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New colonies bereft of basic amenities

Nov. 23: Cities all over the country are growing, but local governments have been unable to keep pace with the growth and provide decent infrastructure. About 800 new residential colonies have mushroomed in the peripheral and surrounding municipalities within Greater Hyderabad limits. These colonies lack basic and civic infrastructure like roads, street lights, underground drainage and piped drinking water.

The cash-starved Greater Hyderabad Municipal Corporation requires `2,000 crore in Phase-I alone to provide these civic facilities. Though the civic body had proposed to rope in private parties to invest and develop the facilities, the project has been put on the back burner due to opposition from the elected body of 150 corporators in the GHMC.

The municipal corporation proposed to repay the private parties by increasing property tax by 30 per cent in the colonies where the civic infrastructure work would be taken up. The elected representatives rejected the proposal stating it will not allow any hike in taxes.

Experts in financial management in public utilities and urban development say it is the responsibility of the civic body and the government to provide basic civic infrastructure to citizens. They support the proposal to rope in private parties to put up the infrastructure.

It will take 15 to 20 years for the GHMC to execute the work estimated to cost `2,000 crore, given its present financial condition. It is imperative on the local body to provide the amenities at the earliest, and if it cannot do so, it should seriously consider the public-private route, experts say.

Mr Narasimha Murthy, a financial management expert, says the GHMC, which administers 625 square kilometres and a population of 80 lakh, cannot wait for its finances to improve before it provides the necessary infrastructure. It has to go for the PPP model even if it means increasing taxes.

However, he cautioned that the GHMC must ensure that the PPP project is time-bound or else the cost of the work will increase, leading to a further burden on the citizens. The additional taxes, too, should be for a limited duration and not a perennial affair. There must be a proper audit of all the costs and the private party should recover its investment over a limited period.

“Once the investment is recovered, the additional taxes should be withdrawn. If the elected body of corporators is against an increase in property tax, the GHMC can levy a special cess, such as an ‘infrastructure cess’, and collect it from citizens to repay the private parties. This special cess should only be to the extent of recovery of cost on PPP project,” Mr Murthy said.

Mr G. K. Rao, consultant with the World Bank and an independent financial management expert for public utilities, says the PPP model is used universally.

“I recently visited Afghanistan as part of a project to improve financial management in public utilities. In Afghanistan, the local bodies are adopting the PPP model. Providing civic amenities to its citizens is the fundamental responsibility of the GHMC and it cannot say it does not have money and sit quiet. It has to find alternative ways of extending civic facilities and PPP is one successful model in vogue all over the world,” he said.

Civic bodies like the GHMC mainly depend on property tax, trade licence and advertisement fees for raising financial resources. “The GHMC must increase its tax structure that should be confined to targeted areas wherein crores of rupees worth of private investment is being pooled in to take development works. Then the GHMC has to also concentrate on improving its revenues by bringing under its property tax net un-assessed and under-assessed properties. By roping in private investment, the GHMC will get sufficient time to strengthen its financial condition,” Mr Rao said.

The GHMC Commissioner, Dr Sameer Sharma, said all works in the city limits will be taken up in consultation with the city corporators led by the mayor and deputy mayor.

“We have tried to convince them of the need to go in for a PPP model for faster civic infrastructure development in the 800 colonies. The tax increment financing model is a successful strategy world-wide as the private developer is reimbursed by way of annuity,” he added.

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