage for success. However, it has established itself as an efficient method for large scale project development and leads to decentralization as the operating period of license which is not in direct control of government except monitoring and evaluation.

Financing mechanisms under PPP are in sync with project development. In the last few years, digital financial inclusion and Fintech development has led to very high level of potential efficiency gains for financial inclusion. This is beneficial for urban decentralization if tech based fintech sector is integrated with ULBs to develop social equity-based PPP projects in macro, micro, medium and SME sectors.

Over the years, developmental aspects of PPP have been taken in micro, medium and SME sectors. In particular, work done in agriculture sector is helping PPP and its adaptability for social equity-based development. The potential of converting grants into viability gap funding is now being applied for agricultural value chain projects. This also carries potential for urban micro medium and SME sectors. The urban local bodies have had the experience of handling PPP projects. One such effort was under the ambit

of JNNURM. It was limited to core ULB functions such as water and sewage, garbage disposal etc. Project level approach needs to be extended for sub and separate micro and medium projects. It is crucial to catalyse overall decentralization of urban India via development of the infrastructure through macro and micro projects on PPP in urban India. Developing proper PPP institutional mechanisms for developing projects under micro, medium and SME with ULBs as initiators of social equity-based PPP is also required. Capacity building of ULBs is another requirement for handling new sectors like Urban Agriculture.

Involvement of private sector, civil society via formal mechanisms (RWAs, AOA, NGOs etc), technology-based start-ups and post start-ups like FinTech, EduTechs and HealthTech companies are needed under a formal institutional mechanism to enhance urban agriculture. Engaging private sector via FinTech firms/start-ups (FTF) at urban value chain in developing and managing Agri-infrastructure will enable innovation in the form of best practices in operation and management, generating rural employment, and a potential for a reasonable return which is a prerequisite to attract capital and investments. In the current post-Covid19 circumstances, PPP based collaborations between FTFs and ULBs to lead smaller, localized urban sub value chains can bring in last mile efficiency with policy and financial reforms activating a decentralized approach. While the government continues to lead and facilitate development of urban sector through its policies, the entry of the private sector including FTFs, in addition to accelerating efforts and investment will induce ideas which when scaled up can emerge as mass development models for the urban sector.

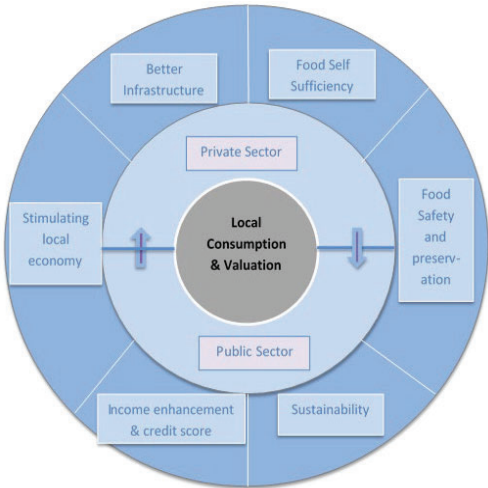


Digitisation

Digitalisation and digital innovation are seen as the next frontier in the trajectory of industrial growth, and governments have now started recognising the importance of regulating and monetising it. The 2019 Digital Economy Report by the United Nations Conference on Trade and Development (UNCTAD) notes the difference between traditional economic value creation and value creation in the digital economy—the main actors in the exercise of value creation are producers, consumers, and the government; in the digital economy, there are two additional forces in value creation: platform creation and the monetisation of data.

Although it makes lives easier and boosts economies, digitalisation is a challenge as well. While there is an understanding of the importance of open and free digital services, there are also challenges like cyberattacks which have given rise to diverging views for digital governance, due to which various countries have adopted differing strategies on the issue based on their requirements. The world is roughly divided into two competing visions—the market-led model, as characterised by the US; and the government-led model, as in China. The market-led model for digital

governance is based on the free hand concept which relies on the market’s ability to organise, structure, and protect itself in the face of threats. This strategy involves limited state intervention, while the free hand of the market nudges companies to adopt the best strategies, leading to higher innovation levels. However, with the wide expansion of the digital economy and more users being added every day, there is a rising threat of cyberattacks due to the limited enforcement of digital regulations and norms for best practices. There is also the matter of for-profit companies using consumer data without their consent for further innovation.



Deliver grants and subsidies through digital banking means

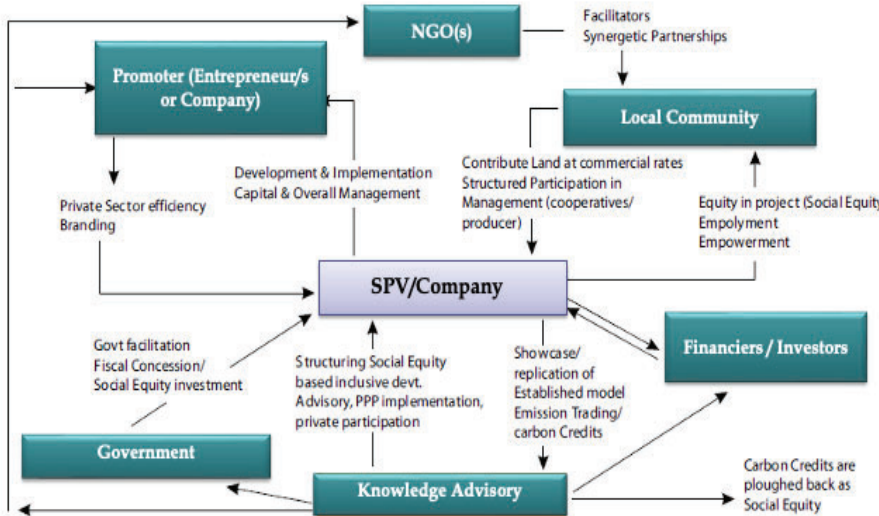
Percolation of grants and subsidies to the marginalised urban segment can help attain better valuations. Profitability comes in through greater integration of groups as a part of the overall urban value-chain. Mobilisation of people and projects can give a risk cushion to Fintech firms and financial institutional to invest not only in end-to-end digital banking solutions but also in increasing their risk mitigation capacities to provide credit products in urban value chain projects directly linked to urban local bodies. This can cover a large canvas of micro, medium, SME and large-scale urban value chain projects. It includes upgrading infrastructure like Cold storages, Reefer vans, integrated pack houses at the group’s end that provides food to urban areas and is linked to the agriculture value chain. The digital interactions can range from data collection and verification through biometric framework or tracking of operations leading to delivering of

subsidies through Direct Benefit Transfers (DBT). DBT ensures direct and transparent credit delivery. Possibilities of these mechanisms to be executed efficiently is dependent upon the interaction of the three stakeholders: the formal institutional groups or the Joint liability group, Fintech firms and the three-tier institutional structure of government and its policies.

Non-Credit means of finance through Social Equity-based PPP route

Integrated investment in a localised urban landscape using non-credit means of finance like CSR, Grants or equity through a coordinated effort from public and private network can help creation of financial value for all the stakeholders of the local economy. Investments routed towards certification of the local produce, diversifying the commercial linkages, climate friendly practices, and latest technological trends can help attract much higher valuations for the local produce. Switching to sustainable practices can be implemented by the leading Fintech firms to larger units or formal institutional groups.

The schematic diagram below shows Social Equity Model: Design PPP for Micro and Medium Sector (Link with Public Policy)



Urban decentralisation by incentivizing peri urban and urban agriculture

To examine the concept of peri urban agriculture while analysing how it can link up with urban decentralisation making urban India environmentally more sustainable. (*Acknowledgment to Dr Ramanath Jha of ORF for his paper on urban agriculture*)

Urban Agriculture

Urban agriculture is the practice of farming in urban and peri-urban areas. Farming connotes a wide range of food and non-food products that can be cultivated; including rearing livestock, aquaculture and bee-keeping. However, in the context of Indian cities, the focus is on the cultivation of vegetables, fruits, and flowers for human consumption. It is part of a growing trend in cities globally to look towards locally produced food. It is important to consider this specific aspect in Indian urban planning especially in that of urban decentralisation. The technical and financial efficiency as applied in the agriculture sector is largely focused on rural based farming. This efficiency can be seamlessly extended for urban agriculture if linked to city planning and its current institutional mechanisms.

Besides city administrations, urban agriculture has started drawing the attention of many NGOs, community groups, and citizens. At the global level, the Food and Agricultural Organization (FAO) believes that urban and peri-urban agriculture has a role in food security.

Urban agriculture can enhance sustainable development and food security in urban and peri-urban areas, and nearby rural spaces. It will require a vast range of policies and initiatives developed and implemented in partnership with different stakeholders: civil society, academia, national and international agencies, City Networks and relevant public and private bodies. Social equity-based PPP is a method that can guide its development in India.

At least fifty-five percent of the world's population already lives in urban areas and up to seventy percent of all food produced globally is destined for consumption in urban spaces. Social, economic and environmental sustainability of food systems and the evolution of urban diets will be dependent on the management of food systems in urban and peri-urban

areas. Therefore, focus on linking urban agriculture with decentralised urban planning is the need.

At the global level, many agencies (e.g., FAO) believes urban and peri-urban agriculture has a role in food and nutritional security. In several countries, community organisations and individual city residents have taken up small-scale agricultural activities on private and public lands. In Greater London, there are 13,566 hectares of farmland of which 500 hectares are under fruit and vegetable cultivation. Moreover, 800 hectares of public land is used for market gardening. Cities in Russia, Spain, Portugal, the Netherlands, Israel, and many cities in Latin America and Africa also practice urban agriculture.

Urban Agriculture and Agritourism

In India, urban agriculture is beset with severe space constraints and is not likely to make any major difference in the overall food production in the country as it is a meagre five percent of the total urban area and 0.56 percent of all land under agriculture in the country. However, this calculation assumes a direct availability of city land under urban areas. Despite the limitations, urban agriculture is worth promoting for several reasons. Firstly, even if the food grown is a small fraction of the total output in the country, this small fraction is bound to provide sustenance to a large number of people. And such small-scale decentralised production can also be done to supplement diets at small or community level. Being labour-intensive, it can add to the number of jobs and improve livelihood opportunities in the cities and generate income, especially for the poor. Secondly, urban agriculture has a significant role in urban environmental management as it can combat urban heat island effects and function as an urban lung in addition to providing visual appeal. Additionally, it brings purposeful recreation that has direct impact on city health. This can be planned under an urban Agritourism development agenda which can even be a commercially attractive proposition for the private sector.

Agritourism can help city-dwellers to establish links with nature and educate them about it. Agritourism can provide an opportunity for such eco-cultural learning. It can also help to develop a sense of sharing through community agriculture where people come together and share their stories and experiences of growing a variety of food. For urban issues of waste management and disposal; urban agriculture can help in tackling it. The use of suitably treated waste water for urban agriculture can reduce demand for

fresh water and help in waste water disposal. Organic waste from the city can be composted and used in food and flower production that can reduce the total quantum of waste and its dumping on land, thereby, reducing the requirement of landfills. It is one of the most advisable forms of waste recycling for cities of the future. This can be synergised with existing government programs on waste segregation and disposal and systems can be linked with Agritourism development planning for urban cities using social equity-based PPP.

Appropriate PPP based project development that includes urban agriculture needs to be taken up under the ambit of decentralized planning. India has the necessary expertise to place such a PPP based strategy.

Role of ULBs

ULBs can pro-actively assist this activity in three ways. First, they can make some of the unutilised public lands that are not likely to be brought under development in the near future available for urban agriculture. This land can be leased to private parties through a social equity-based PPP agreement with mutually beneficial terms and conditions. Indian cities prefer open spaces to carry ornamental vegetation. However, to promote urban agriculture, public spaces can partly have edible landscapes. Trees can be fruit bearing and vegetables can be grown in raised beds, containers, or vertical frames and then thematically developed as Agritourism project.

Furthermore, the civic bodies can zone land for urban agriculture in their master plans for a period during which they are not likely to be pressed into service for other purposes. Ways should be found of incentivising such activities without financially burdening ULB revenue streams using PPP. Likewise, wherever private plots are kept undeveloped and not put to agriculture use, a vacant plot tax can be imposed on such plots as a disincentive. Alternately, if such plots are used for urban agriculture, they should be incentivised in innovative ways. Start-up India incentive program can be linked to such projects.

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ULBs can provide technology extension services through soil and water testing laboratories. Additionally, ULBs can provide standards for use of

terraces, balconies, open spaces within private/cooperative housing society compounds for urban agricultural use. Rooftop farming is a huge possibility. Singapore, for instance, is already producing about ten percent of its food through rooftop farming. In heavily populated cities, where availability of land is a constraint, a different approach may be needed to overcome the scarcity of urban space for urban agriculture including developing technologies for vertical farming.

We are already aware that climate change is throwing up huge challenges, including floods and heat waves. Droughts in the countryside are likely to trigger greater migration to cities. In this context, a vital addition to municipal functions should be urban agriculture. Similarly, urban planning would require urban agriculture as a planning item in its land use plan. The future beckons that urban agriculture does not merely remain a marginal interest but a critical urban function.

To sum it up, Urban decentralisation can be stimulated by using a social equity-based PPP approach. Specific development work on urban agriculture sector should be looked at as a part of urban development policy so as to foster growth.