

## II. THE CHALLENGES OF CHANGE IN MUNICIPAL MANAGEMENT

If the predictions concerning the rate of urban growth in Asia are dramatic, so too is the amount of funding required for the additional infrastructure needed to ensure the economic and social well being of the expanding urban population. The challenges of change in municipal management are therefore enormous. The ADB video *Cities under Siege* identifies the challenges facing municipal management. These include population growth, economic sustainability, and infrastructure issues involving clean water, transport, and environmental quality.

The challenges of change in municipal management demand that mayors and city managers think in new and creative ways to address the new issues. They need to challenge the way in which we have traditionally managed our cities. This is nothing less than undertaking the business of discovering the future.

Driven by the increasing challenges facing Asian cities, the scope of municipal management is changing. The challenge for municipal managers is to identify the paradigms they currently use and ask if these boundaries and behaviors are appropriate today, and will be in the future.

Keshav Varma's presentation to the Forum is provided as an example of paradigmatic change. As Commissioner of the Ahmedabad Municipal Corporation, he changed the community's perception of the Corporation from that of a

reactive and ineffective organization to one characterized as responsive and in which citizens were willing to invest by buying municipal bonds.

### **Keshav Varma**

*Former Commissioner*

*Ahmedabad Municipal Corporation*

I have the privilege of presenting to you the case study of the city of Ahmedabad, the capital city of the state of Gujarat, in the western part of India. Ahmedabad has a population of about 3.6 million people and has long been known as the ‘Manchester of India.’

I am proud to have been the Municipal Commissioner of this city for three years. What I will do today is relate to you an experience of convergence, an experience of pride, which I believe is so important in managing cities. City governance is not just the provision of infrastructure. City governance is much more than merely providing underground utilities. City governance has to be built very differently.

*Cities are the engines of growth. But what is fueling the engine?*

My fear is that we are not keeping pace with what needs to be done. The current professional level of city management is a matter of serious concern. Cities are the engines of growth. But what is fueling the engine? Is an old Indian locomotive driver throwing coal into the furnace, or is it being run by professionals?

Engines of growth are often run by people who do not appreciate the complexity of municipal management. They do not appreciate the role of the economy of a city and the damage that a city can cause to its neighbors. A badly governed city can make rural, agricultural, educational, and family health policies ineffective. For example, you can't have family health if you don't have basic infrastructure, and you can't have basic

infrastructure if you don't have the right city governance.

What I want to say here, very clearly, is that there is no scope for weak governance in city management. The time for skepticism and tentative approaches is gone. We have almost lost the race. We have to be aggressive, strong, and professional in developing and governing cities.

In presenting the case of the city of Ahmedabad, let me give you a profile of the Municipal Corporation. It is a large organization, encompassing all civic services and the provision of related infrastructure. These include education, water supply, sewerage, street lighting, medical services, fire service, roads and public transport, parks, and dike maintenance.

The story starts in 1994 when the city was hit by bubonic plague. This disease represents the ultimate in the failure of city management. When plague broke out in the city, the people were so angry that it was impossible for the Chief Minister to even enter the city without being threatened. I was assigned the daunting task of coordinating efforts to control the outbreak. In 10 weeks, we removed 65,000 tons of solid waste from the city.

Tensions ran high during this period. Once, while carrying out our work, we were nearly beaten up by members of the Jain community, who under normal circumstances are the most peaceful of the citizens of India. The reason for their animosity was the inaction of the Municipal Corporation and the unresponsive attitude of its employees. The spark that ignited this incident was the camera crew that was following us to document our efforts to clean the city. The Jains got the impression that we were more interested in cheap publicity than solving the problem. Fortunately, during the following months our relationship with the citizens steadily improved. In the end, their support for the Municipal Corporation became the main reason for

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our success.

I was appointed Municipal Commissioner in November 1994. The Corporation had been coping with great difficulties over the previous 20 years. The situation was so bad that public servants were reluctant to serve in Ahmedabad. There was a general perception that the Municipal Corporation smacked of corruption, and few people understood what was actually going on. Corporation staff members were reluctant to engage in a dialogue with the citizens about their problems. The Corporation was in such a defensive position that it ceased to be proactive.

Ninety percent of expenditure was going into salaries while only 10 percent was spent on actual maintenance and running the organization. On top of this, a very aggressive labor union exploited the situation. The institution thus represented vested interests with no concept of public service.

We received a contempt order from the High Court in which the Commissioner was asked to be present. The condition of roads was appalling. There were potholes two feet deep. Solid waste was not taken out of the city.

Such was the situation when the new management took over. Our challenge was how, in the face of all this adversity, to create credibility, hope, and confidence.

The first decision we took was that Ahmedabad would not turn to the state or central government for financial assistance. The city, we felt, needed to develop the capacity to raise its own revenue. This proposition was put to a town hall meeting of about 2,000 people. Many of these people were incredulous about our intentions. One administrator said, 'You people are talking strange things!' But we held firm that the city must be responsible for itself. My personal belief is that money is never the problem in city management. Using this concept as a guiding principle, we got

to work.

We decided to begin with something with high visibility, something that would make people stand up and take notice — taxes. The recovery of dues at the time was only 8.2 percent. Property tax had been taken over by the local mafia. Nobody believed in any kind of enforcement. When we announced that everybody would have to pay taxes, nobody took us seriously. That was one of the biggest problems. We wanted to send a message to the city that would make the seriousness of our intentions clear. Unless we were taken seriously, we would not be in a position to serve the people.

At the time the worst delinquent was the state government. After giving a single notice, we shut down the water and drainage connections of all state government offices and public sector corporations simultaneously. Despite the inevitable hue and cry that ensued, we held firm. The City Corporation of Ahmedabad, we affirmed, could not run an efficient operation by continuing to subsidize the state. They had to pay.

A huge controversy ensued. That was fine. We wanted controversy. Why? Because previously nobody took city government seriously. When the press took up the issue, we stridently told them that we were no longer in the business of subsidizing. A lot of feathers were ruffled, but a signal was given that nonpayment of taxes was no longer acceptable. The result? Within 15 days the state government paid its dues.

Another difficulty with which we had to contend was the influence and power of the local mafia, which controlled transport completely and assigned motorcyclists to escort the trucks through the checkpoints to avoid payment of the octroi (entry or exit taxes on goods). They had guns. One day, after monitoring the streets on a 24-hour basis, we caught a major underworld

figure escorting six trucks. He was apprehended, brought into the center of the city, and given the third degree in front of the public. More than 10,000 people witnessed the operation.

The apprehension and castigation of this man was important because we were trying to revive pride and confidence of people in the governance of their city. Three days after this incident, our income went up 25 percent. In five months the bank overdraft was eliminated, and in 2.5 years our annual income rose from \$35 million to \$65 million in spite of no increase in tax rates and no new taxes. Income from property tax went up from \$16 million to more than \$30 million per year during this period. The Municipal Corporation suddenly started to show a surplus.

The High Court of Gujarat issued several orders to stop the tough measures we were taking. However, while the Court was recessed for the winter vacation, we did a thorough cleanup job around the area of the court building. When the High Court opened, the Chief Justice was so surprised that he called me to ask what had happened. 'There seems to be a lot of good work taking place,' he said, adding that he would support the Corporation in all the tough measures it was taking.

Our next move was to start a cleanliness drive in public areas and night markets. We made these areas completely litter free. We began repairing important roads, making sure that the work was visible to government officers and politicians. We provided better lighting, including sodium lighting on major roads. People started talking. Impressed by our earnestness and hard work, they began to participate. Realizing they were finally appreciated, Corporation staff members began feeling better about themselves. Although only the surface of the problem had actually been scratched, people started saying that things were changing. The attitudinal difference was manifested in small but meaningful ways. When our officers queued for

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fuel at service stations, people would step aside and allow them to get through so they did not have to wait.

Once our credibility had been established, partnerships with people began to emerge. Industrialists, professionals, nongovernment organizations (NGOs), children — we engaged them all. Our message was very clear: you are special, this is a special city, you should be proud of it. One of our pride-engendering campaigns was that, unlike Mumbai, Calcutta, or Chennai, Ahmedabad was never governed by the British. We built on the role played by Gandhi, who came from Gujarat, in the freedom movement.

Partnerships started cropping up everywhere. Both NGOs and the private sector came forward. Together they established the city's first slum networking project, a \$100 million enterprise involving 1.2 million people. We were also the first city to seek a credit rating. Previously nobody was willing to provide a loan to us, but after Ahmedabad earned an A+ rating it was not difficult to raise capital.

We also started professionalizing the city's workforce of 48,000. Officers' qualifications were changed from mere graduate degrees to MBAs. We employed qualified chartered accountants and environmental engineers. Employment with the Municipal Corporation of Ahmedabad started to become a mark of distinction.

At all levels open and direct recruitment accounted for 30-40 percent of positions, as opposed to 100 percent by promotion earlier. Introducing the concept of direct recruitment of professionals into the Corporation did much for its prestige. Officers now had to go through our open interview/selection process. Automatic upgrading to officer level no longer existed. In the first round of recruitment we acquired 40 MBAs and chartered accountants to assist with fiscal and

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corporate planning. We started developing modern and sensible business processes like rolling plans. Things started happening in a very different way.

Industry started forging partnerships with the city. We called in Mr. Allan Jacobs from Berkeley, who started the first road partnership. We created the first commercial street, subsequently recognized by the Chairman of Marks and Spencer as the first classic business street in India. The private sector, which developed the commercial street, was given advertising rights. We forged a green partnership with NGOs and industry, and an urban forest sprang up. Some 31 parks and gardens were developed. When we handed over parts of the city to the private sector, a very interesting competition was engendered. At a recent international conference, Ahmedabad received a commendation from among 600 cities for its initiative in this area. Bangalore and Delhi did well, but Ahmedabad, never before known for its parks or gardens, was among the 23 cities to receive a commendation.

We also developed partnerships with professionals by subcontracting work to them instead of relying on Corporation engineers to do all the work. Public/private partnerships led to the creation of the first development board. Undertakings like Ahmedabad's first international finance and trade center were handed over to professionals.

The Corporation completely changed its standards of quality control. Let me cite an example. Many Indian civil servants are accustomed to disregarding politicians in governance. In my experience, once these people are accorded the respect that is their due, they will support you, thus becoming part of the whole development process. A major political party was thus persuaded to agree to the removal of 24 temples from the main streets. When we took some very serious action against

the unions, the politicians sided with us even though the unions belonged to the same party as the union membership.

Ahmedabad is also known to be a community-sensitive city. How then could we remove the temples obstructing the street and traffic? Because of the emotional integration that the city had achieved, we were able to remove certain temples and mosques, as well as a *gurudwara* — all of which were creating a problem for traffic flow.

One of the most important cultural changes was to completely open the City Corporation instead of allowing it to be a mystery. We drew aside the curtains so that everybody could see what was going on. People responded strongly.

The budget of Ahmedabad Municipal Corporation rose from \$115 million to \$265 million in two and a half years. I believe the budget has crossed \$280 million this year, which probably makes it the second largest budget in India next to Bombay. The Municipal Board gave Ahmedabad, which previously had a very dubious financial record, an AA credit rating. When the sale of municipal bonds opened on 16 January 1998, it soon closed due to oversubscription.

We have entered into a project programming joint venture. We also run future projects with Montgomery Watson for which we pay 2 percent. We have created two separate companies, one for project programming and one for converting solid waste to biofertilizer.

The concept of better land use and urban planning will make a difference of over \$60 million to the income of the city. We have also included an aspect of cultural heritage by encouraging the city in its development control regulations to try to express itself in terms of its past. Ahmedabad was known for its modern facade and for the way it was planned. We have now included cultural

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heritage as part of the planning process.

I want to emphasize that throughout this campaign about municipal governance we listened to the people. Throughout all our campaigns, even in the first polio campaign, we went directly to the children because the people of Ahmedabad had to be a party to this entire change process. This is fundamental to city governance. If the people are not with you, you cannot long remain in the driver's seat.

During the past three to four years, Ahmedabad has had no communal disturbances. We took serious action in our first polio campaign and immunized minority children. Similar successes were recorded in dealing with unions, providing clean water, and civil service reform. The most difficult accomplishment, the professionalization of the Municipal Corporation, will likely have the greatest impact.

One of the biggest problems in South Asia is that civil servants in city postings have a high turnover rate. They rarely stay for more than six to seven months. I therefore request ADB and the World Bank to help develop some kind of municipal management service for both the Indian Administrative Service and the Pakistan Civil Service.

I have told you the story of a city undergoing dramatic change. Under the new Commissioner, I believe the city is doing even better. An extremely dynamic person, he is leading in the right direction. Very soon Ahmedabad's Municipal Corporation will have a budget of over \$300 million.

So this is the story of Ahmedabad. I am very proud to have played a part in it.