Chapter 8

URBAN DEVELOPMENT

TRENDS IN URBANIZATION

Punjab is in the midst of urban transition. At the dawn of the twentieth century, only 12.46 per cent of the total population of the then pre-partition united Punjab was urban. At the beginning of the twenty-first century, the urban population of Punjab has increased to 33.95 per cent, against 27.78 per cent for the country as a whole. Punjab is now the fifth major urbanized state of India after Tamil Nadu (43.86%), Maharashtra (42.40%), Gujarat (37.35%) and Karnataka (33.98%). Table 1 and Figure 1 present the trends in urbanization in Punjab.

Table 1
Growth of Urban Population in Punjab

Year	Total population	Urban population	Percentage of urban population	Decadal growth of urban population (%) / absolute	Total number of UAs/ towns	Annual compound growth rate (ACGR) (%)	
						Total	**Urban**
1951	9,160,500	1,989,267	21.72	20.02/331,853	110	-	-
1961	11,135,069	2,567,306	23.06	29.06/578,039	106	1.96	2.78
1971	13,551,060	3,216,179	23.73	25.27/648,873	106	1.98	2.27
1981	16,788,915	4,647,757	27.68	44.51/1,431,578	134	2.16	3.75
1991	20,281,969	5,993,225	29.55	28.95/1,345,468	120	1.90	2.57
2001	24,289,296	8,245,566	33.95	37.58/2,252,341	157	1.82	3.24
2011*	29,088,860	11,344,249	39.00	39.00/3,098,683	-	1.82	3.24
2021*	34,836,818	15,607,417	44.80	44.80/4,263,168	-	1.82	3.24

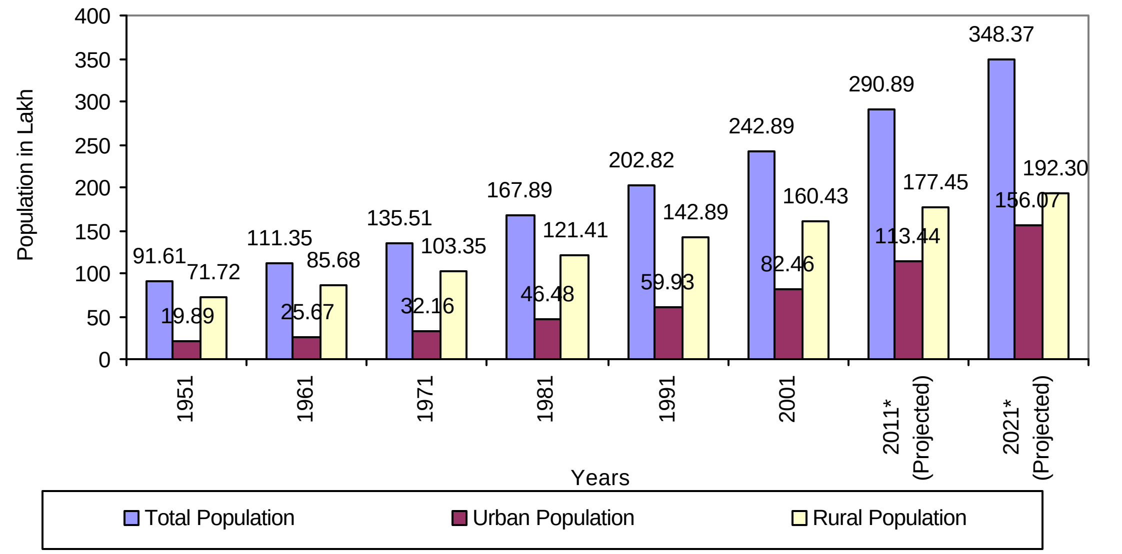
Source: *Census of India* 1951,1961,1971,1981, 1991 and 2001
Note: ***Projections: Based on ACGR of 1991-2001 decade

Today, one out of every three persons in Punjab is urban by residence. It is the most urbanized sate of the region and is ahead of Haryana, Jammu & Kashmir and Himachal Pradesh. The ACGR of the urban population is higher than that of the total population.

This has resulted in high population density in urban areas. A number of towns/urban agglomerations have come up during 1991-2001 and distance between towns has decreased due to growth of new towns and expansion of urban area limits. The state has thus witnessed a rapid growth in urban population due to migration from rural to urban areas in search of employment opportunities, health and educational facilities. There was an addition of 22.5 lakh people in urban areas in the decade of 1991-2001, against 13.4 lakh in 1981-91.

The growth of urban population in the various size-categories of towns shows an interesting trend. Large cities and towns (class I and II) have been increasing at a faster pace with a larger population base. Table 2 and Figure 2 depict the growth of urban population in different size-categories of cities and towns in Punjab from 1951 to 2001.

Figure 1
Decennial Variation of Population in Punjab



Source : Same as in Table 1

The class I and II towns are likely to grow faster and become over-crowded with higher population densities. Since 1951, Ludhiana city has witnessed a virtual explosion in population growth. During 1981-91, it recorded a growth rate of 71.77 per cent, the third highest among metropolitan towns in India. In 1991, Ludhiana became the first million-plus metropolitan city of Punjab. Amritsar too has acquired metropolitan status and has become the second metropolitan city of the state. One, out of every six urban dwellers (16.92%) in the state, resides in Ludhiana city and one out of every nine urban dwellers (11.83%) in Amritsar city. It is significant that three out of every ten urban dwellers (29.23%) in the state reside in these two metropolitan cities. Ludhiana city has a disproportionately high density of 8,755 persons per sq km, only slightly lower than Delhi.

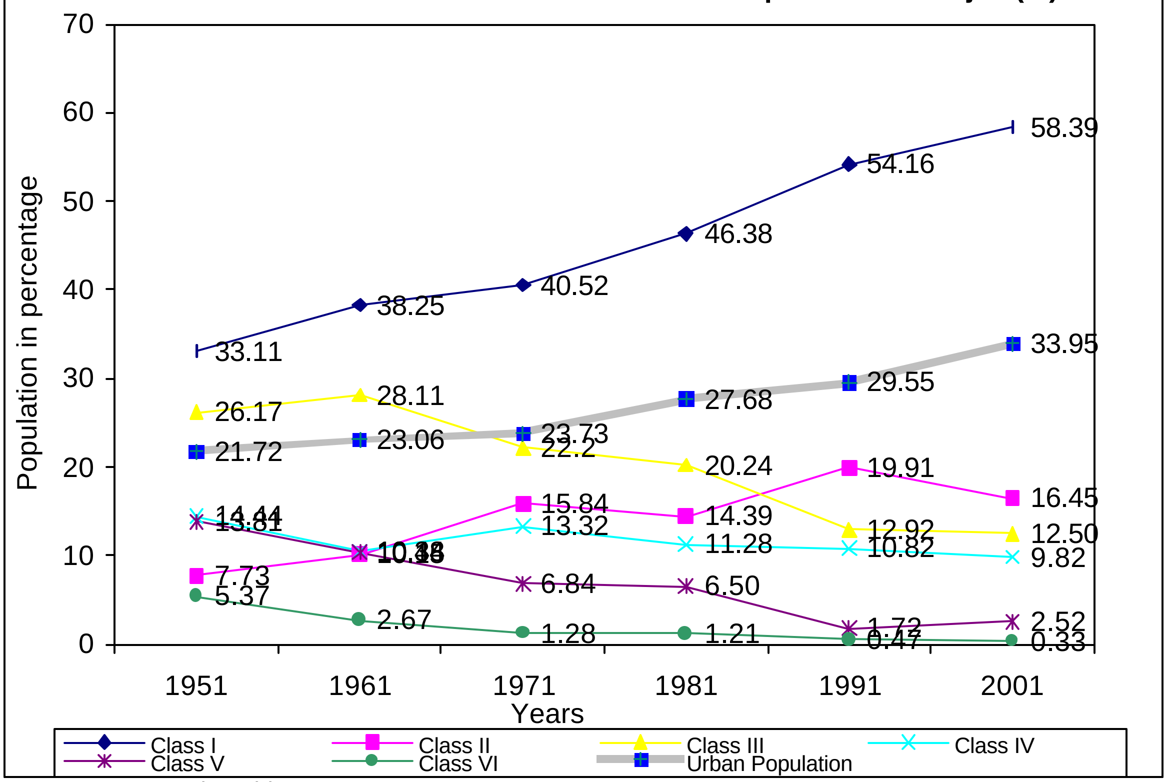
Table 2
Trends in Urban Population in Different Size-categories of Cities and Towns (1951-2001)

Years	Class I	Class II	Class III	Class IV	Class V	Class VI	All Classes
1951	3 [33.11] (658,725)	2 [7.73] (153,719)	17 [26.17] (520,558)	20 [14.44] (287,223)	36 [13.18] (262,197)	2 [5.37] (106,845)	110 [100.00] (1,989,267)
1961	4 [38.25] (981,890)	5 [10.15] (260,707)	23 [28.11] (721,684)	20 [10.44] (267,913)	35 [10.38] (266,439)	19 [2.67] (68,673)	106 [100.00] (2,567,306
1971	4 [40.52] (1,303,128)	8 [15.84] (509,389)	2 [22.20] (714,176)	31 [13.32] (428,413)	29 [6.84] (219,911)	12 [1.28] (41,162)	106 [100.00] (32,161,79
1981	7 [46.38] (2,155,714)	10 [14.39] (668,780)	27 [20.24] (940,482)	36 [11.28] (524,505)	40 [6.50] (301,905)	14 [1.21] (56,371	134 [100.00] (4,647,757)
1991	10 [54.16] (3,246,224)	18 [19.91] (1,193,171)	25 [12.92] (774,453)	46 [10.82] (648,230)	14 [1.72] (102,945)	7 [0.47] (28,202)	120 [100.00] (5,993,225)
2001	14 [58.38] (4,814,405)	19 [16.45] (1,356,386)	35 [12.50] (1,030,623)	54 [9.82] (809,366)	28 [2.52] (207,891)	7 [0.33] (26,895)	157 [100.00] (8,245,566)

Source: *Census of India*, 1951,1961,1971,1981, 1991, 2001
Note:- 1) Number of towns in each category (without bracket), 2) Percentage population in each class [ ]
3) Total population in each class ( )
4) Size of population:
Class I = 100,000 and above | Class II = 50,000 - 99,999
Class III = 20,000 - 49,999 | Class IV = 10,000 – 19,999
Class V = 5,000 – 9,999 | Cass VI = Below 5,000

Increasing urbanization and the consequent concentration of urban population in class I and class II cities needs to be viewed with concern by urban policy makers. The disproportionate increase in population in these towns in particular and in the other size-categories in general has created huge deficiencies in such civic services, as water supply, sewerage, solid waste management and urban infrastructure, such as housing, transport and roads. Land is becoming scarce in towns and consequently the problem of housing is acquiring serious proportions. Provision of urban basic amenities and upgradation of existing infrastructure for additional urban population has become a challenging task.

Figure 2
Decennial Variation of Class-wise Urban Population in Punjab (%)



Source: Same as in Table 2

Analysis of urbanization in various districts does not present a uniform pattern. Table 3 depicts the district-wise trend of urban population in Punjab. It is evident that Ludhiana, Jalandhar and Amritsar are the top three urbanized districts and Nawashahar the least urbanized district of the state with only 13.80 per cent of population being urban. It must be noted that the districts with a low level of urbanization have started experiencing a decennial rate of growth in population that is as high as in the highest urbanized districts and even higher (Mansa and Fatehgarh Sahib).

Table 3
Percentage of Urban Population to Total Population in Districts

Districts	Percentage of urban population to total population in district		Decadal growth of urban population (%)
	1991	2001	1991-2001
Ludhiana	51.81(20.74)	55.80 (20.51)	36.05
Jalandhar	40.63 (11.19)	47.45 (11.24)	38.28
Amritsar	34.08 (14.25)	40.00 (14.91)	44.01
Patiala	30.49 (7.78)	34.98 (7.80)	38.02
Faridkot	32.95 (2.50)	33.89 (2.27)	24.91
Kapurthala	25.76 (2.78)	32.59 (2.97)	47.14
Rup Nagar	25.82 (3.88)	32.46 (4.37)	55.11
Bathinda	26.98 (4.43)	29.78 (4.27)	32.36
Sangrur	24.80 (6.97)	29.26 (7.09)	39.91
Fatehgarh Sahib	22.17 (1.68)	28.08 (1.84)	50.26
Firozepur	25.70 (6.21)	25.81 (5.46)	20.94
Muktsar	23.40 (2.55)	25.81 (2.40)	29.44
Gurdaspur	21.99 (6.45)	25.46 (6.48)	38.15
Mansa	14.85 (1.42)	20.68 (1.73)	66.84
Moga	19.13 (2.48)	20.04 (2.16)	19.38
Hoshiarpur	17.10 (3.71)	19.66 (3.52)	30.84
Nawashahar	11.00 (0.98)	13.80 (0.98)	38.49
Punjab (Total Urban)			**37.58**

Source: - *Census of India* 1991 and 2001
Note: - Figures in parenthesis indicate percentage of urban population of the district to total urban population of the state

Analysis of the spatial pattern of urbanization reveals a trend towards ribbon-development along the major transport corridor such as the Grand Trunk Road (GTR) that acts as the economic spine of the state. Three corporation towns of Punjab are situated on GTR. Urbanization in the state is developing as a corridor, creating a linear pattern running from southeast to northwest with large concentrations of population in class I and class II towns. There is a haphazard growth of slums and large-scale migration is unabated. It is creating physical, demographic and environmental imbalances in the state and generating demand for upgradation of the urban infrastructure and civic services. Presently, the urban infrastructure is in bad shape. It is the worst in small and medium towns. City governments are financially weak because of a host of reasons and are unable to provide adequate services for the growing needs of the citizens. The cities in Punjab, with poor infrastructure, may become unlivable and unproductive. Prioritization of development of small and medium towns/ viable regional growth centres, convergence of programmes to improve physical, social and economic infrastructure are essential, keeping the future scenerio of urbanization in view.

The major concern at present is the critical gap in demand and supply of basic civic services in growing urban areas. Despite augmentation of basic services, housing and urban infrastructure, deficiencies in quantity and quality persist. A higher growth of the state economy will require strong urban-infrastructure support and quality services. The strategies for urban development need to target 100 per cent coverage of urban population with supply of safe drinking water, upgraded sewerage facility, 100 per cent lifting, disposal and treatment of garbage and better housing facilities by the end of the Tenth Five Year Plan. The existing concentrated urban growth would need to be deflected through the development of smaller urban areas that will minimize the flow of migrants to larger cities. The construction of roads connecting large and small towns and even villages with an adequate and efficient transport system will help to decongest larger urban areas. People will find affordable housing in peripheral towns. This is possible if satisfactory infrastructure with efficient surface transport for commuting is available.

The productivity of cities also depends upon the workforce. Migrants constitute the major workforce. Their contribution to urban productivity is significant, but unable to find a proper living space, they become a burden on the urban infrastructure, as they put up temporary and illegal structures on private and public lands commonly known as slums. The slum and shanty settlements in and on the periphery of towns become a major burden for the urban local bodies (ULBs), as such services as drinking water supply, sewerage and sanitation are provided to them with no or little cost-recovery. The migrant workforce should be provided proper living space and environment for a harmonious growth of population, settlements and resources in urban areas.

Cities are engines of economic growth as they contribute more than 60 per cent of the state domestic product (SDP) in Punjab. With the advent of economic reforms, liberalization and globalization, cities are emerging as important reservoirs of employment and providers of health services, higher education and centres of art and culture. But this positive role of urbanization is overshadowed by the deteriorating urban infrastructure and civic services, and substandard housing. The situation calls for innovative measures for urban development, housing, efficient delivery of services and bridging gaps between demand and supply, starting from small and medium towns to class I and class II towns.

The negative impact of urbanization needs to be mitigated by strategies addressing the major constraints in the provision of urban basic civic services, housing, slum development and poverty alleviation. The state government should prepare an urbanization strategy encompassing an area-specific economic framework, rural-urban linkages, and intersectoral as well as spatial and environmental dimensions of urban development. To counter the severity of urban problems, the modes of solution have to be coherent and comprehensive to address local problems, and cities should be able to meet the needs of the present urban population in such a fashion that it does not affect its future needs.

The goals of urbanization strategy involve strengthening of urban local bodies by transferring funds and functions, adequate/sustainable provision of urban infrastructure/basic civic services, such as water supply, sewerage, solid-waste management, roads, street lights, drainage, environment conservation, housing, land development and transport infrastructure. Capacity building of elected and appointed representatives of local self-government and other urban managers is one of the major constituents of the urbanization strategy and a prerequisite for institutional development and functional strengthening of ULBs. The urban strategy must emphasize creation of an enabling legal, financial and regulatory framework for urban development, housing and poverty alleviation. Since state budgetary support, central government transfers and tax base of ULBs are inadequate, the urban strategy should suggest ways and means of mobilizing resources from non-budgetary sources, i.e., funds from the capital market through bonds and other alternative sources of financing.

URBAN GOVERNANCE, DEMOCRATIC DECENTRALIZATION AND INSTITUTIONAL SET-UP FOR URBAN DEVELOPMENT

Local governments under the Constitution of India, belong to the domain of the state governments, as they are listed in List II in the Seventh Schedule. Hence, they have historically been operating within the control system of the state governments and have very little financial and functional autonomy.

The ULBs in Punjab, numbering 134, are governed by the Punjab Municipal Act (PMA), 1911 and the Punjab Municipal Corporation Act (PMCA), 1976, as amended in 1994, to bring the two Acts in conformity with the Constitution (74^{th} Amendment) Act, 1992 (CAA). The Punjab State Assembly has passed the Punjab Municipal Bill, 1999, which has, to some extent, broad based the functional scope of the ULBs. It is awaiting assent of the President of India.

CAA is a milestone in the history of urban governance. It provides and stipulates that:

- Municipalities are to function as `institutions of self-government', prepare `plans for economic development and social justice', perform functions and implement schemes as entrusted to them by the state governments including functions listed in the Twelfth Schedule [Article 243W (a)].
- With a view to reducing the distance between the local communities and the local government, CAA provides for the constitution of Wards Committees (WCs) in the cities with a population of three lakh or more [Article 243S(1)].
- The State Election Commission is to superintend, direct and control the preparation of electoral rolls, and conduct elections to the urban local bodies [Article 243K (1)].
- The State Finance Commission is to review the financial position of urban local bodies and make recommendations to the state government regarding (i) the 'principles' which should govern the distribution of resources between the state and the local bodies, the determination of the revenue sources to be assigned and appropriated by the local bodies, and the grants-in-aid from the State Consolidated Fund; (ii) the 'measures' needed to improve the financial position of ULBs; and (iii) any other matter as the Governor may refer to it in the interest of sound finances of the local bodies [Article 243Y (1)].
- The District Planning Committees (DPCs) are required to be constituted to `consolidate' the plans prepared by the Panchayats and the municipalities of the district and to prepare a draft development plan for the district as a whole [Article 243ZD(1)].
- The Metropolitan Planning Committees (MPCs) to prepare draft development plans for the metropolitan areas concerned as a whole [Article 243ZE (1)].

The scheme of the CAA provides for regular and fair conduct of elections. If an ULB is superceded before the expiry of its term, elections shall be held within a period of six months. The Election Commission was constituted in compliance with the provision of the CAA, and two elections to local bodies have been held in Punjab. The First State Finance Commission (FSFC) was set up in 1994 and the Second State Finance Commission (SSFC) in 1999. The recommendations of the FSFC have been accepted by the state government for fiscal transfers and the recommendations of the SSFC are presently under consideration. Though reforms towards democratization of ULBs have been set in motion, the devolution of functions to be performed by ULBs of different sizes, transfer of funds to match these functions, and the system of accountability, is left to the wisdom of the state government.

Recognizing the neglect of integrated urban development planning by the local authorities, the CAA incorporated, inter-alia, functional decentralization to enable the ULBs to discharge effectively their responsibilities, suitable to contemporary urbanization and a participatory planning process to promote convergence of resources. The state government needs to introduce improvements to overcome structural deficiencies in the generation of revenue from such conventional sources, as property tax, octroi, user charges, license fees and from profession tax, land-based taxes and funds through municipal bonds etc., Also, the financial base of ULBs could be augmented through better tax administration and adoption of an appropriate mechanism for rationalizing the pricing of basic civic services. Since provision of municipal services rests with the ULBs, there is need to seriously implement the reforms as envisaged in the CAA. The suggested ways and means as discussed in subsequent sections need to be executed and monitored regularly.

Functional Domain of Urban Local Bodies

The functional domain of municipalities in Punjab suffers from lack of clarity. It lacks stability, as, over time, the functional responsibilities of the municipalities have either been modified, deleted or taken over by the state agencies and fragmented amongst several agencies.

The Twelfth Schedule of the Constitution contains an illustrative list of municipal functions for transfer to ULBs. In Punjab there has been no change in the functional domain of ULBs in the post-CAA regime. No doubt, the transfer of functions listed in the Twelfth Schedule is not mandatory, but the intention to transfer these is clear. For enabling the performance of the functions listed in the Twelfth Schedule, the Constitution provides for supplementing local revenues through transfer of funds from the state government, sharing of state taxes and assignment of taxes and grants-in-aid, specific or general. The CAA thus envisages transfer of functions and finances to the municipal bodies to enable them to act as city-level governments for discharging mandatory, core and other civic functions delegated to them.

Presently, the State Municipal Acts make the bureaucracy the supervisory and controlling authority of the municipal bodies. Though the Constitution envisages empowered units of self-government, the executive powers vest with the appointed bureaucrats. This is against the ethos of self-government. Elected members of the municipal bodies feel that the executive wing (appointed representatives) of the state government is influenced by the Members of the Legislative Assembly (MLAs) and Members of Parliament (MPs) who look upon elected members of the local municipal bodies as trespassers in the game of power sharing. Vesting of executive powers with appointed functionaries come handy in such a system of control and authority. Devolution of functions and tax authority and fiscal autonomy to ULBs, therefore, demand a fresh look at the existing laws and, above all, a strong political will to translate the spirit of CAA.

Fragmented functioning is illustrated by the performance of such parastatal agencies as Punjab Water Supply and Sewerage Board (PWSSB), State Urban Development Agency (SUDA) and Improvement Trusts. These organizations have encroached upon the local functional domain of ULBs. It is time that the functions of parastatals are transferred to the elected municipal bodies who, after two elections since 1994, have attained enough maturity to perform these functions. Parastatal institutions should be subordinate to ULBs and at best act as consultants to them till abolished.

The recommendations of the FSFC pertaining to revenue assignment, sharing of taxes and grants should be implemented in full, to enable the ULBs perform their functions efficiently in general and in the delivery of municipal services in particular. There should be no interference by the State Government in such municipal affairs as fixing of rates, rents and user charges and granting exemptions to pay taxes. This will make local governments strong and close to the people, and the local polity vibrant and alive.

The Wards Committees, District Planning Committees and Metropolitan Planning Committees, mandated by the CAA, should be constituted. It is time to introduce the Mayor-in-Council system (or President-in-Council) in ULBs, to strengthen functioning of local democracy through elected representatives.

Functional and Institutional Development of Local Self-government through Education, Research and Training

Training and human resource development, backed by research, have a key role in strengthening the ULBs to cope with the challenges in the context of the 74th CAA. Capacity-building of elected representatives of ULBs will help in institutional development and functional strengthening of local self-government. The strategy for capacity-building of urban administrators/managers includes realistic assessment of human, financial and technical resources required by ULBs. The elected and appointed officials of ULBs should be aware of the salient features of the 74th CAA, the institutional/organizational set-up, preparation and implementation of development plans, innovative municipal management through people's and private sector participation and regulation of the private sector in the delivery of municipal services. An orientation for raising funds through internal resources, borrowings from institutions and the debt market are the other essential features of the training of functionaries of ULBs. Managerial skills of about 5,000 senior, middle and junior level elected and appointed representatives need to be upgraded, for maintaining the tempo of growth and good governance in 134 local bodies, including four municipal corporations.

Fiscal Domain of Urban Local Bodies

The resources of ULBs comprise internal sources (tax and non-tax revenues) and external sources (borrowings and grants-in-aid/share in state taxes and transfers from the Central Government). Articles 243X, 243Y and 280(3) (c) of the Constitution of India are relevant for strengthening the fiscal domain of ULBs. Progressive devolution of fiscal authority will address the existing mismatch between functions and resources.

Sections 61 of PMA, 1911, and Section 90 of PMCA, 1976, deal with taxation powers of ULBs in terms of taxes and fees. Though a number of tax and non-tax sources have been mentioned in these Acts, octroi, property tax and water supply and sewerage charges are the major sources of income of ULBs. Octroi, a buoyant source of income, was abolished from 1 December 2001, except on electricity. The exclusion of octroi had a significant negative effect on the revenue base of ULBs. However, the Hon'ble High Court of Punjab and Haryana has provided a fiscal reprieve by reinstating the levy of octroi and it is being collected by ULBs since 29 April 2002.

Property tax is the next major source of income of ULBs, but its contribution continues to be meagre, due to a variety of reasons, including exemptions on self-occupied residential properties (from 1 April 1997 onwards), poor and discretionary valuation, deficiencies in assessment and collection procedures and a faulty rate structure.

The next important contributor to municipal income is water supply and sewerage charges. 'User charges' from water supply and sewerage have a small share in the total income. This is due to a host of reasons, such as faulty pricing and poor cost recovery, system losses, theft, excessive energy consumption, poor billing and collection, high capital cost and non-volumetric supply of water. Other sources of revenue are not consistent and adequate to meet the growing demands of ULBs for infrastructure development and rising wages and salaries.

Profession tax provided for in the PMCA, 1976, and PMA, 1911, development tax in the PMCA, 1976, and scavenging tax and tax on menial domestic servants in the PMA, 1911, are not yet levied by ULBs. Income from entertainment tax (show tax), levied by ULBs in addition to the entertainment tax charged by the state government, is negligible. Other sources of non-tax revenue, comprising license fees for various trades, licenses, slaughter house fee, building application fee, tehbazari (rent for temporary occupation of vacant municipal land on road-side), sale proceeds and rents of municipal properties, interest on investments, fees, fines and charges for performance of statutory and regulatory functions, are nominal and do not have much impact on strengthening the finances of ULBs. Borrowings, with the approval of the state government, have been mainly confined to loans from the Housing and Urban Development Corporation (HUDCO) and the Life Insurance Corporation (LIC) for water supply and sewerage projects through PWSSB. Except Ludhiana Municipal Corporation (LMC), which issued bonds for rupees (Rs.) 17.84 crore in 1999 through private placement, no ULB in Punjab has raised any loan from the capital market.

ULBs receive `transfers' and 'grants' from the State and the Central Governments, which are highly erratic and unpredictable, depending upon the exigencies of the state's own financial resources. Own revenues of ULBs are not sufficient to meet the growing demand of basic civic services and the urban infrastructure. The fiscal domain of ULBs continues to remain weak and deplorable. Article 243X of CAA provides that the state government may, by law, authorise a municipality to levy, collect and appropriate such taxes, duties, tolls and fees and assign them such taxes, duties, tolls and fees as levied and collected by the state government. It also provides for making grants-in-aid to the municipalities from the Consolidated Fund of the state.

Income and expenditure of municipalities -- The income and expenditure of urban local bodies is dependent on:

- Adequacy of tax base and its effective exploitation by ULBs.
- Effective use of non-tax sources, such as user charges and land-based non-property taxes.
- Transfers from higher levels of government.

Income of municipalities: Income of municipalities from tax and non-tax revenue sources, capital receipts and transfers from the State and Central Governments from 1996-97 to 2001-02 is given in Table 4. It shows remarkable financial self-sufficiency of ULBs from their own sources. Their dependence on fiscal transfers is negligible. It is worth noting that the generation of revenue from own sources has been increasing in subsequent years despite several populist measures of the state government to abolish local taxes. This suggests that if tax authority is devolved to ULBs and they are given fiscal autonomy, the fiscal constraints presently being experienced by them will ease substantially. Table 4 also reveals distress signals. Revenue from property tax and user charges has been depleting over the years as a proportion of total local revenue. It also indicates a very subdued role of fiscal transfers. This is largely because the income of urban local bodies in the form of share in taxes is not in accordance with its recommendations of the FSFC and so is the case of transfer of grants to ULBs as recommended by the Tenth Finance Commission (TFC). It is not regular and predictable. Urban development projects of local bodies are affected because of absence of assured quantum of grants and share of taxes according to the recommendations of the State and the Central Finance Commissions. Powers of municipalities, as stated by the FSFC, are severely inhibited by state control. A municipal council cannot raise loans without the sanction of the state government, if the amount exceeds rupees five lakh under the Local Authorities Loan Act, 1914, which is a central legislation. The PMCA, 1976, also provides for borrowing by the municipal corporation for specified purposes within the ambit of the Local Authorities Loan Act. This adversely affects the fiscal autonomy of ULBs.

Table 4
Total Revenue Income of Urban Local Bodies from 1996-97 to 2001-02
(Rs. in crore)

Items	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
1. Tax Revenues						Estimates
a) Octroi	217.63 (55.83)	226.45 (52.82)	271.65 (54.27)	406.69 (59.57)	456.82 (55.53)	531.72* (61.03)
b) Property tax	34.7 (8.90)	34.92 (8.15)	42.42 (8.47)	54.31 (7.95)	66.73 (8.12)	66.64 (7.65)
c) Share from auction money and excise duty on liquor	41.34 (10.61)	43.71 (10.20)	45.04 (9.00)	38.34 (5.62)	63.44 (7.71)	60.99 (7.00)
d) Others	2.75 (0.70)	4.26 (0.99)	4.31 (0.86)	3.51 (0.51)	3.07 (0.37)	3.50 (0.40)
e) Total (a+b+c+d)	**296.42 (76.04)**	**309.34 (72.16)**	**363.42 (72.60)**	**502.85 (73.65)**	**590.06 (71.73)**	**662.85 (76.08)**
2. Non-Tax Revenues						
a) Water supply & sewerage charges	30.05 (7.71)	31.18 (7.27)	38.04 (7.60)	43.68 (6.40)	57.73 (7.02)	59.62 (6.84)
b) Others including capital receipts	43.31 (11.11)	44.29 (10.33)	56.92 (11.37)	87.63 (12.83)	101.52 (12.34)	112.12 (12.87)
c) Total (a+b)	***73.36*** **(18.82)**	***75.47*** **(17.60)**	***94.96*** **(18.97)**	***131.31*** **(19.23)**	***159.25*** **(19.36)**	***171.74*** **(19.71)**
3. Revenues from Own Sources						
Total (1e+2c)	**369.78 (94.86)**	**384.81 (89.76)**	**458.38 (91.57)**	**634.16 (92.88)**	**749.31 (91.09)**	**834.59 (95.79)**
4. Share from taxes as per recommendations of the FSFC	**-- --**	**36.26 (8.46)**	**10.82 (2.17)**	**13.18 (1.93)**	**17.78 (2.16)**	**-- --**
5. Grants:						
a) As per recommendations of 10th & 11th Finance Commissions	-- --	-- --	7.65 (1.53)	9.56 (1.40)	5.74 (0.70)	10.95 (1.26)
b) For Centrally Sponsored and State Plan schemes	18.89 (4.85)	5.4 (1.26)	22.42 (4.48)	23.75 (3.48)	45.77 (5.56)	23.25 (2.67)
c) Others	1.14 (0.29)	2.24 (0.52)	1.3 (0.25)	2.1 (0.31)	4.01 (0.49)	2.4 (0.28)
d) Total (a+b+c)	***20.03 (5.14)***	***7.64 (1.78)***	***31.37 (6.26)***	***35.41 (5.19)***	***55.52 (6.75)***	36.6 ***(4.21)***
6. Total Revenue (3+4+5d)	**389.81 (100.00)**	**428.71 (100.00)**	**500.57 (100.00)**	**682.75 (100.00)**	**822.61 (100.00)**	**871.19 (100.00)**

Source: *Report of the Second Punjab Finance Commission (2002)* and Local Government Department, Punjab

Note: 1) Figures in parentheses indicate % age to total revenue income in respective years.
2) *Revenue from octroi for the year 2001-02, includes grants of Rs. 140.51 crore against losses, on account of abolition of octroi (1 December 2001 to 31 March 2002)

An item-wise analysis of various sources of income in the context of the recommendations of the FSFC, the TFC and the Eleventh Finance Commission (EFC) is presented below. An effort has been made to give suggestions for enhancing income from these sources.

Octroi: In view of a very high estimate of financial resources required for augmentation of basic urban infrastructure and services, abolition of octroi is not advisable. It is the only local tax with buoyancy and elasticity. Nevertheless, the existing drawbacks in its administration need to be addressed. An array of concessions and exemptions given to several goods and commodities needs review. The measures mentioned below could, therefore, be considered:

- Switching over progressively from the age-old practice of assessment of octroi on 'weight basis' to 'ad valorem basis'. This is equitable.

- Computerization of major check-posts, with connectivity with a central point, to reduce malpractices and improve octroi collections through quick monitoring.

- Effective transit pass system, by feeding into the computers the description of goods and vehicles entering the towns and its transmission to the octroi posts at the exit point to

- check misuse of transit passes.

- A bench-mark for octroi staff and its monitoring to improve their efficiency and introduction of incentives for employees and informers are other measures for improving octroi collection.

- Leakage of revenue on account of under-invoicing in bills can be plugged by random checking of vehicles and co-ordination with the sales tax department.

- Private sector participation in octroi collection can enhance income from octroi through the implementation of an efficient and leak-proof system, better tax administration and application of low-cost modern techniques.

A recent study of Ludhiana Municipal Corporation by the Centre for Research in Rural and Industrial Development (CRRID), conducted by Gupta and Teotia (2001), indicates that LMC has achieved significant growth in income from octroi by implementing these measures and through effective tax administration. Table 5 shows the comparative picture of revenue from octroi in municipal corporations and municipal councils/nagar panchayats (MCs/NPs).

Table 5

Income of Urban Local Bodies from Octroi from 1996-97 to 2001-02 (Rs. in crore)

Year	MCs/NPs	Municipal Corporations				Total	Grand Total
	(A)	**(B)**				(B)	(A+B)
		Ludhiana	Amritsar	Jalandhar	Patiala		
1996-97	101.15	54.12	26.96	25.84	9.56	**116.48**	**217.63**
	(46.48)	(24.87)	(12.39)	(11.87)	(4.39)	**(53.52)**	**(100.00)**
1997-98	101.73	58.68	29.86	28.1	8.08	**124.72**	**226.45**
	(44.92)	(25.91)	(13.19)	(12.41)	(3.57)	**(55.08)**	**(100.00)**
1998-99	123.09	73.49	34.77	31.26	9.04	**148.56**	**271.65**
	(45.31)	(27.05)	(12.80)	(11.51)	(3.33)	**(54.69)**	**(100.00)**
1990-00	182.84	114.18	46.97	50.28	12.42	**223.85**	**406.69**
	(44.96)	(28.08)	(11.55)	(12.36)	(3.05)	**(55.04)**	**(100.00)**
2000-01	226.64	117.26	50.11	50.78	12.03	**230.18**	**456.82**
	(49.61)	(25.67)	(10.97)	(11.12)	(2.63)	**(50.39)**	**(100.00)**
2001-02	264.17	145.5	44.95	63.24	13.86	**267.55**	**531.72**
	(49.68)	(27.36)	(8.45)	(11.89)	(2.62)	**(50.32)**	**(100.00)**

Source: Local Government Department, Punjab

Note: Figures in parentheses indicate percentage share in the total income from octroi in a particular year

Income from octroi in Amritsar, Jalandhar and Patiala Municipal Corporations and other MCs/NPs has not shown adequate growth. The income of LMC has increased substantially and it is more than the total income of Amritsar, Jalandhar and Patiala Municipal Corporations put together. The measures adopted by LMC to enhance its income can be adopted by other corporations and municipal councils.

Property tax: Besides octroi, property tax (PT) constitutes the most important municipal tax in Punjab. Entry 49, read with Entry 5 of the State List in the Seventh Schedule of the Constitution of India, enables the ULBs to levy tax on land and buildings. ULBs in Punjab do not charge PT on all types of properties, and a large proportion of these are exempted. These include self-occupied properties, schools (even those receiving 95% grants from the state), many charitable and religious institutions and central government organizations and institutions. According to the FSFC, growth of income from PT is constrained by existing rent control laws. The Commission noticed several deficiencies in fixation of tax base, tax rate, tax assessment, tax collection, tax exemptions/concessions and lack of uniformity in the laws for municipal corporations and municipal councils. Though Punjab has liberalized its Rent Control Legislation to make it fall in line with the Model Rent Control Law, 1992, of the central government, the desired result of boosting tax revenue, as a result of changes in the formula for determining the standard rent, have been limited, as most of the old high-priced inner city properties have continued to be assessed at a very low rateable value. As a part of strategy to reform PT, the FSFC gave certain recommendations to strengthen the fiscal domain of ULBs, which have not been implemented so far. Even for exemptions declared by the state government in 1994, no compensation has been given to ULBs.

Property tax reforms: Income from PT has potential and its administration should be streamlined for a higher yield. The tax base, tax rate, tax assessment, tax collection, tax exemptions and resolution of disputes are important aspects of property tax administration. According to the guidelines for PT reforms prepared by the Ministry of Urban Development (MOUD), Government of India (GOI), a good PT structure should have the following characteristics:

- A low rate of tax to make it acceptable.
- Assessment and collection should be simple and transparent.
- Equity between different classes of tax payers.
- Minimum discretion of assessors.
- Facilitating self-assessment by owners/occupiers.

Taking into consideration the host of administrative and legal reasons behind a subdued revenue productivity of the existing annual rental value system, a consensus on `area based' property tax, which has stood the scrutiny of the courts, has now generally evolved. The Hon'ble Supreme Court of India has held, in CWP No. 888 of 1996, that the `property tax is the principal source of income of the urban local bodies. It is unfortunate that the property taxes are levied at very low rates, which have been generally rent based and not revised for five years. Regrettably, large-scale exemptions and concessions are given to property holders. A lot of disparity is also seen in the manner of assessment of property tax. There is a need to have area based property tax reforms to make the system of assessment rational, transparent, simple and fair with minimum exemptions'. The EFC too has expressed similar views and highlighted, in particular, the need to improve revenue mobilization by ULBs through reforms in this local tax.

Property tax models operating in Patna, Ahemedabad, Tamil Nadu and Andhra Pradesh are worth looking at for reforming this tax in Punjab. The Hon'ble Supreme Court of India, in a recent judgment on the Andhra Pradesh PT system, has upheld the area detail system of property tax, provided the methodology and the procedure of valuation and assessment of rental value are stipulated in the municipal laws. Property tax in Punjab, therefore, needs to be refurbished by providing for determination of annual rental value on the basis of location, quality of construction, age and use of land and buildings, by stipulating the methodology and procedures to be followed, as in Andhra Pradesh. The depressing effect of rent control laws on property valuation could thus be eliminated and PT could be made a buoyant and elastic source of revenue.

Innovative practices in valuation and assessment and also in tax administration as well, would need to be adopted. These include the use of Geographical Information System (GIS) for tax mapping, valuation and tax collection, computerization of PT records for effective billing and collection, delivery of PT bills through courier, a scheme of incentives and penalties for tax payers to enhance collection ratio, and strict monitoring of tax collection through ABC Analysis. Increasing demand for augmentation of basic urban services in the wake of rising urbanization is too serious a phenomenon to allow populist measures of large scale tax exemptions, deficient tax system, defective system of valuation and poor collection.

In Punjab, according to a CRRID study (Gupta and Teotia 2001), LMC has gone in for several innovations as discussed above. It has enhanced its income from PT from Rs. 14.06 crore in 1997-98 to Rs. 32.41 crore in 2001-02. The comparative growth of PT in Ludhiana, Amritsar, Jalandhar and Patiala Municipal Corporations and MCs/NPs is shown in Table 6.

Table 6
Income of Urban Local Bodies from Property Tax from 1996-97 to 2001-02 (Rs. in crore)

Year	MCs/NPs (A)	Municipal Corporations (B)				Total (B)	Grand Total (A+B)
		Ludhiana	Amritsar	Jalandhar	Patiala		
1996-97	12.46 (35.91)	12.83 (36.97)	3.18 (9.16)	3.83 (11.04)	2.40 (6.92)	**22.24** **(64.09)**	**34.70** **(100.00)**
1997-98	12.35 (35.37)	14.06 (40.26)	2.8 (8.03)	3.2 (9.16)	2.51 (7.18)	**22.57** **(64.63)**	**34.92** **(100.00)**
1998-99	14.81 (34.91)	16.94 (39.93)	3.41 (8.04)	4.12 (9.72)	3.14 (7.40)	**27.61** **(65.09)**	**42.42** **(100.00)**
1990-2000	19.61 (36.10)	22.13 (40.75)	3.99 (7.35)	5.04 (9.28)	3.54 (6.52)	**34.7** **(63.90)**	**54.31** **(100.00)**
2000-01	24.04 (36.02)	27.19 (40.75)	4.58 (6.86)	6.77 (10.15)	4.15 (6.22)	**42.69** **(63.98)**	**66.73** **(100.00)**
2001-02	18.83 (28.26)	32.41 (48.63)	4.51 (6.76)	7.01 (10.53)	3.88 (5.82)	**47.81** **(71.74)**	**66.64** **(100.00)**

Source: Local Government Department, Punjab
Note: Figures in parenthesis indicate percentage share in the total income from property tax in a particular year

The contribution of LMC to total PT collection is almost 49 per cent of the total PT income of the state. It is more than double that of three municipal corporations taken together and almost twice all other MCs/NPs. The innovative practices adopted by LMC are growth oriented and sustainable and can be replicated in other municipalities of Punjab to mobilize income from PT (Gupta and Teotia 2001).

PT in Punjab has the potential to generate additional revenue for the ULBs of more than 25 per cent per year in the next five years.

User charges for civic services: The FSFC noticed that the principle of ‘user charges’ is not being properly enforced by ULBs for providing civic services. As a result, most of these, which could be financed through ‘user charges’, are heavily subsidized or given free. In Punjab, municipalities do not recover even one-third of the cost of maintenance of water supply and sewerage. The FSFC noticed several deficiencies in the management of the water supply and sewerage system. They are:

- Large-scale evasion due to unsatisfactory billing and collection of water charges.
- Expenditure on maintenance is out of proportion and far in excess of the recovery by way of user charges from the consumers.
- There is no system of revision of rates for water supply and sewerage to provide for cost escalation including labour cost, wages, spare parts and hike in power tariffs.
- Too much wastage of water by public and street taps, theft through illegal connections and supply to unauthorized settlements are the other shortcomings.

The FSFC recommended that user charges should be extended to all municipal services, such as water supply, sewerage and parking lots and later to solid-waste management. The principle of full cost including operation and maintenance (O&M) costs, billing and collection costs and capital costs should be incorporated in user charges. Periodic revision of user charges, at least every three years, and a system of charges based on the level of consumption and cross-subsidies to weaker sections should be introduced. The municipalities must ensure an efficient and desirable level of services to justify recovery of user charges. Instead of initiating reforms to recover full cost of water supply and sewerage, Amritsar Municipal Corporation passed a resolution to give free water and sewerage facilities. This is an example of fiscal adventurism that will destroy every rudiment of efficiency.

At present recovery of O&M charges of water supply and sewerage is poor in most of the municipalities. A report on the status of water and sanitation in Ludhiana city by the Financial Institutions Reforms and Expansion Project of United States Agency for International Development (USAID FIRE-D Project 2000) indicates that the average O&M recovery in LMC was only 17 per cent in 1999-2000. Though LMC has improved by adopting a number of innovative measures, there is still scope to improve recovery of O&M cost of water supply and sewerage.

Pricing and cost recovery through rationalization of user charges: Cost recovery for providing urban civic services in Punjab has been low and the provision of services is totally unrelated to its cost. Municipal services are considered 'social goods' and the concept of cost recovery has not been considered seriously. Presently the rich and the poor are charged the same rate for the services, which continues to be highly subsidized. On the basis of recommendations of the FSFC and major findings of a CRRID study of LMC by Gupta and Teotia (2001), the following measures can be adopted by ULBs for recovery of user charges of municipal services, especially water supply, sewerage and solid-waste management:

- Pricing for water needs to be rationalized on the basis of the unit-cost of production. There should be periodic revision of charges after every three years. Water rates should be linked to cost of production in general and with the revision of power tariff in particular, with an annual hike of ten per cent to offset the escalation in the cost of maintenance of staff and materials.
- Metering of water supply should be progressively introduced as the present system encourages wastage.
- There should be no free supply of water and the system of public stand-posts should be abolished. Beneficiaries should pay collectively for water supplied through stand-posts, even though the rate can be low or nominal. An innovative system of cross-subsidy from one income group to another needs to be worked out in the interest of equity.
- Sewerage charges need to be based on water consumed and should be equal to water tariffs.
- Commercial and industrial connections should be charged higher rates than residential connections and higher rates should be charged for higher consumption.
- Progressive management contracts of O&M of water supply and sewerage system, delivery of bills and running of tube wells will enhance efficiency.
- Cost-recovery for capital investment could be effected, at least in part, by charging upfront for new water and sewerage connections from users.
- Involvement of the local community in running tube wells, sanitation and park maintenance through Neighbourhood Tube-well Operators, Mohalla Sanitation Committees and Park Management Committees respectively, should be encouraged to ensure people's participation in municipal affairs and effect economy in expenditure on these services.

The CRRID study (Gupta and Teotia 2001) shows that some of these innovative urban management practices have been implemented by LMC, resulting in increase in revenue from water supply and sewerage and economy in expenditure on solid-waste management. Table 7 shows comparative growth of income of municipal corporations and MCs/NPs from water supply and sewerage charges.

Table 7

Income of Urban Local Bodies from Water Supply and Sewerage Charges from 1996-97 to 2001-02

(Rs. in crore)

Year	MCs/NPs (A)	Municipal Corporations (B)				Total (B)	Grand Total (A+B)
		Ludhiana	Amritsar	Jalandhar	Patiala		
1996-97	11.13	5.4	7.33	4.04	2.15	**18.92**	**30.05**
	(37.04)	(17.97)	(24.39)	(13.45)	(7.15)	**(62.96)**	**(100)**
1997-98	10.19	6.69	7.52	4.38	2.4	**20.99**	**31.18**
	(32.68)	(21.45)	(24.12)	(14.05)	(7.70)	**(67.32)**	**(100)**
1998-99	13.54	8.87	7.7	5.06	2.87	**24.5**	**38.04**
	(35.59)	(23.32)	(20.24)	(13.31)	(7.54)	**(64.41)**	**(100)**
1990-2000	19.93	7.02	8.17	5.46	3.1	**23.75**	**43.68**
	(45.63)	(16.07)	(18.70)	(12.50)	(7.10)	**(54.37)**	**(100)**
2000-01	21.38	17.4	8.31	6.18	4.46	**36.35**	**57.73**
	(37.03)	(30.14)	(14.39)	(10.71)	(7.73)	**(62.97)**	**(100)**
2001-02	22.56	17.56	8.03	6.57	4.90	**37.06**	**59.62**
	(37.84)	(29.45)	(13.47)	(11.02)	(8.22)	**(62.16)**	**(100)**

Source: Local Government Department, Punjab

Note: Figures in parenthesis indicate percentage share in the total income from water supply and sewerage charges in a particular year

The increase in the percentage share of income of LMC is encouraging, as its income from water supply and sewerage charges increased from Rs. 5.4 crore (17.97%) in 1996-97 to Rs. 17.56 crore (29.45%) in 2001-2002. According to Gupta and Teotia (2001), the water supply and sewerage reforms initiated by LMC are growth oriented and sustainable and can be replicated in other municipal corporations/councils.

Additional excise duty and share of auction money and excise duty: The recommendation of the FSFC to enhance additional excise duty (AED) payable to ULBs from seven per cent to ten per cent on country liquor has not been implemented. Recommendations to enhance the AED payable to ULBs on Indian Made Foreign Liquor (IMFL) from 16 per cent to 20 per cent has been considered by the government from time to time, when time of considering the annual excise policy, but no permanent decision has been taken so far. Table 8 shows amounts due and transferred to ULBs as share of auction money and excise duty.

Table 8
Amount Due and Transferred to Urban Local Bodies as Share of Auction Money of Country Liquor Vends and Excise Duty on IMFL (Rs in crore)

Year	Share of auction money & excise duty	Provision in the state budget	Amount released to ULBs	Difference between Cols. 2 & 4
(1)	(2)	(3)	(4)	(5)
1996-97	39.3	41.34	41.34	+ 1.98
1997-98	58.33	43.71	43.71	-14.62
1998-99	59.98	71.97	45.04	-14.94
1999-2000	63.44	57.52	38.34	-25.10
2000-01	61.96	*	63.44	+1.48
Total	**283.07**	**214.54**	**231.87**	**-51.20**

Source: *Report of the Second Punjab Finance Commission* (*2002)*
Note: ***A token provision of Rs. 1000/- was made in the budget of 2000-01.

There is thus a shortfall of Rs. 51.20 crore. Transfer of the share of ULBs should be predictable, stable and transparent. The full share of ULBs in auction money and excise duty, as recommended by the FSFC, should be transferred to enable municipalities to prioritize future developmental activities.

Share of urban local bodies in state taxes: The FSFC recommended that 20 per cent of the net proceeds of the following five taxes and duties should be transferred to ULBs and PRIs, with defined principles of sharing *inter se* among them:

- Stamp Duty
- Electricity Duty
- Punjab Motor Vehicle Tax
- Entertainment Tax
- Entertainment (Cinematograph Shows) Tax.

The State Government decided to implement these recommendations with effect from the fourth quarter of 1996-97. The devolution of 20 per cent share of five state taxes to ULBs is shown in Table 9. It is evident that the transfers have been rather poor and continue to be partial without any justification. Recommendations of the Central Finance Commission are usually accepted in full and annual transfers from the Centre to the State are the same as recommended by the Commission. This is, however, not so in the case of recommendations of the State Finance Commission.

Table 9
Share of Urban Local Bodies in Five State Taxes (Rs. in crore)

Year	Receipts from 5 divisible state taxes #	Cost of collection	Net tax receipts (Col 2-Col 3)	20% share of net tax receipts (PRIs + ULBs)	Budget provision for ULBs	Amount transferred to ULBs	Shortfall (Col.6–Co.7) for ULBs
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1996-97	450.54	5.15	445.39	22.27*	11.89**	-	11.89
1997-98	476.59	6.03	470.56	94.11	50.97	36.26	14.71
1998-99	542.21	12.81	529.40	105.88	45.57	10.82	34.75
1999-2000	701.26	11.36	689.90	137.98	40.00	13.18	26.82
2000-01	912.63	11.42	901.21	180.24	32.22	17.78	14.44
Total	**3083.23**	**46.77**	**3036.46**	**540.48**	**180.65**	**78.04**	**102.61**

Source: *Report of the Second Punjab Finance Commission* (2002)
Note: # 1. Stamp Duty, 2. Electricity Duty, 3. Motor Vehicle Tax, 4. Entertainment Tax, 5. Entertainment (Cinematograph Shows) Tax.
* 20 per cent share for fourth quarter of 1996-97 calculated by taking one-fourth of total net receipts for 1996-97.
** Revised budget outlay.

Transfers of shared revenue to municipalities are *ad hoc*, unpredictable, unstable and discretionary. Non-transfer of the full share to ULBs affects their fiscal domain and makes them even more dependent on the state government. Revenue sharing should be predictable and, in principle, the full amount should be transferred to ULBs to strengthen their fiscal base.

Taxation of central government properties: Taxation of Central Government properties is subject to the provisions in the Constitution. The Central Government has now settled the issue by allowing ULBs to charge only for the services provided by them. The EFC, after considering all aspects, has recommended that 'all government properties whether they belong to the Central or the State Governments, should be subject to the levy of user charges and should be regulated by a suitable legislation'.

In Punjab, only Amritsar and Ludhiana Municipal Corporations levy nominal service charges on Central Government properties. Recommendations of FSFC that steps to tap this source of revenue should be taken have not been considered seriously by the State Government as well as local bodies. Recommendations of the FSFC and the EFC should be taken seriously and ULBs should recover service charges on Central Government properties.

Enhancing local tax authority and internal revenue efforts: Devolution of buoyant fiscal tools to ULBs is necessary to enable them properly address the existing mismatch between functions and tax and non-tax sources. The FSFC suggested devolution of i) profession tax, ii) license fee on privately-bored tube wells, iii) surcharge on water pumped into the sewerage system, iv) full potential of the tax on advertisements and hoardings, along with periodical revision of non tax rates, and v) reduction of state control on fixing rates of local taxes. The state government has been indifferent to these valuable suggestions. It has not granted fiscal autonomy to ULBs to decide their own taxation rates.

The existing position of local tax authority and internal revenue efforts indicate a status quo situation, as nothing has been done to enhance local fiscal authority and internal resource mobilization. All powers remain vested in the state government and devolution of fiscal autonomy to ULBs remains unimplemented. The levy of local taxes, as recommended by the FSFC, will help to bring stability and strength to fiscal resources and help to build a strong and viable tax base.

Devolutions recommended by the Tenth Finance Commission and the Eleventh Finance Commission: Article 283 (3)(c) of CAA empowers the central finance commission to make recommendations regarding measures needed to augment the Consolidated Fund of a state, to supplement the resources of its municipalities on the basis of the recommendations of the state finance commission. The TFC for the first time made a provision of Rs. 30.60 crore to be given to ULBs of Punjab, on the basis of a ratio of the slum population derived from the urban population figures of the 1971 Census. The ULBs were required to prepare suitable schemes and provide matching contributions. It also mandated that no amount be used on salaries and wages. Table 10 contains grants recommended by the TFC, amounts received by ULBs and the shortfall.

Table 10
Grants Recommended by the Tenth Finance Commission
(Rs. in crore)

Year (1)	Grants recommended by the TFC (2)	Received by the ULBs (3)	Shortfall (2-3) (4)
1996-97	7.65	-	7.65
1997-98	7.65	-	7.65
1998-99	7.65	7.65	-
1999-00	7.65	9.56	-1.91
Total	**30.60**	**17.21**	**13.39**

Source: *Report of the Second Punjab Finance Commission (2002)*

The EFC has recommended a grant of Rs. 54.70 crore, i.e., Rs. 10.94 crore per annum to be given to ULBs for the period 2000-2005. Table 11 shows grants recommended by the EFC, amounts received by ULBs and the shortfall in 2000-01 and 2001-02.

Table 11
Grants Recommended by the Eleventh Finance Commission (Rs in crore)

Year 1	Grants recommended by the EFC 2	Received by the ULBs 3	Shortfall 4 (2-3)
2000-01	10.94	5.74	5.20
2001-02	10.94	-	10.94
Total	**21.88**	**5.74**	**16.16**

Source: *Report of the Second Punjab Finance Commission (2002)*

Tables 10 and 11 indicate that ULBs have not received the full amount as recommended by the Tenth and Eleventh Finance Commissions of India. The shortfall in grants is detrimental to the fiscal health of ULBs. Inadequate receipt of grants may result in slow progress of developmental activities and poverty alleviation programmes. The grants, as recommended by the TFC and the EFC, should be transferred to ULBs for successful implementation of urban development and poverty alleviation programmes.

Municipal expenditure: Municipal expenditure, comprising expenditure on general administration, tax collection, provision of services and debt servicing is shown in Table 12.

Table 12

Total Expenditure of Urban Local Bodies from 1996-97 to 2001-2002 (Rs. in crore)

Components of Expenditure	1996-97	1997-98	1998-99	1999-2000	2000-01	Estimates 2001-02
1. General Administration	15.42	17.86	26.09	28.97	37.37	39.98
2. Tax Collection	35.9	39.14	50.85	59.54	49.75	52.24
3. Provision of Services	261.64	244.45	256.93	424.63	457.16	530.31
4. Debt Servicing						
a) Interest	2.78	2.8	1.55	1.58	1.67	2.70
b) Repayment of Principal	6.86	7.2	8.07	6.84	6.87	7.17
c) Total (a+b)	9.64	10.00	9.62	8.42	8.54	9.87
5. Miscellaneous	46.17	49.19	61.72	70.59	175.74	150.1
Total Expenditure (1+2+3+4c+5)	**368.77**	**360.64**	**405.21**	**592.15**	**728.54**	**782.5**

Source: 1) *Report of the Second Punjab Finance Commission 2002)*
2) Local Government Department, Punjab

Expenditure on establishment: According to the FSFC all municipalities incur unduly large expenditure on staff. Excessive cadreization with fixed strength, as determined by the government, does not leave any initiative for municipalities to reduce their expenditure on establishment. The excessive expenditure on staff is also due to unplanned expenditure on *ad hoc* and temporary workforce for sanitation, roads, water supply, etc. The FSFC considered this matter and recommended that measures should be taken to reduce excessive expenditure on the establishment and the limits on it upto a permissible percentage of the income must be adhered to. The State Government should exercise its authority to ensure that the cadre strength of various services is not inflated.

According to the SSFC, the cost of establishment was 42.03 per cent of the total own revenue and 39.57 per cent of the total expenditure of ULBs in 2000-01. It was higher than the limits fixed by Local Government Department, that not more than 35 per cent of the total expenditure should be spent on salaries. Privatization/contracting-out is being introduced in municipal functions, such as sanitation, streetlights, park maintenance, delivery of bills (through courier) and O&M of tube wells in a few municipalities. There is scope for privatization/contracting-out of municipal services in ULBs to reduce expenditure on establishment bringing it upto 35 per cent or even less.

The Local Government Department generally insists on the ULBs to present a balanced budget. Balancing of the budget, however, should not be at the cost of deficient municipal services. Table 13 shows the impressive budgetary surplus that has been increasing over the years.

Table 13
Budgetary Surplus in Urban Local Bodies from 1996-97 to 2001-02 (Rs. in crore)

Particulars	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	Total
Income	389.81	428.71	500.57	682.75	822.61	871.19	3695.64
Expenditure	368.77	360.64	405.21	592.15	728.54	782.50	3237.81
Revenue Surplus (+)/ Deficit (-)	(+) 21.04	(+) 68.07	(+) 95.36	(+) 90.60	(+) 94.07	(+) 88.69	(+) 457.83

Source: 1) *Report of the Second Punjab Finance Commission (2002)*
2) Local Government Department, Punjab

ULBS should not be forced to present balanced budgets. The revenue surplus would need to be leveraged for borrowings for much needed urban infrastructure and augmenting the existing civic services.

Data-base on Finances of Urban Local Bodies and Management Information System (MIS)

The FSFC and SSFC of Punjab, TFC and EFC have expressed serious concerns about the non-availability of data on the finances of local bodies. According to the EFC `in the absence of any reliable financial/ budgetary data, no realistic assessment of the needs of the municipalities for basic civic and developmental functions can be made nor can any information be generated on the flow of funds to the local bodies for the implementation of various schemes for economic development and social justice'. The

SSFC has mentioned that a dependable and comprehensive database on the finances of local bodies is necessary but the position in this regard is not satisfactory. The FSFC and SSFC obtained the requisite data of income and expenditure of local bodies from them *ab initio*, and scrutinized and rectified the deficiencies.

The process of data collection, analysis, interpretation and updating should be expedited to strengthen policy planning for effective local self-government in Punjab. With the increased use of computerization, ULBs should be able to create a strong database on major aspects of municipal finances. The data will be useful for policy makers for predicting and managing the present and future development of growing cities. The recommendations of FSFC and SSFC regarding creation of a database should be implemented immediately. As recommended by the SSFC, the responsibility for the purpose may preferably be entrusted to the Director, Local Government and not to the Examiner Local Fund Accounts, as recommended by the EFC. A regulatory mechanism can help in continuous monitoring of data collection, evaluation and development of a management information system and its dissemination to various stake holders, like State and Central Governments for the finance commissions, planners, academics, research institutions/universities and consumers. An allocation of Rs. 10.93 lakh recommended by EFC for all ULBs of Punjab is not adequate and a specified percentage of budgets of ULBs should be earmarked for creation of database and MIS.

Property and Asset Management

The importance of property/ asset management in ULBs can hardly be over-emphasized. This is essential to improve the fiscal base and quantify the capital supporting the assets. ULBs should put together all scattered assets of land and buildings, which are possibly being eroded through encroachments or unauthorized takeovers. With computerization and a management information system in place, this technique will help to preserve, maintain and compute the orderly growth of assets, comprising lands, buildings and other municipal properties, which must be inventorized for recovery of rents and rates and the most economic use of assets. The LMC adopted this technique, with technical support from Infrastructure Professionals Enterprise (P) Ltd. It did a comprehensive land-inventory exercise and identified 865 additional properties including large tracts of land. The total monetary value of these assets is reported to be Rs. 350 crore. The potential revenue generation from these properties/assets of LMC is over a crore of rupees per annum. According to the CRRID study (Gupta and Teotia 2001), 'the mapping, survey of properties and inventory of old and newly identified assets, is a distinctive achievement of LMC towards tightening control on taxable properties and its own assets'. This can be replicated by other municipalities for strengthening their fiscal domain.

URBAN BASIC CIVIC SERVICES AND FINANCING URBAN INFRASTRUCTURE: A PLAN FOR URBAN DEVELOPMENT

Water supply, sewerage, surface drainage, solid-waste management, roads and street lighting are important urban basic civic services and core constituents of urban infrastructure. There is an acute pressure on these services in the wake of growing urbanization in Punjab. Most of the towns and cities of Punjab have serious deficiencies of civic services with regard to the coverage of population and level and quality of services. According to the FSFC of Punjab, water supply is a big casualty. Sewerage is inadequate, and even where sewerage exists, there is no proper arrangement for sewage disposal and its treatment. There are many pockets where even rudimentary surface drainage does not exist. Solid waste collection, transportation and disposal leave much to be desired. The condition of roads and streets is highly unsatisfactory with about 40 per cent of the roads and streets needing extensive repairs. There are municipal areas without pucca roads and proper street lighting. Large segments of the population live in slums and lack access to basic civic services. The population served with water and sewerage in Punjab is depicted in Table 14:

Table 14
Coverage of Population with Water Supply and Sewerage

Type of towns	Number of towns	Coverage of population in percentage	
		Water supply	Sewerage
Municipal Corporations	4	70	57
Municipal Councils Class I	26	74	63
Municipal Councils Class II	42	77	41
Municipal Councils Class III	30	79	14
Nagar Panchayats	32	46	5
Total	**134**	**71**	**52**

Source: *Report of the Second Punjab Finance Commission (2002)* and Punjab Water Supply & Sewerage Board (2002)

Table 14 shows that even in corporation towns, 30 per cent people have no water facility and 43 per cent are without sewerage connections. The coverage of population with water supply and sewerage in Nagar Panchayats is only 46 per cent and five per cent respectively. The coverage of solid waste management is no better either. There is not even one operational solid waste treatment plant in the whole state. Sewage treatment facilities are also inadequate. As the population served with water supply is more than the sewerage, it results in environmental degradation, as excessive water is not disposed off properly and gets accumulated in low-lying areas. It creates air-water- and soil-pollution and adversely affects the health of the people.

The fact that infrastructure services do not pay for themselves and the government does not have the resources to continue to subsidize the beneficiaries has resulted in low availability of funds. With increasing requirements, there is deficiency in volume as well as quality of services. It is high time that a commercial approach is adopted for providing these services (NCAER 1996).

Physical Targets and Financial Requirements Projected by the First Punjab Finance Commission

The FSFC has laid down the physical targets for the years 1996-97 to 2000-01 as shown in Table 15.

Table 15
Physical Targets of Services Projected by the FSFC

Services	Targets for coverage by the year 2000-01
Water supply	90% population with per capita supply of 150-200 liters per day.
Sewerage & surface drainage	75% underground sewage and 25% surface drainage.
Roads & streets	75-100% coverage by all weather roads
Solid waste management	100% disposal
Street lighting	100% coverage with an average distance of 30 metres between the light poles.

Source: *Report of the First Punjab Finance Commission (1995)*

In addition, slum improvement and upgradation of fire services were included for assessing the requirements of funds. In order to achieve the above-mentioned targets, the FSFC made the following projections of cost (Table 16).

Table 16
Financial Requirements for Services Projected by the FSFC (Rs. in crore)

Services	Projected cost (1996-97 to 2000-01)
Upgradation of water supply and sewerage and escalation and maintenance of new assets.	1990.00
Upgradation of roads and streets, surface drainage, scavenging, sanitation, solid waste disposal, street lighting, slum improvement and upgradation of fire services and maintenance of new assets.	1797.71
Total	**3787.71**

Source: *Report of the First Punjab Finance Commission (1995)*

The FSFC took into account the income from the newly created infrastructure for water supply and sewerage, in addition to the projections of incomes of municipalities from various sources. It recommended that consumers benefiting from the services provided should pay for them and tariffs should be so fixed as to effect recovery of the total cost of operation and maintenance including capital costs. The FSFC, on the basis of the above principle, projected the income from user charges, but there has been a big gap in the projected and actual income from user charges from water supply and sewerage as shown in Table 17.

Table 17
Shortfall in the Projected and Actual Income from Water Supply and Sewerage Charges (1996-97 to 2000-01)
(Rs. in crore)

Year	User charges from water supply and sewerage projected by the FSFC	Actual income of ULBs from water supply and sewerage charges	Shortfall in the projected and actual Income (2-3)
(1)	**(2)***	**(3)****	**(4)**
1996-97	100.35	30.05	70.30
1997-98	182.27	31.18	151.09
1998-99	255.09	38.04	217.05
1999-2000	355.97	43.68	312.29
2000-01	459.01	57.73	401.28
Total	**1352.69**	**200.68**	**1152.01**

Source: * *Report of the First Punjab Finance Commission (1995)*
** *Report of the Second Punjab Finance Commission (2002)*

The shortfall in the income from water supply and sewerage charges has been due to a variety of reasons, such as non-implementation of the recommendations of the FSFC, especially about revision of tariffs, recovery of user charges by linking it with the hike in electricity charges and the recovery of expenditure on O&M, billing and collections and the capital cost of services. The recovery of user charges has not been fully extended to water supply, sewerage, parking lots and solid waste management and the principle of full cost recovery has not been adopted for reasons of ‘political populism’ or otherwise. Recently, Amritsar Municipal Corporation took a retrograde step by passing a resolution to provide free water supply, putting aside the principle of periodic revision of user charges recommended by the FSFC.

There has been a big gap in the expenditure projected by the FSFC and the actual expenditure on the provision of services as shown in Table 18. Projected expenditure on upgradation and maintenance of existing and new assets includes water supply, sewerage, storm water drainage, sanitation, roads, scavenging, streetlights, slum improvement, fire services including repayment of loans and existing expenditure of municipalities.

Table 18

Projected and Actual Expenditure on Provision of Services (1996-97 to 2000-01) (Rs. in crore)

Year	Expenditure on provision of services projected by the FSFC	Actual expenditure on provision of services	Shortfalls (2-3)
(1)	(2)*	(3)**	(4)
1996-97	419.99	261.64	158.35
1997-98	590.15	244.45	345.70
1998-99	736.72	256.93	479.79
1999-2000	926.64	424.63	502.01
2000-01	1114.21	457.16	657.05
Total	**3787.71**	**1644.81**	**2142.90**

Source: * *Report of the First Punjab Finance Commission (1995)*
** *Report of the Second Punjab Finance Commission (2002)*

The actual expenditure on provision of services has been much lower than projected by the FSFC. The Ninth Five Year Plan has ended with a massive backlog of funds needed for providing urban basic services in Punjab.

Physical Targets and Financial Requirements for Financing Urban Infrastructure Projected by the Second Punjab Finance Commission

According to the Report of the SSFC (2002) only `47 per cent of expenditure on operation and maintenance of water supply and sewerage schemes is being recovered by ULBs. In some ULBs the recovery is even less than 25 per cent of O&M expenditure'. This is so largely because rates of water supply and sewerage charges have not been revised by most ULBs since March 1993, except in Ludhiana (with effect from 5 April 1999), Jalandhar (with effect from 10 December 1999) and Patiala (with effect from 28 February 2000) Municipal Corporations. The rates continue to be highly subsidized and vary from municipality to municipality. The rates for yellow cardholders have not been revised for more than a decade.

The SSFC has worked out the present O&M cost for water supply at Rs. 2.73/- per KL, though the cost including depreciation and interest is rupees six per KL. The SSFC has recommended the following targets to recover 100 per cent O&M cost of water supply and sewerage (Table 19).

Table 19

Targets for Recovery of O&M Costs Projected by the SSFC (2002-03 to 2005-06)

Year	2002-03	2003-04	2004-05	2005-06
Targets for Recovery of O&M Costs (%)	60	80	90	100

Source: *Report of the Second Punjab Finance Commission (2002)*

The SSFC has recommended that efforts should be made to reduce O&M expenditure to the extent possible, through economy in energy consumption, proper maintenance of distribution pipes, privatization of preparation and distribution of bills, and to increase revenues by checking unauthorized connections. Much of the advantages of tariff reforms to cover O&M expenses in terms of saving water and preventing wastage will be lost unless water supply to the consumers is metered.

Table 20 shows estimated the targets for coverage of services and financial requirements as recommended by the SSFC for the years 2002-03 to 2005-06.

Table 20
Physical Targets and Financial Requirements for O&M and Creation of New Assets Projected by SSFC (2002-03 to 2005-06) (Rs. in crore)

Particulars	Targets for coverage by the year 2005-06	Financial requirements for O&M and creation of new assets from 2002-03 to 2005-06	
		Without escalation	With escalation (@7 % per annum)
Water Supply	85%	642.00	728.29
Sewerage	70%		
Sewage Treatment Plants	Amritsar, Patiala, Gobindgarh, Rajpura, Batala, Bathinda and Malerkotla	166.61	189.62
Solid waste management	100%	138.08	162.25
Solid waste treatment plants	Four corporation towns and a few class I & II Towns	87.85	103.25
Storm water drainage	For corporation towns only	291.50	342.20
Roads & Streets	100%	586.44	689.04
Street lights	100%	270.76	318.16
Surface drainage	100%	187.81	220.71
Sanitation	100%	655.56	770.56
Other services	--	117.84	138.44
Grand Total		**3144.45**	**3662.52**

Source: Compiled from the *Report of the Second Punjab Finance Commission* (2002)

The suggested targets for provision of services seem to be on the lower side. The task is challenging, as the accumulated backlog of developmental works, especially water supply, sewerage and solid-waste management (including treatment) need massive investments. Management and handling of municipal solid waste to comply with Municipal Solid Wastes (Management and Handling) Rules, 2000, also require huge investments.

The success of the New Economic Policy and the objectives of the state government to increase economic growth and quality of life in urban areas, is critically contingent on a strong urban infrastructure and service support. Adequate provision for these services is essential to ensure creation of an environment-friendly, sustainable urban infrastructure for the citizens. In this perspective, the objectives should be to achieve the targets in the next five years in respect of core services in urban areas of Punjab as shown in Table 21. The estimates of likely expenditure on these services for the period 2002-03 to 2006-07, taking into account the escalation in cost, have been prepared in consultation with the Local Government Department and the Punjab Water Supply & Sewerage Board.

Table 21
Physical Targets and Financial Requirements for Water Supply, Sewerage, Solid Waste Management and other Infrastructure Services from 2002-03 to 2006-07 (Rs. in crore)

Particulars	Target of coverage (%) by the year 2006-07	Financial requirements					
		2002-03	2003-04	2004-05	2005-06	2006-07	Total (2002-03 to 2006-07)
Water supply	100	106.0	111.0	121.0	122.0	122.0	582.0
Sewerage	100	210.0	270.0	310.0	380.0	440.0	1610.0
Drainage	25	63.0	81.0	93.0	114.0	132.0	483.0
Sewage treatment Plants	100	168.0	168.0	168.0	168.0	171.0	843.0
Solid waste Management							
(a) Extension and augmentation of collection and transportation	100	20.0	20.0	20.0	20.0	25.0	105.0
(b) Treatment and disposal	100	25.0	25.0	25.0	25.0	25.0	125.0
O&M of water supply & sewerage system		167.5	171.0	174.0	177.5	187.0	877.0
Roads & Streets	100	140.0	140.0	140.0	140.0	140.0	700.0
Street lights	100	60.0	60.0	60.0	60.0	60.0	300.0
Fire services	100	35.0	35.0	35.0	35.0	35.0	175.0
Parks, gardens, urban forestry, parking and bus stands etc.	-	40.0	40.0	40.0	40.0	40.0	200.0
Grand Total	**-**	**1034.5**	**1121.0**	**1186.0**	**1281.5**	**1377.0**	**6000.0**

Source: 1) Punjab Water Supply and Sewerage Board (2002)
2) Local Government Department, Punjab
3) CRRID Projections

The estimated investment to cover the total population with water supply, sewerage, solid waste management, roads, street lights is Rs. 1,034.5 crore in the first year, i.e., 2002-03. The total funds needed for investment from 2002-03 to 2006-07 have been estimated at Rs. 6,000.0 crore.

Projection of Income and Expenditure of Urban Local Bodies

The projected income, expenditure and resource gap of ULBs for the next five years, i.e., 2002-03 to 2006-07, is presented in Tables 22, 23 and 24 respectively.

Table 22
Projected Income of Urban Local Bodies from 2002-03 to 2006-07

Components of the Income	Estimates*	Projections (Rs. in crore)				
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
1. Tax revenues						
a) Octroi	531.72**	584.89	643.38	707.72	778.49	856.34
b) Property tax	66.64	83.3	104.13	130.16	162.7	203.37
c) Share from auction money & excise duty on liquor	60.99	65.26	69.83	74.72	79.95	85.54
d) Others	3.5	3.85	4.24	4.66	5.12	5.64
e) Total (a+b+c+d)	**662.85**	**737.3**	**821.58**	**917.26**	**1026.26**	**1150.89**
2. Non-tax revenues						
a) Water supply & sewerage changed	59.62	74.53	93.16	116.45	145.56	181.95
b) Others including capital receipts	112.12	123.33	135.67	149.23	164.15	180.57
c) Total (a+b)	**171.74**	**197.86**	**228.83**	**265.68**	**309.71**	**362.52**
3. Revenues from own sources						
Total (1e+2c)	**834.59**	**935.16**	**1050.41**	**1182.94**	**1335.97**	**1513.41**
4. Share from taxes as per recommendations of the SSFC	--	72.36	77.80	83.77	90.34	100.40
5. Grants						
a) As per recommendations of 11th Finance Commission	10.95	10.95	10.95	10.95	10.95	10.95
b) For Centrally sponsored and State Plan schemes	23.25	23.25	23.25	23.25	23.25	23.25
c) Others	2.4	2.64	2.9	3.19	3.51	3.86
d) Total (a+b+c)	**36.6**	**36.84**	**37.10**	**37.39**	**37.71**	**38.06**
6. Total Revenue (3+4+5d)	**871.19**	**1044.36**	**1165.31**	**1304.10**	**1464.02**	**1651.87**

Source: *Local Government Department, Punjab

Note: 1) **Revenue from octroi for the year 2001-02, includes grants of Rs. 140.51 crore against the loss, on account of abolition of octroi (1 December 2001 to 31 March 2002)

2) Growth rates for projections (in percentage):

a)	Octroi	10
b)	Property tax	25
c)	Share from auction money and excise duty on liquor	7
d)	Water supply and sewerage charges	25
e)	Others including capital receipts	10

Table 23
Projected Expenditure of Urban Local Bodies from 2002-03 to 2006-07
(Rs. in crore)

Components of expenditure	Estimates*	Projections				
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
1. General administration	39.98	40.64	43.48	46.53	49.78	53.27
2. Tax collection	52.24	55.00	55.00	55.00	55.00	55.00
3. Provision of services	530.31	609.86	701.33	806.54	927.52	1066.64
4. Debt servicing						
a) Interest	2.70	4.70	4.70	4.70	4.70	4.70
b) Repayment of principal	7.17	8.50	8.50	8.50	8.50	8.50
c) Liabilities of old loan	-	-	-	7.00	17.50	31.50
d) Total (a+b+c)	**9.87**	**13.20**	**13.20**	**20.20**	**30.70**	**44.70**
5. Miscellaneous	150.10	165.11	181.62	199.78	219.76	241.74
Total Expenditure (1+2+3+4d+5)	**782.50**	**883.81**	**994.63**	**1128.05**	**1282.76**	**1461.35**

**Source: ***Local Government Department, Punjab.

Table 24
Projection of Resource Gap from 2002-03 to 2006-07 (Rs. in crore)

Particular	Years					Total
	2002-03	2003-04	2004-05	2005-06	2006-07	
Total income of ULBs	1044.36	1165.31	1304.10	1464.02	1651.87	6629.66
Total exp. of ULBs	883.81	994.63	1128.05	1282.76	1461.35	5750.60
Surplus	160.55	170.68	176.05	181.26	190.52	879.06

Table 24 projects a surplus for the next five years, but this alone cannot meet the requirement of funds by ULBs for financing urban infrastructure. Therefore, gigantic efforts are needed to raise funds to finance basic urban infrastructure for the entire urban population to make cities livable.

Strategic Planning for Financing Basic Civic Services and Urban Infrastructure

Broad contours of reforms in non-tax sources, as discussed below, will enable additional generation of resources as also direct and indirect cost recovery. The Local Government Department should improve buoyancy of existing taxes and use tools of resource mobilization to finance urban infrastructure. The following steps can improve pricing and cost-recovery of water supply and sewerage and improve fiscal health of ULBs:

- Metering of water supply, as it will be fair and equitable to both providers and consumers.
- Rationalization/revision of water supply and sewerage charges linked with electricity tariff.
- Detection of arrears and charging interest on delayed payments.
- User charges should cover all civic services that qualify for levy of user charges.
- Involvement of citizens in fixation of tariffs, checking misuse of services including detection of thefts.

These objectives can best be achieved through strong political will, peoples' participation and better use of information technology, i.e., computerization of billing and collection, creation of database and display of all important information/events on websites. According to the India Infrastructure Report (NCAER 1996) 'cost minimization needs appropriate technology, proper attention on maintenance, curbing misuse of services and efficient service provisions'. Technological innovations in water supply, sewerage and solid waste management can promote low cost options and commercial viability of the projects. Recycling of water and re-charging/conservation of rainwater should be promoted.

There is tremendous scope for private sector participation (PSP) in infrastructure development and delivery of services. PSP can help in developing commercially viable projects and ensure efficient provision/delivery of services, customer satisfaction, pricing and cost recovery. LMC has succeeded successful in mobilizing resources and upgrading the level and quality of environmental infrastructure through public-private partnership. The practices adopted by LMC need to be implemented by other municipalities as well.

Additional Resource Mobilization for Financing Urban Infrastructure

The financial targets for providing the projected basic civic services could be achieved by revising the existing tariffs and recovery of 100 per cent cost of O&M of water supply and sewerage in the next five years. This will create confidence among national and international investors. Revision of water supply and sewerage tariff will generate additional revenue of Rs. 20 crore per annum. Punjab could take the clue from ULBs of other states with higher rates of water supply and adjust its own rate structure on the pattern of such cities as Jaipur, Chandigarh, Bangalore and Chennai, etc., as shown in the Table 25.

Table 25
Water Tariffs in Selected Cities of India* (1998-99)

Cities	Metered rates (Non-slab) (In Rs/KL/Month)			Unmetered flat rates (In Rs./Year)			Metered slab rates (In Rs./KL/ Month)		
	Domestic	Non - domestic	Industrial	Domestic	Non – domestic	Industrial	Domestic	Non-domestic	Industrial
Vishakhapatnam	5.00	-	12.00	480.00	-	-	-	-	-
Madurai	5.00	-	20.00	240.00	-	3360.00	-	-	-
Hyderabad	3.50	15.80	-	480.00	-	-	55.00-up to15KL 3.75-15-25 KL 6.00-25-50 0KL	-	-
Ahemedabad	3.00	-	-	-	-	25-30% of ARV	-	-	-
Pune	2.50	12.00	-	-	-	-	-	-	-
Bangalore	-	-	60.00	-	-	-	65.00 (minimum) 3.50 upto 25 KL 7.00-25-50 KL 19.00-50-75 KL 26.00-75-100 KL	33.00 upto 10 KL 39.00-10-20 KL 44.00-20-40 KL 51.00-40-60 KL 57.00-60-100 KL 60.00 above 100 KL	-
Chennai	-	-	-	600.00	-	4800.00	2.50 upto 10KL 10.00-10-15 KL 15.00-15-25 KL 25.00-above 25 KL	-	25.00 upto 500 KL 40.00- above 500 KL
Bhopal	-	-	8.00	720.00	-	-	-	-	-
Jaipur	-	-	-	-	-	-	1.56 upto 15 KL 3.00-15-40 KL 4.00 above 40 KL	4.68- upto 15 KL 8.25-15-40 KL 11.00- above 40 KL	11.00- upto 15 KL 13.75-15-40 KL 16.50 above 40 KL
Chandigarh**	_	9.00	11.00	_	_	_	1.75 upto 15 KL 3.50- 15 –30 KL 5.00-30-60 KL 6.00 above 60 KL	_	_

Source: 1) * National Institute of Urban Affairs (2001), *Urban Water Supply and Sanitation: Status and Investment Implications*, NIUA, New Delhi
2) **Municipal Corporation of Chandigarh (August 2002)

The slab system is equitable as it takes care of the poorer sections of the society who consume lesser quantities of water. Property tax reforms suggested in the previous section will yield an additional income of Rs. 30 crore per annum. Fees and rents constituting non-tax revenue are low and even the nominal cost of rendering these services are not recovered. Rationalization of fees and rents is estimated to yield an additional income of Rs. 10 crore per annum. The breakup of additional resource mobilization is given in Table 26.

Table 26
Additional Resource Mobilization by Urban Local Bodies

Revision of tariff on user charges	Rs. 20 crore per annum
Increased income from property tax	Rs. 30 crore per annum
Enhanced recovery from fees and rents	Rs. 10 crore per annum
Total additional income	**Rs. 60 crore per annum**

This will strengthen the fiscal capability of ULBs and will help to raise finances form the capital market. The proposed financing of implementing projected urban infrastructure and services is given in Table 27.

Table 27
Proposed Financing of Projected Urban Infrastructure and Services

Contribution by urban local bodies	Rs.150 crore per annum
Transfer from the Punjab Infrastructure Development Board (On the pattern of transfer to Public Works Department (PWD)/Bridges and Roads (B&R) and Irrigation Department)	Rs.75 crore per annum
Earmarked contribution by the State Government out of devolution of funds	Rs.75 crore per annum
Total	**Rs.300 crore per annum**

Financing urban infrastructure and basic services requires Rs. 6,000 crore, i.e., an average investment of Rs. 1,200 crore per annum. With an additional resources of Rs 300 crore on account of improved fiscal performance by the municipalities, consequent upon reimposition of octroi, upward revision of tariffs and user charges, PT reforms, better tax administration and economy in expenditure supported by political will, it is possible to raise Rs. 900 crore per annum from national and international capital markets. Rating agencies will give a good rating to raise tax-free municipal bonds. Institutions such as LIC, General Insurance Corporation (GIC), HUDCO, Industrial Credit and Investment Corporation of India (ICICI) and Infrastructure Leasing and Financial Services (IL&FS) too will support commercially viable projects. A part of the assured income of ULBs could be dedicated to the escrow account to assure timely payment of principal and interest, to enhance the confidence of the investors in municipal debt instruments.

A project report based on the above parameters, including cash flow statements, to meet the requirements of rating agencies and lenders should be prepared by a group of professionals. The project report should be acceptable to lenders for subscribing to the tax-free bonds/loans in suitable tranches, for raising funds through private placement from the capital market. The ‘aims and objects’ of raising the funds would be attractive, being developmental, covering the entire community including the poor and the deprived.

Municipal Bonds for Financing Urban Infrastructure

'Municipal Bonds', as an instrument to finance urban infrastructure, is relatively a new concept in India. This mode of accessing the capital market on the strength of commercially viable projects took its birth in the mid-nineties. The New Economic Policy (NEP) along with liberalization and structural adjustments has led to search for an alternative system of financing infrastructure development.

There is concern today for promoting efficient use of resources, which traditionally comprised subsidies, grants and loans. This system of financing could not make the municipal administrators proactive in rationalizing tariffs for 'user charges', to put in place an effective system of cost recovery. Availability of funds for the development of urban infrastructure and services from traditional sources is presently unthinkable. All this has culminated in a change of mindset for accessing the capital market by issuing municipal bonds. Till date, the cities of Ahemedabad (twice), Nagpur, Nasik, Indore, Ludhiana, Bangalore, Madurai and Hyderabad have accessed the capital market for raising funds through municipal bonds as shown in Table 28.

Table 28
Access of Municipal Bond Market in India by Municipal Corporations

Name of municipalities	Year of issue	Size of issue (Rs in crore)	Government guarantee	Credit rating
Ahemedabad Municipal Corporation	1998	100.0	NO	AA (SO)
Bangalore Mahapalika	1997	100.0	NO	A (SO)
Ludhiana Municipal Corporation	1999	17.8	NO	AA (SO)
Nasik Municipal Corporation	1999	100.0	NO	AA (SO)
Nagpur Municipal Corporation	2000	50.0	NO	AA- (SO)
Madurai Municipal Corporation	2001	30.0	NO	A +(SO)
Indore Municipal Corporation	2001	10.0	Yes	N.A
Ahmedabad Municipal Corporation	2002	100.0	NO	AA (SO)
Hyderabad Municipal Corporation	2002	82.5	NO	AA+(SO) and LAA+(SO)

Source: Gangadhar Jha, (2002): *Development of Municipal Bond Market in India*, NIUA, New Delhi

The Government of India has permitted raising of tax free bonds by city governments, for structuring commercially viable/bankable projects and for developing a long-term debt market. The Union Finance Ministry permitted raising tax-free municipal bonds upto Rs. 200 crore in 2001-02. This amount has been increased to Rs. 500 crore in 2002-03. HUDCO has created a fund for project development and restructuring, for participation in the emerging bond market. The success of raising funds from the capital market is contingent on the internal financial strength, which will enable city governments to obtain investment-grade credit rating, for accessing the capital market and service the debts thus raised.

Financing of urban infrastructure through credit rating calls for certain reforms. The accounting system has to be such that it throws light on the basic parameters of financial strength and performance of city governments. Some states, notably Tamil Nadu, have switched over to a new accrual-based double-entry accounting system for municipal governments. Other measures include tax reforms, effective tax administration, rationalization of user charges, effective billing and collection, asset management and upgrading professional skills of municipal staff through extensive training.

There is need to raise low cost resources to bridge the backlog of infrastructure services. To achieve it Tamil Nadu Urban Development Fund (TNUDF) raised Rs. 110.05 crore from the capital market on the basis of LLA + (SO) rating. TNUDF has so far approved a number of projects costing Rs. 669.60 crore, comprising such core amenities as improvement of sewerage, storm-water drainage, sanitation, solid waste management services and augmentation of water supply. Financial institutions at the national level, such as ICICI, IDFC, IL&FS and HUDCO are important partners of the Fund. TNUDF was able to obtain a loan also from the International Bank for Reconstruction and Development (IBRD), linked to performance criteria. Based on this support, the it floated the first non-guarantee unsecured bonds in the capital market, issued by a financial intermediary with urban municipal cash flow as its base. Financial institutions, commercial banks and insurance companies are the major subscribers to the bond issue. This was part of TNUDF's efforts to position itself as a pooled financial agency for the smaller ULBs for providing funds for urban infrastructure on a long-term basis. Lenders to the municipalities are provided escrow cover to ensure repayments (TNUDF 2001).

Punjab Infrastructure Development Board (PIDB), responsible for overall development planning, policy formulation, regulation and single window approvals for infrastructure development in the state, was established under the Punjab Infrastructure Development Act, 1998. It provides for the establishment of Punjab Infrastructure Initiative Fund to accelerate the development of infrastructure in Punjab. A cess of one per cent on the sale of petrol/diesel and agricultural produce, except fruits, vegetables and pulses, is credited to Punjab Urban Development Fund (PUDF). In 2000-01, PIDB raised Rs. 300 crore through private placement of bonds rated by Investment Information and Credit Rating Agency (ICRA) as 'LA (SO)', indicating adequate safety and timely payment of interest and principal. For this, the Punjab Government gave an irrevocable guarantee for repayment of principal and interest thereon till maturity. The repayment has been ensured through escrow mechanism. The existing financing pattern of PIDB indicates that funds raised by it through infrastructure-cess and bonds have not been used for urban infrastructure, which comprise water supply, sewerage disposal and treatment, municipal roads, street lighting, solid waste management, parks and urban mass transit system. This requires immediate intervention.

The other innovative entities are West Bengal Municipal Development Project, Karnataka Municipal Development and Urban Infrastructure Projects, Mumbai Urban Infrastructure Development Project, Rajasthan Urban Infrastructure Development Project, Preparatory Technical Assistance for Calcutta Municipal Environmental Improvement Programme and National Urban Environmental Infrastructure Fund. All these projects/ funds have essentially a common denominator, such as assistance from the World Bank, Asian Development Bank (ADB) or other international funding agencies and the local capital market, for raising funds for the improvement of the quality of urban life including the poor.

The Finance Minister, Government of India, in his budget speech (2002-03) observed, 'we are aware of the sad plight of most of our towns and cities. This needs to be changed if they have to act as engines of growth, and if they are to provide a healthy environment for our citizens. Hence, we can no longer afford to delay reforms in this sector.'

The Local Government Department should look for assistance from the World Bank, ADB and other international agencies, by structuring viable and bankable projects through escrowing a portion of the income of ULBs for credit enhancement and giving confidence to investors. There is need to create a pooled financing mechanism in Punjab to enable ULBs, especially in the small and medium towns, as in Tamil Nadu, to raise funds for financing urban infrastructure.

The India Infrastructure Report (NCAER 1996), in its chapter on Urban Infrastructure, has recommended that 'a state level Regulatory Body be set up to monitor quality of services provided and price charged'. It is incumbent on the state to create a strong regulatory mechanism, to promote PSP in project development, its financing, pricing and cost recovery (user charges) and quality control. Regulatory measures are also important for long-term contracts, leases and concessions. The regulatory mechanism should be independent, so that it is not influenced by short-term populist measures of political parties for electoral interests.

The regulatory mechanism has assured significance with the implementation of the New Economic Policy, characterized by liberalization and privatization. The Local Self Government Department should draw up a legislative proposal, so that the proposed regulatory body can determine and suggest suitable/viable options of public-private sector participation in infrastructure financing, delivery of services and pricing and cost recovery. Regulated PSP promotes competitiveness and improves quality of services. The charges and rates of services fixed by the regulatory mechanism, after hearing the consumers and other stakeholders, will create confidence in their authenticity and the utilization of the revenue earmarked for development projects for the benefit of the persons paying these charges. The regulatory mechanism will be able to identify various types of risks in PSP projects and the inefficiencies of the organization providing and delivering the services. The result of such an exercise would be that the consumers would not have to pay for inefficiencies at different levels.

PRIVATE SECTOR PARTICIPATION AND PEOPLE'S INVOLVEMENT IN MUNICIPAL AFFAIRS AND URBAN DEVELOPMENT

Urbanization in Punjab is expected to accelerate in the current decade on account of economic reforms, industrialization, commercial growth and consequent migration to cities for employment. It will create a demand for efficient urban infrastructure. ULBs and other public agencies are unable to provide an adequate level of infrastructure conforming to established standards and norms, due to lack of financial resources, poor tax base and age-old technologies. There is pressure on city governments for augmentation of infrastructure services.

The fiscal stress and inability to recover the full cost of services by city governments do not permit them to even maintain the existing level of services, let alone augment them. Therefore, PSP and peoples' involvement in municipal affairs acquire importance for enhancing the fiscal capacity of ULBs to provide adequate infrastructure services and reduce expenditure on service delivery.

Private Sector Participation

PSP is a potential option to cope with the challenges of growing needs of financing urban infrastructure. The volume of investment required for removing the backlog and also for augmentation of services is massive. This gap can be met through PSP, which may take the form of total privatization, or contracting-out, or public-private partnership. PSP will bring much needed resources, new technology, enhance efficiency and ease budgetary constraints. The private sector frequently acts as a contractor to build infrastructure facilities and sometimes operates and manages them. Now, a growing pool of domestic and international private finance is available for investing in commercially viable urban infrastructure projects, lack of which has been a serious constraint for accessing the capital market. It is expected that PSP can establish sustainable partnership between the public and private sectors. The community will benefit through PSP, as it brings in management efficiency, quick and effective decision-making and capacity-building for more efficient delivery of services leading to greater consumer satisfaction.

PSP can help in off-loading the financial, functional, administrative and managerial burdens of ULBs. It can also help in augmenting and maintaining rapidly expanding urban infrastructure services. A study of LMC by Gupta and Teotia (2001) shows that the involvement of PSP in municipal affairs, especially in the collection, preparation and distribution of bills, and operation and maintenance of tube wells, has improved efficiency, along with reduction of administrative and overhead expenses and improved delivery of services.

Hyderabad Municipal Corporation has gone for PSP for its solid waste management services. About 60 per cent of the total work has been contracted out and work has been divided into ‘day units’ and ‘night units’. This has improved sanitation, resulted in an enhanced role of the community and increased participation of citizens (IHS-India 2002).

Two promising PSP projects in water supply and sanitation are the Tirupur Water Supply and Sewerage Project and a recent initiative to provide water supply to three medium-sized towns in Karnataka by a joint venture company. The Tirupur Project is the first water supply and sewerage project to be structured in a commercial format. It is also the first to use ‘index-based user charges’ and direct cost recovery for urban environmental services. The ‘water purchase-guarantee’ provided by the beneficiary group and equity participation by the Build-Operate-Transfer (BOT) operator are some of the good aspects of this partnership model (Mathur 2001).

Alandur Municipality has contracted out a sewerage project to a private sector operator, to augment its network, construct pumping houses and sewage treatment plants. Out of the investment of Rs. 45 crore, Rs. 13.2 crore will be provided by TNUDF as a loan. Loans from other financial institutions and internal sources of Alandur Municipality from connection charges and sewerage charges are financing the project. Alandur Project is unique in the sense that it is the first attempt to involve the community. The progress of the project is reviewed on a monthly basis through public meetings. Its success is assured as the community is responsive and the Government of Tamil Nadu is supportive of Alandur Municipality.

Rajkot Municipal Corporation has contracted out maintenance of streetlights, solid waste removal and transportation, cleaning of public toilets, maintenance of gardens and fire stations. Pali (Rajsthan) Municipal Council has entrusted the maintenance of streetlights to the private sector. The City and Industrial Development Corporation (CIDCO), a public sector institution in New Mumbai, has had a successful experience with privatization, which included maintenance of sewerage pumps and water pumps, meter reading and billing, maintenance of parks and gardens and collection of service charges. The Karnataka Water Supply and Sewerage Board (KWSSB) has handed over O&M and augmentation of water supply and sewerage system of four cities, namely, Belgam, Hubli, Dharwad and Mysore to a UK-based private company. It will first reduce unaccounted water-use and improve operational efficiency and then arrange finance for new investments. The KWSSB has introduced an innovative pricing structure in which water charges are linked with O&M expenditure and debt servicing (IHS-India 2002).

Private companies have assured the Municipal Corporation of Delhi (MCD) a minimum toll tax collection of Rs. 1 billion per annum as compared to Rs. 0.57 billion collected by MCD, out of which about 30-40 per cent is establishment cost, resulting in a net income of less than Rs. 0.4 billion. A South African company has been entrusted the task of toll tax collection for NOIDA Toll Bridge, which is an exemplary infrastructure project completed with the help of PSP (*Urban Finance* 2002). Surat Municipal Corporation (SMC) has introduced PSP in delivery of municipal services especially solid waste collection, maintenance of street-lights, construction of roads, tree planting and operation of water treatment plants. This, along with other innovative urban management practices, has considerably improved the environmental conditions of Surat. Several states, such as West Bengal, Maharashtra, Rajasthan, Andhra Pradesh, Haryana and Madhya Pradesh too have introduced privatization in the delivery and expansion of municipal services and infrastructure development.

There is need to expand the scope of PSP to attract investment in large- and medium-size infrastructure projects. Municipalities in small and medium towns can raise loans/debt from private sector financial institutions, through the ‘pooled financing mechanism’, for financing their urban infrastructure projects.

The Government of India in its Budget 2002-03, has initiated the following reforms and sources of funds to promote PSP/ Public-Private Partnership (PPP) in urban/municipal infrastructure development:

- The Urban Reform Incentive Fund (URIF), with an allocation of Rs. 500 crore to provide reform-linked assistance to states. Apart from assisting other areas it seeks to provide incentives to reforms through initiation of PPP in the provision of civic services.
- A City Challenge Fund (CCF) has been established to support cities by funding transitional costs of moving towards sustainable and credit-worthy institutional systems of municipal management and service delivery. It will assist in partial financing of the cost of developing an economic reform programme and financially viable projects, to be undertaken by ULBs with the help of the private sector.
- The Pooled Finance Development Scheme will help credit- augmentation to assist small ULBs to access market borrowing on a credit-worthy basis.
- The Union Finance Minister has announced that `Public-Private Partnerships will be encouraged for the provision of infrastructure facilities, the modalities for which are being worked out by a Task Force’.

Such multilateral development banks as the World Bank, (WB) and the ADB have developed guarantee schemes, to attract international private capital for financing urban infrastructure projects in developing countries. The WB facilitates access by lengthening the maturity of related borrowing. This provides ample opportunity for ULBs to go for infrastructure-related projects with the help of international funding agencies, without the direct backing of the state government. The WB also issues guarantees for project financing, under the Extended Co-Financing Facility, to cover sovereign risks associated with infrastructure projects (IHS-India 2002). This will improve access to international capital markets and the role of PSP in financing urban infrastructure projects in Punjab.

Punjab can benefit from these reform-linked assistance initiatives by encouraging PSP/PPP in infrastructure development and financing basic civic services. The FSFC and the SSFC of Punjab have emphasized privatization of municipal services, tax collection and infrastructure development activities. The recommendations of the First and Second State Finance Commissions should be considered seriously and implemented to pave the way for the involvement of the private sector.

People's Participation

At present there is no involvement of people, citizen's organizations and non-governmental organizations (NGOs) in management of municipal affairs. Active peoples' participation in infrastructure management, urban development and service delivery can help ULBs enhance coverage and convergence of services. Evaluation of urban poverty alleviation programmes in Punjab indicates that their poor implementation is due to lack of peoples' participation and of neighborhood groups.

Involvement of local communities has become imperative for the success of urban development and poverty alleviation programmes, management of municipal affairs and sustainability of cities. Innovative and best practices in urban development and poverty alleviation schemes are unlikely to succeed without making the beneficiaries themselves partners in the implementation. The following area-wise issues for promoting peoples' participation in providing some of the services and implementing different programmes need to be addressed seriously.

Water supply: There is little or no partnership of local people in the delivery of urban water service. Consumers can be actively involved at various levels of the water supply system. For instance, LMC involved local people in running tube wells through Neighborhood Tube Well Operators, resulting in economy in municipal expenditure. This practice can be replicated by other ULBs (Gupta and Teotia 2001). The other areas of peoples' participation can be detection of leakages, thefts, water conservation and quality monitoring. Citizens can be involved in promoting the concept of 'pricing and cost recovery' and principles of 'user pays' and 'polluter pays'. People should be mobilized to recycle waste water and use harvested rain water for lawn irrigation and other domestic purposes. According to the Ninth Five Year Plan, financing of drinking water supply programmes is a crucial issue in urban areas because of the massive investment required. In this context peoples' involvement can help to reduce 'wasteful use' of water in day to day domestic activities and expenditure in service delivery, and sensitize consumers to pay the full cost of water.

Sewerage: This is one of the least discussed but one of the most important and expensive services. It needs active participation of users. Inadequate coverage and poor maintenance of sewerage systems affect urban environment and health of the local population. The burden on the sewerage system is increasing due to growth in urban population and misuse of water facility. Damage of sewerage pipes, throwing of kitchen garbage and other waste material in sewers is are common phenomena, which needs to be tackled at the source. People are not aware of the ill impact of an overflowing sewerage system. They should be involved in ensuring the smooth flow of sewage. This is possible only if people do not throw non-degradable waste material in sewers and do not damage sewer lines. The principle of 'polluter pays' should be applied and violators should be brought to book. Dissemination of information to and education of sewer users can help ULBs to maintain the system efficiently. This will result in economy in expenditure on O&M of the sewerage system.

Baroda Citizens Council (BCC), a non-governmental organization, works intensively in 30 communities reaching 12,000 families to provide sanitation, shelter improvement, vocational training, health and education services. BCC became a partner in a slum networking project for environmental sanitation in Ramdev Nagar in 1994. People contributed 50 per cent of the cost of construction of community-level infrastructures, such as shallow-bore sewer, water line and house connections, streetlighting, roads, community garbage collection and landscaping, and the entire cost of constructing household toilets and facilities, such as bathing places (NIUA 2001). This shows that the community, if made a partner in development, can contribute in many ways.

Solid waste management: Peoples' participation in solid waste management (SWM) in urban areas is almost non-existent. It is considered the sole responsibility of ULBs and peoples' attitude towards it is negative. At present they are not aware about environmental, social, economic and health implications of poor waste management. ULBs suffer from financial, technical and human resource constraints in efficiently managing solid waste. Inadequate waste management in urban areas is due to lack of peoples' involvement in solid waste management. The CRRID study (Gupta and Teotia 2001) indicates that LMC involved people in upgrading sanitation services and successfully implemented the 'Mohalla Sanitation Scheme' for efficient management of waste. The scheme has effected economy in municipal expenditure on sanitation and improved environmental conditions in the city. This practice should be replicated in other cities to ensure peoples' participation in SWM and environmental improvement of neighbourhoods in urban areas.

NGOs like EXNORA in Chennai, Sristhi in Delhi, Muskan Jyoti Samiti (MJS) in Lucknow, Urban Community Development (UCD) project in Pune, Surat Citizens Council (SCC) in Surat and Baroda Citizens Council (BCC) in Baroda have demonstrated that peoples' participation can dramatically improve sanitation in the neighbourhoods and promote compliance to user charges. The dramatic transformation of Surat into a clean and green city has been possible due to the combined efforts of the Surat Municipal Corporation and the local people, whose aspirations for a clean city have been a compelling factor in this change. The SCC, a citizen's forum, is reported to be working on a scheme to recruit responsible citizens to function as watchdogs to ensure that the reforms continue (NIUA 2001). This has reduced expenditure of ULBs on SWM. Involvement of citizens has to be ensured in segregation of waste at source, its collection and transportation, creating awareness about the impact of littering, pricing and cost recovery, better handling of waste at home and outside. City governments need to evolve a comprehensive plan to involve local people in sanitation and other urban environmental infrastructure schemes.

Urban poverty alleviation: The major cause of the slow progress of urban poverty alleviation schemes has been lack of involvement of local people and absence of convergence of different support systems. The Swarna Jayanti Shahiri Rozgar Yojana (SJSRY), a modified scheme after the amalgamation of Urban Basic Services for the Poor (UBSP), Nehru Rozgar Yojana (NRY) and Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP), is based on development of community-based organizations aimed at improving the quality of life of the urban poor, by not only providing them with the opportunity of self-employment through subsidized loans, but also by improving prospects of wage employment. But the urban poverty alleviation programmes have been slow in taking off due to non-involvement of the urban poor in the formation of Community Based Organizations (CBOs) like Community Development Societies (CDSs), Neighbourhood Committees (NHCs) and Neighbourhood Groups (NHGs) as observed in the study conducted by the Institute for Development and Communication (IDC) on urban poverty alleviation in Punjab. Local citizens, CBOs, NGOs and other Self Help Groups (SHGs) are important stakeholders and ULBs should evolve partnership relations with them to make poverty alleviation programmes successful.

Slum improvement: Slum improvement programmes, such as the National Slum Development Programme (NSDP), being implemented at the grassroot level by NHCs and CDSs, have failed to provide physical and social amenities, community centres and housing facilities. It is largely due to the lack of participation of slum dwellers, poor convergence of sectoral and departmental programmes and non-formation of CBOs. Active participation of local slum communities through Slum/Neighbourhood Sanitation Committees, Thrift and Credit Societies and CDSs for the upgradation of physical and social infrastructure has become necessary for city-friendly development of slums. ULBs should ensure participation of slum dwellers in slum development activities and poverty alleviation programmes.

HOUSING

Housing and basic services were generally substandard in pre-partition Punjab. The problem multiplied after independence, with increased intensity of population in urban areas. Slum population over the years has grown at a fast pace. This has resulted in substandard housing and houselessness and lack of minimal basic amenities. Land has been becoming scarce in cities and its price sky rocketing. This has constrained the growth of private sector housing. The gap in demand and supply of housing stock has increased, causing over-crowding in existing housing colonies and formation of new slums. Growth of public sector housing is not keeping pace with the demand. The situation is the worst for low-income groups, weaker sections and the Scheduled Caste population. Since housing is beyond the affordability of the poor illegal encroachment of government land is common, and there is mushroom growth of unauthorized slum colonies.

Housing is a state subject, though the central government, through its different institutions, such as HUDCO, National Housing Bank (NHB), Building Material and Technology Promotion Council (BMTPC) and National Urban Infrastructure Development Finance Corporation (NUIDFC) has been making efforts at different levels.

Currently, these organizations are striving to improve housing stock and upgrade urban infrastructure. The state Government earlier through the Housing Board and now from 1995 onwards through Punjab Urban Development Authority (PUDA), is involved in land development and construction of houses, commercial complexes and shops in cities and towns of Punjab.

Despite a quantitative increase in the housing stock over successive decades, the housing situation in Punjab continues to be unsatisfactory. A study conducted by the Socio- Economic Research Foundation (SERF), New Delhi, for the Ministry of Urban Affairs and Employment, Government of India, and the Department of Housing and Urban Development, Government of Punjab, has estimated the shortage of housing in Punjab. This is shown in Table 29.

Table 29
Estimated Housing Shortage in Urban Areas of Punjab in 1995, 1997 and 2002

S No.	Particulars	Shortage in urban areas		
		1995	1997	2002
1	Projected urban population	66,47,080 (68,08,518)	69,88,366 (72,56,857)	78,93,802 (85,11,156)
2	Size of household	5.62	5.62	5.60
3	Number of households	11,82,754	12,43,481	14,09,607
4	Total housing stock	12,16,360	12,72,445	14,28,454
5	Number of vacant houses	1,01,201	1,04,086	1,12,562
6	Available housing stock	11,15,159	11,68,359	13,15,892
7	Houses needed for decongestion	93,438	98,235	1,11,359
8	Replacement of unserviceable kutcha houses	3,134	3,295	3,740
9	Replacement of other houses in bad condition	29,983	31,522	35,729
10	Allowance for vacancy for covering Shortages	-	-	8,017
11	Housing shortages (3-6) +7+8+9+10	1,94,150	2,08,174	2,52,560

Source: Study on *Preparation of Sectoral Housing Action Plan: Punjab State*, SERF, 1996, New Delhi.

Note: Population figures in parenthesis (s. no.1) have been calculated on the basis of ACGR of urban population of Punjab recorded by the Census of India during 1991 & 2001.

Requirement of funds and land for housing in urban areas during 1995 to 2002, estimated by SERF, is as below:

Funds	Rs. 11,304.18 crore
Land	5,012.76 hectares

Out of Rs. 11,304.18 crore, required for financing urban housing (1995-2002), Rs. 11,087.74 crore was for construction of new houses, Rs. 80.89 crore for structural upgradation of houses and Rs. 136.55 crore for additions to existing houses. Out of 5,012.76 hectares of urban land required for housing during 1995-2002, 1,065.97 hectares were needed during 1995-97 and 3,946.79 hectares during 1997 to 2002.

Requirements of funds and land, based on the projection of population growth, is on the lower side. If the actual population growth is considered (as shown in parenthesis in

Table 29), which is considerably higher than the projected population, the housing shortage will go up and so will the requirement for funds and land for housing. Housing, being a self-help activity, has not received much attention from the public sector. The state has been engaged in the construction of houses for its employees. Moreover, plan outlays for housing have not been adequate. Table 30 shows approved plan outlays and expenditure on housing in Punjab for the Eighth, Ninth and Tenth Five Year Plans.

Table 30
Approved Plan Outlay and Expenditure on Housing Including Police Housing (Rs. in crore)

Plans	Approved outlay	Percentage of total outlay	Expenditure	
			Actual expenditure	Percentage of total expenditure
Eighth Five Year Plan	229.74	3.50	266.01	4.21
Ninth Five Year Plan	252.85	1.77	148.64	1.34
Tenth Five Year Plan	165.67	0.71	--	--

Source: *Ninth and Tenth Five-Year Plans of Punjab*, Department of Planning, Government of Punjab

Table 30 shows that the approved outlay, percentage of total outlay, actual expenditure and percentage share of housing in total expenditure have declined sharply. It is worth mentioning that housing has been allocated a negligible amount in the Tenth Five Year Plan, despite huge requirement of funds and land. The criticality of the situation is that EWS housing for vulnerable sections is not receiving any attention, as the state government is involved in construction and maintenance of houses for senior officers, legislators and guest houses at Chandigarh, New Delhi and district headquarters in Punjab. Housing for the police force is another priority area, which is siphoning off a considerable portion of the plan outlay.

The current phase of economic development under the liberalization regime has opened up new options for financing housing. Such specific instruments as 'bonds' can finance housing and infrastructure services. Institutional finance from HUDCO, NHB, NUIDFC, LIC and commercial banks is now available without much difficulty, if land is earmarked and made available by ULBs or PUDA. Disbursements by housing finance institutions have shown impressive growth.

The following steps have been taken by the Government of India to strengthen the housing finance mechanism and promote public-private partnership to accelerate the pace of housing construction, especially for economically weaker sections:

- Hundred per cent foreign direct investment is permitted in urban infrastructure projects under the Foreign Investment Policy in all major areas of urban development, such as housing, commercial premises, hotels and resorts.
- Private initiative is welcome in such sectors as water supply, sanitation, public transport, housing and urban development. Non-Resident Indians (NRIs)/Person of Indian Origin (PIO)/Overseas Corporate Bodies (OCBs) are permitted to invest in housing and real estate development upto 100 per cent on a repatriable basis.

- The Government of India is committed to provide investment incentives in the form of:
    - A ten-year, 100 per cent tax holiday to enterprises responsible for developing, maintaining or operating water supply, sanitation and sewerage projects.
    - Interest-income and long-term gains of an approved infrastructure capital fund or an infrastructure capital company, from investments made in shares or long-term finance in any enterprise engaged in any area of infrastructure development, are exempted from tax, subject to fulfillment of prescribed conditions.
    - The Union Government has set up the URIF with an initial allocation of Rs. 500 crore, to provide reform-linked assistance to states, incentivise reforms in rent control laws, simplify the legal and procedural framework for conversion of agricultural land for non-agricultural purposes and to revise of bylaws to streamline the process of construction of buildings and development of sites.
    - Housing has been declared a priority area and government has repealed the Urban Land (Ceiling and Regulation) Act, 1976. It has already come into force in Punjab and will release urban land for housing and infrastructure development.
- The NHB has commenced securitization of housing loans and is operationalizing foreclosure of mortgages, to strengthen housing finance, It has also decided to launch a 'Mortgage Credit Guarantee Scheme', which would be provided to all housing loans, thereby fully protecting lenders against default. This will make housing credit more affordable, thereby increasing access to housing credit to low income groups.
- As a follow-up of the National Agenda on 'Housing for All', the Government of India formulated the National Housing and Habitat Policy in 1998. It aims at:
    - Creation of surplus in housing stocks either on rental or ownership basis.
    - Providing quality and cost-effective shelter options, especially to the vulnerable groups and the poor.
    - Removing legal, financial and administrative barriers to facilitate access to land, finance and technology.
    - Forging strong partnerships between private, public and co-operative sectors to enhance the capacity of the construction industry to participate in every sphere of housing and habitat.
    - Using technology for modernizing the housing sector, to increase efficiency, productivity, energy-efficiency and quality.

The National Housing and Habitat Policy (NHHP) has laid down the role of all stakeholders, i.e., the Central Government, State Government, public/private housing finance companies, development authorities, corporate-private-co-operative sectors and research and technology transfer organizations, to achieve the goal of 'shelter for all'.

It is in the context of the above reforms, supporting housing projects, that the Punjab Government should benefit from reform-linked assistance from the Union Government. Efforts should be made to conform to the objectives set by NHHP. Since the Union Government is committed to provide support in the form of equity contribution, concession/incentives and a transparent regulatory mechanism, the State Government should remove all legal, administrative and regulatory barriers to access to housing finance, construction and land development. It should declare housing a priority area in the annual plans.

The present situation indicates that HUDCO, Housing Development and Financial Corporation (HDFC) and the nationalized banks are not helping vulnerable groups adequately for housing activities and the housing backlog is increasing every year. Urban infrastructural requirements, particularly land assemblage, development of land, trunk and peripheral services, power, water and sewerage, and agencies and sources of financing for the next five years, need to be identified and a linkage established with the institutions concerned to ensure success of the programmes. The private sector has plenty of money and the state government should tap this buoyant source for financing housing and urban infrastructure activities.

The state government has constituted PIDB, to act as a nodal agency for implementing infrastructure and urban development programmes. A PUDF has been created to meet the needs of finances for urban infrastructure. Punjab Infrastructure Fund Rules, 2001, and Punjab Infrastructure (Development and Regulation) Act, 2002 are landmark measures designed to boost infrastructure development activities in the state. The Act should promote public-private partnership and private-sector participation in development and operation and maintenance of urban infrastructure, including housing.

The existing institutional set-up does not meet the needs of the houseless population. Housing is a complex problem and has several dimensions. A good housing project should have adequate basic services, such as water supply, sewerage, drainage, solid waste management, electricity and streetlights, etc., and a good location. This requires co-ordination with several departments and agencies. Therefore, an institutional set-up should be identified for converging essential activities for supporting and implementing housing projects. At the district level, 'Housing Action Plans' should be prepared with special focus on houseless urban population and economically weaker sections.

As a follow-up to NHHP, the state government needs to liberalize the legal and regulatory regime, promote participation of the private sector and co-operatives in housing, undertake appropriate reforms for easy access to land and empower ULBs to discharge their responsibilities in regulatory and developmental functions. The role of the state must be changed from that of a builder to an enabler, or facilitator. Punjab Urban Development Authority (PUDA) also needs to revamp and redefine its role for facilitating land-assembly and development of infrastructure. It should move away from direct construction activity and forge partnerships with the private sector and co-operatives for housing construction in an efficient manner, by devising flexible schemes to meet the users' requirements. The corporates, State and Central Governments, private sector and co-operatives should work together for land assemblage, construction of housing and development of amenities. The private sector, co-operatives and NGOs should collaborate with the state government/PUDA for construction of houses and work out schemes for slum rehabilitation/reconstruction/development on a cross-subsidization basis. Finance companies should redefine their role and devise schemes to lend at affordable rates to those who are in dire need of housing-finance support. Funds could be mobilized from provident funds, insurance funds and mutual funds to finance housing activities. Low-cost and locally available material and user-friendly technologies should be adopted to promote city-friendly and eco-friendly housing construction.

Social housing schemes for EWSs and LIGs, under implementation in Punjab with state plan provision and loan assistance from HUDCO and other financial institutions, should make housing more affordable for vulnerable groups. The rate of interest should be brought down to promote housing for the urban poor, including pavement dwellers living below poverty line (BPL). The Night Shelter Scheme for pavement dwellers, initiated during the Eighth Plan and modified in 1992, should be revitalized to construct community night shelters with basic civic amenities. Efforts should also be made to make the Night Shelter Scheme self-supporting in maintenance.

There is a need to explore the possibility of external assistance for housing projects. Such organizations as Kreditanstalt fur Wiederaufbau (KfW), IBRD and ADB have provided loan assistance/grants to HUDCO for construction of houses for economically weaker sections. Housing, being a capital-intensive activity, needs huge funds. Efforts should be made by Central as well as State Governments to attract external assistance from international agencies, as soft loans and grants for housing for underprivileged sections.

The housing agenda must promote accessibility of the urban poor to housing and basic amenities. Central and State housing agencies should concentrate on low-cost, affordable housing for the poor, integration of income generation programmes with housing activities, easier availability of loans and grants to purchase land and material, assistance for construction of individual houses, and simplification of legal and documentation procedures involved in the above activities. Such cities as Ludhiana, Amritsar, Jalandhar, Patiala, Ferozpur and some other class I and class II towns have a higher concentration of houseless population, as well as people below poverty line. These cities and towns need special attention. Slums and squatter settlements should be given preference and separate housing schemes introduced for people living below poverty line. A viable credit system should be developed to provide services to informal-sector housing.

SLUM DEVELOPMENT

There is lack of consensus on a uniform definition of slums. Section 3 of the Slum Areas (Improvement and Clearance) Act of 1956 has defined slums but the definition is not comprehensive. The Census of India, 2001, has defined slums as 'all areas notified as slums by the state/local government under any Act', and 'all areas recognized as slum by state/local government, which have not been formally notified as slum under any Act' and 'a compact area of about 300 population or about 60-70 households or poorly-built congested tenements, in unhygienic environment, usually with inadequate and lack of any proper sanitary and drinking water facilities'.

There is mushrooming growth of urban slums in Punjab. This is largely due to shortage of low-cost housing, high price of land and unabated migration of workforce from rural to urban areas. Slums present a very dismal picture of an habitat unfit for human habitation, with or without minimal basic amenities and civic services. They have serious deficiencies of water supply, sewerage and solid waste management. Physical, environmental and socio-economic decline is visible in every area of life in the slums. High levels of air, water and soil pollution affect the health of the slum dwellers as well as other urban people.

The Census of India, 2001, after forming 'enumeration blocks' for slums, collected data from 28 towns (10 class I and 18 class II towns as per 1991 Census), except Mohali, where no slum pocket was identified. Table 31 shows slum population in Punjab in 2001.

Table 31
Slum Population in Punjab, 2001

Particulars	2001
Population living in slum pocket/areas in the state (in lakh)	11.52
Total population of the 28 towns in which slums have been identified (in lakh)	58.88
Percentage of slum population of 28 towns to the total population of these towns	19.56
Percentage of slum population to total urban population of the state	13.97
Percentage of slum population to total population of the state	4.74

Source: *Census of India, 2001*

Table 31 shows that Punjab has 11.52 lakh slum dwellers. A considerable percentage of urban people live in slum-like conditions, but have not been included in the overall total of slum dwellers, as the Census has not considered slums of all the towns. If slums of all towns were included, the slum population would go up. A Compendium on Indian Slums, prepared by the Town and Country Planning Organization of the Ministry of Urban Development, Government of India, has shown higher slum population in Punjab, i.e., 14.10 lakh (23.60% of the urban population) in 1996.

The National Report on Environment and Development, submitted by the Government of India to the United Nations Conference on Environment and Development (Rio Conference), held in 1992, shows that 'the growth rate of slum population in Indian cities, largely through continuing migration is significantly faster than that of other segments of urban population. Indian cities also have very high levels of air and water pollution'. Poor people settle in slums because of availability of low-cost housing and transportation close to workplaces. The *National Commission on Urbanization (1988)* too states that 'urban centres have generated the most brutal and inhuman living conditions, with large sections of the citizens living in squatter settlements. The overcrowding in the slums and the desperate lack of water and sanitation leads not only to severe health problems but to abject degradation of human life' (cited in *CMAG Newsletter 2002*). Punjab is no exception to this. In this context, the pace of slums formation and the enormous numbers involved, make it one of the major challenges for urban policy makers.

The Central Government, through different legislations, such as Slum Areas (Improvement and Clearance) Act, 1956, and Urban Land (Ceiling and Regulation) Act of 1976; schemes/ programmes, such as Environmental Improvement of Urban Slums (EIUS) of 1992; Integrated Child Development Services (ICDS), 1975; Urban Community Development Programme, 1979; UBSP, 1990; NRY, 1989; PMIUPEP, 1995; NSDP, 1996; and SJSRY, 1997 are all aimed at eradicating poverty, improving housing and environmental conditions and upgrading the level of basic amenities and civic services. The EIUS has not been implemented seriously by the Government of Punjab. This is reflected in the non-utilization of funds. Out of an approved outlay for EIUS in the Ninth Plan, as much as Rs. five crore could not be used at all. Only Rs. 1.5 crore could be actually spent on slum improvement projects. The progress of other centrally/state-funded schemes is equally poor and the slum problem continues to loom large.

Such schemes as NSDP, which is fully funded by the Government of India, have not been implemented effectively. The NSDP, launched in 1996-97, aims at providing basic amenities and infrastructure in slum areas of ULBs. Though the Government of India has so far released Rs. 34.79 crore, only Rs.14.14 crore have been released to SUDA by the Finance Department of Punjab. The State Government must utilize the full amount released for NSDP.

The state government, through slum rehabilitation/clearance and resettlement programmes, has been trying to improve slums. Studies indicate that rehabilitation schemes have not concentrated on the genuine needs of the slum dwellers. They are provided plots/houses far from their workplaces and that too without adequate basic amenities, civic services and transportation facilities. The corporate sector has not provided adequate housing facilities for their employees and hence poor wages force them to live in slums. Slum dwellers also have a tendency to sell plots/houses allotted to them and again come back to the same location or establish new slums at some other place. There is need to make strict rules to prevent this.

The state government must work to achieve the objectives of Draft National Slum Policy (NSP). It needs to formulate a well thought-out state slum policy, which could be the basis for the development of a strategy for slum improvement on a sustainable basis. The goal of a slum development strategy should be to provide physical and social amenities, ensure urban poverty alleviation and protection of urban environment. It should concentrate on the establishment of community-based organizations and strengthening the municipal support system. ULBs have to play a pivotal role in slum development and poverty alleviation. Efforts need to be made to promote poor-friendly urban governance through legislations, regulatory mechanisms, monitoring and transparency, with the active participation of the slum dwellers and other stakeholders. The convergence of sectoral and departmental schemes on housing, urban development, poverty alleviation, education, health, self-employment and wage-employment is important to achieve the objectives of the Draft National Slum Policy and the proposed state slum policy.

The state government should make efforts to attract financial assistance/grants from such international agencies as the United Nations Centre for Human Settlements (UNCHS), which focuses on upgradation of habitat, housing and environment in urban areas; IHS (Netherlands); United Nations Children Education Fund (UNICEF), working for the welfare of women and children in urban areas; USAID; Ford Foundation; City Alliance; World Bank; Department for International Development (DFID, UK) focusing on capacity-building of city managers, reform of financial institutions and expansion and up-gradation of urban environmental infrastructure; and such research networks as the International Group on Law and Urban Space (IRGLUS), working for tenure-security and related issues in urban areas.

URBAN POVERTY ALLEVIATION

Poverty is a multidimensional and multifaceted problem that represents deprivation in its starkest form. James D. Wolfenshon, President of the World Bank, has rightly pointed out that, ‘Poverty amid plenty is the world’s greatest challenge’ (*World Development Report 2000-01: Attacking Poverty*). The Working Group on Urban Poverty, appointed by the *National Commission on Urbanization (1988),* observed that, 'the most demanding of urban challenges, unquestionably, is the challenge posed by urban poverty; the challenge of reducing exploitation, relieving misery and creating more humane conditions for working, living and growth for those disadvantaged people who have made the city their home already or are in the process of doing so. The task of adequately feeding, educating, housing and employing a large and rapidly growing number of under-nourished, semi-literate, semi-skilled, underemployed and impoverished city dwellers who are living on pavements, in poorly serviced chawls, in unhygienic slums, in illegal squatters and other forms of degraded and inadequate settlements and who are struggling to make a living from low paying and unstable occupations, in a reasonable time span is the essence of development challenge facing the Indian planners today'. (Cited in Sabir Ali, 2000).

According to the *Economic Survey of Punjab (2000-01),* 'poverty, in a broad sense does not refer to deprivation with reference to a minimum basket of goods and services that are essential for existence, it also includes socially perceived deprivation with respect to individual basic needs like shortfalls in health and education, inadequacy of shelter and deprivation associated with rigidities in social stratification'.

Measurement of Absolute Poverty in Punjab

The poverty line is a measure of absolute poverty and the Planning Commission of India (PCI) estimated state-specific poverty lines using their original identification by the Lakdawala Committee and updating them to 1999-2000 prices using the Consumer Price Index of Industrial Workers (CPIIW) for urban households and Consumer Price Index for Agricultural Labourers (CPIAL) for rural households. The poverty line of Punjab and some selected states is given in Table 32.

Table 32
State-specific Poverty Line in 1999-2000 (Rs. per capita per month)

State	Rural	Urban
Andhra Pradesh	262.94	457.40
Assam	365.43	343.99
Bihar	333.07	379.78
Gujarat	318.94	474.41
Haryana	362.81	420.20
Himachal Pradesh	367.45	420.20
Karnataka	309.59	511.44
Kerala	374.79	477.06
Madhya Pradesh	311.34	481.65
Maharashtra	318.63	539.71
Orissa	323.92	473.12
Punjab	**362.68**	**388.15**
Rajasthan	344.03	465.92
Tamil Nadu	307.64	475.60
Uttar Pradesh	336.88	416.29
West Bengal	350.17	409.22
Delhi	362.68	505.45
All India #	327.56	454.11

Source: Planning Commission of India, New Delhi

Note: # The poverty line (implicit) at all-India level is worked out from the expenditure class-wise distribution of persons and the poverty ratio at all-India level. The poverty ratio at all-India level is obtained as the weighted average of the state-wise poverty ratio.

The urban poverty line of Punjab is only slightly higher than in Bihar, and considerably lower than in Uttar Pradesh, Orissa, Rajasthan and the all-India average. The data on urban poverty estimates, based on these poverty lines, do not seem to convey the real picture and raise a number of methodological issues. The poverty line of Punjab, with second highest per capita income, has been fixed at the bottom along with Bihar. The measurement of the poverty line has not captured all vulnerable sections, that do not have access to housing, wage employment, basic amenities and civic services. There is a high concentration of population below poverty line and a slight upward revision of the urban poverty line could increase the number of poor considerably.

Changing Poverty Scene: Trend of Urban Poverty from 1973-74 to 1999-2000

The Planning Commission has estimated the incidence of poverty at national and state levels, using the methodology formulated in the Report of the Expert Group on Estimation of Proportion and Number of Poor (Lakdawala Committee) and applying it to consumption expenditure data from the large sample surveys on consumer expenditure, conducted periodically by the National Sample Survey Organization (NSSO). Poverty estimates for the years 1973-74 to 1999-2000 are given in Table 33.

Table 33
Poverty Trend in Punjab (in lakh)

NSS Rounds	Year	People below poverty line		
		Rural	Urban	Total
28	1973-74	30.47 (28.21)	10.02 (27.96)	40.49 (28.15)
32	1977-78	18.87 (16.37)	11.36 (27.36)	30.23 (19.27)
38	1983	16.79 (13.20)	11.85 (23.79)	28.64 (16.18)
43	1987-88	17.09 (12.60)	8.08 (14.67)	25.17 (13.20)
50	1993-94	17.76 (11.95)	7.35 (11.35)	25.11 (11.77)
55	1999-2000 (30 day recall basis)	10.20 (6.35)	4.29 (5.75)	14.49 (6.16)

Source: Planning Commission of India, New Delhi.
Note: Figures in parenthesis are percentage of people below poverty line

Table 33 shows that the proportion of urban poor in Punjab has declined from 27.96 per cent in 1973-74 to 5.75 per cent in 1999-2000, a decline of 22.21 percentage points over a period of 26 years. The absolute number of urban poor has also declined by 5.73 lakh during the same period. This decrease in absolute terms was impressive during the period 1993-94 to 1999-2000. It decreased by 3.06 lakh in six years against 3.79 lakh during the 12 years from 1987-88 to 1999-2000.

No doubt the urban poverty in Punjab has declined considerably in the last 30 years. The contribution of the cities to the SDP has also increased over the last three decades. It indicates that the increase in the pace of economic growth and a decrease in urban poverty are inversely related. But what could be termed the paradox of poverty reduction in the state is that despite growing contribution of cities to the state and national income, poverty exists in towns and cities, not in terms of the minimum per capita income to consume the required calories for biological existence, but in terms of such deprivations as miserable living conditions due to poor housing, inaccessibility to basic amenities and civic services, illiteracy and poor health. Decrease in the ratio of urban poor not withstanding, their absolute number is still substantial. If one adds to this the number of those who are deprived of shelter, basic urban services, education and health, the number of the poor would be much larger.

The incidence of urban poverty is alarming in some of the populous districts of the state. A survey of below poverty-line (BPL) families conducted by the SUDA, Punjab, is indicative of the concentration of BPL families in a few districts (Table 34).

Table 34

Distribution of Urban Poor in Different Districts in Punjab, 2002

Districts	Number of families below poverty line	Percentage
Ludhiana	62431	28.27
Jalandhar	50039	22.66
Patiala	22684	10.27
Amritsar	20292	9.19
Firozepur	10854	4.92
Sangrur	9365	4.25
Gurdaspur	7467	3.38
Bathinda	6411	2.90
Mansa	5702	2.59
Kapurthala	4537	2.05
Faridkot	4224	1.91
Nawanshahr	3802	1.72
Roopnagar	3732	1.69
Muktsar	3251	1.47
Hoshiarpur	2499	1.13
Moga	1794	0.81
Fatehgarh Sahib	1753	0.79
Total	**220837**	**100**

Source: *Tenth Five-Year Special Component Plan 2002-2007* and *Annual Special Component Plan 2002-03 for Scheduled Caste,* Government of Punjab (June, 2002).

Table 34 shows that Ludhiana district has the largest number of families living below the poverty line, i.e., 28.27 per cent, and more than 50 per cent of the total BPL families in the state live in only two districts, i.e., Ludhiana and Jalandhar. Ludhiana, Jalandhar, Patiala, Amritsar, Ferozepur and Sangrur together have about 80 per cent of the total BPL families.

Though decrease in urban poverty in Punjab has been much faster than in several other states, including the national average, this trend may not continue in future with the fast growth of urban population due to migration of rural poor to urban centres and of poor from such neighbouring states as, such Uttar Pradesh, Himachal Pradesh, Jammu and Kashmir, Bihar and Rajasthan with high incidence of poverty. In this context, urban poverty alleviation should be central to the urban development strategy.

The Union and State Governments have been trying to cope with this multi-dimensional problem through various poverty alleviation and infrastructure development programmes, such as EIUS, UBSP, NRY, PMIUPEP, Low Cost Sanitation (LCS), Integrated Development of Small and Medium Towns (IDSMT), NSDP, and recently, SJSRY. The strategy for poverty alleviation has focused on the development of environmental infrastructure, generation of employment and economic growth of cities. Most of the programmes have been directly targeted for poverty alleviation, but have failed to make much impact on the problem, due to a variety of reasons.

An evaluative study of UBSP in Ludhiana and Amritsar, conducted by the IDC (1998) for SUDA, Punjab, indicates several deficiencies in the implementation of poverty alleviation schemes. A few of the shortcomings are mentioned below:

- Slum identification was not done according to well accepted criteria and similarly identification of beneficiaries was not according to the norms of the UBSP.
- Inadequate support structure due to non-representation of beneficiaries, lack of intersectoral representation and co-ordination with line departments, untrained and non-responsive resident community volunteers (RCVs), lack of networking within community organizations and poor community mobilization/participation.
- The quality of training was poor and training provided for skill-upgradation was a mere formality. Such services as drainage and sanitation were poor in slums.
- Sanctioning of loans was arbitrary and beneficiaries were not identified according to the criteria of the scheme. Judged by established norms, the majority of beneficiaries of loans, training and other facilities under UBSP were found ineligible.
- Leakages of loan money were as high as 12 per cent. Delay in processing of loan applications, inadequate raw material inputs and poor marketing of products, were the other shortcomings.
- Skill-upgradation was poor as training of women beneficiaries was limited only to stitching and sewing. Once trained, they were unable to utilize their skills, since there was no linkage between skill-upgradation and setting up of micro enterprises.

It is in the context of the above factors that a plan, based on community participation, particularly of the urban poor, should be prepared to focus on human, social and infrastructure development in clusters occupied by the urban poor. There is need to build partnerships with poor communities for empowering vulnerable groups, especially women and children. Capacity-building of urban poor through Participatory Learning and Action (PLA) techniques will help them to be aware of the range of options available, learn to deal with their own problems and pool resources to become self-reliant. The experience of implementation of programmes successfully in mobilizing women and poverty-reduction in other states can be drawn upon to improve the effectiveness of urban poverty alleviation programmes in Punjab. Special action plans should be prepared for six districts with large numbers of BPL families and efforts made to converge all sectoral and line-departmental schemes targeting urban poverty.

Poverty alleviation (Seventh Schedule of the Constitution) is the joint responsibility of the Union of India and the State Government and one of the core constituents of the Directive Principles of the Constitution of India. Urban poverty alleviation is one of the 18 functions listed in the Twelfth Schedule of the 74th Constitution Amendment Act, 1992. It is in this context that the Union of India, the Government of Punjab and the ULBs of the state should make joint efforts to design policy interventions and implement pro-poor city-friendly programmes for sustainable development of urban areas. Efforts should also be made to pool resources from international financial institutions.

An effective poverty alleviation programme would need to create a proper structure consisting of RCVs and CDSs. They would have to be linked with urban local self-government, as crucial stakeholders in urban governance, for ensuring accountability and transparency. One such model is operating in Kerala, which has one of the most effective systems of poverty alleviation. The Ward Committee, constituted in each ward, has on it representation of the President of the Area Development Society (ADS), formed by the urban poor in the ward and registered with the municipal government. The Ward Committee's functions include giving assistance for the preparation and encouragement of development schemes within the ward and their implementation, and identification of beneficiaries of welfare schemes. The UBSP strategy in Kerala has led to a movement of urban poor women. Their organizational strength has made them respectable, responsible and equal partners in the development process within and outside their community. Self-Employed Women's Association (SEWA), Ahemedabad, is a movement that has attempted to redress the gender equation at home, the work-place and the community. SEWA members have improved their economic conditions by adding to their assets and work-tools, finding adequate work-space, expanding markets, diversifying into other work activities, stabilizing incomes, gaining access to raw materials and so on (NIUA 2001).

The Kerala Municipality Act, 1994, provides for the constitution of a Poverty Alleviation Fund by the municipal governments. The ULBs are mandated by the Act to contribute two per cent of their revenues to this fund every year for alleviation of poverty. This needs to be replicated in Punjab by amending the municipal legislation. This will integrate the urban poor with the formal system of governance and the implementation of urban poverty alleviation programmes will be effective and sustainable.

The *World Development Report 2000-01* has emphasized 'attacking poverty' through 'empowerment', by strengthening the ability of the poor people to take and shape decisions, to ensure 'security' through protection of the poor from illiteracy, diseases, shocks, disasters and violence, and to provide 'opportunity' by stimulation of economic growth on the basis of 'voices of the poor', of more than 60, 000 people living below the poverty line in more than 60 countries. It is in this context and also in the light of the objectives of the national poverty alleviation programmes, that a state-level 'urban poverty alleviation policy' should be formulated in Punjab. It should emphasize grassroot-level political empowerment of urban poor through the 74th CAA, social development/security and creation of adequate opportunities, with special attention to convergence/integration of various activities related to urban poverty alleviation.

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