

## **Urban infrastructure**

9.100 Urban infrastructure consists of drinking water, sanitation, sewage systems, electricity and gas distribution, urban transport, primary health services, and environmental regulation. Many of these services are in the nature of 'local' public goods with the benefits from improved urban infrastructure in a given city limited to the citizens living in that city.

9.101 The empowerment of local governments to take economic and service delivery decisions requires a new framework for public finance, where urban expenditures are driven through urban local governments. To support greater urban local government oversight and accountability for urban and municipal functions, and to support control of service delivery investments, operations and financing to urban and municipal governments across functional urban areas, the current fragmentation of authority between State and local government needs to be resolved.

9.102 While urban infrastructure is important in its own right and is in the nature of a local public good, there are important urban-rural linkages and externalities. The organizational capacity, and professional staff, that comes about for urban infrastructure service provision can take on additional functions in a significant 'footprint' of outlying rural areas. This would harness economies of scale and scope. For example, a regional water utility for a cluster of small towns can also serve neighbouring rural communities – either directly as a service provider, or indirectly through technical inputs for panchayat-led delivery systems. Rural areas surrounding cities tend to indirectly derive significant income from the prosperity of the city, through sale of high value crops, through SMEs and through labour supply.

Urban centers provide income diversification, as rural families often have some family members working in urban centers. Hence, improvements in local public goods in cities, which spur GDP growth in cities, help impact rural incomes in surrounding areas.

## **Institutional Changes at Local Level**

9.103 Central government fiscal and regulatory incentives can catalyze institutional change at the State and local levels, support innovative institutional forms of effective service delivery at the local level, and support the development of credit worthy urban local governments. This requires proper implementation of Model Municipal Law (MML) by the State Governments, extending the Private Sector Participation (PSP) guidelines to cover services, and strengthening the statistical system so as to have better data about expenditures on producing public goods, and public outcomes. The existing schemes need to be consolidated and rationalized into a system of capital grants to local governments, to support institutional reform and poverty targeting.

## **Financing pattern**

9.104 In terms of financing patterns, the foundation of urban infrastructure has to be user charges. It is possible for urban institutions to access resources from the capital markets to finance a large portion of urban capital expenditure, to be serviced by user charges in the future. This approach makes it possible to have a massive increase in capital expenditure on urban infrastructure without worsening the fiscal problem. In addition, the tariff restructuring or subsidy design in the context of a restructuring process allows for more efficient and targeted impact

on the poor. In this context, there have been municipal bond issues, but on a very limited scale (Table 9.23).

### Scheme for Development of Urban Infrastructure

9.105 The ongoing schemes of Urban Infrastructure Development in the mega cities, and Integrated Development of Small and Medium Towns (IDSMT) do not meet the requirement of infrastructure development of all cities/towns in the country. There is, therefore, need to have a comprehensive scheme for infrastructure development of all cities/towns in the country. Other scheme like Urban Reforms Incentive Fund (URIF) also need to be subsumed in the said comprehensive scheme. Funding is linked to reforms which are classified into “mandatory” and “optional” as detailed below:

#### Mandatory Reforms—State level

- Repeal of Urban Land Ceiling and Regulation Act
- Reform of Rent Control Laws so as to stimulate private investment in rental housing schemes.
- Rationalisation of Stamp Duty to bring it down to no more than 5 per cent within the next five years.

- Introduction of independent regulators for urban services.

#### Mandatory Reforms –Core (at ULBs level)

- Double entry system of accounting for Urban Local Bodies
- Adoption of public disclosure law – disclosure of medium-term fiscal plan and quarterly performance reports.
- Passage of community participation law
- All special agencies currently involved in delivering urban civic services to be brought under the supervision of ULBs, thus creating a uniform accountability platform.
- A Bangalore Action Task Force (BATF) kind of citizens technical advisory group should be constituted for each city to guide the process of urban reforms.
- Urban development authorities discharging city Planning functions and the new city development function should associate the ULBs more closely
- Introduction of e-governance, Global Information System (GIS) and Monitoring Information System ( MIS)
- Reform of Property Tax laws
- Levy of reasonable user charges

**Table 9.23 : India’s experience with tax free municipal bond issuance**

Sl. No.	Name	Amount (Rs. in crores)	Date of gazette Notification
			<b>2001-02</b>
1.	Ahmedabad Municipal Corporation	100.00	August 21, 2001
			<b>2002-03</b>
2.	Hyderabad Municipal Corporation	82.50	March 4, 2002
3.	Nashik Municipal Corporation	50.00	March 7, 2003
			<b>2003-04</b>
4.	Visakhapatnam Municipal Corporation	50.00	December 29, 2003
5.	Hyderabad Metropolitan Water Supply and Sewerage Board (HMWS&S Board)	50.00	December 29, 2003
6.	Ahmedabad Municipal Corporation	58.00	March 16, 2004
7.	Chennai Metropolitan Water Supply and Sewerage Board	42.00	March 24, 2004
			<b>2004-05</b>
8.	Karnataka Water & Sanitation Pooled Fund Trust	100.00	
<b>Source : Ministry of Urban Development.</b>			

## Optional Reforms

- Revision of byelaws to streamline the approval process.
- Simplification of legal and procedural frameworks for conversion of agricultural land for non-agricultural purposes
- Introduction of Property Title Certification System in ULBs.
- Earmarking at least 20-25 per cent of developed land in all housing projects for the poor.
- Introduction of computerized process of registration of land and property
- Revision of bye-laws to make rain water harvesting mandatory
- Bye-laws for reuse of reclaimed water
- Administrative reforms, i.e. right sizing of the ULBs.

## Urban Water Supply and Sanitation Sector

9.106 Water supply and sanitation are important basic needs affecting the quality of life and productive efficiency of the people. Provision of these basic services continue to be among the core activities of urban local bodies. The State Governments and ULBs are responsible for providing the services through proper planning, implementation, operation and maintenance, and monitoring through the funds available under State Plans, internal resource generation and by taking loans from financial institutions.

9.107 On the basis of information furnished by the different State Implementing Agencies, 89 per cent of the urban population is reported

to have access to water supply and 63 per cent of the urban population access to sewage and sanitation facilities. The data only relate to access, which is different from quantity of water and quality of service. The quality of water and the service provided often fall short of the relevant norms. The Tenth Plan emphasizes provision of these important infrastructure facilities, and 100 per cent coverage of urban population with water supply facilities and 75 per cent of urban population with sewage and sanitation by the end of the Tenth Plan period, i.e. March 31, 2007. The funds required for this purpose is estimated at over Rs. 53,000 crore (Table 9.24).

## Urban Transport

9.108 Urban transport is a key element of urban infrastructure. An effective urban transportation network not only enhances productivity and facilitates high growth of the economy, but also empowers the poor by increasing employment opportunities. Public transport is energy efficient and less polluting and helps maximizing urban – rural linkage with improved access of the peripheral population to the city centers without proliferation of slums in and around cities.

9.109 Two pioneering efforts in public transport in India have come about in Kolkata and Delhi. Delhi Mass Rapid Transit System (MRTS), a joint venture between Government of India and Government of National Capital Territory of Delhi, is being implemented by the Delhi Metro Rail Corporation (DMRC) (Box 9.8).

**Table 9.24 : Funds requirement for water supply and sanitation in the Tenth Plan**

		(Rs. in crore)	
<b>Estimates requirement of funds</b>		<b>Likely availability from different sources</b>	
Water Supply	– Rs. 28,240	Central Government	2,500
Sanitation	– Rs. 23,157	State Governments	20,000
Solid Waste Management	– Rs. 2,322	HUDCO	6,800
<b>Total</b>	<b>– Rs. 53,719</b>	LIC	2,500
		Other Public Financial Institutions and External Funding Agencies	4,000
		<b>Total</b>	<b>35,800</b>

### Box 9.8 : Delhi Metro Rail Transit System

- The Delhi Mass Rapid Transit System (MRTS) contemplates Metro Rail System in Delhi. Phase-I of this project consist of the following corridors:
  1. Shahdara – Rithala
  2. Vishwavidyalaya-Central Secretariat.
  3. Indraprastha-Dwarka-Dwarka sub-city (i.e Dwarka-Dwarka VI).
- The Phase-I of the project is scheduled to be completed by March 2006. The Shahdara-Rithala corridor was commissioned on March 31, 2004 and is operational. The Vishwavidyalaya-Kashmere Gate Section of the underground corridor from Vishwavidyalalaya to Central Secretariat has been commissioned on December 19, 2004. The targeted completion date for other sections is:

1. Kashmere Gate-Central Sectt.	September 30, 2004	6.90 km
2. Barakhamba Road-Kirti Nagar	September 30, 2005	8.41 km.
3. Kirti nagar-Dwarka	December 31, 2005	14.49km.
4. Indraprastha-Barakhamba Road	March 31, 2006	2.27 km.
5. Dwarka-Dwarka sub-city	March 31, 2006	6. 50 km.
- The Detailed Project (DPR) for Phase II of Delhi MRTS is under preparation.

9.110 For better connectivity within the National Capital Region, a commuter rail system, namely, Integrated Rail-cum-Bus Transit (IRBT) system is being contemplated. It comprises three corridors, namely (i) Shahdara-Ghaziabad (14.9 km); (ii) Sahibabad-Shivaji Bridge (17.4 km.); and (iii) Trinagar-Gurgaon) (30.4 km.). Two SPVs are to be formed, one for the UP corridors and another for the Haryana corridor with participation of the respective State Governments and the Government of India. The project proposal with an estimated cost of Rs. 2,239 crore has been referred to the Planning Commission for “in principle” approval.

9.111 The Government of Karnataka has proposed Bangalore MRTS with East-West (18.1 km.) and North-South (14.9 km.) metro corridors. The project proposal, with an estimated cost of Rs.5,605 crore, has been accorded ‘in principle’ approval by the Planning Commission.

9.112 The Government of Maharashtra has proposed a MRTS for Versova-Andheri-Ghatkopar (approximately 15 km.) corridor on the basis of the Metro Master Plan for Mumbai. The proposal is under examination.