PR16 / Financing India’s Urban Future: Strengthening Urban Finance for Sustainable Cities

Topic : Practice

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GENERAL OBJECTIVES, RESEARCH QUESTIONS AND SCIENTIFIC RELEVANCE

India is undergoing one of the fastest urban transitions, with nearly 600 million people projected to live in cities by 2036. There is an unprecedented demand on municipal governments to deliver infrastructure and services. The gap between the infrastructure requirements of cities and their available financial resources has widened into a systemic crisis, magnifying the urgency of strengthening municipal finances to ensure sustainable and inclusive urban development. The proposed panel, *“Financing India’s Urban Future: Strengthening Urban Finance for Sustainable Cities,”* seeks to explore innovative pathways to augment and effectively manage urban finance systems— drawing on data, evidence, and insights from Janaagraha’s two decades of work on urban governance reform and other practitioners from the sector.

1) Significance of the Panel Topic

Urban finance lies at the heart of sustainable urban governance. Yet, as highlighted in Janaagraha’s *Annual Survey of India’s City-Systems (ASICS)* and Municipal Finance Blueprint , Indian cities continue to face systemic fiscal gaps—with municipal revenues accounting for less than 1% of GDP. These reports detail structural issues such as unpredictable intergovernmental transfers, narrow revenue bases, and weak financial management systems.

The panel aligns with the IPPA’s theme of strengthening governance through evidence-based fiscal policy, aiming to build upon these insights to identify scalable reforms in fiscal decentralization, public finance management systems and accountability mechanisms.

2) Research Questions

The panel will explore the following guiding research questions:

- How can fiscal decentralization be operationalized to give ULBs financial autonomy to meet their functional responsibilities?
- Which strategies can effectively enhance own-source revenue—such as property tax reforms, user charges, and urban land value capture in current political and fiscal constraints?
- What role do intergovernmental transfers and State Finance Commissions play in strengthening municipal finances and how inter-governmental finances have emerged over the years?
- What are the emerging trends, opportunities, and risks associated with municipal borrowing and market-based finance? What reforms are needed to evolve a municipal borrowing market in India?
- How can expenditure accountability and performance orientation be institutionalized to strengthen trust between citizens, markets, and governments?

3) Context

The 74th Constitutional Amendment envisioned local self-governance—yet the constitutional recognition of municipalities has not translated into commensurate fiscal autonomy. Janaagraha’s research underscores that State Finance Commissions (SFCs) are often delayed or under-resourced, and ULBs perform weakly on transparency indicators. In the context of India’s expanding urban footprint and infrastructure financing needs, we will examine how urban finances can be transformed through systemic change, digital public finance

management systems, and participatory budgeting models.

CALL FOR PAPERS

4) Papers Expected

The panel seeks both empirical contributions and practice or policy-oriented research. Submissions may include:

- Case studies/ best practices of reforms in municipal revenue augmentation and trends over the years
- Empirical analyses of fiscal transfers and borrowing trends, policies and processes
- Theoretical explorations of fiscal federalism and expenditure accountability frameworks.
- Methodological frameworks for assessing municipal financial health/ creditworthiness.