



General Studies-1; Topic: Urbanization, their problems and their remedies.

India's Urbanisation

Introduction

- A recent report by the World Bank on financing India's urban infrastructure needs, focuses on private investments ameliorating urban problems.
- In the last few years, various reports have estimated a huge demand for funding urban infrastructure.

Urban Finance

- After three decades of reforms, urban finance predominantly comes from the government.
- Of the finances needed to fund urban capital expenditures, 48%, 24% and 15% are derived from the central, State, and city governments, respectively.
- Public-private partnership projects contribute 3% and commercial debt 2%.

World Bank estimates

- The World Bank estimates that nearly ₹70 lakh crore would be needed for investment in urban India to meet the growing demands of the population.
- The flagship programmes of the government, the Smart City mission, the Atal Mission for Rejuvenation and Urban Transformation (AMRUT), the Pradhan Mantri Awas Yojana (PMAY), etc., are not more than ₹2 lakh crore.
- Nearly 85% of government revenue is from the cities. This means that urban citizens are contributing large revenues.
- Low service charges for municipal services undermine financial sustainability and viability.
- Urban bodies are unable to recover operations and maintenance costs, thus, constraining their ability to further execute projects.

Urban Governance

- **An important aspect of urban infrastructure is linked to urban governance.**
- Regular elections should be held in cities and there must be empowerment through the transferring of the three Fs: finances, functions, and functionaries.
- Cities primarily are run by parastatals and the city governments hardly have any role to play in the smooth functioning of such parastatals.
- State-level management of urban water and sewerage functions may be devolved in a time-bound manner.

Urban Transportation

- Comfortable, safe and affordable commuting has well-recognised multiplier effects for the economy and more generally for public health.
- India's ratio of buses to population is a low 1.2 per 1,000 people, compared to 8.6 in Thailand and 6.5 in South Africa, although some States like Karnataka are well ahead of the national average.
- The challenge of urbanisation goes beyond standalone interventions such as Metro and bus system grants.
- There is a criticism that the existing Metro and bus services are expensive for the majority, particularly for those forced to live in the suburbs due to housing costs, and sometimes making the per kilometre cost of using a two-wheeler more attractive.

Way Forward

- **Need for improving the fiscal base and creditworthiness of the Indian cities.**
- Cities must institute a buoyant revenue base and be able to recover the cost of providing its services.
- It means **increasing property taxes, user fees and service charges** to name a few.
- Plans must be made from below by engaging with the people and identifying their needs.
- **Empower the city governments and the people at large.**
- 10% of the income-tax collected from cities can be given back to cities and ensuring that this corpus fund was utilised only for infrastructure building.
- **Result/performance-based financing** can also improve institutional outcomes more than investments for specific projects.