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from the RINGSIDE

Urban Reforms—Can we stay the course?

Just before the Prime Minister left for Moscow, he launched the Jawahar Lal Nehru National Urban Renewal Mission. The Prime Minister's speech outlined the challenges of urban planning and highlighted the unresolved issues not all of which have been addressed in the Mission statement.

Enhanced pace of urbanisation is an inevitable outcome of our new growth trajectory. Agriculture still provides livelihood for 68 per cent of our population while contributing 24 per cent to our GDP; sustained growth in manufacturing, coupled with the services sector, will significantly alter past trends on urbanisation. An integrated approach must address regulatory and legal issues, enforcement of existing laws, upgrading infrastructure quality, redressing problems of the urban poor including access to civic amenities, health and education. Planning for new urban centers, renewing and redevelopment of existing conglomerates, while addressing mega cities' concerns pose multiple challenges. So do the strains of massive temporary internal migration. This is not the first time that an urban initiative has been launched. Earlier variations include the Urban Reforms Incentive Fund, the City Challenge Fund not to speak of the Good Urban Governnance Campaign, the Urban Transport Policy, the Slum Policy and the Hawkers Policy. Presumably most of these are now amalgamated in the newly launched Urban Renewal Mission.

So what is new about this initiative? Urban reforms will now be implemented in a 'Mission mode' to cover 63 cities, comprising a population exceeding one million, State capitals and 23 other cities of religious and tourist importance. An estimated provision of Rs 50,000 crore for a period of seven years is to be given as Grant-in-Aid for leveraging additional resources. Access to resources will be contingent on some mandatory reforms like effective implementation of the 74th Amendment of the Constitution, rationalisation of stamp duty to 5 per cent over a seven-year period, repeal of the land Ceiling Act or reforming the Rent Control Act coupled with Municipal Reforms on accounting procedure, improving the tax efficiency and application of user charge apart from some optional measures. It will be monitored through a National Committee under the Minister for Urban Development and State level Steering Committees under the Chief Minister.

A lot of what has been proposed is quite sensible. However several issues cause concerns:

• First and foremost, the uncertain response of State Governments. Resources allocated under the earlier Urban Reforms Incentive Fund which had similar conditions remained underutilised. While resources have now been enhanced, is the 'carrot' now attractive enough for Sates to undertake some onerous reforms?

• The review of the Tenth Plan based on the Rakesh Mohan committee estimates annual requirement to be Rs 27,773 crore which is far in excess of even the now enhanced allocations.

• A critical factor is State-level implementation. The 74th Amendment aims at decentraliation and creation of democratic government at local levels and redefining the relationship between States and municipal bodies and similarly the need for transfer of resources to effect on the recommendation of the State Finance Commission. Incentivising State Governments to do so remains a daunting challenge.

• On access to resources contingent on meeting conditionalities, the ability to leverage funds is a critical component of the programme. Will State Governments create Special Purpose Vehicles? Or organisations through whom these activities are to be implemented do so and the borrowing undertaken on the collateral of the expected resource devolution? Predictability of resource flow is necessary for meeting debt liabilities. Resource flows based on annual Budgetary appropriations will remain uncertain. A non-lapsable fund is a budgetary aberration but makes servicing of contingent debt liabilities easier. The modalities on leveraging resources remain unclear.

• The choice between either rationalising the Rent Control provisions or repealing the Urban Land Ceiling Act except in relation to activities for the poor, is not rational. The objective of improving housing for the poor and meeting their infrastructure needs is desirable and must be separately funded. The repeal of the Urban Land Ceiling Act is necessary to reduce litigation, improve supply-side response and minimise corruption in the administration of the Urban Land Ceiling Act. Rationalisation of the Rent Control Act is crucial for encouraging investment in the housing sector. One is not a substitute for the other.

• The need to progressively apply user charges, contingent on assured quality of infrastructure, is vital to restore the financial health of urban local bodies. The stipulation in the Mission Statement that ‘‘Levy of reasonable user charges with the objective that the full cost of operation and maintenance is collected within 7 years’’ is opaque. It postpones the problem and makes implementation difficult to monitor.

Urban reforms cannot brook delay. Securing co-operation of State Governments, persuading them on the adequacy of compensation and the multiplier benefits of urban reforms is not easy. Adhoc changes in policy, or periodically altering the nomenclature of the programme is not a substitute for difficult action. Reforms need consistency, coherence and consensus. And above all political will. Can we stay the course?