

Diversification of funding sources set to transform urban development

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LUCKNOW: Municipal corporations and other urban local bodies (ULBs) in UP are being encouraged to explore a variety of funding sources to finance their urban development projects under the Chief Minister Vaishwik Nagarodaya Yojana. While the state government provides budgetary allocations and public-private partnerships (PPP) remain a viable option, the scheme recognises the need for additional funding avenues to meet the growing demands of urban infrastructure and services.

The diversification of funding sources under the Vaishwik Nagarodaya Yojana is poised to transform urban development in the region, fostering a collaborative and sustainable approach to building the cities of the future.

To supplement the state budget and PPP investments, ULBs can tap corporate social

responsibility (CSR) funds. Many corporations are mandated to spend a portion of their profits on social development projects, which ULBs can leverage for urban development initiatives. By aligning their projects with corporate social goals, ULBs can attract significant CSR contributions, aiding in the construction and maintenance of critical urban infrastructure.

Additionally, ULBs are encouraged to seek grants from civil society organizations (CSOs). Various non-governmental organizations and civil society groups can provide financial support for specific urban projects, particularly those with social and environmental benefits.

Engaging with CSOs allows ULBs to access resources that may not be available through traditional funding mechanisms, facilitating the execution of projects that enhance the quality of urban life.

International development

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agencies also present a substantial opportunity for funding. Agencies such as the World Bank, Asian Development Bank, and others offer grants and low-interest loans for urban infrastructure projects.

These international funds can support large-scale initiatives, ensuring that ULBs have the financial backing needed to undertake ambitious urban development plans.

Another potential funding source is the MP/MLA development fund. MPs and MLAs

have access to development funds that can be utilized for local urban projects.

By collaborating with MPs and MLAs, ULBs can secure additional resources to address specific local needs and enhance community infrastructure.

The Urban Infrastructure Development Fund (UIDF) is a dedicated fund that supports the development of urban infrastructure, providing another critical source of financing for ULBs. This fund is instrumental in ensuring that cities and towns can keep up with the demands of growing populations and evolving urban landscapes.

Furthermore, ULBs can raise funds through municipal bonds. Issuing municipal bonds can be an effective way for ULBs to raise capital directly from the public and institutional investors.

These bonds provide a means to finance large-scale urban infrastructure projects,

offering a reliable revenue stream for long-term development plans.

Principal secretary (urban development) Amrit Abhijat emphasised the importance of diversifying funding sources. "By diversifying their funding sources, ULBs can ensure a steady flow of resources for their projects under the Vaishwik Nagarodaya Yojana. This approach not only enhances financial sustainability, but also encourages innovation and collaboration across various sectors," he stated.

"The Chief Minister Vaishwik Nagarodaya Yojana aims to create robust urban infrastructure by empowering ULBs to explore multiple funding sources. By tapping CSR funds, CSO grants, international development agency funds, MP/MLA development funds, UIDF, and municipal bonds, ULBs can significantly boost their capacity to deliver high-quality urban services and infrastructure," Abhijat added.