
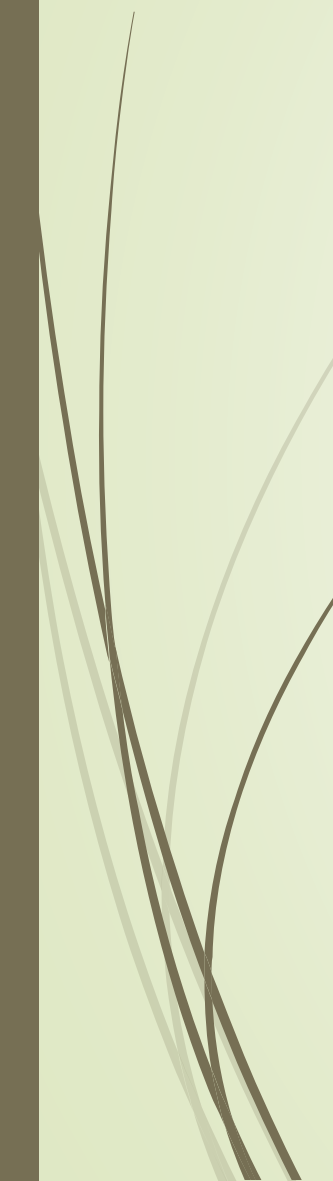





Municipal finance




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- India has been among the fastest growing economies in the world for more than two decades. The rapid growth has been driven dominantly by non-agricultural sectors, particularly services, in economic clusters, many of which have come up in “rural” areas.
 - An estimated 180 million rural people live next to India’s 70 largest urban centres, a number that will increase to about 210 million by 2030 pointing to the future course of urbanisation in India.
 - As India is expected to continue to record high growth rates, the pace of urbanisation will gather momentum. The United Nations projections suggest that India’s urban population will increase from about 461 million in 2018 to 877 million in 2050, with India contributing the largest share of global urban population growth from 2018 to 2050.

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- A further problem is that there has been a sharp increase in the number and population of towns which are designated as towns by the census, but are not notified by the state government concerned.
 - There is political resistance to empower these towns with a statutory urban local government which could articulate and deliver their demand for urban infrastructure and services.
 - Often the rural local governments themselves are reluctant to “go urban” because local politicians are apprehensive that they would not have access to large amounts of funds as for rural development schemes;
 - they also fear the regulations which urbanisation brings with it. The result is that these towns, often described as “census towns” are administered by rural local governments, when what they need is a statutory urban local government.

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- ▶ Both the Government of India and the state governments will have to build the capacity for urban planning and management at the local government level to rise to the challenges of rapid growth with urbanisation.
 - ▶ Indian cities will have to deliver better living conditions as well as better ease of doing business.
 - ▶ The two together will contribute to a better investment climate. The requirements of the large cities and the second-tier cities and towns will need to be differentiated with respect to planning and retrofitting and also capacity building for implementing the plans. Metropolitan regions will also have to come up by design rather than by default

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- Indian urban local governments are amongst the weakest in the world in terms of fiscal autonomy and also their capacity to deliver civic infrastructure and services to meet the demands of growing urbanisation and rapid economic growth.
 - Municipal revenues/expenditures in India have been stagnating at around 1 per cent of the GDP for over a decade. This is because the constitutional provisions for devolution in India have been very weak and even the existing provisions have not been implemented.
 - The sources of own revenue of urban local governments are also limited and ineffective.

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- The Constitution (74th Amendment) Act, 1992, formally recognised urban local governments as the third tier of government. The Amendment became effective in June 1993.
 - The Act recommended that state governments assign to municipal governments a set of 18 legitimate municipal functions such as urban planning including town planning, regulation of land use and construction of buildings, roads and bridges, provision of water, sanitation and solid waste management, public health, slum upgradation and urban poverty alleviation, etc
 - . These functions are listed in the 12th Schedule which was inserted into the Constitution of India. But there was no comparable recommendation by the 74th Amendment on the finances of municipal governments.

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- public health includes water supply, sewerage and sanitation, eradication of communicable diseases etc.;
 - welfare includes public facilities such as education, recreation, etc.; regulatory functions related to prescribing and enforcing building regulations, encroachments on public land, birth registration and death certificate, etc.;
 - public safety includes fire protection, street lighting, etc.; public works measures such as construction and maintenance of inner city roads, etc.; and development functions related to town planning and development of commercial markets.
 - In addition to the legally assigned functions, the sectoral departments of the state government often assign unilaterally, and on an agency basis, various functions such as family planning, nutrition and slum improvement, disease and epidemic control, etc.



THANK YOU