

World Bank Report on Urban Financing

Why in news?

A recent report on urban financing for India is another case of a top down approach that is over dependent on technocentric solutions and capital-intensive technologies.

What is the case of urbanization in India?

- **Urbanization** - Urbanization is the increase in the proportion of people living in towns and cities.
- Urbanization occurs because people move from rural areas to urban areas (towns and cities).
- **Trend in India** - In 2021, approximately a third of the total population in India lived in cities.
- **Major causes of urbanization**
 - Industrialization
 - Commercialization
 - Better services in urban areas
 - High standard of living
 - Ample employment opportunities
 - Modernization
 - Rural-urban transformation

What are the findings of the World Bank report?

- **Focus area** - The World Bank report focuses on private investments ameliorating urban problems.
- **Source of 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%**.
- **Government revenue** - The report points out that nearly 85% of government revenue is from the cities.
- **WB estimates** - The World Bank (WB) estimates that nearly Rs 70 lakh crore would be needed for investment in urban India to meet the growing demands of the population.
- **Suggestion** - The solutions suggested include improving the fiscal base and creditworthiness of the Indian cities by enhancing the tax base.

What are the issues?

- **Demand and supply gap** - Matching the gap between demand and supply is a major challenge.
- The flagship programmes such as the Smart City mission, the Atal Mission for Rejuvenation and Urban Transformation (AMRUT), the Pradhan Mantri Awas Yojana (PMAY), etc., are not more than Rs. 2 lakh crore.
- **Skepticism in enhancing the tax base** - Meeting the rising demands of urban infrastructure in the cities even by enhancing the tax base remains skeptical.
- **Top to bottom approach** - The basic problem with this report is that it is made using a top to bottom approach, with too much of a focus on technocentric solutions.

What is the need of the hour?

- Plans must be made from below by engaging with the people and identifying their needs.
- The city governments and the people need to be empowered.
- The recommendations of the national task force that reviewed the **74th Constitutional Amendment**, chaired by **K.C. Sivaramakrishnan** can be implanted. It includes
 - Empowering the people
 - Transferring subjects to the city governments
 - 10% of the income-tax collected from cities be given back to them
 - Ensuring that this corpus fund was utilised only for infrastructure building
- Regular elections should be held in cities and there must be empowerment through the transferring of the three Fs: finances, functions, and functionaries.

The 74th Amendment Act of 1992 provides a basic framework of decentralisation of powers and authorities to the Municipal bodies at different levels.

Quick facts

- **The Smart City mission** - To promote cities that provide core infrastructure, clean and sustainable environment and a decent quality of life to their citizens through smart solutions
- **The Atal Mission for Rejuvenation and Urban Transformation (AMRUT)** - To provide basic services (e.g. water supply, sewerage, urban transport) to households and build amenities in cities to improve the quality of life for all
- **The Pradhan Mantri Awas Yojana (PMAY)** - To provide affordable housing to the urban poor by the year 2022

Reference

1. [The Hindu | A reminder of the flaws in India's urbanisation policies](#)

