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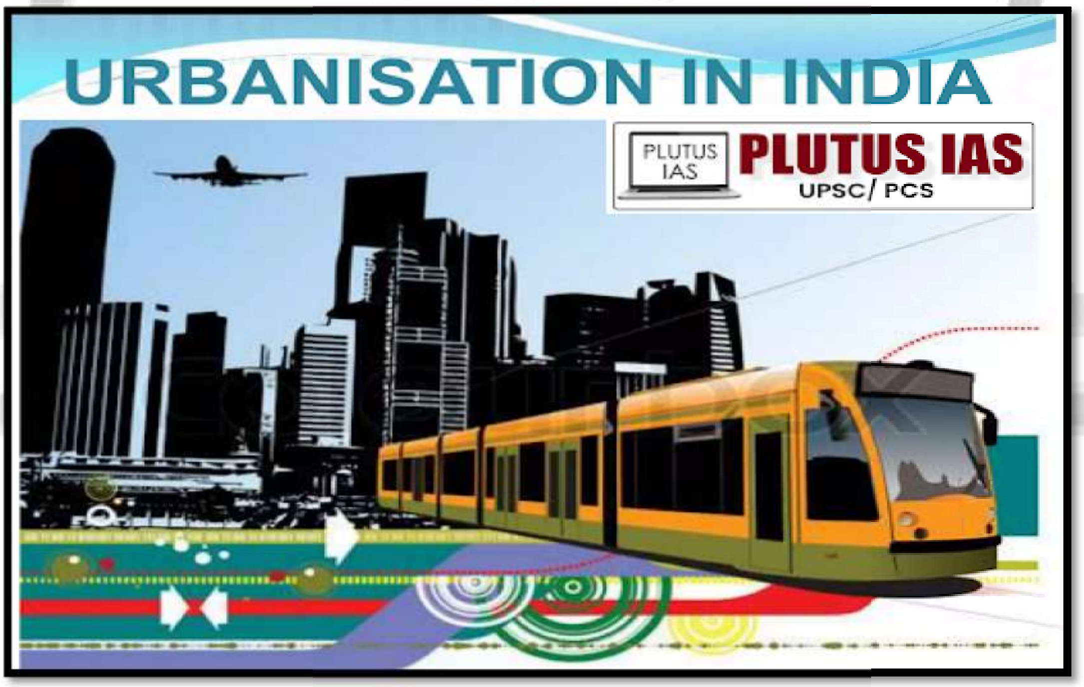
BUILDING THE FUTURE: URBANIZATION STRATEGIES FOR VIKSIT BHARAT BY 2047

WHY IN THE NEWS?

India’s urbanization is accelerating, with the urban population expected to double from 400 million to 800 million by 2050. This growth presents an opportunity to transform India’s urban landscape into hubs of innovation, economic growth, and sustainable living. However, it comes with financial and infrastructural challenges requiring targeted policies and investments.



URBANIZATION SCENARIO IN INDIA

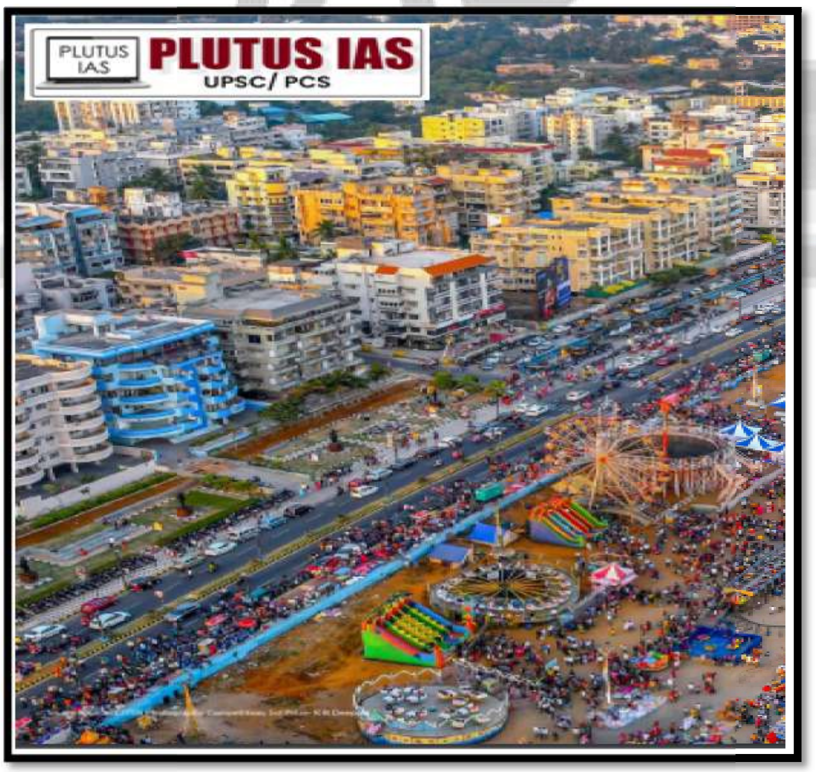
Rapid Growth: India’s urban population is projected to double from 400 million in the last decade to 800 million over the next 30 years, marking a significant shift towards urbanization.

Infrastructure Demand: Meeting urban infrastructure needs by 2036 requires ₹70 lakh crore, against current investments of ₹1.3 lakh crore annually.

Focus on Urban Services: Around 50% of urban infrastructure funds are required for basic services, while the other half is allocated for urban transport projects.
Urban Development Potential: With a growing population, urban centers present an opportunity to transform India's economic, social, and environmental landscapes.
Population: India has one of the largest urban populations in the world, with more than 377 million people living in urban areas in 2011. By 2036, 40% of India's population is expected to live in cities.
Economic output: Cities contribute about two-thirds of India's economic output.
Poverty reduction: Urban growth has accounted for about 80% of India's total fall in poverty.
Slums: Slums account for about 26% of the urban population in India.

SIGNIFICANCE OF URBAN CENTRES:

Economic Engines: Urban centers contribute 60-70% of India's GDP, driving industrial growth and innovation.
Employment Opportunities: They attract talent, fostering entrepreneurship and job creation in various sectors. Cities like Pune, Chennai, and Noida have emerged as the major employment centres
Infrastructure Hubs: Urban areas serve as focal points for transport, communication, and technology infrastructure. Delhi Metro and its infrastructure is a good example in this regard.
Social Transformation: Cities are hubs for education, healthcare, and cultural exchange, enhancing social mobility. For example cities like Guwahati.
Environmental Innovations: Urban centers can lead sustainable practices, including green buildings and renewable energy adoption.
Global Competitiveness: Well-developed cities improve India's ranking in global indices and attract foreign investments.
Knowledge Clusters: Cities like Bengaluru and Hyderabad thrive as knowledge and technology hubs, spurring innovation.
Sustainable development: for example, cities like Kochi, and Shimla adopted sustainable development which is a precedent for other cities to adopt it.



CHALLENGES FACED BY INDIAN CITIES

Financial Constraints: Municipal finances account for only 1% of GDP, and revenue from property tax is a mere 0.15% of GDP.
Inefficient Resource Utilization: 23% of municipal revenues remain unspent; major cities like Chennai utilize only 50% of their budgets.
Lack of Autonomy: Municipal bodies face limited administrative and financial powers, hindering effective governance.
Inadequate Urban Services: Cost recovery for services ranges from 20%-50%, leading to inefficiencies in service delivery.
Poor Infrastructure: Urban transport and housing struggle to meet rising demands, causing congestion and inadequate living conditions.
Low Absorptive Capacity: Cities fail to utilize central scheme funds fully; AMRUT achieved only 80% utilization, and Smart Cities Mission reached 70%.
Declining PPP Investments: Public-private partnerships in urban infrastructure have sharply declined, impacting project viability and bankability.

THE WAY FORWARD

Strengthening Municipal Finances: Empower urban local bodies (ULBs) to generate revenue through property taxes and municipal bonds. Eg, **AMRUT 2.0 supports ULBs** in improving water supply and sanitation.
Boosting Public-Private Partnerships (PPPs): Develop policies to revive PPPs for infrastructure projects. For Example, The Smart Cities Mission promotes private sector involvement in urban planning.
Developing Robust Project Pipelines: Prepare a detailed pipeline of 600-800 urban projects for efficient implementation. Example: **The National Infrastructure Pipeline (NIP)** focuses on project readiness and investment mobilization.
Leveraging Digital Public Infrastructure (DPI): Use DPI for better urban service delivery and governance. **PM Gati Shakti** integrates digital platforms for urban development and logistics. This can help to leverage the DPI for urban development.
Land Value Capture: Harness land value around transport hubs to fund metro and rail projects. A scheme like **Metro Rail Policy 2017** can help to promote transit-oriented development.
Enhancing Absorptive Capacity: Provide training and tools to municipal staff for efficient fund utilization 15th Finance Commission grants for capacity building in ULBs.
Climate Resilient Cities: Incorporate climate adaptation strategies in urban planning. **The National Action Plan on Climate Change (NAPCC)** focuses on sustainable urban development.
Empowering Municipalities: Provide greater financial and administrative autonomy to ULBs. The Urban **Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT)** supports decentralization.

CONCLUSION:

In a nutshell, by addressing these challenges with targeted reforms and leveraging government initiatives, India can create sustainable, inclusive, and efficient urban centers that meet the needs of its growing population.

PRELIMS QUESTIONS:

Q. With reference to the National Institute of Urban Affairs (NIUA), consider the following statements:
1. NIUA was established in 1976 as an autonomous body under the Ministry of Health and Family Welfare.
2. The primary focus of NIUA is to address the challenges of rural development in India.

3. NIUA provides technical assistance for city and state-level projects and develops customized training programs.
4. The institute addresses six major thematic concerns, including Urban Governance and Climate Change.

How many of the above-given statements are correct?

A. Only one
B. Only two
C. Only three
D. All four

ANSWER: B

MAINS QUESTIONS:

Discuss the significance of urbanization in Tier 2 and Tier 3 cities in achieving India's goal of becoming a developed nation by 2047. Highlight the challenges these cities face and suggest measures to address them through effective governance and policy interventions. (Answer in 250 words)

Munde Dhananjay Navnath

"STRENGTHENING TIES: A COMPREHENSIVE OVERVIEW OF INDIA-UK BILATERAL INVESTMENT TREATY (BIT)

WHY IN THE NEWS?

India and the UK have announced plans to resume negotiations on the proposed Free Trade Agreement (FTA) early next year. The announcement came after a bilateral meeting between Prime Minister Narendra Modi and British Prime Minister Keir Starmer on the sidelines of the G20 Summit in Rio de Janeiro. Both leaders emphasized expediting the FTA and advancing a new strategic partnership, including the negotiation of a Bilateral Investment Treaty (BIT), to strengthen economic and bilateral ties.

OVERVIEW: INDIA -UK TIES BIT:

1. Trade and Economic Cooperation: India and the UK are actively negotiating a Free Trade Agreement (FTA) to unlock trade potential and enhance economic prosperity, with the UK being one of the top investors in India and Indian companies significantly contributing to the UK economy, particularly in technology and pharmaceuticals.

2. Defence and Security Cooperation: The strategic partnership between India and the UK emphasizes a commitment to a free, open, and secure Indo-Pacific region, enhancing maritime cooperation and focusing on joint efforts in cybersecurity and advanced defence technologies under the 'Make in India' initiative.

3. Climate and Clean Energy Initiatives: Both nations are dedicated to accelerating the clean energy transition and achieving net-zero goals, collaborating on initiatives such as the Green Grids Initiative and India's International Solar Alliance while advocating for developed nations to fulfil their climate finance commitments.

4. Health and Life Sciences Collaboration: The partnership includes significant collaboration in digital health technologies and knowledge sharing to strengthen healthcare delivery, alongside joint initiatives aimed at addressing global health challenges, including antimicrobial resistance and vaccine development.

5. Soft Power Dimensions: The India-UK relationship is enriched through collaborations in art, literature, and tourism, exemplified by events like the Jaipur Literature Festival in London, while cricket serves as a symbol of goodwill, uniting fans from both nations.

6. Multilateral Cooperation: India and the UK work together in global governance forums such as the G20, Commonwealth, and the United Nations, addressing critical issues like climate change and global security, with the UK supporting India's priorities during its G20 presidency.

7. Cultural and Educational Ties: The 'India/UK Together' programme celebrates India's 75th year of independence by fostering cultural exchange and providing scholarships for Indian students to study in the UK, while strong people-to-people linkages and academic collaborations between universities enhance knowledge sharing and research opportunities.

WHAT IS THE BILATERAL INVESTMENT TREATY (BIT)?

Bilateral Investment Treaties (BITs) are reciprocal agreements between two countries designed to promote and protect foreign private investments in each other's territories. These treaties offer legal protections and establish favourable conditions for foreign investors, ensuring that their investments are safeguarded from arbitrary government actions, discriminatory practices, or unfair treatment. BITs have become a key tool for fostering international economic relations, particularly in the context of foreign direct investment (FDI)

1. India's Early Engagement with BITs: India began negotiating BITs in the mid-1990s to provide favourable conditions and treaty-based protection to foreign investors, with the first BIT signed with the UK in 1994.

2. Arbitration Mechanism: BITs often include a dispute resolution mechanism, where arbitration is the preferred method. This allows investors to settle disputes with the host country through a neutral third party rather than going to court.

3. Historical Challenges for India: India faced several investor-state disputes, with notable cases like White Industries v. Republic of India (2011), where the country had to pay a significant amount due to an adverse ruling under the Australia-India BIT. By 2015, India had faced 17 known BIT claims, including one with Cairn Energy, which resulted in a USD 1.2 billion award.

4. Revised BIT Model (2016): To mitigate the financial and legal risks arising from these disputes, India adopted a new BIT model in 2016, emphasizing the protection of national interests. This led to the termination of 68 out of 74 BITs, with a push to renegotiate terms based on the updated model.

5. India's Current Approach: The Indian Finance Minister's announcement of negotiating new BITs aims to boost Foreign Direct Investment (FDI). This comes after a period of reduced BIT activity, particularly following the adoption of the 2016 Model BIT, suggesting a renewed focus on attracting foreign capital while balancing legal protections.

SIGNIFICANCE OF BILATERAL INVESTMENT TREATY (BIT):

1. Promotion of Trade Relations: BITs not only protect investments but can also strengthen broader trade relations between the two countries. By ensuring secure and transparent investment frameworks, BITs can pave the way for enhanced economic cooperation beyond just investment flows.

2. Facilitation of Long-Term Investments: By offering stability and predictability in the treatment of foreign investors, BITs can encourage long-term investments in critical sectors, such as infrastructure, manufacturing, and technology, contributing to sustainable development in the host country.

3. Enhancement of Legal Certainty: BITs provide a clear legal framework for investors, reducing uncertainty around the protection of their investments. This is particularly beneficial in countries where there may be concerns over regulatory changes or arbitrary actions by the government.

4. Attracting High-Quality Investments: Investors are more likely to commit capital in countries where their rights are legally protected and where there is a clear process for resolving disputes. This can attract more sophisticated investments, such as those in high-tech industries, research, and innovation.

5. Boost to Local Industry and Technology Transfer: Foreign investments facilitated by BITs can lead to the transfer of technology and management expertise, which can boost the productivity of local industries and create a more competitive domestic market.

6. Conflict Prevention: BITs often include provisions for regular consultations and cooperation between the countries involved, which can help prevent conflicts from escalating into full-blown disputes. This diplomatic dialogue can foster a more cooperative and stable investment environment.

7. Support for Small and Medium-Sized Enterprises (SMEs): By enhancing legal protections and providing dispute resolution mechanisms, BITs can help SMEs from both countries expand into each other's markets with more confidence, thereby contributing to economic diversification and growth.

ISSUES DELAYING BIT AGREEMENT:

1. Sovereignty Concerns: Countries fear BITs could limit their regulatory freedom, especially with Investor-State Dispute Settlement (ISDS) mechanisms that allow investors to sue governments.

2. Financial Liability: Potential for large financial awards against governments in arbitration cases, leading to reluctance in signing BITs.

3. Unequal Bargaining Power: Economic imbalances between countries can make negotiations challenging, with weaker countries fearing disadvantageous terms.

4. Domestic Political Pressure: Opposition from local groups (e.g., labour unions, environmentalists) or policy shifts can delay BIT agreements.

5. Legal Incompatibility: National laws may conflict with BIT terms, requiring time-consuming legal reforms.

6. Geopolitical and Economic Priorities: Countries may delay BITs due to broader geopolitical considerations or a mismatch with national economic goals.

7. Renegotiation of Old BITs: Countries like India are revising outdated BIT models to better align with current interests, causing delays.

WAY FORWARD:

1. Balance Investor Protection & Sovereignty: Ensure BITs protect investments while preserving the right to regulate in the public interest (e.g., health, environment).

2. Reform ISDS Mechanism: Reform Investor-State Dispute Settlement to prevent abuse and prioritize public interest in disputes.

3. Focus on Long-Term Investments: Attract high-quality investments in critical sectors (tech, infrastructure, clean energy) through stable and predictable frameworks.
4. Explore Regional & Multilateral BITs: Pursue regional or multilateral agreements to streamline regulations and enhance economic cooperation.
5. Prevent Disputes: Introduce preventive measures like consultations and diplomatic channels to resolve conflicts before arbitration.
6. Flexibility in BIT Terms: Include review mechanisms and sunset clauses to adapt BITs to changing economic and political contexts.
7. Promote Technology Transfer: Encourage foreign investment that supports local industry growth, innovation, and economic diversification.

CONCLUSION

India's Bilateral Investment Treaty (BIT) with the UAE signals a shift toward balancing foreign investment and sovereignty. As India negotiates new BITs, including with the UK, it aims to boost FDI while addressing issues like Investor-State Dispute Settlement (ISDS). BIT delays arise from concerns over sovereignty, financial liabilities, unequal bargaining power, domestic opposition, and legal conflicts. While BITs can attract investment and technology transfer, countries need to protect regulatory autonomy while ensuring investment security. India's updated approach focuses on balancing these priorities.

PRELIMS QUESTION:

Q. Consider the following: (2021)
1. Foreign currency convertible bonds
2. Foreign institutional investment with certain conditions
3. Global depository receipts
4. Non-resident external deposits

Which of the above can be included in Foreign Direct Investments?
A. 1, 2 and 3
B. 3 only
C. 2 and 4
D. 1 and 4
Answer: A

MAINS QUESTION:

Q. Discuss the significance of Bilateral Investment Treaties (BITs) in promoting foreign direct investment (FDI) and economic cooperation. How do BITs benefit both investors and host countries?
(250 words, 15 marks)

Ritik singh