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A REMINDER OF THE FLAWS IN INDIA’S URBANISATION POLICIES

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‘Another important aspect of urban infrastructure is linked to urban governance, which is in a shambles in most parts of the country.’ Picture is of Chennai | Photo Credit: The Hindu

A report by the World Bank, released in November last year, on financing India’s urban infrastructure needs, focuses on private investments ameliorating urban problems. The push to attract private capital, since the 1990s, followed by the urban reforms under the United Progressive Alliance I regime, the Smart City mission, and now this report, continues to plague India’s policy paradigm in the urban sector.

So, has the reform process really been able to attract private capital to urban infrastructure?

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%.

In the last few years, various reports have estimated a huge demand for funding urban infrastructure; for example, the Isher Judge Ahluwalia report says that by 2030, nearly 39.2 lakh crore would be required. Likewise, the 11th Plan puts forth estimates of 1,29,337 crore for four basic services, 1,32,590 crore for urban transport and 1,32,590 crore for housing. A McKinsey report on urbanisation has a figure of $1.2 trillion, or 90 lakh crore.

The World Bank estimates that nearly $840 billion (70 lakh crore) would be needed for investment in urban India to meet the growing demands of the population, and $55 billion would be required annually. 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 (that too for a period of five years). So, how will such a gap between demand and supply be matched?

The core idea of the report and the solutions suggested include “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”. In simpler terms, it means increasing property taxes, user fees and service charges to name a few.

This report already points out that nearly 85% of government revenue is from the cities. This means that urban citizens are contributing large revenues even as the World Bank report's emphasis is on the levying of more burdens in the form of user charges on utilities, etc. But the point is even by enhancing the tax base, will it be sufficient to meet the rising demands of urban infrastructure in the cities?

The answer is that it will not.

The basic problem with this report and other reports drawn up in a similar fashion is that they are made using a top to bottom approach, with too much of a focus on technocentric solutions using very high capital-intensive technologies.

For the urban context, plans must be made from below by engaging with the people and identifying their needs.

Empowering the city governments and the people at large is the second point. In the national task force that reviewed the 74th Constitutional Amendment, chaired by K.C. Sivaramakrishnan, many suggestions were made such as empowering the people, transferring subjects to the city governments, suggesting that 10% of the income-tax collected from cities be given back to them and ensuring that this corpus fund was utilised only for infrastructure building. This would ensure that city governments had an advantage in ensuring rapid transformation.

Another important aspect of urban infrastructure is linked to urban governance, which is in a shambles in most parts of the country. Regular elections should be held in cities and there must be empowerment through the transferring of the three Fs: finances, functions, and functionaries.

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Cities primarily are run by parastatals and the city governments hardly have any role to play in the smooth functioning of such parastatals.

The World Bank in its report has stated in the report (page 69): "As an example, state-level management of urban water and sewerage functions may be devolved in a time-bound manner. An improved urban legal framework that includes a stable and certain fiscal transfer regime, accords financial powers to ULBs [urban local bodies] along with attendant rules/regulations... will determine the medium- to long-term scale of investment flows for urban infrastructure."

However, the exact opposite is happening. The Shimla water story is an example. The Shimla water works was transformed into a single utility in 2016-17, called the Greater Shimla Water Supply and Sewage Circle (GSWSSC) under the Shimla Municipal Corporation. The Bank rendered help in the form of a soft loan, ensuring an adequate supply of water and proper distribution by the utility, but under the Shimla Municipal Corporation. However, in 2017-18, it changed the character of GSWSSC to a company and formed the Shimla Jal Prabandhan Nigam Limited, now run under a board of directors, but outside the ambit of the municipality.

Such machinations shall not serve the purpose and will be perilous to the entire purpose of the urbanisation in India. The World Bank report is another reminder of the tragedy which Indian urbanisation is witnessing — "policy paralysis from the top".

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