

Strategies for Financing Urban Infrastructure

CAFRAL

Mumbai

July 19th 2013

Issues

- Political position- Cities as governments
- Professional capacity- Cities as managers
- Planning- multi-layered and multi-dimensional
- Financing
- Contracting

Cities as governments?

- Half- hearted constitutional amendment
 - dependence on the state government
- Sovereign entity
 - existence in perpetuity and ability to tax?
- Steering role for higher level of government
 - Example of JnNURM
 - Problem of synchronizing reforms time line with project/ investment time line
- Clear matrix of authority, responsibility and accountability and interface with the state government
 - Water transmission versus distribution
 - Levels of planning

Cities as governments?

- Financing urban infrastructure (...*projects*)
 - Viability of the cities along with the viability of projects (classify cities primarily based on their economic strengths)
 - Financial returns- non-recourse financing versus economic returns- macroeconomic discipline
- Means have been found to assess financial health of the State governments
 - Credibility of CAG audit
 - Fiscal (*responsibility*) parameters
 - Disclosing contingent liabilities
 - Out of the budget borrowings/ liabilities

Professional Capacity

- Personal leadership
 - space for innovation
 - aspiration time-line
 - Changing goal posts
- Separation of legislative and executive wing
- Human resources
 - Wider skill sets- environment, transport, planners
 - PIU becoming O&M cell
 - MoU with ASCI
- Accounting and auditing
 - linking accounting reforms to budgeting and responsibility- pending bills, carrying forward liabilities

Planning- multi-dimensional, multi-layered

- We are chasing unfulfilled needs of the past than the requirements of the future
- Deepen planning- base needs to be economic planning
 - Infrastructure
 - Enforcement
 - investment
- Quality of information- mapping (GIS, MIS)
 - Process reform than product reform
 - Mapping manual

Financing

- Revenues
 - Limitations of property tax –
 - quantum and revision
 - 1/3rd of properties not in the tax net
 - Consequent dependence on devolution
 - Bangalore 88% self resources; other cities 78% devolution
 - 55% of devolution for committed expenditure
- Access to market
 - Regulation as a government than a project entity
 - Borrowing capacity 8% to 24% of their needs
 - More to ensure project discipline- EAPs

Financing

- Which projects?
 - Water supply
 - City roads and pavements
 - Public transport
 - Primary and secondary collection of solid waste
 - Parks and lakes
- Revolving fund experience- Rs.1600 crs. of projects
- Borrowing experience- Rs.700 crs.; pooled; rated term loan; without guarantee

Contracting

- How to bring efficiency in the projects- improve returns
 - SWM
 - NRW
 - Waste water – reuse
 - Street lighting
- Contracting structures
 - Compulsion of service contracts
 - PPP route
 - Non-recourse financing/ user charge based financing?
 - Touted sources like betterment charges- cash flow mismatch
 - efficiency in service than efficiency in financing

Contracting

- Comprehensive resolution to ensure
- Structured commercial risk-
 - Insulating against political/bureaucratic uncertainties;
 - ability to pay versus willingness to pay
- Competent contractors
 - Qualifications standards

Thank You