



Financing India's Urban Infrastructure

For Prelims: World Bank, Urban Local Bodies, Smart Cities Mission (SCM), Pradhan Mantri Awas Yojana (PMAY)

For Mains: Urbanisation and related issues

Why in News?

Recently, the report, titled “**Financing India's Urban Infrastructure Needs: Constraints to Commercial Financing and Prospects for Policy Action**” was released by the [World bank](#).

- The report **underlines the urgent need to leverage more private and commercial investments** to meet emerging financial gaps.

What are the Highlights of the Report?

- **Investment Required:**
 - **India will need to invest USD 840 billion over the next 15 years** into urban infrastructure if it is to effectively meet the needs of its fast-growing urban population.
- **People Living in Urban Cities:**
 - By 2036, **600 million people will be living in urban cities in India**, representing 40% of the population.
 - This is **likely to put additional pressure on the already stretched urban infrastructure** and services of Indian cities – with more demand for clean drinking water, reliable power supply, efficient and safe road transport amongst others.
 - Currently, the central and state governments finance over 75% of city infrastructure, while [Urban Local Bodies \(ULB\)](#) finance **15% through their own surplus revenues**.
 - Only 5% of the infrastructure needs of Indian cities are currently being financed through private sources.
- **Slow Implementation of Centre's Flagship Urban Missions:**
 - There has also been **slow implementation performance by states and Urban Local Bodies (ULBs)** on several of the Centre's flagship Urban Missions— such as the [Smart Cities Mission \(SCM\)](#) and the [Pradhan Mantri Awas Yojana \(PMAY\)](#) for instance— due to constraints on implementation capacity at the city level.
 - ULBs across India **have so far executed only about one-fifth of the cumulative cost or outlay of approved projects** under SCM and [\(Atal Mission for Rejuvenation and Urban Transformation \(AMRUT\)\)](#) over the last six financial years.
- **PPP transactions for Urban Infrastructure:**
 - [Public Private Partnership \(PPP\)](#) transactions for urban infrastructure in India registered a **marked decline in the last decade both in monetary value and transaction volume**— 124 PPP projects have been awarded in the urban sector since the year 2000 worth a total cost of USD5.5 billion.

- However, **PPP project awards have declined substantially after a “brief but substantial spike”** between the years 2007 and 2012 when most of these projects were awarded. Only one-third of all PPP investments awarded since 2000 came in the last decade— including 55 projects worth USD17 billion,

What are the Suggestions?

- It is recommended to **expand the capacities of city agencies to deliver infrastructure** projects at scale.
 - Currently, the **10 largest ULBs were able to spend only two-thirds of their total capital budget** over three recent fiscal years.
- Over the medium term, the report suggests a **series of structural reforms including those in the taxation policy and fiscal transfer system.**
 - It can **allow cities to leverage more private financing.**
- It recommended **making the transfer of funds to cities formula-based** and unconditional and increasing the mandates of city agencies gradually.

What is Urbanisation?

- **About:**
 - **Urbanization** refers to the population shift from rural to urban areas, the corresponding decrease in the proportion of people living in rural areas, and the ways in which societies adapt to this change.
- **Causes of Urbanisation:**
 - **Natural Increase of Population:** It occurs when the number of births exceeds the number of deaths.
 - **Rural to Urban Migration:** It is driven by pull factors (that attract people to urban areas) and push factors (that drive people away from the rural areas).
 - Employment opportunities, educational institutions and urban lifestyle are the main pull factors.
 - Poor living conditions, lack of educational and economic opportunities and poor health care facilities are the main push factors.
- **Global Urbanisation:**
 - The most urbanized regions include Northern America (with 83% of its population living in urban areas (as of 2022), Latin America and the Caribbean (81%), Europe (75%) and Oceania (67%).
 - The level of urbanization in Asia is now approximately 52%.
 - Africa remains mostly rural, with 44% of its population living in urban areas.
- **Related Initiatives:**
 - **India’s Initiatives for Urbanisation:**
 - Schemes/Programmes Related to Urban Development:
 - [Smart Cities](#)
 - [AMRUT Mission](#)
 - [Swachh Bharat Mission-Urban](#)
 - [HRIDAY](#)
 - [Pradhan Mantri Awas Yojana-Urban](#)
 - Government Initiatives for [Slum Dwellers](#)/Urban Poor:
 - [Pradhan Mantri Garib Kalyan Yojana](#)
 - [Atmanirbhar Bharat Abhiyan \(self-reliant India\)](#)

UPSC Civil Services Examination Previous Year Question (PYQ)

Q. Discuss the various social problems which originated out of the speedy process of urbanization in India. **(2013)**

Q. With a brief background of quality of urban life in India, introduce the objectives and strategy of the ‘Smart City Programme.’ **(2016)**

[Source: TH](#)

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