

# Demand for Grants 2022-23 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.

Over the past few years, while the allocation towards the Ministry has increased and several new schemes and programmes have been implemented, urban areas continue to face issues with lack of adequate housing, poor infrastructure, and poor service delivery. Some of the key reasons behind such problems are the inadequate financial and technical capacity of cities to meet the challenges of urbanisation which result in poor service delivery and poor implementation of schemes.

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

### Budget speech highlights 2022-23 <sup>1</sup>

- A High-Level Committee of urban planners, urban economists, and institutions will be formed to make recommendations on urban sector policies, capacity building, planning, implementation, and governance.
- For developing India specific knowledge in urban planning and design, and to deliver certified training in these areas, up to five existing academic institutions in different regions will be designated as centres of excellence. Each of these centres will be provided with endowment funds of Rs 250 crore.
- States will be provided with support for urban capacity building. Modernisation of byelaws, town planning schemes, and Transit Oriented Development will be implemented.
- Innovative ways of financing and faster implementation of metro systems of appropriate type at scale will be encouraged. Design of metro systems will be re-oriented and standardised for Indian conditions and needs. Multimodal connectivity between mass urban transport and railway stations will be facilitated on a priority basis.
- Use of public transport will be promoted in urban areas, complemented by clean technology and governance solutions, special mobility zones with zero fossil-fuel policy, and electric vehicles.

### Overview of Finances <sup>2</sup>

The total expenditure on the Ministry of Housing and Urban Affairs for 2022-23 is estimated at Rs 76,549 crore. This is an increase of 4% over the revised estimates for 2021-22. In 2022-23, the revenue expenditure of the Ministry is estimated at Rs 49,208 crore (64% of the total expenditure) and the capital expenditure is estimated at Rs 27,341 crore (36% of the total budget). Note that since 2014-15, the Ministry’s revenue expenditure has been higher than the capital expenditure.

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

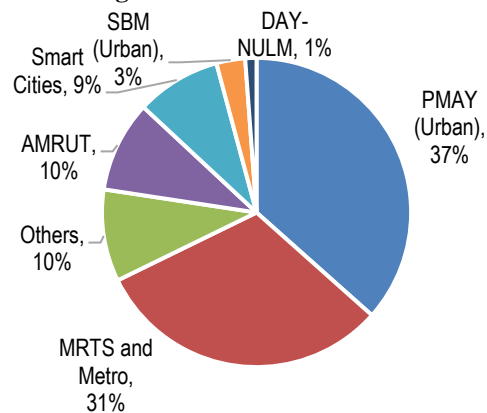
	2020-21 Actuals	2021- 22 RE	2022-23 BE	% Change (RE 21- 22 to BE 22-23)
Revenue	36,397	47,894	49,208	3%
Capital	10,304	25,957	27,341	5%
<b>Total</b>	<b>46,701</b>	<b>73,851</b>	<b>76,549</b>	<b>4%</b>

Note: BE – Budget Estimate; RE – Revised Estimate.  
Source: Demand No. 60, Ministry of Housing and Urban Affairs, Union Budget 2022-23; PRS.

### Expenditure across schemes

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

**Figure 1: Highest allocation to PMAY-U in 2022-23 Budget**



Note: MRTS—Mass Rapid Transit System.  
Source: Demand No. 60, Ministry of Housing and Urban Affairs, Union Budget 2022-23; PRS.

Of the expenditure allocated to the Ministry in 2022-23, the highest allocation is towards PMAY-U at 37 % of the total Ministry's budget followed by allocation to Metro projects.

**Table 2: Key allocations in the Ministry**

	2020-21 Actuals	2021-22 RE	2022-23 BE	% Change (RE 2021-22 to BE 2022-23)
PMAY – Urban	20,991	27,000	28,000	4%
MRTS and Metro	8,998	23,480	23,875	2%
AMRUT	6,448	7,300	7,300	0%
Smart Cities	3,305	6,600	6,800	3%
SBM – Urban	995	2,000	2,300	15%
DAY-NULM	817	795	900	13%
SVANIDHI	114	300	150	-50%
Others	4,908	6,291	7,224	15%
<b>Total</b>	<b>46,701</b>	<b>73,851</b>	<b>76,549</b>	<b>4%</b>

Note: BE – Budget Estimate, RE – Revised Estimate, PMAY- Pradhan Mantri Awas Yojana, MRTS- Mass Rapid Transit System, AMRUT- Atal Mission for Rejuvenation and Urban Transformation, SBM- Swachh Bharat Mission, DAY NULM- Deendayal Antyodaya Yojana-National Urban Livelihoods Mission, SVAnidhi- PM Street Vendor's AtmaNirbhar Nidhi.

Source: Demand No. 60, Ministry of Housing and Urban Affairs, Union Budget 2022-23; PRS.

## Issues to consider

### *Cities need significant additional investment*

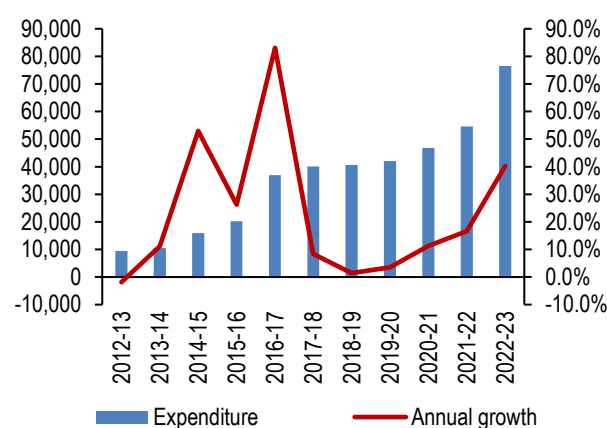
The pace of urbanisation is increasing in the country. As per the 2011 census, around 31% of the country's population resided in urban areas.<sup>3</sup> By 2031, around 600 million (43%) people are expected to live in urban areas, an increase of over 200 million in 20 years.<sup>3</sup> Urbanisation is the process of growth of cities (either through a natural increase in population, or migration, or physical expansion). Benefits of urbanisation include: (i) production of goods at a larger scale at lower input costs, (ii) knowledge spill-over between firms and individuals, and (iii) access to a large labour pool.<sup>4</sup> However, urbanisation also has adverse consequences such as: (i) traffic congestion, (ii) environmental degradation, (iii) deterioration in civic services, and (iv) air and water pollution. Urbanisation puts incremental pressure on the existing infrastructure in urban areas.<sup>4</sup> Therefore, policy responses to address urbanisation require comprehensive development of the socio-economic environment, effective delivery of public services, and provision of affordable housing and transport services for the poor.<sup>4</sup> These entail large capital investment for such infrastructure projects which would require additional 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 2012-2031. 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 2021-22, total expenditure on urban development by states and centre is estimated to be 0.7% of GDP.<sup>5,6</sup>

During 2012-13 and 2022-23, the expenditure of the Ministry has increased at an average annual rate of 23%.

**Figure 2: Trend in expenditure (2011-22)**



Note: For the years 2012-13 till 2015-16, the figures are a combination of the erstwhile Ministry of Housing and Urban Poverty Alleviation, and the Ministry of Urban Development. Values for 2021-22 and 2022-23 are revised and budget estimates respectively. All other figures are actuals.

Source: Ministry of Housing and Urban Poverty Alleviation, and the Ministry of Urban Development budgets 2011-12 to 2015-16. Ministry of Housing and Urban Affairs budget documents 2015-16 to 2022-23; PRS.

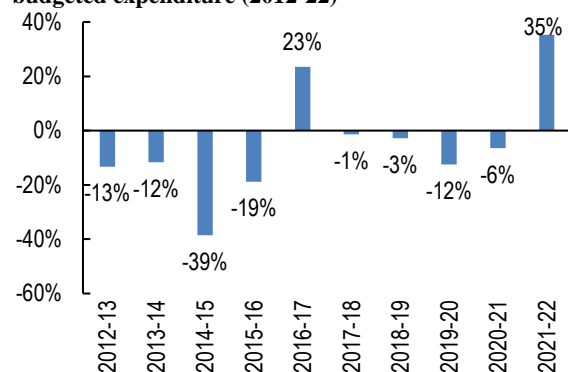
The Standing Committee on Urban Development, (2021) noted that the budgetary allocations to the Ministry were lower than the Ministry's demand during 2018-21.<sup>7</sup> This has been observed in earlier budget allocations also. For instance, in 2017-18, while the erstwhile Ministry of Urban Development projected an expenditure of Rs 68,410 crore, it was allocated Rs 34,212 crore in that year's budget.<sup>8</sup> The Committee recommended that with implementation of schemes picking momentum, the budgetary allocation should be increased for better implementation.<sup>7</sup> This would also supplement efforts of state governments to develop and maintain urban infrastructure.

The Ministry of Finance (2017) noted that only budgetary outlays will not be enough to cater the growing demands on local governments for improving their infrastructure.<sup>9</sup> Urban infrastructure projects tend to be capital intensive and not only require upfront capital investment but also annually recurring operations and maintenance expenditures. Alternate sources of financing are required to meet the funding gap. 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 public-private partnerships. The Standing Committee on Urban Development (2020) noted that as of March 2020, municipal bonds worth Rs 3,390 crore had been issued in eight cities including Ahmedabad and Pune for the implementation of AMRUT scheme.<sup>10</sup>

The Standing Committee on Urban Development (2021) observed that there has been underutilisation of funds by the Ministry.<sup>11</sup> From 2012-13 to 2020-21, barring 2016-17, there has been an underutilisation of funds (see Figure 3). In 2016-17, the actual expenditure on metro projects, AMRUT, and Smart Cities Mission were higher than the budget estimates. The Committee recommended the Ministry to avoid such underutilisation of funds.<sup>11</sup>

**Figure 3: Deviation in actual expenditure from budgeted expenditure (2012-22)**



Note: For the years 2012-13 till 2015-16, the figures are a combination of the erstwhile Ministry of Housing and Urban Poverty Alleviation, and the Ministry of Urban Development. Values for 2021-22 are revised estimates. All other figures are actuals.

Source: Union Budget 2012-13 to 2022-23; PRS.

### ***Service delivery in urban areas continues to be poor***

The HPEC (2011) had noted that the state of service delivery in Indian cities and towns is inadequate compared to desirable levels.<sup>4</sup> Irregular water supply, poor sanitation, inadequate waste management, and degraded transport infrastructure are some of the issues persistent in urban India. Factors contributing to poor service delivery include: (i) fragmented and overlapping institutional responsibility, (ii) lack of autonomy of urban local bodies, (iii) poor maintenance of public infrastructure, and (iv) inadequate investment in urban infrastructure.<sup>4</sup> The HPEC recommended that in order to achieve an inclusive economic growth there is a need to shift focus of policy from creating physical infrastructure to delivering services.<sup>4</sup> Without this, additional capital investments in urban infrastructure will not result in improvements in service delivery. India fares

poorly in comparison to other countries on its parameters of service delivery. See Table 3 for a comparison of India (rural and urban) on service delivery parameters with other countries

According to the 76<sup>th</sup> National Sample Survey (July-December 2018) about 14% households in urban areas did not have both bathroom and latrine within household premises and 2% of the household members in urban areas never used latrine.<sup>12</sup> 19% households in urban areas did not have drinking water facilities within household premises. The Jal Jeevan Mission (Urban) was announced in the 2021-22 budget speech.<sup>13</sup> The Mission aimed to provide functional taps in 4,378 statutory towns. However, no financial allocation has been made towards the Mission in either 2021-22 or 2022-23 budget.

**Table 3: Ranking of India and other countries on parameters of service delivery (2018)**

	India	Brazil	Russia	China	USA
Quality of roads	51	112	104	42	11
Electrification rate	105	73	1	1	1
Exposure to unsafe drinking water	106	57	54	75	1
Reliability of water supply	74	78	53	68	27
Infrastructure	63	81	51	29	9

Source: Global Competitiveness Report (2018), World Economic Forum; PRS.

In December 2021 the central government and the Asian Development Bank (ADB) signed a 350 million dollar policy-based loan to improve access to urban services and promote performance based central fiscal transfers to urban local bodies.<sup>14</sup>

### ***Indian cities may not be suitable for metro but metro projects continue receiving high allocation***

Investment in metro rail projects in cities forms one of the biggest expenditures made by the Ministry on urban transport. Some of the major metro projects include Chennai, Delhi, Bangalore, and Mumbai metros. Investments in these projects are made in various forms including grants, equity investments, debt, and pass-through assistance (grants given to the government which can be awarded to other organisations) for externally aided projects. Allocation towards metro projects includes the National Capital Region Transport Corporation of Delhi (the implementing agency for the Regional Rapid Transit System in the National Capital Region i.e., Delhi Metro) has been allocated Rs 4,710 crore (20% of the total expenditure of metro projects) in 2022-23 budgetary allocation to build three corridors. This plans to connect three nearby towns, Meerut, Alwar, and Panipat to Delhi through fast trains (average time taken to travel 100km is one hour).

**Table 4: Allocation towards metro projects (in Rs crore)**

Year	Budgeted	Actuals	% Utilised
2014-15	8,026	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	14,470	96%
2019-20	19,152	18,908	99%
2020-21	20,000	8,997	45%
2021-22	23,500	23,480	100%
2022-23	23,875	-	-

Note: Actuals for 2021-22 indicate Revised Estimates.

Source: Ministry of Housing and Urban Affairs Budget documents 2014-15 to 2022-23; PRS.

**Short travel distance in Indian cities; metro may not be the ideal option for commute:** Indian cities have developed in a way that allow neighborhoods to provide for residences, workplaces, and social and educational facilities.<sup>15</sup> This results in minimising trip lengths leading to less dependency on motorised urban transport. The average trip length in medium and small Indian cities is less than 5 km making non-motorised transport the preferred mode of commute.<sup>15</sup> Metro rail systems are efficient when the average trip distance is greater than 12 km.<sup>15</sup>

The National Transport Development Policy Committee (NTDPC) (2014) report observed that high speed mass transit systems such as metro rail do not always reduce door-to-door travel time. Door-to-door travel time is seen as the most relevant indicator for users.<sup>15</sup> Underground or elevated transport systems do not save time as compared to cars or two-wheelers, when trip distances are short, because time is lost in walking from ground level to the platform level. The NTDPC 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. NTDPC recommended that metro rail projects should initially be limited to cities with population more than five million. These cities should be able to cover all costs through user charges or fiscal costs. Further it recommended that Indian cities should focus on improving their existing bus systems, adding bus rapid transit systems, and improving non-motorised transport.

However, over the past few years, metro projects have expanded from the larger metropolises such as Delhi and Mumbai to other relatively smaller cities such as Kochi, Lucknow, Bhopal, Jaipur and Indore. As of March 2021, 708 km of metro lines are operational in 18 cities and 1,016 km of metro line and regional rapid transport is under construction in 27 cities.<sup>11</sup> Note that currently the Delhi Metro network is 391 km.<sup>16</sup> The Ministry

also continues to allocate a significant portion of its budget towards metro projects. In 2022-23, the second highest (31%) allocation of the Ministry's budget has been towards metro rail projects.

#### **Low ridership and inefficient operational performance of DMRC**

The Report of the CAG on "Implementation of Phase-III Delhi Mass Rapid Transit System by DMRC" (2021) noted that the total ridership DMRC network in 2019-20 was projected to be 53 lakh.<sup>17</sup> However, the actual ridership in 2019-20 was 28 lakh (52% of the projection). For phase III (from initially sanctioned four corridors) the ridership was projected to be 21 lakh in 2019-20. However, the actual ridership was 4 lakh (19% of the projection). The Report noted a consistent increase in the operating cost ratio from 49% in 2011-12 to 81% in 2019-20, indicating inefficient operational performance of DMRC.

**High allocation towards metro results in lack of funds for other schemes:** In 2022-23, the capital expenditure on metro projects is estimated to be 87% of the Ministry's total capital expenditure. The Standing Committee on Urban Development (2019) had noted that high allocation towards metro projects leads to inadequate funds for other schemes such as PMAY-U and AMRUT.<sup>18</sup> It recommended that state/UT governments must be consulted to find ways to reduce the huge outlay on metro works to ensure adequate funding is available for other schemes.

The Standing Committee (2019) observed that standardisation of certain services such as civil works, and electric systems has helped reduce the cost of metro by 20-30%.<sup>18</sup> The Standing Committee (2020) recommended to reduce the cost by: (i) using newer technologies like Metrolite system (suitable for cities with less ridership), and (ii) encouraging the manufacturing of metro components under the Make in India initiative.<sup>10</sup>

#### **Housing targets not met; scheme has focused on middle income groups instead of low-income groups**

In 2012, the urban housing shortage was estimated at 1.9 crore units.<sup>19</sup> In 2015-16 the Ministry estimated that this shortage is expected to increase to two crore by 2022.<sup>20</sup> PMAY-U is an affordable housing scheme which seeks to achieve the 'housing for all' target by 2022.<sup>21</sup>

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 Economically Weaker Sections (EWS), Lower Income Groups (LIG), and middle-income group (MIG), (iii) affordable housing in partnership, and (iv) subsidy for beneficiary-led individual house construction.

**Allocation:** In 2022-23 the scheme has been allocated Rs 28,000 crore. This is an 4% increase over the revised estimates in 2021-22. In 2020-21, revised estimates increased by 163% in comparison to budgeted allocation for the year. This can be attributed to the Affordable Rental Housing Complexes (ARHC) scheme implemented under the Aatmanirbhar Bharat Scheme. The ARHC scheme seeks to convert government-owned projects and housing stock (projects available with the central government) to affordable housing through public-private partnerships and encourage development on private land by giving special incentives including streamlining of permits and credit. Funding towards the scheme comes from the Central Road and Infrastructure Fund (comprises a cess imposed along with excise duty on petrol and diesel).

In 2022-23, from the total allocation for PMAY-U, 82% is allocated for central assistance to states/UTs and 16% for interest payments against loan raised through extra budgetary resources. In 2022-23, allocation to central assistance has increased by 128% over the revised stage of 2021-22. CLSS for economically weaker sections/low-income groups has been decreased by 100% in 2022-23 allocation in comparison to revised estimate for 2021-22.

**Table 5: Components under PMAY-U (in Rs crore)**

	2020-21 Actuals	2021- 22 RE	2022- 23 BE	% Change (RE 2021- 22 to BE 2022-23)
Interest Payment for EBR loans	4,148	4,459	4,460	0.02%
Central assistance to states/ UTs	10,002	10098	23,038	128%
CLSS-I for EWS/LIG	3,750	12000	0.01	-100%
CLSS-II for MIG	3,000	0.01	0	-100%
Others	91	443	502	13%
<b>Total</b>	<b>20,991</b>	<b>27,000</b>	<b>28,000</b>	<b>4%</b>

Note: BE – Budget Estimate, RE – Revised Estimate, EBR- Extra budgetary resources, CLSS- Credit linked subsidy scheme, EWS- Economically Weaker Section, LIG- Low-income groups, MIG- Middle-income groups.

Source: Expenditure Budget 2022-23; PRS.

**Targets not completed:** PMAY-U seeks to achieve housing for all by 2022. The Standing Committee on Urban Development (2021) noted that after five years of the scheme, only 38% of sanctioned houses have been completed.<sup>11</sup> The Committee observed that with this pace of the project, the government may not be able to complete the target by 2022. Further, it noted that only eight states have taken up projects under the in-situ slum redevelopment (ISSR) component. The Committee recommended: (i) formulating a specific time frame for completion of targets and to make up for the time lost due to COVID-19, (ii)

encouraging states to take up projects under the ISSR component.<sup>11</sup> Note that as of February, 2022, out of the 54 lakh (47% of sanctioned) houses constructed under PMAY-U, about 6 lakh houses are yet to be occupied by residents.<sup>22,23</sup>

**Table 6: Status of houses under components of PMAY-U (January 3, 2022)**

Component	Sanctioned	Completed
BLC	71	26
AHP	21	6
ISSR	5	5
CLSS	17*	17*

Note: \*Beneficiaries, BLC- Beneficiary-led Individual House Construction, AHP- Affordable Rental Housing Complexes, ISSR- In-situ Slum Redevelopment, CLSS- Credit Linked Subsidy Scheme.

Source: PMAY (U) Dashboard; PRS, last accessed on February 10, 2022; PRS.

**Beneficiaries under CLSS:** Under CLSS, interest subsidy up to Rs 2.6 lakh is given to beneficiaries from EWS, LIG, and MIG on home loans from housing finance companies (HFCs), and banks. Nearly 95% of housing shortage occurs for households in the EWS and LIG sections.<sup>24</sup> However, the Standing Committee on Urban Development (2021) observed that in several states including Uttar Pradesh, Andhra Pradesh, and Jharkhand, most of the beneficiaries belong to middle income groups.<sup>11</sup> It was estimated that about 56% of housing shortage falls in the EWS, 40% in the LIG category, and the rest 4% in the middle- and higher-income groups.<sup>25</sup> However, the Ministry stated that EWS beneficiaries are not being neglected as they are also included under other components (AHP, BLC, and ISSR) of PMAY-U. The Committee noted that the scheme should not overshadow the core target group of EWS/LIG category.<sup>11</sup> It recommended: (i) identifying reasons for low number of beneficiaries from EWS/LIG and addressing the issues, (ii) central nodal agency to work with banks and HFCs for faster sanction of loans to people from EWS/LIG category.<sup>11</sup> The Economic Survey (2021-22) noted that the scheme for MIG was originally up to March, 2019 but was extended till March, 2021.<sup>26</sup> It was expected that this would stimulate demand for steel, cement, transport, and other construction materials.

**Lending by housing finance companies (HFCs):** Both HFCs, and public sector banks offer low-cost funding for housing. Further, HFCs also provide interest subsidies to beneficiaries under the CLSS component of PMAY-U. However, banks and financing companies face constraints such as inability to access long term funds.<sup>30</sup> The Union Cabinet had approved the creation of a National Urban Housing Fund (NUHF) worth Rs 60,000 crore in February 2018.<sup>27</sup> The NUHF aims to raise funds till 2022 to ensure a sustained flow of central release under PMAY-U to enable construction of houses. In 2020, Housing and Urban Development



Corporation (HUDCO) received Rs 60,000 crore as central assistance under PMAY-U from NUHF.<sup>28</sup> HUDCO is one of the central nodal agencies under PMAY-U, responsible for transferring subsidies through lending institutions to CLSS beneficiaries.<sup>29</sup>

**Rental housing:** Rental housing helps in plugging the gaps in the housing market by addressing some of the housing demand across income groups. As per the 2011 census, 27.5% of urban residents lived in rented houses. According to the Report of the Group of Secretaries (2017), a rental housing scheme could further complement PMAY-U in achieving the housing target.<sup>30</sup> The Ministry proposed a Draft National Urban Housing Policy in October 2015.<sup>31</sup> It seeks to promote the sustainable development of house ownership with a view to ensuring an equitable supply of rental housing at affordable prices. The Policy noted that the housing shortage in urban areas will not be solved by home ownership and suggested promoting rental housing. The Ministry also released the Model Tenancy Acts in 2020 which provides for the regulation and speedy adjudication of matters related to rental housing, and seeks to repeal the existing state rent control laws.<sup>32,33</sup> Note that the Model Tenancy Act, 2021 was approved by the Union Cabinet in June, 2021.<sup>34</sup>

### ***Construction of toilets improved but access to proper sanitation remains an issue***

The Swachh Bharat Mission – Urban (SBM-U) seeks to: (i) make all urban areas open defecation free (ODF), and (ii) achieve 100% scientific management of municipal solid waste (MSW). The Standing Committee on Urban Development (2021) noted that the progress for achieving 100% waste management has been inadequate. In 2020-21, progress for source segregation (wards) and waste processing was 78% and 68% of the target against 75% and 65% achieved in 2019-20.<sup>11</sup> Further, processing of municipal solid waste has increased from 18 % in 2014 to 70 % in 2021.<sup>35</sup> Note that the target of constructing 59 lakh individual household latrines and 5 lakh community and public toilets has been achieved under SBM-U.<sup>36</sup>

SBM-U aims to ensure that: (i) all statutory towns be certified as ODF+, and (ii) statutory towns with less than one lakh residents be certified as ODF++. A town is certified as ODF+ when no cases of open defecation are recorded and all public toilets are maintained and function. A town certified as ODF++ is one where all sewage is safely managed and treated with no dumping of untreated sewage in water bodies or open areas. Under SBM-U, 95 % of cities have been declared ODF. However, according to National Family Health Survey - 5 (2019-21) 81.5% urban households use an improved sanitation facility (includes flush to piped

water system, pit latrine with slab).<sup>37</sup>

Note that SBM-U 2.0 was launched in October, 2021.<sup>38</sup> It seeks to focus on source segregation of solid waste at source, scientific processing of waste, and improving dumpsites for solid waste management.

**Table 7: Status of ODF cities (as of January 26, 2022)**

	Number of Cities	% Achieved
<b>Total Cities</b>	4,586	-
<b>ODF declared cities</b>	4,371	95
<b>ODF verified cities</b>	4,316	94
<b>Certified ODF +</b>	3,339	73
<b>Certified ODF ++</b>	961	21

Source: Swachh Bharat Mission- Urban Dashboard; PRS

### ***Atal Mission for Rejuvenation and Urban Transformation (AMRUT)***

AMRUT is a Centrally Sponsored Scheme which seeks to provide basic services (water supply, sewerage, urban transport, etc.) in cities, especially to the poorer households.<sup>39</sup> Components of the Mission include: (i) improving water supply systems, (ii) augmentation of existing sewerage systems, (iii) construction and improvement of drainage systems, (iv) improving urban transport through pedestrian facilities and public transport systems, and (v) capacity building of ULBs. The scheme had a financial outlay of Rs 50,000 crore for five years (2015-20), which was later extended till 2022. In 2022-23, the AMRUT Mission has been allocated Rs 7,300 crore.

The government had proposed that the outlay of Rs 50,000 crore be spent by 2020. However, from 2015-16 to 2021-22, the Ministry has allocated Rs 48,199 crore (96% of the proposed amount), and spent Rs 38,824 crore (78% of the proposed amount).

**Table 8: Allocation compared to actual expenditure (Rs crore)**

Year	Budget	Actuals	Utilised
<b>2015-16</b>	3,919	2,702	69%
<b>2016-17</b>	4,080	4,864	119%
<b>2017-18</b>	5,000	4,936	99%
<b>2018-19</b>	6,000	6,183	103%
<b>2019-20</b>	7,300	6,391	88%
<b>2020-21</b>	7,300	6,448	88%
<b>2021-22</b>	7,300	7,300	100%
<b>2022-23</b>	7,300	-	-
<b>Total</b>	<b>48,199</b>	<b>38,824</b>	<b>81%</b>

Note: Figures for 2021-22 Actuals are Revised Estimate.

Source: Ministry of Housing and Urban Affairs Demand for Grants for the years 2015-16 to 2022-23; PRS.

**Poor implementation:** AMRUT focuses on development of basic infrastructure such as water supply, and sewerage and septage management in selected cities. The Standing Committee on Urban

Development (2020) noted that implementation and performance under the scheme has been below target.<sup>40</sup> For instance, 92% of funds under AMRUT were allocated for water supply and sewerage. However, as of July 2021, against the target of 139 lakh, only 107 lakh connections (77% of the target) have been installed. Of the target of 145 lakh sewerage connections, only 79 lakh (54% of the target) had been provided.<sup>41</sup> The Standing Committee on Urban Development (2021) recommended that the new tap connections should be installed with a meter to ensure accountability and curtail wastage of water.<sup>11</sup>

**Inadequate capacity of ULBs affecting progress of AMRUT:** The Standing Committee on Urban Development (2021) observed that most ULBs are not able to meet the expectations of the Mission by generating their share of contribution.<sup>11</sup> In some cases, state governments have raised funds from external sources on behalf of ULBs. Therefore, the Committee recommended that ULBs may impose charges for services provided to citizens.<sup>11</sup> Note that AMRUT 2.0 was launched in October, 2021.<sup>38</sup> It seeks to provide (i) 100% coverage of water supply to all households in 4,700 ULBs, and (ii) 100% sewerage connections in 500 AMRUT cities.

### Smart Cities Mission

The Smart Cities Mission seeks to promote 100 smart cities that provide core infrastructure (such as water and electricity supply, sanitation, and public transport). In 2022-23, the Mission has been allocated Rs 6,800 crore, which is a 3% increase over the revised estimates of 2021-22. The Standing Committee on Urban Development (2021) noted that the amount allocated to the Smart Cities Mission has been less than the proposed amount (See Table 9).<sup>11</sup> The Committee recommended that the Mission should be allocated more funds at the revised stage in 2021-22 and at budget estimates in the upcoming years. Note that there has been an increase of 102% in allocation at the 2021-22 revised stage over the budget stage. However, on the other hand, the Ministry has not been able to spend the entire amount allocated at the budget stage. In 2019-20 and 2020-21, the Ministry was able to spend about half of the amount allocated at the budget stage, possibly indicating lack of implementation capacity.

**Table 9: Budgeted allocation less than proposed amount**

Year	Proposed	Budgeted
2017-18	13,648	4,000
2018-19	9,810	6,169
2019-20	13,971	6,450
2020-21	13,543	6,450
2021-22	10,000	6,450

Source: The Standing Committee on Urban Development (2021); PRS.

**Table 10: Allocation towards Smart Cities**

Mission (in Rs crore)			
Year	Budget	Actuals	Utilised
2015-16	2,020	1,484	73%
2016-17	3,215	4,412	137%
2017-18	4,000	4,526	113%
2018-19	6,169	5,902	96%
2019-20	6,450	3,135	49%
2020-21	6,450	3,305	51%
2021-22	6,450	6,600*	102%
2022-23	6,800	-	-
<b>Total</b>	<b>41,554</b>	<b>29,364</b>	<b>71%</b>

\*Revised estimates.

Source: Budget documents 2015-16 to 2022-23; PRS.

**Timely completion of projects:** The Standing Committee on Urban Development (2021) noted the slow pace of project completion.<sup>11</sup> It observed that most of the projects are under construction stage. The Committee recommended the Ministry to ensure the timely completion of projects to avoid cost overruns.<sup>11</sup>

**Table 11: Progress under Smart Cities Mission (as of January 23, 2022)**

Project status	No. of projects	% of projects	Cost (in Rs crore)	% of cost
Total Proposed	5,151	-	2,05,018	-
Tendered	6,656	127%	1,88,048	91%
Work orders issued	6,074	117%	1,62,074	79%
Completed	3,371	65%	58,248	28%

Source: Smart Cities Dashboard, Ministry of Housing and Urban Affairs, last accessed February 5, 2022; PRS.

### Irregularities in implementation and poor monitoring of projects

The Standing Committee on Urban Development (2021) observed several irregularities in implementation of Smart Cities works which include: (i) frequent dropping of projects after finalising proposals, (ii) redoing of the same work again, and (iii) project costs being higher than market rate.<sup>11</sup> Further, the Committee observed that the Geospatial Management Information System (real time monitoring system) has not been able to adequately monitor projects. The Committee recommended the Ministry to conduct on ground verification of projects by teams consisting of: (i) mission director, (ii) state representative, (iii) member of parliament, and (iv) member of legislative assembly.<sup>11</sup>

### Financially backward states lagging behind:

Each smart city has a Special Purpose Vehicle (SPV), responsible for the implementation of the Mission at the city level. The central government and state government provide funds to SPV. The Standing Committee on Urban Development (2021) observed that certain financially backward states are not able to provide their share of funds to the SPV which is affecting the progress of the

Mission. For instance, in 2020-21, states were able to release only 70% of their share to SPV. Therefore, the Committee recommended the Ministry to explore the possibility of reducing the amount of contribution by certain backward states to ensure that project implementation is not affected.<sup>11</sup>

### ***PM Street Vendor's Atmanirbhar Nidhi (PM SVANidhi)***

PM SVANidhi was launched in June 2020 to provide collateral free working capital loans of up to Rs 10,000 to street vendors.<sup>42</sup> Vendors availing loan under the scheme are eligible for an interest subsidy of 7%. Further, the scheme also promotes digital transactions by vendors through a cash back facility. The subsidy is available till March 2022. The Standing Committee on Labour (2021) took note of the impact of COVID-19 on the livelihoods of street vendors.<sup>43</sup> It recommended to explore the feasibility of converting the loan credit amount into a direct cash grant as livelihood support.

The scheme has been allocated Rs 150 crore in 2022-23. There has been a decline of 50% in the allocation for PM SVANidhi over the revised stage of 2021-22. The Standing Committee on Housing and Urban Affairs (2021) observed that many street vendors have not been covered under the scheme, and many are still recovering from the effects of COVID-19 on their businesses.<sup>44</sup> It recommended extending the scheme by at least another year.

**Low rate of sanction and disbursement of loans:** The Standing Committee on Housing and Urban Affairs (2021) noted that ten states have sanction rates and disbursement rates (out of total loan applications received) less than 50%. Certain banks also have sanction rates less than 50%.<sup>44</sup> Further, while the scheme guidelines require loans to be disbursed within 30 days, 31 states/UTs take longer to disburse loans. The Committee also noted that some lending institutions seek a CIBIL score (a three-digit numeric summary of credit history, rating, and report) before granting loans to vendors, which typically vendors may not have. It recommended: (i) providing timelines to states/UTs to improve their sanction and disbursement rate, (ii) investigating bank-specific reasons for low sanction rates, (iii) addressing delays in the loan disbursement process, and (iv) removing the requirement of seeking minimum CIBIL score for sanctioning loans under the scheme.<sup>44</sup>

**Lack of private bank participation:** The Standing Committee on Housing and Urban Affairs (2021) noted that there is a gap between the participation of private and public sector banks.<sup>44</sup> As of February 2021, the share of private banks in the total loan applications was 4%. The Committee recommended increasing the participation of private banks under PM SVANidhi.

**Vendors not digitally active:** The interest subsidy and cashback on digital transactions (credited to the vendor's account) are two primary components of the scheme. Under the Scheme, vendors who carry out their transactions digitally, will be given monthly cash backs as an incentive for adopting digital transactions. The Standing Committee on Housing and Urban Affairs (2021) noted that as of September 24, 2021, out of the total sanctioned applications (27 lakh), 21 lakh street vendors have been digitally on-boarded (given a QR code and debit card for facilitating digital transactions) under the Scheme. Of these, only 7.2 lakh street vendors are actively carrying out their business through digital transactions.<sup>44</sup> The Committee recommended roping in ULBs to collaborate with third party digital payment aggregators to help on-board more street vendors and keep them digitally active.<sup>44</sup>

### ***ULBs lack technical capacity; affecting progress of major schemes***

While ULBs have been implementing various schemes, their performance in implementing Smart Cities Mission and AMRUT has been inadequate. One of the key reasons which affects the completion of urban infrastructure projects is lack of trained and competent manpower.<sup>11</sup> Due to inadequate financial and technical capacity, ULBs are not able to implement major schemes like Smart City Mission and AMRUT.<sup>11</sup> Therefore, the Committee recommended that suitable changes should be made to address this concern. The HPEC (2011) 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.<sup>4</sup> It 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 programs.<sup>11</sup>

### ***Financial capacity of cities is poor***

The schemes being implemented by the Ministry seek to decentralise the planning process to the city and state level, by giving them more decision-making powers. However, ULBs in India are amongst the weakest in the world both in terms of capacity to raise resources and financial autonomy.<sup>4</sup> Municipal revenue in India accounts for only one percent of the GDP (2017-18).<sup>45</sup> ULB's own revenue as per cent of GDP rose between 2010-11 (0.49%) and 2012-13 (0.53) but has declined thereafter. In 2017-18, own revenue stood at 0.43 per cent of GDP, the lowest in the last eight years. Municipal tax revenue forms a major yet declining share of own revenue.<sup>46</sup> The Constitution (74<sup>th</sup> Amendment) Act, 1992 had devolved certain functions relating to urban development to ULBs, including the power to collect certain taxes. These



functions include urban planning, planning for economic and social development, and urban poverty alleviation. However, most states have not devolved enough taxation powers to local bodies. Note that many local taxes that were levied by ULBs have now been subsumed under GST.<sup>46</sup> These local taxes include octroi tax, local body tax, entry tax, and advertisement tax. Further, local governments collect only a small fraction of their potential tax revenue.<sup>4</sup> 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. PPPs have been an important instrument to finance and develop infrastructure projects. However, projects in many sectors such as water-supply and urban transportation require support from ULBs in the form of additional financial resources. The Ministry of Finance observed that an inability to service such funding requirements constrains project implementation.<sup>47</sup> In such cases where ULBs require financial resources, they 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.<sup>48</sup> Therefore, a city's performance in the bond market depends on its fiscal performance.

To improve the finances of the ULBs, the HPEC recommended that state governments share a pre-specified percentage of their revenues from all taxes on goods and services with ULBs.<sup>4</sup> It had recommended mandating this constitutionally. Further, ULBs should be provided with formula-based transfers, and grants-in-aid.<sup>4</sup> The ULBs could raise their own revenue by tapping into land-based financing sources, and improving non-tax revenues (such as water and sewerage charges, and parking fee).<sup>4</sup> The 15<sup>th</sup> Finance Commission (2021) recommended that Rs 1.2 lakh crore be allocated to urban local bodies as grants for the period 2021-26.<sup>49</sup>

### ***Larger aspects of cities ignored by Master Plans for cities***

Master plans are statutory instruments to guide and regulate the development of cities and are critical for managing urbanization as well as spatial sustainability. NITI Aayog (2021) noted that 65% of the 7,933 urban settlements do not have any master plan.<sup>50</sup> This leads to piecemeal interventions, haphazard constructions, urban sprawl, and environmental pollution, which can

further aggravate issues such as traffic congestion, and flooding. It also noted that various shortcomings in the approaches of city planning and bottlenecks in plan implementation also need to be resolved.

The HPEC (2011) had observed that larger aspects of planning at the metropolitan, regional, and national levels have received very little attention.<sup>4</sup> Master Plans typically view cities in isolation from the larger region in which they are located.<sup>4</sup> for instance, Master Plans tend to ignore the needs of low-income groups by not focusing on spatial planning (such as housing and transportation for the poor) for the urban poor.<sup>4</sup> Further, Master Plans tend to treat transportation as a secondary issue. The procedures for the preparation and implementation of the Master Plans have tended to be rigid, time-consuming, and weak on the costing and financing of the future requirements of infrastructure.<sup>4</sup> While cities are fast growing and dynamic entities, Master Plans have remained largely static.<sup>4</sup> Despite investments and introduction of new schemes, lack of proper Master Plans in cities can lead to inadequate performance with respect to achieving the set targets.

The Standing Committee on Urban Development (2021) inquired about the status of a master plan for holistic urban development.<sup>11</sup> The Committee noted that formulation of a master plan is a state subject and the Ministry's role is defining the framework and broad guidelines. There should be master plans at three levels: (i) state, (ii) zonal, and (iii) city. The Committee recommended a plan of 30 years should be set involving convergence of schemes like Smart City Mission, AMRUT, and Swachh Bharat Mission.<sup>11</sup> Further, it recommended that as the land in metro cities (Delhi, Mumbai) is owned by multiple authorities, extensive stakeholder consultation should be conducted while formulating the plan. The National Urban Policy (2020) outlines an integrated and coherent approach for managing Indian cities. It seeks to formulate localised solutions for various states/UTs.<sup>24</sup> The Policy recognises state governments as the primary stakeholder responsible for urban development and offers assistance to states to prepare their own state urban policies.<sup>24</sup>

**Table 12: State/UT-wise number of existing Master Plans status – 2021**

Town category	Total towns in category	Approved Master Plans	Under preparation
Statutory Towns	4041	1566	359
Census Towns	3892	650	268
<b>Total cities and towns</b>	<b>7933</b>	<b>2216</b>	<b>627</b>

Source: Reforms in Urban Planning Capacity India, NITI Aayog, 2020; PRS.

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