

GOVERNMENT OF INDIA
MINISTRY OF HOUSING AND URBAN AFFAIRS
RAJYA SABHA
UNSTARRED QUESTION NO. 2353
ANSWERED ON 16/12/2024

CHALLENGES IN URBAN INFRASTRUCTURE DEVELOPMENT

NO. 2353. SHRI MOHAMMED NADIMUL HAQUE:

Will the Minister of HOUSING AND URBAN AFFAIRS be pleased to state:

- (a) the measures being implemented to address stagnant municipal finances, which have remained at 1 per cent of GDP since 2002, and to enhance the financial health of urban local bodies (ULBs);
- (b) the reasons for low absorptive capacity in municipal systems, with data indicating that 23 per cent of total municipal revenue remains unspent, and the steps being taken to improve utilisation rates for central schemes- AMRUT and the Smart Cities Mission; and
- (c) whether Government is considering specific reforms to empower municipal governments with greater financial and administrative autonomy, if so, the details thereof?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF HOUSING AND URBAN AFFAIRS
(SHRI TOKHAN SAHU)

(a) to (c): Under the Seventh Schedule of the Constitution of India, municipal finance is a State subject. The 74th Constitutional Amendment Act, 1992, empowers States to assign powers, authority, and responsibilities, including financial matters to Urban Local Bodies(ULBs). The Government of India supports the municipal finances indirectly through grants, programs, and policy support.

To improve the finances of ULBs, the 15th Finance Commission (15th FC) has introduced reforms such as linking grant disbursements to property tax collection growth and, encouraging transparency through the publishing of audited and provisional financial statements for public accountability. As reported by the States on city finance portal, 3,695 ULBs have shown increase (31%) in property tax collection in FY 2022-23 compared to FY 2021-22. So far, ₹76,580.90 crore has been disbursed as grants to ULBs across 28 States during 2020-21 to 2024-25 under 15th FC.

Under AMRUT 2.0, property tax reform is a mandatory condition focused on notifying property tax calculation, containing guidance value/ circle rate along with provision for its periodic increase. Further, under AMRUT/AMRUT 2.0, the development of the municipal bond market has been encouraged, leading to ULBs raising ₹4,984 crore between 2018 to 2024, supported by ₹315.83 crore as incentives.

Under Swachh Bharat Mission Urban (SBM-U) 2.0, aligning property tax floor rates with market rates, with periodic revisions in line with GSDP as recommended by 15th FC is a mandatory entry conditions to be fulfilled by State/ UTs.

The Smart Cities Mission (SCM) encourages innovative funding mechanisms for project execution in 100 cities, including public-private partnerships (PPP) and loans. A total of 195 projects amounting to ₹9,193 crore have been completed using PPP models across 51 cities, demonstrating the effectiveness of collaborative financial strategies.

Under Scheme for Special Assistance to States for Capital Investment 2022-23 – Part IV (Property Tax Reforms), 18 States were incentivised for undertaking Property Tax Reforms.

(b): The absorptive capacity of municipal systems is influenced by several factors, including the lack of adequate technical expertise, procedural delays and the fragmented institutional framework at the ULB level. However, under AMRUT, against an allocation of ₹77,640 crore including Central Assistance (CA) of ₹35,990 crore for 500 cities (485 cities including 15 merged cities), CA of ₹34,869.15 crore has been released to States/ UTs for projects and so far, States/UTs have reported a utilization of ₹32,202.94 crore. Under the SCM, the Central Government has a total outlay of ₹48,000 crore for the 100 cities. The Central Government has released ₹47,225 crore to States/ UTs under SCM, out of which ₹44,626 crore has been utilized. Thus, AMRUT has utilized 92% and SCM has utilized 94% of the released amount.

To improve utilization rates for central scheme – AMRUT, the guidelines have specific provisions for formation of State High Powered Steering Committee (SHPS) headed by the Chief Secretary of the State, to monitor and supervise the implementation of the scheme at the State/ UT level. State Level Technical Committee (SLTC) headed by the Secretary, Urban Development & Housing Department provides technical support to the SHPS in monitoring and supervising the scheme at the State level. Further, an Apex Committee constituted under the ambit of Mission guidelines reviews and monitors the Mission periodically. For assessment and monitoring of work done and utilization under AMRUT in the States /UTs, there is a provision of Independent Review and Monitoring Agencies (IRMAs). Funds are released to the States/ UTs upon satisfactory compliance of IRMA reports and utilization. Also, in order to fast-track the implementation of AMRUT, the progress is periodically reviewed & monitored through regular video conferences/ webinars/ workshops/ site-visits etc. by the Ministry with the States/ UTs & their ULBs.

Under SCM, there is a multi-level review structure to expedite the progress of the mission. At State level, Mission implementation is monitored by the State level High Powered Steering Committee (HPSC) chaired by the Chief Secretary. At the National level, implementation is monitored by an Apex Committee headed by Secretary, MoHUA. Nominee Directors of MoHUA on the Boards of Special Purpose Vehicles (SPVs) monitor progress in respective cities on a regular basis. MoHUA also regularly interacts with the States/ Smart Cities through video conferences, review meetings, field visits, regional workshops, Chief Executive Officer's (CEO's) conference etc. at various levels to assess the performance of the 100 smart city SPVs and handhold them for improving the same, wherever required.
