URBAN INFRASTRUCTURE & ECONOMY

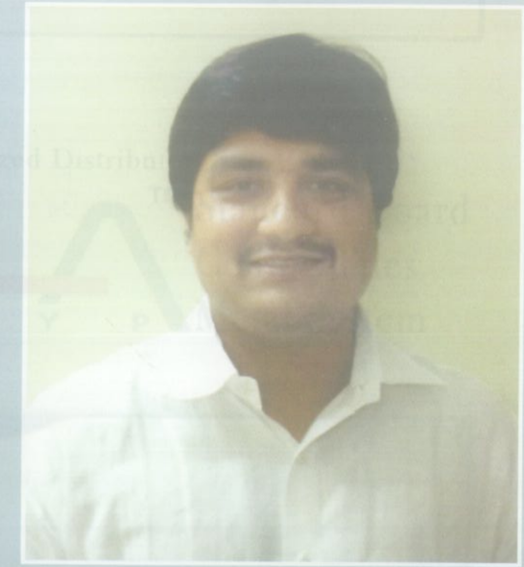
PRIVATE SECTOR PARTICIPATION FOR FINANCING URBAN INFRASTRUCTURE FOR REVIVAL OF ECONOMY

Urban Growth, Real Estate and infrastructure go hand in hand. Infrastructure is a backbone for steady urban growth of cities. Infrastructure drags investment in housing and development. Long term sustained growth for any state or city can be created by putting quality infrastructure. Infrastructure means all public amenities which are essential for built environment. There are two types of infrastructure: economic infrastructure and social infrastructure. Economic infrastructure is defined as the infrastructure that promotes economic activity, such as roads, highways, railroads, airports, sea ports, electricity, telecommunications, water supply and sanitation. Social infrastructure (such as schools, libraries, universities, clinics, hospitals, courts, museums, theatres, playgrounds, parks, fountains and statues) is defined as the infrastructure that promotes the health, education and cultural standards of the population – activities that have both direct and indirect impact on the welfare.

In today's time raising capital to finance urban infrastructure is a challenge. One solution is to 'unlock' urban land values—such as by selling public lands to capture the gains in value created by investment in infrastructure projects. Land based financing techniques are playing an increasingly important role in financing urban infrastructure in developing countries. Land-based financing has significant practical advantages. Most techniques generate revenue upfront, reducing dependence on debt and the fiscal risks that debt financing can introduce. Land sales and one-time development charges can also be easier to administer than property tax systems that require periodic valuations of all taxable property.

Land-based financing of infrastructure can be divided into three categories: developer involvement in provision of infrastructure, increased prices & value Gain, and land asset management.

EXPERT REVIEW



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Developer involvement in Provision of Infrastructure

This more in practice in developed countries Developer exactions require developers to go beyond installing infrastructure facilities at their own site. They require to finance part or all of the costs of external infrastructure needed to deliver public services to the site. Thus, developers are required to build subdivision roads and also help pay for major access highways to the area. Developers recover the cost of investment when they sell the developed land.

Increased prices & Value gain

Value capture builds on the principle that the benefits of urban infrastructure investment are capitalized into land values. Because public investment creates the increase in land values. Funds can be tapped by imposing Betterment levies, which impose a one-time tax or charge on gains in land value, are one such instrument. Most countries in the world have experimented with betterment levies at some point, typically taxing away 20-30 per cent of the gain in land value attributable to infrastructure projects.

Land asset management

This is more in practice in Gujarat. Town Planning Scheme (TP Scheme) mechanism is in practice for area development, which is best land management technique under which Urban development authority keeps 5-10% land for sale for residential & commercial. Through public auctions value is fetched by development authorities which is used to fuel urban infrastructure growth.

Land-based financing offers powerful tools that can help pay for urban infrastructure investment. Proper combination of such instrument can help to bridge the gap between income and expenditure of urban development bodies. To make cities economic engines infrastructure is must and much emphasis should be given to promote private sector participation in infrastructure development ultimately it will boost employment and will be handful in reviving economy.