Demand for Grants 2019-20 Analysis
Housing and Urban Affairs

The Ministry of Housing and Urban Affairs formulates policies, coordinates activities of various agencies (at the state and municipal level), and monitors programmes in the area of urban development. It also provides states and urban local bodies (ULBs) with financial assistance through various centrally supported schemes. In 2017, the Ministry of Housing and Poverty Alleviation, and the Ministry of Urban Development were combined to form the Ministry of Housing and Urban Affairs.

This note looks at the expenditure incurred by the Ministry, the status of the various schemes implemented, and the issues faced with investment required for urban planning.

Allocations in Union Budget 2019-20

Fund allocation

The total expenditure on the Ministry of Housing and Urban Affairs for 2019-20 is estimated at Rs 48,032 crore. This is 12% higher than the revised estimates for 2018-19. In 2019-20, while revenue expenditure of the Ministry is estimated at Rs 28,488 crore (59%), capital expenditure is estimated at Rs 19,544 crore (41%). In the last few years, the Ministry’s revenue expenditure has consistently been higher than its capital expenditure. This may imply that the Ministry is spending less on creation of assets (that is, capital expenditure).

Table 1: Budget allocations for the Ministry of Housing and Urban Affairs (in Rs crore)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>24,715</td>
<td>25,955</td>
<td>28,488</td>
</tr>
<tr>
<td>Capital</td>
<td>15,346</td>
<td>17,010</td>
<td>19,544</td>
</tr>
<tr>
<td>Total</td>
<td>40,061</td>
<td>42,965</td>
<td>48,032</td>
</tr>
</tbody>
</table>

Notes: BE – Budget Estimate; RE – Revised Estimate.
Sources: Notes on Demands for Grants, 2019-20, Ministry of Housing and Urban Affairs; PRS.

Overview of Finances

Between 2009 and 2019, the expenditure of the Ministry has increased at an average rate of 22%. The maximum year-on-year increase (91%) was seen in 2014-15, followed by 2016-17 (83%).

Policy proposals in the Budget

In her budget speech, the Finance Minister made the following announcements regarding the roads sector:

- **Tax exemption for affordable housing**: An additional tax deduction of up to Rs 1,50,000 will be provided on interest paid on loans for self-occupied house owners. The conditions for availing this deduction are: (i) the loan must be sanctioned in FY 2019-20, (ii) the stamp duty on the house should not exceed Rs 45 lakh, and (iii) the individual should not own another residential house property as of the date of the home loan.

- **Legislative Framework**: To promote rental housing, a model tenancy law will be finalised and circulated.

Figure 1: Trend in expenditure (Rs crore)

Note: For the years 2009-10 till 2018-19, the figures are a combination of the erstwhile Ministry of Housing and Urban Poverty Alleviation, and the Ministry of Urban Development. Values for 2018-19 and 2019-20 are revised and budget estimates respectively.
Sources: Ministry of Housing and Urban Affairs budget documents 2009-10 to 2019-20; PRS.

The Standing Committee on Urban Development, (2017) had noted that the budgetary allocations to the Ministry were lower than the Ministry’s demand. Although there was a 36% increase in the budget estimate for 2018-19 over the budget estimate for 2016-17, it was short of what the Ministry had projected. The erstwhile Ministry of Urban Development was allocated Rs 34,212 crore as compared to its projection of Rs 68,410 crore.

The Standing Committee on Urban Development (2018) had also noted that with the schemes picking up momentum, the allocation towards them should be increased for better implementation.

However, despite this, the actual expenditure by the Ministry has been consistently lower than the
budget estimates (see Figure 2). Although 2014-15 saw the highest increase in expenditure, it also saw the largest negative deviation from the budget estimate. The actual expenditure in 2014-15 was 32% lower than the budget estimate.

**Figure 2: Trends in utilisation (2009-18)**

![Trends in utilisation](image)

Note: For the years 2009-10 till 2018-19, the figures are a combination of the erstwhile Ministry of Housing and Urban Poverty Alleviation, and Ministry of Urban Development.

Values for 2018-19 are revised estimates.

Sources: Ministry of Housing and Urban Affairs budget documents 2009-10 to 2019-20; PRS.

**Major schemes and issues**

The Ministry implements several centrally sponsored schemes, and few central sector schemes. These include: (i) Atal Mission for Rejuvenation and Urban Transformation (AMRUT), (ii) 100 Smart Cities Mission, (iii) Pradhan mantri Awas Yojana – Urban, (iv) Swachh Bharat Mission – Urban, (v) National Heritage City Development and Augmentation Yojana (HRIDAY), and (vi) Deendayal Antyodaya Yojana-National Urban Livelihood Mission (DAY-NULM). The Ministry also develops and manages metro rail projects across the country.

Of the expenditure allocated to the Ministry in 2019-20, the highest allocation is towards metro projects at 40% of the total (Rs 19,152 crore). This is followed by allocations towards the following key schemes under the Ministry: (i) AMRUT (15%), (ii) PMAY - Urban (14%), (iii) Smart Cities Mission (14%), (iv) and Swachh Bharat Mission - Urban (6%).

The HRIDAY scheme has not been allocated any funds this year. The Standing Committee on Urban Development (2018) had noted that this scheme will be merged with the Pilgrimage Rejuvenation and Spirituality Augmentation Drive (PRASAD) scheme under the Ministry of Tourism. However, in the 2019-20 budget, there is no separate allocation towards HRIDAY under the Ministry of Tourism.

**Metro Projects**

**Fund allocation:** The Ministry of Housing and Urban Affairs is responsible for urban transport which includes metro projects. Some of the major metro projects are in Chennai, Delhi, Bangalore, and Mumbai metros. Investments in these projects are made in various forms including grants, equity investments, debt, and pass-through assistance for externally aided projects.

There are currently 13 ongoing metro rail projects that have been set up as a 50:50 joint venture between the central government and respective state governments. The total sanctioned costs of these projects amount to Rs 1,76,105 crore, of which the share of the central government is Rs 30,903 crore (18%).

The budgetary allocation towards metro projects in 2019-20 is Rs 19,152 crore. This is a 23% increase over the revised estimates of 2018-19. The table below shows the trends in allocations and expenditure towards metro projects.

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**Figure 3: Budgetary allocation for Ministry of Housing and Urban Affairs (2019-20)**

![Budgetary allocation](image)

**Table 2: Allocations in the Ministry (Rs crore)**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro projects</td>
<td>13,978</td>
<td>15,600</td>
<td>19,152</td>
<td>23%</td>
</tr>
<tr>
<td>AMRUT</td>
<td>4,936</td>
<td>6,400</td>
<td>7,300</td>
<td>14%</td>
</tr>
<tr>
<td>PMAY (Urban)</td>
<td>8,591</td>
<td>6,505</td>
<td>6,853</td>
<td>5%</td>
</tr>
<tr>
<td>Smart Cities</td>
<td>4,526</td>
<td>6,169</td>
<td>6,450</td>
<td>7%</td>
</tr>
<tr>
<td>SBM (Urban)</td>
<td>2,539</td>
<td>2,650</td>
<td>2,650</td>
<td>10%</td>
</tr>
<tr>
<td>DAY-NULM</td>
<td>596</td>
<td>510</td>
<td>750</td>
<td>-2%</td>
</tr>
<tr>
<td>Projects in North-Eastern Region</td>
<td>376</td>
<td>400</td>
<td>400</td>
<td>0%</td>
</tr>
<tr>
<td>HRIDAY</td>
<td>108</td>
<td>162</td>
<td>-</td>
<td>-100%</td>
</tr>
</tbody>
</table>

Sources: Notes on Demand for Grants 2019-20, Ministry of Housing and Urban Poverty Alleviation; PRS.
improving their existing bus systems, recommended that Indian cities should focus on charging or fiscal costs.

Cities should be able to cover all costs through population more than 500 thousand. Further, the allocation towards metro projects leads to inadequate funds for other projects. It recommended financing metro projects through other options such as international cooperation.

**Planning of metro systems:** The National Transport Development Policy Committee (NTDPC) report had observed that high speed mass transit systems such as metro rail do not always reduce door-to-door travel time, which is the most relevant indicator for users. Underground or elevated transport systems do not save time as compared to cars/two-wheelers, when trip distances are short, because time is lost in walking from ground level to the platform level. Metro rail systems are efficient only when the average trip distance is greater than 12 km. Indian cities, because of their mixed land use patterns and higher density development, have shorter trip lengths, and hence are better suited for non-motorized travel.

The NTDPC had recommended that the decision to implement metro rail projects should also consider the high cost factor. Rail-based metro systems should be considered after examining the opportunity cost of investing in expensive fixed infrastructure. For example, Phase 1 of Delhi metro cost Rs 191 billion for 65 km, whereas the Golden Quadrilateral highway project connecting four major cities in India through highways cost Rs 300 billion for 5,846 km. Further, the Delhi metro, including its three phases, will cover 15% of the total commuter trips within the city.

The NTDPC had recommended that metro rail projects should initially be limited to cities with population more than five million. Further, the cities should be able to cover all costs through user charges or fiscal costs. The NTDPC had also recommended that Indian cities should focus on improving their existing bus systems, adding bus rapid transit (BRT) systems, and improving non-motorised transport.

**Pradhan Mantri Awas Yojana - Urban (PMAU)**

PMAU is an affordable housing scheme being implemented from 2015 to 2022. It seeks to help the central government achieve its target of ‘housing for all target’ by 2022. So far 4,427 cities have been covered under PMAU.

The housing shortage is expected to reach 20 million by 2022. It was estimated that about 56% of this shortage falls in the Economically Weaker Sections (EWS), 40% in the Lower Income Group (LIG) category, and the rest 4% in the middle and higher income groups. The Ministry estimates the demand for housing at around 100 lakh.

The scheme comprises four components: (i) in situ rehabilitation of existing slum dwellers (using the existing land under slums to provide houses to slum dwellers) through private participation, (ii) credit linked subsidy scheme (CLSS) for EWS, LIG, and middle income group (MIG), (iii) affordable housing in partnership, and (iv) subsidy for beneficiary-led individual house construction. The Ministry provides central assistance to ULBs for the implementation of the scheme through respective state governments.

**Allocation:** The budgetary allocation towards the scheme for 2019-20 is Rs 6,853 crore. This is a 5% increase over the revised estimates for 2018-19. The funding towards the scheme comes from the Central Road and Infrastructure Fund. In 2018-19 (revised estimates), the allocation towards the scheme reduced by 24% from the allocation in 2017-18 (Rs 8,591 crore).

From the total allocation for PMAU in 2019-20, the maximum (44%) will go towards interest payment against loans raised through extra budgetary sources (EBR) for the scheme. At the same time, the allocation towards other components of the scheme (CLSS for LIG and MIG), and the central assistance towards states/UTs has declined.

| Table 3: Allocation towards Metro projects (in Rs crore) |
|-----------------|--------|--------|-----|
| **Year** | **Budgeted** | **Actuals** | **% utilised** |
| 2014-15 | 6,026 | 5,998 | 75% |
| 2015-16 | 8,260 | 9,300 | 113% |
| 2016-17 | 10,000 | 15,327 | 153% |
| 2017-18 | 18,000 | 13,978 | 78% |
| 2018-19 | 15,000 | 15,000 | 100% |
| 2019-20 | 19,152 | | |

Note: ‘Actuals’ for 2018-19 are revised estimates. Sources: Budget documents 2015-16 to 2019-20; PRS.

While the overall allocation towards metro projects has increased in the past few years, the utilisation has been poor in some years (2014-15, 2017-18). The Standing Committee on Urban Development (2017) noted that an allocation towards metro projects (Rs 15,000 crore) was far less than the Ministry’s proposal (Rs 25,035 crore).

In 2019-20, the capital expenditure on metro projects is estimated to be 94% of the Ministry’s total capital expenditure. The Standing Committee on Urban Development (2017) noted that a high allocation towards metro projects leads to inadequate funds for other projects. It recommended financing metro projects through other options such as international cooperation.

| Table 4: PMAU – Key components |
|-----------------|--------|--------|--------|
| **Component** | **2017-18 Actual** | **2018-19 Revised** | **2019-20 Budget** | **% change 2019-20 BE/2018-19 RE** |
| CLSS-I for EWS/LIG | 1,200 | 1,300 | 600 | -54% |
| CLSS-II for MIG | 600 | 600 | 400 | -33% |
| Central assistance to states/UTs | 6,735 | 4,502 | 2,681 | -40% |
| Interest Payment against loan raised through EBR | - | 0 | 3,000 | |

Sources: Notes on Demand for Grants 2019-20, Ministry of Housing and Urban Poverty Alleviation; PRS.
Demand for Grants 2019-20: Ministry of Housing and Urban Affairs

House construction: Till January 31, 2019, 72.7 lakh houses have been approved. Of this, 20% houses have been constructed, and 19% have been occupied. In terms of financial assistance, the central government has sanctioned Rs 1.1 lakh crore so far. Of this, 31% has been released to the states. Note that these numbers include some houses sanctioned under the earlier Jawaharlal Nehru National Urban Renewal Mission.

With the target of the scheme at 100 lakh houses by 2022, and 14.4 lakh houses being constructed so far, it is unclear how the central government will construct the remaining houses (almost 85% of the target) in three years.

Table 5: Progress under PMAY-U: Construction of houses and central assistance released (2014-2019)

<table>
<thead>
<tr>
<th>House construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Houses approved</td>
</tr>
<tr>
<td>Of which houses completed</td>
</tr>
<tr>
<td>Of which houses occupied</td>
</tr>
<tr>
<td>Central assistance sanctioned</td>
</tr>
<tr>
<td>Of which central assistance released</td>
</tr>
</tbody>
</table>

Sources: Lok Sabha questions; PRS.

Rental housing: As per the 2011 census, 27.5% of urban residents lived in rented houses. According to the Report of the Group of Secretaries, January 2017, a rental housing scheme would further complement PMAY-Urban in achieving the housing for all target. In her budget speech 2019-20, the Finance Minister has announced that a model tenancy law will be framed to help improve rental housing in the country.

Lending by housing finance companies: Both housing finance companies (HFCs), and public sector banks offer low cost funding for housing. HFCs have an 80% share in the implementation of CLSS component of PMAY-Urban. However, they face constraints such as inability to access long term funds.

The Union Cabinet had approved the creation of a National Urban Housing Fund (NUHF) worth Rs 60,000 crore in February 2018. The NUHF aims to raise funds in the next four years (till 2022) to ensure a sustained flow of central release under PMAY-U to enable construction of houses.

The Finance Bill, 2019 amends the National Housing Bank Act, 1987 which regulates the functioning of housing finance institutions through the National Housing Board. The amendments being proposed include:

- Under the Act, to register as a housing finance institution, a company must have a net-owned fund of Rs 25 lakh, or a higher notified amount. The Bill increases this threshold to Rs 10 crore or more.

- Currently, an application for registration as a household finance institution must be made to the National Housing Bank. The Bill amends this to provide that all such applications will be made to the RBI. Further, all pending applications with National Housing Board will be transferred to RBI.

- Under the Act, processes relating to registration, including consideration, grant, and cancellation of applications are to be carried out by the National Housing Board. The Act is being amended to transfer these to the RBI.

Urban Rejuvenation Mission: AMRUT and Smart Cities Mission

The AMRUT Mission was launched in June 2015. The Mission seeks to provide basic services (such as water supply, sewerage, and urban transport) in cities, especially to the poorer households. It is a Centrally Sponsored Scheme with a total financial outlay of Rs 50,000 crore for five years (2015-20).

In 2019-20, the AMRUT Mission has been allocated Rs 7,300 crore. This is 14% more than the revised estimates of 2018-19.

The Ministry seeks to spend Rs 50,000 crore on AMRUT by 2019-20. As per the government’s proposal, the Ministry must have spent the entire amount by this year. However, so far the Ministry has allocated Rs 26,299 crore (53% of the proposed amount), and spent Rs 18,902 crore (38% of the proposed amount). The following table (Table 6) compares the actual expenditure against the proposed allocation towards AMRUT.
Demand for Grants 2019-20: Ministry of Housing and Urban Affairs

Table 6: Allocation compared to actual expenditure (Rs crore)

<table>
<thead>
<tr>
<th>Year</th>
<th>Proposed Allocation</th>
<th>Budget</th>
<th>Actuals</th>
<th>% change (actuals/budget)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>5,000</td>
<td>3,919</td>
<td>2,702</td>
<td>69%</td>
</tr>
<tr>
<td>2016-17</td>
<td>15,000</td>
<td>4,080</td>
<td>4,864</td>
<td>119%</td>
</tr>
<tr>
<td>2017-18</td>
<td>15,000</td>
<td>5,000</td>
<td>4,936</td>
<td>99%</td>
</tr>
<tr>
<td>2018-19</td>
<td>9,000</td>
<td>6,000</td>
<td>6,400*</td>
<td>107%</td>
</tr>
<tr>
<td>2019-20</td>
<td>6,000</td>
<td>7,300</td>
<td>7,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>50,000</td>
<td>26,299</td>
<td>18,902</td>
<td></td>
</tr>
</tbody>
</table>

*Revised Estimate.

Sources: Standing Committee on Urban Development, 2017; Budget documents; PRS.

The Smart Cities Mission aims to develop cities that provide core infrastructure and give a decent quality of life to its citizens, a clean and sustainable environment, and apply ‘smart’ solutions. 100 cities have been selected under the Mission, which were selected based on a Smart City challenge. The cities were evaluated based on their Smart City Proposals, which consists of an area based development strategy, and a pan city development strategy. The mission is being operated as a Centrally Sponsored Scheme. The central government was to provide financial of up to Rs 48,000 crore over five years (2015-20), that is, an average of Rs. 100 crore per city per year. The states and ULBs will have to contribute an equal amount, and generate the additional amount as required. Other sources of financing include, PPPs, borrowings, and innovative mechanisms such as municipal bonds.

The Smart Cities Mission has been allocated Rs 6,450 crore in 2019-20, which is 5% higher than the revised estimates of 2018-19.

Table 7: Allocation towards Smart Cities Mission (in Rs crore)

<table>
<thead>
<tr>
<th>Year</th>
<th>Budgeted</th>
<th>Actuals</th>
<th>% utilised</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>2,020</td>
<td>1,484</td>
<td>73%</td>
</tr>
<tr>
<td>2016-17</td>
<td>3,215</td>
<td>4,412</td>
<td>137%</td>
</tr>
<tr>
<td>2017-18</td>
<td>4,000</td>
<td>4,526</td>
<td>113%</td>
</tr>
<tr>
<td>2018-19</td>
<td>6,169</td>
<td>6,169</td>
<td>100%</td>
</tr>
<tr>
<td>2019-20</td>
<td>6,450</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Revised estimates.

Sources: Budget documents 2015-16 to 2019-20; PRS.

The actual allocation towards this scheme has consistently been higher than the budget estimate, indicating over-spending. While the Ministry sought to allocate Rs 48,000 crore towards the scheme by 2019-20, so far Rs 21,854 crore has been allocated (46% of the planned expenditure).

All the 100 selected Smart cities have formed their Special Purpose Vehicles (SPVs) and appointed Project Management Consultants (PMCs). As on January 25, 2019, 2,748 projects worth Rs 1,04,964 crore have been tendered. Of these 2,032 projects worth Rs 62,295 crore are under implementation or have been completed.

Swachh Bharat Mission – Urban (SBM-U)

Swachh Bharat Mission (SBM), launched in October 2014, aims to eliminate open defecation and achieve 100% scientific management of municipal solid waste in all 4,041 statutory towns by October 2, 2019.13,14

In 2019-20, Rs 2,650 crore has been allocated towards the scheme. This is 6% higher than the revised estimates of 2018-19.

The total estimated cost of implementation of SBM-U is Rs 62,009 crore. Of this, the share of the central government is Rs 14,623 crore, and states’ assistance will amount to Rs 4,874 crore. The remainder is to be financed via various sources such as the private sector, Swachh Bharat Kosh, market borrowing, and external assistance. Of the central government’s share, Rs 14,014 crore has been allocated so far for various projects. Of this, Rs 8,291 crore (59%) has been released.15

Toilet construction: Table 8 shows the number of toilets constructed as on December 31, 2018, as compared to the targets set for October 2019.15 Till December 2018, 54.65 lakh toilets have been constructed under SBM-U for which Rs 2,720 crore has been released so far.16

Table 8: Achievements under SBM-U (as on December 31, 2018)

<table>
<thead>
<tr>
<th></th>
<th>Target</th>
<th>Completed</th>
<th>% Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Latrines</td>
<td>66,42,222</td>
<td>54,64,727</td>
<td>82%</td>
</tr>
<tr>
<td>Community and Public Toilets</td>
<td>5,07,589</td>
<td>4,64,250</td>
<td>91%</td>
</tr>
</tbody>
</table>

Sources: Lok Sabha questions; PRS.

Other issues to consider

Additional investment required

The pace of urbanisation is increasing in the country. As per the 2011 census, around 31% of the country’s population resided in urban areas.17 By 2031, around 600 million (43%) people will live in urban areas, an increase of over 200 million in 20 years. Given the pace of urbanisation, large capital investments are needed for infrastructure projects which includes support from central and state governments in the form of capital grants.

With the current rate of urbanisation, the High Powered Expert Committee (HPEC) for Estimating the Investment Requirements for Urban Infrastructure Services (2011) had estimated a requirement of Rs 39 lakh crore (at 2009-10) prices for the period from 2012-2031.18 As per their framework, the investment in urban infrastructure should increase from 0.7% of GDP in 2011-12 to 1.1% of GDP by 2031-32. In 2019-20, the estimated expenditure by the Ministry of Housing and Urban Affairs is 0.23% of the GDP.
The Ministry of Finance had noted that budgetary outlays alone will not be enough to service the growing demands on local governments for improving their infrastructure.\(^1\) Alternate sources of financing are required to meet the funding gap.\(^1\) The flagship schemes of the Ministry (such as Smart Cities Mission, Swachh Bharat Mission) seek to meet their financing requirements through a mix of sources such as borrowings, municipal bond financing, and PPPs.

**Financial capacity of cities**

The Constitution (74\(^{th}\) Amendment) Act, 1992 devolved certain functions relating to urban development to ULBs, including the power to collect certain taxes. These function include urban planning, planning for economic and social development, and urban poverty alleviation. The new schemes under the Ministry, seek to decentralise the planning process to the city and state level, by giving them more decision making powers. This implies that a significant share of the funding needs to be raised by the cities themselves.

However, there is an imbalance between the functions and finances of ULBs.\(^2\) The ULBs in India are amongst the weakest in the world both in terms of capacity to raise resources and financial autonomy.\(^3\) The share of own revenue for ULBs has declined from 63\% in 2002-03 to 53\% in 2007-08, and to 44\% in 2015-16.\(^4\) Several states have not devolved enough taxation powers to local bodies. Further, local governments collect only a small fraction of their potential tax revenue.

While the central and state governments provide the ULBs with funds, these devolved funds are largely tied in nature, to either specific sectors or schemes. This constrains the spending flexibility of ULBs.

Such a situation may pose problems when implementing the new schemes, where the ULBs have to raise a significant share of the revenue. For example, the Bhubaneswar Smart City Plan has a total project cost of Rs 4,537 crore (over five years), while the city’s annual budget for 2014-15 was Rs 469 crore.\(^5\)\(^6\)\(^7\)

PPP’s have been an important instrument to finance and develop infrastructure projects. However, projects in many sectors require support from ULBs in the form of additional financial resources.

Inability to service such funding requirements constrains project implementation.\(^8\)

In such cases, ULBs can access capital markets through issuance of municipal bonds. Municipal bonds are marketable debt instruments issued by ULBs, the funds raised may be used for capital projects, refinancing of existing loans, and meeting working capital requirements. The Securities and Exchange Board of India regulations (2015) regarding municipal bonds provide that, to issue such bonds, municipalities must: (i) not have negative net worth in any of the three preceding financial years, and (ii) not have defaulted in any loan repayments in the last one year.\(^9\) Therefore, a city’s performance in the bond market depends on its fiscal performance. Some financing mechanisms, such as municipal bonds, have been around in India for the last two decades, but cities haven’t been able to make much use of them.

In order to improve the finances of the ULBs, the HPEC had recommended that state governments should share a pre-specified percentage of their revenues from all taxes on goods and services with ULBs, and this should be mandated constitutionally.\(^10\) Further, ULBs should be provided with formula-based transfers, and grants-in-aid.\(^11\)\(^12\)\(^13\) The ULBs could raise their own revenue by tapping into land-based financing sources, and introducing reforms to strengthen non-tax revenues (such as water and sewerage charges, parking fee, etc.).\(^14\)

**Technical capacity of the ULBs**

Until recently, it has been observed in the urban sector that while the central government allocated funds, it did not play a role in the implementation of the projects. On the other hand, while ULBs and states implemented the projects, they did not raise the funds. The new schemes seek to empower ULBs to raise their own revenue. Both the national missions, AMRUT and Smart Cities, have a component for capacity building of ULBs.

The HPEC had observed that municipal administration has suffered due to (i) presence of untrained and unskilled manpower, and (ii) shortage of qualified technical staff and managerial supervisors.\(^15\)\(^16\) It had recommended improving the technical capacity of ULBs. This can be achieved by providing technical assistance to state governments, and ULBs in planning, financing, monitoring, and operation of urban programmes.

\(^{1}\) Notes on Demands for Grants 2019-20, Demand no 56, Ministry of Housing and Urban Affairs

\(^{2}\) Budget Speech 2019-20, Budget Speech 2019-20,


Demand for Grants 2019-20: Ministry of Housing and Urban Affairs


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